

# QUICK-HITTING SURVEY BUDGETS & REVENUES

## Executive Summary

### Methodology

In February 2017, The Health Management Academy conducted a quick hitting survey of 30 Leading Health Systems regarding budgets and revenues. With a 33% response rate, the 10 responding Treasurers represent health systems with an average Net Patient Revenue of \$2.6 billion that own or operate 115 hospitals with almost 22,000 beds and approximately 1.1 million admissions annually.

### Key Findings

- Responding health systems reported an average total net revenue of \$3.8 billion in Fiscal Year (FY) 2016, with a budgeted total net revenue of \$4.0 billion in FY 2017.
- Health systems' overhead budget averaged \$915 million in FY 2016, while budgeting for a slight growth in FY 2017 to an average of \$991 million.
- A majority (80%) of responding health systems have a system services or central services function allocating costs to their regions.

### Results

Responding health systems reported an average total net revenue of \$3.8 billion (median: \$3.0 billion) in Fiscal Year (FY) 2016, with a budgeted net revenue of \$4.0 billion (median: \$2.9 billion) in FY 2017.

Health systems' overhead budget – defined as areas not directly related to patient care such as administration, business office, revenue cycle accounting, legal, insurance, and ACOs – averaged \$915 million (median: \$436 million) in FY 2016. Health systems budgeted for a slight growth in their overhead budgets in FY 2017 to an average of \$991 million (median: \$462 million).

Most (80%) health systems do not have a target for overhead as a percent of NPR. Health systems that do have a target for overhead range from 8.8% to 35.7% of NPR.

A majority (80%) of responding health systems have a system services or central services function allocating costs to their regions (Figure 1). In 2016, the average budget for health systems' central services function was \$351 million, with a budgeted growth to \$380 million in 2017. Allocation for the central services is commonly based on total expenses of the entity or based on revenue.

**“All overhead is allocated to the divisions based on the percentage of the division's operating expenses to the total operating expense of the system.” (TRS)**

Less than half (40%) of health systems report having duplicate services in their regions (Figure 2). Duplicated services are commonly administrative functions such as revenue cycle, reimbursement, human resources, coding, or other small financial or corporate services that are performed both regionally and centrally, or have not been fully integrated through the health system.

FIGURE 1. DO YOU HAVE A SYSTEM SERVICES OR CENTRAL SERVICES FUNCTION THAT YOU ALLOCATE COSTS TO THE REGIONS?

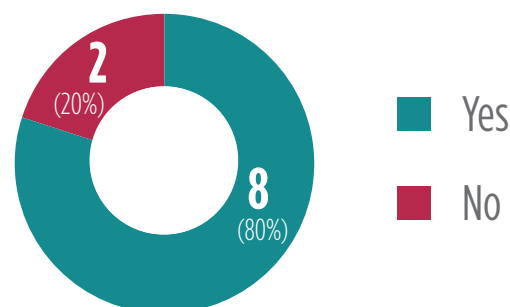


FIGURE 2. ARE THERE ANY DUPLICATE SERVICES IN YOUR REGIONS?

