Category: Financial Responsible Office: University Budget	Procedure Title: Health Care Enterprises - Budget Request Document Number: 7602 Effective Date: July 01, 2005 This procedure item applies to: College of Optometry Downstate Medical Center University at Stony Brook Health Science Center University of Buffalo - School of Medicine Upstate Medical University

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Summary

The State University of New York (University) operates three academic medical centers, a veterans' home and one optometric clinic. In conjunction with the University's annual planning process, these health care enterprises prepare multi-year financially driven strategic plans (financial plans). These financial plans are necessary to evaluate ongoing changes in market environment, federal and state reimbursement, and changes in medical technology. The University health care enterprises are required to provide these financial plans to system administration on an annual basis.

The University hospitals' current financial planning process began in 2001, following a series of multi-year studies completed with the assistance of an outside healthcare consultant. The financial plans are a tool to measure, evaluate and project the operations at each hospital with the hopes of attaining financial self-sufficiency over the long term. The University has defined self-sufficiency as attaining a positive cash flow after: payment of annual operating expenses; including the assessment for actual fringe benefits and debt service; state support from the executive budget; and repayment of the STIP loan balance.

The Long Island State Veterans Home provides a similar analysis to the hospitals. They provide a plan trended off the most current year end cash flows. The Veterans Home goal is to attain positive cash flow after payment of annual operating expenses, including the assessment for fringe benefits.

The optometric clinic operates under the College of Optometry. For information related to the optometric clinic, please refer to the Revenue Fund Guidelines: General IFR and SUTRA.

Process

1. Hospital Multi-Year Plan

The State University of New York (University) hospitals provide multi-year financial plans. The multi-year plan adjusts the most current year end cash and adds incrementally the strategic and operational initiatives that will be developed over the multi-year period. Additional components required in order to project the cash flows are as follows:

- Fringe Benefit Development — In 2001-02, the University hospitals began direct paying their full fringe benefit costs. The fringe benefit rate is based on the prior year end actual fringe benefit rate. Updates are made to incorporate any increases or decreases in premiums or fringe benefits from the prior year. These estimates are developed jointly by system administration and the University hospitals. These fringe benefit rates are then applied to the salary amount in the multi-year plan to develop fringe benefit costs.
- State Support — Direct State support was provided to the University hospitals beginning in 2001-2002. State support was provided in recognition of the fact that these hospitals must abide by state regulations and practices that increase their costs and restrict their ability to compete with non-profit and private hospitals. The subsidy recognizes these increased costs as they relate to fringe benefits, personal service costs, productivity and mission. System administration provides guidance as to the estimate for state support that is to be incorporated into the multi-year plan.
- Debt Service Payments — In 2001-02, the University Hospitals began direct payment of their debt service costs. System Administration, through the State University Construction Fund, provides each hospital with the current debt service payments. Debt service payments on new bonded capital or new TELP are estimated by the hospital and reviewed by System Administration.
- Medicaid Disproportionate Share Hospital Payments (DSH) — DSH payments are received to cover the costs related to caring for uninsured patients and Medicaid enrollees. These payments are based on the loss represented on Exhibit 47 of the Institutional Cost Report related to the care of the indigent. Two payments are received by the hospitals on a yearly basis, an initial payment in September, with a reconciliation payment in March. System administration consults with the University hospitals to develop the amounts that will be incorporated into the multi-year plans related to DSH. These estimates are based on the latest filed Institutional Cost Reports and the prior year's DSH payment.
- Bargaining Unit Agreements — University hospitals incorporate all costs related to settled bargaining unit agreements into the multi-year plan. System administration may provide summaries of newly settled bargaining units, should the hospitals request the information. System administration reviews personal service costs to assure that bargaining unit costs have been incorporated appropriately into the multi-year plan.
- Other Inflationary Factors — In order to project over multi- years, the University hospitals apply inflationary factors to the most current year's actual revenues and expenditures. Given that the University hospitals operate in distinct markets, they are allowed to use hospital specific inflationary factors. System administration reviews these inflationary factors for appropriateness and advises the hospitals to adjust as necessary. There are certain categories of revenues and expenditures in which it is not appropriate to apply inflationary factors, such as state support, DSH

and debt service, inflationary factors are not applied to these categories.

The multi-year plans are submitted to System administration and reviewed. Once approved, this information provides the basis for the appropriation request included in the budget request to division of budget. Each hospital is allowed to transfer appropriation between personal service and other than personal service (OTPS), subject to limits as specified in New York State Finance Law. Hospitals are allowed to increase appropriations for fringe benefits and debt service during the year, but they are not allowed to decrease the appropriation.

2. Long Island State Veterans Home Multi-Year Plan

Long Island State Veterans Home provides system administration with multi-year cash flow projections. The cash flow projections are based on the prior year-end cash balance and trended forward. The additional components required in order to project the cash flows are as follows:

- Fringe Benefit Development - The Veterans Home has the option of paying the State Rate at 85% or the Stony Brook hospital fringe benefit rate. (see above)
- Capital - The Veterans Home carries out capital projects through a combination of cash and VA grants.
- Bargaining Unit Agreements – The Veterans Home incorporates all costs related to settled bargaining unit agreements into the multi-year plan.
- Other Inflationary Factors – The Veterans Home includes additional costs due to inflation. System administration reviews the overall revenues and expenditures for reasonableness**.**

The multi-year plan is submitted to system administration and reviewed. Once approved, this information provides the basis for the appropriation request included in the budget request to division of budget. System administration provides the appropriation request to division of budget.

Forms
There are no forms relevant to this procedure.

Related Procedures
There are no related procedures relevant to this procedure.

Other Related Information

Revenue Fund Guidelines: Hospital Income Fund Reimbursable (HIFR)

The following links to FindLaw's New York State Laws are provided for users' convenience; it is not the official site for the State of New York laws.

Civil Service Law Article 14 (Public Employers' Fair Employment Act)

Public Health Law § 2801 (Definitions)

In case of questions, readers are advised to refer to the New York State Legislature site for the menu of New York State Consolidated.

Annual Executive Budget Overview by Agency

Authority

New York State Constitution Article 7(8) (State Finances)

Chapter 363 of the NYS Laws of 1998

State University Board of Trustees Resolution 93-47 adopted April 22, 1993.

History
There is no history relevant to this procedure.

Appendices
There are no appendices relevant to this procedure.