



SPECTRUM HEALTH





Annual Public Meeting

June 4, 2019

Agenda

Welcome

Tina Freese Decker
President & CEO

Report on Community
Commitments

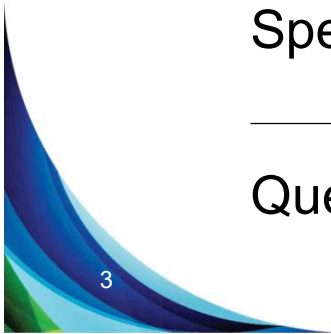
Mark Mossing
Member, Finance Advisory
Committee

Review of Stub Year 2019
Spectrum Health Budget

Matthew E. Cox
Chief Financial Officer

Question and Answer

All

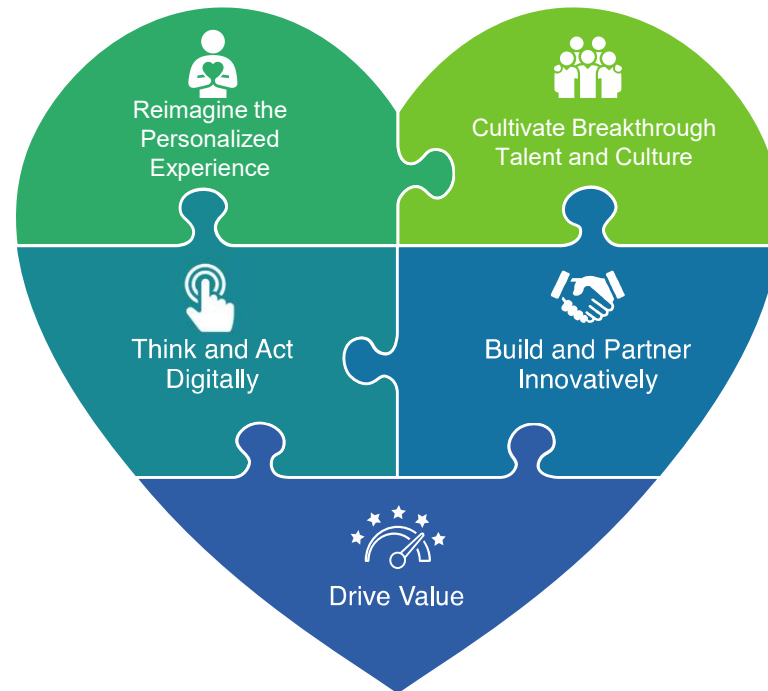


Spectrum Health | System Strategic Plan (2020-2030)

MISSION | Improve health, inspire hope and save lives

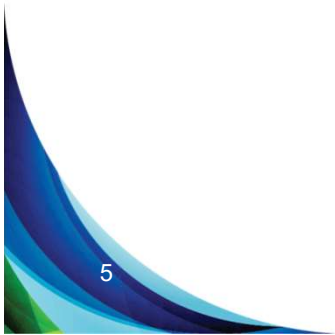
VISION | Personalized health made simple, affordable and exceptional

VALUES | Compassion • Collaboration • Curiosity • Courage



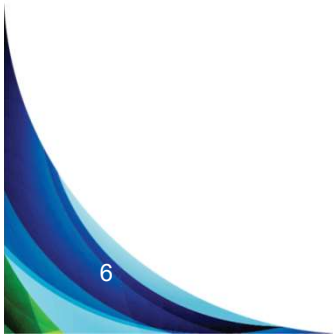
Change in Fiscal Year

- Fiscal year end is changing from June 30 to December 31, effective January 1, 2020
- Reviewing 6-month “stub period” from July 1, 2019 – December 31, 2019
- Public meeting in November 2019 to provide input on CY 2020 budget



Community Commitments

- Total margin not to exceed Moody's and Standard & Poor's upper quartile
- \$3 million 6-month budget for the underserved, annualized to \$6 million
- Open budget and pricing process



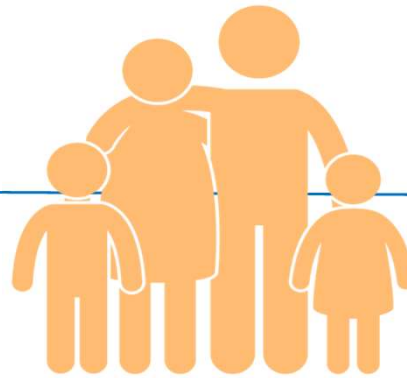
Spectrum Health – An Integrated Health System

July – December 2019

\$2.1 billion

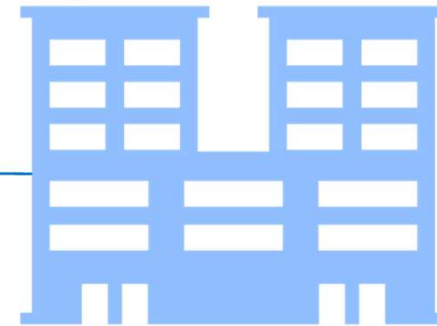


Financing



**System
\$3.6 billion**

\$2.0 billion



Delivery

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2019 Stub Period Budget (in millions) by Entity

	Spectrum Health Delivery System					2019 Stub Period Budget
	Priority Health	Blodgett Butterworth HDVCH	All Other Delivery System	All Other	Elims	
Operating revenue	\$ 2,086	\$ 1,121	\$ 551	\$ 295	\$ (470)	\$ 3,583
Operating expenses	2,077	1,050	539	280	(470)	3,476
Operating Margin	9	71	12	15	-	107
Non-operating income	17	1	-	35	-	53
Total Margin	\$ 26	\$ 72	\$ 12	\$ 50	\$ -	\$ 160
Operating Margin (%)	0.4%	6.3%	2.2%	5.1%		3.0%
Total Margin (%)	1.2%	6.4%	2.2%	15.2%		4.4%

2019 Stub Budget Highlights – Delivery System

- Delivery System revenue is projected to increase 2.8%
 - Inpatient admissions and Physician wRVUs flat with 2018 volumes
 - An average price increase of 3.0% will yield a 0.8% net revenue increase in SH Grand Rapids and 0.5% in the regions
- Benchmark enhancement of \$8M (including benefits)
- Supply chain transformation savings of \$5M
- Revenue cycle improvement/cost savings of \$10M

2019 Stub Budget Highlights – Priority Health

- Priority Health revenue is projected to increase 7.2% over prior year
 - Membership is projected to increase to 830,000 (5.6%), driven by growth in Commercial and Senior Markets
- Operating margin target remains at 2.0% on an annual basis
- Pharmacy trends have been mitigated through favorable re-contracting efforts
- Administrative costs ratio is expected to decrease in 2019 to 9.5%. This reflects the impact of membership growth and cost saving efforts

Strong & Stable Ratings

Aa3 Moody's

AA S&P

A AMBest

We believe this budget will support our targeted ratings.

Conclusion

- Total margin is benchmarked with Moody's Aa3 and S&P's AA rated organizations
- \$3 million commitment is included in the 6-month 2019 stub period budget (annualized to \$6 million)
- Price increase of 3% and a strong focus on cost reduction assumed in the 2019 stub period budget

FY18	FY19	Stub 19
6%	4%	3%

Discussion/Questions?



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