



**Spectrum
Health**

Annual Public Meeting

NOVEMBER 2, 2020

Agenda

Welcome

Tina Freese Decker
President & CEO

Report on Community
Commitments

Martin R. Jennings
Chair, Finance Advisory Committee

Review of Calendar Year
2021 Spectrum Health
Budget

Matthew E. Cox
Chief Financial Officer

Question and Answer

All

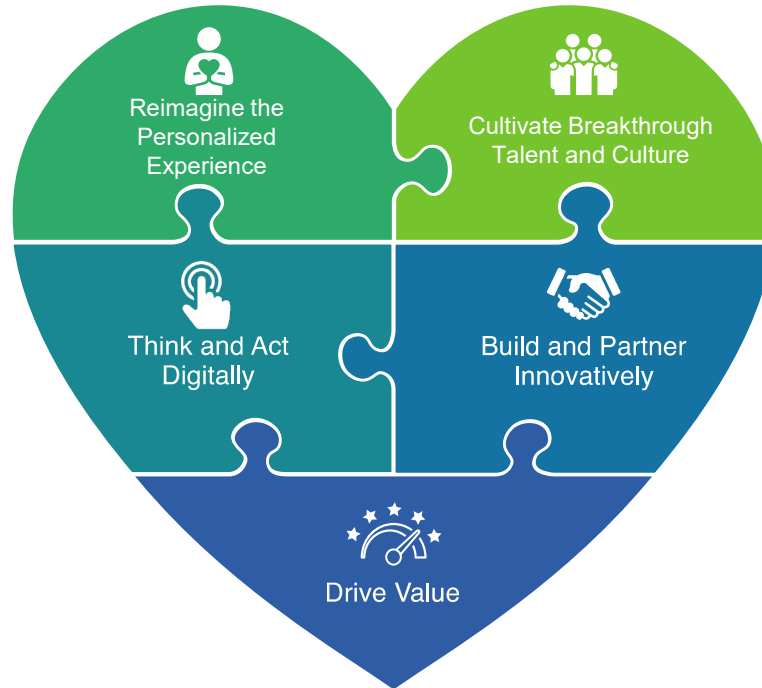
Spectrum Health | System Strategic Plan



MISSION | Improve health, inspire hope and save lives

VISION | Personalized health made simple, affordable and exceptional

VALUES | **Compassion • Collaboration • Curiosity • Courage**



Community Commitments

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

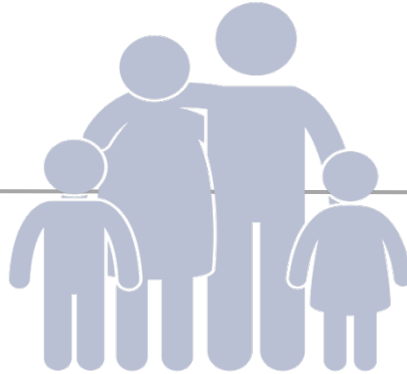
Spectrum Health – An Integrated Health System

2021

\$5.7 billion



Coverage



\$4.2 billion



Care Delivery

Spectrum Health System
operating revenue:
\$8.8 billion

2021 System Budget by Entity

	Spectrum Health West Michigan					2021 Budget
	Priority Health	Spectrum Health Grand Rapids	All Other SHWM	All Other	Elims	
	<i>(in millions)</i>					
Operating revenue	\$ 5,650	\$ 2,386	\$ 1,174	\$ 622	\$ (1,022)	\$ 8,810
Operating expenses	5,537	2,284	1,137	599	(1,022)	8,535
Operating Margin	113	102	37	23	-	275
Non-operating income	28	(1)	-	82	(4)	105
Total Margin	\$ 141	\$ 101	\$ 37	\$ 105	\$ (4)	\$ 380
Operating Margin (%)	2.0%	4.3%	3.2%	3.7%		3.1%
Total Margin (%)	2.5%	4.2%	3.2%	14.9%		4.3%

SH Grand Rapids 2021 Budget

	<u>Projected 2020</u>	<u>Budget 2021</u>
	<i>(in millions)</i>	
Operating revenue before Federal and State Funding	\$ 2,270	\$ 2,386
Operating expenses	<u>2,239</u>	<u>2,284</u>
Operating Margin before Federal and State Funding	31	102
Federal and State Funding	52	-
Non-operating income (loss)	-	(1)
Total Margin	<u>\$ 83</u>	<u>\$ 101</u>
Operating Margin (%) before Federal and State Funding	1.4%	4.3%
Operating Margin (%) after Federal and State Funding	3.6%	4.3%
Total Margin (%)	3.6%	4.2%

2021 Budget Highlights – Spectrum Health Grand Rapids

- Inpatient admissions increase 12% over 2020 volumes
- Outpatient increase 2.9% over 2020 volumes
- Physician wRVUs increase 10.8% over 2020 volumes
- An average price increase of 1.5% will yield a 0.4% net revenue increase in SH Grand Rapids and 0.25% in the regions.
- Benchmark and length of stay enhancement of \$25.2M (including benefits)
- Supply chain transformation savings of \$10.7M
- Revenue cycle improvements of \$15.4M
- Medical group access improvements of \$8.6M

Strong & Stable Ratings

Aa3 Moody's

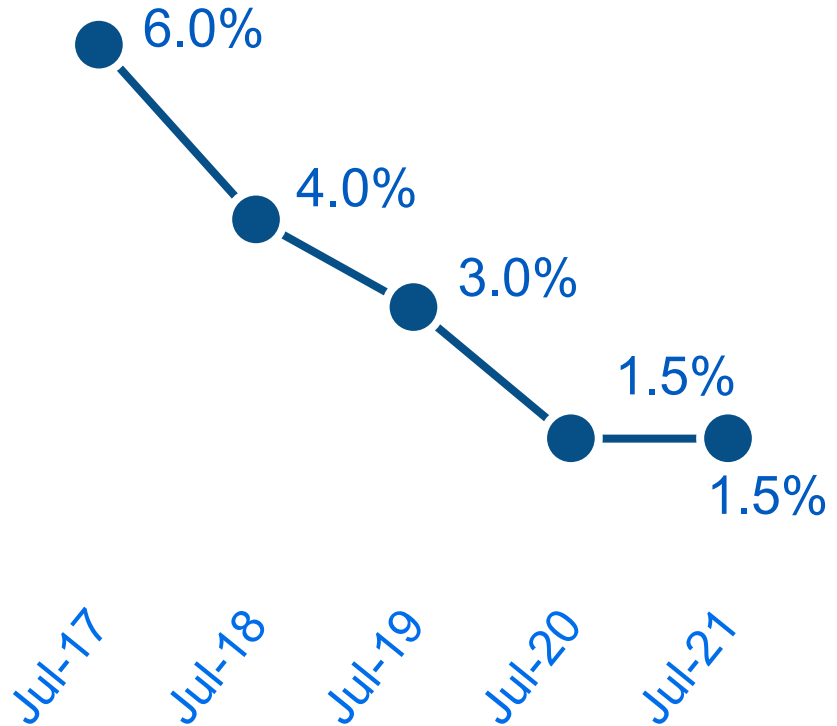
AA S&P

A AMBest

We believe this budget will support our targeted ratings.

Key Takeaways

- Total margin is benchmarked with Moody's Aa3 and S&P's AA rated organizations
- \$6 million commitment is included in the 2021 budget
- Price increase of 1.5% effective July 2021 and a strong focus on affordability and cost reduction is assumed in the 2021 budget





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Health**