

2022-2023 OPERATING & CAPITAL BUDGET



UMC Health System 2022-2023 Operating and Capital Budget

This budget will raise more revenue from property taxes than last year's budget by an amount of \$2,373,892, which is a 5.9% increase from last year's budget. The property tax revenue to be raised from new property added to the tax roll this year is \$763,939.

Table of Contents

President's Letter	3
How to Read This Document	21
2022-2023 Budget Assumptions	22
Health System Growth	23
Revenues and Expenses	25
Income Statement by Expense Category	27
Income Statement by Expense Area	28
Capital Equipment Budget	29
Capital Expansion Budget	38
Capital Expenditures, Net Income & Cash	41
Cash Forecast	42
Property Tax Calculation	43
Comparative Tax	44
Budget Summary	45
Budget Calendar	46

August 8, 2022

Honorable Curtis Parrish, County Judge
Terence Kovar, County Commissioner, Precinct 1
Jason Corley, County Commissioner, Precinct 2
Gilbert Flores, County Commissioner, Precinct 3
Chad Seay, County Commissioner, Precinct 4

Dear Judge Parrish and Commissioners,

The following budget documents have been prepared to comply with the Bylaws of the Board of Managers of the Lubbock County Hospital District d.b.a. UMC Health System (UMCHS) and support the Health System's Strategic Plan. These budget documents consist of three separate budgets: the 2023 Operating Budget, a three-year Capital Equipment Budget for the years 2023, 2024, and 2025 and a three-year Capital Expansion Budget for the same period. Each component also contains revisions to the original 2022 Budget.

The mission of UMCHS is threefold:

- **Charity:** Service is our Passion. We serve by providing safe, high quality care to all.
- **Education:** We train tomorrow's healthcare professionals.
- **Financial Strength:** And we achieve excellent financial performance.

The purpose of this document is to present the financial status of UMCHS as well as the operational, capital equipment, and capital expansion budgets – as they relate to our mission. You will find challenges and strategies, and as set by the UMCHS Board of Managers, a tax recommendation for your consideration.

UMC Health Strategic Plan | 2020-2025

Culture: Service Is Our Passion

Vision: To serve our Patients in the best Teaching Hospital in the Country.

Mission: Service is our Passion. We serve by providing safe, high quality care to all, achieving excellent financial performance, and training tomorrow's healthcare professionals.

	Service	Safety/Quality	Stewardship	Teamwork	Growth
Goal	To be the market leader in patient experience Attract consumers thru ease of access for providers & patients. Retain patients thru world class service Improve <i>Likely to Recommend</i> ≥ 90th percentile for all doors	To become a Highly Reliable Organization (HRO) Lead a War on Variation on all fronts → Maximize efficiency in our processes & costs Improve & standardize our early warning response → to reduce mortality Innovate patient flow: LWBS ≤ 3.5% and ALOS ↓ ½ day	To dominate the commercial market Partner with medical staff toward value-based, shared risk success (ACO/CIN) Ensure revenue growth outpaces expense growth thru collaboration and innovation Maximize margin thru expansion of strategic service lines Reduce Medicare Spending per Beneficiary to the state average thru post-acute cost control	To maximize job fulfillment for employees & providers Hardwire leadership competencies to drive out misery and add joy → to cultivate meaningful work Develop an optimal learning and teaching environment for faculty, students, residents, and fellows Respect, replenish and acknowledge all, behind the badge – leading by example Reduce employee turnover ≤ 16%	To be the most trusted brand, and provider of choice Expand telemedicine as a competitive alternative for urgent care consumers Grow outpatient volume off campus: ease, convenience, access → more attractive Develop a plan to meet community health needs → reducing hospitalizations Differentiate service lines to strengthen patient selection of, and loyalty to UMC
2022 Success:	Top 10% National Performer in Patient Experience	10% Reduction Preventable Harm thru High Reliability	Operating Margin ≥ 3 % to Fulfill our Mission	Employee Engagement ≥ 95th Percentile	SIOIP → Commercial Payer mix ≥ 30%
Ideal State: 2025	To be the market leader in patient experience, where consumers default to a point of trust regarding UMC. Offer seamless, digitally responsive, integrated care: One reg, one bill, one promise. <i>We must first be an option in order to be chosen.</i>	To function as a Highly Reliable Organization (HRO) → zero preventable harm, nimble response to disruption, best practice innovation, and excellent outcomes. Support the region with effective, seamless communication.	To dominate the commercial market as a preferred destination for strategic service lines, to develop UMC exclusive contracts among regional employers and to achieve the 4 aims: ↑ health outcomes, ↑ patient experience, ↓ costs and ↑ caregiver experience (joy).	To be the regional employer of choice, where employees enjoy meaningful work, a shared purpose, and ownership of our mission, yielding employee loyalty...beyond satisfaction... and UMC brand ambassadors of our culture.	To be the most trusted brand, and provider of choice where increasing commercial volume ensures ample margin to fulfill our mission. To successfully partner with TTU, UMCP and community providers to offer the best care: easier access, affordable and memorable.

Attitude	Communication	Responsiveness	Safety	Compassion	Teamwork	Ownership	Respect
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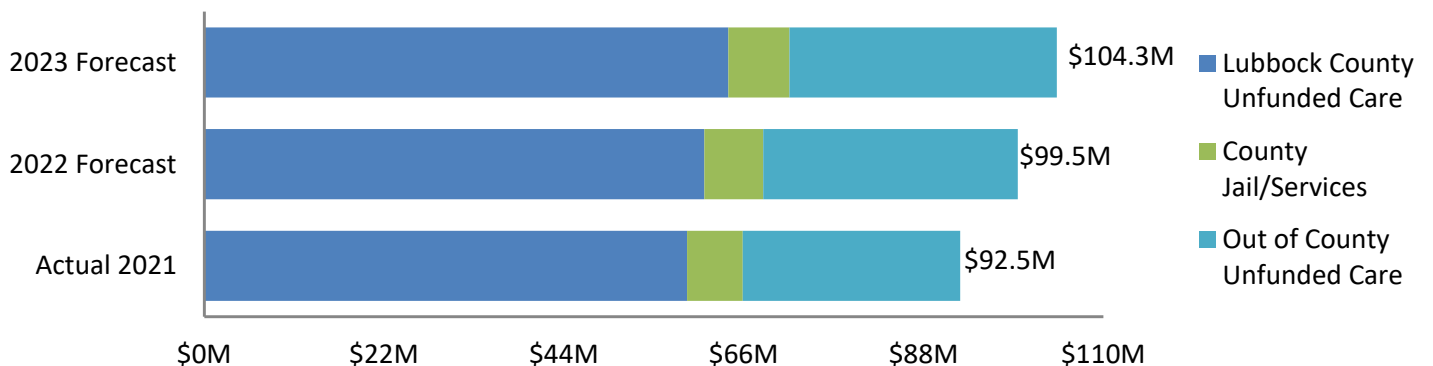
Proposed Budget Summary

(dollars in thousands)

	2021 Actual	2022 Original	2022 Revised	2023 Budget
Net Patient Revenue	\$644,276	\$660,841	\$659,230	\$699,473
Other Operating Revenue	11,925	8,255	8,697	8,778
Property Tax Revenue	25,839	26,066	29,095	30,540
Supplemental Funding	141,879	99,881	127,718	103,331
Total Operating Revenue	\$823,919	\$795,043	\$824,740	\$842,122
Less Operating Expense	736,785	770,838	799,998	838,890
Operating Income	\$87,134	\$24,205	\$24,742	\$3,232
Investment/Other Income	10,485	3,615	10,209	6,033
Nonoperating Income	1,323	1,217	423	506
Revenues Over Expenses	\$98,942	\$29,036	\$35,374	\$9,770
<i>Operating Margin</i>	<i>10.6%</i>	<i>3.0%</i>	<i>3.0%</i>	<i>0.4%</i>
Capital Equipment	\$26,128	\$29,984	\$26,070	\$43,184
Capital Expansion	31,336	94,537	82,541	111,549
Total Capital Outlay	\$57,464	\$124,521	\$108,611	\$154,733
Cash Balance	\$517,068	\$375,333	\$438,603	\$336,618

	2021 Adopted	2022 Proposed
Tax Rate	\$0.1031640	\$0.1031640

2021 - 2023 Cost of Unfunded Care

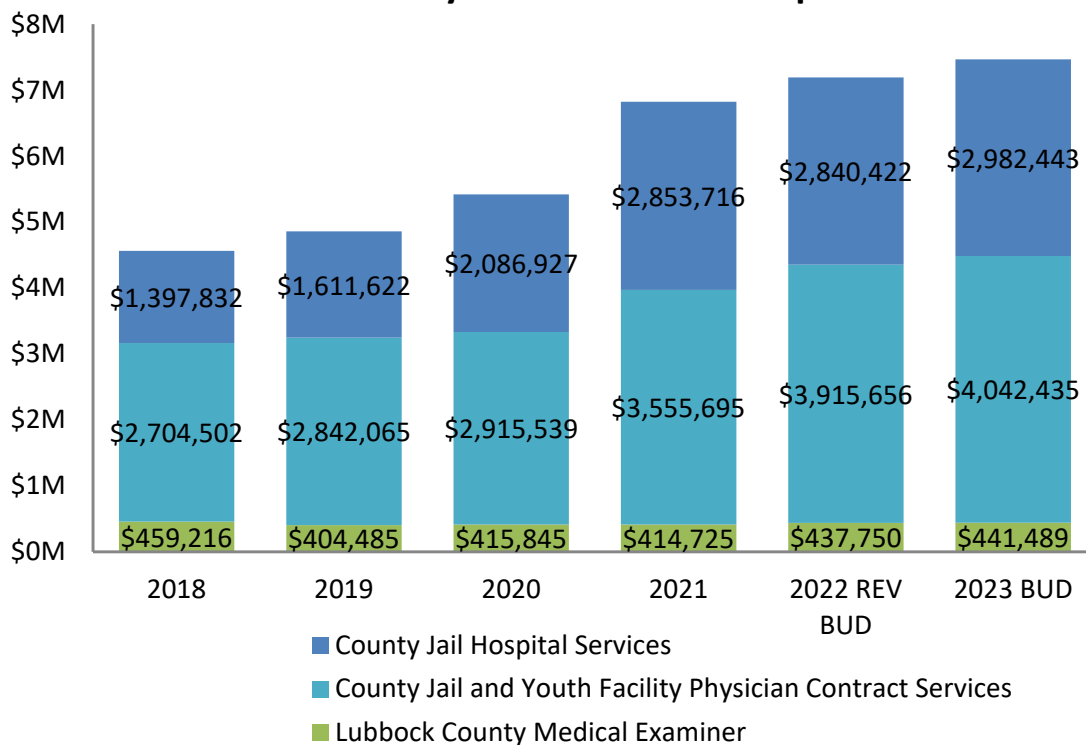


Our Mission of Charity: Service is our Passion. We serve by providing safe, high quality care to all.

In 2021, UMC Health System had over 732,000 patient encounters – serving nearly 30,000 inpatient admissions, 3,200 births, and 67,000 emergency visits. UMC Health System continued to be on the forefront of COVID response admitting nearly 1,500 COVID inpatients.

Over the last 44 years UMC – a public hospital for the citizens of Lubbock County and the only locally governed health system – has become a health system to be proud of and a great investment for Lubbock County taxpayers. In 2021, UMCHS provided \$154M in community benefit including charity care and educational support. Home to the community’s only Level I Trauma center at the UMC main campus, UMCHS has family-centered care clinics across Lubbock. In addition to the responsibility for providing medical and hospital care for the district's needy and indigent residents, UMCHS provides medical services for the Lubbock County Detention Center and the Lubbock County Juvenile Justice Center, as well support for the Lubbock County Medical Examiner.

County Jail and Services Expenses

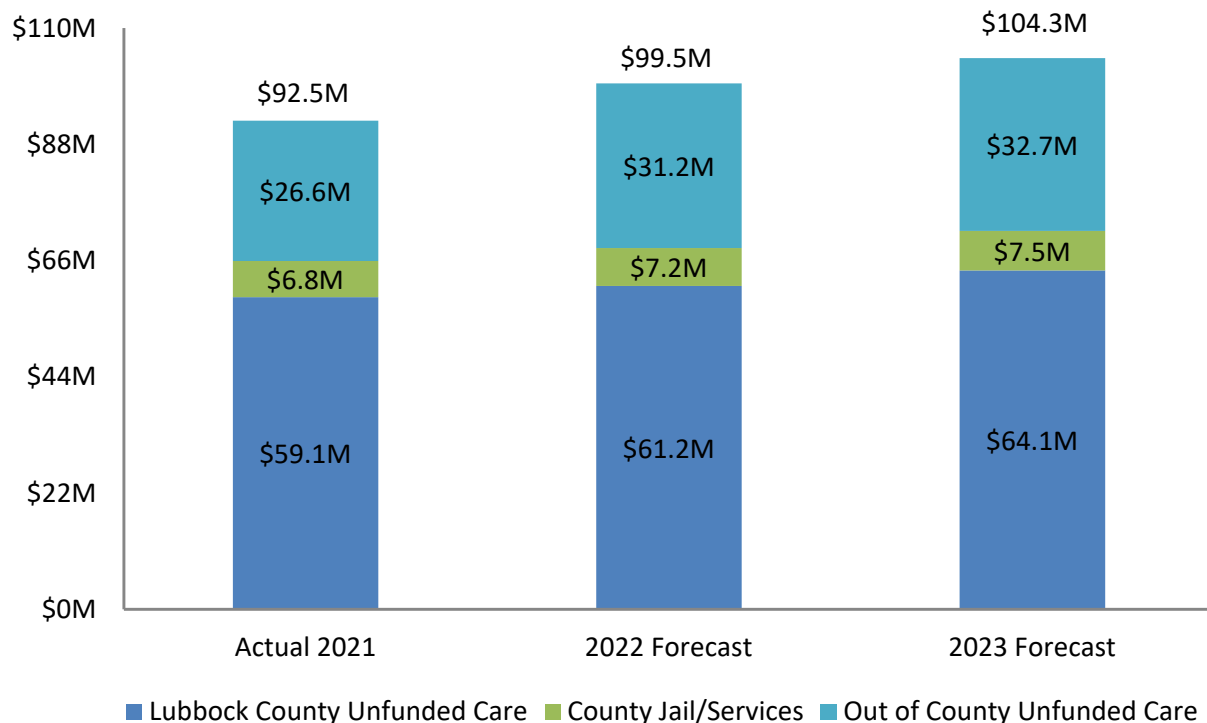


UMC serves through ***Passion in Action*** to the community. UMC EMS not only provides emergency ambulance and first responder services (32,000 transports in 2021), but provides safety education courses to schools, civic organizations, and businesses throughout Lubbock County, offering a variety of courses and serving over 19,000 citizens in 2021. Through care coordination and outreach, UMC impacted over 50,000 vulnerable citizens in 2021 by providing community paramedic visits to residents' homes, care interventions, and screenings. And, in partnership with the LBK Community Network, UMC worked with community partners to tackle social determinants of care that hinder the ability of vulnerable populations to secure healthcare (food insecurity, etc.).

UMCHS partners with the Texas Tech School of Medicine (TTUSOM) to provide care to underserved and vulnerable populations. Additionally, UMCHS provides a tremendous economic benefit to Lubbock County via financial support (salary and benefits) of 227 resident physician FTEs for the 2022-2023 academic year.

Team UMC provided over 28,000 volunteer hours in the Lubbock community in 2021 and was the #1 contributing organization to Lubbock United Way, at nearly \$500K.

2021 - 2023 Cost of Unfunded Care



Challenges: The cost to treat unfunded patients will increase from \$99.5M in 2022 to \$104.3M in 2023. The gap between the cost of unfunded care (\$99.5M) and tax receipts (\$29.1M) is large. This gap **must be narrowed** by a) Increased tax receipts; b) Medicaid Supplemental Funding – which is not guaranteed; and c) Commercially funded business, to be sought aggressively by improved access to **meet a growing need and achieve our strategic expansion plan.**

Strategies: Our five-year strategic plan requires increased outpatient revenue (imaging, diagnostics, infusion, surgery, rehab) via capital expansion in high demand areas **to generate margin for our mission.** Since the COVID-19 pandemic, UMCHS addressed this need for access by opening a new GI and Outpatient Services Center, expanding the Milwaukee and Orchard Park Family Medicine Clinics, opening a flagship primary care clinic with the first of its kind – a drive-through clinic option at 98th and Frankford, opening a dedicated Children’s Emergency Center, and fulfilling our mission, especially to North and East Lubbock, by opening Lubbock’s first 24/7 Urgent Care Clinic.

Future projects to increase access, answer the demand for expanded ambulatory services, and improve the health of our community include:

- The Health and Wellness Hospital to open in late 2023
- An updated UMC Children’s Hospital
- A new vision for the UMC Cancer Center, a shared commitment between TTUHSC and UMC that will bring care, treatment, and research closer to home

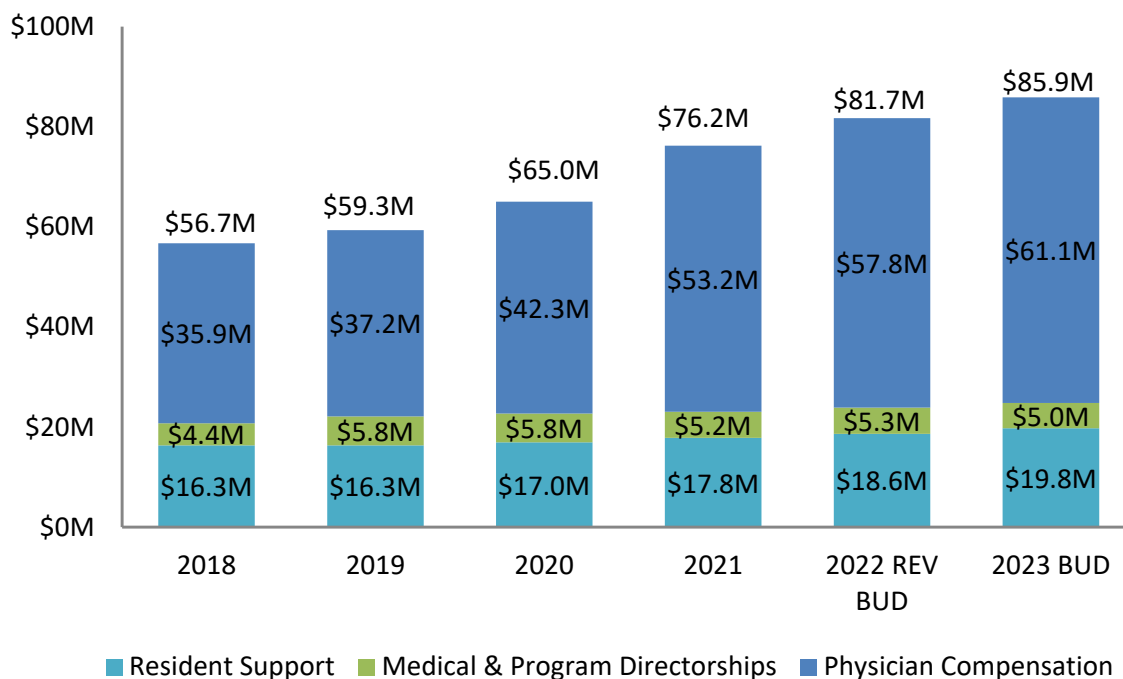
Our Mission of Education: We train tomorrow’s healthcare professionals.

As the primary teaching hospital of the Texas Tech University Health Sciences Center School of Medicine (TTUSOM), UMC is called to fund and prepare 227 Resident Physicians. In 2020, UMC and TTUSOM established the region’s first Emergency Medicine Residency program with a singular goal to attract, develop, and retain Emergency Medicine physicians in our region. UMC serves as a teaching hospital for hundreds of students from multiple disciplines and campuses.

Challenges: UMC will provide \$85.9M dollars of support to TTUSOM in 2023 for services provided, without which UMC as a major academic medical center could not function. TTUSOM and UMCHS collaborate to ensure services are available (as evidenced through the pandemic) while fulfilling an expanding teaching mission. The same challenges apply: increased unfunded care, increased demand for services – provided by resident physician staff, and a resulting increased cost of care.

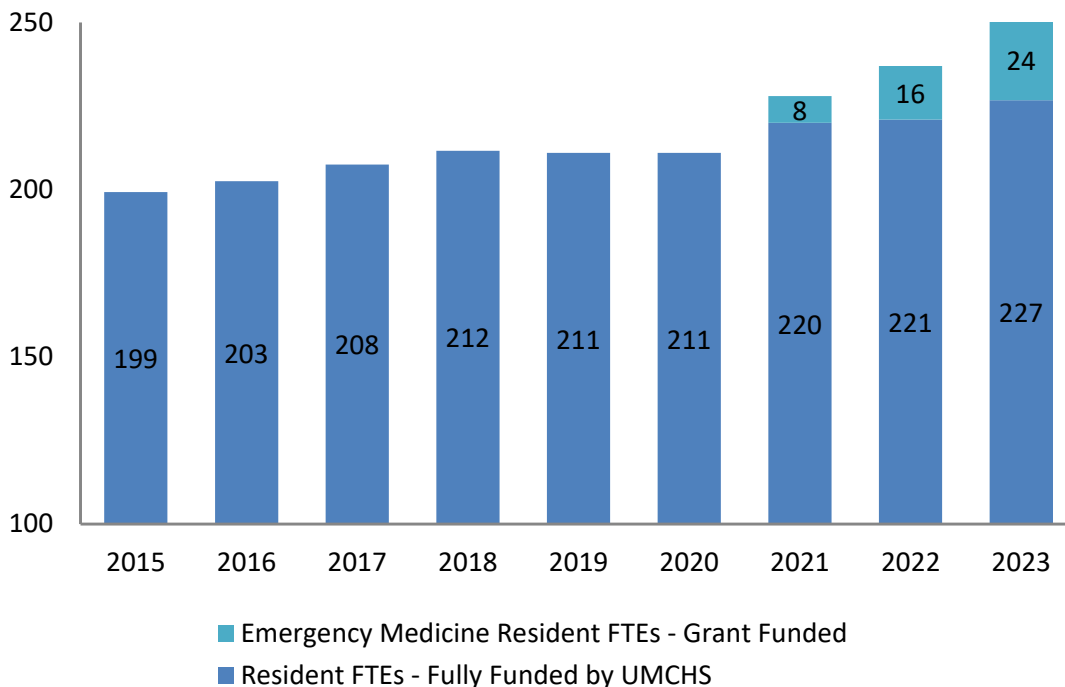
Strategies: TTUSOM is UMCHS’ largest, most important partner. UMCHS utilizes TTUSOM attending, resident, and fellow physicians to expand services, provide 24/7 coverage, and initiate continual improvement. UMCHS is partnering with TTUSOM to offer new models of physician compensation, to focus on productivity and revenue.

TTUSOM Physician Support



UMC increased its support of Resident funding from 221 to 227 residents between 2021 and 2023. UMC, in partnership with TTUSOM, opened the first Emergency Medicine residency program in July 2020 adding 8 initial residents and now up to 24. Additionally, UMC has committed to further needed investments in fellowship programs such as pediatric oncology, critical care, surgical oncology, and gastroenterology.

Resident FTEs Supported by Contract Year



Our Mission of Financial Strength: We achieve excellent financial performance.

The summary of 2021 was:

- Bottom line of \$98.9M and a margin of 10.6%
- Investment in 2021 of \$57.5M in equipment and expansion/facilities
- Zero debt and 252 days cash on hand

Due to the suspension of elective cases by the Governor's executive order in March and April 2020 as well overall decreased demand during the pandemic, net revenue and volumes were significantly impacted in 2020 and into 2021. The impact of COVID-19 to patient revenue and related expenses in 2020 was partially offset by \$9.9M in funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act, \$11.9M in Enhanced Federal Medical Assistance Percentages (FMAP) funding, and the COVID-19 HRSA Uninsured Treatment Fund. An additional \$5.8M in CARES funding was received in 2021 and \$346K in 2022. Additionally, UMCHS has applied to FEMA for emergency disaster relief funding of \$9.4M for the reimbursement of eligible expenses. \$3.9M has been received to date and is reflected in the 2022 revised budget.

Although these federal funding sources have helped mitigate the negative impact of COVID-19 financially over the last two years, we have not returned to pre-COVID volumes in all areas while at the same time supplemental funding sources continue to be challenged. Additionally, other challenges to operating expenses have surfaced as the economy emerges from the pandemic. Nationally, health systems are experiencing rising inflation including drug, supply, and fuel costs. The Bureau of Labor Statistics reports an 8.5% increase in the Consumer Price Index (CPI) for the year ended March 2022, which was the largest 12-month advance since 1981.¹ UMCHS is no exception and expects supply costs to increase 8.0% over 2021. Many supply areas including food and fuel are increasing from original budget estimates in 2022 and the 2023 budget expects increases of 6% to medical supply costs and 10% to fuel costs.

Inflationary increases around labor including retaining and attracting staff also remain a challenge post-pandemic. The Bureau of Labor Statistics reports healthcare employers increased pay and implemented other responses like one-time bonuses, incentives, and temporary wage premiums more than other industries to attract and retain employees during and after the pandemic.² Also driving growth industry-wide in labor expenses has been a reliance on contract labor. In 2022, UMCHS is expected to spend \$4M on external contract staffing (primarily Nursing and Respiratory Therapy) compared to \$2.4M in 2021. Additionally, \$9.3M is expected to be spent in 2022 for internal staffing contracts and other premiums like the COVID Care Differential in the first quarter of 2022.

Payroll and benefits overall are expected to increase \$29.3M or 10.7% from 2021. Due to higher premium pay for Nursing as well as other payroll initiatives this year including holiday overtime, retirement contribution plan changes, and market adjustments in some areas – 2022 payroll and benefits are up \$20.6M or 7.3% from original budget estimates.

The 2022 bottom line – excess revenue over expenses – is expected to be \$35.4M with a margin of 3.0%. This represents a higher bottom line but the same margin as original budget estimates. While supplemental funding is

1. "Consumer prices up 8.5 percent for year ended March 2022", *The Economics Daily Bureau of Labor Statistics*, April 18, 2022
2. "Establishment response to the COVID-19 pandemic in health care and social assistance", *The Economics Daily Bureau of Labor Statistics*, March 22, 2022

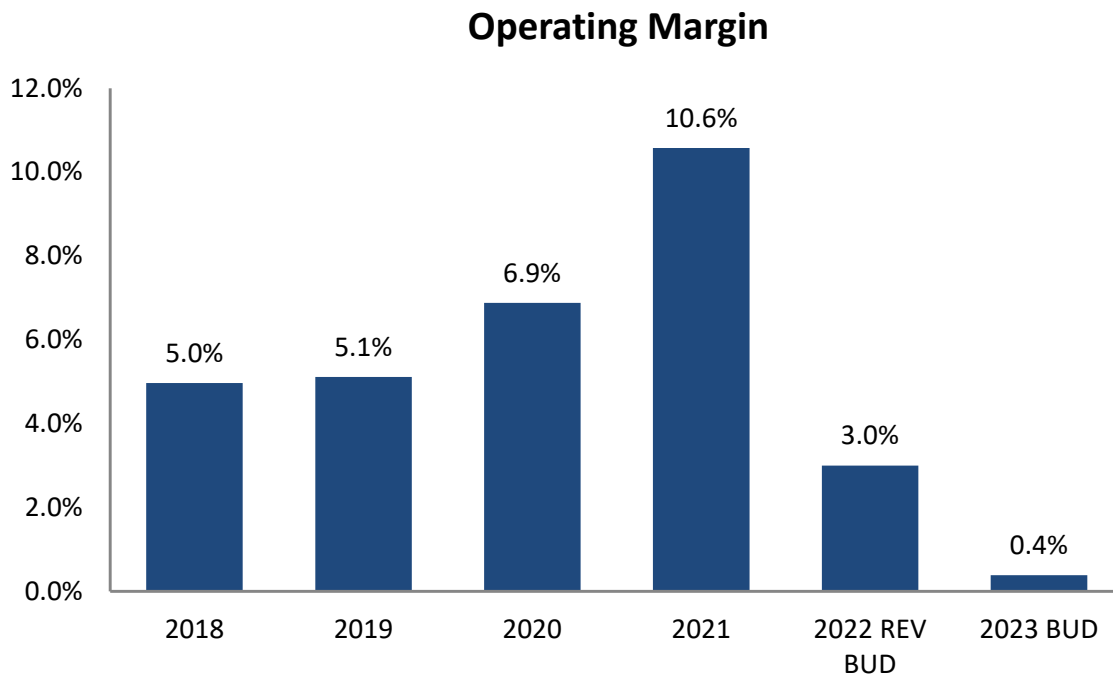


higher than originally expected, it is offset by increases in operating expenses. Operating income is flat but nonoperating revenue is higher than expected, particularly joint venture income from South Plains Rehab Hospital and \$3.9M in FEMA reimbursement.

The summary of 2023 is projected to be:

- Bottom line of \$9.8M and a margin of 0.4%
- Investment in 2023 of \$155M in equipment and expansion/facilities
- Zero debt and 152 days cash on hand

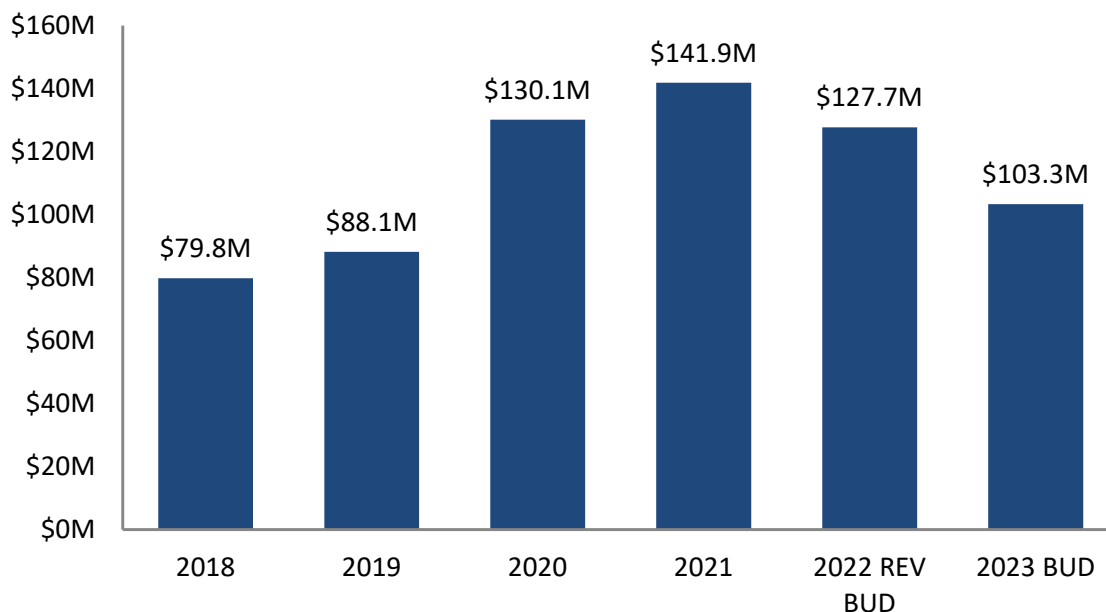
The declining bottom line over the past two years is a result of reduced supplemental funding (down \$24.4M), rapidly growing expenses (up \$63.6M), and the conclusion of federal relief funding received to mitigate the impact of COVID-19. The largest cost increases for 2023 are: 1) labor, including market raises to attract and retain service and clinical staff; 2) inflationary increases particularly to supplies; and 3) physician support for services, call, etc. For 2023, although hospital net patient revenue is expected to grow 6.3%, total operating revenues are only up 2.1% while total operating expenses are expected to grow by 4.9%, resulting in a reduction in net income of \$25.6M from 2022 to 2023.



Challenges: The operating margin goal established for 2022 was originally 3.0%. The Revised 2022 budget remains at 3.0% while 2023 decreases to 0.4%. The multi-year decline from 2021 is indicative of several challenges not expected to lessen over coming years.

- Increases in unfunded care and county medical services year over year. Last year UMCHS maintained the 2020 tax rate, but previously had not had a tax increase in 12 years.
- Expense growth exceeding revenue growth, particularly the need for premium pay to maintain staffing levels and inflationary pressures on supplies, fuel, and other areas – as well as ramp up costs related to the opening of the new Health and Wellness Hospital, including recruiting and onboarding a projected 200 FTEs.
- Decreases in supplemental Medicaid funding, particularly the Delivery System Reform Incentive Payment (DSRIP) program through the Texas Medicaid 1115 Waiver program concluding.
- Investment of \$141M in equipment and \$320M in expansion/facilities over the next four years (2022-2025) will challenge undesignated cash balance.

Medicaid Supplemental Funding



Strategies: Plans are in place to accomplish greater efficiency, reduce cost, and attract commercially insured revenue:

- Physician-driven pharmaceutical utilization (over \$63M cost annually).
- Physician compensation model changes (productivity based compensation).
- New revenue via digital health, UMC-only plans, and service line competition.
- Capital expansion targeted at commercially funded, high demand areas.
- Cash on hand fulfills the required 90 days of operating expenses for 2022. A strong cash balance provided stability through COVID-19 and has been our mainstay for capital and equipment reinvestment of nearly \$60M in 2021. Even with large investments, cash on hand yields zero debt and provides much needed interest income, \$2.6M in 2022 representing 7.4% of the bottom line.

Health System Growth

In 2019, a long-term strategic plan and a master expansion plan were developed, based on an extensive brand study and capacity analysis for UMCHS. The resulting directive was to expand access to services, based on current and future needs. Initiatives achieved within the last year include:

- 1) On the main campus: New Operating Rooms, the city's first 24/7 Urgent Care Clinic, and a dedicated Children's Emergency Center
- 2) Primary care access: New clinics including a flagship primary care clinic at 98th and Frankford with the first of its kind – a drive-through clinic option; Lubbock Children's Health Clinic support; and completed renovations of the historical Chatman Clinic and transferred ownership to Community Health Center of Lubbock
- 3) Supporting staff and physicians: Expanded Security, expanded Pharmacy options, increased food options including a new physicians dining room, and created the Tranquility Room and employed three counselors to promote emotional/mental/spiritual health

Additionally, philanthropic community support is a top priority of the health system.

COVID-19 defined 2020 and much of 2021: On January 20, 2022, UMC dedicated an Honor Garden, establishing a special place to honor those we lost among our own UMC family, the many treated and saved, and finally the entire healthcare team, at the bedside and beyond, for their extraordinary work as they sacrificed and persevered.

While COVID-19 has lessened its grip regarding patient volume, UMCHS must continue to grapple with supply chain issues, inflation, and climbing staffing costs – impacting our margin for the foreseeable future.

Recognizing value for your Health and Wellness, UMCHS:

- Ranks within the top 10% nationally for both patient experience (732,000 encounters) and employee satisfaction (4,600 employees)
- Named Best of Lubbock (AJ) and Best Companies to Work for in Texas (Texas Monthly) for the 9th consecutive year
- Named one of the World’s Best Hospitals 2022 (Newsweek)
- Named one of the Top 100 Hospitals for Patient Experience (Women’s Choice Awards)
- Ranked 21st out of 590 hospitals in Texas with a perfect 5/5 stars as “Willingness to Recommend” (US News)

Casting an eye beyond the pandemic, UMC has set a bold vision to fulfill our mission:

- UMC Health System is establishing the UMC Health and Wellness Hospital in late 2023, a remote hospital in Southwest Lubbock to meet a growing demand:
 - Timely access to healthcare is a priority as our community expands
 - Southwest Lubbock is estimated to add 50,000 residents by 2030
 - The current campus is nearly maxed out as far as available land
 - ***New*** patient volume at the Health and Wellness Hospital will fund the increasingly costly mission at the main campus – Charity, Education, and Financial Strength

- Beginning in 2022, through the generous support of the UMC Foundation, we will bring our expanded pediatric services together into an updated UMC Children’s Hospital
- Following a feasibility study and community needs assessment, a new vision for cancer care is underway. This shared commitment between TTUHSC and UMC will bring care, treatment, and research closer to home (opening December 2025)

While these projects, particularly the Health and Wellness Hospital, will impact capital spend and cash flow projections in this budget – operational impacts to volumes are more limited and forecasted to more greatly affect 2024 and beyond.

2022-2023 Capital Expansion Budget

The 2022 Revised Capital Expansion Budget is \$82.5M and the 2023 Capital Expansion Budget is projected to be \$112M. Noteworthy, strategic items include:

- Primary Care Clinic at 98th and Frankford Avenue (completed; total project cost \$7.9M)
- Investments in campus security (total project cost \$500K)
- Infrastructure continuation and other campus projects: Hero Garden (total project cost \$443K), Tranquility Room (total project cost \$296K), and Cafeteria expansion (total project cost \$2.2M)
- Main Lobby expansion (total project cost \$6.7M)
- Backfill of Endoscopy (main campus) into the new East Tower OR (total project cost \$4.1M)
- Pediatrics relocation to the East Tower for the updated UMC Children’s Hospital (total project cost \$18.3M)
- Lakeridge Clinic remodel (total project cost \$1.9M)
- Health and Wellness Hospital including a Medical Office Plaza, Urgent Care, and EMS location (total project cost \$143M)

The Capital Expansion Budget also includes \$9.2M for facilities projects for 2022 and \$7.4M for 2023. These infrastructure maintenance projects include HVAC and air handler upgrades, energy projects, and miscellaneous improvements and repairs to maintain our existing facilities.

And beyond 2023, significant strategic investments include the new UMC Cancer Center (total project cost estimated at \$95.2M).

2022-2023 Capital Equipment Budget

The 2022 Revised Capital Equipment Budget of \$26.1M includes \$5.0M of undesignated items (items unbudgeted or less than \$50K each). Significant capital equipment purchases for 2022 include: a surgical robot and other equipment for the new East Tower OR suites for \$4.4M, scope replacement in Endoscopy for \$2.2M, Cath Lab imaging lab equipment for \$1.0M, an OR hybrid room camera system for \$1.2M, and various information technology projects for \$4.5M.

The 2023 Capital Equipment Budget is projected to be \$43.2M, which includes \$5.0M for undesignated items. The budget includes \$21.8M for the new Health and Wellness Hospital including radiology, surgical, medical gym, and other equipment. Other significant capital equipment purchases for 2023 include: \$3.1M for radiology equipment on the main campus including a cat scan replacement (\$1.6M), ambulances and other first responder vehicles for \$1.0M, and various information technology projects for \$8.7M, including \$3.1M for patient accounting and registration software.

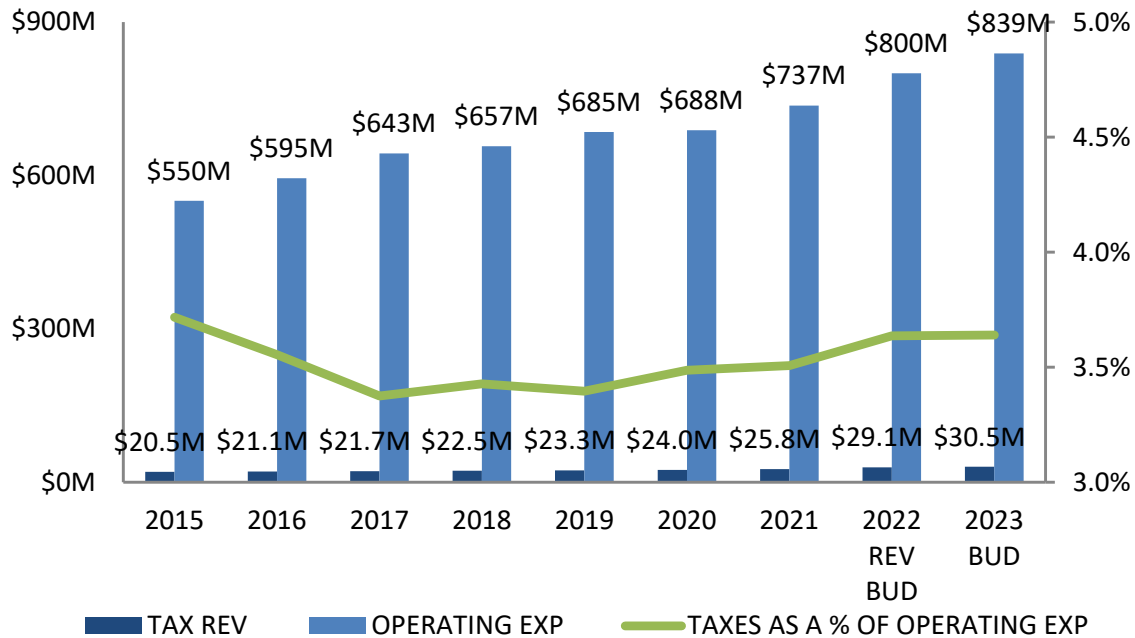
Looking beyond, the 2024 Capital Equipment Budget is projected at \$36.7M and includes significant investments in the new UMC Cancer Center for \$13.4M.

2022 Ad Valorem Tax Rate Set by the Board of Managers as Recommended to the Court

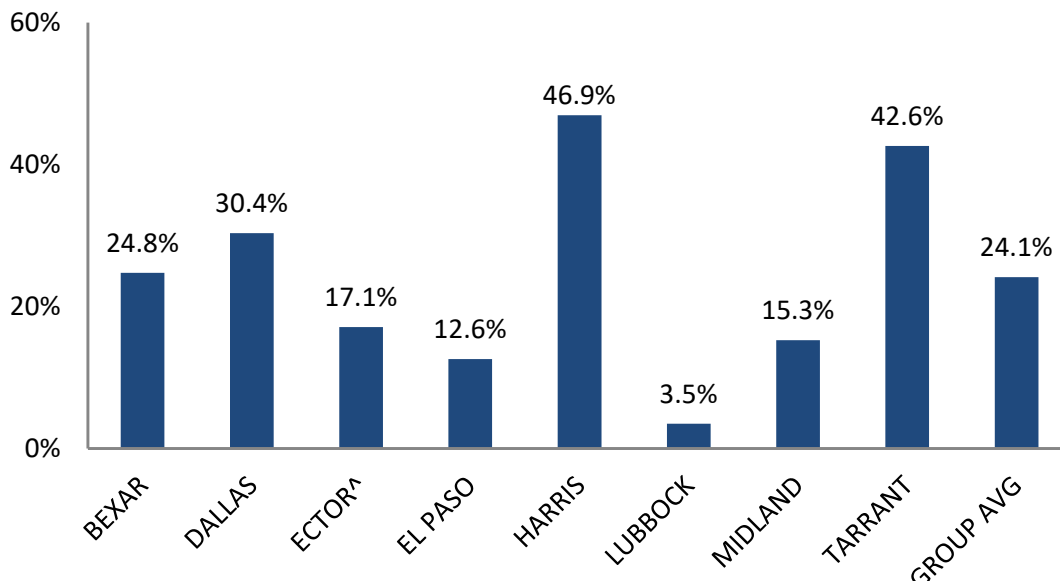
In 2021 ad valorem tax revenue represented 3.5% of total operating expenses. At the proposed tax rate for 2022, taxes will represent approximately 3.6% of total operating expenses for 2022 and 3.6% for 2023.

This represents ***the lowest*** among comparative hospital districts in Texas. By maintaining the current tax rate, tax revenue will increase by \$1.6M over 2021 on existing property. Additionally new property of \$784M will be added to the tax base resulting, gratefully, in an estimated additional increase in tax revenue for UMCHS of \$2.4M over 2021.

Taxes vs. Operating Expenses

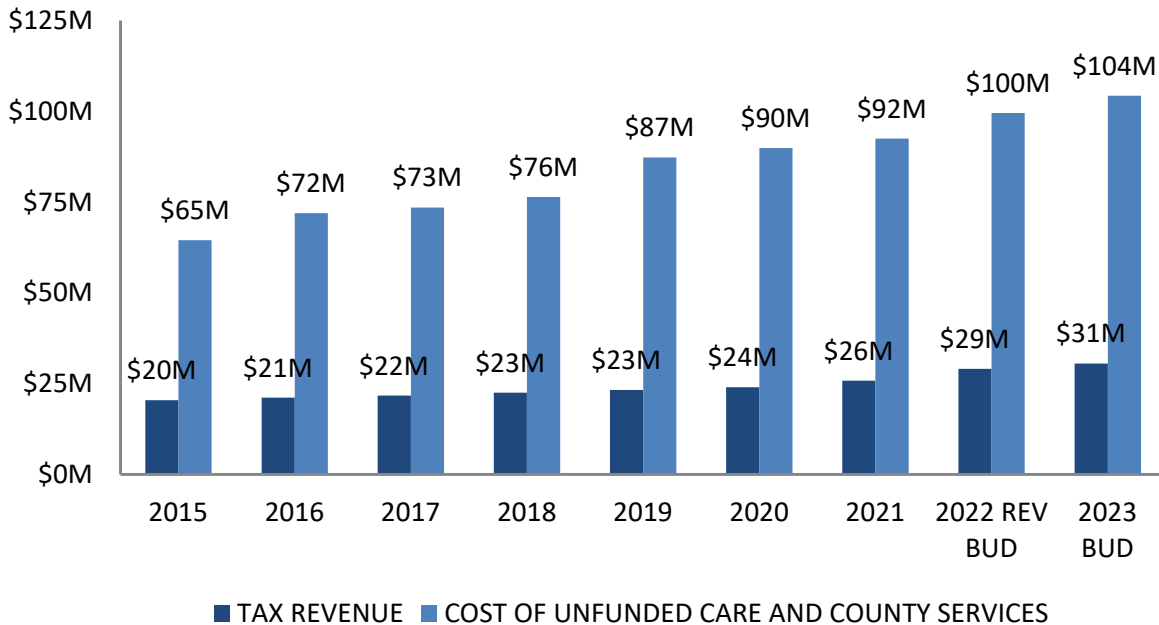


2021 Taxes as a Percentage of Operating Expenses for Select County Hospital Districts



Sources: 2021 Tax Levies (Texas Comptroller of Public Account website), Estimated Operating Expenses (individual entity websites). [^] Ector County assesses a property tax and sales tax, both of which are included in total tax levy.

Taxes vs. Cost of Unfunded Care & County Services



Summary of Important Facts

- At UMCHS, Service is our Passion. We strive to meet all components of our mission – Charity, Education, and Financial Strength – while practicing excellent stewardship and extending tremendous value to the citizens of Lubbock County. We are appreciative of tax receipts.
- Funding sources such as Medicaid Supplemental Funding are not guaranteed – evident per Washington’s repeal of the 10-year 1115 Waiver Expansion.
- Unfunded care (including inmate care) – our mission – exceeds tax receipts by 4 to 1.
- Yet, UMCHS leadership is committed to strategically necessary cost control, innovation, and revenue enhancement to limit the burden on Lubbock County taxpayers.
- Toward that end, a five-year strategic plan is underway, coupled with a master expansion plan and a philanthropic support plan – collectively necessary to meet missional demands through competitive strength and growth.
- To achieve our mission long term, UMCHS proposes maintaining the current tax rate, which is an increase over the No New Revenue Rate for 2022.

On behalf of the Board of Managers of UMCHS, I respectfully recommend the adoption of the current tax rate of \$0.1031640. I also recommend the approval of the 2023 Capital Expansion Budget of \$111,548,877; 2023 Capital Equipment Budget of \$43,184,035; and 2023 Operating Budget of \$838,890,438. Finally, I recommend the approval of the 2022 Revised Capital Expansion Budget of \$82,541,034; 2022 Revised Capital Equipment Budget of \$26,069,832; and 2022 Revised Operating Budget of \$799,997,814.

The detail of the operating and capital budgets as well as tax information can be found in the following document.

Our mission is grounded in a history of proper stewardship to the citizens of Lubbock County and exceptional value to our patients, medical staff, strategic partners, and over 4,600 employees.

Sincerely,

A handwritten signature in black ink that reads "Mark Funderburk". The signature is written in a cursive style with a prominent loop at the end of the last name.

Mark Funderburk
President and Chief Executive Officer
UMC Health System

How to read this document.

This budget document consists of three separate budgets: the 2023 Operating Budget, a three-year Capital Equipment Budget for the years 2023, 2024, and 2025 and a three-year Capital Expansion Budget for the same period. Each component of this budget also contains revisions to the original 2022 Budget. In addition, in certain instances, 2021 operating results have been included for comparative purposes. Due to the timing of the 2021 audit, the presented 2021 financial results are unaudited. Lastly, various types of graphic and numeric analyses, including analysis of the indigent care demands on UMCHS as compared to its ad valorem tax support, are provided for the purposes of illustration and comparison.

The 2023 Budget continues to be presented in summary format. The 2023 Budget is presented in this format because it is expected that it will undergo alteration during the coming year and the summary format will make changes easier to implement. If specific departmental information is needed, it will be made available by the Health System financial staff. It should be noted that prior to expenditures being made for items in the Capital Equipment Budget and the Capital Expansion Budget, these capital requests will be brought to the Board for final review and approval.

2022-2023 Budget Assumptions

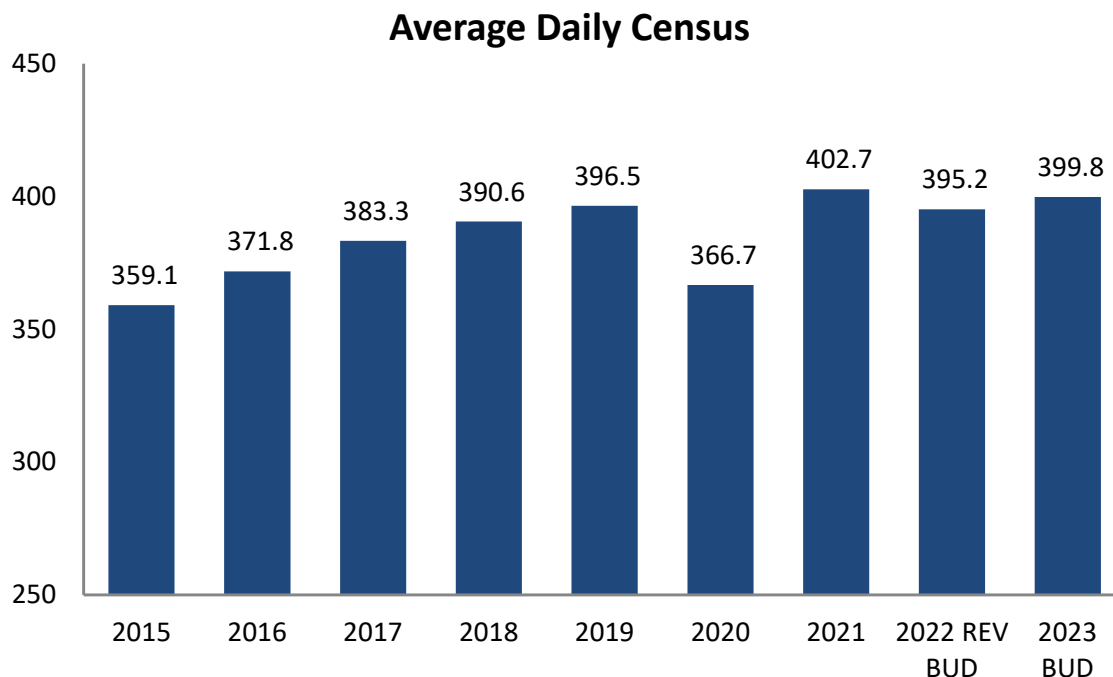
The Operating Budget is predicated upon a number of assumptions, including both internal operating forecasts and external industry, legislative, and regulatory factors. The results of the Operating Budget flow directly from the application of these assumptions. For the 2023 Operating Budget, as well as revisions to the 2022 Operating Budget, key budget assumptions are as follows:

ASSUMPTIONS	2021 ACTUAL	2022 BUDGET	2022 REVISED BUDGET	2023 BUDGET
INFLATION FACTORS				
Payroll	2.37%	2.50%	2.50%	2.50%
Supply Expenses	3.00%	3.00%	3.00%	6.00%
Purchased Services Expenses	3.00%	3.00%	3.00%	3.00%
Select Other Non-Payroll Expenses	1.00%	1.00%	1.00%	1.00%
AVERAGE DAILY CENSUS	402.7	395.2	395.2	399.8
BILLING RATE INCREASE	6.00%	6.00%	6.00%	6.00%

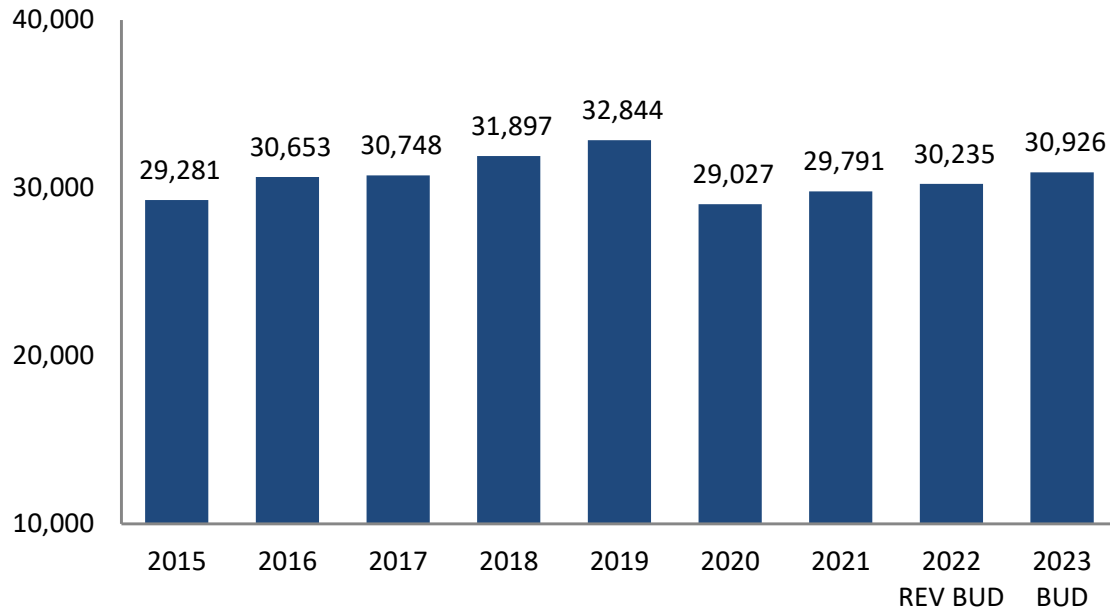
Health System Growth

Growth trends for the system were significantly altered by the pandemic in 2020. The suspension of elective cases by the Governor's executive order in March and April 2020 as well as overall decreased demand during the pandemic greatly impacted outpatient volumes particularly in Surgery, Cath Lab, and Endoscopy. While inpatient cases rebounded in late 2020 and throughout 2021, outpatient volumes have not fully recovered in all areas.

The original 2022 Budget forecasted volumes returning to levels more in line with 2019. Though census has trended slightly below budget year to date, based on seasonality census is expected to finish at the original budget of 395.2. Inpatient census projections are expected to increase by 1.2% to 399.8 for 2023. More robust growth in inpatient activity will be impacted by renovations in some units and unit relocation plans with the move of Pediatrics to the East Tower for the updated UMC Children's Hospital.



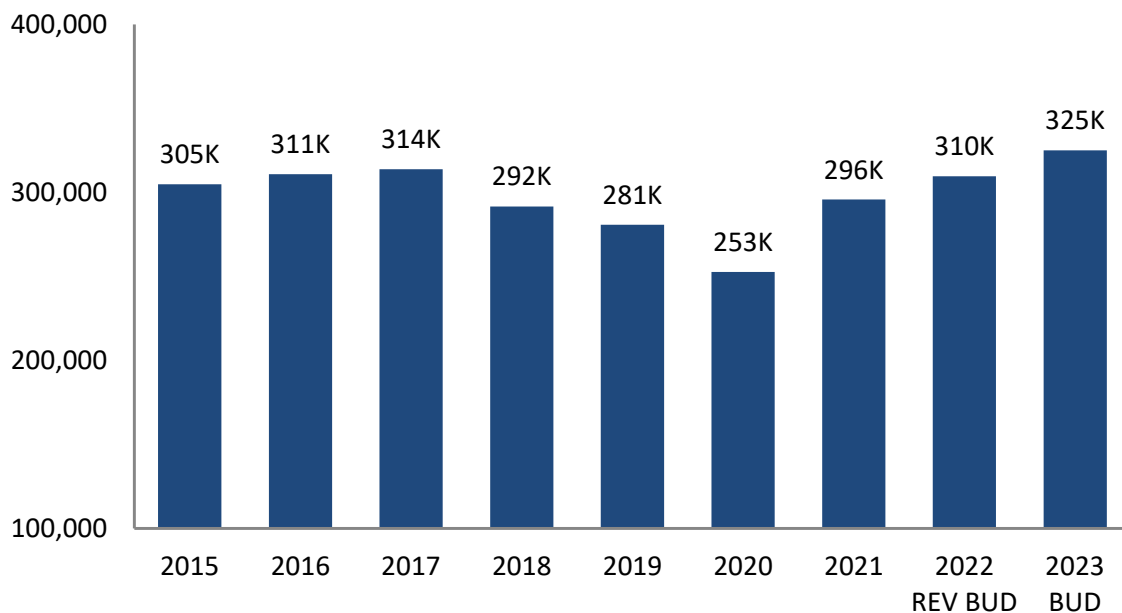
Total Admissions (Excluding Newborns)



In line with census, admissions are near the original budget and expected to increase slightly into 2023.

Due to the loss of elective volume in April 2020 and the impact of COVID-19 on demand throughout 2020, visits were down 10% in 2020 rebounding some in 2021. Expected 2022 outpatient volumes continue to approach pre-COVID levels and are projected to increase 4.7% over 2021 with the opening of the new East Tower OR in late 2022. 2023 is forecasted to have a more robust growth pattern as outpatient activity continues to return to a pre-COVID state and the new East Tower OR is fully open.

Total Outpatient Visits



Revenues and Expenses

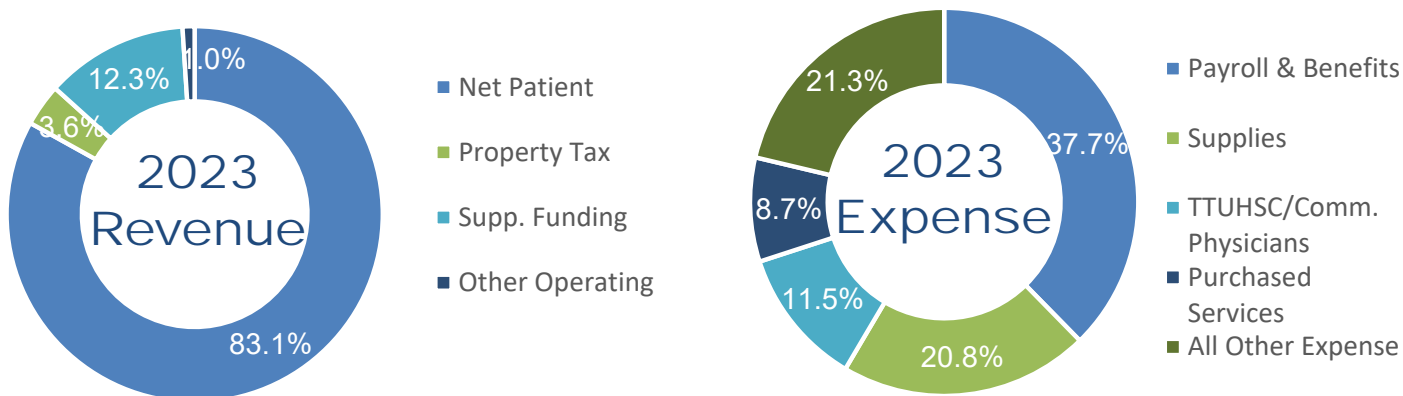
In the original 2022 Operating Budget, it was expected that the Health System would have excess revenue over expenses of \$29.0M. The revised 2022 Operating Budget now forecasts the Health System will have excess revenue over expenses of \$35.4M, an increase of \$6.3M from the original budget. Inpatient census projections for 2022 are down 1.8% from 2021 due to higher COVID-19 inpatient volumes last year but remain in line with the original 2022 budget. Outpatient activity has yet to return to pre-COVID levels in select areas, but the overall mix of business results in hospital net revenue increasing \$2.7M or 0.5% from original budget estimates. Total operating revenues are expected to increase \$29.7M or 3.7% from the original 2022 budget due to increases in supplemental funding (\$27.8M), with higher DSH/UC and NAIP projections along with unexpected DSRIP revenue as that program sunsets this year.

The Health System has experienced operating expense increases in 2022 of \$63.2M or 8.6% over 2021 levels. Much of the increase (\$29.3M) is due to labor cost, to retain and attract staff while competing with exorbitant contract “traveler” agreements. In 2022, UMCHS is expected to spend \$4.0M on external contract staffing (primarily in Nursing and Respiratory Therapy) compared to \$2.4M in 2021. Additionally, \$9.3M is expected to be spent in 2022 on internal staffing contracts and other premiums like the COVID Care Differential, with another \$1M of costs for recruiting international candidates. Supply costs are expected to increase from 2021 by \$11.6M due to increased outpatient volumes and inflationary increases, but these are \$924K or 0.6% lower than the original 2022 budget due to lower than expected volumes in some areas, including implant cases. Purchased Services are expected to grow \$7.0M over 2021 due to information technology expenditures, contract labor in Respiratory Therapy, and other volume driven purchased services. Physician fees paid to TTUSOM, UMCP, and community physicians increased \$6.0M or 6.9% over 2021.

Operating expenses in the revised 2022 Operating Budget are up 3.8% from the original budget, driven by payroll and benefits which increased \$20.7M or 7.3% due to payroll initiatives in late 2021 and 2022 including holiday overtime, retirement contribution plan changes, and market adjustments. Purchased Services are expected to increase \$5.5M or 8.4%, driven by Respiratory Therapy contract labor and information technology costs. Funding support to TTUSOM will increase \$3.8M or 4.3%. Nonoperating revenues are expected to decrease \$1.2M from 2021 due primarily to the CARES funding (\$9.9M) in 2021, mitigated by the \$3.9M of FEMA funding received in 2022 and better performance by joint ventures.

Absolute reliance on DSH/UC, 1115 Waiver, and NAIP funds to generate a positive bottom line continues. Uncertainty around funding formulas and the continuance of these programs presents challenges when setting future budget expectations. 2022 shows an increase of \$27.8M in supplemental funding from original budget estimates due to increases in DSRIP (\$6.1M) which was expected to end in 2021, DSH/UC (\$15.8M), NAIP (\$4.0M), and a full year of the new TIPPS program (\$1.1M). 2023 decreases \$24.4M due to lower DSH/UC funding and the conclusion of the DSRIP program.

During 2023, UMCHS expects to have excess revenue over expenses of \$9.8M, which is a decrease from 2022 of \$25.6M. Total expense growth is expected to be 4.9% in 2023, due to volume, inflationary increases, and ramp up expenses associated with the new Health and Wellness Hospital, including recruiting and onboarding an estimated 200 FTEs. Hospital net patient revenue is expected to increase 6.3% driven by growth in outpatient areas, but total operating revenue growth is only 2.1% due to lower supplemental funding. With the higher increase in expenses relative to operating revenue, operating margin decreases from 3.0% to 0.4% in 2023. Nonoperating revenue decreases in 2023 (-38.5%) due to the \$3.9M of FEMA disaster relief funding received in 2022.



Income Statement by Expense Category

(dollars in thousands)

	2021 ACTUAL (Unaudited)	2022 BUDGET	2022 REVISED BUDGET	2022 BUDGET CHG %	2023 BUDGET	2023 BUDGET CHG %
REVENUE						
NET PATIENT SERVICE REVENUE						
HOSPITAL	\$580,137	\$594,054	\$596,749	0.5%	\$634,567	6.3%
UMC PHYSICIANS	50,093	52,254	47,626	(8.9%)	49,053	3.0%
EC PHYSICIANS	4,873	4,901	5,668	15.7%	6,006	6.0%
RADIOLOGY PHYSICIAN SERVICES	9,173	9,633	9,187	(4.6%)	9,847	7.2%
OTHER OPERATING REVENUE	11,925	8,255	8,697	5.3%	8,778	0.9%
AD VALOREM TAX REVENUE	25,839	26,066	29,095	11.6%	30,540	5.0%
MEDICAID SUPPLEMENTAL FUNDING	141,879	99,881	127,718	27.9%	103,331	(19.1%)
TOTAL OPERATING REVENUE	823,919	795,043	824,740	3.7%	842,122	2.1%
OPERATING EXPENSES						
PAYROLL & BENEFITS	273,738	282,338	303,005	7.3%	316,122	4.3%
PROFESSIONAL SERVICES	16,450	17,635	17,034	(3.4%)	15,545	(8.7%)
SUPPLIES	146,004	158,542	157,619	(0.6%)	174,643	10.8%
PURCHASED SERVICES	64,437	65,981	71,494	8.4%	72,641	1.6%
OTHER DIRECT EXPENSES	29,397	32,754	34,534	5.4%	35,574	3.0%
INTEREST	36	53	23	(56.7%)	23	3.0%
DEPRECIATION & AMORTIZATION	39,960	40,947	41,144	0.5%	42,378	3.0%
TTUHSC/OTHER PHYSICIANS	86,260	88,420	92,219	4.3%	96,698	4.9%
UMC PHYSICIANS	56,170	61,107	57,337	(6.2%)	58,765	2.5%
EC PHYSICIANS	14,495	13,178	14,360	9.0%	14,854	3.4%
RADIOLOGY PHYSICIAN SERVICES	9,839	9,883	11,229	13.6%	11,647	3.7%
TOTAL OPERATING EXPENSES	736,785	770,838	799,998	3.8%	838,890	4.9%
OPERATING INCOME (LOSS)	87,134	24,205	24,742	2.2%	3,232	(86.9%)
NONOPERATING REVENUES						
INVESTMENT INCOME	8,733	3,013	6,815	126.2%	2,622	(61.5%)
INVESTMENT IN JOINT VENTURES	1,752	601	3,393	464.5%	3,410	0.5%
NET NONOPERATING INCOME	1,323	1,217	423	(65.2%)	506	19.5%
TOTAL NONOPERATING REVENUES	11,808	4,832	10,632	120.0%	6,538	(38.5%)
EXCESS/(DEFICIT) REVENUE OVER EXPENSE	\$98,942	\$29,036	\$35,374	21.8%	\$9,770	(72.4%)

Income Statement by Expense Area

(dollars in thousands)

	2021 ACTUAL (Unaudited)	2022 BUDGET	2022 REVISED BUDGET	2022 BUDGET CHG %	2023 BUDGET	2023 BUDGET CHG %
REVENUE						
NET PATIENT SERVICE REVENUE						
HOSPITAL	\$580,137	\$594,054	\$596,749	0.5%	\$634,567	6.3%
UMC PHYSICIANS	50,093	52,254	47,626	(8.9%)	49,053	3.0%
EC PHYSICIANS	4,873	4,901	5,668	15.7%	6,006	6.0%
RADIOLOGY PHYSICIAN SERVICES	9,173	9,633	9,187	(4.6%)	9,847	7.2%
OTHER OPERATING REVENUE	11,925	8,255	8,697	5.3%	8,778	0.9%
AD VALOREM TAX REVENUE	25,839	26,066	29,095	11.6%	30,540	5.0%
MEDICAID SUPPLEMENTAL FUNDING	141,879	99,881	127,718	27.9%	103,331	(19.1%)
TOTAL OPERATING REVENUE	823,919	795,043	824,740	3.7%	842,122	2.1%
OPERATING EXPENSES						
NURSING SERVICES	124,541	125,051	139,787	11.8%	141,370	1.1%
CLINICAL ANCILLARY SERVICES	261,717	277,563	281,814	1.5%	307,051	9.0%
PHYSICIAN PRACTICE	634	2,120	2,151	1.4%	2,205	2.5%
UMC PHYSICIANS	56,170	61,107	57,337	(6.2%)	58,765	2.5%
EC PHYSICIANS	14,495	13,178	14,360	9.0%	14,854	3.4%
RADIOLOGY PHYSICIAN SERVICES	9,839	9,883	11,229	13.6%	11,647	3.7%
SUPPORT SERVICES	33,722	34,019	35,960	5.7%	36,771	2.3%
FISCAL SERVICES	48,172	50,742	54,172	6.8%	56,103	3.6%
ADMINISTRATIVE SERVICES	57,255	63,447	65,430	3.1%	66,520	1.7%
TTUHSC/OTHER PHYSICIANS	86,260	88,420	92,219	4.3%	96,698	4.9%
COUNTY MEDICAL SERVICES	3,985	4,307	4,372	1.5%	4,504	3.0%
INTEREST	36	53	23	(56.7%)	23	3.0%
DEPRECIATION & AMORTIZATION	39,960	40,947	41,144	0.5%	42,378	3.0%
TOTAL OPERATING EXPENSES	736,785	770,838	799,998	3.8%	838,890	4.9%
OPERATING INCOME (LOSS)	87,134	24,205	24,742	2.2%	3,232	(86.9%)
NONOPERATING REVENUES						
INVESTMENT INCOME	8,733	3,013	6,815	126.2%	2,622	(61.5%)
INVESTMENT IN JOINT VENTURES	1,752	601	3,393	464.5%	3,410	0.5%
NET NONOPERATING INCOME	1,323	1,217	423	(65.2%)	506	19.5%
TOTAL NONOPERATING REVENUES	11,808	4,832	10,632	120.0%	6,538	(38.5%)
EXCESS/(DEFICIT) REVENUE OVER EXPENSE	\$98,942	\$29,036	\$35,374	21.8%	\$9,770	(72.4%)

Capital Equipment Budget

The 2022 Revised Capital Equipment Budget is \$26.1M, which is \$3.9M less than the original 2022 budget of \$30.0M. The decrease is the result of multiple changes in the budget which include: the removal of items no longer necessary in the amount of \$1.6M, transfers of items to future years in the amount of \$4.6M, a net decrease on capital items already purchased from the original budget of \$1.3M, and the addition of new items to the budget in the amount of \$3.5M.

The 2022 Revised Capital Equipment Budget of \$26.1M includes \$5.0M of undesignated items (items unbudgeted or less than \$50K each). Significant capital equipment purchases for 2022 include: a surgical robot and other equipment for the new East Tower OR suites for \$4.4M, scope replacement in Endoscopy for \$2.2M, Cath Lab imaging lab equipment for \$1.0M, an OR hybrid room camera system for \$1.2M, and various information technology projects for \$4.5M.

The 2023 Capital Equipment Budget is projected to be \$43.2M, which includes \$5.0M for undesignated items. The budget includes \$21.8M for the new Health and Wellness Hospital including radiology, surgical, medical gym, and other equipment. Other significant capital equipment purchases for 2023 include: \$3.1M for radiology equipment on the main campus including a cat scan replacement (\$1.6M), ambulances and other first responder vehicles for \$1.0M, and various information technology projects for \$8.7M, including \$3.1M for patient accounting and registration software.

Looking beyond, the 2024 Capital Equipment Budget is projected at \$36.7M and includes significant investments in the new UMC Cancer Center for \$13.4M.

**UMC Proposed Capital Equipment Budget
Items over \$50,000
Revised 2022 - 2025**

Budget Description	Proposed Budget
2022 Budget	21,069,832
2022 Undesignated	5,000,000
2022 Total	\$26,069,832
2023 Budget	38,184,035
2023 Undesignated	5,000,000
2023 Total	\$43,184,035
2024 Budget	32,707,782
2024 Undesignated	4,000,000
2024 Total	\$36,707,782
2025 Budget	8,090,600
2025 Undesignated	26,909,400
2025 Total	\$35,000,000

2022 Capital Equipment Budget

	Budget	Purchased
CATH LAB		
Balloon Pumps - 2022	242,249	
Replacement of Cath Lab 2 Imaging Equipment	1,006,001	X
Vascular and Echo Ultrasound Machine	214,897	X
EMERGENCY CENTER		
Belmont Rapid Infuser	104,385	
EMS		
Ambulances - 2022	250,000	
AMBUS Cardiac Monitors	69,182	X
Autopulse Mechanical CPR Device - 2022	64,000	
First Responder/Supervisory Vehicle - 2022	70,000	
NICU Ambulance Replacement - 2022	250,000	
INFORMATION TECHNOLOGY		
CareAware - 2022	60,000	
Cerner 2022 Scope of Use	100,000	
Cerner CCE Replacement	80,000	X
Cerner Opioid Toolkit and Electronic Prior Authorizations	127,891	
Chemical Fire Suppression for BATC	300,000	
Enterprise Resource Planning - 2022	300,000	
Identity Access Management	311,325	X
IT Infrastructure Refresh Fund - 2022	2,100,000	
Network Closet Cameras and Sensors	65,000	
Software Licensing True Up - 2022	200,000	
South Dark Fiber Ring - 2022	234,919	X
Tier I Storage Replacement	650,000	
LABS		
Flow Cytometer Processor	165,000	
Micro Middleware Software	165,000	
NURSING SERVICES		
Ceiling Lifts for CICU x6	156,336	X
RADIOLOGY		
Canon Omnera 500A System	291,159	
Canon Soltus 500 40kw Digital Mobile X-Ray System - 2022	300,000	
Mammography Machine	495,000	
Operating Room OEC Elite MiniView C-Arm	88,560	
Portable Ultrasound Machine	45,310	X
Replacement Ultrasound Machine	90,620	X
Room #3 - Philips Azurion 3 F15 Vascular Single Plane System	881,314	X
Ultrasound Machines - 2022	420,000	

2022 Capital Equipment Budget

	Budget	Purchased
SUPPORT SERVICES		
Accumax Mattresses - 2022	114,615	X
Basic Stretchers	56,000	
Conference Center Tables, Chairs, and Dollies	83,633	X
Emergency Center Stretchers	88,800	
Hamilton G5 or C6 Ventilators - 2022	195,116	X
Patient Room Blinds	390,000	
Picture Perfect Room Remodel Equipment - 2022	200,000	
V60 Bipaps - 2022	125,421	X
SURGICAL SERVICES		
Alaris IV Pump Modules	225,000	
Anesthesia Machines for East Tower ORs	232,610	
BK Ultrasound Machines and Probes	198,936	
CMAC Video Laryngoscope	98,279	
Ethicon Neuwave Ablation system	90,000	
Getinge Meera Surgical Table	102,000	
Getinge-Maquet Magnus Table	410,801	X
Hydrowarmer Blanketrol	120,775	X
Intuitive DaVinci Xi Single and Dual	2,459,500	
Mizuho Trios Table 4th Floor	143,456	
Neuro Combo and Crani Sets	50,000	
Olympus Scope Replacement	2,166,047	X
Phillips Azurion Hybrid Room Camera System	1,224,285	X
Storz Equipment 4th Floor OR	496,036	
Storz Sinus Lenses and Nasal Sinus Endo	69,000	
Stryker Berchtold Tables - 2022	115,000	
Stryker Cameras and Lenses	60,000	
Stryker Dual CD8	70,000	
Stryker ENT Scopis Navigation	114,142	
Stryker Equipment for 4th Floor ORs	973,903	
Stryker PI Drive Neuro Drills	349,143	
Urology Laser	149,187	X
Subtotal	21,069,832	
Undesignated or Less Than \$50,000	5,000,000	
Grand Total	\$26,069,832	

2023 Capital Equipment Budget

	Budget	Purchased
HEALTH AND WELLNESS HOSPITAL		
1.5T MRI Machine	2,200,000	
3T MRI Machine	2,400,000	
Canon Soltus 500 40kw Digital Mobile X-Ray System	294,612	
CT Scan Machine - First	1,400,000	
CT Scan Machine - Second	1,600,000	
Medical Gym Equipment	1,394,838	
IR Ultrasound Machine	60,000	
Mini C-Arm for Operating Rooms	80,000	
OEC 9900 Elite CFD 31cm Digital Mobile Super C C-Arm ESP	194,160	
OR Equipment	2,500,000	
Other Equipment for Services	7,488,845	
Philips Azurion7 M20 I.R. Single Plane System	1,140,298	
Philips DigitalDiagnost C90 X-Ray	378,814	
Philips Proxi N90 RF System	371,728	
Ultrasound Machine	280,000	
CATH LAB		
Balloon Pumps - 2023	242,249	
EMS		
Ambulances - 2023	500,000	
Ambulances Idalou and Shallowater - 2023	330,000	
First Responder/Supervisory Vehicle - 2023	140,000	
INFORMATION TECHNOLOGY		
Automated Appointment Reminder Replacement	72,940	
BATC Data Center UPS Battery Replacement	55,000	
CareAware - 2023	60,000	
Cerner 2023 Scope of Use	100,000	
Cerner Infection Control Module	250,000	
Cerner Patient Accounting - 2023	3,117,296	
Clairvia Acuity System	560,000	
CyberSense Offline Backup Intelligence Software	350,000	
DR Virtual Desktop Infrastructure - 2023	175,000	
IT Infrastructure Refresh Fund - 2023	2,200,000	
Kronos Dimensions Implementation	228,000	
Phillips Network Switch Replacement	576,000	
Production PACS Storage Replacement	400,000	
RTLS Asset Tracking Hardware and Implementation - 2023	350,000	
Software Licensing True Up - 2023	150,000	
VitalSync Integration	95,000	

2023 Capital Equipment Budget

	Budget	Purchased
LABS		
Blood Culture Instruments	301,500	
Red Cell Washer	87,000	
Simplexa PCR Instrument	150,000	
NURSING SERVICES		
Giraffe Omni Beds-Isolettes – 2023	106,094	
Infant Radiant Warmers - 2023	79,928	
Phillips IntelliVue X3 Patient Monitors	67,082	
Phillips MMX Modules - 2023	111,756	
RADIOLOGY		
Canon Soltus 500 40kw Digital Mobile X-Ray System - 2023	320,000	
Cat Scan Replacement	1,600,000	
Digital Mobile Super C C-Arms - 2023	400,000	
MRI Compatible IV Pump	80,000	
Radiology Artificial Intelligence Technology	250,000	
Ultrasound Machines - 2023	420,000	
SUPPORT SERVICES		
Accumax Mattresses - 2023	63,504	
Hamilton G5 or C6 Ventilators - 2023	197,950	
Picture Perfect Room Remodel Equipment - 2023	150,000	
Police Vehicle - 2023	57,000	
Progressa Beds	287,160	
RP 500 Blood Gas Analyzers	56,015	
SURGICAL SERVICES		
Abbott Centrimag ECMO System	108,480	
Alcon Centurion PHACO Machines	155,000	
Alcon Constellation VIT Machines	300,000	
Anesthesia Machine Replacements - 2023	232,610	
Boston Sci Greenlight XPS Laser	135,000	
Manometry Capsule System	152,334	
Olympus EGD Towers	181,340	
Stryker Berchtold Tables - 2023	115,000	
Stryker Sonopet iQ Console and Handpiece	169,666	
Stryker System 9	114,837	
Subtotal	38,184,035	
Undesignated or Less Than \$50,000	5,000,000	
Grand Total	\$43,184,035	

2024 Capital Equipment Budget

	Budget	Purchased
HEALTH AND WELLNESS HOSPITAL		
Health and Wellness X-Ray Machine	195,000	
EMS		
Ambulances - 2024	1,155,000	
First Responder/Supervisory Vehicle - 2024	210,000	
INFORMATION TECHNOLOGY		
Cerner 2024 Scope of Use	250,000	
Cerner Patient Accounting - 2024	4,675,945	
GetWell Inpatient	250,000	
IT Infrastructure Refresh Fund - 2024	2,200,000	
LABS		
Blood Culture Susceptibility Testing	400,000	
Microbiology Automation	3,000,000	
Microbiology Mass Spectrometer (MALDI-TOF)	250,000	
NURSING SERVICES		
Giraffe Omni Beds-Isolettes - 2024	106,094	
Infant Radiant Warmers - 2024	39,964	
Phillips MMX Modules - 2024	111,756	
RADIOLOGY		
3T MRI Upgrade	350,000	
Breast Imaging Ultrasound Machine	140,000	
Canon Soltus 500 40kw Digital Mobile X-Ray System - 2024	320,000	
PET/CT Camera	2,400,000	
Room 10 - Carestream DRX Excel Plus RF System	525,000	
Room 2 - Cat Scan Replacement	1,600,000	
SUPPORT SERVICES		
Hamilton C6 Ventilators - 2024	395,461	
Hamilton T1 Transport Ventilators - 2024	50,847	
Picture Perfect Room Remodel Equipment - 2024	150,000	
Police Vehicle - 2024	57,000	
V60 Bipaps - 2024	52,935	
Vapotherm High Flow Device - 2024	51,700	
SURGICAL SERVICES		
Anesthesia Machine Replacements - 2024	232,610	
Stryker Berchtold Tables - 2024	115,000	

2024 Capital Equipment Budget

	Budget	Purchased
UMC CANCER CENTER		
Elekta Flexitron Afterloader Unit	510,000	
Elekta High-Dose Rate (HDR) Unit	20,311	
High Dose Rate (HDR) Brachytherapy Unit	355,268	
Oncology CT Scanner Simulation	482,239	
Oncology Procedure Chairs	55,652	
TrueBeam Linear Accelerator Units	12,000,000	
Subtotal	32,707,782	
Undesignated or Less Than \$50,000	4,000,000	
Grand Total	\$36,707,782	

2025 Capital Equipment Budget

	Budget	Purchased
EMS		
Ambulances - 2025	1,155,000	
Portable Radios	750,000	
INFORMATION TECHNOLOGY		
Cerner HealtheCare	250,000	
IT Infrastructure Refresh Fund - 2025	2,200,000	
LABS		
Coagulation Instrument - 2025	150,000	
NURSING SERVICES		
Giraffe Omni Beds-Isolettes - 2025	106,094	
Infant Radiant Warmers - 2025	39,964	
Phillips MMX Modules - 2025	111,756	
RADIOLOGY		
Canon Soltus 500 40kw Digital Mobile X-Ray System - 2025	320,000	
Digital Mobile Super C C-Arms - 2025	400,000	
MRI Machine Upgrade	350,000	
UMC Southwest Medical MRI Machine Upgrade	350,000	
UMC Southwest Medical Ultrasound Machine	140,000	
SUPPORT SERVICES		
Hamilton C6 Ventilators - 2025	395,461	
Hospital Bed Replacement	1,000,000	
Picture Perfect Room Remodel Equipment - 2025	150,000	
Platinum Elite PFT Unit	117,690	
V60 Bipaps - 2025	52,935	
Vapotherm High Flow Device - 2025	51,700	
Subtotal	8,090,600	
Undesignated or Less Than \$50,000	26,909,400	
Grand Total	\$35,000,000	

Capital Expansion Budget

The 2022 Revised Capital Expansion Budget is \$82.5M and the 2023 Capital Expansion Budget is projected to be \$112M. Noteworthy, strategic items include:

- Primary Care Clinic at 98th and Frankford Avenue (completed; total project cost \$7.9M)
- Investments in campus security (total project cost \$500K)
- Infrastructure continuation and other campus projects: Hero Garden (total project cost \$443K), Tranquility Room (total project cost \$296K), and Cafeteria expansion (total project cost \$2.2M)
- Main Lobby expansion (total project cost \$6.7M)
- Backfill of Endoscopy (main campus) into the new East Tower OR (total project cost \$4.1M)
- Pediatrics relocation to the East Tower for the updated UMC Children's Hospital (total project cost \$18.3M)
- Lakeridge Clinic remodel (total project cost \$1.9M)
- Health and Wellness Hospital including a Medical Office Plaza, Urgent Care, and EMS location (total project cost \$143M)

The Capital Expansion Budget also includes \$9.2M for facilities projects for 2022 and \$7.4M for 2023. These infrastructure maintenance projects include HVAC and air handler upgrades, energy projects, and miscellaneous improvements and repairs to maintain our existing facilities.

And beyond 2023, significant strategic investments include the new UMC Cancer Center (total project cost estimated at \$95.2M).

UMC Proposed Capital Expansion Budget Revised 2022 - 2025

Project	Project Description	2021 ACTUAL	2022 REVISED BUDGET	2023 BUDGET	2024 BUDGET	2025 BUDGET	TOTAL
1	Facilities Projects	\$4,019,216	\$9,202,113	\$7,439,376	\$8,793,533	\$10,343,313	\$39,797,551
2	3 East Finish Upgrades	-	419,000	2,878,500	757,000	-	4,054,500
3	4th Floor ET OR's	2,983,699	1,093,495	-	-	-	4,077,194
4	5th Floor Renovation	796,750	286,014	-	-	-	1,082,763
5	911 Dispatch/EMS	161,637	9,000	-	-	-	170,637
6	98th and Frankford	5,765,768	2,183,532	-	-	-	7,949,301
7	Angio/Radiology Room Renovation	204,236	-	-	-	-	204,236
8	BATC File Room	108,235	-	-	-	-	108,235
9	BATC Office Shuffle	-	-	357,000	-	-	357,000
10	Cafeteria Expansion	662,896	1,578,178	-	-	-	2,241,074
11	Cancer Center (NEW)	182,804	-	12,000,000	39,500,000	43,517,196	95,200,000
12	Cath Lab 1-4	-	124,560	251,560	124,560	-	500,680
13	Central Stores Relocation	13,905	-	-	-	-	13,905
14	CICU Ceiling Lifts	-	3,156	-	-	-	3,156
15	East Tower Breezeway	6,000	-	-	-	-	6,000
16	EC Pediatrics	1,377,309	-	-	-	-	1,377,309
17	EC Room Renovation	-	-	1,000,000	-	-	1,000,000
18	Health and Wellness Hospital	4,972,175	56,501,974	57,888,878	4,380,141	-	123,743,168
19	HWH MOP 2nd Floor Finishout	-	-	2,426,689	2,426,689	-	4,853,377
20	HWH MOP 3rd Floor Finishout	-	-	5,068,780	5,068,780	-	10,137,560
21	HWH Urgent Care Clinic & EMS	-	-	-	2,091,000	2,116,000	4,207,000
22	Hero Garden	111,345	332,114	-	-	-	443,459
23	Kingspark Lab Remodel	56,095	-	-	-	-	56,095
24	Kitchen Remodel	1,861,240	387,776	-	-	-	2,249,016
25	Lakeridge Clinic Remodel	794,465	1,117,865	-	-	-	1,912,330
26	Main Lobby Expansion	-	1,043,931	5,685,684	-	-	6,729,615
27	MICU Renovation	459,872	218,812	-	-	-	678,684
28	Milwaukee Clinic	186,856	-	-	-	-	186,856

**UMC Proposed Capital Expansion Budget
Revised 2022 - 2025**

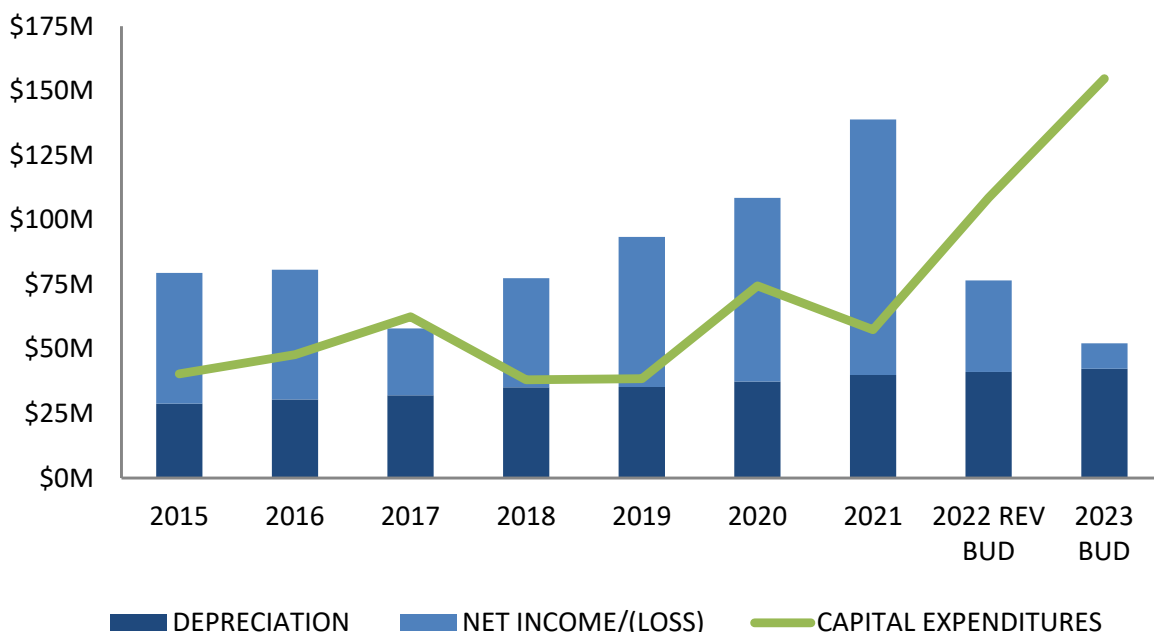
Project	Project Description	2021 ACTUAL	2022 REVISED BUDGET	2023 BUDGET	2024 BUDGET	2025 BUDGET	TOTAL
29	MOP 1 Corridors	94,879	18,180	-	-	-	113,059
30	MOP HVAC PH 2	976,583	86,216	-	-	-	1,062,800
31	MOP II 3rd Floor Finishout	284,007	-	-	-	-	284,007
32	OPS Remodel	-	-	-	-	2,249,332	2,249,332
33	OR Ancillary	9,746	-	-	-	-	9,746
34	OR #8	-	305,000	645,000	-	-	950,000
35	Orchard Park Addition	2,055	-	-	-	-	2,055
36	UMC Outpatient Center Renovation	-	240,000	3,930,000	-	-	4,170,000
37	Outpatient GI Center	256,967	10,000	-	-	-	266,967
38	Parking Garage	1,479,730	-	-	-	-	1,479,730
39	Pedi/PICU Relocation	-	5,023,333	10,122,511	3,185,380	-	18,331,224
40	Pinwheel Signage (Pedi Clinics)	-	-	152,500	-	-	152,500
41	Pharmacy Offices	-	-	715,182	-	-	715,182
42	Residents On-Call Rooms	69,908	-	-	-	-	69,908
43	Roof Repairs (MOP I, West Tower)	-	393,925	393,925	-	-	787,850
44	Security Enhancement	-	150,000	150,000	100,000	100,000	500,000
45	Security Relocation	271,082	481,966	-	-	-	753,049
46	Southwest Medical Pedi Clinic Remodel	1,110,939	-	-	-	-	1,110,939
47	SPD Expansion	1,964,322	323,285	-	-	-	2,287,607
48	SWCC Pharmacy	230,270	17,508	-	-	-	247,778
49	SWCC Specialty Pharmacy	217,901	6,604	-	-	-	224,506
50	SWCC Workspace	20,421	9,349	-	-	-	29,770
51	Tivoli Too	47,100	-	-	-	-	47,100
52	Tranquility Room	-	296,244	-	-	-	296,244
53	Zach's Club Milwaukee	37,019	-	-	-	-	37,019
54	Miscellaneous	464,099	677,901	443,293	450,000	400,000	2,435,293
YEARLY TOTALS		\$32,261,533	\$82,541,034	\$111,548,877	\$66,877,083	\$58,725,841	\$351,954,367

Capital Expenditures, Net Income & Cash

Capital expenditures increased for 2020 with the completion of the parking garage, the GI and Outpatient Services Center, and 911 Dispatch/EMS projects but decreased in 2021. Capital expenditures are expected to increase significantly through 2024 as strategic investments including the new Health and Wellness Hospital campus, Main Lobby expansion, Pediatric relocation, UMC Cancer Center, and other projects commence. Planned capital expenditures exceed net income and depreciation in both 2022 and 2023.

Previous net income has increased cash reserves allowing for these capital investments while maintaining zero debt. Cash operating reserves remain above 90 days in 2022 and 2023 even as the Health and Wellness campus nears completion.

Depreciation, Net Income & Capital Expenditures



Cash Forecast

(dollars in thousands)

	2022 REVISED BUDGET	2023 BUDGET
BEGINNING CASH BALANCE BEFORE DESIGNATIONS	\$517,068	\$438,603
SOURCES OF CASH		
Excess Revenue Over/(Under) Expenses	35,374	9,770
Foundation Donation – Centers of Excellence	1,500	300
Foundation Donation – Children’s Hospital	300	300
Add (Deduct) Items Included in Operations Not Affecting Cash		
Depreciation	41,144	42,378
CASH SURPLUS/(DEFICIT) FROM NET INCOME	\$78,317	\$52,748
TOTAL CASH AVAILABLE	\$595,385	\$491,351
SOURCES/(USES) OF CASH		
Facility Expansion	(82,541)	(111,549)
Equipment Acquisition	(26,070)	(43,184)
Medicare Advanced Payment	(43,443)	-
Deferred Payroll Taxes (CARES Act)	(4,728)	-
TOTAL SOURCES/(USES) OF CASH	(156,782)	(154,733)
TOTAL CASH BALANCE BEFORE DESIGNATIONS	\$438,603	\$336,618
DAYS CASH ON HAND BEFORE DESIGNATIONS	208.1	152.1
LESS RESERVES		
Board Designated for Operating Reserve (90 Days)	\$189,713	\$199,128
Board Designated for Self Insurance	2,705	2,705
Endowment for SOM Anesthesiology	977	977
Endowment for Excellence in Nursing	986	986
Board Designated for Peter Canizaro Professorship	250	250
TOTAL RESERVES	194,632	204,046
UNDESIGNATED CASH BALANCE AT YEAR END	\$243,971	\$132,572
OPERATING RESERVE DAYS ON HAND	90.0	90.0

Property Tax Calculation

No-New-Revenue Tax Rate Calculation	
2021 Adjusted Tax Levy	\$26,521,240
2022 Adjusted Tax Base (less value of new property)	27,224,522,178
2022 No-New-Revenue Tax Rate	0.0974160
Tax Revenue Attributable to New Construction	\$763,939
2022 Certified Tax Roll and Levy	
Appraised Valuation (less TIF)	28,008,929,429
Proposed Tax Rate Per \$100	0.1031640
Total Tax Levy	28,895,132
Percent of Current Collection	100%
Estimated Current Tax Collections	\$28,895,132
Summary of Tax Collections	
Current Tax	28,895,132
Penalty and Interest	200,000
Total 2022 Tax Collections	\$29,095,132

Estimated Tax Collections at Rate Levels	% Chg to NNR Rate	Tax Rate	Revenue on 2022 Property	Chg in Revenue from Rate
2021 Adopted Tax Rate	5.9%	0.1031640	\$28,895,132	\$1,609,953
2022 No-New-Revenue Tax Rate	0.0%	0.0974160	27,285,179	-
1% Increase	1.0%	0.0983902	27,558,042	272,863
2% Increase	2.0%	0.0993643	27,830,877	545,698
3% Increase	3.0%	0.1003385	28,103,740	818,561
2022 Voter-Approval Rate	8.0%	0.1047220	29,331,511	2,046,322

Proposed/Adopted Rate by Year		Rate	% Change
2022	Maintain Rate	0.1031640	0.00%
2021	Maintain Rate	0.1031640	0.00%
2020	No New Revenue Rate	0.1031640	-1.92%
2019	No New Revenue Rate	0.1051860	-1.83%
2018	No New Revenue Rate	0.1071430	

Comparative Tax

	2021	% of Levy	Proposed 2022*	% of Levy
Lubbock County				
Average Market Value	169,609		196,703	
Homestead Exemptions	0%		0%	
Taxable Value	169,609		196,703	
Tax Rate/\$100*	0.3599900		0.3599900	
Tax Levy	\$610.58	17.8%	\$708.11	17.7%
Lubbock ISD				
Average Market Value	169,609		196,703	
Homestead Exemptions	15,000		15,000	
Taxable Value	154,609		181,703	
Tax Rate/\$100*	1.1355000		1.1355000	
Tax Levy	\$1,755.59	51.2%	\$2,063.24	51.5%
City of Lubbock				
Average Market Value	169,609		196,703	
Homestead Exemptions	0%		0%	
Taxable Value	169,609		196,703	
Tax Rate/\$100*	0.5232300		0.5232300	
Tax Levy	\$887.45	25.9%	\$1,029.21	25.7%
Lubbock County Hospital District				
Average Market Value	169,609		196,703	
Homestead Exemptions	0%		0%	
Taxable Value	169,609		196,703	
Tax Rate/\$100*	0.1031640		0.1031640	
Tax Levy	\$174.98	5.1%	\$202.93	5.1%
Total Tax Levy	\$3,428.58	100.0%	\$4,003.48	100.0%

*2021 using adopted tax rate. 2022 using prior year rate for proposed, subject to final adoption by governing bodies.

2023 Budget Summary



Average daily census from 395.2 in 2022 to 399.8 in 2023



\$699M in net patient revenue



Property tax revenue of \$29M at the proposed tax rate of \$0.1031640



\$839M in operating expenses



Budgeted net income of \$10M with 0.4% operating margin



Capital investments of \$155M, including \$43M in equipment and \$112M in expansion/facilities



Ending cash balance of \$337M



Unfunded care of \$104M and TTU School of Medicine Support of \$86M

Budget Calendar

