



Promoting, protecting, and restoring health and well-being

**Health Care Advisory Committee
January 23, 2018
4:00PM – 5:00 PM
JD Kabler Conference Room – (8003)
UHS – 333 East Campus Mall**

Present: Manish Patankar- Chair, Eve Ferguson, Marlena Holden (UHS), Arnold Jennerman (UHS), William Kinsey (UHS), Andrea Lawson (UHS), Jordan Madden, Jim Morrison (UHS), Jennifer Powell, Chris Rohr

1. **Present UHS Budget Proposal for FY 2018-2019** *Arnie Jennerman presented the proposed detail budget reviewing the financial schedules and the UHS Budget narrative. Jennifer Powell made a motion to approve the FY 2018-2019 budget as presented to HCAC and Jordan Madden seconded the motion. The motion was approved by voice vote without opposition.*

Next meeting February 20, 2018

608.265.5600 | uhs.wisc.edu

University of Wisconsin–Madison | 333 East Campus Mall, Room 8104 | Madison, WI 53715-1381



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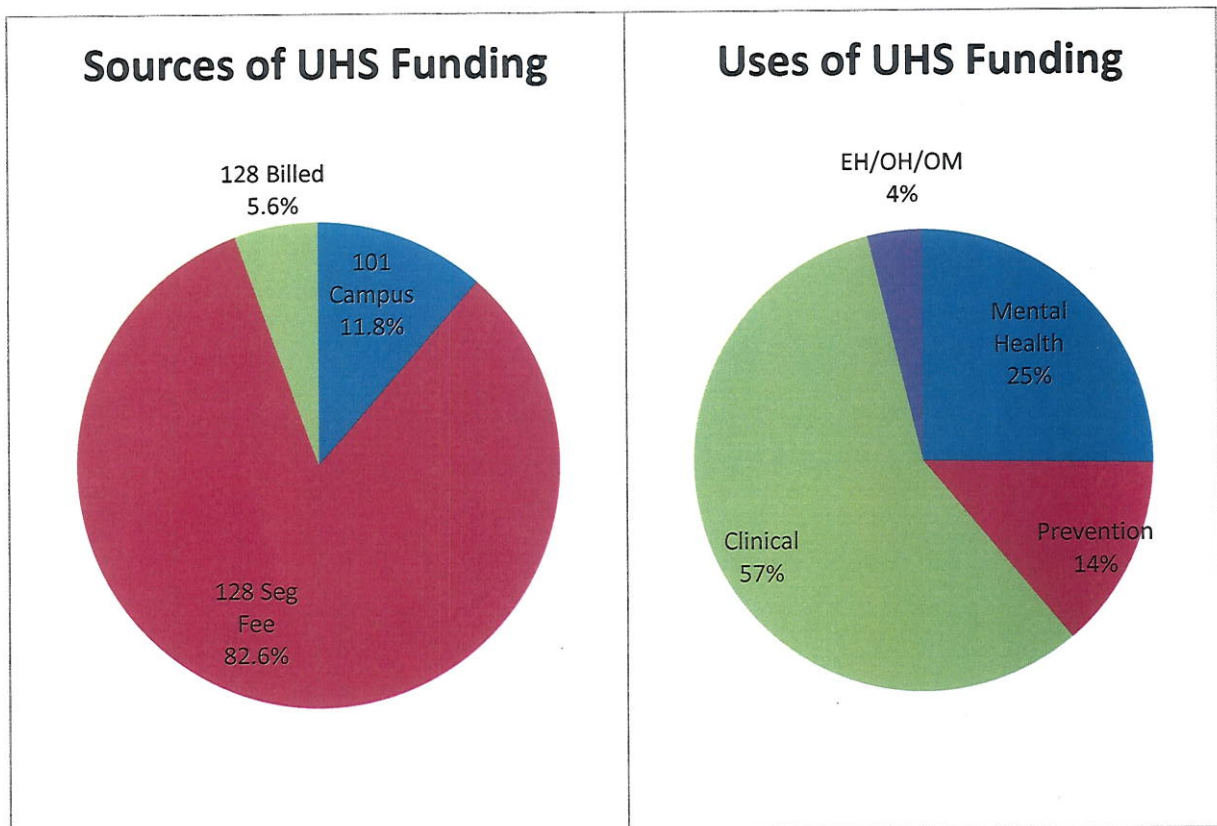
**Budget Proposal
Fiscal Year 2018-2019**

UHS Mission: To enhance learning and student success by promoting, protecting and restoring health and well-being.

I. UHS Overview

This document and the accompanying budget schedules relate to the student health fee funded portion of UHS operations. They also include billed revenue produced by the segregated fee supported operations. These operations are accounted for under Fund 128. The UHS SHIP insurance program which is entirely supported by insurance premiums and the building management and custodial services UHS provides to the non-UHS floors in the building, the summer camp services provided by UHS and environmental and occupational health and medicine services provide by UHS to campus are supported by a combination of campus funds and service billings are budgeted and accounted for under Fund 128 as minor auxiliaries. Their budgets are submitted through the campus Auxiliary Operations Analysis.

University Health Services is committed to serving the needs of students by providing the highest quality medical, mental health, and environmental-occupational health services while improving the health of campus through prevention and public health. Five integrated units provide a range of services to campus to support the UHS mission. UHS is funded through student segregated fees, general program revenue, fee-for-service, and grant funding. The charts below reflect the sources of UHS funding and a breakdown of how funds are used. Central campus funds, Fund 101, also support a portion of UHS Mental Health services and are not included in this budget but are included in the analysis below to provide the full extent of mental health activity.



Medical Services	
Staff	<ul style="list-style-type: none"> • 34 Licensed Health Care Providers • 14 Support Staff • 80 Student Employees
Services	<ul style="list-style-type: none"> • Primary Care • Specialty Care-Travel, Women's Health, Sexual Health, Athletic Training, Physical Therapy • Wellness-nutrition, acupuncture, massage, stress management and individual wellness consultation • Community Health-immunizations, surveillance, outbreak investigations, and response to communicable diseases on campus • Lab • Radiology • 24-Hour Nurse Advice Line
Mental Health Services	
Staff	<ul style="list-style-type: none"> • 30.5 Licensed Mental Health Providers • 4 Psychiatric Providers • 4.8 Support Staff • 4 Post-Doctoral Fellows and 4 Interns
Services	<ul style="list-style-type: none"> • After Hours Crisis Service • Individual and Group Counseling Services • Psychiatry • Behavioral Health • Campus-Based Services
Prevention Services and Campus Health Initiatives	
Staff	<ul style="list-style-type: none"> • 15 Professional Staff • .75 Graduate Assistants • 41 Student Employees
Services	<ul style="list-style-type: none"> • Alcohol, Tobacco and Other Drug prevention • Sexual assault, dating and domestic violence and stalking prevention • Survivor Services/Victim Advocacy • Wellness • Health Equity • Civic Engagement • Suicide Prevention • Communicable Disease prevention • Health Communications
Student Relations and Quality	
Staff	<ul style="list-style-type: none"> • 3.2 staff members
Services	<ul style="list-style-type: none"> • Administers the UHS student satisfaction surveys and responds to student concerns • Quality and process improvement activities • Supports Clinical Informatics • Epidemiology

Environmental and Occupational Health and Medicine	
Staff	<ul style="list-style-type: none"> • 11.5 Professional Staff • 1 Support Staff
Services	<ul style="list-style-type: none"> • Environmental Health- Food service inspection and licensing, indoor air quality, summer camp licensing, temporary food stand permits, water testing • Occupational Health-Compliance programs for blood-borne pathogen, ergonomics, exposure monitoring, training, and incident response • Occupational Medicine-Exposure response, medical response plans, vaccinations, physical examinations, reproductive hazards consults, health surveillance • Costs for services are allocated based on the populations served, and therefore 34% of these services are funded by the student health fee and 66% are funded by campus.
Administrative Services	
Staff	<ul style="list-style-type: none"> • 32 Staff Members • 12 Student Employees
Services	<ul style="list-style-type: none"> • Medical Records • Student Health Insurance Plan (not funded by segregated fees) • Budget and Finance • Human Resources • Information Technology • Building Services • Risk Management <p>Those administrative services which directly support medical services, mental health services, and student prevention programs are funded through student segregated fees.</p>
Non-Student Services	
Services	<ul style="list-style-type: none"> • Occupational Health and Medicine for faculty/staff • Summer Youth Camp Health Services <p>Non-student services complement and support the UHS mission, but are not funded through student segregated fees. These programs contribute to student well-being by supporting overall campus and community well-being and by offsetting student cost through the contribution to UHS overhead.</p>

UHS currently has over 133 student employees. Students hold a variety of positions at UHS including student medical assistants, student health advocates, SHIP customer service, receptionists, communications specialists, budget and finance, athletic trainers and IT support. Many UHS student employees are interested in pursuing professional health careers and find the work at UHS to be valuable career experience.

II. Utilization Summary * Medical visits were impacted in FY 16-17 by the Meningococcal B mass vaccination in October 2016 when 21,000 students were treated.

Period:	AY12-13	AY13-14	AY14-15	AY15-16	AY16-17
Total Visits	88,714	94,779	98,939	101,248	127,899*
Medical Visits	67,302	71,469	74,044	74,811	100,278
Mental Health Visits	18,896	19,520	20,954	22,315	22,992
Wellness Visits	2,516	3,790	3,941	4,122	4,629
Total Users (unduplicated)	25,808	27,291	27,745	27,754	34,051
Medical Users	24,707	26,210	26,632	26,458	33,227
Mental Health Users	4,501	4,170	4,407	4,830	4,843
Wellness Users	1,467	1,805	1,763	1,885	2,050
Total Visits/User	3.4	3.5	3.6	3.6	3.8
Medical Visits/User	2.7	2.7	2.8	2.8	3.0
Mental Health Visits/User	4.7	4.7	4.8	4.6	4.7
Wellness Visits/User	1.7	2.1	2.2	2.2	2.3
Total Utilization %	52.0%	54.1%	55.5%	55.9%	69.3%*
Medical Utilization %	49.8%	51.9%	53.3%	53.4%	67.7%*
Mental Health Utilization %	8.6%	8.7%	9.3%	10.3%	10.3%
Wellness Utilization %	3.2%	3.8%	3.8%	4.1%	4.4%
Full year enrollment	45,876	46,225	45,817	45,405	45,821*
UHS Visits per Enrolled Student	1.9	2.1	2.2	2.2	2.79*
UHS Visits per 1000 Students	1,934	2,050	2,159	2,230	2,791
Med Visits per Enrolled Student	1.47	1.55	1.62	1.65	2.19
MH Visits per Enrolled Student	0.41	0.42	0.46	0.49	0.50

III. Chronology of Major UHS and Wisconsin State Budget Changes

During the past several budget cycles, developments at the Wisconsin state budget level have impacted the UHS budget. Due to the timing of the UHS budget approval cycle, state budget decisions have been made after the approval of the UHS budget by the SSFC. The transition from cash assessments to employee benefit savings and most recently to cash reserve restrictions have required efforts to accommodate these dramatic swings in Wisconsin state budget policy in developing UHS budgets and setting student health fee rates. They along with unplanned salary savings from vacant positions have been contributing factors in UHS accumulating excess cash reserves and more recently reducing excess cash reserves by overspending revenues and then gradually closing the resulting structural deficit. Highlights of these budget policy changes include:

Fiscal Year	Budget Event	Fee Change
FY 2007-2008	FY 2008-2009 UHS Budget Approval	3.70%
FY 2008-2009	UHS moves to ECM. Demand up 15% in new space and UHS experienced increased operational costs in the bigger space.	
FY 2008-2009	FY 2009-2010 UHS Budget Approval	3.20%
FY 2008-2009	Governor Doyle announces emergency budget fixes for FY 2009-2010 & FY 2010-2011; Furlough, cash reserve assessment, and efficiency charge	
FY 2009-2010	As of July 1, 2009 UHS has a \$510,323 Solvency Deficit Cash Balance of \$1,859,068	
FY 2009-2010	UHS turns over \$708,556 for Governor Doyle budget fixes	
FY 2009-2010	FY 2010-2011 UHS Budget Approval	6.10%
FY 2010-2011	UHS turns over \$543,226 for Governor Doyle budget fixes	
FY 2010-2011	FY 2011-2012 UHS Budget Approval	2.90%
FY 2010-2011	Governor Walker signs Wisconsin Act 10 Budget Repair Bill	
FY 2010-2011	Act 10 takes effect	
FY 2011-2012	Benefit Savings Begin Phase-in	
FY 2011-2012	FY 2012-2013 UHS Budget Approval 0% Fee Increase Requested	1.50%
FY 2012-2013	FY 2013-2014 UHS Budget Approval 0% Fee Increase Requested	0.00%
FY 2013-2015	Wisconsin Biannual Budget includes 1% pay plan 6/30/2013 and 6/29/2014	
FY 2014-2015	FY 2014-2015 UHS Budget Approval 0% Fee Increase Approved, new cash reserve restrictions are mandated	0.00%
FY 2015-2016	Governor Walker introduces major reductions to UW System funding; campus reduces 101 support for mental health services. To more quickly get in compliance with new UW System cash reserve balance restrictions UHS proposes a student health fee reduction to more quickly lower UHS cash balances to UW System allowable levels.	-3.37%
FY 2016-2017	FY 2016-2017 UHS Budget Approval 17.49% Fee Increase	17.49%
FY 2017-2018	FY 2017-2018 UHS Budget Approval 8.0% Fee Increase	8.0%

As of July 1, 2009 UHS finances were already stretched with a \$510,323 solvency deficit and a cash balance of only \$1,859,068. This was further negatively impacted by the requirement to contribute \$708,556 and \$543,226 in cash in FY 2009-2010 and FY 2010-2011 to the State of Wisconsin to address state budget shortfalls. Segregated health fee increases were required in those years to offset these cash assessments and sustain UHS services.

The staff furlough requirements imposed by the Wisconsin state budget in FY 2009-2010 and FY 2010-2011 along with the cash reserve assessments and budget efficiency charges which negatively impacted the UHS cash and reserve position ended with the 2011-2012 Fiscal Year. During the 2011-2012 Fiscal Year, Wisconsin State Budget policy moved in the opposite direction. All State and University employees, including UHS employees, were required to make larger contributions to their pensions and health insurance benefits. These changes produced and continue to generate fringe benefit cost savings for UHS.

Over time these benefit savings are partially offset by the need to increase base compensation to retain staff and contributed to a very high staff vacancy rate. This is especially true when there are competitive local markets for certain professions. The Madison employment market remains very competitive, especially for medical and mental health care providers. Compensation adjustments were made in FY 2011-2012, FY 2012-2013, and FY 2013-2014 and in FY 2014-2015 for physicians and nurse practitioners in Psychiatry and Primary Care and in FY 2015-2016 for mental health providers.

As UW System and UW Madison continue to face reductions in state support, the amount of campus 101 funds has been decreasing. UHS receives approximately \$1,000,000 in Fund 101 support from campus each year to fund mental health services. Campus also pays the fringe benefit cost associated with the salaries and wages funded by campus. Over time, the costs of providing these services continues to increase and the fixed campus 101 funding has been supplemented with student segregated health fee funds to maintain the same level of support for mental health services. Each year that campus support is fixed and the costs they support continue to increase \$45,000 in additional segregated fee funds are required to cover the increase and sustain existing services. Due to cuts in state funding for UW System in FY 2015-2016 and FY 2016-2017, there was a further 4.5% reduction in campus 101 funding in FY 2015-2016 and a 6.5% reduction in FY 2016-2017. This is a \$50,025 reduction in Fund 101 dollars for FY 2015-2016 and \$72,259 for FY 2016-2017 for mental health services. However, since campus pays fringe benefit costs for positions that are Fund 101 supported, the actual amount of Fund 128 dollars required to offset the cuts must include fringe benefit costs and therefore \$67,034 must be budgeted to maintain current service levels and offset the expected loss of 101 funding in FY 2015-2016 and \$96,916 in FY 2016-2017.

In FY 2007-2008 campus funds provided almost 46% of the support for mental health services at UHS and in FY 2017-2018 it is now just over 25%.

IV. UHS Operational Efficiency Measures and Program Changes

UHS has achieved operational efficiencies, effected program reductions, and added additional programs over the past several years while providing an overall increase in visits of 44% and serving 35% more students over the past 10 years. These figures do not include client visits to victim advocacy services.

Over time we continue to make adjustments in our UHS operations. These efforts have been in response to the impact of state and campus budget issues, ongoing efforts to enhance efficiency, expand revenue generating programs and adapt our programs to evolving needs. Most recently program expansion has focused on critical areas of need including expansion of mental health and prevention services based on input from the UHS Health Care Advisory Committee, the SSFC and student constituents.

The following is a list of these program changes.

09-10

- Staff Reductions
 - Project Assistant with mini-grant program in Academic Partnerships
 - 1 Information Technology position
 - 1 custodian
 - ½ time nurse clinician
 - ½ time position in Medical Records
- Reduction in lab expenses due to review of ordering practices and implementation of 3rd party billing for laboratory tests ordered by physicians outside of UHS.

10-11

- Staff efficiencies
- Eliminate 1.0 position from Medical Records
- Consolidate nurse manager function from 3 to 2 positions and replace with direct care provider
- Reduce medical clerical support by 0.25 FTE

11-12

- Elimination of Sports Medicine program saving \$52,000 per year.
- Elimination of specialist Dermatology service.
- Eliminate 1.5 custodial positions.
- Non-segregated fee program expansion through programs such as Occupational Medicine, summer youth programs and the WI Clearinghouse have allowed UHS to offset overhead expenses.

12-13

- Opening of Dejope Lakeshore clinic and completion of hire of primary care provider funded in 11-12
- Hiring of three additional mental health clinicians with additional funding provided by the SSFC

- Procurement of Student Health 101 online student magazine
- Implementation of a 24-hour nurse call service
- Funding of 0.75 FTE staff member to support sexual assault, dating violence, and stalking prevention efforts.

13-14

- Expand Nutrition Services from 0.5 FTE to 1.0 FTE
- Hiring of a 1.0 Wellness staff member
- Reorganization of Environmental and Occupational Health

14-15

- Funding of a 1.0 FTE full-time staff member and 0.5 FTE graduate assistant in Violence Prevention.
- Funding of a 0.5 FTE graduate assistant in Civic Engagement
- Funding of a 1.0 Communications specialist
- Funding of 3.0 additional Mental Health providers to provide specialized crisis and eating disorder services.
- Funding of 1.4 FTE Primary Care providers

15-16

- Funding of a 0.5 FTE Athletic Trainer
- Funding of a 1.0 Violence Prevention Specialist
- Funding of a 1.0 Suicide Prevention Specialist
- Funding of sexually transmitted infection testing at \$250,000 per year previously provide at no cost by the Wisconsin State Lab of Hygiene

16-17

- Funding of a 1.0 FTE Violence Prevention Specialist
- Funding of a 2.0 FTE Victim Advocates
- Funding of initial phase of Mental Health capacity expansion with the addition of 4.5 FTE Mental Health Providers

17-18

- Retirement of 2.0 FTE in Academic Partnerships responsibilities reassigned
- Funding of second phase of Mental Health capacity expansion with the addition of 8 FTE Mental Health Providers

V. Recap of Prior Year Financial Results

The following discussion is for the Student Health Fee operations of UHS for the period beginning July 1, 2016 through June 30, 2017. The following analysis excludes the \$1,800,000 transfer of funds from campus to UHS on June 30, 2016, reported as revenue, to fund the planned remodeling of parts of UHS floors 7 and 8. These funds were transferred out during FY 2017-2018, this transfer was reported as an expense, to fund the planned remodeling project during the summer of 2018

- UHS finished the year with a net loss of \$335,891 compared to a net loss of \$1,585,107 in FY 2015-2016 and compared to a budgeted net loss of \$1,284,903 for 2016-2017.
- Vacant positions continue to generate significant salary and fringe benefit savings. During FY 2016-2017 UHS underspent its salary and fringe budget by \$866,814. Unplanned salary and benefit savings has been a significant issue in recent years accounting for savings in some recent years of as much as \$1,700,000 on an annual basis when compared to the budgets. Additional payroll savings were generated in prior years when amounts budgeted for employee pay increases based on campus budget instructions did not actually occur. Based on the recommendation of the Campus Office of Auxiliary Operations, UHS for the first time in FY 2014-2015 budgeted for salary savings from vacant positions. The budgeted savings in salary and fringe benefits for FY 2014-2015 and FY 2015-2016 was 6% of budgeted payroll, \$678,000 and \$723,000 respectively, while actual savings were only 4% and 2%. In FY 2016-2017 UHS assumed a 2% salary savings but the actual number was about 8.8%. The change in the budget assumption from 6% to 2% lowers the cash balance in the Five Year Forecast by over \$2,500,000. As recently as FY 2013-2014 actual salary savings had been 14% of budgeted payroll and so we note that this number is difficult to predict and highly variable. For the FY 2018-2019 budget and five year forecast we are using 6%.
- The UHS cash position decreased from \$7,678,201 on June 30, 2016 to \$5,977,822 at June 30, 2017. While a reduction was expected since UHS is working on a multiyear effort to reduce cash reserves to be in compliance with new UW System reserve requirements. This reduction was largely due to the transfer of \$1,800,000 out of UHS to fund the remodeling project discussed elsewhere in this document.
- Net working capital decreased from \$6,266,000 to \$4,392,006. The plans to reduce UHS cash reserves also were expected to decrease working capital.
- Uncommitted Owner's Equity decreased from \$3,035,518 to \$2,962,024. Plans to reduce UHS cash reserves also were expected to decrease uncommitted owner's equity.
- Total Operating Revenue for billed services was \$1,010,637 which was over budget by \$140,637. UHS bills for only a small subset of its services and demand in these areas is patient driven and can be difficult to forecast. In some cases billings recover the cost of supply items distributed to patients and are therefore offset by supply and services expenses.
- Actual Segregated Fees collected were \$15,058,567 versus budget of \$15,087,560 and \$12,911,060 the prior year. The student health fee was increased by 17.49% in FY 2016-2017 from the prior year.

- Salaries, wages, and fringe benefit costs were below budget by \$866,814 this was largely due to the difficulty filling added mental health positions funded by the student health fee increase.
 - The budget called for Salary savings due to unfilled positions of \$181,970 which was a budget reduction of \$249,362 when combined with fringe benefit savings in FY 2016-2017 actual salary and fringe benefit savings achieved were \$1,116,176.
- Supplies and Services were \$326,277 over the original budget for FY 2016-2017. Within this expense category, Medical supplies and expenses were \$318,270 over budget primarily due to lab charges. Clinical supplies were over budget by \$62,901. Administrative supplies were \$31,095. Information Technology expenses were \$142,510 over budget. And Miscellaneous and onetime expenses were \$401,234 under budget. This was primarily due to an amount budgeted in this category for which actual expenses would have been distributed over the other expense categories. This accounts for some of the unfavorable variances in other supply and service categories.

Projections for 2017-2018

- Segregated fee revenue is expected to increase in the current year due to the fee increase of 8% or \$15.70 per semester approved with the FY 2017-2018 budget. The increase was primarily to fund additional mental health capacity at UHS. Enrollment is expected to grow slightly which would have a negligible impact on revenues and expenses. Expenses are again planned to be greater than revenues as part of the long term plan to further reduce UHS cash reserves.

Current Cash Position

- The UHS cash, working capital, and reserve balances were reduced in FY 2016-2017 as expected since UHS is working on a multiyear effort to reduce cash reserves to be in compliance with new UW System requirements.
- UHS needs to maintain a minimum of between 2 and 3 million dollars in cash reserves to cover current liability obligations, the one month operating contingency, and the \$500,000 Capital Fund for future building maintenance and other capital projects.
- UHS has excess reserves of \$3,035,518 as of June 30, 2016 and \$2,962,024 as of June 30, 2017; these excess reserves are expected to fall to \$1,044,056 by June 30, 2024. This assumes a 2.5% student fee increase in FY 2017-2018 and in each year of the five year forecast through FY 2024.

VI. UHS Capital Requirements

Over several years the UHS approved budgets included \$100,000 each year to establish a capital fund for future inevitable expenses such as building repairs, carpet replacement, equipment replacement, and mobilization to respond to a campus public health need. The original goal was to accumulate a fund of \$500,000 for these needs. As of the end of the FY 14-15 budget year this funding goal was achieved. This fund is currently being used to address the meningococcal disease outbreak. The \$100,000 annual funding was an estimate based upon the following analysis:

UHS Capital Fund Requirements

	Annual Funding	Assumptions
Building Carpet and Paint	\$ 30,000	Ten Year Life
Medical Equipment	\$ 10,000	Ten Year Life
Computer Hardware and Software	\$ 35,000	Three to Seven Year Life
Public Health	\$ 25,000	Major Event Every Four Years
Contingency		
Annual Total To Set Aside	\$ 100,000	

Projects funded in 11-12:

- Purchase of an additional vaccine and allergy serum refrigerator and associated emergency power supply.
- Replacement of computer hardware supporting the electronic medical record software.
- Replacement of failed air conditioning compressor in UHS server room.
- Replacement of wooden floor in the PT gym.
- Carpet repairs to higher traffic areas.

Projects funded in 13-14

- Replacement of ultrasound machine.
- Replace and upgrade computer servers.
- Substantial upgrade to backup data center hardware to allow for operational continuity.
- Remodeling of 5th floor lab and radiology areas to enhance patient privacy and clinical efficiency.

Projects funded in 15-16

- Split West end mental health meeting room into two provider offices.
- Convert mental health “sitting area” into provider office.

Projects funded in 17-18

- Split East end mental health meeting room into two provider offices.
- Modify Violence Prevention and Survivor Services entrance to enhance client privacy.

Future Projects

- UHS has received approval to expend the \$1.8 Million allocated by campus to remodel portions of the 7th and 8th floors. This project is anticipated to begin in May of 2018 and conclude by August of 2018 the resulting expenditures have already been recorded in FY 2016-2017 when funds were transferred out for the project. The project includes:
 - Additional Mental Health provider offices for new staff
 - Expansion and reconfiguring of the Mental Health waiting room
 - Additional Mental Health group rooms
 - A gender neutral, accessible restroom
 - Additional office in Human Resources
 - Repurpose space in the HIM medical record room that has been freed up due the conversion from paper to computerized health records.
- UHS continues to work with its EMR software vendor to make small enhancements that can extend the life of the current software at UHS and delay software replacement and the associated large capital expenditure. The current software has been in use at UHS for 10 years and replacement will need to be considered at some point in the future.

VII. Proposed Budget and Fee Request for FY 2018-2019

A UHS budget proposal has the following goals:

- Meet growing campus health needs
 - Growth in medical clinic visits.
 - Demand for mental health services with increasing severity and complexity.
- Continue to reduce cash reserves as required by Board of Regents Policy.
- Gradually rebalance the budget and reduce the structural deficit resulting from planned expenses exceeding planned revenues to reduce UHS cash balances.

Proposed Staffing Increases For 2018-2019

				Segregated Fee Funded Amounts		
		FTE		Salary	Fringe	Total
New	Mental Health	0.5	Survivor Services Oversight	35,000	12,950	47,950
New	Mental Health	0.8	Psychiatry	152,000	56,240	208,240
New	Medical	1	Women's Health Medical Assistant (2/1/2018)	17,000	6,290	23,290
New	Medical	1	Behavioral Health Case Manager Med. Prog. Assist.	39,000	14,430	53,430
New	Medical	1	New Advance Practitioner	88,000	32,560	120,560
New	EH/OH/OM	1	Nurse Position 34% Seg Fee Funded	28,900	10,693	39,593
New	Communications	1	Communication Data Analyst Temp. To FT	45,000	16,650	61,650
Totals		6.3		404,900	149,813	554,713
Percentage fee increase if funded by a Segregated Health Fee increase						3.39%

Other Proposed Increases For 2018-2019

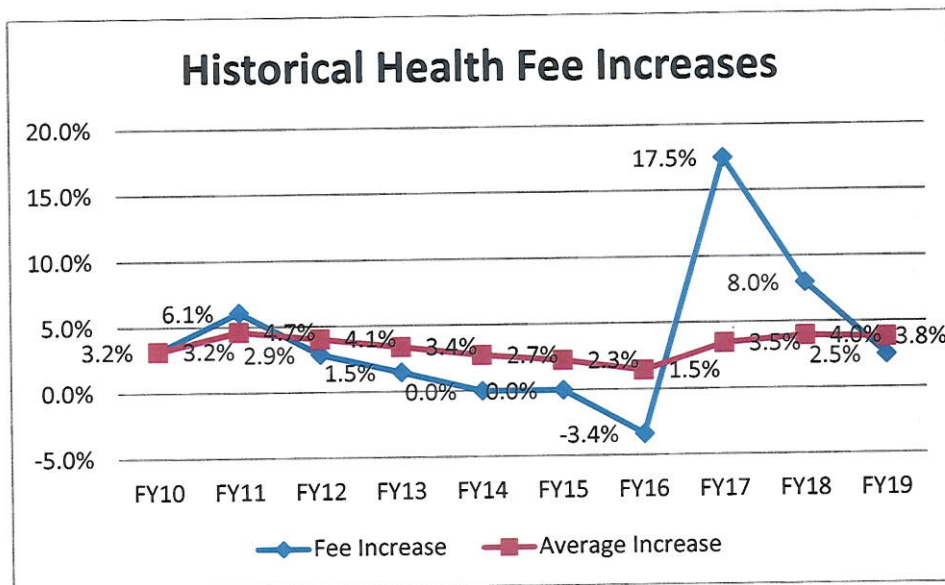
General pay plan, 2% increase July 1, 2018 and a 2% increase January 1, 2019 which is a 3.05% increase in the budget year.	410,971
Percentage fee increase if funded by a Segregated Health Fee increase	2.47%
Specific increases due to progression advancements, training, etc.	84,231
Percentage fee increase if funded by a Segregated Health Fee increase	0.51%
Supplies and services increases, campus guidelines call for 2% inflationary increases or \$89,502	114,903
Percentage fee increase if funded by a Segregated Health Fee increase	0.70%
Specific Items for discussion:	
Emergency contraception 4,000	
Infection control training 3,200	
Total Of Above Increases	1,158,174
Percent increase in budgeted spending from the FY 2017-2018 Budget	6.36%
Percentage fee increase if funded by a Segregated Health Fee increase	7.07%
Proposed segregated health fee increase	2.50%
Proposal to fund remainder of increase from UHS cash reserves	4.57%

We Propose A 2.5% Health Fee Increase For 2018-2019 a \$417,851 increase in UHS Segregated Fee Revenue

Per semester segregated health fee Fall 2017	\$212.26
Per semester segregated health fee Fall 2018 after proposed 2.5% increase	\$217.57
Dollar increase in per semester segregated health fee Fall 2018 which will be rounded to \$5.40	\$5.31
Note that expected enrollment increases provide an added 1% increase in segregated fee revenue or about \$162,000.	

FY 2018-2019 Fee Request

Based upon the service changes highlighted in the program notes discussed above; to continue current services and meet continued increased student demand, and to reduce surplus reserves the proposed budget for FY 2018-2019 calls for continuing to fund a portion of operating expenses from UHS cash reserves. However to sustain current programs, fund expanded services and eventually close the structural deficit a 2.5% increase in the student health fee is being requested. Under this proposal, the student health fee would increase by \$5.40 from the current \$212.26 to \$217.66 per semester. The actual student segregated fees to be charged are determined by campus and are not set by UHS. Based on assumptions presented here, the projected UHS cash position and the current 5-year forecast UHS would plan for an additional annual 2.5% increases in the student health fee in future years.



We place our request in the context of the overall UHS historical increases. With this request the 10 year compound annual growth rate (CAGR) in the UHS student health fee has been 3.69%. According to the US Bureau of Labor Statistics the most recent 10 year average increase in US healthcare inflation has been 2.93%. During the last five years UHS has also seen an increase in patient volume of 20.5% in medical visits (the Meningitis B mass vaccination clinic in October 2016 is excluded, but including that effort five year growth was 44.17% in medical visits) and an increase of 21.7% in mental health visits. During this time individual student users increased by 31.9%. A larger portion of the student body uses UHS services than five years ago. A range of new services including violence and suicide prevention programs, victim advocacy and wellness have been added.

Assumptions:

- The FY 2018-2019 budget includes funding for the 2018-19 compensation package for staff which provides for a 2.00% increase that is effective July 1, 2018. It provides an additional 2.00% effective January 1, 2019. The budget impact is to raise salaries and wages 3.05% for the budget year.

- FY 2018-2019 budget assumes 6% of budgeted positions will remain vacant during the year producing salary and fringe benefit savings of approximately \$895,000 for the year.
- The FY 2018-2019 budget assumes enrollment will remain stable. A small increase in enrollment is expected and UHS expects to have capacity to address this increase in student volume.
- Campus budget instructions provided for FY 2018-2019 are subject to change based on revisions from the State of Wisconsin, UW System and UW Madison.
- Contracted services include campus phone charges, central services including the HRS (Human Resource System) service center and campus IT charges, medical malpractice insurance, other insurance, and building services. We expect to see larger than normal increases in some of these campus charges as campus budgets are reduced and costs are passed on through increases in rates for contracted services.
- Campus budget instructions called for 2% inflation to budgeted supplies and services. However due the generally higher inflation experienced in the medical industry UHS used inflation of 2.5% for most supplies and services line items. These expenses may increase at even higher inflation rates which has been the historical pattern for medical supplies and services.
- Student wages are budgeted to be \$496,488. Discussions over the level of student hourly pay rates continue at the campus level and should significant increases be called for there would be an adverse impact on the UHS budget or student employment would need to be reduced to offset the higher student wage cost. For reference each \$1 per hour increase in the student pay rate is a \$50,000 increase in the UHS budget.
- Due to state budget reductions to UW System there was a reduction of campus 101 funding for mental health services of 4.5% in FY 2015-2016 and 6.5% in FY 2016-2017. This was a reduction in campus support for Mental Health Services of \$50,025 in FY 2015-2016 and \$72,259 in FY 2016-2017. Since campus pays the fringe benefit cost of Fund 101 positions the segregated fee revenue required to offset these budget reductions is \$67,034 and \$96,916 respectively. As actual costs for these services increase and services are expanded, with campus funds fixed or reduced, the cost increases must be funded entirely by segregated fees to sustain these services. Any additional reductions in campus funding will require reductions in services or increased reliance on segregated fees.
- In November of 2017 Chancellor Blank announced that there would be a campus reorganization and effective July 1, 2018 UHS would no longer report to the Vice Chancellor for Finance and Administration (VCFA) but instead report to a newly created office of the Vice Chancellor of Student Affairs (VCSA). Campus is in the process of recruiting for this new Vice Chancellor position. We do not expect this change to have major budget impact in FY 2018-2019.
- In early December of 2017 a plan was approved within the Vice Chancellor for Finance and Administration (VCFA) office to centralize some of the information technology services within the departments reporting to the VCFA. Due to the timing of this decision we are unable to determine in detail how this may impact UHS expenses in FY 2018-2019 and subsequent years. Since the objective of the centralization is to reduce costs, UHS budgeted information technology expenses for FY 2018-2019 based on current staffing which should adequately fund the planned changes.

VIII. UHS Five Year Forecast

UNIVERSITY HEALTH SERVICE

2018-2019 ANNUAL BUDGET

INCOME STATEMENT FIVE YEAR FORECAST

	18-19B	19-2018F	20-21F	21-22F	22-23F	23-24F
	ANNUAL	ANNUAL	ANNUAL	ANNUAL	ANNUAL	ANNUAL
	BUDGET	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST
REVENUE						
TOTAL OPERATING REVENUE	1,200,000	1,224,000	1,248,480	1,273,450	1,298,919	1,324,897
SPOUSE/PARTNER COVERAGE	280,000	287,000	294,175	301,529	309,068	316,794
INTEREST REVENUE	35,000	28,378	25,512	22,978	20,793	18,976
STUDENT SEGREGATED FEES	17,131,880	17,560,177	17,999,181	18,449,161	18,910,390	19,383,149
TOTAL REVENUE	18,646,880	19,099,554	19,567,348	20,047,117	20,539,169	21,043,816
EXPENSES						
TOTAL SALARIES, WAGES, FRINGES	14,464,681	14,753,974	15,049,054	15,350,035	15,657,035	15,970,176
SUPPLIES AND SERVICES	4,622,828	4,722,215	4,823,935	4,928,055	5,034,638	5,143,754
MAJOR R/M & DEPRECIATION	28,200	28,764	29,339	29,926	30,525	31,135
UTILITIES, TAXES, INSURANCE	84,000	88,200	92,610	97,241	102,103	107,208
NET OPERATING EXPENSE	19,199,709	19,593,153	19,994,938	20,405,256	20,824,301	21,252,273
NET INCOME (LOSS)	-552,829	-493,599	-427,591	-358,139	-285,132	-208,457
DEFICIT PERCENT OF SEGREGATED FEE	-3.23%	-2.81%	-2.38%	-1.94%	-1.51%	-1.08%
PROJECTED CASH BALANCE	5,675,510	5,102,311	4,595,528	4,158,614	3,795,131	3,508,756
PROJECTED UW SYSTEM RESERVE EXCESS/DEFICIENCY	3,985,898	2,305,279	2,303,582	1,810,532	1,389,477	1,044,056

Note: This five year forecast assumes a 2.5% health fee increase in FY 2018-2019 and a 2.5% annual increase in each year of the five year forecast. This five year forecast will reduce cash reserves to a level more in line with new UW System guidelines, and gradually reduces the structural deficit (forecast revenues below forecast expenses) over the five year forecast. Tight spending control versus the budget and forecast will be required to achieve this result.

For the first time in FY 2014-2015 UHS budgeted for salary savings from vacant positions. The amount budgeted was 6% of payroll which with fringe benefits reduced budgeted expenses by about \$723,000. As recently as FY 2013-2014 actual salary savings had been 14% of budgeted payroll. For FY 2018-2019 and the Five Year Forecast UHS is using 6% salary savings. Each 1% change in this estimate, if carried through the forecast, impacts the ending cash balance at the end of the five year forecast period by approximately \$750,000.

IX. Other Long-Term Considerations

- We expect continued national and local demand for nurses, primary care providers, We expect mental health staff members, information technology staff, technically trained staff in environmental health to create recruiting challenges and pressure future salary and fringe budgets. This is exacerbated by minimal staff salary increases since 2008 and significant increased cost to employees for their fringe benefits. These changes have reduced our fringe benefit program as a recruiting advantage. Significant medical and mental health provider compensation adjustments made in FY 2015-2016.
- Health care inflation in the cost of medical goods and purchased services has recently slowed, but is expected to continue above the general inflation rate for other goods and services. The expected long term medical cost inflation rate will impact a portion of the UHS budget.
- There is concern that as budgets on campus tighten due to reduced state GPR support, added UW System and campus charges may impact UHS. As an example, the full annual building occupancy cost of the current 120,000 square feet utilized by UHS would exceed \$2.4 million. At this time, only a relatively small portion of these annual costs are charged back to UHS.
- UHS continues to explore alternate revenue streams to support student needs and help share UHS overhead costs.
- The passage of the Affordable Care Act in 2010 and the ongoing changes to this law have resulted in significant changes in how students receive health insurance coverage and the quality of that coverage. Increasing numbers of students are covered by high-deductible health insurance plans and narrow provider networks. Insurance options for currently insured, underinsured, and uninsured students may change significantly. This landscape is anticipated to change over the coming months and any repeal or amendment of the existing law may have yet unpredictable impacts.
- UHS will continue to review its finance and funding model and make recommendations for additional sources of revenue including consideration of multiple billing options including student 3rd party billing. Among the many issues which must be considered as part of this decision:
 - While most UW–Madison undergraduates report having health insurance, many students still face financial barriers to accessing appropriate health care. Many students have plans that do not provide adequate coverage while the student is away at school. A rising number of plans feature high deductibles. In the absence of a health insurance requirement, supplemental 3rd party billing will either unfairly shift costs to better insured students or will disenfranchise uninsured students from receiving care at UHS.
 - UHS surveyed students in the Spring of 2016, and found significant cost barriers to care which could be exacerbated in a billing model. Of the student surveyed, 36% had waited to get care until they could travel to where they had coverage, 16.5% missed class to travel to where they could get care, and 24.18% opted not to get care due to cost.
 - 3rd party insurance billing is a short-term solution that can provide incremental revenue to support some component of medical services. It is however not particularly efficient since it adds a significant amount of administrative cost, and therefore reduces the cost-effectiveness of University Health Services. The cost of many UHS services, such as laboratory, which can now be provided at very low unit cost, would increase significantly if billed to insurance.

UNIVERSITY OF WISCONSIN-MADISON
HEALTH SERVICES (FUND 128-A57-25**, 7000/9900)
UNIVERSITY OF WISCONSIN-MADISON
HEALTH SERVICES (FUND 128-A57-25**, 7000/9900)
INCOME STATEMENT (SUMMARY)
2018-19 ANNUAL BUDGET

	A	B	C	D	E	F	G
	15-16	16-17	17-18	17-18	18-19	Variance	Pct
	Actual	Actual	Estimate	Budget	Budget	18-19 B	18-19 B
			Preliminary.			Variance	Pct
REVENUE							
Total Op Revenue	3,030,553	1,010,636	1,200,000	895,000	1,200,000	0	0.00%
Net Op Revenue	3,030,553	1,010,636	1,200,000	895,000	1,200,000	0	0.00%
Spouse/Partner Coverage	200,000	273,255	280,000	253,778	280,000	0	0.00%
Interest Revenue	18,376	39,726	35,000	9,657	35,000	0	0.00%
Segregated Fee Revenue	12,911,060	15,058,567	16,551,548	16,382,741	17,131,880	580,332	3.51%
TOTAL REVENUE	16,159,989	16,382,184	18,066,548	17,541,176	18,646,880	580,332	3.21%
EXPENSES							
Salaries/Wages/Fringes	11,683,060	12,507,380	13,200,906	13,944,803	14,464,681	1,263,775	9.57%
Supplies & Services	4,157,692	5,856,298	4,475,125	3,982,298	4,590,028	114,903	2.57%
Major R/M & Depr	34,261	80,413	60,000	151,400	61,000	1,000	1.67%
Utilities, Taxes, Insurance	70,083	74,487	80,000	123,574	84,000	4,000	5.00%
Net Op Expenses	15,945,096	18,518,578	17,816,031	18,202,075	19,199,709	1,383,678	7.77%
NET INCOME (LOSS)	214,893	(2,136,394)	250,517	(660,899)	(552,829)	(803,346)	-320.68%
Adjustment For Remodeling Cash Transfer In And Out	1,800,000	(1,800,000)					
Operating Net Income (Loss) Excluding Remodeling	-1,585,107	-336,394					

Notes:

Segregated Fee Revenue for FY 15-16 reflects a 3.37% segregated health fee reduction to reduce UHS cash reserves to meet UW System Reserve Requirements.

HEALTH SERVICES (FUND 128-A57-25**, 7000/9900)
 THE UNIVERSITY OF WISCONSIN--MADISON
 2018-19 ANNUAL BUDGET
 CASH FLOW & SOLVENCY POSITION
 FOR JULY 1, 2018 THRU JUNE 30, 2019

	1 15-16A PRIOR ACTUAL	2 16-17A PRIOR ACTUAL	3 17-18E ESTIMATED ACTUAL	4 17-18B ANNUAL BUDGET	5 18-19B ANNUAL BUDGET
FUND 128					
OPERATIONS CASH INFLOW:					
OPERATING REVENUE	2,532,135	834,948	1,110,000	673,778	1,110,000
SALES CREDIT	326,417	317,369	370,000	475,000	370,000
SPOUSE/PARTNER COVERAGE	200,000	273,255	195,000	195,000	195,000
SEGREGATED FEE REVENUE	12,711,060	14,785,312	16,356,548	16,187,741	16,936,880
INVESTMENT REVENUE--FUND 121	17,700	39,726	35,000	9,657	35,000
TOTAL OP CASH INFLOW	15,787,312	16,250,610	18,066,548	17,541,176	18,646,880
OPERATIONS CASH OUTFLOW:					
CLASSIFIED SALARIES	3,121,097	2,991,303	2,886,036	3,010,552	2,914,842
UNCLASSIFIED SALARIES	5,879,163	6,327,425	7,029,274	7,201,243	7,735,632
TOTAL SALARIES & WAGES	9,000,260	9,318,728	9,915,310	10,211,795	10,650,474
TOTAL FRINGES	3,000,079	2,971,336	3,483,902	3,733,007	3,814,207
TOTAL SAL/WAGES & FRINGES	12,000,339	12,290,064	13,399,212	13,944,802	14,464,681
SUPPLIES & SERVICES	3,637,676	5,477,923	4,396,819	4,237,271	4,715,028
EQUIPMENT--ADD/REPLACE	204,847	183,003	20,000	20,000	20,000
BUILDINGS--ADD/REPLACE	0	0	0	0	0
TOTAL CAPITAL	204,847	183,003	20,000	20,000	20,000
TOTAL ALLOTMENT	15,842,862	17,950,990	17,816,031	18,202,073	19,199,709
NET OP CASH IN/OUT	(55,550)	(1,700,380)	250,517	(660,897)	(552,829)
ADD BEGINNING CASH BALANCE	7,733,752	7,678,202	5,977,822	4,914,314	6,228,339
ENDING CASH BALANCE	7,678,202	5,977,822	6,228,339	4,253,417	5,675,510
OTHER CURRENT ASSETS	212,914	212,914	150,000	150,000	150,000
TOTAL CURRENT ASSETS	7,891,116	6,190,736	6,378,339	4,403,417	5,825,510
LESS CURRENT LIABILITIES	1,625,116	1,625,116	2,050,000	2,050,000	2,050,000
TOTAL RESOURCES AVAILABLE	6,266,000	4,565,620	4,328,339	2,353,417	3,775,510
RESOURCES REQUIRED					
EST LIAB--UNEMPLOYMENT COMP	0	0	0	0	0
DEFERRED R/M--EQUIPMENT	0	0	0	0	0
DEFERRED R/M--BUILDING	0	0	0	0	0
OPERATING CONTINGENCY	930,482	930,482	1,069,934	1,112,227	1,157,120
EQUIPMENT ADD/REPLACE	614,095	614,095	500,000	500,000	500,000
UHS CAPITAL RESERVE	2,300,000	2,300,000	1,800,000	0	0
TOTAL RESOURCES REQUIRED	3,844,577	3,844,577	3,369,934	1,612,227	1,657,120
NET EXCESS/-DEFICIENCY	2,421,423	721,043	958,405	741,190	2,118,389

UNIVERSITY OF WISCONSIN-MADISON
HEALTH SERVICES (FUND 128-A57-25, 7000/9900)**
2017-18 ANNUAL BUDGET
ANALYSIS OF SUPPLIES AND SERVICES

Supplies and Services Lab	1,144,250 Demand	1,144,250	24.93%
Supplies and Services Radiology	410,000 Demand	410,000	8.93%
Pharmacy, Immunizations	640,625 Demand	640,625	13.96%
Supplies and Services Other			
Contracted Services			
After Hours Call Coverage	266,500 Direct Care	266,500	5.81%
Orthopedics	18,450 Direct Care	18,450	0.40%
Physical Therapy	89,303 Direct Care	89,303	1.95%
Clinical Supplies & Equipment			
Pharmacy Supplies	157,750 Demand	157,750	3.44%
Medical Supplies	117,875 Demand	117,875	2.57%
Minor Equipment	7,500	7,500	0.16%
Professional Development	121,075 Direct Care	121,075	2.64%
Memberships & Subscriptions	41,000		
Transcription	12,300		
Administrative Supplies			
Telephone	118,900		
Maintenance & Repair	8,200		
Office Supplies	153,750		
Bank Card Charges	7,175		
Postage	9,225		
Janitorial Supplies	41,000		
Health Communications	0		
Printing & Duplicating	133,250		
Recruitment Expenses	92,250		
IT Expenses	713,500		
Miscellaneous			
Business Travel	148,625		
Parking Permits	8,200		
Other Supplies & Services	51,250		
Move Expenses	44,075		
Tuition Remission	24,000		
Miscellaneous Expenses	10,000		
Total Supplies and Services	4,590,028	2,973,328	64.78%