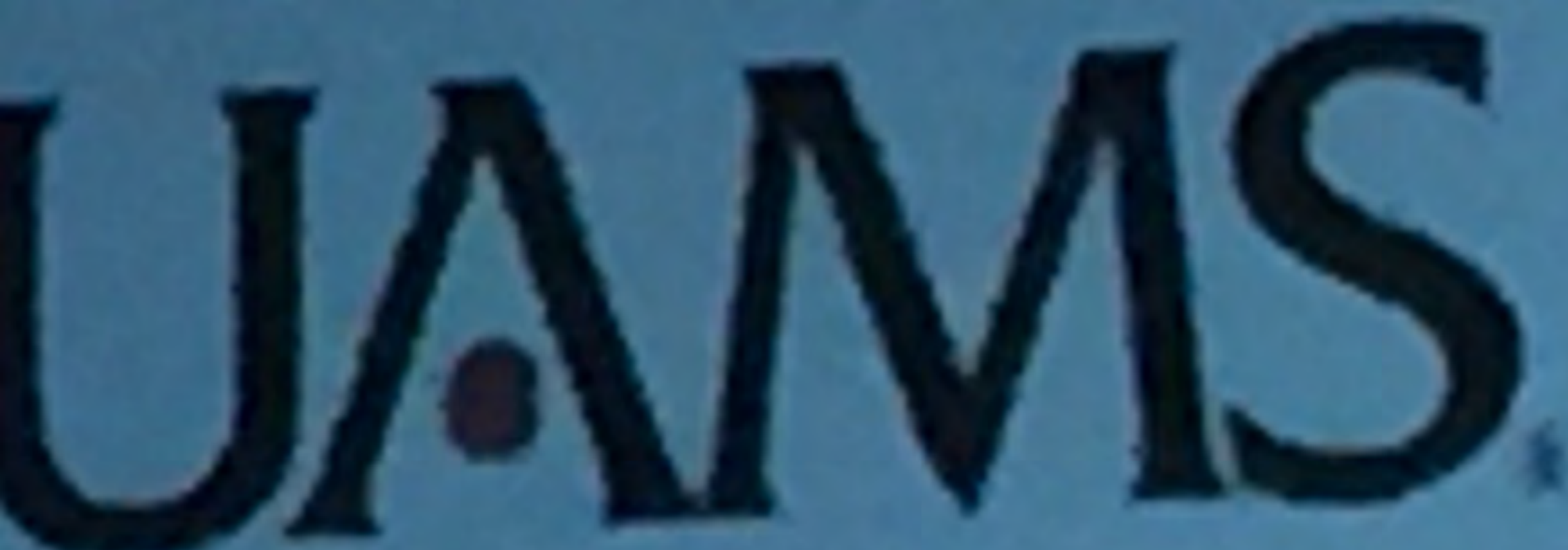


BUDGET ASSUMPTIONS

- Flat state appropriation with discontinuation of one-time funding
- Increase in Medicaid match requirement of \$11 million over the FY 2017 budget.
- Patient care volume growth of 5% without significant change in payer mix.
- 2% improvement in efficiency of patient care enterprise.
- 8% increase in tuition rates for Colleges of Medicine and Pharmacy, with lesser or no increases for the Colleges of Nursing, Health Professions and Public Health
- Tuition revenue increase of approximately \$2.5 million.
- Major infrastructure issues concerning UAMS Capital Facilities and Information Technology
- Implement compensation plan for staff to make salaries more competitive
- Need to sustain positive cash flow for borrowing purposes, among other things.
- Health insurance premium increase of 2%.



FY18 BUDGET OVERVIEW

(\$ In Millions)

		\$	(35.2)
FY17	Original Budget Estimate Gain/ (Loss)	\$	11.5
FY17	Improvements to Original Budget		
FY17	Recasted FY17 Budget Projection (Dec-2016) Gain/ (Loss)	\$	(23.7)
FY18	Major Initiatives and Adjustments	\$	(23.7)
	1- UAMS Operational Run Rate from FY17	\$	(4.0)
	2- High Risk Facilities Maintenance Items	\$	(6.0)
	3- IT Infrastructure Improvements	\$	(4.5)
	4- State Revenue Decrease	\$	(3.6)
	5- Pediatric Cost Settlement Reduction	\$	(11.0)
	6- Additional Medicaid Match Requirement over FY17 Budget	\$	(20.0)
	7- Implementation of UAMS Compensation Plan	\$	(1.4)
	8- Health Insurance Premium Increase	\$	(12.4)
	9- Inflationary Mandatory Cost Increases (0.8% of Budget)		
FY18	Estimated Gain/ (Loss)	\$	(86.6)
FY18	Operational Efficiencies, New Clinical Margins & Other Revenues	\$	47.4
FY18	Budget Projection Gain/ (Loss)	\$	(39.2)

Mandatory Cost Increases includes contract cost increases, supply cost increases, NVA Internal Medicine Residency program, indirect cost distribution from revenue contracts, IT support costs.

**University of Arkansas for Medical Sciences
 Five Year Projections, FY 2017-FY 2021
 Summary of Change in Net Assets
 (In Thousands)**

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Option 1	\$ (55,404)	\$ (61,633)	\$ (65,804)	\$ (71,756)	\$ (77,589)
Option 2	\$ (34,174)	\$ (40,278)	\$ (44,322)	\$ (50,144)	\$ (55,841)
Option 3	\$ (24,174)	\$ (30,277)	\$ (34,322)	\$ (40,144)	\$ (45,841)

- Option 1: "As Is" Model, with \$3.6 million savings from current performance excellence projects
 Option 2: "As Is" Model, with approximately \$19.4 million in additional spending reductions
 Option 3: "As Is" Model, with spending reductions and added state funding support of \$10 Million

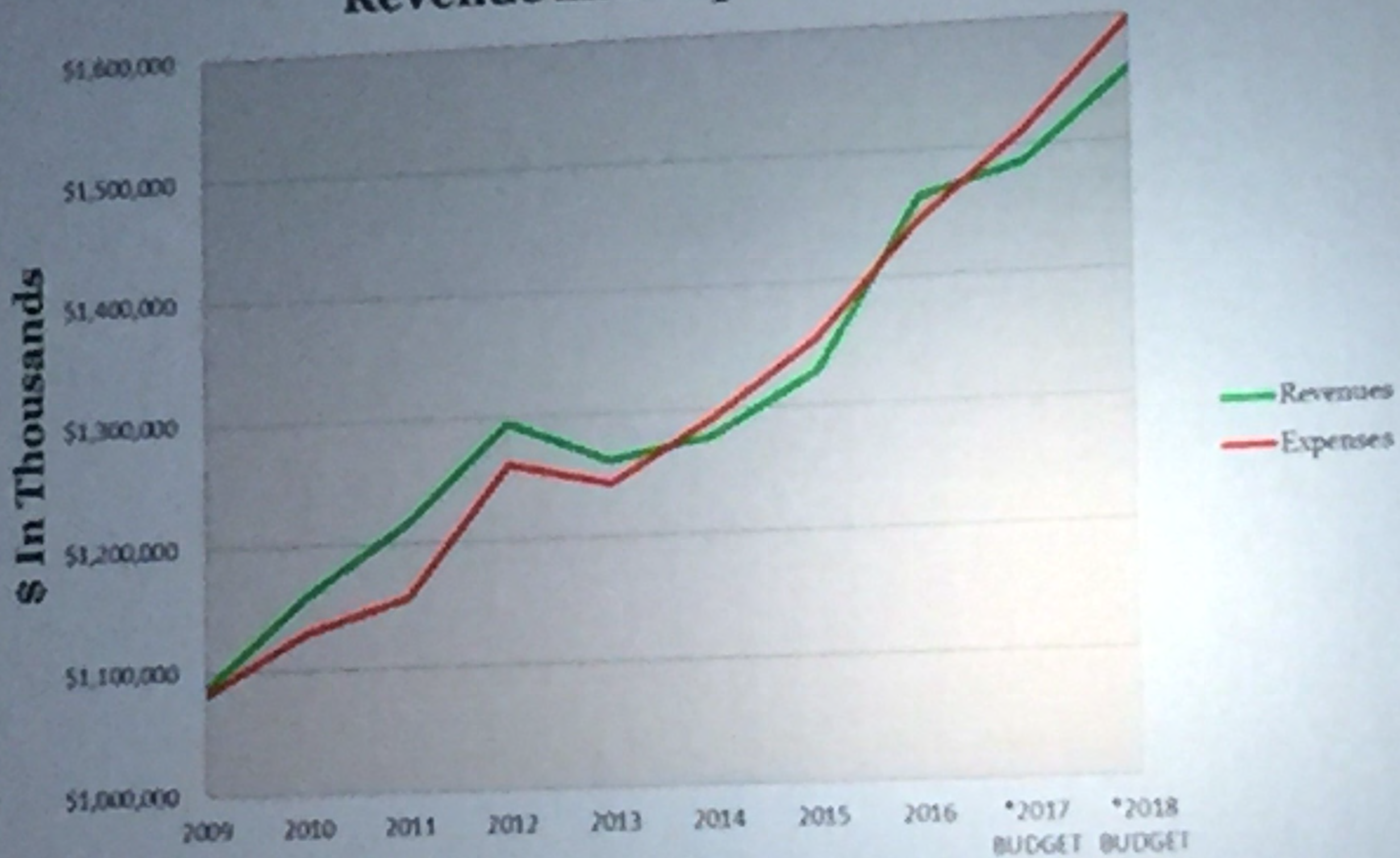


UAMS

- Bill Bowes, Sr. Vice Chancellor for Finance and Administration/CFO
 - Key Financial Trends
 - Budget Principles
 - Budget Process Overview
 - FY18 Final Budget Approved by BOT

KEY TRENDS

Revenue and Expense Trend



* Unaudited

KEY TRENDS

Cash Flow Trend



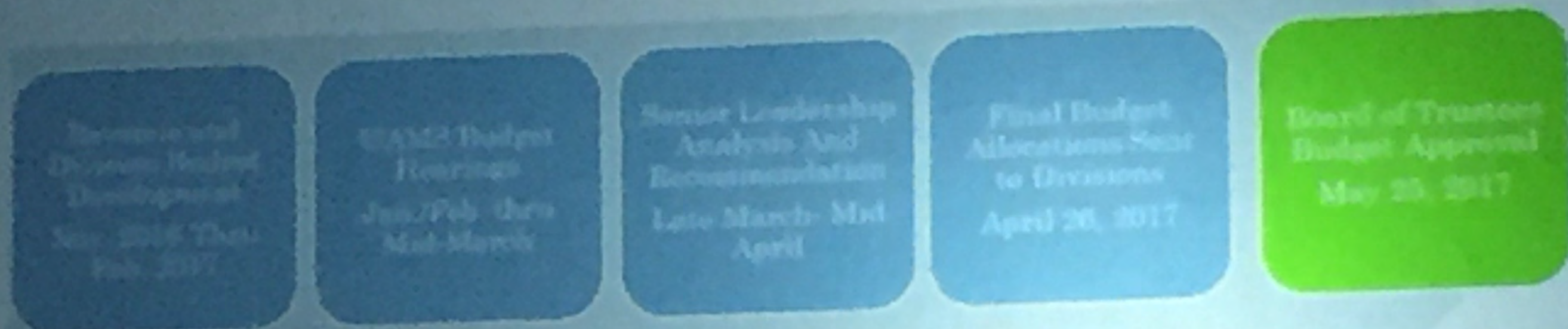
	2010	2011	2012	2013	2014	2015	2016	2017*	2018*
Net Cash Increase (Decrease)	\$ 16,280	\$ (6,814)	\$ 7,978	\$ (31,684)	\$ 2,600	\$ (24,840)	\$ 68,097	\$ 5,000	\$ (15,000)
Cumulative Cash Flow from 2010	\$ 16,280	\$ 9,466	\$ 17,444	\$ (14,240)	\$ (11,550)	\$ (36,390)	\$ 31,707	\$ 36,707	\$ 21,707

* Unaudited

FY 2018 Budget Principles

- All funds approach based on expense or activity-based principles
- Based on reasonable and realistic revenue projections based on current or expected activity levels.
- Emphasis on redirecting resources to high priority initiatives rather than new funding
- Emphasis on sustaining positive cash flow
- Consideration of possible reductions in spending if necessary
- Preservation of capital assets
- Addressing compensation issues

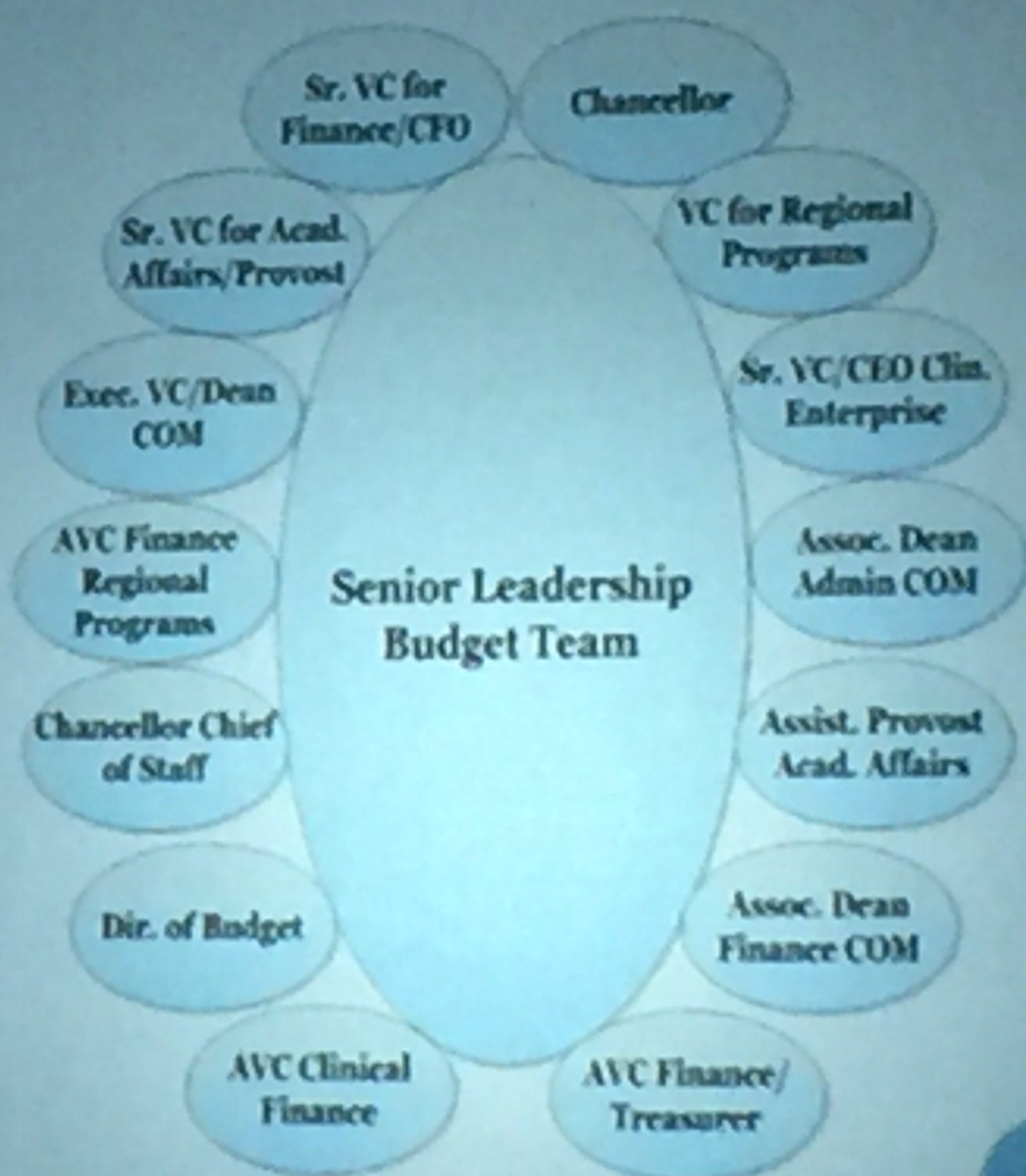
BUDGET PROCESS OVERVIEW



- Bottom Up/Top Down Approach
- Substantially greater review time within divisions
- Careful assessment of divisional/departamental needs
- Highly transparent process

Senior Leadership Review

- Following budget hearings with each department/unit, group of 14 met to consider recommendations
- A total of three meetings, with added review of revenue and expense assumptions, were held
- Emphasis on strategic priorities of UAMS, Mandatory Costs, Salary



UAMS FY 2018 OPERATING BUDGET

Total Operating Revenue	1,494,485,642
Tuition and Fees (Net)	47,132,029
Patient Care Revenue	1,279,403,547
Meaningful Use	501,800
Grants and Contracts	111,434,435
Sales and Services for Ed.	33,750,000
Auxiliaries	12,508,831
Other Operating Revenues	9,750,000
Total Non-Operating Revenues	62,548,332
State Appropriation (Net)	27,480,307
Gifts	24,274,535
Investment Income	9,293,490
Capital Gifts/Grants/Approp	1,500,000
Total Sources of Revenue	1,557,033,974
Total Restricted and Mandatory Plant Expenses	175,102,640
Restricted Funds (200-799)	130,931,240
Mandatory Plant Expenses/Capitalization	(23,768,308)
Depreciation	67,939,708
Total Unrestricted Revenue Sources Available	1,381,931,334
Total Unrestricted Approved Expenses	1,421,153,481
FY2017 Unrestricted Budget Total	1,365,007,611
FY2018 Approved Unrestricted Budget Increases	56,145,870
TOTAL INCREASE/(DECREASE) IN NET POSITION	(39,222,147)

Major Initiatives for FY 2018

Capital Facility and IT Infrastructure Improvements


- \$47 million total estimated critical need
- Patients occupying Central Building
- Several Electrical failures and failures of other internal systems
- Higher level of risk
- Maintaining critical functions in older buildings

Compensation Objectives

- Create a Strategic Compensation Planning Process
- Establish Priorities Regarding Market Competitiveness
- Design a Plan to Move to a Labor Market Leadership Position

Compensation Initiative Tasks

- Updated Job Descriptions
- Updated Market Data (With Operational Consensus)
- Establish New Salary Structures
- Clear Process Communication
- Build a Professional Compensation Practice Team



Compensation Plan Assumptions

- Current UAMS Positions Matched to Appropriate Survey Data Based Upon Position Descriptions.
- Market is Defined as the 25th Percentile of Defined Range for the Position.
- Faculty, Student Employees, Temps and Residents Have Separate Planning Processes.

Salary Data

- Sources
 - Towers Watson
 - Culpepper Database
 - American Hospital Association (AHA)
 - College and University Professional Association (CUPA)
 - Specialized/Targeted Surveys (AAMC, AAHC)
 - Sullivan Cotter
- Review roles against market data
- Update data

Proposed Investments FY 2018

\$20 Million

1. Classified Adjustments of - \$1,000,000
2. Clinical Adjustments of -\$10,000,000
3. Focused Gap Closure - \$4,000,000
4. Across the Board for Positions Below 50th Percentile - \$5,000,000

Where This Positions Us

- Classified Employees Receive 2% Increase
- RN Compensation Will be Competitive With the Local Market
- 90% of Employees Receiving Increase

Process Recommendations

- Establish Cabinet Level Compensation Committee
- Eliminate Out-of-Cycle and Reclassification Processes
- Establish Strategic Compensation Decisions Annually and Implement Only Those Priorities