

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ACTION REQUEST

Subject: Proposed FY 2017 University of Michigan Clinical Enterprise Operating Budget

Action

Requested: Approval

Background:

For FY 17, UMHS is targeting a 10.4% operating cash flow margin and 4.3% operating margin. This plan recognizes the full integration of the University of Michigan Hospitals, Health Centers, and Medical Group, which is a transition from the historical view of UMHC only.

The proposed FY17 budget is predicated on several key assumptions:

- A. Continued inpatient and outpatient growth expected during FY17 primarily driven by activation of incremental operating rooms and beds, coupled with access and throughput improvement initiatives
- B. Improved efficiency in cost per unit of service
- C. Revenue per case growth constrained by continued Federal and State funding changes and increased options for consumer-driven choices.


The proposed financial performance is consistent with the Strategic Financial Framework and aligns with the long- term plan to continuously improve the financial strength of the Clinical Enterprise to levels necessary to support future strategic and routine capital investments.

We recommend the Regents approve the proposed FY 2017 University of Michigan Clinical Enterprise Operating Budget.

Respectfully submitted,



Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer



Marschall S. Runge, M.D., Ph.D.
Executive Vice President
for Medical Affairs and Dean of the
Medical School

June 16, 2016

**UNIVERSITY OF MICHIGAN CLINICAL ENTERPRISE
FY 2017 OPERATING BUDGET**

Amounts in \$ M

	FY 17 Plan		FY 16 Forecast	
Operating Revenue	\$3,223.1	4.0%	\$3,099.6	9.5%
Operating Expenses	\$3,083.5	3.8%	\$2,970.6	7.1%
Operating Margin	\$139.6		\$129.0	
Margin %	4.3%		4.2%	
Operating Cash Flow Margin	\$334.6		\$325.8	
Margin %	10.4%		10.5%	
Adjusted Cases	124,559	3.0%	120,931	6.7%