# UNIVERSITY OF KENTUCKY BOARD OF TRUSTEES

Sara Marks, President and CEO, UK King's Daughters

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## FINANCIAL OUTLOOK ASSUMPTIONS

| Core Assumption | UK St Claire | UK Kings Daughters | UKHC |
|---|---|---|---|
| **Inpatient Volume** | Discharges: +2.0% annually | 1% Growth Annually | Limited new growth:<br>3 Yr CAGR 1.8%<br>0% beyond Yr 3 |
| **Outpatient Volume** | Visits: +4.0% annually | 3% Growth Annually | 5 Yr CAGR 3.6% |
| **Revenue Rates** | Service Specific Rate Changes ~2% Avg Mix Rate Changes | 3% Annual Increase (Commercial)<br>1% Annual Increase (Medicare) | Service Specific Rate Changes ~2% Avg Mix Rate Changes |
| **Investments** | Conservative 3% Returns Annually | Conservative 3% Returns Annually | Cash Return Reducing with Fed Rate Reductions/ Investments @ 8% Per year |
| **Compensation Rates** | 3% Per Year Blended | 3% Per Year | 3% Per Year Blended |
| **Pharmacy Inflation** | 4% Per Year | 3% Per Year | 4% Per Year |
| **Supply Cost Inflation** | 3% Per Year | 3% Per Year | 3% Per Year |
| **Medicaid Directed Payments** | FY26 Preprint Rate Capped – January 2028 10% Reduction Per Year for 10 Years | | |
| **Other Items** | Long-term capital plan underway, adjusting to deployment based on model results. | Other Expenses – Inflation at 2% Per Year | Quasi Endowment Investment and Capital Adjusted Capital Timing |

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# UKKD LONG RANGE FINANCIAL SCENARIO PLANNING



| Financial Outlook Scenario Development | Integrated Plan Consolidation | University Health Care Committee Review | Plan Roll Out |
|---|---|---|---|
| • Financial Outlook Risks<br>• Base Case Scenario Development<br>• Management Intervention Planning<br>• External Kaufman Hall Advisement | • Intervention Scenario Development<br>• Future Capital Strategy Planning<br>• Senior Leadership Committee Meetings<br>• Physician Leadership Committee Meetings<br>• UK Leadership Review | | • Key Leadership Committees<br>• Communication with Capital Planning Team<br>• Engage Performance Improvement Committees and Service Line Leaders |
| **July-September** | **October-November** | **December** | **December** |

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## UKKD BASE MODEL V1

Values in millions

| UKKD Standalone Original V1 Base Case | Actual 2025 | Projected 2026 | Plan 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|
| Total Operating Revenue | 1,075 | 1,127 | 1,185 | 1,211 | 1,226 | 1,244 | 1,264 |
| Total Operating Expense | 1,020 | 1,064 | 1,103 | 1,136 | 1,173 | 1,212 | 1,245 |
| Net Operating Revenue/(Expense) | 43 | 17 | 20 | 22 | 24 | 25 | 26 |
| Total Net Income | 98 | 79 | 102 | 96 | 77 | 57 | 44 |
| Total Margin % | 9.1% | 7.0% | 8.6% | 7.9% | 6.3% | 4.6% | 3.5% |
| | | | | | | | |
| Capital Projects Cash Flow | | 98 | 83 | 82 | 82 | 82 | 60 |
| Year End Cash and Investments | 595 | 643 | 709 | 776 | 836 | 875 | 910 |
| DAYS CASH ON HAND | 224 | 234 | 248 | 264 | 275 | 278 | 280 |

*Expenses Adjusted for Non Cash Items

### Key Highlights

- CY 2026 Preprint Rates would result in a significant increase to UKKD's directed payments.
- Capital projects to be funded with cash flow, while still allowing for growth in cash and investments.

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## UKKD FINANCIAL INTERVENTIONS PLANNED

# $78.5M ANNUAL IMPACT BY 5th YEAR

| 23 Initiatives | |
|---|---|
| **Revenue and Growth** | **Cost Management** |
| • Service Line Development/Expansion (Radiation Oncology, Inpatient Rehab)<br>• Urgent Care addition (Greenup Co.)<br>• Conversion of Ohio facility<br>• Specialty Pharmacy Growth<br>• Rate Improvements with Payors<br>• Access to Care Enhancements | • Labor Efficiency (Targeted Growth)<br>• Contract Labor Management<br>• Non-Labor Expense Reductions<br>• Shared Services Savings<br>• Adjustment to Benefits and Services |

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## UKKD INTERVENTION MODEL

Values in millions

| UKKD Intervention Scenario | Actual 2025 | Projected 2026 | Plan 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|
| Total Operating Revenue | 1,075 | 1,143 | 1,204 | 1,230 | 1,246 | 1,263 | 1,283 |
| Total Operating Expense | 1,020 | 1,054 | 1,086 | 1,108 | 1,134 | 1,152 | 1,186 |
| Net Operating Revenue/(Expense) | 43 | 17 | 21 | 24 | 28 | 31 | 35 |
| Total Net Income | 98 | 105 | 139 | 146 | 139 | 142 | 131 |
| Total Margin % | 9.1% | 9.2% | 11.5% | 11.8% | 11.2% | 11.2% | 10.2% |
| | | | | | | | |
| Capital Projects Cash Flow | | 98 | 83 | 82 | 82 | 82 | 60 |
| Year End Cash and Investments | 595 | 669 | 768 | 885 | 1,005 | 1,128 | 1,250 |
| DAYS CASH ON HAND | 224 | 246 | 274 | 309 | 343 | 378 | 405 |

*Expenses Adjusted for Non Cash Items

### Key Highlights

- Interventions will result in improved margins from current levels
- Achieve significant growth in cash and investments over the outlook period

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# QUESTIONS



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