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Timothy Slocum, Senior Vice President, Chief Operations Officer, UK HealthCare

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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: 3 Yr CAGR 1.8% 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) 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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LONG RANGE FINANCIAL SCENARIO PLANNING



Financial Outlook Scenario Development	Integrated Plan Consolidation	University Health Care Committee Review	Plan Roll Out
• Financial Outlook Risks • Base Case Scenario Development • Business Intervention Planning Scenarios (8) • Over a Dozen Strategic Finance Planning Work Sessions • External Kaufman Hall Advisement • External National Advisement on Federal Funding	• 8th Scenario Version for UKHC • Financial Planning through FY38 • Capital Timing Scenarios Planning (Chandler Expansion)		• Key Leadership Committees • University Communication Development • Communication with Capital Projects Teams
February-September	**October-November**	**December**	**December**

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UKHC BASE MODEL V1

Values in millions

UKHC Standalone Original V1 Base Case	Actual	Projected	Plan				
	2025	2026	2027	2028	2029	2030	2031
Total Operating Revenue	3,954	4,148	4,361	4,532	4,684	4,830	5,003
Total Operating Expense	3,692	3,932	4,151	4,371	4,609	4,839	5,099
Net Operating Revenue/(Expense)	43	37	12	57	50	37	(22)
Total Net Income	305	253	222	218	125	28	(118)
Total Margin %	7.7%	6.1%	5.1%	4.8%	2.7%	0.6%	-2.4%
Capital Projects Cash Flow		684	657	574	628	841	825
Year End Cash and Investments	2,339	1,928	1,654	1,424	1,056	382	(414)
DAYS CASH ON HAND	236	183	149	122	86	30	(30)

*Expenses Adjusted for Non Cash Items

Key Highlights

- FY25 Actual results Medicaid Directed Payments ~$740M
- Base model includes over $1B in revenue growth from 2025-2031
- Base model shows headwinds in key areas
  - Cost inflation pressures
  - Medicaid Directed Payments Reductions beginning in FY28
  - Days Cash on Hand would result in deficit funds highly impacting the University by 2031
- Capital Spend timing puts heavy negative pressure on the fiscal health of UKHC if no interventions occur to improve margins

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FINANCIAL INTERVENTIONS PLANNED

$750M ANNUAL IMPROVEMENT BY FY34

~20 STRATEGIC FINANCE WORK SESSIONS

20 Initiatives	
Revenue and Growth	**Cost Management**
• Key Clinical Service Line Growth • Inpatient Length of Stay Efficiency • Business Development Strategies for Continued Enhancing Partnerships • Philanthropy for Key Projects • External Funding Strategies	• Labor Efficiency (Targeted Growth) • Contract Labor Management • Clinical Service Line Cost Efficiency

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UKHC INTERVENTION MODEL V8

Values in millions

UKHC Standalone V8 Intervention Scenario	Actual 2025	Projected 2026	Plan 2027	2028	2029	2030	2031
Total Operating Revenue	3,954	4,268	4,545	4,796	5,096	5,218	5,427
Total Operating Expense	3,692	3,928	4,087	4,307	4,551	4,749	5,012
Net Operating Revenue/(Expense)	43	59	20	91	101	115	131
Total Net Income	305	400	478	581	646	584	546
Total Margin %	7.7%	9.4%	10.5%	12.1%	12.7%	11.2%	10.1%
Capital Projects Cash Flow		751	885	671	400	515	570
Year End Cash and Investments	2,339	2,185	1,937	1,973	2,376	2,847	3,236
DAYS CASH ON HAND	236	208	177	172	197	226	245

*Expenses Adjusted for Non Cash Items

Key Highlights

- V8 model includes higher revenue growth of over $1.4B from 2025-2031
- Margins are sustained at a stronger level
  - Cost management focus limits cost growth
  - Improving margin in the near team years quickly to eliminate operational use of Medicaid Directed Payments
  - 3rd year of performance improvement efforts now focused on break even without Medicaid Directed Payments
- Days Cash On Hand is maintained as capital spend and bond issuance timing is adjusted

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QUESTIONS



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