

# EMPOWERING PEOPLE WITH CARE

Board of Managers Meeting

September 26, 2022



CENTRAL HEALTH



# Central Health Reserves Financial Strategy

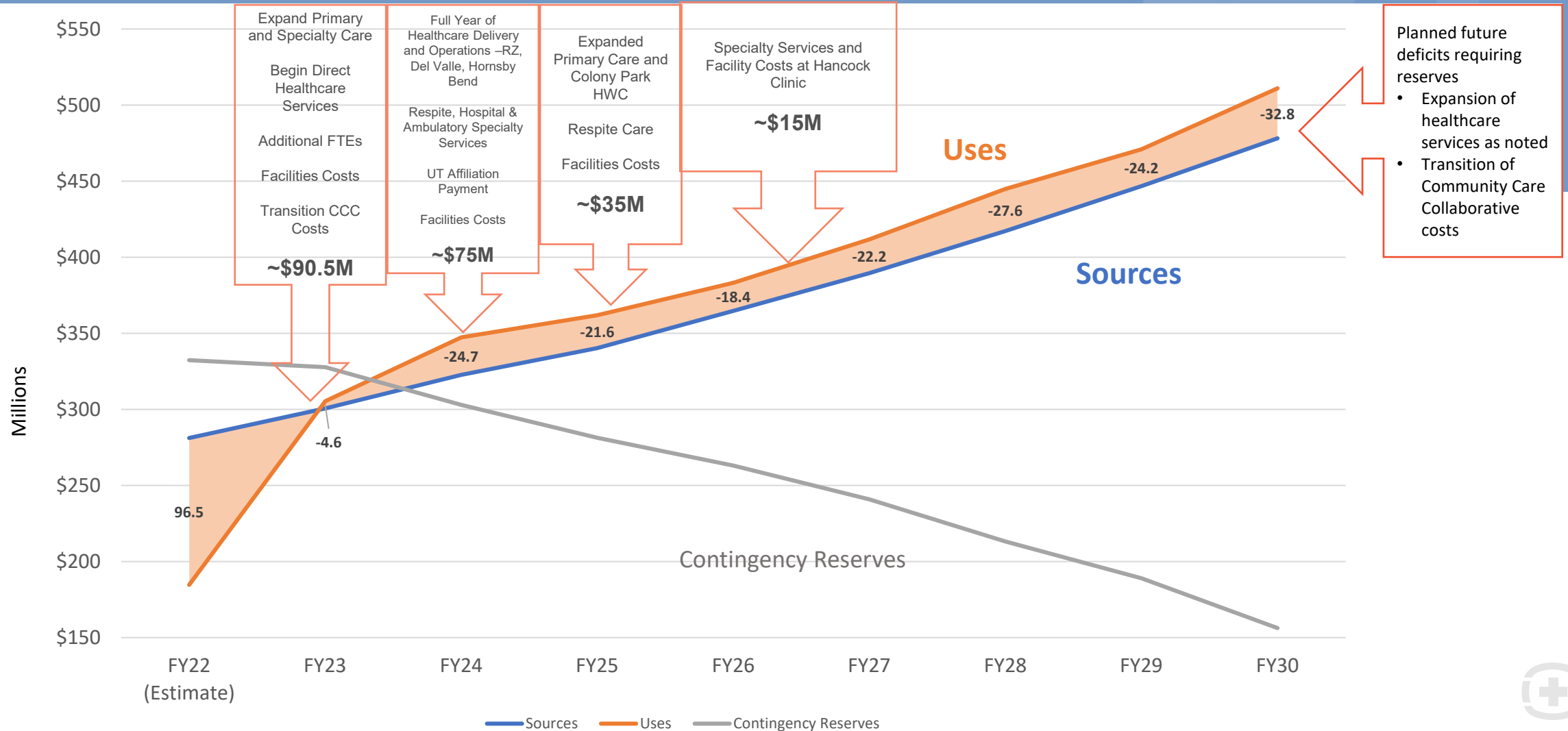
- It is essential that Central Health maintain adequate levels of reserves to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Reserves also impact bond ratings and borrowing costs
  - Emergency Reserve
    - Must set aside 15% of ongoing expenses (55 days cash on hand)
    - Board of Managers' approval to spend and consider repayment plan
  - Contingency Reserve
    - Alleviates volatility or dependency of single source of revenue
    - Helps smooth significant unforeseen expenses or (known) events with long-term planning
  - Emergency + Contingency = long range planning should target a minimum level of 120 to 150 days cash on hand
    - If reserves fall below these levels without a replenishment plan, steps should be taken to increase revenue and/or decrease expenses



# Future Healthcare System Investments

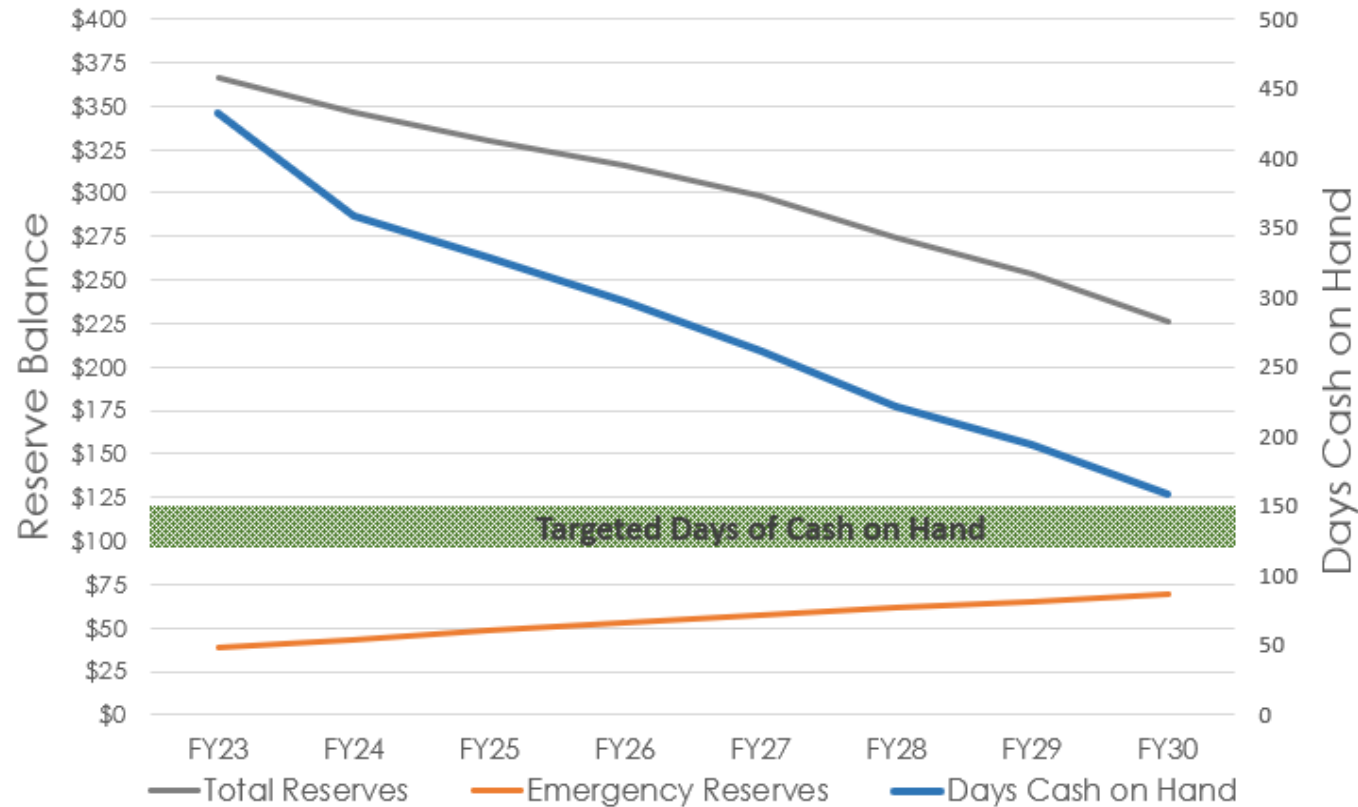
## Impact to contingency reserve levels

\*For Financial Forecast Only, will be revised upon completion of the Health Equity Plan Implementation and Sustainability Phases



# 8 Year Forecast 6.0% Year Over Year Increase in M&O No New Revenue Rate

\*updated Sept 2022

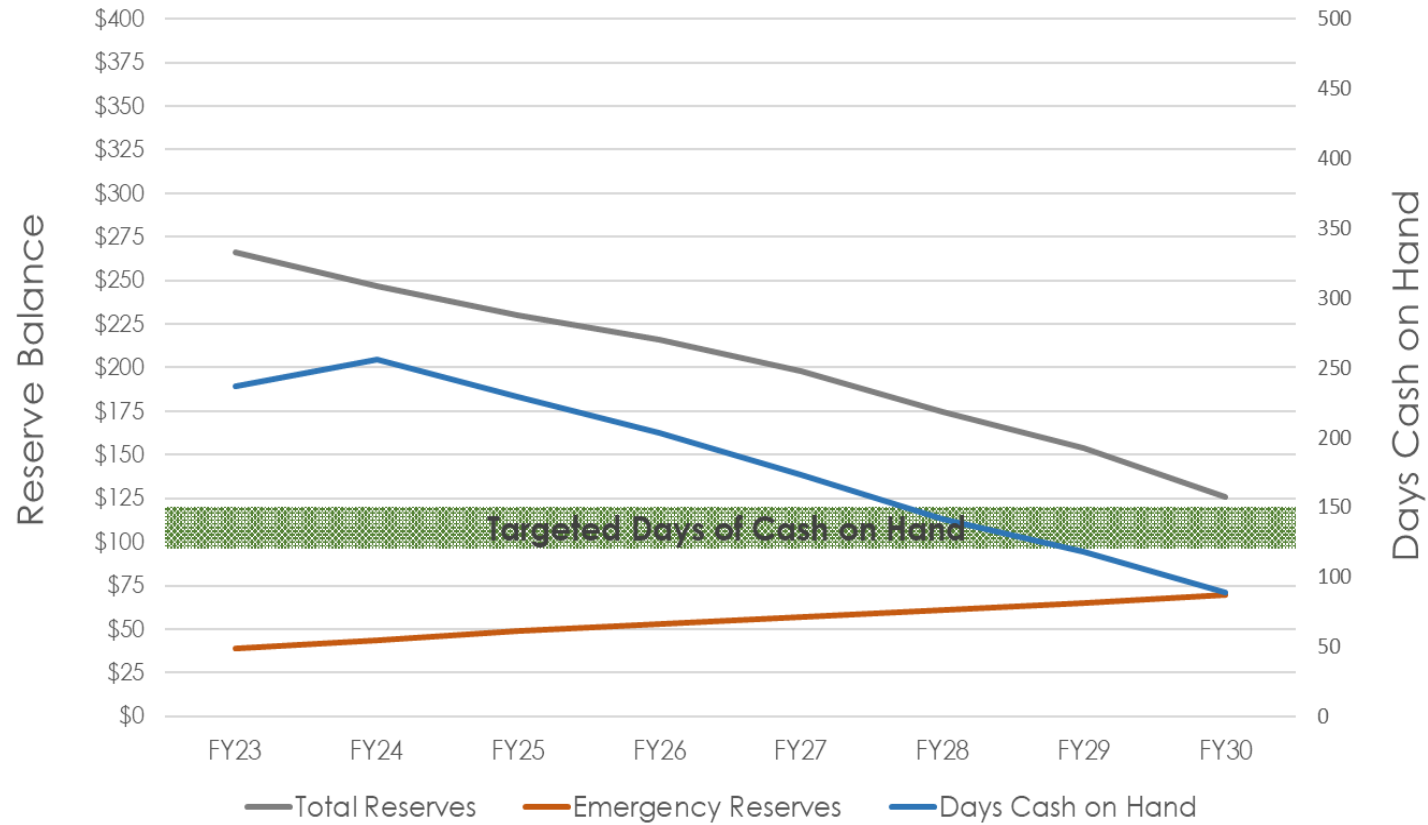


	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
<b>Total Reserves</b>	366.5	346.5	330.2	316.3	298.1	274.5	253.9	225.6
<b>Emergency Reserves</b>	38.7	43.5	48.7	53.3	57.3	61.3	64.8	69.4
<b>Days Cash on Hand</b>	432.0	359.1	328.4	297.1	260.6	222.1	194.1	158.9



# Reduce Reserves by additional \$100M in FY2023

## 6% Year Over Year Increase in M&O No New Revenue Rate



	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
<b>Total Reserves</b>	266.5	246.5	230.2	216.3	198.1	174.5	153.9	125.6
<b>Emergency Reserves</b>	38.7	43.5	48.7	53.3	57.3	61.3	64.8	69.4
<b>Days Cash on Hand</b>	236.6	255.5	228.9	203.2	173.2	141.2	117.6	88.5



**ADDITIONAL  
INFORMATION  
AVAILABLE**



CENTRAL HEALTH

**[centralhealth.net/about/finance](https://centralhealth.net/about/finance)**