Tower producing profits for Oconee Medical Center

Revenues, expenses expected to climb in 2010

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SENECA — With its new patient tower operating on all cylinders, Oconee Medical Center is experiencing a pleasantly unexpected windfall in revenues and has budgeted significant growth in operations for fiscal 2010.

"In our first full month of operation since the opening of the Patient Tower on June 20, we saw remarkable increases in volume in many areas of our organization," said Vice President of Operations Hunter Kome.

Numbers provided to OMC board members Monday night showed discharges 38 percent higher than budget for July. The number of inpatient surgeries was 44 percent higher than budget, and the number of births was more than 39 percent above budget. Outpatient and home health visits were above budget, Kome said, and OMC saw record volumes in cardiology, radiology and at the Outpatient Diagnostic Center.

Even though expenses were up to handle those volumes, Vice President of Finance Greg Scarbrough said the hospital made $501,000 in July, three times more than had been budgeted.

Year to date, the OMC margin is $4.2 million, which is 17 percent better than expected.

The attraction of the new tower to area residents and a number of newly recruited physicians are the drivers behind a new budget that calls for $15 million more in revenue. However, progress does have a cost. Scarbrough said the first full year of tower operation would add $2 million to OMC's finance costs and $3.7 million in additional overhead costs.

2010 Budget Challenges

- Health care legislation
- Medicare/Medicaid reimbursement
- Physician recruitment
- Unemployment rates
- Cutbacks in donations

2010 Budget Drivers

- Physicians added
- New Services offered
- Customer experience (the new Tower factor)
- Competitive wage & benefits
- Financial performance

Scarbrough called the new budget conservative but added, "We can grow with this budget."

The finance chief projected a five percent growth in patient numbers this next year, primarily because of new doctors. However, he said the length of stay in the facility is expected to be flat.

OMC will increase its prices by eight percent to help fund the new budget. Scarbrough said the hospital has had similar increases four of the past five years and that, despite the price increase, OMC remains the least expensive hospital in the area with an average case charge of $22,000. Other Upstate hospital case charges range from $25,500 to over $42,000.

The new budget funds 31 new full-time equivalent positions in the hospital, as well as 12 new physicians with 20 new staff members in the Oconee Physician Practices network. Those new doctors are behind a projected increase in clinic visits from 64,000 to 135,000.

Merit raises of 3.25 percent are included and, in order to be competitive, a half-dozen positions will receive higher increases. Employee insurance costs will be higher. Scarbrough said benefits would equal 33.7 percent of salaries.

Putting it all together, Scarbrough won approval of a budget that expects patient revenues of $160.6 million, up nearly $15 million. However, expenses are also projected to increase by nearly $15, resulting in a profit margin of $3,144,628 or 1.9 percent.

"We had projected a 1 percent margin with the new tower," Scarbrough said, "so we feel good at 1.9."

With other sources of income included, the margin is expected to top $4.5 million or 2.8 percent.

The board approved the spending plan Monday night.