Gov. Juan F. Luis Hospital & Medical Center

FISCAL YEAR 2027

BUDGET PRESENTATION

"Rebuilding Today for a Healthier Tomorrow"

Testimony By:

Darlene A. Carty Baptiste
Chief Executive Officer

36th Legislature
of the United States Virgin Islands

JFL AT A GLANCE

FY 2027 BUDGET & FINANCIAL SNAPSHOT

FY27 BUDGET
$85.47M

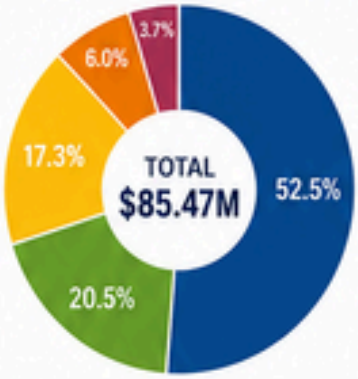
456
FULL TIME EMPLOYEES

$48.3M
UNCOMPENSATED CARE
FY26

$7.4M
CRITICAL OBLIGATIONS COST
Needed to stabilize operations

$45.6M
OUTSTANDING OBLIGATIONS
AP + Withholdings

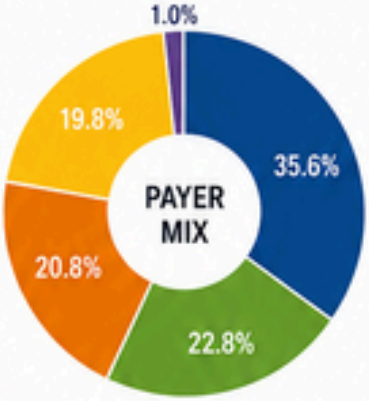
FY27 EXPENSE BUDGET



Personnel	52.5%
Fringe Benefits	20.5%
Other Services	17.3%
Supplies	6.0%
Utilities	3.7%

73% of the proposed operating budget is allocated to personnel and fringe benefits.

PAYER MIX



Medicare	35.6%
Commercial	22.8%
Self Pay	20.8%
Medicaid	19.8%
Other	1.0%

The payer mix remains heavily concentrated in government programs and self-pay, placing continued pressure on reimbursement and cash flow.

CURRENT OUTSTANDING OBLIGATIONS

$45.6M
TOTAL OUTSTANDING OBLIGATIONS

$22.9M
ACCOUNTS PAYABLE

300+ | **89%** | **$20.5M** AGED >300 DAYS

Some obligations date back to 2005.

+

$22.7M
EMPLOYEE WITHHOLDINGS & RELATED OBLIGATIONS

- GERS
- IRB
- UNIONS
- OTHER DEDUCTIONS

OFF-ISLAND TRANSFER IMPACT

1,200
TOTAL TRANSFERS
2022 THROUGH JUNE 2026

$39.6M
ESTIMATED COST
2022 THROUGH JUNE 2026

150 2026 YTD TRANSFERS THROUGH JUNE

FY27 PROPOSED GVI FUNDING
$32.75M
38.3% OF OPERATING BUDGET

FINANCIAL REALITY
Strong revenue-cycle progress must be paired with cost control, service expansion, and adequate funding to ensure sustainability and quality care for our community.

INTRODUCTION

Good morning, Honorable Senator Novelle Francis, Chairperson of the Committee on Budget, Appropriations, & Finance; Senators of the 36th Legislature of the U.S. Virgin Islands, present; and the listening and viewing audience. I am Darlene Carty Baptiste, Chief Executive Officer for the Governor Juan F. Luis Hospital and Medical Center (JFL) and Schneider Regional Medical Center (SRMC). Today, I am joined by:

- Adeline Williams Connor - Chief Operating Officer
- Aren Laljie - Interim Chief Financial Officer
- Asa Victor – JFL Sr. Executive Director of Financial Services
- Dr. Regina Flippin – JFL Chief Medical Officer
- Darice Plaskett – JFL Chief Nursing Officer
- James Rollins – JFL Chief of Staff
- Patricia Canegata – JFL Chief Human Resources
- Keith Abraham – Interim Chief Technology Officer
- LeRue Browne – Chief Supply Chain Officer
- Delphine Olivacce – Chief Quality & Performance Improvement Officer
- Darryl Smalls – Executive Director, THRT

who are here to support this presentation and help address any questions.

Thank you for the opportunity to present the Fiscal Year 2027 Budget for Gov Juan F. Luis Hospital & Medical Center totaling ***$85.47 million***. This budget reflects the resources currently anticipated for FY 2027. Throughout this testimony, we will outline how the cost of providing care continues to exceed available resources. We therefore respectfully request consideration of an increased allotment to stabilize operations, meet critical operating needs, and ensure continued access to essential healthcare services.

Every day, JFL stands as the healthcare safety net for the residents and visitors of St. Croix. Regardless of a person's insurance status, financial circumstances, or medical condition, we must be ready when a child is born, when a trauma occurs, when a stroke or heart attack strikes, or when a family faces its most difficult medical emergency.

Unlike other services, healthcare cannot pause or be delayed; it must be available 24 hours a day, 365 days a year. As the only acute care hospital, JFL's stability is not simply a hospital priority; it is a public health priority for the Virgin Islands.

Several structural realities shape today's healthcare environment:

1. Medicare and Medicaid reimbursement rates that fall well below the actual cost of care
2. A patient population heavily weighted toward uninsured and underinsured individuals
3. A growing number of hospital boarders who remain hospitalized because appropriate placement is unavailable
4. Outstanding interagency receivables that constrain cash flow
5. A widening gap between the rising cost of delivering healthcare and the growth in government appropriations.

Today's testimony outlines these realities and the actions we are taking to address them. While we are committed to doing our part, stabilizing and strengthening our healthcare system will require continued partnership and investment. We respectfully ask for your collaboration as we work together to build a stronger, more sustainable future for healthcare.

MISSION

Gov. Juan F. Luis Hospital & Medical Center (JFL) is committed to providing compassionate, high-quality, and equitable healthcare. As the district's sole provider of acute care and other major clinical services, JFL ensures access to essential healthcare under the mandate of Virgin Islands Code Title 16.

From October to June 2026, JFL serves the community through more than ***1,330 admissions***, ***9,575 emergency department visits, 9,349 outpatient visits, and 499 surgeries,*** reflecting our commitment to providing high-quality care.

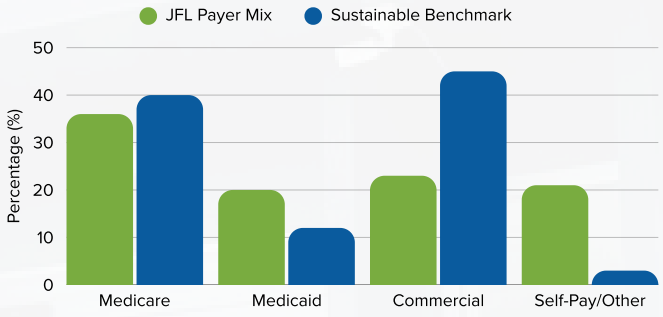
FINANCIAL & OPERATIONAL REALITY

The numbers presented thus far reflect our commitment to serving this community, not the ease with which that care is delivered. While JFL continues to fulfill its responsibilities, we do so in a challenging fiscal environment.

Uncompensated Care & Payer Mix

Our financial sustainability is heavily influenced by the payer mix, which differs significantly from that of a profitable hospital. While a healthy payer mix includes a greater proportion of commercially insured patients, JFL serves a population that relies heavily on government-sponsored insurance and self-pay services. Our current payer mix compared to a financially sustainable benchmark is as follows:

- ***Medicare:*** 36% (benchmark: 40%)
- ***Medicaid:*** 20% (benchmark: 12%)
- ***Commercial:*** 23% (benchmark: 45%)
- ***Self-Pay/Other:*** *21%* (benchmark: 3%)



Resulting in approximately ***$48.3 million*** in uncompensated care in FY 2026 to date, compared to ***$51.5 million*** in FY 2025. These amounts represent the financial impact of services provided without reimbursement and include estimated charges associated with the cyberattack that were processed in subsequent periods.

Unlike private providers, JFL cannot limit care based on a patient's insurance coverage or ability to pay. As a result, uninsured and underinsured patients unable to access care in private outpatient practices are frequently referred to the Emergency Department (ED), requiring the Hospital to provide care in its highest-cost setting for many conditions that could be managed in a primary care or outpatient environment.

Inadequate Government Reimbursement

When patients are uninsured, underinsured, or lose coverage, JFL bears the full cost of providing care. Even when reimbursement is available, it rarely covers the actual cost of delivering services.

On average, Medicare reimburses only 40–60% of the cost of care, while Medicaid reimburses only 17–21%. In practical terms, for every $1.00 billed to Medicare, JFL receives only 40-60 cents, and for every $1.00 billed to Medicaid, we receive only 17 to 21 cents. The Hospital must absorb the remaining costs. This underscores a central theme of this testimony: financial recovery requires both operational excellence and structural reform. While we take decisive action to strengthen revenue, improve efficiency, and reduce costs, reimbursement rates that remain below the cost of care will continue to undermine those efforts.

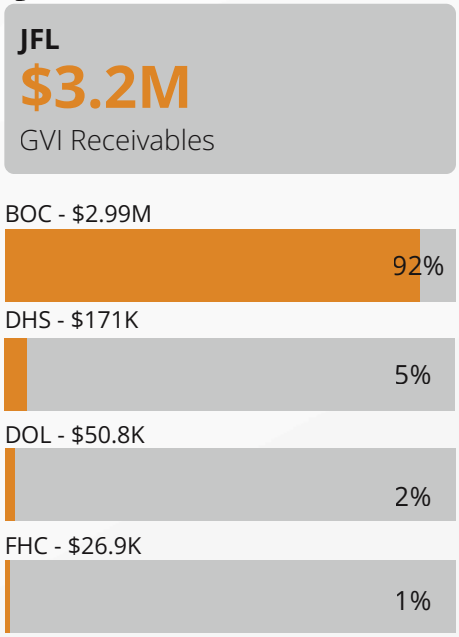
Hospital Boarders & Care Beyond Acute Services

The housing of hospital boarders also places significant pressure on the healthcare system. These are patients who are medically ready for discharge and no longer meet the criteria for acute care hospitalization.

In FY 2025, JFL cared for boarders over ***1,086 patient days***, generating approximately ***$7 million in uncompensated boarder costs*** while occupying beds needed for patients requiring acute medical care. While claims may be submitted for these services, reimbursement is not guaranteed. JFL must provide clinical justification for the continued hospitalization, and ultimately, the payer determines whether the care meets established criteria for reimbursement. While we continue to work with the Department of Human Services and other community partners for boarder placement, we must emphasize that hospitals cannot serve as long-term care facilities or housing providers. Expanding post-acute placement, behavioral health services, and community-based support is essential to ensuring patients receive care in the most appropriate setting.

Cash Flow Constraints & Interagency Receivables

Outstanding interagency receivables further contribute to existing cash-flow pressures. While these balances represent only one component of a much broader financial picture, timely reimbursement for services provided would strengthen liquidity and our ability to meet operational obligations. Current balances stand at approximately ***$3.2 million, including $2.99 million from the Bureau of Corrections, $171,447.68 from the Department of Human Services, $50,783.02 from the Department of Labor, and $26,870.18 from Frederiksted Health Care, Inc.*** We continue to work collaboratively with our government partners to improve collections and reduce these outstanding balances.

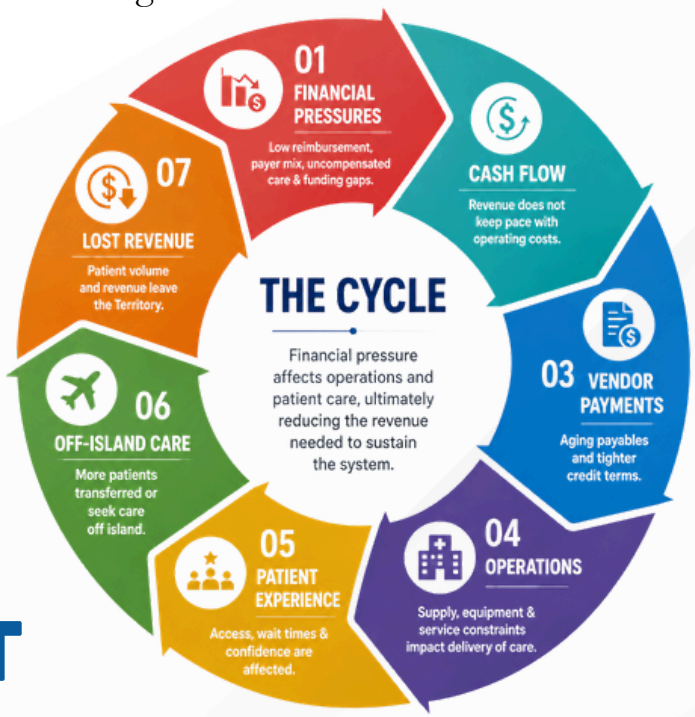


The Structural Funding Gap

Beyond these lies a broader structural challenge: the cost of delivering healthcare continues to outpace the funding available to support it. National healthcare costs increased by approximately *7%* over the last three years, while the annual GVI appropriation has not increased at the same rate, creating a widening structural funding gap.

We are grateful to the Government of the Virgin Islands for its continued support through annual appropriations, and we recognize this Administration's and the Legislature's commitment to healthcare. We must continue working together to address the growing funding gap and ensure a financially sustainable healthcare system for the people of the Virgin Islands.

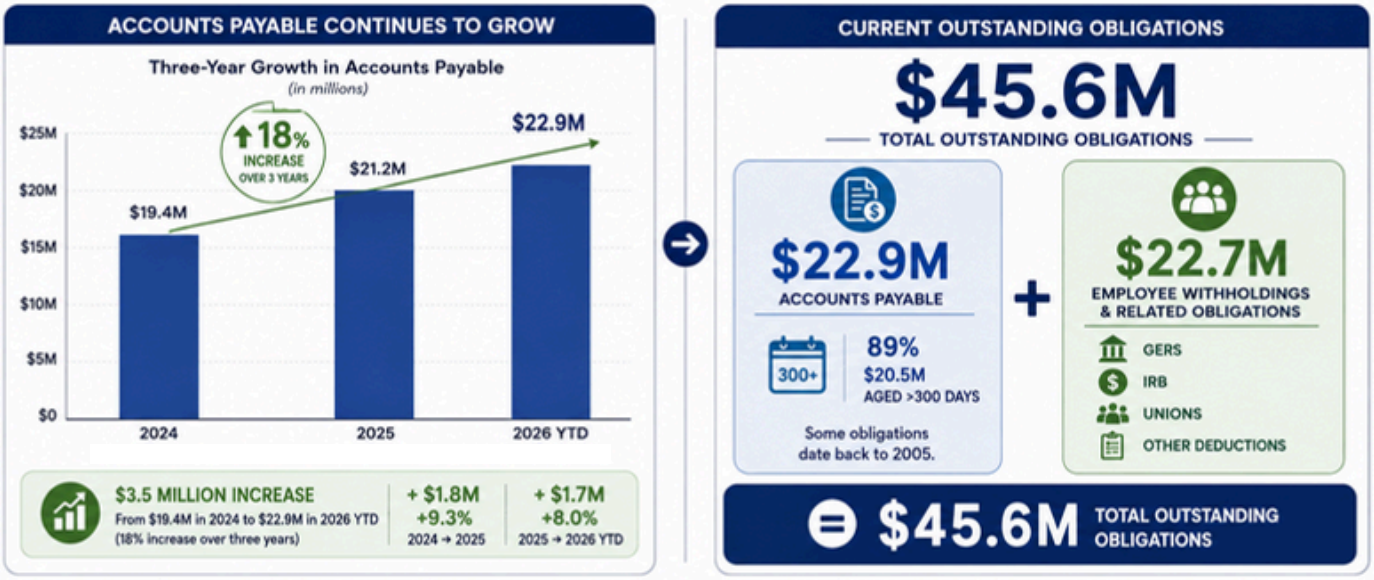
These financial and operational realities reinforce one another, creating a cycle that continues to weaken our financial position. Limited resources constrain operations, affecting everything from vendor payments and medical supplies to patient access and experience.



THE IMPACT

JFL's total outstanding obligations are approximately ***$45.6 million.*** This consists of ***$22.9 million in accounts payable*** and an additional ***$22.7 million in outstanding employee withholdings and related obligations***, including balances owed to GERS, the Internal Revenue Bureau, unions, and other employee deductions. We take full responsibility for these obligations and have resumed payments to reduce these balances and return to current status as cash flow improves.

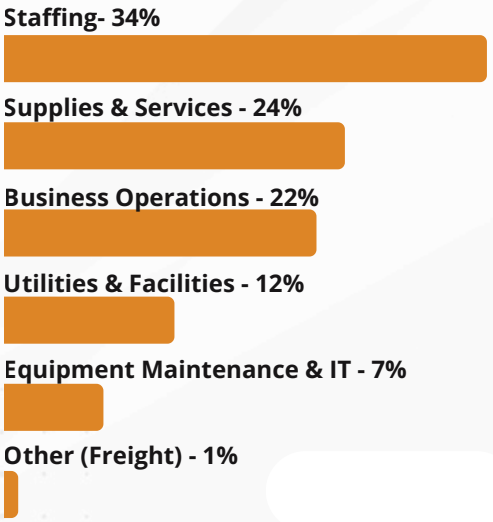
Over the past three years, accounts payable alone increased from approximately ***$19.4 million to $22.9 million***, an increase of ***18%***. Of the current accounts payable balance, approximately ***89%***, or ***$20.5 million***, represents legacy obligations aged over ***300 days***, with some balances dating back to ***2005.***



As accounts payable ages, the risk of delayed deliveries, reduced credit terms, prepayment requirements, and supply chain disruptions increases, limiting our ability to replenish inventory as quickly as needed. Addressing the most critical vendor obligations is therefore essential to restoring normal inventory levels and stabilizing operations.

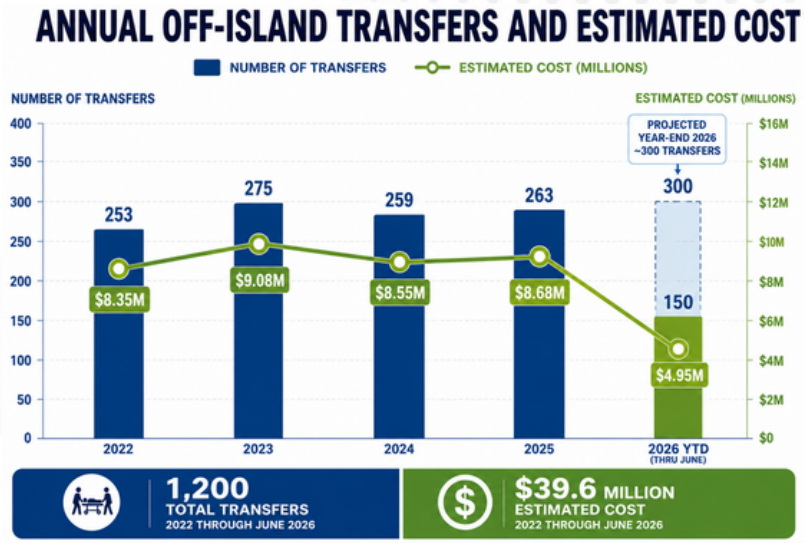
We estimate that approximately ***$7.4 million*** is needed to address critical obligations. This includes amounts owed to vendors supporting medical and surgical supplies, laboratory services, locum staffing, pharmaceuticals, utilities, facility and equipment maintenance, contracted clinical services, information technology, and other essential business operations.

JFL
$7.4M
Critical Obligations Cost



While addressing these outstanding balances is a critical first step, it is not a permanent solution. Paying down the arrears addresses past obligations, but rebuilding vendor confidence and restoring favorable credit terms will take time. Healthcare demand is dynamic, and supplies are continuously consumed as patients receive care. Without strengthening the cash flow needed to replenish inventory and meet vendor obligations, supply levels will continue to fluctuate.

The impact extends beyond finances and operations; it ultimately affects patient access to care, contributing to continued reliance on off-island care. From 2022 through 2025, JFL transferred ***1,050 patients off-island*** at an estimated cost of ***$34.7 million.*** Through June 2026, another ***150 patients were transferred*** at an estimated cost of ***$4.95 million***, bringing the total since 2022 to approximately ***1,200 transfers and $39.6 million.***



This not only increases costs and places additional burdens on patients and families but also shifts healthcare revenue outside the Territory. At the same time, these challenges affect the patient's experience and weaken public confidence, prompting more individuals to seek care off-island even when services are available locally. The resulting loss of patients and revenue further limits the ability to invest in the resources and specialty services needed to meet community needs, reinforcing the cycle of financial and operational strain.

FINANCIAL RECOVERY STRATEGY

We recognize that addressing these realities alone is not the solution. We must also improve how we operate. We developed a financial recovery strategy focused on strengthening cash flow, improving operational efficiency, reducing costs, and expanding access to care. These reflect our commitment to responsible stewardship of public resources and to building a financially sustainable healthcare system.

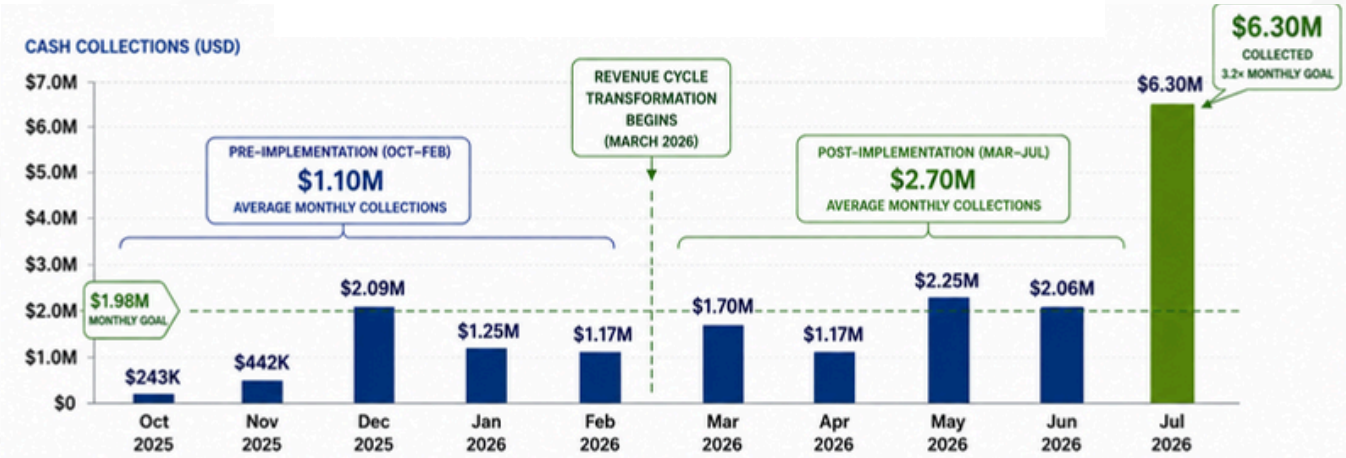
Revenue Cycle Transformation

Strengthening the revenue cycle has been the highest financial priority. The 2025 cyberattack severely disrupted our ability to bill and collect revenue, creating a claims backlog and delaying critical cash flow.

During the system outage, we launched an internal collections initiative by providing JFL employees with copies of their outstanding bills. Similar outreach was extended to Government House, Cabinet members, Senators, and legislative staff to encourage payment while electronic billing capabilities were being restored.

Operations came back online in October 2025, and Firstsource, a third-party revenue cycle management partner, began on February 1, 2026. This partnership extends beyond recovering outstanding accounts; it is focused on redesigning revenue cycle processes to improve financial performance. Together, we have implemented measures to strengthen clinical documentation, improve coding accuracy and charge capture, streamline billing workflows, reduce claim denials, improve collections, and establish standardized performance metrics and accountability.

These efforts are already producing measurable results.



Before engaging Firstsource, JFL averaged approximately ***$1.1 million in monthly cash collections*** from October 2025 through February 2026. Since implementation began, average monthly cash collections have increased to approximately ***$2.7 million***, more than doubling pre-implementation performance and exceeding our monthly collection goal of ***$1.98 million*** by more than ***30%***. July represented our strongest month to date, with approximately ***$6.3 million collected***, more than ***three times our monthly goal.*** July collections include payments from prior periods including claims from the Cyber Attack period.

Progress is also being made on the billing backlog. Approximately ***10,616*** accounts dating before February 1, 2026, were identified for review. To date, ***5,672 accounts, or 53%***, have been reviewed, and ***2,831 accounts, or 27%,*** have been finalized and entered the billing workflow, representing approximately ***$19.5 million in charges.***

TOTAL BACKLOG
10,616
Accounts

REVIEWED
5,672
Accounts
53% of Total

FINALIZED
2,831
Accounts
27% of Total

PENDING REVIEW
4,944
Accounts
47% of Total

PROGRESS BY SERVICE LINE

Service Line	% Reviewed (of Backlog)	% Finalized (of Backlog)	Total Backlog	Reviewed Accounts	Finalized Accounts
Inpatient	96%	55%	1,141	1,096	628
EM	94%	61%	2,487	2,334	1,513
Surgery	99%	39%	471	465	184
ED	27%	8%	6,517	1,777	506

We are also seeing improvement in the age of our receivables. Accounts receivable over 90 days have declined from a high of ***93% to 66%***, a ***27-percentage-point reduction.*** While this remains above our target of ***25%***, the improvement demonstrates measurable progress in converting aged accounts into billable and collectible revenue.

The work is not complete. Revenue cycle transformation requires sustained improvement in documentation, coding, billing, denial prevention, and collections. However, the results to date demonstrate that the strategy is working: cash collections are increasing, the backlog is being converted into billable claims, and aged receivables are declining. Continued improvement in these areas is critical to strengthening cash flow and reducing reliance on other funding sources to support daily operations.

Integration & Systemwide Efficiencies

The next component of our financial recovery strategy is the continued integration of hospital operations across the Virgin Islands. By leveraging the strengths and resources of both hospitals, we are reducing duplication, sharing resources, standardizing operations, and creating efficiencies while preserving access to care in both districts.

We have already consolidated executive leadership functions, generating an estimated ***$2.3 million in savings.*** Resource sharing is also helping address staffing gaps without duplicating positions. For example, SRMC has deployed respiratory therapy, anesthesiology, NICU nursing, and internal medicine staff to support JFL during staffing gaps, while JFL's nephrology and gastroenterology providers have supported clinical services at SRMC. We continue to evaluate additional specialties and functions that can be shared across the system based on operational need and available capacity.

Integration also extends to quality, performance improvement, and workforce operations. Leaders from both hospitals are aligning key performance indicators, reporting structures, and performance expectations, while an integrated policy committee will standardize policies and procedures across the system. These efforts improve consistency, strengthen regulatory and accreditation readiness, reduce duplicative administrative work, and allow both hospitals to identify performance gaps using the same measures. Human Resources leaders are similarly developing a unified employee handbook and standardized policies to establish consistent workforce practices across both districts.

This systemwide approach also extends to purchasing and supply chain management. We have transitioned from Materials Management to Supply Chain Management, creating a more comprehensive approach to sourcing, procurement, inventory, distribution, and utilization across both facilities. This strengthens coordination, accountability, and our ability to ensure critical resources are available when needed.

Currently, the hospitals operate under separate legacy systems and Group Purchasing Organization (GPO) arrangements. We are assessing both GPOs to determine the feasibility of consolidating purchasing under a single GPO. The objective is to maximize the combined purchasing power of both facilities, secure more favorable pricing and contract terms, reduce duplication, and identify opportunities for greater efficiency. Areas being evaluated include medication and medical supply purchasing, vendor negotiations, product standardization, inventory management, and other shared procurement activities.

As integration continues, our technology infrastructure must also evolve to support a more unified health system. A critical step is upgrading the Electronic Health Record across SRMC and JFL.

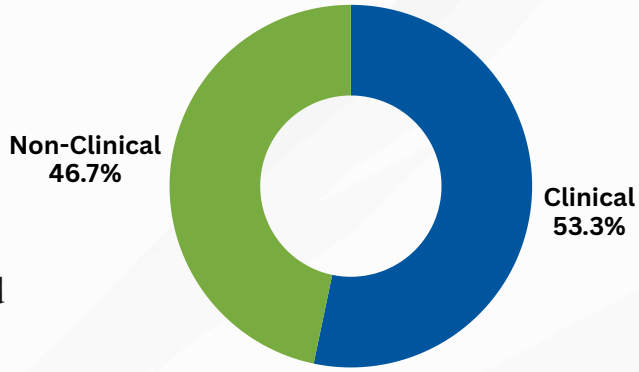
The current Meditech environment is approaching end-of-life, creating increasing limitations in system support, functionality, security, integration, and the ability to implement new technology. Continuing to make significant investments in an aging platform does not provide an appropriate long-term return when the system will ultimately need to be replaced.

A modern EHR will streamline clinical and administrative workflows, reduce duplicate and manual processes, improve access to patient information, and better integrate clinical and financial systems. These efficiencies can improve productivity while strengthening documentation, charge capture, coding, claims processing, denial prevention, and reimbursement. EHR modernization should therefore be viewed not simply as an IT expenditure, but as an investment in system integration, workforce efficiency, revenue cycle performance, and long-term financial sustainability.

Workforce Optimization

As of June 2026, JFL's workforce includes ***243 clinical FTE***s and ***213 non-clinical FTEs***, for a total of ***456 FTEs***. While workforce levels have remained relatively stable year over year, the cost of maintaining that workforce has continued to increase.

Personnel expenses now account for approximately ***79%*** of the operating budget, driven in part by contractual union salary increases, mandated compensation adjustments, and the rising cost of wages and benefits.



Today, payroll, including gross wages and employer contributions, is approximately ***$1.9 million*** every two weeks, or roughly ***$4.1 million per month***, compared with average monthly cash collections of approximately ***$2.7 million*** from March through July 2026. While collections are improving, they remain insufficient on their own to support the current personnel cost structure.

This demonstrates the need for a more sustainable personnel cost structure. Our objective is not to reduce the number of employees but to reduce the personnel budget by approximately ***10%.*** That distinction is important. A significant portion of the required savings can be achieved without eliminating occupied positions by first addressing vacancies, duplication, organizational structure, resource sharing, and other workforce efficiencies.

Phase I: Workforce Optimization. Our priority is to capture savings while minimizing the impact on existing employees and protecting direct patient care. This phase includes position consolidation, job sharing, cross-training, systemwide resource sharing, departmental reorganization, and a comprehensive review of budgeted vacant positions before they are filled. Through these measures, JFL expects to achieve approximately ***7.5% of the 10%*** personnel cost-reduction target, before considering further workforce reductions.

Phase II: Workforce Reduction. To the extent the full budgetary target cannot be achieved through Phase I, additional reductions will be based on operational need and productivity, while maintaining safe patient care. The strategy progresses from exempt positions, temporary employees, per-diem and part-time positions, retirements and natural attrition, permanent non-union employees, and, only where necessary, permanent union employees in accordance with applicable collective bargaining agreements. This sequencing is intended to achieve the remaining financial requirement while minimizing disruption to the workforce and clinical operations.

While optimizing the workforce, we continue to recruit for critical clinical and operational roles, with a hiring freeze for non-essential positions. Within our physician workforce, recruitment efforts are also progressing. We have hired an internal medicine physician, reducing reliance on higher-cost locum coverage, and have successfully converted two emergency medicine physicians from locum to employee status. These conversions, together with additional mid-shift coverage, are intended to strengthen ED coverage, improve workflow, and reduce patient wait times.

More broadly, we are shifting away from reliance on the locum tenens model by converting physicians, where appropriate, to employee or per diem status. This directly addresses cash-flow challenges, as delayed payments can disrupt locum coverage.

Transitioning physicians to payroll provides greater payment reliability, helping recruitment and retention of critical physician coverage.

The model also reduces costs associated with locum arrangements, including travel, lodging, rental vehicles, and agency-related expenses. This strategy is complemented by developing regional and national recruitment relationships, including engagement with the National Medical Association, to strengthen the pipeline for physician recruitment.

Strategic Service Line Expansion

Patient transfer data, utilization trends, and community health needs are guiding decisions on where local clinical capacity should be strengthened. Through June 2026, cardiology and neurology together accounted for ***47%*** of all off-island transfers. This provides a clear roadmap for where targeted service expansion can have the greatest impact on patient access, off-island transfers, and ultimately revenue.

Through June 2026 alone, ***38 patients*** were transferred for cardiology and interventional cardiology services, the largest category of off-island transfers. In response, JFL and SRMC are jointly advancing development of an Interventional Cardiology Program. We are currently evaluating physician partnerships and program proposals. JFL is also working to restore Cardiac Catheterization Laboratory services, and the Request for Proposals for the cardiac catheterization imaging system has been issued, marking a significant step toward re-establishing this capability within the Territory.

Neurology represents the second-largest transfer category, with ***33 patients*** requiring off-island care through June 2026. To strengthen local capacity, JFL & SRMC is advancing implementation of a permanent TeleStroke Program. During the cyberattack, JFL participated in a pilot with the U.S. Department of Health and Human Services, demonstrating the feasibility of remote neurological consultation. A site visit by the University of Florida's Division of Neurology is anticipated as the next step toward implementation.

Expanding outpatient specialty care is another priority, with the development of a Telehealth Clinic and Laboratory Draw Station in downtown Christiansted.

Supported through a ***$500,000 Office of Management and Budget grant***, the project will provide another access point for outpatient care and laboratory services, creating additional outpatient revenue opportunities. A vendor for the telehealth booths has been selected, and implementation is underway.

Restoration of Nuclear Medicine services is supported by a ***$400,000 grant secured through the Office of Insular Affairs.*** The Nuclear Regulatory Commission license has been renewed, site preparation is approximately ***90% complete,*** and the equipment has been manufactured and is awaiting shipment.

JFL was also awarded ***$750,000 in Community Project Funding*** through the U.S. House of Representatives for the MRI Imaging Expansion Project. Together with Nuclear Medicine, expanded imaging capacity will support earlier diagnosis, specialty care, and the ability to provide care locally.

As these services are restored and expanded, JFL will also work with commercial payers to keep appropriate portions of the care within the Territory. Even when specialized treatment must occur off-island, diagnostic imaging, laboratory testing, pre-operative evaluations, and follow-up care may be performed locally. Keeping those services at JFL improves continuity of care while retaining reimbursement within the Territory.

Leveraging Strategic Partnerships

Throughout FY 2026, the St. Croix Community Hospital Foundation served as a strategic partner by securing external funding & donations, supporting capital investments, and providing bridge financing that allows the advancement of critical projects without placing additional strain on operating cash flow.
To date, the Foundation has helped secure or support several key investments, including:

- ***$400,000 Office of Insular Affairs (OIA) Grant*** to restore Nuclear Medicine services and expand advanced diagnostic imaging.
- ***$750,000 in Community Project Funding*** through the U.S. House of Representatives to support the MRI Imaging Expansion Project.
- ***$500,000 Office of Management and Budget (OMB) Grant*** for the Community Telehealth Project, expanding access to outpatient services.
- ***$48,000 LEPC Project Safe Neighborhood Grant*** to purchase security equipment that enhances the safety of Hospital security personnel.

- ***A $100,000 bridge loan*** to facilitate the upfront purchase of 83 computers under a reimbursable Office of Health Information Technology (OHIT) grant, accelerating critical technology modernization while awaiting grant reimbursement.
- ***$50,000 in Foundation funding*** to upgrade the Hospital-wide electronic access control and swipe card security system.
- ***$60,000 in Foundation funding*** to purchase an ultrasound machine

The Foundation also continues to expand community engagement through philanthropic initiatives that directly support strategic priorities. In September 2026, the Foundation will host its inaugural fundraising gala, "A Heartfelt Celebration," with proceeds dedicated to advancing the Hospital's Cardiac Catheterization Laboratory project. We extend our sincere appreciation to every donor and partner, large and small, whose support helps JFL leverage limited resources and advance critical patient-care needs.

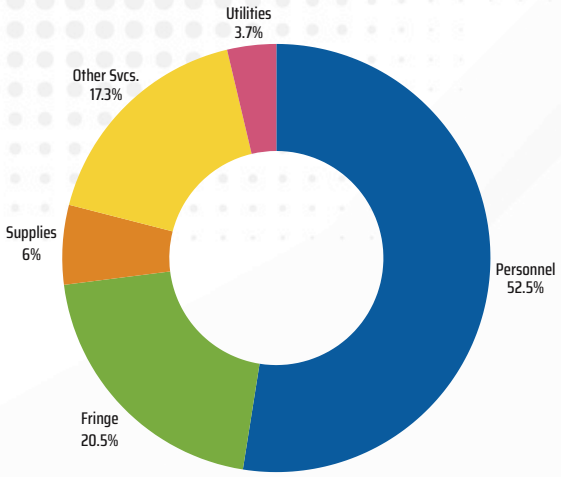
These investments demonstrate the value of leveraging philanthropy, federal grants, and strategic partnerships to strengthen healthcare infrastructure. However, grant and philanthropic funding are primarily intended to support capital improvements and one-time investments. Sustaining these initiatives requires ongoing operational funding to support staffing, maintenance, equipment, technology, and the day-to-day costs of delivering care.

ST. CROIX COMMUNITY HOSPITAL
FOUNDATION
SUPPORTING JUAN F. LUIS HOSPITAL AND OUR COMMUNITY

FY 2027 PROPOSED BUDGET

The proposed FY 2027 expense budget totals approximately $85.47 million, allocated as follows:

- **Personnel services** will remain the largest portion of our expenses, accounting for ***$44.9 million***, or approximately ***52.5%*** of our budget. This represents a ***1% increase*** compared to FY 2026 and includes the mandatory minimum wage increase with offsets from workforce alignment.
- **Fringe benefits** account for ***$17.49 million,*** or nearly ***20.5%*** of our budget. The projected ***$2.2 million increase*** from the FY 2026 level is primarily due to higher health insurance premiums ***($1.7 million)***, which reflects the current run rate, and retirement costs ***($1.1 million)***, which is a % of salaries.
- **Supply costs** are projected to reach ***$5.1 million,*** representing a ***52% decrease*** from FY 2026. This decrease is primarily attributed to reductions in medical supplies, pharmacy, operating supplies, and implants from FY 2026 and a ***35% increase*** from the FY 2026 projection.



EXPENDITURE SOURCES	PROJECTED EXPENSES
Personnel	$44,910,329
Fringe	$17,490,557
Supplies	$5,101,143
Other Services	$14,757,675
Utilities	$3,218,827
TOTALS	$85,478,531

- **Other Services and Charges** are budgeted at ***$14.75 million***, representing a ***30% increase*** over FY 2026. This category includes expenses related to physician and employee recruitment, professional services, and operational contracts. The increase is primarily due to ***$4.2 million*** in funding for prior-year debt.

- **Utilities and facility operations** are projected at ***$3.2 million***, representing a ***35% decrease*** from FY 2026. Electricity remains the largest utility expense, with anticipated costs exceeding ***$2.3 million***, a decrease of approximately ***$1.5 million.*** This projection accounts for rate increases and the operation of our three physical structures: JFL Main, the Virgin Islands Cardiac Center (VICC), and JFL North & Admin Building. While energy-saving measures are being pursued, utility costs remain relatively fixed given the nature of round-the-clock hospital operations.

Total expenses of ***$85.47 million.***

The FY 2027 proposed budget is supported by projected hospital-generated revenue and ***$31 million*** in proposed Government of the Virgin Islands funding, with an additional ***$1.5 million*** for the Cardiac Catheterization Lab and ***$250,000*** for TeleStroke expansion, representing approximately ***38.3%*** of the total operating budget.

This budget reflects the resources currently anticipated for FY 2027. However, as demonstrated throughout this testimony, the cost of providing care continues to exceed available resources. We therefore respectfully request consideration of an increased allotment to stabilize operations, meet critical operating needs, and ensure continued access to essential healthcare services.

Capital Budget

Separate from the operating budget, JFL has identified approximately ***$3.69 million*** in remaining capital needs for critical equipment and infrastructure. Priorities include equipment for cardiology, diagnostic imaging, anesthesia, surgery, laboratory, pharmacy, GI services, facilities, and transportation. Several major capital priorities have already received funding or are in progress as mentioned previously. The ***$3.69 million capital*** request therefore represents the remaining investments needed to replace aging equipment, strengthen clinical capacity, and maintain safe and reliable hospital operations.

Before closing, I would like to turn the presentation over to Mr. Darryl A. Smalls, Executive Director of THRT, who will provide testimony on JFL's ongoing construction projects.

CLOSING

Mr. Chairman and distinguished members of the Committee, throughout this testimony we have presented more than a budget. We have presented a strategy. We began by reaffirming our mission and the critical role JFL plays in the healthcare of the Territory. We then provided a transparent assessment of the financial and operational realities confronting JFL, acknowledging the challenges that threaten our long-term sustainability. Most importantly, we demonstrated that JFL has not waited for those challenges to resolve themselves.

Over the past year, we have developed a financial recovery strategy focused on strengthening our revenue cycle, integrating operations across the Territory, optimizing our workforce, expanding specialty services, leveraging strategic partnerships, and reducing our reliance on off-island care.

We recognize that the challenges before us cannot be solved by government funding alone, nor can they be solved by operational improvements alone. Success requires both responsible management and strategic investment. We have committed to doing our part by making difficult decisions, improving efficiency, pursuing external funding, and holding ourselves accountable for measurable outcomes. Today, we respectfully ask for your partnership in completing that work.

Together, we have an opportunity to strengthen healthcare in the Virgin Islands, not only by addressing today's financial challenges, but by building a health system that provides greater access, stronger clinical services, improved financial sustainability, and better outcomes for the people we are privileged to serve. On behalf of our Board of Directors, physicians, nurses, employees, volunteers, and every patient who depends on JFL, I thank you for your continued support and for the opportunity to present today. I respectfully request your favorable consideration and welcome any questions.