

**UNIVERSITY HOSPITAL**

**FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDING**

**AUGUST 31, 2015**

**University Hospital  
Financial Summary  
For the Period Ending August 31, 2015**

Results of operations for University Hospital for the two month period ending August 31, 2015, reflect an excess of expenses over revenue of \$1.0 million as compared to an anticipated budgeted loss of \$1.8 million thus resulting in a favorable variance of \$800 thousand.

**Patient Volumes:**

	<b>August 2015</b>		<b>Variance Favorable / (Unfavorable)</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>	<b>Prior Year</b>
Discharges	1,448	1,443	(5)	(2)
Average Length of Stay	6.00	6.11	(.11)	.12
Patient Days	8,688	8,816	128	813
Emergency Room Visits	6,820	6,905	85	(3)
Clinic Visits	13,770	14,192	422	1,349
Surgical – Inpatients	350	432	82	60
Surgical – Outpatients	790	827	37	41
Full Time Equivalents	3,200	3,206	(6)	(92)
	<b>Year-To-Date</b>		<b>Variance</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>	<b>Prior Year</b>
Discharges	2,913	2,932	19	(15)
Average Length of Stay	6.00	5.88	.12	(.22)
Patient Days	17,478	17,240	(238)	548
Emergency Room Visits	13,930	13,797	(133)	(310)
Clinic Visits	27,830	28,938	1,108	2,928
Surgical – Inpatients	720	841	121	96
Surgical – Outpatients	1,560	1,673	113	125
Full Time Equivalents	3,200	3,204	(4)	(97)
Revenue/Adjusted Discharge	\$24,762	\$25,241	\$479	\$19
Expense/Adjusted Discharge	\$25,190	\$25,483	(\$293)	\$141

## **Revenues and Expenses**

### **Revenues:**

August year to date net patient service revenues, before subsidies, were greater than budget by \$2.3 million or 3.5%, primarily due to modest increases in patient volume as well as an improved payer mix. Actual Year to date discharges of 2,932 were 19 greater than the projected budget of 2,913. August year to date actual Emergency Room visits of 13,797 were less than budget by 133 visits while total surgical volumes for the two month period were actually 234 cases greater than budget. Clinic visits for the two month period of July and August saw favorable growth of 1,108 visits or 4.0% as compared to budget, and over 11.3 % as compared to the prior year. Other revenue, including State appropriations, is slightly less than budgeted by \$128 thousand due to the reserved portion of Newark EMS service revenue since there is currently no contract between University Hospital and the City of Newark.

Unlike the prior year the Hospital is recording DSRIP revenue on an accrual basis assuming it will meet all threshold and benchmarks as it has done the previous year. However no accruals have been made for the additional Universal Performance pool funding.

The average length of stay for the two month period of July and August of 5.88 days, was favorable by 0.12 days as compared to the FY 2016 budget. Based upon the August UHC length of stay index of 1.07, UH is 7% greater than target. Year to date Case Mix Intensity Index (CMI) is 1.825 for Medicare and 1.673 overall.

### **Expenses:**

Salaries and wages for the year to date period ending August 31<sup>st</sup> were \$40.2 million resulting in a negative budget variance of \$349 thousand. The cost of Medical Staff and Residents contracted through Rutgers University remained close to budget at \$12.1 million. For the same period supplies and other costs of \$28.7 million were over budget by \$1.4 million or 5.0%. Other expense categories of interest, facilities services and depreciation, which total \$8.4 million, remained slightly under budget. Year to date total expenses of \$105.7 million were over budget by \$1.5 million or 1.5%.

## **Balance Sheet**

### **Patient Accounts Receivable:**

The net patient accounts receivable (PAR) balance of \$67.6 million reflects an increase of \$2.3 million as compared to the June 30, 2015 balance. Days in PAR of 53.3 show a slight increase of 2.6 days from the 50.7 days at year-end.

**A/R – State of NJ:**

The balance of \$4.3 million is comprised mainly of the net amounts for fringe benefits due from the State of New Jersey as of August 31, 2015.

**Miscellaneous Accounts Receivable:**

The balance of \$6.7 million in miscellaneous accounts receivable at August 31st is comprised mainly of amounts due from Rutgers University for facilities services receivables and cash collections due to University Hospital as well as DSRIP funding.

**Prepaid Expenses:**

The balance of \$5.0 million at August 31st, relates to prepaid expenses (i.e. insurance, lease expense, maintenance agreements) which are being amortized over the useful life of the specific item.

**Inventories:**

The balance of \$17.7 million at August 31st is \$1.4 million greater than the June 30, 2015 valuation.

**Assets Held by Trustee:**

The Bank of New York Mellon is the Trustee for the UH indebtedness issued by the New Jersey Healthcare Facilities Financing Authority. The \$24.3 million in this category is comprised of Debt Service Reserve funds of \$16.3 million and \$8 million of unexpended project funds. The balance of the available project funds are reserved for capital purchases.

**Net Fixed Assets:**

The balance as of August 31st of \$208.4 million reflects the net book value of Property, Plant and Equipment including capitalized leases reduced by accumulated depreciation. Depreciation is computed monthly on a straight line basis using estimated useful lives in accordance with American Hospital Association guidelines. This balance is subject to additional adjustments pending further analysis.

**Accrued Payroll:**

Accrued payroll of \$15.0 million reflects liabilities for salaries accrued at month-end in addition to payroll related tax liabilities.

**Accounts Payable/Accrued Expenses:**

The balance of \$28.4 million due vendors represents a small net decrease of \$.5 million from the balance recorded at June 30, 2015. University Hospital continues with the practice of paying vendors within 45 days after providing services.

**Due to Rutgers University:**

The balance of \$25.0 million represents the liability due Rutgers for both Clinical and Facility services. The CSA/TSAs negotiated prior to the dissolution of UMDNJ required various payment timeframes to Rutgers depending on the service ranging from advanced payments (i.e. Rent) to 45 days from date of invoice. As of August 31st, the liabilities are no longer within the required timeframes detailed in those agreements. The two parties continue to discuss the issues that resulted in payment delay as well as establishing a new agreement. This balance may be adjusted pending further discussion.

**Accrued Workers Compensation Liability:**

At year-end, the Hospital received its actuarial report which projected a total liability of \$28.3 million (\$7.1 million current and \$21.2 million long term). The Hospital continues to record this liability on an undiscounted basis.

**Third Party Payor Reserves:**

The balance of third party payor reserves as of August 31, 2015 is \$5.5 million, an increase from June 30, 2015 of \$0.7 million. The Hospital continues to update estimated receivables and liabilities in this category as needed. Currently the Medicare fiscal intermediary only settled six of the last eleven fiscal years of hospital cost reports. The Hospital's Medicaid cost reports have been settled through June 30, 2013. All required reporting for Fiscal 2014 was completed and filed timely.

**Deferred Revenues:**

The balance at month end of \$.9 million is the balance of unamortized meaningful use payments received from the Medicare and Medicaid programs as incentives for the installation of the Electronic Health Record (EHR) and the prepayment for EMS services to Newark Liberty International Airport.

**Long term Liabilities/Short Term Debt:**

The total of \$198.6 million in this category is comprised of 4 items (in Thousands):

NJHCFFA BANS	\$150,000
NJEFA	506
Capital Lease Obligations	76,840
Accrued Workers Comp Liability	<u>21,281</u>
	248,627
Less: Current Portion	58,507
Net Long Term Liabilities	<u>\$190,120</u>

**Long term Liabilities/Short Term Debt(continued):**

The BANS require no principal payments until February 2016. The current portion of the outstanding debt includes the first seven months of principal required on the BANS in the amount of \$58.5 million. The NJEFA note requires interest semi - annually, and principal annually. The capital lease obligations are result of the five leases the hospital entered into with Rutgers in July, 2013. The leases are for 76 years and the Hospital has capitalized the discounted value of the lease (\$77.0 million at inception) as well as the asset value (recorded under Property, Plant and Equipment). As the rental payments are made a portion of the payment will reduce this liability and the balance will be recorded as interest. The asset value will be amortized over the estimated useful life of each building leased. The Accrued Claim Liability in the non-current portion of the actuarially determined estimate discussed above. All required payments of the above listed obligations are current as of July 31, 2015.

**University Hospital  
Comparative Balance Sheet  
As Of August 31, 2015  
(In Thousands)**

**Draft**

<u>Assets</u>	<u>8/31/2015</u>	<u>6/30/2015</u>	<u>Increase/ (Decrease)</u>	<u>Liabilities and Fund Balance</u>	<u>8/31/2015</u>	<u>6/30/2015</u>	<u>Increase/ (Decrease)</u>
Current Assets				Current Liabilities			
Cash and Investments	\$ 98,100	\$ 98,352	\$ (252)	Liabilities - Payroll Accruals	\$ 15,001	\$ 19,250	\$ (4,249)
Patient Accounts Receivable	505,643	485,256	20,387	Liabilities - A/P Non Labor	28,436	27,847	589
Less: Allowances	<u>(438,057)</u>	<u>(419,936)</u>	<u>(18,121)</u>	Due to Rutgers University	25,006	26,702	(1,696)
Net Patient Accounts Receivable	67,586	65,320	2,266	Accrued Claims Liability	7,105	7,105	-
A/R - State of NJ	4,258	4,832	(574)	Third Party Payor Reserve	5,549	4,864	685
Miscellaneous Accounts Receivable				Vacation Pay Reserve	12,293	12,293	-
A/R - EMS City of Newark	-	-	-	Deferred Revenue	864	1,154	(290)
A/R - Rutgers University	3,971	4,128	(157)	Short Term Debt	<u>58,507</u>	<u>41,737</u>	<u>16,770</u>
A/R - Third Parties	-	0	-	Total Current Liabilities	152,761	140,952	11,809
A/R - Other	<u>2,693</u>	<u>3,877</u>	<u>(1,184)</u>	Long Term Liabilities	190,120	206,827	(16,707)
Total Miscellaneous A/R	6,664	8,005	(1,341)	Fund Balance:			
Prepaid Expenses and Other Assets	4,978	1,603	3,375	Net Investment in Capital Assets	63,373	63,373	0
Inventories	17,703	16,269	1,434	Restricted for Debt Service	971	971	0
Total Current Assets	<u>199,289</u>	<u>194,381</u>	<u>4,908</u>	Unrestricted	<u>26,265</u>	<u>27,272</u>	<u>(1,007)</u>
Assets Held by Trustee	24,283	35,501	(11,218)	Total Fund Balance	90,609	91,616	(1,007)
Grants Receivable	1,860	1,860	-	Total Liabilities and Fund Balance	<u>\$ 433,490</u>	<u>\$ 439,395</u>	<u>\$ (5,905)</u>
Property, Plant and Equipment	598,377	594,963	3,414				
Less: Accumulated Depreciation	<u>(390,319)</u>	<u>(387,310)</u>	<u>(3,009)</u>				
Net Fixed Assets	208,058	207,653	405				
Total Assets	<u>\$ 433,490</u>	<u>\$ 439,395</u>	<u>\$ (5,905)</u>				

University Hospital  
Statement of Revenues and Expenses  
FOR THE TWO MONTH PERIOD ENDING AUGUST 31, 2015  
**Current Unrestricted Funds**

<u>Month</u>			<u>University Hospital</u>	<u>Year To Date</u>			<u>FY 2015 Year to Date</u>	
<u>Budget</u>	<u>Actual</u>	<u>Variance From Budget Fav/(Unfav)</u>		<u>Budget</u>	<u>Actual</u>	<u>Variance From Budget Fav/(Unfav)</u>	<u>Year to Date Actual August 2014</u>	<u>Variance From Prior Yr Actual Fav/(Unfav)</u>
<u>Revenues</u>								
\$ 140,571	\$ 140,012	\$ (559)	Inpatient	\$ 282,792	\$ 284,591	\$ 1,799	\$ 259,607	\$ 24,984
55,840	55,457	(383)	Outpatient	111,680	110,974	(706)	99,383	11,591
3,459	3,846	387	Ambulance (Nwk & Camden)	6,918	6,786	(132)	7,274	(488)
199,870	199,315	(555)	Gross Charges	401,390	402,351	961	366,264	36,087
(151,631)	(149,460)	2,171	Contractual Allowances	(304,669)	(303,369)	1,300	(277,034)	(26,335)
(15,790)	(15,355)	435	Bad debt provisions	(31,710)	(31,604)	106	(28,861)	(2,743)
32,449	34,500	2,051	Net Patient Service Revenues	65,011	67,378	2,367	60,369	7,009
5,647	5,671	24	Patient Subsidies	11,294	11,342	48	14,345	(3,003)
38,096	40,171	2,075	Net Patient Service Revenues	76,305	78,720	2,415	74,714	4,006
7,822	7,822	-	State Appropriation - Fringe Benefits	15,644	15,644	-	15,786	(142)
3,653	3,653	-	Special State Appropriation	7,306	7,306	-	7,307	(1)
1,602	1,355	(247)	Miscellaneous Income	3,103	2,975	(128)	1,704	1,271
51,173	53,001	1,828	Total Revenues	102,358	104,645	2,287	99,511	5,134
<u>Expenses</u>								
19,950	20,132	(182)	Salaries & Wages	39,889	40,238	(349)	38,459	(1,779)
4,586	4,563	23	Contracted MDs	9,172	9,122	50	9,190	68
1,537	1,522	15	Contracted Residents	3,074	3,022	52	2,997	(25)
8,051	8,144	(93)	Fringe Benefits	16,102	16,195	(93)	16,342	147
13,666	15,102	(1,436)	Supplies and Other	27,316	28,677	(1,361)	25,347	(3,330)
982	1,020	(38)	Interest Expense	1,964	1,944	20	1,247	(697)
1,554	1,505	49	Facilities Service/Lease Agreements	3,108	3,176	(68)	3,997	821
1,750	1,578	172	Depreciation / Amortization	3,500	3,278	222	3,083	(195)
52,076	53,566	(1,490)	Total Expenses	104,125	105,652	(1,527)	100,662	(4,990)
<b>\$ (903)</b>	<b>\$ (565)</b>	<b>\$ 338</b>	Surplus/(Deficit)	<b>\$ (1,767)</b>	<b>\$ (1,007)</b>	<b>\$ 760</b>	<b>\$ (1,151)</b>	<b>\$ 144</b>
-	-	-		-				
<b>\$ (903)</b>	<b>\$ (565)</b>	<b>\$ 338</b>	Surplus/(Deficit) After Capital Projects	<b>\$ (1,767)</b>	<b>\$ (1,007)</b>	<b>\$ 760</b>	<b>\$ (1,151)</b>	<b>\$ 144</b>






**University Hospital  
Dashboard  
Period Ending August 31, 2015**



	Indicator	Goal For the Two Month Period Ending August 31, 2015	Actual for the Two Month Period Ending August 31, 2015	YTD Variance vs. Goal	YTD Performance against Goal
Discharges	↑	2,913	2,932	19	Green
Surgical Cases - Inpatient	↑	720	841	121	Green
Surgical Cases - Outpatient	↑	1,560	1,673	113	Green
Average Daily Census (ADC)	↑	281.9	278.1	(3.8)	Yellow
ED Visits (net of admissions)	↑	13,930	13,797	(133)	Yellow
Clinic Visits	↑	27,830	28,938	1,108	Green
FTE's	↓	3,200	3,204	(4)	Yellow
Average Length of Stay	↓	6.00	5.88	0.12	Green
Length of Stay Index	↓	1.00	1.07	(0.07)	Red
Medicare Case Mix Index	↑	1.860	1.825	(0.035)	Yellow
Total Case Mix Index	↑	1.670	1.673	0.003	Green
Revenue Per Adjusted Discharge	↑	\$ 24,762	\$ 25,241	\$ 479	Green
Expense Per Adjusted Discharge	↓	\$ 25,190	\$ 25,483	\$ (293)	Yellow
FTE per CMI Adjusted Occupied Bed	↓	4.79	4.87	(0.08)	Yellow
Net Days in Account Receivable	↓	56.0	53.3	2.70	Green
Days Cash on Hand	↑	55.0	59.4	4.4	Green

Goal Indicator Arrows show desired direction of movement

**Performance against Goals:**

-  Performance more than 5% below goal
-  Performance is within 5% of goal
-  Performance meets or exceeds goal

**University Hospital  
Comparison of Key Ratios  
As of August 31, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Benchmark</u>
<b>Current Ratio</b>	1.79	1.31	(0.49)	2.02
<b>Days Cash on Hand</b>	55.0	59.4	4.4	72.6
<b>Operating Margin</b>	(1.63)	(0.96)	0.67	3.35
<b>Adjusted Discharges</b>	4,134	4,145	12	-

Benchmark is the average value for the 17 Major Teaching Hospitals as reported in the NJHCFFA Apollo reports for the period ended Dec. 31st 2014