

UNIVERSITY HOSPITAL

FINANCIAL STATEMENTS

FOR THE PERIOD ENDING

SEPTEMBER 30, 2015

**University Hospital
Financial Summary
For the Period Ending September 30, 2015**

Results of operations for University Hospital for the year to date period ending September 30, 2015, reflect an excess of expenses over revenue of \$1.4 million as compared to an anticipated budgeted loss of \$2.7 million, thus resulting in a favorable variance of \$1.3 million.

Patient Volumes:

	September 2015		Variance Favorable / (Unfavorable)	
	Budget	Actual	Budget	Prior Year
Discharges	1,345	1,375	30	56
Average Length of Stay	6.00	6.32	(.32)	.21
Patient Days	8,070	8,684	614	76
Emergency Room Visits (net of admissions)	6,790	6,769	(21)	(272)
Clinic Visits	13,410	14,373	963	1,381
Surgical – Inpatients	310	372	62	76
Surgical – Outpatients	730	781	51	(34)
Full Time Equivalents	3,200	3,201	(1)	(59)
	Year-To-Date		Variance	
	Budget	Actual	Budget	Prior Year
Discharges	4,258	4,307	49	41
Average Length of Stay	6.00	6.02	(.02)	(.09)
Patient Days	25,548	25,924	376	624
Emergency Room Visits (net of admissions)	20,720	20,566	(154)	(582)
Clinic Visits	41,240	43,311	2,071	4,309
Surgical – Inpatients	1,030	1,213	183	176
Surgical – Outpatients	2,290	2,454	164	83
Full Time Equivalents	3,200	3,202	(2)	(49)
Revenue/Adjusted Discharge	\$25,259	\$26,279	\$1,020	\$2,006
Expense/Adjusted Discharge	\$ 25,711	\$26,510	(\$799)	(\$1,789)

Revenues and Expenses

Revenues:

September 2015 year to date net patient service revenues, before subsidies, were greater than budget by \$6.1 million or 6.4%, mainly due to an increase in inpatient and outpatient volumes. Year to date discharges, budgeted at 4,258 discharges, were 49 greater than the projected budget. Actual net Emergency Room visits of 20,566 were less than budget by 154 visits while total inpatient and outpatient surgical volumes for the first quarter of FY 2016 were 347 cases greater than budget. Additionally Clinic visits for the period ending September 30, 2015 saw favorable growth of 2,071 visits or 5.0% as compared to budget and over 11.0 % when compared to prior year visits. Other miscellaneous revenue was less than budget by \$420 thousand as a result of the reserve made for Newark EMS revenue since there is currently no contractual arrangement between UH and the city.

The average length of stay for the period ending September 30, 2015 of 6.02 days was slightly off the budgeted target of 6.00 days. Based upon the July UHC length of stay index of 1.07 UH is 7% greater than target. Year to date Case Mix Intensity Index (CMI) is 1.881 for Medicare which is slightly above the budgeted target of 1.860 while the overall case mix rate of 1.665 is slightly below the targeted rate of 1.670.

Expenses:

Salaries and wages for period ending September 30, 2015 of \$60.7 million were slightly over budget by \$.9 million. The cost of Medical Staff and Residents contracted through Rutgers University remained close to budget at \$18.3 million. Year to Date Supplies and other costs of \$44.8 million was over budget by \$3.6 million. The other expense categories of interest, facilities services and depreciation, which total \$12.5 million, remained very close to budget. Total expenses of \$160.5 million were over budget by \$4.4 million.

Balance Sheet

Patient Accounts Receivable:

The net patient accounts receivable (PAR) balance of \$67.5 million reflects an increase of \$2.2 million as compared to the June 30, 2015 balance. Days in PAR of 52.4 show a slight increase of 1.7 days as compared to year-end.

A/R – State of NJ:

The balance of \$9.1 million is comprised mainly of the net amounts for fringe benefit reimbursement for FICA and ABP contributions due from the State as of September 30, 2015.

Miscellaneous Accounts Receivable:

The balance of \$9.1 million at September 30, 2015 is comprised of amounts due from Rutgers University for facilities services receivables and cash collections as well as anticipated amounts due from the DSRIP program.

Prepaid Expenses:

The balance of \$4.9 million at September 30th, 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 \$16.9 million at September 30th is 0.7 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 \$25.2 million in this category is comprised of Debt Service Reserve funds of \$15.0 million and \$10.2 million of unexpended project funds. The balance of the available project funds are reserved for capital purchases.

Net Fixed Assets:

The balance as of September 30th of 203.7 million reflects the net book value of Property, Plant and Equipment including capitalized leases reduced by accumulated depreciation. Depreciation is computed 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 \$18.4 million reflects liabilities for salaries accrued at month-end in addition to payroll related tax liabilities as well as provision for anticipated wage increases.

Accounts Payable/Accrued Expenses:

The balance of \$23.9 million due vendors' represents a net decrease of \$3.9 million as compared to the balance 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 \$28.1 million represents the liability due Rutgers for both Clinical and Facility service agreements. 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 September 30th the liabilities are no longer within the required timeframes detailed in those agreements. However the two parties continue to discuss the issues that caused the delay in payments as well as establishing a new agreement. This balance may be adjusted pending further discussion.

Accrued Workers Compensation Liability:

During July, the Hospital received its year-end 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 September 30, 2015 is \$5.9 million, an increase from June 30, 2015 of \$1.1 million. The Hospital continues to update estimated receivables and liabilities in this category as needed. Currently the Medicare fiscal intermediary has not yet 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 \$0.7 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 \$181.8 million in this category is comprised of 4 items (in millions):

NJHCFFA BANS	\$150.0
NJEFA Note	0.5
Capital Lease Obligations	76.7
Accrued Workers Comp Liability	<u>21.3</u>
	248.5
Less Current Portion	<u>66.7</u>
Net Long Term Liabilities	<u>\$181.8</u>

The BANS require no principal payments until February 2016. The current portion of the outstanding debt includes the first eight months of principal required on the BANS in the amount of \$66.8 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 September 30, 2015.

**UNIVERSITY HOSPITAL
COMPARATIVE BALANCE SHEET
AS OF SEPTEMBER 30, 2015**

Unaudited

(In Thousands)

<u>Assets</u>	<u>9/30/2015</u>	<u>6/30/2015</u>	<u>Increase/ (Decrease)</u>	<u>Liabilities and Fund Balance</u>	<u>9/30/2015</u>	<u>6/30/2015</u>	<u>Increase/ (Decrease)</u>
Current Assets				Current Liabilities			
Cash and Investments	92,290	97,915	(5,625)	Liabilities - Payroll Accruals	\$ 18,447	\$ 19,250	\$ (803)
Patient Accounts Receivable	527,283	485,256	42,027	Liabilities - A/P Non Labor	23,855	27,777	(3,922)
Less: Allowances	(459,732)	(419,936)	(39,796)	Due to Rutgers University	28,134	26,702	1,432
Net Patient Accounts Receivable	67,551	65,320	2,231	Accrued Workers Compensation Liab	7,105	7,105	-
A/R - State of NJ	9,120	4,832	4,288	Third Party Payor Reserve	5,927	4,864	1,063
A/R - Grants	-	-	-	Vacation Pay Accrual	12,293	12,293	-
A/R - EMS City of Newark	-	-	-	Deferred Revenue	719	1,154	(435)
A/R - Rutgers University	4,755	4,128	627	Short Term Debt	66,747	41,773	24,974
A/R - Other	4,343	3,877	466	Total Current Liabilities	163,227	140,918	22,309
Total Miscellaneous A/R	9,098	8,005	1,093	Long Term Liabilities	181,787	206,863	(25,076)
Prepaid Expenses and Other Assets	4,860	1,603	3,257	Fund Balance:			
Inventories	16,934	16,268	666	Net Investment in Capital Assets	34,985	40,162	(5,177)
Total Current Assets	199,853	193,943	5,910	Restricted for Debt Service	2,415	1,723	692
Assets Held by Trustee	25,167	35,501	(10,334)	Unrestricted	48,123	45,034	3,089
Grants Receivable	1,860	1,860	-	Total Fund Balance	85,523	86,919	(1,396)
Property, Plant and Equipment	595,373	590,585	4,788	Total Liabilities and Fund Balance	\$ 430,537	\$ 434,700	\$ (4,163)
Less: Accumulated Depreciation	(391,716)	(387,189)	(4,527)				
Net Fixed Assets	203,657	203,396	261				
Total Assets	\$ 430,537	\$ 434,700	\$ (4,163)				

University Hospital
Statement of Revenues and Expenses
FOR THE THREE MONTH PERIOD ENDING SEPTEMBER 30, 2015

Unaudited

Current Unrestricted Funds

(In thousands)

<u>Month</u>									<u>Year To Date</u>				
		Variance From Budget	September 2014								Variance From Budget	September 2014	
Budget	Actual	Fav/(Unfav)	Actual	University Hospital					Budget	Actual	Fav/(Unfav)	Actual	
<u>Revenues</u>													
\$ 130,571	\$ 138,009	7,438	130,276	Inpatient	\$ 413,363	\$ 422,600	9,237	389,883					
54,038	50,179	(3,859)	56,326	Outpatient	165,718	161,153	(4,565)	155,708					
3,347	3,549	202	2,794	Ambulance (Nwk & Camden)	10,265	10,335	70	10,068					
\$ 187,956	\$ 191,737	\$ 3,781	\$ 189,396	Gross Charges	\$ 589,346	594,089	\$ 4,743	\$ 555,659					
(142,122)	(140,886)	1,236	(146,072)	Contractual Allowances	(446,791)	(444,255)	2,536	(421,966)					
(14,849)	(16,112)	(1,263)	(15,000)	Bad debt provisions	(46,559)	(47,716)	(1,157)	(45,000)					
30,985	34,740	3,755	28,324	Net Patient Service Revenues	95,996	102,118	6,122	88,693					
5,647	5,671	24	7,173	Patient Subsidies	16,941	17,014	73	21,518					
36,632	40,411	3,779	35,497	Net Patient Service Revenues	112,937	119,132	6,195	110,211					
7,570	7,570	-	7,638	State Appropriation - Fringe Benefits	23,214	23,214	-	23,424					
3,653	3,653	0	3,653	Special State Appropriation	10,959	10,960	1	10,960					
3,126	1,544	(1,582)	1,922	Miscellaneous Income	6,229	5,809	(420)	3,626					
50,981	53,178	2,197	48,710	Total Revenues	153,339	159,115	5,776	148,221					
<u>Expenses</u>													
19,915	20,191	(276)	18,469	Salaries & Wages	59,804	60,699	(895)	56,928					
4,586	4,563	23	4,595	Contracted MDs	13,758	13,685	73	13,785					
1,537	1,621	(84)	1,498	Contracted Residents	4,611	4,643	(32)	4,495					
7,791	7,903	(112)	7,906	Fringe Benefits	23,893	24,106	(213)	24,248					
13,894	15,014	(1,120)	13,452	Supplies and Other	41,210	44,848	(3,638)	38,799					
950	922	28	664	Interest Expense	2,914	2,867	47	1,911					
1,539	1,560	(21)	1,999	Facilities Service/Lease Agreements	4,647	4,736	(89)	5,996					
1,750	1,798	(48)	1,542	Depreciation / Amortization	5,250	4,928	322	4,625					
51,962	53,572	(1,610)	50,125	Total Expenses	156,087	160,511	(4,424)	150,787					
\$ (981)	\$ (393)	\$ 588	\$ (1,415)	Surplus/(Deficit)	\$ (2,748)	\$ (1,396)	\$ 1,352	\$ (2,566)					
-	-	-	-	Higher Education Grant	-	-	-	-					
\$ (981)	\$ (393)	\$ 588	\$ (1,415)	Surplus/(Deficit) After Capital Projects	\$ (2,748)	\$ (1,396)	\$ 1,352	\$ (2,566)					

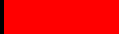


University Hospital
Dashboard
Period Ending September, 2015



	Indicator	Goal For the Period Ending September 30, 2015	Actual for the Period Ending September 30, 2015	YTD Variance vs. Goal	YTD Performance against Goal
Discharges	↑	4,258	4,307	49	Green
Surgical Cases - Inpatient	↑	1,030	1,213	183	Green
Surgical Cases - Outpatient	↑	2,290	2,454	164	Green
Average Daily Census (ADC)	↑	277.7	281.8	4	Green
ED Visits (net of admissions)	↑	20,720	20,566	(154)	Yellow
Clinic Visits	↑	41,240	43,311	2,071	Green
FTE's	↓	3,200	3,202	(2)	Yellow
Average Length of Stay	↓	6.00	6.02	(0.02)	Yellow
Length of Stay Index	↓	1.10	1.07	0.03	Green
Medicare Case Mix Index	↑	1.860	1.881	0.021	Green
Total Case Mix Index	↑	1.670	1.665	(0.005)	Yellow
Revenue Per Adjusted Discharge	↑	\$ 25,259	\$ 26,279	\$ 1,020	Green
Expense Per Adjusted Discharge	↓	\$ 25,711	\$ 26,510	\$ (799)	Yellow
FTE per CMI Adjusted Occupied Bed	↓	4.84	4.86	(0.02)	Yellow
Net Days in Account Receivable	↓	56.0	52.4	3.60	Green
Days Cash on Hand	↑	55.0	54.6	(0.4)	Yellow

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 September 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Benchmark</u>
Current Ratio	1.40	1.22	(0.19)	2.02
Days Cash on Hand	55.0	54.6	(0.4)	72.6
Operating Margin	(1.63)	(0.88)	0.76	3.35
Adjusted Discharges	6,072	6,053	(19)	-

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