

UNIVERSITY HOSPITAL

FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD

ENDED DECEMBER 31, 2014

**University Hospital
Financial Summary
For the Six Month Period Ended December 31, 2014**

University Hospital's results of operations for the six month period ended December 31, 2014 reflects an excess of expenses over revenue of \$2.9 million as compared to an anticipated budgeted loss of \$8.1 million, resulting in a favorable variance of \$5.2 million. The actual results include the benefit of a one-time \$3.5 million increase in the net patient service revenue as discussed under revenues.

Patient Volumes:

	Month of December 2014		Variance Favorable / (Unfavorable)	
	Budget	Actual	Budget	Prior Year
Discharges	1,283	1,367	84	53
Average Length of Stay	5.86	6.45	(0.59)	(0.29)
Patient Days	7,519	8,820	1,301	728
Emergency Room Visits	7,662	7,556	(106)	76
Clinic Visits	14,760	12,795	(1,965)	(965)
Surgical – Inpatients	331	314	(17)	38
Surgical – Outpatients	719	714	(5)	70
Full Time Equivalents	3,000	3,221	(221)	(145)
	Year-To-Date		Variance	
	Budget	Actual	Budget	Prior Year
Discharges	7,891	8,335	444	494
Average Length of Stay	5.86	6.13	(0.27)	(0.13)
Patient Days	46,241	51,088	4,847	4,058
Emergency Room Visits	45,479	45,367	(112)	(491)
Clinic Visits	87,607	77,013	(10,594)	(12,897)
Surgical – Inpatients	1,966	2,098	132	148
Surgical – Outpatients	4,266	4,543	277	290
Full Time Equivalents	3,000	3,140	(140)	(119)
Revenue/Adjusted Discharge	\$25,118	\$25,238	\$120	\$513
Expense/Adjusted Discharge	\$25,827	\$25,243	\$344	\$264

Revenues and Expenses

Revenues:

Net patient service revenues for the six month period before subsidies, were greater than budget by \$16.9 million or 10.2%, primarily due to increased patient volume. Year-to-date discharges budgeted at 7,891 were 444 greater than budget, 45,367 Emergency Room visits were slightly less than budget by 112 visits while total surgical volumes were 409 procedures greater than budget. Clinic visits were 10,594 unfavorable or 12.1 % less than budgeted. In addition Net Patient Service Revenue benefited by the recording of \$3.5 million in additional revenue as the result of a favorable decision involving a hospital appeal of prior year Medicare reimbursement. Other revenue including State appropriations, cafeteria revenue, etc. are favorable by \$1.1 million for the six month period.

Year to date, the average length of stay (ALOS) of 6.13 days was unfavorable by 0.27 days as compared to the FY 2015 budget and 0.13 days as compared to the same period last year. Based upon the most recently available UHC index of 1.09, UH is .09 greater than target. The Case Mix Intensity Index (CMI) for the six month period is 1.857 for Medicare and 1.651 overall.

Expenses:

Salaries and wages for the six months were \$116.8 million resulting in an unfavorable budget variance of \$6.6 million or 6%. Cost for Medical Staff and Residents of \$36.3 million contracted from Rutgers University were \$245 thousand less than budget. YTD Supplies and other costs of \$79.7 million were over budget by \$2.8 million. Other expense categories of interest, facilities services and depreciation, which total \$25.0 million, were \$23 thousand greater than budget. The Hospital has decided to show the imputed interest expense on capitalized leases (see long term liabilities) as rental expense under the Facilities Service/Lease Agreement expense line. Total expenses of \$306.1 million were \$10.7 million or 3.6% greater than budget. Hospital management attributes virtually all of the negative variance to the increase in variable cost associated with treating the increased patient volume mentioned above.

Balance Sheet

Patient Accounts Receivable:

The net patient accounts receivable (PAR) balance of \$74.1 million reflects a decrease of \$0.7 million as compared to the June 30, 2014 balance. Days in PAR of 59.2 are 1.2 of a day less than year-end. This is a result of increased collections.

A/R – State of NJ:

The balance of \$5.2 million is comprised of the net amounts for fringe benefits due from the State as of December 31, 2014.

Miscellaneous Accounts Receivable:

The balance of \$7.7 million at December 31st is comprised of \$4.3 million or twelve (12) months of EMS revenues due from the City of Newark, \$1.8 million due from Rutgers University for facilities services receivable and other miscellaneous receivables totaling \$1.6 million. The entire City of Newark receivable was paid in January, 2015.

Prepaid Expenses

The balance of \$3.8 million at December 31st, relates to prepaid expenses (i.e. insurance, lease expense) which are being amortized over the useful life of the specific item.

Inventories:

The balance of \$15.9 million at December 31st is \$0.8 million greater than the June 30, 2014 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 \$49.1 million in this category is comprised of Debt Service Reserve funds of \$18.1 million and \$31.0 million of unexpended project funds (\$18.8 million reserved for capital acquisitions and \$12.2 million available for working capital).

Net Fixed Assets:

The balance as of December 31st of \$211.4 million reflects the 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.

Accrued Payroll:

Accrued payroll of \$17.6 million reflects liabilities for salaries accrued at month-end plus payroll related tax liabilities.

Accounts Payable/Accrued Expenses:

The balance of \$24.0 million due vendors represents a net decrease of \$3.4 million from the balance at June 30, 2014. University Hospital continues with the practice of paying vendors within 45 days after providing services.

Due to Rutgers University:

The balance of \$23.0 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 December 31st, the liabilities are no longer within the required timeframes detailed in those agreements. The two parties continue to discuss the issues that caused the delay in payments and many of the issues have been resolved.

Accrued Claims Liability:

At December 31, 2014 the Hospital has a total of \$27.2 million (\$7.1 million current and \$20.1 million long term) recorded as an accrual for estimated workers' compensation claims based upon our independent actuary's analysis. The Hospital has recorded this liability on an undiscounted basis.

Third Party Payor Reserves:

The balance of third party payor reserves as of December 31, 2014 is \$8.4 million and it represents an increase from June 30, 2014 of \$2.5 million. The Hospital continues to update estimated receivables and liabilities in this category as needed. The Medicare fiscal

intermediary has settled hospital cost reports through June 30, 2004. The Hospital's Medicaid cost reports have been settled through June 30, 2012. All required reporting for Fiscal 2014 were completed and filed timely.

Deferred Revenues:

The balance at month end of \$7.2 million is the balance of the prepayment for hospital subsidies and revenue for EMS services to Newark Liberty International Airport.

Long term Liabilities/Short Term Debt:

The total of \$247.4 million in this category is comprised of 4 items (in Thousands):

NJHCFFA BANS	\$150,000
NJEFA	516
Capital Lease Obligations	76,883
Accrued Claims Liability	<u>20,180</u>
	247,579
Less Current Portion	<u>175</u>
Net Long Term Liabilities	<u>\$247,404</u>

The BANS require no principal payments during FY 2015. 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 December 31, 2014.

**UNIVERSITY HOSPITAL
COMPARATIVE BALANCE SHEET
AS OF DECEMBER 31, 2014**

(In Thousands)

<u>Assets</u>	<u>12/31/2014</u>	<u>6/30/2014</u>	<u>Increase/ (Decrease)</u>	<u>Liabilities and Fund Balance</u>	<u>12/31/2014</u>	<u>6/30/2014</u>	<u>Increase/ (Decrease)</u>
Current Assets				Current Liabilities			
Cash and Investments	\$ 53,592	40,318	13,274	Liabilities - Payroll Accruals	\$ 17,604	\$ 13,750	\$ 3,854
Patient Accounts Receivable	534,051	475,987	58,064	Liabilities - A/P Non Labor	24,050	27,420	(3,370)
Less: Allowances	(459,972)	(401,241)	(58,731)	Due to Rutgers University	22,918	11,085	11,833
Net Patient Accounts Receivable	74,079	74,746	(667)	Accrued Workers Compensation Liab	7,050	7,050	-
A/R - State of NJ	5,220	4,908	312	Third Party Payor Reserve	8,382	5,849	2,533
Miscellaneous Accounts Receivable				Vacation Pay Reserve	11,592	11,596	(4)
A/R - EMS City of Newark	4,350	2,175	2,175	Deferred Revenue	7,210	963	6,247
A/R - Rutgers University	1,768	212	1,556	Short Term Debt	175	171	4
A/R - Other	1,596	933	663	Total Current Liabilities	98,981	77,884	21,097
Total Miscellaneous A/R	7,714	3,320	4,394	Long Term Liabilities	247,404	247,528	(124)
Prepaid Expenses and Other Assets	3,806	1,071	2,735	Fund Balance:			
Prepaid Bond financing costs	-	-	-	Net Investment in Capital Assets	58,260	58,050	210
Inventories	15,915	15,123	792	Restricted for Debt Service	3,399	1,599	1,800
Total Current Assets	160,326	139,486	20,840	Unrestricted	18,024	20,966	(2,942)
Assets Held by Trustee	49,109	47,518	1,591	Total Fund Balance	79,683	80,615	(932)
Due From Other Units	5,281	5,407	(126)	Total Liabilities and Fund Balance	\$ 426,068	\$ 406,027	\$ 20,041
Property, Plant and Equipment	589,414	582,203	7,211				
Less: Accumulated Depreciation	(378,062)	(368,587)	(9,475)				
Net Fixed Assets	211,352	213,616	(2,264)				
Total Assets	\$ 426,068	\$ 406,027	\$ 20,041				

University Hospital
Statement of Revenues and Expenses
FOR THE THE SIX MONTHS ENDING DECEMBER 31, 2014

Current Unrestricted Funds

(In thousands)

Month			Year To Date			
Budget	Actual	Variance From Budget Fav/(Unfav)	University Hospital	Budget	Actual	Variance From Budget Fav/(Unfav)
<u>Revenues</u>						
\$ 118,789	\$ 136,265	17,476	Inpatient	\$ 730,602	\$ 781,430	50,828
51,863	55,022	3,159	Outpatient	307,832	326,467	18,635
3,437	1,978	(1,459)	Ambulance (Nwk & Camden)	20,400	18,283	(2,117)
\$ 174,089	\$ 193,264	\$ 19,175	Gross Charges	\$ 1,058,834	1,126,179	\$ 67,345
(146,795)	(161,871)	(15,076)	Contractual Allowances & Bad debts	(892,827)	(943,298)	(50,471)
-	-	-		-	-	-
27,294	31,393	4,099	Net Patient Service Revenues	166,007	182,881	16,874
7,522	7,173	(349)	Patient Subsidies	45,140	43,036	(2,104)
34,816	38,566	3,750	Net Patient Service Revenues	211,147	225,917	14,770
7,893	7,893	-	State Appropriation - Fringe Benefits	46,848	46,848	-
3,652	3,653	1	Special State Appropriation	21,911	21,921	10
1,222	2,207	985	Miscellaneous Income	7,342	8,479	1,137
47,583	52,319	4,736	Total Revenues	287,248	303,165	15,917
<u>Expenses</u>						
18,443	20,400	(1,957)	Salaries & Wages	110,151	116,762	(6,611)
4,676	4,361	315	Contracted MDs	27,465	27,339	126
1,400	1,370	30	Contracted Residents	9,035	8,916	119
7,893	8,113	(220)	Fringe Benefits	46,848	48,444	(1,596)
12,540	13,862	(1,322)	Supplies and Other	76,850	79,609	(2,759)
641	581	60	Interest Expense	3,846	3,776	70
1,986	1,864	122	Facilities Service/Lease Agreements	11,915	11,787	128
1,541	2,023	(482)	Depreciation / Amortization	9,250	9,474	(224)
49,120	52,574	(3,454)	Total Expenses	295,360	306,107	(10,747)
\$ (1,537)	\$ (255)	\$ 1,282	Surplus/(Deficit)	\$ (8,112)	\$ (2,942)	\$ 5,170




University Hospital
Dashboard
Period Ending December 2014



	Indicator	Goal For the Six Months Ended December 31st	Actual for the Six Months Ended December 31st	YTD Variance vs. Goal	YTD Performance against Goal
Discharges	↑	7,891	8,335	444	
Surgical Cases - Inpatient	↑	1,966	2,098	132	
Surgical Cases - Outpatient	↑	4,266	4,543	277	
Average Daily Census (ADC)	↑	251.3	277.6	26	
ED Visits (net of admissions)	↑	40,861	40,592	(269)	
Clinic Visits	↑	87,607	77,013	(10,594)	
FTE's	↓	3,000	3,140	(140)	
Average Length of Stay	↓	5.86	6.13	(0.27)	
Length of Stay Index	↓	1.00	1.09	(0.09)	
Medicare Case Mix Index	↑	1.840	1.857	0.017	
Total Case Mix Index	↑	1.680	1.651	(0.029)	
Revenue Per Adjusted Discharge	↑	\$ 25,118	\$ 25,238	\$ 120	
Expense Per Adjusted Discharge	↓	\$ 25,827	\$ 25,243	\$ 584	
FTE per CMI Adjusted Occupied Bed	↓	5.04	4.76	0.28	
Net Days in Account Receivable	↓	64.0	59.2	4.80	
Days Cash on Hand	↑	30.0	39.5	9.5	

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 December 31, 2014**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Benchmark</u>
Current Ratio	1.62	1.79	(0.18)	1.82
Days Cash on Hand	39.5	30.0	9.5	72.9
Operating Margin	(0.97)	(2.82)	1.85	4.56
Adjusted Discharges	11,991	11,376	614	-

Benchmark is the average value for the 17 Major Teaching Hospitals as reported in the NJHCFFA Apollo reports for the period ended Sept. 30th 2014