

UNIVERSITY HOSPITAL

FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

SEPTEMBER 30, 2014

**University Hospital  
Financial Summary  
Three Month Period Ended September 30, 2014**

University Hospital's results of operations for the three month period ended September 30, 2014 reflects an excess of expenses over revenue of \$2.6 million as compared to an anticipated budgeted loss of \$3.8 million, resulting in a favorable variance of \$1.2 million.

**Patient Volumes:**

	Month of September 2014		Variance Favorable / (Unfavorable)	
	Budget	Actual	Budget	Prior Year
Discharges	1,301	1,319	18	33
Average Length of Stay	5.86	6.53	(0.67)	(0.58)
Patient Days	7,624	8,608	984	950
Emergency Room Visits	7,415	7,826	411	241
Clinic Visits	14,284	12,992	(1,292)	(1,207)
Surgical – Inpatients	321	296	(25)	(5)
Surgical – Outpatients	695	815	120	118
Full Time Equivalents	3,000	3,108	(108)	(68)
	Year-To-Date		Variance	
	Budget	Actual	Budget	Prior Year
Discharges	4,013	4,266	253	208
Average Length of Stay	5.86	5.93	(0.07)	(0.14)
Patient Days	23,516	25,300	1,784	1,819
Emergency Room Visits	22,740	23,569	829	(6)
Clinic Visits	43,803	39,002	(4,801)	(5,670)
Surgical – Inpatients	983	1,037	54	64
Surgical – Outpatients	2,133	2,371	238	189
Full Time Equivalents	3,000	3,099	(99)	(54)
Revenue/Adjusted Discharge	\$24,988	\$24,273	\$(715)	\$(427)
Expense/Adjusted Discharge	\$25,636	\$24,721	\$915	\$987

## Revenues and Expenses

### Revenues:

Net patient service revenues for the three month period before subsidies, were greater than budget by \$4.7 million or 5.6%, primarily due to increased patient volume. Year-to-date discharges budgeted at 4,013 were 253 greater than budget, Emergency Room visits and total surgical volume were 829 and 292 greater than budget respectively. Clinic visits were 4,801 or 11.0 % less than budgeted. Other revenues, which include State appropriations, cafeteria revenue, Electronic Health Record Incentives and rental income, were unfavorable to budget by \$40 thousand or 0.1%.

Year to date, the average length of stay (ALOS) of 5.93, days was unfavorable by 0.07 days as compared to the FY 2015 budget and 0.14 days as compared to the same period last year. Based upon the UHC index of 1.02, UH is .02 greater than target. The Case Mix Intensity Index (CMI) for the three month period is 1.842 for Medicare and 1.636 overall.

### Expenses:

Salaries and wages for the three months were \$56.9 million resulting in an unfavorable budget variance of \$1.7 million or 3.1%. Cost for Medical Staff and Residents of \$18.3 million contracted from Rutgers University were \$52 thousand greater than budget. YTD Supplies and other costs of \$38.8 million were under budget by \$.2 million. Other expense categories of interest, facilities services and depreciation, which total \$12.5 million, were \$25 thousand greater than budget. Total expenses of \$150.8 million were \$2.4 million or 1.6% 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 \$73.5 million reflects a decrease of \$1.3 million as compared to the June 30, 2013 balance. Days in PAR of 59.6 are 0.8 of a day less than year-end. This is a result of increased collections.

**A/R – State of NJ:**

The balance of \$6.2 million is comprised of the net amounts for fringe benefits due from the State for the three month period.

**Miscellaneous Accounts Receivable:**

The balance of \$3.9 million at September 30<sup>th</sup> is comprised of nine months of EMS revenues due from the City of Newark, \$.2 million due from Rutgers University for facilities services receivable and other miscellaneous receivables totaling \$1.1 million.

**Prepaid Expenses/Prepaid Bond Financing Costs:**

The balance of \$6.5 million at September 30<sup>th</sup> is comprised of Cost of Issuance (COI) expense associated with the outstanding BANs and prepaid expenses (i.e. insurance, leases). Both the COI and prepaid expense is being amortized over the useful life of the specific item.

**Inventories:**

The balance of \$15.8 million at September 30<sup>th</sup> is \$.7 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 \$47.5 million in this category is comprised of Debt Service Reserve funds of \$16.5 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 September 30<sup>th</sup> of \$210.5 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 \$11.2 million reflects liabilities for salaries accrued at month-end plus payroll related tax liabilities.

**Accounts Payable/Accrued Expenses:**

The balance of \$25.7 million due vendors represents a net increase of \$1.7 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 \$28.1 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 September 30th, the liabilities are no longer within the required timeframes detailed in those agreements. The two parties continue to discuss the issues that caused the suspension/delay in payments.

**Accrued Claims Liability:**

At September 30, 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 September 30, 2014 is \$5.8 million unchanged from June 30, 2014. The Hospital continues to update estimated receivables and liabilities in this category as needed. As of September 30<sup>th</sup>, 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.

**Deferred Revenues:**

The balance at month end of \$0.5 million is the balance of the prepayment for EMS services to Newark Liberty International Airport.

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

The total of \$247.6 million in this category is comprised of 4 items (in Thousands):

NJHCFFA BANS	\$150,000
NJEFA	586
Capital Lease Obligations	76,933
Accrued Claims Liability	<u>20,180</u>
	247,699
Less Current Portion	<u>175</u>
Net Long Term Liabilities	<u>\$247,524</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 September 30, 2014.

**University Hospital  
Comparative Balance Sheet  
As Of September 30, 2014  
(In Thousands)**

<u>Assets</u>	<u>9/30/2014</u>	<u>6/30/2014</u>	<u>Increase/ (Decrease)</u>	<u>Liabilities and Fund Balance</u>	<u>9/30/2014</u>	<u>6/30/2014</u>	<u>Increase/ (Decrease)</u>
Current Assets				Current Liabilities			
Cash and Investments	\$ 48,714	\$ 40,318	\$ 8,396	Liabilities - Payroll Accruals	\$ 11,165	\$ 13,750	\$ (2,585)
Patient Accounts Receivable	513,409	475,987	37,422	Liabilities - A/P Non Labor	25,709	27,420	(1,711)
Less: Allowances	<u>(439,922)</u>	<u>(401,241)</u>	<u>(38,681)</u>	Due to Rutgers University	28,138	11,085	17,053
Net Patient Accounts Receivable	73,487	74,746	(1,259)	Accrued Claims Liability	7,050	7,050	-
A/R - State of NJ	6,150	4,908	1,242	Third Party Payor Reserve	5,849	5,849	-
Miscellaneous Accounts Receivable				Vacation Pay Reserve	11,596	11,596	-
A/R - EMS City of Newark	3,262	2,175	1,087	Due to other units	-	-	-
A/R - Rutgers University	212	212	-	Deferred Revenue	525	963	(438)
A/R - Third Parties	-	0	-	Short Term Debt	<u>175</u>	<u>171</u>	<u>4</u>
A/R - Other	<u>1,110</u>	<u>864</u>	<u>246</u>	Total Current Liabilities	90,207	77,884	12,323
Total Miscellaneous A/R	4,584	3,251	1,333	Long Term Liabilities	247,524	247,528	(4)
Prepaid Expenses and Other Assets	3,267	1,071	2,196	Fund Balance:			
Prepaid Bond financing costs	3,267	3,540	(273)	Net Investment in Capital Assets	59,068	62,068	(3,000)
Inventories	15,819	15,123	696	Restricted for Debt Service	16,481	16,599	(118)
Total Current Assets	<u>155,288</u>	<u>142,957</u>	<u>12,331</u>	Unrestricted	<u>5,360</u>	<u>5,488</u>	<u>(128)</u>
Assets Held by Trustee	47,525	47,518	7	Total Fund Balance	80,909	84,155	(3,246)
Due From Restricted Funds	5,281	5,476	(195)	Total Liabilities and Fund Balance	<u>\$ 418,640</u>	<u>\$ 409,567</u>	<u>\$ 9,073</u>
Property, Plant and Equipment	583,018	582,203	815				
Less: Accumulated Depreciation	<u>(372,472)</u>	<u>(368,587)</u>	<u>(3,885)</u>				
Net Fixed Assets	210,546	213,616	(3,070)				
Total Assets	<u>\$ 418,640</u>	<u>\$ 409,567</u>	<u>\$ 9,073</u>				

**University Hospital**  
**Statement of Revenues and Expenses**  
**For the Period Ending September 30, 2014**  
(In Thousands)




September 2014			Year To Date			
Budget	Actual	Variance Fav./(Unfav.)		Budget	Actual	Variance Fav./(Unfav.)
<b>Patient Service Revenues:</b>						
\$ 120,456	\$ 130,276	\$ 9,820	Inpatient	\$ 371,550	\$ 389,883	\$ 18,333
50,190	56,325	6,135	Outpatient	153,916	155,708	1,792
3,326	2,794	(532)	Ambulance (Nwk & Camden)	10,200	10,068	(132)
173,972	189,396	15,424	Total Gross Revenue	535,666	555,659	19,993
(146,696)	(161,072)	(14,376)	Contractual Allowances & Bad Debt	(451,683)	(466,967)	(15,284)
27,276	28,324	1,048		83,983	88,693	4,710
7,523	7,173	(350)	Charity Care and Other Subsidies	22,570	21,518	(1,052)
34,799	35,497	698	Net Patient Service Revenue	106,553	110,211	3,658
<b>Other Revenue:</b>						
7,638	7,638	-	Fringe Benefits reimbursement	23,424	23,424	-
3,651	3,653	2	State Appropriations	10,955	10,960	5
1,223	1,922	699	Miscellaneous Income	3,671	3,626	(45)
12,512	13,213	701	Total Other Income	38,050	38,010	(40)
47,311	48,710	1,399	Total Net Revenue	144,603	148,221	3,618
<b>Expenses:</b>						
17,983	18,469	(486)	Salaries & Wages	55,245	56,928	(1,683)
4,558	4,595	(37)	Contracted MDs	13,674	13,785	(111)
1,518	1,498	20	Contracted Residents	4,554	4,495	59
7,638	7,906	(268)	Fringe Benefits	23,424	24,248	(824)
12,711	13,452	(741)	Supplies and Others	38,954	38,799	155
641	664	(23)	Interest Expense	1,923	1,911	12
1,986	1,999	(13)	Facilities Service Agreements	5,958	5,996	(38)
1,541	1,542	(1)	Depreciation & Amortization	4,625	4,625	(0)
48,576	50,125	(1,549)	Total Expenses	148,357	150,787	(2,430)
<u>\$ (1,265)</u>	<u>\$ (1,415)</u>	<u>\$ (150)</u>	Excess/(Deficiency) of	<u>\$ (3,754)</u>	<u>\$ (2,566)</u>	<u>\$ 1,188</u>
			Revenue Over Expenses			



**University Hospital  
Dashboard  
Period Ending September 2014**

	<b>Indicator</b>	<b>Goal For the 3 Months Ended September 30th</b>	<b>Actual for the 3 Months Ended September 30th</b>	<b>YTD Variance vs. Goal</b>	<b>YTD Performance against Goal</b>
Discharges	↑	4,013	4,266	253	
Surgical Cases - Inpatient	↑	983	1,037	54	
Surgical Cases - Outpatient	↑	2,133	2,371	238	
Average Daily Census (ADC)	↑	255.6	275.0	19	
ED Visits (net of admissions)	↑	20,431	21,148	717	
Clinic Visits	↑	43,803	39,002	(4,801)	
FTE's	↓	3,000	3,099	(99)	
Average Length of Stay	↓	5.86	5.93	(0.07)	
Length of Stay Index	↓	1.00	1.02	(0.02)	
Medicare Case Mix Index	↑	1.840	1.842	0.002	
Total Case Mix Index	↑	1.680	1.636	(0.044)	
Revenue Per Adjusted Discharge	↑	\$ 24,988	\$ 24,273	\$ (715)	
Expense Per Adjusted Discharge	↓	\$ 25,636	\$ 24,721	\$ 915	
FTE per CMI Adjusted Occupied Bed	↓	4.96	4.74	0.21	
Net Days in Account Receivable	↓	64.0	58.0	6.00	
Days Cash on Hand	↑	30.0	38.3	8.3	

**Goal Indicator Arrows show desired direction of movement**

<b>Performance against Goals:</b>	
	Performance more than 5% below goal
	Performance is within 5% of goal
	Performance meets or exceeds goal

**University Hospital  
Comparison of Key Ratios  
as September 30, 2014**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Benchmark</u>
<b>Current Ratio</b>	1.72	1.79	(0.08)	1.79
<b>Days Cash on Hand</b>	38.3	30.0	8.3	64.6
<b>Operating Margin</b>	(1.73)	(2.60)	0.86	2.93
<b>Adjusted Discharges</b>	6,080	5,786	294	-

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