

UNIVERSITY HOSPITAL

FINANCIAL STATEMENTS

FOR THE PERIOD ENDING

OCTOBER 31, 2015

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

Results of operations for University Hospital for the year to date period ending October 31, 2015, reflect an excess of revenues over expenses of \$.2 million as compared to an anticipated budgeted loss of \$4.3 million, thus resulting in a favorable variance of \$4.5 million. This positive variance includes \$1.8 million in funding from the Higher Education Facilities Trust Grant, recorded as income in October. It should also be noted that the impact of GASB #68, Accounting and Financial reporting for Pensions, is not reflected in these statements.

Patient Volumes:

	October 2015		Variance Favorable / (Unfavorable)	
	Budget	Actual	Budget	Prior Year
Discharges	1,370	1,496	126	87
Average Length of Stay	6.00	6.20	(.20)	.01
Patient Days	8,220	9,282	1,062	531
Emergency Room Visits (net of admissions)	6,620	6,796	176	177
Clinic Visits	14,670	15,061	215	976
Surgical – Inpatients	340	404	64	46
Surgical – Outpatients	820	818	(2)	(2)
Full Time Equivalents	3,200	3,192	8	(62)
	Year-To-Date		Variance	
	Budget	Actual	Budget	Prior Year
Discharges	5,628	5,803	175	128
Average Length of Stay	6.00	6.07	(.07)	(.05)
Patient Days	33,768	35,206	1,438	1,155
Emergency Room Visits (net of admissions)	27,340	27,362	22	(405)
Clinic Visits	55,910	58,372	2,462	5,285
Surgical – Inpatients	1,370	1,617	247	206
Surgical – Outpatients	3,110	3,272	162	166
Full Time Equivalents	3,200	3,198	2	(53)
Revenue/Adjusted Discharge	\$25,367	\$25,829	\$462	\$1,432
Expense/Adjusted Discharge	\$25,904	\$25,805	\$99	(\$1,046)

Revenues and Expenses

Revenues:

As a result of increases in both inpatient and outpatient volumes, October 2015 year to date net patient service revenues, before subsidies, were greater than budget by \$7.8 million or 6.1%. Year to date discharges of 5,803 were 175 discharges or 3.1% greater than the projected budget. Actual net Emergency Room visits for the year to date period ending October 31, 2015, of 27,362 were slightly greater than budget by 22 visits while total inpatient and outpatient surgical volumes for the same period were 409 cases greater than the projected budget. Additionally clinic visits for the period ending October 31, 2015 experienced favorable growth of 4.4 % or 2,462 visits as compared to the budget and 10.0 % as compared to the prior year. Other revenue, including State appropriations and grant revenue, was less than budget by \$601 thousand.

The average length of stay for the period ending October 31, 2015 of 6.07 days, remained slightly off the budgeted target of 6.00 days. However the September 2015 UHC length of stay (LOS) index, the last one reported, was .97 or 3 % less than target of 1.00. This variance as compared to the hospital average LOS, is largely attributable to an increase in the Case Mix Intensity, a measurable component of the LOS index calculation. Year to date CMI was 1.8837 for Medicare and 1.677 overall, both better than the projected budget.

Expenses:

Salaries and wages for the year to date period ending October 31, 2015 were \$80.6 million resulting in a negative budget variance of \$596 thousand. The cost related to Medical Staff and Residents contracted through Rutgers University remained close to budget at \$24.3 million. Supplies and other costs for the year to date period of \$59.7 million was greater than budget by \$4.7 million. Other expense categories of interest, facilities services and depreciation, which total \$16.9 million, were \$196 thousand less than budget. Total expenses of \$213.2 million were \$4.6 million more than the projected budget.

Balance Sheet

Patient Accounts Receivable:

The net patient accounts receivable (PAR) balance of \$65.5 million reflects an increase of \$.2 million as compared to the June 30, 2015 balance. The days in PAR of 50.9 show a nominal increase of .2 days as compared to year-end.

A/R – State of NJ:

The balance of \$2.4 million is comprised mainly of the net amounts for fringe benefits of FICA and ABP pension reimbursement due from the State of New Jersey as of October 31, 2015.

Miscellaneous Accounts Receivable:

The balance of \$8.9 million at October 31st 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 \$4.6 million at October 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 \$16.8 million at October 31st is up by 0.5 million as compared to 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 \$24.6 million in this category is comprised of Debt Service Reserve funds of \$14.4 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 October 31st of \$ 203.6 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 \$20.1 million reflects liabilities for salaries accrued at month-end in addition to payroll related tax liabilities.

Accounts Payable/Accrued Expenses:

The balance of \$22.7 million due vendors represents a net decrease of \$ 5.1 million from 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 \$18.8 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. Despite a catch up in payments in the month of October of \$10.7 million, as of October 31st, there are still some liabilities not within the required timeframes detailed in those agreements. The two parties continue to discuss the issues that continue to delay payments as well as establishing a new agreement.

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 October 31, 2015 is \$5.5 million, an increase from June 30, 2015 of \$0.6 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 year 2014 was completed and filed timely, likewise it is anticipated that fiscal year 2015 will be submitted on a timely basis as well.

Deferred Revenues:

The balance at month end of \$.6 million is the balance of unamortized meaningful use payments received from the Medicare and Medicaid programs as an incentive for the installation of Electronic Health Records (EHR) and the prepayment for EMS services to Newark Liberty International Airport.

Long term Liabilities/Short Term Debt:

The total of \$173.5 million in this category is comprised of 4 items (in millions):

NJHCFFA BANS	\$150.0
NJEFA	.5
Capital Lease Obligations	76.7
Accrued Workers Comp Liability	<u>21.3</u>
	248.5
Less Current Portion	<u>75.0</u>
Net Long Term Liabilities	<u>\$173.5</u>

The BANS require no principal payments until February 2016. The current portion of the outstanding debt includes the first nine months of principal required on the BANS in the amount of \$75.0 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 October 31, 2015.

UNIVERSITY HOSPITAL
COMPARATIVE BALANCE SHEET
AS OF OCTOBER 31, 2015
(In Thousands)

UNAUDITED

<u>Assets</u>	<u>10/31/2015</u>	<u>6/30/2015</u>	<u>Increase/ (Decrease)</u>	<u>Liabilities and Fund Balance</u>	<u>10/31/2015</u>	<u>6/30/2015</u>	<u>Increase/ (Decrease)</u>
Current Assets				Current Liabilities			
Cash and Investments	93,081	97,915	(4,834)	Liabilities - Payroll Accruals	\$ 20,121	\$ 19,250	\$ 871
Patient Accounts Receivable	572,385	485,256	87,129	Liabilities - A/P Non Labor	22,698	27,777	(5,079)
Less: Allowances	<u>(506,913)</u>	<u>(419,936)</u>	<u>(86,977)</u>	Due to Rutgers University	18,830	26,702	(7,872)
Net Patient Accounts Receivable	65,472	65,320	152	Due to University Hospital			
Due To/From Other Units	-	-	-	Accrued Workers Compensation Liab	7,105	7,105	-
A/R - State of NJ	2,346	4,832	(2,486)	Third Party Payor Reserve	5,473	4,864	609
A/R - Grants	-	-	-	Vacation Pay Accrual	12,513	12,293	220
A/R - EMS City of Newark	-	-	-	Deferred Revenue	574	1,154	(580)
A/R - Rutgers University	4,939	4,128	811	Short Term Debt	75,071	41,773	33,298
A/R - Other	<u>3,996</u>	<u>3,877</u>	<u>119</u>	Total Current Liabilities	<u>162,385</u>	<u>140,918</u>	<u>21,467</u>
Total Miscellaneous A/R	8,935	8,005	930	Long Term Liabilities	173,454	206,863	(33,409)
Prepaid Expenses and Other Assets	4,547	1,603	2,944	Fund Balance:			
Inventories	17,121	16,268	853	Net Investment in Capital Assets	34,490	40,162	(5,672)
Total Current Assets	<u>191,502</u>	<u>193,943</u>	<u>(2,441)</u>	Restricted for Debt Service	1,792	1,723	69
Assets Held by Trustee	24,550	35,501	(10,951)	Unrestricted	50,840	45,034	5,806
Grants Receivable	3,332	1,860	1,472	Total Fund Balance	<u>87,122</u>	<u>86,919</u>	<u>203</u>
Property, Plant and Equipment	597,492	590,585	6,907				
Less: Accumulated Depreciation	<u>(393,915)</u>	<u>(387,189)</u>	<u>(6,726)</u>	Total Liabilities and Fund Balance	<u>\$ 422,961</u>	<u>\$ 434,700</u>	<u>\$ (11,739)</u>
Net Fixed Assets	203,577	203,396	181				
Total Assets	<u>\$ 422,961</u>	<u>\$ 434,700</u>	<u>\$ (11,739)</u>				

University Hospital
 Statement of Revenues and Expenses
 FOR THE FOUR MONTH PERIOD ENDING OCTOBER 31, 2015
Current Restricted and Unrestricted Funds
 (In thousands)

Month			Year To Date					
			October 2014				October 2014	
Budget	Actual	Variance	Actual	University Hospital	Budget	Actual	Variance	Actual
\$ 132,998	147,164	14,166	132,306	Inpatient	\$ 546,361	\$ 569,764	23,403	522,189
55,840	66,915	11,075	64,472	Outpatient	221,558	228,068	6,510	220,180
3,459	2,968	(491)	3,416	Ambulance (Nwk & Camden)	13,724	13,303	(421)	13,484
\$ 192,297	\$ 217,047	\$ 24,750	\$ 200,194	Gross Charges	\$ 781,643	811,135	\$ 29,492	\$ 755,853
(145,405)	(166,275)	(20,870)	(153,092)	Contractual Allowances	(592,196)	(610,529)	(18,333)	(575,059)
(15,191)	(17,415)	(2,224)	(15,000)	Bad debt provisions	(61,750)	(65,131)	(3,381)	(60,000)
31,701	33,357	1,656	32,102	Net Patient Service Revenues	127,697	135,475	7,778	120,794
5,647	5,671	24	7,173	Patient Subsidies	22,588	22,685	97	28,691
37,348	39,029	1,681	39,275	Net Patient Service Revenues	150,285	158,160	7,875	149,485
7,822	7,822	-	7,893	State Appropriation - Fringe Benefits	31,036	31,036	-	31,317
3,653	3,653	-	3,653	Special State Appropriation	14,612	14,614	2	14,614
2,147	1,965	(182)	1,351	Miscellaneous Income	8,376	7,773	(603)	4,977
50,970	52,469	1,499	52,172	Total Revenues	204,309	211,583	7,274	200,393
				<u>Expenses</u>				
20,224	19,925	299	19,094	Salaries & Wages	80,028	80,624	(596)	76,023
4,586	4,563	23	4,607	Contracted MDs	18,344	18,248	96	18,392
1,537	1,430	107	1,578	Contracted Residents	6,148	6,073	75	6,073
8,051	7,561	490	8,149	Fringe Benefits	31,944	31,667	277	32,397
13,856	14,863	(1,007)	15,091	Supplies and Other	55,066	59,711	(4,645)	53,890
982	943	39	550	Interest Expense	3,896	3,810	86	2,460
1,554	1,629	(75)	1,978	Facilities Service/Lease Agreements	6,201	6,365	(164)	7,973
1,750	1,798	(48)	1,542	Depreciation / Amortization	7,000	6,726	274	6,167
52,540	52,712	(172)	52,589	Total Expenses	208,627	213,224	(4,597)	203,375
(1,570)	(243)	1,327	(417)	Surplus/(Deficit)	(4,318)	(1,641)	2,677	(2,982)
-	1,844	1,844	-	Higher Education Facilities Trust Grant	-	1,844	1,844	-
\$ (1,570)	\$ 1,601	\$ 3,171	\$ (417)	Surplus/(Deficit) After Capital Projects	\$ (4,318)	\$ 203	\$ 4,521	\$ (2,982)

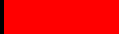


**University Hospital
Dashboard
Period Ending October 31, 2015**



	Indicator	Goal For the Period Ending October 31, 2015	Actual for the Period Ending October 31, 2015	YTD Variance vs. Goal	YTD Performance against Goal
Discharges	↑	5,628	5,803	175	
Surgical Cases - Inpatient	↑	1,370	1,617	247	
Surgical Cases - Outpatient	↑	3,110	3,272	162	
Average Daily Census (ADC)	↑	274.5	286.2	12	
ED Visits (net of admissions)	↑	27,340	27,362	22	
Clinic Visits	↑	41,240	43,311	2,071	
FTE's	↓	3,200	3,198	2	
Average Length of Stay	↓	6.00	6.07	(0.07)	
Length of Stay Index	↓	1.00	0.97	0.03	
Medicare Case Mix Index	↑	1.860	1.884	0.024	
Total Case Mix Index	↑	1.670	1.677	0.007	
Revenue Per Adjusted Discharge	↑	\$ 25,367	\$ 25,829	\$ 462	
Expense Per Adjusted Discharge	↓	\$ 25,904	\$ 25,805	\$ 99	
FTE per CMI Adjusted Occupied Bed	↓	4.88	4.68	0.20	
Net Days in Account Receivable	↓	56.0	50.9	5.1	
Days Cash on Hand	↑	55.0	55.4	0.4	

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 October 31, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Benchmark</u>
Current Ratio	1.40	1.18	(0.23)	2.02
Days Cash on Hand	55.0	55.4	0.4	72.6
Operating Margin	(1.63)	0.10	1.73	3.35
Adjusted Discharges	8,054	8,263	210	-

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