

Cooper Health Care Financial Report: March 2017

The Obligated Group reported a year-to-date operating gain of \$10,804,000 against a budget and prior year gain of \$11,195,000 and \$12,520,000, respectively.

Total operating revenue reported year-to-date was favorable to budget by \$1,377,000. Total net patient revenue was favorable to budget principally as a result of higher than anticipated admissions, surgery, outpatient volume and favorable payer mix index.

Total operating expenses reported year-to-date were unfavorable to budget by \$1,768,000. The unfavorable variances were principally the result of higher than anticipated medical and surgical supplies, pharmaceuticals, consulting and management fees, and depreciation and amortization expense. Medical and surgical supplies were unfavorable due to higher than anticipated inpatient volume and surgical cases. The unfavorable variances are partially offset by favorable variances in salary and wages, employee benefits, other supplies and expenses, interest expense, leases and rentals.

Below are key performance indicators & statistics for the month and year-to-date:

Key Performance Indicators Financial Performance Indicators	Year to Date			
	Actual	Target	Var	PY Actual
Operating Margin - Obligated Group	\$ 10,804	\$ 11,195	● -3.5%	\$ 12,520
Total Operating Revenue Growth %	7.7%	7.2%	● 6.9%	16.1%
Total Operating Expense Growth %	-8.7%	-8.1%	● -7.4%	-13.7%
Total Operating Revenue	\$ 307,191	\$ 305,814	● 0.5%	\$ 285,138
Total Operating Expenses	\$ 296,387	\$ 294,619	● -0.6%	\$ 272,618
EBITDA	\$ 25,982	\$ 26,336	● -1.3%	\$ 25,496
EBITDA %	8.5%	8.6%	● -1.2%	8.9%
Volume Indicators				
Total Admissions	7,669	7,612	● 0.7%	7,657
Adult Patient Days	36,718	36,967	● -0.7%	37,425
² Total outpatient volumes	54,772	54,028	● 1.4%	53,077
^{1,3} Cancer	23,998	25,656	● -6.5%	24,680
Total ER Visits	19,640	20,756	● -5.4%	19,893
³ CUP Visits	320,820	318,154	● 0.8%	310,488
Total Ambulatory Procedures (excludes Surgery)	5,181	4,665	● 11.1%	4,635
Cyber Knife & Gamma Knife	68	77	● -11.7%	77
Total Cardiac Cath Lab	1,812	1,967	● -7.9%	1,959
Total Surgical Volume	5,400	5,148	● 4.9%	4,780
Trauma Registry	801	844	● -5.1%	826
FTEs per Adjusted Occupied Bed	5.38	5.55	● 3.1%	5.35
Case mix index - all payer	1.77	1.79	● -1.1%	1.76
Payer Mix Index	1.20	1.18	● 1.4%	1.18

1 - Outpatient Cancer Volumes

2 - Total Outpatient Volumes (Excluding Cancer)

3 - Estimates due to System Conversion (will be updated in the near future)

The Obligated Group's current financial statements reflect the following key ratios:

<i>Ratio or Value</i>	<i>March 2017</i>	<i>December 2016</i>	<i>NJ FAST Report 50th Percentile</i>	<i>Moody's Baa1 Rating</i>
Operating margin % YTD	3.5%	4.7%	4.6%	3.2%
Current ratio	2.8	2.7	2.1	2.2
Modified Days Cash on Hand	122.8	131.4	101.3	171.3
Days in A/R	65.0	55.3	43.2	48.6

THE OBLIGATED GROUP

FINANCIAL STATEMENTS

March 2017



Obligated Group Combined Balance Sheets

(Dollars in thousands)

	March 31, 2017	February 28, 2017	December 31, 2016		March 31, 2017	February 28, 2017	December 31, 2016
Current Assets				Current Liabilities			
Cash and cash equivalents	\$ 168,230	\$ 175,045	\$ 191,434	Accounts payable	21,884	31,479	37,883
Assets limited as to use	16,322	13,025	22,167	Accrued payroll and taxes	32,875	30,292	23,124
Patient accounts receivable	240,882	231,567	205,967	Accrued vacation	17,848	17,413	16,942
Allowance for doubtful accounts	(32,143)	(30,628)	(32,483)	Accrued Liabilities	54,726	59,205	57,666
Net patient accounts receivable	208,739	200,939	173,484	Accrued Interest	1,204	380	3,737
Other receivables, net	15,566	19,818	19,921	Settlements with third party payors	2,158	2,158	2,158
Inventories	22,472	22,003	21,415	Current portion of long term debt	8,364	8,423	8,237
Prepaid expenses	9,016	9,085	8,425	Current portion of self-insured reserve	17,826	17,711	17,481
Due from affiliates	263	281	329				
Total current assets	440,608	440,196	437,175	Total current liabilities	156,885	167,061	167,228
Assets Limited as to use				Settlements with third party payors	7,257	6,944	6,848
Internally designated by board	223,568	223,012	218,663	Accrued pension costs	15,914	15,622	15,039
Funds held by trustee - debt service reserve	256	256	256	Notes Payable	22,296	22,296	22,296
Funds held by trustee-designated for capital	2,613	3,495	3,495	Deferred revenue	12,563	13,007	12,771
Self-insured programs	27,657	32,162	30,244	Long term debt	252,803	253,045	258,244
Endowment fund	689	675	674	Due to affiliates	31,422	31,422	31,422
Total assets limited as to use	254,783	259,600	253,332	Self-insured reserves	51,441	55,774	54,183
Property, plant and equipment	991,449	988,382	985,261	Total liabilities	550,581	565,171	568,031
Accumulated depreciation and amortization	(507,715)	(503,666)	(495,588)	Net Assets			
Net property, plant and equipment	483,734	484,716	489,673	Unrestricted	647,672	638,584	630,479
Deferred charges	721	721	721	Permanently restricted	439	439	439
Notes Receivable	15,781	15,781	15,781	Total Net Assets	648,111	639,023	630,918
Other Asset	3,068	3,180	2,267				
TOTAL	\$ 1,198,692	\$ 1,204,194	\$ 1,198,949	TOTAL	\$ 1,198,692	\$ 1,204,194	\$ 1,198,949

Obligated Group
Combined Statements of Operations and Changes in Net Assets
for the month and the 3 months ended
March 31, 2017
(Dollars in thousands)

	Year-to-date						
	Current Year				Prior Year		
	Actual	Budget	Variance		Actual	Variance	
Inpatient	\$ 133,420	\$ 141,625	\$ (8,205)	-5.8%	\$ 133,998	\$ (578)	-0.4%
Outpatient	171,832	162,483	9,349	5.8%	147,194	24,638	16.7%
Net patient revenue	305,252	304,108	1,144	0.4%	281,192	24,060	8.6%
Provision for bad debt	(17,025)	(17,259)	234	1.4%	(17,061)	36	0.2%
Net patient revenue, net of bad debts	288,227	286,849	1,378	0.5%	264,131	24,096	9.1%
Other operating revenue	18,984	18,985	(1)	0.0%	21,007	(2,043)	-9.7%
Total operating revenue	307,191	305,814	1,377	0.5%	285,138	22,053	7.7%
Salaries and wages	146,407	147,281	874	0.6%	138,260	(8,147)	-5.9%
Temp staff expenses	1,149	500	(649)	-129.8%	846	(303)	-35.8%
Employee benefits	30,502	32,022	1,520	4.7%	27,538	(2,964)	-10.8%
Medical and surgical supplies	28,213	26,095	(2,118)	-8.1%	24,306	(3,907)	-16.1%
Pharmaceuticals	20,345	19,356	(989)	-5.1%	19,894	(451)	-2.3%
Consulting and Management Fees	13,134	12,019	(1,115)	-9.3%	10,702	(2,432)	-22.7%
Other supplies and expenses	31,247	31,681	434	1.4%	28,307	(2,940)	-10.4%
Malpractice expense	3,338	3,337	(1)	0.0%	3,001	(337)	-11.2%
Leases and rentals	6,874	7,187	313	4.4%	6,788	(86)	-1.3%
Depreciation and amortization	11,825	11,695	(130)	-1.1%	9,907	(1,918)	-19.4%
Interest expense	3,353	3,446	93	2.7%	3,069	(284)	-9.3%
Total operating expenses	296,387	294,619	(1,768)	-0.6%	272,618	(23,769)	-8.7%
Operating margin	10,804	11,195	(391)	-3.5%	12,520	(1,716)	-13.7%
Investment income and realized gains (losses)	3,347	-	3,347	100.0%	41	3,306	8063.4%
Unrealized G/L from market valuation swap	204	-	204	100.0%	(2,269)	2,473	109.0%
Net unrealized g/l on trading securities	2,032	-	2,032	100.0%	6,592	(4,560)	-69.2%
Excess / (Deficit) of revenues over expenses	16,077	11,195	4,882	43.6%	16,884	(807)	-4.8%
Contributions for capital acquisitions	493	-	493	100.0%	7,131	(6,638)	-93.1%
Changes in unrealized gains (losses)	624	-	624	100.0%	202	422	208.9%
Increase / (Decrease) in unrestricted net assets	\$ 17,194	\$ 11,195	\$ 5,999	53.6%	\$ 24,217	\$ (7,023)	-29.0%

Obligated Group
Statement of Cash Flows
for the month and the 3 months ended
March 31, 2017

(Dollars in thousands)

	<u>Year-to-date</u>
Operating activities:	
Increase (decrease) in net assets	\$ 17,320
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation and amortization	11,825
Provision for bad debt	17,025
Contributions for capital acquisitions	(493)
Net realized and unrealized (gain/loss) on investments	(2,859)
Changes in certain assets and liabilities:	
Patient accounts receivable	(52,280)
Prepaid and other current assets	2,211
Assets limited as to use	(2,888)
Accounts payable and accrued expenses	(10,815)
Self-insured programs	(1,649)
Settlements with third party payors	409
Due to /from affiliates, net	66
Other liabilities	(208)
Net cash provided by operating activities	<u>(22,336)</u>
Investing activities:	
Decrease (increase) in assets limited as to use	10,141
Capital expenditures	(6,188)
Net cash provided by investing activities	<u>3,953</u>
Financing activities:	
Repayments of long-term debt	(5,314)
Contributions for capital acquisitions	493
Net cash provided by financing activities	<u>(4,821)</u>
Net increase (decrease) in cash and cash equivalents	(23,204)
Cash and cash equivalents at beginning of period	191,434
Cash and cash equivalents at end of period	<u>\$ 168,230</u>