

St. Joseph's Healthcare System, NJ

1 New Jersey Health Care Facilities Financing Authority, Revenue Bonds, St. Joseph's Healthcare System Obligated Group Issue, Series 2016, \$246,845,000, Dated: August 24, 2016

Series 2016

SOURCES OF PATIENT SERVICE REVENUE

Fiscal Year Ended December 31

Payor Mix	
SJRC & SJW Gross Patient Revenue Sources	
Payor Name	2016
Medicare	27%
Medicaid	9%
Managed Care incl NJ BC	14%
HMO-Medicare	8%
HMO-Medicaid	29%
Commercial	5%
Other Payers	8%
	100%

Managed Care Contracting	
Managed Care Plan	Covered Lives
NI Horizon BC / BS	43,529
Aetna US Healthcare	14,788
United Healthcare	20,076
Oxford Health Plans	7,496
Cigna Healthcare of NJ	5,923
Horizon NJ Health	62,310
Amerigroup	50,221

Charity Care Revenue	
Payor Name	SFY 2016
SJRC Charity Subsidy	\$63,220,865
SJW Charity Subsidy	\$54,381

Series 2016

UTILIZATION STATISTICS

Fiscal Year Ended December 31

	2016
Discharges	35,327
Observations	2,630
Discharges + Observations	37,957
Avg. Length of Stay	5.34
Patient Days	187,633
Average Daily Census	513.00
Case Mix Index	
Medicare CMI-SJRC	1.85
Medicare CMI-SJWH	1.46
Case Mix Index- SJRC	1.46
Case Mix Index- SJWH	1.35
Surgeries	
Inpatient Surgeries	7,170
Outpatient Surgeries	8,480
Total Surgeries	15,650
Emergency Room Visits	
Treat and Release	165,171
Inpatient Admissions	23,294
Total Emergency Visits	188,465
Cardiac Catheterizations	
Inpatient	1,552
Outpatient	1,352
Total Catheterizations	2,904
Deliveries	3,544

Series 2016, 2008

Obligated Group Summary of Operations (in thousands)

Fiscal Year Ended December 31

	2016
Revenues:	
Net patient service revenue	\$701,742
Other revenue	\$80,674
Gain on sale of property	\$0
Net assets released from restrictions - operations	\$0
Total revenues	\$782,416

Expenses:	
Salaries and wages	\$362,733
Employee benefits	\$87,528
Physician fees	\$24,925
Supplies and other	\$155,770
Contracted professional services	\$80,389
Interest	\$15,555
Depreciation and amortization	\$36,812
Total expenses	\$763,712
Excess of revenues over expenses before minority interest in consolidated subsidiary and gain on restructuring of debt	\$18,704
Minority interest in consolidated subsidiary	
Loss on restructuring of debt	(\$29,701)
Excess of revenues over expenses	(\$10,997)
Other changes in unrestricted net assets:	
Change in net unrealized gains and losses on investments	(\$874)
Change in additional minimum pension liability	(\$538)
Joint Venture Minority Interest Contrib/Dist	\$442
Change in Foundation Assets	\$1,089
Adoption of new accounting principles:	
Adjustment to initially apply the recognition provisions of FASB Statement No. 143	
Adjustment to initially apply the recognition provisions of FASB Statement No. 158	
Net assets released from restrictions-capital acquisitions	\$1,051
Increase in unrestricted net assets	(\$9,827)

Series 2016
St. Joseph's Healthcare System Obligated Group Balance Sheet
Fiscal Year Ended December 31

	2016
Assets:	
<u>Current Assets:</u>	
Cash and cash equivalents	\$132,231
Investments	\$173,608
Current portion of assets limited as to use	\$7,282
Accounts receivable, less allowance for doubtful accts	\$89,672
Grants, notes and other receivables	\$11,595
Supplies	\$10,450
Prepaid expenses and other current assets	\$2,782
Due from affiliates	\$1,193
<u>Total current assets:</u>	\$428,813
Assets limited as to use, less current portion	\$19,090
Property and equipment, net	\$298,164
Interest in net assets of foundations	\$23,532
Investment in joint ventures	\$24,644
Estimated insurance recoveries	\$10,404
Other assets	\$13,446
<u>Total Assets</u>	\$818,093
Liabilities and net assets:	
<u>Current liabilities:</u>	
Current portion of long-term debt	\$6,437
Accounts payable	\$43,227
Accrued salaries and expenses	\$62,965
Accrued bond interest payable	\$3,853
Due to affiliates	\$0
Deferred revenue	\$329
Estimated third-party payer settlements	\$3,374
<u>Total current liabilities:</u>	\$120,185
Long-term debt, net of current portion	\$269,814
Estimated third-party payer settlements, net of current portion	\$8,184
Other liabilities	\$230,359
<u>Total liabilities:</u>	\$628,542
Net assets:	
<u>Unrestricted:</u>	
St. Joseph's Healthcare System, Inc. and Affiliates	\$163,070
Noncontrolling interest in joint ventures	\$3,820
<u>Total unrestricted net assets:</u>	\$166,890
Temporarily restricted	\$15,012
Permanently restricted	\$7,649
<u>Total net assets:</u>	\$189,551
Total Liabilities and net assets	\$818,093

Series 2016, 2008
Management's Discussion of Financial Performance and Utilization
Fiscal Year Ended December 31, 2016

Overall volumes tended to be flat at Paterson and below projections at Wayne. Toward the end of 2016, Wayne engaged a new ER Physician group and initiated an add campaign to promote the ER. Both Inpatient and ER Volume has since increased. The Case Mix was up slightly at Paterson and the payer mix was relatively stable. State subsidies for Charity Care and DSRIP continue to be decreased based on State allocations.

St. Josephs Healthcare System

Obligated Group Summary of Cash and Unrestricted Investments (In thousands)

(excludes Joint Ventures)	As of December 31
	2016
Cash and cash equivalents	\$129,377
Board designated investments	0
Other unrestricted investments	173,608
Total cash and unrestricted investments	\$302,985
Cash requirements per day:	
Total expenses	\$760,195
Less non-cash expense:	
Depreciation and amortization	(37,425)
Provision for bad debts	0
Adjusted cash expense	\$722,770
Cash required per day	\$1,975
Days cash and unrestricted investments on hand	153

St. Josephs Healthcare System
Debt Service Coverage Ratio (In thousands)

(Excludes Joint ventures)	As of December 31
	2016
Excess of revenues over expenses	(\$15,715)
Plus: Interest expense	15,555
Plus: Depreciation and amortization expense	36,812
Plus: Loss on restructuring of debt income available for debt serv	29,701
Excess of revenues over expenses available for Debt Serv	\$66,353
Maximum annual debt service, no pro forma	\$15,918
Minimum annual debt service coverage ratio	4.17X

Series 2016, 2008

PENSIONS

Fiscal Year Ended December 31, 2016

The Medical Center maintains a noncontributory defined benefit pension plan (the Plan) covering substantially all of the employees of the Medical Center. The Plan is operated as a church plan and is not subject to the minimum funding or other requirements of the Employee Retirement Income Security Act of 1974. In addition, benefits under the Plan are not covered by the Pension Benefit Guaranty Corporation. The Medical Center contributed approximately \$12.7 million to the Plan in 2016 and expects to contribute approximately \$13.8 million to the Plan in 2017..