

Health Quest Systems, Inc.

Financial Executive Summary

Year to date for the period ended June 30, 2017

HEALTH QUEST SYSTEMS, INC
FINANCE SUMMARY
Year to Date for the Period Ended June 30, 2017

Financial Overview –

\$ in Millions	2017 YTD Actual		2017 YTD Budget		2016 YTD Actual		Oper Gain/(Loss) %	
	Operating Gain/(Loss)	Operating Margin	Operating Gain/(Loss)	Operating Margin	Operating Gain/(Loss)	Operating Margin	Var to Budget	Var to Prior Year
HQ System	\$30.4	5.8%	\$34.2	6.4%	\$35.0	7.1%	-11.1%	-13.3%
VBMC	\$36.8	11.6%	\$41.8	13.2%	\$41.7	14.0%	-11.9%	-11.7%
PHC	\$4.5	5.4%	\$5.4	6.3%	\$4.8	5.8%	-17.8%	-6.8%
NDH	\$8.9	14.4%	\$6.2	10.9%	\$6.1	11.8%	43.4%	44.8%
HQMP	-\$10.5	-18.4%	-\$9.5	-15.6%	-\$8.0	-16.9%	-11.3%	-31.8%

Financial Overview

For the six months ended June 30, 2017 Health Quest Systems, Inc. (HQ) improved on its first quarter unfavorable variance and achieved budget in the second quarter. HQ recognized operating income of \$30.4M and improved its operating margin to 5.8% year-to-date. For the second quarter, HQ's operating income grew to \$20.1M, which resulted in an operating margin of 7.4%. This was favorable to the budgeted operating margin of 6.4% for the year. Implementation of identified expense management in the first quarter gave rise to positive results in the second quarter.

Operating Revenue

Overall net revenue for the first six months was unfavorable to budget by \$6.9M. Inpatient net revenue was unfavorable by \$2.7M, but outpatient net revenue was favorable by \$2.4M. Other patient revenue, inclusive of HQ Homecare, HQ Medical Practice (HQMP) and HV Cardiovascular Physicians Practice (HVCP) was unfavorable to budget by \$9.6M. Provision for bad debts was favorable by \$0.8M, as HQ had strong cash collections in the first six months, exceeding goal by \$2.0M.

Inpatient revenue was unfavorable to budget by \$2.7M due to an increased number of observation patients, versus inpatient status. Acute inpatient discharges for the three hospitals were slightly under budget by 1.4%, but exceeded prior year by 2.3%. In addition, when combined with observation patients, volume is exceeding budget by 4.5% and 7.8% compared to prior year. Year to date, Vassar Brothers Medical Center (VBMC) is slightly under budget (-\$0.8M) due to a 2.2% decline in volume and an increase in lower acuity patients in January and April. Putnam Hospital Center (PHC), year to date, was favorable to budget in acute volume by 0.6% due to an increase in mental health, however, medical/surgical cases were down 1.4%, driving a negative variance (-\$3.1M). Northern Dutchess Hospital (NDH) was slightly unfavorable to budget in acute discharges, but saw an increase in commercial discharges which drove its positive variance (+1.4M). Northern Dutchess Residential Facility was unfavorable to budget (-\$0.2M).

Outpatient revenue was favorable compared to budget by \$2.4M, due to favorable variances at NDH (+3.3M), slightly offset by unfavorable variances at VBMC (-\$0.1M) and PHC (-\$0.8M). NDH outpatient revenue was favorable to budget due to an increase in ED visits, infusion, radiology procedures, wound care visits and cardiac testing. VBMC was slightly unfavorable to budget due to a decline in volume in radiology and infusion, offset by increases in ED visits and observation patients. PHC outpatient revenue was unfavorable to budget due to decreased volume in ED visits and pain management, offset by increases in physical therapy visits.

Year-to-date, HQ hospitals are ahead of budget for net patient revenue by \$0.4M.

Other patient revenue is unfavorable to budget by \$9.7M, primarily due to delayed on-boarding of new physicians in HQMP. Expense offset is recognized related to this delay. HVCP was favorable to budget by \$0.1M due to prior period collections. HQ Homecare was unfavorable to budget by \$0.6M due to lower physical therapy volume.

Other operating revenue was favorable to budget by \$2.2M due to additional quality incentives recognized, along with increased rebate revenue.

Operating Expenses

Operating expenses for the first six months were favorable to budget by \$3.1M. Favorable variances were recognized at HQ Corp, HQMP, PHC and HQ Homecare and were offset by unfavorable variances at VBMC, NDH and VBH Insurance. Total salary expenses were on budget year-to-date. Agency expense remains unfavorable, but continues to decline. Hospital nursing agency cost dropped to \$0.4M in June, and locum agency expense for physicians declined to \$0.4M in June. Medical supplies were favorable to budget by \$2.3M, due to decreased pharmacy expense related to lower than expected chemotherapy infusions. Other expenses were favorable to budget by \$7.5M due to lower expenses associated management expense initiatives, lower expenses associated with the delay in HQMP on-boarding of new physicians, lower consulting and decreased service contract expense.

Net Gain

Non-operating revenue of \$19.8M was recognized, due to investment income of \$19.3M. Total net gain for HQ was \$50.0M year-to-date.

Balance Sheet Indicators

HQ consistently tracks and monitors debt covenants (among other metrics), which include Days Cash on Hand (minimum 70 days) and Debt Service Coverage Ratio (1.3x). For the first six months ended June 30, 2017, HQ increased Days Cash on Hand for the Obligated Group to 152.3 and for the HQ System to 152.5. Days cash on Hand for the year ended, December 31, 2016, was 149.4 and 150.7, respectively.

For the Debt Service Coverage Ratio, the Obligated Group was 3.9x at June 30, 2017 (versus 4.6x at December 31, 2016).

Health Quest Systems, Inc. and Subsidiaries
Balance Sheet
2017 Actual
June 2017

	<u>2017</u>	<u>2016</u>	<u>Incr/Decr over</u> <u>PY</u>
<u>Assets</u>			
Current Assets -			
Cash and Cash Equivalents	\$114,979	\$98,489	\$16,490
Restricted Cash	716	709	7
Investments	272,881	254,310	18,571
Assets whose use is limited and required for current liabilities			
Externally Restricted	3,746	2,272	1,474
Patient accounts receivable, net	131,052	115,671	15,381
Supplies and prepaid expenses	27,437	30,552	(3,115)
Other current assets	8,379	7,765	614
Estimated third party payor adjustments	2,474	5,845	(3,371)
Interest in Foundation, current	0	0	0
Due from Affiliates, current portion	0	0	0
Total current assets	\$561,664	\$515,613	\$46,051
Interest in Foundation	0	0	0
Assets whose use is limited, net of current portion			
Externally Restricted	342,259	392,733	(50,474)
Investments held by captive	31,035	31,035	0
Long Term Investments	10,288	9,588	700
Property, plant and equipment, less accum depreciation and amortization	497,164	461,242	35,922
Goodwill	30,664	30,585	79
Due from Affiliates, net of current portion	0	0	0
Other non-current assets	27,387	28,235	(848)
Total Assets	\$1,500,461	\$1,469,031	\$31,430
<u>Liabilities and Net Assets</u>			
Current Liabilities -			
Current portion of long-term debt	\$19,885	\$19,926	(\$41)
Accounts payable and accrued expenses	121,042	139,920	(18,878)
Estimated third party payor adjustments	6,670	8,034	(1,364)
Estimated insurance loss reserve payable	8,530	8,530	0
Due to Affiliates, current portion	0	0	0
Total current liabilities	\$156,127	\$176,410	(\$20,283)
Long-term debt, net of current portion	564,075	564,434	(359)
Post retirement benefit obligations	85,105	79,515	5,590
Estimated third party payor adjustments and and other liabilities	114,351	118,065	(3,714)
Due to Affiliates, net of current portion	0	0	0
Total liabilities	\$919,658	\$938,424	(\$18,766)
Net Assets			
Unrestricted	\$554,327	\$504,368	\$49,959
Temporarily restricted	21,088	20,853	235
Permanently restricted	5,388	5,386	2
Total Net Assets	\$580,803	\$530,607	\$50,196
Total Liabilities and Net Assets	\$1,500,461	\$1,469,031	\$31,430

Health Quest
2017 Actual
Balance Sheet
June 2017

	<u>VBMC (includes Healthserve/ One Columbia St)</u>					<u>Total HQ Obligated Group</u>		<u>Foundations</u>	<u>Affiliates</u>	<u>Eliminations</u>	<u>Total</u>
	PHC	NQH	HQ	Eliminations							
Assets											
Current Assets -											
Cash and Cash Equivalents	\$ 45,435	\$ 12,915	\$ 30,880	\$ 4,534		\$ 93,764	\$ 13,939	\$ 7,276	\$ -	\$	114,979
Restricted Cash	0	633	0	0		633	27	56	0		716
Investments	174,017	41,873	16,980	0		232,870	40,011	-	0		272,881
Assets whose use is limited and required for current liabilities											
Externally Restricted	944	2,349	453	0		3,746	0	-	0		3,746
Patient accounts receivable, net	84,536	19,465	13,937	0		117,938	0	13,114	0		131,052
Supplies and prepaid expenses	11,579	3,238	2,045	8,191		25,053	79	2,305	0		27,437
Other current assets	931	51	74	837		1,893	1,492	15,028	(10,034)		8,379
Estimated third party payor adjustments	984	761	729	0		2,474	0	-	0		2,474
Interest in Foundation, current	909	252	750	0		1,911	0	-	(1,911)		0
Due from Affiliates, current portion	7,394	33,553	5,211	19,052	(28,265)	36,045	179	4,326	(41,450)		0
Total current assets	326,729	115,090	71,059	32,614	(28,265)	517,227	55,727	42,105	(53,395)		561,664
Interest in Foundation	6,637	10,700	5,599	0		22,936	0	-	(22,936)		0
Assets whose use is limited											
Externally Restricted	340,193	1,005	1,061	0		342,259	0	-	0		342,259
Investments held by captive	0	0	0	0		0	0	31,035	0		31,035
Long Term Investments	9,817	0	0	0		9,817	471	-	0		10,288
Property, plant and equipment, less accum depreciation and amortization	320,318	58,970	78,787	24,508		482,583	76	14,505	0		497,164
Goodwill	25,916	123	0	0		26,039	0	4,625	0		30,664
Due from Affiliates	21,318	6,611	5,455	29,017	(29,664)	32,737	0	50	(32,787)		0
Other non-current assets	889	0	211	8,596		7,696	3,678	16,013	0		27,387
Total Assets	\$ 1,051,817	\$ 192,499	\$ 162,172	\$ 82,735	\$ (57,929)	\$ 1,441,294	\$ 59,952	\$ 108,333	\$ (109,118)		\$ 1,500,461
Liabilities and Net Assets											
Current Liabilities -											
Current portion of long-term debt	\$ 17,206	\$ 1,996	\$ 549	\$ -		\$ 19,751	\$ 0	\$ 134	\$ -	\$	19,885
Current portion of postretirement	0	0	0	0		0	0	-	0		0
Accounts payable and accrued expenses	50,500	12,953	8,732	32,045		104,230	547	20,221	(3,956)		121,042
Estimated third party payor adjustments and other liabilities	4,835	1,365	194	0		6,394	0	276	0		6,670
Estimated insurance loss reserve payable	0	0	0	0		0	0	8,530	0		8,530
Due to Affiliates, current portion	1,221	2,137	1,777	23,130	(28,265)	0	5,803	41,801	(47,604)		0
Total current liabilities	73,762	18,451	11,252	55,175	(28,265)	130,375	6,350	70,962	(51,560)		156,127
Long-term debt, net of current portion	494,539	23,457	44,398	0		562,394	0	1,681	0		564,075
Post retirement benefit obligations	62,040	23,065	0	0		85,105	0	-	0		85,105
Estimated third party payor adjustments and and other liabilities	41,684	12,380	9,411	18,461		81,936	0	59,776	(27,361)		114,351
Due to Affiliates, net of current portion	2,371	943	405	28,694	(29,664)	2,749	0	2,626	(5,375)		0
Total liabilities	674,396	78,296	65,466	102,330	(57,929)	862,559	6,350	135,045	(84,296)		919,658
Net Assets											
Unrestricted	364,950	109,596	88,614	(9,595)	0	553,565	35,030	(27,036)	(7,232)		554,327
Temporarily restricted	10,280	3,789	6,597	0		20,666	16,870	324	(16,772)		21,088
Permanently restricted	2,191	818	1,495	0		4,504	1,702	-	(818)		5,388
Total Net Assets	377,421	114,203	96,706	(9,595)	0	578,735	53,602	(26,712)	(24,822)		580,803
Total Liabilities and Net Assets	\$ 1,051,817	\$ 192,499	\$ 162,172	\$ 92,735	\$ (57,929)	\$ 1,441,294	\$ 59,952	\$ 108,333	\$ (109,118)		\$ 1,500,461

Health Quest Systems, Inc. and Subsidiaries
Statement of Operations

2017 Actual

June 2017

	<u>Current Year Actual YTD</u>	<u>Current Year Budget YTD</u>	<u>Variance</u>	<u>Prior Year Actual YTD</u>	<u>PY Variance</u>
<u>Revenue</u>					
Inpatient Revenue	\$276,471	\$279,169	(\$2,698)	\$259,472	\$16,999
Outpatient Revenue	193,839	191,452	2,387	182,564	11,275
Other Patient Revenue	54,853	64,489	(9,636)	49,938	4,915
Less Provision for bad debts	(14,347)	(15,190)	843	(13,029)	(1,318)
Net Patient Revenue	510,816	519,920	(9,104)	478,945	31,871
					0
Other Operating Revenue	16,181	13,988	2,193	13,502	2,680
Affiliate Revenue	(0)	0	(0)	(0)	0
					0
Total Revenue	\$526,997	\$533,908	(\$6,911)	\$492,446	\$34,551
<u>Operating Expenses</u>					
Salaries	229,362	229,395	33	204,038	(25,324)
Fringe Benefits	67,934	67,509	(425)	60,176	(7,758)
Agency Fees	9,560	3,144	(6,416)	6,520	(3,040)
Sub Total	306,856	300,048	(6,808)	270,734	(36,122)
Supplies	78,981	81,264	2,283	73,605	(5,376)
Interest	4,000	3,975	(25)	4,670	670
Depreciation	23,956	24,114	158	27,302	3,346
Other Expenses	82,812	90,305	7,493	81,098	(1,714)
Sub Total	189,748	199,658	9,909	186,674	(3,075)
Total Operating Expenses	496,604	499,706	3,101	457,408	(39,197)
Gain/(Loss) from Operations	30,393	34,203	(3,810)	35,039	(4,646)
Investment Income	1,150	1,820	(670)	21,400	(20,250)
Change in net unrealized gains/(losses)	18,277	4,324	13,953	(18,233)	36,510
Gain on disposal	107	0	107	9	98
Excess of revenue over expenses	49,927	40,347	9,580	38,215	11,712
Transfer of Equity	0	0	0	0	0
Pension related changes other than net periodic pension costs	0	0	0	0	0
Grant Income for capital	32	0	32	13	19
Change in Foundation Interest	0	0	0	0	0
Prior Period Adjustments	0	0	0	0	0
Net Assets Released from Restrictions	0	991	(991)	2,398	(2,398)
					0
Increase/(Decrease) in Net Assets	\$49,959	\$41,338	\$8,621	\$40,626	\$9,333

Health Quest
2017 Actual YTD
June 2017

ACTUAL

	<u>VBMC</u> <u>(includes</u> <u>Healthserve</u> <u>and One</u> <u>Columbia St)</u>	<u>PHC</u>	<u>NDH</u>	<u>HQ/HQ</u> <u>Lab</u>	<u>Eliminations</u>	<u>Total HQ</u> <u>Obligated</u> <u>Group</u>	<u>Foundations</u>	<u>Affiliates</u>	<u>Eliminations</u>	<u>Total</u>
Revenue										
Inpatient Revenue	193,654	44,734	32,987	0	0	271,375	0	5,096	0	276,471
Outpatient Revenue	126,460	38,944	28,435	0	0	193,839	0	0	0	193,839
Other Patient Revenue	0	0	(7)	0	0	(7)	0	54,860	0	54,853
Less Provision for bad debts	(8,342)	(1,986)	(1,082)	0	0	(11,410)	0	(2,937)	0	(14,347)
Net Patient Revenue	311,772	81,692	60,333	0	0	453,797	0	57,019	0	510,816
Other Operating Revenue	4,393	1,601	699	1,389	0	8,082	868	7,231	0	16,181
Affiliate Revenue	1,596	29	320	91,045	(82,322)	10,668	58	23,127	(33,853)	(0)
Total Revenue	317,761	83,322	61,352	92,434	(82,322)	472,547	926	87,377	(33,853)	526,997
Operating Expenses										
Salaries	78,556	26,135	17,988	42,401	0	165,080	453	63,829	0	229,362
Fringe Benefits	29,576	10,611	5,184	11,436	0	56,807	106	11,021	0	67,934
Agency Fees	4,582	672	621	1,158	0	7,033	0	2,527	0	9,560
Sub Total	112,714	37,418	23,793	54,995	0	228,920	559	77,377	0	306,856
Supplies	50,901	12,673	9,316	4,038	0	76,928	3	2,050	0	78,981
Interest	2,401	461	979	79	0	3,920	0	80	0	4,000
Depreciation	13,592	3,526	3,291	2,148	0	22,557	5	1,394	0	23,956
Other Expenses	101,320	24,768	15,122	31,152	(82,322)	90,040	717	25,908	(33,853)	82,812
Sub Total	168,214	41,428	28,708	37,417	(82,322)	193,445	725	29,432	(33,853)	189,748
Total Operating Expenses	280,928	78,846	52,501	92,412	(82,322)	422,365	1,284	106,809	(33,853)	496,604
Gain/(Loss) from Operations	36,833	4,476	8,851	22	0	50,182	(358)	(19,432)	0	30,393
Investment Income	857	205	87	0	0	1,149	0	1	0	1,150
Change in net unrealized gains and losses	11,868	2,703	1,096	0	0	15,667	2,610	0	0	18,277
Gain on Disposal	0	107	0	0	0	107	0	0	0	107
Excess (deficiency) of revenue over expenses	49,558	7,491	10,034	22	0	67,105	2,252	(19,431)	0	49,927
Transfer of Equity	(13,725)	(658)	(2,046)	0	0	(16,429)	0	16,430	(1)	0
Pension related changes other than net periodic	0	0	0	0	0	0	0	0	0	0
Grant Income for Capital	0	0	32	0	0	32	0	0	0	32
Change in Foundation Interest	0	293	0	0	0	293	0	0	(293)	0
Prior Period Adjustments	0	0	0	0	0	0	0	0	0	0
Net Assets Released from Restrictions	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) in Net Assets	35,833	7,126	8,020	22	0	51,001	2,252	(3,001)	(294)	49,959

BUDGET

	<u>VPMC</u> <u>(includes</u> <u>Healthserve</u> <u>and One</u> <u>Columbia St)</u>	<u>PHC</u>	<u>NDH</u>	<u>HQ/HQ</u> <u>Lab</u>	<u>Eliminations</u>	<u>Total HQ</u> <u>Obligated</u> <u>Group</u>	<u>Foundations</u>	<u>Affiliates</u>	<u>Eliminations</u>	<u>Total</u>
Revenue										
Inpatient Revenue	194,446	47,858	31,628	0		273,932	0	5,237	0	279,169
Outpatient Revenue	126,588	39,718	25,146	0		191,452	0	0	0	191,452
Other Patient Revenue	0	0	0	0		0	0	64,489	0	64,489
Less Provision for bad debts	(8,952)	(2,041)	(967)	0		(11,960)	0	(3,230)	0	(15,190)
Net Patient Revenue	312,082	85,535	55,807	0	0	453,424	0	66,496	0	519,920
Other Operating Revenue	3,593	1,447	569	242		5,951	1,007	7,030	0	13,988
Affiliate Revenue	1,719	28	305	92,957	(84,276)	10,733	58	18,406	(29,197)	0
Total Revenue	317,494	87,010	56,681	93,199	(84,276)	470,108	1,065	91,932	(29,197)	533,908
Operating Expenses										
Salaries	75,368	26,250	16,445	43,177		161,240	461	67,694	0	229,395
Fringe Benefits	29,601	11,169	4,953	10,150		55,873	109	11,527	0	67,509
Agency Fees	1,199	117	301	478		2,095	0	1,037	0	3,132
Sub Total	106,168	37,536	21,699	53,805	0	219,208	570	80,258	0	300,036
Supplies	50,737	14,673	9,221	4,272		78,903	3	2,358	0	81,264
Interest	2,381	448	984	82		3,895	0	80	0	3,975
Depreciation	13,592	3,526	3,291	2,149		22,558	5	1,551	0	24,114
Other Expenses	102,812	25,381	15,312	34,605	(84,276)	93,834	715	24,953	(29,197)	90,305
Sub Total	169,522	44,028	28,808	41,108	(84,276)	199,190	723	28,942	(29,197)	199,658
Total Operating Expenses	275,690	81,564	50,507	94,913	(84,276)	418,398	1,293	109,200	(29,197)	499,694
Gain/(Loss) from Operations	41,804	5,446	6,174	(1,714)	0	51,710	(228)	(17,268)	0	34,215
Investment Income	1,450	291	79	0		1,820	0	0	0	1,820
Change in net unrealized gains and losses	3,239	420	80	0		3,739	585	0	0	4,324
Gain on Disposal	0	0	0	0		0	0	0	0	0
Excess (deficiency) of revenue over expenses	46,493	6,157	6,333	(1,714)	0	57,269	357	(17,268)	0	40,359
Transfer of Equity	(14,901)	(317)	(2,565)	0		(17,783)	0	16,233	1,550	0
Pension related changes other than net pe	0	0	0	0		0	0	0	0	0
Grant Income for Capital	0	0	0	0		0	0	0	0	0
Change in Foundation Interest	0	67	0	0		67	0	0	(67)	0
Prior Period Adjustments	0	0	0	0		0	0	0	0	0
Net Assets Released from Restrictions	401	150	440	0		991	0	0	0	991
Increase/(Decrease) in Net Assets	31,993	6,057	4,208	(1,714)	0	40,544	357	(1,035)	1,483	41,350

Health Quest
2017 Actual YTD
June 2017

VARIANCE

	<u>VBMC</u> <u>(Includes</u> <u>Healthserve</u> <u>and One</u> <u>Columbia St)</u>	<u>PHC</u>	<u>NDH</u>	<u>HQ/HQ</u> <u>Lab</u>	<u>Eliminations</u>	<u>Total HQ</u> <u>Obligated</u> <u>Group</u>	<u>Foundations</u>	<u>Affiliates</u>	<u>Eliminations</u>	<u>Total</u>
Revenue										
Inpatient Revenue	(792)	(3,124)	1,359	0	0	(2,557)	0	(141)	0	(2,698)
Outpatient Revenue	(128)	(774)	3,289	0	0	2,387	0	0	0	2,387
Other Patient Revenue	0	0	(7)	0	0	(7)	0	(9,629)	0	(9,636)
Less Provision for bad debts	610	55	(115)	0	0	550	0	293	0	843
Net Patient Revenue	(310)	(3,843)	4,526	0	0	373	0	(9,477)	0	(9,104)
Other Operating Revenue	700	154	130	1,147	0	2,131	(139)	201	0	2,193
Affiliate Revenue	(123)	1	15	(1,912)	1,954	(65)	0	4,721	(4,656)	(0)
Total Revenue	267	(3,688)	4,671	(765)	1,954	2,439	(139)	(4,555)	(4,656)	(6,911)
Operating Expenses										
Salaries	(3,188)	115	(1,543)	776	0	(3,840)	8	3,865	0	33
Fringe Benefits	25	558	(231)	(1,286)	0	(934)	3	506	0	(425)
Agency Fees	(3,383)	(555)	(320)	(680)	0	(4,938)	0	(1,490)	0	(6,428)
Sub Total	(6,546)	118	(2,094)	(1,190)	0	(8,712)	11	2,881	0	(6,820)
Supplies	(164)	2,000	(95)	234	0	1,975	0	308	0	2,283
Interest	(20)	(13)	5	3	0	(25)	0	0	0	(25)
Depreciation	0	0	0	1	0	1	0	157	0	158
Other Expenses	1,492	613	190	3,453	(1,954)	3,794	(2)	(955)	4,656	7,493
Sub Total	1,308	2,600	100	3,691	(1,954)	5,745	(2)	(490)	4,656	9,909
Total Operating Expenses	(5,238)	2,718	(1,994)	2,501	(1,954)	(3,967)	9	2,391	4,656	3,089
Gain/(Loss) from Operations	(4,971)	(970)	2,677	1,736	0	(1,528)	(130)	(2,164)	0	(3,822)
Investment Income	(593)	(86)	8	0	0	(671)	0	1	0	(670)
Change in net unrealized gains and losses	8,629	2,283	1,016	0	0	11,928	2,025	0	0	13,953
Gain on Disposal	0	107	0	0	0	107	0	0	0	107
Excess (deficiency) of revenue over expenses	3,065	1,334	3,701	1,736	0	9,836	1,895	(2,163)	0	9,568
Transfer of Equity	1,176	(341)	519	0	0	1,354	0	197	(1,551)	0
Pension related changes other than net periodic pension cost	0	0	0	0	0	0	0	0	0	0
Grant Income for Capital	0	0	32	0	0	32	0	0	0	32
Change in Foundation Interest	0	226	0	0	0	226	0	0	(226)	0
Prior Period Adjustments	0	0	0	0	0	0	0	0	0	0
Net Assets Released from Restrictions	(401)	(150)	(440)	0	0	(991)	0	0	0	(991)
Increase/(Decrease) in Net Assets	3,840	1,069	3,812	1,736	0	10,457	1,895	(1,966)	(1,777)	8,609

PRIOR YEAR ACTUAL

	<u>VBMC (includes Healthserve and One Columbia St)</u>	<u>PHC</u>	<u>NDH</u>	<u>HQ/HQ Lab</u>	<u>Eliminations</u>	<u>Total HQ Obligated Group</u>	<u>Foundations</u>	<u>Affiliates</u>	<u>Eliminations</u>	<u>Total</u>
Revenue										
Inpatient Revenue	180,392	45,091	28,933	0		254,416	0	5,056	0	259,472
Outpatient Revenue	121,033	38,568	22,963	0		182,564	0	0	0	182,564
Other Patient Revenue	0	0	0	0		0	0	49,938	0	49,938
Less Provision for bad debts	(8,013)	(1,894)	(728)	0		(10,635)	0	(2,394)	0	(13,029)
Net Patient Revenue	293,412	81,765	51,168	0	0	426,345	0	52,600	0	478,945
Other Operating Revenue	3,698	1,484	609	241		6,032	856	6,614	0	13,502
Affiliate Revenue	1,716	28	142	86,023	(76,141)	11,768	51	17,331	(29,160)	(0)
Total Revenue	298,826	83,277	51,919	86,264	(76,141)	444,145	917	76,545	(29,160)	492,446
Operating Expenses										
Salaries	70,764	25,249	14,682	40,865		151,560	421	52,057	0	204,038
Fringe Benefits	25,741	9,837	4,283	10,647		50,508	101	9,567	0	60,176
Agency Fees	2,671	132	445	854		4,102	0	2,418	0	6,520
Sub Total	99,176	35,218	19,410	52,366	0	206,170	522	64,042	0	270,734
Supplies	46,217	13,459	8,343	3,816		71,835	3	1,767	0	73,605
Interest	2,525	856	1,114	81		4,576	0	93	0	4,670
Depreciation	15,796	4,826	2,976	2,158		25,756	9	1,537	0	27,302
Other Expenses	93,508	24,114	13,964	29,731	(76,141)	85,176	803	24,279	(29,160)	81,098
Sub Total	158,046	43,255	26,397	35,786	(76,141)	187,343	815	27,676	(29,160)	186,674
Total Operating Expenses	257,222	78,473	45,807	88,152	(76,141)	393,513	1,337	91,718	(29,160)	457,408
Gain/(Loss) from Operations	41,604	4,804	6,112	(1,888)	0	50,632	(420)	(15,174)	0	35,039
Investment Income	14,248	2,196	524	0		16,968	4,324	108	0	21,400
Change in net unrealized gains and losses	(12,062)	(1,897)	(437)	0		(14,396)	(3,912)	75	0	(18,233)
Gain on Disposal	0	0	0	9		9	0	0	0	9
Excess (deficiency) of revenue over expenses	43,790	5,103	5,199	(1,879)	0	53,213	(8)	(14,991)	0	38,215
Transfer of Equity	(12,335)	(416)	(1,396)	0		(14,147)	0	14,147	0	0
Pension related changes other than net pc	0	0	0	0		0	0	0	0	0
Grant Income for Capital	13	0	0	0		13	0	0	0	13
Change in Foundation Interest	0	38	0	0		38	0	0	(38)	0
Prior Period Adjustments	0	0	0	0		0	0	0	0	0
Net Assets Released from Restrictions	393	0	2,005	0		2,398	0	0	0	2,398
Increase/(Decrease) in Net Assets	31,861	4,725	6,808	(1,879)	0	41,515	(8)	(844)	(38)	40,626

Health Quest Systems, Inc. and Subsidiaries
Consolidated Statement of Cash Flows
As of June 2017

	2017	2016
Cash flows from operating activities		
Increase in net assets	\$ 50,196	81,572
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	23,956	51,113
Provision for bad debts	14,347	28,360
Allowance for uncollectible other assets	-	-
Cumulative effect of a change in accounting principle	0	-
Restricted Contributions	0	(4,404)
Loss on Extinguishment of Debt	0	1,119
Change in additional minimum pension liability	-	853
Change in Investments	(19,427)	(5,495)
Gain on discontinued operations	0	-
Gain on sale of property, plant and equipment	0	-
Changes in operating assets and liabilities		
Patient accounts receivable	(29,728)	(51,983)
Supplies and prepaid expenses	3,115	(3,495)
Other current assets	(614)	(1,331)
Other non-current assets	520	11,120
Accounts payable and accrued expenses	(18,985)	23,622
Estimated third-party payor adjustments and other liabilities	(1,707)	2,463
Postretirement benefit obligations	5,590	3,141
Estimated insurance loss reserve payable	-	383
Net cash provided by operating activities	27,263	137,038
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(59,522)	(99,685)
Cash paid for acquisition	0	0
Proceeds from restricted cash	(7)	0
Increase in investments and assets whose use is limited, net	49,156	(425,666)
Net cash used in investing activities	(10,373)	(525,351)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	0	436,747
Deferred financing costs	0	(4,775)
Book overdraft	0	-
Repayments of long-term debt	(400)	(58,933)
Restricted Contributions	0	4,404
Net cash provided by (used in) financing activities	(400)	377,443
Net (decrease) increase in cash and cash equivalents	16,490	(10,870)
Cash and cash equivalents		
Beginning of year	98,489	109,359
End of year	\$ 114,979	\$ 98,489
Supplemental information and non-cash transactions		
Cash paid for interest	\$ 4,000	\$ 8,855

**Health Quest Obligated Group
Year to Date Operating Results
June 2017**

	2017 YTD Actual		2017 YTD Budget		Variance	
	Operating Gain (000's)	Operating Margin	Operating Gain (000's)	Operating Margin	Operating Gain (000's)	Operating Margin
NDH	\$8,851	14.4%	\$6,174	10.9%	\$2,677	3.5%
PHC	\$4,476	5.4%	\$5,446	6.3%	(\$970)	-0.9%
VBMC	\$36,833	11.6%	\$41,804	13.2%	(\$4,971)	-1.6%
HQ SYSTEM	\$30,393	5.8%	\$34,203	6.4%	(\$3,810)	-0.6%

Year to Date Net Results

	2017 YTD Actual		2017 YTD Budget		Variance	
	Net Gain (000's)	Net Margin	Net Gain (000's)	Net Margin	Net Gain (000's)	Net Margin
NDH	\$8,020	13.1%	\$4,208	7.4%	\$3,812	5.6%
PHC	\$7,126	8.6%	\$6,057	7.0%	\$1,069	1.6%
VBMC	\$35,833	11.3%	\$31,993	10.1%	\$3,840	1.2%
HQ SYSTEM	\$49,959	9.5%	\$41,338	7.7%	\$8,621	1.7%

Health Quest Obligated Group
YTD Results Compared to Rating Agency Benchmarks
June 2017

	HQ Obligated Group	HQ
Operating Margin	10.6%	5.8%
Days Cash on Hand ¹	152.3	152.5
Debt to Capitalization	50.4%	50.4%
Debt Service Coverage ²	3.9x	3.0x

¹ - HQ Obligated Group debt covenant is 70 days cash on hand

² - HQ Obligated Group debt covenant is 1.3

	S&P A- ³	S&P A ³	Moody's A3 ⁴	Moody's A2 ⁴
Operating Margin	2.9%	3.6%	3.1%	3.7%
Days Cash on Hand	156.6	182.5	187.4	222.9
Debt to Capitalization	40.4%	40.6%	36.5%	33.3%
Max Annual Debt Service Coverage	4.1x	4.1x	4.2x	4.8x

³ - Based on S&P U.S. Not-For-Profit Healthcare System 2015 Report

⁴ - Based on Moody's 2015 Report for Freestanding Hospitals, Single State & Multi-State Healthcare Systems

Health Quest
Year to Date Operating Results Compared to Prior Year
June 2017

	2017 YTD Actual		2016 YTD Actual		Variance	
	Operating Gain (000's)	Operating Margin	Operating Gain (000's)	Operating Margin	Operating Gain (000's)	Operating Margin
NDH	\$8,851	14.4%	\$6,112	11.8%	\$2,739	2.7%
PHC	\$4,476	5.4%	\$4,804	5.8%	(\$328)	-0.4%
VBMC	\$36,833	11.6%	\$41,701	14.0%	(\$4,868)	-2.4%
HQ	\$30,393	5.8%	\$35,039	7.1%	(\$4,646)	-1.3%

Year to Date Net Results Compared to Prior Year

	2017 YTD Actual		2016 YTD Actual		Variance	
	Net Gain (000's)	Net Margin	Net Gain (000's)	Net Margin	Net Gain (000's)	Net Margin
NDH	\$8,020	13.1%	\$6,808	13.1%	\$1,212	0.0%
PHC	\$7,126	8.6%	\$4,725	5.7%	\$2,401	2.9%
VBMC	\$35,833	11.3%	\$31,958	10.7%	\$3,875	0.6%
HQ	\$49,959	9.5%	\$40,626	8.2%	\$9,333	1.2%

VASSAR BROTHERS MEDICAL CENTER
Census and Statistical Data
June 30, 2017

	CURRENT MONTH					YEAR-TO-DATE				
	Actual	Budget	Variance	2016	Var to PY	Actual	Budget	Variance	2016	Var to PY
<u>PATIENT DAYS</u>										
Med/Surg/ICU/CTS (a)	6,710	7,600	(890)	7,473	(763)	43,349	45,693	(2,344)	45,285	(1936)
Obstetrics	657	646	11	667	(10)	3,919	3,977	(58)	3,849	70
Pediatrics	195	187	8	230	(35)	1,240	1,519	(279)	1,549	(309)
NICU	359	469	(110)	456	(97)	2,335	2,585	(250)	2,469	(134)
Total Adult Patient Days	7,921	8,902	(981)	8,826	(905)	50,843	53,774	(2,931)	53,152	(2309)
Newborn	427	412	15	451	(24)	2,572	2,594	(22)	2,522	50
Total Patient Days	8,348	9,314	(966)	9,277	(929)	53,415	56,368	(2,953)	55,674	(2259)
<u>DISCHARGES</u>										
Med/Surg/ICU/CTS (a)	1,562	1,512	50	1,480	82	8,815	8,904	(89)	8,628	187
Obstetrics	220	206	14	205	15	1,263	1,269	(6)	1,243	20
Pediatrics	77	74	3	82	(5)	459	602	(143)	603	(144)
NICU	22	27	(5)	23	(1)	144	148	(4)	140	4
Total Adult Discharges	1,881	1,819	62	1,790	91	10,681	10,923	(242)	10,614	67
Newborn	182	169	13	178	4	1,052	1,063	(11)	1,033	19
Total Discharges	2,063	1,988	75	1,968	95	11,733	11,986	(253)	11,647	86
<u>AVERAGE DAILY CENSUS</u>										
Med/Surg/ICU/CTS (300 beds)	223.7	253.3	(29.7)	249.1	(25.4)	239.5	252.4	(13.0)	250.2	(10.7)
Obstetrics (32 beds)	21.9	21.5	0.4	22.2	(0.3)	21.7	22.0	(0.3)	21.3	0.4
Pediatrics (18 beds)	6.5	6.2	0.3	7.7	(1.2)	6.9	8.4	(1.5)	8.6	(1.7)
NICU (15 beds)	12.0	15.6	(3.7)	15.2	(3.2)	12.9	14.3	(1.4)	13.6	(0.7)
Total Adult Average Daily Census	264.0	296.7	(32.7)	294.2	(30.2)	280.9	297.1	(16.2)	293.7	(12.8)
Newborn	14.2	13.7	0.5	15.0	(0.8)	14.2	14.3	(0.1)	13.9	0.3
Total Average Daily Census	278.3	310.5	(32.2)	309.2	(31.0)	295.1	311.4	(16.3)	307.6	(12.5)
<u>CASE MIX BY PAYOR</u>										
Medicare	1.7765	1.7888	(0.0123)	1.7100	0.0664	1.7366	1.7888	(0.0522)	1.7728	(0.0362)
Medicaid	0.8465	0.9682	(0.1217)	1.0850	(0.2385)	1.0178	0.9682	0.0496	0.9756	0.0422
All Others	1.2979	1.2344	0.0635	1.2058	0.0921	1.3105	1.2344	0.0761	1.2381	0.0724
Total All Payers	1.4475	1.4683	(0.0208)	1.4188	0.0287	1.4579	1.4683	(0.0103)	1.4423	0.0156
<u>CASE MIX BY GROUPER</u>										
MS-DRG	1.5897	1.5750	0.0147	1.5331	0.0566	1.5691	1.5750	(0.0059)	1.5827	(0.0136)
APR-DRG	1.0014	1.0324	(0.0310)	1.0901	(0.0888)	1.1219	1.0324	0.0895	1.0386	0.0833
AP-DRG	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total All Payers	1.4475	1.4683	(0.0208)	1.4188	0.0287	1.4579	1.4683	(0.0103)	1.4423	0.0156

* (a) includes MTD 26 CTS cases compared to a budget of 28, YTD 153 cases compared to a budget of cases 184
Prior year 2016 - Includes MTD 31 CTS cases compared to a budget of 28, YTD 194 cases compared to a budget of cases 185

PUTNAM HOSPITAL CENTER
Census and Statistical Data
June 30, 2017

CURRENT MONTH

YEAR-TO-DATE

PATIENT DAYS

	Actual	Budget	Variance	2016	Var to PY
Med/Surg/ICU	1,598	2,092	(494)	1,752	(154)
Obstetrics	83	92	(9)	69	14
Psychiatric	382	391	(9)	429	(47)
Total Adult Patient Days	2,063	2,575	(512)	2,250	(187)
Newborn	71	88	(17)	52	19
Total Patient Days	2,134	2,663	(529)	2,302	(168)

	Actual	Budget	Variance	2016	Var to PY
Med/Surg/ICU	10,942	12,407	(1,465)	11,752	(810)
Obstetrics	510	594	(84)	533	(23)
Psychiatric	2,324	2,360	(36)	2,433	(109)
Total Adult Patient Days	13,776	15,361	(1,585)	14,718	(942)
Newborn	435	571	(136)	505	(70)
Total Patient Days	14,211	15,932	(1,721)	15,223	(1,012)

DISCHARGES

Med/Surg/ICU	478	482	(4)	453	25
Obstetrics	37	36	1	30	7
Psychiatric	73	51	22	51	22
Total Adult Discharges	588	569	19	534	54
Newborn	29	34	(5)	26	3
Total Discharges	617	603	14	560	57

Med/Surg/ICU	2,843	2,884	(41)	2,768	75
Obstetrics	205	232	(27)	209	(4)
Psychiatric	395	307	88	309	86
Total Adult Discharges	3,443	3,423	20	3,286	157
Newborn	177	221	(44)	197	(20)
Total Discharges	3,620	3,644	(24)	3,483	137

Average Daily Census

Med/Surg/ICU (130 beds)	53.3	69.7	(16.5)	58.4	(5.1)
Obstetrics (14 beds)	2.8	3.1	(0.3)	2.3	0.5
Psychiatric (20 beds)	12.7	13.0	(0.3)	14.3	(1.6)
Total Adult Average Daily Census	68.8	85.8	(17.1)	75.0	(6.2)
Newborn	2.4	2.9	(0.6)	1.7	0.6
Total Average Daily Census	71.1	88.8	(17.6)	76.7	(5.6)

Med/Surg/ICU (130 beds)	60.5	68.5	(8.1)	64.9	(4.5)
Obstetrics (14 beds)	2.8	3.3	(0.5)	2.9	(0.1)
Psychiatric (20 beds)	12.8	13.0	(0.2)	13.4	(0.6)
Total Adult Average Daily Census	76.1	84.9	(8.8)	81.3	(5.2)
Newborn	2.4	3.2	(0.8)	2.8	(0.4)
Total Average Daily Census	78.5	88.0	(9.5)	84.1	(5.6)

	Actual	Budget	Variance	2016	Var to PY
Observation Patients	126	156	(30)	129	(3)
Hospice	4				4

	Actual	Budget	Variance	2016	Var to PY
Observation Patients	901	780	121	795	106
Hospice	24	0		0	24

CASE MIX BY PAYOR

Excluding Psych

Medicare	1.4302	1.5437	(0.1135)	1.4075	0.0227
Medicaid	0.8922	1.0263	(0.1341)	1.1850	(0.2928)
All Other	1.3981	1.3201	0.0780	1.2565	0.1416
Total All Payers	1.3606	1.4040	(0.0433)	1.3317	0.0289

Medicare	1.4539	1.5437	(0.0898)	1.5270	(0.0731)
Medicaid	0.9761	1.0263	(0.0503)	1.0399	(0.0638)
All Other	1.3113	1.3201	(0.0088)	1.3299	(0.0186)
Total All Payers	1.3567	1.4040	(0.0473)	1.4031	(0.0464)

CASE MIX BY GROUPER

Excluding Psych

MS-DRG	1.4137	1.4471	(0.0334)	1.3486	0.0651
APR-DRG	1.0743	1.1493	(0.0751)	1.2471	(0.1729)
AP-DRG	N/A	N/A	N/A	N/A	N/A
Total All Payers	1.3606	1.4040	(0.0433)	1.3317	0.0289

MS-DRG	1.4044	1.4471	(0.0427)	1.4490	(0.0446)
APR-DRG	1.0873	1.1493	(0.0620)	1.1618	(0.0745)
AP-DRG	N/A	N/A	N/A	N/A	N/A
Total All Payers	1.3567	1.4040	(0.0473)	1.4031	(0.0464)

NORTHERN DUTCHESS HOSPITAL
Census and Statistical Data
June 30, 2017

	CURRENT MONTH					YEAR-TO-DATE				
	Actual	Budget	Variance	2016	Var to PY	Actual	Budget	Variance	2016	Var to PY
<u>PATIENT DAYS</u>										
Med/Surg/ICU	1,274	1,203	71	1,062	212	7,260	7,249	11	6,615	645
Rehab	234	224	10	207	27	1,411	1,345	66	1,281	130
Obstetrics	198	199	(1)	237	(39)	1,175	1,194	(19)	1,204	(29)
Total Adult Patient Days	1,706	1,626	80	1,506	200	9,846	9,788	58	9,100	746
Newborn	157	162	(5)	203	(46)	906	988	(82)	1,001	(95)
Total Patient Days	1,863	1,788	75	1,709	154	10,752	10,776	(24)	10,101	651
<u>DISCHARGES</u>										
Med/Surg/ICU	355	298	57	294	61	1,794	1,796	(2)	1,636	158
Rehab	18	18	0	12	6	96	108	(12)	100	(4)
Obstetrics	80	76	4	97	(17)	454	456	(2)	467	(13)
Total Adult Discharges	453	392	61	403	50	2,344	2,360	(16)	2,203	141
Newborn	79	72	7	91	(12)	437	438	(1)	451	(14)
Total Discharges	532	464	68	494	38	2,781	2,798	(17)	2,654	127
<u>Average Daily Census</u>										
Med/Surg/ICU (63 beds)	42.5	40.1	2.4	35.4	7.1	40.1	40.0	0.1	36.5	3.6
Rehab (10 beds)	7.8	7.5	0.3	6.9	0.9	7.8	7.4	0.4	7.1	0.7
Obstetrics (11 beds)	6.6	6.6	(0.0)	7.9	(1.3)	6.5	6.6	(0.1)	6.7	(0.2)
Total Adult Average Daily Census	56.9	54.2	2.7	50.2	6.7	54.4	54.1	0.3	50.3	4.1
Newborn	5.2	5.4	(0.2)	6.8	(1.5)	5.0	5.5	(0.5)	5.5	(0.5)
Total Average Daily Census	62.1	59.6	2.5	57.0	5.1	59.4	59.5	(0.1)	55.8	3.6
	Actual	Budget	Variance	2016	Var to PY	Actual	Budget	Variance	2016	Var to PY
Observation Patients	79	76	3	55	24	516	366	150	369	147
Hospice	4		4		4	24	0	24	0	24
<u>CASE MIX BY PAYOR</u>										
<u>Excluding Rehab</u>										
Medicare	1.5777	1.5164	0.0613	1.4725	0.1052	1.5142	1.5164	(0.0022)	1.5299	(0.0157)
Medicaid	0.6696	0.6570	0.0127	0.4910	0.1786	0.6410	0.6570	(0.0160)	0.6555	(0.0145)
All Other	0.9912	0.9983	(0.0071)	0.9694	0.0218	1.0191	0.9983	0.0208	0.9919	0.0272
Total All Payers	1.1812	1.1545	0.0267	1.0846	0.0965	1.1657	1.1545	0.0112	1.1642	0.0015
<u>CASE MIX BY GROUPER</u>										
<u>Excluding Rehab</u>										
MS-DRG	1.3167	1.2595	0.0572	1.2581	0.0586	1.2979	1.2595	0.0384	1.3170	(0.0191)
APR-DRG	0.8229	0.7799	0.0430	0.6401	0.1828	0.7601	0.7799	(0.0198)	0.7462	0.0139
AP-DRG	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total All Payers	1.1812	1.1545	0.0267	1.0846	0.0965	1.1657	1.1545	0.0112	1.1642	0.0015