

Jackson-Madison County General Hospital
Investor Presentation
June 29, 2009

Summary of Presentation (attached)

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**West Tennessee
Healthcare**

Jackson-Madison County General Hospital District Presentation to Investors

June 29, 2009



www.wth.org

Jackson-Madison County General Hospital District

Presenters

- **Bobby Arnold, Interim President/CEO and Chief Financial Officer**
- **Curtis Mansfield, Chairman of Board of Trustees**
- **Michael Brown, Citi**

Executive Summary

Bond Ratings:

- A1/A+ Ratings confirmed (positive outlook from Moody's)

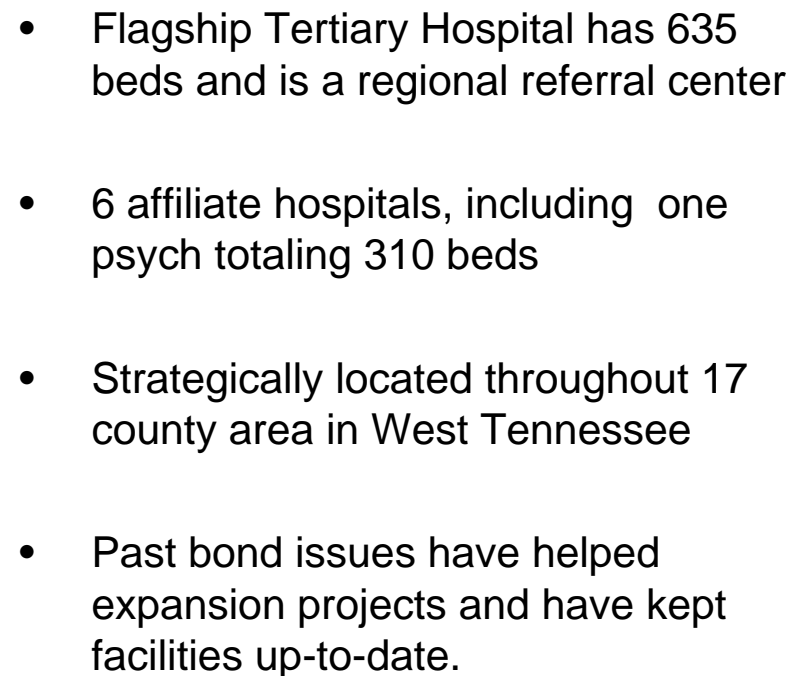
West Tennessee Highlights:

- Dominant market position
- Experienced management team (11 VPs average tenure 16 yrs)
- Governance structure
- High quality medical staff
- Comprehensive range of services, tertiary-level care
- Consistent financial performance
 - Strong balance sheet
 - Long history of positive operating results

Governance and Organization Structure

- City/County Ownership
- Governance: Five Member Board of Trustees
- WTH Organization Structure
 - Governmental and 501(c)(3)
 - District
 - Incorporated affiliates
- GASB Accounting Structure

Legal/Credit Structure



5

Full Range of Services

- **Advanced cancer, cardiac, rehabilitation, emergency, women, and children's services**

- Cardiology services (non-invasive, invasive, and cardiac surgery)
- Critical intensive care units (surgical, surgical cardiac, neurosciences, medical, coronary, dialysis, level IIB neonatal and pediatrics)
- Radiation oncology
- Respiratory care
- General medical and surgical units
- Obstetrics and gynecology units
- Nursery
- Pediatrics
- Sleep disorder clinic
- Pain clinic
- Wound center
- Outpatient surgery

- Physical medicine
- Diagnostic imaging: positron emission tomography (PET), magnetic resonance imaging (MRI), ultrasound, mammography, CT
- Ambulatory surgery center
- Durable medical equipment
- Behavioral health
- Child & adult development
- Affiliate hospitals
- Physician clinics

Centers of Excellence

Cardiovascular – Tennessee Heart Center

- Top 100 Hospital
- 6 cardiac catheterization laboratories
- Cardiovascular surgery
- Rehabilitation
- EKG and mobile services

Oncology – West Tennessee Cancer Center

- Medical
- Radiation
- Hospice of West Tennessee
- Research/Tumor Registry/Education
- Cancer Support Group

West Tennessee Rehabilitation Center

- 50-bed CARF accredited inpatient unit
- Sports Plus Outpatient Rehabilitation Centers-9 locations
- Specialized Programs
- Community Services

Women and Children's Center

- Perinatology
- Mother/Baby Unit: 3,073 deliveries in FY2008

Ayers Children's Medical Center

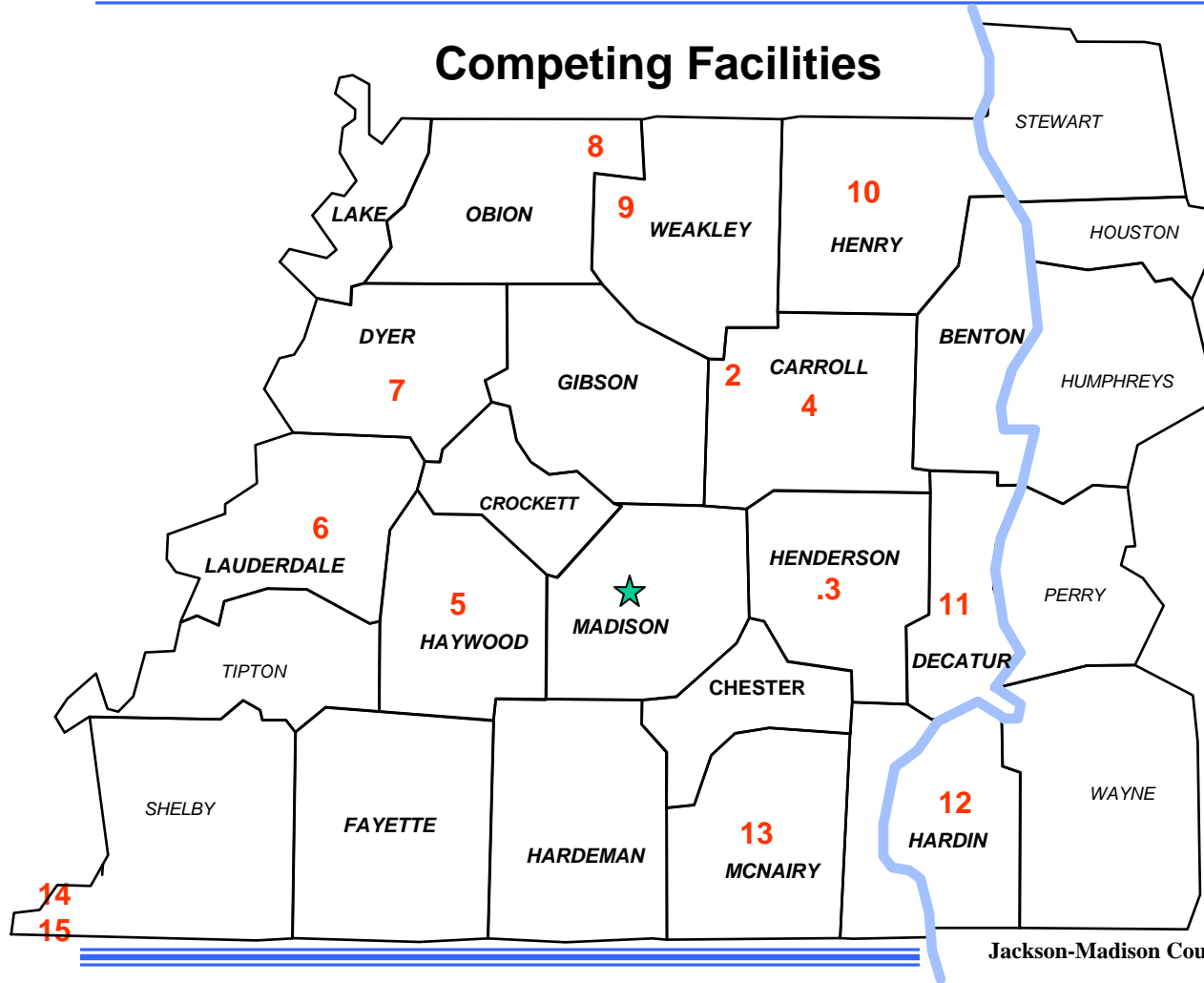
- 16 licensed bed pediatric unit; 4 bed ICU
- 30 licensed bed neonatal ICU

Emergency Department

- 63 patient exam rooms, trauma rooms, orthopedics, chest pain center
- Helicopter (AirVAc) service
- Medical Center EMS

Service Area

Competing Facilities



1. Regional Hospital of Jackson
2. McKenzie Regional Hospital
3. Henderson County Community Hospital
4. Baptist Memorial Hospital - Huntingdon
5. Haywood Park Community Hospital
6. Baptist Memorial Hospital - Lauderdale
7. Dyersburg Regional Medical Center
8. Baptist Memorial Hospital - Union City
9. Volunteer Community Hospital
10. Henry County Medical Center
11. Decatur County General Hospital
12. Hardin Medical Center
13. McNairy Regional Hospital
14. Baptist Memorial Hospital
15. Methodist Healthcare - University Hospital
16. Saint Thomas Hospital
17. Vanderbilt University Medical Center
18. Baptist Hospital

Jackson-Madison County General Hospital District

Demographics

- **Description of tertiary services, regional and state importance**
- **Geographic Coverage**
 - **Primary Service Area: Madison County and seven contiguous counties**
 - 269,245 population
 - represents 73.2% of WTH hospital discharges
 - **Secondary Service Area: 10 counties in West Tennessee**
 - 271,883 population
 - Represents 26.8% of WTH hospital discharges
- **Other Demographics**
 - **Primary Service Area**
 - Unemployment 11.7% (in Madison County 9.9%)
 - Population growth estimated at 3.4% by 2010
 - **Secondary Service Area**
 - Unemployment 12.4%
 - Population growth estimated 2.4% by 2010

Competition

- **Competition in Primary & Secondary Areas**
 - 19 hospitals in 17-county service area
 - 6 are WTH hospitals including Jackson-Madison County General Hospital (920 total licensed beds)
 - 7 are small Community Health System Hospitals (676 total licensed beds)
 - 3 are small Baptist Memorial Hospitals (278 total licensed beds)
 - 3 are small independent/governmental hospitals (240 total licensed beds)
- **Regional/Tertiary Competition**
 - **Memphis Competition**
 - Baptist Memorial Hospital
 - Methodist LeBonheur Healthcare
 - **Nashville Competition**
 - Saint Thomas Hospital
 - Baptist Hospital
 - Vanderbilt University Medical Center

Other Market Factors

- **Comparison with Market Competitors* – 17 county service area**
 - For FY2008, WTH hospitals have 55.2% of market share
 - 78.4% in primary service area
 - 29.7% in secondary service area only
 - Compared to FY1998, WTH hospitals had 42% of market share
 - 65.49% in primary service area
 - 20.02% in secondary service area only
- **Competitive Advantages**
 - Dominant market provider
 - Commercial payor mix
 - Technology investment
 - Recent investment in capital improvements
 - Low cost/low charge provider
 - Exclusivity in commercial contracts
- **Competitive Threats**
 - Out migration of patients to Memphis and Nashville
 - Physician activities

* CHS hospitals not included as they are not a member of the Tennessee Hospital Association.

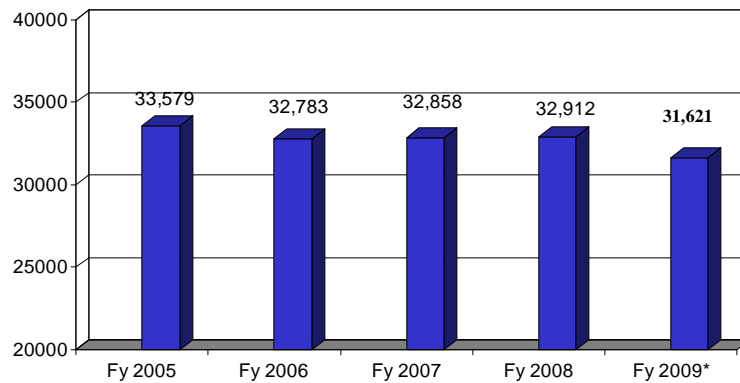
Medical Staff/ Physician Relationships

- **Characteristics of Medical Staff**
 - Presently have 284 active medical staff; 2003 had 253 active medical staff
 - Average age of medical staff is 47
 - 167 specialty physicians; 2003 had 158 specialty physicians
 - 117 primary care physicians on medical staff at JMCGH
 - 2 hospitalists groups
 - Jackson Clinic (104, 80 active staff) and independents of which most are associated with the Jackson Independent Physician Association (204)
 - Relationship between Jackson Clinic and Jackson-Madison County General Hospital
- **Physician Recruiting FY 2009**
 - 26 New Physicians, 8 Primary care, 7 Medical Sub-specialists, 11 Surgical Sub-Specialists
- **Organization of Medical Staff**
 - Chief of Staff and departments
 - Committee structure
 - Physician recruitment (community needs assessment for physicians) and credentialing
 - Quality assurance

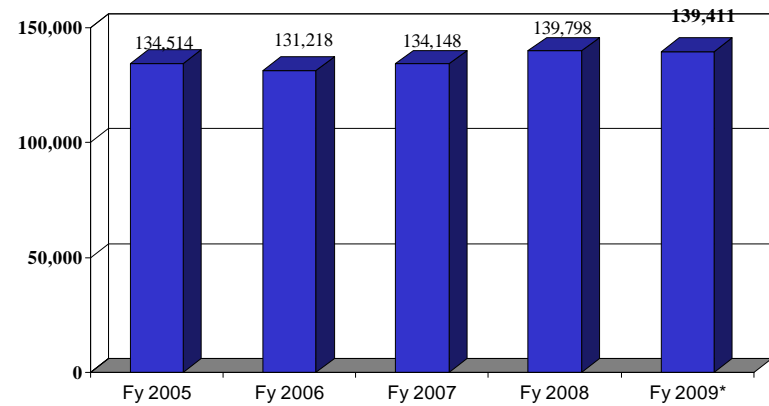
Key Utilization Statistics

West Tennessee Healthcare System

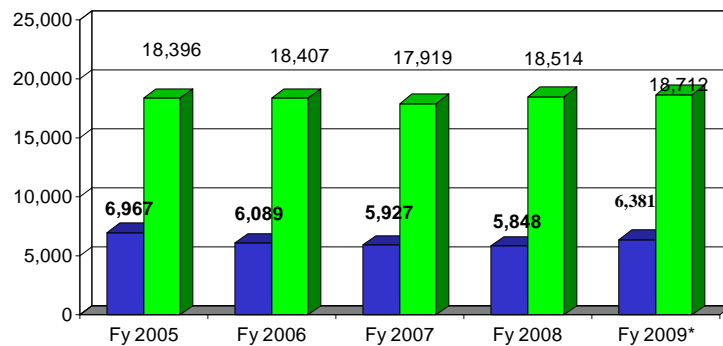
Inpatient Discharges



Emergency Room Visits



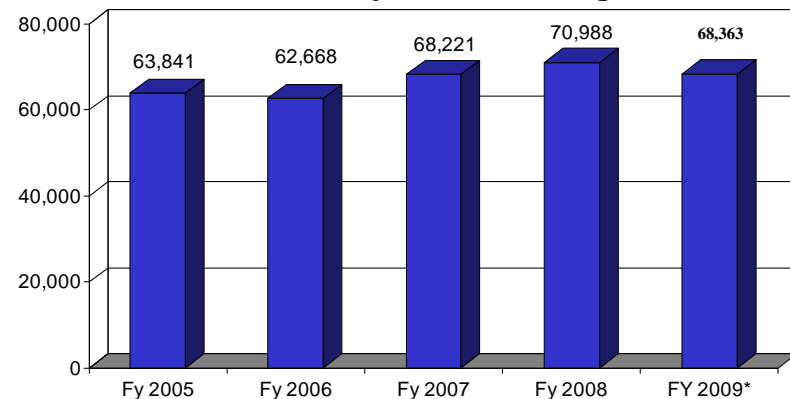
Surgery Cases



***Projected**

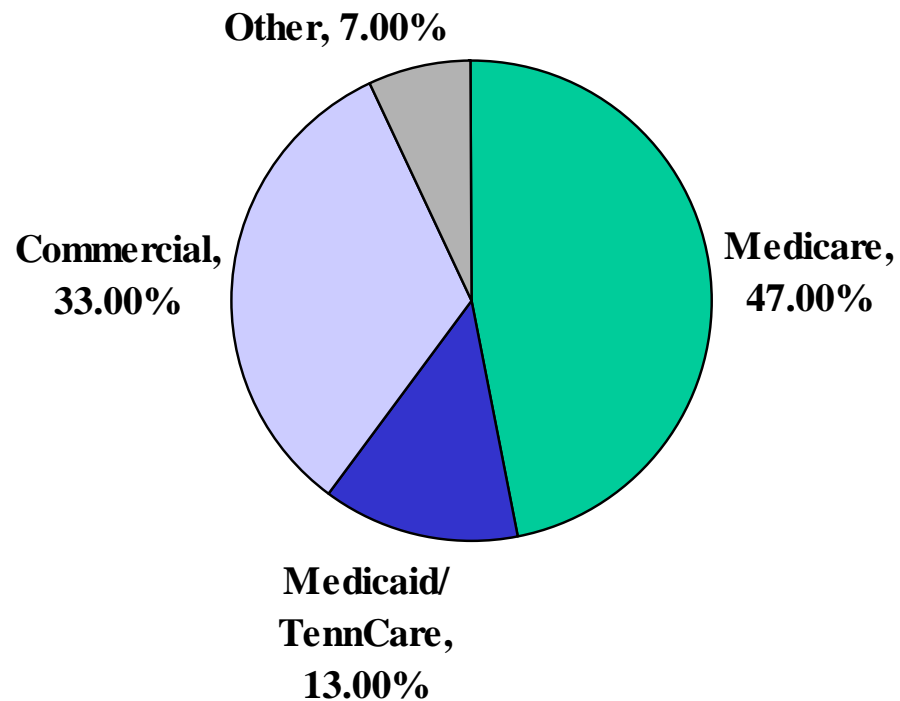
■ Inpatient ■ Outpatient

Total Adjusted Discharges



Jackson-Madison County General Hospital District

YTD March 2009 Payor Mix for JMCGRH



- Approximately 60% of WTH's revenues are from Governmental sources
- However, WTH's reliance on TennCare has decreased from 20% in FY2005 to 13% for FY2009
- Meanwhile, Commercial payors have increased from 28% in FY2005 to 33% in FY2009

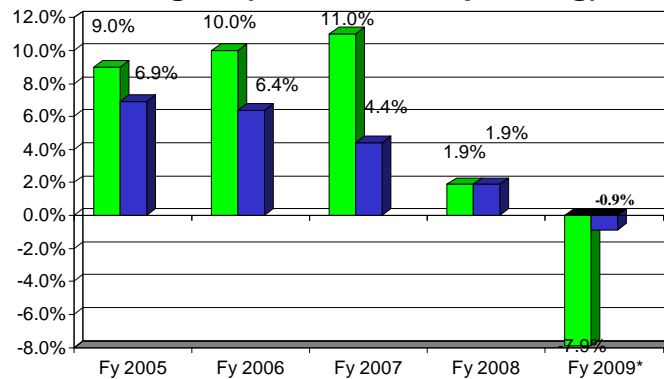
Summary of Net Income

		Fy 2007	Fy 2008	*Fy 2009
Net Operating Income before Interest and Depreciation		\$ 73,100,511	\$ 68,511,563	\$ 61,280,977
Interest Expense		(11,590,345)	(15,112,931)	(18,876,104)
Depreciation Expense		(38,257,874)	(40,593,135)	(47,253,231)
Net Operating Income after Interest and Depreciation		\$ 23,252,292	\$ 12,805,497	\$ (4,848,358)
Investment Income (Loss)		36,158,800	(325,599)	(35,890,730)
Extra ordinary items				
Loss Demolition MOB Site			(1,364,602)	
Loss on Extinguishment 2006A Bonds			(936,467)	
Loss on swap termination		-	-	(18,912,223)
Surplus (deficit)		\$ 59,411,092	\$ 10,178,829	\$ (59,651,311)
* Projected				

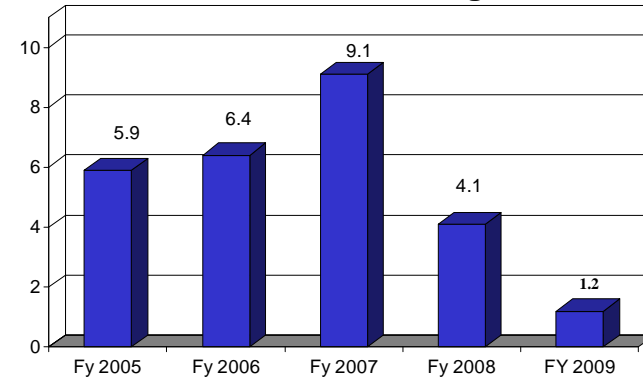
Key Financial Statistics

West Tennessee Healthcare System

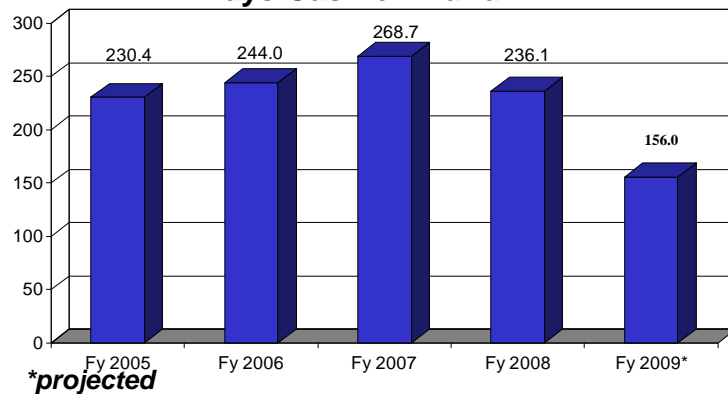
Margins (Excess and Operating)



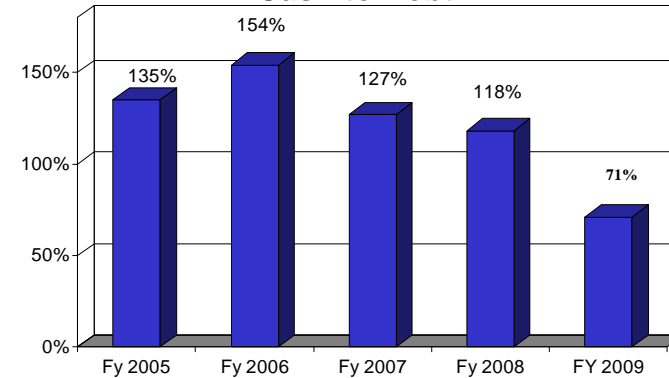
Debt Service Coverage



Days Cash on Hand



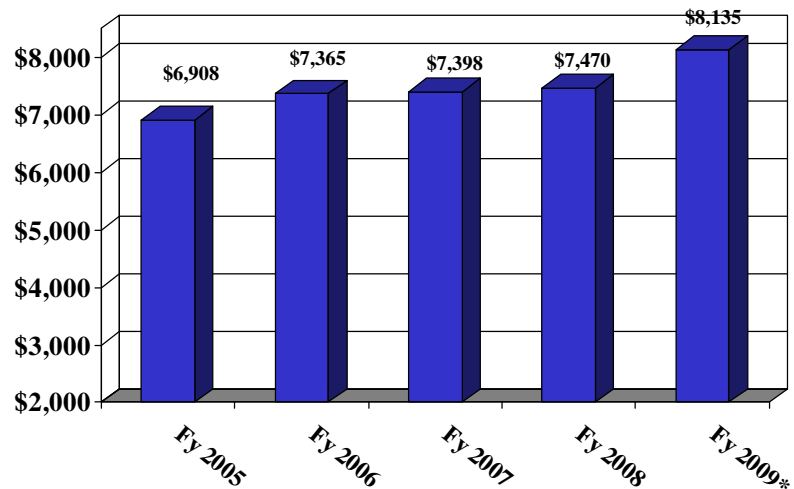
Cash to Debt



Jackson-Madison County General Hospital District

Low Cost Structure

System Cost per Adjusted Discharge

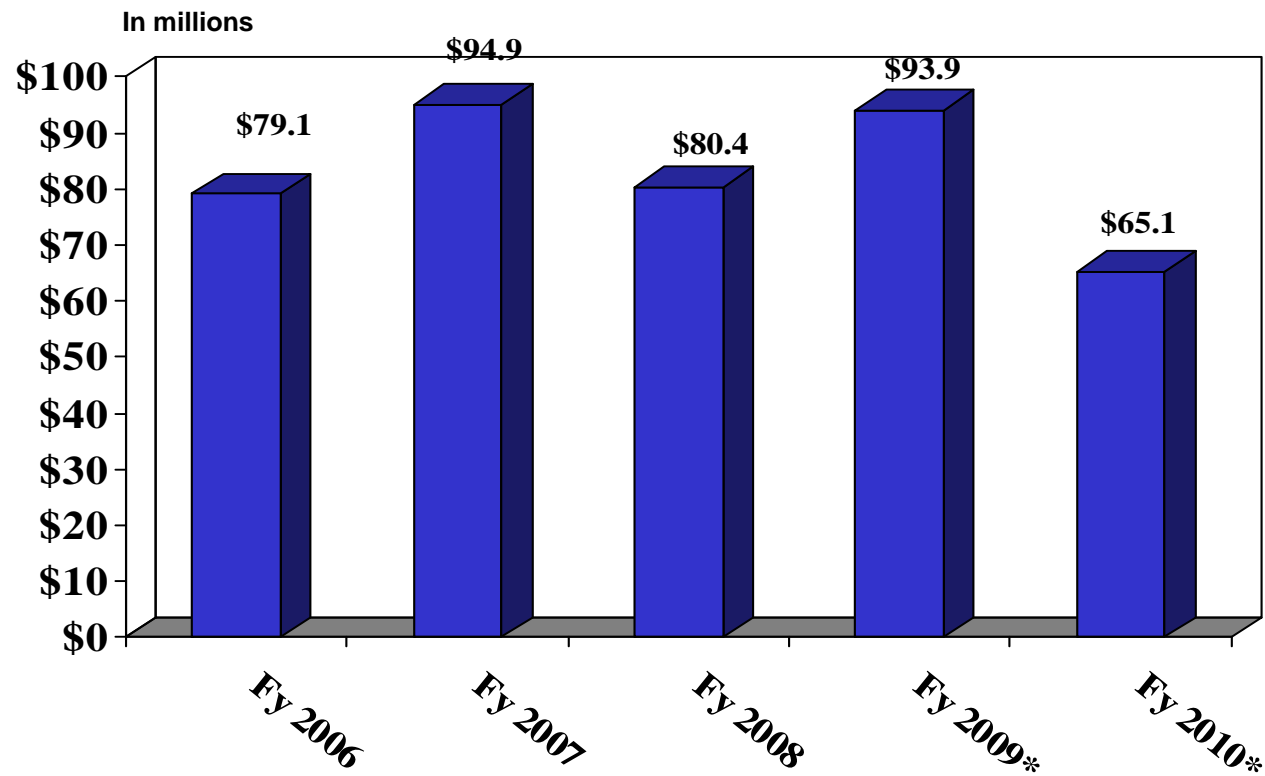


**projected*

- **JMCGH charge and cost comparisons to Tennessee Hospitals - 2008 inpatient discharges only**
 - JMCGH ranks lowest out of 10 largest hospitals in Tennessee in severity adjusted inpatient charge per case
 - JMCGH ranks lowest out of 10 largest hospitals in Tennessee in severity adjusted inpatient cost per case.

Source: The Delta Group, Trident, Hospital Competitive Positioning Analysis.

History Capital Expenditures



**projected*

Medical Office Building Projects

Currently Underway – MOB No. 1 - Five Floor Medical Office Building

- WTH Costs for Upfitting - \$9.3M - 8 Floor 670 Space Parking Garage and Pedestrian Crosswalk across Forest Avenue - \$17.5M
- MOB No. 1 currently well underway and on schedule with planned opening March 2010.
- Will provide vital new Physician office space
- 1st Floor to house the new JMCGH Ambulatory Surgery Center

Planned Projects

- Jackson Clinic Medical Office Building
- Additional Parking Garage for Jackson Clinic - \$11.5M
- In December, WTH purchased the existing Jackson Clinic Building and surrounding real property, signed contracts binding the Jackson Clinic physicians and committing them to building a second Medical Office Building. MOB No. 2 to be constructed on JMCGH land, with a long term lease, and JMCGH to construct an associated Parking Garage.

Other Financial Factors

- **Medicare program**
- **Status of TennCare program and other State financial support**
- **Managed Care contracts**
- **Budgetary process and reimbursement management**
- **Expense variance management**
- **Net revenue initiatives**
- **Investment policy**
- **Economic Challenges and Management's Response**

Conclusion

Bond Ratings:

- A1/A+ Ratings confirmed (positive outlook from Moody's)

West Tennessee Highlights:

- Dominant market position
- Strong management team and governance structure
- High quality medical staff
- Comprehensive range of services, tertiary-level care
- Reduced interest rate risk
- Completion of campus improvement projects
- Management response to economic changes
- Consistent financial performance
 - Strong balance sheet
 - Long history of positive operating results