

**LEE MEMORIAL HEALTH SYSTEM  
OPERATING BUDGET  
FISCAL YEAR ENDED SEPTEMBER 30, 2015**

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**TABLE OF CONTENTS**

**BUDGET ASSUMPTIONS..... 1**

**SYSTEM VOLUME SUMMARY..... 2**

**INCOME STATEMENT SUMMARY..... 3**

**PAYOR MIX ..... 4**

**FINANCIAL RATIOS..... 5**

**CASHFLOW AVAILABLE FOR CAPITAL..... 6**

**LEE MEMORIAL HEALTH SYSTEM  
 OPERATING BUDGET 2015  
 BUDGET ASSUMPTIONS**

<b>REVENUE</b>	<b>NET PRICE INCREASE</b>	<b>2.7%</b>
<b>SALARIES</b>	<b>MERIT</b>	<b>3.0%</b>
<b>STAFFING LEVEL</b>	<b>FTE PER ADJUSTED OCCUPIED BED</b>	<b>5.36</b>
<b>SUPPLIES</b>	<b>INFLATION</b>	<b>1.5%</b>
<b>INVESTMENTS</b>	<b>INVESTMENT RETURN</b>	<b>6.2%</b>
<b>PROFITABILITY RATIOS</b>	<b>OPERATING MARGIN</b>	<b>3.2%</b>
	<b>EXCESS MARGIN</b>	<b>7.0%</b>
<b>CAPITAL EXPENDITURES</b>	<b>CASHFLOW FOR CAPITAL %</b>	<b>60.0%</b>
	<b>CAPITAL BUDGET</b>	<b>\$ 80,000,000</b>

**LEE MEMORIAL HEALTH SYSTEM  
OPERATING BUDGET 2015  
SYSTEM VOLUME SUMMARY**

	<b>FY 2013 ACTUAL</b>	<b>FY 2014 PROJECTED</b>	<b>FY 2015 BUDGET</b>
<b>Admissions</b>			
ADULTS	67,587	68,558	69,031
PEDIATRICS	4,493	4,331	4,397
NICU	716	706	710
POST ACUTE	1,743	1,956	1,956
<b>Total Adult &amp; Peds</b>	<b>74,539</b>	<b>75,551</b>	<b>76,094</b>
NEWBORNS	5,945	5,657	5,648
<b>Total Admissions</b>	<b>80,484</b>	<b>81,208</b>	<b>81,742</b>
<b>Patient Days</b>			
ADULTS	304,355	297,974	300,004
PEDIATRICS	13,379	13,493	13,719
NICU	16,106	15,632	15,720
POST ACUTE	50,415	53,646	54,370
<b>Total Adult &amp; Peds</b>	<b>384,255</b>	<b>380,745</b>	<b>383,813</b>
NEWBORNS	13,745	13,056	13,006
<b>Total Patient Days</b>	<b>398,000</b>	<b>393,801</b>	<b>396,819</b>
<b>Average Length of Stay</b>			
ADULTS	4.50	4.35	4.35
PEDIATRICS	2.98	3.12	3.12
NICU	22.49	22.14	22.14
POST ACUTE	28.92	27.43	27.80
<b>Total Adult &amp; Peds</b>	<b>5.16</b>	<b>5.04</b>	<b>5.04</b>
NEWBORNS	2.31	2.31	2.30
<b>Total Patient Days</b>	<b>4.95</b>	<b>4.85</b>	<b>4.85</b>
<b>OP Registrations</b>			
EMERGENCY ROOM	185,070	189,872	193,376
OP SURGERY CASES	20,492	21,264	21,522
<b>SUBTOTAL</b>	<b>205,562</b>	<b>211,136</b>	<b>214,898</b>
<b>Visits / Encounters</b>			
HOME HEALTH ADMISSIONS	4,152	4,345	4,500
PHYSICIAN ENCOUNTERS	845,601	875,922	910,897
TRAUMA SERVICES DISTRICT	10,245	11,718	12,682
<b>SUBTOTAL</b>	<b>859,998</b>	<b>891,985</b>	<b>928,079</b>
<b>TOTAL OP</b>	<b>1,065,560</b>	<b>1,103,121</b>	<b>1,142,977</b>

**LEE MEMORIAL HEALTH SYSTEM**

**OPERATING BUDGET**

INCOME STATEMENT SUMMARY (in thou)	FY 2013 ACTUAL	FY 2014 PROJECTED	FY 2015 BUDGET	VARIANCE	
				FY15 BUD vs FY14 PROJ \$	%
INPATIENT REVENUE	3,044,824	3,198,586	3,384,104	185,518	5.8%
OUTPATIENT REVENUE	2,015,479	2,163,041	2,426,292	263,251	12.2%
TOTAL PATIENT REVENUE	5,060,303	5,361,627	5,810,396	448,769	8.4%
DED FROM REV-MEDICARE	1,921,106	2,043,987	2,278,943	234,956	11.5%
DED FROM REV-MEDICAID	590,585	613,466	676,337	62,871	10.2%
DED FROM REV-CHARITY	182,060	185,453	209,379	23,926	12.9%
DED FROM REV-HMO/PPO	450,798	493,036	527,352	34,316	7.0%
DED FROM REV-OTHER	518,261	558,012	622,297	64,285	11.5%
DED FROM REV-BAD DEBT	170,380	168,628	178,636	10,008	5.9%
TOTAL DED FROM REV	3,833,191	4,062,582	4,492,944	430,362	10.6%
NET PATIENT REVENUE	1,227,113	1,299,045	1,317,452	18,407	1.4%
OTHER OPER REV	29,860	45,524	36,982	(8,542)	-18.8%
TOTAL OPERATING REV	1,256,973	1,344,569	1,354,434	9,865	0.7%
OPERATING EXPENSES					
PROD SALARIES	488,983	515,513	556,735	41,222	8.0%
PROD OVERTIME	17,314	16,557	15,936	(621)	-3.8%
CONTRACT LABOR	1,638	1,063	2,720	1,657	155.9%
NON-PROD SALARIES	69,865	63,731	59,562	(4,169)	-6.5%
TOTAL SALARIES & WAGES	577,800	596,864	634,953	38,089	6.4%
FRINGE BENEFITS	93,050	103,206	106,267	3,061	3.0%
HEALTH CARE ACCESS	15,125	16,759	16,274	(485)	-2.9%
SUPPLIES	233,409	250,366	256,285	5,919	2.4%
OTHER SERVICES	68,665	74,339	75,084	745	1.0%
PURCHASED SERVICES	134,210	132,632	123,305	(9,327)	-7.0%
TOTAL OPER EXPENSES	1,122,260	1,174,166	1,212,168	38,002	3.2%
EBITDA	134,713	170,403	142,266	(28,137)	-16.5%
DEPRECIATION/AMORT	73,353	72,705	74,540	1,835	2.5%
INTEREST EXPENSE	27,806	26,964	24,381	(2,583)	-9.6%
GAIN(LOSS) FROM OPER	33,554	70,734	43,345	(27,389)	-38.7%
OPERATING MARGIN %	2.7%	5.3%	3.2%		
NON OPERATING REV					
INT EARN & REALIZED GAIN	23,319	9,675	11,502	1,827	18.9%
UNREALIZED GAIN(LOSS)	22,921	45,477	27,733	(17,744)	-39.0%
OTHER NON OPER REV	37,954	13,602	15,647	2,045	15.0%
TOTAL NON OPER REV	84,195	68,754	54,882	(13,872)	-20.2%
EXCESS OF REV / EXPS	117,749	139,488	98,227	(41,261)	-29.6%

**LEE MEMORIAL HEALTH SYSTEM  
OPERATING BUDGET 2015  
PAYOR MIX**

	<b>2012 ACTUAL</b>	<b>2013 ACTUAL</b>	<b>2014 PROJECTED</b>	<b>2015 BUDGET</b>
<b>MEDICARE</b>	51.3%	51.3%	51.6%	51.7%
<b>MEDICAID</b>	14.9%	16.2%	15.5%	15.5%
<b>HMO/PPO</b>	23.1%	22.2%	22.7%	22.7%
<b>UNINSURED</b>	6.4%	6.2%	6.1%	6.1%
<b>OTHER*</b>	4.3%	4.1%	4.1%	4.0%
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\*Other Payors: LMHS Employee Health Plan, State, Champus

LEE MEMORIAL HEALTH SYSTEM  
 OPERATING BUDGET 2015  
 FINANCIAL RATIOS

	<u>LMHS 2015 GOALS</u>	<u>A1 MOODY'S MEDIANS</u>	<u>AUDIT 2013</u>	<u>PROJ 2014</u>	<u>BUDGET 2015</u>
<b>PROFITABILITY RATIOS:</b>					
OPERATING MARGIN	3.2%	2.5%	2.7%	5.3%	3.2% ↑
EXCESS MARGIN	6.5%	5.7%	8.7%	9.4%	7.0% ↑
OPERATING CASH FLOW MARGIN	10.2%	9.9%	10.7%	12.7%	10.5% ↑
<b>LIQUIDITY RATIOS:</b>					
DAYS CASH ON HAND (NET OF VRDB)	222.0	214.5	203.3	226.8	244.6 ↑
CUSHION RATIO	13.8	19.0	14.4	14.5	16.1 ↑
CASH TO DEBT	101.6%	142.4%	93.1%	112.1%	112.1% ↑
<b>CAPITAL RATIOS:</b>					
DEBT TO CAPITALIZATION(%)-(NET OF VRDB)	42.9%	34.0%	47.6%	42.1%	41.7% ↓
ANNUAL DEBT SERVICE COVERAGE	3.2	5.0	4.8	3.8	3.3 ↑
DEBT TO CASHFLOW NET OF VRDB	5.4	3.4	4.1	4.0	5.1 ↓

LEE MEMORIAL HEALTH SYSTEM  
 OPERATING BUDGET 2015  
 CASHFLOW AVAILABLE FOR CAPITAL (In Thousands)

	<u>Total</u>
EXCESS REVENUES OVER EXPENSES	98,227
DEPRECIATION & AMORTIZATION	74,540
NET (INC)/DEC IN ACCOUNTS RECEIVABLE	2,298
NET (INC)/DEC IN ASSETS & LIABILITIES	(14,455)
PRINCIPAL PAYMENTS	(27,279)
 TOTAL CASHFLOW	 <u>133,331</u>
 PROPOSED ROUTINE CAPITAL BUDGET	 80,000
<b>60.0%</b>	
 EXCESS (DEFICIT)	 <u><u>53,331</u></u>