



STUDYDADDY

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Statistical Analysis:

STATISTICAL SUMMARY	FY 2013	FY 2014	FY 2015	FY 2016 Budget
	<u>LRMC</u>	<u>CCH</u>	<u>CCH</u>	<u>CCH</u>
Admissions	16,583	17,122	17,397	17,745
Adjusted Admissions	22,934	23,101	23,375	23,843
Patient Days	71,109	76,731	78,799	80,375
Adjusted Patient Days	98,330	103,487	105,871	107,988
Average Daily Census	195	210	216	220
Percentage of Occupancy	63%	68%	70%	71%
Average Length of Stay	4.3	4.5	4.5	4.5
Emergency Visits	33,586	33,095	36,266	37,354
Urgent Care Visits	11,717	15,734	16,202	16,688
Observation Cases	4,380	5,216	5,496	5,661
Outpatient Registrations	30,819	30,063	32,313	33,928
Home Health Visits	51,736	43,496	38,532	38,532
Births	1,297	1,328	1,265	1,265

Other Statistics

Employees	2,112	2,350	2,400
Full Time Equivalent Employees	1,690	1,880	1,920

Financial Data:

Balance Sheet

FY 2014 and 2015

Assets

	2015	2014
Current assets:		
Cash and cash equivalents	\$ 34,328,81	
Cash and investments held by bond trustee – required for current liabilities	53,635,94	4
Accounts receivable, less allowances for patient accounts of approximately \$40,466,000 and \$38,196,000 in 2010 and 2009, respectively	12,479,98	
Estimated third-party settlements, net	44,068,697	38,838,787
Supplies	1,295,000	1,758,080
Prepaid expenses and other current assets	9,899,409	8,860,081
Total current assets	<u>9,066,378</u>	<u>11,867,585</u>
Assets limited as to use:		
Cash and investments held by bond trustee, less current portion	6,577,710	5,986,813
Other	<u>4,575,567</u>	<u>2,660,774</u>
Total assets limited as to use	<u>11,153,277</u>	<u>8,647,587</u>
Property and equipment, net	176,575,169	184,822,376
Other assets:		
Investments	88,036,572	96,245,865
Deferred loan costs, net	1,762,631	2,414,097
Due from affiliates	—	1,524,290
Other assets	<u>7,388,113</u>	<u>1,280,004</u>
Total other assets	<u>894,248</u>	<u>—</u>
Total assets	<u>98,081,564</u>	<u>101,464,256</u>
	<u>\$ 415,328,297</u>	<u>403,067,551</u>
Current liabilities:		
Accounts payable	\$ 19,860,709	15,744,839
Accrued expenses:		
Employee compensation and	20,467,163	14,712,215
Interest	2,186,356	2,069,202
Other	11,501,375	12,929,155
Current portion of long-term debt	<u>5,000,000</u>	<u>4,715,000</u>
Total current liabilities	<u>59,015,603</u>	<u>50,170,411</u>
Interest rate swaps	7,663,158	5,121,610
Other	12,907,742	8,342,913
Long-term debt, less current portion	<u>154,594,700</u>	<u>162,282,08</u>
Total liabilities	<u>234,181,203</u>	<u>225,917,01</u>
Net assets:		
Unrestricted	181,147,094	175,919,30
Temporarily restricted	—	129,367
Permanently restricted	—	1,101,862

Total net assets	<u>181,147,094</u>	<u>177,150,53</u>
Total liabilities and net assets	<u>\$ 415,328,297</u>	<u>403,067,55</u>

See accompanying notes to combined financial statements.

Combined Statements of Operations
and Changes in Net Assets

Years ended 2015 and 2014

	2015	2014
Unrestricted revenues:		
Net patient service revenue	\$ 356,970,899	355,503,779
Other revenues	<u>3,972,874</u>	<u>3,265,341</u>
Total revenues	<u>360,943,773</u>	<u>358,769,120</u>
Expenses:		
Salaries, wages, and benefits	154,185,77	156,730,75
Supplies and other costs	114,684,53	116,721,80
Physician and other professional fees	30,825,059	27,166,07
Provision for bad debts	26,961,851	27,098,15
Depreciation and amortization	23,307,829	24,265,90
Interest	<u>6,255,524</u>	<u>7,237,20</u>
Total expenses	<u>356,220,57</u>	<u>359,219,90</u>
Income (loss) from operations	<u>4,723,200</u>	<u>(450,780)</u>
Nonoperating gains (losses):		
Investment loss, net	(3,070,456)	(2,316,910)
Change in net unrealized gains and losses on investments	6,788,945	(7,813,344)
Change in fair value of interest rate swaps	(2,541,548)	(4,212,764)
Contributions	<u>202,470</u>	<u>5,196</u>
Change in interest in net assets of Leesburg Regional Medical Center Charitable Foundation, Inc.	—	(393,832)
Loss on extinguishment of debt	(648,158)	(5,926,723)
Gain on sale of property and equipment	28,128	3,244
Other	<u>38,270</u>	<u>9,186</u>
Nonoperating gains (losses), net	<u>797,651</u>	<u>(20,645,94</u>
Excess (deficiency) of revenue and gains over expenses before discontinued operations	<u>5,520,851</u>	<u>(21,096,72</u>

See accompanying notes to combined financial statements.

Combined Statements of Cash Flows Years ended 2015 and 2014

	2015	2014
Cash flows from operating activities and nonoperating gains:		
Change in net assets	\$3,996,561	(15,261,655)
Adjustments to reconcile change in net assets to net cash provided by operating activities and nonoperating gains:		
Depreciation and amortization	23,307,82	24,265,90
Provision for bad debts	26,961,85	27,098,15
Change in fair value of interest rate swaps	2,541,54	4,212,76
Change in net unrealized gains and losses on	(6,788,94	7,813,34
Gain on sale of property and equipment	(28,128	(3,244
Change in interest in net assets of Foundation	1,524,29	394,672
Gain on sale of businesses	—	(6,380,95
Loss on early extinguishment of debt	648,15	5,926,72
Amortization of premiums and discounts, net	(187,38	(189,839
Changes in operating assets and liabilities:		
Accounts receivable	(32,191,76	(24,785,38
Supplies	(1,039,32	719,289
Estimated third-party receivables/payables	463,08	(4,170,07
Prepaid expenses and other assets	1,906,95	(1,397,17
Accounts payable	4,115,87	1,446,42
Accrued expenses	4,444,32	2,036,40
Other noncurrent liabilities	<u>4,564,829</u>	
Net cash provided by operating activities and nonoperating gains	<u>34,239,751</u>	<u>24,019,30</u>
Cash flows from investing activities:		
Net change in investments	14,998,23	(13,286,13
Purchases of property and equipment	(14,964,88	(10,135,35
Proceeds from sale of property and equipment	28,128	3,244
Proceeds from sale of businesses	—	5,239,33
Net change in assets limited as to use	<u>(1,578,564)</u>	<u>— 007,01</u>
Net cash used in investing activities	<u>(1,517,083)</u>	
Cash flows from financing activities:		
Repayment of long-term debt and capital lease	(44,715,00	(102,517,95
Proceeds from issuance of long-term debt	37,500,00	97,655,00
Change in due from affiliates	(6,108,10	(784,088)
Payment of loan costs	<u>(92,429)</u>	<u>— 400,400</u>
Net cash used in financing activities	<u>(13,415,538)</u>	
Change in cash and cash equivalents	19,307,13	757,061
Cash and cash equivalents, beginning of year	<u>34,328,814</u>	
Cash and cash equivalents, end of year	<u>\$ 53,635,944</u>	
Noncash financing activity:		
Notes receivable received in sales of businesses	\$ —	3,100,00

Relevant Notes to Financial Statements:

1. Organization and Summary of Significant Accounting Policies

- a. Use of Estimates - The preparation of these combined financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- b. Cash and Cash Equivalents - CCH considers all highly liquid investments with a maturity of three months or less when purchased, excluding investments classified as assets limited as to use, to be cash equivalents.

2. Assets Limited as to Use, Investments, and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the combined balance sheets. Investment income (including realized gains and losses on investments, unrealized gains and losses on trading securities, interest and dividends) is included in excess of revenues and gains over expenses unless such earnings are subject to donor restrictions. Investment income that is restricted by donor stipulations is reported as an increase in temporarily restricted net assets.

Other assets limited as to use includes \$4,575,567 and \$2,660,774 as of 2015 and 2014, respectively, which has been designated for the State of Florida workers' compensation and medical malpractice requirements.

3. Allowance for Uncollectible Patient Accounts

Additions to the allowance for uncollectible patient accounts are made by means of the provision for bad debts. Accounts receivable are written off after collection efforts have been followed in accordance with CCH's policies. Accounts written off as uncollectible are deducted from the allowance for uncollectible patient accounts, and subsequent recoveries are added.

The amount of the provision for bad debts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in federal and state government healthcare coverage and other collection indicators.

4. Interest Rate Swaps

CCH uses interest rate swaps to manage net exposure to interest rate changes related to its borrowings and to lower its overall borrowing costs. CCH recognizes all interest rate swaps as either assets or liabilities in the combined balance sheets and measures those instruments at fair value. The changes in fair value of the derivatives are recognized as nonoperating gains (losses).

5. Net Patient Service Revenue

Gross patient service charges are recorded on the accrual basis in the period in which services are provided at CCH's established rates, excluding charges related to charity care. Contractual adjustments and other deductions are subtracted from gross patient service charges to determine net patient service revenue. Contractual adjustments under third-party

reimbursement programs and agreements represent the difference between CCH's established rates for services and amounts reimbursed by third-party payors. Payment arrangements under third-party reimbursement programs and agreements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Other deductions from revenue include discounts provided to self-pay patients.

Net patient service revenue is reported at the net realizable amounts due from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors due to future audits, reviews and investigations. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined or as years are no longer subject to such audits, reviews and investigations.

6. Medicare and Medicaid Programs

The Medicare program CCH for services rendered on a prospective basis. Payments for inpatient services are based on each patient's DRG assignment. Payments for outpatient services are based on the Ambulatory Payment Group (APC) assignment. DRGs and APCs are based on each patient's clinical diagnosis and medical procedures. The Medicare program also reimburses CCH for capital costs on a prospective basis. CCH are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after audit by the fiscal intermediary. The Medicaid program reimburses CCH on a per service basis established by using prior year's cost, not to exceed the current year's allowable cost. Annual provisions for contractual adjustments are based on management's computation of prospective payments and allowable costs. Final determination of amounts earned pursuant to the Medicare and Medicaid programs is subject to review by appropriate governmental authorities or their agents. In the opinion of management, adequate provision has been made for any adjustments that may result from such reviews.

Final settlements have been determined and received for all Medicare cost reports through the year ended 2008. Adjustments to revenue are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as changes in estimated provisions and final settlements are determined. Adjustments to revenue related to prior periods decreased net patient service revenue by approximately \$220,000 and increased net patient service revenue by approximately \$3,299,000 for the years ended 2014 and 2014, respectively.

Approximately 61% and 63% of net patient service revenue was derived from the Medicare program for the years ended 2015 and 2014, respectively. Approximately 4% and 1% of net patient service revenue was derived from the Medicaid program for the years ended 2015 and 2014, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

7. Uncompensated Care

CCH provides uncompensated charity care to patients who meet certain established criteria. CCH does not pursue collection of amounts determined to qualify as charity care; therefore, these amounts are excluded from net patient service revenues. Charity care at established

rates was approximately \$31,091,000 and \$23,949,000 for the years ended 2015 and 2014, respectively.

CCH also provides uncompensated care to patients that do not have health insurance or that do not meet the established criteria for charity care. CCH pursues collection of these amounts net of any discounts; however, certain amounts are eventually determined to be uncollectible. These amounts are classified as provision for bad debts in the accompanying combined statements of operations and changes in net assets and totaled approximately \$26,962,000 and \$27,321,000 for the years ended 2015 and 2014, respectively.

8. Long-Term Debt

In August 2008, CCH entered into another interest rate swap agreement (the Second Swap Agreement) to limit the effect of increases in interest rates related to the 2008A Series Bonds. The Second Swap Agreement expires in July 2031. The notional principal amount of the Swap Agreement is \$22,655,000. The effect of the Second Swap Agreement is to attempt to fix the effective interest rate at 3.352%. For the years ended, 2015 and 2014, CCH recognized an increase in interest expense of \$702,541 and \$458,712, respectively, in the combined statements of operations and changes in net assets associated with payment differentials for its Second Swap Agreement. The fair value of the Second Swap Agreement is the estimated amount LRMC would receive or pay to terminate the Second Swap Agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the parties. The fair value of the Second Swap Agreement is a liability of \$2,605,703 and \$1,730,473 as of June 30, 2010 and 2009, respectively, and is included as a separate noncurrent liability in the accompanying combined balance sheets. The change in the fair value of the Second Swap Agreement resulted in a loss of \$875,230 and \$1,730,473 for the years ended 2015 and 2014, respectively, and is classified as a nonoperating loss in the accompanying combined statements of operations and changes in net assets.

Due to the uncertainty surrounding monoline bond insurers, such as AMBAC, MBIA, FSA, and Radian, during 2009, CCH refunded the 2001 Auction Rate Bonds insured by AMBAC and the 2006 Bonds insured by Radian.

CCH has a defined contribution retirement plan (the Plan) covering substantially all employees. The Plan provides that CCH will match 50% of employee contributions, up to 3% of the contributing employee's compensation. Additional contributions to the Plan are at the discretion of the Board of Directors. CCH contributed an additional 1.25% of employee compensation for the years ended, 2015 and 2014. Total Plan expense was approximately \$3,442,000 and \$3,246,000 for the years ended 2015 and 2014, respectively.

CCH has an employee health benefit plan covering substantially all health costs for eligible employees and their dependents, including self-insurance coverage for amounts up to a specified level. Health plan expense was approximately \$27,508,000 and \$25,211,000 for the years ended 2015 and 2014, respectively.

9. Commitments and Contingencies

- a. Contingencies

CCH annually purchases commercial malpractice insurance policies to cover medical malpractice claims. Such policies have deductible provisions, in varying amounts, for which CCH is self-insured.

Losses that are subject to the deductible provisions, including an estimate of claims incurred but not reported, total approximately \$16,945,000 and \$14,057,000 as of 2015 and 2014, respectively. Such amounts are included in other accrued expenses, if payment is expected within one year, or as other long-term liabilities in the accompanying combined balance sheets. CCH may be liable for ultimate losses in excess of amounts accrued. In the opinion of management, such amounts would not have a material adverse effect on CCH's financial position or results of operations.

From time to time, CCH is involved in other litigation and claims arising in the normal course of business. After consultation with legal counsel, management believes that these matters will be resolved with no material adverse effect on CCH's financial position or results of operations.

10. Concentrations of Credit Risk

CCH grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. CCH does not charge interest on accounts receivable. Net patient accounts receivable included approximately \$24,174,000 or 55%, due from the Medicare program as of 2015, and \$20,126,000 or 50%, due from the Medicare program as of 2015. The credit risk for other concentrations of receivables is limited due to the large number of insurance companies and other payors that provide payments for services.

Project References:

- Controlling Retained Insurance Costs Through an Allocation <insert link to <http://ezproxy.rasmussen.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=103109497&site=ehost-live>
- Study Examines Top Priorities of Hospital C-Suite Executives and Risk Managers <insert link to <http://ezproxy.rasmussen.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=91887385&site=ehost-live>
- How to Conduct a Risk Workshop <insert link to <http://ezproxy.rasmussen.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=93288103&site=ehost-live>
- Your Hospital's Strategy for Managing Total Cost of Risk <insert link to <http://search.proquest.com.ezproxy.rasmussen.edu/docview/609961741?accountid=40836>
- Global Association of Risk Professionals <insert link to www.garp.org>



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