

Nassau Health Care Corporation and Subsidiaries
Fiscal 2009 - 2012 Multi-Year Financial Plan

As of 9/23/2008

Consolidated
(In Thousands)

| | Approved 2009 <u>Budget</u> | 2010 <u>Projected</u> | 2011 <u>Projected</u> | 2012 <u>Projected</u> |
|--|-----------------------------------|--------------------------|--------------------------|--------------------------|
| Operating Revenues: | | | | |
| Net patient service revenue | 422,527 | 429,465 | 436,508 | 443,656 |
| NYS Intergovernmental transfer | 20,248 | 26,484 | 26,484 | 26,484 |
| Nassau County Billings | 35,453 | 32,694 | 33,838 | 34,856 |
| Historical Mission/Article VI Payments | 18,000 | 18,000 | 18,000 | 18,000 |
| Federal & State Aid | 3,301 | 3,382 | 3,464 | 3,548 |
| Miscellaneous | <u>12,896</u> | <u>12,948</u> | <u>13,000</u> | <u>13,053</u> |
| Total operating revenue | <u>512,425</u> | <u>522,973</u> | <u>531,294</u> | <u>539,597</u> |
| Operating Expenses: | | | | |
| Salaries | 253,618 | 256,245 | 259,159 | 262,110 |
| Fringe Benefits | 84,173 | 87,431 | 90,718 | 94,007 |
| Supplies | 27,179 | 27,995 | 28,835 | 29,700 |
| Expenses | 82,520 | 84,935 | 87,138 | 89,415 |
| Utilities | 25,420 | 25,929 | 26,448 | 26,977 |
| Depreciation | 17,670 | 19,670 | 21,670 | 23,670 |
| Interest Expense | 10,292 | 10,053 | 9,655 | 9,655 |
| Bad Debt Expense | <u>46,040</u> | <u>47,377</u> | <u>48,752</u> | <u>50,169</u> |
| Total operating expenses | <u>546,912</u> | <u>559,635</u> | <u>572,375</u> | <u>585,703</u> |
| Gain (Loss) From Operations | <u>(34,487)</u> | <u>(36,662)</u> | <u>(41,081)</u> | <u>(46,106)</u> |
| NonOperating Revenues: | | | | |
| Investment Income | <u>3,594</u> | <u>3,594</u> | <u>3,594</u> | <u>3,594</u> |
| BASELINE GAP AS OF January 1, 2009 | <u>(30,893)</u> | <u>(33,068)</u> | <u>(37,487)</u> | <u>(42,512)</u> |

**** Captive not eliminated**

Major Assumptions

- 1) Pension expense projected at 8.94% for 2008 and 8.03% for 2009 through 2012
- 2) Annual growth in health insurance premiums is approximately \$3,060 per year (8.5%)
- 3) Salary cost include 1.25% step increase each year and a cost of living (COLA) of 3.5% in 2009 based on CEO public representation of collective bargaining position with CSEA.
- 4) Nassau County Mission Payment and Article VI funding is assumed to remain at \$18 million for 2009-2012.
- 5) Projected 2009 through 2012 are predicated on June 2008 projected run rates, to be updated quarterly including anticipated changes to trends and volume.
- 6) Nassau County Billings exclude approximately \$10 Million of pass-through items such as Termination pay and Health Insurance for retirees incurred on behalf of Nassau County.
- 7) IGT Revenue decreases 7.9 million in 2009 due to decline in prior year reconciliations.
- 8) Baseline Gap and Assumptions exclude expenses for Post Employment Benefits (OPEB).
The annual required contribution for OPEB will be a non-cash item.
- 9) Nassau County Billings reduced by 4 million in 2010.

| | 2009 | 2010 | 2011 | 2012 |
|--|-----------|-----------|-----------|-----------|
| | Projected | Projected | Projected | Projected |
| | (30,893) | (33,068) | (37,487) | (42,512) |

BASELINE GAP AS OF January 1, 2009

Revenue Programs to Eliminate Gap ("PEG")

| NUMC | Description | Start Date | 2009 | 2010 | 2011 | 2012 |
|--------------------------------------|--|------------|-----------|-----------|------------|------------|
| NUMC | DSH Appeal - 2002/2003 - Bad Debts | 12/15/08 | \$ 1,400 | \$ 1,400 | \$ 700 | \$ 700 |
| NUMC | Medicaid APG OPD Reimbursement | 01/01/09 | \$ 2,260 | \$ 3,233 | \$ 4,205 | \$ 5,352 |
| NUMC | Dialysis Expansion | 01/01/09 | \$ 2,750 | \$ 2,750 | \$ 2,750 | \$ 2,750 |
| NUMC | Increase Charges for Elective Plastics | 01/01/09 | \$ 100 | \$ 100 | \$ 100 | \$ 100 |
| NUMC | Denial Management - Front end | 07/01/09 | \$ 500 | \$ 1,010 | \$ 2,030 | \$ 3,071 |
| NUMC | APC / Charge Capture | 01/01/08 | \$ 500 | \$ 750 | \$ 1,072 | \$ 1,072 |
| NUMC | Sale of Closed Receivables > 12 months | 06/01/08 | \$ 100 | \$ 100 | \$ 100 | \$ 100 |
| NUMC | Increase OP Physical Therapy | 01/01/08 | \$ 711 | \$ 722 | \$ 733 | \$ 744 |
| NUMC | Modernization Plan / Voluntary Physician Growth (300/300/900/1200 Disch) | 04/01/09 | \$ 2,475 | \$ 3,300 | \$ 8,400 | \$ 11,700 |
| NUMC | Inpatient Rehab Coding (UDS-FIM) | 01/01/07 | \$ 711 | \$ 722 | \$ 733 | \$ 744 |
| NUMC | IGT Impact on Revenue Initiatives | | \$ - | \$ - | \$ (3,377) | \$ (4,337) |
| NUMC | Increase Managed Care Contract Rates | 01/01/08 | \$ 500 | \$ 1,000 | \$ 1,500 | \$ 4,500 |
| NUMC | Internal M.D. Business Development (Surgery/OB/Peds/GI) | 01/01/09 | \$ 500 | \$ 1,000 | \$ 1,500 | \$ 1,500 |
| NUMC | Physician Linkage Arrangement | 01/01/09 | \$ 500 | \$ 750 | \$ 1,000 | \$ 1,000 |
| NUMC | NYSDOH Psychiatric Rate Increase | 01/01/07 | \$ 500 | \$ 510 | \$ 520 | \$ 530 |
| HC | Attain FQHC Status | 07/01/09 | \$ 750 | \$ 1,500 | \$ 1,500 | \$ 1,500 |
| AHP | Hemodialysis Program / Vent Beds | 07/01/08 | \$ 767 | \$ 784 | \$ 802 | \$ 820 |
| AHP | New 320 Bed Nursing Home | 01/01/10 | \$ - | \$ - | \$ 4,000 | \$ 4,000 |
| AHP | Additional Public Facility Grant | 01/01/09 | \$ 2,979 | \$ 3,880 | \$ 3,880 | \$ 3,880 |
| AHP | NH Rebasing Impact Over Budget | 01/01/08 | \$ 1,000 | \$ 1,500 | \$ - | \$ - |
| AHP | PRI increase 1.12-1.17 | 07/01/08 | \$ 1,200 | \$ 1,224 | \$ - | \$ - |
| FPP | Electronic Physician Billing System | 01/01/08 | \$ 250 | \$ 250 | \$ 250 | \$ 250 |
| FPP | Timely Correction of Physician Bills | 01/01/08 | \$ 250 | \$ 250 | \$ 250 | \$ 250 |
| NHCC | Institute For Minority Health Care Disparities | 01/01/09 | \$ 500 | \$ 1,000 | \$ 1,500 | \$ 2,000 |
| NHCC | Expansion of Freeport & Hempstead Health Centers | 01/01/09 | \$ 550 | \$ 1,100 | \$ 1,650 | \$ 2,200 |
| Sub-Total Revenue Initiatives | | | \$ 21,753 | \$ 28,835 | \$ 35,798 | \$ 44,426 |

Expense PEG

| | | | | | | |
|--------------------------------------|---|----------|------------|------------|------------|------------|
| NUMC | Adverse Medical Malpractice Determination | 08/20/08 | \$ (1,000) | \$ (1,000) | \$ (1,000) | \$ (1,000) |
| NUMC | IGT Impact for Expense Initiatives | | \$ - | \$ 1,688 | \$ (663) | \$ (675) |
| NUMC | Workers Compensation Efficiencies | 01/01/09 | \$ 650 | \$ 920 | \$ 1,085 | \$ 1,085 |
| NUMC | Advisory Board - Supply Chain Savings | 06/30/09 | \$ 500 | \$ 1,000 | \$ 1,000 | \$ 1,000 |
| HC | Health Center Skill Mix Adjustment | 01/01/09 | \$ 1,000 | \$ 2,000 | \$ 2,000 | \$ 2,000 |
| NHCC | Union Contract Bonus | 01/01/09 | \$ - | \$ (2,000) | \$ (4,000) | \$ (7,000) |
| NHCC | Staffing Efficiencies | 01/01/09 | \$ 2,500 | \$ 2,531 | \$ 2,563 | \$ 2,595 |
| NHCC | I.T. FTE Efficiencies (25 FTE's / Year) | 01/01/10 | \$ - | \$ 1,250 | \$ 2,559 | \$ 3,931 |
| Sub-Total Expense Initiatives | | | \$ 3,650 | \$ 6,389 | \$ 3,544 | \$ 1,936 |

Total Initiatives - Pending \$ 25,403 \$ 35,224 \$ 39,342 \$ 46,362

TOTAL SURPLUS/ DEFICIT AFTER GAP

CLOSING MEASURES (6,490) 2,156 1,855 3,850

New York State Budget Impacts

| | | | | | | |
|----------------------------------|--------------------------------|--|------------|------------|------------|------------|
| NUMC | Trend Factor | | \$ (1,680) | \$ (421) | \$ - | \$ - |
| AHP | Trend Factor | | \$ (1,428) | \$ (358) | \$ - | \$ - |
| AHP | Public Facility Grant | | \$ (4,504) | \$ (5,543) | \$ (5,543) | \$ (5,543) |
| AHP | Reinstatement of IGT | | \$ 4,500 | \$ 4,500 | \$ 4,500 | \$ 4,500 |
| NUMC | IGT Impact for NYS Budget Cuts | | \$ - | \$ 270 | \$ 420 | \$ 105 |
| Sub-Total NYS Budget Cuts | | | \$ (3,112) | \$ (1,552) | \$ (623) | \$ (938) |

TOTAL SURPLUS/ DEFICIT AFTER GAP

CLOSING MEASURES & NYS BUDGET (8,602) 604 1,232 2,912