

Nassau Health Care Corporation and Subsidiaries

As of 9/27/10

2011 Approved Budget

Consolidated

(In Thousands)

	Approved 2011 <u>Budget</u>	2012 <u>Projected</u>	2013 <u>Projected</u>	2014 <u>Projected</u>
Operating Revenues:				
Net patient service revenue	393,079	397,739	402,448	407,207
NYS Intergovernmental transfer	102,528	96,109	96,109	96,109
Nassau County Billings	0	0	0	0
Historical Mission/Article VI Payments	5,000	5,000	5,000	5,000
Federal & State Aid	3,372	3,416	3,461	3,506
Miscellaneous	<u>18,232</u>	<u>18,364</u>	<u>18,498</u>	<u>18,634</u>
Total operating revenue	<u>522,211</u>	<u>520,628</u>	<u>525,516</u>	<u>530,456</u>
Operating Expenses:				
Salaries	254,965	257,866	260,804	263,779
Fringe Benefits	99,377	104,863	96,101	99,392
Supplies	28,035	28,854	29,697	30,565
Expenses	91,511	93,893	96,345	98,870
Utilities	25,100	25,627	26,164	26,713
Depreciation	18,636	20,636	22,636	24,636
Interest Expense	11,964	11,843	11,721	11,481
Bad Debt Expense	<u>40,746</u>	<u>41,337</u>	<u>41,936</u>	<u>42,543</u>
Total operating expenses	<u>570,334</u>	<u>584,919</u>	<u>585,404</u>	<u>597,979</u>
Gain (Loss) From Operations	<u>(48,123)</u>	<u>(64,291)</u>	<u>(59,888)</u>	<u>(67,523)</u>
NonOperating Revenues:				
Investment Income	<u>1,236</u>	<u>1,236</u>	<u>1,236</u>	<u>1,236</u>
BASELINE SURPLUS (GAP) AS OF January 1, 2011	<u>(46,887)</u>	<u>(63,055)</u>	<u>(58,652)</u>	<u>(66,287)</u>

**** NHCC, Ltd not eliminated, NHCF Eliminated**

Major Assumptions

- 1) Pension expense is projected at 14.3% for 2011, 15.3% for 2012 and 10% for 2013 and 2014.
- 2) Annual growth in health insurance premiums is 12% for 2011 and approximately 8.5% (\$3,060 per year) 2012-2014
- 3) Salary cost include 1.25% step increase each year and a cost of living (COLA) of 0% in 2011 through 2014.
- 4) Nassau County Mission Payment and Article VI funding is assumed to remain at \$18 million for 2011-2014 of which \$13 Million will be contribute to the IGT distribution.
- 5) 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.
- 6) Baseline Gap and Assumptions exclude expenses for Post Employment Benefits (OPEB). The annual required contribution for OPEB will be a non-cash item.

Approved

2011

2012

2013

2014

ProjectedProjectedProjectedProjected

BASELINE SURPLUS (GAP) AS OF January 1, 2011

(46,887)

(63,055)

(58,652)

(66,287)

Revenue Programs to Eliminate Gap ("PEG")

NUMC	Dialysis Expansion - I/P	01/01/11	\$	2,000	\$	2,020	\$	2,040	\$	2,060
NUMC	Clinical Integration NSLIJ	01/01/12	\$	-	\$	6,000	\$	10,000	\$	15,000
NUMC	NYSDOH Psychiatric Rate Increase Part 2	01/01/11	\$	2,000	\$	2,020	\$	2,040	\$	2,060
NUMC	Charge Capture - CDM	11/01/10	\$	3,000	\$	3,030	\$	3,060	\$	3,091
NUMC	Revenue Cycle - Denial Management	11/01/10	\$	3,000	\$	3,030	\$	3,060	\$	3,091
NUMC	ARRA HIT Incentive payments	10/01/11	\$	7,057	\$	5,209	\$	3,361	\$	1,513
NUMC	Program Restructuring - Hospitalists	01/01/11	\$	7,800	\$	15,000	\$	18,000	\$	20,000
NUMC	Program Restructuring - Neurosurgery	01/01/11	\$	4,800	\$	4,848	\$	4,896	\$	4,945
NUMC	Program Restructuring - Plastics	01/01/11	\$	1,000	\$	1,010	\$	1,020	\$	1,030
NUMC	Program Restructuring - Cardiology	01/01/11	\$	2,200	\$	2,222	\$	2,244	\$	2,266
NUMC	Program Restructuring - Anesthesia	01/01/11	\$	1,200	\$	1,212	\$	1,224	\$	1,236
NUMC	IGT Impact on Revenue Initiatives		\$	-	\$	-	\$	(8,514)	\$	(11,400)
AHP	Property Closing	12/01/11	\$	1,000	\$	-	\$	-	\$	-
AHP	Rate Appeal Approval	07/01/11	\$	-	\$	4,000	\$	4,040	\$	4,080
	Sub-Total Revenue Initiatives		\$	35,057	\$	49,601	\$	46,471	\$	48,972

Expense PEG

NUMC	IGT Impact for Expense Initiatives		\$	-	\$	-	\$	-	\$	(625)
NUMC	Health Insurance Restructuring	01/01/11	\$	3,000	\$	6,000	\$	6,000	\$	6,000
NUMC	340B Inpatient	01/01/12	\$	-	\$	5,000	\$	5,000	\$	5,000
	Sub-Total Expense Initiatives		\$	3,000	\$	11,000	\$	11,000	\$	10,375
	Total Initiatives - Pending		\$	38,057	\$	60,601	\$	57,471	\$	59,347
	TOTAL SURPLUS/ (DEFICIT) AFTER GAP									
	CLOSING MEASURES		\$	(8,830)	\$	(2,454)	\$	(1,181)	\$	(6,940)