



100 Westminster Street, Suite 1500  
Providence, RI 02903-2319  
p: 401-274-2000 f: 401-277-9600  
hinckleyallen.com

Charles W. Normand  
cnormand@hinckleyallen.com  
Direct Dial: 401-457-5358

June 23, 2016

Michael K. Dexter, Chief  
Rhode Island Department of Health  
Center for Health Systems Policy and Regulation  
3 Capitol Hill, Room 410  
Providence, Rhode Island 02908

Re: **Request for Expeditious Review of Hospital Conversion Application  
for the proposed affiliation of Care New England Health System and  
Southcoast Health System, Inc.**

Dear Michael:

Enclosed please find a Request for Expeditious Review pursuant to R.I.G.L. § 23-17.14-12.1 (the "Request") of the Hospital Conversion Application relating to the proposed affiliation of Care New England Health System ("CNE") and Southcoast Health System, Inc. ("SHS") through a non-profit system parent, Newco Health System, Inc. ("NHSI"), that will be the sole corporate member of each of CNE and SHS. As we discussed, and as is common in affiliations such as this, NHSI has been formed as a Delaware non-profit corporation with Keith A. Hovan, the President and Chief Executive Officer of SHS, and Dennis D. Keefe, the President and Chief Executive Officer of CNE, serving as co-incorporators.

CNE and SHS are each a non-profit corporation exempt from taxation under 26 U.S.C. § 501(a) and NHSI will apply for such exempt status in advance of the affiliation. Both CNE and SHS have directly or indirectly continuously operated at least one licensed hospital for at least the three preceding years.

CNE operates a distressed Rhode Island hospital and both CNE, on a consolidated basis, and The Memorial Hospital d/b/a Memorial Hospital of Rhode Island ("MHRI"), a CNE hospital, satisfy one or more of the requisite criteria under R.I.G.L. § 23-17.14-12.1 to support approval of this Request. The conversion of MHRI was previously approved in accordance with chapter 23-17.14 and the Department of Health determined that it was a distressed hospital. Today, MHRI continues to be distressed and is facing significant financial hardship that may impair its ability to continue to operate effectively without the proposed conversion. Specifically, MHRI

► ALBANY ► BOSTON ► CONCORD ► HARTFORD ► NEW YORK ► PROVIDENCE

---

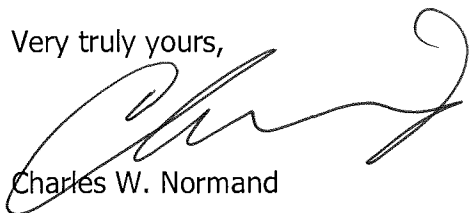
HINCKLEY, ALLEN & SNYDER LLP, ATTORNEYS AT LAW

#55805478

had an operating loss for the two most recently completed fiscal years, has less than 50 days cash on hand, has a current asset to liability ratio of less than 1.5, has long term debt to capitalization greater than 75%, and has an inpatient occupancy rate less than 50%. Additionally, CNE on a consolidated basis, has an operating loss in fiscal year 2015 and the first two quarters of 2016 and has a current asset to liability ratio of less than 1.5. As such, on either a consolidated or individual hospital basis the statutory conditions to warrant expedited review are present and the Rhode Island Department of Health should approve the Request.

Thank you for your consideration of this Request. We look forward to receiving your determination and contact me if you have any questions or require any additional information or clarification.

Very truly yours,



Charles W. Normand

CWN:cjl

Enclosures

cc: Alyssa V. Boss, Esq. (w/encs.)  
Lisa Boyle, Esq. (w/encs.)  
Jerry Tichner, Esq. (w/encs.)  
Jessica Doyle, Esq. (w/encs.)



**Rhode Island Department of Health**  
Hospital Conversions/Mergers Program  
Three Capitol Hill, Room 410  
Providence, RI 02908-5097  
Phone: (401) 222-2788

[www.health.state.ri.us/hospitals/about/mergers](http://www.health.state.ri.us/hospitals/about/mergers)

**REQUEST FOR EXPEDITIOUS REVIEW**  
(Pursuant to R.I. Gen. Laws § 23-17.14-12.1)

1. Please provide the following information for the **acquiree**:

Name: Care New England Health System and its affiliates listed in Attachment 1

Address: 45 Willard Avenue, Providence, RI 02905

Contact Information for the President or Chief Executive Officer:

Name: Dennis D. Keefe

Telephone: 401-453-7900

Information for the person to contact regarding this proposal:

Name: Charles W. Normand, Esq.

Telephone: 401-457-5358

E-mail: cnormand@hinckleyallen.com

Fax number: 401-277-9600

2. Please provide the following information for the **acquiror**:

Name: Newco Health System, Inc.

Address: c/o Hinckley, Allen & Snyder LLP, 100 Westminster Street, Suite 1500, Providence, RI 02903

Contact Information for the President or Chief Executive Officer:

Name: Keith A. Hovan

Telephone: 508-973-7013

Information for the person to contact regarding this proposal:

Name: Charles W. Normand, Esq.

Telephone: 401-457-5358

E-mail: cnormand@hinckleyallen.com

Fax number: 401-277-9600

3. Please affirm that acquiree **and** acquiror are both nonprofit corporations exempt from taxation under section 501(a) that have directly or indirectly continuously operated at least one licensed hospital for at least the preceding 3 years (mark with an 'X'): Yes

4. Please affirm that the proposed conversion involves one of the following (mark with an 'X'):

- a. Two (2) or more hospitals that are not in common control with another hospital;
- b. One hospital not under common control with another hospital and a hospital system parent corporation;
- c. Two (2) affiliated hospitals the conversion of which was previously approved in accordance with chapter 23-17.14 and another hospital or hospital system parent corporation.

4. Please provide an Executive Summary of the proposed conversion (on a separate page).

**See Attachment 2**

5. Please identify the following information regarding the acquire, **and provide** audited financial statements for the two most recently completed fiscal years and unaudited financial statements for all of the completed quarters of the current fiscal year.

**See Attachment 3**

**Care New England Consolidated**

Fiscal Year	Operating Profit/(Loss)	Days Cash on Hand	Current Assets to Liability Ratio	* Long-term Debt to Capitalization	** Inpatient Occupancy Rate
2014	\$8,505,804	64.7	1.46	.35	54%
2015	(\$1,785,748)	51.6	1.35	.41	55%
1st Quarter of 2016 YTD	(\$14,186,305)	41.6	1.29	.40	58%
2nd Quarter of 2016 YTD	(\$25,730,480)	52.6	1.27	.42	59%
3rd Quarter of 20__					

\*Long Term Debt/Unrestricted Net Assets

\*\*Based on Licensed Beds (Adult + New = 1043)

**Memorial Hospital of Rhode Island**

Fiscal Year	Operating Profit/(Loss)	Days Cash on Hand	Current Assets to Liability Ratio	* Long-term Debt to Capitalization	** Inpatient Occupancy Rate
2014	(\$9,447,479)	(9.7)	0.42	(1.41)	21%
2015	(\$27,640,389)	(94.7)	(1.04)	(0.23)	20%
1st Quarter of 2016 YTD	(\$9,293,759)	(114.6)	(1.58)	(0.20)	18%
2nd Quarter of 2016 YTD	(\$15,330,038)	(133.2)	(1.52)	(0.18)	18%
3rd Quarter of 20__					

\*Long Term Debt/Unrestricted Net Assets

\*\*Based on Licensed Beds

6. Please identify the most recent rating assigned to the acquire by each of the major rating agencies:

Rating Agency	Grade Assigned to Acquiree
Standard & Poor's	BB Negative Outlook
Moody's	
Fitch Group	BBB Negative Outlook

7. Please have the President or Chief Executive Officer of the **acquiree** attest to the following:

*"I certify that the acquiree operates a distressed Rhode Island hospital facing significant financial hardship that may impair its ability to continue to operate effectively without the proposed conversion. I certify that the information contained in this material is complete, accurate and correct."*

*Dennis D. Kafe*

Signed by President or Chief Executive Officer

Care New England Health System

Name of Acquiree

Subscribed and sworn to before me on this 22<sup>nd</sup> day of June, 2016.

*Francis J. Quiter*

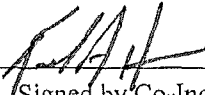
Notary Public

My Commission Expires: 9/2/17

ID# 41937.

8. Please have the President or Chief Executive Officer of the acquiror attest to the following:

*"I certify that the information contained in this material is complete, accurate and correct."*

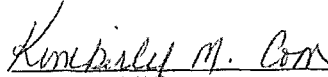


Signed by Co-Incorporator

Newco Health System, Inc

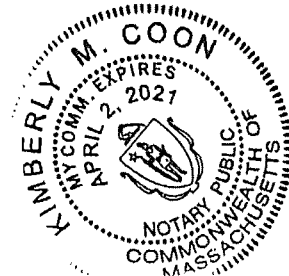
Name of Acquiree

Subscribed and sworn to before me on this 22<sup>nd</sup> day of June, 2016.



Notary Public

My Commission Expires: 4/2/2021



**Attachment 1**

Care New England Health System

RI Licensed Hospital Affiliates:

Butler Hospital

Kent County Memorial Hospital

The Memorial Hospital d/b/a Memorial Hospital of Rhode Island

Women & Infants Hospital of Rhode Island

## Attachment 2

### 4. Executive Summary of Proposed Conversion

The proposed conversion involves the combination of the Care New England system and the Southcoast Health system through the formation of a new system parent entity, Newco Health System, Inc. ("NHSI"). NHSI is expected to be re-named following a comprehensive brand assessment to be conducted by the parties.

The Care New England system was founded in 1996, and today it is the not-for-profit parent organization of Butler Hospital, Kent Hospital, Memorial Hospital of Rhode Island, Women & Infants Hospital of Rhode Island, the VNA of Care New England, The Providence Center, and Integra, a certified ACO created in collaboration with the Rhode Island Primary Care Physicians Corporation. Care New England maintains affiliations with The Warren Alpert Medical School of Brown University at Butler, Women & Infants, and Memorial Hospital (which serves as the site for family and internal medicine academic programs). Butler Hospital serves as the flagship hospital for psychiatry for The Warren Alpert Medical School of Brown University and has achieved worldwide recognition for its pioneering research. Also, Women & Infants Hospital is the region's premier hospital for women and infants, recognized nationally for its clinical services. In addition, Kent Hospital's Graduate Medical Education program is affiliated with The University of New England College of Osteopathic Medicine. Collectively, Care New England's facilities provide a comprehensive array of clinical programs and services for patients throughout their continuum-of-care needs. Care New England currently maintains 963 licensed beds and 216 infant bassinets.

The Southcoast Health system is a not-for-profit community-based, health delivery system with multiple access points, offering an integrated continuum of health services throughout Southeastern Massachusetts and Rhode Island. It includes the three hospitals that make up Southcoast Hospitals Group — Charlton Memorial Hospital in Fall River, St. Luke's Hospital in New Bedford and Tobey Hospital in Wareham; and Southcoast Behavioral Health in Dartmouth, a joint venture hospital with Acadia Healthcare, an international leader in psychiatric and addiction care. Southcoast Health provides advanced clinical services, such as open heart surgery, angioplasty and heart rhythm services, comprehensive cancer care, neurosurgery, weight loss surgery, orthopedic surgery, advanced imaging services, and maternity services among many other highly specialized services.

It is anticipated that, as of the closing of the transaction consummating the proposed conversion (the "Closing"), NHSI would become the sole member of each of Care New England Health System and Southcoast Health System, Inc. (the current parent entities of the Care New England system and Southcoast Health system, respectively). Southcoast Health and Care New England will each select 10 individuals from their current boards of directors to serve on the NHSI Board of Trustees as of the Closing. Care New England's Board will select the new Chair of the system parent Board, and Southcoast's Board will select the new Vice Chair of the system parent Board. In addition, as of the Closing, Southcoast Health's President and CEO Keith Hovan will serve as the President and CEO of NHSI and Care New England CEO Dennis Keefe will become



CEO of the Population Health initiative for the unified system. Both CEO's shall serve on the NHSI Board in an *ex officio* capacity as of the Closing. A significant number of NHSI Board actions, including major actions such as closure of any major service lines, transfers or disposition of material assets, and a variety of other material actions, would require the vote of a super-majority vote of the NHSI Board (and thus require approval of significant number of directors selected by both Care New England Health System and Southcoast Health System, Inc.)

As of the Closing, and in order to promote the integration and success of the unified system, the Care New England Health System and Southcoast Health System, Inc. Boards will each be restructured to enable each party's NHSI Board members to hold a minority number of seats on the other party's Boards.

The parties hope and expect that the following charitable objectives will be realized as a result of the proposed conversion:

- a) Improvement in the quality of clinical programs and services;
- b) Patient access to a broader continuum of services over an expanded service area;
- c) The creation of operational efficiencies designed to improve performance and reduce costs;
- d) The maintenance of a strong academic and research platform that is essential to fostering clinical excellence and innovation;
- e) The development and maintenance of an integrated delivery system in which patient care is coordinated across a full continuum of healthcare providers, thereby providing Care New England and Southcoast Health a foundation for responding to the promises and challenges of the federal health reform legislation;
- f) The establishment of a streamlined, clear and accountable governance structure which will enable Care New England and Southcoast Health to respond nimbly to industry changes;
- g) The enhancement of physician recruitment, retention and integration initiatives;
- h) The improvement and deployment of facilities, equipment and information technology platforms;
- i) The achievement of clinical "employer of choice" status, ensuring that Care New England's and Southcoast Health's employees have opportunities to attain their professional goals in a supportive work environment;
- j) The enhancement of Care New England's and Southcoast Health's ability to achieve their charitable objectives in the most efficient and effective manner possible; and
- k) The responsible stewardship of charitable assets, ensuring that Care New England and Southcoast Health collectively will maintain a strong financial profile to enable them to achieve their charitable objectives long into the future.

### **Attachment 3**

#### **Audited Financial Statements**

1. Care New England Health System and Affiliates Consolidated Financial Statements, September 30, 2015 and 2014.
2. Care New England Health System Unaudited Financial Statements Quarter ending December 31, 2015.
3. Care New England Health System Unaudited Financial Statement Quarter ending March 31, 2016.

# **Care New England Health System and Affiliates**

**Consolidated Financial Statements with  
Supplementary Consolidating Information  
September 30, 2015 and 2014**

**Care New England Health System and Affiliates**  
**Index**  
**September 30, 2015 and 2014**

---

	<b>Page(s)</b>
<b>Independent Auditor's Report</b> .....	1-2
<b>Consolidated Financial Statements</b>	
Balance Sheets .....	3
Statements of Operations .....	4
Statements of Changes in Net Assets.....	5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7-46
<b>Supplementary Consolidating Financial Statements</b>	
2015 Balance Sheet .....	47-48
2015 Statement of Operations and Changes in Net Assets .....	49-50
2014 Balance Sheet .....	51-52
2014 Statement of Operations and Changes in Net Assets .....	53-54



## Independent Auditor's Report

To the Board of Directors  
Care New England Health System

We have audited the accompanying consolidated financial statements of Care New England Health System and Affiliates ("Care New England"), which comprise the consolidated balance sheets as of September 30, 2015 and 2014, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Care New England at September 30, 2015 and 2014, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Other

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual affiliates and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position and results of operations of the individual affiliates.

*PricewaterhouseCoopers LLP*

Boston, Massachusetts  
January 22, 2016

**Care New England Health System and Affiliates**  
**Consolidated Balance Sheets**  
**Years Ended September 30, 2015 and 2014**

	2015	2014
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 48,803,805	\$ 52,389,555
Investments	27,163,691	25,219,578
Patient accounts receivable, net of allowance for doubtful accounts of \$42,255,993 in 2015 and \$35,971,784 in 2014	139,822,039	125,108,931
Other receivables	21,404,988	15,153,122
Pledges receivable, net	1,022,395	1,325,725
Other current assets	16,763,651	19,855,200
Current portion of assets whose use is limited	446,827	2,355,049
Total current assets	<u>255,427,396</u>	<u>241,407,160</u>
Assets whose use is limited or restricted as to use		
Endowment funds	50,819,449	54,523,410
Board-designated funds	120,450,884	133,698,785
Trustee-held funds	163,469,410	178,811,354
Deferred compensation funds	1,912,022	2,537,023
Total assets limited as to use	<u>336,651,765</u>	<u>369,570,572</u>
Less: Amounts required to meet current obligations	<u>(446,827)</u>	<u>(2,355,049)</u>
Noncurrent assets limited as to use	<u>336,204,938</u>	<u>367,215,523</u>
Goodwill	24,488,975	24,345,364
Intangibles	6,482,500	5,400,000
Property, plant and equipment, net	313,868,493	311,986,509
Pledges receivable, net	930,114	1,275,798
Insurance receivable	1,643,788	1,831,200
Other assets	6,685,864	5,567,492
Total assets	<u>\$ 945,732,068</u>	<u>\$ 959,029,046</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 141,212,885	\$ 119,457,709
Current portion of estimated third-party payor settlements and advances	598,072	6,198,878
Current portion of long-term debt and capital leases	9,631,866	7,254,395
Self-insurance reserves	8,689,509	7,802,674
Pension liability	16,090,538	13,380,543
Other current liabilities	13,116,604	10,828,738
Total current liabilities	<u>189,339,474</u>	<u>164,922,937</u>
Long-term liabilities		
Self-insurance reserves	138,931,970	137,475,561
Long-term portion of estimated third-party payor settlements and advances	30,128,278	32,575,832
Long-term debt and capital leases	154,747,534	157,756,641
Pension liability	115,941,758	83,407,618
Postretirement liability	1,447,283	1,462,614
Other liabilities	3,129,125	3,576,384
Total long-term liabilities	<u>444,325,948</u>	<u>416,254,650</u>
Net assets		
Unrestricted	241,150,258	309,539,402
Temporarily restricted	40,884,249	37,856,284
Permanently restricted	30,032,139	30,455,773
Total net assets	<u>312,066,646</u>	<u>377,851,459</u>
Total liabilities and net assets	<u>\$ 945,732,068</u>	<u>\$ 959,029,046</u>

The accompanying notes are an integral part of these financial statements.

**Care New England Health System and Affiliates**  
**Consolidated Statements of Operations**  
**Years Ended September 30, 2015 and 2014**

	2015	2014
<b>Revenues and gains</b>		
Patient service revenue (net of contractual allowances and discounts)	\$ 1,061,792,820	\$ 1,023,075,993
Provision for bad debts	<u>(38,680,643)</u>	<u>(40,068,967)</u>
Net patient service revenue less provision for bad debts	1,023,112,177	983,007,026
Net assets released from restrictions and used for operations	2,589,805	3,126,281
Research revenue	23,382,036	25,936,818
Contribution revenue from acquisition	13,439,012	-
Other revenue	<u>75,416,463</u>	<u>55,940,569</u>
Total revenues and gains	<u>1,137,939,493</u>	<u>1,068,010,694</u>
<b>Operating expenses</b>		
Salaries and benefits	715,127,055	675,473,104
Supplies and other expenses	284,550,504	249,593,140
Research expenses	23,482,879	25,146,652
Depreciation and amortization	36,581,327	34,495,543
Insurance	26,698,480	26,706,819
Licensure fee	43,534,709	41,052,257
Interest	6,838,716	6,527,788
Restructuring costs	2,911,571	-
Loss on debt refinancing	-	509,587
Total operating expenses	<u>1,139,725,241</u>	<u>1,059,504,890</u>
(Loss)/income from operations	<u>(1,785,748)</u>	<u>8,505,804</u>
<b>Nonoperating (losses)/gains</b>		
Investment income/gains on assets limited as to use	7,077,581	2,822,990
Unrestricted gifts and bequests	1,033,483	1,044,993
Change in net unrealized (losses)/gains on investments	(32,287,448)	1,232,951
Nonoperating expenditures	<u>(1,873,179)</u>	<u>(2,466,463)</u>
Net nonoperating (losses)/gains	<u>(26,049,563)</u>	<u>2,634,471</u>
(Deficiency)/Excess of revenue and gains over expenses and losses	(27,835,311)	11,140,275
<b>Other changes in unrestricted net assets</b>		
Pension and postretirement adjustment	(40,968,090)	(27,334,588)
Net assets released from restrictions used for purchase of property, plant and equipment	893,818	10,294,707
Transfer from deferred revenue	302,009	-
Transfer (to)/from temporarily restricted	<u>(781,570)</u>	<u>47,728</u>
Decrease in unrestricted net assets	<u>\$ (68,389,144)</u>	<u>\$ (5,851,878)</u>

The accompanying notes are an integral part of these financial statements.



**Care New England Health System and Affiliates**  
**Consolidated Statements of Changes in Net Assets**  
**Years Ended September 30, 2015 and 2014**

	2015	2014
<b>Unrestricted net assets</b>		
(Deficiency)/Excess of revenues and gains over expenses and losses	\$ (27,835,311)	\$ 11,140,275
Other changes in unrestricted net assets		
Pension and postretirement adjustment	(40,968,090)	(27,334,588)
Net assets released from restrictions used for purchase of property, plant and equipment	893,818	10,294,707
Transfer from deferred revenue	302,009	-
Transfer (to)/from temporarily restricted	(781,570)	47,728
Decrease in unrestricted net assets	<u>(68,389,144)</u>	<u>(5,851,878)</u>
<b>Temporarily restricted net assets</b>		
Contributions	4,704,247	7,735,780
Contribution of temporarily restricted net assets from acquisition	3,795,867	-
Income from investments	530,596	669,757
Net realized and unrealized (losses)/gains from investments	(1,913,133)	1,812,273
Net assets released from restrictions	(3,311,841)	(13,420,988)
Transfer to deferred revenue	(662,715)	-
Transfer from/(to) unrestricted net assets	781,570	(47,728)
Transfer to permanently restricted net assets	(896,626)	-
Increase/(decrease) in temporarily restricted net assets	<u>3,027,965</u>	<u>(3,250,906)</u>
<b>Permanently restricted net assets</b>		
Net realized and unrealized (losses)/gains from investments	(1,454,092)	309,747
Contribution of permanently restricted net assets from acquisition	100,000	-
Contributions	33,832	15,048
Transfers from temporarily restricted net assets	896,626	-
(Decrease)/increase in permanently restricted net assets	<u>(423,634)</u>	<u>324,795</u>
Decrease in net assets	(65,784,813)	(8,777,989)
<b>Net assets</b>		
Beginning of year	<u>377,851,459</u>	<u>386,629,448</u>
End of year	<u>\$ 312,066,646</u>	<u>\$ 377,851,459</u>

The accompanying notes are an integral part of these financial statements.

**Care New England Health System and Affiliates**  
**Consolidated Statements of Cash Flows**  
**Years Ended September 30, 2015 and 2014**

	2015	2014
<b>Operating activities</b>		
Change in net assets	\$ (65,784,813)	\$ (8,777,989)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contribution revenue from acquisition, net of cash	(16,996,425)	-
Gain on extinguishment of interest rate swaps	-	(81,747)
Loss on sale of property and equipment	3,917,102	-
Pension and postretirement adjustment	40,968,090	27,334,588
Depreciation and amortization	36,581,327	34,495,543
Loss of redemption of debt	-	509,587
Bond premium	-	1,178,760
Provision for bad debt	38,680,643	40,068,967
Payments to terminate swaps	-	(8,279,506)
Income and gains on assets limited as to use	(7,077,581)	(2,822,990)
Net unrealized (gains) losses on investments	32,287,448	(1,232,951)
Restricted contributions and investment income	(841,316)	(300,806)
Changes in		
Patient accounts receivable	(48,023,476)	(28,746,608)
Investments	11,877,788	(23,835,355)
Other current and long-term assets	(1,621,170)	(1,319,324)
Accounts payable and accrued expenses	19,090,245	(11,908,765)
Estimated third-party payor settlements	(8,048,360)	(6,458,404)
Deferred revenue and other liabilities	883,040	(3,209,981)
Net pension liability	(5,739,286)	(10,140,470)
Self-insurance reserves	2,530,656	4,848,439
Net cash provided by operating activities	<u>32,683,912</u>	<u>1,320,988</u>
<b>Investing activities</b>		
Purchase of property and equipment	(28,693,295)	(39,064,370)
Proceeds from the sale of property and equipment	3,054,161	-
Purchase of investments	(197,814,633)	(127,718,207)
Proceeds from the sale of investments	<u>192,681,752</u>	<u>117,989,707</u>
Net cash used in investing activities	<u>(30,772,015)</u>	<u>(48,792,870)</u>
<b>Financing activities</b>		
Proceeds from the issuance of debt and capital leases	105,385	130,315,468
Debt repayments	-	(76,273,714)
Payments on long-term debt and capital leases	(6,444,348)	(8,632,876)
Payment of long-term debt issuance costs	-	(1,747,858)
Restricted contributions to be used for long-term investments and investment income	<u>841,316</u>	<u>300,806</u>
Net cash (used in) provided by financing activities	<u>(5,497,647)</u>	<u>43,961,826</u>
Net decrease in cash and cash equivalents	<u>(3,585,750)</u>	<u>(3,510,056)</u>
<b>Cash and cash equivalents</b>		
Beginning of year	<u>52,389,555</u>	<u>55,899,611</u>
End of year	<u>\$ 48,803,805</u>	<u>\$ 52,389,555</u>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid for interest	\$ 5,670,261	\$ 6,425,327
Purchases of property and equipment included in accounts payable and accrued expenses	\$ 2,381,704	\$ -

The accompanying notes are an integral part of these financial statements.

# Care New England Health System and Affiliates

## Notes to Consolidated Financial Statements

### September 30, 2015 and 2014

---

#### 1. Description of Organization

##### Corporate Structure

Care New England Health System ("CNE", "Care New England", or the "Health System"), a not-for-profit corporation, was established in November 1995 as the holding company for the development of an integrated delivery network. Prior to September 3, 2013, it consisted of Butler Hospital, Kent County Memorial Hospital, and Women & Infants Hospital of Rhode Island (collectively, the "Hospitals"), and the Kent County Visiting Nurse Association, d/b/a VNA of Care New England (the "Agency").

As of September 3, 2013, Southeastern Healthcare System, Inc. ("SHS"), a not-for-profit corporation located in Rhode Island and southeastern Massachusetts, became a subsidiary of the Health System. CNE became the parent organization and sole member as a result of this acquisition.

In May 2014, Integra Community Care Network, LLC, ("Integra"), an ACO, was legally established. Care New England is the sole corporate member. Integra was certified to participate in the Medicare shared savings program effective January 1, 2015.

As of January 1, 2015, The Providence Center, Inc. ("the "Center" or "TPC"), a not-for-profit corporation located in Rhode Island, became a subsidiary of the Health System. CNE became the parent organization and sole member as a result of this acquisition. CNE and TPC agreed that the acquisition will greatly improve their ability to provide comprehensive healthcare services.

The accompanying consolidated financial statements include the accounts of Care New England and its affiliates, over which Care New England has corporate governance:

- Butler Hospital ("Butler") and its affiliates, Butler Hospital Foundation, Carriage House, LLC ("Carriage"), and Butler Hospital Allied Medical Services, LLC.
- Kent County Memorial Hospital ("Kent") and its affiliates, Kent Hospital Foundation, Kent Ancillary Services, LLC, Affinity Physicians, LLC, and Toll Gate Indemnity, Ltd. ("Toll Gate").
- Women & Infants Corporation ("WIC") and its affiliates, Women & Infants Development Foundation, Women & Infants Hospital of Rhode Island ("WIH"), WIH Faculty Physicians, Inc., Women & Infants Ancillary Services, LLC, Women & Infants Health Care Alliance, LLC, and W&I Indemnity, Ltd. ("W&I Indemnity").
- Kent County Visiting Nurse Association and its affiliates, Healthtouch, Inc. and VNA of Care New England Foundation (together, the "Agency").
- Integra Community Care Network, LLC.
- SHS and its affiliates, Memorial Hospital of Rhode Island ("Memorial"), Primary Care Centers of New England, Inc. ("PCCNE"), Blackstone Health, Inc. ("BHI"), MHRI Ancillary Services, LLC, and The Memorial Hospital Foundation. Memorial is the sole corporate member of SHS Ventures, Inc. ("Ventures").

## Care New England Health System and Affiliates

### Notes to Consolidated Financial Statements

#### September 30, 2015 and 2014

---

- TPC and its affiliates, Grandview Realty Corporation ("Grandview Realty"), Grandview Second Corporation ("Grandview Second"), Nashua Street Corporation ("Nashua"), Wilson Street Apartments, Inc. ("Wilson"), Standard Realty, Inc. ("Standard"), TPC Social Ventures, Inc. ("TPC Social"), and Continuum Behavioral Health, Inc. ("Continuum").

Intercompany accounts have been eliminated in consolidation.

#### **Mission and Nature of Business**

Care New England is dedicated to building an exemplary health care system. Care New England oversees the four Hospitals, the Agency, the Center and other affiliated organizations.

The mission of Butler Hospital is to provide treatment of psychiatric illness in an atmosphere of dignity and respect, and to contribute to knowledge through education and research, while continuously improving the ways Butler serves its patients and the community. Butler is a 117-bed, not-for-profit psychiatric teaching hospital, affiliated with The Warren Alpert Medical School of Brown University, providing services for the care of patients from Rhode Island and nearby Massachusetts. As a complement to its role in service and education, Butler actively supports research by members of its staff. Butler is accredited by The Joint Commission ("TJC").

The mission of Kent County Memorial Hospital is to continually improve the health and well-being of the people and communities it serves, offering its essential services without regard for the ability to pay. Kent is a 359-bed, not-for-profit general hospital providing a full range of services for the acute care of patients principally from Kent County, Rhode Island. Kent is affiliated with, and provides clinical training to, the students of the University of New England College of Osteopathic Medicine, and currently operates American Osteopathic Association approved residency programs in emergency medicine, family practice, internal medicine, and a fellowship program in hyperbaric medicine. Kent is accredited by TJC and the Commission on Accreditation of Rehabilitation Facilities. Toll Gate, a wholly owned subsidiary of Kent insures primary and excess hospital professional and general liability risks for the Hospital and its employees on an occurrence basis, as well as primary professional and general liability risks for the VNA and the Care New England Health System. Toll Gate insures the Hospital's contractual liability (pursuant to certain Indemnification Agreements) arising from employed physicians' professional liability on both a claims-made and occurrence basis. Toll Gate also insures the Hospital's contractual liability (pursuant to certain Indemnification Agreements) arising from community physicians' professional liability on both a claims-made and occurrence basis.

The mission of Women & Infants Corporation is to support Women & Infants Hospital of Rhode Island and all other affiliated organizations. The mission of Women & Infants Hospital of Rhode Island is to improve the health and well-being of women and infants, and to provide essential services regardless of ability to pay. WIH is a 247-bed, not-for-profit regional center for women and infants' care in Rhode Island and southern New England. Among other university affiliations, Women & Infants is the primary teaching affiliate of the Warren Alpert Medical School of Brown University in obstetrics, gynecology and newborn pediatrics along with related sub-specialty and internal medicine services. As a complement to its role in service and education, WIH actively supports research by members of its staff. WIH is accredited by TJC. W&I Indemnity is a wholly owned subsidiary of WIH. W&I Indemnity insures primary and excess hospital professional liability risks for the Hospital and its employees on an occurrence basis, and excess hospital professional liability risks for Butler. W&I Indemnity insures the Hospital's contractual liability (pursuant to certain Indemnification Agreements) arising from employed physicians' and residents' medical malpractice liability on an occurrence basis. W&I Indemnity also insures the Hospital's contractual

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

---

liability (pursuant to certain Indemnification Agreements) arising from community physicians' medical malpractice liability on both a claims-made and occurrence basis.

The mission of Kent County Visiting Nurse Association is to provide and administer a comprehensive, multidisciplinary, therapeutic, hospice, and public health nursing program. The Agency is a not-for-profit corporation, providing home care services to the residents of Rhode Island and nearby Massachusetts. Healthtouch, Inc. is a not-for-profit corporation providing private duty nursing and personal care services, primarily to residents of Rhode Island.

The mission of Memorial Hospital is primary care and preventive medicine providing advanced diagnosis and treatment with a focus on teaching and research. Memorial is a 294-bed, acute care, not-for-profit community teaching and research hospital located in Pawtucket, RI, and is affiliated with Warren Alpert School of Medicine at Brown University. PCCNE provides staffing to Memorial. BHI receives and administers certain grant funds, and provides services to elderly and disabled residents in the local area.

Integra, a partnership of CNE and its employed physicians, participating affiliated independent community physicians, Rhode Island Primary Care Physician Corporation and South County Health System, is a certified Medicare Accountable Care Organization which has been operational since 2014.

The Providence Center, Inc. is the largest mental health center in Rhode Island, providing a continuum of counseling and supportive services to meet community mental health and substance use disorder needs since 1969. These services include, but are not limited to, preschool intervention for children with serious emotional disorders; treatment for the elderly; residential treatment for the chronically mentally ill and/or substance addicted; brief outpatient counseling for children and adults; and, treatment to individuals involved in the justice system. The following corporations - Grandview Realty, Grandview Second, Nashua, and Wilson own and operate rental apartments for individuals with mental illness. TPC Social provides Center clients with on-the-job training opportunities in supported employment environments. Continuum provides therapy and psychiatry services to youth and adults.

The change in control of The Center was accounted for under the acquisition method. The consolidated statement of operations for the year ended September 30, 2015 reflects the activity of The Center from the date of acquisition to year end. No consideration was exchanged for the acquisition.

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

The fair value of assets acquired, liabilities assumed and net assets of The Center at January 1, 2015 were as follows:

	January 1, 2015
Cash and cash equivalents	\$ 338,454
Patient accounts receivable, net	5,370,275
Other receivables	992,811
Assets whose use is limited or restricted as to use	980,080
Inventory	20,092
Prepaid expenses	620,165
Other assets	375,437
Property, plant and equipment, net	16,733,779
Intangibles	1,090,000
Goodwill	143,611
Total assets	<u>\$ 26,664,704</u>
Accounts payable and accrued expenses	\$ 2,664,931
Long-term debt and capital leases	6,368,968
Other liabilities	295,926
Total liabilities	<u>9,329,825</u>
Unrestricted	13,439,012
Temporarily restricted	3,795,867
Permanently restricted	100,000
Total net assets	<u>17,334,879</u>
Total liabilities and net assets	<u>\$ 26,664,704</u>

Intangible assets of \$1,090,000 at September 30, 2015 are included in the consolidated balance sheets. Of this balance, \$1,080,000 is attributable to trade name valuation with an indefinite useful life and \$10,000 is attributable to below market leases with a useful life of one year.

A summary of the financial results of The Center included in the consolidated statement of operations for the period January 1, 2015 through September 30, 2015 are as follows:

Total revenues and gains	\$ 34,851,139
Total operating expenses	<u>35,411,592</u>
Loss from operations	(560,453)
Net nonoperating gains	<u>148,591</u>
Excess of expenses and losses over revenues and gains	(411,862)
Net assets released from restrictions used for purchase of property, plant and equipment	49,299
Transfers	<u>500,000</u>
Increase in unrestricted net assets	<u>\$ 137,437</u>

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

The changes in net assets of The Center included in the consolidated statement of changes in net assets for the period January 1, 2015 through September 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, January 1, 2015	\$ 13,439,012	\$ 3,795,867	\$ 100,000	\$ 17,334,879
Deficiency of revenues over expenses	(411,862)	-	-	(411,862)
Net assets released from restrictions used for purchase of property, plant and equipment	49,299	-	-	49,299
Transfers	500,000	-	-	500,000
Contributions	-	312,231	-	312,231
Income from investments	-	3,139	-	3,139
Net realized and unrealized gains from investments	-	2,416	-	2,416
Net assets released from restrictions	-	(318,852)	-	(318,852)
Increase (decrease) in net assets	137,437	(1,066)	-	136,371
Net assets, September 30, 2015	\$ 13,576,449	\$ 3,794,801	\$ 100,000	\$ 17,471,250

A summary of the unaudited pro forma financial results of CNE and The Center for the year ended September 30, 2015 as if the acquisition had occurred on October 1, 2014 are as follows:

	2015 (Unaudited)		
	CNE	The Center	Total
Total revenues and gains	\$ 1,090,239,252	\$ 45,400,571	\$ 1,135,639,823
Total operating expenses	1,104,903,559	46,639,316	1,151,542,875
Loss from operations	(14,664,307)	(1,238,745)	(15,903,052)
Other (losses)/gains	(26,198,154)	334,476	(25,863,678)
Deficiency of revenue over expenses	(40,862,461)	(904,269)	(41,766,730)
Other changes in unrestricted net assets	(41,103,132)	582,556	(40,520,576)
Total decrease in unrestricted net assets	\$ (81,965,593)	\$ (321,713)	\$ (82,287,306)

**2. Significant Accounting Policies**

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America ("GAAP") and in accordance with the reporting principles of not-for-profit accounting as defined by Not-for-Profit Entities and the American Institute of Certified Public Accountants ("AICPA") Audit and Accounting Guide for Health Care Organizations.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates are made in the areas of patient accounts receivable, accruals for settlements with third-party payors, incurred but not reported liabilities for medical, workers' compensation, and medical malpractice insurance, and other accrued expenses. Actual results could differ from those estimates.

## Care New England Health System and Affiliates

### Notes to Consolidated Financial Statements

#### September 30, 2015 and 2014

---

#### Cash and Cash Equivalents

Care New England considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, excluding amounts whose use is limited by the Boards of Trustees (the "Boards") designation or other arrangements under trust agreements. \$12,140,631 and \$7,974,292 at September 30, 2015 and 2014, respectively, of cash received with donor-imposed restrictions, that is available for current use, is included in cash and cash equivalents.

#### Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, other-than-temporary impairments in the value of securities, interest, and dividends) is included in the excess of revenues and gains over expenses unless the income or loss is restricted by donor or law.

Butler, Kent, WIH, SHS and the Agency follow the practice of pooling resources of unrestricted and restricted assets for long-term investment purposes. The investment pool is operated on the market value method whereby each participating fund is assigned a number of units based on the percentage of the pool it owns at the time of entry. Income, gains, and losses of the pool are allocated to the funds based on their respective participation in the pool.

Alternative investments (nontraditional, not readily marketable holdings) include limited partnership interests, private equity funds, commingled funds, and hedge funds. Alternative investments generally are structured such that the Health System holds an interest in the respective fund. The Health System's ownership structure does not provide for control over the related investees, and the Health System's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitment. There was an outstanding unfunded commitment for alternative investments of \$10,709,793 at September 30, 2015.

Individual investment holdings within the alternative investments include nonmarketable and market-traded debt and equity securities, and interests in other alternative investments. The Health System may be exposed indirectly to securities lending, short sales of securities, and trading in futures and forward contracts, options, private equity holdings, and other derivative products. Alternative investments often have liquidity restrictions under which the Health System's capital may be divested only at specified times. Liquidity restrictions may apply to all or portions of a particular invested amount.

Financial information used by the Health System to evaluate its alternative investments is provided by the investment manager or general partner, and includes fair value valuations (quoted market prices and values determined through other means) of underlying securities and other financial instruments held by the investee, and estimates that require varying degrees of judgment. The financial statements of the investee companies are audited annually by independent auditors, although the timing for reporting the results of such audits does not always coincide with the Health System's annual financial statement reporting.

There is uncertainty in the valuation for alternative investments arising from factors such as lack of active markets (primary and secondary), lack of transparency into underlying holdings, and time lags associated with reporting by investee companies. As a result, there is at least a reasonable possibility that estimates will change in the near term.



## Care New England Health System and Affiliates

### Notes to Consolidated Financial Statements

#### September 30, 2015 and 2014

---

Income and realized net gains (losses) on investments of endowments and specific purpose funds are reported as follows:

- Increases (decreases) in permanently restricted net assets if the terms of the gift require that they be added to the principal of permanently restricted net assets;
- Increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income or the income has not yet been appropriated; or
- Increases (decreases) in the unrestricted net assets in all other cases.

At September 30, 2015, \$1,621,564 of funds received with donor-imposed restrictions, that is available for current use, is included in investments.

#### **Assets Limited as to Use**

Assets limited as to use primarily include endowment funds, assets held by trustees under indenture agreements and insurance programs, deferred compensation arrangements, a representative payee account maintained by the Center for clients receiving social security income, and designated assets set aside by one or more of the Boards, over which the Boards retain control and may, at their discretion, subsequently use for other purposes. Amounts required to meet current obligations have been reclassified to current assets.

#### **Inventories**

Inventories of drugs and supplies are stated at the lower of cost (first-in, first-out) or market. Inventories of \$8,945,236 and \$7,921,695 at September 30, 2015 and 2014, respectively, are included in other current assets in the consolidated balance sheets.

#### **Property and Equipment**

Property and equipment acquisitions are recorded at cost. Donated property and equipment is recorded at fair value at the date of receipt. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Depreciation is recorded using the straight-line method based on the estimated useful life of each class of depreciable asset, as recommended by the American Hospital Association as follows:

Buildings and improvements	5 – 40 Years
Fixed and moveable equipment	3 – 20 Years

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as unrestricted support, and are excluded from the excess of revenues over expenses unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Assets recorded under capital leases are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the asset. Such amortization is included with depreciation and amortization expense in the consolidated statements of operations.

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

---

Upon retirement or sale of assets, the cost of assets disposed of and the related accumulated depreciation are eliminated and the related gains or losses are recognized in other revenue in the consolidated statements of operations.

Care New England evaluates the potential impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying value of a group of assets may not be recoverable.

**Pledges**

Pledges, less an allowance for uncollectible amounts, are recorded as receivables in the year made. Pledges receivable over a period greater than one year are stated at net present value. Pledges are recorded as additions to the appropriate net asset classification.

**Deferred Financing Costs**

Expenses related to issuance of bonds are deferred and amortized on a straight-line basis over the period during which the bonds are expected to be outstanding.

**Self-Insurance Reserves**

The reserves for self-insured programs are estimated based on actuarial studies and the Hospitals' and industry experience. The reserves include estimates of the ultimate cost for both reported claims and claims incurred but not yet reported. The Hospitals have established separate indemnification companies and trust funds for payment of certain self-insured claims including medical malpractice.

CNE, Butler, Kent, WIC, Memorial, and the Agency is self-insured for losses arising from workers' compensation claims. Loss reserves are estimated based on actuarial studies, and the Health System's and industry experience. The Center purchases a commercial insurance policy annually to insure workers' compensation risks.

For the employees of CNE, Butler, Kent, WIC, and the Agency, Care New England is self-insured for losses arising from health insurance claims. This program covers the health insurance claims for all CNE's, Butler's, Kent's, WIC's, and the Agency's employees, with the exception of the unionized employees at WIH. Self-insured losses for both reported claims and claims incurred but not yet reported are estimated based on actuarial studies and the Health System's actual experience.

The Center has entered into a self-insurance program for health insurance risks. This program covers health insurance claims for substantially all of the Center's full-time employees. The Center limits its losses through the use of stop-loss policies from re-insurers. The provisions for health insurance losses are based on actuarial assumptions and actual claims experience.

**Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

## **Care New England Health System and Affiliates**

### **Notes to Consolidated Financial Statements**

#### **September 30, 2015 and 2014**

---

#### **Excess of Revenues Over Expenses**

The consolidated statements of operations and changes in net assets include excess of revenues and gains over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues and gains over expenses, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and changes in the pension and postretirement liability.

#### **Net Patient Service Revenue**

The Hospitals, the Agency, and the Center have individual agreements with many third-party payors that provide payments at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, per-diem, and fee for service payments.

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, and includes estimated retroactive revenue adjustments due to such things as future audits and reviews. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known, or as years are no longer subject to such adjustments.

#### **Research Revenue**

Research revenue includes revenue from federal, state, institutional and other sources for the purposes of funding research activities.

#### **Other Revenue**

Other revenue includes underwriting income, rental income, cafeteria sales, laboratory services provided to nonpatients, sales of home medical equipment, vendor rebates and discounts, various services provided to physicians and other organizations, federal grants including housing subsidies, and gains or losses upon the retirement or sale of assets.

#### **Charity Care**

The Health System provides care to patients who meet certain criteria under their charity care policies without charge or at amounts less than established rates. Because the Health System does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient revenue.

#### **Contributions and Donor-Restricted Gifts**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date when the condition is satisfied. Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

Unrestricted contributions are reported net of direct fundraising expenses in the consolidated statements of operations.

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

---

**Income Tax Status**

Care New England, Butler, Kent, WIH, the Agency, Women & Infants Faculty Physicians, Inc., Women & Infants Corporation, Women & Infants Development Foundation, Butler Hospital Foundation, Kent Hospital Foundation, The Memorial Hospital Foundation, SHS, Memorial, Ventures, BHI, the Center, Grandview Realty, Grandview Second, Nashua, Wilson, Standard, and TPC Social are not-for-profit corporations, and have been recognized as tax exempt on related income pursuant to Section 501(c)(3) of the Internal Revenue Code (the Code). Those organizations are, therefore, exempt from federal taxes on related income pursuant to Section 501(a) of the Code. W&I Indemnity, Ltd. and Toll Gate Indemnity, Ltd. are foreign corporations with no material tax liability. PCCNE and Continuum are organized as a for-profit corporation and are, therefore, subject to tax. The provision for income taxes on the earnings of PCCNE and Continuum is immaterial to the consolidated financial statements. Other affiliates are single-member limited liability companies which are treated as part of their sole member for tax purposes.

**Recently Adopted Accounting Standards**

On October 1, 2014, the Health System early adopted new guidance about Fair Value Measurement and Disclosures for Investments in certain entities that calculate net asset value per share (or its equivalent). This guidance requires the Health System to show investments that use net asset value ("NAV") as a practical expedient for valuation purposes, separately from other investments categorized in the fair value hierarchy described in Note 22. This disclosure change, which was applied retrospectively, can be seen in the investment leveling table shown in Note 22 for both years 2015 and 2014.

**3. Uncompensated Care and Community Services**

The Health System maintains records to identify and monitor the level of charity care and community services it provides, including the amount of charges forgone for services and the estimated cost incurred to provide those services. The revenues forgone and estimated costs and expenses incurred to provide charity care for the years ended September 30 are as follows:

	<b>2015</b>	<b>2014</b>
Revenues forgone, based on established rates	\$ 18,406,964	\$ 43,939,667
Expenses and costs incurred	8,174,692	17,435,479

Of the Health System's total expenses reported (\$1,139,725,241 and \$1,058,995,303 in 2015 and 2014, respectively), an estimated \$8,174,692 and \$17,435,479 arose during 2015 and 2014, respectively, from providing services to charity patients. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to patients who qualify for charity care. The ratio of cost to charges is calculated based on total expenses (less bad debt expense) divided by gross patient service revenue. The Health System did not receive significant contributions that were restricted for the care of indigent patients during 2015 and 2014.

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

---

In addition to the above-mentioned medical care rendered, the Health System provides numerous other services free of charge to the community. These services include such things as transporting patients to the healthcare facilities, interpretation of medical information to various languages, volunteer services to other not-for-profit agencies, emergency and disaster relief services, various health, educational, research and teaching programs, healthcare screening services, therapeutic patient services, and provision of direct services to patients with multiple psychosocial needs.

	2015	2014
Approximated revenues forgone, or cost of the services provided to the community	\$ 42,548,113	\$ 38,695,710

The Health System also provides services to other indigent patients under the Medicaid/Rite Care Program, which reimburses healthcare providers at amounts which are less than the cost of services provided to the recipients.

In addition to the cost of charity care and other community service programs, the Health System provided \$38,680,643 and \$40,068,967 for uncollectible patient accounts during the years ended September 30, 2015 and 2014, respectively.

**4. Allowance for Doubtful Accounts**

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Health System analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Health System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Health System records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay a portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Health System's allowance for doubtful accounts for self-pay patients increased from 22.3% of net accounts receivable at September 30, 2014, to 23.2% of net accounts receivable at September 30, 2015. The Health System's self-pay charity and bad debt write-offs decreased \$32,252,544 from fiscal year 2014 to \$57,087,607 for fiscal year 2015. The decrease in write-offs was the result of expanded coverage under the Affordable Care Act. The Health System has not changed its charity care or uninsured discount policies during fiscal years 2014 or 2015.

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

**5. Pledges Receivable**

Unconditional promises to give are recorded at present value as current and long-term assets based on expected time of collection. Future expected collections of these pledges as of September 30 are as follows:

	2015	2014
Within one year	\$ 1,178,878	\$ 1,431,665
One to five years	1,042,718	1,326,773
Beyond five years	-	-
	<u>2,221,596</u>	<u>2,758,438</u>
Less: Allowance for uncollectibles	<u>(269,087)</u>	<u>(156,915)</u>
Pledges receivable, net	<u>\$ 1,952,509</u>	<u>\$ 2,601,523</u>

**6. Summary of Investments**

Investments at September 30 are summarized as follows:

	2015	2014
Securities		
Cash and cash equivalents	\$ 42,190,026	\$ 60,711,202
Fixed income securities	8,363,498	52,595,450
Equity securities	35,073,871	57,705,216
Mutual funds	89,710,371	80,702,985
Alternative investments	141,327,768	94,235,702
Assets held under split - interest agreements	17,679,265	19,165,203
Cash surrender value of life insurance	<u>29,470,657</u>	<u>29,674,392</u>
	<u>\$ 363,815,456</u>	<u>\$ 394,790,150</u>

The cash surrender value of life insurance is included in Board-designated funds.

Unrestricted investment return for the years ended September 30 consisted of the following:

	2015	2014
Interest and dividend income	\$ 3,208,235	\$ 2,762,026
Net realized gains on sales of investments	21,660,093	9,768,920
Net change in unrealized (losses) gains	<u>(32,287,448)</u>	<u>1,232,951</u>
	<u>\$ (7,419,120)</u>	<u>\$ 13,763,897</u>
Included in operating revenue	\$ 17,790,747	\$ 9,707,956
Included in nonoperating revenue	<u>(25,209,867)</u>	<u>4,055,941</u>
	<u>\$ (7,419,120)</u>	<u>\$ 13,763,897</u>

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

---

Care New England, Butler, Kent, Memorial, WIC, Integra, and the Agency routinely invest their surplus operating funds in various overnight repurchase agreements, money market funds, and fixed income U.S. agency bonds, which are classified as cash and cash equivalents.

**7. Property, Plant and Equipment**

A summary of property, plant and equipment at September 30 follows:

	2015	2014
Land and land improvements	\$ 17,934,854	\$ 17,603,479
Buildings and improvements	438,827,178	412,526,302
Moveable equipment	<u>297,800,488</u>	<u>285,700,896</u>
Total property, plant and equipment	754,562,520	715,830,677
Less: Accumulated depreciation and amortization	<u>(449,859,247)</u>	<u>(423,591,539)</u>
	304,703,273	292,239,138
Construction and projects in progress	<u>9,165,220</u>	<u>19,747,371</u>
Property, plant and equipment, net	<u>\$ 313,868,493</u>	<u>\$ 311,986,509</u>

Depreciation expense of property, plant and equipment amounted to \$36,388,346 and \$34,330,419 for the years ended September 30, 2015 and 2014, respectively.

Care New England had property, plant and equipment disposals of \$9,052,058 and \$678,461 with accumulated depreciation of \$2,000,136 and \$588,217 for the years ended September 30, 2015 and 2014, respectively.

During April 2015, Kent received a Certificate of Need approval from the Rhode Island Department of Health to provide primary and elective coronary angioplasty. The Certificate of Need also included the construction of a second cardiac catheterization laboratory to support the service. The project will be funded through tax-exempt debt and equity. Total estimated cost of the project is approximately \$4.5 million, including construction and equipment costs. Kent began performing elective angioplasty procedures in July 2015 and expects to perform primary angioplasty procedures in March 2016 upon completion of the second cardiac catheterization laboratory.

During May 2010, Kent received a Certificate of Need approval from the Rhode Island Department of Health to construct and relocate its outpatient surgical suites on one floor of a two-story medical building; built on its campus by a private developer. The Certificate of Need also included lobby renovations, the construction of a connector to the main hospital building, and the construction of a 10-bed short stay nursing unit in the vacated outpatient surgery space. The project was funded through tax-exempt debt and philanthropic donations. Total cost of the project was approximately \$15,800,000. The ambulatory surgical center opened in August 2013 and the remainder of the project was substantially completed in fiscal 2014.

As of September 30, 2015, the Health System estimated the total cost of completion of construction and projects in progress to be approximately \$17,600,000. The funding to complete these projects will come from trustee-held funds, philanthropic donations and operating cash.

WIH leases land for its facility from Rhode Island Hospital ("RIH"), for a nominal annual payment, under a 99-year lease agreement which expires December 31, 2085.

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

Butler owns approximately 110 acres of land, which was purchased with donated funds in the mid-19th century. This land has a book value of one dollar.

In the late 1940s, Kent acquired 57 acres of land, which is recorded at the acquisition price of \$90,165.

Conditional asset retirement obligations are recorded at \$1,814,193 and \$1,817,089 as of September 30, 2015 and 2014, respectively. These obligations are recorded in other noncurrent liabilities in the consolidated balance sheets. There are no assets that are legally restricted for purposes of settling asset retirement obligations. During 2015 and 2014, there were no significant retirement obligations incurred or settled. Accretion expense of \$117,767 and \$74,515 was recorded during the years ended September 30, 2015 and 2014, respectively.

**8. Long-Term Debt and Capital Leases**

A summary of long-term debt at September 30 is as follows:

	2015	2014
Variable rate \$42,810,000 RIHEBC 2014 Series A Bonds, final maturity in 2043	\$ 42,810,000	\$ 42,810,000
Fixed rate \$87,385,000 RIHEBC 2013 Series A Bonds, final maturity in 2033	82,217,526	84,288,761
Fixed rate \$12,000,000 RIHEBC 2010 Series bonds, final maturity in 2031	10,001,655	10,474,255
Fixed rate \$16,000,000 RIHEBC 2011 Series bonds, final maturity in 2031	13,829,138	14,149,854
Variable rate \$2,725,000 RIHEBC 2013 Series bonds, final maturity in 2023	2,609,416	-
Term, \$1,400,000 Bank RI note, final maturity in 2023	1,347,975	-
Term, \$216,000 Bank RI note, final maturity in 2024	210,805	-
Term, \$536,000 Washington Trust mortgage note, final maturity in 2016	383,446	-
Term, \$480,000 Washington Trust mortgage note, final maturity in 2016	342,471	-
Term, \$445,400 U.S. Dept of Housing and Urban Development (HUD) mortgage note, final maturity in 2023	239,939	-
Term, \$200,000 Bank RI note, final maturity in 2019	159,818	-
Various vehicle loans payable, final maturity date in 2019	181,552	-
Term, \$3,750,000 Bank of America mortgage note, final maturity in 2015	-	2,031,251
Term, \$4,000,000 Time Insurance Company mortgage note, final maturity in 2027	3,264,858	3,375,456
Capital lease obligations	<u>6,780,801</u>	<u>7,881,459</u>
Total long-term debt and capital lease obligations	164,379,400	165,011,036
Less: Current portion of long-term debt and capital lease obligations	<u>9,631,866</u>	<u>7,254,395</u>
Long-term debt and capital lease obligations, excluding current portion	<u>\$ 154,747,534</u>	<u>\$ 157,756,641</u>



**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

---

**Rhode Island Health and Educational Building Corporation (RIHEBC) Bonds**

In 2014, the Health System issued RIHEBC 2013 Series A fixed rate bonds of \$87,385,000. The bonds have mandatory sinking fund redemptions ranging from \$2,915,000 in 2019 to \$8,230,000 in 2033. Unspent bond proceeds of \$4,232,056 are included in the trustee-held funds in the consolidated balance sheet at September 30, 2015. The Health System is required to comply with certain debt covenants under the bond agreements, including a minimum debt service coverage ratio of 1.2 to 1 and days cash on hand of 45. The Health System has been, and remains, compliant with these terms.

The proceeds from the CNE 2013 Series A Bonds were used to (i) refund the outstanding CNE 2008 Series A Bonds, and (ii) refund the outstanding Memorial 2003 Series bonds and accrued interest, and (iii) establish a debt service reserve fund, and (iv) terminate the interest rate swap agreement with Deutsche Bank, and (v) fund a portion of routine capital expenditures/improvements, and (vi) pay certain expenses related to the issuance of the 2013 Series A Bonds.

The CNE 2008 Series A Bonds were defeased by depositing a portion of the proceeds of the CNE 2013 Series A bond proceeds and money contributed by the Obligated Group members, Butler, Kent, WIC, WIH, and Memorial in an account held by the trustee for the CNE 2008 Series A Bonds to provide funds as and when necessary to pay the principal and interest on the CNE 2008 Series A Bonds. The CNE 2008 Series A Bonds were redeemed in full on January 2, 2014.

In 2014, the Health System issued RIHEBC 2014 Series A variable rate bonds of \$42,810,000. The bonds have mandatory sinking fund redemptions ranging from \$20,000 in 2029 to \$5,150,000 in 2033 with final payment of \$3,350,000 in 2042. The Health System is required to comply with certain debt covenants under the bond agreements, including a minimum debt service coverage ratio of 1.2 to 1 and days cash on hand of 45. The Health System has been, and remains, compliant with these terms.

The proceeds from the CNE 2014 Series A Bonds were used to (i) refund the outstanding CNE 2008 Series B Bonds, and (ii) terminate the interest rate swap agreement with Morgan Stanley, (iii) fund a portion of routine capital expenditures/improvements, and (iv) pay certain expenses related to the issuance of the 2014 Series A Bonds.

The 2008 Series B Bonds were defeased by depositing the proceeds of the CNE Series 2014 bonds in an account held by the Trustee to provide funds as and when necessary to pay the principal and interest of the CNE 2008 Series B bonds. The CNE 2008 Series B Bonds were redeemed in full on June 2, 2014.

In 2010, the Health System issued RIHEBC 2010 Series fixed rate bonds of \$12,000,000. The bonds have mandatory sinking fund redemptions ranging from \$490,006 in 2016 to \$813,065 in 2030, with a final payment of \$417,695 in 2031. These bonds were issued as Direct Purchase Tax Exempt Bank qualified bonds. The bonds bear a fixed interest rate of 3.65% through December, 2017 with 3 year optional tenders through December, 2030. The bonds bear interest on a per annum basis with semi-annual payments based on a 20 year amortization. The proceeds from the bonds were used by Kent to finance (i) the renovation, equipping and furnishing of existing hospital space to house a ten (10) bed short stay unit; (ii) the construction, equipping and furnishing of a 30,000 square foot ambulatory surgical center with a connection to Kent's existing hospital building

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

---

and (iii) cost of issuance. CNE, Butler, Kent, WIC and WIH are jointly and severable liable for repayment. The Health System is required to comply with certain debt covenants under the bond agreements, including a minimum debt service coverage ratio of 1.25 to 1 and a liquidity ratio of 1 to 1. The Health System has been, and remains, compliant with these terms.

In 2011, the Health System issued RIHEBC 2011 Series fixed rate bonds of \$16,000,000. The bonds have mandatory sinking fund redemptions ranging from \$997,117 in 2016 to \$1,044,574 in 2031. These bonds were issued as unrated private placement tax exempt bonds. The bonds bear a fixed interest rate of 2.99% through July 31, 2018. The bonds bear interest on a per annum basis with semi-annual payments based on a 20 year amortization. The proceeds from the bonds were used to finance (i) the construction, equipping and furnishing of a 32,000 square foot addition of Butler's existing hospital facility; (ii) refinancing of the Bank of Rhode Island mortgage held by WIC; (iii) refinancing of certain capital leases; (iv) purchase of capital equipment; (v) capitalized interest and (vi) cost of issuance. CNE, Butler, Kent, WIC and WIH are jointly and severable liable for repayment. The Health System is required to comply with certain debt covenants under the bond agreements, including a minimum debt service coverage ratio of 1.25 to 1 and a liquidity ratio of 1 to 1. The Health System has been, and remains, compliant with these terms.

In 2012, the Center issued RIHEBC 2012 Series variable rate bonds of \$2,600,000. The proceeds from the bonds were used to finance (i) the renovation of a 72,000 square foot office building located in Providence, Rhode Island and (ii) cost of issuance. In 2013, the RIHEBC 2012 Series bonds were refinanced in the aggregate amount of \$2,725,000 in variable rate bonds. These bonds, RIHEBC 2013 Series, were issued as direct placement tax-exempt bonds. The bonds bear interest at the Federal Home Loan Bank Amortizing rate (twenty years), plus 2.00% discounted to 65% of the all in rate. Interest and principal installments of \$13,052 on November 1, 2013 to September 1, 2023 are due monthly, with a final balloon payment of \$2,025,934 due on October 1, 2023. The Center is required to comply with certain debt covenants under the bond agreements, including a minimum debt service coverage ratio of 1.15 to 1 and a liquidity ratio of 1.5 to 1. The Center has been, and remains, compliant with these terms.

**Bank Mortgage Notes**

In 2005, the Health System entered into a \$3,750,000 mortgage note with Bank of America due August 2005 through July 2015. Interest and principal installments of \$33,837 on August 1, 2005 to \$24,883 on June 1, 2015 were due monthly, with a final balloon payment of \$1,890,885 made August 2015, at a fixed interest rate of 5.64%.

In 2007, the Health System entered into a \$4,000,000 mortgage note with Time Insurance Company due October 2007 through September 2027. Interest and principal installments of \$25,261 are due monthly, with a final payment of \$1,338,527 due September 2027, at a fixed interest rate of 5.79%. The note is collateralized by the real estate purchased.

In 2013, the Center entered into a \$1,400,000 mortgage note with Bank RI due October 1, 2013 through October 1, 2023. Interest and principal installments of \$8,614 are due monthly, at a fixed interest rate of 5.52%. The note is collateralized by the real estate.

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

---

Scheduled principal repayments on long-term debt are as follows for the years ended September 30:

2016	\$ 7,356,719
2017	6,428,957
2018	6,540,687
2019	5,703,288
2020	5,682,314
Thereafter	<u>124,769,108</u>
	156,481,073
Plus unamortized premium on bonds	<u>1,117,526</u>
	<u>\$ 157,598,599</u>

Care New England had available \$15,000,000 from December 29, 2011 through September 30, 2015 through a line of credit with a financial institution. There were no outstanding balances on the line of credit as of September 30, 2015 and 2014.

The Center had available \$2,500,000 from October 1, 2013 through September 30, 2015 through a line of credit with a financial institution. There were no outstanding balances on the line of credit as of September 30, 2015.

The Hospitals and the Center classify certain noncancelable leases as capital leases, and include the property under lease in their property and equipment. Amortization expense for these assets is included in depreciation and amortization expenses in the consolidated statements of operations and changes in net assets. Ownership of the leased property converts to the Hospitals or the Center, respectively, at the end of the lease term. Assets and related accumulated depreciation under the capital leases are included in property, plant and equipment (Note 7).

Future minimum lease payments due under capital lease arrangements are as follows:

2016	\$ 2,356,808
2017	1,586,986
2018	1,570,942
2019	<u>1,542,047</u>
Total minimum lease payments	7,056,783
Less: Amount representing interest	<u>275,982</u>
Capital lease obligations at September 30, 2015	<u>\$ 6,780,801</u>

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

**9. Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes or periods at September 30:

	2015	2014
Healthcare services	\$ 5,908,916	\$ 5,162,436
Healthcare research	1,702,960	3,255,103
General purposes	8,137,291	9,799,743
Indigent care	4,843,451	3,250,994
Health education	3,281,915	2,493,238
Plant replacement and expansion	12,125,260	5,474,107
Other	4,884,456	8,420,663
Total temporarily restricted net assets	<u>\$ 40,884,249</u>	<u>\$ 37,856,284</u>

Permanently restricted net assets at September 30 are restricted investments to be held in perpetuity.

	2015	2014
Plant replacement and expansion	\$ 17,679,257	\$ 19,133,350
Indigent care	1,311,835	1,311,835
General purposes	4,019,732	4,019,732
Research	1,273,435	577,748
Healthcare services	2,042,372	4,362,102
Health education	1,054,150	1,051,006
Other	2,651,358	-
Total permanently restricted net assets	<u>\$ 30,032,139</u>	<u>\$ 30,455,773</u>

The Health System follows the requirements of the Rhode Island enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 as they relate to its permanently restricted endowments. The Health System's endowments consist of numerous individual funds established for a variety of purposes. Its endowments consist solely of donor-restricted endowment funds. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Health System classifies restricted donor funds in accordance with the laws of the State of Rhode Island and generally accepted accounting principles. The Health System classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure. The Health System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the Health System and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

total return from income and the appreciation of investments, and (6) the investment policies of the Health System.

For the year ended September 30, 2015, the Health System had the following changes in the endowment net assets:

	Temporarily Restricted	Permanently Restricted	Total
<b>Endowment net assets at beginning of year</b>	\$ 24,028,457	\$ 11,322,423	\$ 35,350,880
Acquired endowment net assets	31,070	100,000	131,070
Investment return			
Investment income	523,128	-	523,128
Net appreciation (realized and unrealized)	<u>(2,526,838)</u>	<u>-</u>	<u>(2,526,838)</u>
Total investment return	(2,003,710)	-	(2,003,710)
Contributions	68,786	31,837	100,623
Transfer to permanently restricted net assets	-	896,626	896,626
Appropriation of endowment assets for expenditure	<u>(1,263,251)</u>	<u>-</u>	<u>(1,263,251)</u>
<b>Endowment net assets at end of year</b>	<u>\$ 20,861,352</u>	<u>\$ 12,350,886</u>	<u>\$ 33,212,238</u>

For the year ended September 30, 2014, the Health System had the following changes in the endowment net assets:

	Temporarily Restricted	Permanently Restricted	Total
<b>Endowment net assets at beginning of year</b>	\$ 22,741,119	\$ 11,289,604	\$ 34,030,723
Investment return			
Investment income	139,119	-	139,119
Net appreciation (realized and unrealized)	<u>1,729,730</u>	<u>-</u>	<u>1,729,730</u>
Total investment return	1,868,849	-	1,868,849
Contributions	-	15,048	15,048
Transfer to unrestricted net assets	(47,728)	-	(47,728)
Transfer to permanently restricted net assets	-	17,771	17,771
Appropriation of endowment assets for expenditure	<u>(533,783)</u>	<u>-</u>	<u>(533,783)</u>
<b>Endowment net assets at end of year</b>	<u>\$ 24,028,457</u>	<u>\$ 11,322,423</u>	<u>\$ 35,350,880</u>

In addition to permanently restricted endowments, Kent and Memorial are income beneficiaries of various trusts. On September 30, 2015 and 2014, the market value of the trust assets, which are recorded as permanently restricted net assets, totaled \$17,679,265 and \$19,133,350, respectively. Distributions of income are made at the discretion of the trustees.

It is the policy of the Health System that any appropriations from the appreciation in endowment funds are periodically requested of and approved by the Board of Trustees.

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

---

The Board has responsibility for formulating investment policy. The investment policy is to invest in a conservative asset portfolio with minimal investment risk. Certain funds are included in a consolidated long term investment pool and invested in accordance with the investment strategy, authorized by the Board.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Health System to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets are immaterial as of September 30, 2015 and 2014. These deficiencies resulted from unfavorable market fluctuations. The individual donor-restricted endowment funds with deficiencies will retain future income and appreciation to restore the required fair value of the assets.

During fiscal 2015 and 2014, net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

	2015	2014
Healthcare services	\$ 1,034,448	\$ 1,421,285
Healthcare research	321,977	159,467
Plant replacement and expansion	893,818	10,294,706
Other	1,131,516	1,132,728
Health education	222,318	196,440
Indigent care	230,050	216,362
Total net assets released from restrictions	<u>\$ 3,834,127</u>	<u>\$ 13,420,988</u>

**U.S. Department of Housing and Urban Development**

Wilson received funding from HUD of \$1,152,335 for the renovation of Wilson Street apartments. The agreement states that repayment is not required provided that the property funded remains available only to qualified clients for a period of not less than 40 years, maturing in 2047. If at any time during the restricted use period Wilson is unable to meet the provisions of the agreement, at the option of the funding source, the entire amount of the above noted funding shall become due and payable upon default.

Grandview Second received funding from HUD of \$1,173,200 for the renovation of Grandview Second apartments. The agreement states that repayment is not required provided that the property funded remains available only to qualified clients for a period of not less than 40 years, maturing in 2035. If at any time during the restricted use period Grandview Second is unable to meet the provisions of the agreement, at the option of the funding source, the entire amount of the above noted funding shall become due and payable upon default.

Nashua received funding from HUD of \$834,200 for the renovation of Nashua Street apartments. The agreement states that repayment is not required provided that the property funded remains available only to qualified clients for a period of not less than 40 years, maturing in 2040. If at any time during the restricted use period Nashua is unable to meet the provisions of the agreement, at the option of the funding source, the entire amount of the above noted funding shall become due and payable upon default.

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

---

**State Bond Funds**

Wilson has two agreements with the State of Rhode Island whereby Wilson obtained bond funds in the amount of \$818,738 for the renovation of the Wilson Street apartments. Under the terms of the agreements, if Wilson Street apartments should cease to be utilized as a facility to be rented by qualified clients before 2047 (40 years after the first rental unit to a client or two years from the date of the grant), the State of Rhode Island would be entitled to recover either the amount expended under the agreement or a prorated portion of the fair market value of the building, whichever is greater. Management intends to use the facility for the stated purpose and duration of the agreement.

**10. Retirement Plans**

The Health System has three separate Defined Benefit pension plans. One plan covers the employees of CNE, Butler, Kent and WIC, with the exception of the unionized employees of WIH (who are covered under a multiemployer union plan), and certain WIH-employed physicians. The second plan covers the employees of the Agency, and the third plan covers substantially all of the employees of Memorial.

**Care New England Pension Plan**

The Care New England Pension Plan (the "Plan"), established on October 1, 1998, is a defined benefit cash balance plan that covers all of the employees of CNE, and all of the employees of Butler, Kent and WIC, with the exception of the unionized employees and certain employed physicians at WIH. The benefits for the unionized employees at Butler are computed under a separate formula that was in effect when the Butler plan was a standalone noncontributory defined benefit plan. Butler, Kent and WIC incur and fund their respective pension plan expenses within the guidelines established by the Employee Retirement Income Security Act of 1974.

The Care New England Board of Trustees voted, on September 23, 2010, to freeze the Plan effective December 31, 2010 for all employees with the exception of the Butler unionized employees. Effective December 31, 2010, compensation paid to a participant shall be disregarded for plan purposes, except for purposes related to determining benefits for the unionized employees at Butler. In addition, a participant's cash balance account will only increase annually for interest credit. In connection with the Plan freeze, the Health System enhanced contributions to the Care New England 403(b) Match and Savings Plan.

Included in cumulative changes in unrestricted net assets at September 30, 2015 that has not yet been recognized in net periodic pension cost is an actuarial loss of \$91,994,222. Included in cumulative changes in unrestricted net assets at September 30, 2014 that has not yet been recognized in net periodic pension cost is an actuarial loss of \$67,337,612.

The actuarial loss included as cumulative changes in unrestricted net assets and expected to be recognized in net periodic pension cost during the fiscal year ended September 30, 2016 is \$2,038,064.

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

Net periodic pension cost includes the following components at September 30:

	2015	2014
Service cost	\$ 2,514,262	\$ 2,068,226
Interest cost	9,223,909	9,895,828
Expected return on plan assets	(13,236,052)	(13,317,915)
Amortization of loss	1,381,414	1,011,097
Net periodic pension (income)/expense	<u>\$ (116,467)</u>	<u>\$ (342,764)</u>

The assumptions used to determine net periodic benefit cost for the years ended September 30 are as follows:

	2015	2014
Discount rate	4.17 %	4.75 %
Expected return on assets	6.75	7.00
Rate of compensation increase	3.00	3.00

The following table presents a reconciliation of the beginning and ending balances of the plan projected benefit obligations, fair value of plan assets, funded status, and accumulated other comprehensive income (AOCI) of the plan as of September 30:

	2015	2014
<b>Changes in benefit obligations</b>		
Projected benefit obligations at beginning of year	\$ 229,225,651	\$ 215,615,120
Service cost	2,514,262	2,068,226
Interest cost	9,223,909	9,895,828
Actuarial (gain) loss	3,484,951	14,317,282
Benefits and expenses paid	<u>(13,650,049)</u>	<u>(12,670,805)</u>
Projected benefit obligations at end of year	<u>\$ 230,798,724</u>	<u>\$ 229,225,651</u>



**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

<b>Changes in plan assets</b>		
Fair value of plan assets at beginning of year	\$ 201,187,902	\$ 192,848,939
Actual return on plan assets	(9,317,020)	13,009,769
Employer contributions	3,750,000	8,000,000
Benefits and expenses paid	<u>(13,650,049)</u>	<u>(12,670,806)</u>
Fair value of plan assets at end of year	<u>\$ 181,970,833</u>	<u>\$ 201,187,902</u>
<b>Funded status</b>		
Total pension liability	\$ (48,827,891)	\$ (28,037,748)
Accumulated benefit obligation	228,710,517	227,351,007
<b>Amounts recognized in unrestricted net assets</b>		
Unrestricted net assets at beginning of year	\$ 67,337,612	\$ 53,723,281
Less amounts amortized during the year		
Net loss	1,381,414	1,011,097
Plus amounts occurring during the year		
Net loss	<u>26,038,024</u>	<u>14,625,428</u>
Unrestricted net assets at end of year	<u>\$ 91,994,222</u>	<u>\$ 67,337,612</u>

The assumptions used to develop the projected benefit obligation as of September 30 are as follows:

	2015	2014
Discount rate	4.22 %	4.17 %
Rate of compensation increase	3.00 %	3.00 %

**Plan Assets**

The Plan's investment objectives are to achieve long-term growth in excess of inflation, and to provide a rate of return that meets or exceeds the actuarial expected long-term rate of return on plan assets. In order to minimize risk, the Plan attempts to minimize the variability in yearly returns. The Plan diversifies its holdings among sectors, industries, and companies. No more than 6% of the Plan's portfolio (measured on market value) may be held in an individual company's stocks or bonds.

To develop the expected long-term rate of return on plan assets assumption, the Health System considered the historical return and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio.

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

---

The Health System's pension plan asset allocations (based on market value) at September 30, by asset category, are as follows:

<b>Asset category</b>	<b>Target Allocation</b>	<b>Actual 2015</b>	<b>Actual 2014</b>
Alternative investments	16 %	12 %	16 %
Fixed income securities	31	34	31
Equity securities	53	54	53
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

Refer to Note 22 for details on assets held by the Plan.

**Contributions**

The Health System contributed \$3,750,000 and \$8,000,000 to the Plan in 2015 and 2014, respectively. The Health System expects to contribute \$3,750,000 to the Plan in 2016.

**Estimated Future Benefit Payments**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

<b>Fiscal Year</b>	<b>Pension Benefits</b>
2016	\$ 17,272,463
2017	16,181,532
2018	16,856,580
2019	16,400,035
2020	16,934,723
Years 2021-2025	81,327,428

**Care New England 403(b) Match and Savings Plan**

Effective January 1, 2009, the Pension Plan Protection legislation resulted in regulatory changes which discontinued the matching credits to the participants that were previously recorded in the CNE Pension Plan. As a result, CNE established the Care New England 403(b) Plan to account for future matching credits. The plan covers employees that meet certain eligibility requirements. Additionally, effective January 1, 2011, in connection with the freeze of the Care New England Pension Plan, the Health System also provides a nonelective contribution to participant accounts, as defined in the Plan document. Nonelective contributions are allocated to each eligible participant based on a percentage of salary, a combination of the recipients age and years of service, and are credited to each such participant as of the first day of the Plan year, as further described in the Plan document.

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

---

The Health System recorded an expense of \$16,412,827 and \$14,741,274 for the nonelective contribution to participant accounts for the fiscal years that ended September 30, 2015 and 2014, respectively. In addition, the Health System recorded an expense of \$4,470,337 and \$3,660,075 for matching credits for fiscal years ended September 30, 2015 and 2014, respectively. The Health System will fund the 2015 expense in calendar year 2016 and funded the 2014 expense in calendar year 2015.

***Kent County Visiting Nurse Association Pension Plan***

The Agency has a noncontributory defined benefit pension plan covering all employees who have satisfied certain eligibility requirements that was frozen effective December 31, 2007, and replaced with a contributory retirement savings plan. Benefits under the defined benefit plan were based on years of service and employee's compensation levels.

Included in the charge to net assets at September 30, 2015 and 2014 is an unrecognized actuarial loss of \$4,330,178 and \$2,905,785, respectively. The actuarial loss expected to be recognized in net periodic pension cost during the fiscal year ended September 30, 2016 is \$113,541.

The Agency's pension expense was \$182,333 in 2015 and \$150,433 in 2014.

The assumptions used to determine net periodic benefit cost for the years ended September 30 are as follows:

	2015	2014
Discount rate	4.32 %	4.92 %
Expected return on assets	6.50 %	6.50 %
Rate of compensation increase	N/A	N/A

The assumptions used to develop the projected benefit obligation as of September 30 are as follows:

	2015	2014
Discount rate	4.50 %	4.32 %
Rate of compensation increase	N/A	N/A

To develop the expected long-term rate of return on plan assets assumption, the Agency considered the historical return and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio.

Plan assets, valued at fair value, consist of 99% mutual funds and 1% cash and cash equivalents. The fair value of the Plan assets were \$6,322,672 and \$7,045,572 at September 30, 2015 and 2014, respectively.

The funded status of the Agency's defined benefit plan was a total pension liability of \$3,590,301 and \$2,221,403 as of September 30, 2015 and 2014, respectively.

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

The Agency made required contributions to the Plan of \$237,828 and \$231,427 in 2015 and 2014, respectively. The Agency is expected to make \$331,416 in contributions to the Plan during 2016. Benefit payments are expected to be paid as follows:

Fiscal Year	Pension Benefits
2016	\$ 343,465
2017	405,206
2018	508,380
2019	542,538
2020	556,777
Years 2021–2025	3,017,649

Effective January 1, 2008, the Agency established a 403(b) Retirement Savings Plan that covers employees who have met certain eligibility requirements. Discretionary contributions to the plan are based on years of service and compensation levels. For the fiscal years that ended September 30, 2015 and 2014, respectively, the Agency recorded an expense of \$391,850 and \$390,331.

**Memorial Retirement Plan**

As part of the acquisition of SHS, CNE acquired the assets and assumed the liabilities for Memorial's defined benefit pension plan ("the Plan"), which was frozen for non-union participants as of May 31, 2012 and union employees as of June 1, 2013 and was replaced by the Memorial 403(b) Match and Savings Plan. Benefits under the defined benefit plan were based on years of service and employees' compensation during the last five years of covered employment. Memorial makes annual contributions to the Plan, which approximate the amount of net periodic pension cost.

Included in cumulative changes in unrestricted net assets at September 30, 2015 that has not yet been recognized in net periodic pension cost is an actuarial loss of \$28,162,363. Included in cumulative changes in unrestricted net assets at September 30, 2014 that has not yet been recognized in net periodic pension cost is an actuarial loss of \$13,274,745.

The actuarial loss included as cumulative changes in unrestricted net assets and expected to be recognized in net periodic pension cost during the fiscal year ended September 30, 2016 is \$436,006.

Net periodic pension cost includes the following components at September 30:

	2015	2014
Service cost	\$ -	\$ -
Interest cost	6,647,404	6,900,857
Expected return on plan assets	(5,909,928)	(5,715,707)
Amortization of loss	-	-
Net periodic pension expense	<u>\$ 737,476</u>	<u>\$ 1,185,150</u>

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

The assumptions used to determine net periodic benefit cost for the years ended September 30 are as follows:

	2015	2014
Discount rate	4.43 %	5.11 %
Expected rate of return on plan assets	6.00 %	6.00 %
Rate of compensation increase	N/A	N/A

The following tables represent a reconciliation of the beginning and ending balances of the plan projected benefit obligations, fair value of plan assets, funded status, and accumulated other comprehensive income (AOCI) of the plan as of September 30:

	2015	2014
<b>Changes in benefit obligations</b>		
Projected benefit obligations at beginning of year	\$ 153,072,709	\$ 137,879,874
Service cost	-	-
Interest cost	6,647,404	6,900,857
Actuarial (gain) loss	7,449,980	13,223,730
Benefits and expenses paid	<u>(11,764,120)</u>	<u>(4,931,752)</u>
Projected benefit obligations at end of year	<u>\$ 155,405,973</u>	<u>\$ 153,072,709</u>
<b>Changes in plan assets</b>		
Fair value of plan assets at beginning of year	\$ 99,583,256	\$ 95,763,486
Actual return on plan assets	(1,527,710)	5,323,711
Employer contributions	5,250,000	3,427,811
Benefits and expenses paid	<u>(11,423,139)</u>	<u>(4,931,752)</u>
Fair value of plan assets at end of year	<u>\$ 91,882,407</u>	<u>\$ 99,583,256</u>
<b>Funded status</b>		
Total pension liability	\$ (63,523,566)	\$ (53,148,472)
Accumulated benefit obligation	155,405,973	153,072,709
<b>Amounts recognized in unrestricted net assets</b>		
Unrestricted net assets at beginning of year	\$ (13,274,745)	\$ (36,275,726)
Less		
Impact of purchase accounting	-	36,275,726
Less amounts occurring during the year		
Net (gain) loss	<u>(14,887,618)</u>	<u>(13,274,745)</u>
Unrestricted net assets at end of year	<u>\$ (28,162,363)</u>	<u>\$ (13,274,745)</u>

The assumptions used to develop the projected benefit obligations as of September 30, 2015 are as follows:

	2015	2014
Discount rate	4.51 %	4.43 %
Rate of compensation increase	N/A	N/A

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

**Plan Assets**

The goals of the Plan are to provide a secure retirement benefit for plan participants and to manage plan assets for the exclusive benefit of the participants. The invested assets will be managed on a long-term total return basis and measured against established benchmarks for each asset class. Risk management is achieved by limiting the size of asset class and individual security positions to achieve adequate diversification. The Plan will maintain a funded level sufficient to ensure benefit security.

The pension plan asset allocations (based on market value) at September 30, by asset category, are as follows:

<b>Asset category</b>	<b>Target Allocation</b>	<b>Actual 2015</b>	<b>Actual 2014</b>
Cash and cash equivalents	0 %	1 %	0 %
Alternative investments	0	0	2
Fixed income securities	69	69	76
Equity securities	31	30	22
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

Refer to Note 22 for details on assets held by the Plan.

**Contributions**

Memorial contributed \$5,250,000 to the Plan in 2015 and expects to contribute \$5,250,000 to the Plan in 2016.

**Estimated Future Benefit Payments**

Benefit payments, are expected to be paid as follows:

<b>Fiscal year</b>	<b>Pension Benefits</b>
2016	\$ 6,421,537
2017	6,851,500
2018	7,330,000
2019	7,733,680
2020	8,238,968
Years 2021–2025	46,434,442

**WIH Union Plan**

WIH contributes to a multi-employer defined benefit pension plan under the terms of the collective bargaining agreements that cover its union-represented employees. The risks of participating in multiemployer plans are different from single-employer plans in the following aspects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

- c. If WIH chooses to stop participating in the plan, WIH may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

WIH's participation in the plan for the annual period ended December 31, 2014, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number. The most recent Pension Protection Act (PPA) zone status available in 2014 and 2013 is for the plan's year-end at December 31, 2014, and December 31, 2013, respectively. The zone status is based on information that WIH received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreements to which the plan is subject.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions of WIH		Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
		2014	2013		2014	2013		
New England Health Care Employees Pension Fund	22-3071963 - 001	Green	Green	No	\$ 8,306,710	\$ 8,575,472	No	11/30/2016

WIH was listed in the plan's Form 5500 as providing more than 5 percent of the total contributions for the plan years ending December 31, 2014 and December 31, 2013.

At the date the financial statements were issued, Form 5500 was not available for the plan year ending December 31, 2015.

Payments to the plan for the years ended September 30, 2015 and 2014 were \$8,644,537 and \$8,308,637, respectively.

***The Center Retirement Benefit Plan***

The Center maintains a profit sharing retirement plan to which The Center may make discretionary contributions. The retirement plan covers all employees of the Center over the age of 21 who have worked for a minimum of 975 hours during the plan year. Participants are vested over a number of years of continuous service. Participants became 100% vested after six years unless the age of 65 is attained, upon which the participant also becomes 100% vested. The Center did not contribute to the retirement plan for the nine months ended September 30, 2015.

**11. Postretirement Plans**

Kent sponsors an unfunded noncontributory defined benefit postretirement plan that provides medical and dental benefits to certain salaried and nonsalaried employees. In 1996, Kent amended the plans to eliminate benefits for all employees, except for certain employees with at least 25 years of service at that date.

Included in the charge to net assets are the following amounts that have not yet been recognized in net periodic postretirement benefit cost as of September 30, 2015 and 2014, respectively: unrecognized net transition obligation of \$0 and \$63,750 and unrecognized actuarial loss of \$145,258 and \$82,039. The unrecognized actuarial loss expected to be recognized in net periodic postretirement costs during the fiscal year ended September 30, 2016 is \$49.

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

---

The postretirement benefit cost for these plans was \$119,610 in 2015 and \$161,649 in 2014.

**12. Patient Service Revenue**

For the majority of the System's revenue, the Hospitals, the Agency, and the Center have agreements with third-party payors that provide for payments to the Hospitals, the Agency, and the Center at amounts different from their established rates. At the time of rendering service to the patients, the Hospitals, the Agency, and the Center obtain assignment of benefits payable under the patient's health insurance program, plan, or policy (e.g., Medicaid, Blue Cross, health maintenance organizations, commercial insurance, Medicare, and others). The following is a breakdown of gross patient service revenue by payor type for the years ended September 30:

	2015	2014
Medicare and Medicare Managed Care	33 %	34 %
Medicaid and Medicaid Managed Care	28	24
Blue Cross	21	22
Managed care	10	11
Self-pay	2	3
Other third-party payors	6	6
	100 %	100 %

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there will always be a possibility that the recorded estimates of net revenue could change by a significant amount in the future. The Hospitals, the Agency, and the Center believe they are in compliance with all applicable laws and regulations. Cost reports filed annually with third-party payors are subject to audit prior to final settlement. The Health System is compliant with all reimbursement filings. A summary of cost report activity as of September 30, 2015 is as follows:

**Medicare**

Cost reports for the Hospitals and the Agency have been filed through 2014, and settled through 2014 for the Agency, 2012 for Butler, Kent, WIH, and Memorial.

**State of Rhode Island (Medicaid)**

Cost reports have been filed and settled through 2010 for Butler, Kent, WIH, and Memorial. The implementation of a prospective payment system eliminated the need for Medicaid settlements after fiscal year 2010.

The filing of these cost reports and associated settlements require the use of estimates. Net patient service revenue was increased by approximately \$6,000,000 and \$6,900,000 in 2015 and 2014, respectively, to reflect the changes in the estimated settlements for certain prior years.



**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

The Health System recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Health System recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Health System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Health System records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), for the years ended September 30, 2015 and 2014 is summarized as follows:

	2015	2014
Patient service revenue (net of contractual allowances and discounts)		
Third-party payors	\$ 1,033,942,838	\$ 998,003,727
Self-pay	<u>27,849,982</u>	<u>25,072,266</u>
Total All Payors	<u>\$ 1,061,792,820</u>	<u>\$ 1,023,075,993</u>

**13. Disproportionate Share**

The government has long recognized the financial burdens which are borne by hospitals which serve an unusually large number, or "disproportionate share", of low-income patients. Kent, WIH, and Memorial received payments under the disproportionate share program of \$50,483,921 and \$47,925,810 from the State of Rhode Island's Medicaid program for the years ended September 30, 2015 and 2014, respectively. Kent, WIH, and Memorial also recorded disproportionate share payments of \$1,949,220 and \$2,056,222 from Medicare during 2015 and 2014, respectively. Additional payments of \$12,366,948 and 15,718,164 were received during 2015 and 2014, respectively, from Medicare as part of new provisions under the Accountable Care Act to offset hospital costs for uncompensated care.

**14. Licensure Fees**

The State of Rhode Island assesses hospitals an annual licensure fee calculated as a percentage of the hospital's net patient revenue. The Care New England hospitals were assessed \$43,534,709 and \$41,052,257 for the years ended September 30, 2015 and 2014, respectively.

**15. Restructuring Costs**

During 2015, the System engaged Huron Healthcare, a nationally recognized healthcare performance improvement consulting firm. Huron began its assessment of the System's issues in June 2015. Following a 90-day assessment of CNE strategy and clinical and financial operations, Huron identified restructuring opportunities in multiple areas. Specific recommendations and action plan support the achievement of these targeted benefits and are organized for implementation through functional teams.

Working in partnership with Huron, CNE has started, and will continue to, implement these improvements over the course of this next 12 to 18 months.

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

During fiscal year 2015, the System incurred \$2.9 million in expenses relating to the System's restructuring activities, all related to the costs associated with the retention of Huron Healthcare.

**16. Concentration of Credit Risk**

As of September 30, 2015 and 2014, Care New England, the Hospitals, the Agency, and the Center had cash and cash equivalents in excess of Federal Depository Insurance limits at major financial institutions. These financial institutions have a strong credit rating, and management believes that credit risks related to these deposits are minimal.

The Hospitals, the Agency, and the Center receive a significant portion of its payment for services rendered from a limited number of governmental and commercial third-party payors, including Medicare, Medicaid, and Blue Cross. The organization has not historically incurred any significant concentrated credit losses in the normal course of business.

In addition, the organizations routinely grant credit to patients without requiring collateral or other security. The mix of receivables, net of contractual allowances, from patients and third-party payors at September 30, 2015 and 2014, was as follows:

	2015	2014
Medicare and Medicare Managed Care	19 %	17 %
Medicaid and Medicaid Managed Care	22	18
Blue Cross	18	20
Managed care	16	15
Self-pay	14	19
Other third-party payors	11	11
	<u>100 %</u>	<u>100 %</u>

The Health System provides an allowance for doubtful accounts to address the risks of nonpayment of accounts receivable.

**17. Commitments and Contingencies**

**Operating Leases**

Care New England, the Hospitals, the Agency, and the Center have entered into operating lease agreements with several vendors for the lease of certain equipment and office space. Future minimum lease payments under noncancelable operating leases as of September 30, 2015 are:

2016	\$ 9,337,901
2017	8,952,897
2018	8,365,215
2019	7,154,520
2020	6,295,875
Later years	<u>48,518,053</u>
Total minimum lease payments	<u>\$ 88,624,461</u>

Total rent expense for operating leases for the years ended September 30, 2015 and 2014 amounted to \$6,988,541 and \$8,064,246, respectively.

## Care New England Health System and Affiliates

### Notes to Consolidated Financial Statements

#### September 30, 2015 and 2014

---

Butler has entered into several agreements with various parties, mostly non-profit organizations, to lease space on the Butler campus. Rental income in the amount of \$2,690,521 and \$3,272,788 for the fiscal years ending September 30, 2015 and 2014, respectively, is included in other operating revenues in the consolidated statements of operations.

#### **Litigation**

CNE, the Affiliates, the Agency and the Center have been individually named as codefendants in several complaints. It is the opinion of management that the liability, if any, to CNE, the Affiliates, the Agency, and the Center, in excess of insurance coverage will have no material adverse effect on the consolidated financial position of Care New England.

#### **Collective Bargaining Agreements**

At September 30, 2015, approximately 41% of the Health System's employees were covered by collective bargaining agreements. All bargaining agreements will be in effect through fiscal 2016.

### **18. Professional and General Liability Claims**

Due to strategic and economic issues, as well as the potential for limited availability of commercial insurance policies, the Care New England entities have moved over time to covering the majority of their professional and general liability insurance to self-insured approaches. The adequacy of the coverage provided, reserves, and the funding levels are evaluated annually by independent actuaries who review the soundness of the programs and recommend future funding levels. Potential losses are estimated based on industry as well as entity experience, and a provision for these losses is recorded.

Butler annually contributes to its self-insurance trust fund to provide for risks relating to its existing actuarially calculated primary level of professional and general liabilities, as well as the tail liability related to prior claims-made coverage. Butler's professional liability coverage for claims in excess of its primary coverage limits is provided by W&I Indemnity.

Kent Hospital established Toll Gate Indemnity in 2004, as an off-shore captive insurance entity to insure primary and excess hospital professional and general liability risks, as well as to supply indemnification coverage for certain eligible medical staff.

WIH established W&I Indemnity in 1994, as an off-shore captive insurance entity to provide coverage for claims in excess of its underlying policy, as well as to insure the contractual liability arising from indemnification agreements with certain eligible medical staff. In addition, WIH has a self-insurance trust fund for risks relating to prior tail liabilities. As of October 1, 2011, the primary coverage for professional and general liabilities was moved under the off-shore captive.

Effective July 1, 2004, professional liability insurance coverage for Memorial was provided on an occurrence basis. Such coverage was provided on a claims-made basis through June 30, 2004. The claims-made policies cover only claims made during the terms of the policies, and not those occurrences for which claims may be made after expiration of the policies. Memorial is self-insured with respect to incurred but not reported (IBNR) claims incurred prior to July 1, 2004. Memorial purchases annually commercial insurance policies to insure professional and general liability risks.

The provisions for anticipated losses were based upon expected undiscounted values. Trust fund and captive assets are available for the payment of claims.

The Agency purchases general and professional liability insurance from Toll Gate Indemnity.

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

---

The Center purchases, annually, commercial insurance policies to insure professional and general liability risks.

**19. Other Self-Insurance Reserves**

Care New England has established a workers' compensation trust fund to cover all past and future self-insured claims of workers' compensation activity for CNE, Butler, Kent, WIC, Memorial, and the Agency. The reserve for workers' compensation losses is based on an actuarial study and actual experience. At September 30, 2015 and 2014, the amounts accrued for estimated self-insurance costs have not been discounted. The Center purchases a commercial insurance policy annually to insure workers' compensation risks.

CNE, on behalf of itself, Butler, Kent, WIC, and the Agency, has entered into a self-insurance program for health insurance risks. This program covers the health insurance claims for all of CNE's, Butler's, Kent's, WIC's, and the Agency's employees, with the exception of the unionized employees at WIH. The provisions for health insurance losses are based on actuarial assumptions and actual claims experience.

The Center has entered into a self-insurance program for health insurance risks. This program covers health insurance claims for substantially all of the Center's full-time employees. The Center limits its losses through the use of stop-loss policies from re-insurers. The provisions for health insurance losses are based on actuarial assumptions and actual claims experience.

**20. Affiliation With Rhode Island Hospital**

In 1981, RIH and WIH approved an agreement providing for the affiliation of the two Hospitals. The affiliation agreement provides for a program of shared medical services, thereby greatly increasing the scope of comprehensive acute-care services available to WIH in maternal, gynecological, and neonatal care. In accordance with the agreement, the Hospital relocated to the property of RIH.

**21. Affiliation With Accredited Medical Schools**

Butler, WIH, and Memorial are affiliated with the Warren Alpert Medical School of Brown University. The affiliation agreements provide that Butler, Memorial and WIH are the Major Affiliated Teaching Hospitals of the Medical School for psychiatry and behavioral, primary care medicine, and activities unique to women and newborns, respectively. Kent is affiliated with the University of New England College of Osteopathic Medicine.

**22. Functional Expenses**

CNE provides healthcare services to residents within their geographic service areas. Expenses related to providing these services for the years ended September 30 are as follows:

	2015	2014
Healthcare services	\$ 936,372,671	\$ 834,168,320
General and administrative	<u>203,352,570</u>	<u>225,336,570</u>
	<u>\$ 1,139,725,241</u>	<u>\$ 1,059,504,890</u>

## Care New England Health System and Affiliates

### Notes to Consolidated Financial Statements

#### September 30, 2015 and 2014

---

#### 23. Fair Value of Financial Instruments

The Health System values its financial assets and liabilities at fair value in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value, and delineates the disclosures required about fair value measurements. Financial assets consist primarily of the endowment, Board designated funds, trustee-held funds, and other investments. Additionally, GAAP allows the Health System the use of estimates to fair value alternative investments at the measurement date using net asset values ("NAV") reported by the investment managers without further adjustment, provided that the Health System does not expect to sell the alternative investments at a value other than the NAV.

GAAP clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, this standard established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 Valuations using quoted prices in active markets for identical assets or liabilities. Valuations of these products do not require a significant degree of judgment.
- Level 2 Valuations using observable inputs other than Level 1 prices such as quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; broker or dealer quotations; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 Valuations using unobservable inputs that are supported by little or no market activity that are significant to the fair value of the assets or liabilities.

The Health System's ownership in alternative investments is limited partnership interests, private equity funds, commingled funds, and hedge funds. The value of certain alternative investments represents the ownership interest in the NAV of the respective fund. The NAV of the securities held that do not have readily determinable fair values are determined by the investment manager or general partner and are based on appraisals or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the investment manager or general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities related. The Health System has performed due diligence around these investments to ensure NAV is an appropriate measure of fair value as of September 30.

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

Financial instruments carried at fair value for the System's nonpension plan assets as of September 30, 2015 are classified in the table below in one of the three categories described above:

	2015	Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and cash equivalents	\$ 42,190,026	\$ 42,189,780	\$ 246	\$ -
Fixed income securities	8,363,498	4,474,568	3,888,930	-
Equity securities	35,073,871	35,073,871	-	-
Mutual funds	89,710,371	89,647,204	63,167	-
Assets held under split-interest agreements	17,679,265	-	-	17,679,265
Subtotal	\$ 193,017,031	\$ 171,385,423	\$ 3,952,343	\$ 17,679,265
Alternative investments at NAV (a)	141,327,768			
Total assets	\$ 334,344,799			

Financial instruments carried at fair value for the System's nonpension plan assets as of September 30, 2014 are classified in the table below in one of the three categories described above:

	2014	Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and cash equivalents	\$ 60,711,202	\$ 60,711,115	\$ 87	\$ -
Fixed income securities	52,595,450	30,908,714	21,686,736	-
Equity securities	57,705,216	57,705,216	-	-
Mutual funds	80,702,986	21,003,509	59,699,477	-
Assets held under split-interest agreements	19,165,203	31,848	-	19,133,355
Subtotal	\$ 270,880,057	\$ 170,360,402	\$ 81,386,300	\$ 19,133,355
Alternative investments at NAV (a)	94,235,702			
Total assets	\$ 365,115,759			

(a) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Excluded from the fair value hierarchy are \$141,327,768 of alternative investments at September 30, 2015 and \$94,235,702 of alternative investments at September 30, 2014 for which fair value is measured at NAV per share using the practical expedient.

The amounts reported in the financial instruments table exclude the values of life insurance policies valued at \$29,470,657 as of September 30, 2015 and \$29,674,392 as of September 30, 2014, which are valued at the lesser of discounted value or cash surrender value.

All financial instruments are valued using a market approach involving identical or comparable assets.

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

Financial instruments carried at fair value for assets invested in the CNE Defined Benefit Pension Plan as of September 30, 2015 are classified in the table below in one of the three categories described above:

	2015	Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and cash equivalents	\$ 2,050,351	\$ 2,050,351	\$ -	\$ -
Fixed income securities	-	-	-	-
Equity securities	17,774,545	17,774,545	-	-
Mutual funds	30,554,870	30,554,870	-	-
Subtotal	\$ 50,379,766	\$ 50,379,766	\$ -	\$ -
Alternative investments at NAV (b)	131,591,067			
Total assets	<u>\$ 181,970,833</u>			

Financial instruments carried at fair value for assets invested in the CNE Defined Benefit Pension Plan as of September 30, 2014 are classified in the table below in one of the three categories described above:

	2014	Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and cash equivalents	\$ 2,409,741	\$ 2,409,741	\$ -	\$ -
Fixed income securities	10,762,222	10,762,222	-	-
Equity securities	16,590,343	16,590,343	-	-
Mutual funds	29,793,735	29,793,735	-	-
	\$ 59,556,041	\$ 59,556,041	\$ -	\$ -
Alternative investments at NAV (b)	141,631,861			
	<u>\$ 201,187,902</u>			

(b) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in Note 10 Retirement Plans.

Excluded from the fair value hierarchy are \$131,591,067 of alternative investments at September 30, 2015 and \$141,631,861 of alternative investments at September 30, 2014 for which fair value is measured at NAV per share using the practical expedient.

All financial instruments are valued using a market approach involving identical or comparable assets.

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

Financial instruments carried at fair value for assets invested in Memorial's Defined Benefit Pension Plan as of September 30, 2015 are classified in the table below in one of the three categories described above:

	2015	Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and cash equivalents	\$ 837,414	\$ 837,414	\$ -	\$ -
Fixed income securities	-	-	-	-
Equity securities	17,026,483	16,898,899	-	127,584
Mutual funds	10,993,199	10,993,199	-	-
Guaranteed annuity contracts	63,025,311	-	-	63,025,311
	<u>\$ 91,882,407</u>	<u>\$ 28,729,512</u>	<u>\$ -</u>	<u>\$ 63,152,895</u>

Financial instruments carried at fair value for assets invested in Memorial's Defined Benefit Pension Plan as of September 30, 2014 are classified in the table below in one of the three categories described above:

	2014	Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and cash equivalents	\$ 2,017,166	\$ 2,017,166	\$ -	\$ -
Fixed income securities	8,891,012	8,891,012	-	-
Equity securities	16,593,683	16,593,683	-	-
Mutual funds	6,720,241	6,720,241	-	-
Guaranteed annuity contracts	65,361,154	-	-	65,361,154
	<u>\$ 99,583,256</u>	<u>\$ 34,222,102</u>	<u>\$ -</u>	<u>\$ 65,361,154</u>

All financial instruments are valued using a market approach involving identical or comparable assets.

During the years ended September 30, 2015 and 2014, respectively, the changes in the fair value for the System's financial instruments in the nonpension plan assets measured using significant unobservable inputs (Level 3) were comprised of the following:

	2015	2014
<b>Fair value at October 1</b>	\$ 19,133,355	\$ 18,823,609
Total gains (losses)		
Dividends and interest income	118,620	-
Net realized gains on investments	143,370	309,746
Change in net unrealized appreciation on investments	(1,193,795)	-
Transfers in and/or out of Level 3	(522,285)	-
<b>Fair value at September 30</b>	<u>\$ 17,679,265</u>	<u>\$ 19,133,355</u>



**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

The Health System uses NAV to determine the fair value of its investments which do not have a readily determinable fair market value. The following table summarizes the key provisions for the Health System's nonpension plan investments as of September 30, 2015, which are valued at NAV. There was an outstanding unfunded commitment of \$10,709,793 at September 30, 2015.

	Net Asset Value	Redemption Terms
Comingled Funds US Debt	\$ 32,247,936	Daily upon 1 day prior written notice
Comingled Funds US Debt	15,631,931	Monthly upon 5 day prior written notice
Comingled Funds US Equity	22,671,446	Daily
Comingled Funds US Equity	9,703,329	Weekly upon 5 day prior written notice
Comingled Funds US Equity	12,291,148	Daily upon 1 day prior written notice
Commingled Funds Emerging Markets Equity	4,215,266	Daily upon 5 day prior written notice
Commingled Funds Emerging Markets Equity	2,314,377	Monthly upon 7 day prior written notice
Commingled Funds Emerging Markets Equity	1,261,320	Daily upon 5 day prior written notice
Distressed Debt Limited Partnership	760,049	No redemptions available, fund has a 12 year term with a three year extension
Fixed Income - LP	6,611,365	Bi-monthly upon 30 day prior written notice
Hedge Fund	10,806,897	Monthly upon 8 day prior written notice
Hedge Fund	6,711,958	Quarterly with 90 day prior written notice
Venture Capital Limited Partnership	10,253,796	Daily upon 5 day prior written notice
Venture Capital Limited Partnership	2,193,343	Monthly upon 15 day prior written notice
Venture Capital Limited Partnership	2,155,993	No redemptions available, fund has a 6 year term with a one year extension
Venture Capital Limited Partnership	642,682	No redemptions available, fund has a 10 year term with 4 one year extensions
Venture Capital Limited Partnership	579,709	No redemptions available, fund has a 10 year term with 2 one year extensions
Venture Capital Limited Partnership	275,223	No redemptions available, fund has a 10 year term with 3 one year extensions
	<u>\$ 141,327,768</u>	

The following methods and assumptions were used in estimating the fair value of financial instruments other than investments:

***Accounts Payable and Accrued Expenses***

The carrying amount reported in the consolidated balance sheets for accounts payable and accrued expenses approximates its fair value.

***Estimated Third-Party Payor Settlements***

The carrying amount reported in the consolidated balance sheets for estimated third-party payor settlements approximates its fair value.

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2015 and 2014**

---

***Long-Term Debt***

The Health System's long-term debt obligations are reported in the accompanying statements of financial position at principal value less unamortized discount or premium, which totaled approximately \$157.6 million at September 30, 2015, excluding capital leases. The estimated fair value of the Health System's long-term debt as of September 30, 2015 approximated \$162.7 million. It is classified as Level 2 under the valuation hierarchy described in the beginning of Note 22.

**24. Subsequent Event**

In November 2015, Care New England Health System and Southcoast Health System, Inc. ("Southcoast") signed a letter of intent to engage in exclusive discussions and to work toward the goal of forming a new non-profit parent organization that would oversee both systems. Southcoast is a provider of health care services in southeastern Massachusetts. It includes four hospitals (Charlton Memorial Hospital in Fall River, MA, St. Luke's Hospital in New Bedford, MA, Tobey Hospital in Wareham, MA and Southcoast Behavioral Health in Dartmouth, MA), 50 ambulatory sites, over 600 physicians and advanced care clinicians, and the Southcoast Health ACO.

Care New England and its affiliated hospitals are committed to demonstrating, in all of its activities, the reliability, honesty, trustworthiness, and high degree of integrity expected of a leading healthcare organization and participant in federal health care programs. Care New England maintains an active and effective corporate compliance program designed to prevent problems from occurring, and to identify and resolve problems that do occur (the "Compliance Program"). Substantive areas of emphasis under the Compliance Program include the federal Physician Self-Referral Law, 42 U.S.C. § 1395nn and the regulations promulgated thereunder at 42 C.F.R. § 411.350 *et seq.* (collectively known as the "Stark Law"). Consistent with the goals of the Compliance Program, Care New England recently conducted an audit of its compensation arrangements with physicians at Butler Hospital, Kent Hospital and Women and Infants Hospital. As a result of this audit, each of Butler Hospital, Kent Hospital and Women and Infants Hospital will make a voluntary disclosure of certain technical Stark Law violations to the Centers for Medicare and Medicaid Services via the Self-Referral Disclosure Protocol by December 31, 2015. Care New England does not anticipate that the settlement amounts related to such disclosures will materially impact its operations.

Care New England Health System has assessed the impact of subsequent events through January 22, 2016, the date the audited financial statements were issued and has concluded that there were no such events other than noted above requiring adjustments to the audited financial statements or disclosure in the notes to the audited financial statements.

**Supplementary Consolidating  
Financial Statements**

**Care New England Health System and Affiliates**  
**Consolidating Balance Sheet**  
**September 30, 2015**

	Butler and Affiliates	Kent and Affiliates	WIC and Affiliates	Care New England	The Agency	Southeastern Healthcare System, Inc. and Affiliates	Integra	The Center	Eliminations	Total
<b>Assets</b>										
<b>Current assets</b>										
Cash and cash equivalents	\$ 8,098,326	\$ 18,004,986	\$ 90,313,057	\$ (15,028,462)	\$ (7,858,324)	\$ (46,651,151)	\$ (121,924)	\$ 2,047,297	\$ -	\$ 48,803,805
Investments	-	1,621,564	-	25,542,127	-	-	-	-	-	27,163,691
Patient accounts receivable	9,683,721	51,886,900	76,243,383	76,282	6,007,180	32,054,347	-	6,126,219	-	182,078,032
Less: Allowance for doubtful accounts	(3,224,425)	(15,741,533)	(12,647,128)	-	(311,092)	(8,963,723)	-	(1,368,092)	-	(42,255,993)
Net patient accounts receivable	6,459,296	36,145,367	63,596,255	76,282	5,696,088	23,090,624	-	4,758,127	-	139,822,039
Other receivables	4,245,065	2,857,146	11,616,152	300,717	257,616	1,871,152	-	832,158	(575,018)	21,404,988
Pledges receivable, net	135,067	656,701	230,627	-	-	-	-	-	-	1,022,395
Other current assets	584,993	5,189,448	5,677,515	2,437,273	50,643	2,190,025	-	633,754	-	16,763,651
Current portion of assets whose use is limited	-	194,499	2,842	249,486	-	-	-	-	-	446,827
Due from affiliates—other	173,093	813,246	164,507	259,151	-	-	-	-	(1,409,997)	-
Due from affiliates—debt	-	-	-	119,431,068	-	-	-	-	(119,431,068)	-
Total current assets	19,695,840	65,482,957	171,600,955	133,267,642	(1,853,977)	(19,499,350)	(121,924)	8,271,336	(121,416,083)	255,427,396
<b>Assets whose use is limited or restricted as to use</b>										
Endowment funds	15,968,996	15,490,950	8,263,487	-	-	10,960,725	-	135,291	-	50,819,449
Board-designated funds	5,498,595	21,778,283	88,040,307	-	696,477	4,437,222	-	-	-	120,450,884
Trustee-held funds	2,814,511	30,790,997	113,451,348	15,617,033	-	36,421	-	759,100	-	163,469,410
Deferred compensation funds	226,719	369,239	540,423	611,434	-	-	-	164,207	-	1,912,022
Total assets limited as to use	24,508,821	68,429,469	210,295,565	16,228,467	696,477	15,434,368	-	1,058,598	-	336,651,765
Less: Amounts required to meet current obligations	-	(194,499)	(2,842)	(249,486)	-	-	-	-	-	(446,827)
Noncurrent assets limited as to use	24,508,821	68,234,970	210,292,723	15,978,981	696,477	15,434,368	-	1,058,598	-	336,204,938
Goodwill	-	-	-	-	-	24,345,364	-	143,611	-	24,488,975
Intangibles	-	-	-	-	-	5,400,000	-	1,082,500	-	6,482,500
Property, plant and equipment, net	29,717,391	69,810,907	138,899,561	31,622,090	467,132	27,050,897	-	16,300,515	-	313,868,493
Pledges receivable, net	250,787	420,471	77,849	-	-	-	-	181,007	-	930,114
Insurance receivable	-	-	-	1,049,250	-	594,538	-	-	-	1,643,788
Other assets	47,651	697,306	52,978	5,707,018	-	-	-	180,911	-	6,685,864
Total assets	\$ 74,220,490	\$ 204,646,611	\$ 520,924,066	\$ 187,624,981	\$ (690,368)	\$ 53,325,817	\$ (121,924)	\$ 27,218,478	\$ (121,416,083)	\$ 945,732,068

The accompanying notes are an integral part of these financial statements.

**Care New England Health System and Affiliates**  
**Consolidating Balance Sheet**  
**September 30, 2015**

	Butler and Affiliates	Kent and Affiliates	WIC and Affiliates	Care New England	The Agency	Southeastern Healthcare System, Inc. and Affiliates	Integra	The Center	Eliminations	Total
<b>Liabilities and Net Assets</b>										
<b>Current liabilities</b>										
Accounts payable and accrued expenses	\$ 10,482,098	\$ 35,870,109	\$ 43,885,775	\$ 29,957,913	\$ 2,812,911	\$ 15,006,151	\$ 238,627	\$ 3,746,214	\$ (584,913)	\$ 141,212,885
Current portion of estimated third-party payor settlements and advances	598,072	-	-	-	-	-	-	-	-	598,072
Current portion of long-term debt and capital leases	150,909	-	-	8,507,425	-	-	-	973,532	-	9,631,866
Current portion of long-term debt, due to parent	1,233,503	2,385,639	2,566,872	-	560	616,456	-	-	(6,803,030)	-
Self-insurance reserves	-	-	-	8,689,509	-	-	-	-	-	8,689,509
Pension liability	1,664,548	6,513,053	3,601,017	2,844,814	137,879	1,329,227	-	-	-	16,090,538
Other current liabilities	2,969,106	2,209,473	4,925,359	249,486	621,745	1,587,575	150,000	403,860	-	13,116,604
Due to affiliates	-	-	-	-	547,422	135,820	716,860	-	-	(1,400,102)
<b>Total current liabilities</b>	<b>17,098,236</b>	<b>46,978,274</b>	<b>54,979,023</b>	<b>50,249,147</b>	<b>3,920,517</b>	<b>18,675,229</b>	<b>1,103,487</b>	<b>5,123,606</b>	<b>(8,788,045)</b>	<b>189,339,474</b>
<b>Long term liabilities</b>										
Self-insurance reserves	2,345,060	33,117,220	93,832,831	8,968,999	-	667,860	-	-	-	138,931,970
Long-term portion of estimated third-party payor settlements and advances	2,317,638	4,458,350	18,855,380	-	243,802	6,253,108	-	-	-	30,128,278
Long-term debt and capital leases	3,226,563	-	-	146,897,349	-	-	-	4,623,622	-	154,747,534
Pension liability	10,096,632	21,579,974	11,131,294	6,019,991	3,590,301	63,523,566	-	-	-	115,941,758
Postretirement liability	-	1,447,283	-	-	-	-	-	-	-	1,447,283
Other liabilities	1,059,236	1,042,500	556,140	423,386	-	47,863	-	-	-	3,129,125
Due to parent, long-term debt	14,502,504	27,590,989	59,262,137	-	8,846	11,263,562	-	-	(112,628,038)	-
<b>Total long-term liabilities</b>	<b>33,647,633</b>	<b>89,236,316</b>	<b>181,637,782</b>	<b>162,309,725</b>	<b>3,842,949</b>	<b>81,755,959</b>	<b>-</b>	<b>4,623,622</b>	<b>(112,628,038)</b>	<b>444,325,948</b>
<b>Net assets</b>										
Unrestricted	3,354,911	49,923,737	268,738,862	(24,933,891)	(8,453,834)	(59,830,565)	(1,225,411)	13,576,449	-	241,150,258
Temporarily restricted	17,084,638	6,149,782	11,318,907	-	-	2,536,121	-	3,794,801	-	40,884,249
Permanently restricted	3,135,072	12,358,502	4,249,492	-	-	10,189,073	-	100,000	-	30,032,139
<b>Total net assets</b>	<b>23,574,621</b>	<b>68,432,021</b>	<b>284,307,261</b>	<b>(24,933,891)</b>	<b>(8,453,834)</b>	<b>(47,105,371)</b>	<b>(1,225,411)</b>	<b>17,471,250</b>	<b>-</b>	<b>312,066,646</b>
<b>Total liabilities and net assets</b>	<b>\$ 74,220,490</b>	<b>\$ 204,646,611</b>	<b>\$ 520,924,066</b>	<b>\$ 187,624,981</b>	<b>\$ (690,368)</b>	<b>\$ 53,325,817</b>	<b>\$ (121,924)</b>	<b>\$ 27,218,478</b>	<b>\$ (121,416,083)</b>	<b>\$ 945,732,068</b>

The accompanying notes are an integral part of these financial statements.

**Care New England Health System and Affiliates**  
**Consolidating Statement of Operations**  
**Year Ended September 30, 2015**

	Butler and Affiliates	Kent and Affiliates	WIC and Affiliates	Care New England	The Agency	Southeastern Healthcare System, Inc. and Affiliates	Integra	The Center	Eliminations	Total
<b>Revenues and gains</b>										
Patient service revenue (net of contractual allowances and discounts)	\$ 76,752,480	\$ 346,697,713	\$ 437,673,643	\$ 156,762	\$ 23,119,797	\$ 146,730,167	\$ -	\$ 31,933,427	\$ (1,273,169)	\$ 1,061,792,820
Provision for bad debts	(2,360,565)	(15,689,376)	(6,111,427)	-	(603,970)	(11,915,283)	-	-	-	(36,680,643)
Net patient service revenue less provision for bad debts	74,391,895	331,008,335	429,562,216	156,762	22,515,827	134,814,884	-	31,933,427	(1,273,169)	1,023,112,177
Net assets released from restrictions and used for operations	560,312	427,727	875,863	-	66,662	289,688	-	269,553	-	2,589,805
Research revenue	11,436,074	94,491	10,021,374	-	-	1,828,097	-	-	-	23,362,036
Contribution revenue from acquisition	-	-	-	-	-	-	-	13,439,012	-	13,439,012
Other revenue	19,418,455	16,183,864	54,565,740	126,718,669	652,778	3,148,186	436,066	2,648,159	(146,355,454)	75,416,463
<b>Total revenues and gains</b>	<b>105,808,736</b>	<b>347,714,417</b>	<b>495,125,193</b>	<b>126,877,431</b>	<b>23,235,267</b>	<b>140,080,855</b>	<b>436,066</b>	<b>48,290,151</b>	<b>(149,628,623)</b>	<b>1,137,939,493</b>
<b>Operating expenses</b>										
Salaries and benefits	71,842,098	178,854,018	255,006,218	74,387,375	16,402,217	88,496,500	923,630	27,578,169	(363,190)	715,127,055
Supplies and other expenses	21,080,558	128,025,120	162,865,586	48,055,187	4,891,580	63,882,124	698,327	6,398,060	(149,144,038)	284,550,504
Research expenses	11,567,179	92,096	9,975,999	-	-	1,847,605	-	-	-	23,482,879
Depreciation and amortization	4,103,616	9,365,128	13,847,695	3,227,297	136,244	5,077,797	-	823,350	-	36,581,327
Insurance	2,448,271	6,682,988	14,906,996	268,558	236,382	1,835,977	39,520	399,185	(121,395)	26,698,480
Licensure fee	-	15,973,092	21,552,808	-	-	6,008,811	-	-	-	43,534,709
Interest	601,733	1,408,313	2,281,430	1,559,475	527	572,430	-	214,808	-	6,638,716
Restructuring costs	-	-	-	2,911,571	-	-	-	-	-	2,911,571
<b>Total operating expenses</b>	<b>111,843,455</b>	<b>338,400,753</b>	<b>480,236,930</b>	<b>130,409,463</b>	<b>23,668,950</b>	<b>167,721,244</b>	<b>1,661,477</b>	<b>35,411,592</b>	<b>(149,628,623)</b>	<b>1,139,725,241</b>
Income (loss) from operations	(6,034,719)	9,313,664	14,888,263	(3,532,032)	(433,683)	(27,640,389)	(1,225,411)	12,878,559	-	(1,785,748)
<b>Nonoperating gains (losses)</b>										
Investment income on assets limited as to use	1,048,117	1,116,142	4,348,324	267,015	(1,547)	285,229	-	14,301	-	7,077,581
Unrestricted gifts and bequests	32,267	-	392,411	-	55,923	376,067	-	178,815	-	1,033,483
Change in net unrealized gains (losses) on investments	(934,531)	(5,799,103)	(24,268,258)	112,632	(66,599)	(1,309,589)	-	-	-	(32,287,448)
Nonoperating expenditures	-	-	-	(1,835,746)	5,094	-	-	(42,525)	-	(1,873,179)
<b>Net nonoperating gains (losses)</b>	<b>145,853</b>	<b>(4,682,961)</b>	<b>(19,527,523)</b>	<b>(1,458,101)</b>	<b>(29,129)</b>	<b>(648,293)</b>	<b>-</b>	<b>148,591</b>	<b>-</b>	<b>(28,049,563)</b>
Excess (deficiency) of revenues and gains over expenses and losses	\$ (5,888,866)	\$ 4,630,703	\$ (4,639,260)	\$ (4,988,133)	\$ (462,812)	\$ (28,288,682)	\$ (1,225,411)	\$ 13,027,150	\$ -	\$ (27,635,311)

The accompanying notes are an integral part of these financial statements.

**Care New England Health System and Affiliates**  
**Consolidating Statement of Changes in Net Assets**  
**Year Ended September 30, 2015**

	Butler and Affiliates	Kent and Affiliates	WIC and Affiliates	Care New England	The Agency	Southeastern Healthcare System, Inc. and Affiliates	Integra	The Center	Eliminations	Total
<b>Unrestricted net assets</b>										
Excess (deficiency) of revenues and gains over expenses and losses	\$ (5,888,866)	\$ 4,630,703	\$ (4,639,260)	\$ (4,988,133)	\$ (462,812)	\$ (28,286,682)	\$ (1,225,411)	\$ 13,027,150	\$ -	\$ (27,835,311)
Pension and postretirement adjustment	(4,600,072)	(11,201,158)	(5,608,284)	(3,246,565)	(1,424,393)	(14,887,818)	-	-	-	(40,968,080)
Net assets released from restrictions used for purchase of property, plant and equipment	-	586,343	258,176	-	-	-	-	49,299	-	893,818
Transfer from deferred revenue	-	-	302,009	-	-	-	-	-	-	302,009
Transfer (to) from temporarily restricted net assets	71,181	-	(377,751)	-	-	(475,000)	-	-	-	(781,570)
Transfers	-	-	-	(500,000)	-	-	-	500,000	-	-
(Decrease) increase in unrestricted net assets	(10,417,757)	(5,984,112)	(10,065,110)	(8,734,698)	(1,887,205)	(43,651,300)	(1,225,411)	13,576,449	-	(68,389,144)
<b>Temporarily restricted net assets</b>										
Contributions	650,971	731,762	2,790,052	-	-	219,231	-	312,231	-	4,704,247
Contribution of temporarily restricted net assets from acquisition	-	-	-	-	-	-	-	3,795,867	-	3,795,867
Income from investments	275,445	77,987	142,378	-	-	31,647	-	3,139	-	530,596
Net realized and unrealized gains (losses) from investments	(1,212,832)	(350,466)	(656,810)	-	-	304,559	-	2,416	-	(1,913,133)
Net assets released from restrictions	(968,312)	(500,950)	(1,234,039)	-	-	(289,688)	-	(318,852)	-	(3,311,841)
Transfer to deferred revenue	-	-	(662,715)	-	-	-	-	-	-	(662,715)
Transfer (to) from unrestricted net assets	(71,181)	-	377,751	-	-	475,000	-	-	-	781,570
Transfer to permanently restricted net assets	(695,687)	(200,939)	-	-	-	-	-	-	-	(896,626)
(Decrease) increase in temporarily restricted net assets	(2,021,596)	(242,606)	756,617	-	-	740,749	-	3,794,801	-	3,027,965
<b>Permanently restricted net assets</b>										
Contribution of permanently restricted net assets from acquisition	-	-	-	-	-	-	-	100,000	-	100,000
Net realized and unrealized gains (losses) from investments	-	(988,719)	-	-	-	(465,373)	-	-	-	(1,454,092)
Contributions	-	33,832	-	-	-	-	-	-	-	33,832
Transfer from temporarily restricted net assets	695,687	200,939	-	-	-	-	-	-	-	896,626
Increase (decrease) in permanently restricted net assets	695,687	(753,948)	-	-	-	(465,373)	-	100,000	-	(423,634)
(Decrease) increase in net assets	(11,743,666)	(6,980,666)	(9,308,493)	(8,734,698)	(1,887,205)	(43,375,924)	(1,225,411)	17,471,250	-	(65,784,813)
Net assets at beginning of year	35,318,287	75,412,687	293,615,754	(16,199,193)	(6,566,629)	(3,729,447)	-	-	-	377,851,459
Net assets at end of year	\$ 23,574,621	\$ 68,432,021	\$ 284,307,261	\$ (24,933,891)	\$ (8,453,834)	\$ (47,105,371)	\$ (1,225,411)	\$ 17,471,250	\$ -	\$ 312,066,646

The accompanying notes are an integral part of these financial statements.

**Care New England Health System and Affiliates**  
**Consolidating Balance Sheet**  
**September 30, 2014**

	Butler and Affiliates	Kent and Affiliates	WIC and Affiliates	Care New England	The Agency	Southeastern Healthcare System, Inc. and Affiliates	Eliminations	Total
<b>Assets</b>								
<b>Current assets</b>								
Cash and cash equivalents	\$ 12,937,966	\$ 14,000,020	\$ 77,100,621	\$ (28,819,218)	\$ (6,237,020)	\$ (16,592,814)	\$ -	\$ 52,389,555
Investments	-	-	-	25,219,578	-	-	-	25,219,578
Patient accounts receivable	10,898,287	49,864,861	66,851,616	-	5,396,806	28,069,145	-	161,080,715
Less: Allowance for doubtful accounts	(2,879,390)	(13,949,085)	(11,945,641)	-	(162,372)	(7,035,296)	-	(35,971,784)
Net patient accounts receivable	8,018,897	35,915,776	54,905,975	-	5,234,434	21,033,849	-	125,108,931
Other receivables	2,475,974	2,873,331	6,985,114	54,396	233,162	2,644,856	(113,711)	15,153,122
Pledges receivable, net	301,139	733,299	291,287	-	-	-	-	1,325,725
Other current assets	852,627	5,407,436	6,736,297	2,849,185	79,915	3,929,740	-	19,855,200
Current portion of assets whose use is limited	203,713	507,939	667,262	620,807	-	355,328	-	2,355,049
Due from affiliates—other	3,307,650	1,655,525	15,773,390	17,907,946	6,186	35	(38,650,732)	-
Due from affiliates—debt	-	-	-	115,086,663	-	-	(115,086,663)	-
Total current assets	28,097,966	61,093,326	162,459,946	132,919,357	(683,323)	11,370,994	(153,851,106)	241,407,160
<b>Assets whose use is limited or restricted as to use</b>								
Endowment funds	17,942,013	16,807,015	9,119,930	-	-	10,654,452	-	54,523,410
Board-designated funds	5,517,861	25,612,900	89,341,885	-	739,577	12,486,562	-	133,698,785
Trustee-held funds	2,860,107	27,840,848	117,904,990	30,163,691	-	41,718	-	178,811,354
Deferred compensation funds	357,759	655,541	556,862	872,196	94,665	-	-	2,537,023
Total assets limited as to use	26,677,740	70,916,304	216,923,667	31,035,887	834,242	23,182,732	-	369,570,572
Less: Amounts required to meet current obligations	(203,713)	(507,939)	(667,262)	(620,807)	-	(355,328)	-	(2,355,049)
Noncurrent assets limited as to use	26,474,027	70,408,365	216,256,405	30,415,080	834,242	22,827,404	-	367,215,523
Goodwill	-	-	-	-	-	24,345,364	-	24,345,364
Intangibles	-	-	-	-	-	5,400,000	-	5,400,000
Property, plant and equipment, net	32,542,442	74,720,164	148,891,143	25,633,243	674,787	29,524,730	-	311,986,509
Pledges receivable, net	254,895	905,376	115,527	-	-	-	-	1,275,798
Insurance receivable	-	-	-	752,354	-	1,078,846	-	1,831,200
Other assets	51,443	1,067,523	84,143	4,364,383	-	-	-	5,567,492
Total assets	\$ 87,420,773	\$ 208,194,754	\$ 527,807,164	\$ 194,084,417	\$ 825,706	\$ 94,547,338	\$ (153,851,106)	\$ 959,029,046

The accompanying notes are an integral part of these financial statements.



**Care New England Health System and Affiliates**  
**Consolidating Balance Sheet**  
**September 30, 2014**

	Butler and Affiliates	Kent and Affiliates	WIC and Affiliates	Care New England	The Agency	Southeastern Healthcare System, Inc. and Affiliates	Eliminations	Total
<b>Liabilities and Net Assets</b>								
<b>Current liabilities</b>								
Accounts payable and accrued expenses	\$ 9,879,543	\$ 29,993,502	\$ 38,105,564	\$ 22,315,342	\$ 2,463,215	\$ 16,814,254	\$ (113,711)	\$ 119,457,709
Current portion of estimated third-party payor settlements and advances	742,545	(133,476)	4,388,711	-	243,802	957,296	-	6,198,878
Current portion of long-term debt and capital leases	141,271	481,323	2,031,251	4,600,550	-	-	-	7,254,395
Current portion of long-term debt, due to parent	693,436	1,377,987	1,139,020	-	-	220,844	(3,431,287)	-
Self-insurance reserves	-	-	-	7,802,674	-	-	-	7,802,674
Pension liability	1,715,000	5,858,714	2,970,866	2,677,755	158,208	-	-	13,380,543
Other current liabilities	1,873,598	2,512,020	5,209,562	620,807	612,751	-	-	10,828,738
Due to affiliates	7,513,241	10,494,089	4,386,209	5,902,305	1,584,700	8,770,188	(38,650,732)	-
<b>Total current liabilities</b>	<b>22,558,634</b>	<b>50,584,159</b>	<b>58,231,183</b>	<b>43,919,433</b>	<b>5,062,676</b>	<b>26,762,582</b>	<b>(42,195,730)</b>	<b>164,922,937</b>
<b>Long term liabilities</b>								
Self-insurance reserves	2,411,409	33,070,436	91,964,864	8,026,562	-	2,002,290	-	137,475,561
Long-term portion of estimated third-party payor settlements and advances	2,384,292	5,766,063	17,359,764	-	-	7,065,713	-	32,575,832
Long-term debt and capital leases	3,386,936	-	-	154,369,705	-	-	-	157,756,641
Pension liability	5,646,968	12,442,464	6,621,681	3,326,630	2,221,403	53,148,472	-	83,407,618
Postretirement liability	-	1,462,614	-	-	-	-	-	1,462,614
Other liabilities	1,029,588	1,235,324	718,853	641,280	108,256	(156,917)	-	3,576,384
Due to parent, long-term debt	14,684,658	28,221,007	59,295,065	-	-	9,454,646	(111,655,376)	-
<b>Total long-term liabilities</b>	<b>29,543,851</b>	<b>82,197,908</b>	<b>175,960,227</b>	<b>166,364,177</b>	<b>2,329,659</b>	<b>71,514,204</b>	<b>(111,655,376)</b>	<b>416,254,650</b>
<b>Net assets</b>								
Unrestricted	13,772,668	55,907,849	278,803,972	(16,199,193)	(6,566,629)	(16,179,265)	-	309,539,402
Temporarily restricted	19,106,234	6,392,388	10,562,290	-	-	1,795,372	-	37,856,284
Permanently restricted	2,439,385	13,112,450	4,249,492	-	-	10,654,446	-	30,455,773
<b>Total net assets</b>	<b>35,318,287</b>	<b>75,412,687</b>	<b>293,615,754</b>	<b>(16,199,193)</b>	<b>(6,566,629)</b>	<b>(3,729,447)</b>	<b>-</b>	<b>377,851,459</b>
<b>Total liabilities and net assets</b>	<b>\$ 87,420,772</b>	<b>\$ 208,194,754</b>	<b>\$ 527,807,164</b>	<b>\$ 194,084,417</b>	<b>\$ 825,706</b>	<b>\$ 94,547,339</b>	<b>\$ (153,851,106)</b>	<b>\$ 959,029,046</b>

The accompanying notes are an integral part of these financial statements.

**Care New England Health System and Affiliates**  
**Consolidating Statement of Operations**  
**Year Ended September 30, 2014**

	Butler and Affiliates	Kent and Affiliates	WIC and Affiliates	Care New England	The Agency	Southeastern Healthcare System, Inc. and Affiliates	Eliminations	Total
<b>Revenues and gains</b>								
Patient service revenue (net of contractual allowances and discounts)	\$ 77,293,666	\$ 323,606,104	\$ 447,301,338	\$ 491,430	\$ 20,070,564	\$ 155,356,301	\$ (1,043,410)	\$ 1,023,075,993
Provision for bad debts	(3,330,269)	(14,148,112)	(9,056,936)	-	(152,854)	(13,380,796)	-	(40,068,967)
Net patient service revenue less provision for bad debts	73,963,397	309,457,992	438,244,402	491,430	19,917,710	141,975,505	(1,043,410)	983,007,026
Net assets released from restrictions and used for operations	537,469	706,879	1,676,717	-	-	205,216	-	3,126,281
Research revenue	11,652,522	-	10,917,279	-	-	3,367,017	-	25,936,818
Other revenue	17,951,840	10,058,705	38,013,364	114,829,793	926,244	4,012,139	(129,851,516)	55,940,569
Total revenues and gains	104,105,228	320,223,576	488,851,762	115,321,223	20,843,954	149,559,877	(130,894,926)	1,068,010,694
<b>Operating expenses</b>								
Salaries and benefits	69,724,362	175,817,207	254,857,990	69,754,544	17,118,695	92,950,410	(4,750,104)	675,473,104
Supplies and other expenses	19,130,276	104,535,650	156,766,725	43,782,561	3,808,894	47,600,145	(126,031,111)	249,593,140
Research expenses	11,336,422	-	10,443,213	-	-	3,367,017	-	25,146,652
Depreciation and amortization	3,761,280	9,944,176	14,952,321	843,687	175,465	4,816,614	-	34,495,543
Insurance	2,596,898	10,935,191	10,263,328	212,502	141,617	2,670,994	(113,711)	26,706,819
Licensure fee	-	14,583,914	19,483,539	-	-	6,984,804	-	41,052,257
Interest	729,422	1,215,363	1,920,156	2,070,102	1,390	591,355	-	6,527,788
Loss on debt refinancing	12,189	33,405	202,082	237,914	-	24,017	-	509,587
Total operating expenses	107,290,829	317,064,906	488,889,354	116,901,310	21,246,061	159,007,356	(130,894,926)	1,059,504,890
Income (loss) from operations	(3,185,601)	3,158,670	19,962,408	(1,580,087)	(402,107)	(9,447,479)	-	8,505,804
<b>Nonoperating gains (losses)</b>								
Investment income on assets limited as to use	842,690	398,231	1,342,035	(181,885)	17,456	404,463	-	2,822,990
Unrestricted gifts and bequests	28,718	1,214	311,157	-	43,860	660,044	-	1,044,993
Change in net unrealized gains on investments	186,267	792,150	96,630	36,551	30,088	91,265	-	1,232,951
Nonoperating expenditures	-	(2,089)	-	(2,459,280)	(5,094)	-	-	(2,466,463)
Net nonoperating gains (losses)	1,057,675	1,189,506	1,749,822	(2,604,614)	86,310	1,155,772	-	2,634,471
Excess (deficiency) of revenues and gains over expenses and losses	\$ (2,127,926)	\$ 4,348,176	\$ 21,712,230	\$ (4,184,701)	\$ (315,797)	\$ (8,291,707)	\$ -	\$ 11,140,275

The accompanying notes are an integral part of these financial statements.

**Care New England Health System and Affiliates**  
**Consolidating Statement of Changes in Net Assets**  
**Year Ended September 30, 2014**

	Butler and Affiliates	Kent and Affiliates	WIC and Affiliates	Care New England	The Agency	Southeastern Healthcare System, Inc. and Affiliates	Eliminations	Total
<b>Unrestricted net assets</b>								
Excess (deficiency) of revenues and gains over expenses and losses	\$ (2,127,926)	\$ 4,348,176	\$ 21,712,230	\$ (4,184,701)	\$ (315,797)	\$ (8,291,707)	\$ -	\$ 11,140,275
Pension and postretirement adjustment	(2,929,993)	(5,741,845)	(3,273,822)	(1,562,102)	(581,376)	(13,245,450)	-	(27,334,588)
Net assets released from restrictions used for purchase of property, plant and equipment	206,110	4,674,933	5,413,664	-	-	-	-	10,294,707
Transfers	-	-	47,728	11,509	-	(11,509)	-	47,728
Increase (decrease) in unrestricted net assets	(4,851,809)	3,281,264	23,899,800	(5,735,294)	(897,173)	(21,548,666)	-	(5,851,878)
<b>Temporarily restricted net assets</b>								
Contributions	1,261,150	782,922	5,623,394	-	-	68,314	-	7,735,780
Income from investments	(197,103)	742,650	98,993	-	-	25,217	-	669,757
Net realized and unrealized gains from investments	907,971	413,504	490,798	-	-	-	-	1,812,273
Net assets released from restrictions	(743,579)	(5,381,812)	(7,090,381)	-	-	(205,216)	-	(13,420,988)
Transfer to unrestricted net assets	-	-	(47,728)	-	-	-	-	(47,728)
Increase in temporarily restricted net assets	1,228,439	(3,442,736)	(924,924)	-	-	(111,685)	-	(3,250,906)
<b>Permanently restricted net assets</b>								
Net realized and unrealized gains from investments	-	39,889	-	-	-	269,858	-	309,747
Contributions	773	14,275	-	-	-	-	-	15,048
Increase in permanently restricted net assets	773	54,164	-	-	-	269,858	-	324,795
(Decrease) increase in net assets	(3,622,597)	(107,308)	22,974,876	(5,735,294)	(897,173)	(21,390,493)	-	(8,777,989)
Net assets at beginning of year	38,940,884	75,519,995	270,640,878	(10,463,899)	(5,669,456)	17,661,046	-	386,629,448
Net assets at end of year	\$ 35,318,287	\$ 75,412,687	\$ 293,615,754	\$ (16,199,193)	\$ (6,566,629)	\$ (3,729,447)	\$ -	\$ 377,851,459

The accompanying notes are an integral part of these financial statements.



**Care New England Health System**  
**Quarterly Reporting Package**  
**December 31, 2015**

**TABLE OF CONTENTS**

Quarterly Memorandum

- Tab 1: Dashboard
- Tab 2: Balance Sheet and Cash Flows
- Tab 3: Income Statement, including Segment Reporting
- Tab 4: Key Budget Assumption Review
- Tab 5: Efficiency Metrics
- Tab 6: Value-Based Purchasing/Alternative Payment Model Initiatives
- Tab 7: Revenue Cycle Report
- Tab 8: Financial Statement Ratios
- Tab 9: Debt Compliance
- Tab 10: Patient Statistics and Statewide Data

TO: Care New England Finance Committee

FROM: Susan Martin  
Vice President/Chief Accounting Officer

Joseph Iannoni  
Executive Vice President /Chief Financial Officer

DATE: January 21, 2016

RE: **Financial Report as of December 31, 2015**

---

### Introduction and Overview

Enclosed is the unaudited, consolidated financial information for Care New England for fiscal 2016. Significant intercompany related transactions have been eliminated for this presentation. Unless otherwise noted, the entities included in these consolidated reports are:

Care New England Corporate  
Integra Community Care Network, LLC  
Butler Hospital and related Affiliates  
Kent Hospital and related Affiliates  
Women & Infants Corporation and related Affiliates  
VNA of Care New England and related Affiliate  
Memorial Hospital and related Affiliates (also referred to as Southeastern Healthcare System or "SHS")  
The Providence Center, Inc. and related Affiliates

CNE acquired The Providence Center on January 1, 2015, and included the balance sheet as of September 30, 2015 and the results of operations and changes in net assets from the date of acquisition through year-end in CNE's financial statements for fiscal 2015. The financial statements of the Providence Center have been consolidated in the quarter-end financial statements of CNE as of December 31, 2015, and are not included in the comparative reporting period of December 31, 2014.

In the second quarter of fiscal 2015, management engaged Huron Consulting for the purpose of assessing opportunities to improve operational and financial performance at CNE. The assessment identified improvement opportunities ranging between \$75 million and \$95 million to be achieved over a 24 month period. In August 2015, Huron Consulting was further engaged to assist with the implementation of those recommendations. Targeted financial improvement and related restructuring costs were incorporated in the FY16 operating budget. Through the first quarter, approximately \$23 million in initiatives have been implemented of which half relates to changes in fringe benefit plans effective January 1, 2016. An additional \$5.8 million relates to labor initiatives. Labor initiatives include adjustments in span of control, focused improvements in labor productivity and management, reduced reliance on premium labor, and restructuring of the position review process.

In November 2015, Care New England Health System and Southcoast Health System, Inc. ("Southcoast") signed a letter of intent to engage in exclusive discussions to work toward the goal of forming a new non-profit parent organization that would oversee both systems. Southcoast is a provider of health care services in southeastern Massachusetts. It includes four hospitals (Charlton Memorial Hospital in Fall River, MA, St. Luke's Hospital in New Bedford, MA, Tobey Hospital in Wareham, MA and Southcoast

Behavioral Health in Dartmouth, MA), 50 ambulatory sites, over 600 physicians and advanced care clinicians, and the Southcoast Health ACO. Due diligence is scheduled to be completed in the second quarter of FY 2016 with a goal of completing a definitive agreement by the end of February and closing on the affiliation by January 2017.

### **Management Discussion**

The System had a net loss from operations of \$14.2 million through December which was \$510,068 unfavorable to budget. Including non-operating net losses, total margin of \$(11.2) million was \$1.8 million favorable to budget.

Net patient revenues were \$6.3 million or 2.2% lower than budget; and \$12.5 million or 4.7% greater than the same period of fiscal 2015. The health care exchange continues to impact the System. The shift toward more Medicaid and Medicaid-based insurers continued and these new coverage options resulted in some reduction of charity care write offs.

Inpatient volume for the System through the first quarter fell short of budget by 2.8%. Outpatient volume was mixed with some services showing a positive variance from budget, others negative.

CNE's operating results were positively impacted by Indemnity operations. Total Indemnity operating income of \$2.5 million was \$1.5 million favorable to budget. Actual underwriting experience versus expected actuarial losses was favorable during the first quarter.

Total expenses for the System were under budget by \$3.0 million or 0.98%. The System reported a favorable expense variance in salaries of \$1.6 million or 1.1%, primarily attributable to the management of vacancies and the deferral of annual salary increases. Year-to-date through December, FTEs per Adjusted Occupied Bed were 2.0% unfavorable to budget. Favorable variances in health insurance and FICA resulted in a favorable variance of \$1.1 million or 2.5% in fringe benefits. Medical supplies and drugs were over budget by \$1.3 million or 5.1%. Other expenses were below budget by \$3.8 million or 7.3% due to a reduction in discretionary spending, primarily consulting, purchased services and conferences/travel. The favorable other expense variance is also attributable to budget timing differences, primarily in software maintenance and marketing. The cost per adjusted discharge/day metrics were unfavorable to budget. The unfavorable variance in restructuring costs of \$1.3 million or 33.9% is due to budget timing differences related to severance agreements.

The System's cash position remains a significant concern as overall day's cash on hand (CNE) declined to 41.6 days, compared to 50.7 at 9/30/15. During November, the System borrowed \$7.5 million against the line of credit, of which \$4.0 million was paid back in December. Deterioration in the cash position since September 30, 2015 is primarily due to negative operating results at Memorial and the pay down of accounts payable balances. The System's average payment period declined to 57.2 days, compared to 60.6 at 9/30/15. Also, in the past six months, the System experienced an increase in patient accounts receivable balances due to the conversion of the Memorial Hospital revenue cycle system, the implementation of ICD-10, other payer billing requirements, and a significant backlog in coding.

The decline in cash position has negatively impacted our debt covenant ratios. Interim status on the bond covenant ratios for CNE's days cash on hand and liquidity ratios indicate that the System is below the required thresholds at December 31, 2015. However, the System is currently in compliance as the measurement date for bond covenant ratios is September 30 for the Series 2013 and 2014 bonds and March 31 and September 30 for Series 2010 and 2011 bonds. The System is also in compliance with the line of credit's debt covenant ratios, which are measured quarterly.

The current liquidity status has also impacted our ability to make capital purchases. The System is closely monitoring capital expenditures through a newly created executive capital committee. All capital expenditures must be approved by this committee and such expenditures are limited to critical items.

Looking forward to the second quarter of FY16, the System's cash position will continue to be a challenge. Planned contributions to CNE's pension plans, FY15 workers compensation funding, required employer contributions to health savings accounts and transitional reinsurance, and budgeted second quarter negative operating results will cause further pressure on the System's cash. However, positively impacting cash will be the receipt of the FY15 UPL payments from the State, the drawdown of remaining bond project funds, and revenue cycle improvements resulting from Huron/T3 initiatives.

In summary, the greatest challenges affected CNE financial performance in FY2016 are cash constraints, Memorial Hospital volume shortfall and the related impact on operating results, and organizational restructuring activities.

Comments on the various sections of the quarterly report follow. *If you are limited as to the time available to review this package of materials, it is recommended that you review the Care New England Financial Highlights, Tab 1, the financial statements, Tabs 2 and 3, as well as the Key Budget Assumption updates under Tab 4. By reviewing these updates during the year, readers should get a reasonable assessment of how the year should be unfolding financially.* Should you have any questions, please do not hesitate to contact either of us.

#### **Care New England Financial Highlights (Tab 1)**

This section summarizes the results of the System's financial highlights including operating gain (loss) for the System and by operating unit, key indicators, and key volume statistics. This section also summarizes the status of the T3 delivery team initiatives, including the impact of the implemented initiatives. The status of quality objectives is also included.

#### **Combined Balance Sheet as of December 31, 2015 Compared to the Combined Balance Sheet as of September 30, 2015 and December 31, 2014 (Tab 2)**

As of December 31, 2015, the System had \$50.3 million in **Cash and Cash Equivalents and Short Term Investments** compared to \$75.9 million at September 30, 2015. Deterioration in cash position since September 30, 2015 is primarily due to operating results and the pay down of accounts payable balances.

**Patient Accounts Receivables** were \$4.4 million lower than September 30, 2015. Days in Gross Accounts Receivable were 58 at December 31, 2015 compared to 56 days at September 30, 2015. Patient Accounts Receivables were \$12.9 million higher than December 31, 2014. \$6.7 million of the increase is attributed to the inclusion of The Providence Center's balance sheet at December 31, 2015. Included in **Tab 7** are various reports that provide further details in regards to Patient Accounts Receivables.

The **Allowance for Estimated Uncollectible Accounts** remained consistent with the balance reported at September 30, 2015. The allowance for uncollectible accounts as a percentage of patient accounts receivables increased .6% from September 30, 2015, to 23.8% at December 31, 2015. The allowance for estimated uncollectible accounts as a percentage of patient accounts receivables was 21.5% at December 31, 2014.

**Other Receivables** include grants receivable, Disproportionate Share (DSH) and Upper Payment Limit (UPL) monies, indemnity programs' premiums receivable, and other miscellaneous receivables. The



increase of \$11.1 million or 52.0% since September 30, 2015 related primarily to the timing of receipts; most notably the accrual of the Disproportionate Share income that will not be received until July, consistent with prior years. The increase of \$3.6 million or 12.3% since December 31, 2014 is related most notably to the inclusion of \$1.0 million in other receivables from The Providence Center's balance sheet and other miscellaneous receivable accruals.

**Inventories** decreased by \$728,428 or 8.1% since September 30, 2015. The decrease relates primarily to the pharmacy inventory and is a direct result of the 340B pricing.

**Prepaid expenses (current and long-term)** increased \$515,933 or 6.1% since September 30, 2015 and decreased \$4.1 million or 31.5% since December 31, 2014. The largest items included in Prepaid Expenses are insurance premiums, information systems contracts and vendor deposits. The decrease from December 31, 2014 is most notably due to the transfer of vendor deposits to offset Accounts Payable in September 2015.

**Assets Limited as to Use** decreased \$1.2 million or .4% since September 30, 2015 and 36 million or 11.2% since December 31, 2014. The components of the changes in FY16 were a net result of the following:

**Board Designated Funds** increased \$1.4 million or 1.1% since September 30, 2015, but decreased \$12.7 million or 9.5% since December 31, 2014. The current year increase is reflective of positive market performance in October, offset by negative performance in both November and December. The decrease from the same period last year is primarily related to a reclassification of certain funds from Board Designated Funds to Cash and Cash Equivalents at Kent and Memorial. These funds include cash received with donor-imposed restrictions and are available for current use. The reclassification resulted in a consistent methodology for donor-restricted funds, being applied across the Health System.

**Self-Insurance Trust Funds** decreased \$4.5 million or 3.0% since September 30, 2015 and \$8.2 million or 5.4% since December 31, 2014. The changes reflect the net of investment performance, contributions, and routine payments. The most notable factor for the decrease since December 31, 2014 however, is in the second quarter of fiscal 2015 a \$10 million dividend payment was transferred to Women & Infants Hospital. The impact of the dividend payment was offset by premium payments to the Indemnity. CNE and its operating units self-insure extensive amounts of risk due to either the unavailable or uneconomical coverage. We rely on sound funding practices and actuarial assessments to provide reasonable assurance of adequate reserves. Among the self-insured programs are:

- W&I Indemnity (hospital primary, excess and physician malpractice)
- Toll Gate Indemnity (hospital primary, excess and physician malpractice & general liability)
- W&I trust (primary professional & general and malpractice tail exposures prior to 10/1/11)
- Butler trust (primary professional & general liability)
- Memorial Hospital trust (malpractice tail exposures prior to 7/1/04)
- Workers Compensation
- Health Insurance
- Unemployment Insurance

**Deferred Compensation Funds** increased \$463,046 or 24.2% since September 30, 2015 and decreased \$436,352 or 15.5% since December 31, 2014. The decrease since last year relates to distributions made to participants throughout the twelve month period, net of employer contributions made in October 2015, resulting in an increase for the current quarter.

**Trustee Held Funds** have increased \$1.5 million or 10.6% since September 30, 2015 and decreased \$14.6 million or 49.1% from December 31, 2014. CNE reimbursed operating cash with bond proceeds by \$16.3 million since December 2014 to support capital spending. Increases, which offset this reimbursement, are the result of the hospitals making deposits into Debt Service funds at Bank of New York/Mellon.

**Net Property, Plant and Equipment** increased by \$1.1 million or .35% since September 30, 2015 and \$11.4 million or 3.7% since December 31, 2014. The December 31, 2015 and the September 30, 2015 balances include The Providence Center's net property, plant and equipment of \$16.1 million. Depreciation expense exceeded capital investments, partially offsetting The Providence Center's impact.

**Goodwill** increased by \$143,611 as a result of the inclusion of The Providence Center since December 31, 2014. **Intangibles** were \$6,482,500 at December 31, 2015 and September 30, 2015. The intangibles are primarily attributable to trade name valuations of Memorial Hospital and The Providence Center. As a result of the Duff & Phelps valuation analysis, The Providence Center recorded approximately \$1 million related to the trade name valuation. The goodwill and intangibles have an indefinite useful life, subject to annual evaluation for impairment.

**Endowment Funds** increased by \$323,347 or .6% since September 30, 2015 and decreased by \$2.8 million or 5.3% since December 31, 2014 reflecting the impact of the investment markets and principal additions.

**Investments** increased by \$111,124 or 2.6% since September 30, 2015 and \$1.7 million or 62.8% since December 31, 2014. In FY15, the members of Southern New England Regional Cancer, LLC entered into an Asset Purchase Agreement with Radiation Oncology Services of Rhode Island, LLC d/b/a Maddock Center for Radiation Oncology. CNE's capital commitment was \$1.57 million. The total investment of \$4.2 million includes CNE's minority investment in three 21<sup>st</sup> Century Oncology radiation therapy sites in Woonsocket (at Landmark Medical Center), in Providence (at Roger Williams Hospital) and in Warwick (Maddock Center) as part of its overall cancer service line initiatives.

**Notes Payable** of \$3.5 million at December 31, 2015 is a result of a \$7.5 million draw on the line of credit in November. CNE paid back \$4.0 million in December and anticipates paying off the remainder in the second quarter.

**Current Pension Payable** of \$21.5 million increased \$5.4 million or 33.8% since September 30, 2015 and \$3.9 million or 22.3% since December 31, 2014 which reflects the growth in the annual defined contribution liability which will be funded during the week of April 4, 2016 into the CNE plan. The defined contribution plan expense is being ratably accrued throughout FY16.

**Accounts Payable and Accrued Expenses** decreased \$12.3 million or 8.7% from September 30, 2015 and increased \$2.6 million since December 31, 2014. The changes in these accounts are driven primarily by the timing of outflows for both vendor and employee payments.

**Deferred Revenue** includes unamortized amounts received by Women and Infants and Kent Hospital for the W&I and Toll Gate Indemnity unearned insurance premiums. A component of deferred revenue also relates to the timing of receipts including research clinical trials.

**Estimated Third Party Payor Settlements** (Current and Long-Term) decreased by \$2.1 million or 6.8% since September 30, 2015 and decreased \$7.0 million or 19.6% since December 31, 2014. This line item includes current year receivables, Medicare cost report issues, planned reductions in long term liabilities,

as well as quality reserves. During fiscal 2015, there were several prior year Medicare cost report settlements, most of which settled favorably. CNE also recognized favorable prior year settlements associated with quality initiatives for both Blue Cross and United Health, and a favorable settlement with RI Medicaid.

The funded status of CNE's frozen defined benefit pension plans are reflected on its balance sheet and are adjusted annually during the year-end audit as part of the year-end actuarial evaluation of the pension plans. The **Net Pension Liability** of \$118.2 million reflects the under-funded status of the plans at 9/30/15, which has been adjusted for current year activity, and will be updated at 9/30/16.

**Self-Insurance Reserves** (Current and Long-Term) decreased by \$3.7 million or 2.5% since September 30, 2015 and \$3.5 million or 2.4% since December 31, 2014. The change in reserves relates to the current year activity of all the operating units for workers compensation, professional liability and health insurance; offset by actual claims and expenses paid.

**Total Long Term Debt, including current portion** decreased \$785,564 or .5% since September 30, 2015 and \$607,720 or .4% since December 31, 2014, due to the addition of The Providence Center's debt of \$5.6 million, less payments made on CNE's debt during the last three quarters of FY 15 and the first quarter of FY16.

**Total Net Assets** of \$302.3 million at December 31, 2015 decreased \$9.7 million since September 30, 2015; inclusive of a decrease in unrestricted net assets of \$11.0 million, an increase of \$1.2 million in temporarily restricted net assets, and an increase of \$4,550 in permanently restricted net assets.

**Combined Statement of Unrestricted Activities for the Three Months Ended December 31, 2015 Actual Compared to Budget and Compared to September 30, 2015 and December 31, 2014 (Tab 3)**

As reflected in the opening section of this memo, the **Net Loss from Operations** was \$14.2 million for the three months ended December 31, 2015 compared to budgeted loss of \$13.7 million or \$510,068 unfavorable to budget.

Note the inclusion of a segment reporting schedule which breaks out the impact of Toll Gate and W&I Indemnity and Physician Organizations from consolidated operations. Total Indemnity operating income was \$1.5 million favorable to budget. Actual underwriting experience versus expected actuarial losses was favorable during the first quarter. Bottom line operating losses of \$3.1 million for Affinity and Health Care Alliance were favorable to budget by \$1.1 million.

**Net Non-Operating Gains** of \$3 million were unfavorable to budget by \$2.3 million. Philanthropy expenses were favorable to budget by \$239,756. Investment earnings, realized and unrealized, were favorable to budget by \$1.9 million.

The **Excess of Expenses/Losses over Revenues/Gains** for the System was (\$11.2) million, which was favorable to budget by \$1.8 million.

**Net Patient Service Revenue** was \$6.3 million or 2.2% below budget for the quarter. The shift in payer mix from commercial to government payers continues, as has the shift out of Blue Cross volume and an increase in Neighborhood Health due to activity on the State health insurance exchange. These activities have resulted in reductions in Bad Debts and Charity Care. **Tab 7** includes an analysis of Revenues and Deductions from Revenues. In addition, this tab provides further insights into the revenue cycle and an analysis of our accounts receivable and revenues.

The Providence Center's net patient service revenues included in the FY16 Combined Statement of Unrestricted Activities were \$10.6 million.

**Research Revenue and Research Expenses** have partially offset one another as revenue favorable variances of \$881,265 were offset by expense unfavorable variances of \$889,671.

**Other Revenue** was \$1.4 million or 9.3% over budget through December 31, due to Indemnity activities. Other revenue was \$4.4 million higher than the same period last year due to physician revenues from SNE and the inclusion of The Providence Center's activity. SNE practice revenues were \$3.7 million higher than the same period last year (effective date of SNE agreement was December 2014). The Providence Center's other revenues included in the FY16 Combined Statement of Unrestricted Activities were \$1.0 million.

**Total Operating Expenses** of \$302 million were \$3.0 million or 0.98% favorable to budget. Highlights of the line item components of operating expense variances were as follows:

**Salaries and Wages** were \$1.6 million or 1.1% favorable to budget. For the System, total FTEs per adjusted occupied bed were 2.0% over budget. A series of efficiency metrics, to assist with the reporting of our performance, can be found in **Tab 5** of the package. The favorable salary expense variance is primarily attributable to the management of vacancies and the deferral of annual salary increases to higher than budget wages rates. The T3 Labor Team has launched multiple initiatives to reduce labor cost, including adjustments in span of control, focused improvements in labor productivity and management, reduced reliance on premium labor, and restructuring of the position review process. Labor cost savings are expected to be realized throughout the remainder of the fiscal year.

The Providence Center's salaries and wages included in the FY16 Combined Statement of Unrestricted Activities were \$7.9 million.

**Fringe Benefits** were \$1.1 million or 2.5% favorable to budget. The System recorded favorable variances in health insurance and FICA. Fringe benefits were \$3.4 million or 8.7% higher than the prior year due to an increase in pension expense related to the System's defined contribution and defined benefit plans, and the inclusion of The Providence Center's activity. The System's actuarially determined pension expense is \$2 million higher than the same period last year. The Providence Center's fringe benefits included in the FY16 Combined Statement of Unrestricted Activities were \$1.8 million.

**Medical Supplies and Drugs** were \$1.3 million or 5.1% unfavorable to budget and \$1.8 million or 6.8% higher than the prior year.

**Other Expenses** were \$3.8 million or 7.3% favorable to budget due to a reduction in discretionary spending, primarily consulting, purchased services and conferences/travel. The favorable other expense variance is also attributable to budget timing differences, primarily in software maintenance and marketing. Other expenses were 19.6% higher than the prior year due to SNE practice costs (which are partially offset by an increase in other revenues), VHA project costs, and the inclusion of The Providence Center's activity. The Providence Center's other expenses included in the FY16 Combined Statement of Unrestricted Activities were \$2.3 million.

**Restructuring Costs** are \$5.2 million for FY16. Management engaged a third party consultant, Huron Healthcare, in June 2015 for the purpose of assessing opportunities to improve operational

and financial performance at CNE. All costs related to this initiative, including Huron expenses and severance agreements, will be monitored and reported separately within restructuring costs. The unfavorable variance in restructuring costs of \$1.3 million or 33.9% is due to budget timing differences related to severance agreements.

#### **Update on 2015 Key Budget Assumptions (Tab 4)**

During the FY 2016 budget process, certain areas required management to make material assumptions as to what would be encountered. These assumptions are being tracked and reported upon routinely during the year. The Key Budget Assumptions that were identified for FY16 are:

Patient Volumes  
Initiatives to Improve Volume Retention  
Efficiency and Cost Reduction Initiatives  
Population Health Management  
Memorial Hospital Improvement Plan

#### **Efficiency Metrics (Tab 5)**

The System's efficiency metrics include cost and paid and worked hours per adjusted discharge/day, FTEs per adjusted occupied bed, and salary and total cost per FTE. Cost per adjusted discharge/day was unfavorable to budget. In addition, FTEs per adjusted occupied bed were over budget. Kaufman Hall's productivity software is used to monitor labor productivity by pay period at each of the hospital operating units.

#### **At Risk/Value-Based Purchasing Initiatives (Tab 6)**

This section is used to report on the System's alternative payment arrangements; Blue Cross Blue Shield of RI Medicare Advantage, CMS Heart Failure Bundle, our two employee health plan pools, and the Medicare Shared Savings Program. As the System continues to be more extensively engaged in new payment models and more exposed to quality/value contracting, we will use this section to comment on our initiatives and performance. Please see the write-up under this tab for the progress report.

#### **Revenue Cycle Analyses (Tab 7)**

Accounts receivable remains the System's largest current asset. Patient receivables have decreased by \$4.4 million to \$178 million. The allowance for uncollectible accounts as a percentage of patient receivables increased .6% since September 30, 2015. Schedules have been included in this tab reflecting revenue and accounts receivable by payer, and other key information reported by the CNE Revenue Cycle division, including the growing professional revenue component.

#### **Financial Statement Ratios (Tab 8)**

Current and recent period Financial Ratios that measure the Liquidity, Profitability, and Capital Structure of the organization have been included in this tab. These ratios are important indications of the financial health of the organization and trends are thus important to note. Comparability with the ratios over the period of time presented is challenging with the addition of SHS to the System in 2013. Consistent with the audited financials of CNE, we have included the balance sheet of SHS as of September 30, 2013 and its stub period operating results, for the period from date of acquisition on 9/3/13 through 9/30/13. SHS financial statements are included in CNE's consolidated financials in FY14 and forward. We have included the balance sheet of The Providence Center as of January 1, 2015 and the results of operations

and changes in net assets from the date of acquisition through September 30, 2015, in CNE's consolidated fiscal 2015 financial statements. The Providence Center's financial statements are also included in CNE's consolidated financials in FY16. Liquidity ratios remain weaker than prior years, impacted by the SHS merger, as well as the recent debt offerings. Profitability ratios have declined since fiscal 2013 and are unfavorable to S&P benchmarks. Capital Structure ratios reflect the bond financings in November 2013 and April 2014. Please note that the ratios in this Tab use industry formulas, not the formulas used in our Debt Covenant ratios in Tab 9.

### **Debt Covenants (Tab 9)**

The debt covenants were amended at the end of fiscal 2013 to take into account the acquisition of Memorial and were revised as a result of the debt financing in fiscal 2014. The fiscal 2015 debt covenant ratios include the CNE obligated group which excludes The Providence Center. Included in this package are the latest Debt Covenant ratios.

The measurement dates of debt covenant ratios are September 30 for the Series 2013 and 2014 bonds; March 31 and September 30 for Series 2010 and 2011 bonds. The System's line of credit has a quarterly measurement date. As of September 30, 2015, we are in compliance with these covenants.

The Debt Service Coverage ratio at December 31, 2015 was 2.16, and is in excess of the required, per debt covenants, debt service coverage ratio of 1.2.

Interim compliance status on bond covenants for CNE's days cash on hand and liquidity ratios indicate that the System is below the required thresholds at December 31, 2015. The System is in compliance with the line of credit's covenant ratios at December 31, 2015.

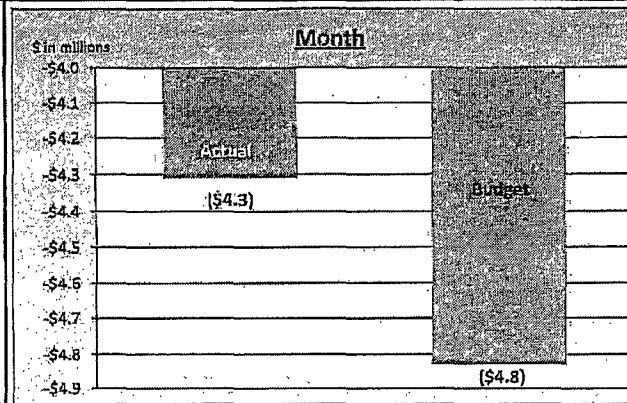
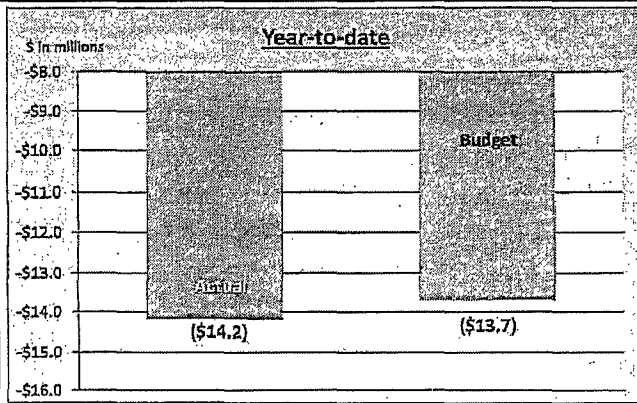
In September 2015, the debt covenant ratios were updated to exclude cash received with donor-imposed restrictions and are available for current use.

### **Patient Activity Summary December 31, 2015 and Statewide Data (Tab 10)**

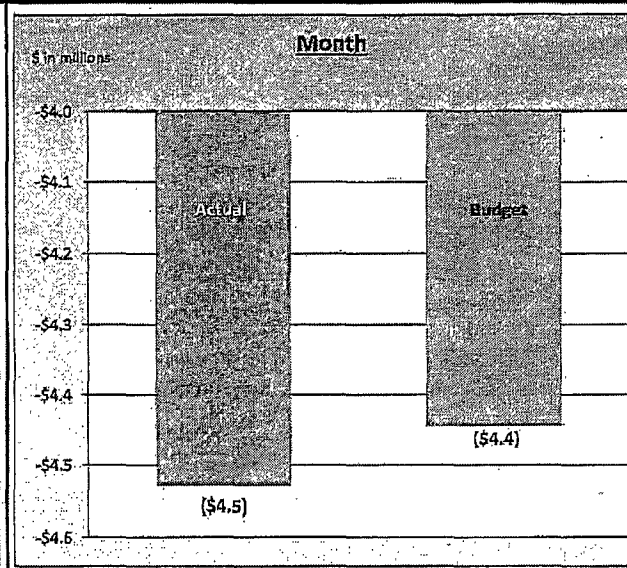
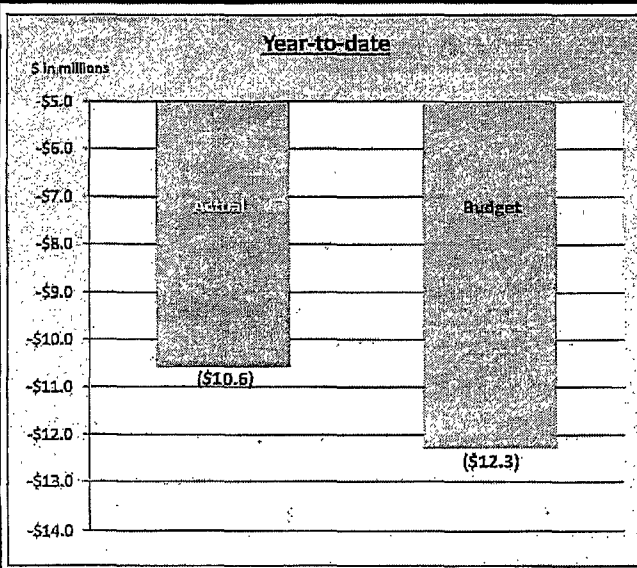
Inpatient volumes for the System were mixed compared to budget. Year-to-date Medical Surgical discharges were below budget by approximately 7%, Rehab and Psych discharges were close to breakeven, deliveries were above budget by 2% and NICU discharges were nearly 7% below budget. Patient days were also mixed and affected by variances in average length of stay. Both Medical/Surgical and Psych days were below budget by 9.2% and 5.7%, respectively. Conversely, NICU days were above budget by 4.2%. Inpatient surgical procedures were below budget by 4.1% and outpatient surgical procedures were lower than budget by approximately 5.0%. Emergency room visits exceeded budget by 2% and ancillary service volume yielded a mix of positive and negative variances.

**CARE NEW ENGLAND  
FINANCIAL HIGHLIGHTS  
DECEMBER 2015**

**CNE COMBINED - OPERATING GAIN (LOSS)**



**CNE COMBINED - NORMALIZED OPERATING GAIN (LOSS)**



**Operating Growth Year to Date**

<b>Operating Revenue</b>	
Actual	\$ 288,202,136
Budget	\$ 291,696,563
Prior Year	\$ 271,994,722
% incr (decr) fr Prior Yr	6.0%
<b>Operating Expense</b>	
Actual	\$ 302,388,441
Budget	\$ 305,372,800
Prior Year	\$ 273,309,333
% incr (decr) fr Prior Yr	10.6%
<b>Med/Surg Discharges</b>	
Actual	3,828
Budget	4,099
Prior Year	3,970
% incr (decr) fr Prior Yr	-3.6%
<b>Obstetrics Discharges</b>	
Actual	2,633
Budget	2,710
Prior Year	2,620
% incr (decr) fr Prior Yr	0.5%
<b>Psych Discharges</b>	
Actual	1,741
Budget	1,736
Prior Year	1,779
% incr (decr) fr Prior Yr	-2.1%
<b>NICU Days</b>	
Actual	6,096
Budget	5,852
Prior Year	5,937
% incr (decr) fr Prior Yr	2.7%
<b>ED Visits</b>	
Actual	33,390
Budget	32,637
Prior Year	32,705
% incr (decr) fr Prior Yr	2.1%

<b>December 2015 - Normalized Operating Margin</b>										
<b>YTD</b>										
	<b>Total</b>	<b>Butler</b>	<b>Kent</b>	<b>WIH</b>	<b>SHS</b>	<b>CNE/Integra</b>	<b>VNA</b>	<b>TPC</b>	<b>Budget</b>	
Actual Operating Loss	\$ (14,186,305)	\$ (2,368,682)	\$ 901,065	\$ 3,087,391	\$ (9,293,759)	\$ (5,282,110)	\$ (456,732)	\$ (773,478)	\$ (13,676,237)	
BCBS RI Readmission Issue	\$ 1,000,000		\$ 1,000,000							
Reimbursement Reserves	\$ (1,750,000)	\$ (130,000)	\$ (309,000)	\$ (933,000)	\$ (378,000)				\$ (2,500,000)	
Reversal of PY A/P Accrual	\$ (850,000)			\$ (850,000)						
Restructuring Costs	\$ 5,207,920	\$ 454,125				\$ 4,359,580	\$ 394,215		\$ 3,889,965	
Normalized Operating Loss	\$ (10,578,385)	\$ (2,044,557)	\$ 1,592,065	\$ 1,304,391	\$ (9,671,759)	\$ (922,530)	\$ (62,517)	\$ (773,478)	\$ (12,286,272)	
<b>MTD</b>										
	<b>Total</b>	<b>Butler</b>	<b>Kent</b>	<b>WIH</b>	<b>SHS</b>	<b>CNE/Integra</b>	<b>VNA</b>	<b>TPC</b>	<b>Budget</b>	
Actual Operating	\$ (4,309,769)	\$ (237,732)	\$ 827,563	\$ 1,001,715	\$ (3,182,838)	\$ (1,951,738)	\$ (577,787)	\$ (188,952)	\$ (4,828,040)	
BCBS RI Readmission Issue	\$ 500,000		\$ 500,000							
Reimbursement Reserves	\$ (1,750,000)	\$ (130,000)	\$ (309,000)	\$ (933,000)	\$ (378,000)				\$ (833,333)	
Reversal of PY A/P Accrual	\$ (850,000)			\$ (850,000)						
Restructuring Costs	\$ 1,880,766	\$ 4,117				\$ 1,482,434	\$ 394,215		\$ 1,217,985	
Normalized Operating Loss	\$ (4,529,003)	\$ (363,615)	\$ 1,018,563	\$ (781,285)	\$ (3,560,838)	\$ (469,304)	\$ (183,572)	\$ (188,952)	\$ (4,443,388)	

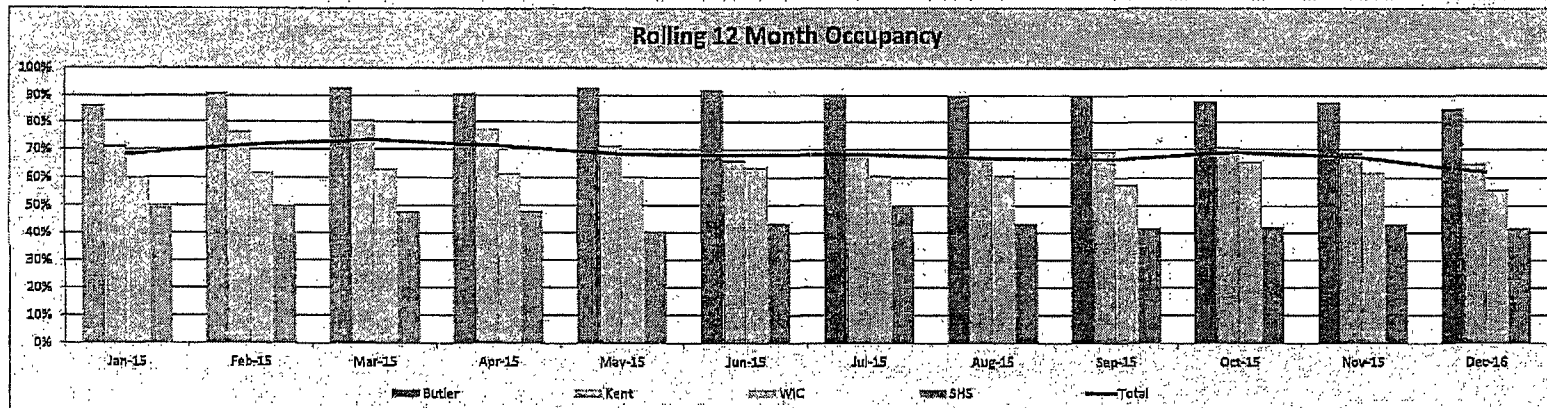


**CARE NEW ENGLAND  
FINANCIAL HIGHLIGHTS  
DECEMBER 2015**

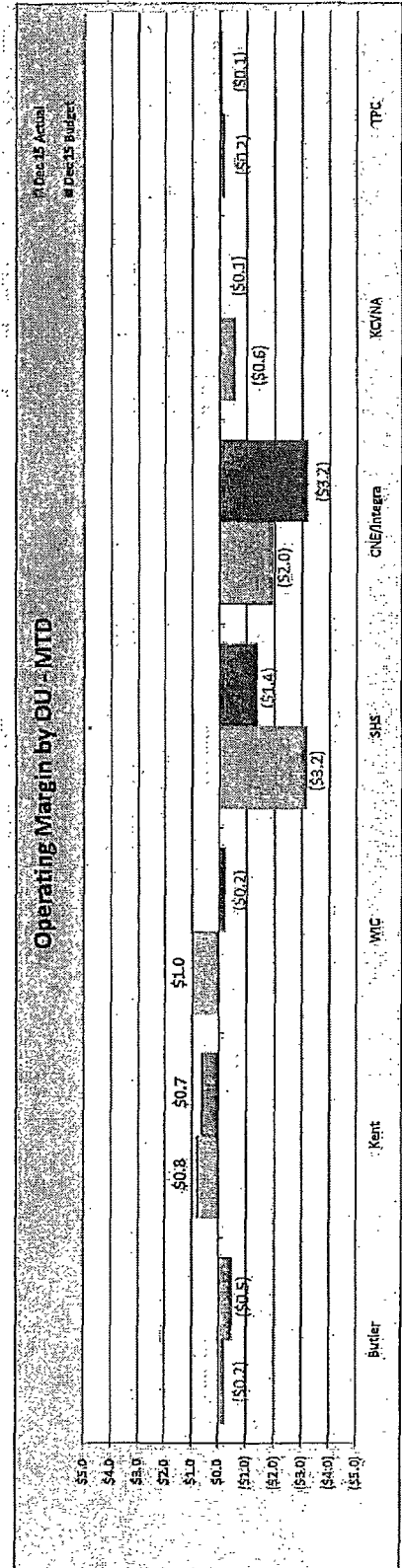
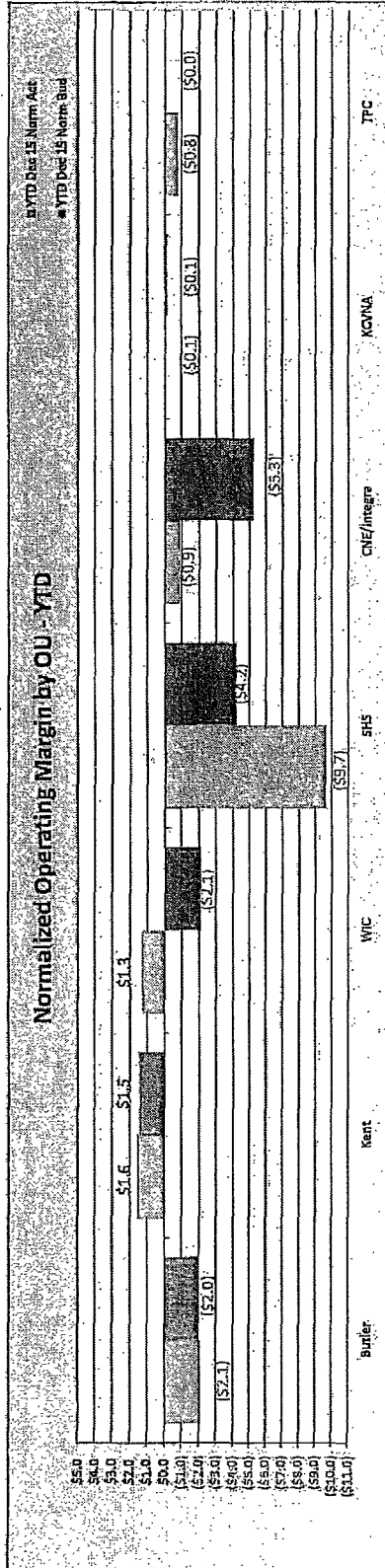
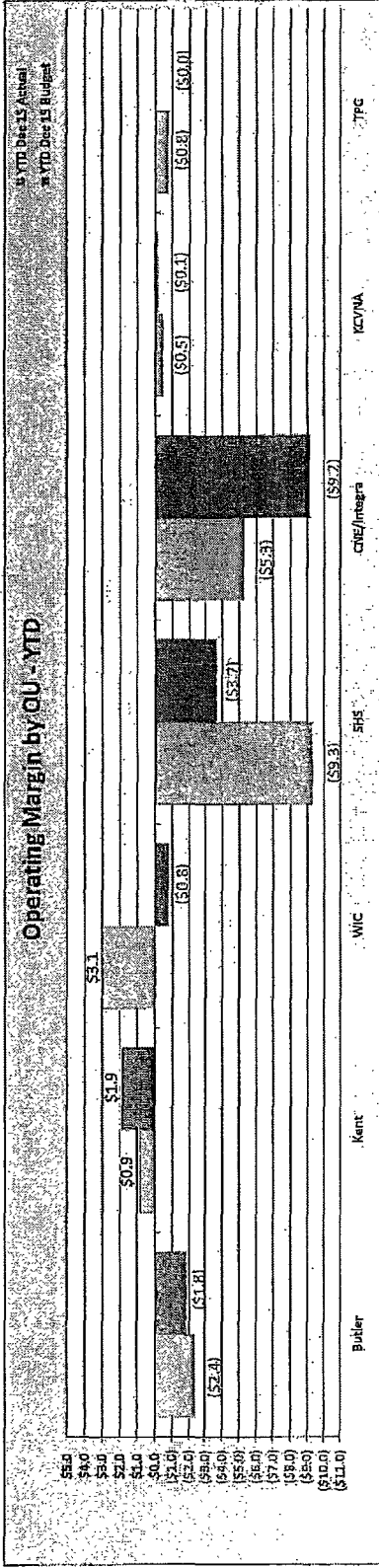
Operations Key Indicators	2014 Actual	2015 Actual	2016 Budget	2016 Actual	S&P Medians *	FY2020 Targets	Goal
Operating Margin	0.8%	-0.2%	-3.1%	-4.9%	-2.9%	3.0%	Higher
Operating EBITDA Margin	4.6%	3.7%	0.7%	-1.0%	2.0%	7.0%	Higher
Excess Margin	-1.0%	-2.4%	-2.9%	-3.9%	-0.4%		Higher
Debt Service Coverage	3.6x	0.9x	0.6x	0.2x			Higher
Salary + Benefits %	63.2%	62.8%	63.8%	65.0%			Lower
Capital Expenditure Ratio	113.0%	59.4%	57.6%	111.6%	78.2%	100.0%	Higher

Balance Sheet Key Indicators	2014 Actual	2015 Actual	2016 Budget	2016 Actual	S&P Medians *	FY2020 Targets	Goal
Days Cash on Hand	63.8	50.7	46.5	41.3	82.1	70	Higher
Days A/R - Gross (Hospital)	48.0	56.0	56.0	58.0			Lower
Days A/R - Gross (Professional)	42.6	40.4	34.0	38.6			Lower
Debt to Capitalization	33.8%	49.9%	36.7%	51.2%	85.4%	35.0%	Lower
Cash to Debt	1.14	0.98	1.07	0.83	0.47	1.00	Higher
Average Payment Period	56.8	60.6	60.6	57.2			Higher

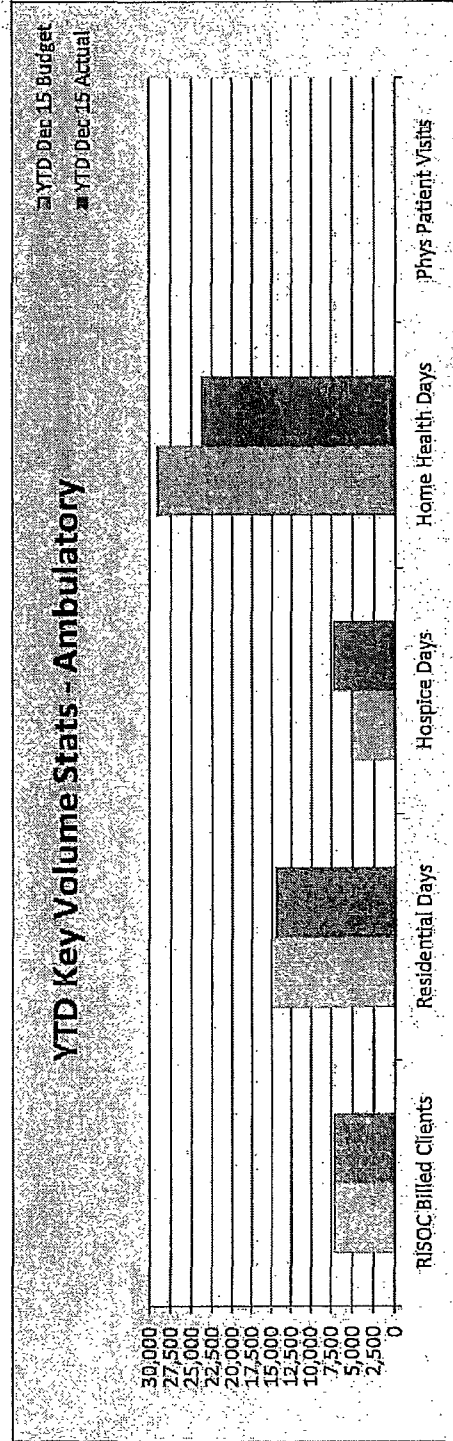
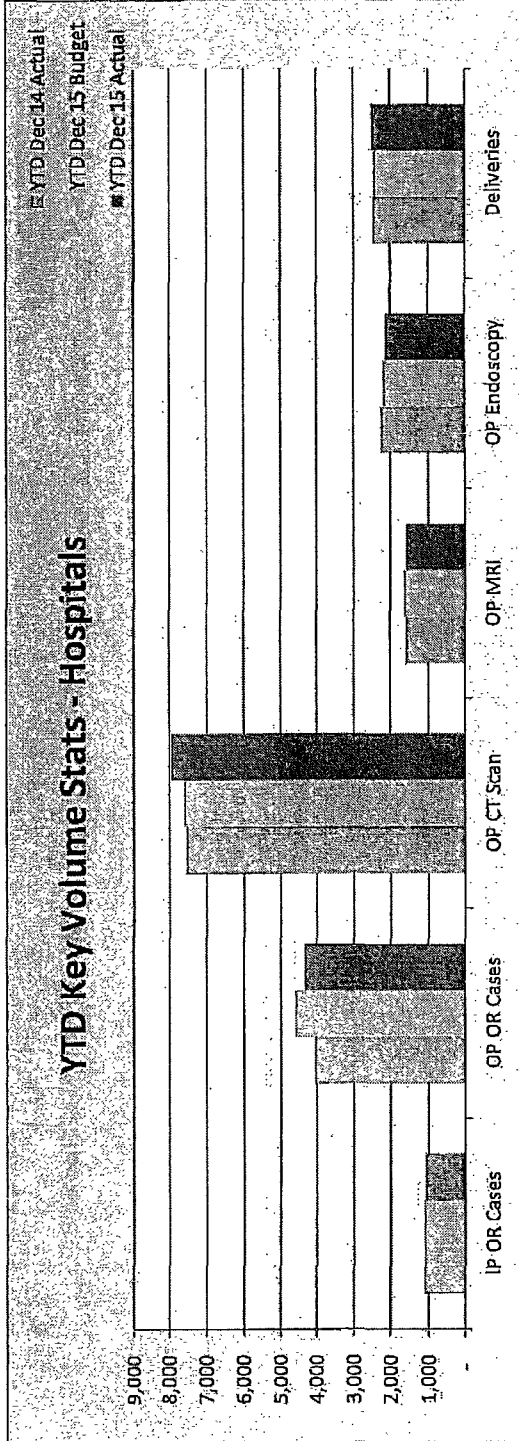
\*Per September, 2015 Report on Not-For-Profit Health Care Systems - 'Speculative Grade'



CARE NEW ENGLAND  
FINANCIAL HIGHLIGHTS  
DECEMBER 2015



CARE NEW ENGLAND  
 STATISTICAL HIGHLIGHTS  
 DECEMBER 2015



**CARE NEW ENGLAND  
T3 FINANCIAL AND QUALITY UPDATES**

T3 Delivery Team			Recurring			Budget
	Target	High	Launched *	Implemented *	Confirmed	YTD Realization
Clinical Operations	\$ 2,500,000	\$ 3,000,000	\$ 2,500,000	\$ -	\$ -	\$ -
Physician Services	\$ 13,640,000	\$ 17,400,000	\$ 7,959,500	\$ -	\$ -	\$ -
Labor	\$ 10,800,000	\$ 13,800,000	\$ 17,195,034	\$ 5,797,423	\$ -	\$ -
Purchased Services	\$ 2,500,000	\$ 3,000,000	\$ 3,458,002	\$ 1,091,176	\$ -	\$ 31,250
Strategy	TBD	TBD	\$ -	\$ -	\$ -	\$ -
Human Resources	\$ 19,250,000	\$ 23,700,000	\$ 22,627,796	\$ 11,817,488	\$ -	\$ -
340B	\$ 4,500,000	\$ 6,750,000	\$ 3,627,261	\$ -	\$ -	\$ 93,000
Research	TBD	TBD	\$ -	\$ -	\$ -	\$ -
Revenue Cycle	\$ 17,175,000	\$ 21,500,000	\$ 4,743,125	\$ 1,000,000	\$ -	\$ -
CDI	\$ 4,550,000	\$ 5,500,000	\$ 3,300,000	\$ 3,300,000	\$ -	\$ 379,167
<b>Total Recurring</b>	<b>\$ 74,915,000</b>	<b>\$ 94,650,000</b>	<b>\$ 65,410,718</b>	<b>\$ 23,006,086</b>	<b>\$ -</b>	<b>\$ 503,417</b>

T3 Delivery Team			One-Time			
	Target	High	Launched *	Implemented *	Confirmed	YTD Realization
Revenue Cycle	\$ 10,400,000	\$ 13,200,000	\$ 4,072,500	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 85,315,000</b>	<b>\$ 107,850,000</b>	<b>\$ 69,483,218</b>	<b>\$ 23,006,086</b>	<b>\$ -</b>	<b>\$ 503,417</b>

\* Launched and Implemented figures as of January 19, 2016

Quality Objectives	Measure	Baseline	Threshold	Target	Results	Period
<b>A3 Best in Class Quality</b>	Composite Score from each OU	60%	> 55% green 20% red	< > 65% green 15% red		Q3
<b>A4 Best in Class Safety</b>	CAUTI SIR	1.25	1.75	0.85	0.75	FYE 15
	CDIFF SIR	0.98	1.25	0.9	0.75	FYE 15
	CLABSI SIR	0.45	1	0.46	0.33	FYE 15
	MRSA SIR	0.57	1.25	0.8	0.5	FYE 15
	SSI SIR	1.14	1.5	0.9	0.8	FYE 15
	Hand Hygiene	-	85%	90%	98%	FYE 15
<b>A5 Patient Experience</b>	Loyalty Score	33%	44%	55%		FYE 15
	Patient Experience	33%	44%	65%		FYE 15

**Care New England Health System**  
**Consolidated Balance Sheet**  
(Unaudited)

	12/31/2015	9/30/2015	12/31/2014	12/15-9/15		12/15-12/14	
				Change	% Change	Change	% Change
<b>ASSETS</b>							
<b>Current assets:</b>							
Cash and Cash equivalents	37,243,525	48,803,805	41,114,939	(11,560,280)	-23.69%	(3,871,414)	-9.42%
Investments	13,099,157	27,163,691	25,269,164	(14,064,534)	-51.78%	(12,170,007)	-48.16%
Receivables							
Patient	177,677,406	182,078,032	164,790,702	(4,400,626)	-2.42%	12,886,704	7.82%
Other	32,529,665	21,404,988	28,966,675	11,124,877	51.97%	3,563,190	12.30%
	210,207,271	203,483,020	193,757,377	6,724,251	3.30%	16,449,894	8.49%
Less estimated uncollectibles	42,324,641	42,255,993	35,394,463	68,648	0.16%	6,930,178	19.58%
Net receivables	167,882,630	161,227,027	158,362,914	6,655,603	4.13%	9,519,716	6.01%
Assets limited as to use	446,827	446,827	2,789,320	-	0.00%	(2,342,493)	-83.98%
Inventories	8,216,808	8,945,236	7,796,287	(728,428)	-8.14%	420,521	5.39%
Prepaid expenses	8,215,173	7,788,516	12,344,567	426,657	5.48%	(4,129,394)	-33.45%
Notes Receivable, net	30,329	29,899	28,994	430	1.44%	1,335	4.60%
Pledges, net	968,926	1,022,395	1,173,233	(53,469)	-5.23%	(204,307)	-17.41%
<b>Total current assets</b>	<b>236,103,374</b>	<b>256,427,396</b>	<b>248,879,418</b>	<b>(19,324,022)</b>	<b>-7.57%</b>	<b>(12,776,044)</b>	<b>-5.13%</b>
<b>Assets limited as to use</b>							
Board designated	121,810,869	120,450,884	134,522,659	1,359,985	1.13%	(12,711,790)	-9.45%
Self insurance trust funds	145,211,160	149,729,294	153,452,756	(4,518,134)	-3.02%	(8,241,596)	-5.37%
Deferred compensation fund	2,375,068	1,912,022	2,811,420	463,046	24.22%	(436,352)	-15.52%
Trustee held funds	15,196,429	13,740,116	29,846,061	1,456,313	10.60%	(14,649,632)	-49.08%
<b>Total assets limited as to use</b>	<b>284,593,526</b>	<b>285,832,316</b>	<b>320,632,896</b>	<b>(1,238,790)</b>	<b>-0.43%</b>	<b>(36,039,370)</b>	<b>-11.24%</b>
Less amount required to meet current obligations	446,827	446,827	2,789,320	-	0.00%	(2,342,493)	-83.98%
<b>Noncurrent assets limited as to use</b>	<b>284,146,699</b>	<b>285,385,489</b>	<b>317,843,576</b>	<b>(1,238,790)</b>	<b>-0.43%</b>	<b>(33,696,877)</b>	<b>-10.60%</b>
<b>Property, plant and equipment, net</b>	<b>314,982,414</b>	<b>313,868,493</b>	<b>303,626,146</b>	<b>1,113,921</b>	<b>0.35%</b>	<b>11,356,268</b>	<b>3.74%</b>
Goodwill	24,488,975	24,488,975	24,345,364	-	0.00%	143,611	0.59%
Intangibles	6,482,500	6,482,500	5,400,000	-	0.00%	1,082,500	20.06%
<b>Other Assets:</b>							
Endowment funds	51,142,796	50,819,449	53,974,791	323,347	0.64%	(2,831,995)	-5.25%
Investments	4,356,809	4,245,685	2,676,193	111,124	2.62%	1,680,616	62.80%
Deferred financing costs, net	1,763,127	1,792,331	1,868,332	(29,204)	-1.63%	(105,205)	-5.83%
Notes and advances receivable, net	25,126	32,927	425,171	(7,801)	-23.69%	(400,045)	-94.09%
Other (insurance recoveries)	1,643,788	1,643,788	1,831,200	-	0.00%	(187,412)	-10.23%
Pledges receivable, net	563,701	930,114	1,193,213	(366,413)	-39.39%	(629,512)	-52.76%
Prepaid expenses and other	704,197	614,921	669,676	89,276	14.52%	34,521	5.15%
<b>Total other assets</b>	<b>60,199,544</b>	<b>60,079,215</b>	<b>62,638,576</b>	<b>120,329</b>	<b>0.20%</b>	<b>(2,439,032)</b>	<b>-3.89%</b>
<b>Total assets</b>	<b>926,403,507</b>	<b>945,732,068</b>	<b>962,733,080</b>	<b>(19,328,561)</b>	<b>-2.04%</b>	<b>(36,329,573)</b>	<b>-3.77%</b>

**LIABILITIES AND NET ASSETS**

	12/31/2015	9/30/2015	12/31/2014	12/15-9/15		12/15-12/14	
				Change	% Change	Change	% Change
<b>Current liabilities:</b>							
Notes Payable	3,500,000	-	-	3,500,000	0.00%	3,500,000	0.00%
Current pension payable	21,528,840	16,090,538	17,605,956	5,438,302	33.80%	3,922,884	22.28%
Current installments of long-term debt	9,171,115	9,631,866	6,670,017	(460,751)	-4.78%	2,501,088	37.50%
Accounts payable and accrued expenses	128,878,617	141,212,883	126,309,770	(12,334,266)	-8.73%	2,568,847	2.03%
Self-insurance reserves	8,351,421	8,689,509	7,087,417	(338,088)	-3.89%	1,264,004	17.83%
Deferred revenue	10,364,590	12,345,837	10,949,091	(1,981,247)	-16.05%	(584,501)	-5.34%
Estimated third party payor settlements	637,077	598,072	3,243,743	39,005	6.52%	(2,606,666)	-80.36%
Deferred compensation	770,767	770,767	192,282	-	0.00%	578,485	300.85%
<b>Total current liabilities</b>	<b>183,202,427</b>	<b>189,339,472</b>	<b>172,058,276</b>	<b>(6,137,045)</b>	<b>-3.24%</b>	<b>11,144,151</b>	<b>6.48%</b>
Estimated third party payor settlements	28,000,023	30,128,278	32,355,571	(2,128,255)	-7.06%	(4,355,548)	-13.46%
Net pension liability	118,159,141	115,941,760	79,443,418	2,217,381	1.91%	38,715,723	48.73%
Net post retirement liability	1,447,283	1,447,283	1,462,614	-	0.00%	(15,331)	-1.05%
Asset retirement obligation	1,823,946	1,814,193	1,779,818	9,753	0.54%	44,128	2.48%
Self-insurance reserves	135,589,747	138,931,970	140,351,631	(3,342,223)	-2.41%	(4,761,884)	-3.39%
Long-term debt, net of current portion	154,422,721	154,747,534	157,531,539	(324,813)	-0.21%	(3,108,818)	-1.97%
Deferred compensation	1,422,479	1,314,932	2,051,947	107,547	8.18%	(629,466)	-30.68%
<b>Total liabilities</b>	<b>624,067,767</b>	<b>633,655,422</b>	<b>587,034,814</b>	<b>(9,597,655)</b>	<b>-1.51%</b>	<b>37,032,953</b>	<b>6.31%</b>
<b>Net assets:</b>							
Unrestricted	230,191,087	241,150,258	307,839,413	(10,959,171)	-4.54%	(77,648,326)	-25.22%
Temporarily restricted	42,107,964	40,884,249	37,311,463	1,223,715	2.99%	4,796,501	12.86%
Permanently restricted	30,036,689	30,032,139	30,547,390	4,550	0.02%	(510,701)	-1.67%
<b>Total net assets</b>	<b>302,335,740</b>	<b>312,066,646</b>	<b>375,698,266</b>	<b>(9,730,906)</b>	<b>-3.12%</b>	<b>(73,362,526)</b>	<b>-19.53%</b>
<b>Total liabilities and net assets</b>	<b>926,403,507</b>	<b>945,732,068</b>	<b>962,733,080</b>	<b>(19,328,561)</b>	<b>-2.04%</b>	<b>(36,329,573)</b>	<b>-3.77%</b>

**Care New England  
Balance Sheet  
(Unaudited)**

ASSETS	As of December 31, 2015									
	BUTLER	KENT	WIC	SHS	CNE	Integra	KCVNA	TPC	Eliminations	TOTAL
<b>Current assets:</b>										
Cash and cash equivalents	6,603,054	21,738,619	84,000,915	(55,244,823)	(13,097,453)	(233,396)	(7,536,363)	1,012,972	-	37,243,525
Investments	-	1,621,564	-	-	11,477,593	-	-	-	-	13,099,157
<b>Receivables</b>										
Patient	9,026,182	48,027,199	80,192,890	28,045,302	134,975	-	5,574,722	6,676,136	-	177,677,406
Other	3,681,859	8,249,742	14,146,637	5,120,332	15,576	-	288,262	1,027,457	-	32,529,865
	12,708,041	56,276,941	94,339,527	33,165,634	150,551	-	5,862,984	7,703,593	-	210,207,271
Less estimated uncollectibles	3,202,110	15,009,546	12,915,681	9,356,934	-	-	376,897	1,463,473	-	42,324,641
Net receivables	9,505,931	41,267,395	81,423,846	23,808,700	150,551	-	5,486,087	6,240,120	-	167,882,630
<b>Assets limited as to use</b>										
Inventories	-	194,499	2,842	-	249,486	-	-	-	-	446,827
Prepaid expenses	227,646	3,608,073	3,208,435	1,154,236	-	-	-	17,418	-	8,216,808
Notes receivable, net	315,900	812,060	2,777,709	616,423	3,270,002	-	51,317	371,762	-	8,215,173
Pledges, net	-	-	30,329	-	-	-	-	-	-	30,329
Due from Affiliates	245,700	492,599	230,627	-	-	-	-	-	-	968,926
	210,113	1,011,027	221,498	-	119,232,575	-	-	-	(120,675,213)	-
<b>Total current assets</b>	17,108,343	70,746,836	171,896,201	(29,665,464)	121,282,754	(233,396)	(1,998,959)	7,642,272	(120,675,213)	236,103,374
<b>Assets limited as to use</b>										
Board designated	5,578,137	22,025,306	89,035,664	4,465,209	-	-	706,553	-	-	121,810,869
Self insurance trust funds	2,814,511	30,990,657	109,853,452	36,492	1,516,048	-	-	-	-	145,211,160
Deferred compensation fund	226,719	369,239	540,423	-	1,074,480	-	-	164,207	-	2,375,068
Trustee held funds	-	-	2,842	-	14,499,099	-	-	694,488	-	15,196,429
<b>Total assets limited as to use</b>	8,619,367	53,385,202	199,432,381	4,501,701	17,089,627	-	706,553	858,695	-	284,593,526
Less amount required to meet current obligations	-	194,499	2,842	-	249,486	-	-	-	-	446,827
<b>Noncurrent assets limited as to use</b>	8,619,367	53,190,703	199,429,539	4,501,701	16,840,141	-	706,553	858,695	-	284,146,699
<b>Property, plant and equipment, net</b>	28,910,430	70,328,228	136,366,918	29,444,872	33,382,617	-	433,360	16,115,989	-	314,982,414
Goodwill	-	-	-	24,345,364	-	-	-	143,611	-	24,488,975
Intangibles	-	-	-	5,400,000	-	-	-	1,082,500	-	6,482,500
<b>Other Assets:</b>										
Endowment funds	16,199,956	15,463,764	8,383,061	10,960,724	-	-	-	135,291	-	51,142,796
Investments	-	-	-	-	4,188,961	-	-	167,848	-	4,356,809
Deferred financing costs, net	42,581	93,883	19,734	-	1,606,929	-	-	-	-	1,763,127
Notes and advances receivable, net	-	-	25,126	-	-	-	-	-	-	25,126
Insurance recoveries receivable	-	-	-	594,538	1,049,250	-	-	-	-	1,643,788
Pledges receivable, net	-	314,341	77,849	-	-	-	-	171,511	-	563,701
Prepaid expenses and other	106,392	583,748	-	-	-	-	-	14,057	-	704,197
<b>Total other assets</b>	16,348,929	16,455,736	8,505,770	11,555,262	6,845,140	-	-	488,707	-	60,199,544
<b>Total assets</b>	70,987,070	210,721,503	516,198,428	45,581,735	178,350,652	(233,396)	(859,046)	26,331,774	(120,675,213)	926,403,507

	As of December 31, 2015									
	BUTLER	KENT	WIC	SHS	CNE	Integra	KCVNA	TPC	Eliminations	TOTAL
<b>LIABILITIES AND NET ASSETS</b>										
<b>Current liabilities:</b>										
Notes payable	-	-	-	-	3,500,000	-	-	-	-	3,500,000
Current pension payable	2,194,277	8,694,452	4,894,485	1,800,984	3,826,823	-	117,819	-	-	21,528,840
Current installments of long-term debt	1,082,990	2,099,389	2,188,890	616,457	8,049,528	-	560	968,972	(5,835,671)	9,171,115
Accounts payable and accrued expenses	9,787,340	35,174,851	39,742,608	15,608,403	22,722,955	102,363	2,739,629	3,033,106	(32,638)	128,878,617
Self-insurance reserves	-	-	-	-	8,351,421	-	-	-	-	8,351,421
Deferred revenue	1,305,909	5,490,109	2,101,568	610,624	-	125,000	564,565	168,815	-	10,364,590
Estimated third party payor settlements	672,681	(35,604)	-	-	-	-	-	-	-	637,077
Due to Affiliates	-	-	-	135,820	-	1,264,841	672,369	348,623	(2,421,653)	-
Deferred compensation	-	194,499	146,274	-	249,486	-	16,301	164,207	-	770,767
<b>Total current liabilities</b>	<b>15,043,197</b>	<b>51,617,696</b>	<b>49,073,825</b>	<b>18,772,288</b>	<b>46,700,213</b>	<b>1,492,204</b>	<b>4,111,243</b>	<b>4,681,723</b>	<b>(8,289,962)</b>	<b>183,202,427</b>
Estimated third party payor settlements	2,187,638	3,832,782	15,816,646	5,875,608	-	-	287,349	-	-	28,000,023
Net pension liability	10,537,941	21,699,810	11,193,108	65,088,344	6,053,421	-	3,586,517	-	-	118,159,141
Net post retirement liability	-	1,447,283	-	-	-	-	-	-	-	1,447,283
Asset Retirement obligation	841,490	945,468	-	36,988	-	-	-	-	-	1,823,946
Self-insurance reserves	2,436,282	33,597,652	90,493,149	667,860	8,394,804	-	-	-	-	135,589,747
Due to CNE, LTD, net of current	14,502,504	27,348,202	59,262,137	11,263,562	-	-	8,846	-	(112,385,251)	-
Long-term debt, net of current portion	3,196,196	-	-	-	146,639,252	-	-	4,587,273	-	154,422,721
Deferred compensation	226,719	108,686	540,423	-	546,651	-	-	-	-	1,422,479
<b>Total liabilities</b>	<b>48,971,967</b>	<b>140,597,579</b>	<b>226,379,288</b>	<b>101,704,650</b>	<b>208,334,341</b>	<b>1,492,204</b>	<b>7,993,955</b>	<b>9,268,996</b>	<b>(120,675,213)</b>	<b>624,067,767</b>
<b>Net assets:</b>										
Unrestricted	1,206,255	51,473,471	274,158,932	(68,845,863)	(29,983,689)	(1,930,600)	(8,845,949)	12,958,530	-	230,191,087
Temporarily restricted	17,673,776	6,287,401	11,410,716	2,533,875	-	205,000	(7,052)	4,004,248	-	42,107,964
Permanently restricted	3,135,072	12,363,052	4,249,492	10,189,073	-	-	-	100,000	-	30,036,689
<b>Total net assets</b>	<b>22,015,103</b>	<b>70,123,924</b>	<b>289,819,140</b>	<b>(56,122,915)</b>	<b>(29,983,689)</b>	<b>(1,725,600)</b>	<b>(8,853,001)</b>	<b>17,062,778</b>	<b>-</b>	<b>302,335,740</b>
<b>Total liabilities and net assets</b>	<b>70,987,070</b>	<b>210,721,503</b>	<b>516,198,428</b>	<b>45,581,735</b>	<b>178,350,652</b>	<b>(233,396)</b>	<b>(859,046)</b>	<b>26,331,774</b>	<b>(120,675,213)</b>	<b>926,403,507</b>



**Care New England  
Statements of Cash Flows  
(Unaudited)**

**3 Months Ended**

**12/31/2015**

**Operating activities**

Change in net assets	\$ (9,730,906)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Early extinguishment of debt	-
Pension and postretirement adjustment	-
Depreciation and amortization	9,575,740
Provision for bad debt	9,407,593
Income and gains on assets limited as to use	(692,074)
Net unrealized (gains) losses on investments	(2,329,076)
Restricted contributions and investment income	(4,550)
Changes in	
Patient accounts receivable	(4,938,319)
Other current and long-term assets	(10,455,925)
Accounts payable and accrued expenses	(12,334,266)
Estimated third-party payor settlements	(2,089,250)
Deferred revenue and other liabilities	(1,863,947)
Net pension liability	7,655,683
Self-insurance reserves	(3,680,311)
Net cash provided by operating activities	<u>(21,479,608)</u>

**Investing activities**

Purchase of property and equipment	(10,689,661)
Project fund requisitions	(1,578,614)
Net change in assets limited as to use	<u>19,468,617</u>
Net cash used in investing activities	<u>7,200,342</u>

**Financing activities**

Proceeds from issuance of debt and capital leases	3,500,000
Payments on long-term debt and capital leases	(785,564)
Restricted contributions to be used for long-term investments and investment income	<u>4,550</u>
Net cash used in financing activities	<u>2,718,986</u>
Net decrease in cash and cash equivalents	<u>(11,560,280)</u>

**Cash and cash equivalents**

Beginning of year	<u>48,803,805</u>
End of year	<u>\$ 37,243,525</u>

**Care New England**  
**Combined Statement of Unrestricted Activities**  
**For the Three Months Ended December 31, 2015**  
**(Unaudited)**

	Current YTD Actual	Current YTD Budget	Variance Actual to Budget	%	Current YTD Actual	Prior YTD Actual	Variance Actual to Actual	%
<b>Unrestricted revenues and gains:</b>								
Patient service revenue (net of contractual allowances and discounts)	\$279,288,017	\$285,587,094	(\$6,299,077)	-2.21%	\$279,288,017	\$266,828,179	\$12,459,838	4.67%
Less: Charity care	(4,524,863)	(4,904,319)	379,456	7.74%	(4,524,863)	(3,901,866)	(622,997)	-15.97%
Provision for bad debts	(9,407,593)	(9,427,338)	19,745	0.21%	(9,407,593)	(8,235,899)	(1,171,694)	-14.23%
Net patient service revenue less provision for bad debts	265,355,561	271,255,437	(5,899,876)	-2.18%	265,355,561	254,690,414	10,665,147	4.19%
Net assets released from restrictions	414,831	285,161	129,670	45.47%	414,831	213,395	201,436	94.40%
Research revenue	8,000,777	5,119,512	881,265	17.21%	6,000,777	5,076,414	924,363	18.21%
Other revenue	16,430,967	15,036,453	1,394,514	9.27%	16,430,967	12,014,498	4,416,469	36.76%
<b>Total revenues and gains</b>	<b>288,202,136</b>	<b>291,696,563</b>	<b>(3,494,427)</b>	<b>-1.20%</b>	<b>288,202,136</b>	<b>271,994,721</b>	<b>16,207,415</b>	<b>5.96%</b>
<b>Operating expenses:</b>								
Salaries and wages	141,383,539	142,968,650	1,605,111	1.12%	141,363,539	132,363,318	(9,000,221)	-6.80%
Fringe benefits	42,646,687	43,723,166	1,076,479	2.46%	42,646,687	39,219,166	(3,427,521)	-8.74%
Insurances	7,615,914	7,660,066	44,152	0.58%	7,615,914	7,711,590	95,676	1.24%
Medical supplies and drugs	27,781,790	26,436,284	(1,345,506)	-5.09%	27,781,790	26,007,699	(1,774,091)	-6.82%
Other expenses	48,687,819	52,516,842	3,829,023	7.29%	48,687,819	40,718,740	(7,969,079)	-19.57%
Research expenses	5,926,400	5,026,729	(899,671)	-17.90%	5,926,400	5,367,206	(559,194)	-10.42%
Licensure fee	11,948,158	11,948,782	624	0.01%	11,948,158	10,804,111	(1,144,047)	-10.59%
Interest	1,634,474	1,727,050	92,576	5.36%	1,634,474	1,660,561	26,087	1.57%
Depreciation and amortization	9,575,740	9,475,266	(100,474)	-1.06%	9,575,740	9,456,946	(118,794)	-1.26%
Restructuring costs	5,207,920	3,889,965	(1,317,955)	-33.88%	5,207,920	0	(5,207,920)	0.00%
<b>Total operating expenses</b>	<b>302,388,441</b>	<b>305,372,800</b>	<b>2,984,359</b>	<b>0.98%</b>	<b>302,388,441</b>	<b>273,309,337</b>	<b>(29,079,104)</b>	<b>-10.64%</b>
<b>Net income (loss) from operations</b>	<b>(14,186,305)</b>	<b>(13,676,237)</b>	<b>(510,068)</b>	<b>-3.73%</b>	<b>(14,186,305)</b>	<b>(1,314,616)</b>	<b>(12,871,689)</b>	<b>-979.12%</b>
<b>Nonoperating gains and (losses):</b>								
Unrestricted gifts & bequests	492,689	330,468	162,221	49.09%	492,689	172,439	320,250	185.72%
Income on investments whose use is limited	506,175	529,511	(23,336)	-4.41%	506,175	1,195,906	(689,731)	-57.67%
Gains on investments whose use is limited	185,899	1,372,500	(1,186,601)	-86.46%	185,899	3,869,679	(3,683,780)	-95.20%
Change in net unrealized gains and losses	2,329,076	(764,820)	3,093,896	404.53%	2,329,076	(5,515,568)	7,844,644	142.23%
Fund raising expenditures	(484,290)	(724,046)	239,756	33.11%	(484,290)	(211,969)	(272,321)	-128.47%
<b>Net nonoperating gains</b>	<b>3,029,549</b>	<b>743,613</b>	<b>2,285,936</b>	<b>307.41%</b>	<b>3,029,549</b>	<b>(489,513)</b>	<b>3,519,062</b>	<b>718.89%</b>
<b>Excess of revenues and gains over expenses</b>	<b>(11,156,756)</b>	<b>(12,932,624)</b>	<b>1,775,868</b>	<b>13.73%</b>	<b>(11,156,756)</b>	<b>(1,804,129)</b>	<b>(9,352,627)</b>	<b>-518.40%</b>
Pension and post retirement adjustment	0	0	0	0.00%	0	0	0	0.00%
Net assets released from restrictions	197,582	102,935	94,647	91.95%	197,582	104,140	93,442	89.73%
Other transfers	0	0	0	0.00%	0	0	0	0.00%
Transfer (to) from temporarily restricted	0	0	0	0.00%	0	0	0	0.00%
<b>Increase (decrease) in unrestricted net assets</b>	<b>(\$10,959,174)</b>	<b>(\$12,829,689)</b>	<b>\$1,870,515</b>	<b>14.58%</b>	<b>(\$10,959,174)</b>	<b>(\$1,699,989)</b>	<b>(\$9,259,185)</b>	<b>-544.66%</b>

Care New England  
 Combined Statement of Unrestricted Activities  
 For the Three Months Ended December 31, 2015  
 (Unaudited)

	Year to Date Actual									
	Butler	Kent	WIC	SHS	CNE	Integra	KCVNA	TPC	Eliminating	Total
<b>Unrestricted revenues and gains:</b>										
Patient service revenue (net of contractual allowances and discounts)	20,820,371	89,124,172	117,213,389	36,727,713	45,725	-	5,600,576	10,556,071	-	279,288,017
Less: Charity care	(1,828,644)	(1,254,759)	(1,080,487)	(347,970)	-	-	(13,003)	-	-	(4,524,863)
Provision for bad debts	(454,328)	(3,207,561)	(2,205,595)	(3,464,698)	-	-	(75,311)	-	-	(9,407,593)
Net patient service revenue less provision for bad debts	18,537,399	84,661,852	113,927,207	31,915,045	45,725	-	5,712,262	10,556,071	-	285,855,581
Net assets released from restrictions	80,171	43,765	-	55,250	-	118,334	9,782	106,529	-	414,831
Research revenue	2,929,350	24,205	2,660,555	386,667	-	-	-	-	-	6,000,777
Contribution revenue from acquisition	-	-	-	-	-	-	-	-	-	-
Other revenue	4,825,689	4,702,541	8,083,834	432,597	33,632,666	41,319	188,038	1,049,080	(36,504,797)	16,430,967
<b>Total revenues and gains</b>	<b>26,372,609</b>	<b>89,432,363</b>	<b>124,651,596</b>	<b>32,790,559</b>	<b>33,678,391</b>	<b>158,553</b>	<b>5,910,082</b>	<b>11,711,680</b>	<b>(36,504,797)</b>	<b>288,202,136</b>
<b>Operating expenses:</b>										
Salaries and Wages	14,068,995	35,589,503	48,479,424	16,328,888	14,979,576	406,561	3,631,984	7,878,608	-	141,363,539
Fringe Benefits	3,983,198	10,220,231	15,199,209	5,838,532	4,477,667	101,229	985,498	1,841,123	-	42,646,687
Insurances	582,739	2,788,624	3,512,965	521,907	50,239	-	88,234	91,206	-	7,615,914
Medical Supplies and Drugs	547,305	10,084,649	12,301,870	4,455,112	1,080	-	390,738	1,087	-	27,781,790
Other Expenses	1,831,077	12,510,317	15,011,227	6,158,593	13,167,136	294,552	427,982	2,271,218	(2,984,283)	48,687,819
Research expenses	2,861,897	25,912	2,660,502	376,089	-	-	-	-	-	5,926,400
Licensure Fee	-	4,081,636	5,867,299	2,019,223	-	-	-	-	-	11,948,158
Interest	194,366	339,051	528,041	147,838	353,469	-	130	73,579	-	1,634,474
Depreciation and amortization	1,041,628	2,608,277	3,403,336	1,325,838	866,565	-	51,709	278,387	-	9,575,740
Shared services	3,175,960	10,303,098	14,602,332	4,910,298	-	62,500	416,326	50,000	(33,520,514)	-
Restructuring costs	454,125	-	-	-	4,359,580	-	394,215	-	-	5,207,920
<b>Total operating expenses</b>	<b>28,741,291</b>	<b>88,531,298</b>	<b>121,564,205</b>	<b>42,084,318</b>	<b>38,255,312</b>	<b>864,842</b>	<b>6,366,614</b>	<b>12,485,158</b>	<b>(36,504,797)</b>	<b>302,388,441</b>
<b>Net income (loss) from operations before refinancing</b>	<b>(2,368,682)</b>	<b>901,065</b>	<b>3,087,391</b>	<b>(9,293,759)</b>	<b>(4,576,921)</b>	<b>(705,189)</b>	<b>(456,732)</b>	<b>(773,476)</b>	<b>-</b>	<b>(14,188,305)</b>
Loss on refinancing	-	-	-	-	-	-	-	-	-	-
<b>Net income (loss) from operations</b>	<b>(2,368,682)</b>	<b>901,065</b>	<b>3,087,391</b>	<b>(9,293,759)</b>	<b>(4,576,921)</b>	<b>(705,189)</b>	<b>(456,732)</b>	<b>(773,476)</b>	<b>-</b>	<b>(14,188,305)</b>
<b>Nonoperating gains and (losses):</b>										
Unrestricted Gifts & Bequests	10,959	-	74,768	161,585	-	-	59,909	185,468	-	492,689
Income on Investments whose use is limited	152,547	74,724	271,165	7,739	-	-	-	-	-	506,175
Gains on Investments whose use is limited	17,031	64,379	223,288	6,498	(125,277)	-	-	-	-	185,899
Transfer to Parent	-	-	-	-	-	-	-	-	-	-
Change in net unrealized gains and losses	39,490	408,648	1,763,478	12,571	100,181	-	4,708	-	-	2,329,076
Change in Market Value of Interest Rate Swaps	-	-	-	-	-	-	-	-	-	-
Fund Raising Expenditures	-	-	-	-	(447,781)	-	-	(36,509)	-	(484,290)
<b>Net nonoperating gains (losses)</b>	<b>220,027</b>	<b>547,751</b>	<b>2,332,679</b>	<b>188,393</b>	<b>(472,877)</b>	<b>-</b>	<b>64,617</b>	<b>148,959</b>	<b>-</b>	<b>3,029,549</b>
<b>Excess of revenues and gains over expenses</b>	<b>(2,148,655)</b>	<b>1,448,816</b>	<b>5,420,070</b>	<b>(9,105,366)</b>	<b>(5,049,798)</b>	<b>(705,189)</b>	<b>(392,115)</b>	<b>(624,519)</b>	<b>-</b>	<b>(11,156,758)</b>
Pension and post retirement adjustment	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	-	100,916	-	90,066	-	-	-	6,600	-	197,582
Transfer (to) from temporarily restricted	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
<b>Increase (decrease) in unrestricted net assets</b>	<b>(2,148,655)</b>	<b>1,549,732</b>	<b>5,420,070</b>	<b>(9,015,300)</b>	<b>(5,049,798)</b>	<b>(705,189)</b>	<b>(392,115)</b>	<b>(617,919)</b>	<b>-</b>	<b>(10,959,174)</b>

Care New England  
 Combined Statement of Unrestricted Activities  
 For the Three Months Ended December 31, 2016

	Year To Date Budget									
	Butler	Kent	WIC	SHS	CNE	Integra	KCVNA	TPC	Eliminating	Total
<b>Unrestricted revenues and gains:</b>										
Patient service revenue (net of contractual allowances and discounts)	21,882,881	90,896,129	115,479,555	40,494,810	37,500	-	5,813,119	11,003,300	-	285,587,094
Less: Charity care	(1,537,518)	(921,225)	(1,865,980)	(570,884)	-	-	(8,712)	-	-	(4,904,319)
Provision for bad debts	(631,319)	(3,750,951)	(2,471,957)	(2,517,670)	-	-	(55,441)	-	-	(9,427,338)
Net patient service revenue less provision for bad debts	19,694,044	86,223,953	111,141,618	37,408,056	37,500	-	5,748,966	11,003,300	-	271,256,437
Net assets released from restrictions	58,842	106,000	-	59,719	-	-	14,283	48,317	-	285,161
Research revenue	2,582,235	32,930	2,094,991	409,356	-	-	-	-	-	5,119,512
Contribution revenue from acquisition	-	-	-	-	-	-	-	-	-	-
Other revenue	4,958,119	3,339,814	7,698,057	7,19,752	32,879,289	-	267,975	998,052	(35,824,605)	15,036,453
<b>Total revenues and gains</b>	<b>27,293,240</b>	<b>89,702,697</b>	<b>120,934,666</b>	<b>38,594,883</b>	<b>32,916,789</b>	<b>-</b>	<b>6,031,224</b>	<b>12,047,669</b>	<b>(35,824,605)</b>	<b>291,696,563</b>
<b>Operating expenses:</b>										
Salaries and Wages	14,608,841	35,450,049	48,395,574	16,692,412	15,738,542	846,290	3,718,749	7,620,193	-	142,988,650
Fringe Benefits	4,516,936	10,130,707	15,562,933	5,983,620	4,224,826	394,068	1,070,217	1,839,859	-	43,723,166
Insurances	582,737	2,792,562	3,512,965	525,988	73,197	19,814	62,904	89,899	-	7,660,066
Medical Supplies and Drugs	563,504	9,413,241	11,763,063	4,253,790	4,346	-	437,416	924	-	26,436,284
Other Expenses	1,931,142	12,950,875	16,321,108	6,045,627	15,695,671	(130,806)	430,177	2,285,369	(3,012,321)	52,516,842
Research expenses	2,504,865	32,931	2,083,018	405,915	-	-	-	-	-	5,026,729
Licensure Fee	-	4,082,260	5,867,299	2,019,223	-	-	-	-	-	11,948,782
Interest	184,480	337,060	587,893	152,298	382,837	-	-	72,684	-	1,727,050
Depreciation and amortization	1,038,134	2,608,584	3,403,127	1,329,508	868,565	-	51,709	177,639	-	9,475,266
Shared services	3,175,306	10,015,467	14,210,404	4,941,881	-	62,500	408,827	-	(32,812,284)	-
Restructuring costs	-	-	-	-	3,889,985	-	-	-	-	3,889,985
<b>Total operating expenses</b>	<b>29,115,944</b>	<b>87,793,736</b>	<b>121,707,384</b>	<b>42,250,060</b>	<b>40,875,749</b>	<b>1,191,866</b>	<b>6,178,099</b>	<b>12,086,567</b>	<b>(35,824,605)</b>	<b>306,372,800</b>
<b>Net income (loss) from operations before refinance</b>	<b>(1,822,704)</b>	<b>1,908,961</b>	<b>(772,718)</b>	<b>(3,655,177)</b>	<b>(7,958,960)</b>	<b>(1,191,866)</b>	<b>(144,875)</b>	<b>(38,898)</b>	<b>-</b>	<b>(13,676,237)</b>
<b>Loss on refinancing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net income (loss) from operations</b>	<b>(1,822,704)</b>	<b>1,908,961</b>	<b>(772,718)</b>	<b>(3,655,177)</b>	<b>(7,958,960)</b>	<b>(1,191,866)</b>	<b>(144,875)</b>	<b>(38,898)</b>	<b>-</b>	<b>(13,876,237)</b>
<b>Nonoperating gains and (losses):</b>										
Unrestricted Gifts & Bequests	10,578	-	11,192	92,279	-	-	16,010	200,409	-	330,468
Income on Investments whose use is limited	176,780	137,500	216,000	251	-	-	-	-	-	529,511
Gains on Investments whose use is limited	-	137,500	1,177,500	57,500	-	-	-	-	-	1,372,500
Transfer to Parent	-	-	-	-	-	-	-	-	-	-
Change in net unrealized gains and losses	49,128	(798,477)	-	(15,471)	-	-	-	-	-	(764,820)
Change in Market Value of Interest Rate Swaps	-	-	-	-	-	-	-	-	-	-
Fund Raising Expenditures	-	-	-	-	(688,600)	-	2,554	(38,000)	-	(724,046)
<b>Net nonoperating gains (losses)</b>	<b>236,466</b>	<b>(523,477)</b>	<b>1,403,892</b>	<b>134,559</b>	<b>(688,600)</b>	<b>-</b>	<b>18,564</b>	<b>162,409</b>	<b>-</b>	<b>743,813</b>
<b>Excess of revenues and gains over expenses</b>	<b>(1,586,238)</b>	<b>1,385,484</b>	<b>630,974</b>	<b>(3,520,618)</b>	<b>(8,647,560)</b>	<b>(1,191,866)</b>	<b>(126,311)</b>	<b>123,511</b>	<b>-</b>	<b>(12,932,624)</b>
Pension and post retirement adjustment	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	-	102,935	-	-	-	-	-	-	-	102,935
Transfer (to) from temporarily restricted Transfers	-	-	-	-	-	-	-	-	-	-
<b>Increase (decrease) in unrestricted net assets</b>	<b>(1,586,238)</b>	<b>1,488,419</b>	<b>630,974</b>	<b>(3,520,618)</b>	<b>(8,647,560)</b>	<b>(1,191,866)</b>	<b>(126,311)</b>	<b>123,511</b>	<b>-</b>	<b>(12,829,689)</b>

Care New England  
 Combined Statement of Unrestricted Activities  
 For the Three Months Ended December 31, 2015

	Prior Year To Date Actual									
	Butler	Kent	WIC	SHS	CNE	Integra	KCVNA	TPC	Eliminating	Total
<b>Unrestricted revenues and gains:</b>										
Patient service revenue (net of contractual allowances and discounts)	21,399,203	85,394,843	116,164,946	37,819,626	43,164	-	6,067,397	-	-	266,828,179
Less: Charity care	(1,062,062)	(845,736)	(869,119)	(1,094,429)	-	-	(10,520)	-	-	(3,901,866)
Provision for bad debts	(782,766)	(3,331,630)	(1,816,112)	(2,095,338)	-	-	(230,053)	-	-	(8,235,899)
Net patient service revenue less provision for bad debts	19,513,375	81,217,477	113,459,715	34,629,859	43,164	-	5,826,824	-	-	254,690,414
Net assets released from restrictions	63,281	73,304	-	62,498	-	-	14,312	-	-	213,395
Research revenue	2,232,734	1,882	2,336,634	505,154	-	-	-	-	-	5,076,414
Contribution revenue from acquisition	-	-	-	-	-	-	-	-	-	-
Other revenue	4,903,354	1,939,426	5,374,606	2,041,866	32,365,444	-	218,146	-	(34,828,344)	12,014,498
<b>Total revenues and gains</b>	<b>26,712,744</b>	<b>83,232,089</b>	<b>121,170,955</b>	<b>37,239,377</b>	<b>32,408,608</b>	<b>-</b>	<b>6,059,282</b>	<b>-</b>	<b>(34,828,344)</b>	<b>271,994,721</b>
<b>Operating expenses:</b>										
Salaries and Wages	14,147,961	34,360,457	49,249,855	17,066,682	14,023,936	49,254	3,475,173	-	-	132,363,318
Fringe Benefits	3,947,093	9,810,637	14,921,364	5,015,140	4,573,409	13,885	937,638	-	-	39,219,186
Insurances	563,862	2,716,746	3,588,411	723,190	20,746	39,520	59,115	-	-	7,711,590
Medical Supplies and Drugs	661,508	8,333,716	12,187,421	4,456,188	-	-	368,866	-	-	28,007,699
Other Expenses	1,583,358	11,142,365	11,992,715	5,397,925	12,803,248	78,000	653,754	-	(2,732,625)	40,718,740
Research expenses	2,341,352	-	2,481,992	563,852	-	-	-	-	-	5,387,206
Licensure Fee	-	3,964,079	5,348,811	1,491,221	-	-	-	-	-	10,804,111
Interest	191,561	331,045	529,719	128,371	479,855	-	-	-	-	1,660,561
Depreciation and amortization	1,055,763	2,655,012	3,463,065	1,349,050	881,437	-	52,619	-	-	9,456,946
Shared services	2,511,226	9,079,819	17,088,344	3,002,797	-	-	413,533	-	(32,095,719)	(0)
Restructuring costs	-	-	-	-	-	-	-	-	-	-
<b>Total operating expenses</b>	<b>27,003,694</b>	<b>82,393,676</b>	<b>120,831,717</b>	<b>39,184,416</b>	<b>32,582,641</b>	<b>180,639</b>	<b>5,960,698</b>	<b>-</b>	<b>(34,828,344)</b>	<b>273,309,337</b>
<b>Net income (loss) from operations before refinance</b>	<b>(290,950)</b>	<b>838,223</b>	<b>339,238</b>	<b>(1,945,039)</b>	<b>(174,033)</b>	<b>(180,639)</b>	<b>98,584</b>	<b>-</b>	<b>-</b>	<b>(1,314,616)</b>
<b>Loss on refinancing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net income (loss) from operations</b>	<b>(290,950)</b>	<b>838,223</b>	<b>339,238</b>	<b>(1,945,039)</b>	<b>(174,033)</b>	<b>(180,639)</b>	<b>98,584</b>	<b>-</b>	<b>-</b>	<b>(1,314,616)</b>
<b>Nonoperating gains and (losses):</b>										
Unrestricted Gifts & Bequests	10,549	-	73,057	70,150	-	-	18,683	-	-	172,439
Income on investments whose use is limited	198,113	342,850	598,943	56,000	-	-	-	-	-	1,195,906
Gains on investments whose use is limited	246,885	420,471	2,682,623	738,580	(119,080)	-	-	-	-	3,669,679
Transfer to Parent	-	-	-	-	-	-	-	-	-	-
Change in net unrealized gains and losses	(343,132)	(660,091)	(3,684,151)	(873,437)	69,135	-	(43,892)	-	-	(5,515,568)
Change in Market Value of Interest Rate Swap	-	-	-	-	-	-	-	-	-	-
Fund Raising Expenditures	-	-	-	-	(217,063)	-	5,094	-	-	(211,669)
<b>Net nonoperating gains (losses)</b>	<b>112,215</b>	<b>103,230</b>	<b>(409,528)</b>	<b>(8,307)</b>	<b>(287,008)</b>	<b>-</b>	<b>(20,115)</b>	<b>-</b>	<b>-</b>	<b>(489,513)</b>
<b>Excess of revenues and gains over expenses</b>	<b>(178,735)</b>	<b>941,453</b>	<b>(70,290)</b>	<b>(1,953,346)</b>	<b>(441,041)</b>	<b>(180,639)</b>	<b>78,469</b>	<b>-</b>	<b>-</b>	<b>(1,804,129)</b>
Pension and post retirement adjustment	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	-	104,140	-	-	-	-	-	-	-	104,140
Transfer (to) from temporarily restricted Transfers	-	-	-	-	-	-	-	-	-	-
<b>Increase (decrease) in unrestricted net assets</b>	<b>(178,735)</b>	<b>1,045,593</b>	<b>(70,290)</b>	<b>(1,953,346)</b>	<b>(441,041)</b>	<b>(180,639)</b>	<b>78,469</b>	<b>-</b>	<b>-</b>	<b>(1,699,989)</b>

Care New England  
 Combined Statement of Unrestricted Activities  
 For the Three Months Ended December 31, 2015  
 (Unaudited)

	Variance Actual Vs Budget									
	Butler	Kent	WIC	SHS	CNE	Integra	KCVNA	TPC	Eliminating	Total
<b>Unrestricted revenues and gains:</b>										
Patient service revenue (net of contractual allowances and discounts)	(1,042,510)	(1,771,957)	1,733,934	(4,766,897)	8,225	-	(12,543)	(447,229)	-	(6,299,077)
Less: Charity care	(291,126)	(333,534)	785,493	222,914	-	-	(4,291)	-	-	379,456
Provision for bad debts	176,991	543,390	266,282	(947,028)	-	-	(19,870)	-	-	19,745
Net patient service revenue less provision for bad debts	(1,156,645)	(1,562,101)	2,785,589	(5,491,011)	8,225	-	(36,704)	(447,229)	-	(5,899,876)
Net assets released from restrictions	21,329	(62,235)	-	(3,469)	-	118,334	(4,501)	60,212	-	129,670
Research revenue	347,115	(8,725)	565,564	(22,589)	-	-	-	-	-	881,265
Contribution revenue from acquisition	-	-	-	-	-	-	-	-	-	-
Other revenue	(132,430)	1,362,727	365,777	(287,155)	753,377	41,319	(79,937)	51,028	(680,192)	1,394,514
<b>Total revenues and gains</b>	<b>(920,631)</b>	<b>(270,334)</b>	<b>3,716,930</b>	<b>(5,804,324)</b>	<b>761,602</b>	<b>159,653</b>	<b>(121,142)</b>	<b>(335,989)</b>	<b>(680,192)</b>	<b>(3,494,427)</b>
<b>Operating expenses:</b>										
Salaries and Wages	(539,846)	139,454	83,850	(263,524)	(758,968)	(439,729)	(84,765)	258,415	-	(1,605,111)
Fringe Benefits	(533,738)	89,524	(363,724)	(145,088)	252,841	(292,839)	(84,719)	1,264	-	(1,076,479)
Insurances	2	(3,938)	-	(4,081)	(22,958)	(19,814)	5,330	1,307	-	(44,152)
Medical Supplies and Drugs	(16,198)	671,408	538,807	201,322	(3,266)	-	(46,880)	113	-	1,345,506
Other Expenses	(100,065)	(440,558)	(1,309,881)	112,966	(2,528,535)	425,358	(2,195)	(14,151)	28,038	(3,829,023)
Research expenses	357,032	(7,019)	577,484	(27,826)	-	-	-	-	-	899,671
Licensure Fee	-	(624)	-	-	-	-	-	-	-	(624)
Interest	(114)	1,991	(61,852)	(4,458)	(29,168)	-	130	895	-	(82,576)
Depreciation and amortization	3,494	(307)	209	(3,870)	-	-	-	100,748	-	100,474
Shared services	655	287,631	381,928	(31,383)	-	-	9,399	50,000	(708,230)	-
Restructuring costs	454,125	-	-	-	469,615	-	394,215	-	-	1,317,955
<b>Total operating expenses</b>	<b>(374,653)</b>	<b>737,562</b>	<b>(143,179)</b>	<b>(165,742)</b>	<b>(2,620,437)</b>	<b>(327,024)</b>	<b>190,715</b>	<b>398,591</b>	<b>(680,192)</b>	<b>(2,884,359)</b>
<b>Net income (loss) from operations before refinance</b>	<b>(545,978)</b>	<b>(1,007,896)</b>	<b>3,860,109</b>	<b>(5,638,582)</b>	<b>3,382,039</b>	<b>488,677</b>	<b>(311,857)</b>	<b>(734,580)</b>	<b>-</b>	<b>(510,068)</b>
<b>Loss on refinancing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net income (loss) from operations</b>	<b>(545,978)</b>	<b>(1,007,896)</b>	<b>3,860,109</b>	<b>(5,638,582)</b>	<b>3,382,039</b>	<b>488,677</b>	<b>(311,857)</b>	<b>(734,580)</b>	<b>-</b>	<b>(510,068)</b>
<b>Nonoperating gains and (losses):</b>										
Unrestricted Gifts & Bequests	381	-	63,576	69,306	-	-	43,899	(14,941)	-	162,221
Income on Investments whose use is limited	(24,213)	(62,776)	56,165	7,488	-	-	-	-	-	(23,336)
Gains on Investments whose use is limited	17,031	(73,121)	(954,232)	(51,002)	(126,277)	-	-	-	-	(1,185,601)
Transfer to Parent	-	-	-	-	-	-	-	-	-	-
Change in net unrealized gains and losses	(9,638)	1,207,125	1,763,478	28,042	100,181	-	4,708	-	-	3,093,996
Change in Market Value of Interest Rate Swaps	-	-	-	-	-	-	-	-	-	-
Fund Raising Expenditures	-	-	-	-	240,819	-	(2,554)	1,491	-	239,766
<b>Net nonoperating gains (losses)</b>	<b>(16,439)</b>	<b>1,071,228</b>	<b>928,987</b>	<b>53,834</b>	<b>215,723</b>	<b>-</b>	<b>46,053</b>	<b>(13,450)</b>	<b>-</b>	<b>2,285,936</b>
<b>Excess of revenues and gains over expenses</b>	<b>(562,417)</b>	<b>63,332</b>	<b>4,789,096</b>	<b>(5,584,748)</b>	<b>3,597,782</b>	<b>488,677</b>	<b>(265,804)</b>	<b>(748,030)</b>	<b>-</b>	<b>1,775,868</b>
Pension and post retirement adjustment	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	-	(2,019)	-	90,066	-	-	-	6,600	-	94,647
Transfer (to) from temporarily restricted	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
<b>Increase (decrease) in unrestricted net assets</b>	<b>(562,417)</b>	<b>61,313</b>	<b>4,789,096</b>	<b>(5,494,682)</b>	<b>3,597,782</b>	<b>488,677</b>	<b>(265,804)</b>	<b>(741,430)</b>	<b>-</b>	<b>1,870,515</b>

Care New England  
 Combined Statement of Unrestricted Activities  
 For the Three Months Ended December 31, 2016  
 (Unaudited)

	Variance Current Actual Vs Prior Actual									
	Butler	Kent	WIC	SHS	CNE	Integra	KCVNA	TPC	Eliminating	Total
<b>Unrestricted revenues and gains:</b>										
Patient service revenue (net of contractual allowances and discounts)	(517,832)	3,729,329	1,048,443	(2,091,913)	2,561	-	(266,821)	10,556,071	-	12,459,838
Less: Charity care	(766,582)	(409,023)	(191,368)	746,459	-	-	(2,483)	-	-	(622,997)
Provision for bad debts	308,438	124,069	(389,583)	(1,369,360)	-	-	154,742	-	-	(1,171,694)
Net patient service revenue less provision for bad debts	(975,976)	3,444,375	467,492	(2,714,814)	2,561	-	(114,562)	10,556,071	-	10,665,147
Net assets released from restrictions	16,890	(29,539)	-	(6,248)	-	118,334	(4,530)	106,529	-	201,436
Research revenue	696,616	22,313	323,921	(118,487)	-	-	-	-	-	824,363
Contribution revenue from acquisition	-	-	-	-	-	-	-	-	-	-
Other revenue	(77,665)	2,763,115	2,689,228	(1,609,269)	1,267,222	41,319	(30,106)	1,049,080	(1,676,453)	4,416,469
<b>Total revenues and gains</b>	<b>(340,135)</b>	<b>6,200,264</b>	<b>3,480,641</b>	<b>(4,448,616)</b>	<b>1,269,783</b>	<b>159,653</b>	<b>(149,200)</b>	<b>11,711,680</b>	<b>(1,676,453)</b>	<b>16,207,415</b>
<b>Operating expenses:</b>										
Salaries and Wages	(78,966)	1,229,046	(770,431)	(727,794)	955,640	357,307	156,811	7,878,608	-	9,000,221
Fringe Benefits	36,105	409,594	277,825	823,392	(95,742)	87,364	47,860	1,841,123	-	3,427,521
Insurances	18,877	71,878	(75,446)	(201,283)	29,493	(39,520)	9,119	91,206	-	(95,676)
Medical Supplies and Drugs	(114,202)	1,750,833	114,449	(1,076)	1,080	-	21,870	1,037	-	1,774,091
Other Expenses	247,719	1,367,962	3,018,512	760,668	563,688	216,552	(225,772)	2,271,218	(251,658)	7,969,079
Research expenses	520,535	25,812	198,510	(185,763)	-	-	-	-	-	559,194
Licensure Fee	-	97,557	518,488	528,002	-	-	-	-	-	1,144,047
Interest	2,805	8,008	(3,678)	19,467	(126,396)	-	130	73,579	-	(26,087)
Depreciation and amortization	(14,135)	(46,735)	(59,729)	(23,212)	(14,872)	-	(910)	278,387	-	118,794
Shared services	664,734	1,223,279	(2,486,012)	1,907,501	-	62,500	2,793	50,000	(1,424,785)	0
Restructuring costs	454,125	-	-	-	4,359,580	-	394,215	-	-	5,207,920
<b>Total operating expenses</b>	<b>1,737,597</b>	<b>6,137,422</b>	<b>732,488</b>	<b>2,898,802</b>	<b>5,672,671</b>	<b>684,203</b>	<b>406,116</b>	<b>12,485,158</b>	<b>(1,676,453)</b>	<b>29,079,104</b>
<b>Net income (loss) from operations before refinance</b>	<b>(2,077,732)</b>	<b>62,842</b>	<b>2,748,153</b>	<b>(7,348,720)</b>	<b>(4,402,888)</b>	<b>(524,550)</b>	<b>(555,316)</b>	<b>(773,478)</b>	<b>-</b>	<b>(12,671,689)</b>
<b>Loss on refinancing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net income (loss) from operations</b>	<b>(2,077,732)</b>	<b>62,842</b>	<b>2,748,153</b>	<b>(7,348,720)</b>	<b>(4,402,888)</b>	<b>(524,550)</b>	<b>(555,316)</b>	<b>(773,478)</b>	<b>-</b>	<b>(12,671,689)</b>
<b>Nonoperating gains and (losses):</b>										
Unrestricted Gifts & Bequests	410	-	1,711	91,435	-	-	41,226	185,468	-	320,250
Income on investments whose use is limited	(46,566)	(268,128)	(327,778)	(48,261)	-	-	-	-	-	(689,731)
Gains on investments whose use is limited	(229,654)	(356,092)	(2,359,355)	(732,482)	(6,197)	-	-	-	-	(3,683,780)
Transfer to Parent	-	-	-	-	-	-	-	-	-	-
Change in net unrealized gains and losses	382,622	1,068,739	5,427,629	886,008	31,046	-	48,600	-	-	7,844,644
Change in Market Value of Interest Rate Swaps	-	-	-	-	-	-	-	-	-	-
Fund Raising Expenditures	-	-	-	-	(230,718)	-	(5,094)	(36,509)	-	(272,321)
<b>Net nonoperating gains (losses)</b>	<b>107,812</b>	<b>444,521</b>	<b>2,742,207</b>	<b>196,700</b>	<b>(205,869)</b>	<b>-</b>	<b>84,732</b>	<b>148,959</b>	<b>-</b>	<b>3,519,062</b>
<b>Excess of revenues and gains over expenses</b>	<b>(1,969,920)</b>	<b>507,363</b>	<b>5,490,360</b>	<b>(7,152,020)</b>	<b>(4,608,757)</b>	<b>(524,550)</b>	<b>(470,584)</b>	<b>(624,519)</b>	<b>-</b>	<b>(9,352,627)</b>
Pension and post retirement adjustment	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	-	(3,224)	-	90,066	-	-	-	6,600	-	93,442
Transfer (to) from temporarily restricted	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
<b>Increase (decrease) in unrestricted net assets</b>	<b>(1,969,920)</b>	<b>504,139</b>	<b>5,490,360</b>	<b>(7,061,954)</b>	<b>(4,608,757)</b>	<b>(524,550)</b>	<b>(470,584)</b>	<b>(617,919)</b>	<b>-</b>	<b>(9,259,185)</b>

**Care New England**  
**Combined Statement of Operating Activities**  
**For the Three Months Ended December 31, 2015**  
**(Unaudited)**

	Consolidated YTD Actual	Less: WIH & TG Indemnity	Less: Affinity & HC Alliance	All Other Operating Activity
	<b>Unrestricted revenues and gains:</b>			
Net patient service revenue less provision for bad debts	\$265,355,561	\$0	\$10,761,728	\$254,593,833
Net assets released from restrictions	414,831			414,831
Research revenue	6,000,777			6,000,777
Contribution revenue from acquisition	-			-
Other revenue	16,430,967	2,908,232	3,892,625	9,630,110
<b>Total revenues and gains</b>	<b>\$288,202,136</b>	<b>\$2,908,232</b>	<b>\$14,654,353</b>	<b>\$270,639,551</b>
<b>Operating expenses:</b>				
Salaries and wages	141,363,539	-	9,979,757	131,383,782
Fringe benefits	42,646,687	-	1,758,898	40,887,789
Insurances	7,615,914	-	687,892	6,928,022
Medical supplies and drugs	27,781,790	-	350,938	27,430,852
Other expenses	48,687,819	378,262	5,005,435	43,304,122
Research expenses	5,926,400			5,926,400
Licensure fee	11,948,158			11,948,158
Interest	1,634,474			1,634,474
Depreciation and amortization	9,575,740			9,575,740
Restructuring costs	5,207,920			5,207,920
<b>Total operating expenses</b>	<b>\$302,388,441</b>	<b>\$378,262</b>	<b>\$17,782,920</b>	<b>\$284,227,259</b>
<b>Net Income (loss) from operations</b>	<b>(\$14,186,305)</b>	<b>\$2,529,970</b>	<b>(\$3,128,567)</b>	<b>(\$13,587,708)</b>
<b>Year-to-date budget</b>	<b>(\$13,676,237)</b>	<b>\$1,029,970</b>	<b>(\$4,186,189)</b>	<b>(\$10,520,018)</b>
<b>Fav (Unfav) to budget</b>	<b>(\$510,068)</b>	<b>\$1,500,000</b>	<b>\$1,057,622</b>	<b>(\$3,067,690)</b>



## Care New England Health System Key Budget Assumptions – FY2016

### 1. Patient Volumes

**Comment:** The FY2016 CNE budget is predicated on the current economic and political environment that is driving a transition from a traditional fee-for-service reimbursement system that incents volume to one that rewards providers for efficiency and quality outcomes. Maintaining and/or growing volume in areas with positive contribution margins remains an absolutely critical aspect to the financial strength of CNE during this period of change.

**Budget Impact:** To the extent that actual patient volume varies from the budgeted levels, significant variances to budget are likely to result. The Care New England Financial Highlights dashboard identifies key indicators for inpatient volume (surgical/medical, OB, NICU and Psych admissions, length of stay and payer mix) and outpatient volume (ambulatory surgery, ER encounters, diagnostic imaging, observation cases and home health/Hospice).

**1st Quarter Update:** Inpatient volume for the System through the first quarter was overall unfavorable to budget by 331 discharges or 2.8% and below prior year-to-date volume by 101 or 0.9%. The majority of this variance is attributable to variances in Medical/Surgical volume which is 180 discharges and 93 discharges below budget at Memorial and Kent, respectively. Discharges for the Obstetrics services were below budget by 77 or 2.8% while OB deliveries were above both budget and prior year by 55 or 2.2% and 37 or 1.5%, respectively. NICU volume at Women & Infants was 22 discharges, or 6.9% below budget for the three months ended December 2015 and similarly by 6.7% over the same prior year period. The Special Care Nursery at Kent ended the first quarter ahead of budget by 16 discharges, or 114% and 67% above prior year. Year-to-date Rehab and Psych discharges were close to even compared to both budget and prior year. Overall, patient day volume fell short of budget. Medical/Surgical days are below budget by 1,721 or 9.2% and average length of stay was 4.4 days for the three months ended December 2015 compared to a budget of 4.5 days and 4.7 days in the first quarter of FY2015. Psych days were also below budget by 987, or 5.7%, attributable entirely to a variance in length of stay of 7.7 days versus a budget of 8.1 and 8.0 in the first quarter of FY2015. Conversely, NICU days ended the quarter 244 days, or 4.2% above budget, attributable to an increase in average length of stay. Through December, inpatient surgical procedures are 47 procedures, or 4.1% below budget, but 3.1% below the same prior year period. Case mix is generally favorable thus far this year.

Outpatient performance to budget is mixed through December. Unfavorable budget variances occurred in outpatient surgery, endoscopy, laboratory tests, radiology exams, MRI, Wound Care and Hyperbaric procedures, partial hospital days, and observation cases. Favorable variances were experienced in emergency room visits, CT scans, ultrasound exams, nuclear medicine tests, mammography, cardiac cath, physical and occupational therapy.

Shifts in payer mix from commercial to government payers continues, as does the shift from Blue Cross commercial to Neighborhood Health, attributable to the ongoing effect of the Accountable Care Act. Changes in payer mix are closely monitored to understand market trends and its related impact on net revenue.

## 2. Initiatives to Improve Volume Retention

**Comment:** Competition for patient referrals is considerable both within the State and from out-of-State providers. Physicians and patients choose where they go for health care services based on ease of access, quality of care, access to information and price.

**Budget Impact:** Among the many opportunities and challenges included in the FY2016 budget, particular emphasis is placed on initiatives to increase patient referral rates from employed physicians and to capture and retain ACO physician referrals. A variety of initiatives are underway to support system retention of referrals and to attract new referrals from community physicians, including RIPCPC.

**1st Quarter Update:** Through December 2015, CNE has experienced modest changes in volume and referral trends by physician, physician group or specialty. Specific initiatives include the following:

- At Memorial Hospital, a community liaison group of physicians has been established to improve provider satisfaction with the hospital.
- Areas of opportunity have been identified to combat leakage from the system. Where volume is not being captured because we do not offer the service, specialty coverage is being added. Data also highlights opportunity by physician and goals have been set to improve referrals.
- Meeting with leaders of local skilled nursing facilities to encourage that SNF patients requiring hospitalization be sent to CNE versus other local hospitals.
- PCP share of funds flow for shared savings in the Blue Cross commercial contract is increased based on CNE retention.

## 3. Efficiency and Cost Reduction Initiatives

**Comment:** In the third quarter of FY 2015, CNE management engaged the assistance of an independent consultant, Huron Healthcare Group, for the purpose of assessing opportunities to improve operational and financial performance at CNE. That assessment identified improvement opportunity of up to \$94 million to be achieved over 24 month period. Specific recommendations and action plans support the achievement of these targeted benefits. This body of work is a continuation of T2 (Transforming Together) and has been named T3, or Transforming Together Today. T3 realization is estimated to be \$32 million of the targeted (mid-point) financial benefit in FY 2016 and \$73 million by the end of FY 2017. Targeted financial improvement and related restructuring costs are incorporated in the FY 2016 operating budget.

**Budget Impact:** To the extent that efforts to improve financial performance are unsuccessful in achieving the targeted benefits within established timeframes, significant unfavorable budget variance could occur.

**1st Quarter Update:** In August 2015, Huron Healthcare was further engaged to assist with the implementation of those recommendations. The work is organized through 10 teams led by a CNE executives working in tandem with a lead consultant from Huron. Team participants include CNE leaders from across the system as appropriate by area of focus. Through the first quarter, approximately \$23 million in annualized initiatives have been implemented of which half relates to changes in fringe benefit plans effective January 1, 2016. An additional \$5.8 million relates to labor initiatives. For additional information, refer to the T3 Scorecard presented in Tab 1.

Total expenses for the System were \$3.0 million or 1.0% favorable to budget through December 2015. The System reported a favorable expense variance of \$1.6 million or 1.1% in salaries, attributable in part to management of vacancies and in part to a deferral of annual salary increases. Year-to-date through December 2015, FTEs per Adjusted Occupied Bed are 2.0% unfavorable to budget. Labor productivity is monitored by pay period at each of the hospital operating units and at CNE. The T3 Labor Team has launched multiple initiatives to reduce labor cost, including adjustments in span of control, focused improvements in labor productivity and management, reduced reliance on premium labor, and restructuring of the Position Review process. Labor cost savings are expected to be realized throughout the remainder of the fiscal year. Through December, favorable variances from budget were realized in fringe benefits of \$1.1 million or 2.5%, and other expenses of \$3.8 million or 7.3%. Medical supplies and drugs are over budget for the three months ended December 2015 by \$1.3 million or 5.1%. Cost per adjusted day and cost per adjusted discharge are negative to budget through December by 2.6% and 1.6%, respectively.

#### **4. Population Health Management:**

The economic and political environment in which CNE operates is rapidly transitioning from the traditional health care economic model based on fee-for-service payment methodologies to one in which providers are instead financial rewarded for efficiency, quality outcomes and the overall management of covered lives across the care continuum. Successful population health management requires significant changes in the way care is managed and corresponding investments that are both expensive and complex. In response to this challenge, CNE established an accountable care organization, Integra, which received Medicare certification effective January 1, 2015. Integra is currently responsible for managing the care of two populations – Medicare Shared Saving Plan (MSSP) and Medicare Advantage (MA) – totaling approximately 28,000 covered lives, but expects this to grow with planned expansion into Medicaid arrangements.

**Budget Impact:** Since January 2015, Integra has secured several revenue sources to provide financial support for organizational infrastructure, including support from Blue Cross and contributions from hospital participants. In the nine months ended September 30, 2015, Integra created a modest infrastructure comprised of a full time Medical Director, two management staff, a data analyst and two nurse care managers. The budget for FY2016 anticipates significant staff growth of nearly 40 FTEs, primarily in the areas of care management and data analytics, as is required to successfully manage risk arrangements. Investment will also be made to further enhance care management design and implementation, and standardization of quality and process improvement models.

**1st Quarter Update:** Through the first quarter of FY2016, Integra has increased staffing to over 20 FTEs. The implementation of Epic, the EMR for ambulatory practices, is well-underway with the majority of practices in Affinity, Alliance and Memorial ambulatory physician practices and Community Connect practices converted to Epic. Conversions of all remaining physician practices are scheduled to be completed during FY 2016.

#### **5. Memorial Hospital Improvement Plan:**

The Memorial Hospital of Rhode Island ended FY 2015 with a \$27 million loss from operations. In recognition that this performance is not sustainable, CNE management has identified a number of areas of focus to enhance revenue including recruitment in selected surgical specialties such as Thoracic and Vascular to reduce out-migration, growth of orthopedic volume with the addition of a

new surgeon in FY2015, and creation of a Breast Health Center and a Spine Care Center. Focused efforts are underway to improve patient and provider access to and satisfaction with services at Memorial as a means of realizing the retention opportunity identified at Memorial (see also section 2 above – Initiatives to Improve Volume Retention). Management is also committed to achievement of all identified financial improvements identified as part of T3.

**Budget Impact:** The FY2016 operating budget for Memorial includes \$14 million of incremental net revenue over FY2015, which reflects assumed volume increases associated with expected growth in selected surgical specialties, improvements in patient retention as address in section 2 above, and T3 revenue-related improvements that are expected to impact Memorial specifically. Budgeted expenses are \$2.5 million lower than FY2015 actual, reflective of the T3 initiatives that are expected to impact Memorial.

**1st Quarter Update:** Through December 31, 2015, Memorial had a loss from operations of \$9.3 million which was \$5.6 million unfavorable to budget and \$7.3 million. Negative volume variances contribute significantly to this performance, indicating that efforts to growth volume in selected services and improve patient retention have not yet proven successful. All inpatient services are below both budget and prior year for this three month period as are most outpatient volumes. Also affecting performance is the residual effect of the implementation of new clinical and revenue cycle systems, completed in July 2015, which has resulted in billing and collection delays in the first quarter. CNE management is currently engaged in development of a rapid improvement action plan to generate meaningful financial improvement.

Care New England, Consolidated (excludes VNA & TPC)  
Metrics  
Fiscal 2016

	December 2015 YTD Actual					December 2015 YTD Budget					December 2015 YTD Variance					Prior YTD
	Butler	Kent	MH	WIH	Consolidated	Butler	Kent	MH	WIH	Consolidated	Butler	Kent	MH	WIH	Consolidated	Consolidated
<b>Adjusted Discharge Metrics:</b>																
Cost per Adjusted Discharge	\$ 11,001	\$ 10,358	\$ 11,437	\$ 11,971	\$ 11,170	\$ 11,263	\$ 10,416	\$ 8,899	\$ 11,986	\$ 10,992	2.3%	0.6%	-28.5%	0.1%	-1.6%	\$ 10,998
Paid Hours per Adjusted Discharge	175.91	119.02	142.90	122.58	128.45	183.50	122.10	113.37	120.65	127.10	4.1%	2.5%	-25.0%	-1.6%	-1.1%	132.32
Worked Hours per Adjusted Discharge	154.58	104.17	125.05	104.03	111.07	161.48	106.93	99.22	101.59	109.64	4.3%	2.6%	-26.0%	-2.4%	-1.3%	114.15
<b>Adjusted Day Metrics:</b>																
Cost per Adjusted Day	\$ 1,389	\$ 2,218	\$ 2,559	\$ 3,029	\$ 2,289	\$ 1,343	\$ 2,097	\$ 2,316	\$ 3,107	\$ 2,232	-3.5%	-5.7%	-10.5%	2.5%	-2.6%	\$ 2,175
Paid Hours per Adjusted Day	22.22	25.48	31.97	31.02	26.32	21.87	24.59	29.50	31.27	25.81	-1.6%	-3.7%	-8.4%	0.8%	-2.0%	26.17
Worked Hours per Adjusted Day	19.53	22.30	27.98	26.32	22.76	19.25	21.53	25.82	26.33	22.26	-1.4%	-3.6%	-8.4%	0.0%	-2.2%	22.58
<b>FTE Metrics:</b>																
FTEs per Adjusted Occupied Bed	3.65	4.19	5.25	5.10	4.32	3.59	4.04	4.85	5.14	4.24	-1.6%	-3.7%	-8.4%	0.8%	-2.0%	4.30
Salary per FTE	\$ 80,566	\$ 72,925	\$ 63,875	\$ 89,477	\$ 79,435	\$ 79,718	\$ 72,288	\$ 63,331	\$ 90,014	\$ 79,157	-1.1%	-0.9%	-0.9%	0.6%	-0.4%	\$ 78,203
Salary and Fringe per FTE	\$103,375	\$ 96,453	\$ 89,808	\$117,922	\$ 105,266	\$104,366	\$ 94,955	\$ 89,477	\$119,551	\$ 105,438	0.9%	-1.6%	-0.4%	1.4%	0.2%	\$ 103,295

---

TO: Joe Iannoni, Jim Fanale and Sue Martin  
FROM: Domenic Delmonico  
DATE: January 19, 2016  
RE: Quarterly Financial Performance – Shared Savings and At Risk Arrangements

While final agreements have not yet been signed, we expect to have new shared savings arrangements in place with Blue Cross for 60,000 commercial lives and Medicaid for between 30,000 and 60,000 Rite Care lives. Due to the lack of solid, comprehensive data from the State, we expect that the Rite Care/Medicaid Accountable Entity arrangements will stay as shared savings at least through calendar 2017.

#### **BCBSRI Medicare Advantage**

We were recently provided a final 2014 statement for this pool (Exhibit 1). The results did not vary much from the originally reported loss of \$57 PMPM or approximately \$6.8 million. BCBSRI also provided an analysis of how much impact the new United members had on pool performance. As we have discussed, United shed many of its participating physicians, leaving their Medicare Advantage patients with very little time to identify an alternative coverage. Many moved to BCBSRI coverage and more specifically to BCBSRI's zero product option.

Please note the column designated as New 2014 members on Exhibit 1. While the new members had lower costs of slightly more than \$100 PMPM, the revenue for these members is more than \$160 PMPM less. New members had a net loss of \$97 PMPM or \$4.4 million. They accounted for two thirds of the pool's loss with only 30% of the member months. BCBSRI made adjustments to the zero premium product benefits and targeted improved coding to get this group and the pool as a whole into the black.

Exhibit 2 shows net pool performance through October 31, 2015. Membership continues to grow, now at 15,500. Revenue remained stagnant, so despite a 4.6 decrease in claim cost, the net pool results for the months ended is approximately \$12 PMPM or a loss of \$1.8 million. Stop-loss recoveries remain light at \$6.30 PMPM, but BCBSRI has adjusted the pooling cost to approximately the same amount. It is not likely that the pool will breakeven by year end.

BCBSRI has agreed to extend the shared savings arrangement through year three in large part because of the continued lower than expected premiums and related operating losses.

#### **CNE and W&I Self-Funded Employee Health Pools**

The CNE pool results (Exhibit 3) for the 12 months ended December 31, 2015 were favorable with a \$4.0 million net gain. Membership dropped by 1% from the start of the year. Utilization was significantly better than expected (23%) in the professional/all other category; inpatient, outpatient and drugs were on budget. We again experienced no recoveries on our reinsurance program which cost \$1.2 million. A proposal is being developed to consider having one of the offshore captives writing the reinsurance in the future.

The W&I pool (Exhibit 4) ended the year with a net loss of \$14 PMPM or \$700,000. Membership grew very slightly (1%) over the 12 months. As above, the all other category was well under budget (18%) with the other expense lines over budget. It appears that some reclassification of claims may have occurred as we would expect categories of expense to generally move consistently.

### **CMS CHF Bundle**

Performance in this arrangement continues to bounce around break even. In Q3, 2015, the most recent reporting data (Exhibit 5), the program lost \$10,244 on 58 cases or \$177 a case. This is a small improvement from Q1, 2015 which had an updated loss per case of \$253 but down from Q4, 2014 profit per case of \$263. CMS also notified us for the first time of a potential liability of \$25,757 for post episodic spending.

The bundle provisions contain a penalty if it appears that services are being pushed beyond the bundle episode to garner FFS payments. CMS compares post episode to historic spend levels in making this determination.

As noted last quarter, the CMS waiver of our downside risk expired in Q3, 2015. CMS did not agree to waive the post episode spending amount as we stated that it fell in the "no downside" risk period.

### **MSSP**

While we do not yet have a claim/expense update for the quarter ended December 31, 2015, we were notified of our new attributed lives which now total 18,076. This is a 40% increase over the 2015 level of 13,002.

11/11/2015 10:00:00 AM

**EXHIBIT 1**

**Financial Modeling - Total Cost of Care:**

Medicare Advantage

CY2014 Performance

Paid through November 2015; estimated 100% complete

		Existing BCBSRI Members	New 2014 Members	Total Integra	
Membership		PMPM	PMPM	PMPM	Total Spend
Average Members		8,838	3,813	12,651	
Member Months		106,056	45,753	151,809	
<b>Premium</b>					
Total - Premium		\$933.73	\$751.33	\$878.69	\$133.0M
Admin	11.6%	\$108.31	\$87.15	\$101.93	\$0.0M
Total Revenue		\$825.41	\$664.17	\$776.76	\$133.0M
<b>Direct Health Care Expenses</b>					
PCP		\$41.71	\$39.73	\$41.11	\$6.2M
Specialist		\$179.72	\$164.06	\$175.00	\$26.6M
Facility		\$0.00	\$0.00	\$0.00	
Inpatient		\$375.15	\$313.67	\$356.62	\$54.1M
Outpatient		\$169.02	\$143.13	\$161.22	\$24.5M
Pharmacy		\$82.13	\$78.70	\$81.08	\$12.0M
Claims Above \$150,000		(\$18.95)	(\$13.05)	(\$17.17)	-\$2.6M
Total Direct Healthcare expense		\$828.77	\$726.24	\$797.85	\$120.8M
<b>Indirect Healthcare Expense</b>					
Capitation		\$0.00	\$0.00	\$0.00	\$0.0M
PCMH Payments (Infrastructure/PMPM)		\$3.81	\$3.81	\$3.81	\$0.6M
Pay for Performance/Quality/Stars		\$5.00	\$5.00	\$5.00	\$0.8M
Other Expenses		\$15.34	\$13.24	\$14.71	\$2.2M
Reinsurance (est.)		\$12.39	\$12.39	\$12.39	\$1.9M
Total Indirect Expenses		\$36.54	\$34.44	\$35.91	\$5.5M
Total Claims		\$865.31	\$760.67	\$833.76	\$126.3M
Profit/(Loss)		(\$39.90)	(\$96.50)	(\$57.00)	\$6.8M
Health System Payment	50%	\$0.00	\$0.00	\$0.00	\$3.4M
Plan Surplus/(Deficit)		(\$39.90)	(\$96.50)	(\$57.00)	\$3.4M



**EXHIBIT 2**

Financial Modeling - Total Cost of Care  
 Medicare Advantage  
 YTD14 and YTD15 Performance  
 Paid through November 2015, estimated 100% complete

INTEGRA

		CY2014	Jan14- Oct14		Jan15-Oct15	Trend
<b>MemberShip</b>		PMPM	PMPM		PMPM Total Spend	
Average Members		12,651	12,574		15,502	
Member Months		151,809	125,737		155,020	
RX		12,323	12,244		15,204	
<b>Premium</b>						
Medical - Premium		\$788.97	\$796.44		\$795.42	\$123.3M
RX - Premium		\$94.82	\$91.81		\$86.29	\$13.1M
Total - Premium		\$883.79	\$888.25		\$881.71	\$136.4M
Admin	11.6%	\$102.52	\$103.04	11.0%	\$96.99	\$15.0M
<b>Total Revenue</b>		\$781.27	\$785.21		\$784.72	\$121.4M
						-0.1%
<b>Direct Health Care Expenses</b>						
PCP		\$41.14	\$40.95		\$39.85	\$6.2M
Specialist		\$175.67	\$175.19		\$172.25	\$26.7M
Facility						
Inpatient		\$356.88	\$361.64		\$323.47	\$50.1M
Outpatient		\$161.42	\$161.14		\$166.04	\$25.7M
Pharmacy		\$81.12	\$82.86		\$73.63	\$11.2M
Claims Above \$150,000		(\$17.24)	(\$15.55)		(\$6.30)	-\$1.0M
<b>Total Direct Healthcare expense</b>		\$799.00	\$806.23		\$768.94	\$119.0M
						-4.6%
<b>Indirect Healthcare Expense</b>						
Capitation		\$0.00	\$0.00		\$0.00	\$0.0M
PCMH Payments (Infrastructure/PMPM)		\$3.81	\$3.81		\$4.79	\$0.7M
Pay for Performance/Quality/Stars		\$5.00	\$5.00		\$5.00	\$0.8M
Other Expenses		\$18.61	\$14.19		\$11.16	\$1.7M
Reinsurance (est.)		\$12.50	\$10.53		\$6.56	\$1.0M
<b>Total Indirect Expenses</b>		\$39.92	\$33.53		\$27.51	\$4.3M
						-18.0%
<b>Total Claims</b>		\$838.91	\$839.76		\$796.45	\$123.2M
						-5.2%
<b>Profit/(Loss)</b>		(\$57.64)	(\$54.55)		(\$11.73)	-\$1.8M
Health System Payment	50%	\$0.00	\$0.00		\$0.00	\$0.0M
<b>Plan Surplus/(Deficit)</b>		(\$57.64)	(\$54.55)		(\$11.73)	-\$1.8M

**EXHIBIT 3**

**CNE Employee Health Plan Self Funded  
Claims Incurred and Paid From January 2015 - December 2015**

	Per Member Per Month	Total	
Membership			
Avg Members	10,070		
Member month RX	120,844		
Premium			
Medical - Premium			
RX - Premium			
Total - Premium	500.05	\$ 60,428,153.0	Uses Premium Equivalent
Admin	12.65	\$ 1,528,127.5	
Total Revenue	487.41	\$ 58,900,025.5	
Direct Health Care Expenses			
			These are PAID, not Incurred and paid as suggested above
PCP			**
Specialist			NFP Categories
Professional - Total	118.32	\$ 14,298,518.9	Outpatient Paid Claims
Facility			
Inpatient	100.00	\$ 12,084,282.2	Inpatient Paid Claims
Outpatient	126.41	\$ 15,275,509.3	Surg/Med Paid Claims
Drug	98.80	\$ 11,939,867.4	Drug Paid Claims
Catastrophic Recoveries			
Total Direct Healthcare expense	443.53	\$ 53,598,177.8	
Indirect Healthcare Expense			
Capitation			
PCMH/Pay for Performance			
Pay for Performance/Quality/Stars			
Other Expenses			
Reinsurance cost (est.)	10.61	\$ 1,282,183.2	
Total Indirect Expenses	10.61	\$ 1,282,183.2	
Profit/(Loss)	33.26	\$ 4,019,664.5	

**EXHIBIT 4**

**WIH 1199 Employee Health Plan Self Funded  
Claims Incurred and Paid From January 2015 - December 2015**

	Per Member Per Month	Total	
Membership			
Avg Members	4,200		
Member month	50,399		
RX			
Premium			
Medical - Premium			
RX - Premium			
Total - Premium	\$ 458.86	\$ 23,125,957.46	Premium Equivalents
Admin	\$ 12.95	\$ 652,612.00	
Total Revenue	\$ 445.91	\$ 22,473,345.46	
Direct Health Care Expenses			
			These are PAID, not Incurred and paid as suggested above
PCP			**
Specialist			NFP Categories
Professional - Total	\$ 116.90	\$ 5,891,603.26	Outpatient Paid Claims
Facility			
Inpatient	\$ 114.99	\$ 5,795,547.79	Inpatient Paid Claims
Outpatient	\$ 126.18	\$ 6,359,179.98	Surg/Med Paid Claims
Drug	\$ 92.80	\$ 4,677,090.21	Drug Paid Claims
Catastrophic Recoveries			
Total Direct Healthcare expense	\$ 450.87	\$ 22,723,421.24	
Indirect Healthcare Expense			
Capitation			
PCMH/Pay for Performance			
Pay for Performance/Quality/Stars			
Other Expenses			
Reinsurance cost (est.)	\$ 9.15	\$ 461,293.64	
Total Indirect Expenses	\$ 9.15	\$ 461,293.64	
Profit/(Loss)	\$ (14.11)	\$ (711,369.42)	

**EXHIBIT 5**

**Kent BPCI CHF Medicare  
Operating results for the 3 months and 9 months ended June 30, 2015  
Paid Thru September 2015**

	For the 3 months ended June 30, 2015		For the 9 months ended June 30, 2015	
	<u>Per Episode</u>	<u>Total</u>	<u>Per Episode</u>	<u>Total</u>
<b>Episodes</b>	<u>58</u>		<u>151</u>	
<b>Premium</b>				
Total - Premium	14,554	844,145	14,815	2,236,983
Admin	<u>424</u>	<u>24,587</u>	<u>431</u>	<u>65,155</u>
<b>Total Revenue</b>	<u>14,130</u>	<u>819,558</u>	<u>14,383</u>	<u>2,171,828</u>
<b>Direct Health Care Expenses</b>				
PCP	15,344	889,351	15,660	2,364,700
Specialist				
Facility				
Inpatient				
Outpatient				
Other				
Drug				
Catastrophic Recoveries	<u>(1,027)</u>	<u>(59,549)</u>	<u>(1,207)</u>	<u>182,269</u>
<b>Total Direct Healthcare expense</b>	<u>14,307</u>	<u>829,802</u>	<u>14,453</u>	<u>2,182,431</u>
<b>Indirect Healthcare Expense</b>				
Capitation				
PCMH/Pay for Performance				
Pay for Performance/Quality/Stars				
Other Expenses				
Reinsurance cost (est.)				
<b>Total Indirect Expenses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Profit/(Loss)</b>	<u>(177)</u>	<u>(10,244)</u>	<u>(70)</u>	<u>(10,603)</u>

Admin represents 3% Discount provided to CMS

\*Does not reflect \$25,757 post episode assessment

01/20/2016 10:58:10 AM C:\Users\james\Documents\Kent BPCI CHF Medicare\Operating Results\Operating Results for the 3 months and 9 months ended June 30, 2015 Paid Thru September 2015

TO: Joseph Ianonni  
Executive Vice-President, Chief Financial Officer

FROM: Mary Joan Andrelos,  
Director, A/R Third Party Liability

DATE: January 17, 2016

RE: Revenue Cycle Quarterly Summary December 31, 2015

---

The first quarter of Fiscal Year 2016 is off to a strong start, with cash collections of \$210M, an increase of \$15M over the previous quarter and \$16M greater than that reported for the first quarter of Fiscal Year 2015. The increased cash is noteworthy as the Days to Pay for our major payers increased as a result of the new ICD-10 Coding requirements (Chart 6). This change in coding required system changes for both the hospitals and the insurance companies. The days of Gross Revenue in Gross Accounts Receivable ended the quarter at 58 days and the percentage of A/R in the 0-90 category remains high at 78%, reflecting our goal to achieve prompt and accurate payments within the first 90 days of billing. The movement within the receivable by payor is illustrated in Charts 2 and 3.

The total receivable decreased by nearly \$13M (Chart 5) due to the release of suspended claims by Medicare and Tufts Health Plans combined with the resolution of a number of Rhode Island and Out of State Medicaid payment discrepancies. The State of RI has granted our Financial Counselors greater access to their systems in an effort to accelerate enrollment for Health Source RI applicants, specifically the newborns in the Neonatal Intensive Care Unit (NICU) at Women & Infants Hospital. This collaboration will assist the clinical staff in establishing follow-up care in discharge planning and lead to prompt release of claims.

The Blue Cross receivable increased by \$2M since September 2015, with \$1.4M of expected reimbursement still held by Blue Cross for Out of State claims. Kent Hospital's Utilization Review Physician Advisor is currently reviewing an additional \$1M in claim charges due to Blue Cross' readmission policy. We will closely monitor the Blue Cross readmission rate, as the penalty review time frame has increased from 10 to 14 days after discharge.

United and Neighborhood Health reported receivable increases of \$1.3M and \$3.1M respectively. United Health implemented new pharmacy billing requirements prior to testing their system processing rules, resulting in claim denials and payment delays; United is unable to provide a fix date for this issue. The Neighborhood Health receivable increases daily as the majority of Health Source RI applicants select Neighborhood Health as their insurance company. NHP also introduced a new Commercial product that processes claims through a separate vendor, resulting in 60 – 90 days in payment delays.

All new Memorial Hospital patient activity is now reported through the same CNE A/R systems as all other operating units. The remaining HealthQuest receivable is \$7.6M as of 12/31/15, down from \$47M a year ago.

Only Kent Hospital has open Recovery Audit Program (RAC) activity at this time, with 75 cases representing over \$300K with the Administrative Law Judge pending an appeal hearing. New RAC activity is anticipated in January 2016. In addition to their efforts on the RAC Program, the Revenue Integrity team has successfully appealed accounts associated with nearly \$1M in charges as of 12/31/2015.

Our greatest concern and barrier to cash acceleration is illustrated in Chart 4, Discharged Not Final Billed. This report reflects accounts that are not eligible for billing for a number of reasons ranging from charge delays and incomplete clinical documentation to diagnosis coding and billing rules. While these reasons impact each hospital in some measure, our operating unit focus continues to be:

Timely Charge Capture  
Clinical Documentation/Authorization  
Billing Rules  
Medical Record Coding

Memorial Hospital  
Butler Hospital  
Kent Hospital  
Women & Infants and Memorial Hospital

#### Timely Charge Capture

By establishing Memorial Hospital on CNE registration and clinical systems we assisted with direct charge capture through system rules. We continue to identify opportunities for additional rules to reduce the need for manual charge entry to minimize errors and delays.

#### Clinical Documentation/Authorizations

Mental health and substance abuse issues may display similar behaviors at the time of admission. Insurers require separate authorizations for mental health and substance abuse, resulting in the need for very specific clinical documentation. We are working actively with insurers and the medical staff in an effort to facilitate both the documentation and authorization processes.

#### Billing Rules

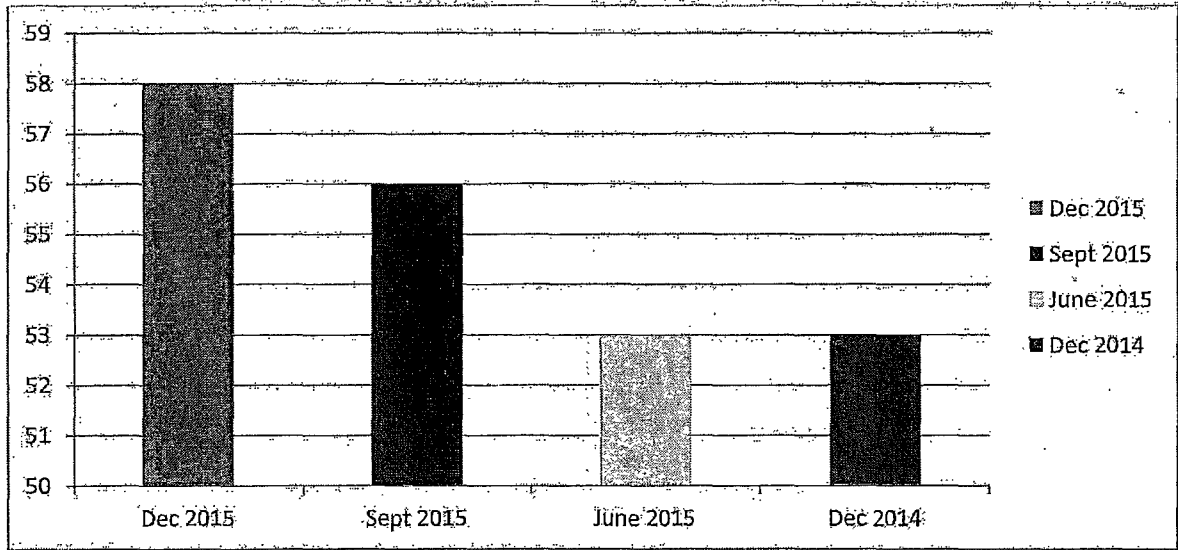
Kent Hospital's medical necessity and Medicare claim review processes supported 100% claim review before billing. We have implemented medical necessity review whenever possible at all other operating units. At the same time, we have determined that the majority of Medicare outpatient claims do not require review prior to billing. Additional work is needed to review all other billing practices in an effort to create efficiencies.

#### Medical Record Coding

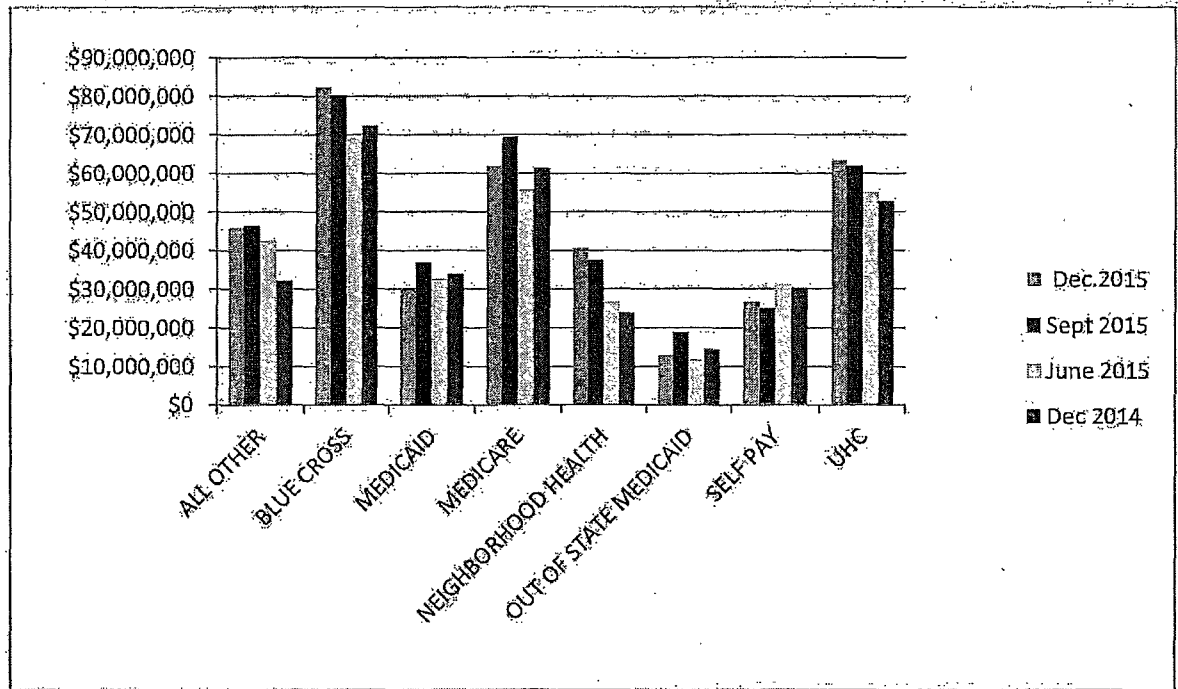
While the introduction of ICD-10 Coding regulations has impacted coding productivity, both Memorial and Women & Infants Hospital Coding departments were significantly behind in coding prior to ICD-10. As a result, we are missing filing limits for claim submission and charge capture. We continue to explore opportunities to reduce the coding back-log.

The entire Revenue Cycle management team is working actively with Huron in an effort to identify all root causes for these delays and modify processes and systems whenever and wherever possible. At the same time, our staff remains focused on high dollar claim follow-up, striving to meet weekly goals set by the Huron team. Together, we will work to move closer to cash and productivity goals that will better support Care New England.

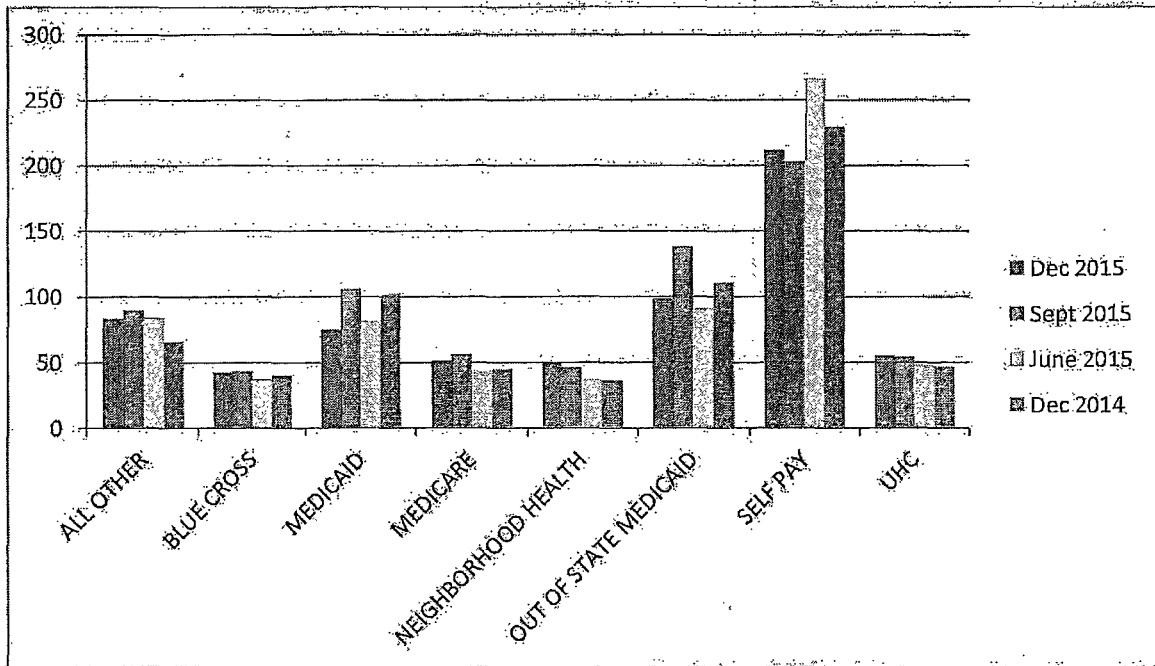
**CHART 1**  
**CARE NEW ENGLAND HEALTH SYSTEM**  
**GROSS DAYS IN A/R**



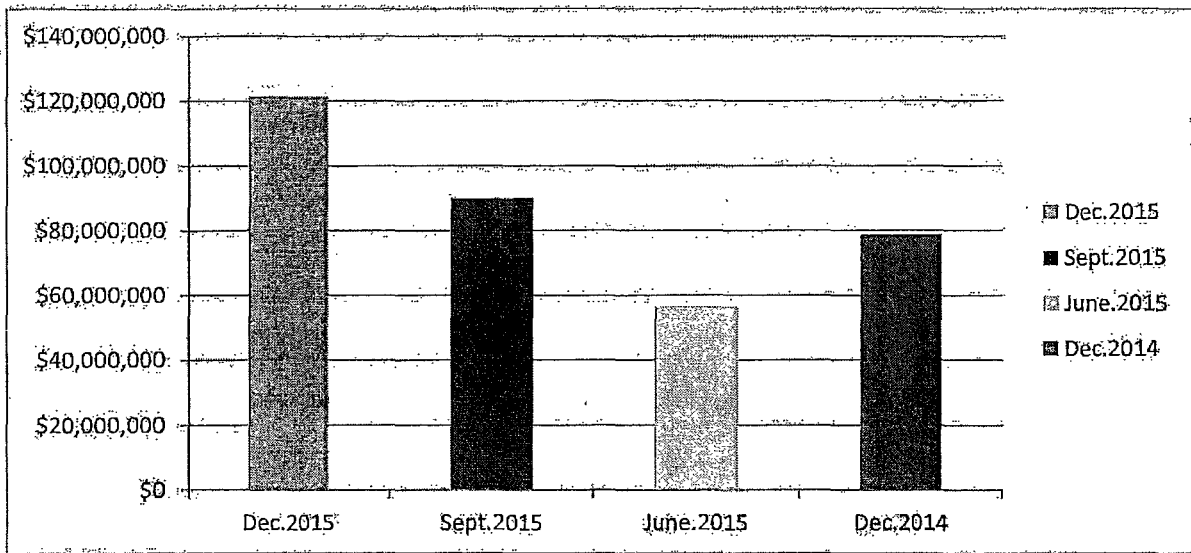
**CHART 2**  
**CARE NEW ENGLAND HEALTH SYSTEM**  
**GROSS A/R BY PAYOR**



**CHART 3**  
**CARE NEW ENGLAND HEALTH SYSTEM**  
**GROSS A/R BY PAYOR (In Days)**



**CHART 4**  
**CARE NEW ENGLAND HEALTH SYSTEM**  
**DISCHARGE NOT FINAL BILLED**

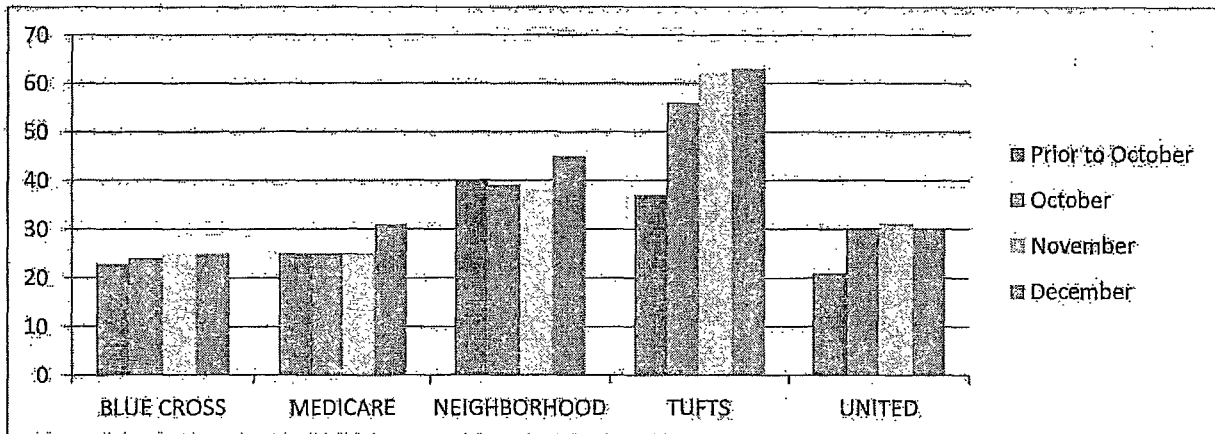




**CHART 5  
QUARTERLY AGING REPORT  
CARE NEW ENGLAND HEALTH SYSTEM - ALL PAYORS**

Days	15 December	15 September	15 June	14 December
0-30	\$189,884,419 52%	\$203,820,288 54%	\$191,201,717 59%	\$194,996,792 58%
31-60	\$ 63,038,230 17%	\$ 56,717,517 15%	\$ 39,957,718 12%	\$ 45,110,423 13%
61-90	\$ 30,547,298 9%	\$ 35,337,815 9%	\$ 19,825,085 6%	\$ 23,922,963 7%
91-120	\$ 18,234,331 5%	\$ 16,627,598 5%	\$ 12,070,045 4%	\$ 13,331,173 4%
121-150	\$ 12,471,957 3%	\$ 9,315,819 3%	\$ 11,929,201 4%	\$ 11,715,514 4%
151-180	\$ 9,512,638 3%	\$ 8,762,501 2%	\$ 8,481,634 3%	\$ 7,264,431 2%
181-360	\$ 20,163,124 6%	\$ 26,826,770 7%	\$ 21,257,035 6%	\$ 22,804,688 7%
>360	\$ 19,841,457 5%	\$ 18,842,937 5%	\$ 19,753,981 6%	\$ 15,185,771 5%
<b>Total Gross A/R</b>	<b>\$363,693,454</b>	<b>\$376,251,247</b>	<b>\$324,476,416</b>	<b>\$334,331,755</b>

**CHART 6  
AVERAGE DAYS TO PAY  
CARE NEW ENGLAND HEALTH SYSTEM - MAJOR PAYORS**



CARE NEW ENGLAND HEALTH SYSTEM  
REVENUE CYCLE QUARTERLY REPORT  
31-Dec-15

<b>Payor Mix by Gross Revenue:</b>	FY 12	FY 13	FY 14	Q1, FY 15	Q2, FY 15	Q3, FY 15	Q4, FY 15	Q1, FY 16
Medicare and Medicare Managed Care	34.70%	34.80%	34.01%	33.17%	35.21%	33.51%	31.51%	32.79%
Blue Cross	23.20%	22.35%	22.43%	22.03%	20.52%	20.87%	21.94%	20.89%
Medicaid and Medicaid Managed Care	20.83%	20.45%	24.46%	26.97%	26.75%	28.01%	28.92%	28.61%
Managed Care	10.95%	11.09%	10.86%	10.33%	10.02%	10.46%	10.48%	10.47%
Self Pay	4.60%	4.71%	2.68%	1.71%	1.58%	1.70%	1.91%	1.46%
All Other	5.72%	6.60%	5.56%	5.79%	5.93%	5.45%	5.23%	5.78%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

<b>Analysis of Revenues &amp; Deductions:</b>	FY 10	FY 11	FY 12	FY 13	FY 14	Q1, FY 15	Q2, FY 15	Q3, FY 15	Q4, FY 15	Q1, FY 16
Gross Patient Service Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Less Contractual Discounts	-54.8%	-56.0%	-56.9%	-57.4%	-56.0%	-59.1%	-59.5%	-60.6%	-60.7%	-59.1%
Plus Disproportionate Share Receipts	1.3%	1.5%	1.7%	1.3%	0.9%	1.8%	1.8%	1.8%	1.8%	1.9%
Plus Upper Payment Limit Receipts	0.3%	0.2%	0.1%	0.1%	0.0%	0.4%	0.4%	0.4%	0.4%	0.5%
Net Patient Service Revenues (NPSR)	46.8%	45.7%	44.9%	44.0%	44.9%	43.1%	42.7%	41.6%	41.5%	43.3%
Less:										
Charity Care (CC)	-1.6%	-2.1%	-2.1%	-2.0%	-2.0%	-0.7%	-0.7%	-0.9%	-0.8%	-0.8%
Bad Debt Expense (BD)	-2.3%	-1.8%	-2.3%	-2.6%	-1.7%	-1.3%	-1.8%	-1.1%	-2.0%	-1.5%
NPSR less Uncompensated Care	42.9%	41.8%	40.5%	39.4%	41.2%	41.1%	40.2%	39.6%	38.7%	41.0%
Total Uncompensated Care (CC & BD)	3.9%	4.0%	4.4%	4.6%	3.7%	2.0%	2.5%	2.0%	2.8%	2.3%

# MEMO

**Date :** 01/17/2016  
**To:** Joseph Iannoni  
**From:** Christopher Dacey, Director Professional Revenue Cycle  
**Subject:** Professional Revenue Cycle Quarterly Report; Qtr. Ending Dec 31, 2015

## QUARTERLY SUMMARY

Gross Charges increased \$813,507 (1.4%) in the fourth quarter to \$57,943,949. Collections improved by \$813,310 (3.8%) to \$21,889,491. Memorial Hospital converted its ambulatory sites over to the Epic system in late September, and we have seen steady improvement in their charge-lag and co-payment percentages during the fourth quarter under the new system. Days in accounts receivable improved from 40.4 days in September to 38.6 days by December month-end. October was our first month operating under ICD-10, and we experienced little to no claim rejections / denials due to ICD-10 related issues. We did see a slight dip in charge posting during the first two weeks of October as providers became accustomed to ICD-10 coding, but all operating units stabilized and posted normal charge revenue levels by month end.

	<u>12/31/2015</u>	<u>9/30/2015</u>	<u>6/30/2015</u>	<u>3/31/2015</u>	<u>12/31/2014</u>
Quarterly Gross Charges	\$57,943,949	\$57,130,442	\$58,215,684	\$55,622,090	\$51,285,789
Quarterly Collections	\$21,889,491	\$21,076,181	\$21,680,966	\$20,031,754	\$20,191,976
Quarterly Contractual Adjustments	\$34,838,836	\$32,936,662	\$34,045,933	\$31,721,464	\$29,911,451
Quarterly Write-Offs	\$2,434,911	\$2,640,970	\$1,834,882	\$2,870,429	\$2,299,673

## YEAR-OVER-YEAR

Gross charge revenue increased by \$6,658,160 (12.9%) over last fiscal year-to-date to \$57,943,949, while unit volume increased 11% over the prior year. Collections have increased by \$1,697,514 (8.41%) over last fiscal year to \$21,889,491. Days in accounts receivable have improved from 40.78 days to 38.61 days, while the percentage of insurance balances aged over 120 days has been stable at 12.29%. The twelve month net collection rate has increased from 84.89% last year to 88.79% / 93.4% excluding ED bad debt. As practices and Departments transition to the Epic system (most recently Memorial & several W&I departments), it should be noted that the Epic charge master, although consistent at 225% of Medicare, is generally higher than the pre-existing IDX charge schedules, which had varied across OU's. This will impact some of our year-over-year gross revenue comparisons.

<u>Posted Transactions</u>	<u>FYTD 2016</u>	<u>FYTD 2015</u>	<u>Incr/Decr</u>	<u>% Incr / Decr</u>
TOTAL CNE				
Gross Revenue \$	\$57,943,949	\$51,285,789	\$6,658,160	12.98%
Contr. Adjs \$	\$34,838,836	\$29,911,451	\$4,927,385	16.47%
Units	306,281	275,125	31,156	11.32%
Collections \$	\$21,889,491	\$20,191,976	\$1,697,514	8.41%
Days in AR	38.61	40.78	-2.16	-5.31%
12 Mth Net Collection %	88.79%	84.89%	3.90%	4.59%
12 Mth Net Collection % (Exclu	93.46%	86.72%		
Total A/R Balances	\$24,686,036	\$23,782,385	\$903,651	3.80%
% Insur A/R > 120 Days	12.29%	12.15%	0.1%	1.12%

## OPERATING UNIT ACTIVITY

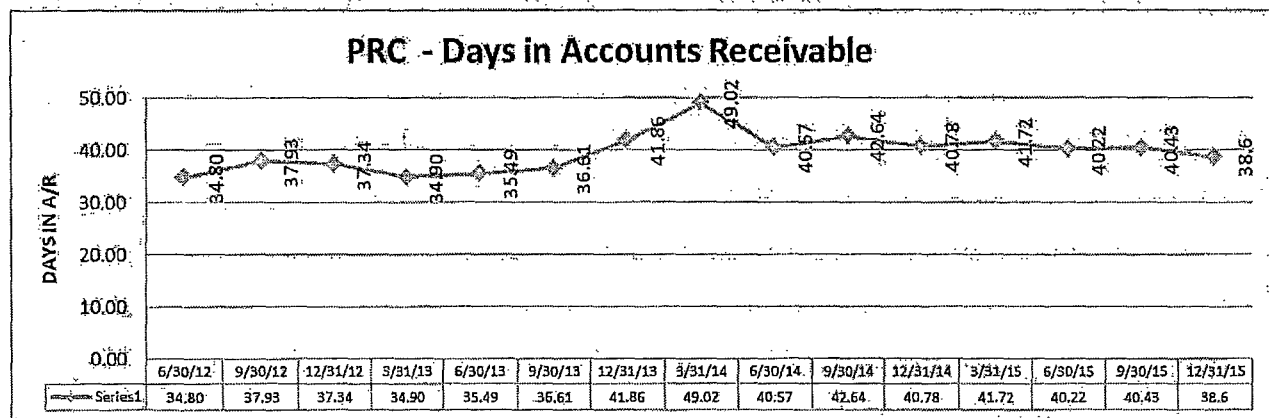
FPI charge revenue is down by 18% over last fiscal Y.T.D., while collections have decreased 22% over last fiscal year. FPI has struggled with consistent charge-entry during the past year, but did post a significant backlog of charges in the month of December. Affinity and Memorial both saw significant increases in year-over-year charge revenue (up 53% and 25% respectively), along with year-over-year collections (up 57% and 21%). Since the installation of Epic in September, we have seen a steady improvement in Memorial KPI, including charge lag, net collection rate, and co-payment collection percentage. Women & Infants' year-over-year charge revenue has increased by 4.8%, and collections have increased by 2%. The collection increase for W&I has lagged due to a systems adjudication issue at NHPRI, which has delayed claims payment. We have seen an uptick in Butler's denial rate over the past few months (TMS, Authorization, Registration, etc.) causing their net collection rate to fall to 87.36%. HCA is performing well at 28 days in A/R. Their year-to-date collections have dropped 1.9% over last year, while charges have increased by 9.79%. We are investigating this to determine if reimbursement or payor mix has changed for this OU.

PRC OPERATING UNIT SUMMARY							
Fiscal YTD Through:	12/31/2015						
Operating Unit	YTD Charges	Incr / Decr Prior Yr	YTD Collections	Incr / Decr Prior Yr	Days in A/R	Net Col %	Insurance A/R > 120 Day
Butler Hospital	\$5,669,238	2.29%	\$2,111,181	-3.56%	43.58	87.36%	17.70%
FPI	\$1,079,762	-18.09%	\$401,487	-22.00%	29.70	96.46%	-3.33%
Kent	\$8,639,795	-2.39%	\$4,160,901	-0.60%	33.76	92.81%	1.55%
Affinity	\$10,376,863	53.89%	\$3,748,422	57.41%	38.86	90.01%	13.06%
Memorial	\$9,551,287	25.37%	\$2,844,379	21.47%	49.70	85.06%	17.37%
WIH	\$14,023,761	4.84%	\$5,380,244	2.07%	41.61	87.76%	15.25%
HCA	\$8,603,244	9.79%	\$3,242,878	-1.97%	28.28	96.11%	4.13%
CNE-System wide	\$57,943,949	12.98%	\$21,889,491	8.41%	38.61	88.79%	12.25%

## KEY PERFORMANCE INDICATORS (KPI)

Key Performance Indicators	Past Quarterly Performance						
	Goal 2015	12/31/2015	Trend	9/30/2015	6/30/2015	3/31/2015	12/31/2014
YTD Write-Off %	5.00%	4.20%	↓	4.34%	4.24%	4.83%	4.00%
YTD Cost to Collect	5.80%	3.26%	↓	3.36%	3.60%	4.43%	4.20%
Charge Lag Days (Inpatient)	6	7.76	↓	8.83	8.2	10.83	8.13
Charge Lag Days (Outpatient)	4	6.19	↑	5.81	4.89	6.92	8
Charge Lag (ED)	10	17.15	↓	19.5	13.14	18.96	11.44
Co-Payment Collection % at TOS	80.00%	77.90%	↓	78.23%	74.90%	74.00%	72.00%
Net Collection % (/ without ED BD)	88 / 92%	88.8 / 93.5%	↑	88.6 / 90.09%	86.7% / 89.5%	88.88 / 90.69	84.8 / 86.7%
Days in A/R	34	38.61	↓	40.43	40.22	41.72	40.78
120 + A/R Balances (Insur. & Patient)	15.00%	14.93%	↑	12.59%	14.42%	14.11%	16.23%
Clean Claim Rate	94%	89.93%	↓	94.53%	94.07%	93.90%	93.94%

## CNE DAYS IN ACCOUNTS RECEIVABLE BY QUARTER



## **KPI Notes:**

**Credentialing Claim Holds:** Credentialing Claim holds improved in December, decreasing 21% to \$699,519 (Charges).

**WIH;** The majority of the held claims are due to one NICU provider awaiting approval from BCBSRI. In addition, NHPRI mistakenly deactivated a high volume WIH provider in the Oncology Dept. This issue is being corrected by NHP.

**MH;** Memorial has two new providers who started recently and represent the bulk of claims-on-hold, awaiting credentialing approval by several major carriers.

**Charge Lag:** IP charge lag continues to improve, dropping from 8.26 days to 7.7 days in December. However, OP charge lag increased in December to 6.19 days as a significant volume of older charges were posted by FPI. E.D. charge lag improved from 19.6 days to 17.15 days in December. MH ED charge lag, although still high at 25 days, has improved over the past few months from a high of 34 days.

**Days in A/R:** Although still quite high, *Memorial A/R Days improved in December, dropping to 49 days in A/R. This is down from a high of 63 days earlier in the year. Front-end response to the PRC (returned items with questions for Practice / Dept.) has been very slow at MH.*

**Co-Payment Collection %:** Our overall co-payment collection percentage continues to improve (Overall 78%) as more departments convert to Epic. Epic sites are averaging 93.1% co-payment collection vs 55.6% on the non-Epic sites.

**Cost-To-Collect / Staffing:** Actual cost to collect is 3.26% YTD through November. However, the PBO has had several LOA's in addition to several vacant positions over the past few months. Based on the Department's budgeted expense, the cost-to-collect through November would be 3.63% of collections.

**Unresolved Returned Batch Items:** Outstanding returned batch items (Questions from the PBO to the Practice) decreased by \$305,959 (35%) in December to \$562,487. With \$341,564 outstanding, MH still represents the highest percentage of these open requests. Since the MH move to Epic in September, we are no longer receiving responses from MH through the PRC system, and we are now faxing lists to each Dept. weekly for resolution. New requests are being sent through Epic.

**Remittance Posting:** The remittance posting issue has improved somewhat over the past month. We are still splitting the remits to post across the GE and Epic systems, but the process has become a bit more efficient with assistance from the Epic team.

### **Concerns:**

- The migration of MH providers to the Affinity Tax-ID in February is expected to cause an uptick in claim denials (same day - duplicate denials across various Affinity practices, Inclusive / Global period denials, new patient denials (3 year rule), . We will monitor closely when we go live in February.
- The retro-review automation in Epic (auto rebilling of open claims after insurance updates) has caused a significant volume of duplicate claim denials across all plans and Depts. We are working with the Epic team to correct this issue.

Care New England Health System  
Consolidated  
12/31/2015

1/20/2016

S&P Rated (2013)			FY10	FY11	FY12	FY13	See Note: (1)		See Note: (2)	
A-	BBB+	Overall					FY14	FY15	12/31/2015	

**Liquidity Ratios:**

**Days Cash on Hand - Operating Only**

	Cash & Cash Equivalents & Investments	See Note: (3)	101,572,615	79,361,598	92,928,696	85,624,217	70,931,121	62,205,301	35,685,371
Divided by:	Operating Expenses	(past 12 months)	752,208,541	798,939,662	835,341,996	875,554,158	1,058,995,303	1,139,725,241	1,168,804,345
Less:	Depreciation and Amortization Expense	(past 12 months)	27,599,900	27,521,712	27,463,883	28,296,075	34,495,543	36,581,327	36,700,121
	<b>Calculation</b>		<b>51.2</b>	<b>37.6</b>	<b>42.0</b>	<b>36.9</b>	<b>25.3</b>	<b>20.6</b>	<b>11.5</b>

**Days Cash on Hand - Inclusive of Unrestricted Board Designated**

	Cash & Cash Equivalents & Investments	See Note: (3)	101,572,615	79,361,598	92,928,696	85,624,217	70,931,121	62,205,301	35,685,371			
Plus:	Unrestricted Board Designated Funds, excluding CSV of life insurance		48,615,179	51,632,334	61,667,632	80,313,506	99,206,804	90,980,227	92,340,212			
Divided by:	Operating Expenses	(past 12 months)	752,208,541	798,939,662	835,341,996	875,554,158	1,058,995,303	1,139,725,241	1,168,804,345			
Less:	Depreciation and Amortization Expense	(past 12 months)	27,599,900	27,521,712	27,463,883	28,296,075	34,495,543	36,581,327	36,700,121			
	<b>Calculation</b>		<b>163.9</b>	<b>144.6</b>	<b>204.6</b>	<b>75.7</b>	<b>62.1</b>	<b>69.8</b>	<b>71.5</b>	<b>60.6</b>	<b>50.7</b>	<b>41.3</b>

**Cash to Debt Ratio**

	Cash & Cash Equivalents & Investments (including Board Designated, excluding CSV)		150,187,794	130,993,932	154,596,328	165,937,723	170,137,725	153,165,528	128,025,583
Divided by:	Long-term Debt (reduced by 2013 Series A Debt Service Reserve Fund)	See Note: (3) See Note: (4)	92,016,307	111,880,208	114,770,907	117,913,811	156,272,229	155,637,106	154,850,671
	<b>Calculation</b>		<b>1.63</b>	<b>1.17</b>	<b>1.35</b>	<b>1.41</b>	<b>1.09</b>	<b>0.98</b>	<b>0.83</b>

**Current Ratio**

	Current Assets		189,923,277	203,007,479	222,927,713	261,632,112	246,224,949	255,427,396	236,103,374
Divided by:	Current Liabilities		130,721,505	134,015,573	137,937,038	190,499,579	164,922,937	189,339,472	183,202,427
	<b>Calculation</b>		<b>1.45</b>	<b>1.51</b>	<b>1.62</b>	<b>1.37</b>	<b>1.49</b>	<b>1.35</b>	<b>1.29</b>

**Average Payment Period**

	Current Liabilities		130,721,505	134,015,573	137,937,038	190,499,579	164,922,937	189,339,472	183,202,427
Divided by:	Operating Expenses	(past 12 months)	752,208,541	798,939,662	835,341,996	875,554,158	1,058,995,303	1,139,725,241	1,168,804,345
	Days in Measurement Period		365	365	366	365	365	365	365
	Average Daily Operating Expenses		2,060,845	2,183,396	2,282,355	2,398,779	2,901,357	3,122,535	3,202,204
	<b>Calculation</b>		<b>63.4</b>	<b>61.4</b>	<b>60.4</b>	<b>79.4</b>	<b>56.8</b>	<b>60.6</b>	<b>57.2</b>

Care New England Health System  
12/31/2015

S&P Rated (2013)			FY10	FY11	FY12	FY13	FY14	FY15	12/31/2015
A-	BBB+	Overall							

Profitability Ratios:

Operating Margin

Income from Operations	(past 12 months)		18,361,642	12,216,082	10,811,346	17,603,768	8,505,804	(1,785,748)	(14,657,437)
Divided by: Total Operating Revenue	(past 12 months)		768,570,183	809,155,744	846,153,342	893,157,928	1,068,010,694	1,137,939,493	1,154,146,908
<b>Calculation</b>		<b>1.5% 0.9% 2.2%</b>	<b>2.13%</b>	<b>1.51%</b>	<b>1.28%</b>	<b>1.97%</b>	<b>0.80%</b>	<b>-0.16%</b>	<b>-1.27%</b>

Total Margin

Excess (deficiency) of Revenues & Gains over Expenses	(past 12 months)		24,530,178	3,012	24,189,219	24,572,686	11,140,275	(27,835,311)	(40,217,487)
Divided by: Total Operating Revenue	(past 12 months)		768,570,183	809,155,744	846,153,342	893,157,928	1,068,010,694	1,137,939,493	1,154,146,908
<b>Calculation</b>		<b>3.6% 3.0% 4.2%</b>	<b>3.19%</b>	<b>0.00%</b>	<b>2.86%</b>	<b>2.75%</b>	<b>1.04%</b>	<b>-2.45%</b>	<b>-3.48%</b>

**Care New England Health System**  
12/31/2015

S&P Rated (2013)			FY10	FY11	FY12	FY13	FY14	FY15	12/31/2015
A-	BBB+	Overall							

**Capital Structure:**

**LT Debt to Equity**

Divided by:	Long-term Debt (reduced by 2013 Series A Debt Service Reserve Fund)		92,016,307	111,880,208	114,770,907	117,913,811	156,272,229	155,637,106	154,850,671
	Total Net Assets		307,283,055	288,577,501	312,572,859	388,629,448	377,851,459	312,088,646	302,335,740
	<b>Calculation</b>	<b>42.5% 46.2% 36.1%</b>	<b>29.95%</b>	<b>38.77%</b>	<b>36.72%</b>	<b>30.50%</b>	<b>41.36%</b>	<b>49.87%</b>	<b>51.22%</b>

**Debt Service Coverage**

See Note: (3)

Plus	Excess (deficiency) of Revenues & Gains over Expenses	(past 12 months)	24,530,178	3,012	24,189,219	24,572,666	11,140,275	(27,835,311)	(40,217,487)
Plus	Depreciation and Amortization	(past 12 months)	27,599,900	27,521,712	27,463,883	28,296,075	34,495,543	36,581,327	36,700,121
Plus	Interest Expense, including swap agreement payments/(receipts)	(past 12 months)	3,732,345	3,741,400	3,604,940	3,626,488	6,527,788	6,838,716	6,812,629
Equals (A)			55,862,423	31,266,124	55,258,042	56,495,229	52,163,606	15,584,732	3,295,283
Plus	Principal Payment		7,161,920	8,136,099	6,907,078	6,377,675	8,123,289	9,631,866	9,171,115
Plus	Interest Expense, including swap agreement payments/(receipts)	(past 12 months)	3,732,345	3,741,400	3,604,940	3,626,488	6,527,788	6,838,716	6,812,629
Equals (B)			10,894,265	11,877,499	10,512,018	10,004,163	14,651,077	16,470,582	15,983,744
	<b>Calculation (A)/(B)</b>	<b>3.4 2.5 4.2</b>	<b>5.1</b>	<b>2.6</b>	<b>5.3</b>	<b>5.6</b>	<b>3.6</b>	<b>0.9</b>	<b>0.2</b>

**Average Age of Plant**

Divided by:	Accumulated Depreciation	(past 12 months)	357,840,698	382,282,204	381,298,883	389,717,678	423,591,539	448,859,247	486,559,368
	Depreciation Expense	(past 12 months)	27,599,900	27,521,712	27,463,883	28,296,075	34,495,543	36,581,327	36,700,121
	<b>Calculation</b>	<b>11.4 11.5 10.5</b>	<b>13.0</b>	<b>13.9</b>	<b>13.9</b>	<b>13.8</b>	<b>12.3</b>	<b>12.3</b>	<b>13.3</b>

Note: (1) The ratios include the acquisition of Southeastern Healthcare System (SHS = Memorial Hospital and affiliates) as of September 3, 2013. Consistent with the audited financials, the FY13 ratios include the balance sheet of SHS as of 9/30/13 and the statement of operations for the period 9/4/13 - 9/30/13. The FY14 and FY15 ratios include SHS for the period reported.

Note: (2) The FY15 ratios include the acquisition of The Providence Center (TPC) as of January 1, 2015.

Note: (3) FY15 excludes restricted cash and equivalents and investments.

Note: (4) The FY14 and FY15 calculations do not take into account \$10.3 million and \$4.2 million, respectively in trustee-held funds, which will be utilized for future capital purchases and ultimately improving our cash/liquidity position.

Note: (5) The debt service coverage calculation is based on current year activity as compared to the debt service coverage calculation for the debt covenant tests which is based on a rolling 12 months of activity.

Note: (6) FY14 ratios have been restated to conform with FY15 ratios and financial statement presentations.



**Care New England Health System  
Debt Compliance Tests  
For the 12 Months Ending December 31, 2015**

1/20/2016

Please Note: Debt Compliance Covenants includes the Care New England Obligated Group which excludes The Providence Center.

**2013 Series A, 2014 Series A Debt Compliance Tests:**

**Debt Service Coverage Ratio**

Calculated Debt Service Coverage	2.16
Required Debt Service Coverage annually at September 30th	1.20
<b>Interim Compliance Status</b>	<b><u>Yes</u></b>

**Days Cash on Hand**

Calculated Days Cash on Hand	41.64
Required Days Cash on Hand annually at September 30th	45.00
<b>Interim Compliance Status - Below Threshold</b>	

**2010 Series, 2011 Series Debt Compliance Tests:**

**Debt Service Coverage Ratio**

Calculated Debt Service Coverage	2.16
Required Debt Service Coverage at quarter end	1.25
<b>Compliance</b>	<b><u>Yes</u></b>

**Liquidity Ratio**

Calculated Liquidity Ratio	0.85
Required Liquidity Ratio at quarter end	1.00
<b>Interim Compliance Status - Below Threshold</b>	

**TD Bank - Line of Credit**

**Liquidity Ratio**

Calculated Liquidity Ratio	1.00
Required Liquidity Ratio at quarter end	0.75
<b>Compliance</b>	<b><u>Yes</u></b>

**Debt Service Coverage Ratio**

Calculated Debt Service Coverage	2.16
Required Debt Service Coverage at quarter end	1.25
<b>Compliance</b>	<b><u>Yes</u></b>

www.providence.org

EXHIBIT A  
Debt Service Coverage Ratio

Care New England Health System  
Debt Compliance Calculations  
As of December 31, 2015

Debt Service Coverage Ratio

	CNE YTD as of 12/31/2015	CNE YTD as of 12/31/2015	CNE Consolidated 30-Sep-15	CNE System Total	TPC YTD as of 12/31/2015	TPC YTD as of 12/31/2015	TPC Consolidated 30-Sep-15	The Providence Center	CNE Obligated Group 31-Dec-15
Excess of revenues and gains over expenses:	(\$14,186,305)	(\$1,314,816)	(\$27,835,311)	(\$40,707,000)	(\$773,478)	\$0	\$13,027,150	\$12,253,672	(\$40,088,983)
Interest expense including payments on interest rate swaps	\$1,634,474	\$1,660,561	\$6,838,716	\$6,812,529	\$73,579	\$0	\$214,808	\$288,387	\$6,550,329
Depreciation & amortization	\$9,576,740	\$9,456,946	\$36,581,327	\$36,700,121	\$278,387	\$0	\$138,244	\$414,631	\$36,166,696
Unrealized (gain) or loss on investments	(\$2,329,076)	\$5,515,568	\$32,287,448	\$24,442,804	\$0	\$0	\$0	\$0	\$32,287,448
	<u>(\$6,306,167)</u>	<u>\$15,318,489</u>	<u>\$47,872,180</u>	<u>\$27,248,554</u>	<u>(\$421,512)</u>	<u>\$0</u>	<u>\$13,378,202</u>	<u>\$12,956,690</u>	<u>\$34,915,480</u>

Payments on LTD and capital leases, prior 12 months, net of loss on refinancing  
Interest Payments, last 12 months

\$9,831,868  
\$6,550,329

Total

\$16,182,195

Debt Service Coverage Ratio

2.16

Exhibit B  
Days Cash on Hand

Care New England Health System  
Debt Compliance Calculations  
As of December 31, 2015

**Days Cash on Hand Inclusive of Unrestricted Board Designated**

	CNE Consolidated 31-Dec-15	The Providence Center	CNE Obligated Group 31-Dec-15
Cash & Cash Equivalents per Financial Statements	\$ 37,243,525	\$ 1,012,972	\$ 36,230,553
Less: Cash & Cash Equivalents Restricted for Specific Purposes	\$ 14,147,224	\$ -	\$ 14,147,224
Unrestricted Cash & Cash Equivalents, net	\$ 23,096,301	\$ 1,012,972	\$ 22,083,329
Investments (Short and Long Term)	\$ 13,099,157	\$ -	\$ 13,099,157
Less: Investments Restricted for Specific Purposes	\$ 510,087	\$ -	\$ 510,087
Unrestricted Investments (Short and Long Term), net	\$ 12,589,070	\$ -	\$ 12,589,070
Unrestricted Board-designated investments per Financial Statements	\$ 121,810,869	\$ -	\$ 121,810,869
Less: Cash Surrender Value of Life Insurance	\$ 29,470,657	\$ -	\$ 29,470,657
Unrestricted Board-designated investments, net	\$ 92,340,212	\$ -	\$ 92,340,212
Subtotal	\$ 128,025,583	\$ 1,012,972	\$ 127,012,611
Divided By:			
Operating Expenses	\$ 302,388,441	\$ 12,485,158	\$ 289,903,283
Less: Depreciation and Amortization Expense	\$ 9,575,740	\$ 278,387	\$ 9,297,353
Subtotal	\$ 292,812,701	\$ 12,206,771	\$ 280,605,930
Divided By Days in Current Fiscal Year	92 days		
Subtotal - Daily			\$ 3,050,064

Days Cash on Hand

41.64 days

Note: As of December 31, 2015, CNE has \$2.5 million in Project Funds recorded as Trustee Held Funds on the Balance Sheet. These funds are to support Capital Purchases which would otherwise be funded through operating cash.

Note: Excludes The Providence Center

Exhibit C  
Liquidity Ratio

Care New England Health System  
Debt Compliance Calculations  
As of December 31, 2015

Liquidity Ratio	CNE Consolidated 31-Dec-15	The Providence Center	CNE Obligated Group 31-Dec-15
Unrestricted Cash & Cash Equivalents, net	\$23,096,301	\$1,012,972	\$22,083,329
Unrestricted Investments (Short and Long Term), net	\$12,589,070	\$0	\$12,589,070
Unrestricted Board-designated investments, net	\$92,340,212	\$0	\$92,340,212
			\$127,012,611
Current portion of LTD and capital leases	\$9,171,115	\$968,972	\$8,202,143
LTD and capital leases, excluding current portion	\$154,422,721	\$4,587,273	\$149,835,448
2013 Series A Debt Service Reserve Fund	-\$8,743,165	\$0	-\$8,743,165
			\$149,294,426

0.85

*Note: As of December 31, 2015, CNE has \$2.5 million in Project Funds recorded as Trustee Held Funds on the Balance Sheet. These funds are to support Capital Purchases which would otherwise be funded through operating cash.*

Exhibit D  
Additional Indebtedness

**Care New England Health System  
Debt Compliance Calculations  
As of December 31, 2015**

**The obligated group incurred additional indebtedness of \$12m on 12/31/2010 .**

**The obligated group incurred additional indebtedness of \$16m on 8/12/2011 .**

**The obligated group incurred additional indebtedness of \$10m on 9/28/2012 .**

**The obligated group has incurred additional incremental indebtedness of \$39.15m on 11/22/2013.**

**The obligated group has incurred additional incremental indebtedness of \$14.9m on 04/22/2014.**

**This debt is permitted under the Master Trust Indenture.**

**Care New England Health System**  
**Recent Financial Information**  
**Unaudited**  
**As of December 31, 2015**

**Consolidated**

**Outstanding Indebtedness:**

Series 2014 A	\$42,810,000
Series 2013 A	\$81,100,000
Series 2013 A Bond Premium	\$1,102,217
Series 2011	\$13,500,486
Series 2010	\$9,758,867
RIHEBC & Other Capital Leases	\$6,529,825
Time Mortgage Note	\$3,236,196
B of A Mortgage Note	\$0
The Providence Center	\$5,556,245
	<hr/>
	\$163,593,836
	<hr/> <hr/>

**Historical Debt Service Coverage:**

Based on Prior 12 Months

Excess of revenues and gains over expenses	-\$27,835,311
Add back:	
Depreciation and amortization	\$36,581,327
Interest Expense	\$6,838,716
Income Available for Debt Service	<hr/> \$15,584,732
Maximum Debt Service	\$15,989,034
Coverage of Maximum Debt Service	0.97

**Historical Indebtedness Ratio:**

Long term indebtedness (Current & Long term)	\$163,593,836
Unrestricted Net Assets	\$241,150,258
Total Capitalization	<hr/> \$404,744,094
Ratio of Long Term Indebtedness to Capitalization	0.40

**Days Cash on Hand:**

Unrestricted Cash and Equivalents and Short Term Investments	\$35,685,371
Unrestricted Board Designated Funds	\$92,340,212
Total	<hr/> \$128,025,583
Operating Expenses	\$302,388,441
Depreciation and Amortization Expense	\$9,575,740
Daily Operating Expense	\$3,182,747
Days Cash on Hand	40.22

**Care New England Health System  
Debt Compliance Calculations  
As of December 31, 2015**

Liquidity Ratio	Obligated Group
Unrestricted Cash & Cash Equivalents, net	\$ 23,096,301
Unrestricted Investments (Short and Long Term), net	\$ 12,589,070
Unrestricted Board-designated investments per Audited Financial Statements	\$ 121,810,869 Note: Not reduced by CSV of Life Insurance
	\$ 157,496,240
Current portion of LTD and capital leases	\$ 8,202,143
LTD and capital leases, excluding current portion	\$ 149,835,448
2013 Series A Debt Service Reserve Fund	\$ - Note: Not excluded
	\$ 158,037,591
	1.00

*Note: As of September 30, 2015, CNE has \$4.2 million in Project Funds recorded as Trustee Held Funds on the Balance Sheet. These funds are to support Capital Purchases which would otherwise be funded through operating cash.*

**PATIENT ACTIVITY SUMMARY  
COMBINED  
December-15**

CURRENT MONTH DECEMBER 2015				
ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR
1,324	1,373	(49)	(3.6%)	1,365
798	913	(115)	(12.6%)	846
561	583	(22)	(3.8%)	598
110	112	(2)	(1.8%)	119
728	776	(48)	(6.2%)	746
8	4	4	100.0%	6
88	108	(20)	(18.5%)	95
69	61	8	13.1%	59
<b>3,686</b>	<b>3,930</b>	<b>(244)</b>	<b>(6.2%)</b>	<b>3,834</b>

5,603	6,302	(699)	(11.1%)	6,292
2,449	2,728	(279)	(10.2%)	2,580
4,346	4,762	(416)	(8.7%)	4,685
836	853	(17)	(2.0%)	831
1,895	2,049	(154)	(7.5%)	1,994
79	65	14	21.5%	84
1,909	1,972	(63)	(3.2%)	2,054
749	738	11	1.5%	1,102
<b>17,866</b>	<b>19,469</b>	<b>(1,603)</b>	<b>(8.2%)</b>	<b>19,622</b>

4.2	4.6	(0)	(7.8%)	4.6
3.1	3.0	0	2.7%	3.0
7.7	8.2	(0)	(5.2%)	7.8
7.6	7.6	(0)	(0.2%)	7.0
2.6	2.6	(0)	(1.4%)	2.7
9.9	16.3	(6)	(39.2%)	14.0
21.7	18.3	3	18.8%	21.6
10.9	12.1	(1)	(10.3%)	18.7
<b>4.8</b>	<b>5.0</b>	<b>(0)</b>	<b>(2.2%)</b>	<b>5.1</b>

YEAR-TO-DATE				
ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR
<b>DISCHARGES</b>				
3,828	4,099	(271)	(6.6%)	3,970
2,633	2,710	(77)	(2.8%)	2,620
1,741	1,736	5	0.3%	1,779
312	332	(20)	(6.0%)	331
2,364	2,327	37	1.6%	2,315
30	14	16	114.3%	18
298	320	(22)	(6.9%)	279
183	182	1	0.5%	178
<b>11,389</b>	<b>11,720</b>	<b>(331)</b>	<b>(2.8%)</b>	<b>11,490</b>

<b>PATIENT DAYS</b>				
16,888	18,609	(1,721)	(9.2%)	18,567
7,991	8,083	(92)	(1.1%)	7,921
13,297	14,149	(852)	(6.0%)	14,251
2,426	2,531	(105)	(4.1%)	2,519
6,337	6,135	202	3.3%	6,034
361	215	145	67.1%	256
6,096	5,852	244	4.2%	5,937
2,175	2,141	34	1.6%	2,615
<b>55,571</b>	<b>57,716</b>	<b>(2,145)</b>	<b>(3.7%)</b>	<b>58,100</b>

<b>LENGTH OF STAY</b>				
4.4	4.5	(0.1)	(2.8%)	4.7
3.0	3.0	0.1	1.8%	3.0
7.6	8.2	(0.5)	(6.3%)	8.0
7.8	7.6	0.2	2.0%	7.6
2.7	2.6	0.0	1.7%	2.6
12.0	15.4	(3.4)	(22.0%)	14.2
20.5	18.3	2.2	11.9%	21.3
11.9	11.8	0.1	1.0%	14.7
<b>4.9</b>	<b>4.9</b>	<b>(0.0)</b>	<b>(0.9%)</b>	<b>5.1</b>



**PATIENT ACTIVITY SUMMARY  
COMBINED  
December-15**

CURRENT MONTH DECEMBER 2015				
ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR
180.7	203.3	(22.5)	(11.1%)	203.0
79.0	88.0	(9.0)	(10.2%)	83.2
140.2	153.6	(13.4)	(8.7%)	151.1
27.0	27.5	(0.5)	(2.0%)	26.8
61.6	63.6	(2.0)	(3.2%)	66.3
24.2	23.8	0.4	1.5%	35.5
<b>576.3</b>	<b>628.0</b>	<b>(51.7)</b>	<b>(8.2%)</b>	<b>633.0</b>

54%	61%	(0.07)	(11.1%)	61%
45%	50%	(0.05)	(10.2%)	48%
81%	89%	(0.08)	(8.7%)	87%
93%	95%	(0.02)	(2.0%)	92%
77%	80%	(0.03)	(3.2%)	83%
64%	63%	0.01	1.5%	94%
<b>62%</b>	<b>68%</b>	<b>(0.06)</b>	<b>(8.4%)</b>	<b>68%</b>

27,354	26,223	1,131	4.3%	23,008
985	976	9	0.9%	1,018
<b>1,953</b>	<b>2,365</b>	<b>(412)</b>	<b>(17.4%)</b>	<b>1,877</b>
768	800	(32)	(4.0%)	809

YEAR-TO-DATE				
ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR
183.6	202.3	(18.7)	(9.2%)	201.8
86.9	87.9	(1.0)	(1.1%)	86.1
144.5	153.8	(9.3)	(6.0%)	154.9
26.4	27.5	(1.1)	(4.1%)	27.4
66	64	2.7	4.2%	64.5
24	23	0.4	1.6%	28.4
<b>604.0</b>	<b>627.3</b>	<b>(23.3)</b>	<b>(3.7%)</b>	<b>631.5</b>

**AVERAGE DAILY CENSUS**

MED SURG - 333 BEDS	183.6	202.3	(18.7)	(9.2%)	201.8
OBSTETRICS - 175 BEDS	86.9	87.9	(1.0)	(1.1%)	86.1
PSYCH - 173 BEDS	144.5	153.8	(9.3)	(6.0%)	154.9
KENT UNIT AT BUTLER - 29 BEDS	26.4	27.5	(1.1)	(4.1%)	27.4
NICU - 80 BEDS	66	64	2.7	4.2%	64.5
REHAB - 38 BEDS	24	23	0.4	1.6%	28.4
<b>TOTAL</b>	<b>604.0</b>	<b>627.3</b>	<b>(23.3)</b>	<b>(3.7%)</b>	<b>631.5</b>

**PERCENTAGE OF OCCUPANCY**

MED SURG	55%	61%	(0.06)	(9.2%)	61%
OBSTETRICS	50%	50%	(0.01)	(1.1%)	49%
PSYCH	84%	89%	(0.05)	(6.0%)	90%
KENT UNIT AT BUTLER	91%	95%	(0.04)	(4.1%)	94%
NICU	83%	80%	0.03	4.2%	81%
REHAB	62%	61%	0.01	1.6%	75%
<b>TOTAL</b>	<b>60%</b>	<b>63%</b>	<b>(0.04)</b>	<b>(5.5%)</b>	<b>64%</b>

**OBSERVATION**

HOURS	74,344	78,874	(4,530)	(5.7%)	70,725
CASES	2,709	2,924	(215)	(7.4%)	3,086
<b>PARTIAL HOSPITAL DAYS</b>	<b>5,969</b>	<b>6,527</b>	<b>(558)</b>	<b>(8.5%)</b>	<b>5,527</b>
<b>DELIVERIES</b>	<b>2,510</b>	<b>2,455</b>	<b>55</b>	<b>2.2%</b>	<b>2,473</b>

PATIENT ACTIVITY SUMMARY  
COMBINED  
December-15

CURRENT MONTH DECEMBER 2015				
ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR
1,681	1,374	307	22.3%	1,719
<u>9,533</u>	<u>9,796</u>	<u>(263)</u>	<u>(2.7%)</u>	<u>9,646</u>
11,214	11,170	44	0.4%	11,365
366	389	(23)	(5.9%)	373
<u>1,398</u>	<u>1,533</u>	<u>(135)</u>	<u>(8.8%)</u>	<u>1,338</u>
1,764	1,922	(158)	(8.2%)	1,711
83	108	(25)	(23.1%)	108
<u>755</u>	<u>714</u>	<u>41</u>	<u>5.7%</u>	<u>770</u>
838	822	16	1.9%	878
71,247	85,612	(14,365)	(16.8%)	84,142
<u>141,829</u>	<u>161,602</u>	<u>(19,773)</u>	<u>(12.2%)</u>	<u>163,879</u>
213,076	247,214	(34,138)	(13.8%)	248,021
5,288	4,431	857	19.3%	5,769
<u>8,498</u>	<u>8,918</u>	<u>(420)</u>	<u>(4.7%)</u>	<u>7,595</u>
13,786	13,349	437	3.3%	13,364
2,836	3,048	(212)	(7.0%)	3,136
<u>6,490</u>	<u>6,608</u>	<u>(118)</u>	<u>(1.8%)</u>	<u>7,248</u>
9,326	9,656	(330)	(3.4%)	10,384

YEAR-TO-DATE					
ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR	
<b>EMERGENCY ROOM/TRIAGE</b>					
Inpatient	5,221	4,159	1,062	25.5%	4,956
Outpatient	<u>28,169</u>	<u>28,478</u>	<u>(309)</u>	<u>(1.1%)</u>	<u>27,749</u>
Total	33,390	32,637	753	2.3%	32,705
<b>OPERATING ROOM</b>					
Inpatient	1,086	1,133	(47)	(4.1%)	1,115
Outpatient	<u>4,346</u>	<u>4,593</u>	<u>(247)</u>	<u>(5.4%)</u>	<u>4,045</u>
Total	5,432	5,726	(294)	(5.1%)	5,160
<b>ENDOSCOPY</b>					
Inpatient	270	310	(40)	(12.9%)	342
Outpatient	<u>2,142</u>	<u>2,199</u>	<u>(57)</u>	<u>(2.6%)</u>	<u>2,256</u>
Total	2,412	2,509	(97)	(3.9%)	2,598
<b>LABORATORY</b>					
Inpatient	216,354	248,555	(32,201)	(13.0%)	251,190
Outpatient	<u>421,291</u>	<u>478,566</u>	<u>(57,275)</u>	<u>(12.0%)</u>	<u>481,808</u>
Total	637,645	727,121	(89,476)	(12.3%)	732,998
<b>BLOOD BANK</b>					
Inpatient	17,960	13,205	4,755	36.0%	16,898
Outpatient	<u>25,303</u>	<u>26,485</u>	<u>(1,182)</u>	<u>(4.5%)</u>	<u>21,845</u>
Total	43,263	39,690	3,573	9.0%	38,743
<b>DIAGNOSTIC RADIOLOGY</b>					
Inpatient	8,621	8,891	(270)	(3.0%)	8,874
Outpatient	<u>18,934</u>	<u>18,881</u>	<u>53</u>	<u>0.3%</u>	<u>20,449</u>
Total	27,555	27,772	(217)	(0.8%)	29,323

PATIENT ACTIVITY SUMMARY  
COMBINED  
December-15

CURRENT MONTH DECEMBER 2015					YEAR-TO-DATE					
ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR		ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR
217	198	19	9.6%	158	MRI					
511	552	(41)	(7.4%)	525	Inpatient	639	590	49	8.3%	578
728	750	(22)	(2.9%)	683	Outpatient	1,588	1,641	(53)	(3.2%)	1,587
					Total	2,227	2,231	(4)	(0.2%)	2,165
					CT-SCAN					
991	957	34	3.6%	993	Inpatient	3,006	2,843	163	5.7%	2,975
2,706	2,612	94	3.6%	2,637	Outpatient	7,955	7,609	346	4.5%	7,544
3,697	3,569	128	3.6%	3,630	Total	10,961	10,452	509	4.9%	10,519
					ULTRASOUND					
591	710	(119)	(16.8%)	651	Inpatient	1,865	1,970	(105)	(5.3%)	1,914
4,494	4,104	390	9.5%	4,030	Outpatient	12,690	12,233	457	3.7%	11,888
5,085	4,814	271	5.6%	4,681	Total	14,555	14,203	352	2.5%	13,802
					NUCLEAR MEDICINE					
62	63	(1)	(1.6%)	54	Inpatient	187	188	(1)	(0.5%)	175
200	165	35	21.2%	163	Outpatient	570	520	50	9.6%	513
262	228	34	14.9%	217	Total	757	708	49	6.9%	688
					SPECIAL PROCEDURES					
219	257	(38)	(14.8%)	216	Inpatient	591	770	(179)	(23.2%)	651
176	134	42	31.3%	146	Outpatient	537	456	81	17.8%	468
395	391	4	1.0%	362	Total	1,128	1,226	(98)	(8.0%)	1,119
					MAMMOGRAPHY					
1	0	1	0.0%	2	Inpatient	1	0	1	0.0%	2
2,387	2,288	99	4.3%	2,452	Outpatient	7,070	6,984	86	1.2%	8,271
2,388	2,288	100	4.4%	2,454	Total	7,071	6,984	87	1.2%	8,273

PATIENT ACTIVITY SUMMARY  
COMBINED  
December-15

CURRENT MONTH DECEMBER 2015				
ACTUAL	BUDGET	VAR.	%VAR.	PRIOR YR.
0	0	0	0.0%	0
<u>366</u>	<u>249</u>	<u>117</u>	<u>47.0%</u>	<u>227</u>
366	249	117	47.0%	227
50	65	(15)	(23.1%)	52
<u>80</u>	<u>64</u>	<u>16</u>	<u>25.0%</u>	<u>40</u>
130	129	1	0.8%	92
11	13	(2)	(15.4%)	6
<u>534</u>	<u>508</u>	<u>26</u>	<u>5.1%</u>	<u>289</u>
545	521	24	4.6%	295
2,164	2,098	66	3.1%	2,183
<u>3,693</u>	<u>3,677</u>	<u>16</u>	<u>0.4%</u>	<u>3,747</u>
5,857	5,775	82	1.4%	5,930
36	44	(8)	(18.2%)	34
<u>28</u>	<u>29</u>	<u>(1)</u>	<u>(3.4%)</u>	<u>30</u>
64	73	(9)	(12.3%)	64
396	399	(3)	(0.8%)	313
<u>527</u>	<u>473</u>	<u>54</u>	<u>11.4%</u>	<u>270</u>
923	872	51	5.8%	583

BREAST HEALTH CTR.

YEAR-TO-DATE				
ACTUAL	BUDGET	VAR.	%VAR.	PRIOR YR.
0	0	0	0.0%	0
<u>729</u>	<u>795</u>	<u>(66)</u>	<u>(8.3%)</u>	<u>785</u>
729	795	(66)	(8.3%)	785

CARDIAC CATH

Inpatient	181	191	(10)	(5.2%)	139
Outpatient	<u>205</u>	<u>194</u>	<u>11</u>	<u>5.7%</u>	<u>141</u>
Total	386	385	1	0.3%	280

VASCULAR LAB\*

Inpatient	25	35	(10)	(28.6%)	17
Outpatient	<u>1,639</u>	<u>1,821</u>	<u>(182)</u>	<u>(10.0%)</u>	<u>868</u>
Total	1,664	1,856	(192)	(10.3%)	885

EKG

Inpatient	6,450	6,363	87	1.4%	7,081
Outpatient	<u>10,788</u>	<u>10,980</u>	<u>(192)</u>	<u>(1.7%)</u>	<u>11,159</u>
Total	17,238	17,343	(105)	(0.6%)	18,240

EEG

Inpatient	121	129	(8)	(6.2%)	112
Outpatient	<u>80</u>	<u>92</u>	<u>(12)</u>	<u>(13.0%)</u>	<u>100</u>
Total	201	221	(20)	(9.0%)	212

ECHOCARDIOLOGY\*

Inpatient	1,225	1,194	31	2.6%	958
Outpatient	<u>1,587</u>	<u>1,441</u>	<u>146</u>	<u>10.1%</u>	<u>838</u>
Total	2,812	2,635	177	6.7%	1,796

PATIENT ACTIVITY SUMMARY  
COMBINED  
December-15

CURRENT MONTH DECEMBER 2015					YEAR-TO-DATE					
ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR	ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR	
5,159	4,975	184	3.7%	5,211						
<u>7,071</u>	<u>5,429</u>	<u>1,642</u>	<u>30.2%</u>	<u>4,611</u>						
<b>12,230</b>	<b>10,404</b>	<b>1,826</b>	<b>17.6%</b>	<b>9,822</b>						
<b>PHYSICAL THERAPY</b>										
					Inpatient	14,706	14,194	512	3.6%	15,358
					Outpatient	<u>19,226</u>	<u>16,582</u>	<u>2,644</u>	<u>15.9%</u>	<u>14,894</u>
					<b>Total</b>	<b>33,932</b>	<b>30,776</b>	<b>3,156</b>	<b>10.3%</b>	<b>30,252</b>
<b>OCCUPATIONAL THERAPY</b>										
					Inpatient	9,544	10,016	(472)	(4.7%)	10,160
					Outpatient	<u>5,492</u>	<u>4,381</u>	<u>1,111</u>	<u>25.4%</u>	<u>3,354</u>
					<b>Total</b>	<b>15,036</b>	<b>14,397</b>	<b>639</b>	<b>4.4%</b>	<b>13,514</b>
<b>SPEECH THERAPY</b>										
					Inpatient	2,394	2,384	10	0.4%	2,631
					Outpatient	<u>1,536</u>	<u>1,783</u>	<u>(247)</u>	<u>(13.9%)</u>	<u>1,559</u>
					<b>Total</b>	<b>3,930</b>	<b>4,167</b>	<b>(237)</b>	<b>(5.7%)</b>	<b>4,190</b>
<b>SLEEP STUDIES</b>										
					Inpatient	0	0	0	0.0%	0
					Outpatient	<u>240</u>	<u>192</u>	<u>48</u>	<u>25.0%</u>	<u>196</u>
					<b>Total</b>	<b>240</b>	<b>192</b>	<b>48</b>	<b>25.0%</b>	<b>196</b>
<b>WOUND CARE</b>										
					Inpatient	13	24	(11)	(45.8%)	25
					Outpatient	<u>1,718</u>	<u>1,971</u>	<u>(253)</u>	<u>(12.8%)</u>	<u>1,855</u>
					<b>Total</b>	<b>1,731</b>	<b>1,995</b>	<b>(264)</b>	<b>(13.2%)</b>	<b>1,880</b>
<b>HYPERBARIC</b>										
					Inpatient	58	56	2	3.6%	34
					Outpatient	<u>179</u>	<u>400</u>	<u>(221)</u>	<u>(55.3%)</u>	<u>344</u>
					<b>Total</b>	<b>237</b>	<b>456</b>	<b>(219)</b>	<b>(48.0%)</b>	<b>378</b>

PATIENT ACTIVITY SUMMARY  
COMBINED  
December-15

CURRENT MONTH DECEMBER 2015				
ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR
38	61	(23)	(37.7%)	61
<u>2,739</u>	<u>2,229</u>	<u>510</u>	<u>22.9%</u>	<u>1,621</u>
<u>2,777</u>	<u>2,290</u>	<u>487</u>	<u>21.3%</u>	<u>1,682</u>
0	0	0	0.0%	0
<u>57</u>	<u>44</u>	<u>13</u>	<u>29.5%</u>	<u>46</u>
<u>57</u>	<u>44</u>	<u>13</u>	<u>29.5%</u>	<u>46</u>
4	3	1	33.3%	3
<u>1,587</u>	<u>1,418</u>	<u>169</u>	<u>11.9%</u>	<u>1,702</u>
<u>1,591</u>	<u>1,421</u>	<u>170</u>	<u>12.0%</u>	<u>1,705</u>
516	537	(21)	(3.9%)	515
<u>209</u>	<u>113</u>	<u>96</u>	<u>85.0%</u>	<u>116</u>
<u>725</u>	<u>650</u>	<u>75</u>	<u>11.5%</u>	<u>631</u>
87	98	(11)	(11.2%)	92
<u>40</u>	<u>46</u>	<u>(6)</u>	<u>(13.0%)</u>	<u>62</u>
<u>127</u>	<u>144</u>	<u>(17)</u>	<u>(11.8%)</u>	<u>154</u>

YEAR-TO-DATE					
ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR	
<b>INFUSION THERAPY</b>					
Inpatient	153	341	(188)	(55.1%)	122
Outpatient	<u>9,626</u>	<u>7,644</u>	<u>1,982</u>	<u>25.9%</u>	<u>5,628</u>
Total	<u>9,779</u>	<u>7,985</u>	<u>1,794</u>	<u>22.5%</u>	<u>5,750</u>
<b>IVF</b>					
Inpatient	0	0	0	0.0%	0
Outpatient	<u>166</u>	<u>146</u>	<u>20</u>	<u>13.7%</u>	<u>152</u>
Total	<u>166</u>	<u>146</u>	<u>20</u>	<u>13.7%</u>	<u>152</u>
<b>WPCC</b>					
Inpatient	13	8	5	62.5%	6
Outpatient	<u>5,099</u>	<u>4,368</u>	<u>731</u>	<u>16.7%</u>	<u>5,244</u>
Total	<u>5,112</u>	<u>4,376</u>	<u>736</u>	<u>16.8%</u>	<u>5,250</u>
<b>PATIENT ASSESSMENT</b>					
Inpatient	1,575	1,594	(19)	(1.2%)	1,569
Outpatient	<u>605</u>	<u>317</u>	<u>288</u>	<u>90.9%</u>	<u>315</u>
Total	<u>2,180</u>	<u>1,911</u>	<u>269</u>	<u>14.1%</u>	<u>1,884</u>
<b>ELECTRO CONVULSIVE TREATMENT</b>					
Inpatient	239	291	(52)	(17.9%)	284
Outpatient	<u>104</u>	<u>129</u>	<u>(25)</u>	<u>(19.4%)</u>	<u>130</u>
Total	<u>343</u>	<u>420</u>	<u>(77)</u>	<u>(18.3%)</u>	<u>414</u>

\* Prior Year Excludes Memorial stats

**Births by Hospital  
FY 2014 - FY 2016 (Nov)**

**Year-to-date Totals vs. Prior Year Total**

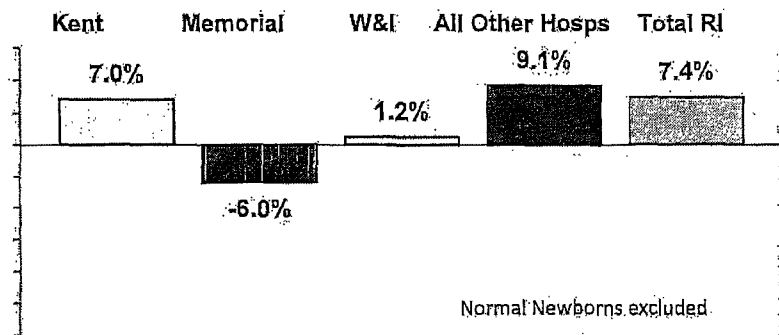
Hospital	FY 2014	% of Total	FY 2015	% of Total	FY 2016 (Nov)	% of Total
Women & Infants	8,587	75.9%	8,948	77.9%	1,553	78.9%
Kent	899	7.9%	852	7.4%	155	7.9%
Memorial	492	4.4%	446	3.9%	62	3.1%
<b>CNE Subtotal</b>	<b>9,978</b>	<b>88.2%</b>	<b>10,246</b>	<b>89.2%</b>	<b>1,770</b>	<b>89.9%</b>
Newport	454	4.0%	413	3.6%	69	3.5%
South County	691	6.1%	626	5.5%	102	5.2%
Landmark	187	1.7%	197	1.7%	28	1.4%
<b>All Other Subtotal</b>	<b>1,332</b>	<b>11.8%</b>	<b>1,236</b>	<b>10.8%</b>	<b>199</b>	<b>10.1%</b>
<b>TOTAL</b>	<b>11,310</b>	<b>100.0%</b>	<b>11,482</b>	<b>100.0%</b>	<b>1,969</b>	<b>100.0%</b>

**Volume Change: Year-to-date Total (Nov) vs. Same time period prior years**

Hospital	FY 2014 (Nov)	FY 2015 (Nov)	FY 2016 (Nov)	FY15 -16 Change		FY 14 - 16 Change	
				# Diff	% Diff	# Diff	% Diff
Women & Infants	1,506	1,472	1,553	81	5.5%	47	3.1%
Kent	129	151	155	4	2.6%	26	20.2%
Memorial	79	73	62	(11)	-15.1%	(17)	-21.5%
<b>CNE Subtotal</b>	<b>1,714</b>	<b>1,696</b>	<b>1,770</b>	<b>74</b>	<b>4.4%</b>	<b>56</b>	<b>3.3%</b>
Newport	80	67	69	2	3.0%	(11)	-13.8%
South County	105	105	102	(3)	-2.9%	(3)	-2.9%
Landmark	41	40	28	(12)	-30.0%	(13)	-31.7%
<b>All Other Subtotal</b>	<b>226</b>	<b>212</b>	<b>199</b>	<b>(13)</b>	<b>-6.1%</b>	<b>(27)</b>	<b>-11.9%</b>
<b>TOTAL</b>	<b>1,940</b>	<b>1,908</b>	<b>1,969</b>	<b>61</b>	<b>3.2%</b>	<b>29</b>	<b>1.5%</b>

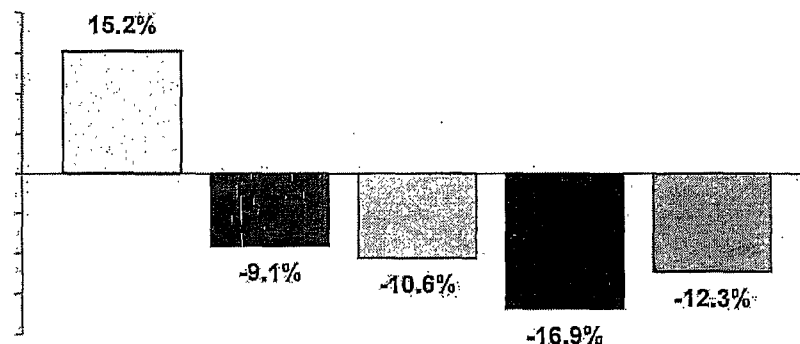
## Utilization at Acute Care Hospitals in Rhode Island Percent Change FY 14-15 (YTD Dec)

**Inpatient Discharges - % Change**



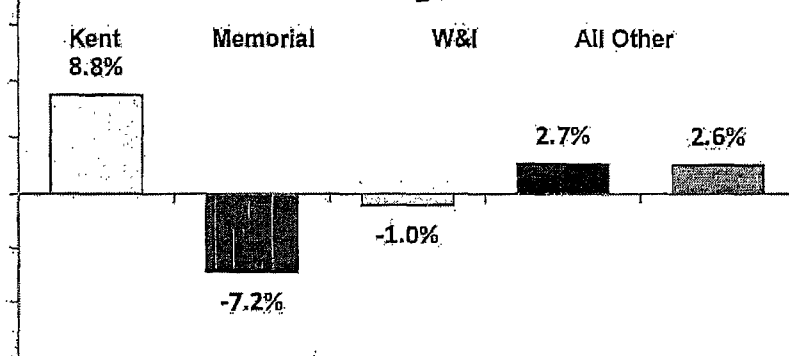
11 Hospitals reporting - 10 YTD increase, 1 YTD decrease

**Observation Cases - % Change**



11 Hospitals reporting - 4 YTD increase, 7 YTD decrease

**Total Inpatient Discharges and Observations - % Change**



**Most RI hospitals are now reporting increases in inpatient utilization. MHRI is the only hospital reporting a decrease. This reflects a shift from the prior year when most hospitals were reporting decreases in inpatient utilization.**

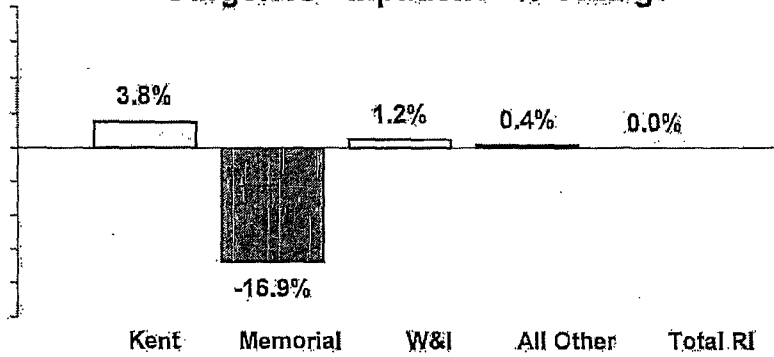
**Most hospitals in the state are reporting a decrease in observation cases.**

Source: HARI Databank, Kent Internal Source, CNE Observation Data Internal Sources  
Strategy and System Development 1/20/16



## Utilization at Acute Care Hospitals in Rhode Island Percent Change FY 14-15 (YTD Dec)

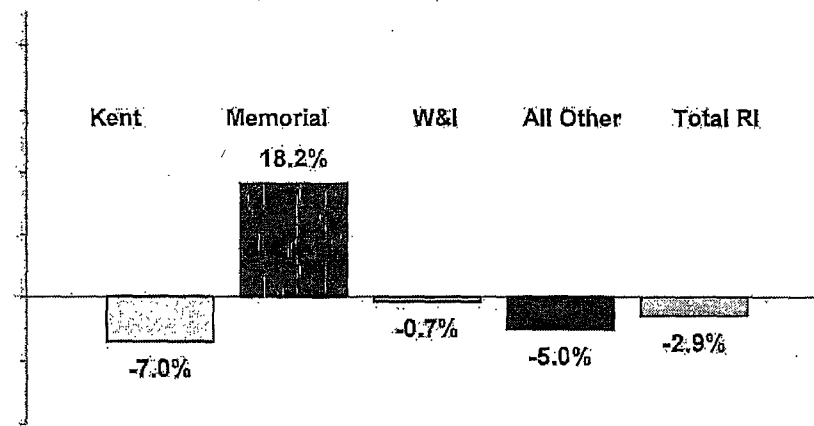
**Surgeries - Inpatient - % Change**



Includes C-sections

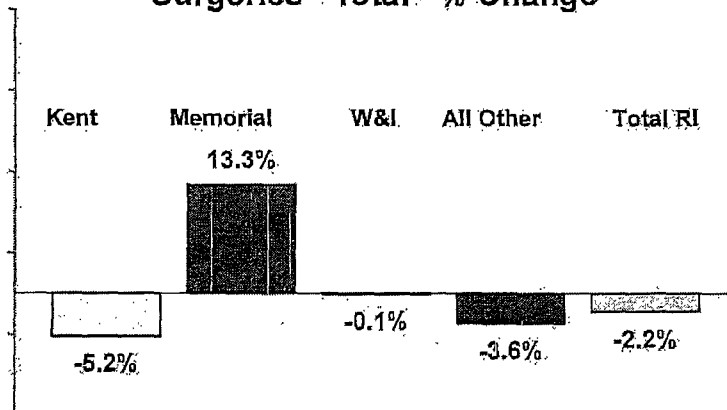
11 Hospitals reporting - 2 YTD increase, 9 YTD decrease

**Surgeries - Outpatient - % Change**



11 Hospitals reporting - 5 YTD increase, 6 YTD decrease

**Surgeries - Total - % Change**

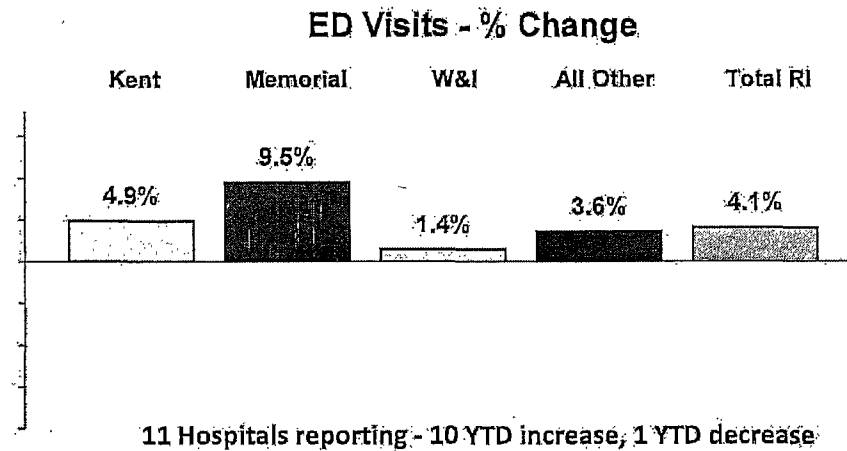


11 Hospitals reporting - 5 YTD increase, 6 YTD decrease

Most hospitals are reporting a decrease in inpatient surgeries. Kent & W&I are the only two exceptions to this.

MHRI is one of the five hospitals that have had increases in outpatient surgery volumes.

## Utilization at Acute Care Hospitals in Rhode Island Percent Change FY 14-15 (YTD Dec)



**Most hospitals in the state, with one exception, have had an increase in ED visits.**

**All three CNE hospitals have reported increases in their ED volumes.**

## Utilization at Acute Care Hospitals in Rhode Island Percent Change FY 14-15 (YTD Dec)

	FY 14 YTD Oct-Dec			FY 15 YTD Oct-Dec			FY14-15 (Dec) Volume Change			FY14-15 (Dec) Percent Change		
	Disch	Obs	Total	Disch	Obs	Total	Disch	Obs	Total	Disch	Obs	Total
	Kent	3,564	946	4,510	3,815	1,090	4,905	251	144	395	7.0%	15.2%
Memorial	1,101	737	1,838	1,035	670	1,705	(66)	(67)	(133)	-6.0%	-9.1%	-7.2%
W&I	2,837	650	3,487	2,871	581	3,452	34	(69)	(35)	1.2%	-10.6%	-1.0%
All Other	19,448	6,439	25,887	21,227	5,349	26,576	1,779	(1,090)	689	9.1%	-16.9%	2.7%
Total RI	26,950	8,772	35,722	28,948	7,690	36,638	1,998	(1,082)	916	7.4%	-12.3%	2.6%
	Surg (IP)	Surg (OP)	Total	Surg (IP)	Surg (OP)	Total	Surg (IP)	Surg (OP)	Total	Surg (IP)	Surg (OP)	Total
Kent	558	2,789	3,347	579	2,594	3,173	21	(195)	(174)	3.8%	-7.0%	-5.2%
Memorial	295	1,831	2,126	245	2,164	2,409	(50)	333	283	-16.9%	18.2%	13.3%
W&I	910	2,133	3,043	921	2,118	3,039	11	(15)	(4)	1.2%	-0.7%	-0.1%
All Other	5,396	15,412	20,808	5,417	14,648	20,065	21	(764)	(743)	0.4%	-5.0%	-3.6%
Total RI	7,159	22,165	29,324	7,162	21,524	28,686	3	(641)	(638)	0.0%	-2.9%	-2.2%
	ED Visits			ED Visits			ED Visits			ED Visits		
Kent		16,005			16,785			780			4.9%	
Memorial		8,601			9,422			821			9.5%	
W&I		7,002			7,097			95			1.4%	
All Other		89,048			92,293			3,245			3.6%	
Total RI		120,656			125,597			4,941			4.1%	

Source: HARJ Databank, Kent Internal Source, CNE Observation  
Data: Internal Sources  
Strategy and System Development 1/20/16



**Care New England Health System**  
**Quarterly Reporting Package**  
**March 31, 2016**

**TABLE OF CONTENTS**

Quarterly Memorandum

- Tab 1: Dashboard
- Tab 2: Balance Sheet and Cash Flows
- Tab 3: Income Statement, including Segment Reporting
- Tab 4: Key Budget Assumption Review
- Tab 5: Efficiency Metrics
- Tab 6: Value-Based Purchasing/Alternative Payment Model Initiatives
- Tab 7: Revenue Cycle Report
- Tab 8: Consolidated Financial Statement Ratios
- Tab 9: Debt Compliance
- Tab 10: Patient Statistics and Statewide Data

**TO:** Care New England Finance Committee

**FROM:** Susan Martin  
Vice President/Chief Accounting Officer

Joseph Iannoni  
Executive Vice President /Chief Financial Officer

**DATE:** April 21, 2016

**RE:** **Financial Report as of March 31, 2016**

---

### **Introduction and Overview**

Enclosed is the unaudited, consolidated financial information for Care New England for fiscal 2016. Significant intercompany related transactions have been eliminated for this presentation. Unless otherwise noted, the entities included in these consolidated reports are:

Care New England Corporate  
Integra Community Care Network, LLC  
Butler Hospital and related Affiliates  
Kent Hospital and related Affiliates  
Women & Infants Corporation and related Affiliates  
VNA of Care New England and related Affiliate  
Memorial Hospital and related Affiliates (also referred to as Southeastern Healthcare System or "SHS")  
The Providence Center, Inc. and related Affiliates (also referred to as "TPC")

CNE acquired The Providence Center on January 1, 2015 and as such, The Combined Statement of Unrestricted Activities includes six months of TPC activity for FY16 and three months of TPC activity for FY15. Comparisons between FY16 actual and FY15 actual will be impacted by the difference in time periods reported.

In the third quarter of fiscal 2015, management engaged Huron Consulting for the purpose of assessing opportunities to improve operational and financial performance at CNE. The assessment identified improvement opportunities of up to \$95 million to be achieved over a 24 month period. In August 2015, Huron Consulting was further engaged to assist with the implementation of those recommendations. See Tab 4 for further information on this initiative. Targeted financial improvement and related restructuring costs were incorporated in the FY16 operating budget. Through the second quarter, approximately \$40.4 million in annualized initiatives have been implemented, the majority of which relates to changes in fringe benefit plans effective January 1, 2016 (\$13.4 million), labor initiatives (\$9.9 million), and revenue cycle improvements (\$5.6 million).

In November 2015, Care New England Health System and Southcoast Health System, Inc. ("Southcoast") signed a letter of intent to engage in exclusive discussions to work toward the goal of forming a new non-profit parent organization that would oversee both systems. Southcoast is a provider of health care services in southeastern Massachusetts. It includes four hospitals (Charlton Memorial Hospital in Fall River, MA, St. Luke's Hospital in New Bedford, MA, Tobey Hospital in Wareham, MA and Southcoast Behavioral Health in Dartmouth, MA), 50 ambulatory sites, over 600 physicians and advanced care clinicians, and the Southcoast Health ACO. Due diligence is scheduled to be completed in the third and

fourth quarters of FY 2016 with a goal of signing a definitive agreement by the end of April and closing on the affiliation by April 2017.

### **Management Discussion**

The System had a net loss from operations of \$25.7 million through March which was \$423,410 unfavorable to budget. Including non-operating net losses, total margin of \$(21.2) million was \$2.9 million favorable to budget.

Net patient revenues were \$13.3 million or 2.4% lower than budget for the first six months; and \$17.2 million or 3.3% greater than the same period of fiscal 2015. The health care exchange continues to impact the System. The shift toward more Medicaid and Medicaid-based insurers continued and these new coverage options resulted in reduced charity care write offs.

Inpatient volume for the System through the second quarter fell short of budget by 3.1%. Outpatient volume was mixed with some services showing a positive variance from budget, others negative.

CNE records investment income, as well as realized gains and losses on Indemnity investments, as other revenue. \$944,246 in net investment losses was included in other revenue through the second quarter.

CNE's operating results were positively impacted by Indemnity operations. Total Indemnity operating income of \$4.3 million was \$2.25 million favorable to budget. Actual underwriting experience versus expected actuarial losses was substantially favorable through the second quarter. Also occurring in the second quarter, W&I Indemnity funded a \$12.5 million dividend to Women and Infants Hospital.

Total expenses for the System were under budget by \$10.4 million or 1.7%. The System reported a favorable expense variance in salaries of \$8.1 million or 2.8%, attributable to the management of vacancies and the implementation of multiple T3 labor initiatives to reduce labor cost including adjustments in span of control, focused improvements in labor productivity and management, reduced reliance on premium labor, adjustments in paid time off policies, and restructuring of the position review process. Year-to-date through March, FTEs per Adjusted Occupied Bed were .2% favorable to budget. Favorable variances in health insurance and FICA resulted in a favorable variance of \$4.5 million or 5% in fringe benefits. Medical supplies and drugs were over budget by \$2.3 million or 4.4%. Other expenses were below budget by \$4.6 million or 4.5% due to a reduction in discretionary spending, primarily consulting, purchased services and conferences/travel. The favorable other expense variance is also attributable to software maintenance and marketing. The cost per adjusted discharge/day metrics were unfavorable to budget by .3%. The unfavorable variance in restructuring costs of \$2.9 million or 33.3% is due to budget timing differences related to severance agreements.

The System's cash position remains a significant concern, although overall days cash on hand (CNE) improved to 52.6 days, compared to 50.7 at September 30, 2015. During November, the System borrowed \$7.5 million against the line of credit, of which \$4.0 million was paid back in December and \$3.5 million was paid back in March. The System was unable to renew its line of credit arrangement in March. The change in the cash position since September 30, 2015 is primarily due to negative operating results at Memorial, offset by an increase in accounts payable balances and, as previously noted, the receipt of a \$12.5 million dividend from W&I Indemnity. The System's average payment period increased to 66.5 days, compared to 60.6 at September 30, 2015.

The measurement date for bond covenant ratios is September 30 for the Series 2013 and 2014 bonds and quarterly for the Series 2010 and 2011 bonds. The System's debt service coverage and liquidity ratios are in excess of the required thresholds, per amended debt covenants, for the Series 2010 and 2011 bonds at

March 31, 2016. Interim compliance status on the Series 2014 and Series 2013 bonds; indicates that the debt service coverage ratio is below the required threshold and the days cash on hand ratio is in excess of the required threshold for the System at March 31, 2016.

The current liquidity status has also impacted our ability to make capital purchases. The System is closely monitoring capital expenditures through a newly created executive capital committee. All capital expenditures must be approved by this committee and such expenditures are limited to critical items.

Looking forward to the third and fourth quarters of FY16, the System's cash position will continue to be a challenge; will be actively managed, and is expected to improve. Positively impacting cash will be revenue cycle improvements resulting from Huron/T3 initiatives, the receipt of net DSH payments and other third party settlements, and the drawdown of remaining bond project funds. Pressures on the System's operating cash include budgeted negative operating results, expected contributions to CNE's pension plans, Indemnity premium transfers, and the FY15 workers compensation funding.

In summary, the greatest challenges affected CNE financial performance in FY2016 are cash constraints, Memorial Hospital volume shortfall and the related impact on operating results, and organizational restructuring activities.

Comments on the various sections of the quarterly report follow. *If you are limited as to the time available to review this package of materials, it is recommended that you review the Care New England Financial Highlights, Tab 1, the financial statements, Tabs 2 and 3, as well as the Key Budget Assumption updates under Tab 4. By reviewing these updates during the year, readers should get a reasonable assessment of how the year should be unfolding financially.* Should you have any questions, please do not hesitate to contact either of us.

#### **Care New England Financial Highlights (Tab 1)**

This section summarizes the results of the System's financial highlights including operating gain (loss) for the System and by operating unit, key indicators, and key volume statistics for the month and year to date March 31, 2016. This section also summarizes the status of the T3 delivery team initiatives, including the impact of the implemented initiatives. The status of quality objectives is also included.

#### **Combined Balance Sheet as of March 31, 2016 Compared to the Combined Balance Sheet as of September 30, 2015 and March 31, 2015 (Tab 2)**

As of March 31, 2016, the System had \$78.6 million in **Cash and Cash Equivalents and Short Term Investments** compared to \$76.0 million at September 30, 2015. The change in cash position since September 30, 2015 is primarily due to negative operating results at Memorial, offset by an increase in accounts payable balances and, as previously noted, the receipt of a \$12.5 million dividend from W&I Indemnity.

**Patient Accounts Receivables** were \$1.7 million higher than September 30, 2015. Days in Gross Accounts Receivable were 60 at March 31, 2016 compared to 56 days at September 30, 2015. Patient Accounts Receivables were \$10.4 million higher than March 31, 2015. Included in **Tab 7** are various reports that provide further details in regards to Patient Accounts Receivables.

The **Allowance for Estimated Uncollectible Accounts** increased by \$2.4 million or 5.6%, since September 30, 2015. The allowance for uncollectible accounts as a percentage of patient accounts receivables increased 1.1% from September 30, 2015, to 24.3% at March 31, 2016. The allowance for estimated uncollectible accounts as a percentage of patient accounts receivables was 22.5% at March 31,



2015. The allowance has increased due to a coding backlog, which has caused the receivables to age, thus requiring a higher reserve.

**Other Receivables** include grants receivable, Disproportionate Share (DSH) and Upper Payment Limit (UPL) monies, indemnity programs' premiums receivable, and other miscellaneous receivables. The increase of \$16.7 million or 78.2% since September 30, 2015 related primarily to the timing of receipts; most notably the accrual of the Disproportionate Share income that will not be received until July, consistent with prior years.

**Inventories** decreased by \$1 million or 11.2% since September 30, 2015 and \$589,213 or 6.9% since March 31, 2015. The decrease relates primarily to the pharmacy inventory and is a direct result of maximizing 340B pricing.

**Prepaid expenses (current and long-term)** decreased \$592,462 or 7.1% since September 30, 2015 and decreased \$3.7 million or 32.1% since March 31, 2015. The largest items included in Prepaid Expenses are insurance premiums, information systems contracts and vendor deposits. The decrease from March 31, 2015 is most notably due to the transfer of vendor deposits to offset Accounts Payable in September 2015.

**Assets Limited as to Use** decreased \$18.2 million or 6.4% since September 30, 2015 and \$33.4 million or 11.1% since March 31, 2015. The components of the changes in FY16 were a net result of the following:

**Board Designated Funds** increased \$2.6 million or 2.2% since September 30, 2015, but decreased \$12.4 million or 9.1% since March 31, 2015. The current year increase is reflective of positive market performance. The decrease from the same period last year is primarily related to a reclassification of certain funds from Board Designated Funds to Cash and Cash Equivalents at Kent and Memorial. These funds include cash received with donor-imposed restrictions and are available for current use. The reclassification resulted in a consistent methodology for donor-restricted funds, being applied across the Health System.

**Self-Insurance Trust Funds** decreased \$21.7 million or 14.5% since September 30, 2015 and \$14.1 million or 9.9% since March 31, 2015. The changes reflect the net of investment performance, contributions, and routine payments. The most notable factor for the decrease since September 30, 2015 and March 31, 2015, however, is in the second quarter of fiscal 2016, a \$12.5 million dividend payment was transferred to Women & Infants Hospital. CNE and its operating units self-insure extensive amounts of risk due to either the unavailable or uneconomical coverage. We rely on sound funding practices and actuarial assessments to provide reasonable assurance of adequate reserves. Among the self-insured programs are:

- W&I Indemnity (hospital primary, excess and physician malpractice)
- Toll Gate Indemnity (hospital primary, excess and physician malpractice & general liability)
- W&I trust (primary professional & general and malpractice tail exposures prior to 10/1/11)
- Butler trust (primary professional & general liability)
- Memorial Hospital trust (malpractice tail exposures prior to 7/1/04)
- Workers Compensation
- Health Insurance
- Unemployment Insurance

**Trustee Held Funds** have increased \$717,722 or 5.2% since September 30, 2015 and decreased \$6.9 million or 32.4% from March 31, 2015. CNE reimbursed operating cash with bond proceeds

by \$8.4 million since March 2015 to support capital spending. Increases, which offset this reimbursement, are the result of the hospitals making deposits into Debt Service funds at Bank of New York/Mellon.

**Net Property, Plant and Equipment** decreased by \$1.5 million or .47% since September 30, 2015 and \$4.1 million or 1.3% since March 31, 2015, as a result of depreciation expense exceeding capital investments. As previously noted, the System is closely monitoring capital expenditures through a newly created executive capital committee. All capital expenditures must be approved by this committee and such expenditures are limited to critical items.

**Goodwill** was \$24,488,975 at March 31, 2016 and September 30, 2015 and is primarily attributable to the acquisition of SHS (\$24.3 million) in FY13. **Intangibles** were \$6,480,000 at March 31, 2016 and \$6,482,500 at September 30, 2015. The intangibles are primarily attributable to trade name valuations of Memorial Hospital and The Providence Center. As a result of the Duff & Phelps valuation analysis, The Providence Center recorded approximately \$1 million related to the trade name valuation. The goodwill and intangibles have an indefinite useful life, subject to annual evaluation for impairment.

**Endowment Funds** increased by \$210,364 or .4% since September 30, 2015 and decreased by \$3.9 million or 7.2% since March 31, 2015 reflecting the impact of the investment markets and principal additions.

**Notes Payable** of \$765,552 at March 31, 2016 is a result of a draw on the TPC line of credit.

**Current Pension Payable** of \$26.6 million increased \$10.5 million or 65.2% since September 30, 2015 and \$4.1 million or 18% since March 31, 2015 which reflects the growth in the annual defined contribution liability which will be funded during the week of April 4, 2016 into the CNE plan. The defined contribution plan expense is being ratably accrued throughout FY16.

**Accounts Payable and Accrued Expenses** increased \$15.1 million or 10.7% from September 30, 2015 and increased \$17.4 million or 12.6% since March 31, 2015. The changes in these accounts are driven primarily by the timing of outflows for both vendor and employee payments.

**Deferred Revenue** decreased \$1.7 million or 13.6% since September 30, 2015, includes unamortized amounts received by Women and Infants and Kent Hospital for the W&I and Toll Gate Indemnity unearned insurance premiums. A component of deferred revenue also relates to the timing of receipts including research clinical trials.

**Estimated Third Party Payor Settlements (Current and Long-Term)** decreased by \$3.5 million or 11.4% since September 30, 2015. This line item includes current year receivables, Medicare cost report issues, planned reductions in long term liabilities, as well as quality reserves.

The funded status of CNE's frozen defined benefit pension plans are reflected on its balance sheet and are adjusted annually during the year-end audit as part of the year-end actuarial evaluation of the pension plans. The **Net Pension Liability** of \$115.8 million reflects the under-funded status of the plans at September 30, 2015, which has been adjusted for current year activity, and will be updated at September 30, 2016.

**Self-Insurance Reserves (Current and Long-Term)** decreased by \$3.8 million or 2.6% since September 30, 2015 and \$12.1 million or 7.8% since March 31, 2015. The change in reserves relates to the current year activity of all the operating units for workers compensation, professional liability and health insurance; offset by actual claims and expenses paid.

**Total Long Term Debt, including current portion** decreased \$1.5 million or .9% since September 30, 2015 and \$5.9 million or 3.5% since March 31, 2015, due to payments made on CNE's debt during the last two quarters of FY 15 and the first two quarter of FY16.

**Total Net Assets** of \$293.7 million at March 31, 2016 decreased \$18.4 million since September 30, 2015; inclusive of a decrease in unrestricted net assets of \$16.1 million, a decrease of \$2.5 million in temporarily restricted net assets, and an increase of \$175,085 in permanently restricted net assets.

**Combined Statement of Unrestricted Activities for the Six Months Ended March 31, 2016 Actual Compared to Budget and Compared to September 30, 2015 and March 31, 2015 (Tab 3)**

**Net Loss from Operations** was \$25.7 million for the six months ended March 31, 2016 compared to budgeted loss of \$25.3 million or \$423,410 unfavorable to budget. The operating loss for the second quarter ended at \$11.5 million, an improvement of \$2.6 million over the first quarter.

As reflected in the opening section of this memo, comparisons between FY16 actual and FY15 actual will be impacted by the difference in time periods reported for TPC activities.

Note the inclusion of a segment reporting schedule which breaks out the impact of Toll Gate and W&I Indemnity and Physician Organizations from consolidated operations. Total Indemnity operating income was \$2.25 million favorable to budget. Actual underwriting experience versus expected actuarial losses was favorable through the second quarter. Bottom line operating losses of \$6.7 million for Affinity and Health Care Alliance were favorable to budget by \$1.9 million.

**Net Non-Operating Gains** of \$4.5 million were favorable to budget by \$3.3 million. Investment earnings, realized and unrealized, were favorable to budget by \$2.7 million.

The **Excess of Expenses/Losses over Revenues/Gains** for the System was (\$21.2) million, which was favorable to budget by \$2.9 million.

**Net Patient Service Revenue** was \$13.3 million or 2.4% below budget for the first half of the year. The shift in payer mix from commercial to government payers continues, as has the shift out of Blue Cross volume into Neighborhood Health due to activity on the State health insurance exchange. These activities have resulted in reductions to Charity Care. Tab 7 includes an analysis of Revenues and Deductions from Revenues. In addition, this tab provides further insights into the revenue cycle and an analysis of our accounts receivable and revenues.

The Providence Center's net patient service revenue included in the FY16 Combined Statement of Unrestricted Activities was \$21.9 million compared to \$10.7 million in FY15.

**Research Revenue and Research Expenses** have partially offset one another as revenue favorable variances of \$1,674,952 were offset by expense unfavorable variances of \$1,708,179.

**Other Revenue** was \$31.8 million through March 31, which is .9% favorable to budget.

CNE records investment income, including realized gains and losses on Indemnity investments, as other revenue. Year-to-date, \$944,246 in net investment losses was included in other revenue.

As previously noted, operating results of the Indemnities were \$2.25 million favorable to budget. Investment performance of the Indemnities is significantly below budget; however, underwriting

experience has been significantly positive through the second quarter, \$6.7 million favorable to budget. Offsetting the Indemnity results are unfavorable variances in investment earnings on self-insurance trusts. In addition, T3 revenue initiatives are budgeted to other revenue; however, actual results are recorded to the applicable account resulting in line item variances on the financial statements.

Other revenue was consistent with the same period last year, however, within other revenue, Indemnity operating results are \$5.9 million lower primarily due to investment earnings; SNE practice revenues are \$4.1 million higher (effective date of SNE agreement was December 2014); and TPC other revenues are \$1.1 million higher (effective date of acquisition was January 2015).

**Total Operating Expenses** of \$602 million were \$10.4 million or 1.7% favorable to budget. Highlights of the line item components of operating expense variances were as follows:

**Salaries and Wages** were \$8.1 million or 2.8% favorable to budget. For the System, total FTEs per adjusted occupied bed were .2% favorable to budget. A series of efficiency metrics, to assist with the reporting of our performance, can be found in **Tab 5** of the package. The favorable salary expense variance is primarily attributable to T3 initiatives and the management of vacancies. The T3 Labor Team has launched multiple initiatives to reduce labor cost, including adjustments in span of control, focused improvements in labor productivity and management, reduced reliance on premium labor, adjustments in paid time off policies, and restructuring of the position review process. Labor cost savings are expected to be realized throughout the remainder of the fiscal year.

The Providence Center's salaries and wages included in the FY16 Combined Statement of Unrestricted Activities were \$15.8 million compared to \$7.2 million in FY15.

**Fringe Benefits** were \$4.5 million or 5.0% favorable to budget. The favorable variance is primarily related to T3 initiatives. Specifically, the System recorded favorable variances in health insurance and FICA. Fringe benefits were \$2.0 million or 2.4% higher than the prior year due to the Providence Center's activity. The Providence Center's fringe benefits included in the FY16 Combined Statement of Unrestricted Activities were \$3.6 million compared to \$1.8 million in FY15.

**Medical Supplies and Drugs** were \$2.3 million or 4.4% unfavorable to budget and \$2.7 million or 5.1% higher than the prior year.

**Other Expenses** were \$4.6 million or 4.5% favorable to budget due to a reduction in discretionary spending, primarily consulting, purchased services and conferences/travel. The favorable other expense variance is also attributable to software maintenance and marketing. Other expenses were 13% higher than the prior year due to merger costs (\$1.8M through March 31<sup>st</sup>), SNE practice costs (which are partially offset by an increase in other revenues), VHA project costs, and the inclusion of The Providence Center's activity. The Providence Center's other expenses included in the FY16 Combined Statement of Unrestricted Activities were \$2.3 million higher than FY15.

**Restructuring Costs** are \$11.6 million for FY16. Management engaged a third party consultant, Huron Healthcare, in June 2015 for the purpose of assessing opportunities to improve operational and financial performance at CNE. All costs related to this initiative, including Huron expenses and severance agreements, will be monitored and reported separately within restructuring costs. The unfavorable variance in restructuring costs of \$2.9 million or 33.3% is due to budget timing differences related to severance agreements.

#### **Update on 2016 Key Budget Assumptions (Tab 4)**

During the FY 2016 budget process, certain areas required management to make material assumptions as to what would be encountered. These assumptions are being tracked and reported upon routinely during the year. The Key Budget Assumptions that were identified for FY16 are:

##### **Patient Volumes**

Initiatives to Improve Volume Retention  
Operational and Financial Improvement Initiatives  
Population Health Management  
Memorial Hospital Improvement Plan

#### **Efficiency Metrics (Tab 5)**

The System's efficiency metrics include cost and paid and worked hours per adjusted discharge/day, FTEs per adjusted occupied bed, and salary and total cost per FTE. Cost per adjusted discharge/day was unfavorable to budget by .3%. FTEs per adjusted occupied bed were favorable budget by .2%. Kaufman Hall's productivity software is used to monitor labor productivity by pay period at each of the hospital operating units.

#### **At Risk/Value-Based Purchasing Initiatives (Tab 6)**

This section is used to report on the System's alternative payment arrangements; Blue Cross Blue Shield of RI Medicare Advantage, CMS Heart Failure Bundle, our two employee health plan pools, and the Medicare Shared Savings Program. As the System continues to be more extensively engaged in new payment models and more exposed to quality/value contracting, we will use this section to comment on our initiatives and performance. Please see the write-up under this tab for the progress report.

#### **Revenue Cycle Analyses (Tab 7)**

Accounts receivable remains the System's largest current asset. Patient receivables increased by \$1.7 million to \$184 million. The allowance for uncollectible accounts as a percentage of patient receivables increased 1.1% since September 30, 2015. Schedules have been included in this tab reflecting revenue and accounts receivable by payer, and other key information reported by the CNE Revenue Cycle division, including the growing professional revenue component.

#### **Consolidated Financial Statement Ratios (Tab 8)**

Current and recent period Financial Ratios that measure the Liquidity, Profitability, and Capital Structure of the organization have been included in this tab. These ratios are important indications of the financial health of the organization and trends are thus important to note. Comparability with the ratios over the period of time presented is challenging with the addition of SHS to the System in 2013. Consistent with the audited financials of CNE, we have included the balance sheet of SHS as of September 30, 2013 and its stub period operating results, for the period from date of acquisition on September 3, 2013 through September 30, 2013. SHS financial statements are included in CNE's consolidated financials in FY14 and forward. We have included the balance sheet of The Providence Center as of January 1, 2015 and the results of operations and changes in net assets from the date of acquisition through September 30, 2015, in CNE's consolidated fiscal 2015 financial statements. The Providence Center's financial statements are also included in CNE's consolidated financials in FY16. Liquidity ratios remain weaker than prior years,

impacted by the SHS merger, as well as the recent debt offerings. Profitability ratios have declined since fiscal 2013 and are unfavorable to S&P benchmarks. Capital Structure ratios reflect the bond financings in November 2013 and April 2014. Please note that the ratios in this Tab use industry formulas, not the formulas used in our Debt Covenant ratios in Tab 9.

### **Debt Covenants (Tab 9)**

The debt covenants were amended at the end of fiscal 2013 to take into account the acquisition of Memorial and were revised as a result of the debt financing in fiscal 2014. The fiscal 2015 debt covenant ratios include the CNE obligated group which excludes The Providence Center. The debt covenant ratios for the Series 2010 and Series 2011 bonds were amended for the quarter ended March 31, 2016, reducing the threshold requirements for the debt service coverage ratio and liquidity ratio, and will revert back to original thresholds for each quarter thereafter. Included in this package are the latest debt covenant ratios.

The measurement dates of debt covenant ratios are September 30 for the Series 2013 and 2014 bonds; and quarterly for Series 2010 and 2011 bonds.

The debt service coverage ratio at March 31, 2016 was .52, and is in excess of the required, per amended debt covenants of .25 to 1.00 for the Series 2010 and Series 2011 bonds. Interim compliance status on the Series 2014 and Series 2013 bonds; indicates that the debt service coverage ratio for the System is below the required thresholds at March 31, 2016.

The liquidity ratio at March 31, 2016 was 1.08, and is in excess of the requirement, per amended debt covenants of .25 to 1.00 for the Series 2010 and Series 2011 bonds. Interim compliance status on the Series 2014 and Series 2013 bonds; indicates that the days cash on hand ratio for the System is in excess of the required threshold at March 31, 2016.

In September 2015, the debt covenant ratios were updated to exclude cash received with donor-imposed restrictions and are available for current use.

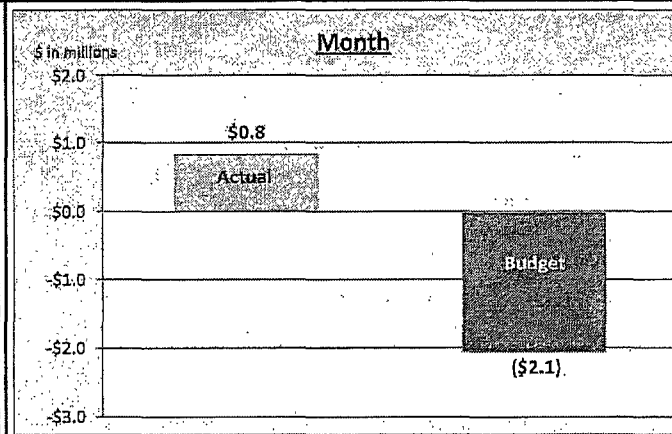
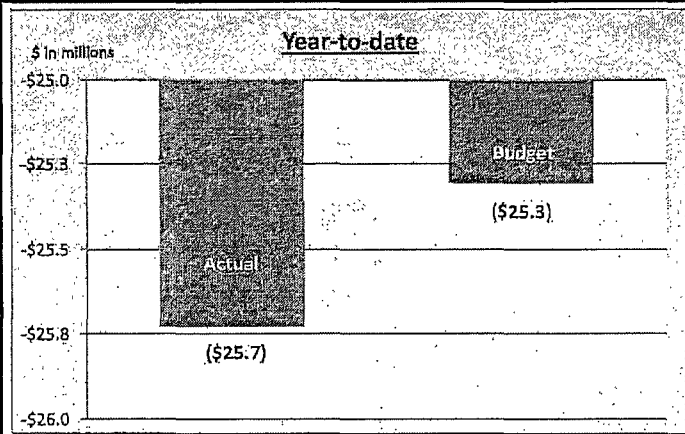
### **Patient Activity Summary March 31, 2016 and Statewide Data (Tab 10)**

Inpatient volumes for the System were mixed compared to budget. Year-to-date Medical Surgical discharges were below budget by approximately 7%, while Psych discharges were ahead of budget by 4.5%. Deliveries were above budget by 4.2% and NICU discharges were nearly 16% below budget. Patient days were also mixed and affected by variances in average length of stay. Both Medical/Surgical and Psych days were below budget by 7.6% and 3.3%, respectively. Conversely, NICU days were above budget by 4%. It's anticipated that NICU days will continue to trend significantly higher for the 3<sup>rd</sup> quarter as March volume came in much stronger than expected. Both inpatient and outpatient surgical procedures were below budget by 9.3%. Emergency room visits exceeded budget by 3.5% and ancillary service volume yielded a mix of positive and negative variances.

**CARE NEW ENGLAND  
FINANCIAL HIGHLIGHTS  
MARCH 2016**

**Operating Growth Year to Date:**

**CNE COMBINED - OPERATING GAIN (LOSS)**

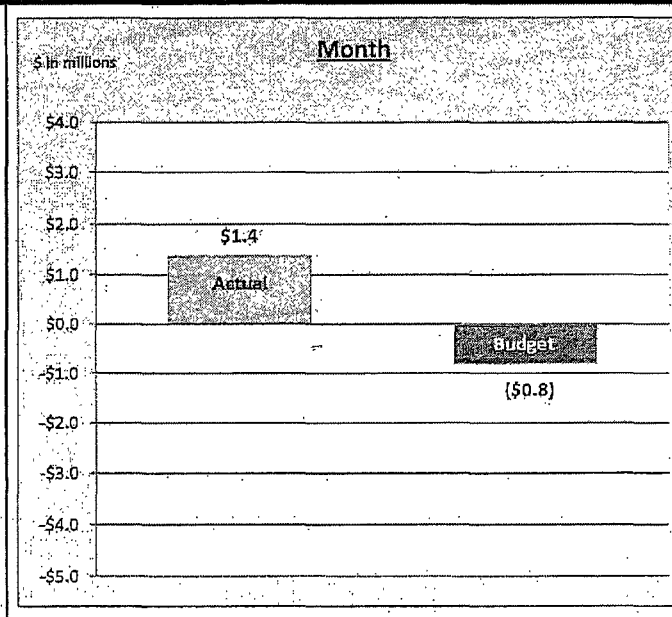
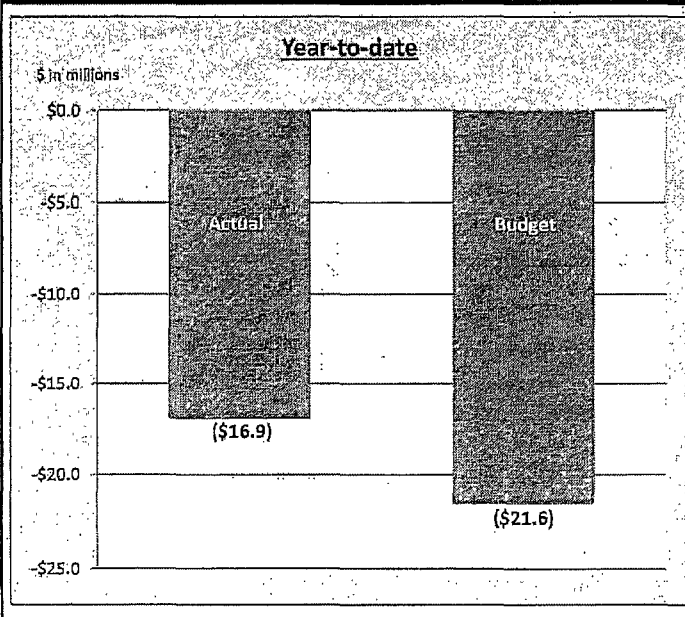


<u>Operating Revenue</u>	
Actual	\$ 576,087,376
Budget	\$ 586,973,587
Prior Year	\$ 557,361,791
% incr (decr) fr Prior Yr	3.4%

<u>Operating Expense</u>	
Actual	\$ 601,817,864
Budget	\$ 612,280,665
Prior Year	\$ 562,686,948
% incr (decr) fr Prior Yr	7.0%

<u>Med/Surg Discharges</u>	
Actual	7,727
Budget	8,302
Prior Year	8,247
% incr (decr) fr Prior Yr	-6.3%

**CNE COMBINED - NORMALIZED OPERATING GAIN (LOSS)**



<u>Obstetrics Discharges</u>	
Actual	5,190
Budget	5,401
Prior Year	5,198
% incr (decr) fr Prior Yr	-0.2%

<u>Psych Discharges</u>	
Actual	3,617
Budget	3,461
Prior Year	3,341
% incr (decr) fr Prior Yr	8.3%

<u>NICU Days</u>	
Actual	12,108
Budget	11,640
Prior Year	11,245
% incr (decr) fr Prior Yr	7.7%

<u>ED Visits</u>	
Actual	67,507
Budget	65,241
Prior Year	65,256
% incr (decr) fr Prior Yr	3.4%

March 2016 - Normalized Operating Margin										
YTD										
	Total	Butler	Kent	WIH	SHS	CNE	Integra	VNA	TPC	Budget
Actual Operating Loss	\$ (25,730,488)	\$ (3,439,923)	\$ 4,292,340	\$ 2,251,738	\$ (15,330,038)	\$ (10,875,484)	\$ (1,213,542)	\$ (551,278)	\$ (864,301)	\$ (25,307,078)
BCBS RI Readmission Issue	\$ 2,483,000		\$ 2,483,000							
FICA Refund	\$ (472,000)	\$ (472,000)								
Reimbursement Reserves	\$ (4,092,096)	\$ (69,448)	\$ (909,604)	\$ (2,303,544)	\$ (809,500)					\$ (5,000,000)
A/P Accrual Adjustments	\$ (1,264,000)			\$ (1,264,000)						
OT Average Rate Re-Calculation	\$ 426,000			\$ 426,000						
Indemnity Investment Income	\$ 1,090,158		\$ 282,511	\$ 807,647						
ATO Conversion	\$ (1,026,094)	\$ (112,731)	\$ (158,408)	\$ (140,147)		\$ (610,864)		\$ (3,944)		\$ -
Restructuring Costs	\$ 11,648,907	\$ 459,888	\$ 165,312		\$ 628,526	\$ 9,997,373		\$ 397,808		\$ 8,740,752
Normalized Operating Loss	\$ (16,936,613)	\$ (3,634,214)	\$ 6,155,151	\$ (222,306)	\$ (15,511,012)	\$ (1,488,975)	\$ (1,213,542)	\$ (157,414)	\$ (864,301)	\$ (21,566,326)
MTD										
	Total	Butler	Kent	WIH	SHS	CNE	Integra	VNA	TPC	Budget
Actual Operating	\$ 845,651	\$ 321,214	\$ 2,704,978	\$ 3,997,776	\$ (1,884,313)	\$ (4,356,423)	\$ (470,644)	\$ 99,235	\$ 433,828	\$ (2,062,380)
BCBS RI Readmission Issue	\$ -									
FICA Refund	\$ (472,000)	\$ (472,000)								
Reimbursement Reserves	\$ (833,333)	\$ (61,667)	\$ (147,500)	\$ (444,166)	\$ (180,000)					\$ (833,333)
A/P Accrual Adjustments	\$ (414,000)			\$ (414,000)						
OT Average Rate Re-Calculation	\$ 326,000			\$ 326,000						
Indemnity Investment Income	\$ (416,224)		\$ (70,330)	\$ (345,894)						
Defined Contribution Plan (403B)	\$ (295,018)	\$ 65,752	\$ (304,096)	\$ 14,565	\$ (186)	\$ (71,053)				
Depreciation	\$ (330,100)	\$ (59,300)	\$ (841,500)	\$ (144,100)	\$ 251,800	\$ 438,500		\$ (12,100)	36,600	
Medicald Retro Adjustment	\$ (300,000)								(300,000)	
PAF Refresh	\$ (830,000)			\$ (830,000)						
Restructuring Costs	\$ 4,107,295	\$ 2,470	\$ 165,312		\$ 628,526	\$ 3,308,831		\$ 2,156		\$ 2,082,798
Normalized Operating Loss	\$ 1,388,271	\$ (203,531)	\$ 1,506,864	\$ 2,160,181	\$ (1,184,173)	\$ (680,145)	\$ (470,644)	\$ 89,291	\$ 170,428	\$ (812,915)



**CARE NEW ENGLAND  
FINANCIAL HIGHLIGHTS  
MARCH 2016**

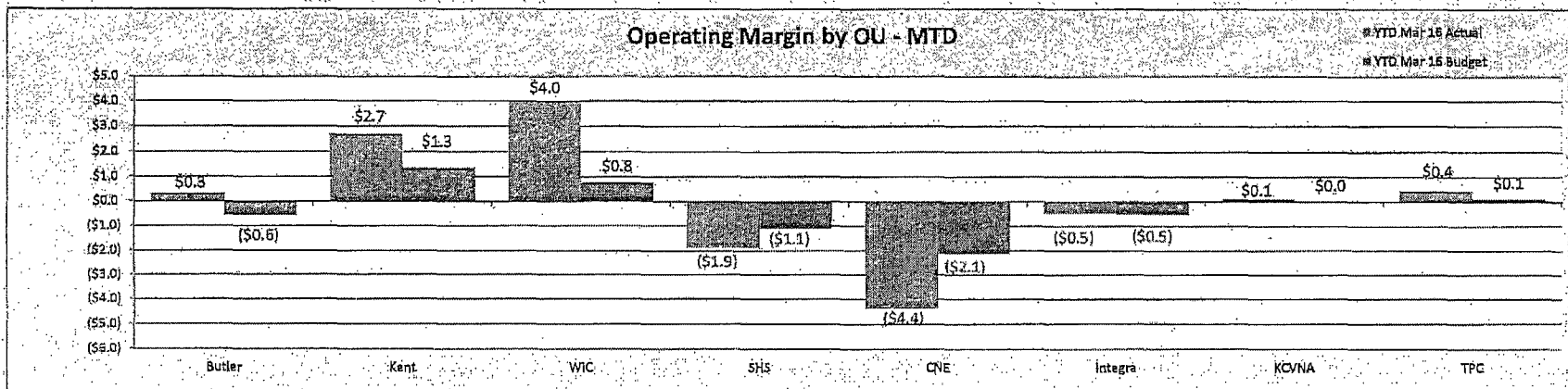
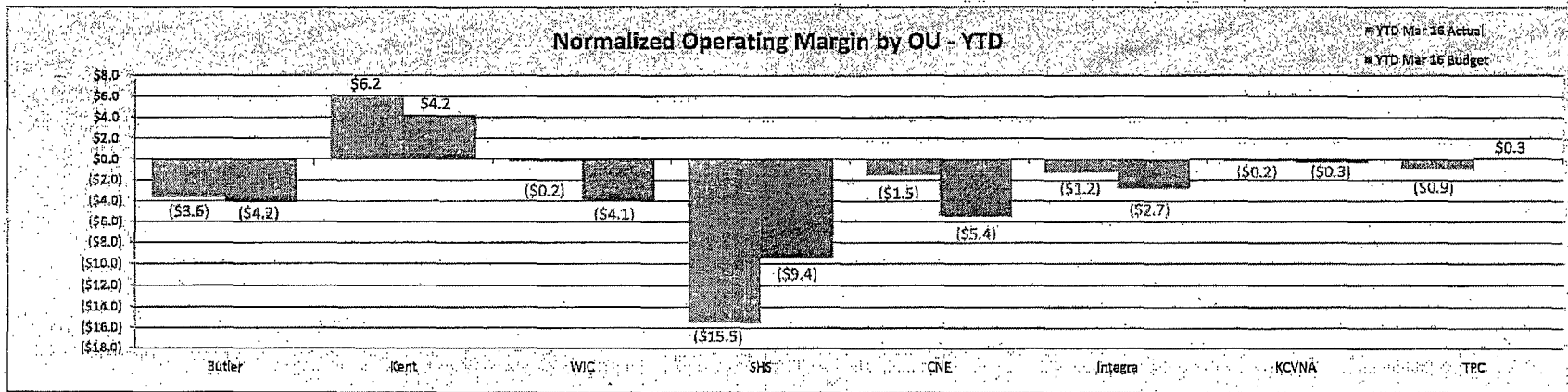
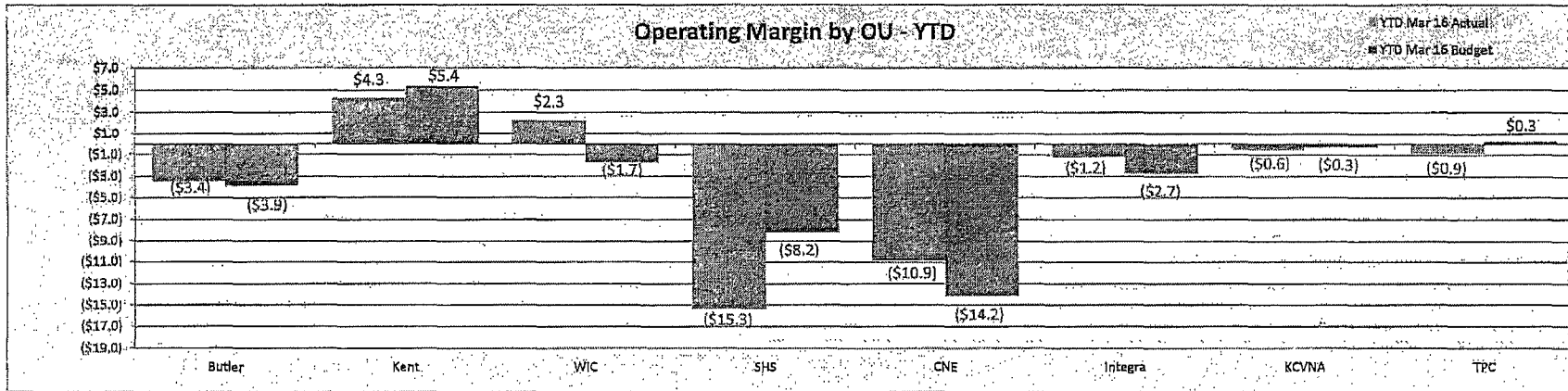
Operations Key Indicators	2014 Actual	2015 Actual	2016 Budget	2016 Actual	S&P Medians *	FY2020 Targets	Goal
Operating Margin	0.8%	-0.2%	-3.1%	-4.5%	-2.9%	3.0%	Higher
Operating EBIDA Margin	4.6%	3.7%	0.7%	-0.6%	2.0%	7.0%	Higher
Excess Margin	1.0%	-2.4%	-2.9%	-3.7%	-0.4%		Higher
Debt Service Coverage**	3.68x	2.68x	0.53x	0.52x			Higher
Salary + Benefits %	63.2%	62.8%	63.8%	63.2%			Lower
Capital Expenditure Ratio	113.0%	78.4%	57.6%	92.3%	78.2%	100.0%	Higher

Balance Sheet Key Indicators	2014 Actual	2015 Actual	2016 Budget	2016 Actual	S&P Medians *	FY2020 Targets	Goal
Days Cash on Hand**	64.7	51.6	46.5	52.6	82.1	70	Higher
Days A/R - Gross (Hospital)	48.0	56.0	56.0	60.0			Lower
Days A/R - Gross (Professional)	42.6	40.4	34.0	38.2			Lower
Debt to Capitalization	33.8%	49.9%	36.7%	52.5%	85.4%	35.0%	Lower
Cash to Debt**	1.16	1.01	1.07	1.08	0.47	1.00	Higher
Current Ratio	1.49	1.35	1.35	1.27			Higher
Average Age of Plant	12.3	12.3	12.6	13.3	13.3		Lower
Average Payment Period	56.8	60.6	60.6	66.5			Higher

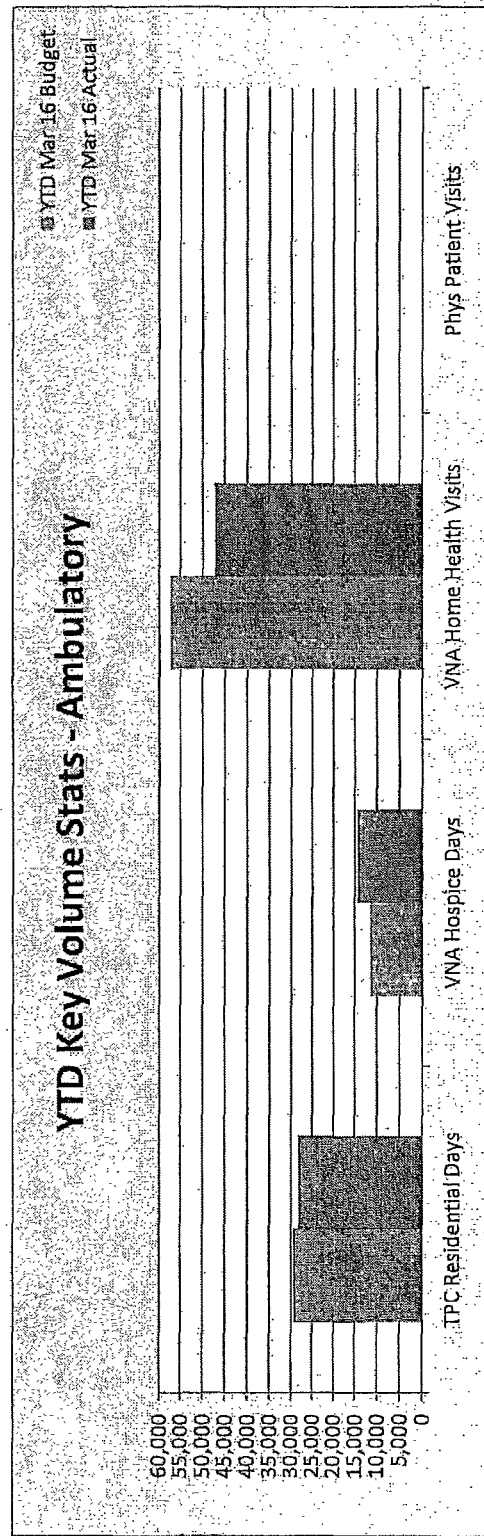
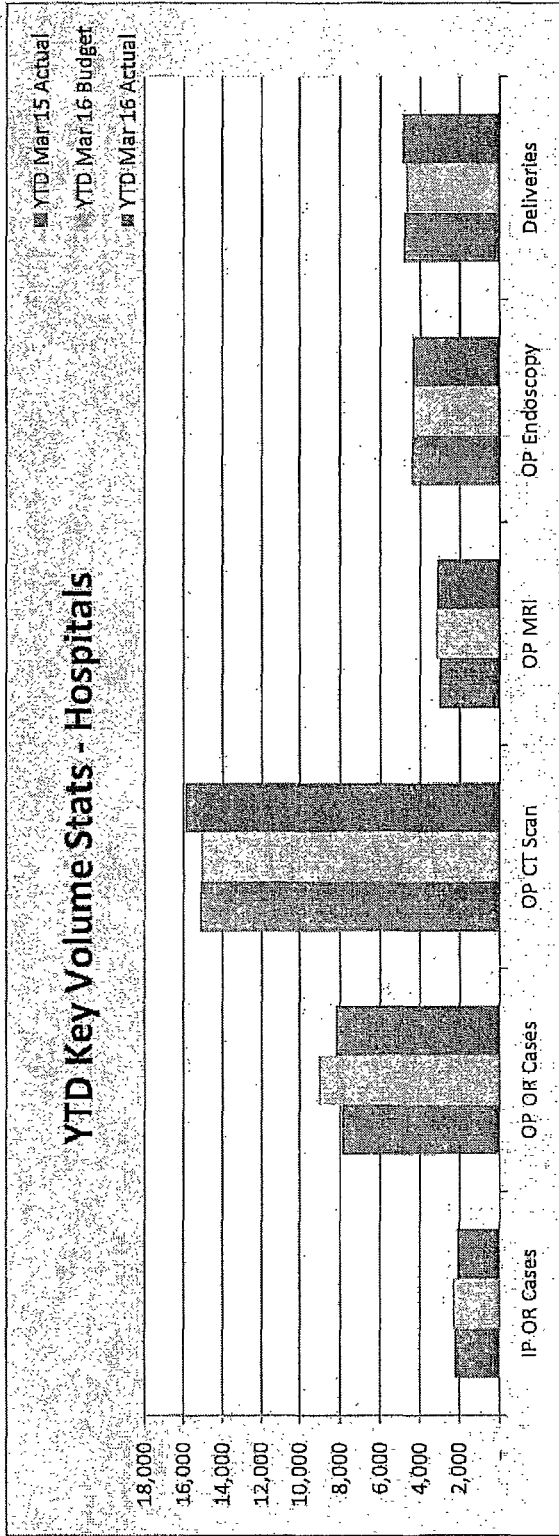
\* Per September, 2015 Report on Not-For-Profit Health Care Systems - 'Speculative Grade'

\*\* Per Debt Compliance Covenants (which exclude TPC)

**CARE NEW ENGLAND  
FINANCIAL HIGHLIGHTS  
MARCH 2016**



CARE NEW ENGLAND  
 STATISTICAL HIGHLIGHTS  
 MARCH 2016



**CARE NEW ENGLAND  
T3 FINANCIAL AND QUALITY UPDATES**

T3 Delivery Team			Recurring			Budget
	Target	High	Launched *	Implemented *	Confirmed	YTD Realization
Clinical Operations	\$ 2,500,000	\$ 3,000,000	\$ 2,500,000	\$ 1,875,000	\$ -	\$ 145,833
Physician Services	\$ 13,640,000	\$ 17,400,000	\$ 14,968,939	\$ 1,873,909	\$ 195,363	\$ 122,850
Labor	\$ 10,800,000	\$ 13,800,000	\$ 17,195,034	\$ 18,247,538	\$ 4,072,413	\$ 541,667
Purchased Services	\$ 2,500,000	\$ 3,000,000	\$ 3,897,556	\$ 2,688,898	\$ 1,224,832	\$ 291,667
Strategy	TBD	TBD	\$ -	\$ -	\$ -	\$ -
Human Resources	\$ 19,250,000	\$ 23,700,000	\$ 27,394,119	\$ 13,292,172	\$ 3,206,404	\$ 1,633,800
340B	\$ 4,500,000	\$ 6,750,000	\$ 7,151,441	\$ 2,575,948	\$ 1,554,363	\$ 614,500
Research	TBD	TBD	\$ -	\$ -	\$ -	\$ -
Revenue Cycle	\$ 17,175,000	\$ 21,500,000	\$ 10,852,500	\$ 3,396,250	\$ -	\$ 588,892
CDI	\$ 4,550,000	\$ 5,500,000	\$ 3,300,000	\$ 3,300,000	\$ -	\$ 1,516,667
<b>Total Recurring</b>	<b>\$ 74,915,000</b>	<b>\$ 94,650,000</b>	<b>\$ 87,259,589</b>	<b>\$ 47,249,715</b>	<b>\$ 10,253,375</b>	<b>\$ 5,455,876</b>

T3 Delivery Team			One-Time			
	Target	High	Launched *	Implemented *	Confirmed	YTD Realization
Revenue Cycle	\$ 10,400,000	\$ 12,500,000	\$ 6,176,250	\$ 678,750	\$ -	\$ -
340B	\$ -	\$ -	\$ 326,919	\$ 326,919		
<b>Total</b>	<b>\$ 85,315,000</b>	<b>\$ 107,150,000</b>	<b>\$ 93,762,758</b>	<b>\$ 48,255,384</b>	<b>\$ 10,253,375</b>	<b>\$ 5,455,876</b>

\* Launched and Implemented figures as of April 19, 2016.

Quality Objectives	Measure	Baseline	Threshold	Target	Results	Period
A3 Best in Class Quality	Composite Score from each OU	-	50%	65%		Q1
A4 Best in Class Safety	CAUTI SIR	1.20	0.91	0.37	0.42	Q1
	CDIFF SIR	1.01	0.79	0.45		Q1
	CLABSI SIR	0.49	0.37	0.17		Q1
	MRSA SIR	0.84	0.77	0.40	0.54	Q1
	SSI SIR	0.80	0.82	0.40	0.33	Q1
	Hand Hygiene - Ipt	93%	85%	90%	95%	Q1
	Hand Hygiene - Opt	93%	85%	90%	96%	Q1
A5 Patient Experience (avg percentile ranking)	Butler	-	50th	75th	76th	Q1
	Kent	-	50th	75th	56th	Q1
	Memorial	-	50th	75th	50th	Q1
	Women & Infants	-	50th	75th	57th	Q1

**Care New England Health System  
Consolidated Balance Sheet  
(Unaudited)**

	3/31/2016	9/30/2015	3/31/2015	03/16-9/15		03/16-03/15	
				Change	% Change	Change	% Change
<b>ASSETS</b>							
<b>Current assets:</b>							
Cash and cash equivalents	66,171,305	48,803,805	57,266,556	17,367,500	35.59%	8,904,749	15.55%
Investments	12,475,600	27,163,691	25,453,125	(14,688,091)	-54.07%	(12,977,525)	-50.99%
<b>Receivables</b>							
Patient	183,743,985	182,078,032	173,366,733	1,665,953	0.91%	10,377,252	5.99%
Less estimated uncollectibles	44,637,876	42,255,993	38,985,904	2,381,883	5.64%	5,651,972	14.50%
Net patient receivables	139,106,109	139,822,039	134,380,829	(715,930)	-0.51%	4,725,280	3.52%
Other	38,133,359	21,404,988	37,930,807	18,728,371	78.15%	202,552	0.53%
<b>Total receivables</b>	<b>177,239,468</b>	<b>161,227,027</b>	<b>172,311,636</b>	<b>16,012,441</b>	<b>9.93%</b>	<b>4,927,832</b>	<b>2.86%</b>
<b>Assets limited as to use</b>							
Inventories	7,942,447	8,945,236	8,531,660	(1,002,789)	-11.21%	(589,213)	-6.91%
Prepaid expenses	7,231,736	7,788,516	10,843,654	(556,780)	-7.15%	(3,611,918)	-33.31%
Notes receivable, net	30,558	29,899	29,323	659	2.20%	1,235	4.21%
Pledges, net	968,926	1,022,395	1,022,195	(53,469)	-5.23%	(53,269)	-5.21%
<b>Total current assets</b>	<b>272,285,023</b>	<b>255,427,396</b>	<b>276,246,121</b>	<b>16,857,627</b>	<b>6.60%</b>	<b>(3,961,098)</b>	<b>-1.43%</b>
<b>Assets limited as to use</b>							
Board designated	123,036,756	120,450,884	135,404,573	2,585,872	2.15%	(12,367,817)	-9.13%
Self insurance trust funds	127,998,105	149,729,294	142,082,387	(21,731,189)	-14.51%	(14,084,282)	-9.91%
Deferred compensation fund	2,171,009	1,912,022	2,205,771	258,987	13.55%	(34,762)	-1.58%
Trustee held funds	14,457,838	13,740,116	21,385,671	717,722	5.22%	(6,927,833)	-32.39%
<b>Total assets limited as to use</b>	<b>267,663,708</b>	<b>285,832,316</b>	<b>301,078,402</b>	<b>(18,168,608)</b>	<b>-6.36%</b>	<b>(33,414,694)</b>	<b>-11.10%</b>
Less amount required to meet current obligations	224,983	446,827	787,972	(221,844)	-49.65%	(562,989)	-71.45%
<b>Noncurrent assets limited as to use</b>	<b>267,438,725</b>	<b>285,385,489</b>	<b>300,290,430</b>	<b>(17,946,764)</b>	<b>-6.29%</b>	<b>(32,851,705)</b>	<b>-10.94%</b>
<b>Property, plant and equipment, net</b>							
Goodwill	24,488,975	24,488,975	24,488,975	-	0.00%	-	0.00%
Intangibles	6,480,000	6,482,500	5,400,000	(2,500)	-0.04%	1,080,000	20.00%
<b>Other Assets:</b>							
Endowment funds	51,029,813	50,819,449	54,960,157	210,364	0.41%	(3,930,344)	-7.15%
Investments	4,372,179	4,245,685	4,450,618	126,494	2.98%	(78,439)	-1.76%
Deferred financing costs, net	1,738,047	1,792,331	1,843,249	(54,284)	-3.03%	(105,202)	-5.71%
Notes and advances receivable, net	17,442	32,927	388,365	(15,485)	-47.03%	(370,923)	-95.51%
Other (Insurance recoveries)	1,643,788	1,643,788	1,831,200	-	0.00%	(187,412)	-10.23%
Pledges receivable, net	583,372	930,114	1,251,184	(366,742)	-39.43%	(687,812)	-54.97%
Prepaid expenses and other	579,239	614,921	651,185	(35,682)	-5.80%	(71,946)	-11.05%
<b>Total other assets</b>	<b>59,943,880</b>	<b>60,079,215</b>	<b>65,375,958</b>	<b>(135,335)</b>	<b>-0.23%</b>	<b>(5,432,078)</b>	<b>-8.31%</b>
<b>Total assets</b>	<b>943,038,078</b>	<b>945,732,068</b>	<b>988,337,714</b>	<b>(2,693,990)</b>	<b>-0.28%</b>	<b>(45,299,636)</b>	<b>-4.58%</b>

**LIABILITIES AND NET ASSETS**

	3/31/2016	9/30/2015	3/31/2015	03/16-9/15		03/16-03/15	
				Change	% Change	Change	% Change
<b>Current liabilities:</b>							
Notes payable	765,552	-	-	765,552	0.00%	765,552	0.00%
Current pension payable	26,578,619	16,090,538	22,520,029	10,488,081	65.18%	4,058,590	18.02%
Current installments of long-term debt	8,561,264	9,631,866	6,918,868	(1,070,602)	-11.12%	1,642,396	23.74%
Accounts payable and accrued expenses	156,342,391	141,212,883	138,913,059	15,129,508	10.71%	17,429,332	12.55%
Self-insurance reserves	8,282,700	8,689,509	8,549,996	(406,809)	-4.68%	(287,298)	-3.13%
Deferred revenue	10,673,095	12,345,837	11,138,732	(1,672,742)	-13.55%	(465,637)	-4.18%
Estimated third party payor settlements	2,657,229	598,072	(1,411,369)	2,059,157	344.30%	4,068,598	288.27%
Deferred compensation	386,348	770,767	390,009	(384,419)	-49.87%	(3,661)	-0.94%
<b>Total current liabilities</b>	<b>214,247,198</b>	<b>189,339,472</b>	<b>187,019,324</b>	<b>24,907,726</b>	<b>13.16%</b>	<b>27,227,874</b>	<b>14.56%</b>
Estimated third party payor settlements	24,567,380	30,128,278	30,157,683	(5,560,898)	-18.46%	(5,590,303)	-18.54%
Net pension liability	115,796,296	115,941,760	78,348,379	(145,464)	-0.13%	37,447,917	47.80%
Net post retirement liability	1,447,283	1,467,283	1,462,614	-	0.00%	(15,331)	-1.05%
Asset retirement obligation	1,837,683	1,814,193	1,719,184	23,490	1.29%	118,499	6.89%
Self-insurance reserves	135,564,112	138,931,970	147,384,659	(3,367,858)	-2.42%	(11,820,547)	-8.02%
Long-term debt, net of current portion	154,325,641	154,747,534	161,825,198	(421,893)	-0.27%	(7,499,557)	-4.63%
Deferred compensation	1,570,207	1,314,932	1,986,832	255,275	19.41%	(416,625)	-20.97%
<b>Total liabilities</b>	<b>649,355,800</b>	<b>633,665,422</b>	<b>609,903,873</b>	<b>15,690,378</b>	<b>2.48%</b>	<b>39,451,927</b>	<b>6.47%</b>
<b>Net assets:</b>							
Unrestricted	225,052,177	241,150,258	304,664,606	(16,098,081)	-6.68%	(79,612,431)	-26.13%
Temporarily restricted	38,422,877	40,884,249	42,982,603	(2,461,372)	-6.02%	(4,559,726)	-10.61%
Permanently restricted	30,207,224	30,032,139	30,786,630	175,085	0.58%	(579,406)	-1.88%
<b>Total net assets</b>	<b>293,682,278</b>	<b>312,066,646</b>	<b>378,433,841</b>	<b>(18,384,368)</b>	<b>-5.89%</b>	<b>(84,751,563)</b>	<b>-22.40%</b>
<b>Total liabilities and net assets</b>	<b>943,038,078</b>	<b>945,732,068</b>	<b>988,337,714</b>	<b>(2,693,990)</b>	<b>-0.28%</b>	<b>(45,299,636)</b>	<b>-4.58%</b>

**Care New England  
Balance Sheet  
(Unaudited)**

ASSETS	As of March 31, 2016									
	BUTLER	KENT	WIC	SHS	CNE	Integra	KCVNA	TPC	Eliminations	TOTAL
<b>Current assets:</b>										
Cash and cash equivalents	6,582,717	24,527,212	117,699,659	(58,516,046)	(16,544,736)	(283,697)	(7,622,197)	328,393	-	66,171,305
Investments	-	894,838	-	-	11,580,762	-	-	-	-	12,475,600
Receivables										
Patient	10,118,167	54,997,838	81,828,477	22,766,050	106,582	-	5,477,452	8,349,419	-	183,743,985
Less estimated uncollectibles	3,271,557	16,054,267	14,032,486	9,430,724	-	-	431,233	1,417,609	-	44,637,876
Net patient receivables	6,846,610	38,943,571	67,895,991	13,335,326	106,582	-	5,046,219	6,931,810	-	139,106,109
Other	3,353,267	7,587,871	16,381,610	9,418,313	21,916	-	419,636	950,746	-	38,133,359
<b>Total receivables</b>	10,199,877	46,531,442	84,277,601	22,753,639	128,498	-	5,465,855	7,882,556	-	177,239,468
Assets limited as to use	-	-	2,842	-	222,141	-	-	-	-	224,983
Inventories	227,646	3,387,673	3,232,806	1,078,877	-	-	-	15,445	-	7,942,447
Prepaid expenses	107,612	1,070,163	2,258,474	182,333	3,182,025	-	89,682	341,447	-	7,231,736
Notes receivable, net	-	-	30,558	-	-	-	-	-	-	30,558
Pledges, net	245,700	492,599	230,627	-	-	-	-	-	-	968,926
Due from affiliates	251,062	2,100,677	267,726	-	120,970,136	-	-	-	(123,589,601)	-
<b>Total current assets</b>	17,614,614	79,004,604	208,000,293	(34,501,197)	119,538,826	(283,697)	(2,066,660)	8,567,844	(123,589,601)	272,285,023
Assets limited as to use										
Board designated	5,645,193	22,248,693	90,339,455	4,088,369	-	-	715,046	-	-	123,036,756
Self insurance trust funds	2,939,326	30,781,567	93,505,205	8,462	663,545	-	-	-	-	127,998,105
Deferred compensation fund	226,719	165,180	540,423	-	1,074,480	-	-	164,207	-	2,171,009
Trustee held funds	-	-	2,842	-	13,787,076	-	-	667,920	-	14,457,838
<b>Total assets limited as to use</b>	8,811,238	53,195,440	184,487,925	4,096,831	15,525,101	-	715,046	832,127	-	267,663,708
Less amount required to meet current obligations	-	-	2,842	-	222,141	-	-	-	-	224,983
<b>Noncurrent assets limited as to use</b>	8,811,238	53,195,440	184,485,083	4,096,831	15,302,960	-	715,046	832,127	-	267,438,725
Property, plant and equipment, net	28,069,151	72,374,002	133,849,914	30,177,902	31,349,628	-	635,323	15,945,555	-	312,401,475
Goodwill	-	-	-	24,345,364	-	-	-	143,611	-	24,488,975
Intangibles	-	-	-	5,400,000	-	-	-	1,080,000	-	6,480,000
<b>Other Assets:</b>										
Endowment funds	16,047,354	15,444,543	8,298,780	11,103,845	-	-	-	135,291	-	51,029,813
Investments	-	-	-	-	4,204,331	-	-	167,848	-	4,372,179
Deferred financing costs, net	41,633	92,319	19,418	-	1,584,677	-	-	-	-	1,738,047
Notes and advances receivable, net	-	-	17,442	-	-	-	-	-	-	17,442
Insurance recoveries receivable	-	-	-	594,538	1,049,250	-	-	-	-	1,643,788
Pledges receivable, net	90,843	233,836	77,849	-	-	-	-	160,844	-	563,372
Prepaid expenses and other	-	560,550	-	-	-	-	-	18,689	-	579,239
<b>Total other assets</b>	16,179,830	16,331,248	8,413,489	11,698,383	6,838,258	-	-	482,672	-	59,943,880
<b>Total assets</b>	70,674,833	220,905,294	534,748,779	41,217,263	173,029,672	(283,697)	(716,291)	27,051,806	(123,589,601)	943,038,078

	As of March 31, 2016									
	BUTLER	KENT	WIC	SHS	CNE	Integra	KCVNA	TPC	Eliminations	TOTAL
<b>LIABILITIES AND NET ASSETS</b>										
<b>Current liabilities:</b>										
Notes payable	-	-	-	-	-	-	-	765,552	-	765,552
Current pension payable	2,789,763	10,571,753	6,202,518	2,261,619	4,622,110	-	130,856	-	-	26,578,619
Current installments of long-term debt	1,109,455	2,020,528	2,245,486	892,937	7,440,706	-	1,055	957,723	(5,906,626)	8,561,264
Accounts payable and accrued expenses	9,670,987	41,189,978	52,453,787	18,331,781	28,936,746	117,017	2,762,379	2,898,432	(18,716)	156,342,391
Self-insurance reserves	-	-	-	-	8,282,700	-	-	-	-	8,282,700
Deferred revenue	1,427,374	3,669,980	3,460,859	1,160,075	-	100,000	577,679	277,148	-	10,673,095
Estimated third party payor settlements	680,612	(385,475)	2,362,092	-	-	-	-	-	-	2,657,229
Due to affiliates	-	-	-	210,982	-	1,731,159	851,481	348,623	(3,142,245)	-
Deferred compensation	-	-	-	-	222,141	-	-	164,207	-	386,348
<b>Total current liabilities</b>	<b>15,678,191</b>	<b>57,066,744</b>	<b>66,724,742</b>	<b>22,657,394</b>	<b>49,504,403</b>	<b>1,948,176</b>	<b>4,323,450</b>	<b>5,411,685</b>	<b>(9,067,587)</b>	<b>214,247,198</b>
Estimated third party payor settlements	1,850,419	2,578,378	14,867,929	4,983,305	-	-	287,349	-	-	24,567,380
Net pension liability	10,313,348	21,494,213	11,087,054	63,304,147	6,014,801	-	3,582,733	-	-	115,796,296
Net post retirement liability	-	1,447,283	-	-	-	-	-	-	-	1,447,283
Asset retirement obligation	850,463	957,122	-	30,098	-	-	-	-	-	1,837,683
Self-insurance reserves	2,489,434	33,623,893	90,565,404	667,860	8,217,521	-	-	-	-	135,564,112
Due to CNE, LTD, net of current	14,614,751	28,545,327	59,840,242	11,512,848	-	-	8,846	-	(114,522,014)	-
Long-term debt, net of current portion	3,148,597	1,040,000	-	-	145,613,739	-	-	4,523,305	-	154,325,641
Deferred compensation	251,328	108,539	540,423	-	669,917	-	-	-	-	1,570,207
<b>Total liabilities</b>	<b>49,196,531</b>	<b>146,861,499</b>	<b>243,625,794</b>	<b>103,155,652</b>	<b>210,020,381</b>	<b>1,948,176</b>	<b>8,202,378</b>	<b>9,934,990</b>	<b>(123,589,601)</b>	<b>649,355,800</b>
<b>Net assets:</b>										
Unrestricted	2,381,526	57,147,988	275,326,917	(74,641,665)	(36,990,709)	(2,438,953)	(8,911,617)	13,178,690	-	225,052,177
Temporarily restricted	15,961,704	4,507,755	11,544,161	2,371,103	-	207,080	(7,052)	3,838,126	-	38,422,877
Permanently restricted	3,135,072	12,388,052	4,251,907	10,332,193	-	-	-	100,000	-	30,207,224
<b>Total net assets</b>	<b>21,478,302</b>	<b>74,043,795</b>	<b>291,122,985</b>	<b>(61,938,369)</b>	<b>(36,990,709)</b>	<b>(2,231,873)</b>	<b>(8,918,669)</b>	<b>17,116,816</b>	<b>-</b>	<b>293,682,278</b>
<b>Total liabilities and net assets</b>	<b>70,674,833</b>	<b>220,905,294</b>	<b>534,748,779</b>	<b>41,217,283</b>	<b>173,029,672</b>	<b>(283,697)</b>	<b>(716,291)</b>	<b>27,051,806</b>	<b>(123,589,601)</b>	<b>943,038,078</b>



Care New England  
 Statements of Cash Flows  
 (Unaudited)

6 Months Ended

3/31/2016

<b>Operating activities</b>	
Change in net assets	\$ (18,384,368)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Pension and postretirement adjustment	-
Depreciation and amortization	19,040,690
Provision for bad debt	19,891,978
Income and gains on assets limited as to use	(376,454)
Net unrealized (gains) losses on investments	(4,457,934)
Restricted contributions and investment income	(175,085)
Changes in	
Patient accounts receivable	(19,176,048)
Other current and long-term assets	(14,643,799)
Accounts payable and accrued expenses	15,129,508
Estimated third-party payor settlements	(3,501,741)
Deferred revenue and other liabilities	(1,778,396)
Net pension liability	10,342,617
Self-insurance reserves	(3,774,667)
Net cash provided by (used in) operating activities	<u>(1,863,699)</u>
<b>Investing activities</b>	
Purchase of property and equipment	(17,573,672)
Project fund requisitions	(2,386,245)
Net change in assets limited as to use	<u>39,740,474</u>
Net cash provided by (used in) investing activities	<u>19,780,557</u>
<b>Financing activities</b>	
Proceeds from issuance of debt and capital leases	-
Payments on long-term debt and capital leases	(1,492,495)
Amortization of intangibles	2,500
Investments and investment income	<u>175,085</u>
Net cash provided by (used in) financing activities	<u>(1,314,910)</u>
Net increase (decrease) in cash and cash equivalents	16,601,948
<b>Cash and cash equivalents</b>	
Beginning of year	<u>48,803,805</u>
End of year	<u>\$ 65,405,753</u>

**Care New England**  
**Combined Statement of Unrestricted Activities**  
**As of March 31, 2016**  
**(Unaudited)**

	QTD 3.31.16 Actual	QTD 12.31.15 Actual	Variance 2nd Qtr to 1st Qtr Actual	%	YTD 3.31.16 Actual	YTD 3.31.16 Budget	Variance Actual to Budget	%
<b>Unrestricted revenues and gains:</b>								
Patient service revenue (net of contractual allowances and discounts)	\$281,168,552	\$279,288,017	\$1,900,535	0.68%	\$560,476,569	\$573,231,408	(\$12,754,839)	-2.23%
Less: Charity care	(4,737,242)	(4,524,863)	(212,379)	-4.69%	(9,262,105)	(9,786,170)	524,065	5.36%
Provision for bad debts	(10,464,385)	(9,407,593)	(1,076,792)	-11.45%	(19,891,978)	(18,841,832)	(1,050,146)	-5.57%
Net patient service revenue less provision for bad debts	265,966,925	265,355,561	611,364	0.23%	531,322,486	544,603,406	(13,280,920)	-2.44%
Net assets released from restrictions	636,193	414,831	221,362	53.36%	1,051,024	565,775	485,249	85.77%
Research revenue	5,882,226	6,000,777	(118,551)	-1.98%	11,883,003	10,208,051	1,674,952	16.41%
Other revenue	15,399,896	16,430,967	(1,031,071)	-6.28%	31,830,863	31,545,938	284,925	0.90%
<b>Total revenues and gains</b>	<b>287,885,240</b>	<b>288,202,136</b>	<b>(316,896)</b>	<b>-0.11%</b>	<b>576,087,376</b>	<b>586,923,170</b>	<b>(10,835,794)</b>	<b>-1.85%</b>
<b>Operating expenses:</b>								
Salaries and wages	137,339,082	141,363,539	4,024,457	2.85%	278,702,621	286,792,327	8,089,706	2.82%
Fringe benefits	42,809,337	42,646,687	(162,650)	-0.38%	85,456,024	89,986,715	4,530,691	5.03%
Insurances	7,888,100	7,815,914	(72,186)	-3.57%	15,504,014	15,543,126	39,112	0.25%
Medical supplies and drugs	27,186,242	27,781,790	595,548	2.14%	54,968,032	52,638,021	(2,330,011)	-4.43%
Other expenses	48,916,218	48,687,819	(228,399)	-0.47%	97,604,037	102,165,637	4,561,600	4.46%
Research expenses	5,835,093	5,926,400	91,307	1.54%	11,761,493	10,053,314	(1,708,179)	-16.99%
Licensure fee	11,948,160	11,948,158	(2)	0.00%	23,896,318	23,897,566	1,248	0.01%
Interest	1,601,254	1,634,474	33,220	2.03%	3,235,728	3,454,081	218,353	6.32%
Depreciation and amortization	8,464,950	9,575,740	1,110,790	1.16%	19,040,690	18,958,709	(81,981)	-0.43%
Restructuring costs	6,440,987	5,207,920	(1,233,067)	-23.68%	11,648,907	8,740,752	(2,908,155)	-33.27%
<b>Total operating expenses</b>	<b>299,429,423</b>	<b>302,388,441</b>	<b>2,959,018</b>	<b>0.98%</b>	<b>601,817,864</b>	<b>612,230,248</b>	<b>10,412,384</b>	<b>1.70%</b>
<b>Net income (loss) from operations</b>	<b>(11,544,183)</b>	<b>(14,186,305)</b>	<b>2,642,122</b>	<b>18.62%</b>	<b>(25,730,488)</b>	<b>(25,307,078)</b>	<b>(423,410)</b>	<b>-1.67%</b>
<b>Nonoperating gains and (losses):</b>								
Unrestricted gifts & bequests	175,438	492,689	(317,251)	-64.39%	668,127	209,873	458,254	218.35%
Income on investments whose use is limited	407,087	506,175	(99,088)	-19.58%	913,262	1,109,265	(196,003)	-17.67%
Gains on investments whose use is limited	(722,707)	185,899	(908,606)	-488.76%	(536,808)	3,055,918	(3,592,726)	-117.57%
Change in net unrealized gains and losses	2,128,858	2,329,076	(200,218)	-8.60%	4,457,934	(1,840,557)	6,298,491	342.21%
Fund raising expenditures	(509,158)	(484,290)	(24,868)	-5.13%	(993,448)	(1,341,835)	348,387	25.96%
<b>Net nonoperating gains</b>	<b>1,479,518</b>	<b>3,029,549</b>	<b>(1,550,031)</b>	<b>-51.16%</b>	<b>4,509,067</b>	<b>1,192,664</b>	<b>3,316,403</b>	<b>278.07%</b>
<b>Excess of revenues and gains over expenses</b>	<b>(10,064,665)</b>	<b>(11,156,756)</b>	<b>1,092,091</b>	<b>9.79%</b>	<b>(21,221,421)</b>	<b>(24,114,414)</b>	<b>2,892,993</b>	<b>12.00%</b>
Pension and post retirement adjustment	0	0	0	0.00%	0	0	0	0.00%
Net assets released from restrictions	4,925,752	197,582	4,728,170	2393.02%	5,123,334	205,869	4,917,465	2388.64%
Other transfers	0	0	0	0.00%	0	0	0	0.00%
Transfer (to) from temporarily restricted	0	0	0	0.00%	0	0	0	0.00%
<b>Increase (decrease) in unrestricted net assets</b>	<b>(\$5,138,913)</b>	<b>(\$10,959,174)</b>	<b>\$5,820,261</b>	<b>53.11%</b>	<b>(\$16,098,087)</b>	<b>(\$23,908,545)</b>	<b>\$7,810,458</b>	<b>32.67%</b>

**Care New England**  
**Combined Statement of Unrestricted Activities**  
**For the Six Months Ended March 31, 2016**  
**(Unaudited)**

	Current YTD Actual	Current YTD Budget	Variance Actual to Budget	%	Current YTD Actual	Prior YTD Actual	Variance Actual to Actual	%
<b>Unrestricted revenues and gains:</b>								
Patient service revenue (net of contractual allowances and discounts)	\$560,476,569	\$573,231,408	(\$12,754,839)	-2.23%	\$560,476,569	\$541,110,908	\$19,365,661	3.58%
Less: Charity care	(9,262,105)	(9,786,170)	524,065	5.36%	(9,262,105)	(7,745,413)	(1,516,692)	-19.58%
Provision for bad debts	(19,891,978)	(18,841,832)	(1,050,146)	-5.57%	(19,891,978)	(19,288,156)	(603,822)	-3.13%
Net patient service revenue less provision for bad debts	531,322,486	544,603,406	(13,280,920)	-2.44%	531,322,486	514,077,339	17,245,147	3.35%
Net assets released from restrictions	1,051,024	565,775	485,249	85.77%	1,051,024	386,060	664,964	172.24%
Research revenue	11,883,003	10,208,051	1,674,952	16.41%	11,883,003	10,807,995	1,075,008	9.95%
Other revenue	31,830,863	31,545,938	284,925	0.90%	31,830,863	32,090,398	(259,535)	-0.81%
<b>Total revenues and gains</b>	<b>576,087,376</b>	<b>586,923,170</b>	<b>(10,835,794)</b>	<b>-1.85%</b>	<b>576,087,376</b>	<b>667,361,792</b>	<b>18,725,584</b>	<b>3.36%</b>
<b>Operating expenses:</b>								
Salaries and wages	278,702,621	286,792,327	8,089,706	2.82%	278,702,621	269,880,992	(8,821,629)	-3.27%
Fringe benefits	85,456,024	89,986,715	4,530,691	5.03%	85,456,024	83,447,782	(2,008,242)	-2.41%
Insurances	15,504,014	15,543,126	39,112	0.25%	15,504,014	15,571,228	67,214	0.43%
Medical supplies and drugs	54,968,032	52,638,021	(2,330,011)	-4.43%	54,968,032	52,284,192	(2,683,840)	-5.13%
Other expenses	97,604,037	102,165,637	4,561,600	4.46%	97,604,037	86,339,981	(11,264,056)	-13.05%
Research expenses	11,761,493	10,053,314	(1,708,179)	-16.99%	11,761,493	11,204,181	(557,312)	-4.87%
Licensure fee	23,896,318	23,897,566	1,248	0.01%	23,896,318	21,608,222	(2,288,096)	-10.59%
Interest	3,235,728	3,454,081	218,353	6.32%	3,235,728	3,266,268	30,540	0.94%
Depreciation and amortization	19,040,690	18,958,709	(81,981)	-0.43%	19,040,690	19,084,095	43,405	0.23%
Restructuring costs	11,648,907	8,740,752	(2,908,155)	-33.27%	11,648,907	0	(11,648,907)	0.00%
<b>Total operating expenses</b>	<b>601,817,864</b>	<b>612,230,248</b>	<b>10,412,384</b>	<b>1.70%</b>	<b>601,817,864</b>	<b>562,686,941</b>	<b>(39,130,923)</b>	<b>-6.95%</b>
<b>Net income (loss) from operations</b>	<b>(25,730,488)</b>	<b>(25,307,078)</b>	<b>(423,410)</b>	<b>-1.67%</b>	<b>(25,730,488)</b>	<b>(5,325,149)</b>	<b>(20,405,339)</b>	<b>-383.19%</b>
<b>Nonoperating gains and (losses):</b>								
Unrestricted gifts & bequests	668,127	209,873	458,254	218.35%	668,127	322,808	345,319	106.97%
Income on investments whose use is limited	913,262	1,109,265	(196,003)	-17.67%	913,262	1,409,017	(495,755)	-35.18%
Gains on investments whose use is limited	(536,808)	3,055,918	(3,592,726)	-117.57%	(536,808)	4,315,613	(4,852,421)	-112.44%
Change in net unrealized gains and losses	4,457,934	(1,840,557)	6,298,491	342.21%	4,457,934	(14,403,268)	18,861,202	130.95%
Fund raising expenditures	(993,448)	(1,341,835)	348,387	25.95%	(993,448)	(650,225)	(343,223)	-52.79%
<b>Net nonoperating gains</b>	<b>4,509,067</b>	<b>1,192,664</b>	<b>3,316,403</b>	<b>278.07%</b>	<b>4,509,067</b>	<b>(9,006,055)</b>	<b>13,515,122</b>	<b>150.07%</b>
<b>Excess of revenues and gains over expenses</b>	<b>(21,221,421)</b>	<b>(24,114,414)</b>	<b>2,892,993</b>	<b>12.00%</b>	<b>(21,221,421)</b>	<b>(14,331,204)</b>	<b>(6,890,217)</b>	<b>-48.08%</b>
Pension and post retirement adjustment	0	0	0	0.00%	0	0	0	0.00%
Net assets released from restrictions	5,123,334	205,869	4,917,465	2388.64%	5,123,334	300,173	4,823,161	1606.79%
Other transfers	0	0	0	0.00%	0	0	0	0.00%
Transfer (to) from temporarily restricted	0	0	0	0.00%	0	0	0	0.00%
<b>Increase (decrease) in unrestricted net assets</b>	<b>(\$16,098,087)</b>	<b>(\$23,908,545)</b>	<b>\$7,810,458</b>	<b>32.67%</b>	<b>(\$16,098,087)</b>	<b>(\$14,031,031)</b>	<b>(\$2,067,056)</b>	<b>-14.73%</b>

Care New England  
 Combined Statement of Unrestricted Activities  
 For the Six Months Ended March 31, 2016  
 (Unaudited)

	Year to Date Actual									
	Butler	Kent	WIC	SHS	CNE	Integra	KCVNA	TPC	Eliminating	Total
<b>Unrestricted revenues and gains:</b>										
Patient service revenue (net of contractual allowances and discounts)	42,677,512	181,864,536	232,028,947	70,833,440	82,803	-	11,063,733	21,925,498	-	560,476,569
Less: Charity care	(4,257,643)	(1,877,573)	(2,169,129)	(942,867)	-	-	(14,893)	-	-	(9,262,105)
Provision for bad debts	(803,771)	(7,741,842)	(5,168,306)	(6,048,412)	-	-	(129,647)	-	-	(19,891,978)
Net patient service revenue less provision for bad debts	37,616,098	172,245,221	224,691,512	63,842,161	82,803	-	10,919,193	21,925,498	-	531,322,486
Net assets released from restrictions	149,630	244,742	60,446	130,435	-	116,254	19,565	329,952	-	1,051,024
Research revenue	5,806,557	61,597	5,173,323	841,526	-	-	-	-	-	11,883,003
Contribution revenue from acquisition	-	-	-	-	-	-	-	-	-	-
Other revenue	9,825,889	11,918,579	14,973,761	(2,480,009)	66,831,856	810,211	390,846	1,943,681	(72,383,951)	31,830,863
<b>Total revenues and gains</b>	<b>53,398,174</b>	<b>184,470,139</b>	<b>244,899,042</b>	<b>62,334,113</b>	<b>66,914,659</b>	<b>926,465</b>	<b>11,329,804</b>	<b>24,199,131</b>	<b>(72,383,951)</b>	<b>576,087,376</b>
<b>Operating expenses:</b>										
Salaries and Wages	27,758,117	73,196,691	95,912,164	29,103,084	28,930,432	1,031,780	7,011,108	15,759,245	-	278,702,621
Fringe Benefits	8,264,947	20,639,091	31,393,350	10,440,184	8,913,163	304,290	1,945,331	3,565,668	-	85,456,024
Insurances	1,165,478	5,659,876	7,025,935	934,478	131,167	50,960	133,916	402,204	-	15,504,014
Medical Supplies and Drugs	1,112,331	20,246,118	24,331,217	8,617,763	(292)	-	658,028	2,867	-	54,968,032
Other Expenses	3,616,831	25,864,492	30,460,197	10,599,739	26,591,471	627,977	813,397	4,534,520	(5,604,587)	97,604,037
Research expenses	5,752,457	60,586	5,104,041	844,409	-	-	-	-	-	11,761,493
Licensure Fee	-	8,123,273	11,734,598	4,038,447	-	-	-	-	-	23,896,318
Interest	386,338	663,974	1,029,419	304,593	705,238	-	259	145,907	-	3,235,728
Depreciation and amortization	2,020,277	4,375,162	6,662,119	2,907,199	2,421,591	-	91,321	563,021	-	19,040,690
Shared services	6,301,433	21,183,224	28,994,264	9,245,729	-	125,000	829,714	100,000	(66,779,364)	-
Restructuring costs	459,888	185,312	-	628,526	9,997,373	-	397,808	-	-	11,648,907
<b>Total operating expenses</b>	<b>56,838,097</b>	<b>180,177,799</b>	<b>242,647,304</b>	<b>77,664,151</b>	<b>77,780,143</b>	<b>2,140,007</b>	<b>11,880,882</b>	<b>25,063,432</b>	<b>(72,383,951)</b>	<b>601,817,864</b>
<b>Net income (loss) from operations before refinancing</b>	<b>(3,439,923)</b>	<b>4,292,340</b>	<b>2,251,738</b>	<b>(15,330,038)</b>	<b>(10,875,484)</b>	<b>(1,213,542)</b>	<b>(551,278)</b>	<b>(664,301)</b>	<b>-</b>	<b>(25,730,488)</b>
<b>Loss on refinancing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net income (loss) from operations</b>	<b>(3,439,923)</b>	<b>4,292,340</b>	<b>2,251,738</b>	<b>(15,330,038)</b>	<b>(10,875,484)</b>	<b>(1,213,542)</b>	<b>(551,278)</b>	<b>(664,301)</b>	<b>-</b>	<b>(25,730,488)</b>
<b>Nonoperating gains and (losses):</b>										
Unrestricted Gifts & Bequests	13,263	-	119,311	254,739	-	-	76,641	204,173	-	668,127
Income on investments whose use is limited	335,053	121,441	441,423	15,335	-	-	-	-	-	913,262
Gains on investments whose use is limited	(21,554)	(81,213)	(301,706)	(8,845)	(123,490)	-	-	-	-	(536,808)
Transfer to Parent	-	-	-	-	(287,093)	-	-	287,093	-	-
Change in net unrealized gains and losses	224,060	847,931	3,138,051	44,666	186,372	-	16,854	-	-	4,457,934
Fund Raising Expenditures	-	-	-	-	(957,124)	-	-	(36,324)	-	(993,448)
<b>Net nonoperating gains (losses)</b>	<b>550,832</b>	<b>888,159</b>	<b>3,397,079</b>	<b>305,895</b>	<b>(1,181,335)</b>	<b>-</b>	<b>93,495</b>	<b>454,942</b>	<b>-</b>	<b>4,509,067</b>
<b>Excess of revenues and gains over expenses</b>	<b>(2,889,091)</b>	<b>5,180,499</b>	<b>5,648,817</b>	<b>(15,024,143)</b>	<b>(12,056,819)</b>	<b>(1,213,542)</b>	<b>(457,783)</b>	<b>(409,359)</b>	<b>-</b>	<b>(21,221,421)</b>
<b>Pension and post retirement adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net assets released from restrictions	1,915,704	2,043,751	939,238	213,041	-	-	-	11,600	-	5,123,334
Transfer (to) from temporarily restricted Transfers	-	-	-	-	-	-	-	-	-	-
<b>Increase (decrease) in unrestricted net assets</b>	<b>(973,387)</b>	<b>7,224,250</b>	<b>6,588,055</b>	<b>(14,811,102)</b>	<b>(12,056,819)</b>	<b>(1,213,542)</b>	<b>(457,783)</b>	<b>(397,759)</b>	<b>-</b>	<b>(16,098,087)</b>

Care New England  
 Combined Statement of Unrestricted Activities  
 For the Six Months Ended March 31, 2016

	Year To Date Budget									
	Butler	Kent	WIC	SHS	CNE	Integra	KCVNA	TPC	Eliminating	Total
<b>Unrestricted revenues and gains:</b>										
Patient service revenue (net of contractual allowances and discounts)	43,838,210	184,135,270	230,768,752	80,498,657	75,000	-	11,561,875	22,353,644	-	573,231,408
Less: Charitable care	(3,074,204)	(1,849,523)	(3,688,492)	(1,156,801)	-	-	(17,150)	-	-	(9,786,170)
Provision for bad debts	(1,262,840)	(7,471,662)	(4,899,755)	(5,098,425)	-	-	(109,150)	-	-	(18,841,832)
Net patient service revenue less provision for bad debts	39,501,166	174,814,085	222,180,505	74,243,431	75,000	-	11,435,575	22,353,644	-	544,603,406
Net assets released from restrictions	117,685	212,000	-	119,438	-	-	28,565	88,087	-	565,775
Research revenue	5,164,468	65,859	4,166,035	811,689	-	-	-	-	-	10,208,051
Contribution revenue from acquisition	-	-	-	-	-	-	-	-	-	-
Other revenue	9,901,534	7,102,914	15,770,804	1,645,359	66,128,354	-	544,337	2,063,721	(71,611,085)	31,545,938
<b>Total revenues and gains</b>	<b>54,684,653</b>	<b>182,194,858</b>	<b>242,117,344</b>	<b>76,819,917</b>	<b>66,203,354</b>	<b>-</b>	<b>12,008,477</b>	<b>24,505,452</b>	<b>(71,611,085)</b>	<b>586,923,170</b>
<b>Operating expenses:</b>										
Salaries and Wages	29,291,134	71,959,896	96,328,239	33,251,590	31,456,119	2,039,330	7,347,877	15,118,142	-	286,792,327
Fringe Benefits	9,387,685	20,882,203	32,322,064	12,248,088	8,717,395	788,136	2,139,115	3,502,029	-	89,986,715
Insurances	1,165,476	5,597,320	7,025,935	1,053,086	146,397	39,629	125,808	389,475	-	15,543,126
Medical Supplies and Drugs	1,120,978	19,028,279	22,936,003	8,648,328	8,644	-	893,941	1,848	-	52,638,021
Other Expenses	3,736,572	25,155,850	32,969,794	12,028,989	29,071,995	(261,612)	842,067	4,589,156	(5,967,174)	102,165,637
Research expenses	5,009,731	65,859	4,166,035	811,689	-	-	-	-	-	10,053,314
Licensure Fee	-	8,124,521	11,734,598	4,038,447	-	-	-	-	-	23,897,566
Interest	388,961	674,116	1,175,791	304,597	765,275	-	-	145,341	-	3,454,081
Depreciation and amortization	2,077,097	5,217,168	6,806,261	2,666,357	1,733,131	-	103,417	355,278	-	18,958,709
Shared services	6,350,608	20,030,934	28,340,151	9,863,363	-	125,000	813,855	100,000	(65,643,911)	-
Restructuring costs	50,420	103,362	-	73,109	8,493,693	-	20,168	-	-	8,740,752
<b>Total operating expenses</b>	<b>58,578,662</b>	<b>176,839,508</b>	<b>243,804,871</b>	<b>85,007,643</b>	<b>80,392,649</b>	<b>2,730,483</b>	<b>12,288,248</b>	<b>24,201,269</b>	<b>(71,611,085)</b>	<b>612,230,248</b>
<b>Net income (loss) from operations before refinancing</b>	<b>(3,893,809)</b>	<b>5,355,350</b>	<b>(1,687,527)</b>	<b>(8,187,726)</b>	<b>(14,189,295)</b>	<b>(2,730,483)</b>	<b>(277,771)</b>	<b>304,183</b>	<b>-</b>	<b>(25,307,078)</b>
<b>Loss on refinancing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net income (loss) from operations</b>	<b>(3,893,809)</b>	<b>5,355,350</b>	<b>(1,687,527)</b>	<b>(8,187,726)</b>	<b>(14,189,295)</b>	<b>(2,730,483)</b>	<b>(277,771)</b>	<b>304,183</b>	<b>-</b>	<b>(25,307,078)</b>
<b>Nonoperating gains and (losses):</b>										
Unrestricted Gifts & Bequests	21,157	-	22,385	134,311	-	-	32,020	-	-	209,873
Income on investments whose use is limited	353,517	275,000	430,000	50,748	-	-	-	-	-	1,109,265
Gains on investments whose use is limited	310,919	275,000	2,355,000	114,999	-	-	-	-	-	3,055,918
Transfer to Parent	-	-	-	-	-	-	-	-	-	-
Change in net unrealized gains and losses	(212,662)	(1,596,954)	-	(30,941)	-	-	-	-	-	(1,840,557)
Fund Raising Expenditures	-	-	-	-	(1,346,943)	-	5,108	-	-	(1,341,835)
<b>Net nonoperating gains (losses)</b>	<b>472,931</b>	<b>(1,046,954)</b>	<b>2,807,385</b>	<b>269,117</b>	<b>(1,346,943)</b>	<b>-</b>	<b>37,128</b>	<b>-</b>	<b>-</b>	<b>1,192,664</b>
<b>Excess of revenues and gains over expenses</b>	<b>(3,420,878)</b>	<b>4,308,396</b>	<b>1,119,858</b>	<b>(7,918,609)</b>	<b>(15,536,238)</b>	<b>(2,730,483)</b>	<b>(240,643)</b>	<b>304,183</b>	<b>-</b>	<b>(24,114,414)</b>
Pension and post retirement adjustment	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	-	205,869	-	-	-	-	-	-	-	205,869
Transfer (to) from temporarily restricted	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
<b>Increase (decrease) in unrestricted net assets</b>	<b>(3,420,878)</b>	<b>4,514,265</b>	<b>1,119,858</b>	<b>(7,918,609)</b>	<b>(15,536,238)</b>	<b>(2,730,483)</b>	<b>(240,643)</b>	<b>304,183</b>	<b>-</b>	<b>(23,908,545)</b>

Care New England  
 Combined Statement of Unrestricted Activities  
 For the Six Months Ended March 31, 2016

	Prior Year To Date Actual									
	Butler	Kent	WIC	SHS	CNE	Integra	KCVNA	TPC	Eliminating	Total
<b>Unrestricted revenues and gains:</b>										
Patient service revenue (net of contractual allowances and discounts)	41,405,347	176,576,153	223,605,821	77,274,555	81,550	-	11,479,384	10,688,098	-	541,110,908
Less: Charity care	(2,348,115)	(1,538,801)	(2,627,732)	(1,213,279)	-	-	(17,488)	-	-	(7,745,413)
Provision for bad debts	(1,014,296)	(7,614,241)	(5,502,048)	(4,852,002)	-	-	(305,569)	-	-	(19,288,156)
Net patient service revenue less provision for bad debts	38,042,936	167,423,111	215,476,041	71,209,274	81,550	-	11,156,329	10,688,098	-	514,077,339
Net assets released from restrictions	117,363	114,610	57,846	62,910	-	-	33,331	-	-	386,060
Research revenue	5,311,441	2,849	4,684,229	809,476	-	-	-	-	-	10,807,995
Contribution revenue from acquisition	-	-	-	-	-	-	-	-	-	-
Other revenue	9,803,250	6,688,989	16,839,405	2,699,008	64,546,735	-	408,977	853,410	(69,749,376)	32,090,398
<b>Total revenues and gains</b>	<b>53,274,990</b>	<b>174,229,559</b>	<b>237,057,521</b>	<b>74,780,668</b>	<b>64,628,285</b>	<b>-</b>	<b>11,598,637</b>	<b>11,541,508</b>	<b>(69,749,376)</b>	<b>557,361,792</b>
<b>Operating expenses:</b>										
Salaries and Wages	27,815,546	68,701,353	96,970,276	33,148,149	28,590,990	153,742	7,271,285	7,229,651	-	269,880,992
Fringe Benefits	8,204,560	20,006,889	31,398,499	10,990,302	9,074,802	46,836	1,940,471	1,785,423	-	83,447,782
Insurances	1,127,721	5,452,095	7,176,819	1,465,255	75,117	39,520	118,812	115,889	-	15,571,228
Medical Supplies and Drugs	1,099,841	18,310,853	23,917,607	8,234,753	932	-	720,206	-	-	52,284,152
Other Expenses	3,390,500	24,277,173	27,424,556	11,371,826	22,073,979	261,818	857,951	2,230,108	(5,557,930)	86,339,981
Research expenses	5,505,829	9,961	4,814,346	874,045	-	-	-	-	-	11,204,181
Licensure Fee	-	7,928,159	10,697,622	2,982,441	-	-	-	-	-	21,608,222
Interest	379,230	561,882	1,050,783	256,570	944,402	-	-	73,401	-	3,266,268
Depreciation and amortization	2,111,526	5,308,797	6,926,128	2,698,360	1,762,874	-	105,238	171,152	-	19,084,095
Shared services	5,022,456	18,159,642	34,176,688	6,005,594	-	-	827,066	-	(64,191,446)	-
Restructuring costs	-	-	-	-	-	-	-	-	-	-
<b>Total operating expenses</b>	<b>54,657,209</b>	<b>168,716,804</b>	<b>244,553,324</b>	<b>76,027,315</b>	<b>62,523,096</b>	<b>501,916</b>	<b>11,851,029</b>	<b>11,605,624</b>	<b>(69,749,376)</b>	<b>562,686,941</b>
<b>Net income (loss) from operations before refinance</b>	<b>(1,382,219)</b>	<b>5,512,755</b>	<b>(7,495,803)</b>	<b>(3,246,647)</b>	<b>2,105,189</b>	<b>(501,916)</b>	<b>(252,392)</b>	<b>(64,116)</b>	<b>-</b>	<b>(5,325,149)</b>
<b>Loss on refinancing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net income (loss) from operations</b>	<b>(1,382,219)</b>	<b>5,512,755</b>	<b>(7,495,803)</b>	<b>(3,246,647)</b>	<b>2,105,189</b>	<b>(501,916)</b>	<b>(252,392)</b>	<b>(64,116)</b>	<b>-</b>	<b>(5,325,149)</b>
<b>Nonoperating gains and (losses):</b>										
Unrestricted Gifts & Bequests	21,099	-	115,077	133,943	-	-	31,932	20,757	-	322,808
Income on investments whose use is limited	352,549	356,106	639,780	60,582	-	-	-	-	-	1,409,017
Gains on investments whose use is limited	310,067	456,146	2,742,630	873,425	(66,655)	-	-	-	-	4,315,613
Transfer to Parent	-	-	-	-	-	-	-	-	-	-
Change in net unrealized gains and losses	(212,080)	(2,646,729)	(10,843,847)	(873,437)	207,954	-	(33,129)	-	-	(14,403,268)
Fund Raising Expenditures	-	-	-	-	(655,319)	-	5,094	-	-	(650,225)
<b>Net nonoperating gains (losses)</b>	<b>471,635</b>	<b>(1,836,477)</b>	<b>(7,346,360)</b>	<b>194,513</b>	<b>(514,020)</b>	<b>-</b>	<b>3,897</b>	<b>20,757</b>	<b>-</b>	<b>(9,006,055)</b>
<b>Excess of revenues and gains over expenses</b>	<b>(910,584)</b>	<b>3,676,278</b>	<b>(14,842,163)</b>	<b>(3,052,134)</b>	<b>1,591,169</b>	<b>(501,916)</b>	<b>(248,495)</b>	<b>(43,359)</b>	<b>-</b>	<b>(14,331,204)</b>
Pension and post retirement adjustment	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	-	205,305	40,000	-	-	-	-	54,868	-	300,173
Transfer (to) from temporarily restricted Transfers	-	-	-	-	-	-	-	-	-	-
<b>Increase (decrease) in unrestricted net assets</b>	<b>(910,584)</b>	<b>3,881,583</b>	<b>(14,802,163)</b>	<b>(3,052,134)</b>	<b>1,591,169</b>	<b>(501,916)</b>	<b>(248,495)</b>	<b>11,509</b>	<b>-</b>	<b>(14,031,031)</b>

Care New England  
 Combined Statement of Unrestricted Activities  
 For the Six Months Ended March 31, 2016  
 (Unaudited)

	Variance Actual Vs Budget									
	Butler	Kent	WIC	SHS	CNE	Integra	KCVNA	TPC	Eliminating	Total
<b>Unrestricted revenues and gains:</b>										
Patient service revenue (net of contractual allowances and discounts)	(1,160,698)	(2,270,634)	1,260,195	(9,665,217)	7,803	-	(498,142)	(428,146)	-	(12,754,839)
Less: Charity care	(1,183,439)	(28,050)	1,519,363	213,934	-	-	2,257	-	-	524,065
Provision for bad debts	459,069	(270,180)	(268,551)	(949,987)	-	-	(20,487)	-	-	(1,050,146)
Net patient service revenue less provision for bad debts	(1,885,068)	(2,568,864)	2,511,007	(10,401,270)	7,803	-	(516,382)	(428,146)	-	(13,280,920)
Net assets released from restrictions	31,945	32,742	60,446	10,997	-	116,254	(9,000)	241,865	-	485,249
Research revenue	642,089	(4,262)	1,007,288	29,837	-	-	-	-	-	1,674,952
Contribution revenue from acquisition	-	-	-	-	-	-	-	-	-	-
Other revenue	(75,645)	4,815,665	(797,043)	(4,125,368)	703,502	810,211	(153,491)	(120,040)	(772,866)	284,925
<b>Total revenues and gains</b>	<b>(1,286,679)</b>	<b>2,275,281</b>	<b>2,781,698</b>	<b>(14,485,804)</b>	<b>711,305</b>	<b>926,465</b>	<b>(678,873)</b>	<b>(306,321)</b>	<b>(772,866)</b>	<b>(10,835,784)</b>
<b>Operating expenses:</b>										
Salaries and Wages	(1,533,017)	1,236,795	(416,075)	(4,148,506)	(2,525,687)	(1,007,550)	(336,769)	641,103	-	(8,089,706)
Fringe Benefits	(1,122,738)	(243,112)	(928,714)	(1,807,904)	195,768	(483,846)	(193,784)	53,639	-	(4,530,691)
Insurances	2	62,556	-	(118,608)	(15,230)	11,331	8,108	12,729	-	(39,112)
Medical Supplies and Drugs	(6,647)	1,217,839	1,395,214	(30,565)	(8,936)	-	(235,913)	1,019	-	2,330,011
Other Expenses	(119,741)	708,642	(2,509,597)	(1,429,250)	(2,380,524)	889,589	(28,670)	(54,636)	362,587	(4,561,600)
Research expenses	742,726	(5,273)	938,006	32,720	-	-	-	-	-	1,708,179
Licensure Fee	-	(1,248)	-	-	-	-	-	-	-	(1,248)
Interest	(2,623)	(10,142)	(146,372)	(4)	(60,037)	-	259	566	-	(218,353)
Depreciation and amortization	(56,820)	(842,006)	(144,142)	240,842	688,460	-	(12,096)	207,743	-	81,981
Shared services	(49,175)	1,152,290	854,113	(637,634)	-	-	15,859	-	(1,135,453)	-
Restructuring costs	409,468	61,950	-	555,417	1,503,680	-	377,640	-	-	2,908,155
<b>Total operating expenses</b>	<b>(1,740,565)</b>	<b>3,338,291</b>	<b>(1,157,567)</b>	<b>(7,343,492)</b>	<b>(2,602,506)</b>	<b>(590,476)</b>	<b>(405,366)</b>	<b>862,163</b>	<b>(772,866)</b>	<b>(10,412,384)</b>
<b>Net income (loss) from operations before refinancing</b>	<b>453,886</b>	<b>(1,063,010)</b>	<b>3,939,265</b>	<b>(7,142,312)</b>	<b>3,313,811</b>	<b>1,516,941</b>	<b>(273,507)</b>	<b>(1,188,484)</b>	<b>-</b>	<b>(423,410)</b>
<b>Loss on refinancing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net income (loss) from operations</b>	<b>453,886</b>	<b>(1,063,010)</b>	<b>3,939,265</b>	<b>(7,142,312)</b>	<b>3,313,811</b>	<b>1,516,941</b>	<b>(273,507)</b>	<b>(1,188,484)</b>	<b>-</b>	<b>(423,410)</b>
<b>Nonoperating gains and (losses):</b>										
Unrestricted Gifts & Bequests	(7,894)	-	96,926	120,428	-	-	44,621	204,173	-	458,254
Income on investments whose use is limited	(18,454)	(153,559)	11,423	(35,413)	-	-	-	-	-	(196,003)
Gains on investments whose use is limited	(332,473)	(356,213)	(2,656,706)	(123,844)	(123,490)	-	-	-	-	(3,592,726)
Transfer to Parent	-	-	-	-	(287,093)	-	-	287,093	-	-
Change in net unrealized gains and losses	436,722	2,444,865	3,138,051	75,607	186,372	-	16,854	-	-	6,298,491
Fund Raising Expenditures	-	-	-	-	389,819	-	(5,108)	(36,324)	-	348,387
<b>Net nonoperating gains (losses)</b>	<b>77,901</b>	<b>1,935,113</b>	<b>589,594</b>	<b>36,778</b>	<b>165,608</b>	<b>-</b>	<b>56,367</b>	<b>454,942</b>	<b>-</b>	<b>3,316,403</b>
<b>Excess of revenues and gains over expenses</b>	<b>531,787</b>	<b>872,103</b>	<b>4,528,959</b>	<b>(7,105,534)</b>	<b>3,479,419</b>	<b>1,516,941</b>	<b>(217,140)</b>	<b>(713,542)</b>	<b>-</b>	<b>2,892,993</b>
Pension and post retirement adjustment	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	1,915,704	1,837,882	939,238	213,041	-	-	-	11,600	-	4,917,465
Transfer (to) from temporarily restricted Transfers	-	-	-	-	-	-	-	-	-	-
<b>Increase (decrease) in unrestricted net assets</b>	<b>2,447,491</b>	<b>2,709,985</b>	<b>5,468,187</b>	<b>(6,892,493)</b>	<b>3,479,419</b>	<b>1,516,941</b>	<b>(217,140)</b>	<b>(701,942)</b>	<b>-</b>	<b>7,810,458</b>

Care New England  
 Combined Statement of Unrestricted Activities  
 For the Six Months Ended March 31, 2016  
 (Unaudited)

	Variance Current Actual Vs Prior Actual									
	Butler	Kent	WIC	SHS	CNE	Integra	KCVNA	TPC	Eliminating	Total
<b>Unrestricted revenues and gains:</b>										
Patient service revenue (net of contractual allowances and discounts)	1,272,165	5,288,483	8,423,126	(6,441,115)	1,253	-	(415,651)	11,237,400	-	19,365,661
Less: Charity care	(1,909,528)	(338,772)	458,603	270,412	-	-	2,593	-	-	(1,516,682)
Provision for bad debts	210,525	(127,601)	333,742	(1,196,410)	-	-	175,922	-	-	(603,822)
Net patient service revenue less provision for bad debts	(426,838)	4,822,110	9,215,471	(7,367,113)	1,253	-	(237,136)	11,237,400	-	17,245,147
Net assets released from restrictions	32,267	130,132	2,600	67,525	-	116,254	(13,766)	329,952	-	664,964
Research revenue	495,116	58,748	489,094	32,050	-	-	-	-	-	1,075,008
Contribution revenue from acquisition	-	-	-	-	-	-	-	-	-	-
Other revenue	22,639	5,229,590	(1,865,644)	(5,179,017)	2,285,121	810,211	(18,131)	1,080,271	(2,634,575)	(259,535)
<b>Total revenues and gains</b>	<b>123,184</b>	<b>10,240,580</b>	<b>7,841,521</b>	<b>(12,446,555)</b>	<b>2,286,374</b>	<b>926,465</b>	<b>(269,033)</b>	<b>12,657,623</b>	<b>(2,634,575)</b>	<b>18,725,584</b>
<b>Operating expenses:</b>										
Salaries and Wages	(57,429)	4,495,338	(1,058,112)	(4,045,065)	339,442	878,038	(260,177)	8,529,594	-	8,821,629
Fringe Benefits	60,387	632,202	(5,149)	(550,118)	(161,639)	257,454	4,860	1,770,245	-	2,008,242
Insurances	37,757	207,781	(150,884)	(530,777)	56,050	11,440	15,104	286,315	-	(67,214)
Medical Supplies and Drugs	12,480	1,935,265	413,610	383,010	(1,224)	-	(62,178)	2,867	-	2,683,840
Other Expenses	226,331	1,587,319	3,035,641	(772,087)	4,617,492	366,159	(54,554)	2,304,412	(46,657)	11,284,056
Research expenses	246,628	50,625	289,695	(29,636)	-	-	-	-	-	557,312
Licensure Fee	-	195,114	1,036,976	1,056,006	-	-	-	-	-	2,288,096
Interest	7,108	102,092	(21,364)	48,023	(239,164)	-	259	72,506	-	(30,540)
Depreciation and amortization	(91,249)	(933,635)	(264,009)	208,819	658,717	-	(13,917)	391,869	-	(43,405)
Shared services	1,278,977	3,023,582	(5,182,424)	3,240,135	-	125,000	2,648	100,000	(2,587,918)	-
Restructuring costs	459,888	165,312	-	628,526	9,997,373	-	397,808	-	-	11,648,907
<b>Total operating expenses</b>	<b>2,180,888</b>	<b>11,460,995</b>	<b>(1,906,020)</b>	<b>(363,164)</b>	<b>15,267,047</b>	<b>1,638,091</b>	<b>29,853</b>	<b>13,457,808</b>	<b>(2,634,575)</b>	<b>39,130,923</b>
<b>Net income (loss) from operations before refinancing</b>	<b>(2,057,704)</b>	<b>(1,220,415)</b>	<b>9,747,541</b>	<b>(12,083,391)</b>	<b>(12,980,673)</b>	<b>(711,626)</b>	<b>(298,886)</b>	<b>(800,185)</b>	<b>-</b>	<b>(20,405,339)</b>
<b>Loss on refinancing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net income (loss) from operations</b>	<b>(2,057,704)</b>	<b>(1,220,415)</b>	<b>9,747,541</b>	<b>(12,083,391)</b>	<b>(12,980,673)</b>	<b>(711,626)</b>	<b>(298,886)</b>	<b>(800,185)</b>	<b>-</b>	<b>(20,405,339)</b>
<b>Nonoperating gains and (losses):</b>										
Unrestricted Gifts & Bequests	(7,836)	-	4,234	120,796	-	-	44,709	183,416	-	345,319
Income on investments whose use is limited	(17,486)	(234,665)	(198,357)	(45,247)	-	-	-	-	-	(495,755)
Gains on investments whose use is limited	(331,621)	(537,359)	(3,044,336)	(882,270)	(56,835)	-	-	-	-	(4,852,421)
Transfer to Parent	-	-	-	-	(287,093)	-	-	287,093	-	-
Change in net unrealized gains and losses	436,140	3,496,660	13,981,898	918,103	(21,582)	-	49,983	-	-	18,861,202
Fund Raising Expenditures	-	-	-	-	(301,805)	-	(5,094)	(36,324)	-	(343,223)
<b>Net nonoperating gains (losses)</b>	<b>79,197</b>	<b>2,724,636</b>	<b>10,743,439</b>	<b>111,382</b>	<b>(667,315)</b>	<b>-</b>	<b>89,598</b>	<b>434,185</b>	<b>-</b>	<b>13,515,122</b>
<b>Excess of revenues and gains over expenses</b>	<b>(1,978,507)</b>	<b>1,504,221</b>	<b>20,490,980</b>	<b>(11,972,009)</b>	<b>(13,647,988)</b>	<b>(711,626)</b>	<b>(209,288)</b>	<b>(368,000)</b>	<b>-</b>	<b>(6,890,217)</b>
Pension and post retirement adjustment	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions	1,915,704	1,838,446	899,238	213,041	-	-	-	(43,268)	-	4,823,161
Transfer (to) from temporarily restricted Transfers	-	-	-	-	-	-	-	-	-	-
<b>Increase (decrease) in unrestricted net assets</b>	<b>(62,803)</b>	<b>3,342,667</b>	<b>21,390,218</b>	<b>(11,758,968)</b>	<b>(13,647,988)</b>	<b>(711,626)</b>	<b>(209,288)</b>	<b>(409,268)</b>	<b>-</b>	<b>(2,067,056)</b>



Care New England  
 Combined Statement of Operating Activities  
 For the Six Months Ended March 31, 2016  
 (Unaudited)

	Consolidated YTD Actual	Less: WIH & TG Indemnity <sup>1</sup>	Less: Affinity & HC Alliance	All Other Operating Activity
<b>Unrestricted revenues and gains:</b>				
Net patient service revenue less provision for bad debts	\$531,322,486	\$0	\$22,724,402	\$508,598,084
Net assets released from restrictions	1,051,024			1,051,024
Research revenue	11,883,003			11,883,003
Contribution revenue from acquisition	-			-
Other revenue	31,830,863	4,991,206	10,905,739	15,933,918
<b>Total revenues and gains</b>	<b>\$576,087,376</b>	<b>\$4,991,206</b>	<b>\$33,630,141</b>	<b>\$537,466,029</b>
<b>Operating expenses:</b>				
Salaries and wages	278,702,621	-	22,967,400	255,735,221
Fringe benefits	85,456,024	-	4,233,980	81,222,044
Insurances	15,504,014	-	1,469,078	14,034,936
Medical supplies and drugs	54,968,032	-	724,564	54,243,468
Other expenses	97,604,037	681,268	10,918,353	86,004,416
Research expenses	11,761,493			11,761,493
Licensure fee	23,896,318			23,896,318
Interest	3,235,728			3,235,728
Depreciation and amortization	19,040,690			19,040,690
Restructuring costs	11,648,907			11,648,907
<b>Total operating expenses</b>	<b>\$601,817,864</b>	<b>\$681,268</b>	<b>\$40,313,375</b>	<b>\$560,823,221</b>
<b>Net Income (loss) from operations</b>	<b>(\$25,730,488)</b>	<b>\$4,309,938</b>	<b>(\$6,683,234)</b>	<b>(\$23,357,192)</b>
<b>Year-to-date budget</b>	<b>(\$25,307,078)</b>	<b>\$2,059,938</b>	<b>(\$8,555,693)</b>	<b>(\$18,811,323)</b>
<b>Fav (Unfav) to budget</b>	<b>(\$423,410)</b>	<b>\$2,250,000</b>	<b>\$1,872,459</b>	<b>(\$4,545,869)</b>

<sup>1</sup> Other revenue includes (\$1,090,159) of investment losses on Indemnity investments

## Care New England Health System Key Budget Assumptions – FY2016

### 1. Patient Volumes

**Comment:** The FY2016 CNE budget is predicated on the current economic and political environment that is driving a transition from a traditional fee-for-service reimbursement system that incents volume to one that rewards providers for efficiency and quality outcomes. Maintaining and/or growing volume in areas with positive contribution margins remains an absolutely critical aspect to the financial strength of CNE during this period of change.

**Budget Impact:** To the extent that actual patient volume varies from the budgeted levels, significant variances to budget are likely to result. The Care New England Financial Highlights dashboard identifies key indicators for inpatient volume (surgical/medical, OB, NICU and Psych admissions, length of stay and payer mix) and outpatient volume (ambulatory surgery, ER encounters, diagnostic imaging, observation cases and home health/Hospice).

**2nd Quarter Update:** Inpatient volume for the System through the second quarter was overall unfavorable to budget by 736 discharges or 3.1% and below prior year-to-date volume by 158 or 0.7%. The majority of this variance is attributable to variances in Medical/Surgical volume which is 228 discharges and 310 discharges below budget at Memorial and Kent, respectively. Discharges for the Obstetrics services were below budget by 211 or 3.9% while OB deliveries were above both budget and prior year by 197 or 4.2% and 95 or 2.0%, respectively. NICU volume at Women & Infants was 99 discharges, or 15.5% below budget for the six months ended March 2016 and similarly by 5.4% below the same prior year period. The Special Care Nursery at Kent ended the second quarter on budget and 3% above prior year. Year-to-date Rehab and Psych discharges were close to even compared to both budget and prior year. Overall, patient day volume fell short of budget by 3.1%. Medical/Surgical days are below budget by 2,876 or 7.6% and average length of stay was 4.5 days for the six months ended March 2016 compared to a budget of 4.6 days and 4.8 days in the second quarter of FY2015. Psych days were also below budget by 917, or 3.3%, attributable entirely to a variance in length of stay of 7.5 days versus a budget of 8.1 and 8.4 in the second quarter of FY2015. Conversely, NICU days ended the quarter 469 days, or 4.0% above budget, attributable to an increase in average length of stay. Through March, NICU average length of stay is 22.5 compared to a budget of 18.3 days and 19.8 days in the six months ended March 2015 reflective of higher patient acuity. Net revenue for the NICU is positively impacted because much of reimbursement is based on per diem contracts. Inpatient surgical procedures are 215 procedures, or 9.3% below budget through March, and 4.9% below the same prior year period.

Outpatient performance to budget is mixed through March. Unfavorable budget variances occurred in outpatient surgery, endoscopy, laboratory tests, MRI, speech therapy, Wound Care and Hyperbaric procedures, partial hospital days, and observation cases. Favorable variances were experienced in emergency room visits, radiology exams, CT scans, ultrasound exams, nuclear medicine tests, mammography, cardiac cath, physical and occupational therapy.

Case mix is generally favorable thus far this year, attributable in part to T3 initiatives to improve clinical documentation.

Shifts in payer mix from commercial to government payers continues, as does the shift from Blue Cross commercial to Neighborhood Health, attributable to the ongoing effect of the Accountable Care

Act. Changes in payer mix are closely monitored to understand market trends and its related impact on net revenue.

## 2. Initiatives to Improve Volume Retention

**Comment:** Competition for patient referrals is considerable both within the State and from out-of-State providers. Physicians and patients choose where they go for health care services based on ease of access, quality of care, access to information and price.

**Budget Impact:** Among the many opportunities and challenges included in the FY2016 budget, particular emphasis is placed on initiatives to increase patient referral rates from employed physicians and to capture and retain ACO physician referrals. A variety of initiatives are underway to support system retention of referrals and to attract new referrals from community physicians, including RIPCPC.

**2nd Quarter Update:** Through March 2016, CNE has experienced modest changes in volume and referral trends by physician, physician group or specialty. Specific initiatives include the following:

- At Memorial Hospital, a community liaison group of physicians has been established to improve provider satisfaction with the hospital.
- Areas of opportunity have been identified to combat leakage from the system. Where volume is not being captured because we do not offer the service, specialty coverage is being added. Data also highlights opportunity by physician and goals have been set to improve referrals.
- PCP share of funds flow for shared savings in the Blue Cross commercial contract is increased based on CNE retention.
- A Blue Cross Blue Shield Referral hub will go live in early April 2016. Benefits include the ability to ensure in-network referrals for those providers on EPIC, appointments made within 24 hours of referral, and patient satisfaction with the concierge feel of referral coordination, and appointments are being made within 24 hours to improve compliance. Should this pilot continue to be successful, it may be a model for other products in the future.
- A physician directory has been developed and is being disseminated to all Integra referring providers to improve in-network provider awareness.
- Tiered providers (only those in network) are being loaded into EPIC as a means to prevent out-of-network referrals through EPIC.
- Referral dashboards are being created to monitor on-going patterns by provider, practice and pod. This information will be used to intervene were leakage is detected.
- Targeted outreach to referring providers solicits information about impediments to keeping care in network.
- Specialists are being invited to pods for introductions and education opportunities.
- Action plans are being developed to improve access to services and specialists where barriers have been identified.

## 3. Operational and Financial Improvement Initiatives

**Comment:** In the third quarter of FY 2015, CNE management engaged the assistance of an independent consultant, Huron Healthcare Group, for the purpose of assessing opportunities to improve operational and financial performance at CNE. That assessment identified improvement opportunities of up to \$95 million to be achieved over 24 month period. Specific recommendations and action plans support the achievement of these targeted benefits. This body of work is a continuation of T2 (Transforming Together) and has been named T3, or Transforming Together

Today. In August 2015, Huron Healthcare was further engaged to assist with the implementation of those recommendations. The work is organized through 10 teams led by a CNE executives working in tandem with a lead consultant from Huron. Team participants include CNE leaders from across the system as appropriate by area of focus. Areas of focus and key initiatives are:

<p><b>Human Resources</b></p> <ul style="list-style-type: none"> <li>▪ Benefits</li> <li>▪ Premium Pay</li> <li>▪ Absence/PTO</li> <li>▪ HR Org Structure</li> </ul>	<p><b>Clinical Operations</b></p> <ul style="list-style-type: none"> <li>▪ Clinical Optimization</li> <li>▪ Care Management</li> <li>▪ Patient Placement</li> <li>▪ Reporting/ Accounting</li> </ul>	<p><b>Labor</b></p> <ul style="list-style-type: none"> <li>▪ Nursing/ED/Periop</li> <li>▪ Clinical Ancillary</li> <li>▪ Support Services</li> <li>▪ Shared Services</li> <li>▪ VNA</li> <li>▪ Span of Control</li> </ul>	<p><b>Purchased Services</b></p> <ul style="list-style-type: none"> <li>▪ Food &amp; EVS</li> <li>▪ Facilities</li> <li>▪ Information Technology</li> <li>▪ General &amp; Admin</li> <li>▪ Clinical Services</li> </ul>
<p><b>Pharmacy/ 340B</b></p> <ul style="list-style-type: none"> <li>▪ Employee Rx</li> <li>▪ 340B &amp; WAC Minimization</li> <li>▪ Retail &amp; Specialty Contract</li> </ul>	<p><b>Revenue Cycle</b></p> <ul style="list-style-type: none"> <li>▪ Hospital Net Revenue Recovery</li> <li>▪ Pro Fee Net Revenue Recovery</li> <li>▪ Managed Care</li> <li>▪ Charge Capture</li> </ul>	<p><b>Clinical Documentation Improvement</b></p> <ul style="list-style-type: none"> <li>▪ Physician Education</li> <li>▪ CDI Implementation</li> <li>▪ Coding Reconciliation</li> </ul>	<p><b>Physician Solutions</b></p> <ul style="list-style-type: none"> <li>▪ Organizational Effectiveness</li> <li>▪ Practice Efficiency</li> <li>▪ Financial Sustainability</li> <li>▪ Provider Alignment</li> <li>▪ Clinical Alignment</li> </ul>

Two additional teams will be organized over the course of the year focused on Strategy and Research.

T3 realization is estimated to be \$32 million of the targeted (mid-point) financial benefit in FY 2016 and \$73 million by the end of FY 2017. Targeted financial improvement and related restructuring costs are incorporated in the FY 2016 operating budget.

**Budget Impact:** To the extent that efforts to improve financial performance are unsuccessful in achieving the targeted benefits within established timeframes, significant unfavorable budget variance could occur.

**2nd Quarter Update:** Through the second quarter, approximately \$47 million in annualized initiatives have been implemented, the majority of which relates to changes in fringe benefit plans effective January 1, 2016 (\$13.3 million), labor initiatives (\$18.2 million), and revenue cycle improvements (\$6.7 million).

Total expenses for the System were \$10.4 million or 1.7% favorable to budget through March 2016. The System reported a favorable expense variance of \$8.1 million or 2.8% in salaries, attributable to management of vacancies, deferral of annual salary increases, and implementation of multiple T3 Labor initiatives to reduce labor cost including adjustments in span of control, focused improvements in labor productivity and management, reduced reliance on premium labor, adjustments in paid time off policies, and restructuring of the Position Review process. Labor productivity is monitored by pay period at each of the hospital operating units and at CNE. Year-to-date through March 2016, FTEs per Adjusted Occupied Bed are on budget. Additional labor cost savings are expected to be realized throughout the remainder of the fiscal year. Through March, favorable variances from budget were realized in fringe benefits of \$4.5 million or 5.0%, and other expenses of \$4.6 million or 4.5%. Medical supplies and drugs are over budget for the six months ended March 2016 by \$2.3 million or 4.4%. Cost per adjusted day and cost per adjusted discharge both vary from budget by less than 0.3% year-to-date through March 2106.

#### 4. Population Health Management:

The economic and political environment in which CNE operates is rapidly transitioning from the traditional health care economic model based on fee-for-service payment methodologies to one in which providers are instead financial rewarded for efficiency, quality outcomes and the overall management of covered lives across the care continuum. Successful population health management requires significant changes in the way care is managed and corresponding investments that are both expensive and complex. In response to this challenge, CNE established an accountable care organization, Integra, which received Medicare certification effective January 1, 2015. Integra is currently responsible for managing the care of over 115,000 covered lives under four payer arrangements – Medicare Shared Saving Plan (MSSP), Medicare Advantage (MA), Medicaid and Blue Cross Commercial.

**Budget Impact:** Since January 2015, Integra has secured several revenue sources to provide financial support for organizational infrastructure, including support from Blue Cross and contributions from hospital participants. In the nine months ended September 30, 2015, Integra created a modest infrastructure comprised of a full time Medical Director, two management staff, a data analyst and two nurse care managers. The budget for FY2016 anticipates significant staff growth of nearly 40 FTEs, primarily in the areas of care management and data analytics, as is required to successfully manage risk arrangements. Investment will also be made to further enhance care management design and implementation, and standardization of quality and process improvement models.

**2nd Quarter Update:** Through the second quarter of FY2016, Integra has increased staffing to over 20 FTEs. The implementation of Epic, the EMR for ambulatory practices, is well-underway with the majority of practices in Affinity, Alliance and Memorial ambulatory physician practices and Community Connect practices converted to Epic. Conversions of all remaining physician practices are scheduled to be completed during FY 2016. No shared savings income has been recorded to date.

#### 5. Memorial Hospital Improvement Plan:

The Memorial Hospital of Rhode Island ended FY 2015 with a \$27 million loss from operations. In recognition that this performance is not sustainable, CNE management has identified a number of areas of focus to enhance revenue including recruitment in selected surgical specialties such as Thoracic and Vascular to reduce out-migration, growth of orthopedic volume with the addition of a new surgeon in FY2015, and creation of a Breast Health Center and a Spine Care Center. Focused efforts are underway to improve patient and provider access to and satisfaction with services at Memorial as a means of realizing the retention opportunity identified at Memorial (see also section 2 above – Initiatives to Improve Volume Retention). Management is also committed to achievement of all identified financial improvements identified as part of T3.

**Budget Impact:** The FY2016 operating budget for Memorial includes \$14 million of incremental net revenue over FY2015, which reflects assumed volume increases associated with expected growth in selected surgical specialties, improvements in patient retention as address in section 2 above, and T3 revenue-related improvements that are expected to impact Memorial specifically. Budgeted expenses are \$2.5 million lower than FY2015 actual, reflective of the T3 initiatives that are expected to impact Memorial.

**2nd Quarter Update:** Through March 31, 2015, Memorial had a loss from operations of \$15.3 million which was \$7.1 million unfavorable to budget and \$12.1 million below the same period in FY2015. Negative volume variances contribute significantly to this performance, indicating that

efforts to growth volume in selected services and improve patient retention have not yet proven successful. All inpatient services are below both budget and prior year for this six month period as are most outpatient volumes. Also affecting performance is the residual effect of the implementation of new clinical and revenue cycle systems, completed in July 2015, which has resulted in billing and collection delays. To stem losses, staffing was downsized to match volume in an action taken March 29, the impact of which will be realized beginning in June 2016. In addition, CNE management has developed a restructuring plan for Memorial that will be implemented pending approval from the Rhode Island Department of Health. A comprehensive plan for the entire Memorial campus will be developed by the end of calendar 2016.

Care New England, Consolidated (excludes VNA & TPC)  
Metrics  
Fiscal 2016

	March 2016 YTD Actual					March 2016 YTD Budget					March 2016 YTD Variance				
	Butler	Kent	MH	WIH	Consolidated	Butler	Kent	MH	WIH	Consolidated	Butler	Kent	MH	WIH	Consolidated
<b>Adjusted Discharge Metrics:</b>															
Cost per Adjusted Discharge	\$ 10,572	\$ 10,418	\$ 11,129	\$ 11,986	\$ 11,087	\$ 11,484	\$ 10,328	\$ 9,493	\$ 11,973	\$ 11,051	7.9%	-0.9%	-17.2%	-0.1%	-0.3%
Paid Hours per Adjusted Discharge	168.41	111.77	138.41	121.28	124.22	184.03	112.34	120.21	119.84	124.47	8.5%	0.5%	-15.1%	-1.2%	0.2%
Worked Hours per Adjusted Discharge	148.79	99.35	122.14	103.93	108.53	161.99	98.40	105.72	100.87	107.42	8.2%	-1.0%	-15.5%	-3.0%	-1.0%
<b>Adjusted Day Metrics:</b>															
Cost per Adjusted Day	\$ 1,368	\$ 2,172	\$ 2,531	\$ 3,019	\$ 2,256	\$ 1,369	\$ 2,144	\$ 2,294	\$ 3,103	\$ 2,250	0.1%	-1.3%	-10.3%	2.7%	-0.3%
Paid Hours per Adjusted Day	21.79	23.31	31.48	30.55	25.27	21.95	23.32	29.05	31.06	25.34	0.7%	0.1%	-8.4%	1.6%	0.3%
Worked Hours per Adjusted Day	19.25	20.72	27.78	26.18	22.08	19.32	20.43	25.55	26.14	21.87	0.4%	-1.4%	-8.7%	-0.1%	-1.0%
<b>FTE Metrics:</b>															
FTEs per Adjusted Occupied Bed	3.56	4.10	5.14	4.99	4.22	3.59	4.10	4.75	5.07	4.23	0.7%	0.1%	-8.4%	1.6%	0.2%
Salary per FTE	\$ 79,686	\$ 72,027	\$ 63,957	\$ 89,562	\$ 78,675	\$ 79,746	\$ 72,604	\$ 63,547	\$ 89,925	\$ 79,114	0.1%	0.8%	-0.6%	0.4%	0.6%
Salary and Fringe per FTE	\$103,412	\$ 94,944	\$ 88,855	\$119,364	\$ 104,476	\$105,304	\$ 95,974	\$ 90,367	\$120,745	\$ 105,597	1.8%	1.1%	1.7%	1.1%	1.1%

TO: Joe Iannoni and Sue Martin  
FROM: James E. Fanale, MD  
DATE: March 31, 2016  
RE: Quarterly Financial Performance – Shared Savings and At Risk Arrangements

Final agreements with United and NHP for Medicaid Accountable Entity shared savings programs are nearing the final stages. There will be approximately 30k lives in both products for a total cost of care model for Medicaid recipients. In addition, the SPMI population will approximate 2,500 lives. The BC commercial risk contract has been executed, covering approximately 54,000 lives. The Medicaid products are one year shared savings agreements with no downside risk, while the BC contract begins with downside risk in 2017. Negotiations are underway with Tufts on Medicaid product. Tufts hopes to be a Medicaid MCO sometime later this year. Finally, Integra is in the process of negotiating the BC Medicare Advantage extension.

#### **BCBSRI Medicare Advantage**

Performance for 2015 with paid claims run out through February 29, 2015 reveals a deficit of \$10.72. We anticipate this performance to improve by approximately \$1pmpm as IBNR is recalculated. In addition, the final benefits of any coding increase are realized in July of 2016, which will decrease the loss further. Importantly, the improvement in performance from 2014 to 2015 is approximately \$50pmpm. This improvement is due to reductions in utilization across most areas of facility usage. We anticipate further improvement in 2016 as the care management and coding initiatives are accelerated. Membership declined to 14,000 due to the shift in providers from PHO contracts to Integra.

#### **MSSP Program**

Final year-end financial performance is not yet available from CMS. Throughout the year, from quarter to quarter, we have seen declines in all areas of utilization. We do not anticipate appreciating any shared savings in this first year due to the initiation of the care management program mid-year as well as the marked uptick in utilization in the first quarter of calendar 2015 due to the heavy flu season.

#### **CNE Health Insurance costs**

Total net CNE costs declined by \$1.9 million for 2015 when compared to 2014. This was largely due to a decline in inpatient utilization and a reduction in stop loss costs. Outpatient utilization increased while pharmacy costs remained relatively flat. We are analyzing or approach and strategies to manage the health care of our employees. NFP is working with us to assess our current program including the wellness center, use of health coaches as well as our vended health care manager.

#### **CMS CHF Bundle**

Performance in this arrangement continues to bounce around break even. In Q3, 2015, the most recent reporting data, the program lost \$10,244 on 58 cases or \$177 a case. This is a small improvement from Q1, 2015 which had an updated loss per case of \$253 but down from Q4, 2014 profit per case of \$263. CMS also notified us for the first time of a potential liability of \$25,757 for post episodic spending.

The bundle provisions contain a penalty if it appears that services are being pushed beyond the bundle episode to garner FFS payments. CMS compares post episode to historic spend levels in making this determination.

As noted last quarter, the CMS waiver of our downside risk expired in Q3, 2015. CMS did not agree to waive the post episode spending amount as we stated that it fell in the "no downside" risk period.



TO: Joseph Ianonni  
Executive Vice-President, Chief Financial Officer

FROM: Mary Joan Andrelos,  
Director, A/R Third Party Liability

DATE: April 13, 2016

RE: Revenue Cycle Quarterly Summary March 31, 2016

---

The second quarter of Fiscal Year 2016 reports higher receivable balances and decreased cash as compared with the first quarter, but the actual outcome is more positive than the numbers indicate.

Cash collections in the second quarter reached \$204M. While this appears to be a decrease from the prior quarter, the \$204M represents cash received from paid claims. Last quarter's cash report included cash advances of \$4.1M from various payers. The reported cash is also a positive indicator as the new ICD-10 Coding requirements heavily influenced the Days to Pay for our major payers. We see the trend in days to pay decreasing by 18% from December to March 2016 (Chart 6) and hope that this will continue in the coming months. Overall, total cash received through March 2016 exceeds that received through March 2015 by over \$10M. The days of Gross Revenue in Gross Accounts Receivable ended the quarter at 60 days (Chart 1). The movement within the receivable by payor is illustrated in Charts 2 and 3.

The total receivable increased by nearly \$12M from December 2015 through March 2016. While unsettling at first glance, the growth is an indicator of the increased attention to coding records and charge capture that is taking place throughout the organization. The Average Daily Revenue increased by \$50K per day, resulting in an increase in the percentage of A/R in the 0-30 category by 2%. At quarter's end, 80% of the total AR falls within the 0 – 90 day aging categories, reflecting our goal to achieve prompt and accurate payments within the first 90 days of billing (Chart 5).

The Blue Cross and United Health receivables indicate increases of \$6.3M and \$5.9M respectively at the end of March. Cash payments received from both payers on April 1<sup>st</sup> reduced their combined receivables by over \$7.2M. We are still vulnerable under RI Blue Cross' Readmission Denials Policy, which denies payment for the readmission of a patient readmitted to CNE within 10 days of discharge. In December we reported \$1.7M in unpaid charges; we increased that total by \$900K in this quarter. An additional \$1.8M remain in review with Kent Hospital's Utilization Review Physician Advisor. United Health has initiated denials for all readmissions within 30 days of discharge, requiring a successful clinical appeal prior to issuing payment. Additionally, UHC has contracted with other agencies to reduce payments on accounts with extended inpatient stays. We continue to appeal these cases as well. On a positive note, our efforts to require United Health to meet Medicare standards for filing limits for their Medicare and Medicaid products has been successful and UHC will re-process all incorrectly denied claims.

Neighborhood Health's receivable decreased as compared to the prior quarter, but we continue to struggle with this payer due to their enrollment and claims processing systems. The majority of Health Source RI applicants select Neighborhood Health as their insurance company. NHP also introduced a new Commercial product that processes claims through a separate vendor, resulting in 60 – 90 days in payment delays. Medicare's receivable increased slightly while Medicaid decreased. Memorial Hospital's remaining HealthQuest receivable stands at \$3.1M.

Our Self Pay receivable continues to increase due to higher out-of-pocket expenses attributable to our patients. While HealthSource RI has benefited the uninsured population, the underinsured and insured subscribers require payment plans in order to meet their financial obligations. The Revenue Cycle Self Pay and Pre-Registration leaders, in conjunction with the Huron team, are developing processes and systems to better identify and initiate cash collections for scheduled services prior to treatment in an effort to reduce longstanding patient debt.

Medicare has re-opened the Recovery Audit Program (RAC) resulting in 62 new cases reviewed; 35 closed successfully and 27 are still pending (\$532K). An additional 75 cases representing over \$300K remain with the Administrative Law Judge pending an appeal hearing. In addition to their efforts on the RAC Program, the Revenue Integrity team has successfully appealed accounts associated with over \$6.1M in charges as of 3/31/2016.

In the last report I referenced the impact of the Discharged Not Final Billed (Chart 4) dollars on our cash collection efforts. This report reflects accounts that are not eligible for billing for a number of reasons ranging from charge delays and incomplete clinical documentation to diagnosis coding and billing rules. While the total dollars and days is nearly double that of a year ago, there is significant progress to report since December, with a decrease of nearly \$15M in the total uncoded records. The Huron team has assisted by focusing the coders on higher dollar, prompt payer accounts to accelerate cash. Challenges continue, but active efforts are bringing improvements to:

#### Timely Charge Capture

Surgical supplies and device charges now post electronically to the patient's account resulting in faster and more accurate charge capture. Additional teams are finalizing procedures that define level of care charges to the Clinic visits that will result in the release of a significant backlog of claims.

#### Clinical Documentation/Authorizations

Mental health and substance abuse issues may display similar behaviors at the time of admission. Insurers require separate authorizations for mental health and substance abuse, resulting in the need for very specific clinical documentation. We have resolved these issues related to the Ambulatory Detox Program at Butler and have reduced the Dual Diagnosis claims to \$445K.

#### Billing Rules

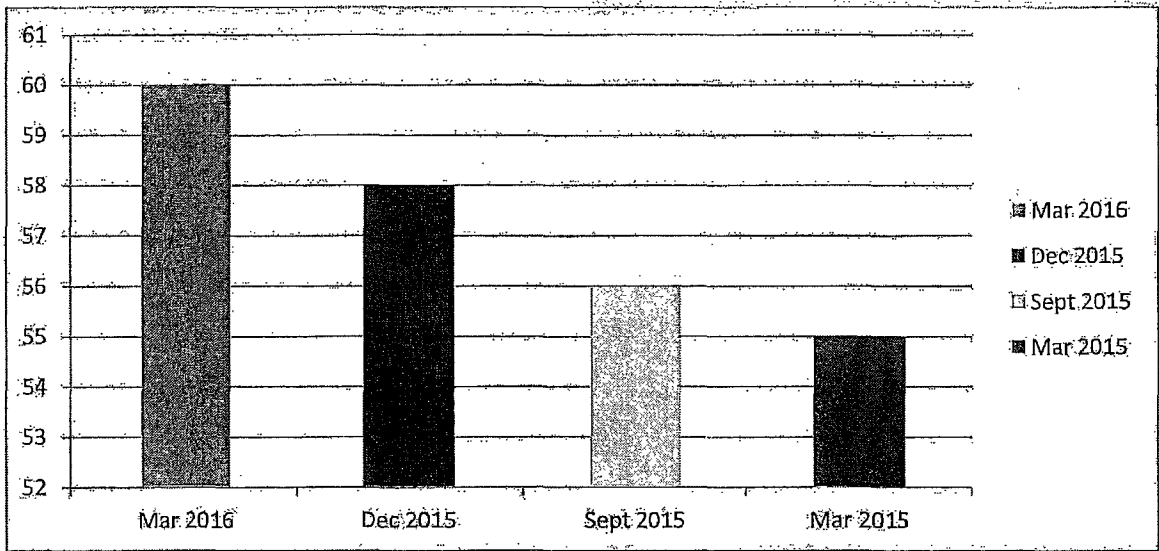
We are in the process of reviewing Billing edits across all hospitals systems in order to achieve greater efficiencies and accuracy in our claims submissions. Additionally, the Billing Supervisor completes weekly quality audits of the bills in an ongoing effort to identify improvement opportunities.

#### Medical Record Coding

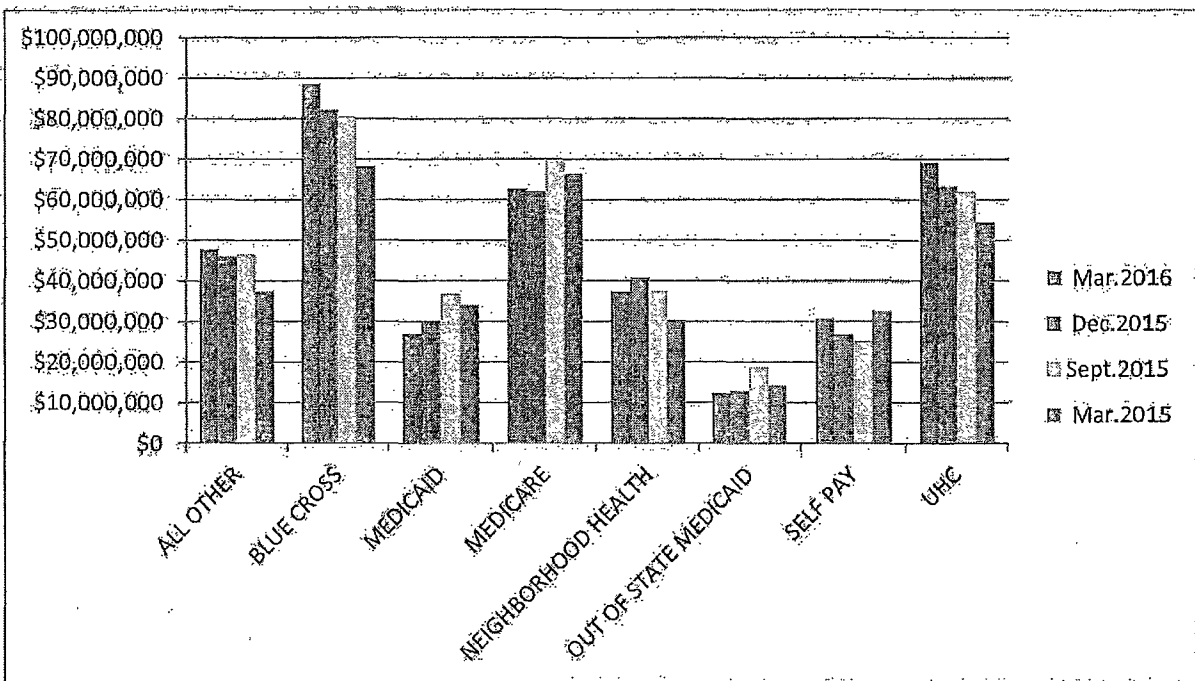
I have already referenced the improvement in coding efforts. Contract or Agency Coders have also been added to the Coding teams in an effort to reduce the backlog. Additionally, the Contracting team has gained the support of some of our major payers in extending their filing limits due to the impact of ICD-10 Coding regulations. Despite these efforts, we anticipate missing future claim submission deadlines through the next quarter.

The next quarter brings a new Revenue Cycle work driver along with staff re-organization. With these and other changes we will continue our active work with Huron in an effort to effect meaningful improvements that lead to more efficient, streamlined processes that accelerate cash and better support Care New England.

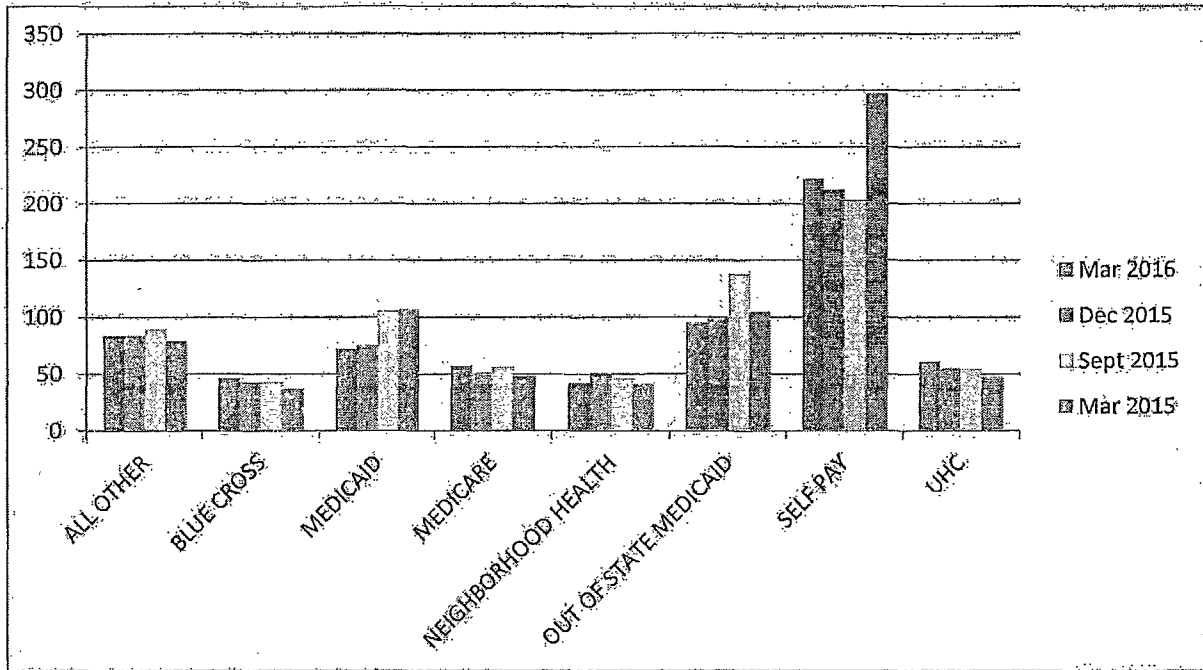
**CHART 1**  
**CARE NEW ENGLAND HEALTH SYSTEM**  
**GROSS DAYS IN A/R**



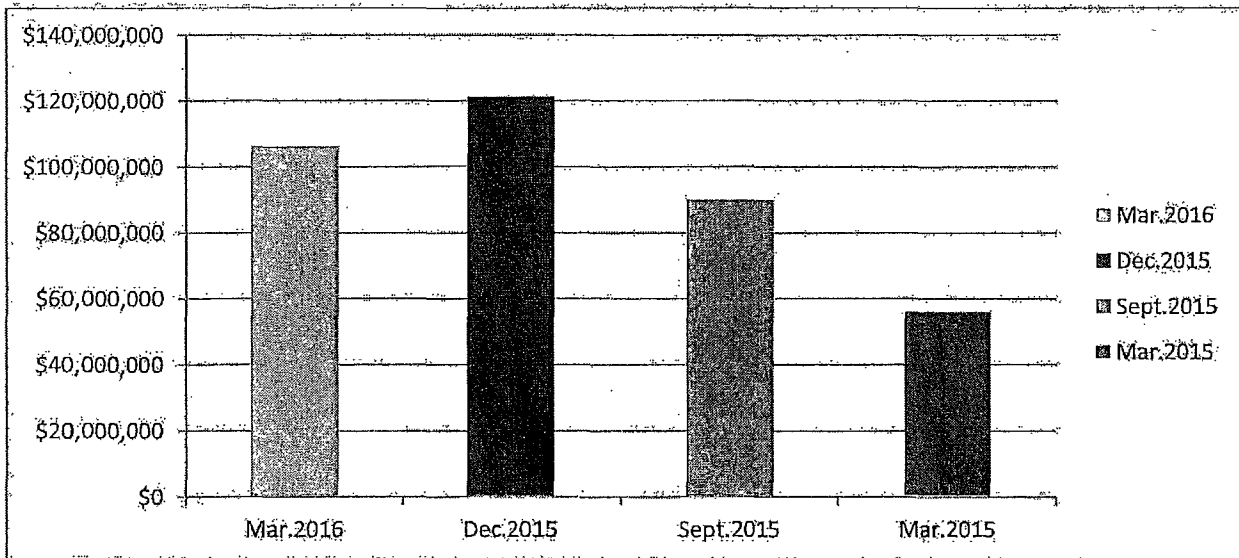
**CHART 2**  
**CARE NEW ENGLAND HEALTH SYSTEM**  
**GROSS A/R BY PAYOR**



**CHART 3**  
**CARE NEW ENGLAND HEALTH SYSTEM**  
**GROSS A/R BY PAYOR (In Days)**



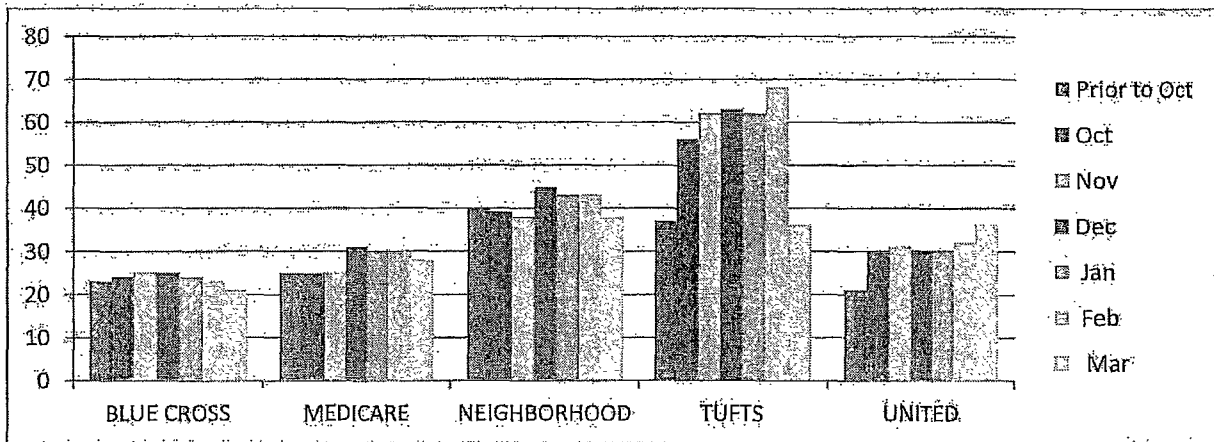
**CHART 4**  
**CARE NEW ENGLAND HOSPITALS**  
**DISCHARGE NOT FINAL BILLED**



**CHART 5**  
**QUARTERLY AGING REPORT**  
**CARE NEW ENGLAND HEALTH SYSTEM - ALL PAYORS**

Days	16 March	15 December	15 September	15 March
0-30	\$195,308,072 52%	\$189,884,419 52%	\$203,820,288 54%	\$190,613,281 56%
31-60	\$62,638,635 17%	\$63,038,230 17%	\$56,717,517 15%	\$46,694,066 14%
61-90	\$40,630,801 11%	\$30,547,298 9%	\$35,337,815 9%	\$25,135,900 7%
91-120	\$16,685,146 4%	\$18,234,331 5%	\$16,627,599 5%	\$15,159,467 4%
121-150	\$11,457,225 3%	\$12,471,957 3%	\$9,315,819 3%	\$8,811,737 3%
151-180	\$8,396,522 2%	\$9,512,638 3%	\$8,762,501 2%	\$9,325,808 3%
181-360	\$21,583,965 6%	\$20,163,124 6%	\$26,826,770 7%	\$22,356,255 7%
>360	\$18,729,588 5%	\$19,841,457 5%	\$18,842,938 5%	\$19,357,032 6%
<b>Total Gross A/R</b>	<b>\$375,429,954</b>	<b>\$363,693,454</b>	<b>\$376,251,247</b>	<b>\$337,453,546</b>

**CHART 6**  
**AVERAGE DAYS TO PAY**  
**CARE NEW ENGLAND HOSPITALS - MAJOR PAYORS**



CARE NEW ENGLAND HEALTH SYSTEM  
 REVENUE CYCLE QUARTERLY REPORT  
 31-Mar-16

<u>Payor Mix by Gross Revenue:</u>	FY 12	FY 13	FY 14	Q1, FY 15	Q2, FY 15	Q3, FY 15	Q4, FY 15	Q1, FY 16	Q2, FY 16
Medicare and Medicare Managed Care	34.70%	34.80%	34.01%	33.17%	35.21%	33.51%	31.51%	32.79%	32.84%
Blue Cross	23.20%	22.35%	22.43%	22.03%	20.52%	20.87%	21.94%	20.89%	20.92%
Medicaid and Medicaid Managed Care	20.83%	20.45%	24.46%	26.97%	26.75%	28.01%	28.92%	28.61%	27.58%
Managed Care	10.95%	11.09%	10.86%	10.33%	10.02%	10.46%	10.48%	10.47%	10.57%
Self Pay	4.60%	4.71%	2.68%	1.71%	1.58%	1.70%	1.91%	1.46%	1.71%
All Other	5.72%	6.60%	5.56%	5.79%	5.93%	5.45%	5.23%	5.78%	6.38%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

<u>Analysis of Revenues &amp; Deductions:</u>	FY 10	FY 11	FY 12	FY 13	FY 14	Q1, FY 15	Q2, FY 15	Q3, FY 15	Q4, FY 15	Q1, FY 16	Q2, FY 16
Gross Patient Service Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Less Contractual Discounts	-54.8%	-56.0%	-56.9%	-57.4%	-56.0%	-59.1%	-59.5%	-60.6%	-60.7%	-59.1%	-59.7%
Plus Disproportionate Share Receipts	1.3%	1.5%	1.7%	1.3%	0.9%	1.8%	1.8%	1.8%	1.8%	1.9%	1.9%
Plus Upper Payment Limit Receipts	0.3%	0.2%	0.1%	0.1%	0.0%	0.4%	0.4%	0.4%	0.4%	0.5%	0.4%
Net Patient Service Revenues (NPSR)	46.8%	45.7%	44.9%	44.0%	44.9%	43.1%	42.7%	41.6%	41.5%	43.3%	42.7%
Less:											
Charity Care (CC)	-1.6%	-2.1%	-2.1%	-2.0%	-2.0%	-0.7%	-0.7%	-0.9%	-0.8%	-0.8%	-0.8%
Bad Debt Expense (BD)	-2.3%	-1.8%	-2.3%	-2.6%	-1.7%	-1.3%	-1.8%	-1.1%	-2.0%	-1.5%	-1.6%
NPSR less Uncompensated Care	42.9%	41.8%	40.5%	39.4%	41.2%	41.1%	40.2%	39.6%	38.7%	41.0%	40.3%
Total Uncompensated Care (CC & BD)	3.9%	4.0%	4.4%	4.6%	3.7%	2.0%	2.5%	2.0%	2.8%	2.3%	2.4%

# MEMO

**Date :** 04/14/2016  
**To:** Joseph Iannoni  
**From:** Christopher Dacey, Director Professional Revenue Cycle  
**Subject:** Professional Revenue Cycle Quarterly Report; Qtr. Ending March 31, 2016

## QUARTERLY SUMMARY

During the second quarter gross charge revenue increased by \$80,775 (<1%) over the prior quarter to \$58.0M. Collections decreased by \$412,799 (1.8%) over the prior quarter to \$21.4M. In February, we transitioned the Memorial provider activity to bill under the Affinity Tax ID. This change caused a brief delay with certain carriers (UHC) during the month of February, but all pending claims were released and billed out by March. In the second quarter contractual adjustments were stable at \$34.7M, while write-offs decreased 21% to \$1.9M. Our Days in A/R decreased slightly over the prior quarter to 38.2 days, while our net collection rate improved from 88.8% to 90.8%.

	<u>3/31/2016</u>	<u>12/31/2015</u>	<u>9/30/2015</u>	<u>6/30/2015</u>	<u>3/31/2015</u>
Quarterly Gross Charges	\$58,024,724.61	\$57,943,949	\$57,130,442	\$58,215,684	\$55,622,090
Quarterly Collections	\$21,476,692.85	\$21,889,491	\$21,076,181	\$21,680,966	\$20,031,754
Quarterly Contractual Adjustments	\$34,720,439.31	\$34,838,836	\$32,936,662	\$34,045,933	\$31,721,464
Quarterly Write-Offs	\$1,899,912.39	\$2,434,911	\$2,640,970	\$1,834,882	\$2,870,429

## YEAR-OVER-YEAR

Gross charge revenue increased by \$9,060,795 (8.4%) over last fiscal YTD to \$115.9M. Collections have increased by \$3,142,453 (7.8%) over last fiscal YTD to \$43.3M. Total accounts receivable have been stable at \$24.6M, while days in A/R have improved from 41.7 days to 38.2 days. Our 12 month net collection rate has improved from 88.8% to 90.8% over last year. The % of insurance balances aged over 120 days has decreased from 12.2% to 11.4%, but still remains above our goal of 10%.

<i>Posted Transactions</i>	<u>FYTD 2016</u>	<u>FYTD 2015</u>	<u>Incr/Decr</u>	<u>% Incr / Decr</u>
TOTAL CNE				
Gross Revenue \$	\$115,968,674	\$106,907,879	\$9,060,795	8.48%
Contr. Adjs \$	\$69,559,275	\$61,632,915	\$7,926,360	12.86%
Units	649,501	562,722	86,779	15.42%
Collections \$	\$43,366,183	\$40,223,731	\$3,142,453	7.81%
Days in AR	38.20	41.74	-3.54	-8.48%
12 Mth Net Collection %	90.87%	88.88%	2.00%	2.25%
12 Mth Net Collection % (Excludi	94.13%	90.69%	3.44%	3.79%
Total A/R Balances	\$24,608,708	\$24,788,161	-\$179,453	-0.72%
% Insur A/R > 120 Days	11.37%	12.15%	-0.8%	-6.43%

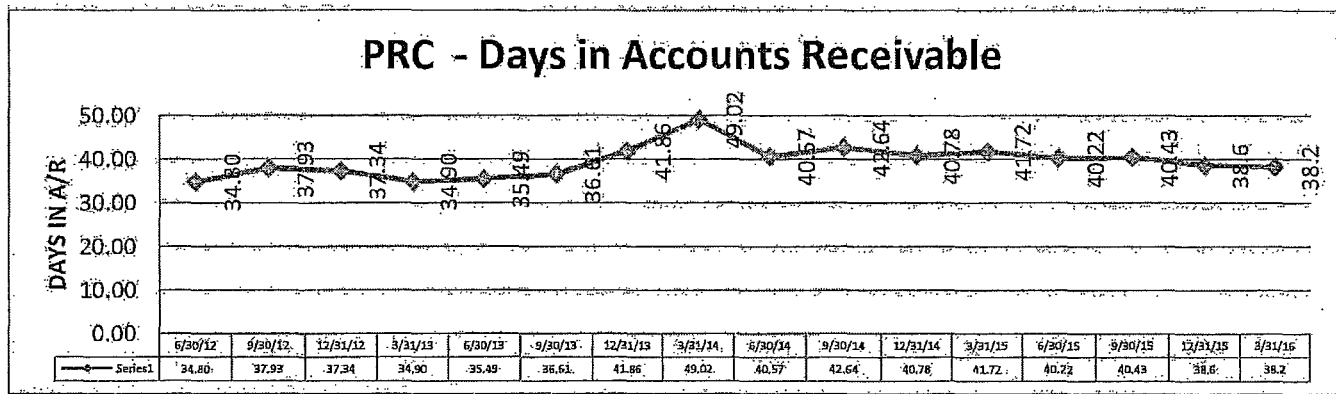
## OPERATING UNIT ACTIVITY

Affinity's gross charge revenue has increased by 65% over last fiscal YTD, while collections have increased by 60%. However, some of this increase represents a shift of provider volume from Memorial to Affinity, which took place in February 2016. This shift in volume has negatively impacted Affinity's collection rate and A/R days, resulting in a short-term build up of their current A/R. Memorial has seen the opposite impact as their A/R days and collection rate have improved over the past two months. However, Memorial's 120+ has increased as current balances have diminished. Women & Infants saw a 2.6% increase in both revenue and collections year-over-year. FPI gross revenue and collections are down significantly over last fiscal YTD as they have struggled with charge-entry within their department. Memorial's

gross charge revenue is down year-over-year as their ambulatory volume has shifted to Affinity in recent months. Kent's gross charge revenue and collections have both decreased 2% when compared to last year.

PRC OPERATING UNIT SUMMARY							
Fiscal YTD Through:	3/31/2016						
Operating Unit	YTD Charges	Incr / Decr Prior Yr	YTD Collections	Incr / Decr Prior Yr	Days in A/R	Net Col %	Insurance A/R > 120 Days
Butler Hospital	\$11,249,878	4.90%	\$4,234,262	0.65%	40.56	88.37%	17.56%
FPI	\$2,180,034	-11.87%	\$731,759	-16.79%	28.95	96.73%	2.03%
Kent	\$17,654,582	-2.06%	\$8,465,044	-2.16%	31.83	93.21%	1.92%
Affinity	\$25,491,167	65.42%	\$8,311,279	60.73%	45.05	83.32%	7.94%
Memorial	\$15,088,555	-15.32%	\$5,009,270	-3.25%	38.80	87.92%	27.57%
WIH	\$27,832,661	2.64%	\$10,391,952	2.60%	40.75	89.15%	12.24%
HCA	\$16,471,796	7.38%	\$6,222,618	3.58%	30.26	97.34%	4.39%
<b>CNE-System wide</b>	<b>\$115,968,674</b>	<b>8.48%</b>	<b>\$43,366,183</b>	<b>7.81%</b>	<b>38.20</b>	<b>90.87% / 94.13</b>	<b>11.37%</b>

### CNE: DAYS IN ACCOUNTS RECEIVABLE BY QUARTER



### KEY PERFORMANCE INDICATORS (KPI)

Key Performance Indicators:	Past Quarterly Performance						
	Goal 2015	3/31/2016	Trend	12/31/2015	9/30/2015	6/30/2015	3/31/2015
YTD Write-Off %	5.00%	3.74%	↓	4.20%	4.34%	4.24%	4.83%
YTD Cost to Collect	5.80%	3.69%	↑	3.26%	3.36%	3.60%	4.43%
Charge Lag Days (Inpatient)	6	8.57	↔	7.76	8.83	8.2	10.83
Charge Lag Days (Outpatient)	4	7.98	↑	6.19	5.81	4.89	6.92
Charge Lag (ED)	10	14.42	↓	17.15	19.5	13.14	18.96
Co-Payment Collection % at TOS	80.00%	84.29%	↑	77.90%	78.23%	74.90%	74.00%
Net Collection % (/ without ED BD)	88 / 92%	90.87% / 94.13	↑	88.8 / 93.5	88.6 / 90.09%	86.7% / 89.5%	88.88 / 90.69%
Days in A/R	34	38.20	↓	38.61	40.43	40.22	41.72
120 + A/R Balances (Insur. & Patient)	15.00%	15.64%	↑	14.93%	12.59%	14.42%	14.11%
Clean Claim Rate	94%	92.82%	↔	89.93%	94.58%	94.07%	93.90%



## **KPI Notes:**

### **Memorial**

1. NHPRI - incorrectly terminated MH providers with no claim payment (Dec – Feb). Outstanding claims began to resolve in March, improving 120+ A/R.
2. Returned Batch items out to practices improved in March, but still remain high at \$316k.
3. Claim holds for UHC due to re-credentialing of MH doctors under Affinity Tax ID, Update: Claims were released in March.
4. A/R Days Improved in March to 38.8, but much of this improvement was due to current A/R shifting to Affinity.

### **Kent**

1. \$193k (charges) credentialing write-offs YTD (E.D. providers), but low amount pending now under credentialing holds.
2. Outstanding Returned Batch items improved significantly in March.
3. PB co-pay collection rate very low at WoundCare and Breast Health OP Depts.

### **WIH**

1. Triage charge-lag continued to increase in March (38 days), Dept. is now working with LogixHealth to provide coding assistance
2. High registration denials on IP based claims (NICU, Triage)
3. 340k (charges) credentialing write-offs YTD. We are appealing a portion of this with BCBSRI and UHC re. one large NICU provider due to slow plan turn-around on initial credentialing.
4. NHP had incorrectly terminated WIH providers on their system. They have corrected the issue, 120 days + is improving

### **Butler**

1. 120 + Insurance % improving (down \$91k in March), but still high at 17% (\$449k) . Mostly UBH and BCBSRI
  - PASOP change in REV code used, caused PB denials. Corrected and reprocessing with plan.
  - PASOP PB charges denying against facility charge (reprocessing with plan).
  - Staff turnover in PBO -- contributed to increase in 120+ A/R, new Butler A/R staff member added mid-Feb.
  - UBH records requests causing claim payment delays
  - UBH denying add-on codes erroneously, requiring significant appeals
  - \$78k TMS over 120 Days

### **FPI**

1. Out of network on *Tufts Network Health* (Tufts Public Plans) – Significant OON write-offs YTD (\$150k) – Requires Prior Authorization
2. High Medicaid population (52%), resulting in higher contractual adjustments and lower payment rates
3. Charge lag very high at 16 days OP and IP average. Inconsistent charge posting month-to-month
4. Copayment % extremely low at 14%, but low actual # of eligible visits (mostly ultrasound billing)

### **Affinity**

1. Current charges have increased dramatically during the past two months as MH provider volume has shifted to Affinity. This has temporarily lowered Affinity's net collection rate to 83% and increased their A/R days to 45 days. These measures should recover as the current "MH" volume begins to adjudicate.
2. NHPRI denying surgeries for no-authorization in error -- NHPRI system issue since auth. was included on claim - reprocessing
3. BCBSRI & UHC denying Ortho Group radiology reads as inclusive to the office visits. -- Recommend global charge billed through facility.
4. Coding issues re. injectables for the Ortho and sports medicine groups
5. Significant Epic returned Items, practice staff asking for assistance in responding to coding questions.

### **HCA**

- No major issues – good charge lag & co-pay col %, practices very responsive to PBO queries!

### **Other:**

- The Epic IS team is reporting that MH front-end staff is contacting them for coding / billing advice. There is a strong need for coding education on the front-end (i.e. use of modifiers, incident-to billing, E&M level CPT coding, teaching guidelines, etc...), especially within the Memorial practices that previously had much of their PB coding hard-coated into the McKesson system.
- The retro-review automation in Epic (auto rebilling of open claims after insurance updates) has caused a significant volume of duplicate claim denials across all plans and Depts. We are working with the Epic team to correct this issue.

Care New England Health System  
Consolidated  
3/31/2016

4/18/2016

		S&P Rated (2013)			See Note: (1)			See Note: (2)	
		FY10	FY11	FY12	FY13	FY14	FY15	3/31/2016	
		A-	BBB+	Overall					
<b>Liquidity Ratios:</b>									
<b>Days Cash on Hand - Operating Only</b>									
Divided by:	Cash & Cash Equivalents & Investments	See Note: (3)	101,572,615	79,361,598	92,928,696	85,624,217	70,931,121	82,205,301	67,068,280
	Operating Expenses	(past 12 months)	752,208,541	796,939,662	835,341,996	875,554,158	1,058,995,303	1,139,725,241	1,176,856,164
Less:	Depreciation and Amortization Expense	(past 12 months)	27,599,900	27,521,712	27,463,883	28,295,075	34,495,543	36,581,327	36,537,922
	<b>Calculation</b>		<b>51.2</b>	<b>37.6</b>	<b>42.0</b>	<b>36.9</b>	<b>25.3</b>	<b>20.6</b>	<b>21.5</b>
<b>Days Cash on Hand - Inclusive of Unrestricted Board Designated</b>									
Plus:	Cash & Cash Equivalents & Investments	See Note: (3)	101,572,615	79,361,598	92,928,696	85,624,217	70,931,121	82,205,301	67,068,280
Divided by:	Unrestricted Board Designated Funds, excluding CSV of life insurance	(past 12 months)	48,615,179	51,632,334	61,667,632	80,313,506	99,206,504	90,980,227	83,566,089
	Operating Expenses	(past 12 months)	752,208,541	796,939,662	835,341,996	875,554,158	1,058,995,303	1,139,725,241	1,176,856,164
Less:	Depreciation and Amortization Expense	(past 12 months)	27,599,900	27,521,712	27,463,883	28,296,075	34,495,543	36,581,327	36,537,922
	<b>Calculation</b>	<b>163.9 144.6 204.6</b>	<b>75.7</b>	<b>62.1</b>	<b>69.6</b>	<b>71.5</b>	<b>60.6</b>	<b>50.7</b>	<b>51.5</b>
<b>Cash to Debt Ratio</b>									
Divided by:	Cash & Cash Equivalents & Investments (including Board Designated, excluding CSV)	See Note: (3)	150,187,794	130,993,932	154,596,328	165,937,723	170,137,725	153,185,528	160,634,378
	Long-term Debt (reduced by 2013 Series A Debt Service Reserve Fund)	See Note: (4)	92,016,307	111,880,206	114,770,907	117,913,811	156,272,229	155,637,106	154,139,876
	<b>Calculation</b>		<b>1.63</b>	<b>1.17</b>	<b>1.35</b>	<b>1.41</b>	<b>1.09</b>	<b>0.98</b>	<b>1.04</b>
<b>Current Ratio</b>									
Divided by:	Current Assets		189,923,277	203,007,479	222,927,713	261,632,112	246,224,949	255,427,396	272,285,023
	Current Liabilities		130,721,505	134,015,573	137,937,038	190,499,579	164,922,937	189,339,472	214,247,198
	<b>Calculation</b>		<b>1.45</b>	<b>1.51</b>	<b>1.62</b>	<b>1.37</b>	<b>1.49</b>	<b>1.35</b>	<b>1.27</b>
<b>Average Payment Period</b>									
Divided by:	Current Liabilities	(past 12 months)	130,721,505	134,015,573	137,937,038	190,499,579	164,922,937	189,339,472	214,247,198
	Operating Expenses	(past 12 months)	752,208,541	796,939,662	835,341,996	875,554,158	1,058,995,303	1,139,725,241	1,176,856,164
	Days In Measurement Period		365	365	366	365	365	365	366
	Average Daily Operating Expenses		2,060,845	2,183,386	2,282,355	2,398,779	2,901,357	3,122,535	3,220,818
	<b>Calculation</b>		<b>63.4</b>	<b>61.4</b>	<b>60.4</b>	<b>79.4</b>	<b>56.8</b>	<b>60.6</b>	<b>66.5</b>

Care New England Health System  
3/31/2016

S&P Rated (2013)			FY10	FY11	FY12	FY13	FY14	FY15	3/31/2016
A-	BBB+	Overall							

**Profitability Ratios:**

**Operating Margin**

Divided by:	Income from Operations	(past 12 months)	16,361,642	12,216,082	10,811,346	17,603,768	8,505,804	(1,785,748)	(22,191,087)			
	Total Operating Revenue	(past 12 months)	768,570,183	809,155,744	846,153,342	893,157,826	1,068,010,694	1,137,939,493	1,158,665,077			
	<b>Calculation</b>		<b>1.5%</b>	<b>0.9%</b>	<b>2.2%</b>	<b>2.13%</b>	<b>1.51%</b>	<b>1.28%</b>	<b>1.97%</b>	<b>0.80%</b>	<b>-0.16%</b>	<b>-1.32%</b>

**Total Margin**

Divided by:	Excess (deficiency) of Revenues & Gains over Expenses	(past 12 months)	24,530,178	3,012	24,189,219	24,572,666	11,140,275	(27,835,311)	(34,725,528)			
	Total Operating Revenue	(past 12 months)	768,570,183	809,155,744	846,153,342	893,157,826	1,068,010,694	1,137,939,493	1,158,665,077			
	<b>Calculation</b>		<b>3.6%</b>	<b>3.0%</b>	<b>4.2%</b>	<b>3.19%</b>	<b>0.00%</b>	<b>2.86%</b>	<b>2.76%</b>	<b>1.04%</b>	<b>-2.45%</b>	<b>-3.00%</b>

S&P Rated (2013)			FY10	FY11	FY12	FY13	FY14	FY15	3/31/2016
A-	BBB+	Overall							

**Capital Structure:**

**LT Debt to Equity**

Divided by:	Long-term Debt (reduced by 2013 Series A Debt Service Reserve Fund)	92,016,307	111,880,208	114,770,907	117,913,811	158,272,229	155,637,106	154,139,878			
	Total Net Assets	307,283,055	288,577,501	312,572,859	386,629,448	377,851,459	312,096,646	293,682,278			
	<b>Calculation</b>	<b>42.6%</b>	<b>46.2%</b>	<b>35.1%</b>	<b>29.95%</b>	<b>38.77%</b>	<b>36.72%</b>	<b>30.50%</b>	<b>41.36%</b>	<b>48.87%</b>	<b>52.49%</b>

**Debt Service Coverage**

See Note: (3)

Plus	Excess (deficiency) of Revenues & Gains over Expenses	(past 12 months)	24,530,178	3,012	24,189,219	24,572,666	11,140,275	(27,835,311)	(34,725,528)			
	Depreciation and Amortization	(past 12 months)	27,599,900	27,521,712	27,463,883	28,296,075	34,495,543	36,581,327	36,537,522			
	Interest Expense, including swap agreement payments/(receipts)	(past 12 months)	3,732,345	3,741,400	3,604,940	3,626,488	6,527,788	8,838,716	8,808,176			
Equals (A)			55,862,423	31,268,124	55,258,042	56,495,229	52,163,606	15,894,732	8,820,570			
Plus	Principal Payment	(past 12 months)	7,161,320	8,136,099	6,907,078	6,377,675	8,123,288	9,631,866	8,561,284			
	Interest Expense, including swap agreement payments/(receipts)	(past 12 months)	3,732,345	3,741,400	3,604,940	3,626,488	6,527,788	8,838,716	8,808,176			
Equals (B)			10,894,265	11,877,499	10,512,018	10,004,163	14,651,077	16,470,562	15,369,440			
	<b>Calculation (A)/(B)</b>		<b>3.4</b>	<b>2.5</b>	<b>4.2</b>	<b>5.1</b>	<b>2.6</b>	<b>5.3</b>	<b>5.6</b>	<b>3.6</b>	<b>0.9</b>	<b>0.6</b>

**Average Age of Plant**

Divided by:	Accumulated Depreciation	(past 12 months)	357,640,698	382,282,204	361,298,883	389,717,878	423,591,539	449,859,247	486,397,169			
	Depreciation Expense	(past 12 months)	27,599,900	27,521,712	27,463,883	28,296,075	34,495,543	36,581,327	36,537,522			
	<b>Calculation</b>		<b>11.4</b>	<b>11.5</b>	<b>10.6</b>	<b>13.0</b>	<b>13.9</b>	<b>13.9</b>	<b>13.8</b>	<b>12.3</b>	<b>12.3</b>	<b>13.3</b>

Note: (1) The ratios include the acquisition of Southeastern Healthcare System (SHS = Memorial Hospital and affiliates) as of September 3, 2013. Consistent with the audited financials, the FY13 ratios include the balance sheet of SHS as of 9/30/13 and the statement of operations for the period 9/4/13 - 9/30/13. The FY 14 and FY15 ratios include SHS for the period reported.

Note: (2) The FY15 ratios include the acquisition of The Providence Center (TPC) as of January 1, 2015.

Note: (3) FY15 excludes restricted cash and equivalents and investments.

Note: (4) The FY 14 and FY15 calculations do not take into account \$10.3 million and \$4.2 million, respectively in trustee-held funds, which will be utilized for future capital purchases and ultimately improving our cash/liquidity position.

Note: (5) The debt service coverage calculation is based on current year activity as compared to the debt service coverage calculation for the debt covenant tests which is based on a rolling 12 months of activity.

Note: (6) FY14 ratios have been restated to conform with FY15 ratios and financial statement presentations.

**Care New England Health System  
Debt Compliance Tests  
For the 12 Months Ending March 31, 2016**

4/18/2016

Please Note: Debt Compliance Covenants includes the Care New England Obligated Group which excludes The Providence Center.

**2013 Series A, 2014 Series A Debt Compliance Tests:**

**Debt Service Coverage Ratio**

Calculated Debt Service Coverage **0.52**

Required Debt Service Coverage annually at September 30th **1.20**

**Interim Compliance Status** **Below**

**Days Cash on Hand**

Calculated Days Cash on Hand **52.55**

Required Days Cash on Hand annually at September 30th **45.00**

**Interim Compliance Status** **Above**

**2010 Series, 2011 Series Debt Compliance Tests:**

**Debt Service Coverage Ratio**

Calculated Debt Service Coverage **0.52**

Required Debt Service Coverage at 3/31/2016 quarter end **0.25**

**Compliance** **Yes**

**Liquidity Ratio**

Calculated Liquidity Ratio **1.08**

Required Liquidity Ratio at 3/31/2016 quarter end **0.25**

**Compliance** **Yes**

EXHIBIT A  
Debt Service Coverage Ratio

Care New England Health System  
Debt Compliance Calculations  
As of March 31, 2016

Debt Service Coverage Ratio

Excess of revenues and gains over expenses:

Interest expense including payments on interest rate swaps

Depreciation & amortization

Unrealized (gain) or loss on investments

CNE YTD as of 3/31/2016	CNE YTD as of 3/31/2015	CNE Consolidated 30-Sep-15	CNE System Total	TPC YTD as of 3/31/2016	TPC YTD as of 3/31/2015	TPC Consolidated 30-Sep-15	The Providence Center	CNE Obligated Group 31-Dec-16
(\$21,221,421)	(\$14,331,204)	(\$27,835,311)	(\$34,725,528)	(\$409,359)	(\$43,359)	\$13,027,150	\$12,661,150	(\$47,386,678)
\$3,235,728	\$3,266,266	\$6,638,716	\$6,808,176	\$145,907	\$73,401	\$214,608	\$267,314	\$6,520,882
\$19,040,690	\$19,084,095	\$36,581,327	\$39,537,922	\$563,021	\$171,152	\$823,360	\$1,215,219	\$36,322,703
(\$4,457,834)	\$14,403,268	\$32,287,448	\$13,426,246	\$0	\$0	\$0	\$0	\$13,428,246
<u>(\$3,402,937)</u>	<u>\$22,422,427</u>	<u>\$47,872,180</u>	<u>\$22,048,818</u>	<u>\$289,569</u>	<u>\$201,194</u>	<u>\$14,055,308</u>	<u>\$14,163,683</u>	<u>\$7,883,133</u>

Payments on LTD and capital leases, prior 12 months, net of loss on refinancing  
Interest Payments, last 12 months

Total

Debt Service Coverage Ratio

\$9,631,866	\$973,532	\$8,658,334
<u>\$6,808,176</u>	<u>\$287,314</u>	<u>\$6,520,862</u>
<u>\$16,440,042</u>	<u>\$1,260,846</u>	<u>\$16,179,196</u>
1.34	11.23	0.52

Exhibit B  
Days Cash on Hand

Care New England Health System  
Debt Compliance Calculations  
As of March 31, 2016

	Days Cash on Hand Inclusive of Unrestricted Board Designated		
	CNE Consolidated 31-Mar-16	The Providence Center	CNE Obligated Group 31-Mar-16
Cash & Cash Equivalents per Financial Statements	\$ 66,171,305	\$ 328,393	\$ 65,842,912
Less: Cash & Cash Equivalents Restricted for Specific Purposes	\$ 10,683,788	\$ -	\$ 10,683,788
Unrestricted Cash & Cash Equivalents, net	\$ 55,487,517	\$ 328,393	\$ 55,159,124
Investments (Short and Long Term)	\$ 12,475,600	\$ -	\$ 12,475,600
Less: Investments Restricted for Specific Purposes	\$ 894,838	\$ -	\$ 894,838
Unrestricted Investments (Short and Long Term), net	\$ 11,580,762	\$ -	\$ 11,580,762
Unrestricted Board-designated investments per Financial Statements	\$ 123,036,756	\$ -	\$ 123,036,756
Less: Cash Surrender Value of Life Insurance	\$ 29,470,657	\$ -	\$ 29,470,657
Unrestricted Board-designated investments, net	\$ 93,566,099	\$ -	\$ 93,566,099
Subtotal	\$ 160,634,378	\$ 328,393	\$ 160,305,985
Divided By:			
Operating Expenses	\$ 601,817,864	\$ 25,063,432	\$ 576,754,432
Less: Depreciation and Amortization Expense	\$ 19,040,690	\$ 563,021	\$ 18,477,669
Subtotal	\$ 582,777,174	\$ 24,500,411	\$ 558,276,763
Divided By Days in Current Fiscal Year	183 days		
Subtotal - Daily	\$ 3,184,575		\$ 3,050,693
Days Cash on Hand	50.44		52.55 days

Note: As of March 31, 2016, CNE has \$1.8 million in Project Funds recorded as Trustee Held Funds on the Balance Sheet. These funds are to support Capital Purchases which would otherwise be funded through operating cash.

Note: Excludes The Providence Center

Exhibit C  
Liquidity Ratio

Care New England Health System  
Debt Compliance Calculations  
As of March 31, 2016

Liquidity Ratio	CNE Consolidated 31-Mar-16	The Providence Center	CNE Obligated Group 31-Mar-16
Unrestricted Cash & Cash Equivalents, net	\$55,487,517	\$328,393	\$55,159,124
Unrestricted Investments (Short and Long Term), net	\$11,580,762	\$0	\$11,580,762
Unrestricted Board-designated investments, net	\$93,566,099	\$0	\$93,566,099
			\$160,305,985
Current portion of LTD and capital leases	\$8,561,264	\$957,723	\$7,603,541
LTD and capital leases, excluding current portion	\$154,325,641	\$4,523,305	\$149,802,336
2013 Series A Debt Service Reserve Fund	-\$8,747,029	\$0	-\$8,747,029
			\$148,658,848

1.08

Note: As of March 31, 2016, CNE has \$1.8 million in Project Funds recorded as Trustee Held Funds on the Balance Sheet. These funds are to support Capital Purchases which would otherwise be funded through operating cash.

Exhibit D  
Additional Indebtedness

**Care New England Health System  
Debt Compliance Calculations  
As of March 31, 2016**

**The obligated group incurred additional indebtedness of \$12m on 12/31/2010 .  
The obligated group incurred additional indebtedness of \$16m on 8/12/2011 .  
The obligated group incurred additional indebtedness of \$10m on 9/28/2012 .  
The obligated group has incurred additional incremental indebtedness of \$39.15m on 11/22/2013.  
The obligated group has incurred additional incremental indebtedness of \$14.9m on 04/22/2014.**

**This debt is permitted under the Master Trust Indenture.**



**Care New England Health System**  
**Recent Financial Information**  
**Unaudited**  
**As of March 31, 2016**

**Consolidated**

**Outstanding Indebtedness:**

Series 2014 A	\$42,810,000
Series 2013 A	\$81,100,000
Series 2013 A Bond Premium	\$1,086,458
Series 2011	\$13,169,675
Series 2010	\$9,758,867
RIHEBC & Other Capital Leases	\$6,264,020
Time Mortgage Note	\$3,216,857
B of A Mortgage Note	\$0
The Providence Center	\$5,481,028
	<u>\$162,886,905</u>

**Historical Debt Service Coverage:**

Based on Prior 12 Months

Excess of revenues and gains over expenses	-\$27,835,311
Add back:	
Depreciation and amortization	\$36,581,327
Interest Expense	\$6,838,716
Income Available for Debt Service	<u>\$15,584,732</u>
 Maximum Debt Service	 \$15,989,034
 Coverage of Maximum Debt Service	 0.97

**Historical Indebtedness Ratio:**

Long term indebtedness (Current & Long term)	\$162,886,905
Unrestricted Net Assets	<u>\$225,052,177</u>
Total Capitalization	\$387,939,082
 Ratio of Long Term Indebtedness to Capitalization	 0.42

**Days Cash on Hand:**

Unrestricted Cash and Equivalents and Short Term Investments	\$67,068,279
Unrestricted Board Designated Funds	<u>\$93,566,099</u>
Total	\$160,634,378
 Operating Expenses	 \$601,817,864
Depreciation and Amortization Expense	\$19,040,690
Daily Operating Expense	\$3,184,575
 Days Cash on Hand	 50.44

**PATIENT ACTIVITY SUMMARY  
COMBINED  
March-16**

CURRENT MONTH MARCH 2016				
ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR
1,346	1,418	(72)	(5.1%)	1,447
861	916	(55)	(6.0%)	850
673	587	86	14.7%	597
112	112	-	0.0%	111
752	774	(22)	(2.8%)	740
2	4	(2)	(50.0%)	6
93	108	(15)	(13.9%)	93
64	66	(2)	(3.0%)	64
<b>3,903</b>	<b>3,985</b>	<b>(82)</b>	<b>(2.1%)</b>	<b>3,908</b>

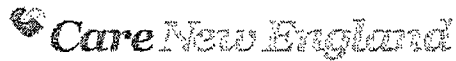
6,224	6,422	(198)	(3.1%)	6,831
2,686	2,720	(34)	(1.3%)	2,601
4,737	4,764	(27)	(0.6%)	4,931
845	853	(8)	(0.9%)	860
2,011	1,974	37	1.9%	1,875
61	62	(1)	(1.6%)	69
2,195	1,972	223	11.3%	1,594
778	743	35	4.7%	823
<b>19,537</b>	<b>19,510</b>	<b>27</b>	<b>0.1%</b>	<b>19,584</b>

4.6	4.5	0.1	2.1%	4.7
3.1	3.0	0.2	5.1%	3.1
7.0	8.1	(1.1)	(13.3%)	8.3
7.5	7.6	(0.1)	(0.9%)	7.7
2.7	2.6	0.1	4.9%	2.5
30.5	15.5	15.0	96.8%	11.5
23.6	18.3	5.3	29.3%	17.1
12.2	11.3	0.9	8.0%	12.9
<b>5.0</b>	<b>4.9</b>	<b>0.1</b>	<b>2.2%</b>	<b>5.0</b>

YEAR-TO-DATE				
ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR
<b>DISCHARGES</b>				
7,727	8,302	(575)	(6.9%)	8,247
5,190	5,401	(211)	(3.9%)	5,198
3,617	3,461	156	4.5%	3,341
657	660	(3)	(0.5%)	638
4,597	4,614	(17)	(0.4%)	4,515
45	28	17	60.7%	32
538	637	(99)	(15.5%)	569
366	370	(4)	(1.1%)	355
<b>22,737</b>	<b>23,473</b>	<b>(736)</b>	<b>(3.1%)</b>	<b>22,895</b>

<b>PATIENT DAYS</b>				
35,017	37,893	(2,876)	(7.6%)	39,388
15,696	16,088	(392)	(2.4%)	15,784
27,236	28,153	(917)	(3.3%)	28,066
4,846	5,035	(189)	(3.8%)	5,020
12,000	11,742	258	2.2%	11,825
525	414	111	26.8%	422
12,108	11,640	468	4.0%	11,245
4,321	4,340	(19)	(0.4%)	4,794
<b>111,749</b>	<b>115,305</b>	<b>(3,556)</b>	<b>(3.1%)</b>	<b>116,544</b>

<b>LENGTH OF STAY</b>				
4.5	4.6	(0.0)	(0.7%)	4.8
3.0	3.0	0.0	1.5%	3.0
7.5	8.1	(0.6)	(7.4%)	8.4
7.4	7.6	(0.3)	(3.3%)	7.9
2.6	2.5	0.1	2.6%	2.6
11.7	14.8	(3.1)	(21.1%)	13.2
22.5	18.3	4.2	23.2%	19.8
11.8	11.7	0.1	0.7%	13.5
<b>4.9</b>	<b>4.9</b>	<b>0.0</b>	<b>0.1%</b>	<b>5.1</b>



**PATIENT ACTIVITY SUMMARY  
COMBINED  
March-16**

CURRENT MONTH MARCH 2016				
ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR
200.8	207.2	(6.4)	(3.1%)	220.4
86.6	87.7	(1.1)	(1.3%)	83.9
152.8	153.7	(0.9)	(0.6%)	159.1
27.3	27.5	(0.3)	(0.9%)	27.7
64.9	63.7	1.2	1.9%	60.5
2.0	2.0	(0.0)	(1.6%)	2.2
70.8	63.6	7.2	11.3%	51.4
25.1	24.0	1.1	4.7%	26.5
<b>630.2</b>	<b>629.4</b>	<b>0.9</b>	<b>0.1%</b>	<b>631.7</b>

60%	62%	(0.02)	(3.1%)	66%
50%	50%	(0.01)	(1.2%)	48%
88%	89%	(0.01)	(0.6%)	92%
94%	95%	(0.01)	(0.9%)	96%
89%	80%	0.09	11.3%	64%
66%	63%	0.03	4.7%	70%
<b>68%</b>	<b>68%</b>	<b>(0.00)</b>	<b>(0.1%)</b>	<b>69%</b>

27,258	27,627	(369)	(1.3%)	30,331
973	1,020	(47)	(4.6%)	1,036
<b>2,328</b>	<b>2,423</b>	<b>(95)</b>	<b>(3.9%)</b>	<b>1,719</b>
855	774	81	10.5%	797

YEAR-TO-DATE				
ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR
191.3	207.1	(15.7)	(7.6%)	215.2
85.8	87.9	(2.1)	(2.4%)	86.3
148.8	153.8	(5.0)	(3.3%)	153.4
26.5	27.5	(1.0)	(3.8%)	27.4
65.6	64.2	1.4	2.2%	64.6
2.9	2.3	0.6	26.8%	2.3
66.2	63.6	2.6	4.0%	61.4
23.6	23.7	(0.1)	(0.4%)	26.2
<b>610.7</b>	<b>630.1</b>	<b>(19.4)</b>	<b>(3.1%)</b>	<b>636.9</b>

AVERAGE DAILY CENSUS					
MED-SURG - 333 BEDS	191.3	207.1	(15.7)	(7.6%)	215.2
OBSTETRICS - 175 BEDS	85.8	87.9	(2.1)	(2.4%)	86.3
PSYCH - 173 BEDS	148.8	153.8	(5.0)	(3.3%)	153.4
KENT UNIT AT BUTLER - 29 BEDS	26.5	27.5	(1.0)	(3.8%)	27.4
NURSERY-NEWBORN	65.6	64.2	1.4	2.2%	64.6
NURSERY-SPECIAL CARE	2.9	2.3	0.6	26.8%	2.3
NICU - 80 BEDS	66.2	63.6	2.6	4.0%	61.4
REHAB - 38 BEDS	23.6	23.7	(0.1)	(0.4%)	26.2
<b>TOTAL</b>	<b>610.7</b>	<b>630.1</b>	<b>(19.4)</b>	<b>(3.1%)</b>	<b>636.9</b>

PERCENTAGE OF OCCUPANCY					
MED-SURG	57%	62%	(0.05)	(7.6%)	65%
OBSTETRICS	49%	50%	(0.01)	(2.4%)	49%
PSYCH	86%	89%	(0.03)	(3.3%)	89%
KENT UNIT AT BUTLER	91%	95%	(0.04)	(3.8%)	95%
NICU	83%	80%	0.03	4.0%	77%
REHAB	62%	62%	(0.00)	(0.4%)	69%
<b>TOTAL</b>	<b>65%</b>	<b>68%</b>	<b>(0.03)</b>	<b>(3.8%)</b>	<b>69%</b>

OBSERVATION					
HOURS	159,731	158,241	1,490	0.9%	155,158
CASES	5,815	5,935	(120)	(2.0%)	6,009
<b>PARTIAL HOSPITAL DAYS</b>	<b>12,221</b>	<b>13,203</b>	<b>(982)</b>	<b>(7.4%)</b>	<b>9,905</b>
<b>DELIVERIES</b>	<b>4,934</b>	<b>4,737</b>	<b>197</b>	<b>4.2%</b>	<b>4,839</b>

**PATIENT ACTIVITY SUMMARY  
COMBINED  
March-16**

CURRENT MONTH MARCH 2016					YEAR-TO-DATE					
ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR		ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR
1,790	1,457	333	22.9%	1,785	<b>EMERGENCY ROOM/TRIAGE</b>	10,398	8,496	1,902	22.4%	10,082
<u>9,953</u>	<u>9,941</u>	<u>12</u>	<u>0.1%</u>	<u>9,751</u>	Inpatient	<u>57,109</u>	<u>56,745</u>	<u>364</u>	<u>0.6%</u>	<u>55,174</u>
<b>11,743</b>	<b>11,398</b>	<b>345</b>	<b>3.0%</b>	<b>11,536</b>	Outpatient	<b>67,507</b>	<b>65,241</b>	<b>2,266</b>	<b>3.5%</b>	<b>65,256</b>
					<b>Total</b>					
					<b>OPERATING ROOM</b>					
354	416	(62)	(14.9%)	387	Inpatient	2,107	2,322	(215)	(9.3%)	2,215
<u>1,401</u>	<u>1,541</u>	<u>(140)</u>	<u>(9.1%)</u>	<u>1,349</u>	Outpatient	<u>8,225</u>	<u>9,067</u>	<u>(842)</u>	<u>(9.3%)</u>	<u>7,882</u>
<b>1,755</b>	<b>1,957</b>	<b>(202)</b>	<b>(10.3%)</b>	<b>1,736</b>	<b>Total</b>	<b>10,332</b>	<b>11,389</b>	<b>(1,057)</b>	<b>(9.3%)</b>	<b>10,097</b>
					<b>ENDOSCOPY</b>					
110	116	(6)	(5.2%)	148	Inpatient	590	657	(67)	(10.2%)	783
<u>844</u>	<u>903</u>	<u>(59)</u>	<u>(6.5%)</u>	<u>884</u>	Outpatient	<u>4,410</u>	<u>4,419</u>	<u>(9)</u>	<u>(0.2%)</u>	<u>4,455</u>
<b>954</b>	<b>1,019</b>	<b>(65)</b>	<b>(6.4%)</b>	<b>1,032</b>	<b>Total</b>	<b>5,000</b>	<b>5,076</b>	<b>(76)</b>	<b>(1.5%)</b>	<b>5,238</b>
					<b>LABORATORY</b>					
71,007	88,337	(17,330)	(19.6%)	91,319	Inpatient	423,840	510,724	(86,884)	(17.0%)	528,770
<u>172,941</u>	<u>177,161</u>	<u>(4,220)</u>	<u>(2.4%)</u>	<u>181,274</u>	Outpatient	<u>857,237</u>	<u>959,673</u>	<u>(102,436)</u>	<u>(10.7%)</u>	<u>970,284</u>
<b>243,948</b>	<b>265,498</b>	<b>(21,550)</b>	<b>(8.1%)</b>	<b>272,593</b>	<b>Total</b>	<b>1,281,077</b>	<b>1,470,396</b>	<b>(189,319)</b>	<b>(12.9%)</b>	<b>1,499,054</b>
					<b>BLOOD BANK</b>					
6,531	4,138	2,393	57.8%	5,992	Inpatient	39,882	24,656	15,226	61.8%	35,199
<u>8,574</u>	<u>7,708</u>	<u>866</u>	<u>11.2%</u>	<u>8,062</u>	Outpatient	<u>47,296</u>	<u>43,116</u>	<u>4,180</u>	<u>9.7%</u>	<u>44,279</u>
<b>15,105</b>	<b>11,846</b>	<b>3,259</b>	<b>27.5%</b>	<b>14,054</b>	<b>Total</b>	<b>87,178</b>	<b>67,772</b>	<b>19,406</b>	<b>28.6%</b>	<b>79,478</b>
					<b>DIAGNOSTIC RADIOLOGY</b>					
3,124	3,125	(1)	(0.0%)	3,134	Inpatient	17,743	18,162	(419)	(2.3%)	18,465
<u>6,533</u>	<u>6,707</u>	<u>(174)</u>	<u>(2.6%)</u>	<u>7,632</u>	Outpatient	<u>37,852</u>	<u>37,523</u>	<u>329</u>	<u>0.9%</u>	<u>41,257</u>
<b>9,657</b>	<b>9,832</b>	<b>(175)</b>	<b>(1.8%)</b>	<b>10,766</b>	<b>Total</b>	<b>55,595</b>	<b>55,685</b>	<b>(90)</b>	<b>(0.2%)</b>	<b>59,722</b>

**PATIENT ACTIVITY SUMMARY  
COMBINED  
March-16**

CURRENT MONTH MARCH 2016					YEAR-TO-DATE					
ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR.		ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR.
					<b>MRI</b>					
170	206	(36)	(17.5%)	216	Inpatient	1,217	1,194	23	1.9%	1,180
564	598	(34)	(5.7%)	564	Outpatient	3,151	3,214	(63)	(2.0%)	3,037
<u>734</u>	<u>804</u>	<u>(70)</u>	<u>(8.7%)</u>	<u>780</u>	Total	<u>4,368</u>	<u>4,408</u>	<u>(40)</u>	<u>(0.9%)</u>	<u>4,217</u>
					<b>CT SCAN</b>					
1,057	1,019	38	3.7%	1,113	Inpatient	5,176	5,828	348	6.0%	6,187
2,709	2,627	82	3.1%	2,685	Outpatient	15,927	15,085	842	5.6%	15,099
<u>3,766</u>	<u>3,646</u>	<u>120</u>	<u>3.3%</u>	<u>3,798</u>	Total	<u>22,103</u>	<u>20,913</u>	<u>1,190</u>	<u>5.7%</u>	<u>21,286</u>
					<b>ULTRASOUND</b>					
672	633	39	6.2%	710	Inpatient	3,780	3,974	(194)	(4.9%)	3,876
4,655	4,227	428	10.1%	4,151	Outpatient	25,281	23,690	1,591	6.7%	23,131
<u>5,327</u>	<u>4,860</u>	<u>467</u>	<u>9.6%</u>	<u>4,861</u>	Total	<u>29,061</u>	<u>27,664</u>	<u>1,397</u>	<u>5.0%</u>	<u>27,007</u>
					<b>NUCLEAR MEDICINE</b>					
60	66	(6)	(9.1%)	71	Inpatient	389	386	3	0.8%	395
237	189	48	25.4%	197	Outpatient	1,197	1,031	166	16.1%	1,031
<u>297</u>	<u>255</u>	<u>42</u>	<u>16.5%</u>	<u>268</u>	Total	<u>1,586</u>	<u>1,417</u>	<u>169</u>	<u>11.9%</u>	<u>1,426</u>
					<b>SPECIAL PROCEDURES</b>					
188	270	(82)	(30.4%)	239	Inpatient	1,079	1,574	(495)	(31.4%)	1,384
138	152	(14)	(9.2%)	154	Outpatient	966	881	85	9.6%	911
<u>326</u>	<u>422</u>	<u>(96)</u>	<u>(22.7%)</u>	<u>393</u>	Total	<u>2,045</u>	<u>2,455</u>	<u>(410)</u>	<u>(16.7%)</u>	<u>2,295</u>
					<b>MAMMOGRAPHY</b>					
2	-	2	-	2	Inpatient	6	-	6	-	9
2,252	2,099	153	7.3%	3,059	Outpatient	13,240	12,677	563	4.4%	19,568
<u>2,254</u>	<u>2,099</u>	<u>155</u>	<u>7.4%</u>	<u>3,061</u>	Total	<u>13,246</u>	<u>12,677</u>	<u>569</u>	<u>4.5%</u>	<u>19,577</u>

**PATIENT ACTIVITY SUMMARY  
COMBINED  
March-16**

CURRENT MONTH MARCH 2016				
ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR
2	-	2		-
<u>210</u>	<u>316</u>	<u>(106)</u>	<u>(33.5%)</u>	<u>290</u>
212	316	(104)	(32.9%)	290
41	68	(27)	(39.7%)	59
<u>100</u>	<u>77</u>	<u>23</u>	<u>29.9%</u>	<u>71</u>
141	145	(4)	(2.8%)	130
6	13	(7)	(53.8%)	19
<u>475</u>	<u>939</u>	<u>(464)</u>	<u>(49.4%)</u>	<u>910</u>
481	952	(471)	(49.5%)	929
2,191	2,184	7	0.3%	2,435
<u>4,095</u>	<u>3,971</u>	<u>124</u>	<u>3.1%</u>	<u>4,036</u>
6,286	6,155	131	2.1%	6,471
46	46	-	0.0%	52
<u>31</u>	<u>21</u>	<u>10</u>	<u>47.6%</u>	<u>21</u>
77	67	10	14.9%	73
398	413	(15)	(3.6%)	387
<u>881</u>	<u>561</u>	<u>320</u>	<u>57.0%</u>	<u>1,100</u>
1,279	974	305	31.3%	1,487

**BREAST HEALTH CTR.**

Inpatient  
Outpatient

Total

**CARDIAC CATH**

Inpatient  
Outpatient

Total

**VASCULAR LAB**

Inpatient  
Outpatient

Total

**EKG**

Inpatient  
Outpatient

Total

**EEG**

Inpatient  
Outpatient

Total

**ECHOCARDIOLOGY**

Inpatient  
Outpatient

Total

YEAR-TO-DATE				
ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR
3	-	3		-
<u>1,597</u>	<u>1,638</u>	<u>(41)</u>	<u>(2.5%)</u>	<u>1,636</u>
1,600	1,638	(38)	(2.3%)	1,636
344	394	(50)	(12.7%)	294
<u>517</u>	<u>399</u>	<u>118</u>	<u>29.6%</u>	<u>355</u>
861	793	68	8.6%	649
51	73	(22)	(30.1%)	90
<u>3,144</u>	<u>4,014</u>	<u>(870)</u>	<u>(21.7%)</u>	<u>4,026</u>
3,195	4,087	(892)	(21.8%)	4,116
13,154	12,868	286	2.2%	14,517
<u>22,903</u>	<u>22,457</u>	<u>446</u>	<u>2.0%</u>	<u>23,448</u>
36,057	35,325	732	2.1%	37,965
260	265	(5)	(1.9%)	246
<u>156</u>	<u>170</u>	<u>(14)</u>	<u>(8.2%)</u>	<u>179</u>
416	435	(19)	(4.4%)	425
2,644	2,426	218	9.0%	2,018
<u>4,636</u>	<u>3,006</u>	<u>1,630</u>	<u>54.2%</u>	<u>4,447</u>
7,280	5,432	1,848	34.0%	6,465

**PATIENT ACTIVITY SUMMARY  
COMBINED  
March-16**

CURRENT MONTH MARCH 2016				
ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR
5,283	5,185	98	1.9%	5,831
<u>7,655</u>	<u>5,550</u>	<u>2,105</u>	<u>37.9%</u>	<u>5,534</u>
<b>12,938</b>	<b>10,735</b>	<b>2,203</b>	<b>20.5%</b>	<b>11,365</b>
3,388	3,644	(256)	(7.0%)	4,003
<u>2,110</u>	<u>1,505</u>	<u>605</u>	<u>40.2%</u>	<u>1,433</u>
<b>5,498</b>	<b>5,149</b>	<b>349</b>	<b>6.8%</b>	<b>5,436</b>
846	866	(20)	(2.3%)	953
<u>626</u>	<u>774</u>	<u>(148)</u>	<u>(19.1%)</u>	<u>606</u>
<b>1,472</b>	<b>1,640</b>	<b>(168)</b>	<b>(10.2%)</b>	<b>1,559</b>
-	-	-	-	1
<u>74</u>	<u>71</u>	<u>3</u>	<u>4.2%</u>	<u>65</u>
<b>74</b>	<b>71</b>	<b>3</b>	<b>4.2%</b>	<b>66</b>
6	9	(3)	(33.3%)	7
<u>531</u>	<u>691</u>	<u>(160)</u>	<u>(23.2%)</u>	<u>591</u>
<b>537</b>	<b>700</b>	<b>(163)</b>	<b>(23.3%)</b>	<b>598</b>
3	19	(16)	(84.2%)	2
<u>141</u>	<u>170</u>	<u>(29)</u>	<u>(17.1%)</u>	<u>136</u>
<b>144</b>	<b>189</b>	<b>(45)</b>	<b>(23.8%)</b>	<b>138</b>

**PHYSICAL THERAPY**

Inpatient  
Outpatient  
Total

YEAR-TO-DATE				
ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR
29,146	29,627	(481)	(1.6%)	31,884
<u>40,993</u>	<u>31,609</u>	<u>9,384</u>	<u>29.7%</u>	<u>31,030</u>
<b>70,139</b>	<b>61,236</b>	<b>8,903</b>	<b>14.5%</b>	<b>62,914</b>

**OCCUPATIONAL THERAPY**

Inpatient  
Outpatient  
Total

19,112	20,869	(1,757)	(8.4%)	20,297
<u>11,314</u>	<u>8,360</u>	<u>2,954</u>	<u>35.3%</u>	<u>8,568</u>
<b>30,426</b>	<b>29,229</b>	<b>1,197</b>	<b>4.1%</b>	<b>28,865</b>

**SPEECH THERAPY**

Inpatient  
Outpatient  
Total

4,882	4,963	(81)	(1.6%)	5,291
<u>3,099</u>	<u>3,755</u>	<u>(656)</u>	<u>(17.5%)</u>	<u>3,150</u>
<b>7,981</b>	<b>8,718</b>	<b>(737)</b>	<b>(8.5%)</b>	<b>8,441</b>

**SLEEP STUDIES**

Inpatient  
Outpatient  
Total

-	-	-	-	1
<u>460</u>	<u>380</u>	<u>80</u>	<u>21.1%</u>	<u>384</u>
<b>460</b>	<b>380</b>	<b>80</b>	<b>21.1%</b>	<b>385</b>

**WOUND CARE**

Inpatient  
Outpatient  
Total

36	50	(14)	(28.0%)	43
<u>3,239</u>	<u>3,763</u>	<u>(524)</u>	<u>(13.9%)</u>	<u>3,479</u>
<b>3,275</b>	<b>3,813</b>	<b>(538)</b>	<b>(14.1%)</b>	<b>3,522</b>

**HYPERBARIC**

Inpatient  
Outpatient  
Total

90	113	(23)	(20.4%)	63
<u>406</u>	<u>829</u>	<u>(423)</u>	<u>(51.0%)</u>	<u>631</u>
<b>496</b>	<b>942</b>	<b>(446)</b>	<b>(47.3%)</b>	<b>694</b>

**PATIENT ACTIVITY SUMMARY  
COMBINED  
March-16**

CURRENT MONTH MARCH 2016				
ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR
68	55	13	23.6%	55
<u>2,936</u>	<u>3,029</u>	<u>(93)</u>	<u>(3.1%)</u>	<u>2,031</u>
<b>3,004</b>	<b>3,084</b>	<b>(80)</b>	<b>(2.6%)</b>	<b>2,086</b>
49	54	(5)	(9.3%)	56
<u>49</u>	<u>54</u>	<u>(5)</u>	<u>(9.3%)</u>	<u>56</u>
-	6	(6)	(100.0%)	7
<u>1,446</u>	<u>1,477</u>	<u>(31)</u>	<u>(2.1%)</u>	<u>1,773</u>
<b>1,446</b>	<b>1,483</b>	<b>(37)</b>	<b>(2.5%)</b>	<b>1,780</b>
622	537	85	15.8%	524
<u>154</u>	<u>117</u>	<u>37</u>	<u>31.6%</u>	<u>113</u>
<b>776</b>	<b>654</b>	<b>122</b>	<b>18.6%</b>	<b>637</b>
65	98	(33)	(33.7%)	108
<u>52</u>	<u>48</u>	<u>4</u>	<u>8.3%</u>	<u>33</u>
<b>117</b>	<b>146</b>	<b>(29)</b>	<b>(19.9%)</b>	<b>141</b>

YEAR-TO-DATE					
ACTUAL	BUDGET	VAR.	% VAR.	PRIOR YR	
<b>INFUSION THERAPY:</b>					
Inpatient	328	422	(94)	(22.3%)	282
Outpatient	<u>18,302</u>	<u>17,047</u>	<u>1,255</u>	<u>7.4%</u>	<u>12,145</u>
<b>Total</b>	<b>18,630</b>	<b>17,469</b>	<b>1,161</b>	<b>6.6%</b>	<b>12,427</b>
<b>IVF</b>					
Inpatient	-	-	-	-	-
Outpatient	<u>320</u>	<u>286</u>	<u>34</u>	<u>11.9%</u>	<u>297</u>
<b>Total</b>	<b>320</b>	<b>286</b>	<b>34</b>	<b>11.9%</b>	<b>297</b>
<b>WPCC</b>					
Inpatient	19	25	(6)	(24.0%)	25
Outpatient	<u>9,435</u>	<u>8,455</u>	<u>980</u>	<u>11.6%</u>	<u>10,150</u>
<b>Total</b>	<b>9,454</b>	<b>8,480</b>	<b>974</b>	<b>11.5%</b>	<b>10,175</b>
<b>PATIENT ASSESSMENT</b>					
Inpatient	3,289	3,171	118	3.7%	2,954
Outpatient	<u>1,014</u>	<u>638</u>	<u>376</u>	<u>58.9%</u>	<u>640</u>
<b>Total</b>	<b>4,303</b>	<b>3,809</b>	<b>494</b>	<b>13.0%</b>	<b>3,594</b>
<b>ELECTRO-CONVULSIVE TREATMENT</b>					
Inpatient	496	579	(83)	(14.3%)	566
Outpatient	<u>233</u>	<u>261</u>	<u>(28)</u>	<u>(10.7%)</u>	<u>218</u>
<b>Total</b>	<b>729</b>	<b>840</b>	<b>(111)</b>	<b>(13.2%)</b>	<b>784</b>



**Births by Hospital  
FY 2014 - FY 2016 (Jan)**

**Year-to-date Totals vs. Prior Year Total**

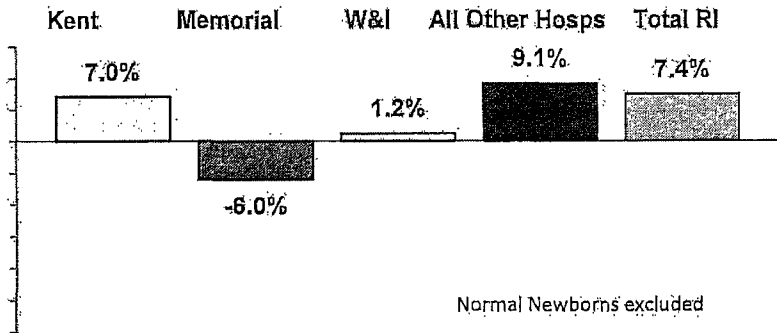
Hospital	FY 2014		FY 2015		FY 2016 (Jan)	
	Count	% of Total	Count	% of Total	Count	% of Total
Women & Infants	8,587	75.9%	8,948	77.9%	2,959	78.6%
Kent	899	7.9%	852	7.4%	277	7.4%
Memorial	492	4.4%	446	3.9%	133	3.5%
<b>CNE Subtotal</b>	<b>9,978</b>	<b>88.2%</b>	<b>10,246</b>	<b>89.2%</b>	<b>3,369</b>	<b>89.5%</b>
Newport	454	4.0%	413	3.6%	136	3.6%
South County	691	6.1%	626	5.5%	201	5.3%
Landmark	187	1.7%	197	1.7%	57	1.5%
<b>All Other Subtotal</b>	<b>1,332</b>	<b>11.8%</b>	<b>1,236</b>	<b>10.8%</b>	<b>394</b>	<b>10.5%</b>
<b>TOTAL</b>	<b>11,310</b>	<b>100.0%</b>	<b>11,482</b>	<b>100.0%</b>	<b>3,763</b>	<b>100.0%</b>

**Volume Change: Year-to-date Total (Jan) vs. Same time period prior years**

Hospital	FY 2014 (Jan)	FY 2015 (Jan)	FY 2016 (Jan)	FY15 -16 Change		FY 14 - 16 Change	
				# Diff	% Diff	# Diff	% Diff
Women & Infants	2,858	2,916	2,959	43	1.5%	101	3.5%
Kent	284	279	277	(2)	-0.7%	(7)	-2.5%
Memorial	152	147	133	(14)	-9.5%	(19)	-12.5%
<b>CNE Subtotal</b>	<b>3,294</b>	<b>3,342</b>	<b>3,369</b>	<b>27</b>	<b>0.8%</b>	<b>75</b>	<b>2.3%</b>
Newport	136	133	136	3	2.3%	-	0.0%
South County	203	224	201	(23)	-10.3%	(2)	-1.0%
Landmark	69	77	57	(20)	-26.0%	(12)	-17.4%
<b>All Other Subtotal</b>	<b>408</b>	<b>434</b>	<b>394</b>	<b>(40)</b>	<b>-9.2%</b>	<b>(14)</b>	<b>-3.4%</b>
<b>TOTAL</b>	<b>3,702</b>	<b>3,776</b>	<b>3,763</b>	<b>(13)</b>	<b>-0.3%</b>	<b>61</b>	<b>1.6%</b>

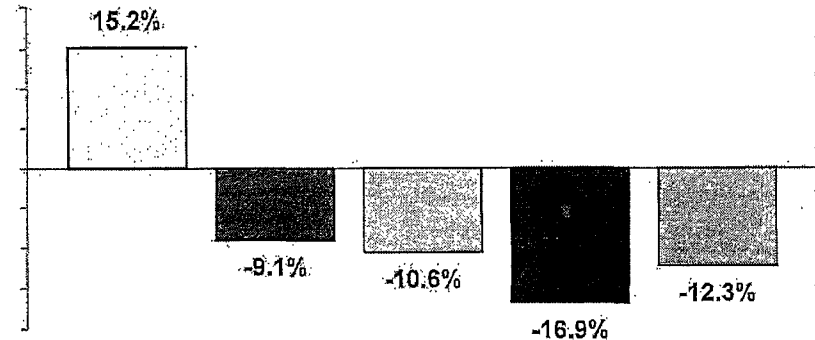
## Utilization at Acute Care Hospitals in Rhode Island Percent Change FY 14-15 (YTD Dec)

**Inpatient Discharges - % Change**



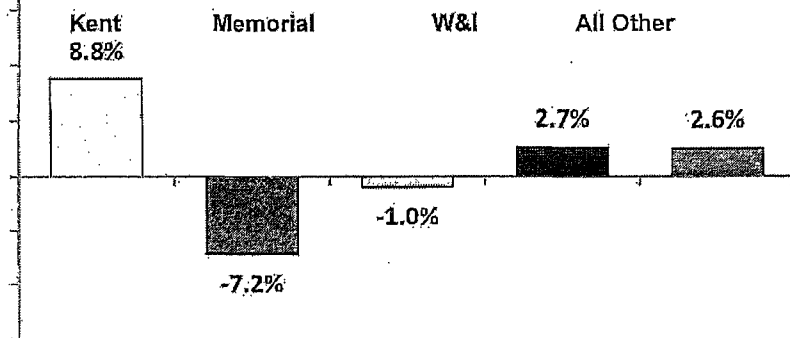
11 Hospitals reporting - 10 YTD increase, 1 YTD decrease

**Observation Cases - % Change**



11 Hospitals reporting - 4 YTD increase, 7 YTD decrease

**Total Inpatient Discharges and Observations - % Change**



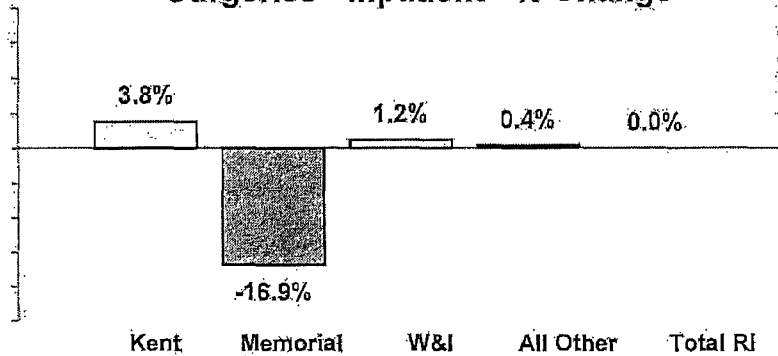
**Most RI hospitals are now reporting increases in inpatient utilization. MHRI is the only hospital reporting a decrease. This reflects a shift from the prior year when most hospitals were reporting decreases in inpatient utilization.**

**Most hospitals in the state are reporting a decrease in observation cases.**

Source: H&RI Databank, Kent Internal Source, CNE Observation Data Internal Sources  
Strategy and System Development 1/20/16

## Utilization at Acute Care Hospitals in Rhode Island Percent Change FY 14-15 (YTD Dec)

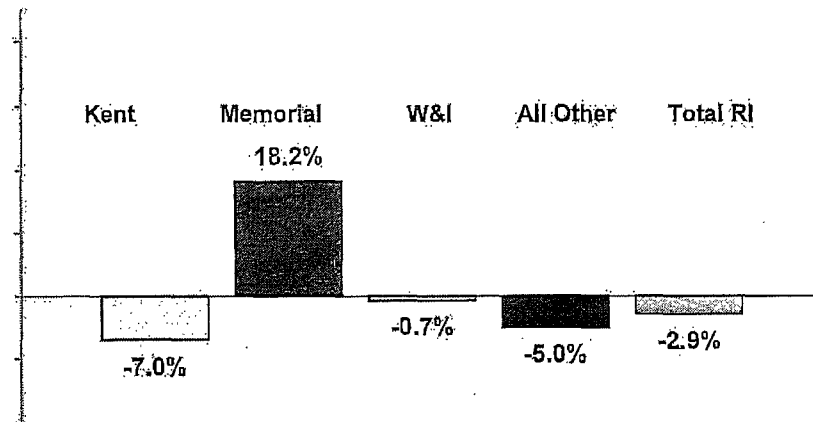
**Surgeries - Inpatient - % Change**



Includes C-sections:

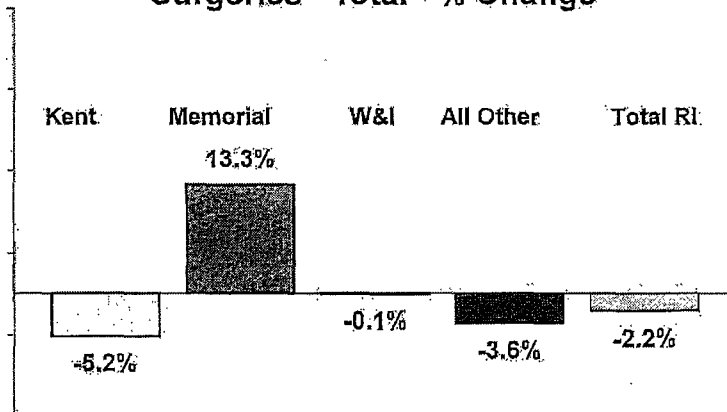
11 Hospitals reporting - 2 YTD increase, 9 YTD decrease

**Surgeries - Outpatient - % Change**



11 Hospitals reporting - 5 YTD increase, 6 YTD decrease.

**Surgeries - Total - % Change**

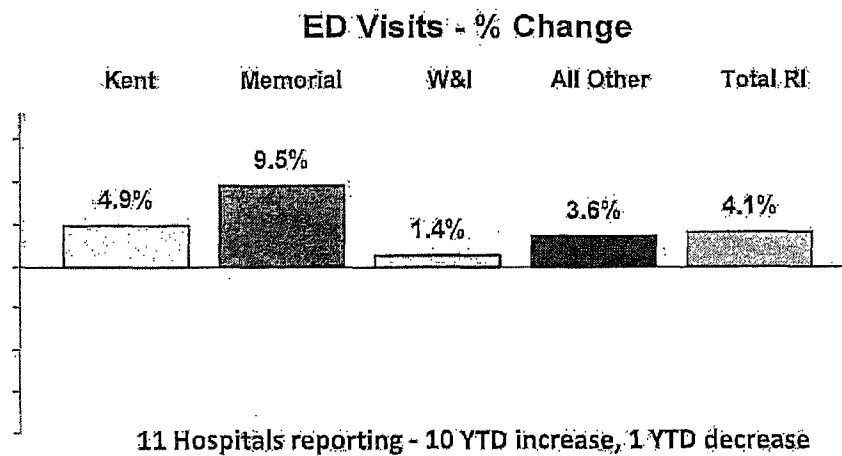


11 Hospitals reporting - 5 YTD increase, 6 YTD decrease.

Most hospitals are reporting a decrease in inpatient surgeries. Kent & W&I are the only two exceptions to this.

MHRI is one of the five hospitals that have had increases in outpatient surgery volumes.

## Utilization at Acute Care Hospitals in Rhode Island Percent Change FY 14-15 (YTD Dec)



**Most hospitals in the state, with one exception, have had an increase in ED visits.**

**All three CNE hospitals have reported increases in their ED volumes.**

## Utilization at Acute Care Hospitals in Rhode Island Percent Change FY 14-15 (YTD Dec)

	FY 14 YTD Oct-Dec			FY 15 YTD Oct-Dec			FY14-15 (Dec) Volume Change			FY14-15 (Dec) Percent Change		
	Disch	Obs	Total	Disch	Obs	Total	Disch	Obs	Total	Disch	Obs	Total
Kent	3,564	946	4,510	3,815	1,090	4,905	251	144	395	7.0%	15.2%	8.8%
Memorial	1,101	737	1,838	1,035	670	1,705	(66)	(67)	(133)	-6.0%	-9.1%	-7.2%
W&I	2,837	650	3,487	2,871	581	3,452	34	(69)	(35)	1.2%	-10.6%	-1.0%
All Other	19,448	6,439	25,887	21,227	5,349	26,576	1,779	(1,090)	689	9.1%	-16.9%	2.7%
Total RI	26,950	8,772	35,722	28,948	7,690	36,638	1,998	(1,082)	916	7.4%	-12.3%	2.6%
	Surg (IP)	Surg (OP)	Total	Surg (IP)	Surg (OP)	Total	Surg (IP)	Surg (OP)	Total	Surg (IP)	Surg (OP)	Total
Kent	558	2,789	3,347	579	2,594	3,173	21	(195)	(174)	3.8%	-7.0%	-5.2%
Memorial	295	1,831	2,126	245	2,164	2,409	(50)	333	283	-16.9%	18.2%	13.3%
W&I	910	2,133	3,043	921	2,118	3,039	11	(15)	(4)	1.2%	-0.7%	-0.1%
All Other	5,396	15,412	20,808	5,417	14,648	20,065	21	(764)	(743)	0.4%	-5.0%	-3.6%
Total RI	7,159	22,165	29,324	7,162	21,524	28,686	3	(641)	(638)	0.0%	-2.9%	-2.2%
	ED Visits			ED Visits			ED Visits			ED Visits		
Kent		16,005			16,785			780			4.9%	
Memorial		8,601			9,422			821			9.5%	
W&I		7,002			7,097			95			1.4%	
All Other		89,048			92,293			3,245			3.6%	
Total RI		120,656			125,597			4,941			4.1%	

Source: HARI Databank, Kent Internal Source, CNE Observation  
Data Internal Sources  
Strategy and System Development 1/20/16