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The Health of Rhode Island's Hospitals (2009)

A Financial Analysis

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Table of Contents

I: EXECUTIVE SUMMARY

From 2008 to 2009, the financial health of RI's hospitals improved overall, but some independent providers remained severely compromised. State-wide net income grew from $3.5 million to $7.8 million, even as investment losses continued. Financial leverage and debt capacity weakened slightly, but liquidity strengthened. In all, six of the nine financial measures improved from 2008 levels. Network hospitals (Care New England, Lifespan) fared much better than the independent facilities in all financial domains (i.e., profitability, capitalization and liquidity). In 2009, Roger Williams and St. Joseph were approved to affiliate under CharterCARE Health Partners. In 2009, St. Joseph became technically insolvent (with a -$7.3 million net worth), and Landmark Medical Center remained under control of a court-appointed Special Master (i.e., in receivership).

Table 1: Statewide Financial Data

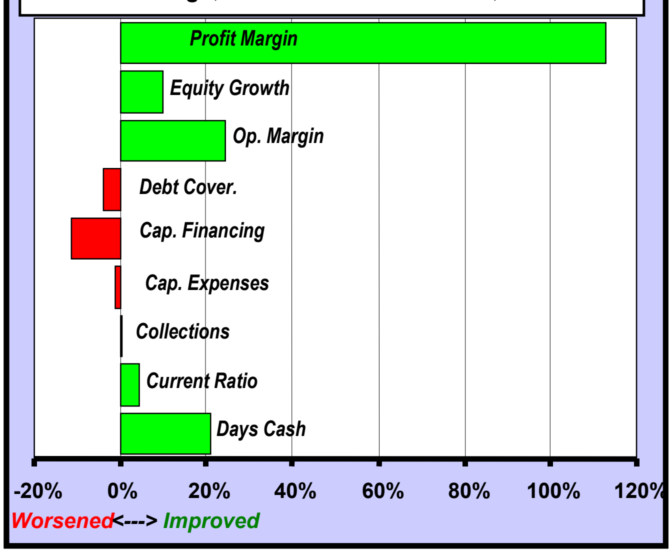
	dollars in millions	2008	2009	% Change
	BALANCE SHEET			
ASSETS	Receivables	$341	$355	4%
	Investments	$1,552	$1,658	7%
	Physical Plant	$1,217	$1,248	3%
	Other	$172	$151	-12%
	Total Assets	$3,282	$3,413	4%
LIABILITIES	Current	$495	$518	5%
	Debt	$528	$605	15%
	Pension	$111	$314	183%
	Other	$340	$358	5%
	Net Worth	$1,808	$1,617	-11%
	INCOME STATEMENT			
REVENUE	Patient	$2,744	$2,874	5%
	Other	$296	$305	3%
	Total Revenue	$3,040	$3,180	5%
EXPENSES	Personnel	$1,761	$1,834	4%
	Capital	$134	$141	5%
	Bad Debt	$167	$169	1%
	Other	$957	$1,009	5%
	Total Expenses	$3,019	$3,153	4%
INCOME	Operating	$20.6	$26.8	30%
	Non-Operating	-$17.0	-$19.0	-11%
	Net Income	$3.5	$7.8	123%

Rhode Island's 13 private, non-profit hospitals are a $3.2 billion dollar industry comprising 5.8% of the Gross State Product (in 2008). Because of the hospitals' importance to healthcare delivery, their impact on the economy, and the large public investment they represent, the RI Department of Health (HEALTH) monitors their performance annually. This enables HEALTH to identify fiscal problems and to inform healthcare system policy.

This report uses hospitals' audited data to compare the performance of RI hospitals to others in the Northeast (NE), and to a benchmark of the top 10% of facilities in the region. The individual hospitals are also evaluated against each other based on their performance on nine measures in the past three years. Lastly, comparative data on the hospital networks (Care New England, Lifespan) and independent facilities are presented.

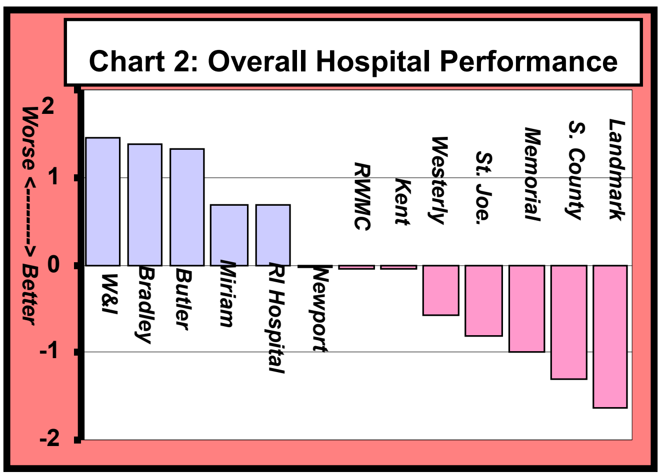
In 2008 (the most recent year for comparable data), RI's hospitals' financial health was relatively poor. Statewide, local hospitals were collectively less profitable than those in the northeast (0.1% vs. 0.9%), and they lost more value (-12% vs. -6%). RI hospitals carried less debt than their regional peers (47% vs. 61%), but their borrowing capacity was weaker (2.1 vs. 2.7). Local hospital liquidity was less compromised, however, with similar collections (45 days versus 46 days), and cash reserves (25 days each).

Chart 1: Change, Statewide Performance, 2008-2009



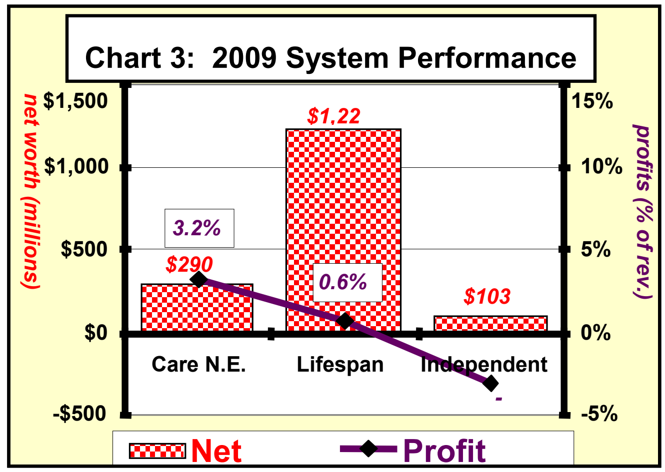
<u>In 2009</u>, statewide hospital financial performance strengthened. Six of the nine measures improved, while the remaining three measures worsened slightly (Chart 1). From 2008 to 2009, RI's profit margin improved from 0.1% to 0.2%, as did the operating margin (0.7% to 0.8%). The change in net worth continued to post declines with some moderation (-12% to –11%). Financial leverage increased unfavorably (47% to 52%), debt capacity weakened (2.1 to 2.0), and capital expenses increased slightly (4.4% to 4.5%). Overall liquidity improved, as the current ratio strengthened (1.35 to 1.42), the collections period held steady (45 days), and days cash increased (25 days to 31 days).

Chart 2 ranks the overall financial performance of the 13 hospitals, by aggregating the nine measures (over three years) into a composite index (see Appendix A: Methodology & Data).



Women & Infants, Bradley Hospital, and Butler Hospital were the strongest hospitals in the state, while Landmark Medical Center, South County Hospital, and Memorial Hospital were the weakest, respectively. Landmark Medical Center is currently under control of a court appointed Special Master (i.e., in receivership), and St. Joseph is technically insolvent with a net worth of -$7.3 million. All of the six top-ranked hospitals were Care New England or Lifespan network affiliates, and, with the exception of Kent Hospital (ranked eighth), all of the six bottom-ranked hospitals were independent facilities.

Chart 3 compares two metrics of financial strength for the hospital networks and the independents (net worth and profit margin). In 2009, there were wide differences in system profitability. Care New England led with a margin of 3.2%, followed by Lifespan (0.6%), and the independents (-3.1%).



Net worth values also reflected the weakness of the independent facilities. Lifespan, with four member hospitals, had a combined net worth over $1.2 billion, while Care New England (with three hospitals) had a net worth of $290 million. The six independent facilities, however, had a combined net worth of only $103 million.

Lifespan's 2009 market share (based on patient revenue) was 48%, yet it held 76% of all hospital wealth in the state (i.e., net worth). Care New England's market share was 23%, and its net worth percentage was 18%, and the independents captured 29% of the market while controlling only 6% of statewide hospital wealth.

II: INTRODUCTION

The Health of RI's Hospitals (2009) is the 11th edition to analyze the state's hospital industry. It compares their financial performance over time (2007-2009), to regional (Northeastern) values, and to the top 10% of hospitals in the Northeast (NE).

In addition, the report ranks the individual hospitals in three financial domains (i.e., profitability, capitalization, and liquidity), and a composite index ranks the overall financial health of each provider. Lastly, the two hospital networks (Care New England, Lifespan) and independent facilities are compared.

The following should be considered when interpreting the findings in this report:

- The analysis examines financial operations only. It does not include information on clinical quality or patient satisfaction, both of which are additional aspects of overall performance.

- Statewide (and regional) comparisons are an aggregate of all hospitals located in RI or the Northeast. As such, they express generalities of overall performance and may not reflect the performance of each individual hospital. For example, RI's 2008 *change in* net worth value was worse (i.e., lower) than the regional value (-12% vs. -6%), but Bradley and Women & Infants each performed better than the regional value (i.e., at –4% and +2%, respectively).

- Appendix A provides the raw hospital data, the formulas for the individual measures, and the hospital ranking methodology. Comparable regional values and benchmarks referenced in the text (through 2008, the most recent year for these data) came from the *Almanac of Hospital Financial & Operating Indicators* (*2009 & 2010 editions, Ingenix, Inc; www.ingenix.com*).

- The benchmarks are the best performing decile of hospitals in the Northeast. (i.e., the regional 90th percentile values). For those measures in which lower values are preferred (i.e., capital financing, capital expenses, and collections period), the benchmarks are the Northeastern 10th percentile values.

- The Northeast (regional) comparables are the median (50th percentile) values of the hospitals in nine states (i.e., Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont).

- The individual hospital analyses measure each hospital's performance against all the hospitals in the state, not to any regional or national peer groups. A hospital's index value is the number of standard deviations that hospital differs from the average for all RI hospitals, with desired trends always for higher values.

- The ranking of hospitals uses a similar methodology employed in six previous editions, and a rationale is provided for each methodological decision.

- Three years' data are included in the analysis to remove any normal variations associated with evaluating only a single year.

- For each measure, a weighted average of the three years' values (22% of the 2007 value, 33% of the 2008 value, and 45% of the 2009 value) is provided to gauge individual hospital performance. Therefore, a hospital's most recent performance (in 2009) is considered more important than how it operated in prior years.

III: PROFITABILITY

Profitability measures examine the generation of net income and net worth. Profitability is key to any hospital's long-term survival. Hospitals that are consistently unprofitable will have insufficient funds to meet current requirements, to replace aging plants or to invest in new technologies. Three profitability measures are examined: profit margin, change in net worth, and operating margin.

A. The **profit margin,** or total margin, is the overall return from hospital operations and non-operations, and reflects what hospitals make from the revenue they take in (Table 2). The profit margin includes all gains and losses for the year, and is a primary measure of profitability. Any organization, regardless of tax-status, needs to generate net income in order to remain viable, so higher values are preferred.

Table 2: Profit

	2007	2008	2009	*Wght. Avg.*
Bradley	9.0%	5.4%	4.7%	*5.9%*
Butler	3.3%	2.5%	2.3%	*2.6%*
Kent	-2.2%	-0.8%	1.3%	*-0.2%*
Landmark	-6.0%	-4.5%	-5.2%	*-5.1%*
Memorial	2.9%	-7.7%	-2.2%	*-2.9%*
Miriam	5.1%	2.1%	0.2%	*1.9%*
Newport	19.5%	2.6%	-8.2%	*1.4%*
RIH	5.8%	2.9%	1.1%	*2.7%*
RWMC	1.1%	0.4%	-0.7%	*0.0%*
SCH	-4.4%	-9.6%	-9.7%	*-8.5%*
SJH	-1.3%	-5.1%	-1.8%	*-2.8%*
Westerly	-2.3%	0.6%	-0.8%	*-0.7%*
W&I	4.4%	1.5%	6.2%	*4.3%*
CNE	*1.4%*	*0.7%*	*3.2%*	*2.0%*
Lifespan	*7.3%*	*2.5%*	*0.6%*	*2.7%*
Independents	*-1.2%*	*-4.4%*	*-3.1%*	*-3.1%*
STATEWIDE	*3.5%*	*0.1%*	*0.2%*	---
NORTHEAST	*2.8%*	*0.9%*	---	---
BENCHMARKS	*9.0%*	*6.6%*	---	---

In 2008, RI profitability fell absolutely and relatively, to end below the NE value (0.1% vs. 0.9%). The statewide value was also far below the benchmark (0.1% vs. 6.6%). No RI facility was among the best-performing hospitals in the region.

In 2009, state-wide profitability improved from 0.1% to 0.2%. This was due to an increase in operating income ($20.6 million to $26.8 million), even as non-operating income decreased by $2 million.

In 2009, four hospitals' profit margins improved while nine hospitals' margins declined. Categorically, Care New England was the most profitable group (3.2%), followed by Lifespan at 0.6%. The independents lost a combined 3.1%, and all six facilities individually lost money.

B. The **change in net worth** measures the annual change in the hospital's net assets or the percentage by which the value of the facility is growing or shrinking annually (Table 3). Healthy organizations are expected to increase in value over time, and any loss in equity is undesirable so higher values are preferred.

Table 3: Change in Net Worth

	2007	2008	2009	*Wght. Avg.*
Bradley	47%	-4%	-3%	*8%*
Butler	17%	-8%	-8%	*-3%*
Kent	8%	-17%	-18%	*-12%*
Landmark	-270%	-120%	-23%	*-109%*
Memorial	-3%	-19%	-43%	*-26%*
Miriam	20%	-7%	-6%	*0%*
Newport	18%	-14%	-11%	*-6%*
RIH	16%	-9%	-8%	*-3%*
RWMC	14%	-9%	-6%	*-3%*
SCH	7%	-19%	-44%	*-24%*
SJH	-11%	-72%	-167%	*-101%*
Westerly	-5%	-17%	-21%	*-16%*
W&I	18%	2%	10%	*9%*
CNE	*14%*	*-5%*	*-3%*	*0%*
Lifespan	*19%*	*-10%*	*-7%*	*-2%*
Independents	*-3%*	*-30%*	*-45%*	*-31%*
STATEWIDE	*15%*	*-12%*	*-11%*	---
NORTHEAST	*8%*	*-6%*	---	---
BENCHMARKS	*33%*	*12%*	---	---

In 2008, state-wide wealth fell dramatically from +15% in 2007 to –12% in 2008, and ended below the NE comparable (-12% vs. -6%). The RI value was also short of the benchmark (-12% vs. +12%), and no RI facility placed among the best-performing hospitals in the region.

In 2009, the state-wide change in net worth improved slightly (from -12% to –11%), but still lost value. This was primarily due to excessive increases in pension liabilities ($111 million to $316 million) and debt ($576 million to $654 million). Investments actually increased slightly since 2008 from $1,571 million to $1,575 million.

In 2009, eight hospitals' net worth improved while five hospitals' values declined. Categorically, Care New England performed best, with the smallest loss in equity (-3%), followed by Lifespan at -7%. The independents lost a combined 45%, and individually, all six independent facilities lost net worth.

Technically, a hospital is considered insolvent (i.e., its liabilities exceed its assets) when its net worth is negative. Landmark had a negative net worth each year (in June 2008, the court appointed a Special Master to oversee all operations, i.e., it was placed into receivership), and St. Joseph's net worth became negative in 2009 (-$7.3m).

C. The **operating margin** is the profitability of patient services and other ancillary operating activities (e.g., research, rental space, gift shops, parking and cafeteria; Table 4). As with all the profitability measures, higher values are preferred.

Table 4: Operating

	2007	2008	2009	*Wght. Avg.*
Bradley	8.9%	5.4%	4.7%	*5.8%*
Butler	2.2%	3.0%	2.2%	*2.5%*
Kent	-3.7%	0.2%	0.4%	*-0.6%*
Landmark	-6.4%	-4.6%	-5.6%	*-5.5%*
Memorial	-1.1%	-4.2%	-2.9%	*-2.9%*
Miriam	2.9%	2.0%	0.7%	*1.6%*
Newport	-1.4%	-2.6%	-4.2%	*-3.0%*
RIH	4.0%	2.8%	2.0%	*2.7%*
RWMC	0.1%	0.0%	-0.5%	*-0.2%*
SCH	-10.5%	-5.5%	-6.0%	*-6.8%*
SJH	-1.3%	-5.1%	-1.8%	*-2.8%*
Westerly	-8.2%	-1.3%	-1.0%	*-2.7%*
W&I	2.7%	4.3%	3.5%	*3.6%*
CNE	*-0.2%*	*2.6%*	*2.4%*	*1.9%*
Lifespan	*3.4%*	*2.2%*	*2.1%*	*2.4%*
Independents	*-3.5%*	*-3.5%*	*-2.7%*	*-3.2%*
STATEWIDE	*0.6%*	*0.7%*	*0.8%*	---
NORTHEAST	*1.5%*	*0.4%*	---	---
BENCHMARKS	*10.6%*	*8.3%*	---	---

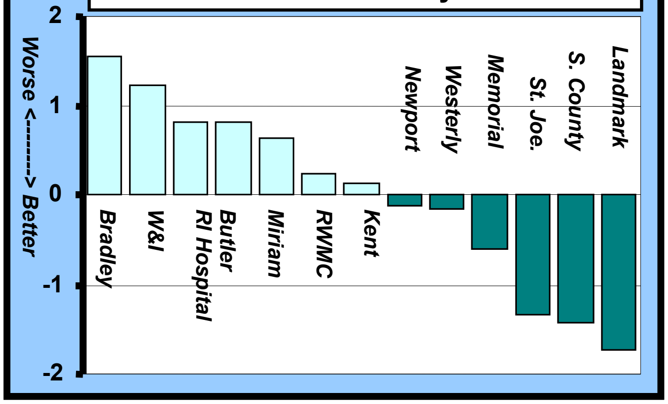
In 2008, state-wide operating profitability increased since 2007 from 0.6% to 0.7%, ending above the NE value (0.7% vs. 0.4%). The RI value was short of the benchmark (0.7% vs. 8.3%), with no RI facility among the best-performing hospitals in the region.

In 2009, state-wide operating profitability improved since 2008 from 0.7% to 0.8%. This was primarily due to a 5% increase in revenue and a moderate increase in personnel expenses (+4%).

In 2009, four hospitals' operating margins improved while nine hospitals' margins worsened. Categorically, Care New England had the highest increase in operating margin (2.4%), followed by Lifespan at 2.1%. The independents lost a combined 2.7%, with all six individual facilities posting losses.

D. **Profitability Summary:** Chart 4 aggregates the information in Tables 2, 3 and 4 to rank the overall profitability of the hospitals.

Chart 4: Profitability Indices



The top-ranked hospitals for overall profitability were Bradley Hospital, Women & Infants, and Rhode Island Hospital, respectively. Five of the six best-performing hospitals were network affiliates (Care New England or Lifespan). The bottom-ranked hospitals were Landmark Medical Center, South County Hospital, and St. Joseph Hospital, respectively. Five of the six worst-performing hospitals were independent facilities.

IV: CAPITALIZATION

Capitalization measures indicate the extent of debt in financing the hospital's physical plant and equipment, the burden of the capital-related expenses, and the ability to incur additional borrowings. These metrics are closely monitored by creditors and bond-rating agencies and may ultimately determine the amount of financing available for future capital projects. Three capitalization measures are presented: debt service coverage, capital financing, and capital expenses.

A. ***Debt service coverage*** compares the available cash to the amount of money owed (principal and interest) (Table 5). Mortgage lenders use this measure to examine the security of the debt, because it examines both a source (numerator) and a use of funds (denominator). Higher values are, therefore, preferred.

Table 5: Debt Service Coverage

	2007	2008	2009	Wght. Avg.
Bradley	n/a	n/a	6.7	6.7
Butler	5.8	5.1	5.4	5.4
Kent	1.2	2.2	3.9	2.7
Landmark	-0.3	-0.2	-0.3	-0.2
Memorial	3.6	-2.7	0.6	0.2
Miriam	9.7	6.2	3.0	5.5
Newport	8.7	3.5	-0.3	2.9
RIH	8.2	5.2	2.9	4.9
RWMC	2.6	1.9	1.6	1.9
SCH	0.5	0.1	0.3	0.3
SJH	1.3	-0.5	1.2	0.7
Westerly	1.4	2.0	1.3	1.5
W&I	6.7	5.1	10.9	8.1
CNE N.E.	3.9	3.8	6.5	5.0
Lifespan	9.3	5.1	3.0	5.1
Independents	0.8	0.1	0.4	0.4
STATEWIDE	3.5	2.1	2.0	---
NORTHEAST	3.7	2.7	---	---
BENCHMARKS	9.3	6.2	---	---

In 2008, RI's debt service coverage fell from 3.5 to 2.1, to end below the NE comparable (2.1 vs. 2.7). The statewide value was also far below the benchmark (2.1 vs. 6.2), and The Miriam Hoispital was the only RI facility to equal the best-performing hospitals in the region.

In 2009, RI's debt service coverage declined slightly (-4%), from 2.1 to 2.0. This was caused by the growth of state-wide debt service (+13%) that outpaced the growth in cash flow (+8%).

In 2009, six hospitals' debt service coverage improved while seven hospitals' values worsened. Categorically, Care New England performed best (6.5), followed by Lifespan at 3.0. As a group, the independents were generally unable to repay their debt from operating cash flow (0.4).

B. **Capital financing** (fixed asset financing) measures the percentage of the hospital's physical plant financed with debt (Table 6). Lower values are preferred as they indicate less reliance on borrowing) and a greater ability to incur additional debt (all else being equal).

Table 6: Capital

	2007	2008	2009	Wght. Avg.
Bradley	0%	0%	60%	27%
Butler	47%	47%	46%	46%
Kent	34%	32%	30%	32%
Landmark	120%	111%	110%	113%
Memorial	53%	46%	45%	47%
Miriam	36%	33%	45%	39%
Newport	43%	39%	32%	37%
RIH	48%	44%	57%	50%
RWMC	66%	68%	67%	67%
SCH	117%	110%	96%	105%
SJH	56%	57%	51%	54%
Westerly	46%	47%	50%	48%
W&I	36%	46%	37%	40%
CNE	38%	43%	37%	39%
Lifespan	43%	39%	52%	46%
Independents	75%	72%	68%	71%
STATEWIDE	49%	47%	52%	---
NORTHEAST	64%	61%	---	---
BENCHMARKS	14%	20%	---	---

In 2008, RI's financial leverage decreased from 49% in 2007 to 47% in 2008, to end a positive 23% below the NE comparable (47% vs. 61%). The statewide value, however, was above the benchmark (47% vs. 20%), and Bradley Hospital was the only RI facility among this best-performing group.

In 2009, the state-wide capital financing increased unfavorably by 11% (47% to 52%). This was due to debt increasing faster than the fixed assets it was financing (+14% vs. +3%, respectively).

In 2009, nine hospitals' values improved, while four hospitals' values worsened. Categorically, Care New England performed best, with the lowest leverage (37%), followed by Lifespan at 52%. The independents had the highest financial leverage, with a combined value of 68%. Landmark's 2009 value exceeded 100% (110%), indicating that it owed more than its assets were worth.

C. **Capital expenses** presents the burden of a hospital's capital-related expenses relative to its total expenses (Table 7). Capital is expensed through depreciation of the acquisition costs of the assets acquired and the interest expense on the associated debt. Capital expenses are considered fixed-costs in that they are long-lived and do not vary with volume, so lower values are preferred.

Table 7: Capital

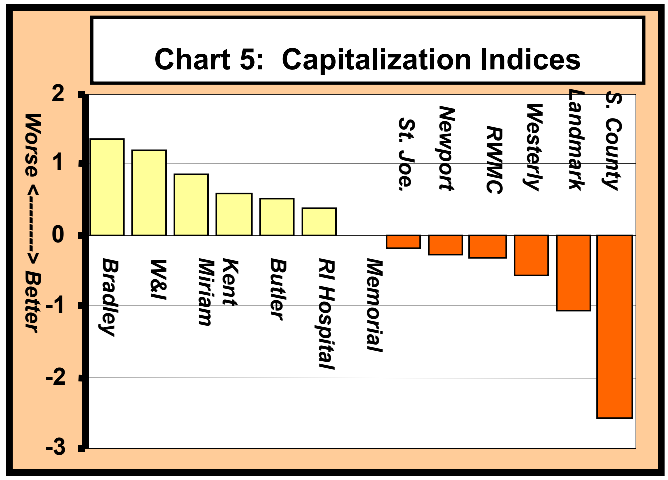
	2007	2008	2009	Wght. Avg.
Bradley	2.4%	2.4%	4.1%	3.2%
Butler	5.0%	4.9%	4.2%	4.6%
Kent	4.5%	3.8%	3.3%	3.7%
Landmark	2.9%	2.4%	2.3%	2.5%
Memorial	3.3%	3.1%	3.0%	3.1%
Miriam	3.7%	3.9%	3.7%	3.8%
Newport	7.4%	7.5%	7.4%	7.4%
RIH	4.6%	4.4%	4.6%	4.6%
RWMC	4.7%	4.4%	4.1%	4.3%
SCH	8.7%	10.3%	12.3%	10.9%
SJH	3.8%	3.9%	4.0%	4.0%
Westerly	7.3%	6.9%	6.5%	6.8%
W&I	4.2%	3.9%	3.6%	3.9%
CNE	4.4%	4.1%	3.6%	3.9%
Lifespan	4.5%	4.4%	4.6%	4.5%
Independents	4.7%	4.7%	5.0%	4.8%
STATEWIDE	4.5%	4.4%	4.5%	---
NORTHEAST	5.5%	5.7%	---	---
BENCHMARKS	3.7%	3.8%	---	---

In 2008, RI's capital expenses decreased from 4.5% in 2007 to 4.4% in 2008, to end 22% favorably below the NE value (4.4% vs. 5.7%). That year the RI value was 17% unfavorably-above the benchmark (4.4% vs. 3.8%), however, Bradley Hospital, Landmark Medical Center, and Memorial Hospital were among the best-performing hospitals in the region.

In 2009, state-wide capital expenses increased slightly, from 4.4% in 2008 to 4.5% in 2009. This was due to new debt driving interest expenses up 18%, while total expenses increased only 4%.

In 2009, nine hospitals' capital expenses improved while four hospitals' values worsened. Categorically, Care New England had the best (i.e., lowest) capital expenses (3.6%), followed by Lifespan at 4.6%. The independents had the highest combined value of 5.0%.

E. **Capitalization Summary:** Chart 5 aggregates the information in Tables 5, 6 and 7.



The top-ranked hospitals for overall capitalization were Bradley Hospital, Women & Infants, and The Miriam Hospital, respectively. All of the six best-performing hospitals were network affiliates (Care New England or Lifespan). The bottom-ranked hospitals were South County Hospital, Landmark Medical Center, and Westerly Hospital, respectively. Five of the six worst-performing hospitals were independent facilities.

V: LIQUIDITY

Liquidity measures examine the ability of a hospital to meet its short-term obligations (i.e., to pay its bills). Most organizations experience a financial crisis because of liquidity problems, and deterioration in these measures may be a predictor of potential future insolvency. Three liquidity measures are examined: collections period, current ratio, and days cash.

A. The ***collections period*** (days in patient accounts receivable) measures the average time (in days) receivables are outstanding (Table 8). Patient care is the primary source of hospital revenue, so prompt collection of these bills is critical. Increases in this measure can create cash-flow problems, so lower values are preferred.

Table 8: Collections Period (days)

	2007	2008	2009	Wght. Avg.
Bradley	62	68	74	69
Butler	27	30	30	29
Kent	47	42	43	44
Landmark	34	31	31	32
Memorial	80	83	82	82
Miriam	38	41	38	39
Newport	36	37	35	36
RIH	49	46	48	48
RWMC	37	38	38	38
SCH	47	44	31	39
SJH	55	45	44	47
Westerly	42	42	31	37
W&I	45	42	45	44
CNE	44	41	43	43
Lifespan	46	45	46	46
Independents	51	49	45	48
STATEWIDE	47	45	45	---
NORTHEAST	46	46	---	---
BENCHMARKS	34	35	---	---

In 2008, RI's collections improved from 47 days in 2007 to 45 days in 2008, and ended essentially equivalent to the NE comparable, but 30% below the benchmark value (45 versus 35). That year, Butler Hospital and Landmark Medical Center were among the best-performing hospitals in the region.

In 2009, state-wide collections held steady at 45 days. Eight hospitals' values improved while five hospitals' values worsened. Categorically, Care New England had the best (i.e., lowest) collections period (43), followed by the independents (45), and Lifespan (46).

B. The **current ratio** evaluates the amount of liquid assets available to pay off each dollar in obligations coming due within the year (Table 9). The current ratio measures the hospital's working capital (i.e., current assets less current liabilities), with values greater than 1.00 indicating positive working capital amounts. Higher values are, therefore, preferred.

Table 9: Current

	2007	2008	2009	Wght. Avg.
Bradley	2.41	1.38	2.90	2.29
Butler	1.81	1.85	1.88	1.86
Kent	0.80	0.86	1.00	0.91
Landmark	0.65	0.62	0.57	0.60
Memorial	1.40	1.39	1.42	1.40
Miriam	1.34	1.37	1.49	1.42
Newport	2.30	1.79	1.53	1.79
RIH	1.86	1.69	1.88	1.81
RWMC	0.95	0.98	1.02	0.99
SCH	2.05	2.21	1.61	1.90
SJH	1.65	1.56	1.76	1.67
Westerly	0.75	0.85	0.79	0.80
W&I	1.68	1.62	1.63	1.64
CNE	1.40	1.34	1.41	1.38
Lifespan	1.65	1.54	1.67	1.62
Independents	1.21	1.17	1.12	1.16
STATEWIDE	1.42	1.35	1.42	---
NORTHEAST	1.58	1.55	---	---
BENCHMARKS	2.90	2.89	---	---

In 2008, state-wide working capital decreased from 1.42 in 2007 to 1.35 in 2008, to end 13% below the NE value (1.35 vs. 1.55). The RI value was also 53% below the benchmark (1.35 vs. 2.89), and no local hospital was in this best-performing group.

In 2009, the state-wide current ratio increased 5%, from 1.35 in 2008 to 1.42 in 2009. This was due to the very favorable (26%) growth in cash and short-term investments ($202 million to $255 million) driving a 10% increase in current assets, while the offsetting current liabilities only increased 5%.

In 2009, nine hospitals' current ratios improved while four hospitals' values worsened. Categorically, Lifespan had the highest working capital (1.67), followed by Care New England at 1.41. The independents had the lowest combined value (1.12), and the two hospitals with negative working capital (Landmark Medical Center and Westerly Hospital), are independent facilities.

C. **Days cash** (days cash on hand) measures how many days of average (cash) expenses the hospital retains in cash and short-term securities (Table 10). It is a more stringent gauge of liquidity than the current ratio, because it includes only cash assets (or securities readily convertible to cash without a loss in value), in the numerator.

Higher values on this measure are preferred, but those values shouldn't be excessive. Hospitals must strike a balance between retaining enough cash for operations, but not so much as to affect profitability (i.e., the return on short-term investments is generally less than that of monies invested longer, so there is an opportunity cost in maintaining large cash surpluses).

Table 10: Days

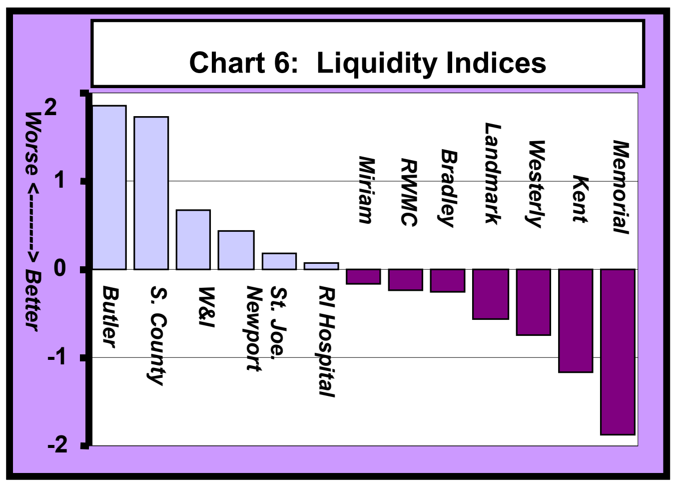
	2007	2008	2009	*Wght. Avg.*
Bradley	29	10	32	*24*
Butler	77	69	80	*76*
Kent	0	4	-1	*1*
Landmark	25	25	22	*23*
Memorial	7	11	7	*8*
Miriam	10	14	21	*16*
Newport	39	27	12	*23*
RIH	17	14	32	*23*
RWMC	31	28	32	*31*
SCH	127	95	61	*87*
SJH	46	30	33	*35*
Westerly	9	15	16	*14*
W&I	56	60	53	*56*
CNE	*40*	*37*	*32*	*36*
Lifespan	*22*	*16*	*31*	*24*
Independents	*38*	*31*	*28*	*31*
STATEWIDE	*31*	*25*	*31*	*---*
NORTHEAST	*28*	*25*	*---*	*---*
BENCHMARKS	*100*	*89*	*---*	*---*

In 2008, RI's cash balance weakened from 31 days in 2007 to 25 days in 2008, but ended essentially equivalent to the Northeastern comparable (25 days). However, the statewide value was 72% below the benchmark (25 days versus 89 days), and South County Hospital was the only independent hospital in this best-performing group.

In 2009, the state-wide value increased 21%, from 25 days in 2008 to 31 days in 2009. This was due to the previously referenced 26% growth in cash and short-term investments ($202 million to $255 million) versus a more modest increase (5%) in cash expenses ($2.91 billion to $3.04 billion).

In 2009, seven hospitals' days cash values improved while six hospitals' values worsened. Categorically, Care New England had the highest value (32 days), followed by Lifespan (31 days), and the independents (28 days).

E. **Liquidity Summary*:*** Chart 6 aggregates the information in Tables 8, 9 and 10.



The top-ranked hospitals for overall liquidity were Butler Hospital, South County Hospital, and Women & Infants, respectively. Five of the six best-performing hospitals were network affiliates (i.e., Care New England or Lifespan). The bottom-ranked hospitals were Memorial Hospital, Kent Hospital, and Westerly Hospital, respectively. Four of the six worst-performing hospitals were independent facilities.

VI: INDIVIDUAL HOSPITALS

To rank the overall financial performance of RI's 13 hospitals, a weighted average for each of the three indices (profitability, capitalization, liquidity) was calculated, and then standardized to arrive at a single composite index (see Appendix A: Methodology & Data). Higher values on all indices are preferred.

A. Emma Pendleton Bradley Hospital

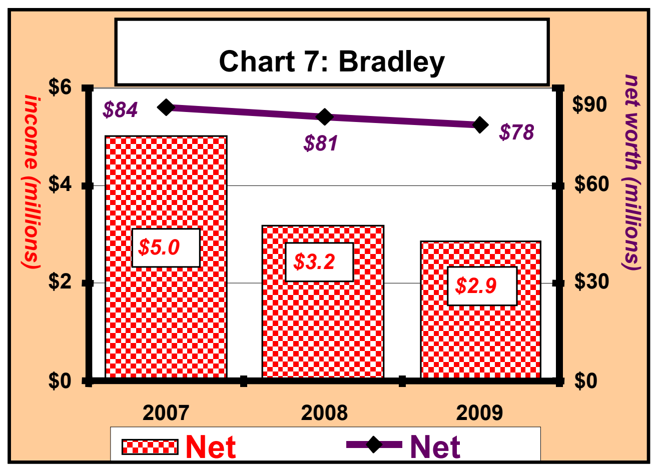
Bradley Hospital is a 60-bed, non-profit, psychiatric hospital for children and adolescents. Bradley is a teaching affiliate of the Medical School of Brown University, and a controlled affiliate of the Lifespan Corporation.

Bradley ranked second (of 13) in overall financial performance (There was little appreciable difference between the index values for second ranked Bradley (1.36) and third ranked Butler Hospital (1.32)). Bradley had a RI market share of 1.9% (based on 2009 patient revenue).

Table 11: Bradley Financial Data

	dollars in millions	2008	2009	change	2009 % Composition Hosp.	2009 % Composition State
	BALANCE SHEET					
ASSETS	Receivables	$9.9	$11.1	12%	10%	10%
ASSETS	Investments	$55.9	$63.8	14%	55%	49%
ASSETS	Physical Plant	$25.7	$38.6	50%	34%	37%
ASSETS	Other	$0.7	$1.6	128%	1%	4%
	Total Assets	$92.2	$115.1	25%	100%	100%
LIABILITIES	Current	$8.7	$5.8	-33%	5%	15%
LIABILITIES	Debt	$0.0	$23.0	---	20%	18%
LIABILITIES	Pension	$2.1	$5.9	188%	5%	9%
LIABILITIES	Other	$0.8	$2.1	161%	2%	11%
	Net Worth	$80.7	$78.3	-3%	68%	47%
	INCOME STATEMENT					
REVENUE	Patient	$52.9	$54.9	4%	90%	90%
REVENUE	Other	$5.5	$6.0	10%	10%	10%
REVENUE	Total Revenue	$58.4	$60.9	4%	100%	100%
EXPENSES	Personnel	$42.9	$44.3	3%	73%	58%
EXPENSES	Capital	$1.3	$2.4	82%	4%	4%
EXPENSES	Bad Debt	$0.0	$0.4	1225%	1%	5%
EXPENSES	Other	$11.0	$10.9	-1%	18%	32%
	Total Expenses	$55.2	$58.1	5%	95%	99%
INCOME	Operating	$3.1	$2.9	-9%	4.7%	0.8%
INCOME	Non-Operating	$0.0	$0.0	-86%	0.0%	-0.6%
INCOME	Net Income	$3.2	$2.9	-10%	4.7%	0.2%

In 2009, Bradley's net income fell from $3.2 million in 2008 to $2.9 million in 2009, primarily from increases in its capital expenses. The percent composition data reflect a very strong hospital. Bradley's investments were healthy (55% versus 49% statewide), its pension liability was moderate (5% versus 9% statewide), and its net worth was the second highest in the state (68% versus 47% statewide). Bradley had the lowest bad debt of any hospital (1% versus 5% statewide), and superior net income (4.7% versus 0.2% statewide). The hospital's operations were highly labor-intensive (73% versus 58% statewide), consistent with its role as a behavioral health provider.



The following data reference the three years' weighted averages used in the ranking of the hospitals, and not the values specific to 2009.

Bradley ranked first in overall profitability (1.53 index value). It had the highest operating and bottom-line margins (5.8% and 5.9%, respectively). The hospital also posted the second largest gain in net worth (8%).

Bradley ranked first in capitalization (1.34 index value). It had the lowest reliance on borrowing (27%), and the second best debt service coverage (6.7). Consistent with its low reliance on borrowing, Bradley's capital expenses were very reasonable (3.2%, ranked third).

Bradley ranked ninth in liquidity (-0.26 index value). Its working capital was the strongest in the state (2.29), but its cash position was weaker (24 days, ranked sixth). The hospital was also very slow to collect its receivables (69 days, ranked 12th).

B. Butler Hospital

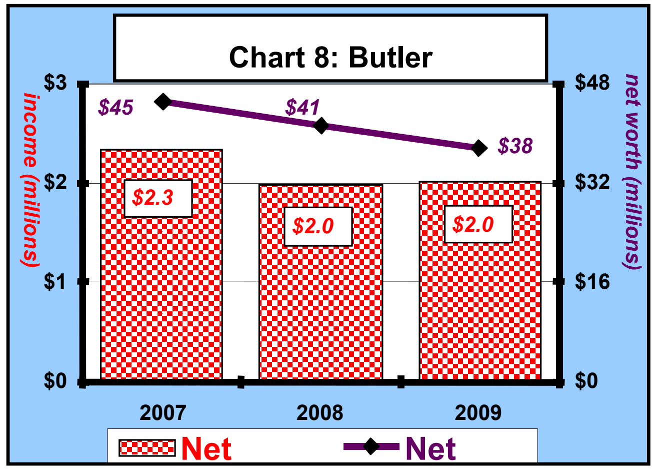
Butler Hospital & affiliate (Duncan Lodge, LLC)(Butler), is a 117-bed, non-profit, psychiatric hospital for adolescents and adults. Butler is a teaching affiliate of the Medical School of Brown University, and a controlled affiliate of the Care New England Health System.

Butler ranked third (of 13) in overall financial performance (Note: there was little appreciable difference between the index values for second ranked Bradley (1.36), and third ranked Butler (1.32)). Butler had a RI market share of 2.0% (based on 2009 patient revenue).

Table 12: Butler Financial Data

	dollars in millions	2008	2009	change	2009 % Composition Hosp.	2009 % Composition State
	BALANCE SHEET					
ASSETS	Receivables	$4.1	$4.7	15%	6%	10%
ASSETS	Investments	$39.0	$41.7	7%	56%	49%
ASSETS	Physical Plant	$23.0	$22.4	-2%	30%	37%
ASSETS	Other	$6.0	$5.9	-2%	8%	4%
	Total Assets	$72.1	$74.8	4%	100%	100%
LIABILITIES	Current	$12.9	$15.2	17%	20%	15%
LIABILITIES	Debt	$10.3	$9.7	-5%	13%	18%
LIABILITIES	Pension	$0.9	$6.0	536%	8%	9%
LIABILITIES	Other	$6.7	$6.1	-9%	8%	11%
	Net Worth	$41.3	$37.8	-8%	51%	47%
	INCOME					
REVENUE	Patient	$49.9	$57.7	16%	65%	90%
REVENUE	Other	$29.4	$30.5	4%	35%	10%
	Total Revenue	$79.3	$88.2	11%	100%	100%
EXPENSES	Personnel	$54.4	$62.8	15%	71%	58%
EXPENSES	Capital	$3.8	$3.6	-5%	4%	4%
EXPENSES	Bad Debt	$2.1	$1.8	-16%	2%	5%
EXPENSES	Other	$16.6	$18.1	9%	20%	32%
	Total Expenses	$76.9	$86.3	12%	98%	99%
INCOME	Operating	$2.4	$1.9	-19%	2.2%	0.8%
INCOME	Non-Operating	-$0.4	$0.1	115%	0.1%	-0.6%
	Net Income	$2.0	$2.0	1%	2.3%	0.2%

In 2009, Butler's net income essentially held steady ($2.0 million), and the percent composition data reflect a healthy hospital. Its investments were strong (56% versus. 49% statewide), debt was moderate (13% versus 18% statewide), and equity was favorable (51% versus 47% statewide). On the operating side, Butler's other operating revenue was the highest in the state (35% versus 10% statewide), other expenses were modest (20% versus 32% statewide), and net income was strong (2.3% versus 0.2% statewide). Consistent with its role as a behavioral health provider, the hospital's operations were highly labor-intensive (71% versus 58% statewide).



The following data reference the three years' weighted averages used in the ranking of the hospitals, and not the values specific to 2009.

For the period 2007 – 2009, Butler ranked fourth in overall profitability (0.80 index value). Its operating and bottom-line margins both ranked fourth (2.5% and 2.6%, respectively), and the hospital ranked fifth in change in net worth (-3%).

Butler ranked fifth in capitalization (0.54 index value). It had average financial leverage (46%, ranked sixth), but its capital expenses were high (4.6%, ranked tenth). Butler's debt capacity was better than average (5.4, ranked fourth).

Butler ranked first in liquidity (1.88 index value). Its working capital was strong (1.86, ranked third), and its cash balances were the second highest in the state (76 days). Butler also had the shortest collections period of any hospital (29 days).

C. Kent County Hospital:

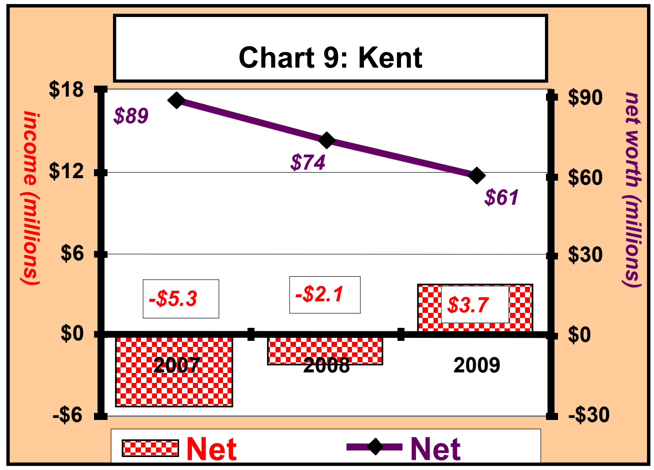
Kent County Memorial Hospital & affiliates (Kent Hospital Foundation, Kent Ancillary Services, LLC, and Toll Gate Indemnity, Ltd.)(Kent), includes a 359-bed, non-profit, general acute-care hospital (with ancillary support organizations). Kent is a teaching affiliate of the University of New England College of Osteopathic Medicine and a controlled affiliate of the Care New England Health System.

Kent ranked eighth (of 13) in overall financial performance (Note: there was little appreciable difference between the index values for sixth ranked Newport Hospital (–0.03), seventh ranked Roger Williams Hospital (–0.05), and eighth ranked Kent (–0.06)). Kent had a RI market share of 9.6% (based on 2009 patient revenue).

Table 13: Kent Financial Data

	dollars in millions	2008	2009	change	2009 % Composition Hosp.	2009 % Composition State
	BALANCE					
ASSETS	Receivables	$29.3	$32.6	11%	19%	10%
ASSETS	Investments	$55.1	$54.5	-1%	33%	49%
ASSETS	Physical Plant	$76.0	$72.7	-4%	43%	37%
ASSETS	Other	$7.6	$7.7	1%	5%	4%
	Total Assets	$167.9	$167.5	0%	100%	100%
LIABILITIES	Current	$45.5	$39.8	-13%	24%	15%
LIABILITIES	Debt	$21.6	$18.6	-14%	11%	18%
LIABILITIES	Pension	$3.8	$21.5	458%	13%	9%
LIABILITIES	Other	$22.7	$26.8	18%	16%	11%
	Net Worth	$74.3	$60.8	-18%	36%	47%
	INCOME					
REVENUE	Patient	$254.5	$274.5	8%	97%	90%
REVENUE	Other	$9.5	$9.6	1%	3%	10%
	Total Revenue	$264.0	$284.1	8%	100%	100%
EXPENSES	Personnel	$143.1	$154.1	8%	54%	58%
EXPENSES	Capital	$10.1	$9.2	-9%	3%	4%
EXPENSES	Bad Debt	$20.6	$21.2	3%	7%	5%
EXPENSES	Other	$89.7	$98.5	10%	35%	32%
	Total Expenses	$263.4	$283.0	7%	100%	99%
INCOME	Operating	$0.6	$1.0	78%	0.4%	0.8%
INCOME	Non-Operating	-$2.7	$2.6	197%	0.9%	-0.6%
	Net Income	-$2.1	$3.7	272%	1.3%	0.2%

<u>In 2009</u>, Kent's net income increased from -$2.1 million in 2008 to $3.7 million in 2009, primarily from gains in non-operating income. The percent composition data, however, reflect Kent's weaker finances. Its investments were low (33% versus 49% statewide), receivables were high (19% versus 10% statewide), as was the pension liability (13% versus 9% statewide). Consequently, Kent's equity was poor (36% versus 47% statewide). The hospital's other operating revenue was nominal (3% versus 10% statewide), but non-operating income was the second highest in the state (0.9% versus –0.6% statewide) resulting in favorable net income (1.3% versus 0.2% statewide).



The following data reference the three years' weighted averages used in the ranking of the hospitals, and not the values specific to 2009.

For the period 2007 to 2009, Kent ranked seventh in overall profitability (0.15 index value). Its bottom-line profitability was weak (-0.2%, ranked eighth), as was its operating margin (-0.6%, ranked seventh). The hospital's growth in net worth was also below average (-12%, ranked eighth).

Kent ranked fourth in capitalization (0.58 index value). It had favorable financial leverage (32%, ranked second), and moderate debt capacity (2.7, ranked seventh). The hospital's capital expense burden was lower than average (3.7%, ranked fourth).

Kent ranked 12th in liquidity (-1.15 index value). It had negative working capital (0.91, ranked 11th), and the lowest cash reserves of any hospital (1 day). Kent also took fairly long to collect its receivables (44 days, ranked eighth).

D. **Landmark Health Systems**

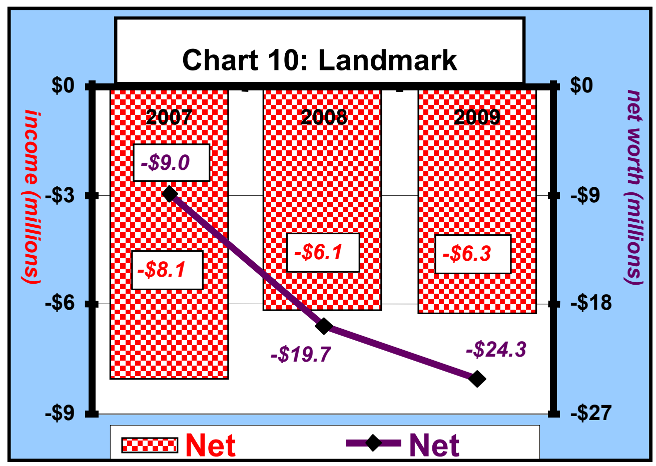
Landmark Health Systems, Inc. (Landmark), is a non-profit holding company and the sole corporate member of the following affiliates: 50% interest in the Rehabilitation Hospital of RI, and Landmark Medical Center & affiliates (Landmark Healthcare Foundation, 50% interest in a Physician Hospital Organization, and the other 50% interest in the Rehabilitation Hospital of Rhode Island). Landmark includes Landmark Medical Center, an independent 214-bed, non-profit, general acute-care hospital and Rehabilitation Hospital of RI, an 82-bed, for-profit, inpatient rehabilitation center organized as a limited partnership. Landmark is currently under court control with a Special Master overseeing all operations.

Landmark ranked 13th (of 13) in overall financial performance (-1.63 index value), with a 2009 market share of 3.9% (based on patient revenue).

Table 14: Landmark Financial Data

dollars in millions	2008	2009	change	2009 % Composition Hosp.	2009 % Composition State
BALANCE SHEET					
ASSETS: Receivables	$11.2	$9.4	-16%	23%	10%
Investments	$11.8	$9.1	-23%	22%	49%
Physical Plant	$13.5	$11.7	-13%	29%	37%
Other	$8.0	$10.2	27%	25%	4%
Total Assets	$44.5	$40.4	-9%	100%	100%
LIABILITIES: Current	$46.8	$47.3	1%	117%	15%
Debt	$1.2	$0.6	-53%	1%	18%
Pension	$7.5	$8.4	12%	21%	9%
Other	$8.8	$8.4	-4%	21%	11%
Net Worth	($19.7)	($24.3)	-23%	-60%	47%
INCOME STATEMENT					
REVENUE: Patient	$131.5	$111.3	-15%	92%	90%
Other	$4.0	$10.1	152%	8%	10%
Total Revenue	$135.5	$121.4	-10%	100%	100%
EXPENSES: Personnel	$69.3	$60.2	-13%	50%	58%
Capital	$3.4	$3.0	-13%	2%	4%
Bad Debt	$13.5	$13.9	3%	11%	5%
Other	$55.6	$51.1	-8%	42%	32%
Total Expenses	$141.8	$128.2	-10%	106%	99%
INCOME: Operating	-$6.3	-$6.8	-8%	-5.6%	0.8%
Non-Operating	$0.2	$0.6	266%	0.5%	-0.6%
Net Income	-$6.1	-$6.3	-2%	-5.2%	0.2%

In 2009, Landmark's net worth declined $4.6 million (from -$19.7 million in 2008 to -$24.3 million in 2009). This was caused primarily by the increase in its current liabilities, with investment losses and pension liabilities contributing to lesser degrees. Landmark's net income fell from -$6.1 million to -$6.3 million with bad debt and other expenses causal factors. The percent composition data reflect a very troubled hospital with most financial categories out of balance. Current liabilities were excessive (117% versus 15% statewide), investments were weak (22% versus 49% statewide), and equity was non-existent (-60% versus 47% statewide). On the operating side, Landmark's bad debt was the highest in the state (11% versus 5% statewide), and its other expenses were excessive (42% versus 32% statewide), yielding poor net income results (-5.2% versus 0.2% statewide).



The following data reference the three years' weighted averages used in the ranking of the hospitals, and not the values specific to 2009.

Landmark ranked 13th in overall profitability (-1.71 index value). It had the second weakest bottom-line margin (-5.1%), and operating profitability (-5.5%). Landmark's change in net worth (-109%) was also the lowest in the state and the hospital was technically insolvent each year.

Landmark ranked 12th in capitalization (-1.06 index value). It had the highest financial leverage (113%, ranked 13th), but the best capital expenses (2.5%). The hospital's debt capacity was also the lowest in the state (-0.02), because of its negative cash flow.

Landmark ranked tenth in liquidity (-0.56 index value). It had negative working capital (0.60, ranked 13th), but a better cash position (23 days, ranked seventh). Landmark managed its receivables well (32 days, ranked second).

E. Memorial Hospital

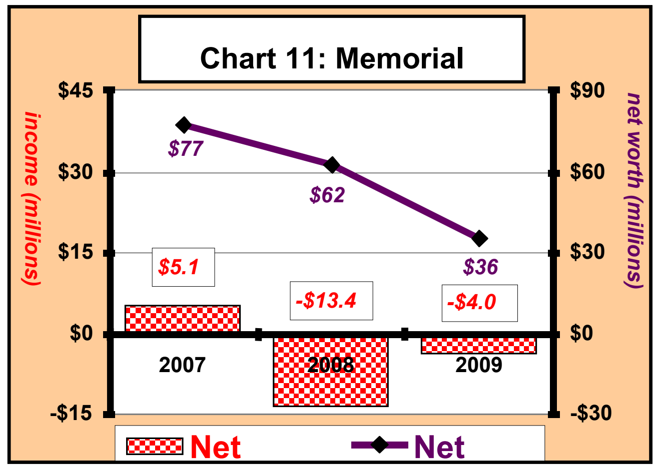
Southeastern Healthcare System, Inc. & Affiliates (Memorial), is a non-profit, holding company and the sole corporate member of the following affiliates: Memorial Hospital of Rhode Island & affiliates (R.S. Realty Company, and SHS Ventures), Primary Care Centers of New England, Inc., and Blackstone Health, Inc. Memorial includes Memorial Hospital of Rhode Island, an independent, 294-bed non-profit, general acute-care teaching affiliate of the Medical School of Brown University (and ancillary support organizations).

Memorial ranked 11th (of 13) in overall financial performance (-0.98 index value), with a RI market share of 5.9% (based on 2009 patient revenue).

Table 15: Memorial Financial Data

dollars in millions	2008	2009	change	2009 % Composition Hosp.	2009 % Composition State
BALANCE SHEET					
ASSETS: Receivables	$37.8	$37.8	0%	31%	10%
Investments	$49.0	$45.3	-7%	37%	49%
Physical Plant	$37.6	$34.9	-7%	29%	37%
Other	$2.9	$3.5	22%	3%	4%
Total Assets	$127.3	$121.6	-4%	100%	100%
LIABILITIES: Current	$32.7	$31.4	-4%	26%	15%
Debt	$15.9	$14.3	-10%	12%	18%
Pension	$13.2	$36.8	178%	30%	9%
Other	$3.3	$3.6	7%	3%	11%
Net Worth	$62.2	$35.5	-43%	29%	47%
INCOME					
REVENUE: Patient	$165.5	$168.6	2%	96%	90%
Other	$8.7	$7.9	-10%	4%	10%
Total Revenue	$174.2	$176.5	1%	100%	100%
EXPENSES: Personnel	$112.5	$111.8	-1%	63%	58%
Capital	$5.7	$5.5	-3%	3%	4%
Bad Debt	$12.4	$12.7	2%	7%	5%
Other	$51.0	$51.5	1%	29%	32%
Total Expenses	$181.6	$181.6	0%	103%	99%
INCOME: Operating	-$7.3	-$5.1	31%	-2.9%	0.8%
Non-Operating	-$6.0	$1.1	119%	0.6%	-0.6%
Net Income	-$13.4	-$4.0	70%	-2.2%	0.2%

In 2009, Memorial's net worth lost $26.7 million (-43%) in value, primarily from the $23.6 million increase in its unfunded pension liability. Memorial improved its bottom-line (-$13.4 million to -$4.0 million) by increasing non-operating income, and constraining personnel costs; however, it still lost money. The percent composition data reflect the hospital's weak finances. Memorial's receivables were high (31% versus 10% statewide), its pension liability was the second highest in the state (30% versus 9% statewide), investments were weak (37% versus 49% statewide), and equity was poor (29% versus 47% statewide). On the operating side, the hospital's other operating revenue was low (4% versus 10% statewide), payroll was excessive, notwithstanding the reduction in 2009 (63% versus 58% statewide), and income was lacking (-2.2% versus 0.2% statewide).



The following data reference the three years' weighted averages used in the ranking of the hospitals, and not the values specific to 2009.

Memorial ranked 10th in overall (-0.60 index value). Its profit margin was weak (-2.9%, ranked eleventh), as was its operating profitability (-2.9%, ranked 10th). The hospital had the third largest loss in net worth (-26%, ranked 11th).

Memorial ranked seventh in capitalization (0.00 index value). It had average financial leverage (47%, ranked seventh), and its capital expenses were the second lowest in the state (3.1%). The hospital's debt capacity, however, was compromised (0.2, ranked 12th).

Memorial ranked 13th in liquidity (-1.86 index value). Its working capital was average (1.40, ranked ninth), but its cash position was nominal (8 days, ranked 12th). Memorial had the slowest collections of any hospital (82 days).

F. The Miriam Hospital

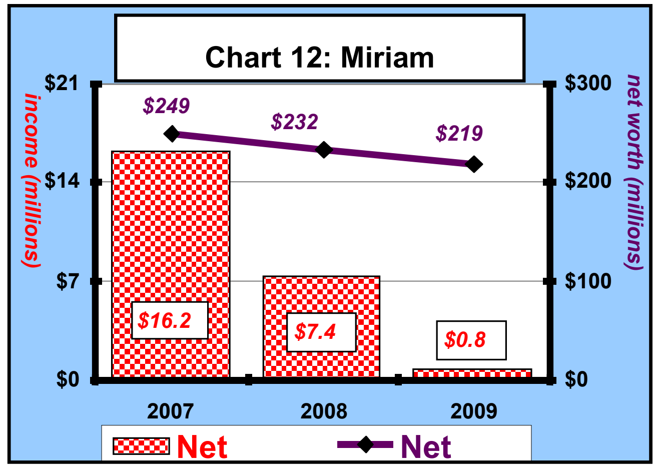
The Miriam Hospital (Miriam) is a 247-bed, non-profit, general acute-care teaching affiliate of the Medical School of Brown University, and a controlled affiliate of the Lifespan Corporation.

Miriam ranked fourth (of 13) in overall financial performance (Note: there was little appreciable difference between the index values for fourth ranked Miriam (0.67) and fifth ranked RI Hospital (0.66)). Miriam had a RI market share of 11.7% (based on 2009 patient revenue).

Table 16: Miriam Financial Data

dollars in millions		2008	2009	change	2009 % Composition Hosp.	2009 % Composition State
BALANCE SHEET						
ASSETS	Receivables	$35.5	$34.8	-2%	10%	10%
	Investments	$137.8	$154.4	12%	44%	49%
	Physical Plant	$156.2	$155.4	-1%	44%	37%
	Other	$8.6	$10.2	19%	3%	4%
	Total Assets	$338.1	$354.9	5%	100%	100%
LIABILITIES	Current	$39.7	$42.4	7%	12%	15%
	Debt	$50.5	$68.2	35%	19%	18%
	Pension	$6.2	$18.0	191%	5%	9%
	Other	$9.3	$7.5	-20%	2%	11%
	Net Worth	$232.4	$218.9	-6%	62%	47%
INCOME						
REVENUE	Patient	$312.7	$334.6	7%	91%	90%
	Other	$35.0	$32.9	-6%	9%	10%
	Total Revenue	$347.7	$367.5	6%	100%	100%
EXPENSES	Personnel	$171.2	$177.9	4%	48%	58%
	Capital	$13.2	$13.6	3%	4%	4%
	Bad Debt	$15.7	$17.1	9%	5%	5%
	Other	$140.6	$156.2	11%	43%	32%
	Total Expenses	$340.7	$364.8	7%	99%	99%
INCOME	Operating	$6.9	$2.7	-61%	0.7%	0.8%
	Non-Operating	$0.5	-$1.9	-470%	-0.5%	-0.6%
	Net Income	$7.4	$0.8	-90%	0.2%	0.2%

In 2009, Miriam's net income fell from $7.4 million in 2008 to $0.8 million in 2009, primarily from excessive spending in other expenses and losses in non-operating income. The percent composition data, however, reflect a stronger hospital than the net income alone would suggest. Miriam's pension liability was favorable (5% versus 9% statewide), and its net worth was far superior (62% versus 47% statewide). The hospital's personnel expenses were the lowest in the state (48% versus 58% statewide), but other expenses were higher (43% versus 32% statewide), resulting in similar income amounts.



The following data reference the three years' weighted averages used in the ranking of the hospitals, and not the values specific to 2009.

Miriam ranked fifth in overall profitability (0.63 index value). It ranked fifth in both bottom-line profitability (1.9%), and operating margin (1.6%). The hospital also ranked third in change in net worth (0%).

Miriam ranked third in capitalization (0.86 index value). It had low financial leverage (39%, ranked fourth), and reasonable capital costs (3.8%, ranked fifth). The hospital had a very favorable debt capacity (5.5, ranked third).

Miriam ranked seventh in liquidity (-0.15 index value). Its cash balance was low (16 days, ranked 10th), but its working capital was slightly stronger (1.42, ranked eighth). The hospital ranked seventh in managing its receivables (39 days).

G. <u>Newport Hospital</u>

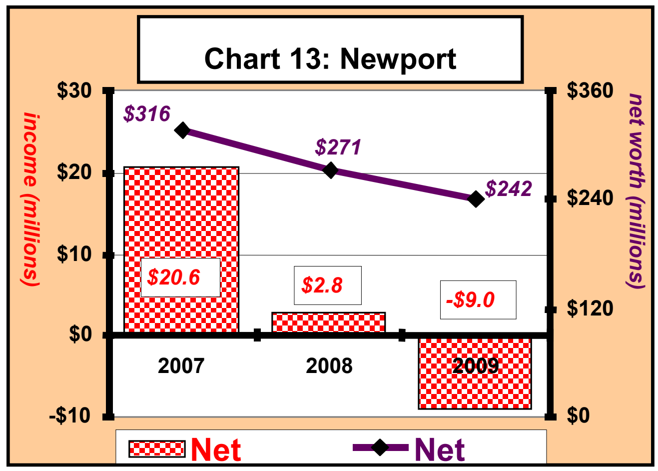
Newport Health Care Corporation & affiliates (Newport Hospital, Newport Hospital Foundation, Inc., NHCC Medical Associates, Inc., and Newport Health Property Management, Inc.), collectively known as Newport, includes a 129-bed, non-profit, general acute-care hospital (and ancillary support organizations). Newport is a controlled affiliate of the Lifespan Corporation.

Newport ranked sixth (of 13) in overall financial performance (Note: there was little appreciable difference between the index values for sixth ranked Newport (–0.03), seventh ranked Roger Williams Medical Center (–0.05), and eighth ranked Kent (–0.06)). Newport had a RI market share of 3.7% (based on 2009 patient revenue).

Table 17: Newport Financial Data

	dollars in millions	2008	2009	change	2009 % Composition Hosp.	2009 % Composition State
	BALANCE SHEET					
ASSETS	Receivables	$10.5	$10.1	-4%	3%	10%
ASSETS	Investments	$215.6	$204.1	-5%	70%	49%
ASSETS	Physical Plant	$79.0	$74.8	-5%	26%	37%
ASSETS	Other	$12.0	$4.1	-66%	1%	4%
	Total Assets	$317.1	$293.1	-8%	100%	100%
LIABILITIES	Current	$11.1	$11.0	-1%	4%	15%
LIABILITIES	Debt	$29.3	$23.5	-20%	8%	18%
LIABILITIES	Pension	$0.0	$11.5	—	4%	9%
LIABILITIES	Other	$5.2	$5.3	1%	2%	11%
	Net Worth	$271.5	$241.8	-11%	83%	47%
	INCOME					
REVENUE	Patient	$102.8	$106.0	3%	96%	90%
REVENUE	Other	$4.6	$4.4	-6%	4%	10%
	Total Revenue	$107.4	$110.3	3%	100%	100%
EXPENSES	Personnel	$60.5	$65.1	8%	59%	58%
EXPENSES	Capital	$8.3	$8.5	2%	8%	4%
EXPENSES	Bad Debt	$4.4	$5.6	27%	5%	5%
EXPENSES	Other	$37.0	$35.8	-3%	32%	32%
	Total Expenses	$110.2	$114.9	4%	104%	99%
INCOME	Operating	-$2.8	-$4.6	-65%	-4.2%	0.8%
INCOME	Non-Operating	$5.5	-$4.4	-180%	-4.0%	-0.6%
	Net Income	$2.8	-$9.0	-428%	-8.2%	0.2%

<u>In 2009</u>, Newport's net income fell from $2.8 million in 2008 to -$9.0 million in 2009, primarily from losses in non-operating income (with personnel expenses and bad debt also contributing to the decline). The percent composition data also reflect the hospital's erratic finances. Newport's balance sheet was strong, with considerable investments (70% versus 49% statewide), low debt (8% versus 18% statewide), low pension liability (4% versus 9% statewide), and the highest equity in the state (83% versus 47% statewide). The hospital's operations, however, were compromised in 2009. Excessive capital expenses (8% versus 4% statewide), and the largest non-operating income loss (-4.0% versus –0.6% statewide) resulted in the second lowest relative net income (-8.2% versus 0.2% statewide).



The following data reference the three years' weighted averages used in the ranking of the hospitals, and not the values specific to 2009.

Newport ranked eighth in overall profitability (-0.11 index value). Its profit margin was undistinguished (1.4%, ranked sixth), but its operating profitability was weak (-3.0%, ranked 11th). The hospital's growth in net worth was average (-6%, ranked sixth).

Newport ranked ninth in **capitalization** (-0.26 index value). It had low financial leverage (37%, ranked third), but its capital expenses were the second highest in the state (7.4%). The hospital's debt capacity was average (2.9, ranked sixth).

Newport ranked fourth in liquidity (0.42 index value). Its working capital was favorable (1.79, ranked fifth), but its cash balance was below average (23 days, ranked ninth). The hospital also had a superior collections period (36 days, ranked third).

H. Rhode Island Hospital

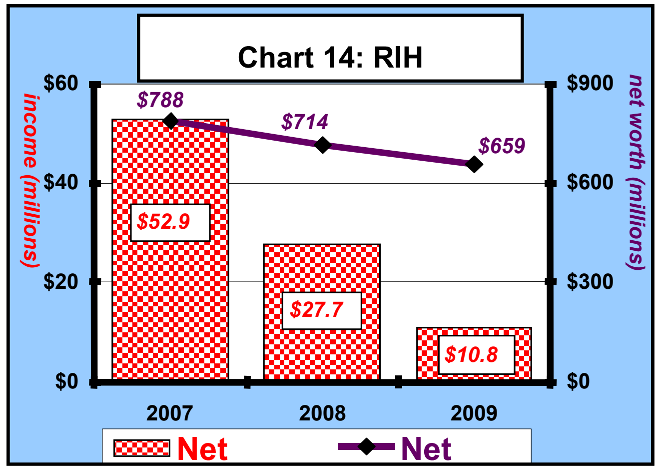
Rhode Island Hospital & affiliates (RIH Ventures, and Hospital Properties, Inc.) (RIH), is a 719-bed, non-profit, general acute-care hospital affiliated with the Medical School of Brown University. RIH is a controlled affiliate of the Lifespan Corporation.

RIH ranked fifth (of 13) in overall financial performance (Note: there was little appreciable difference between the index values for fourth ranked Miriam (0.67), and fifth ranked RIH (0.66)). RIH had a statewide market share of 30.8% (based on 2009 patient revenue).

Table 18: RIH Financial Data

	dollars in millions	2008	2009	change	2009 % Composition Hosp.	2009 % Composition State
BALANCE SHEET						
ASSETS	Receivables	$105.8	$116.6	10%	10%	10%
	Investments	$503.2	$573.6	14%	47%	49%
	Physical Plant	$479.1	$489.3	2%	40%	37%
	Other	$34.1	$33.1	-3%	3%	4%
	Total Assets	$1,122	$1,213	8%	100%	100%
LIABILITIES	Current	$97.3	$117.2	20%	10%	15%
	Debt	$205.9	$271.1	32%	22%	18%
	Pension	$35.0	$97.5	179%	8%	9%
	Other	$69.8	$67.7	-3%	6%	11%
	Net Worth	$714.2	$659.1	-8%	54%	47%
INCOME						
REVENUE	Patient	$840.0	$881.5	5%	90%	90%
	Other	$109.6	$102.2	-7%	10%	10%
	Total Revenue	$949.6	$983.7	4%	100%	100%
EXPENSES	Personnel	$490.7	$519.0	6%	53%	58%
	Capital	$40.7	$44.8	10%	5%	4%
	Bad Debt	$56.5	$51.1	-10%	5%	5%
	Other	$335.5	$349.0	4%	35%	32%
	Total Expenses	$923.5	$963.9	4%	98%	99%
INCOME	Operating	$26.2	$19.8	-24%	2.0%	0.8%
	Non-Operating	$1.6	-$9.0	-679%	-0.9%	-0.6%
	Net Income	$27.7	$10.8	-61%	1.1%	0.2%

In 2009, RIH's net income fell from $27.7 million in 2008 to $10.8 million in 2009, primarily from increased spending on personnel and from losses in non-operating income. The percent composition data, however, reflect the hospital's more favorable finances. RIH's debt was higher than average (22% versus 18% statewide), but this was offset by lower current obligations (10% versus 15%statewide), and other liabilities (6% versus 11% statewide), resulting in higher equity (54% versus 47% statewide). Notwithstanding the hospital's increased personnel costs in 2009, these expenses remained below the state-wide level (53% versus 58% statewide), yielding better operating income (2.0% versus 0.8% statewide), and net income results (1.1% versus 0.2% statewide).



The following data reference the three years' weighted averages used in the ranking of the hospitals, and not the values specific to 2009.

RIH ranked third in overall profitability (0.81 index value). It ranked third in both bottom-line profitability (2.7%), and operating margin (2.7%). The hospital's net worth posted a modest decline of 3% (ranked sixth).

RIH ranked sixth in capitalization (0.39 index value). It had higher than average financial leverage (50%, ranked ninth), and its capital-related fixed costs were expensive (4.6%, ranked ninth). The hospital, however, had a favorable debt capacity (4.9, ranked fifth).

RIH ranked sixth in liquidity (0.08 index value). Its working capital was strong (1.81, ranked fourth), but its cash reserves were weak (23 days, ranked eighth). The hospital's collections period was longer than average (48 days, ranked 11th).

I. Roger Williams Medical Center

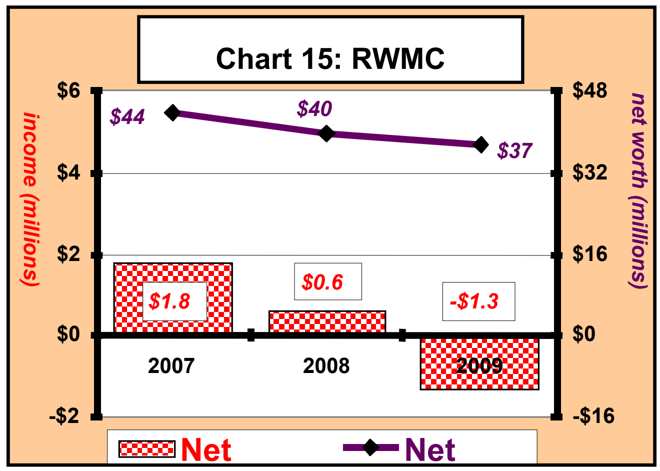
Roger Williams Medical Center, Inc. & affiliates (Roger Williams Hospital; Roger Williams Realty Corporation; Roger Williams Medical Center Physicians Office Building, Inc; Rosebank Corporation; Elmhurst Health Associates, Inc.; Elmhurst Extended Care Facilities, Inc.; and Roger Williams Medical Associates, Inc.), collectively known as RWMC, includes an independent, 220-bed, non-profit, general acute-care hospital affiliated with the Boston University School of Medicine (and other ancillary support organizations). RWMC and St. Joseph Health Services are affiliating under CharterCARE Health Partners in 2010.

RWMC ranked seventh (out of 13) in overall financial performance (Note: there was little appreciable difference between the index values for sixth ranked Newport (–0.03), seventh ranked RWMC (–0.05), and eighth ranked Kent (–0.06)). RWMC had a RI market share of 6.0% (based on 2009 patient revenue).

Table 19: RWMC Financial Data

	dollars in millions	2008	2009	change	2009 % Composition Hosp.	2009 % Composition State
	BALANCE SHEET					
ASSETS	Receivables	$16.7	$17.9	7%	16%	10%
	Investments	$39.7	$43.4	9%	39%	49%
	Physical Plant	$42.5	$39.6	-7%	36%	37%
	Other	$12.4	$10.1	-19%	9%	4%
	Total Assets	$111.3	$111.0	0%	100%	100%
LIABILITIES	Current	$37.1	$38.8	5%	35%	15%
	Debt	$26.5	$24.2	-9%	22%	18%
	Pension	$0.0	$0.0	—	0%	9%
	Other	$8.1	$10.7	32%	10%	11%
	Net Worth	$39.6	$37.3	-6%	34%	47%
	INCOME					
REVENUE	Patient	$161.4	$171.8	6%	93%	90%
	Other	$12.3	$13.5	9%	7%	10%
	Total Revenue	$173.7	$185.2	7%	100%	100%
EXPENSES	Personnel	$89.5	$90.6	1%	49%	58%
	Capital	$7.6	$7.6	1%	4%	4%
	Bad Debt	$9.9	$10.6	7%	6%	5%
	Other	$66.8	$77.4	16%	42%	32%
	Total Expenses	$173.7	$186.2	7%	100%	99%
INCOME	Operating	$0.0	-$0.9	—	-0.5%	0.8%
	Non-Operating	$0.6	-$0.4	-168%	-0.2%	-0.6%
	Net Income	$0.6	-$1.3	-313%	-0.7%	0.2%

In 2009, RWMC's net income fell from $0.6 million in 2008 to -$1.3 million in 2009, primarily from excessive spending for other expenses (but also from losses in non-operating income). The percent composition data reflect the hospital's fairly weak finances. Investments were low (39% versus 49% statewide), current obligations were excessive (35% versus 15% statewide), and debt was high (22% versus 18% statewide), resulting in low equity (34% versus 47% statewide). On the operating side, other expenses were disproportionate (42% versus 32% statewide), yielding poor operating income results (-0.5% versus 0.8% statewide).



The following data reference the three years' weighted averages used in the ranking of the hospitals, and not the values specific to 2009.

RWMC ranked sixth in overall profitability (0.26 index value). Its profit margin was average (0.0%, ranked seventh), as was its operating profitability (-0.2%, ranked sixth). The hospital's growth in net worth, while a net loss (-3%), ranked at fourth.

RWMC ranked 10th in capitalization (-0.31 index value). It had high financial leverage (67%, ranked 11th), but more reasonable capital expenses (4.3%, ranked eighth). The hospital's debt capacity was weak (1.9, ranked eighth).

RWMC ranked eighth in liquidity (-0.23 index value). It had negative working capital (0.99, ranked 10th), but its cash balance was stronger (31 days, ranked fifth). The hospital had a favorable collections period of 38 days (ranked fifth).

J. <u>South County Hospital</u>

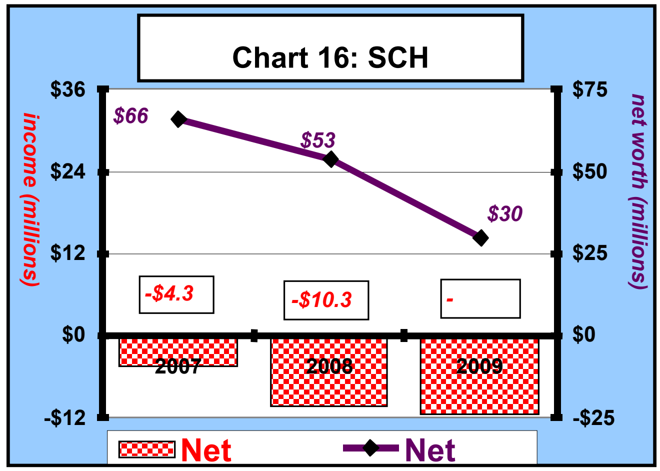
South County Hospital Healthcare System Endowment (SCH) & affiliates (South County Hospital Healthcare System, South County Health Care Corporation, Silver Spring Health Care Management, and VNS HomeCare, Inc.)), include an independent, 100-bed, non-profit general acute-care hospital (and other ancillary support organizations).

SCH ranked 12th (of 13) in overall financial performance (-1.35 index value), with a RI market share of 3.8% (based on 2009 patient revenue).

Table 20: SCH Financial Data

	dollars in millions	2008	2009	change	2009 % Composition Hosp.	2009 % Composition State
	BALANCE SHEET					
ASSETS	Receivables	$12.0	$9.2	*-24%*	7%	10%
ASSETS	Investments	$61.9	$48.7	*-21%*	38%	49%
ASSETS	Physical Plant	$63.1	$62.0	*-2%*	48%	37%
ASSETS	Other	$10.6	$9.2	*-14%*	7%	4%
	Total Assets	$147.8	$129.0	*-13%*	100%	100%
LIABILITIES	Current	$20.2	$21.1	*4%*	16%	15%
LIABILITIES	Debt	$64.5	$54.1	*-16%*	42%	18%
LIABILITIES	Pension	$4.8	$14.5	*204%*	11%	9%
LIABILITIES	Other	$4.8	$9.3	*93%*	7%	11%
	Net Worth	$53.4	$30.0	*-44%*	23%	47%
	INCOME					
REVENUE	Patient	$99.6	$109.2	*10%*	93%	90%
REVENUE	Other	$8.1	$8.0	*-2%*	7%	10%
	Total Revenue	$107.7	$117.2	*9%*	100%	100%
EXPENSES	Personnel	$57.8	$60.1	*4%*	51%	58%
EXPENSES	Capital	$11.7	$15.3	*30%*	13%	4%
EXPENSES	Bad Debt	$7.1	$7.3	*3%*	6%	5%
EXPENSES	Other	$37.0	$41.5	*12%*	35%	32%
	Total Expenses	$113.6	$124.2	*9%*	106%	99%
INCOME	Operating	-$5.9	-$7.0	*-18%*	-6.0%	0.8%
INCOME	Non-Operating	-$4.4	-$4.4	*1%*	-3.8%	-0.6%
	Net Income	-$10.3	-$11.4	*-10%*	-9.7%	0.2%

<u>In 2009</u>, SCH's net worth fell $23.4 million (-44%), primarily from the increase in its unfunded pension liability (but also from other and current liabilities). SCH's net income also fell from -$10.3 million in 2008 to -$11.4 million in 2009, because of capital spending and, to a lesser extent, spending on other expenses. The percent composition data reflect the hospital's weak finances. Investments were low (38% versus 49% statewide), debt was the highest in the state (42% versus 18% statewide), and equity was poor (23% versus 47% statewide). On the operating side, the hospital's capital expenses were excessive (13% versus 4% statewide), and non-operating revenue was lacking (-3.8% versus –0.6% statewide), contributing to the lowest net income in the state (-9.7% versus 0.2% statewide).



The following data reference the three years' weighted averages used in the ranking of the hospitals, and not the values specific to 2009.

SCH ranked 12th in overall profitability (-1.50 index value). Its bottom-line and operating profitability were the lowest of all hospitals (-8.5% and –6.8%, respectively). The hospital also posted poor equity results (-24%, ranked tenth).

SCH ranked 13th (lowest) in capitalization (-2.56 index value). It had the second highest financial leverage (105%, ranked 12th), and by far, the highest capital expenses of any provider (10.9%). The hospital's debt capacity was also very weak (0.3, ranked 11th).

SCH ranked second in liquidity (1.72 index value). It had significant working capital (1.90, ranked second), and considerable cash reserves (87 days, ranked first). The hospital's collections period, however, was only average (39 days, ranked sixth).

K. St. Joseph Hospital

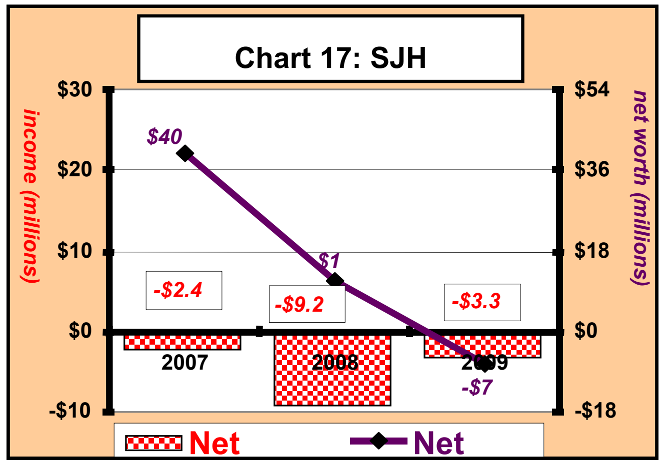
St. Joseph Health Services of RI (SJH) (including Our Lady of Fatima Ancillary Services, and the St. Joseph Health Services Foundation, Inc.) includes a 386-bed, non-profit, general acute-care hospital (and other ancillary support organizations). SJH and RWMC are affiliating under CharterCARE Health Partners in 2010.

SJH ranked 10th (of 13) in overall financial performance (-0.81 index value), with a RI market share of 6.1% (based on 2009 patient revenue). Regardless of SJH's overall rank, it became technically insolvent in 2009 (-$7.3 million net worth). This is problematic and may require significant changes beyond simply becoming part of CharterCARE to correct.

Table 21: SJH Financial Data

	dollars in millions	2008	2009	change	2009 % Composition Hosp.	2009 % Composition State
	BALANCE SHEET					
ASSETS	Receivables	$21.5	$20.9	-3%	21%	10%
	Investments	$24.8	$25.7	4%	26%	49%
	Physical Plant	$44.9	$46.1	3%	47%	37%
	Other	$5.4	$5.3	-2%	5%	4%
	Total Assets	$96.5	$98.0	2%	100%	100%
LIABILITIES	Current	$26.6	$23.9	-10%	24%	15%
	Debt	$23.4	$21.3	-9%	22%	18%
	Pension	$29.3	$50.9	73%	52%	9%
	Other	$6.3	$9.3	48%	9%	11%
	Net Worth	$10.9	($7.3)	-167%	-7%	47%
	INCOME					
REVENUE	Patient	$173.2	$175.3	1%	96%	90%
	Other	$7.4	$6.5	-13%	4%	10%
	Total Revenue	$180.7	$181.8	1%	100%	100%
EXPENSES	Personnel	$108.4	$104.4	-4%	57%	58%
	Capital	$7.5	$7.4	-1%	4%	4%
	Bad Debt	$13.1	$12.7	-4%	7%	5%
	Other	$60.9	$60.5	-1%	33%	32%
	Total Expenses	$189.9	$185.0	-3%	102%	99%
INCOME	Operating	-$9.2	-$3.3	65%	-1.8%	0.8%
	Non-Operating	$0.0	$0.0	218%	0.0%	-0.6%
	Net Income	-$9.2	-$3.3	65%	-1.8%	0.2%

<u>In 2009</u>, SJH's net worth fell from $10.9 million in 2008 to -$7.3 million in 2009, primarily from the increase in its unfunded pension liability. SJH improved its bottom-line (-$9.2 million to -$3.3 million) by reducing its operating expenses relative to the modest increase in total revenue. The percent composition data reflect the hospital's weak finances. Its receivables were considerable (21% versus 10% statewide), its pension liability was the highest in the state (52% versus 9% statewide), its investments were meager (26% versus 49% statewide), and it had negative equity (-7% versus 47% statewide). SJH's other operating revenue was low (4% versus 10% statewide), and its bad debt was high (7% versus 5% statewide), resulting in negative net income (-1.8% versus 0.2% statewide).



The following data reference the three years' weighted averages used in the ranking of the hospitals, and not the values specific to 2009.

For 2007-2009, SJH ranked 11th in overall profitability (-1.33 index value). Its operating profitability was poor (-2.8%, ranked ninth), as was its bottom-line margin (–2.8%. ranked 10th). Consistent with its recent loss in value, the hospital's change in net worth was the second lowest in the state (-101%).

SJH ranked eighth in capitalization (-0.18 index value) in the past three years. It had high financial leverage (54%, ranked 10th), and low debt capacity (0.7, ranked #10). The hospital's capital expenses, however, were average (4.0%, ranked seventh).

For 2007-2009, SJH ranked fifth in liquidity (0.18 index value). It had average working capital (1.67, ranked sixth), and its cash balance was healthy (35 days, ranked fourth). The hospital's collections, however, were slow (47 days, ranked 10th).

L. Westerly Hospital

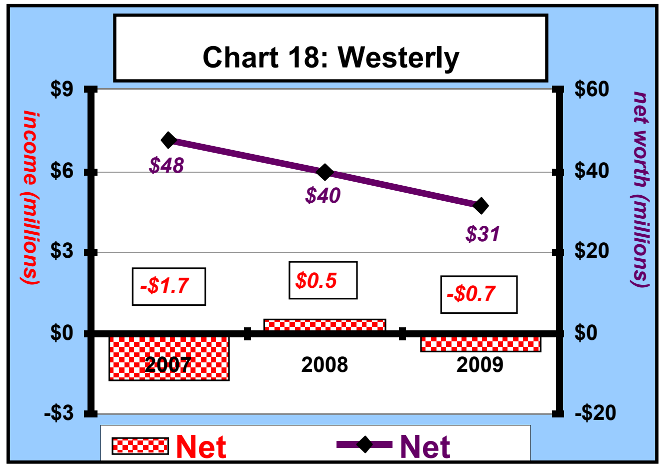
The Westerly Hospital (Westerly) & affiliate (The Westerly Hospital Foundation), is an independent, 125-bed, non-profit general acute-care hospital.

Westerly ranked ninth (of 13) in overall financial performance (-0.56 index value), with a RI market share of 3.1% (based on 2009 patient revenue).

Table 22: Westerly Financial Data

	dollars in millions	2008	2009	change	2009 % Composition Hosp.	2009 % Composition State
	BALANCE SHEET					
ASSETS	Receivables	$9.4	$7.5	*-20%*	9%	10%
ASSETS	Investments	$32.3	$32.7	*1%*	40%	49%
ASSETS	Physical Plant	$38.9	$38.3	*-1%*	47%	37%
ASSETS	Other	$4.3	$3.5	*-19%*	4%	4%
	Total Assets	$84.8	$82.0	*-3%*	100%	100%
LIABILITIES	Current	$16.6	$16.2	*-2%*	20%	15%
LIABILITIES	Debt	$16.5	$16.7	*1%*	20%	18%
LIABILITIES	Pension	$10.7	$16.3	*52%*	20%	9%
LIABILITIES	Other	$1.4	$1.4	*3%*	2%	11%
	Net Worth	$39.7	$31.5	*-21%*	38%	47%
	INCOME					
REVENUE	Patient	$80.8	$87.8	*9%*	98%	90%
REVENUE	Other	$1.4	$1.4	*-5%*	2%	10%
	Total Revenue	$82.3	$89.1	*8%*	100%	100%
EXPENSES	Personnel	$45.7	$48.4	*6%*	54%	58%
EXPENSES	Capital	$5.8	$5.8	*1%*	7%	4%
EXPENSES	Bad Debt	$6.3	$7.2	*16%*	8%	5%
EXPENSES	Other	$25.7	$28.5	*11%*	32%	32%
	Total Expenses	$83.4	$90.0	*8%*	101%	99%
INCOME	Operating	-$1.1	-$0.9	*20%*	-1.0%	0.8%
INCOME	Non-Operating	$1.6	$0.2	*-88%*	0.2%	-0.6%
	Net Income	$0.5	-$0.7	*-235%*	-0.8%	0.2%

In 2009, Westerly's net income fell from $0.5 million in 2008 to –$0.7 million in 2009, because of excess spending on other expenses and increases in bad debt. The percent composition data reflect the hospital's fragile finances. Its investments were modest (40% versus 49% statewide), debt was high (20% versus 18% statewide), as was the pension liability (20% versus 9% statewide). Consequently, Westerly's equity was weak (38% versus 47% statewide). On the operations side, the hospital's other operating revenue was lacking (2% versus 10% statewide), capital expenses were high (7% versus 4% statewide), as was bad debt (8% versus 5% statewide), resulting in weak net income (-0.8% versus 0.2% statewide).



The following data reference the three years' weighted averages used in the ranking of the hospitals, and not the values specific to 2009.

Westerly ranked ninth in overall profitability (-0.15 index value). Its operating profitability was below average (-2.7%, ranked eighth), as was its bottom-line margin (-0.7%, ranked ninth). The hospital also posted an unfavorable decline in net worth (–16%, ranked ninth).

Westerly ranked 11th in capitalization (-0.56 index value). It had higher than average financial leverage (48%, ranked eighth), and considerable <u>capital expenses</u> (6.8%, ranked 11th). The hospital's debt capacity was only fair (1.5, ranked ninth).

Westerly ranked 11th in liquidity (-0.75 index value). It had negative working capital (0.80, ranked 12th), and its cash reserves were meager (14 days, ranked 11th). The hospital, however, effectively managed its receivables (37 days, ranked fourth).

M. <u>Women & Infants</u>

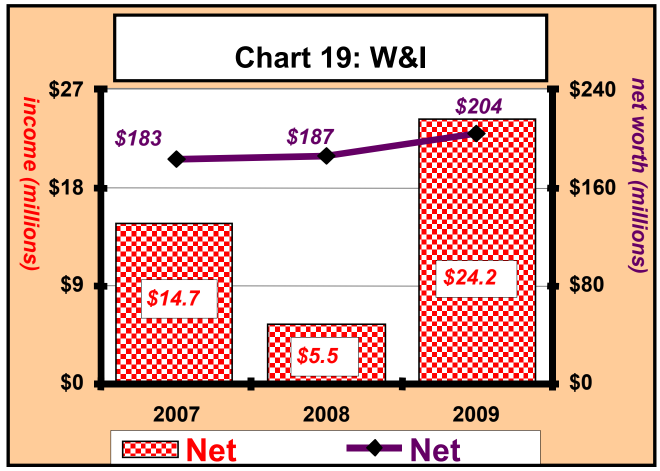
Women & Infants Corporation (W&I) & affiliates (Women & Infants Hospital of Rhode Island; Women & Infants Development Foundation; Palomar Group, Inc.; W & I Indemnity, Ltd.; WIH Faculty Physicians, Inc.; and Women & Infants Ancillary Services, LLC), includes a 137-bed, non-profit, general acute-care hospital for women and infants (and other ancillary support organizations). W&I is a teaching affiliate of the Medical School of Brown University, and a controlled affiliate of the Care New England Health System.

W&I ranked first (of 13) in overall financial performance (1.45 index value), with a RI market share of 11.4% (based on 2009 patient revenue).

Table 23: W&I Financial Data

	dollars in millions	2008	2009	change	2009 % Composition Hosp.	2009 % Composition State
BALANCE SHEET						
ASSETS	Receivables	$35.2	$40.6	15%	10%	10%
	Investments	$210.8	$213.1	1%	50%	49%
	Physical Plant	$132.4	$157.6	19%	37%	37%
	Other	$21.8	$16.0	-27%	4%	4%
	Total Assets	$400.3	$427.3	7%	100%	100%
LIABILITIES	Current	$73.2	$65.6	-10%	15%	15%
	Debt	$58.3	$55.5	-5%	13%	18%
	Pension	$1.8	$10.8	501%	3%	9%
	Other	$80.3	$90.9	13%	21%	11%
	Net Worth	$186.6	$204.5	10%	48%	47%
INCOME						
REVENUE	Patient	$305.9	$326.0	7%	84%	90%
	Other	$59.3	$63.1	6%	16%	10%
	Total Revenue	$365.3	$389.1	7%	100%	100%
EXPENSES	Personnel	$222.9	$238.0	7%	61%	58%
	Capital	$13.8	$13.5	-2%	3%	4%
	Bad Debt	$5.4	$6.9	28%	2%	5%
	Other	$107.5	$116.9	9%	30%	32%
	Total Expenses	$349.5	$375.3	7%	96%	99%
INCOME	Operating	$15.7	$13.7	-13%	3.5%	0.8%
	Non-Operating	-$10.2	$10.4	202%	2.7%	-0.6%
	Net Income	$5.5	$24.2	341%	6.2%	0.2%

<u>In 2009</u>, W&I's net income increased from $5.5 million in 2008 to $24.2 million in 2009, primarily from gains in non-operating income (and also from capital expenses). The percent composition data also reflect the hospital's strong finances. W&I's debt was low (13% versus 18% statewide), and its pension liability was favorable (3% versus 9% statewide). The hospital's bad debt was the second lowest in the state (2% versus 5% statewide), its non-operating income was the highest (2.7% versus –0.6% statewide), as was its net income (6.2% versus 0.2% statewide).



The following data reference the three years' weighted averages used in the ranking of the hospitals, and not the values specific to 2009.

W&I ranked second in overall profitability (1.22 index value). It had the second highest operating and bottom-line margins (3.6% and 4.3%, respectively), and the largest increase in net worth (+9%).

W&I ranked second in capitalization (1.22 index value). It had moderate financial leverage (40%, ranked fifth), and capital expenses (3.9%, ranked sixth). The hospital, however, had the strongest debt capacity in the state (8.1).

W&I ranked third in liquidity (0.69 index value). Its collections were fairly slow (44 days, ranked ninth), and its working capital was average (1.64, ranked seventh). However, the hospital's cash balance was very strong (56 days, ranked third).

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APPENDIX A: Methodology & Data

For each facility, nine measures over three years were calculated (raw data and formulas are in the Tables below), and grouped into three financial categories: profitability (the generation of net income and wealth), capitalization (financial leverage and debt capacity), and liquidity (the ability to meet current obligations). State-wide values were then compared to the corresponding Northeastern (Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont) median values to evaluate hospital performance regionally. State-wide values were also benchmarked to the top 10% of hospitals in the Northeast.

Three criteria were used in selecting the nine individual measures. First, they had to be derived from audited financial statements, considered the standard for financial data. Second, comparable benchmarks had to be available, and third, they had to be widely used both within and outside the industry as key indicators of financial performance. Each measure had to provide the maximum amount of utility. For example, times interest earned and debt service coverage are two (out of more than 10) capitalization measures. They roughly quantify the same thing (debt capacity and repayment ability) albeit with some important differences. Debt service coverage considers the entire debt obligation (interest plus principal) and all available cash (cash-flow rather than accounting income) whereas times interest earned does not. In addition, debt service coverage is a primary capitalization measure used by bond rating agencies to assess hospital creditworthiness. Therefore, for these reasons it was chosen over times interest earned for inclusion here.

Individual hospital performance was assessed by developing three indices corresponding to the three financial domains. The individual measures were first standardized (i.e., ((individual hospital value – mean of all hospitals' values) / standard deviation of all hospitals' values)), a weighted average for all measures (and all three years) in each category was calculated, and these weighted averages were again standardized to yield an index value. Higher index values always indicate superior performance. To interpret any of the indices, one concludes that the index value is so many standard deviations from the state mean (i.e., the average for all the hospitals). In a normal distribution, approximately 67% of the population is within +/-1 standard deviation, and 95% is within +/-2 standard deviations of the mean. In cases where the desired trend for an individual measure is for lower values (capital financing, capital expenses, and collection's period), the inverse of the standardized values were taken (to preserve larger comparative values as the desired trend). Relative weights given to yearly performance were 22% for 2007, 33% for 2008, and 45% for 2009. Therefore, a hospital's most recent performance is considered more important than how it operated in prior years. Lastly, weights given to the three individual measures in each category (profitability, capitalization, and liquidity) were 33.33% (each measure was weighted equal in importance).

To calculate an overall financial performance index, the indices in the three categories were weighted 45% for profitability, 30% for capitalization, and 25% for liquidity. Those weighted averages were then standardized to arrive at a single overall performance index for each hospital, with higher values preferred. Profitability was rated most important (45%) because hospitals that consistently lose money and value will not survive. Capitalization was rated second in importance (30%) because it reflects non-recourse, long-term investment in assets that determine how well a hospital can compete in the marketplace. Not only must the hospital facility be efficient and attractive, but current technologies must also be made available to patients. Liquidity was rated least important (25%), because it deals with current (less than one year) obligations, none of which are likely to severely compromise the hospital in the long-term. Further, liquidity may be improved through the reallocation of assets into current positions.

APPENDIX A: Hospital Financial Data

	ALL RI HOSPITALS (in millions)				CARE NEW ENGLAND (in millions)			
	2007	2008	2009	*'08-'09 Change*	2007	2008	2009	*'08-'09 Change*
1 Cash & Short-Term Investments	$231.93	$202.23	$255.29	*26%*	$69.42	$68.38	$63.16	*-8%*
2 Net Patient Receivables	$335.02	$338.10	$352.05	*4%*	$69.94	$70.36	$79.81	*13%*
3 Due from Third Parties	$0.81	$2.65	$3.06	*16%*	$0.00	$0.00	$0.00	*---*
4 Current Assets	$687.70	$670.32	$734.08	*10%*	$168.85	$177.05	$172.34	*-3%*
5 Net Fixed Assets	$1,130.51	$1,217.48	$1,248.40	*3%*	$205.47	$236.06	$256.89	*9%*
6 Total Assets	$3,413.74	$3,282.02	$3,412.69	*4%*	$612.24	$652.18	$681.22	*4%*
7 Current Portion of L.T. Debt	$38.23	$38.74	$42.27	*9%*	$6.25	$6.35	$6.56	*3%*
8 Line of Credit	$11.13	$9.44	$7.43	*-21%*	$0.00	$0.00	$0.00	*---*
9 Current Liabilities	$483.36	$495.18	$518.30	*5%*	$120.75	$131.82	$122.61	*-7%*
10 L.T. Debt & Capital Leases	$517.31	$527.93	$604.70	*15%*	$71.44	$94.29	$87.72	*-7%*
11 Pension Liability *(long-term)*	$38.26	$111.10	$314.06	*183%*	$0.96	$7.34	$41.99	*472%*
12 Net Assets	$2,047.59	$1,807.68	$1,617.16	*-11%*	$314.91	$299.09	$289.69	*-3%*
13 Net Patient Revenue	$2,600.19	$2,743.74	$2,874.36	*5%*	$573.83	$624.54	$674.01	*8%*
14 Total Revenue	$2,874.02	$3,039.83	$3,179.68	*5%*	$654.05	$712.60	$766.30	*8%*
15 Interest Expense	$27.59	$27.90	$32.87	*18%*	$3.48	$2.57	$1.45	*-44%*
16 Depreciation & Amortization	$101.82	$105.96	$108.21	*2%*	$25.29	$26.01	$25.55	*-2%*
17 Wages & Benefits	$1,679.33	$1,761.45	$1,834.10	*4%*	$425.67	$446.95	$483.37	*8%*
18 Bad Debt	$158.02	$167.19	$168.68	*1%*	$26.14	$28.15	$29.93	*6%*
19 Total Operating Expenses	$2,856.02	$3,019.26	$3,152.87	*4%*	$655.47	$694.15	$747.90	*8%*
20 Operating Income	$18.00	$20.57	$26.81	*30%*	($1.42)	$18.45	$18.40	*0%*
21 Net Income	$101.54	$3.52	$7.85	*123%*	$9.00	$5.09	$24.78	*387%*
22 Investments *(all, including cash)*	$1,792.93	$1,552.20	$1,658.36	*7%*	$286.10	$300.73	$313.05	*4%*

	LIFESPAN (in millions)				INDEPENDENT HOSPITALS (in millions)			
	2007	2008	2009	*'08-'09 Change*	2007	2008	2009	*'08-'09 Change*
1 Cash & Short-Term Investments	$77.40	$60.28	$125.49	*108%*	$85.11	$73.57	$66.64	*-9%*
2 Net Patient Receivables	$157.01	$161.74	$172.65	*7%*	$108.07	$106.00	$99.60	*-6%*
3 Due from Third Parties	$0.00	$0.00	$0.00	*---*	$0.81	$2.65	$3.06	*16%*
4 Current Assets	$300.40	$282.23	$362.19	*28%*	$218.45	$211.04	$199.55	*-5%*
5 Net Fixed Assets	$681.60	$740.95	$758.86	*2%*	$243.43	$240.48	$232.65	*-3%*
6 Total Assets	$2,141.02	$2,017.54	$2,149.47	*7%*	$660.48	$612.30	$581.99	*-5%*
7 Current Portion of L.T. Debt	$3.50	$5.98	$9.37	*57%*	$28.48	$26.41	$26.34	*0%*
8 Line of Credit	$0.00	$0.00	$0.00	*---*	$11.13	$9.44	$7.43	*-21%*
9 Current Liabilities	$182.21	$183.37	$217.01	*18%*	$180.40	$179.99	$178.68	*-1%*
10 L.T. Debt & Capital Leases	$292.36	$285.72	$385.88	*35%*	$153.51	$147.92	$131.11	*-11%*
11 Pension Liability *(long-term)*	$0.00	$38.20	$145.20	*280%*	$37.30	$65.56	$126.87	*94%*
12 Net Assets	$1,467.50	$1,322.40	$1,224.72	*-7%*	$265.18	$186.19	$102.75	*-45%*
13 Net Patient Revenue	$1,244.12	$1,307.22	$1,376.41	*5%*	$782.23	$811.98	$823.94	*1%*
14 Total Revenue	$1,397.62	$1,473.15	$1,542.17	*5%*	$822.36	$854.09	$871.21	*2%*
15 Interest Expense	$13.99	$13.60	$17.26	*27%*	$10.12	$11.74	$14.16	*21%*
16 Depreciation & Amortization	$47.07	$50.06	$52.19	*4%*	$29.47	$29.89	$30.47	*2%*
17 Wages & Benefits	$783.00	$831.45	$875.28	*5%*	$470.66	$483.05	$475.44	*-2%*
18 Bad Debt	$78.83	$76.81	$74.32	*-3%*	$53.05	$62.23	$64.43	*4%*
19 Total Operating Expenses	$1,349.42	$1,441.17	$1,509.81	*5%*	$851.13	$883.95	$895.16	*1%*
20 Operating Income	$48.20	$31.98	$32.36	*1%*	($28.77)	($29.86)	($23.95)	*20%*
21 Net Income	$102.22	$36.39	$9.96	*-73%*	($9.69)	($37.95)	($26.89)	*29%*
22 Investments *(all, including cash)*	$1,237.99	$1,031.95	$1,140.40	*11%*	$268.84	$219.52	$204.91	*-7%*

	BRADLEY (in thousands)				BUTLER (in thousands)			
	2007	2008	2009	*'08-'09 Change*	2007	2008	2009	*'08-'09 Change*
1 Cash & Short-Term Investments	$3,954	$1,486	$4,875	*228%*	$14,145	$13,914	$18,198	*31%*
2 Net Patient Receivables	$8,635	$9,869	$11,095	*12%*	$3,362	$4,068	$4,695	*15%*
3 Due from Third Parties	$0	$0	$0	*---*	$0	$0	$0	*---*
4 Current Assets	$13,310	$11,986	$16,781	*40%*	$24,154	$23,979	$28,577	*19%*
5 Net Fixed Assets	$15,277	$25,737	$38,604	*50%*	$24,255	$22,959	$22,448	*-2%*
6 Total Assets	$91,720	$92,211	$115,140	*25%*	$76,022	$72,101	$74,790	*4%*
7 Current Portion of L.T. Debt	$0	$0	$0	*---*	$524	$532	$556	*5%*
8 Line of Credit	$0	$0	$0	*---*	$0	$0	$0	*---*
9 Current Liabilities	$5,534	$8,655	$5,780	*-33%*	$13,372	$12,927	$15,185	*17%*
10 L.T. Debt & Capital Leases	$0	$0	$23,037	*---*	$10,767	$10,309	$9,746	*-5%*
11 Pension Liability *(long-term)*	$0	$2,062	$5,940	*188%*	$0	$943	$5,996	*536%*
12 Net Assets	$83,705	$80,676	$78,251	*-3%*	$45,085	$41,264	$37,773	*-8%*
13 Net Patient Revenue	$51,064	$52,904	$54,884	*4%*	$45,831	$49,909	$57,729	*16%*
14 Total Revenue	$56,078	$58,377	$60,909	*4%*	$71,221	$79,331	$88,193	*11%*
15 Interest Expense	$0	$0	$785	*---*	$485	$595	$478	*-20%*
16 Depreciation & Amortization	$1,228	$1,310	$1,604	*22%*	$2,981	$3,183	$3,112	*-2%*
17 Wages & Benefits	$40,312	$42,873	$44,307	*3%*	$49,608	$54,404	$62,800	*15%*
18 Bad Debt	($366)	$32	$424	*1225%*	$1,219	$2,133	$1,789	*-16%*
19 Total Operating Expenses	$51,069	$55,238	$58,053	*5%*	$69,636	$76,926	$86,253	*12%*
20 Operating Income	$5,009	$3,139	$2,856	*-9%*	$1,585	$2,405	$1,940	*-19%*
21 Net Income	$5,022	$3,168	$2,860	*-10%*	$2,338	$1,978	$2,006	*1%*
22 Investments *(all, including cash)*	$67,027	$55,900	$63,832	*14%*	$39,883	$39,044	$41,727	*7%*

APPENDIX A cont.: Hospital Financial Data

	KENT (in thousands)				LANDMARK (in thousands)			
	2007	2008	2009	'08-'09 Change	2007	2008	2009	'08-'09 Change
1 Cash & Short-Term Investments	$31	$2,542	($440)	-117%	$9,538	$9,499	$7,513	-21%
2 Net Patient Receivables	$29,935	$29,255	$32,560	11%	$12,424	$11,216	$9,428	-16%
3 Due from Third Parties	$0	$0	$0	---	$0	$0	$0	---
4 Current Assets	$37,654	$39,198	$39,800	2%	$27,099	$28,831	$26,875	-7%
5 Net Fixed Assets	$80,485	$75,956	$72,749	-4%	$13,825	$13,495	$11,710	-13%
6 Total Assets	$181,710	$167,946	$167,537	0%	$44,070	$44,538	$40,425	-9%
7 Current Portion of L.T. Debt	$2,892	$2,890	$3,000	4%	$14,556	$13,745	$12,360	-10%
8 Line of Credit	$0	$0	$0	---	$2,000	$0	$0	---
9 Current Liabilities	$46,830	$45,457	$39,764	-13%	$41,951	$46,798	$47,300	1%
10 L.T. Debt & Capital Leases	$24,469	$21,624	$18,624	-14%	$2,038	$1,186	$555	-53%
11 Pension Liability *(long-term)*	$0	$3,849	$21,487	458%	$4,378	$7,486	$8,416	12%
12 Net Assets	$89,213	$74,271	$60,841	-18%	($8,950)	($19,715)	($24,259)	-23%
13 Net Patient Revenue	$233,097	$254,512	$274,521	8%	$133,380	$131,465	$111,272	-15%
14 Total Revenue	$241,790	$264,014	$284,072	8%	$135,568	$135,487	$121,398	-10%
15 Interest Expense	$1,992	$784	$318	-59%	$869	$805	$628	-22%
16 Depreciation & Amortization	$9,224	$9,325	$8,891	-5%	$3,272	$2,600	$2,334	-10%
17 Wages & Benefits	$140,620	$143,087	$154,142	8%	$70,510	$69,285	$60,199	-13%
18 Bad Debt	$17,668	$20,582	$21,155	3%	$12,270	$13,453	$13,923	3%
19 Total Operating Expenses	$250,771	$263,433	$283,037	7%	$144,183	$141,782	$128,218	-10%
20 Operating Income	($8,981)	$582	$1,035	78%	($8,616)	($6,295)	($6,820)	-8%
21 Net Income	($5,262)	($2,134)	$3,671	272%	($8,090)	($6,144)	($6,267)	-2%
22 Investments *(all, including cash)*	$55,581	$55,097	$54,504	-1%	$13,119	$11,782	$9,068	-23%

	MEMORIAL (in thousands)				MIRIAM (in thousands)			
	2007	2008	2009	'08-'09 Change	2007	2008	2009	'08-'09 Change
1 Cash & Short-Term Investments	$3,339	$5,115	$3,581	-30%	$7,886	$12,282	$20,555	67%
2 Net Patient Receivables	$34,638	$35,164	$34,751	-1%	$29,111	$35,481	$34,801	-2%
3 Due from Third Parties	$808	$2,647	$3,063	16%	$0	$0	$0	---
4 Current Assets	$41,275	$45,508	$44,486	-2%	$45,189	$54,494	$63,042	16%
5 Net Fixed Assets	$35,893	$37,622	$34,945	-7%	$146,031	$156,219	$155,408	-1%
6 Total Assets	$138,986	$127,284	$121,575	-4%	$350,928	$338,100	$354,877	5%
7 Current Portion of L.T. Debt	$1,582	$1,582	$1,582	0%	$417	$914	$1,799	97%
8 Line of Credit	$4,594	$5,000	$5,000	0%	$0	$0	$0	---
9 Current Liabilities	$29,539	$32,667	$31,424	-4%	$33,711	$39,658	$42,358	7%
10 L.T. Debt & Capital Leases	$17,441	$15,858	$14,276	-10%	$51,592	$50,546	$68,197	35%
11 Pension Liability *(long-term)*	$11,444	$13,217	$36,781	178%	$0	$6,183	$17,986	191%
12 Net Assets	$77,213	$62,231	$35,540	-43%	$249,480	$232,390	$218,884	-6%
13 Net Patient Revenue	$162,581	$165,491	$168,605	2%	$282,809	$312,686	$334,572	7%
14 Total Revenue	$171,589	$174,218	$176,484	1%	$317,829	$347,656	$367,510	6%
15 Interest Expense	$1,366	$1,257	$1,220	-3%	$2,452	$2,400	$3,044	27%
16 Depreciation & Amortization	$4,314	$4,425	$4,302	-3%	$9,080	$10,772	$10,583	-2%
17 Wages & Benefits	$108,107	$112,482	$111,825	-1%	$154,552	$171,240	$177,876	4%
18 Bad Debt	$11,588	$12,397	$12,688	2%	$16,444	$15,745	$17,087	9%
19 Total Operating Expenses	$173,516	$181,558	$181,582	0%	$308,684	$340,735	$364,838	7%
20 Operating Income	($1,927)	($7,340)	($5,098)	31%	$9,145	$6,921	$2,672	-61%
21 Net Income	$5,057	($13,368)	($3,965)	70%	$16,183	$7,439	$757	-90%
22 Investments *(all, including cash)*	$64,843	$48,982	$45,322	-7%	$165,870	$137,796	$154,423	12%

	NEWPORT (in thousands)				RI HOSPITAL (in thousands)			
	2007	2008	2009	'08-'09 Change	2007	2008	2009	'08-'09 Change
1 Cash & Short-Term Investments	$10,718	$7,544	$3,487	-54%	$38,259	$34,337	$81,927	139%
2 Net Patient Receivables	$10,151	$10,530	$10,143	-4%	$108,944	$105,824	$116,609	10%
3 Due from Third Parties	$0	$0	$0	---	$0	$0	$0	---
4 Current Assets	$23,318	$19,946	$16,813	-16%	$174,118	$164,823	$220,378	34%
5 Net Fixed Assets	$75,578	$79,009	$74,800	-5%	$443,933	$479,148	$489,295	2%
6 Total Assets	$361,834	$317,107	$293,089	-8%	$1,191,058	$1,122,275	$1,212,635	8%
7 Current Portion of L.T. Debt	$1,660	$1,690	$720	-57%	$1,418	$3,371	$6,851	103%
8 Line of Credit	$0	$0	$0	---	$0	$0	$0	---
9 Current Liabilities	$10,119	$11,117	$10,970	-1%	$93,532	$97,341	$117,232	20%
10 L.T. Debt & Capital Leases	$30,945	$29,255	$23,535	-20%	$209,822	$205,922	$271,108	32%
11 Pension Liability *(long-term)*	$0	$0	$11,463	---	$0	$35,000	$97,513	179%
12 Net Assets	$315,573	$271,496	$241,804	-11%	$787,860	$714,186	$659,058	-8%
13 Net Patient Revenue	$101,709	$102,777	$105,973	3%	$809,582	$840,004	$881,533	5%
14 Total Revenue	$105,890	$107,411	$110,329	3%	$907,320	$949,642	$983,713	4%
15 Interest Expense	$1,625	$1,492	$1,337	-10%	$9,911	$9,707	$12,094	25%
16 Depreciation & Amortization	$6,292	$6,806	$7,139	5%	$30,326	$31,024	$32,698	5%
17 Wages & Benefits	$56,870	$60,495	$65,104	8%	$465,439	$490,708	$519,049	6%
18 Bad Debt	$6,706	$4,391	$5,567	27%	$55,883	$56,538	$51,126	-10%
19 Total Operating Expenses	$107,365	$110,193	$114,915	4%	$871,466	$923,477	$963,918	4%
20 Operating Income	($1,475)	($2,782)	($4,586)	-65%	$35,854	$26,165	$19,795	-24%
21 Net Income	$20,610	$2,758	($9,036)	-428%	$52,883	$27,716	$10,808	-61%
22 Investments *(all, including cash)*	$261,246	$215,593	$204,063	-5%	$603,223	$503,160	$573,643	14%

APPENDIX A cont.: Hospital Financial Data

	ROGER WILLIAMS (in thousands)				S. COUNTY (in thousands)			
	2007	2008	2009	'08-'09 Change	2007[1]	2008	2009	'08-'09 Change
1 Cash & Short-Term Investments	$13,922	$12,788	$16,040	25%	$34,291	$27,841	$19,430	-30%
2 Net Patient Receivables	$15,614	$16,735	$17,877	7%	$11,255	$12,029	$9,162	-24%
3 Due from Third Parties	$0	$0	$0	---	$0	$0	$0	---
4 Current Assets	$34,573	$36,372	$39,563	9%	$50,257	$44,776	$33,817	-24%
5 Net Fixed Assets	$43,494	$42,504	$39,613	-7%	$61,995	$63,136	$61,970	-2%
6 Total Assets	$115,363	$111,339	$110,959	0%	$160,820	$147,759	$128,988	-13%
7 Current Portion of L.T. Debt	$1,917	$2,485	$2,326	-6%	$7,000	$4,797	$5,425	13%
8 Line of Credit	$0	$0	$0	---	$0	$0	$0	---
9 Current Liabilities	$36,564	$37,088	$38,815	5%	$24,493	$20,230	$21,065	4%
10 L.T. Debt & Capital Leases	$26,882	$26,522	$24,175	-9%	$65,252	$64,516	$54,115	-16%
11 Pension Liability *(long-term)*	$0	$0	$0	---	$4,390	$4,789	$14,545	204%
12 Net Assets	$43,702	$39,639	$37,313	-6%	$65,764	$53,411	$29,993	-44%
13 Net Patient Revenue	$154,320	$161,376	$171,759	6%	$87,742	$99,571	$109,215	10%
14 Total Revenue	$168,278	$173,721	$185,248	7%	$95,081	$107,720	$117,179	9%
15 Interest Expense	$1,811	$1,840	$1,670	-9%	$3,060	$5,003	$7,945	59%
16 Depreciation & Amortization	$6,042	$5,717	$5,937	4%	$6,122	$6,731	$7,324	9%
17 Wages & Benefits	$87,369	$89,476	$90,565	1%	$53,417	$57,757	$60,053	4%
18 Bad Debt	$8,989	$9,880	$10,569	7%	$6,423	$7,098	$7,342	3%
19 Total Operating Expenses	$168,158	$173,706	$186,160	7%	$105,048	$113,622	$124,168	9%
20 Operating Income	$120	$15	($911)	-6017%	($9,967)	($5,902)	($6,989)	-18%
21 Net Income	$1,775	$621	($1,323)	-313%	($4,315)	($10,333)	($11,394)	-10%
22 Investments *(all, including cash)*	$45,486	$39,713	$43,404	9%	$75,681	$61,950	$48,670	-21%

	ST. JOSEPH (in thousands)				WESTERLY (in thousands)			
	2007	2008	2009	'08-'09 Change	2007	2008	2009	'08-'09 Change
1 Cash & Short-Term Investments	$22,253	$15,107	$16,249	8%	$1,763	$3,217	$3,828	19%
2 Net Patient Receivables	$25,787	$21,485	$20,920	-3%	$8,356	$9,374	$7,460	-20%
3 Due from Third Parties	$0	$0	$0	---	$0	$0	$0	---
4 Current Assets	$53,809	$41,552	$42,055	1%	$11,441	$13,999	$12,757	-9%
5 Net Fixed Assets	$48,171	$44,869	$46,118	3%	$40,057	$38,853	$38,296	-1%
6 Total Assets	$113,116	$96,545	$98,027	2%	$88,124	$84,833	$82,012	-3%
7 Current Portion of L.T. Debt	$1,962	$2,064	$2,109	2%	$1,466	$1,737	$2,538	46%
8 Line of Credit	$0	$0	$0	---	$4,535	$4,444	$2,433	-45%
9 Current Liabilities	$32,623	$26,643	$23,868	-10%	$15,234	$16,564	$16,206	-2%
10 L.T. Debt & Capital Leases	$24,955	$23,376	$21,287	-9%	$16,941	$16,464	$16,701	1%
11 Pension Liability *(long-term)*	$10,301	$29,346	$50,871	73%	$6,791	$10,723	$16,257	52%
12 Net Assets	$39,579	$10,891	($7,292)	-167%	$47,868	$39,729	$31,460	-21%
13 Net Patient Revenue	$172,252	$173,233	$175,306	1%	$71,960	$80,842	$87,786	9%
14 Total Revenue	$178,673	$180,669	$181,757	1%	$73,169	$82,271	$89,143	8%
15 Interest Expense	$1,468	$1,407	$1,323	-6%	$1,545	$1,424	$1,377	-3%
16 Depreciation & Amortization	$5,473	$6,073	$6,118	1%	$4,243	$4,346	$4,451	2%
17 Wages & Benefits	$106,738	$108,381	$104,402	-4%	$44,516	$45,668	$48,399	6%
18 Bad Debt	$9,140	$13,134	$12,659	-4%	$4,641	$6,264	$7,249	16%
19 Total Operating Expenses	$181,075	$189,910	$185,009	-3%	$79,150	$83,370	$90,026	8%
20 Operating Income	($2,402)	($9,241)	($3,252)	65%	($5,981)	($1,099)	($883)	20%
21 Net Income	($2,402)	($9,241)	($3,252)	65%	($1,715)	$512	($690)	-235%
22 Investments *(all, including cash)*	$33,918	$24,836	$25,720	4%	$35,794	$32,260	$32,727	1%

	WOME & INFANTS (in thousands)			
	2007	2008	2009	'08-'09 Change
1 Cash & Short-Term Investments	$47,942	$55,402	$52,852	-5%
2 Net Patient Receivables	$34,663	$35,215	$40,603	15%
3 Due from Third Parties	$0	$0	$0	---
4 Current Assets	$100,475	$118,567	$106,794	-10%
5 Net Fixed Assets	$95,363	$132,449	$157,580	19%
6 Total Assets	$340,260	$400,313	$427,254	7%
7 Current Portion of L.T. Debt	$2,649	$2,740	$2,839	4%
8 Line of Credit	$0	$0	$0	---
9 Current Liabilities	$59,826	$73,242	$65,639	-10%
10 L.T. Debt & Capital Leases	$31,999	$58,330	$55,490	-5%
11 Pension Liability *(long-term)*	$0	$1,797	$10,804	501%
12 Net Assets	$182,668	$186,613	$204,460	10%
13 Net Patient Revenue	$278,571	$305,916	$325,965	7%
14 Total Revenue	$335,039	$365,251	$389,090	7%
15 Interest Expense	$1,577	$1,060	$607	-43%
16 Depreciation & Amortization	$12,248	$12,731	$12,872	1%
17 Wages & Benefits	$206,534	$222,863	$238,033	7%
18 Bad Debt	$7,102	$5,379	$6,891	28%
19 Total Operating Expenses	$326,141	$349,540	$375,348	7%
20 Operating Income	$8,899	$15,711	$13,742	-13%
21 Net Income	$14,695	$5,483	$24,191	341%
22 Investments *(all, including cash)*	$187,011	$210,817	$213,087	1%

Source: Audited financial statements (Landmark did not conduct an audit in 2008 or 2009, so its data for those years are unaudited)

[1] To be consistent with 2008 & 2009, $3,604k in investment income (a non-operating income item) was netted from #14 and #20

PROFIT MARGIN: net income / total revenue

CHANGE IN NET WORTH: (net assets in year 1 - net assets in year 0) / net assets in year 0

OPERATING MARGIN: operating income / total revenue

DEBT SERVICE COVERAGE: (net income + interest expense + depreciation & amortization) / (interest expense + current portion of debt)

CAPITAL FINANCING: (long term debt & capital leases + current portion) / net fixed assets

CAPITAL EXPENSES: (interest expense + depreciation & amortization) / total operating expenses

COLLECTIONS PERIOD: (net patient receivables + due from third parties) / (net patient revenue / 365)

CURRENT RATIO: current assets / current liabilities

DAYS CASH: cash & short term investments / ((total operating expenses - depreciation & amortization) / 365)