

DCHS Monthly Cash Flow Assumptions

- The monthly cash flow projections cover the period from July 2014 to June 2015
 - The underlying monthly cash flow model is based on actual monthly operating results by entity through March 2014
 - The projections for each P&L line item have been developed by rolling forward actual operating results as of March 2014, based on the assumptions outlined in this document
 - An adjustment has been applied to reconcile July 2014 starting cash to the actual ending cash balance for June 2014
- Volume assumptions
 - IP discharges and OP visits projected based on 6-months of actual average monthly volumes for the period from October 2013 to March 2014, adjusted for monthly day counts for future months
 - ALOS is assumed at the 12-month average for the trailing twelve months ended March 2014 in order to smooth out seasonal impacts
 - Additional LHM specific IP and OP annual volume decline assumptions were applied based on recent historical experience as follows: 0.7% for SVMC, 1.1% for OCH and 1.9% for SMC
- Patient revenue assumptions
 - Gross charge per IP discharge and OP visit based on 6-months of actual results for the period from October 2013 to March 2014
 - Overall net collection rate based on actual results for the period from October 2013 to March 2014, adjusted to remove any cost report settlements or other one-time impacts
 - No reimbursement increases have been assumed during the projection period
 - Bad debt and charity care rates based on actual results for the period from October 2013 to March 2014
- Salaries, wages and benefits assumptions
 - Salaries based on 6-months of actual results for the period from October 2013 to March 2014, adjusted for monthly day counts going forward and inclusive of contractual union increases (2% SEIU in May 2014)
 - Management retention program payments have been included in the cash flow projections (\$4.6 million in total for the period from July 2014 to June 2015)
 - Health insurance expense based on the most recent actual benefits expense by DCHS entity based on existing agreements, with a 7.1% increase assumed in January 2015 based expected rate increases
 - RPHE funding in February, May and August of each year, pursuant to the most recent estimates provided by Towers Watson
 - Monthly Church Plan funding pursuant to the most recent estimates provided by Towers Watson
 - Taxes and other benefits based on 6-months of actual results for the period from October 2013 to March 2014
- Other operating expenses
 - Total System office monthly professional fees of approximately \$1.7 million, inclusive of financing and transaction related costs

- Interest expense based on actual debt service schedules for the Series 2005G-H bonds, Series 2014 bonds, capital leases and Medical Foundation notes payable
 - Unless specifically noted above, all other operating expenses based on 6-months of actual results for the period from October 2013 to March 2014, adjusted for monthly day counts going forward (includes supplies, purchased services, professional fees, medical fees, insurance, utilities, rental/leases and general/administrative)
- Provider Fee
 - Net cash impact of the remaining managed care portion of the 30-month program assumed to be \$4.9M in January 2015
 - Disbursements and receipts for new 3-year program assumed to start in December 2014; total net impact of \$51.6M for the FFS portion and \$27.3M for the Managed Care portion in FY 2015
 - All payments shown on a cash basis (consistent with timing of the expected receipts and disbursements of cash vs. at the time of accrual)
- All SFMC supplemental payments modeled on a cash basis
 - SB 855: \$24.8 million
 - SB 474: \$4.4 million
 - SB 1732: \$4.95 million
 - SB 1255: \$13.2 million
 - Trauma: \$11.2 million
- Cost Reports modeled on a cash basis
 - SFMC: \$2.3 million (September 2014)
- Meaningful Use: \$11 million in total (shown on a cash basis)
- Measure A
 - \$1.2 million per month through December 2014, based on actual approvals received from the County of San Mateo
 - \$1 million per month beginning in January 2015
- Premier Distribution of \$2.4 million in October 2014 (cash receipt)
- Capitation premiums based on 6-months of actual results for the period from October 2013 to March 2014 (included in the Other Operating Revenue line item)
- Other Operating Revenue (i.e. rental revenue, cafeteria revenue, etc.) carried forward flat based on March 2014 results
- Marillac dividends in of \$2 million in January 2015 and February 2015 (dividend rates set by the Marillac Board)
- No charitable contributions assumed during the projection period
- Other one-time impacts shown on a cash basis
 - PTO cash out (\$798 thousand total from July 2014 to June 2015)
 - Asset sales (\$1.6 million SFMC convent sale in August 2014 and \$1.8 million OCH condo sale in October 2014)
 - Estimated sales tax disbursement related to the Campbell Gateway transaction (\$1.66 million in March 2015)
- Capital Expenditures
 - System routine capital at ~40% of depreciation (\$2.3M per month)

- \$300 thousand in seismic capital per month at Seton beginning in October 2014; no seismic capital included for other LHMs
 - St. Vincent ED capital of \$3.2 million (\$2.4 million funded from SVMC operating cash, \$625 thousand from SVMC foundation board designated cash and \$235 thousand from SVMC foundation restricted cash)
- Operating impact of SVMC ED opening
 - ED opening assumed in October 2014
 - \$486 thousand monthly net incremental operating income
- Resume regular principal payments on 2005 bonds (Series A, F, G and H) in June 2014
 - The 2005 bonds require quarterly interest payments (note that LHM payments to the System Office are made monthly)
 - All other interest payments are made monthly
- Medical Foundation Notes Payable
 - Installment payments for physician acquisitions
 - Nor Cal Advantage Medical Group: \$350 thousand in September 2014 (another \$350k payment scheduled for September 2015)
 - Almaden Medical Group: \$150 thousand in February 2015
- Series 2014 Bonds incorporated
 - \$110 million of Series 2014A-B bonds in July 2014 and \$15 million of Series 2014C bonds in August 2014
 - \$624,000 per month of incremental interest once the entire \$125 million is funded
- In the cash flow projections, the Mellon Bank reserve is assumed to be funded in July 2014 at \$20M
 - As of August 13, the Mellon Bank reserve has not yet been funded
 - Negotiations with Mellon Bank are ongoing and DCHS also continues to evaluate alternative options
- Working capital assumed to be a modest net monthly use of cash
 - Working capital changes include the cash impact of changes in Patient Accounts Receivable, Supply Inventory, Prepaid Expenses, Other Current Assets, Accounts Payable and Accrued Liabilities
- Liquid Cash includes only unrestricted cash and equivalents
 - No restricted cash (liquid or illiquid) is included
 - Unrestricted long-term investments currently managed by Ascension Investment Management are excluded (considered to be illiquid)
- Conversion of Ascension investments
 - Assume that Ascension investments that are currently considered illiquid will be converted to \$10 million of liquid cash in September 2014
 - Assumption is based on most recent discussions with Ascension, and is subject to change

DCHS Consolidated

Monthly Sources and Uses of Cash

\$ in thousands

	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Projected		Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	15 Month Total
								Nov-14	Dec-14							
Cash Inflows (Prior to Excluded Items):																
Patient Revenue	\$82,719	\$83,426	\$80,088	\$83,426	\$83,426	\$83,070	\$83,426	\$80,735	\$83,426	\$83,426	\$75,353	\$83,426	\$80,735	\$83,426	\$80,735	\$1,230,846
Other Operating Revenue	8,225	8,460	8,225	8,460	8,460	8,225	10,860	8,225	8,460	8,460	7,754	8,460	8,225	8,460	8,225	127,183
Non-Operating Revenue	893	893	893	893	893	893	893	893	893	893	893	893	893	893	893	13,389
Marillac Dividend	0	0	0	0	0	0	0	0	0	2,000	2,000	0	0	0	0	4,000
Proceeds From Borrowing	0	0	0	110,000	15,000	0	0	0	0	0	0	0	0	0	0	125,000
Transfers From Restricted/ Illiquid	28,709	0	313	313	0	10,070	0	0	0	0	0	0	0	0	0	39,404
Total Cash Inflows	\$120,545	\$92,779	\$89,518	\$203,091	\$107,779	\$102,258	\$95,179	\$89,853	\$92,779	\$94,779	\$86,000	\$92,779	\$89,853	\$92,779	\$89,853	\$1,539,822
Cash Outflows (Prior to Excluded Items):																
Payroll	(\$50,826)	(\$53,337)	(\$51,006)	(\$54,219)	(\$52,752)	(\$51,655)	(\$51,601)	(\$51,698)	(\$51,601)	(\$52,378)	(\$46,364)	(\$51,601)	(\$49,856)	(\$51,601)	(\$49,856)	(\$770,354)
Pension	(1,141)	(5,771)	(1,141)	(1,220)	(5,849)	(1,220)	(1,220)	(1,220)	(1,220)	(1,220)	(5,849)	(1,220)	(1,220)	(1,220)	(5,849)	(36,576)
Other Benefits	(14,752)	(14,972)	(14,750)	(14,972)	(14,972)	(14,750)	(14,972)	(14,750)	(14,972)	(15,545)	(14,877)	(15,545)	(15,322)	(15,545)	(15,322)	(226,016)
Insurance	(1,822)	(0)	(0)	(1,822)	(0)	(0)	(1,822)	(0)	(0)	(1,822)	(0)	(0)	(1,822)	(0)	(0)	(9,112)
Property Taxes	(174)	(175)	(174)	(175)	(175)	(174)	(175)	(174)	(175)	(175)	(172)	(175)	(174)	(175)	(174)	(2,615)
Other AP	(39,998)	(41,218)	(40,068)	(41,080)	(41,218)	(40,068)	(42,230)	(41,218)	(42,228)	(42,230)	(39,338)	(42,229)	(41,220)	(42,229)	(41,358)	(617,929)
Risk Pool Settlements	(1,071)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(1,071)
Working Capital	15,022	112	16,081	(19,220)	(368)	(474)	(107)	(340)	(294)	(226)	(381)	(208)	(405)	(299)	(313)	8,579
PTO Cash Out	(179)	0	(332)	(518)	0	0	(280)	0	0	0	0	0	0	0	0	(1,309)
Sales Tax on Asset Sale	0	0	0	0	0	0	0	0	0	0	0	(1,660)	0	0	0	(1,660)
Mellon Bank Reserve	0	0	0	(20,000)	0	0	0	0	0	0	0	0	0	0	0	(20,000)
Debt Service	(23)	(23)	(1,732)	(1,729)	(2,279)	(2,704)	(2,354)	(2,354)	(2,354)	(2,354)	(2,504)	(2,354)	(2,354)	(2,354)	(2,354)	(29,821)
Capital	(2,337)	(2,337)	(3,217)	(3,217)	(3,827)	(2,337)	(2,337)	(2,337)	(2,337)	(2,337)	(2,337)	(2,337)	(2,337)	(2,337)	(2,337)	(38,310)
Transfer To Restricted/ Illiquid	0	0	0	(110,000)	(15,000)	0	0	0	0	0	0	0	0	0	0	(125,000)
Total Cash Outflows	(\$97,303)	(\$117,722)	(\$96,339)	(\$268,172)	(\$136,440)	(\$113,381)	(\$117,098)	(\$114,090)	(\$115,181)	(\$118,286)	(\$111,822)	(\$117,328)	(\$114,709)	(\$115,759)	(\$117,563)	(\$1,871,195)
Adjusted Net Cash Flow	\$23,242	(\$24,944)	(\$6,821)	(\$65,080)	(\$28,661)	(\$11,124)	(\$21,919)	(\$24,238)	(\$22,402)	(\$23,507)	(\$25,822)	(\$24,549)	(\$24,857)	(\$22,980)	(\$27,710)	(\$331,373)
Excluded Items:																
SFMC Supplemental Payments	\$4,274	\$11,327	\$4,450	\$7,680	\$0	\$0	\$2,475	\$7,932	\$3,500	\$4,956	\$0	\$1,900	\$9,031	\$11,242	\$9,843	\$78,610
Provider Fee (net)	0	0	0	0	0	0	0	0	6,673	11,622	(3,526)	9,568	49,917	0	9,568	83,822
Measure A (net)	1,200	1,200	1,200	1,200	1,200	1,200	900	900	900	700	700	700	700	700	700	14,100
Meaningful Use	0	0	2,266	0	0	0	1,793	0	3,249	3,736	0	0	0	0	0	11,044
Sale of Assets	0	0	4,750	0	1,600	0	1,800	0	0	0	0	0	0	0	0	8,150
SVMC ED Opening	0	0	0	0	0	0	486	486	486	486	486	486	486	486	486	4,376
Net Inflows / (Outflows)	\$5,474	\$12,527	\$12,666	\$8,880	\$2,800	\$1,200	\$7,454	\$9,318	\$14,808	\$21,500	(\$2,339)	\$12,654	\$60,134	\$12,429	\$20,597	\$200,103
Series 2014 Draws					\$36,925	\$9,924	\$14,465	\$14,920	\$7,594	\$2,007	\$14,165	\$0	\$0	\$0	\$0	\$100,000
Net Cash Flow (Including Draws)	\$28,716	(\$12,416)	\$5,845	(\$56,201)	\$11,065	\$0	\$0	\$0	\$0	\$0	(\$13,996)	(\$11,895)	\$35,277	(\$10,552)	(\$7,113)	(\$31,270)
Beginning Liquid Cash	\$77,991	\$106,707	\$94,291	\$100,136	\$43,935	\$55,000	\$55,000	\$55,000	\$55,000	\$55,000	\$55,000	\$41,004	\$29,109	\$64,386	\$53,834	\$77,991
Ending Liquid Cash	\$106,707	\$94,291	\$100,136	\$43,935	\$55,000	\$55,000	\$55,000	\$55,000	\$55,000	\$55,000	\$41,004	\$29,109	\$64,386	\$53,834	\$46,721	\$46,721