

**FINANCIAL STATEMENTS**  
**As of June 30, 2014**

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**FINANCIAL STATEMENTS HIGHLIGHTS**

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## June 2014 Financial Statement Highlights

Presented for your review, discussion and acceptance are the financial statements for the month ended June 30, 2014.

### Statistics

Adjusted patient days were 0.1% <sup>(Pg1:ln1)</sup> greater than budget with approximately 68.4% of the volume representing outpatient care.

Clinic visits <sup>(Pg1:ln5)</sup> of 99,454 were 5.5% greater than the budget of 94,311. Primary care clinic visits <sup>(Pg1:ln3)</sup> were 5.4% greater than the month's budget and total specialty clinic visits were 5.6% greater than the June budget <sup>(Pg1:ln4)</sup>.

June Emergency Center visits <sup>(Pg1:ln10)</sup> are reported as 15,436 and were 4.7% greater than budget.

System wide, surgery cases were 24.7% less than budget expectations <sup>(Pg1:ln13)</sup>. The negative variance is partially attributed to a delay in the planned opening of additional operating room suites at the LBJ campus.

Deliveries of 493 were 5.1% greater than the budget of 469 <sup>(Pg1:ln21)</sup>.

66.8% of total cases occupying patient beds entered through the emergency room <sup>(Pg1:ln19)</sup>. Inpatient utilization System wide was in line with budget <sup>(Pg2:ln3)</sup>. Inpatient length of stay <sup>(Pg2:ln8)</sup> was 2.1% less than budget and the inpatient case mix index <sup>(Pg2:ln9)</sup> was 2.7% less than budget.

Charity and Self Pay payor mix of 65.1% was 0.6% greater than the budget of 64.7% <sup>(Pg2:ln10)</sup>. Medicaid represented 18.8% of total patients, 13.0% less than the budget of 21.6%. Medicare represented 9.4% of all patients, 5.6% greater than the budget of 8.9%. Commercial Insurance and Other represented 6.7% of all patients and compared favorably to the budget of 4.8%.

The Unduplicated Patient count, calculated on a rolling twelve months basis, of 315,916 is 3.8% greater than the prior year count of 305,262 <sup>(Pg2:ln17)</sup>.

New Patients seen during the past twelve month period total 109,279 <sup>(Pg2:ln18)</sup> and are 3.8% greater than the prior year count of 105,273.

### **Revenue**

Total Net Revenue of \$98.0 million <sup>(Pg3:ln23)</sup> was \$3.8 million or 3.7% less than budget. Patient volumes, measured as adjusted patient days <sup>(Pg8:ln14)</sup>, were 0.1% greater than budget. June's estimated reimbursement per adjusted patient day <sup>(Pg8:ln1)</sup> was 6.5% less than budget. The resulting Net Patient Service Revenue for June of \$27.5 million <sup>(Pg3:ln10)</sup> was \$1.9 million or 6.6% less than budget. Estimated DSH/Uncompensated Care Program Revenues <sup>(Pg3:ln11)</sup> for the 2014 federal fiscal year are based on the most current data available. Ad valorem tax revenues, net of related expenses, have been reflected in accordance with budget.

### **Expenses**

Total expenses <sup>(Pg4:ln13)</sup> of \$98.5 million were \$8.2 million less than the budget of \$106.7 million. Salaries and wages were \$0.4 million less than the budget. Total FTE's <sup>(Pg8:ln17)</sup> were 0.5% greater than budget and when adjusted for volume were in line with the budgeted staffing level. Employee benefit expenses were \$0.5 million less than budget for the month. Supplies expenses were \$1.8 million or 11.0% greater than budget and when adjusted for volume <sup>(Pg8:ln7)</sup> were 11.0% greater than the budget plan. Negative variances were reflected in pharmaceuticals and also medical instruments and other supply costs incurred related to the opening of the LBJ outpatient operating suites the latter part of July. Total Services <sup>(Pg4:ln12)</sup> of \$22.2 million were \$9.0 million or 28.9% less than budget. Baylor College of Medicine refunded \$8.4 million to Harris Health System as a pro rata share of FICA funds recovered for calendar 1995 through the first quarter of 2005. Total expenses adjusted for volume <sup>(Pg8:ln12)</sup> were \$1,857 per day compared to the budget of \$2,015 per day, a favorable variance of \$158 per day or 7.8%.

## **Operating Income**

Operating Income <sup>(Pg4:ln14)</sup> for June is a loss of \$0.5 million compared to a budgeted loss of \$5.0 million, a favorable variance of \$4.5 million. Page 10 of the report analyzes operating performance and reflects an unfavorable operating run rate as compared to budget due to unfavorable revenue variances.

## **Cash Receipts/Disbursements/Balance Sheet**

June cash receipts <sup>(Pg9:ln24)</sup> totaled \$177.5 million compared to a budget of \$59.8 million. The favorable variance is due to timing differences in payments by the State under the 1115 Waiver programs and the FICA refund received from Baylor. Including board designated funds, the System has \$342.4 million in unrestricted cash, cash equivalents and investments <sup>(Pg6:ln1,7,9,10,16,18,24)</sup>, representing 109 days cash on hand compared to the prior year's cash of \$413.8 million and days cash on hand of 127. Harris Health System has <sup>(Pg6:ln2)</sup> \$83.9 million in net accounts receivable, representing 85 days of outstanding accounts receivable. In May the State notified providers of final payment calculations and IGT's required for final settlement of Federal Fiscal Year 2013 under the State's 1115 Waiver Programs. The IGT's and distribution payments were completed in June resulting in collection of \$133.3 million receivable for Federal Fiscal Year 2013 uncompensated care funds and payment of \$114.5 million in liabilities related to the Harris regional collaborative program. At June 30, 2014 Harris Health System's balance sheet reflects estimated receivables of \$195.7 million under the Section 1115 Supplemental Medicaid Programs and a \$30.0 million liability related to the Harris regional collaborative program. The financial dashboard indicator report graphs related to these statistics are attached.

STATISTICAL HIGHLIGHTS  
As Of June 30, 2014



	MONTH-TO-MONTH			YEAR-TO-DATE				
	CURRENT YEAR	CURRENT BUDGET	PERCENT CHANGE	CURRENT YEAR	CURRENT BUDGET	PERCENT CHANGE	PRIOR YEAR	PERCENT CHANGE
<b>HEALTH SYSTEM FACILITIES</b>								
1. Adjusted Patient Days	53,016	52,985	0.1%	212,485	215,645	-1.5%	200,698	5.9%
2. Outpatient % of Adjusted Volume	68.4%	68.8%	-0.6%	68.1%	68.8%	-0.9%	67.0%	1.7%
3. Primary Care Clinic Visits	70,541	66,935	5.4%	288,747	285,884	1.0%	270,279	6.8%
4. Specialty Clinic Visits	28,913	27,376	5.6%	118,265	113,615	4.1%	111,142	6.4%
5. Total Clinic Visits	99,454	94,311	5.5%	407,012	399,499	1.9%	381,421	6.7%
6. % Primary Care Visits	70.9%	71.0%	-0.1%	70.9%	71.6%	-0.9%	70.9%	0.1%
7. Emergency Room Visits - Outpatient	12,456	12,174	2.3%	49,409	49,453	-0.1%	49,196	0.4%
8. Emergency Room Visits - Observation	1,084	924	17.3%	4,193	3,754	11.7%	3,827	9.6%
9. Emergency Room Visits - Admitted	1,896	1,649	15.0%	7,182	6,762	6.2%	6,894	4.2%
10. Total Emergency Room Visits	15,436	14,747	4.7%	60,784	59,969	1.4%	59,917	1.4%
11. Surgery Cases - Outpatient	799	1,123	-28.9%	3,446	4,679	-26.4%	3,418	0.8%
12. Surgery Cases - Inpatient	737	918	-19.7%	3,442	3,687	-6.6%	3,647	-5.6%
13. Total Surgery Cases	1,536	2,041	-24.7%	6,888	8,366	-17.7%	7,065	-2.5%
14. % Outpatient Cases	52.0%	55.0%	-5.5%	50.0%	55.9%	-10.5%	48.4%	3.4%
15. Total Outpatient Visits	160,834	149,609	7.5%	643,740	630,502	2.1%	606,789	6.1%
16. Inpatient Cases (Discharges)	3,078	2,971	3.6%	12,520	11,969	4.6%	11,486	9.0%
17. Outpatient Observation Cases	1,381	1,224	12.8%	5,698	4,979	14.4%	4,836	17.8%
18. Total Cases Occupying Patient Beds	4,459	4,195	6.3%	18,218	16,948	7.5%	16,322	11.6%
19. % of Total Cases from Emergency Room	66.8%	61.3%	9.0%	62.4%	62.0%	0.6%	65.7%	-4.9%
20. % of Outpatient Cases	31.0%	29.2%	6.1%	31.3%	29.4%	6.5%	29.6%	5.6%
21. Births	493	469	5.1%	1,984	1,863	6.5%	1,920	3.3%

STATISTICAL HIGHLIGHTS  
As Of June 30, 2014



	MONTH-TO-MONTH			YEAR-TO-DATE				
	CURRENT YEAR	CURRENT BUDGET	PERCENT CHANGE	CURRENT YEAR	CURRENT BUDGET	PERCENT CHANGE	PRIOR YEAR	PERCENT CHANGE
<b><u>HEALTH SYSTEM FACILITIES</u></b>								
1. Inpatient Days	16,753	16,511	1.5%	67,726	67,385	0.5%	66,199	2.3%
2. Outpatient Observation Days	2,650	2,884	-8.1%	10,836	11,939	-9.2%	11,476	-5.6%
3. Total Patient Days	19,403	19,395	0.0%	78,562	79,324	-1.0%	77,675	1.1%
4. % of Outpatient Days	13.7%	14.9%	-8.1%	13.8%	15.1%	-8.4%	14.8%	-6.6%
5. Average Daily Census	646.78	646.50	0.0%	643.95	650.20	-1.0%	636.68	1.1%
6. Average Operating Beds	792	792	0.0%	786	792	-0.8%	801	-1.9%
7. Bed Occupancy %	81.7%	81.6%	0.0%	81.9%	82.1%	-0.2%	79.5%	3.1%
8. Inpatient Average Length of Stay	5.44	5.56	-2.1%	5.41	5.63	-3.9%	5.76	-6.1%
9. Inpatient Case Mix Index (CMI)	1.426	1.465	-2.7%	1.441	1.465	-1.6%	1.461	-1.4%
Payor Mix (% of Charges)								
10. Charity & Self Pay	65.1%	64.7%	0.6%	64.5%	64.7%	-0.3%	63.9%	0.9%
11. Medicaid & Medicaid Managed	18.8%	21.6%	-13.0%	20.2%	21.6%	-6.5%	21.8%	-7.3%
12. Medicare & Medicare Managed	9.4%	8.9%	5.6%	9.3%	8.9%	4.5%	8.8%	5.7%
13. Commercial & Other	6.7%	4.8%	39.6%	6.0%	4.8%	25.0%	5.5%	9.1%
<b><u>NETWORK REFERRAL SERVICES</u></b>								
14. Primary Care	837	1,422	-41.1%	3,714	5,991	-38.0%	0	0.0%
15. Specialty Care Visits	113	250	-54.8%	487	1,000	-51.3%	0	0.0%
16. Surgery Cases	126	58	117.2%	573	235	143.8%	287	99.7%
17. GI Procedures	179	62	188.7%	601	237	153.6%	352	70.7%
18. Hemodialysis Treatments	546	975	-44.0%	2,142	3,900	-45.1%	0	0.0%
<b><u>HEALTH SYSTEM TOTALS</u></b>								
19. Primary Care	71,378	68,357	4.4%	292,461	291,875	0.2%	270,279	8.2%
20. Specialty Care Visits	29,026	27,626	5.1%	118,752	114,615	3.6%	111,142	6.8%
21. Surgery Cases	1,662	2,099	-20.8%	7,461	8,601	-13.3%	7,352	1.5%
17. Total Unduplicated Patients - Rolling 12				315,916			305,262	3.5%
18. Total New Patient - Rolling 12				109,279			105,273	3.8%

**OPERATING STATEMENT**  
As Of June 30, 2014  
(In Thousands)



	MONTH-TO-MONTH					YEAR-TO-DATE				
	CURRENT YEAR	CURRENT BUDGET	PERCENT CHANGE	PRIOR YEAR	PERCENT CHANGE	CURRENT YEAR	CURRENT BUDGET	PERCENT CHANGE	PRIOR YEAR	PERCENT CHANGE
<b>PATIENT REVENUES:</b>										
1. Routine Services	18,022	18,210	-1.0%	17,558	2.6%	72,986	74,189	-1.6%	72,690	0.4%
2. Inpatient Ancillary	62,303	61,812	0.8%	60,888	2.3%	260,181	259,059	0.4%	251,886	3.3%
3. Outpatient Ancillary	171,564	173,458	-1.1%	157,677	8.8%	703,071	719,138	-2.2%	649,250	8.3%
4. Physician Services	2,305	3,317	-30.5%	2,155	7.0%	9,044	14,162	-36.1%	10,221	-11.5%
<b>5. Gross Patient Charges</b>	<b>254,193</b>	<b>256,798</b>	<b>-1.0%</b>	<b>238,278</b>	<b>6.7%</b>	<b>1,045,281</b>	<b>1,066,548</b>	<b>-2.0%</b>	<b>984,047</b>	<b>6.2%</b>
<b>REVENUE DEDUCTIONS:</b>										
6. Charity Care	(126,666)	(136,283)	7.1%	(116,574)	-8.7%	(532,308)	(566,019)	6.0%	(486,925)	-9.3%
7. Contractual Allowance/Other Discounts	(86,280)	(81,537)	-5.8%	(84,718)	-1.8%	(353,775)	(338,646)	-4.5%	(348,419)	-1.5%
8. Provision for Bad Debt Expense	(13,758)	(9,560)	-43.9%	(11,924)	-15.4%	(40,041)	(39,706)	-0.8%	(41,718)	4.0%
<b>9. Total Patient Revenue Deductions</b>	<b>(226,703)</b>	<b>(227,381)</b>	<b>0.3%</b>	<b>(213,216)</b>	<b>-6.3%</b>	<b>(926,124)</b>	<b>(944,371)</b>	<b>1.9%</b>	<b>(877,062)</b>	<b>-5.6%</b>
<b>10. Net Patient Service Revenue</b>	<b>27,490</b>	<b>29,417</b>	<b>-6.6%</b>	<b>25,062</b>	<b>9.7%</b>	<b>119,157</b>	<b>122,177</b>	<b>-2.5%</b>	<b>106,985</b>	<b>11.4%</b>
<b>OTHER OPERATING REVENUE:</b>										
11. DSH/UPL/1115 Waiver	21,040	23,210	-9.4%	24,908	-15.5%	85,486	92,841	-7.9%	99,632	-14.2%
12. Other Operating Revenue	1,998	1,927	3.7%	2,396	-16.6%	8,590	9,208	-6.7%	8,831	-2.7%
<b>13. Total Other Operating Revenue</b>	<b>23,037</b>	<b>25,137</b>	<b>-8.4%</b>	<b>27,304</b>	<b>-15.6%</b>	<b>94,076</b>	<b>102,049</b>	<b>-7.8%</b>	<b>108,463</b>	<b>-13.3%</b>
<b>14. Total Operating Revenue</b>	<b>50,527</b>	<b>54,554</b>	<b>-7.4%</b>	<b>52,366</b>	<b>-3.5%</b>	<b>213,233</b>	<b>224,226</b>	<b>-4.9%</b>	<b>215,448</b>	<b>-1.0%</b>
<b>NONOPERATING REVENUE:</b>										
15. Net Ad Valorem Tax Revenue	46,823	47,005	-0.4%	43,090	8.7%	187,856	188,021	-0.1%	171,901	9.3%
16. DSRIP	0	0	0.0%	0	0.0%	0	0	0.0%	23,714	-100.0%
17. Net Tobacco Settlement Revenue	0	0	0.0%	0	0.0%	9,512	9,775	-2.7%	9,774	-2.7%
18. Interest Income	611	198	208.9%	149	310.7%	1,861	791	135.3%	838	122.0%
19. Other	25	0	0.0%	(14)	-273.8%	24	0	0.0%	7	-254.2%
<b>20. Total Nonoperating Revenue</b>	<b>47,459</b>	<b>47,203</b>	<b>0.5%</b>	<b>43,224</b>	<b>9.8%</b>	<b>199,253</b>	<b>198,587</b>	<b>0.3%</b>	<b>206,234</b>	<b>-3.4%</b>
21. Capital Contributions	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%
<b>22. Total Capital Contributions</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
<b>23. Total Net Revenue</b>	<b>97,986</b>	<b>101,757</b>	<b>-3.7%</b>	<b>95,590</b>	<b>2.5%</b>	<b>412,486</b>	<b>422,813</b>	<b>-2.4%</b>	<b>421,682</b>	<b>-2.2%</b>

**OPERATING STATEMENT**  
As Of June 30, 2014  
(In Thousands)

	MONTH-TO-MONTH					YEAR-TO-DATE				
	CURRENT YEAR	CURRENT BUDGET	PERCENT CHANGE	PRIOR YEAR	PERCENT CHANGE	CURRENT YEAR	CURRENT BUDGET	PERCENT CHANGE	PRIOR YEAR	PERCENT CHANGE
<b>SALARIES, WAGES, AND BENEFITS:</b>										
1. Regular Salaries	34,942	35,756	2.3%	33,027	-5.8%	144,963	145,565	0.4%	140,733	-3.0%
2. PTO & Secondday Sick Leave	4,774	4,850	1.6%	5,123	6.8%	19,653	19,715	0.3%	18,473	-6.4%
3. Contract Salaries	1,037	957	-8.4%	1,230	15.7%	4,389	3,723	-17.9%	4,029	-8.9%
4. Registry Salaries	2,379	1,968	-20.9%	2,425	1.9%	9,705	8,058	-20.4%	9,294	-4.4%
5. FICA and Benefits	15,620	16,169	3.4%	16,551	5.6%	63,471	65,415	3.0%	63,250	-0.3%
<b>6. Total Salaries, Wages, and Benefits</b>	<b>58,752</b>	<b>59,700</b>	<b>1.6%</b>	<b>58,356</b>	<b>-0.7%</b>	<b>242,181</b>	<b>242,476</b>	<b>0.1%</b>	<b>235,778</b>	<b>-2.7%</b>
<b>7. Supplies</b>	<b>17,615</b>	<b>15,863</b>	<b>-11.0%</b>	<b>15,187</b>	<b>-16.0%</b>	<b>68,630</b>	<b>65,633</b>	<b>-4.6%</b>	<b>63,660</b>	<b>-7.8%</b>
<b>SERVICES:</b>										
8. Physician Services	7,323	15,560	52.9%	15,146	51.7%	54,191	62,186	12.9%	56,585	4.2%
9. Other Purchased Services	8,933	9,692	7.8%	8,806	-1.4%	36,897	36,730	-0.5%	33,471	-10.2%
10. Depreciation and Amortization	4,681	4,718	0.8%	4,309	-8.6%	18,833	19,186	1.8%	17,865	-5.4%
11. Interest	1,223	1,218	-0.4%	487	-151.2%	4,903	4,954	1.0%	1,928	-154.3%
<b>12. Total Services</b>	<b>22,160</b>	<b>31,188</b>	<b>28.9%</b>	<b>28,747</b>	<b>22.9%</b>	<b>114,824</b>	<b>123,055</b>	<b>6.7%</b>	<b>109,849</b>	<b>-4.5%</b>
<b>13. Total Operating Expenses</b>	<b>98,527</b>	<b>106,751</b>	<b>7.7%</b>	<b>102,290</b>	<b>3.7%</b>	<b>425,635</b>	<b>431,164</b>	<b>1.3%</b>	<b>409,287</b>	<b>-4.0%</b>
<b>14. Operating Income (Loss)</b>	<b>(541)</b>	<b>(4,994)</b>	<b>-</b>	<b>(6,700)</b>	<b>-</b>	<b>(13,149)</b>	<b>(8,351)</b>	<b>-</b>	<b>12,395</b>	<b>-206.1%</b>



**HARRIS HEALTH SYSTEM**  
**CASH FLOW SUMMARY**  
As of June 30, 2014  
(In Thousands)

<u><b>CASH RECEIPTS:</b></u>	<b>CURRENT MONTH</b>	<b>PRIOR YEAR MONTH</b>	<b>FISCAL YTD</b>	<b>PRIOR FISCAL YTD</b>
1. Ad Valorem Taxes	\$ 2,403	2,772	\$ 24,303	\$ 20,039
2. Collections on Patient Accounts	29,720	23,177	115,431	104,746
3. Disproportionate Share III/1115 Waiver UC & DSRIP	133,278	115,794	133,278	91,129
4. Tobacco Settlement	0	0	10,984	9,774
5. Trauma Fund	0	0	1,648	1,665
6. Other Sources (Includes Cost Reimbursement)	12,068	2,623	18,852	10,947
<b>7. Total Cash Receipts</b>	<b>\$ 177,469</b>	<b>\$ 144,366</b>	<b>\$ 304,496</b>	<b>\$ 238,300</b>
 <u><b>CASH DISBURSEMENTS:</b></u>				
8. Salaries and Wages	\$ 28,728	\$ 28,097	\$ 115,479	\$ 122,592
9. Benefits and Employee Deductions	36,191	36,289	131,792	128,414
10. Drugs and Supplies	16,841	14,817	70,837	67,947
11. Physician Services	115,197	125	117,649	81,209
12. Purchased Services	11,884	9,957	47,352	43,858
13. Capital Expenditures	4,151	5,553	26,605	27,641
14. Debt and Interest Payments	444	473	2,118	1,923
15. Other Uses	(2,465)	(3,409)	(16,603)	(13,287)
<b>16. Total Cash Disbursements</b>	<b>\$ 210,971</b>	<b>\$ 91,902</b>	<b>\$ 495,229</b>	<b>\$ 460,297</b>
<b>17. Net Change</b>	<b>\$ (33,502)</b>	<b>\$ 52,464</b>	<b>\$ (190,733)</b>	<b>\$ (221,997)</b>
Unrestricted Cash, Cash Equivalents and Investments - February 28, 2014		\$ 533,090		
Net Change		(190,733)		
Unrestricted Cash, Cash Equivalents and Investments - June 30, 2014		<b>\$ 342,357</b>		



**BALANCE SHEET**  
**As Of June 30, 2014**  
(In Thousands)

<u>ASSETS</u>	<u>ACTUAL</u>	<u>PRIOR YEAR</u>
<b>CURRENT ASSETS:</b>		
1. Cash, Cash Equivalents and Short Term Investments	28,142	87,409
2. Net Patient Accounts Receivable	83,933	61,030
3. Net Ad Valorem Taxes, Current Portion	189,749	176,464
4. Prepaid Expenses, Inventories, and Other Current Assets	221,164	254,746
5. <b>Total Current Assets</b>	<b>522,988</b>	<b>579,650</b>
<b>ASSETS LIMITED AS TO USE OR RESTRICTED, CURRENT PORTION:</b>		
6. Debt Service and Bond Covenants - Restricted	9,057	8,920
7. Board Designated for Future Expansion	4,469	854
8. Phase 1 Project Fund	0	0
9. Board Designated for Legal Reserves	4,031	2,324
10. Board Designated for Self-Insured Programs	25,054	28,183
11. <b>Total Assets Limited as to Use or Restricted, Current Portion</b>	<b>42,611</b>	<b>40,281</b>
<b>PLANT, PROPERTY AND EQUIPMENT:</b>		
12. Plant, Property, & Equipment, Net of Accumulated Depreciation	435,065	351,555
13. Construction in Progress	27,834	74,122
14. <b>Total Plant, Property and Equipment</b>	<b>462,899</b>	<b>425,677</b>
<b>ASSETS LIMITED AS TO USE OR RESTRICTED, NET OF CURRENT PORTION:</b>		
15. Debt Service and Bond Covenants - Restricted	22,108	21,822
16. Board Designated for Future Expansion	95,498	130,467
17. Phase 1 Project Fund	0	0
18. Board Designated for Self-Insured Programs	185,163	164,535
19. Other - Restricted	861	881
20. <b>Total Assets Limited as to Use or Restricted, Net of Current Portion</b>	<b>303,630</b>	<b>317,705</b>
<b>OTHER ASSETS:</b>		
21. Net Ad Valorem Taxes, Delinquent	350	0
22. Net Deferred Bond Issue Costs	1,521	3,743
23. Net Pension Asset	13,076	12,926
24. Long-Term Investments	0	0
25. Security Deposit	70	24
26. Derivative Asset	0	0
27. Deferred Outflow - Derivative Financial Instrument	271	10,057
28. <b>Total Other Assets</b>	<b>15,288</b>	<b>26,750</b>
29. Due to/from CHCI	4,932	4,347
30. <b>TOTAL ASSETS</b>	<b>1,352,348</b>	<b>1,394,410</b>

# HARRISHEALTH SYSTEM

**BALANCE SHEET**  
**As Of June 30, 2014**  
**(In Thousands)**

	<b>ACTUAL</b>	<b>PRIOR YEAR</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
1. Accounts Payable and Accrued Liabilities	73,283	71,967
2. Interest Payable	3,862	3,938
3. Employee Compensation & Related Benefit Liabilities	49,771	52,052
4. Compensated Absences	42,309	42,632
5. Estimated Third-Party Payor Settlements	4,592	2,082
6. Current Portion Long-Term Debt and Capital Leases	5,393	5,607
<b>7. Total Current Liabilities</b>	<b>179,210</b>	<b>178,277</b>
<b>OTHER LONG-TERM LIABILITIES:</b>		
8. Pension Payable	0	0
9. Post Employment Health Benefit Liability	185,163	164,535
10. Borrowing Payable	14,134	14,991
11. Derivative Liability	271	10,057
12. Arbitrage Rebate Liability	151	141
<b>13. Total Other Long-Term Liabilities</b>	<b>199,719</b>	<b>189,725</b>
<b>LONG-TERM DEBT:</b>		
14. Series 2007 Revenue Bonds, Including Premium & Deferred Loss	184,655	187,830
15. Series 2010 Revenue Bonds, Including Deferred Loss	81,364	81,534
16. Other Long-Term Obligation	394	102
<b>17. Total Long-Term Debt</b>	<b>266,413</b>	<b>269,466</b>
<b>TOTAL LIABILITIES</b>	<b>645,341</b>	<b>637,467</b>
<b>NET ASSETS:</b>		
18. Invested in Capital Assets, Net of Related Debt	180,912	135,613
19. Restricted Net Assets	32,026	32,504
20. Unrestricted Net Assets	494,069	588,826
<b>21. Total Net Assets</b>	<b>707,007</b>	<b>756,943</b>
<b>22. TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>1,352,348</b>	<b>1,394,410</b>

**OPERATING PERFORMANCE PER ADJUSTED PATIENT DAY**

As of June 30, 2014

	MONTH-TO-MONTH					YEAR-TO-DATE				
	CURRENT YEAR	CURRENT BUDGET	PERCENT CHANGE	PRIOR YEAR	PERCENT CHANGE	CURRENT YEAR	CURRENT BUDGET	PERCENT CHANGE	PRIOR YEAR	PERCENT CHANGE
1. Net Patient Service Revenue	\$ 519	\$ 555	-6.5%	\$ 518	0.2%	\$ 561	\$ 567	-1.1%	\$ 533	5.3%
2. Other Operating Revenue	435	474	-8.2%	565	-23.0%	443	473	-6.3%	540	-18.0%
3. Nonoperating Revenue	895	891	0.4%	894	0.1%	938	921	1.8%	1,028	-8.8%
4. Capital Contribution	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%
<b>5. Total District Net Revenue</b>	<b>1,849</b>	<b>1,920</b>	<b>-3.7%</b>	<b>1,977</b>	<b>-6.5%</b>	<b>1,942</b>	<b>1,961</b>	<b>-1.0%</b>	<b>2,101</b>	<b>-7.6%</b>
6. Salaries, Wages, and Benefits	1,108	1,127	1.7%	1,207	8.2%	1,140	1,124	-1.4%	1,175	3.0%
7. Supplies	332	299	-11.0%	314	-5.7%	323	304	-6.3%	317	-1.9%
8. Physician Services	138	294	53.1%	313	55.9%	255	288	11.5%	282	9.6%
9. Other Purchased Services	168	183	8.2%	182	7.7%	174	170	-2.4%	167	-4.2%
10. Depreciation and Amortization	88	89	1.1%	89	1.1%	89	89	0.0%	89	0.0%
11. Interest	23	23	0.0%	10	-130.0%	23	23	0.0%	10	-130.0%
<b>12. Total Operating Expenses</b>	<b>1,857</b>	<b>2,015</b>	<b>7.8%</b>	<b>2,115</b>	<b>12.2%</b>	<b>2,004</b>	<b>1,998</b>	<b>-0.3%</b>	<b>2,040</b>	<b>1.8%</b>
<b>13. Operating Income(Loss)</b>	<b>\$ (8)</b>	<b>\$ (95)</b>	<b>-</b>	<b>\$ (138)</b>	<b>-</b>	<b>\$ (62)</b>	<b>\$ (37)</b>	<b>-</b>	<b>\$ 61</b>	<b>-201.6%</b>
14. Adjusted Patient Days	53,016	52,985	0.1%	48,336	9.7%	212,485	215,645	-1.5%	200,698	5.9%
15. Average Daily Census	558.4	550.4	1.5%	530.4	5.3%	555.1	552.3	0.5%	542.6	2.3%
16. FTE's(Employee/Contract) per AOB	4.7	4.7	0.0%	4.9	4.1%	4.8	4.7	-2.1%	4.9	2.0%
17. FTE's(Employee/Contract) - Total	8,371	8,332	-0.5%	7,963	-5.1%	8,431	8,317	-1.4%	7,996	-5.4%
18. FTE's(Employee/Contract) - Productive	7,419	7,391	-0.4%	6,956	-6.7%	7,466	7,379	-1.2%	7,096	-5.2%

**HARRIS HEALTH SYSTEM  
ANALYSIS OF CASH RECEIPTS  
June 30, 2014**

	MONTH TO MONTH			YEAR TO DATE						
	ACTUAL		BUDGET	ACTUAL				BUDGET		
	CURRENT	PRIOR	CURRENT	CURRENT	PRIOR	VAR	VAR %	YTD	VAR	VAR %
<b>PATIENT REVENUE:</b>										
1. Medicare	\$7,767	\$3,011	\$5,548	\$26,415	\$16,602	\$9,813	59.1	\$23,041	\$3,374	14.6
2. Medicaid	8,385	7,992	8,785	32,392	34,869	(2,477)	(7.1)	37,336	(4,944)	(13.2)
3. Texas vendor drug/Medicare Part D	2,427	2,433	2,850	10,557	10,569	(12)	(0.1)	11,837	(1,280)	(10.8)
4. Managed Care - Medicaid	7,055	4,993	5,842	25,214	22,235	2,979	13.4	24,262	952	3.9
5. Commercial insurance	1,528	1,199	1,407	7,592	5,665	1,927	34.0	5,843	1,749	29.9
6. Liens	6	314	281	961	1,263	(302)	(23.9)	1,168	(207)	(17.7)
7. Patient pay	1,741	1,927	2,199	7,624	8,531	(907)	(10.6)	9,131	(1,507)	(16.5)
8. Business office	312	257	349	1,320	1,486	(166)	(11.2)	1,448	(128)	(8.9)
9. Other governmental projects/grants	499	1,051	1,264	3,356	3,526	(170)	(4.8)	5,250	(1,894)	(36.1)
10. SUBTOTAL	29,720	23,177	28,523	115,431	104,746	10,685	10.2	119,315	(3,884)	(3.3)
11a. Cost Reimbursements	773	516	667	2,347	4,805	(2,458)	(51.2)	2,667	(320)	(12.0)
11b. Recoupments	0	0	0	0	0	0	0.0	0	0	0.0
12. <b>Net Patient Revenue Receipts</b>	30,493	23,693	29,190	117,778	109,551	8,227	7.5	121,982	(4,204)	(3.4)
13. DSH/UPL/1115 Waiver	133,278	115,794	25,443	133,278	91,129	42,149	46.3	178,094	(44,816)	(25.2)
14. Tobacco Settlement	0	0	0	10,984	9,774	1,210	12.4	9,775	1,209	12.4
14a Trauma Fund	0	0	0	1,648	1,665	(17)	(1.0)	1,500	148	9.9
15. <b>Total Patient Revenue Receipts</b>	163,771	139,487	54,633	263,688	212,119	51,569	24.3	311,352	(47,664)	(15.3)
<b>NON-PATIENT OPERATING REVENUE:</b>										
16. Parking	221	233	345	916	901	15	1.7	1,379	(463)	(33.6)
17. Cafeteria	268	0	0	866	0	866	0.0	0	866	0.0
18. Grants	750	690	681	2,081	1,371	710	51.8	2,724	(643)	(23.6)
19. Miscellaneous	9,961	1,181	901	12,028	2,977	9,051	304.0	3,605	8,423	233.6
20. <b>Total Non-Patient Operating</b>	11,200	2,104	1,927	15,891	5,249	10,642	202.7	7,708	8,183	106.2
21. Interest income	95	3	198	614	893	(279)	(31.2)	791	(177)	(22.4)
22. <b>Total Non-Tax Receipts</b>	175,066	141,594	56,758	280,193	218,261	61,932	28.4	319,851	(39,658)	(12.4)
23. Ad valorem tax receipts/note	2,403	2,772	3,019	24,303	20,039	4,264	21.3	21,821	2,482	11.4
24. Commercial Paper Proceeds	0	0	0	0	0	0	0.0	0	0	0.0
25. <b>Total Receipts</b>	\$177,469	\$144,366	\$59,777	\$304,496	\$238,300	\$66,196	27.8	\$341,672	(\$37,176)	(10.9)

**OPERATING PERFORMANCE**  
**AS OF JUNE, 2014**  
**(IN MILLIONS)**

	<u>MONTH</u>	<u>YTD</u>
Total Operating Income (Loss) as Reported	\$ (0.5)	\$ (13.1)
Favorable Adjustments:		
Trauma Funds	\$ -	\$ 0.1
Post Employee Health Benefits	\$ 0.5	\$ 0.9
FICA Baylor Residents	\$ 8.4	\$ 8.4
Subtotal of Favorable Adjustments	\$ 8.9	\$ 9.4
Unfavorable Adjustments:		
Tobacco Revenue	\$ -	\$ (0.2)
Medicare Cost Report Settlement	\$ (0.7)	\$ (1.6)
Subtotal of Unfavorable Adjustments	\$ (0.7)	\$ (1.8)
Harris Health System Operating Run Rate as of June	\$ (8.7)	\$ (20.7)
Harris Health System 2015 Budget	\$ (5.0)	\$ (8.4)
Favorable (Unfavorable) Run Rate	\$ (3.7)	\$ (12.3)
Attributable Factors:		
Favorable (Unfavorable) Revenue Variance	\$ (3.1)	\$ (8.6)
Favorable (Unfavorable) Expense Variance	\$ (0.6)	\$ (3.7)
Net of Attributable Factors	\$ (3.7)	\$ (12.3)

SUPPLEMENTAL INFORMATION - STATISTICAL HIGHLIGHTS - MONTHLY TREND  
As Of June 30, 2014

							MONTHLY AVERAGE			
	January	February	March	April	May	June	FY 2013 YTD June	FY 2014 YTD June	FY 2015 YTD June	% Change 15 vs 14
1. ADMISSIONS(A&P)	3,120	2,866	3,114	3,095	3,233	3,078	2,880	2,872	3,130	9.0%
2. PATIENT DAYS(A&P)	18,175	16,369	17,328	16,790	16,855	16,753	16,341	16,550	16,932	2.3%
3. AVERAGE LOS	5.83	5.71	5.56	5.42	5.21	5.44	5.67	5.76	5.41	-6.1%
4. AVERAGE LOS, Overall CMI Adjusted	4.01	3.91	3.92	3.63	3.66	3.82	3.96	3.94	3.75	-4.8%
5. PERCENT OCCUPANCY	76.4%	76.2%	72.3%	70.8%	68.8%	70.5%	65.8%	67.7%	70.6%	4.3%
CASE MIX INDEX (CMI)										
6. CMI - Excluding Obstetrics Cases	1.637	1.596	1.563	1.630	1.549	1.560	1.583	1.600	1.575	-1.6%
7. CMI - Overall	1.451	1.459	1.421	1.494	1.424	1.426	1.434	1.461	1.441	-1.4%
8. BIRTHS	583	482	527	474	490	493	515	480	496	3.3%
9. OPERATING ROOM CASES	1,656	1,640	1,745	1,844	1,763	1,536	1,819	1,766	1,722	-2.5%
10. Inpatient	904	852	867	952	886	737	928	912	861	-5.6%
11. Outpatient	752	788	878	892	877	799	891	855	862	0.8%
12. EMERGENCY VISITS	14,574	13,353	15,154	14,769	15,425	15,436	14,686	14,979	15,196	1.4%
13. Emergency Room Visits-Admitted	1,698	1,728	1,790	1,712	1,784	1,896	1,622	1,724	1,796	4.2%
14. Emergency Room Visits-Outpatient	11,895	10,690	12,347	11,983	12,623	12,456	12,204	12,299	12,352	0.4%
15. Emergency Room Visits-Observation	981	935	1,017	1,074	1,018	1,084	860	957	1,048	9.6%
16. CLINIC VISITS	91,433	96,789	98,933	106,611	102,014	99,454	90,342	95,355	101,753	6.7%
17. Primary Care Clinic Visits	64,166	68,264	68,853	76,537	72,816	70,541	64,688	67,570	72,187	6.8%
18. Specialty Clinic Visits	27,267	28,525	30,080	30,074	29,198	28,913	25,655	27,786	29,566	6.4%
PAYOR MIX										
19. Charity & Self Pay	62.2%	63.4%	65.2%	64.2%	63.8%	65.1%	64.3%	63.9%	64.5%	0.9%
19. Medicaid & Medicaid Managed	21.9%	21.9%	20.8%	20.3%	20.7%	18.8%	22.4%	21.8%	20.2%	-7.3%
20. Medicare & Medicare Managed	9.5%	9.5%	8.9%	9.4%	9.6%	9.4%	8.3%	8.8%	9.3%	5.7%
21. Commercial & Other	6.4%	5.2%	5.1%	6.1%	5.9%	6.7%	5.0%	5.5%	6.0%	9.1%

**SUPPLEMENTAL INFORMATION - OPERATING STATEMENT - MONTHLY TREND**

As Of June 30, 2014

(In Thousands)

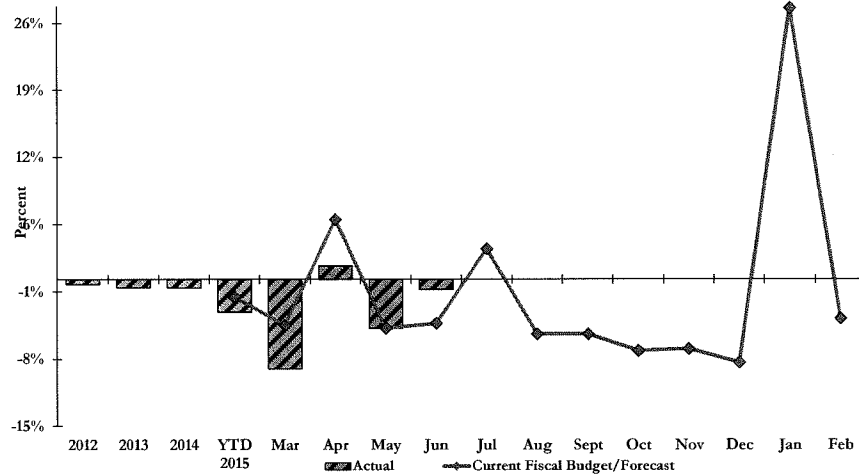
							MONTHLY AVERAGE			
	January	February	March	April	May	June	FY 2013 YTD June	FY 2014 YTD June	FY 2015 YTD June	% Change 15 vs 14
1. Gross Patient Charges	\$ 248,930	\$ 245,775	\$ 260,616	\$ 264,252	\$ 266,220	\$ 254,193	230,296	246,012	261,320	6.2%
2. Total Patient Revenue Deductions	(215,989)	(212,390)	(230,849)	(234,055)	(234,517)	(226,703)	(204,326)	(219,266)	(231,531)	5.6%
3. Net Patient Service Revenue	32,941	33,385	29,767	30,198	31,702	27,490	25,970	26,746	29,789	11.4%
4. Net Revenue % of Gross Charges	13.2%	13.6%	11.4%	11.4%	11.9%	10.8%	11.3%	10.9%	11.4%	4.9%
5. DSH/UPL Program Revenue	19,415	8,944	21,704	21,704	21,040	21,040	21,241	24,908	21,372	-14.2%
6. Other Operating Revenue	1,936	1,311	1,455	1,620	3,518	1,998	2,919	2,208	2,147	-2.7%
7. Total Other Operating Revenue	21,351	10,255	23,158	23,323	24,557	23,037	24,160	27,116	23,519	-13.3%
8. Net Ad Valorem Tax Revenue	42,648	45,149	47,061	46,906	47,067	46,823	42,068	42,975	46,964	9.3%
9. DSRIP	0	(0)	0	0	0	0	0	5,928	0	-100.0%
10. Net Tobacco Settlement Revenue	0	0	0	9,512	0	0	2,532	2,444	2,378	-2.7%
11. Interest Income and Other	(24)	906	170	237	843	636	837	211	471	123.1%
12. Total Nonoperating Revenue	42,624	46,055	47,231	56,655	47,910	47,459	45,437	51,558	49,813	-3.4%
13. Capital Contributions	0	0	0	0	0	0	0	0	0	0.0%
14. Total Net Revenue	96,917	89,695	100,156	110,176	104,169	97,986	95,566	105,421	103,122	-2.2%
15. Salaries and Wages	43,719	42,156	45,723	44,752	45,103	43,132	39,918	43,132	44,677	3.6%
16. FICA and Benefits	16,002	12,796	16,043	15,653	16,155	15,620	14,539	15,812	15,868	0.3%
17. Total Salaries, Wages, and Benefits	59,720	54,952	61,767	60,405	61,258	58,752	54,457	58,945	60,545	2.7%
18. Supplies	18,003	15,796	16,868	17,247	16,901	17,615	14,407	15,915	17,158	7.8%
19. Physician Services	15,492	16,362	16,145	15,089	15,633	7,323	11,974	14,146	13,548	-4.2%
20. Other Purchased Services	10,582	15,102	9,031	9,505	9,427	8,933	8,568	8,368	9,224	10.2%
21. Depreciation and Amortization	4,386	4,507	4,700	4,834	4,619	4,681	3,988	4,466	4,708	5.4%
22. Interest	1,757	2,094	1,220	1,223	1,237	1,223	547	482	1,226	154.4%
23. Total Expenses	109,939	108,813	109,730	108,303	109,076	98,527	93,942	102,322	106,409	4.0%
24. Total Income (Loss)	\$ (13,023)	\$ (19,118)	\$ (9,574)	\$ 1,873	\$ (4,906)	\$ (541)	\$ 1,625	\$ 3,099	\$ (3,287)	-206.1%
25. Total Margin	-13.4%	-21.3%	-9.6%	1.7%	-4.7%	-0.6%	1.7%	2.9%	-3.2%	-208.4%
26. Full-Time Equivalent Employees	8,021	8,462	8,448	8,573	8,334	8,371	7,624	7,996	8,431	5.4%
27. Average Salary per FTE	\$64,174	\$64,943	\$63,723	\$63,513	\$63,724	\$62,688	\$62,660	\$64,550	\$63,419	-1.8%
28. Adjusted Patient Days	52,609	49,814	53,715	52,506	53,248	53,016	46,704	50,175	53,121	5.9%



# HARRIS HEALTH SYSTEM FINANCIAL DASHBOARD INDICATORS

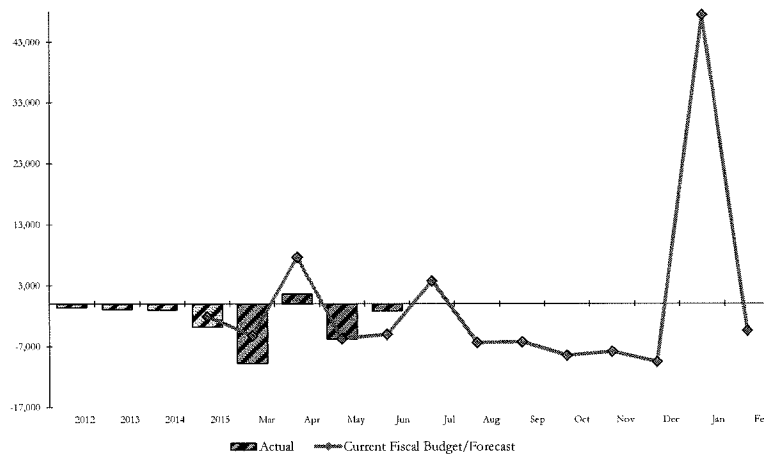
## Operating Margin

A measure of hospital profitability with respect to patient care services. Positive values are favorable.



## Operating Income

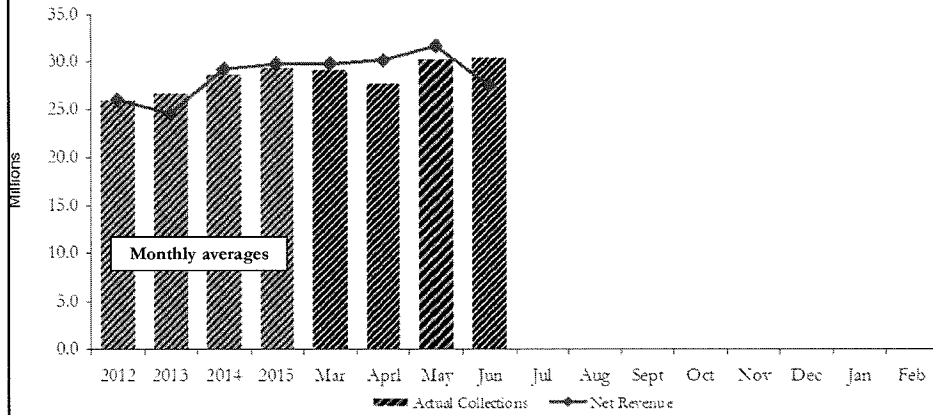
A measure of hospital profitability with respect to patient care services. Positive values are favorable. Values are monthly averages.



## HARRIS HEALTH SYSTEM FINANCIAL DASHBOARD INDICATORS

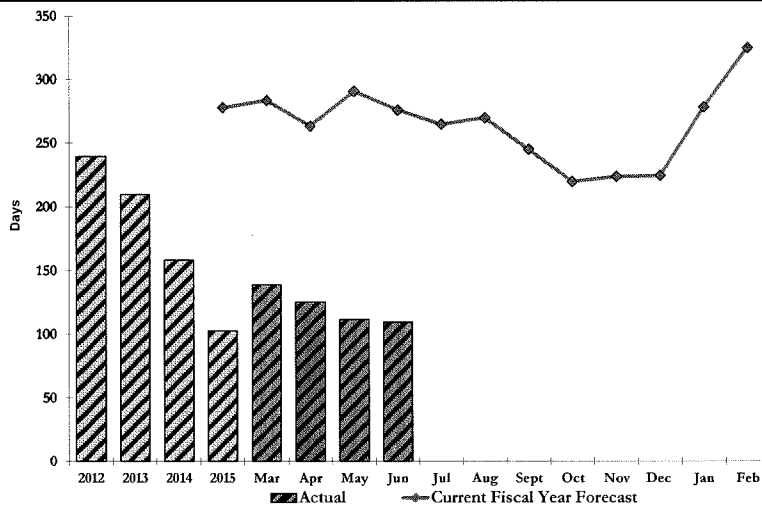
### Cash Collections

An absolute value of cash collections. When measured against net revenue, indicates projected strength or weakness in collections. Goal is to equal or exceed net revenue.



### Unrestricted Days Cash on Hand

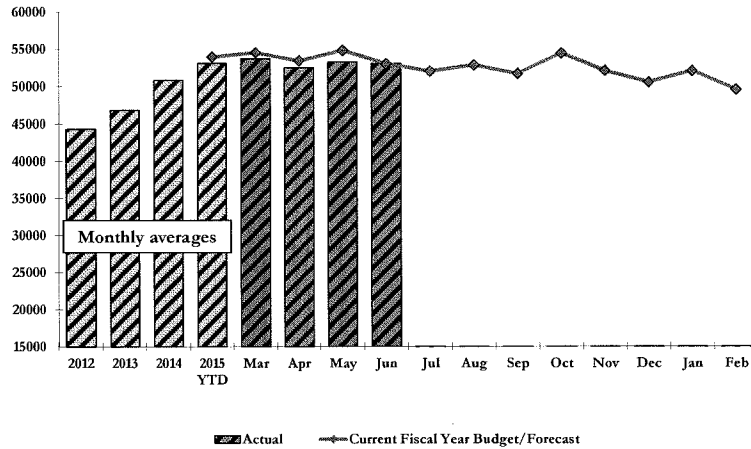
The number of days the Harris Health System could operate if no further patient revenues were received. Harris Health System's goal is to reach a year-end figure of 180 to 210 days.



# HARRIS HEALTH SYSTEM FINANCIAL DASHBOARD INDICATORS

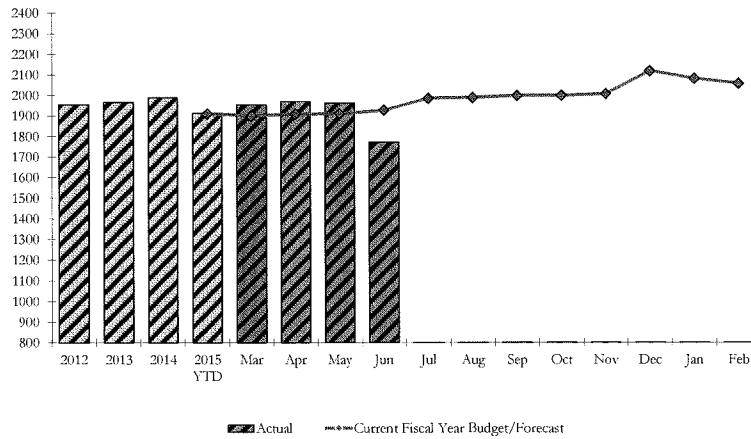
## Adjusted Patient Days

A measure of overall volume in the Harris Health System. A denominator of hospital activity.



## Operating Cost Per Adj. Patient Day

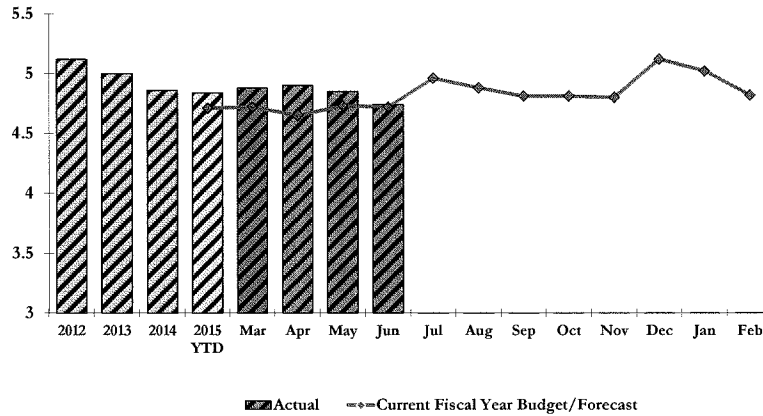
Measures the average cost of delivering care per equivalent inpatient day. Favorable values are below the budget.



## HARRIS HEALTH SYSTEM FINANCIAL DASHBOARD INDICATORS

### FTEs Per Adj. Occupied Bed

Number of average full-time equivalent personnel divided by the adjusted average daily census. Favorable values are below budget. Goal is 4.8.



### Days in Accounts Receivable

The number of days of patient revenue that is due from patient billings after all deductions. Lower numbers are favorable.

