

FINANCIAL STATEMENTS
As of February 28, 2015

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February 2015 Financial Statement Highlights

Presented for your review, discussion and acceptance are the financial statements for the month ended February 28, 2015.

Statistics

Adjusted patient days were 3.9% ^(Pg1:ln1) less than budget with approximately 65.8% of the volume representing outpatient care.

Clinic visits ^(Pg1:ln5) of 104,531 were 0.3% greater than the budget of 104,234. Primary care clinic visits ^(Pg1:ln3) were 0.2% greater than the month's budget and total specialty clinic visits were 0.6% greater than the February budget ^(Pg1:ln4).

February Emergency Center visits ^(Pg1:ln10) are reported as 13,734 and were 1.9% greater than budget.

System wide, surgery cases were 9.4% less than budget expectations ^(Pg1:ln13). As noted on page 2, line 16, Harris Health continues to outsource surgery cases as needed.

Deliveries of 536 were 21.5% greater than the budget of 441 ^(Pg1:ln21).

61.4% of total cases occupying patient beds entered through the emergency room ^(Pg1:ln19). Inpatient utilization System wide was 0.9% less than budget ^(Pg2:ln3). Inpatient length of stay ^(Pg2:ln8) was 7.7% less than budget and the inpatient case mix index ^(Pg2:ln9) was 3.9% less than budget.

Charity and Self Pay payor mix of 64.0% was 1.1% less than the budget of 64.7% ^(Pg2:ln10). Medicaid represented 19.8% of total patients, 8.3% less than the budget of 21.6%. Medicare represented 9.8% of all patients, 10.1% greater than the budget of 8.9%. Commercial Insurance and Other represented 6.4% of all patients and compared favorably to the budget of 4.8%.

The Unduplicated Patient count, calculated on a rolling twelve months basis, of 322,636 is 3.5% greater than the prior year count of 311,734 ^(Pg2:ln17).

New Patients seen during the past twelve month period total 112,271 ^(Pg2:ln18) and are 6.7% greater than the prior year count of 105,218.

Revenue

Total Net Revenue of \$102.8 million ^(Pg3:ln23) was \$0.9 million or 0.9% greater than budget. Patient volumes, measured as adjusted patient days ^(Pg8:ln14), were 3.9% less than budget. February patient net revenue receipts ^(Pg9:ln12) were \$30.6 million and exceeded budget by approximately \$1.4 million. February's estimated reimbursement per adjusted patient day ^(Pg8:ln1) was 0.2% less than budget. The resulting Net Patient Service Revenue for February of \$28.3 million ^(Pg3:ln10) was \$1.2 million or 4.1% less than budget. DSH/Uncompensated Care Program Revenues ^(Pg3:ln11) for the 2014 and 2015 federal fiscal years have been estimated based on the most current data available. Other operating revenues, including grant revenues, reflected a \$0.7 million favorable variance to budget for the month. February tax reports indicate that the 2014 tax levy exceeded budget by \$8.5 million. As a result, ad valorem tax revenues, net of related expenses, reflected a \$5.5 million favorable budget variance in February ^(Pg3:ln15). Interest income includes a \$0.7 million settlement distribution related to the Lehman Brothers bankruptcy filing ^(Pg3:ln18). Harris Health anticipates total distributions of \$1.8 million against the allowed claim of \$4.3 million, a recovery of 40.75%.

Expenses

Total expenses ^(Pg4:ln13) of \$102.4 million were \$3.8 million less than the budget of \$106.2 million. Salaries and wages were \$2.6 million less than the budget. Total FTE's ^(Pg8:ln17) were 2.4% less than budget and when adjusted for volume were 2.1% less than the budgeted staffing level. Employee benefit expenses, primarily health benefits and workers compensation claims expenses, were \$4.6 million less than budget for the month. Both reserves were adjusted based on actuarial reviews. Supplies expenses were \$0.8 million or 4.8% less than budget and when adjusted for volume ^(Pg8:ln7) were 0.9% less than the budget plan. Total Services ^(Pg4:ln12) of \$35.1 million were \$4.2 million or 13.4% greater than budget. Unfavorable variances were incurred in nonclinical purchased services of \$0.8 million, \$1.3 million in consulting fees, and \$1.6 million in physician services. Total expenses adjusted for volume ^(Pg8:ln12) were \$2,152 per day compared to the budget of \$2,145 per day, an unfavorable variance of \$7 per day or 0.3%.

Operating Income

Operating Income ^(Pg4:ln14) for February is a gain of \$0.4 million compared to a budgeted loss of \$4.4 million, a favorable variance of \$4.8 million. Page 10 of the report analyzes operating performance and reflects a favorable operating run rate as compared to budget due to both favorable revenue and expense variances. Year to date, Harris Health operating income is a loss of \$17.1 million compared to a break even budget, an unfavorable variance of \$17.1 million.

Cash Receipts/Disbursements/Balance Sheet

February cash receipts ^(Pg9:ln25) totaled \$252.2 million compared to a budget of \$311.7 million. The \$59.5 million unfavorable variance is primarily due to timing differences in anticipated payments under the Section 1115 Waiver programs. February disbursements ^(Pg5:ln14) included \$10.7 million in debt principal and interest payments. In February 2015 the Board of Managers voted to transfer the remaining balance of funds previously designated for capital projects and self-insured programs to an unrestricted designation. At the end of February, the balances of \$95.5 million in funds designated for future expansion and \$224.4 million designated for self-insured programs were transferred to unrestricted funds. The System has \$552.5 million in unrestricted cash, cash equivalents and investments ^(Pg6:ln1,7,9,10,16,18,24), representing 164 days cash on hand compared to the prior year's cash of \$527.6 million and days cash on hand of 147. Harris Health System has ^(Pg6:ln2) \$76.7 million in net accounts receivable, representing 78 days of outstanding accounts receivable. At February 28, 2015 Harris Health System's balance sheet reflects estimated receivables of \$219.9 million under the Section 1115 Supplemental Medicaid Programs and a \$75.9 million liability related to the Harris regional collaborative program. The clinic construction managed by the Harris County Public Infrastructure Department was completed in February. As the final costs were analyzed and compared to the total prepayments, \$11.0 million was transferred from the Construction in Progress section of the balance sheet ^(Pg6:ln13) to Plant, Property, and Equipment ^(Pg6:ln12), \$0.4 million was expensed as purchased service costs, and the balance of \$1.8 million is reflected as a receivable from the County. The financial dashboard indicator report graphs related to these statistics are attached.

STATISTICAL HIGHLIGHTS
As Of February 28, 2015

	MONTH-TO-MONTH			YEAR-TO-DATE				
	CURRENT YEAR	CURRENT BUDGET	PERCENT CHANGE	CURRENT YEAR	CURRENT BUDGET	PERCENT CHANGE	PRIOR YEAR	PERCENT CHANGE
<u>HEALTH SYSTEM FACILITIES</u>								
1. Adjusted Patient Days	47,610	49,542	-3.9%	636,365	630,682	0.9%	610,544	4.2%
2. Outpatient % of Adjusted Volume	65.8%	68.3%	-3.6%	66.9%	68.4%	-2.2%	66.5%	0.7%
3. Primary Care Clinic Visits	76,364	76,230	0.2%	886,904	887,294	0.0%	806,615	10.0%
4. Specialty Clinic Visits	28,167	28,004	0.6%	344,867	341,387	1.0%	335,570	2.8%
5. Total Clinic Visits	104,531	104,234	0.3%	1,231,771	1,228,681	0.3%	1,142,185	7.8%
6. % Primary Care Visits	73.1%	73.1%	-0.1%	72.0%	72.2%	-0.3%	70.6%	2.0%
7. Emergency Room Visits - Outpatient	11,173	11,070	0.9%	148,500	146,274	1.5%	145,007	2.4%
8. Emergency Room Visits - Observation	747	845	-11.6%	11,671	11,115	5.0%	11,192	4.3%
9. Emergency Room Visits - Admitted	1,814	1,558	16.4%	21,928	20,155	8.8%	20,888	5.0%
10. Total Emergency Room Visits	13,734	13,473	1.9%	182,099	177,544	2.6%	177,087	2.8%
11. Surgery Cases - Outpatient	850	1,087	-21.8%	10,593	13,739	-22.9%	9,830	7.8%
12. Surgery Cases - Inpatient	905	851	6.3%	11,472	11,238	2.1%	11,200	2.4%
13. Total Surgery Cases	1,755	1,938	-9.4%	22,065	24,977	-11.7%	21,030	4.9%
14. % Outpatient Cases	48.4%	56.1%	-13.6%	48.0%	55.0%	-12.7%	46.7%	2.7%
15. Total Outpatient Visits	161,482	161,595	-0.1%	1,941,653	1,929,476	0.6%	1,828,412	6.2%
16. Inpatient Cases (Discharges)	3,096	2,758	12.3%	38,634	35,213	9.7%	35,934	7.5%
17. Outpatient Observation Cases	1,075	1,120	-4.0%	16,062	14,743	8.9%	15,337	4.7%
18. Total Cases Occupying Patient Beds	4,171	3,878	7.6%	54,696	49,956	9.5%	51,271	6.7%
19. % of Total Cases from Emergency Room	61.4%	62.0%	-0.9%	61.4%	62.6%	-1.9%	62.6%	-1.8%
20. % of Outpatient Cases	25.8%	28.9%	-10.8%	29.4%	29.5%	-0.5%	29.9%	-1.8%
21. Births	536	441	21.5%	6,683	6,072	10.1%	6,288	6.3%

STATISTICAL HIGHLIGHTS
As Of February 28, 2015

	MONTH-TO-MONTH			YEAR-TO-DATE				
	CURRENT YEAR	CURRENT BUDGET	PERCENT CHANGE	CURRENT YEAR	CURRENT BUDGET	PERCENT CHANGE	PRIOR YEAR	PERCENT CHANGE
<u>HEALTH SYSTEM FACILITIES</u>								
1. Inpatient Days	16,278	15,717	3.6%	210,651	199,350	5.7%	204,832	2.8%
2. Outpatient Observation Days	1,905	2,626	-27.5%	29,521	34,206	-13.7%	33,998	-13.2%
3. Total Patient Days	18,183	18,343	-0.9%	240,172	233,556	2.8%	238,830	0.6%
4. % of Outpatient Days	10.5%	14.3%	-26.8%	12.3%	14.6%	-16.1%	14.2%	-13.7%
5. Average Daily Census	649.39	655.11	-0.9%	658.00	639.88	2.8%	654.33	0.6%
6. Average Operating Beds	795	824	-3.5%	796	780	2.1%	789	0.9%
7. Bed Occupancy %	81.7%	79.5%	2.7%	82.7%	82.0%	0.8%	82.9%	-0.3%
8. Inpatient Average Length of Stay	5.26	5.70	-7.7%	5.45	5.66	-3.7%	5.70	-4.3%
9. Inpatient Case Mix Index (CMI)	1.408	1.465	-3.9%	1.427	1.465	-2.6%	1.447	-1.4%
Payor Mix (% of Charges)								
10. Charity & Self Pay	64.0%	64.7%	-1.1%	63.6%	64.7%	-1.7%	64.1%	-0.8%
11. Medicaid & Medicaid Managed	19.8%	21.6%	-8.3%	20.7%	21.6%	-4.2%	21.9%	-5.5%
12. Medicare & Medicare Managed	9.8%	8.9%	10.1%	9.5%	8.9%	6.7%	9.1%	4.4%
13. Commercial & Other	6.4%	4.8%	33.3%	6.2%	4.8%	29.2%	4.9%	26.5%
<u>NETWORK REFERRAL SERVICES</u>								
14. Primary Care	111	1,498	-92.6%	6,140	17,956	-65.8%	10,451	-41.2%
15. Specialty Care Visits	0	253	-100.0%	1,033	3,003	-65.6%	308	235.4%
16. Surgery Cases	53	57	-7.0%	1,646	700	135.1%	1,712	-3.9%
17. GI Procedures	32	72	-55.6%	2,167	600	261.2%	894	142.4%
18. Hemodialysis Treatments	560	975	-42.6%	6,911	11,700	-40.9%	2,242	208.3%
<u>HEALTH SYSTEM TOTALS</u>								
19. Primary Care	76,475	77,728	-1.6%	893,044	905,250	-1.3%	817,066	9.3%
20. Specialty Care Visits	28,167	28,257	-0.3%	345,900	344,390	0.4%	335,878	3.0%
21. Surgery Cases	1,808	1,995	-9.4%	23,711	25,677	-7.7%	22,742	4.3%
22. Total Unduplicated Patients - Rolling 12				322,636			311,734	3.5%
23. Total New Patient - Rolling 12				112,271			105,218	6.7%

OPERATING STATEMENT

As Of February 28, 2015

(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
PATIENT REVENUES:										
1. Routine Services	17,525	17,300	1.3%	17,663	-0.8%	229,692	219,206	4.8%	224,918	2.1%
2. Inpatient Ancillary	67,008	64,174	4.4%	63,098	6.2%	816,272	787,258	3.7%	783,903	4.1%
3. Outpatient Ancillary	160,463	172,533	-7.0%	162,804	-1.4%	2,085,023	2,135,804	-2.4%	1,969,747	5.9%
4. Physician Services	2,250	3,433	-34.4%	2,209	1.9%	27,252	41,875	-34.9%	27,352	-0.4%
5. Gross Patient Charges	247,247	257,440	-4.0%	245,775	0.6%	3,158,240	3,184,142	-0.8%	3,005,919	5.1%
REVENUE DEDUCTIONS:										
6. Charity Care	(119,858)	(136,624)	12.3%	(128,287)	6.6%	(1,523,549)	(1,689,831)	9.8%	(1,577,870)	3.4%
7. Contractual Allowance/Other Discounts	(85,812)	(81,741)	-5.0%	(81,975)	-4.7%	(1,128,422)	(1,011,015)	-11.6%	(974,157)	-15.8%
8. Provision for Bad Debt Expense	(13,290)	(9,584)	-38.7%	(2,128)	-524.7%	(140,183)	(118,542)	-18.3%	(104,909)	-33.6%
9. Total Patient Revenue Deductions	(218,960)	(227,949)	3.9%	(212,390)	-3.1%	(2,792,154)	(2,819,387)	1.0%	(2,656,936)	-5.1%
10. Net Patient Service Revenue	28,287	29,491	-4.1%	33,385	-15.3%	366,085	364,755	0.4%	348,984	4.9%
OTHER OPERATING REVENUE:										
11. DSH/UPL/1115 Waiver	18,159	23,210	-21.8%	8,944	103.0%	235,758	278,523	-15.4%	255,893	-7.9%
12. Other Operating Revenue	2,672	1,927	38.7%	1,311	103.8%	28,490	24,623	15.7%	23,130	23.2%
13. Total Other Operating Revenue	20,831	25,137	-17.1%	10,255	103.1%	264,249	303,146	-12.8%	279,023	-5.3%
14. Total Operating Revenue	49,118	54,628	-10.1%	43,640	12.6%	630,334	667,901	-5.6%	628,007	0.4%
NONOPERATING REVENUE:										
15. Net Ad Valorem Tax Revenue	52,526	47,005	11.7%	45,149	16.3%	574,274	564,064	1.8%	515,990	11.3%
16. DSRIP	0	0	-100.0%	(0)	-100.0%	59,558	66,815	-10.9%	90,122	-33.9%
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	1,201	198	507.4%	905	32.6%	3,982	2,372	67.9%	876	354.5%
19. Other	(67)	0	0.0%	0	-18377.3%	2,423	0	0.0%	436	-455.9%
20. Total Nonoperating Revenue	53,660	47,203	13.7%	46,055	16.5%	649,749	643,026	1.0%	617,198	5.3%
21. Capital Contributions	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%
22. Total Capital Contributions	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%
23. Total Net Revenue	102,778	101,831	0.9%	89,695	14.6%	1,280,083	1,310,927	-2.4%	1,245,205	2.8%

OPERATING STATEMENT

As Of February 28, 2015

(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
SALARIES, WAGES, AND BENEFITS:										
1. Regular Salaries	33,597	35,009	4.0%	34,567	2.8%	432,516	441,273	2.0%	420,901	-2.8%
2. PTO & Secondday Sick Leave	3,581	4,708	23.9%	3,889	7.9%	60,083	59,802	-0.5%	58,532	-2.6%
3. Contract Salaries	732	735	0.4%	1,410	48.1%	9,724	10,156	4.2%	14,087	31.0%
4. Registry Salaries	1,827	1,906	4.1%	2,289	20.2%	26,918	24,353	-10.5%	29,422	8.5%
5. FICA and Benefits	11,236	15,791	28.9%	12,796	12.2%	179,872	197,701	9.0%	184,393	2.5%
6. Total Salaries, Wages, and Benefits	50,973	58,149	12.3%	54,952	7.2%	709,113	733,285	3.3%	707,335	-0.3%
7. Supplies	16,299	17,116	4.8%	15,796	-3.2%	211,840	201,986	-4.9%	197,888	-7.1%
SERVICES:										
8. Physician Services	18,407	16,771	-9.8%	16,362	-12.5%	192,966	193,946	0.5%	180,485	-6.9%
9. Other Purchased Services	11,090	8,671	-27.9%	15,102	26.6%	112,257	109,489	-2.5%	117,591	4.5%
10. Depreciation and Amortization	4,807	4,403	-9.2%	4,507	-6.6%	56,672	57,401	1.3%	52,173	-8.6%
11. Interest	837	1,137	26.4%	2,094	60.0%	14,372	14,820	3.0%	11,940	-20.4%
12. Total Services	35,141	30,982	-13.4%	38,064	7.7%	376,267	375,656	-0.2%	362,188	-3.9%
13. Total Operating Expenses	102,413	106,246	3.6%	108,813	5.9%	1,297,220	1,310,927	1.0%	1,267,411	-2.4%
14. Operating Income (Loss)	365	(4,415)	-	(19,118)	-	(17,137)	(0)	-	(22,206)	-

CASH FLOW SUMMARY

As of February 28 2015

(In Thousands)

	CURRENT MONTH	PRIOR YEAR MONTH	FISCAL YTD	PRIOR FISCAL YTD
<u>CASH RECEIPTS:</u>				
1. Ad Valorem Taxes	\$ 218,434	217,421	\$ 576,954	\$ 517,981
2. Collections on Patient Accounts	29,150	24,230	371,822	322,007
3. DSH & UC - 1115 Waiver	0	0	259,445	205,364
3a DSRIP - 1115 Waiver	0	0	59,557	90,122
4. Tobacco Settlement	0	0	10,984	9,774
5. Trauma Fund	0	0	1,767	1,811
6. Other Sources (Includes Cost Reimbursement)	4,626	8,607	47,821	45,012
7. Total Cash Receipts	\$ 252,210	\$ 250,258	\$ 1,328,350	\$ 1,192,071
<u>CASH DISBURSEMENTS:</u>				
8. Salaries and Wages	\$ 29,117	\$ 28,597	\$ 374,313	\$ 384,492
9. Benefits and Employee Deductions	25,483	25,489	354,640	364,942
10. Drugs and Supplies	15,727	15,581	216,419	203,494
11. Physician Services	1,386	83	208,478	160,915
12. Purchased Services	10,800	10,419	134,023	124,324
13. Capital Expenditures	6,441	14,817	55,459	87,911
14. Debt and Interest Payments	10,701	9,919	21,052	20,298
15. Other Uses	(5,246)	(2,008)	(55,395)	(46,102)
16. Total Cash Disbursements	\$ 94,409	\$ 102,897	\$ 1,308,989	\$ 1,300,274
17. Net Change	\$ 157,801	\$ 147,361	\$ 19,361	\$ (108,203)

Unrestricted Cash, Cash Equivalents and Investments - February 28, 2014

\$ 533,090

Net Change

19,361

Unrestricted Cash, Cash Equivalents and Investments - February 28, 2015

\$ 552,451

BALANCE SHEET
As Of February 28, 2015
(In Thousands)

	ACTUAL	PRIOR YEAR
<u>ASSETS</u>		
CURRENT ASSETS:		
1. Cash, Cash Equivalents and Short Term Investments	508,494	220,465
2. Net Patient Accounts Receivable	76,653	80,204
3. Net Ad Valorem Taxes, Current Portion	26,288	24,682
4. Prepaid Expenses, Inventories, and Other Current Assets	246,216	266,986
5. Total Current Assets	857,651	592,338
ASSETS LIMITED AS TO USE OR RESTRICTED, CURRENT PORTION:		
6. Debt Service and Bond Covenants - Restricted	6,041	5,830
7. Board Designated for Future Expansion	0	7,288
8. Phase 1 Project Fund	0	0
9. Board Designated for Legal Reserves	0	4,031
10. Board Designated for Self-Insured Programs	(0)	23,997
11. Total Assets Limited as to Use or Restricted, Current Portion	6,041	41,147
PLANT, PROPERTY AND EQUIPMENT:		
12. Plant, Property, & Equipment, Net of Accumulated Depreciation	432,504	435,051
13. Construction in Progress	21,599	31,652
14. Total Plant, Property and Equipment	454,104	466,704
ASSETS LIMITED AS TO USE OR RESTRICTED, NET OF CURRENT PORTION:		
15. Debt Service and Bond Covenants - Restricted	24,709	24,521
16. Board Designated for Future Expansion	(0)	100,082
17. Phase 1 Project Fund	0	0
18. Board Designated for Self-Insured Programs	(0)	177,227
19. Other - Restricted	822	864
20. Total Assets Limited as to Use or Restricted, Net of Current Portion	25,531	302,693
OTHER ASSETS:		
21. Net Ad Valorem Taxes, Delinquent	313	552
22. Net Deferred Bond Issue Costs	1,463	1,551
23. Net Pension Asset	2,180	2,231
24. Long-Term Investments	43,957	0
25. Security Deposit	70	70
26. Derivative Asset	0	0
27. Deferred Outflow - Derivative Financial Instrument	13,040	271
28. Total Other Assets	61,022	4,674
29. Due to/from CHCI	4,746	4,525
30. TOTAL ASSETS	1,409,095	1,412,080

BALANCE SHEET
As Of February 28, 2015
(In Thousands)

	ACTUAL	PRIOR YEAR
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
1. Accounts Payable and Accrued Liabilities	121,389	143,229
2. Interest Payable	628	636
3. Employee Compensation & Related Benefit Liabilities	42,527	40,233
4. Compensated Absences	39,977	41,047
5. Estimated Third-Party Payor Settlements	9,498	3,386
6. Current Portion Long-Term Debt and Capital Leases	5,599	5,445
7. Total Current Liabilities	219,618	233,977
OTHER LONG-TERM LIABILITIES:		
8. Pension Payable	0	0
9. Post Employment Health Benefit Liability	197,659	177,227
10. Borrowing Payable	13,571	14,417
11. Derivative Liability	13,040	271
12. Arbitrage Rebate Liability	151	151
13. Total Other Long-Term Liabilities	224,421	192,065
LONG-TERM DEBT:		
14. Series 2007 Revenue Bonds, Including Premium & Deferred Loss	181,320	184,655
15. Series 2010 Revenue Bonds, Including Deferred Loss	80,445	80,781
16. Other Long-Term Obligation	269	444
17. Total Long-Term Debt	262,034	265,881
TOTAL LIABILITIES	706,073	691,922
NET ASSETS:		
18. Invested in Capital Assets, Net of Related Debt	173,792	180,962
19. Restricted Net Assets	31,572	31,215
20. Unrestricted Net Assets	497,657	507,981
21. Total Net Assets	703,022	720,158
22. TOTAL LIABILITIES & NET ASSETS	1,409,095	1,412,080

OPERATING PERFORMANCE PER ADJUSTED PATIENT DAY

As of February 28, 2015

	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	\$ 594	\$ 595	-0.2%	\$ 670	-11.3%	\$ 575	\$ 578	-0.5%	\$ 572	0.5%
2. Other Operating Revenue	438	507	-13.6%	206	112.6%	415	481	-13.7%	457	-9.2%
3. Nonoperating Revenue	1,127	953	18.3%	925	21.8%	1,021	1,020	0.1%	1,011	1.0%
4. Capital Contribution	0	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%
5. Total District Net Revenue	2,159	2,055	5.1%	1,801	19.9%	2,011	2,079	-3.3%	2,040	-1.4%
6. Salaries, Wages, and Benefits	1,071	1,174	8.8%	1,103	2.9%	1,114	1,163	4.2%	1,159	3.9%
7. Supplies	342	345	0.9%	317	-7.9%	333	320	-4.1%	324	-2.8%
8. Physician Services	387	339	-14.2%	328	-18.0%	303	308	1.6%	296	-2.4%
9. Other Purchased Services	233	175	-33.1%	303	23.1%	176	174	-1.1%	193	8.8%
10. Depreciation and Amortization	101	89	-13.5%	90	-12.2%	89	91	2.2%	85	-4.7%
11. Interest	18	23	21.7%	42	57.1%	23	23	0.0%	20	-15.0%
12. Total Operating Expenses	2,152	2,145	-0.3%	2,183	1.4%	2,038	2,079	2.0%	2,077	1.9%
13. Operating Income(Loss)	\$ 7	\$ (90)	-	\$ (382)	-	\$ (27)	\$ -	0.0%	\$ (37)	-
14. Adjusted Patient Days	47,610	49,542	-3.9%	49,814	-4.4%	636,365	630,682	0.9%	610,544	4.2%
15. Average Daily Census	581.4	561.3	3.6%	584.6	-0.6%	577.1	546.2	5.7%	561.2	2.8%
16. FTE's(Employee/Contract) per AOB	4.9	4.8	-2.1%	4.8	-2.1%	4.8	4.8	0.0%	4.9	2.0%
17. FTE's(Employee/Contract) - Total	8,318	8,527	2.4%	8,462	1.7%	8,327	8,353	0.3%	8,128	-2.5%
18. FTE's(Employee/Contract) - Productive	7,533	7,569	0.5%	7,625	1.2%	7,350	7,411	0.8%	7,189	-2.2%

ANALYSIS OF CASH RECEIPTS

February 28, 2015

	MONTH TO MONTH			YEAR TO DATE						
	ACTUAL		BUDGET	ACTUAL				BUDGET		
	CURRENT	PRIOR	CURRENT	CURRENT	PRIOR	VAR	VAR %	YTD	VAR	VAR %
PATIENT REVENUE:										
1. Medicare	\$6,047	\$5,271	\$5,562	\$80,121	\$59,079	\$21,042	35.6	\$68,788	\$11,333	16.5
2. Medicaid	8,382	6,613	8,785	99,859	102,933	(3,074)	(3.0)	112,007	(12,148)	(10.8)
3. Texas vendor drug/Medicare Part D	2,985	2,314	2,857	34,158	32,295	1,863	5.8	35,339	(1,181)	(3.3)
4. Managed Care - Medicaid	5,997	5,569	5,856	83,984	68,061	15,923	23.4	72,433	11,551	15.9
5. Commercial insurance	1,792	1,348	1,410	25,376	16,072	9,304	57.9	17,445	7,931	45.5
6. Liens	194	96	282	3,459	3,078	381	12.4	3,486	(27)	(0.8)
7. Patient pay	2,054	1,990	2,204	23,897	25,249	(1,352)	(5.4)	27,260	(3,363)	(12.3)
8. Business office	316	321	350	3,816	4,052	(236)	(5.8)	4,324	(508)	(11.8)
9. Other governmental projects/grants	1,383	708	1,267	17,151	11,188	5,963	53.3	15,673	1,478	9.4
10. SUBTOTAL	29,150	24,230	28,573	371,821	322,007	49,814	15.5	356,755	15,066	4.2
11a. Cost Reimbursements	1,459	6,900	667	9,370	22,023	(12,653)	(57.5)	8,000	1,370	17.1
11b. Recoupments	0	0	0	0	0	0	0.0	0	0	0.0
12. Net Patient Revenue Receipts	30,609	31,130	29,240	381,191	344,030	37,161	10.8	364,755	16,436	4.5
13. DSH & UC - 1115 Waiver	0	0	43,617	259,445	205,364	54,081	26.3	394,836	(135,391)	(34.3)
13a. DSRIP - 1115 Waiver	0	0	0	59,557	90,122	(30,565)	(33.9)	0	59,557	0.0
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	1,767	1,811	(44)	(2.4)	1,500	267	17.8
15. Total Patient Revenue Receipts	30,609	31,130	72,856	712,944	651,101	61,843	9.5	770,866	(57,922)	(7.5)
NON-PATIENT OPERATING REVENUE:										
16. Parking	178	251	345	2,692	2,952	(260)	(8.8)	4,138	(1,446)	(34.9)
17. Cafeteria	288	0	0	3,125	0	3,125	0.0	0	3,125	0.0
18. Grants	1,023	878	680	9,725	8,807	918	10.4	8,169	1,556	19.1
19. Miscellaneous	1,675	512	901	22,092	9,546	12,546	131.4	10,816	11,276	104.3
20. Total Non-Patient Operating	3,164	1,641	1,926	37,634	21,305	16,329	76.6	23,123	14,511	62.8
21. Interest income	3	66	198	818	1,684	(866)	(51.4)	2,372	(1,554)	(65.5)
22. Total Non-Tax Receipts	33,776	32,837	74,980	751,396	674,090	77,306	11.5	796,361	(44,965)	(5.6)
23. Ad valorem tax receipts/note	218,434	217,421	236,765	576,954	517,981	58,973	11.4	564,064	12,890	2.3
24. Commercial Paper Proceeds	0	0	0	0	0	0	0.0	0	0	0.0
25. Total Receipts	\$252,210	\$250,258	\$311,745	\$1,328,350	\$1,192,071	\$136,279	11.4	\$1,360,425	(\$32,075)	(2.4)

**OPERATING PERFORMANCE
AS OF FEBRUARY 28, 2015
(IN MILLIONS)**

	<u>MONTH</u>	<u>YTD</u>
Total Operating Income (Loss) as Reported	\$ 0.4	\$ (17.1)
Favorable Adjustments:		
Trauma Funds	\$ -	\$ 0.2
Post Employee Health Benefits	\$ 0.4	\$ 4.1
FICA Baylor Residents	\$ -	\$ 8.4
Subtotal of Favorable Adjustments	\$ 0.4	\$ 12.7
Unfavorable Adjustments:		
Tobacco Revenue	\$ -	\$ (0.2)
Medicare Cost Report Settlement	\$ -	\$ (6.6)
Subtotal of Unfavorable Adjustments	\$ -	\$ (6.8)
Harris Health System Operating Run Rate as of February	\$ -	\$ (23.0)
Harris Health System 2015 Budget	\$ (4.4)	\$ -
Favorable (Unfavorable) Run Rate	\$ 4.4	\$ (23.0)
Attributable Factors:		
Favorable (Unfavorable) Revenue Variance	\$ 1.0	\$ (24.2)
Favorable (Unfavorable) Expense Variance	\$ 3.4	\$ 1.2
Net of Attributable Factors	\$ 4.4	\$ (23.0)

SUPPLEMENTAL INFORMATION - STATISTICAL HIGHLIGHTS - MONTHLY TREND

As Of February 28, 2015

							MONTHLY AVERAGE			
	September	October	November	December	January	February	FY 2013 YTD Feb	FY 2014 YTD Feb	FY 2015 YTD Feb	% Change 15 vs 14
1. ADMISSIONS(A&P)	3,250	3,322	3,141	3,324	3,341	3,096	2,878	2,995	3,220	7.5%
2. PATIENT DAYS(A&P)	18,210	18,363	16,759	17,966	18,108	16,278	16,419	17,069	17,554	2.8%
3. AVERAGE LOS	5.60	5.53	5.34	5.40	5.42	5.26	5.70	5.70	5.45	-4.3%
4. AVERAGE LOS, Overall CMI Adjusted	3.88	3.84	3.88	3.72	3.83	3.73	4.02	3.94	3.82	-3.0%
5. PERCENT OCCUPANCY	75.0%	72.1%	69.7%	72.9%	73.5%	73.1%	67.4%	71.1%	72.5%	2.0%
CASE MIX INDEX (CMI)										
6. CMI - Excluding Obstetrics Cases	1.605	1.588	1.488	1.601	1.566	1.548	1.578	1.593	1.569	-1.5%
7. CMI - Overall	1.444	1.441	1.375	1.451	1.416	1.408	1.419	1.447	1.427	-1.4%
8. BIRTHS	606	591	554	586	613	536	556	524	557	6.3%
9. OPERATING ROOM CASES	2,122	2,062	1,663	2,044	1,897	1,755	1,781	1,753	1,839	4.9%
10. Inpatient	1,239	1,105	881	1,082	999	905	937	933	956	2.4%
11. Outpatient	883	957	782	962	898	850	844	819	883	7.8%
12. EMERGENCY VISITS	15,995	15,898	13,786	15,474	15,231	13,734	14,471	14,757	15,175	2.8%
13. Emergency Room Visits-Admitted	1,945	1,798	1,563	2,003	1,884	1,814	1,600	1,741	1,827	5.0%
14. Emergency Room Visits-Outpatient	13,009	13,219	11,420	12,535	12,423	11,173	12,068	12,084	12,375	2.4%
15. Emergency Room Visits-Observation	1,041	881	803	936	924	747	803	933	973	4.3%
16. CLINIC VISITS	105,201	115,932	92,576	102,438	100,415	104,531	91,016	95,182	102,648	7.8%
17. Primary Care Clinic Visits	75,960	84,436	67,450	74,815	73,692	76,364	65,503	67,218	73,909	10.0%
18. Specialty Clinic Visits	29,241	31,496	25,126	27,623	26,723	28,167	25,514	27,964	28,739	2.8%
PAYOR MIX										
19. Charity & Self Pay	61.6%	63.0%	61.8%	65.9%	62.3%	64.0%	63.7%	64.1%	63.6%	-0.8%
19. Medicaid & Medicaid Managed	22.5%	21.7%	23.1%	18.4%	20.5%	19.8%	22.4%	21.9%	20.7%	-5.5%
20. Medicare & Medicare Managed	9.6%	8.9%	9.1%	9.6%	10.2%	9.8%	8.9%	9.1%	9.5%	4.4%
21. Commercial & Other	6.3%	6.4%	6.0%	6.1%	7.0%	6.4%	5.0%	4.9%	6.2%	26.5%

SUPPLEMENTAL INFORMATION - OPERATING STATEMENT - MONTHLY TREND
As Of February 28, 2015
(In Thousands)



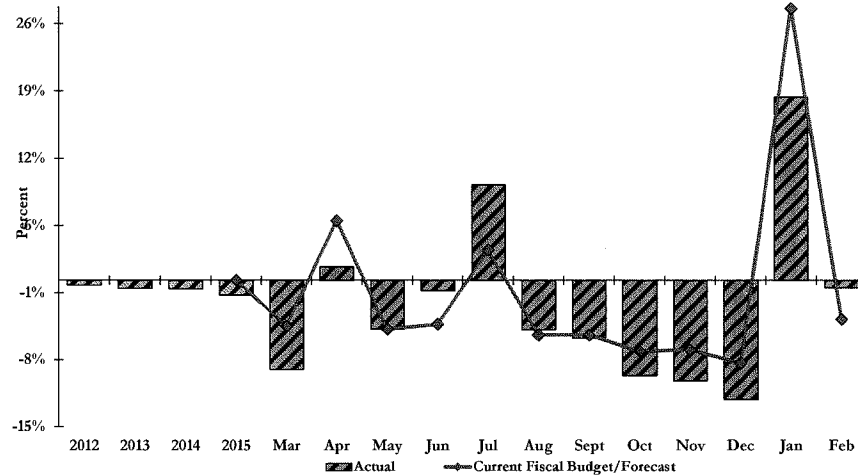
	September	October	November	December	January	February
1. Gross Patient Charges	\$ 272,780	\$ 283,229	\$ 240,980	\$ 262,720	\$ 261,967	\$ 247,247
2. Total Patient Revenue Deductions	(237,195)	(249,155)	(211,483)	(232,183)	(231,522)	(218,960)
3. Net Patient Service Revenue	35,585	34,074	29,498	30,536	30,445	28,287
4. Net Revenue % of Gross Charges	13.0%	12.0%	12.2%	11.6%	11.6%	11.4%
5. DSH/UPL Program Revenue	17,396	18,159	18,159	18,159	18,159	18,159
6. Other Operating Revenue	2,131	2,050	1,964	3,587	1,758	2,672
7. Total Other Operating Revenue	19,527	20,210	20,124	21,746	19,918	20,831
8. Net Ad Valorem Tax Revenue	47,171	46,936	46,711	47,219	50,807	52,526
9. DSRIP	0	0	0	0	38,368	0
10. Net Tobacco Settlement Revenue	0	0	0	0	0	0
11. Interest Income and Other	147	83	45	119	2,126	1,134
12. Total Nonoperating Revenue	47,318	47,019	46,756	47,338	91,302	53,660
13. Capital Contributions	0	0	0	0	0	0
14. Total Net Revenue	102,430	101,303	96,378	99,620	141,665	102,778
15. Salaries and Wages	43,710	45,954	42,914	44,002	45,433	39,737
16. FICA and Benefits	14,595	13,693	14,121	15,600	15,959	11,236
17. Total Salaries, Wages, and Benefits	58,305	59,648	57,035	59,602	61,392	50,973
18. Supplies	17,893	20,837	16,931	19,079	17,631	16,299
19. Physician Services	17,405	17,832	17,668	17,609	18,321	18,407
20. Other Purchased Services	9,503	8,812	9,357	10,230	9,184	11,090
21. Depreciation and Amortization	4,698	4,672	4,675	4,755	4,667	4,807
22. Interest	1,223	1,237	1,223	1,237	1,237	837
23. Total Expenses	109,026	113,037	106,889	112,512	112,432	102,413
24. Total Income (Loss)	\$ (6,597)	\$ (11,735)	\$ (10,511)	\$ (12,892)	\$ 29,233	\$ 365
25. Total Margin	-6.4%	-11.6%	-10.9%	-12.9%	20.6%	0.4%
26. Full-Time Equivalent Employees	8,216	8,435	8,238	8,208	8,143	8,318
27. Average Salary per FTE	\$64,727	\$64,150	\$63,381	\$63,123	\$65,694	\$62,275
28. Adjusted Patient Days	52,123	57,064	50,081	51,921	52,884	47,610

MONTHLY AVERAGE			
FY 2013 YTD Feb	FY 2014 YTD Feb	FY 2015 YTD Feb	% Change 15 vs 14
229,754	250,493	263,187	5.1%
(205,136)	(221,411)	(232,680)	5.1%
24,617	29,082	30,507	4.9%
10.7%	11.6%	11.6%	-0.2%
22,704	21,324	19,647	-7.9%
2,113	1,928	2,374	23.2%
24,817	23,252	22,021	-5.3%
42,369	42,999	47,856	11.3%
0	7,510	4,963	-33.9%
810	815	793	-2.7%
656	109	534	388.2%
43,835	51,433	54,146	5.3%
856	0	0	0.0%
93,269	103,767	106,674	2.8%
40,716	43,579	44,103	1.2%
14,483	15,366	14,989	-2.5%
55,199	58,945	59,093	0.3%
14,974	16,491	17,653	7.1%
12,845	15,040	16,081	6.9%
8,817	9,799	9,355	-4.5%
4,299	4,348	4,723	8.6%
588	995	1,198	20.4%
96,722	105,618	108,102	2.4%
\$ (3,453)	\$ (1,851)	\$ (1,428)	-22.8%
-3.7%	-1.8%	-1.3%	-24.9%
7,698	8,128	8,327	2.5%
\$63,472	\$64,342	\$63,559	-1.2%
46,850	50,879	53,030	4.2%

HARRIS HEALTH SYSTEM FINANCIAL DASHBOARD INDICATORS

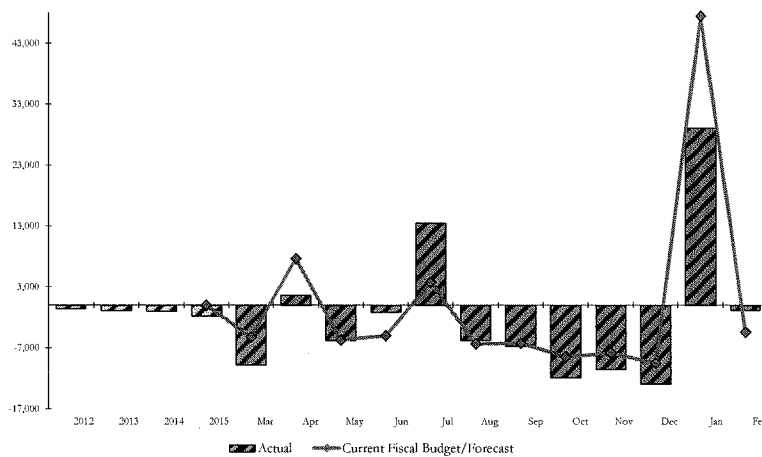
Operating Margin

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



Operating Income

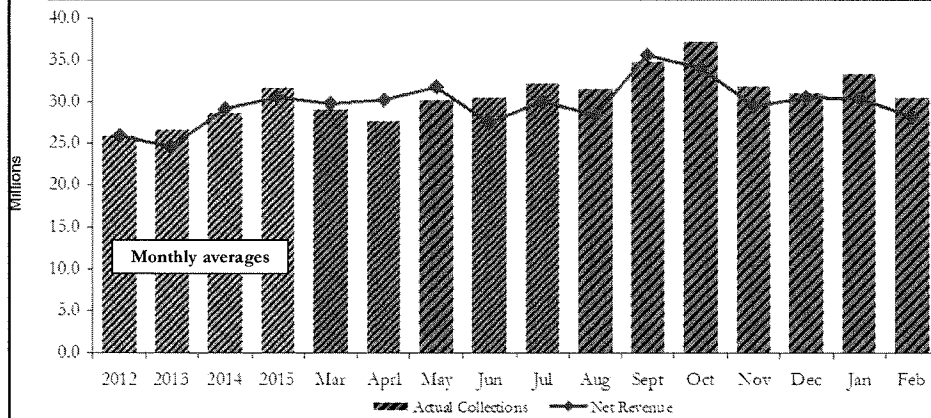
A measure of hospital profitability with respect to patient care services. Positive values are favorable. Values are monthly averages.



HARRIS HEALTH SYSTEM FINANCIAL DASHBOARD INDICATORS

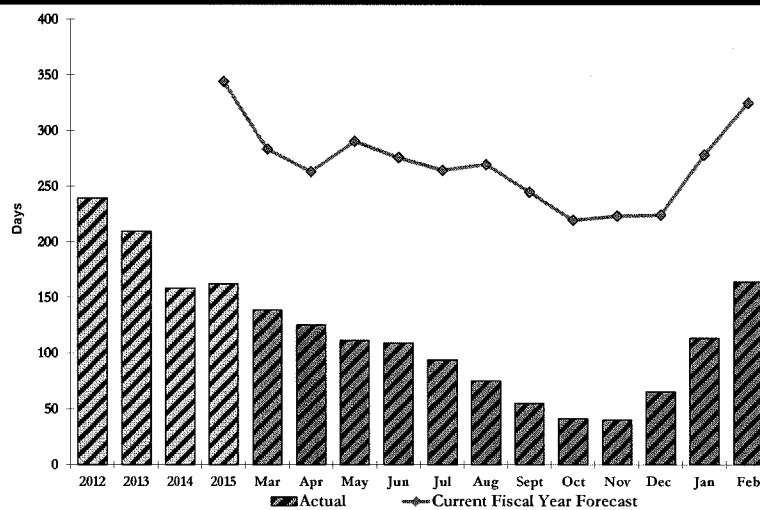
Cash Collections

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

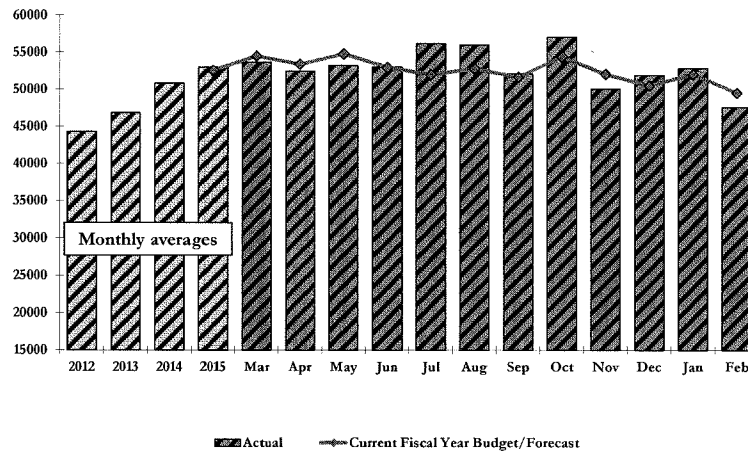
The number of days the Harris Health System could operate if no further patient revenues were received. Harris Health System's goal is to reach a year-end figure of 180 to 210 days.



HARRIS HEALTH SYSTEM FINANCIAL DASHBOARD INDICATORS

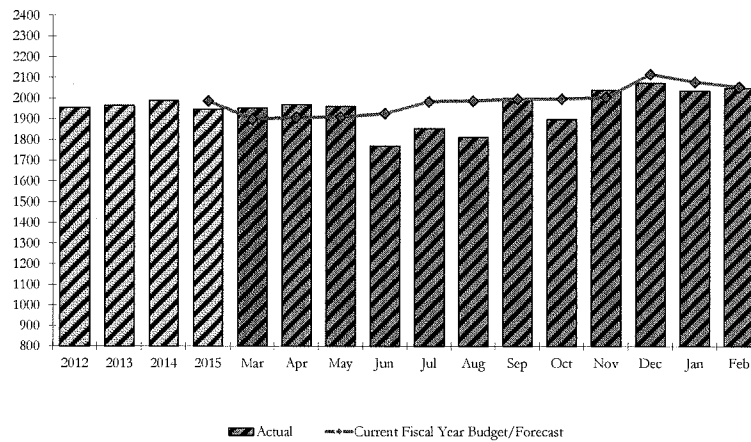
Adjusted Patient Days

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



Operating Cost Per Adj. Patient Day

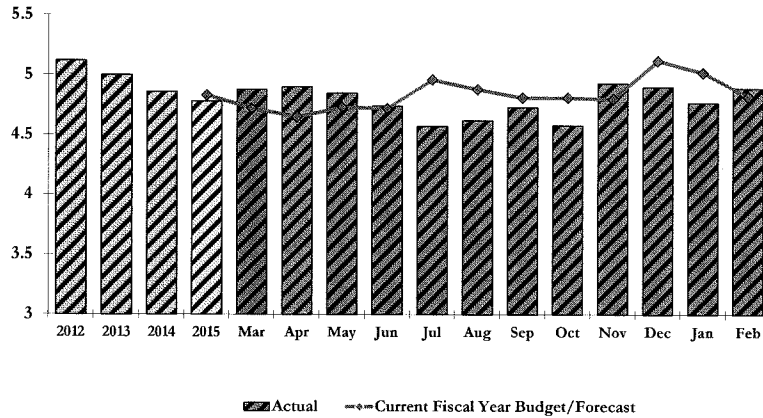
Measures the average cost of delivering care per equivalent inpatient day. Favorable values are below the budget.



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.

