# JPS Health Network

# Proposed Construction Project

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## Summary of Project Supporting JPS Mission

**Construction project consisting of <u>THREE components</u>:**

1. **<u>NEW PATIENT TOWER</u>** *(including parking garage and utility plant, $609 million)*
    a. **As many as 25 patients may be waiting for inpatient bed in emergency department at any given time on any given day – project provides 87 ADDITIONAL medical/surgery beds to accommodate demand and provide for future growth**

    b. **Provides all private rooms to maximize reimbursements based on quality and satisfaction**

    c. **All beds but correctional health and skilled nursing on east side of Main Street to allow necessary adjacencies for operational efficiency and cost savings**

    d. **Increase capacity and efficiency of emergency department**

    e. **Segregates correctional health**

    f. **Additional operating room and procedure rooms**

2. **<u>PSYCHIATRIC HOSPITAL</u>** *($102 million)*
    a. **Provide central location for full continuum of behavioral health care – no longer in disparate locations on campus**

    b. **Increase inpatient psych beds by 52 (96 to 148)**

    c. **Increase psych emergency department capacity by 10 (20 to 30)**

    d. **Create designated psychiatric observation capacity for 16 patients**

3. **<u>RENOVATIONS TO EXISTING FACILITIES</u>** *($94 million)*
    a. **Patient, guests and employee safety and satisfaction**

    b. **Increased capacity and improved location for Central Medical Home and Specialty Clinics**

    c. **Increased capacity for academic services**

**If we do nothing:**

1) JPS may not match demographic and population growth of county.
2) JPS may jeopardize reimbursements based on quality and satisfaction.
3) JPS may negatively impact other area hospitals due to lack of capacity.
4) Limited facility capacity will impede efficiency and continued performance improvement.
5) JPS may experience higher cost of piecemeal replacement and maintenance of aged and over utilized facilities.

## Current Environment

1. National Perspective - Key macro trends are shaping the future of health care in the United States:

   Several national legislative and regulatory initiatives are aimed at re-orienting the focus of health care providers to improve the health of populations and deliver high value care (high quality, low cost).

   Although more patients may be insured, an increasing share of the financial burden is being born by insured patients via higher co-pays and higher deductible health plans, which is affecting choice as to where they receive care and how they think about using health care.

   Reimbursements are increasingly dependent on quality and satisfaction. Increasing patient satisfaction and quality are not only issues of market competition, but of maximizing reimbursements for existing patients.

   The baby boomer population is getting older and the overall age of the population continues to increase; this will drive demand for health care services across the care continuum.

2. Local Perspective - Demand for health care is on the rise:

   Tarrant County will add approximately 300,000 people over the next decade (over 15% growth).

   The 65 and older age cohort, which is a high utilizer of health care, will grow by approximately 30% over the same period.

   As the population increases, the uninsured ranks continue to grow. The number of uninsured people in Tarrant County is currently 386,000 or 24% of the total population- one of the highest rates in Texas.

   As demand for health care increases, including for the uninsured and under insured, local facilities need to expand to meet the demands. Specifically, JPS facilities must meet the demand of growth in order to prevent overcrowding in the emergency rooms and urgent care centers of other health care providers in the market.

   It is critically important to ensure the JPS facility resources and processes support the mission, strategic initiatives and destination metrics of JPS[i].

3. Selected Facility and Operational Opportunities

   a. *Main Street* – Major acute care services are separated at JPS; located on two sides of Main Street. The separation and lack of physical coordination among campus facilities make circulation between facilities cumbersome and challenging for even those familiar with the campus. Services are fragmented and not conducive to team-based care delivery or a satisfying patient experience. Hospital beds are split by Main Street, requiring significant

patient transport resources. Behavioral health services are split on both-ends of the campus, again, fragmenting care delivery for these vulnerable patients as well. The lack of adjacency between the emergency department and urgent care center prevents a more efficient triage, and transfer and treatment of patients seeking emergent care. Ancillary clinical services such as radiology and support services such as laundry and food services, are separated from patients and guests served on the east side of Main Street[ii].

b. *High-utilization* - Compounding the organizational challenges is the fact capacity is regularly over-utilized and the facilities are aged. Inpatient bed utilization is high, which creates bottlenecks in other areas of the hospital. On any given day, patients waiting for an inpatient bed in the emergency room alone may number as many as 25 during peak hours.

c. *Inpatient room deficiencies* - Inpatient nursing units are out- dated and do not meet contemporary care models. Semiprivate rooms, a lack of support space and the technology leading to quality outcomes, negatively impact the satisfaction demanded by discerning patients and reimbursement payments. Semi-private rooms are not only a patient satisfaction issue, but a regulatory privacy issue and a clinical quality issue. The inability to group medical and surgical inpatient beds by service diminishes the effectiveness and efficiency of the clinical staff and academic learning. Comingling of correctional health patients on nursing floors reduces the perception of care and security, and decreases the efficiency and effectiveness of operational and clinical staff.

d. *Inadequate ED space and organization* - The emergency department is often full. Lack of appropriate support space and organization of resources creates challenges for the care team, impacts patient perceptions and potentially increases demands for emergency services at other hospitals in Tarrant County.

e. *Behavioral Health dispersed* – The psychiatric emergency department and psychiatric observation are separated from the inpatient psychiatric beds located in the Trinity Springs Pavilion, which creates operational inefficiencies.

f. *Lack of psychiatric inpatient beds* - In calendar year 2014, JPS transferred 1,390 patients to other psychiatric hospitals. All of these people either had a payor or JPS had to pay for them at other facilities. This represents an estimated 9,549 patient days lost (approximately $7.1M in revenue) or the need for 26 additional inpatient psychiatric beds[iii]. Also in calendar year 2014, JPS had to decline 715 transfer requests for patients to come to JPS from other hospitals due to lack of capacity. This equates to a demand of 4,912 patient days or approximately 14 additional beds[iv]. Demand is increased at JPS due to lack of capacity at the state hospital, with no improvement anticipated[v]. The psychiatric emergency center is too small given the volumes; and combined emergency and observation creates unnecessary complications in care and observation.

g. *Inadequate women's and newborn facilities* – Women's services lacks a clear and convenient entry as well as appropriate support and adequate facilities to be competitive in the market and provide the highest quality care and patient satisfaction.

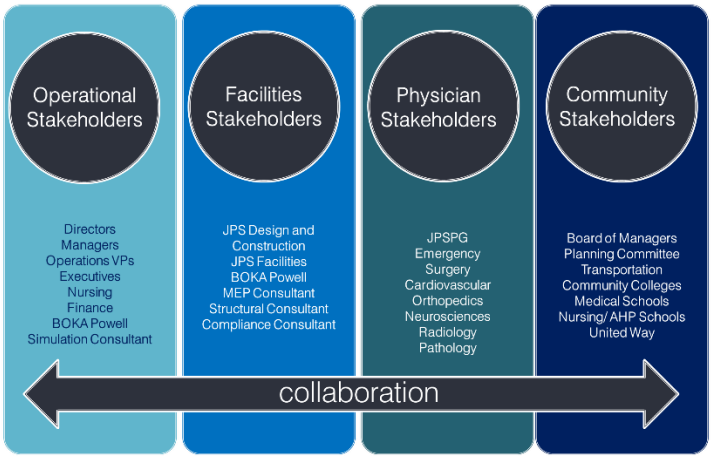
h. *Undersized and outdated clinics* – The ambulatory care and urgent care clinics are in undersized and outdated layouts. Overall, the age, aesthetics and usability of the facilities do not promote patient or staff satisfaction compared to others in the market. Surgical specialty clinics, where patients must use corridors for waiting rooms, have not been remodeled for 25 years. For example, in endoscopy, (1) prep and recovery areas are not separated, (2) patient recovery areas do not have piped gases, and (3) endoscopy rooms are too small.

Overall, the age, condition, lack of adjacencies and capacity of existing facilities have a negative impact on (i) perception of care, (ii) recruitment of physicians and staff, (iii) operational efficiencies and cost, (iv) reimbursement relative to quality and satisfaction, and (v) patient and staff satisfaction.

## Planning Process

1. 2010 Facility Utilization Plan

In 2010, JPS retained BOKA Powell to develop the Strategic Facilities Utilization Plan. This served as the foundation of the needs validation and conceptual recommendations for the proposed JPS facilities development. During this initiative, more than 140 interviews were conducted with staff, physicians and internal and external stakeholders.




2. 2013 Facility Utilization Plan Update

In 2013, the JPS Board of Managers requested a challenge and validation of the 2010 conceptual recommendations, a prioritization of the proposed projects and high-level cost estimates of the conceptual recommendations.

3. 2014 Program Review and Detailed Cost Estimates

In 2014, the JPS Board of Managers formed a Planning Steering Committee comprised of Board Members, staff and physicians to evaluate, challenge, and once again validate the facilities plan. The Steering Committee conducted on-site visits to the newly completed public hospital construction projects in Dallas and Bexar Counties, as well as Dell Children's Hospital in Austin.

| Name | Title |
|---|---|
| **STAFF** | |
| Kathleen Whelan | Vice President, Operations |
| Trudy Sanders | Vice President, Patient Care |
| Jaime Pillai | Vice President, Support Services |
| Bill Whitman | Executive Vice President & COO |
| Angie Morgan | Director, Construction |
| Scott Rule | Vice President |
| | |
| **PHYSICIANS** | |
| Dr. Robert Reddix | President of Medical Staff |
| Dr. James Johnson | Vice President of Medical Staff |
| | |
| **BOARD OF MANAGERS - PLANNING COMMITTEE MEMBERS** | |
| Rev. Ralph Emerson | Planning Committee Chair |
| Trent O. Petty | Board of Managers Chair |
| DT Nguyen | Member |
| Dorothy DeBose | Member |
| Charles Powell | Finance Committee Chair |

JPS engaged Broaddus & Associates and Blue Cottage Consulting to conduct the functional and space programming and prepare complete and detailed cost estimates of the proposed construction projects.

Upon approval of the proposed construction projects, the Board engaged its financial advisors, First Southwest, to evaluate the financial feasibility and impact of proposed construction.

## Proposed Project

The proposed construction project, designed to address the facility and operational issue of JPS, is comprised of essentially three projects: (1) the new patient tower, (2) the psychiatric hospital, and (3) renovations to existing facilities. Each of the three projects was diligently planned for specific features, benefits and outcomes to drive performance improvement in support of JPS's pillars and destination metrics.

### 1. New Patient Tower

Overview *(including parking garage and utility plant, $609 million)*

At 739,011 gross square feet, the new patient tower is the largest component of the construction project. This tower will be located on the east side of Main Street adjacent to the existing Pavilion. This adjacency is very important as the new patient tower will rely on using the operating rooms in the existing Pavilion. The tower will be 10 stories tall including two floors of shell space for future expansion. The functional areas of the tower and areas impacted by this project include, but are not limited to: inpatient beds, women's services, neo-natal intensive care unit (NICU), emergency department expansion, urgent care relocation (to be adjacent to Emergency Department), surgical services, GI/bronchoscopy, pre-admission testing, radiology, inpatient pharmacy, support services, food and nutrition, and sterile processing.

In order to meet the current and projected demand caused by growth on the JPS campus, and to meet the increase in total building area, approximately 2,300 additional parking spaces will be needed (the existing campus has 3,385 spaces). This quantity includes parking for patients, visitors, staff, and physicians. The structured parking could be built in multiple garages, however, the existing Lot Q garage near the new tower is proposed to be demolished with this much larger garage built in its place to provide parking for the new tower and surrounding facilities.

Also in support of the construction project, a 15,000gsf central utility plant (CUP) is included. The CUP should be located on the east side of Main Street as it will primarily serve the new tower.

New tower features, benefits, expected outcomes and destination metric impacted

| Department | Features/Benefits | Expected Outcomes | Pillar/Destination Metric Impacted (see endnote i) |
|---|---|---|---|
| **In-patient beds (non-OB)**<br><br>**(See In-Patient Bed Appendix for more detail)** | Create additional capacity adjacent to Pavilion<br><br>Decant intensive care and acute beds from old tower providing dedicated correctional health and skilled nursing beds<br><br>Ability to meet current capacity and future growth<br><br>Appropriately sized patient rooms and support<br><br>All private beds<br><br>Ability to reorganize beds by service<br><br>Increase medical and surgical beds from 312 to 406 | Reduce holding in emergency department<br><br>Improved work flow and collaboration opportunities in new flexible units<br><br>Reduced travel distance to diagnostic/treatment departments in Pavilion<br><br>Decreased inpatient length of stay<br><br>Reduced patient transports<br><br>Reduced cost per inpatient stay<br><br>Improved operational efficiencies designed to reduce waste, improve productivity and reduce costs | Quality<br>-UHC Quality Leadership<br>-Reduce LOS<br>-Reduction in preventable Injuries<br>-HCAHPS<br>-Reduce PSI-90 Index<br><br>People<br>-Best places to work designation<br>-Improve % rank of employee and physician engagement<br>-Reduce turnover<br>-Improve quality of hire<br><br>Stewardship<br>-Decrease average age of Plant<br>-Maintain positive operating margin<br><br>Population health<br>-Decrease PMPM cost for JPS Connection |
| **Women's Services** | Relocate all Women's Services to new patient tower<br><br>Increased capacity to meet expected demand (16% over 10 years)<br><br>One additional OB operating room to account for 700- 800 anticipated GYN surgeries | Private rooms designed to create privacy, improve comfort, and enhance the patient experience while improving clinical outcomes<br><br>Improved operational efficiencies designed to reduce waste, improve productivity and reduce costs | Quality<br>-UHC Quality Leadership<br>-Reduce LOS<br>-Reduction in preventable Injuries<br>-HCAHPS<br>-Reduce PSI-90 Index<br>-Reduction in Tarrant County infant mortality rate<br><br>People |

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| | Three additional labor and delivery rooms (from 15 to 18)<br><br>Five additional PACU beds<br><br>18 additional Postpartum/Antepartum/GYN beds (62 to 80)<br><br>Private rooms<br><br>Triage placement at point of entry on street level for easy access<br><br>Increased amount of support space for improved patient and staff experience | | -Best places to work designation<br>-Improve % rank of employee and physician engagement<br>-Reduce turnover<br>-Improve quality of hire<br><br>Stewardship<br>-Decrease average age of Plant<br>-Maintain positive operating margin<br><br>Population health<br>-Decrease PMPM cost for JPS Connection |
| **NICU** | Relocation of NICU to location adjacent to the Obstetrics program<br><br>Increased capacity with five additional NICU beds to handle an estimated growth of 15% in OB and corresponding support space (35 to 40)<br><br>Contemporary private room environment<br><br>Enhanced integration with the obstetrics service line to highlight patient-centered care | Improve maternal and infant outcomes<br><br>Improved operational efficiencies designed to reduce waste, improve productivity and reduce costs | Quality<br>-UHC Quality Leadership<br>-Reduce LOS<br>-Reduction in preventable Injuries<br>-HCAHPS<br>-Reduce PSI-90 Index<br>-Reduction in Tarrant County infant mortality rate<br><br>People<br>-Best places to work designation<br>-Improve % rank of employee and physician engagement<br>-Reduce turnover<br>-Improve quality of hire<br><br>Stewardship<br>-Decrease average age of Plant<br>-Maintain positive operating margin<br><br>Population Health<br>-Decrease PMPM cost for JPS Connection |
| **Emergency Department** | Increased capacity to meet current demand and future growth<br><br>-By adding 16 exams in shelled East Pavilion area<br><br>-By reallocating purple pod to more acute patients (less acute to UC) | Improved intake flow and triaging capacity<br><br>Improved entire ED operations and work flow by reconfiguring/renovating red, yellow, blue, and green pods | Quality<br>-UHC Quality Leadership<br>-Reduce LOS<br>-Reduction in preventable Injuries<br>-HCAHPS<br>-Reduce PSI-90 Index<br><br>People<br>-Best places to work designation |

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| | -By earmarking relocated Urgent Care capacity to ED in long-term | Reduced distance when re-directing patients to Urgent Care<br><br>Improved patient throughput – decreased patient transports<br><br>Reduced cost per ED visit<br><br>Improved operational efficiencies designed to reduce waste, improve productivity and reduce costs | -Improve % rank of employee and physician engagement<br>-Reduce turnover<br>-Improve quality of hire<br><br>Stewardship<br>-Decrease average age of Plant<br>-Maintain positive operating margin<br><br>Academics<br>-JPS residencies' first time board pass rate<br>-Increase extramural funding for academics<br>-Increase number of peer review publications<br>-Increase retention of residents and fellows<br><br>Population health<br>-Decrease PMPM cost for JPS Connection |
| **Urgent Care** | Relocate adjacent to ED<br><br>Improved configuration for Urgent Care operations<br><br>Appropriately sized exam rooms and support<br><br>Allows Family Medicine/Medical Home to relocate to ground floor of outpatient building and improve clinic access point | Reduced distance when re-directing patients to Emergency Department<br><br>Improved intake flow and triaging capacity<br><br>Improved patient throughput – decreased patient transports<br><br>Improved operational efficiencies designed to reduce waste, improve productivity and reduce costs | Service<br>-Decrease time to 3rd next new patient appointment<br>-Reduce inpatient visits for ambulatory care sensitive conditions<br>-Increase % discharged patients with appointment<br>-Improve all CAHPS composite scores<br><br>People<br>-Best places to work designation<br>-Improve % rank of employee and physician engagement<br>-Reduce turnover<br>-Improve quality of hire<br><br>Stewardship<br>-Decrease average age of Plant<br>-Maintain positive operating margin<br><br>Population health<br>-Decrease PMPM cost for JPS Connection |
| **Surgical Services** | Expanded procedural platform with increased level of support space to | Improved patient and physician satisfaction | Quality<br>-UHC Quality Leadership<br>-Reduce LOS |

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| | accommodate higher patient acuity and wider range of cases<br><br>Re-orientation of entry to surgical services from South to North to align with the new tower entrance<br><br>Integrated surgical/procedural recovery platform (Surgery, GI, Bronchoscopy, Cath/EP) for increased operational efficiency and future flexibility.<br><br>Increase OR capacity from 12 to 13, plus future growth expansion zone | Improved patient throughput<br><br>Reduced length of stay<br><br>Improved operational efficiencies designed to reduce waste, improve productivity and reduce costs | -Reduction in preventable Injuries<br>-HCAHPS<br>-Reduce PSI-90 Index<br><br>People<br>-Best places to work designation<br>-Improve % rank of employee and physician engagement<br>-Reduce turnover<br>-Improve quality of hire<br><br>Stewardship<br>-Decrease average age of Plant<br>-Maintain positive operating margin<br><br>Population health<br>-Decrease PMPM cost for JPS Connection |
| **GI/Bronchoscopy** | Integration with surgical services platform, but with distinct space to support expanded service offering for GI and Bronchoscopy services.<br><br>Planned growth of inpatient case volume to accommodate unmet demand.<br><br>Increased support areas like pre/post procedure spaces to enable optimal operational efficiency.<br><br>Increased support and adjacency with surgery platform to expand scope of inpatient procedures, including endobronchial ultrasound. | Improved patient and physician satisfaction<br><br>Improved patient throughput<br><br>Reduced length of stay<br><br>Improved operational efficiencies designed to reduce waste, improve productivity and reduce costs | Quality<br>-UHC Quality Leadership<br>-Reduce LOS<br>-Reduction in preventable Injuries<br>-HCAHPS<br>-Reduce PSI-90 Index<br><br>People<br>-Best places to work designation<br>-Improve % rank of employee and physician engagement<br>-Reduce turnover<br>-Improve quality of hire<br><br>Stewardship<br>-Decrease average age of Plant<br>-Maintain positive operating margin<br><br>Population health<br>-Decrease PMPM cost for JPS Connection |
| **Radiology** | Relocation and shifting of inpatient-supporting equipment east of Main Street to align with the existing Pavilion services and new inpatient tower.<br><br>Opportunity to consolidate CT Scanners into a 'CT Suite' to | Improved patient and physician satisfaction<br><br>Improved patient throughput<br><br>Reduced length of stay | Quality<br>-UHC Quality Leadership<br>-Reduce LOS<br>-Reduction in preventable Injuries<br>-HCAHPS<br>-Reduce PSI-90 Index<br><br>People |

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| | support patients in the Emergency Department and on the Inpatient units (particularly ICU).<br><br>Potential to relocate / re-position ED-supporting radiology to enable greater radiology department staffing efficiencies / equipment utilization without sacrificing the service of the Emergency Department.<br><br>Relocation of the Nuclear Medicine camera on the 3rd floor (difficult to access) adjacent to other Nuclear Medicine resources and to stress testing. | Improved operational efficiencies designed to reduce waste, improve productivity and reduce costs | -Best places to work designation<br>-Improve % rank of employee and physician engagement<br>-Reduce turnover<br>-Improve quality of hire<br><br>Stewardship<br>-Decrease average age of Plant<br>-Maintain positive operating margin<br><br>Population health<br>-Decrease PMPM cost for JPS Connection |
| **Support Services** | Relocate Materials Management, Environmental Services, Laundry/Linen to new tower<br><br>Improved adjacency to inpatient units, diagnostic/treatment departments, and public space | Reduced travel distances and time to major inpatient areas serviced<br><br>Improved dock flow and capacity<br><br>Improved operational efficiencies designed to reduce waste, improve productivity and reduce costs | People<br>-Best places to work designation<br>-Improve % rank of employee and physician engagement<br>-Reduce turnover<br>-Improve quality of hire<br><br>Stewardship<br>-Decrease average age of Plant<br>-Maintain positive operating margin |
| **Inpatient Pharmacy** | Relocate Inpatient Pharmacy to new tower<br><br>Improved configuration for pharmacy operations<br><br>Appropriately sized department to accommodate equipment and work flow | Reduced travel distances to major inpatient areas serviced<br><br>Improved staff collaboration opportunities<br><br>Improved operational efficiencies designed to reduce waste, improve productivity and reduce costs | Quality<br>-UHC Quality Leadership<br>-Reduce LOS<br>-Reduction in preventable Injuries<br>-HCAHPS<br>-Reduce PSI-90 Index<br><br>People<br>-Best places to work designation<br>-Improve % rank of employee and physician engagement<br>-Reduce turnover<br>-Improve quality of hire<br><br>Stewardship<br>-Decrease average age of Plant<br>-Maintain positive operating margin<br><br>Population health<br>-Decrease PMPM cost for |

| | | | JPS Connection |
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| **Food and Nutrition** | Relocate Food and Nutrition to new tower<br><br>Right-size the department to accommodate inpatient meal service demands<br><br>Improved public dining options, amenities and environment<br><br>Centralized location convenient to inpatient beds | Ability to create room-service model and increase patient satisfaction<br><br>Reduced travel distances and time to major inpatient areas serviced<br><br>Improved dock flow and capacity<br><br>Improved operational efficiencies designed to reduce waste, improve productivity and reduce costs | People<br>-Best places to work designation<br>-Improve % rank of employee and physician engagement<br>-Reduce turnover<br>-Improve quality of hire<br><br>Stewardship<br>-Decrease average age of Plant<br>-Maintain positive operating margin |
| **Sterile Processing** | Combined single sterile processing by concentration of sterile processing functions at the lower level (and not in Surgery)<br><br>Relocates some processes, staging space from the OR suite into the sterile processing department | More efficient operations and use of space on surgery floor.<br><br>Improved operational efficiencies designed to reduce waste, improve productivity and reduce costs | People<br>-Best places to work designation<br>-Improve % rank of employee and physician engagement<br>-Reduce turnover<br>-Improve quality of hire<br><br>Stewardship<br>-Decrease average age of Plant<br>-Maintain positive operating margin |

## 2. Psychiatric Hospital

Overview *($102 million)*

The construction project includes a 220,000gsf integrated psychiatric hospital on campus. The psychiatric hospital will consolidate the existing disparate components and provide a physical environment supporting the range of services in the appropriate configuration, thereby enabling a 'Center of Excellence' behavioral health program. In addition, the psychiatric hospital increases psych inpatient bed, emergency department and observation capacity.

Psychiatric Hospital features, benefits, expected outcomes and destination metric impacted

| Department | Features/Benefits | Expected Outcomes | Pillar/Destination Metric Impacted (see endnote i) |
|---|---|---|---|
| **Psychiatric Hospital**<br><br>(See Psychiatric Hospital Appendix for more detail) | Easy access segregated from main clinical entrances<br><br>Clear brand, identity<br><br>Increase inpatient psych capacity from 96 to 148 | Full continuum of care enables clinical effectiveness and operational efficiencies<br><br>A new facility would better allow JPS to manage the increasing trends for inpatient psychiatric admissions | Quality<br>-UHC Quality Leadership<br>-Reduce LOS<br>-Reduction in preventable Injuries<br>-HCAHPS<br>-CG-CAPHS<br>-Reduce PSI-90 Index<br><br>People |

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|---|---|---|---|
| | Increase ED psych capacity from 20 to 30 (excluding observation)<br><br>Separate unit for observation patients who spend up to 24 hours in attempt to stabilize and avoid admission<br><br>New facility would allow consolidation from three buildings into one – including vacation of the 10th floor of old tower<br><br>Private rooms for improved patient satisfaction and reduce loss of capacity due to "blocked beds"<br><br>Shell space for future growth (additional 50 inpatient beds) | New facility would allow JPS to provide care to quickly growing geriatric patient population who will need care – cannot provide in current facility<br><br>Additional research funds could be available for trials with more beds available<br><br>Allow JPS to provide electroconvulsive therapy service –not done in any Tarrant County facility<br><br>Allow JPS to provide care for more patients who need inpatient psychiatric care by accepting more transfers from other hospitals who do not have psychiatric units.<br><br>Ability to offer more assistance to the state hospital system who are seeking additional inpatient bed capacity from local options.<br><br>Better management of the increasing volume of patients seeking inpatient care.<br><br>Capture increases in behavioral health spending to allow extension of services to more patients in Tarrant County.<br><br>Improved operational efficiencies designed to reduce waste, improve productivity and reduce costs | -Best places to work designation<br>-Improve % rank of employee and physician engagement<br>-Reduce turnover<br>-Improve quality of hire<br><br>Stewardship<br>-Decrease average age of Plant<br>-Maintain positive operating margin<br>-Meet/exceed DSRIP milestones & metrics<br><br>Population health<br>-Decrease PMPM cost for JPS Connection<br>-Increase % behavioral health patients maintaining stability<br><br>Academics<br>-JPS residencies' first time board pass rate<br>-Increase extramural funding for academics<br>-Increase number of peer review publications<br>-Increase retention of residents and fellows<br><br>Geriatrics named "designated program" |

## 3. Renovation/Backfill

Overview *($94 million)*

Upon the completion of the new patient tower, portions of the old tower and outpatient clinic area on the west side of Main Street, and some portions of the Pavilion on the east side of Main Street can be renovated. Functional areas to be renovated include approximately 164,619gsf in the following departments: (1) diagnostic and treatment services (emergency department, observation unit, out-patient rehabilitation services), (2) simulation/education center, and

hospital clinics (family medicine/medical home clinic, ortho/podiatry, surgical and specialty clinics).

A substantial portion of the existing bed tower will be reserved for future growth/expansion to be defined in the future.

Renovation features, benefits, expected outcomes and destination metric impacted

| Department | Features/Benefits | Expected Outcomes | Pillar/Destination Metric Impacted (see endnote i) |
|---|---|---|---|
| **Outpatient lobby, circulation** | Improved space utilization<br><br>Improves front-door image, welcoming appeal | Improve patient flow<br><br>Eliminates congestion, improves orientation and way finding<br><br>Improved operational efficiencies designed to reduce waste, improve productivity and reduce costs | People<br>-Best places to work designation<br>-Improve % rank of employee and physician engagement<br>-Reduce turnover<br>-Improve quality of hire<br><br>Stewardship<br>-Decrease average age of Plant<br>-Maintain positive operating margin |
| **Central Medical Home, Specialty Clinics, and Education facilities** | Moves and expand high traffic family medicine clinic located on the top level of the OPC | Reducing patient volume in elevators and unnecessary congestion to and from family medicine and specialty clinics<br><br>Increased efficiency and satisfaction for specialty clinics<br><br>Improves patient waiting experience with dedicated spaces (not corridors)<br><br>Improved operational efficiencies designed to reduce waste, improve productivity and reduce costs | JPS primary care clinics designated NCQA - PCMH<br><br>Quality<br>-Meet or exceed community health preventative and diabetes bundle goals<br><br>Academics<br>-Increase extramural funding for academics<br>-Increase number of peer review publications<br>-Increase retention of residents and fellows<br>-JPS residencies' first time board pass rate<br><br>Service<br>-Decrease time to 3rd next new patient appointment<br>-Reduce inpatient visits for ambulatory care sensitive conditions<br>-Increase % discharged patients with appointment<br>-Improve all CAHPS composite scores |

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| | | | People<br>-Best places to work designation<br>-Improve % rank of employee and physician engagement<br>-Reduce turnover<br>-Improve quality of hire<br><br>Stewardship<br>-Decrease average age of Plant<br>-Maintain positive operating margin<br><br>Population Health<br>-Achieve NICHE program Designation<br>-Increase % pre-natal appointment time w/in 12 wks<br>-Decrease PMPM cost for JPS Connection |
| **Outpatient Canopy Drive** | Reconfigure outpatient parking garage ingress and egress allowing segregation of pedestrian/vehicular traffic<br><br>Provide shelter for inclement weather | Improve patient flow, safety and perception<br><br>Improved operational efficiencies designed to reduce waste, improve productivity and reduce costs | People<br>-Best places to work designation<br>-Improve % rank of employee and physician engagement<br>-Reduce turnover<br>-Improve quality of hire<br><br>Stewardship<br>-Decrease average age of Plant<br>-Maintain positive operating margin |

## Time Frame

Assuming a favorable November bond election, the following design and construction schedules are anticipated:

| Project | Design | Construction |
|---|---|---|
| New Patient Tower | Q1 2016 – Q4 2017 | Q2 2017 – Q1 2020 |
| Parking Garage | Q1 2016 – Q3 2016 | Q2 2016 – Q4 2017 |
| Central Utility Plant | Q1 2016 – Q4 2016 | Q3 2016 – Q1 2018 |
| Psychiatric Hospital | Q1 2016 – Q4 2016 | Q4 2016 – Q2 2018 |
| Renovation/Backfill | Q1 2019 – Q3 2020 | Q3 2020 – Q2 2022 |

## Cost Estimate and Financing

Multiple iterations of the total project cost conceptual estimate were generated for this project based on the implementation schedule and bond referendum timing. The objective of creating iterations was to explore the impact of cost escalation relative to the standard bond referendum voting schedule (May or November of each year) as well as the speed-to-market for beginning construction of each project.

The total project cost for each project was escalated to the mid-point of construction rounded to the nearest quarter- year (eg. Quarter 3, 2017). Escalation is factored at 1.5% per quarter--6% per annum--for each project; as that is the best assessment of construction market conditions in the Dallas-Fort Worth Metro Area.

The construction costs were generated in current (FY2014) dollar values, and were comprised by two independent estimates based on the same information. The two estimates were then reconciled by a third construction cost estimator to ensure consistency and thoroughness of the estimates.

Financial advisors for JPS provided financial analysis of the impact and feasibility of the construction project. (The presentation reflecting the financial analysis is provided in the JPS Financial Forecast Appendix.)

The total bond sources and uses are estimated at $809 million.

There is no anticipated tax rate increase to service the debt or complete the construction project.

## Psychiatric Hospital Appendix

In 2014 (CY), JPS transferred 1,390 patients to other psychiatric hospitals. All of these people either had a payor or JPS had to pay for them at other facilities. This represents an estimated 9,549 patient days lost (~$7.1M in revenue) or the need for 26.2 additional beds.

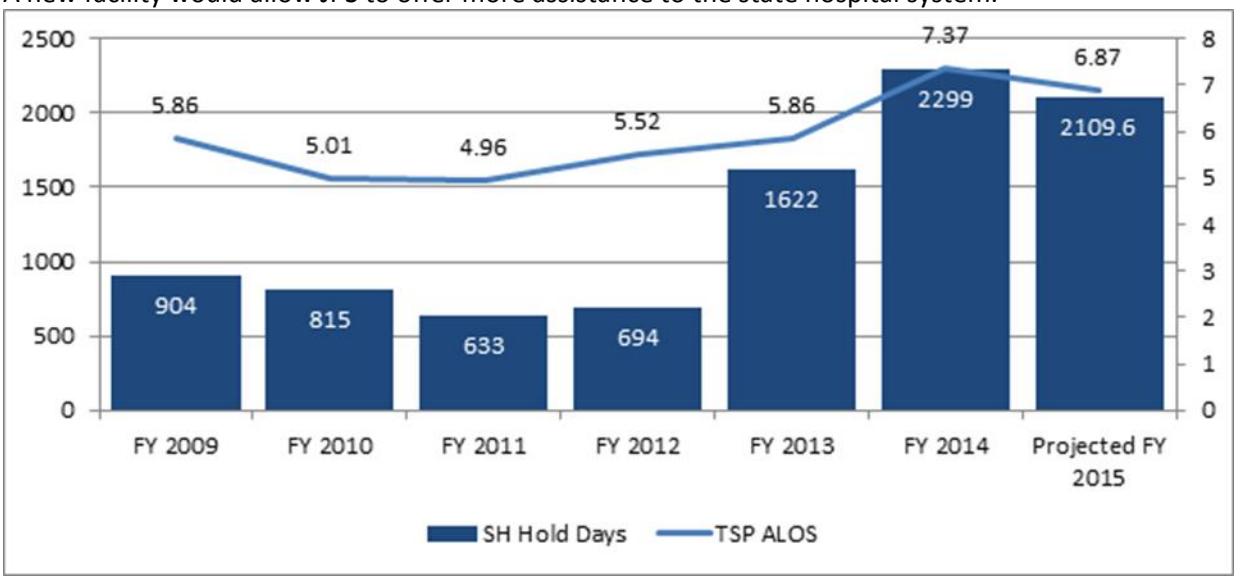
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | DEC | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Arlington | | | | | | | | 1 | 1 | 5 | 2 | 5 | 14 |
| Hickory Trail | | | | | | 2 | | | | | | - | 2 |
| Huguley | 3 | | 2 | 1 | 2 | 2 | 2 | 1 | 3 | 5 | 6 | 8 | 35 |
| Mayhill | 1 | | 1 | | | | | 1 | | | 1 | - | 4 |
| Mesa Springs | 2 | 7 | 8 | 5 | 10 | 19 | 10 | 10 | 16 | 22 | 17 | 8 | 134 |
| Millwood Hospital | 41 | 51 | 41 | 33 | 40 | 21 | 29 | 47 | 28 | 22 | 29 | 32 | 414 |
| Oceans Behavioral | | | | 3 | 2 | 4 | 9 | 14 | 16 | 16 | 10 | 9 | 83 |
| Presbyterian Plano | | | | | | 1 | | | | | | - | 1 |
| Springwood | 4 | 5 | 5 | 2 | 3 | 5 | 2 | 6 | 5 | 1 | 7 | 5 | 50 |
| Sundance | 24 | 38 | 47 | 55 | 71 | 51 | 42 | 62 | 51 | 83 | 52 | 61 | 637 |
| Timberlawn | | | 1 | | 1 | | | | 1 | 2 | | - | 5 |
| UBH Denton | 1 | 2 | 1 | 2 | | | 1 | | 1 | 3 | | - | 11 |
| Total | 76 | 103 | 106 | 101 | 129 | 105 | 95 | 142 | 122 | 159 | 124 | 128 | 1390 |

A new facility would allow JPS to provide care for more patients who need inpatient psychiatric care by accepting more transfers from other hospitals who do not have psychiatric units.

In 2014 (CY), JPS had to decline 715 transfers requests for patients to come to JPS from other hospitals due to being at capacity. This would equate to 4,912 patient days or 13.5 additional beds

| | |
|---|---|
| THR | 195 |
| MCA | 148 |
| Baylor | 108 |
| Cooks | 87 |
| North Hills | 40 |
| Other | 137 |

A new facility would allow JPS to offer more assistance to the state hospital system.




In 2014 (CY), JPS had 1,959 state hospital hold days because NTSH did not have capacity to accept transfers.

| FY 2009 | OCT 08 | NOV 08 | DEC 08 | JAN 09 | FEB 09 | MAR 09 | APR 09 | MAY 09 | JUN 09 | JUL 09 | AUG 09 | SEP 09 | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Holding Days | 67 | 30 | 25 | 185 | 121 | 55 | 70 | 53 | 28 | 59 | 95 | 116 | 904 |
| | | | | | | | | | | | | | |
| FY 2010 | Oct. 09 | Nov. 09 | Dec. 09 | Jan. 10 | Feb. 10 | Mar. 10 | Apr. 10 | May. 10 | Jun. 10 | Jul. 10 | Aug. 10 | Sep. 10 | TOTAL |
| Holding Days | 107 | 39 | 129 | 97 | 102 | 54 | 54 | 71 | 94 | 68 | 81.5 | 78.95 | 975 |
| | | | | | | | | | | | | | |
| FY 2011 | Oct. 10 | Nov. 10 | Dec. 10 | Jan. 11 | Feb. 11 | Mar. 11 | Apr. 11 | May. 11 | Jun. 11 | Jul. 11 | Aug. 11 | Sep. 11 | TOTAL |
| Holding Days | 44 | 37 | 39 | 37 | 31 | 71 | 67 | 93 | 34 | 31 | 87 | 62 | 633 |
| | | | | | | | | | | | | | |
| FY 2012 | Oct. 11 | Nov. 11 | Dec. 11 | Jan. 12 | Feb. 12 | Mar. 12 | Apr. 12 | May. 12 | Jun. 12 | Jul. 12 | Aug. 12 | Sep. 12 | TOTAL |
| Holding Days | 64 | 43 | 129 | 33 | 87 | 129 | 95 | 114 | 86.75 | 86.75 | 86.75 | 86.75 | 1041 |
| | | | | | | | | | | | | | |
| FY 2013 | OCT. 12 | NOV. 12 | DEC. 12 | JAN. 13 | FEB. 13 | MAR. 13 | APR. 13 | MAY. 13 | JUN. 13 | JUL. 13 | AUG. 13 | SEP. 13 | TOTAL |
| Holding Days | 164 | 167 | 147 | 69 | 186 | 107 | 161 | 109 | 100 | 210 | 157 | 192 | 1769 |
| | | | | | | | | | | | | | |
| FY 2014 | OCT. 13 | NOV. 13 | DEC. 13 | JAN. 14 | FEB. 14 | MAR. 14 | APR. 14 | MAY. 14 | JUN. 14 | JUL. 14 | AUG. 14 | SEP. 14 | TOTAL |
| Holding Days | 271 | 237 | 251 | 266 | 194 | 190 | 101 | 191 | 237 | 85 | 174 | 102 | 2299 |
| | | | | | | | | | | | | | |
| FY 2015 | OCT. 14 | NOV. 14 | DEC. 14 | JAN. 15 | FEB. 15 | MAR. 15 | APR. 15 | MAY. 15 | JUN. 15 | JUL. 15 | AUG. 15 | SEP. 15 | TOTAL |
| Holding Days | 109 | 152 | 158 | 286 | 174 | | | | | | | | 879 |

A new facility would allow us to offer more assistance to the state hospital system who are seeking additional inpatient bed capacity from local options.

Texas Department of State Health Services: State Hospital System Long-Term Plan – January 2015

As required by the 2014-15 General Appropriations Act,S.B.1, 83'Legislature, Regular Session, 2013(Article II, Department of State Health Services, Rider83)

DSHS believes there are 570 additional required beds to meet current needs and an additional 607 beds required for population growth over the next 10 years.

DSHS proposes to meet this demand through contracts with **local public**, community not-for-profit, private and university hospitals.

Their proposed timeline for rollout of new beds is:

| 2016-17 | 2018-19 | 2020-21 | 2022-23 | 2024-25 | 2026-27 |
|---|---|---|---|---|---|
| 250 | 250 | 250 | 220 | 100 | 100 |

*some are critical of this study and DSHS' standing to have a 10 year plan.

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A new facility would allow JPS to better manage the increasing volume of patients seeking inpatient care.

Impact of the Mental Health Parity and Addiction Equity Act on Inpatient Admissions (February 2015).
Percent of admissions per 1,000 insureds:

| 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|
| 6.4% | 7.1% | 7.4% | 7.5% |

---

A new facility would better allow JPS to capture increases in spending to extend our services to more patients in Tarrant County.

Per Capita Inpatient Spending on MH:

| 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| $13.50 | $15.13 | $16.27 | $19.10 | $21.33 |

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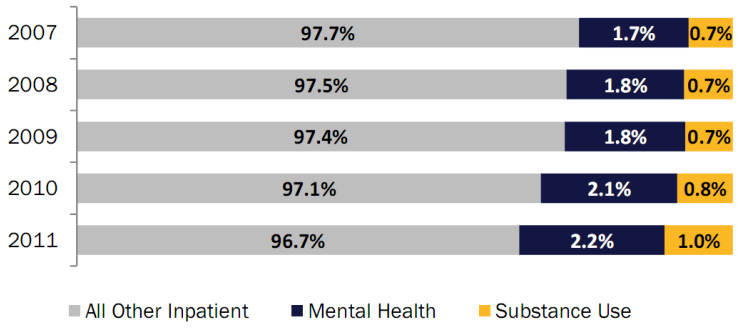
A new facility would better allow JPS to capture increases in spending to extend our services to more patients in Tarrant County.

**Figure 2**

**Share of Inpatient Per Capita Spending (2007-2011)**

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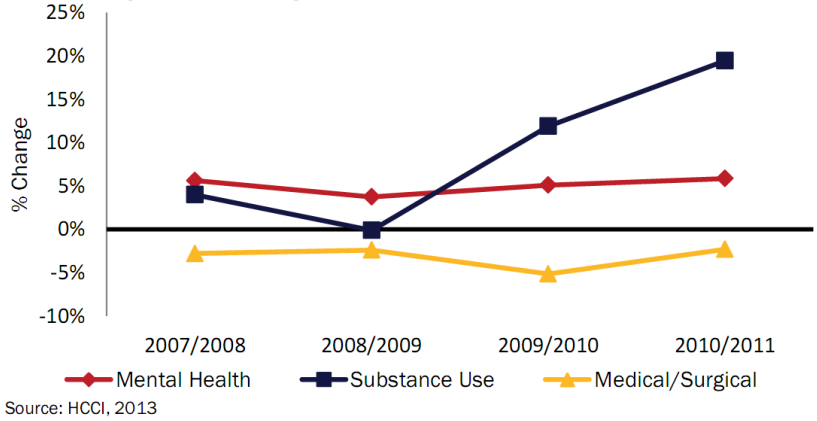
A new facility would better allow JPS to managing the increasing trends for inpatient psychiatric admissions.

**Figure 4**

**Changes in Inpatient Utilization per 1,000 Insureds (2007-2011)**




Source: HCCI, 2013

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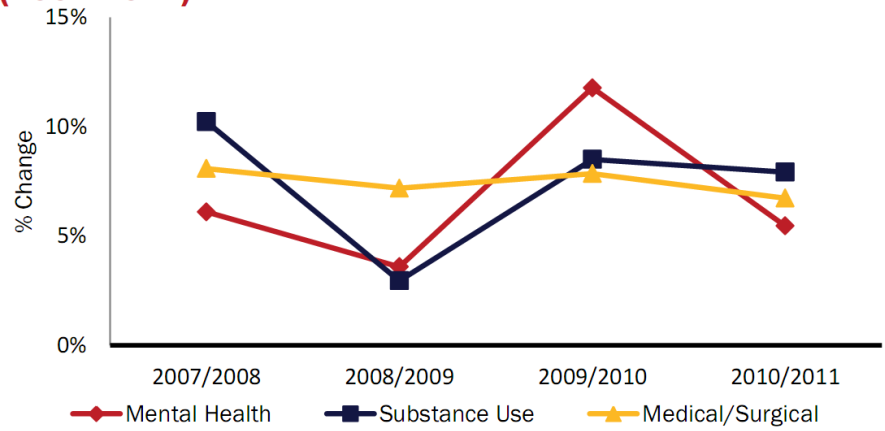
A new facility would better allow JPS to capture increases in spending to extend our services to more patients in Tarrant County.

**Figure 5**

**Changes in Price Paid per Inpatient Admission (2007-2011)**




Source: HCCI, 2013

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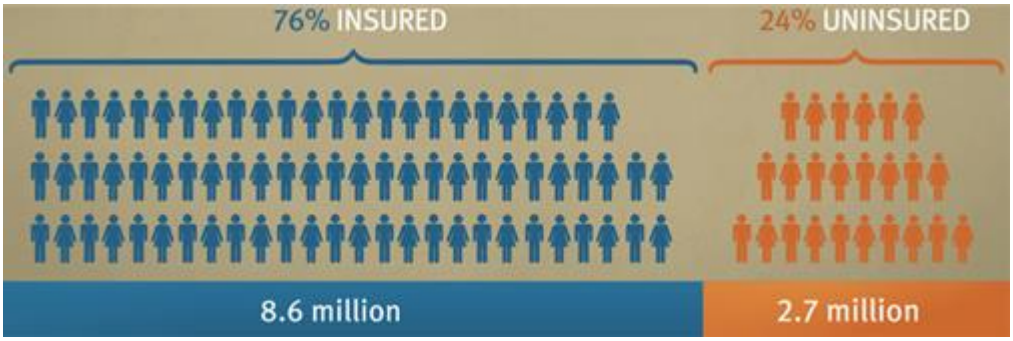
A new facility would allow JPS to better serve those with mental illness who are more likely to be poor/uninsured.

Among adults living with a severe mental illness, 24% were uninsured. Adults with serious mental illness are often in poor physical health and are at a higher risk for uninsurance than those without a serious mental illness.

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A new facility would allow JPS to better serve those with mental illness who are more likely to be poor/uninsured.

2.7M adults live with SMI Nationally
55.8% of those with mental illness live at or below 138% FPL
38% of those with mental illness live between 139% - 400% FPL
6.2% of those with mental illness live above 400% FPL
More than half of adults living with a serious mental illness have incomes that make them eligible for Medicaid in states that expand Medicaid. In states that don't expand, those below poverty may remain uninsured, but those with incomes between 100%-138% FPL may gain subsidized coverage in the Marketplace

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A new facility would allow us to better serve those with mental illness who are likely to have worse health outcomes.

Huge increase cost in caring for those with mental illness and comorbid physical conditions which is improved by treatment. – i.e., a person with depression and diabetes costs $450 more per month than a person with diabetes alone.

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Basic Facts:
Numbers of Americans Affected by Mental Illness

- One in four adults−approximately 61.5 million Americans−experiences mental illness in a given year. One in 17−about 13.6 million−live with a serious mental illness such as schizophrenia, major depression or bipolar disorder.
- Approximately 20 percent of youth ages 13 to 18 experience severe mental disorders in a given year. For ages 8 to 15, the estimate is 13 percent.
- Approximately 1.1 percent of American adults—about 2.4 million people—live with schizophrenia.
- Approximately 2.6 percent of American adults−6.1 million people−live with bipolar disorder.
- Approximately 6.7 percent of American adults−about 14.8 million people−live with major depression.

- Approximately 18.1 percent of American adults−about 42 million people−live with anxiety disorders, such as panic disorder, obsessive-compulsive disorder (OCD), posttraumatic stress disorder (PTSD), generalized anxiety disorder and phobias.
- About 9.2 million adults have co-occurring mental health and addiction disorders.
- Approximately 26 percent of homeless adults staying in shelters live with serious mental illness and an estimated 46 percent live with severe mental illness and/or substance use disorders.
- Approximately 20 percent of state prisoners and 21 percent of local jail prisoners have "a recent history" of a mental health condition.
- Seventy percent of youth in juvenile justice systems have at least one mental health condition and at least 20 percent live with a severe mental illness.

Getting Mental Health Treatment in America

- Approximately 60 percent of adults, and almost one-half of youth ages 8 to 15 with a mental illness received no mental health services in the previous year.
- African American and Hispanic Americans used mental health services at about one-half the rate of whites in the past year and Asian Americans at about one-third the rate.
- One-half of all chronic mental illness begins by the age of 14; three-quarters by age 24. Despite effective treatment, there are long delays−sometimes decades−between the first appearance of symptoms and when people get help.

The Impact of Mental Illness in America

- Serious mental illness costs America $193.2 billion in lost earnings per year.
- Mood disorders such as depression are the third most common cause of hospitalization in the U.S. for both youth and adults ages 18 to 44.
- Individuals living with serious mental illness face an increased risk of having chronic medical conditions. Adults living with serious mental illness die on average 25 years earlier than other Americans, largely due to treatable medical conditions.
- Over 50 percent of students with a mental health condition age 14 and older who are served by special education drop out−the highest dropout rate of any disability group.
- Suicide is the tenth leading cause of death in the U.S. (more common than homicide) and the third leading cause of death for ages 15 to 24 years. More than 90 percent of those who die by suicide had one or more mental disorders.
- Although military members comprise less than 1 percent of the U.S. population, veterans represent 20 percent of suicides nationally. Each day, about 22 veterans die from suicide.

# JPS Health Network Financial Forecast

April 6, 2015

DRAFT – For Discussion Purposes Only

Financial Resource Group

# Disclaimer

FRG has compiled the analysis of forecast financial information included in this presentation to assist in evaluating potential strategic decisions for a proposed capital project and related bond issue. A compilation is limited to presenting in the form of forecast information that is the representation of management and includes a limited evaluation of the support for the assumptions underlying the forecast.

FRG therefore does not express an opinion or any other form of assurance on the accompanying analysis or assumptions. Furthermore, there will usually be differences between the forecast and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. FRG has no responsibility to update this report for events and circumstances occurring after the final date of this report.

This report is considered confidential information and is intended for internal use only.

# 1. New Inpatient Tower (739,011gsf)

- At 739,011gsf, the new inpatient tower is the largest component of the space program, and it is also an enabling project—that is, it needs to be operational before other related projects such as the renovation of portions of the Main Hospital and Pavilion can be undertaken.
- This tower will be located on the east side of Main Street and will be built adjacent to the existing Pavilion. This adjacency is very important as the new inpatient tower will rely on using the operating rooms in the existing Pavilion. The tower will be 10 stories tall including 2 floors of shell space for future expansion.
- The following functional areas are included in the space program for the tower:
  - Inpatient Beds
  - Women's Services
  - Neo-Natal Intensive Care Unit (NICU)
  - Emergency Department Expansion
  - Urgent Care Relocation (to be adjacent to Emergency Department)
  - Surgical Services
  - GI/Bronchoscopy
  - Pre-Admission Testing
  - Radiology
  - Inpatient Pharmacy
  - Support Services
  - Food & Nutrition
  - Sterile Processing

# 1. New Inpatient Tower Income Statement

| (in thousands) | Budget | Forecast | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Net Patient Revenue | $277,423 | $283,128 | $287,865 | $296,700 | $302,188 | $310,091 | $312,669 | $318,109 | $320,733 | $326,526 |
| Other Operating Revenue | 591,339 | 597,098 | 601,899 | 607,334 | 613,065 | 617,641 | 620,167 | 625,805 | 631,864 | 638,016 |
| Total Revenue | 868,762 | 880,226 | 889,764 | 904,034 | 915,253 | 927,732 | 932,836 | 943,914 | 952,597 | 964,542 |
| Operating Expenses | 822,117 | 825,198 | 829,029 | 811,111 | 804,420 | 807,090 | 815,678 | 823,535 | 832,188 | 839,615 |
| Depreciation | 41,923 | 40,086 | 40,794 | 45,922 | 48,594 | 68,690 | 86,208 | 85,926 | 84,985 | 84,511 |
| Interest | 1,242 | 21,539 | 35,293 | 25,119 | 24,720 | 24,290 | 23,835 | 23,352 | 22,842 | 22,304 |
| Total Expenses | 865,282 | 886,823 | 905,116 | 882,152 | 877,734 | 900,070 | 925,721 | 932,813 | 940,015 | 946,430 |
| **Income from Operations** | **3,480** | **(6,597)** | **(15,352)** | **21,882** | **37,519** | **27,662** | **7,115** | **11,101** | **12,582** | **18,112** |
| Non Operating Income | 5,342 | 5,533 | 5,731 | 5,937 | 6,153 | 6,377 | 6,611 | 6,855 | 7,110 | 7,375 |
| **Net Income** | **$8,822** | **($1,064)** | **($9,621)** | **$27,819** | **$43,672** | **$34,039** | **$13,726** | **$17,956** | **$19,692** | **$25,487** |
| EBIDTA | $46,645 | $55,027 | $60,736 | $92,923 | $110,833 | $120,642 | $117,158 | $120,379 | $120,409 | $124,927 |
| Operating Margin | 0.4% | 0.8% | 1.7% | 2.4% | 4.1% | 3.0% | 0.8% | 1.2% | 1.3% | 1.9% |
| Excess Margin | 1.0% | 0.1% | 1.1% | 3.1% | 4.7% | 3.6% | 1.5% | 1.9% | 2.1% | 2.6% |

# 1(a). Parking Garage (805,000gsf)

- In order to meet the projected growth of the campus and to meet the increase in total building area, approximately 2,300 additional parking spaces will be needed (the existing campus has 3,385 spaces). This quantity includes parking for patients, visitors, staff, and physicians.
- For the purposes of this project, structured garage parking is assumed to be constructed in the future as the campus increases in density. Using a parking planning benchmark metric of 350gsf per space, 805,000gsf of total structured parking will need to be provided to accommodate the space program.
- The structured parking could be built in multiple garages, however, the existing Lot Q garage near the future inpatient tower could be demolished and a much larger garage could be built in place to provide parking for the inpatient tower.

# 1(a). Parking Garage Income Statement

| (in thousands) | Budget | Forecast | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Net Patient Revenue | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Other Operating Revenue | - | - | - | 1,133 | 1,511 | 1,511 | 1,511 | 1,511 | 1,511 | 1,511 |
| Total Revenue | - | - | - | 1,133 | 1,511 | 1,511 | 1,511 | 1,511 | 1,511 | 1,511 |
| Operating Expenses | - | - | - | 294 | 388 | 399 | 410 | 422 | 434 | 447 |
| Depreciation | - | - | - | 1,245 | 2,490 | 2,490 | 2,490 | 2,490 | 2,448 | 2,406 |
| Interest | - | - | - | 3,509 | 3,456 | 3,399 | 3,340 | 3,277 | 3,210 | 3,140 |
| Total Expenses | - | - | - | 5,048 | 6,334 | 6,288 | 6,240 | 6,189 | 6,092 | 5,993 |
| **Income from Operations** | **0** | **0** | **0** | **(3,915)** | **(4,823)** | **(4,777)** | **(4,729)** | **(4,678)** | **(4,581)** | **(4,482)** |
| Non Operating Income | - | - | - | - | - | - | - | - | - | - |
| **Net Income** | **$0** | **$0** | **$0** | **($3,915)** | **($4,823)** | **($4,777)** | **($4,729)** | **($4,678)** | **($4,581)** | **($4,482)** |
| EBIDTA | $0 | $0 | $0 | $839 | $1,123 | $1,112 | $1,100 | $1,089 | $1,077 | $1,064 |
| Operating Margin | 0.0% | 0.0% | 0.0% | 345.4% | 319.1% | 316.2% | 313.0% | 309.6% | 303.2% | 296.6% |
| Excess Margin | 0.0% | 0.0% | 0.0% | 345.4% | 319.1% | 316.2% | 313.0% | 309.6% | 303.2% | 296.6% |

# 1(b). Central Utility Plant (15,000gsf)

- In support of the space program, a 15,000gsf central utility plant (CUP) is included.

- The CUP should be located on the east side of Main Street as it will primarily serve the new inpatient tower.

# 1(b). Central Utility Plant Income Statement

| (in thousands) | Budget | Forecast | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Net Patient Revenue | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Other Operating Revenue | - | - | - | - | - | - | - | - | - | - |
| Total Revenue | - | - | - | - | - | - | - | - | - | - |
| Operating Expenses | - | - | - | 1,867 | 2,815 | 2,898 | 2,981 | 3,068 | 3,156 | 3,249 |
| Depreciation | - | - | - | 803 | 1,605 | 1,605 | 1,605 | 1,605 | 1,605 | 1,605 |
| Interest | - | - | - | 1,219 | 1,201 | 1,181 | 1,161 | 1,139 | 1,116 | 1,091 |
| Total Expenses | - | - | - | 3,889 | 5,621 | 5,684 | 5,747 | 5,812 | 5,877 | 5,945 |
| **Income from Operations** | **0** | **0** | **0** | **(3,889)** | **(5,621)** | **(5,684)** | **(5,747)** | **(5,812)** | **(5,877)** | **(5,945)** |
| Non Operating Income | - | - | - | - | - | - | - | - | - | - |
| **Net Income** | **$0** | **$0** | **$0** | **($3,889)** | **($5,621)** | **($5,684)** | **($5,747)** | **($5,812)** | **($5,877)** | **($5,945)** |
| EBIDTA | $0 | $0 | $0 | ($1,867) | ($2,816) | ($2,897) | ($2,981) | ($3,068) | ($3,157) | ($3,248) |
| Operating Margin | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Excess Margin | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

# 2. Psychiatric Hospital (220,000gsf)

- A stand-alone psychiatric hospital will integrate disparate components and provides a physical environment that supports a full continuum of behavioral health services in the appropriate configuration.
- Benefits of the psychiatric hospital include:
  - Full range of behavioral health services integrated, enabling a 'Center of Excellence' program
  - Easy access
  - Clear brand, identity
  - Full continuum of care enables clinical effectiveness and operational efficiencies
  - Increase inpatient psych capacity from 96 to 148
  - Increase ED psych capacity from 20 to 30 (excluding observation)
  - Increase revenue through new/expanded contracts, partnerships

# 2. Psychiatric Hospital Income Statement

| (in thousands) | Budget | Forecast | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Net Patient Revenue | $0 | $0 | $0 | $17,219 | $25,810 | $27,600 | $28,024 | $28,457 | $28,901 | $29,357 |
| Other Operating Revenue | - | - | - | 6,098 | 9,439 | 9,628 | 9,821 | 10,017 | 10,218 | 10,422 |
| Total Revenue | - | - | - | 23,317 | 35,249 | 37,228 | 37,845 | 38,474 | 39,119 | 39,779 |
| Operating Expenses | - | - | - | 21,630 | 32,344 | 35,888 | 36,965 | 37,968 | 38,999 | 39,944 |
| Depreciation | - | - | - | 3,833 | 6,333 | 6,333 | 6,333 | 6,483 | 6,683 | 5,049 |
| Interest | - | - | - | 3,312 | 3,255 | 3,195 | 3,133 | 3,067 | 2,998 | 2,926 |
| Total Expenses | - | - | - | 28,775 | 41,932 | 45,416 | 46,431 | 47,518 | 48,680 | 47,919 |
| **Income from Operations** | **0** | **0** | **0** | **(5,458)** | **(6,683)** | **(8,188)** | **(8,586)** | **(9,044)** | **(9,561)** | **(8,140)** |
| Non Operating Income | - | - | - | - | - | - | - | - | - | - |
| **Net Income** | **$0** | **$0** | **$0** | **($5,458)** | **($6,683)** | **($8,188)** | **($8,586)** | **($9,044)** | **($9,561)** | **($8,140)** |
| EBIDTA | $0 | $0 | $0 | $1,687 | $2,905 | $1,341 | $879 | $506 | $121 | $165 |
| Operating Margin | 0.0% | 0.0% | 0.0% | 23.4% | 19.0% | 22.0% | 22.7% | 23.5% | 24.4% | 20.5% |
| Excess Margin | 0.0% | 0.0% | 0.0% | 23.4% | 19.0% | 22.0% | 22.7% | 23.5% | 24.4% | 20.5% |

# 3. Main Hospital and Pavilion Renovation (164,619gsf)

- Upon the completion of the new inpatient tower, the Main Hospital on the west side of Main Street and some portions of the Pavilion can be renovated.
- Functional areas to be renovated include:
  - Diagnostic and treatment services (emergency department, observation unit, outpatient rehabilitation services)
  - Simulation/education center
  - Hospital clinics (family medicine/medical home clinic, ortho/podiatry, specialty)
- A substantial portion of the existing bed tower will be reserved for future growth/expansion to be defined in the future.

# 3. Renovation/Backfill Income Statement

| (in thousands) | Budget | Forecast | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Net Patient Revenue | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Other Operating Revenue | - | - | - | - | - | - | - | - | - | - |
| Total Revenue | - | - | - | - | - | - | - | - | - | - |
| Operating Expenses | - | - | - | - | - | - | - | - | - | (1) |
| Depreciation | - | - | - | - | - | - | - | 3,673 | 7,346 | 7,346 |
| Interest | - | - | - | 2,154 | 4,632 | 4,558 | 4,480 | 4,398 | 4,312 | 4,222 |
| Total Expenses | - | - | - | 2,154 | 4,632 | 4,558 | 4,480 | 8,071 | 11,658 | 11,567 |
| **Income from Operations** | **0** | **0** | **0** | **(2,154)** | **(4,632)** | **(4,558)** | **(4,480)** | **(8,071)** | **(11,658)** | **(11,567)** |
| Non Operating Income | - | - | - | - | - | - | - | - | - | - |
| **Net Income** | **$0** | **$0** | **$0** | **($2,154)** | **($4,632)** | **($4,558)** | **($4,480)** | **($8,071)** | **($11,658)** | **($11,567)** |
| EBIDTA | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Operating Margin | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Excess Margin | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

# Methodology and General Assumptions

- FRG used the ***Functional and Space Program Volume 1*** to develop the financial projections for the projects defined in that document.
- FRG worked with JPS Senior Management and JPS Product Line Managers to develop, modify and assess operational assumptions for each distinct project.
- The following are the major modeling philosophies:
  - ***JPS Baseline Income Statement and Balance Sheet*** includes all operations currently part of JPS but does not include any major facility changes or increase in borrowing activity. It is meant to represent current operations trended forward.
  - ***JPS New Project Income Statement and Balance Sheet*** includes financial projections for each of the projects. Each project includes direct costing of all benefits, utilities, depreciation and interest. No attempt was made to allocate Tax or Community Support in the individual projects.
- The model currently assumes no tax rate increase.

# JPS Baseline Assumptions

| **Volume and Revenue/Reimbursement Rates** | |
|---|---|
| Volume Growth: | |
| Inpatient | 1.50% |
| Outpatient | 2.00% |
| Mix % | No change |
| Average Length of Stay | -1.00% |
| | |
| **Inflation Factors** | |
| Charge Inflation (all payors) | 2.0% |
| Overall Expense Inflation | 3.0% |
| Wage Rate Inflation | 2.6% |
| | |
| **Charity and Bad Debt Deductions** | |
| | % of GPR |
| Charity | 27.00% |
| Bad Debt | 17.00% |
| | |
| **Other Revenue** | |
| Tax Revenue: | |
| Property Values | 2.0% |
| Tax Rate | 0.0% |
| State Disproportionate Share Revenue | 1.6% |
| 1115 Waiver and UC Revenue | -1.0% |
| DSRIP Revenue | -1.0% |
| | |
| **Improvements** | |
| Productivity Improvement | 2.0% |
| Efficiency Improvement | 2.0% |

# JPS Baseline Income Statement

| (in thousands) | Budget 2015 | Forecast 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net Patient Revenue | $277,423 | $282,437 | $286,452 | $293,361 | $297,676 | $305,052 | $309,711 | $317,607 | $322,662 | $331,139 |
| Tax Revenue | 305,239 | 311,344 | 317,571 | 323,922 | 330,401 | 337,009 | 343,749 | 350,624 | 357,636 | 364,789 |
| 1115 Waiver & Dispro Share | 198,542 | 197,487 | 195,313 | 193,606 | 192,026 | 189,117 | 183,982 | 181,777 | 179,810 | 177,746 |
| DSRIP | 47,953 | 47,474 | 46,999 | 46,529 | 46,064 | 45,603 | 45,147 | 44,696 | 44,249 | 43,806 |
| Other Operating Revenue | 39,604 | 40,793 | 42,016 | 43,276 | 44,575 | 45,912 | 47,289 | 48,708 | 50,169 | 51,675 |
| Total Revenue | 868,762 | 879,535 | 888,351 | 900,695 | 910,741 | 922,693 | 929,878 | 943,412 | 954,526 | 969,155 |
| Operating Expenses | 822,117 | 833,965 | 848,466 | 858,221 | 868,649 | 877,930 | 889,923 | 900,773 | 912,327 | 922,660 |
| Depreciation | 41,923 | 38,882 | 36,813 | 38,786 | 38,251 | 40,817 | 43,667 | 45,928 | 47,642 | 48,727 |
| Interest | 1,242 | 1,205 | 1,150 | 1,093 | 1,033 | 950 | 861 | 763 | 661 | 556 |
| Total Expenses | 865,282 | 874,052 | 886,429 | 898,100 | 907,933 | 919,697 | 934,451 | 947,464 | 960,630 | 971,943 |
| **Income from Operations** | **3,480** | **5,483** | **1,922** | **2,595** | **2,808** | **2,996** | **(4,573)** | **(4,052)** | **(6,104)** | **(2,788)** |
| Non Operating Income | 5,342 | 5,533 | 5,731 | 5,937 | 6,153 | 6,377 | 6,611 | 6,855 | 7,110 | 7,375 |
| **Net Income** | **$8,822** | **$11,016** | **$7,653** | **$8,532** | **$8,961** | **$9,373** | **$2,038** | **$2,803** | **$1,006** | **$4,587** |
| EBIDTA | $46,645 | $45,570 | $39,887 | $42,475 | $42,093 | $44,762 | $39,955 | $42,639 | $42,199 | $46,495 |
| Operating Margin | 0.4% | 0.6% | 0.2% | 0.3% | 0.3% | 0.3% | -0.5% | -0.4% | -0.6% | -0.3% |
| Excess Margin | 1.0% | 1.2% | 0.9% | 0.9% | 1.0% | 1.0% | 0.2% | 0.3% | 0.1% | 0.5% |
| Days cash on hand | 135 | 134 | 128 | 123 | 118 | 114 | 107 | 101 | 94 | 91 |
| Annual debt service | $3,647 | $3,675 | $3,705 | $3,743 | $3,768 | $3,815 | $3,866 | $3,918 | $3,976 | $4,036 |
| Annual debt service coverage | 12.79X | 12.40X | 10.76X | 11.35X | 11.17X | 11.73X | 10.34X | 10.88X | 10.61X | 11.52X |

Financial Resource Group

# JPS New Project Assumptions

## Changes from Baseline Assumptions

| **Improvements** | |
|---|---|
| Operational Improvements | 3.0% |
| IP Acute Growth Rate | 0.5% |

**Debt** *Mar 19, 2015 8:37 am Prepared by FirstSouthwest (elf)*

| **Sources** | 2016 | 2018 | Total |
|---|---|---|---|
| Bond Proceeds | $714,522,826 | $94,550,000 | $809,072,826 |
| **Uses** | | | |
| Project Fund | $710,386,298 | $93,782,503 | $804,168,801 |
| *New Inpatient Tower* | *510,850,008* | | *510,850,008* |
| *Psychiatric Hospital* | *101,977,864* | | *101,977,864* |
| *Parking Garage* | *72,602,261* | | *72,602,261* |
| *Central Utility Plant* | *25,226,165* | | *25,226,165* |
| *Hospital Renovation and Backfill* | | *$93,782,503* | *93,782,503* |
| Cost of Issuance | 4,136,528 | 767,497 | 4,904,025 |
| Total Uses | $714,522,826 | $94,550,000 | $809,072,826 |
| Average Annual Debt Service | $43,715,209 | $6,162,017 | $49,877,226 |
| Delivery Date | 2/1/2016 | 2/1/2018 | |
| All-In TIC | 4.499400% | 5.072772% | |

# Selected Sensitivity Factors

| Factor | 2016 | 2024 |
|---|---|---|
| 1% Improvement in Productivity | $4,265,974 | $45,458,130 |
| 1% Non-salary Cost Reduction | $4,095,988 | $46,430,161 |
| $.01 Tax Rate Increase | $13,661,607 | $16,006,750 |
| 1% Decrease in IP Growth | $15,124,542 | $29,592,618 |
| | | |
| Payor Shift Impact (Self Pay to Medicaid): | | |
| 7.00% | $27,516,266 | $31,132,249 |
| 10.00% | $39,308,952 | $44,474,641 |
| 13.00% | $51,101,637 | $57,817,033 |

# Productivity Improvements

1. The budget for FY 2015 reflects 6.9 FTE's per adjusted occupied bed for JPSHN
2. Similar facilities average 5.6 FTE's per adjusted occupied bed
3. Over 10 years, using a 3% productivity improvement, JPSHN will achieve 5.4 FTE's per adjusted occupied bed in FY 2024
4. The forecast includes a change to the median benchmark over 10 years
5. FY 2015 Budgeted FTEs are 5,253 compared to a projection of 4,887 FTEs in FY 2024 for a difference of 366 FTEs.

# Revised Forecast: 3% Operations Improvement, No Payer Mix Shift – Revised Debt Service

| (in thousands) | Budget | Forecast | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Net Patient Revenue | $277,423 | $283,128 | $287,865 | $313,919 | $327,998 | $337,692 | $340,693 | $346,567 | $349,634 | $355,883 |
| Tax Revenue | 305,239 | 311,344 | 317,571 | 323,922 | 330,401 | 337,009 | 343,749 | 350,624 | 357,636 | 364,789 |
| 1115 Waiver & Dispro Share | 198,542 | 197,487 | 195,313 | 193,606 | 192,026 | 189,117 | 183,982 | 181,777 | 179,810 | 177,746 |
| DSRIP | 47,953 | 47,474 | 46,999 | 46,529 | 46,064 | 45,603 | 45,147 | 44,696 | 44,249 | 43,806 |
| Other Operating Revenue | 39,604 | 40,793 | 42,016 | 50,508 | 55,526 | 57,051 | 58,621 | 60,237 | 61,898 | 63,608 |
| Total Revenue | 868,762 | 880,226 | 889,764 | 928,485 | 952,014 | 966,472 | 972,192 | 983,901 | 993,227 | 1,005,832 |
| Operating Expenses | 822,117 | 825,198 | 829,029 | 834,903 | 839,968 | 846,275 | 856,037 | 864,994 | 874,777 | 883,254 |
| Depreciation | 41,923 | 40,086 | 40,794 | 51,802 | 59,022 | 79,117 | 96,635 | 100,176 | 103,067 | 100,917 |
| Interest | 1,242 | 21,539 | 35,293 | 35,313 | 37,263 | 36,624 | 35,948 | 35,233 | 34,478 | 33,682 |
| Total Expenses | 865,282 | 886,823 | 905,116 | 922,018 | 936,253 | 962,016 | 988,620 | 1,000,403 | 1,012,322 | 1,017,853 |
| **Income from Operations** | **3,480** | **(6,597)** | **(15,352)** | **6,467** | **15,761** | **4,456** | **(16,428)** | **(16,502)** | **(19,095)** | **(12,021)** |
| Non Operating Income | 5,342 | 5,533 | 5,731 | 5,937 | 6,153 | 6,377 | 6,611 | 6,855 | 7,110 | 7,375 |
| **Net Income** | **$8,822** | **-$1,064** | **-$9,621** | **$12,404** | **$21,914** | **$10,833** | **-$9,817** | **-$9,647** | **-$11,985** | **-$4,646** |
| EBIDTA | $46,645 | $55,027 | $60,736 | $93,582 | $112,046 | $120,197 | $116,156 | $118,906 | $118,450 | $122,578 |
| Operating Margin | 0.4% | -0.8% | -1.7% | 0.7% | 1.7% | 0.5% | -1.7% | -1.7% | -1.9% | -1.2% |
| Excess Margin | 1.0% | -0.1% | -1.1% | 1.3% | 2.3% | 1.1% | -1.0% | -1.0% | -1.2% | -0.5% |
| Days cash on hand | 135 | 433 | 366 | 228 | 154 | 130 | 113 | 117 | 119 | 125 |
| Annual debt service | $3,647 | $24,009 | $51,428 | $51,967 | $55,933 | $55,969 | $56,014 | $56,066 | $56,107 | $56,162 |
| Annual debt service coverage | 12.79X | 2.29X | 1.18X | 1.80X | 2.00X | 2.15X | 2.07X | 2.12X | 2.11X | 2.18X |

# Scenario 1: 2% Operations Improvement, No Payer Mix Shift

| (in thousands) | Budget | Forecast | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Net Patient Revenue | $277,423 | $283,110 | $287,829 | $313,862 | $327,921 | $337,592 | $340,570 | $346,418 | $349,459 | $355,681 |
| Tax Revenue | 305,239 | 311,344 | 317,571 | 323,922 | 330,401 | 337,009 | 343,749 | 350,624 | 357,636 | 364,789 |
| 1115 Waiver & Dispro Share | 198,542 | 197,487 | 195,313 | 193,606 | 192,026 | 189,117 | 183,982 | 181,777 | 179,810 | 177,746 |
| DSRIP | 47,953 | 47,474 | 46,999 | 46,529 | 46,064 | 45,603 | 45,147 | 44,696 | 44,249 | 43,806 |
| Other Operating Revenue | 39,604 | 40,793 | 42,016 | 50,508 | 55,526 | 57,051 | 58,621 | 60,237 | 61,898 | 63,608 |
| Total Revenue | 868,762 | 880,208 | 889,728 | 928,428 | 951,937 | 966,372 | 972,069 | 983,752 | 993,052 | 1,005,630 |
| Operating Expenses | 822,117 | 832,849 | 844,533 | 858,206 | 871,049 | 885,128 | 903,455 | 921,181 | 940,067 | 957,819 |
| Depreciation | 41,923 | 40,086 | 40,794 | 51,802 | 59,022 | 79,117 | 96,635 | 100,176 | 103,067 | 100,917 |
| Interest | 1,242 | 21,539 | 35,293 | 35,313 | 37,263 | 36,624 | 35,948 | 35,233 | 34,478 | 33,682 |
| Total Expenses | 865,282 | 894,474 | 920,620 | 945,321 | 967,334 | 1,000,869 | 1,036,038 | 1,056,590 | 1,077,612 | 1,092,418 |
| **Income from Operations** | **3,480** | **(14,266)** | **(30,892)** | **(16,893)** | **(15,397)** | **(34,497)** | **(63,969)** | **(72,838)** | **(84,560)** | **(86,788)** |
| Non Operating Income | 5,342 | 5,533 | 5,731 | 5,937 | 6,153 | 6,377 | 6,611 | 6,855 | 7,110 | 7,375 |
| **Net Income** | **$8,822** | **-$8,733** | **-$25,161** | **-$10,956** | **-$9,244** | **-$28,120** | **-$57,358** | **-$65,983** | **-$77,450** | **-$79,413** |
| EBIDTA | $46,645 | $47,358 | $45,195 | $70,222 | $80,888 | $81,245 | $68,614 | $62,571 | $52,985 | $47,811 |
| Operating Margin | 0.4% | -1.6% | -3.5% | -1.8% | -1.6% | -3.6% | -6.6% | -7.4% | -8.5% | -8.6% |
| Excess Margin | 1.0% | -1.0% | -2.8% | -1.2% | -1.0% | -2.9% | -5.9% | -6.7% | -7.7% | -7.8% |
| Days cash on hand | 135 | 425 | 350 | 203 | 118 | 78 | 44 | 26 | 5 | (17) |
| Annual debt service | $3,647 | $24,009 | $51,428 | $51,967 | $55,933 | $55,969 | $56,014 | $56,066 | $56,107 | $56,162 |
| Annual debt service coverage | 12.79X | 1.97X | .88X | 1.35X | 1.45X | 1.45X | 1.22X | 1.12X | .94X | .85X |

# Scenario 2: 2% Operations Improvement, 13% Payer Mix Shift From Uninsured to Medicaid

| (in thousands) | Budget | Forecast | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Net Patient Revenue | $277,423 | $334,212 | $339,885 | $365,719 | $380,326 | $391,042 | $395,045 | $402,008 | $406,116 | $413,498 |
| Tax Revenue | 305,239 | 311,344 | 317,571 | 323,922 | 330,401 | 337,009 | 343,749 | 350,624 | 357,636 | 364,789 |
| 1115 Waiver & Dispro Share | 198,542 | 197,487 | 195,313 | 193,606 | 192,026 | 189,117 | 183,982 | 181,777 | 179,810 | 177,746 |
| DSRIP | 47,953 | 47,474 | 46,999 | 46,529 | 46,064 | 45,603 | 45,147 | 44,696 | 44,249 | 43,806 |
| Other Operating Revenue | 39,604 | 40,793 | 42,016 | 50,508 | 55,526 | 57,051 | 58,621 | 60,237 | 61,898 | 63,608 |
| Total Revenue | 868,762 | 931,310 | 941,784 | 980,285 | 1,004,342 | 1,019,822 | 1,026,544 | 1,039,342 | 1,049,709 | 1,063,447 |
| Operating Expenses | 822,117 | 832,849 | 844,533 | 858,206 | 871,049 | 885,128 | 903,455 | 921,181 | 940,067 | 957,819 |
| Depreciation | 41,923 | 40,086 | 40,794 | 51,802 | 59,022 | 79,117 | 96,635 | 100,176 | 103,067 | 100,917 |
| Interest | 1,242 | 21,539 | 35,293 | 35,313 | 37,263 | 36,624 | 35,948 | 35,233 | 34,478 | 33,682 |
| Total Expenses | 865,282 | 894,474 | 920,620 | 945,321 | 967,334 | 1,000,869 | 1,036,038 | 1,056,590 | 1,077,612 | 1,092,418 |
| **Income from Operations** | **3,480** | **36,836** | **21,164** | **34,964** | **37,008** | **18,953** | **(9,494)** | **(17,248)** | **(27,903)** | **(28,971)** |
| Non Operating Income | 5,342 | 5,533 | 5,731 | 5,937 | 6,153 | 6,377 | 6,611 | 6,855 | 7,110 | 7,375 |
| **Net Income** | **$8,822** | **$42,369** | **$26,895** | **$40,901** | **$43,161** | **$25,330** | **-$2,883** | **-$10,393** | **-$20,793** | **-$21,596** |
| EBIDTA | $46,645 | $98,460 | $97,250 | $122,079 | $133,293 | $134,695 | $123,089 | $118,161 | $109,641 | $105,628 |
| Operating Margin | 0.4% | 4.0% | 2.3% | 3.6% | 3.7% | 1.9% | -0.9% | -1.7% | -2.7% | -2.7% |
| Excess Margin | 1.0% | 4.5% | 2.8% | 4.2% | 4.3% | 2.5% | -0.3% | -1.0% | -2.0% | -2.0% |
| Days cash on hand | 135 | 444 | 389 | 263 | 198 | 178 | 163 | 164 | 162 | 158 |
| Annual debt service | $3,647 | $24,009 | $51,428 | $51,967 | $55,933 | $55,969 | $56,014 | $56,066 | $56,107 | $56,162 |
| Annual debt service coverage | 12.79X | 4.10X | 1.89X | 2.35X | 2.38X | 2.41X | 2.20X | 2.11X | 1.95X | 1.88X |

# Scenario 3: 3% Operations Improvement, 13% Payer Mix Shift From Uninsured to Medicaid

| (in thousands) | Budget | Forecast | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Net Patient Revenue | $277,423 | $334,212 | $339,885 | $365,719 | $380,326 | $391,042 | $395,045 | $402,008 | $406,116 | $413,498 |
| Tax Revenue | 305,239 | 311,344 | 317,571 | 323,922 | 330,401 | 337,009 | 343,749 | 350,624 | 357,636 | 364,789 |
| 1115 Waiver & Dispro Share | 198,542 | 197,487 | 195,313 | 193,606 | 192,026 | 189,117 | 183,982 | 181,777 | 179,810 | 177,746 |
| DSRIP | 47,953 | 47,474 | 46,999 | 46,529 | 46,064 | 45,603 | 45,147 | 44,696 | 44,249 | 43,806 |
| Other Operating Revenue | 39,604 | 40,793 | 42,016 | 50,508 | 55,526 | 57,051 | 58,621 | 60,237 | 61,898 | 63,608 |
| Total Revenue | 868,762 | 931,310 | 941,784 | 980,285 | 1,004,342 | 1,019,822 | 1,026,544 | 1,039,342 | 1,049,709 | 1,063,447 |
| Operating Expenses | 822,117 | 825,192 | 829,018 | 834,885 | 839,945 | 846,246 | 856,001 | 864,952 | 874,727 | 883,197 |
| Depreciation | 41,923 | 40,086 | 40,794 | 51,802 | 59,022 | 79,117 | 96,635 | 100,176 | 103,067 | 100,917 |
| Interest | 1,242 | 21,539 | 35,293 | 35,313 | 37,263 | 36,624 | 35,948 | 35,233 | 34,478 | 33,682 |
| Total Expenses | 865,282 | 886,817 | 905,105 | 922,000 | 936,230 | 961,987 | 988,584 | 1,000,361 | 1,012,272 | 1,017,796 |
| **Income from Operations** | **3,480** | **44,493** | **36,679** | **58,285** | **68,112** | **57,835** | **37,960** | **38,981** | **37,437** | **45,651** |
| Non Operating Income | 5,342 | 5,533 | 5,731 | 5,937 | 6,153 | 6,377 | 6,611 | 6,855 | 7,110 | 7,375 |
| **Net Income** | **$8,822** | **$50,026** | **$42,410** | **$64,222** | **$74,265** | **$64,212** | **$44,571** | **$45,836** | **$44,547** | **$53,026** |
| EBIDTA | $46,645 | $106,117 | $112,766 | $145,400 | $164,397 | $173,577 | $170,544 | $174,391 | $174,981 | $180,250 |
| Operating Margin | 0.4% | 4.8% | 3.9% | 6.0% | 6.8% | 5.7% | 3.7% | 3.8% | 3.6% | 4.3% |
| Excess Margin | 1.0% | 5.3% | 4.5% | 6.5% | 7.4% | 6.3% | 4.3% | 4.4% | 4.2% | 5.0% |
| Days cash on hand | 135 | 451 | 406 | 289 | 237 | 234 | 239 | 263 | 287 | 314 |
| Annual debt service | $3,647 | $24,009 | $51,428 | $51,967 | $55,933 | $55,969 | $56,014 | $56,066 | $56,107 | $56,162 |
| Annual debt service coverage | 12.79X | 4.42X | 2.19X | 2.80X | 2.94X | 3.10X | 3.04X | 3.11X | 3.12X | 3.21X |

# APPENDIX

# Scenario Summary for 2024

| (in thousands) | Revised Forecast 3% Improvement | Scenario 1 2% Improvement | Scenario 2 2% Imp; 13% Mix | Scenario 3 3% Imp; 13% Mix |
|---|---|---|---|---|
| Excess of revenue over expenses | -$4,646 | -$79,413 | -$21,596 | $53,026 |
| EBITDA | $122,578 | $47,811 | $105,628 | $180,250 |
| Excess Margin | -0.5% | -7.8% | -2.0% | 5.0% |
| Days unrestricted cash on hand | 125 | (17) | 158 | 314 |
| Annual debt service coverage | 2.18X | .85X | 1.88X | 3.21X |
| FTEs per adjusted occupied bed | 5.40 | 5.88 | 5.88 | 5.40 |

# Comparison of FTEs Per Adjusted Occupied Bed

| Hospital | City/ST | Beds | FTEs/AOB | Year End |
|---|---|---|---|---|
| Ben Taub General Hospital | Houston, TX | 727 | 4.61 | 2/28/2014 |
| University of Tennessee Medical Center | Knoxville, TN | 538 | 4.79 | 12/31/2013 |
| Jackson Memorial Hospital | Miami, FL | 1732 | 5.39 | 9/30/2013 |
| Intermountain Medical Center | Murray, UT | 472 | 5.55 | 12/31/2013 |
| Florida Hospital Orlando | Orlando, FL | 2350 | 5.83 | 12/31/2013 |
| Parkland Hospital | Dallas, TX | 825 | 6.18 | 9/30/2013 |
| University of Mississippi Medical Center | Jackson, MS | 668 | 6.43 | 6/30/2014 |
| University Hospital | San Antonio, TX | 482 | 7.49 | 12/31/2013 |
| John Peter Smith Hospital | Fort Worth, TX | 515 | 7.88 | 9/30/2013 |

*Source: American Hospital Directory (AHD.com)*
*Note: This ratio uses a common basis for calculating patient days that includes all patient days for a hospital as reported in AHD including SNF, rehabilitation, and psychiatric units, which may differ from how JPSHS calculates this ratio internally.*

# What Will Drive the Improvement?

1. JPSHN has embarked on programs to improve performance and care
   a. Patient centered medical home
   b. Physician network/productivity
   c. Expected Outcomes:
      - Reduce holding in emergency department
      - Improved patient throughput
      - Improved work flow and collaboration opportunities in new flexible units
      - Reduced travel distance to diagnostic/treatment departments in Pavilion
      - Decreased inpatient length of stay
      - Reduced patient transports
      - Private rooms designed to create privacy, improve comfort, and enhance the patient experience while improving clinical outcomes
      - Improved intake flow and triaging capacity
      - Improved staff collaboration opportunities
      - Improved patient and physician satisfaction

# What Will Drive the Improvement?, continued

2. New facilities
    a. Bring all inpatient clinical care to one side of Main Street
    b. Leverage design to maximize efficiency
    c. Arrange diagnostic labs and procedure rooms closer to the patients
    d. Cohort patients for like care
    e. Increase diagnostic capacity to maximize patient throughput

# Main Projects and Reasons for Doing

1. Main Hospital Tower
    a. Improve the quality of care
    b. Improve hospital efficiency
    c. Private appropriately sized rooms
    d. Provide facility to expand capacity and meet district's needs for years to come
    e. Locate all inpatient services on one side of street
    f. Access new technology
    g. The proposed amortization on the project financing reflects the useful life on the capital investments to be funded

# Main Projects and Reasons for Doing, continued

2. Psychiatric Hospital
   a. Bring all inpatient care to one facility
   b. Capture patients, with good reimbursement, that currently leave JPSHN
   c. Expand programs to further capture better payer mix
   d. Expand to enable new partnerships
   e. Clear brand identity
3. Renovation of current hospital facilities
   a. Future expansion capacity
   b. New outpatient capacity and observation
   c. New technology

# Inpatient Bed Appendix

As part of the functional and space programming effort, the project team reviewed and vetted previous inpatient projections originally developed in the 2013 Facility Utilization Plan (FUP). Broaddus-Blue Cottage focused on understanding the original model as well as creating a high-level parallel bed need estimate to validate and update the original projections in order to establish a target bed number to use in space programming.

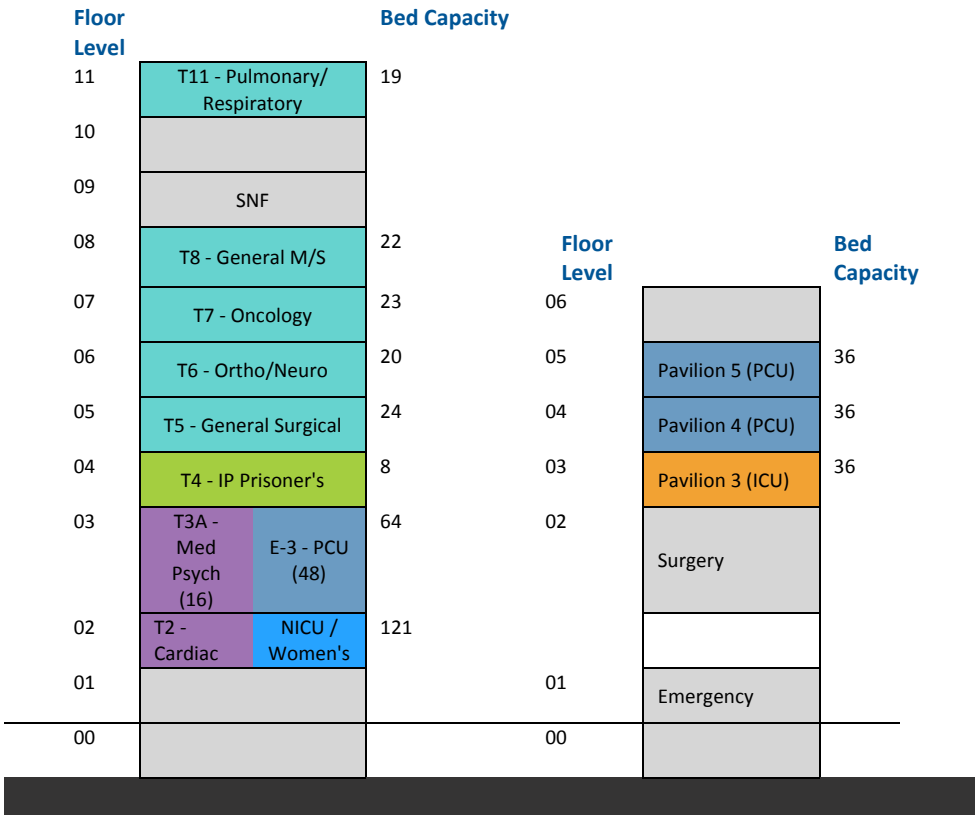
The 2013 FUP projected inpatient beds for John Peter Smith Hospital utilizing FY2012 patient days and discharges data. The model embedded in the FUP organized Tarrant county demographic data by age group to project volume growth at 10 and 20 years. Additionally, average length of stay was reviewed and future reductions were suggested. This generated four scenarios of beds– 10 and 20 years each with or without a length of stay reduction.

Broaddus-Blue Cottage created a high-level bed need estimate to vet the original model and use updated inpatient data.

This check-model used FY2013 patient days by acuity (similar breakdown as the 2013 FUP model). It's important to note here that there was a 22% increase in patient days from FY2012 and FY2013, so a significant shift in the baseline data. The Broaddus-Blue Cottage bed need estimate then projected patient days out 10 years with about a 1.5% annual growth rate, which was in line with the approved 2013 FUP. The check-model didn't apply length of stay reduction assumptions, but rather applied appropriate benchmark utilization rates by acuity as well as a target benchmark percentage of intensive care beds.

In comparing and considering the check-model results to the original four modeled scenarios, it was decided to target 400 total medical/surgical inpatient beds and provide additional shell space for growth in the future. Below are current total medical/surgical operating beds versus after master plan implementation. Women's and NICU future bed targets were developed independent of this analysis of medical/surgical beds and are in line with expected demographic changes and reference to historical levels.

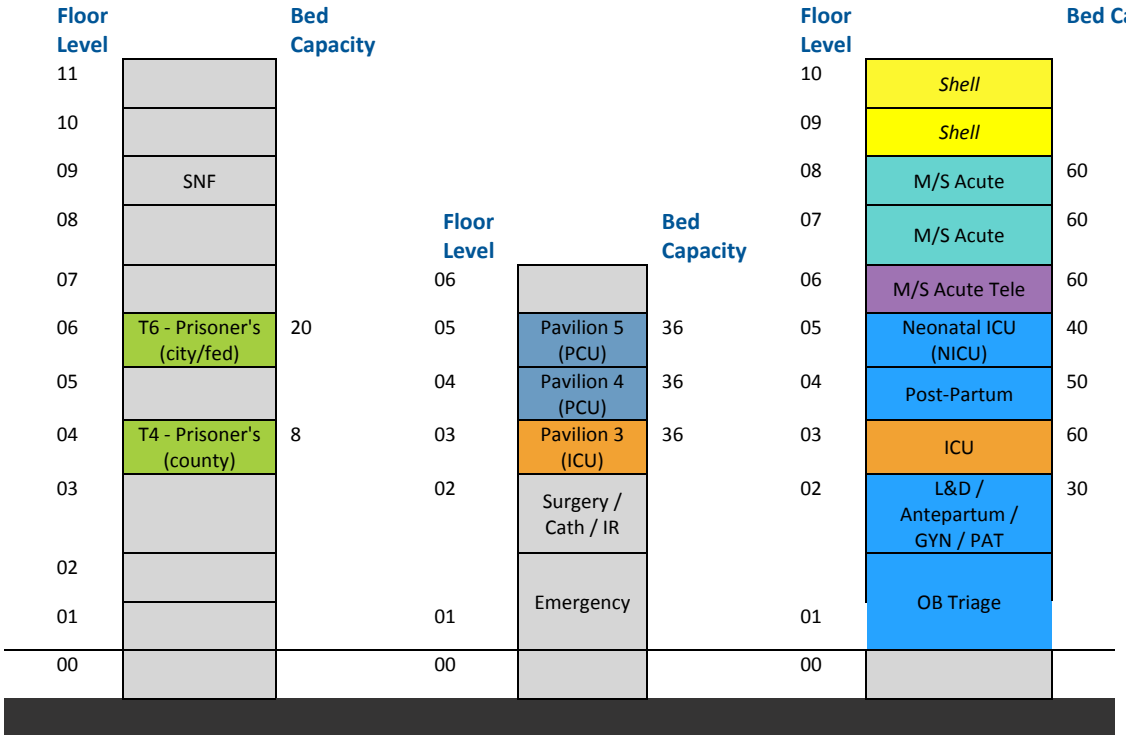
Inpatient Bed Appendix - Current Bed Capacity:




| JPS Main Tower | |
|---|---|
| M/S Acute Care | 108 |
| M/S Acute Care Tele | 40 |
| M/S PCU | 48 |
| M/S ICU | 0 |
| Women's | 62 |
| NICU | 35 |
| IP Prisoner's | 8 |
| **Total** | **301** |

| JPS Pavilion Tower | | |
|---|---|---|
| M/S Acute Care | 0 | **108** |
| M/S Acute Care Tele | 0 | **40** |
| M/S PCU | 72 | **120** |
| M/S ICU | 36 | **36** |
| Women's | 0 | **62** |
| NICU | 0 | **35** |
| IP Prisoner's | 0 | **8** |
| **Total** | **108** | **409** |

# Inpatient Bed Appendix - Future Bed Capacity




**JPS Main Tower**

| | |
|---|---|
| M/S Acute Care | 0 |
| M/S Acute Care Tele | 0 |
| M/S PCU | 0 |
| M/S ICU | 0 |
| Women's | 0 |
| NICU | 0 |
| IP Prisoner's | 28 |
| **Total** | **28** |

**JPS Pavilion Tower**

| | |
|---|---|
| M/S Acute Care | 0 |
| M/S Acute Care Tele | 0 |
| M/S PCU | 72 |
| M/S ICU | 36 |
| Women's | 0 |
| NICU | 0 |
| IP Prisoner's | 0 |
| **Total** | **108** |

**JPS New Tower**

| | | |
|---|---|---|
| M/S Acute Care | 120 | **120** |
| M/S Acute Care Tele | 60 | **60** |
| M/S PCU | 0 | **72** |
| M/S ICU | 60 | **96** |
| Women's | 80 | **80** |
| NICU | 40 | **40** |
| IP Prisoner's | 0 | **28** |
| **Total** | **360** | **496** |

# End Notes

i

## 2018 Destination Metrics

| 2018 Destination Measures | 2013 Baseline | 2014 Outcome | 2016 Target | 2018 Target |
|---|---|---|---|---|
| 1. University HealthSystem Consortium (UHC) Quality Leadership Award | Not participating in UHC clinical database | Not participating | Rising Star Award | Quality Leadership Award |
| 2. Improved Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) Percentile rankings | Below US Median | | Top Quartile | Top Decile |
| 3. Best Places to Work designation by Modern Healthcare | 25th percentile | 67th percentile Press Ganey | Press Ganey Commitment to Excellence Award | Best Places to Work Designation |
| 4. JPS residencies' first-time Board pass rate | 97% | 96% (*) | 100% | 100% For current and prior 2 years (2016 – 2018) |
| 5. Geriatrics named "designated program" | Endorse development of geriatric service line | Geriatric program gap analysis completed, steering team established | NICHE Program Designation | Joint Commission Dementia Program Designation |
| 6. Reduction in Tarrant County infant mortality rate (%) | 7.6/1000 (2011 data) | 6.87/1000 (2012 data) | 6.6/1000 (2014 data) | 6.4/1000 (2016 data) |
| 7. JPS primary care clinics designated as National Committee for Quality Assurance (NCQA) Level 3 Patient Centered Medical Homes (PCMH) | 0% designated | Corporate application submission completed | 100% NCQA designated with at least 50% at Level 3 | 100% designated at NCQA Level 3 |
| 8. Achieve American Hospital Association's (AHA) Foster McGaw Award that recognizes hospitals for improving the health and well-being of everyone in their communities | Have not applied for Award | "Shattered Dreams" included in AHA's Community Connections Annual Report | Designated finalist for the Award | Designated as Award Winner |
| 9. Maintain a positive operating margin reflecting prudent stewardship of community resources | 7.5% | 3.1% | 2% | 2% |

(*) Reflects only Family Medicine 2013-2014 residents.

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## 2016 Pillar Metrics

*By 2016, JPS would measure its success by the following…*

2016 PILLAR-RELATED METRICS

- **Quality**
  - Reduction in LOS*/Mortality/R eadmissions
  - Reduction in Preventable Injuries
  - Meet or Exceed Community Health Preventive and Diabetes Bundle Goals
  - Reduce PSI-90* Composite Index
- **Service**
  - Decrease Time to 3rd Next New Patient Appt
  - Reduce Inpatient Visits for Ambulatory Care Sensitive Conditions
  - Increase % Discharged Patients w/ Appointment
  - Improve All CAHPS* Composite Scores
- **People**
  - Meet or Exceed Time to Accept Goal
  - Improve Quality of Hire
  - Increase Internal Leader Promotions
  - Improve Percentile Ranking of Employee & Physician Engagement
  - Reduce Turnover
- **Academics**
  - Increase Extramural Funding for Academics
  - Increase Number Peer-reviewed Publications
  - Increase Retention of Residents/ Fellows
- **Population Health**
  - Achieve NICHE* Program Designation
  - Increase % Pre-Natal Appointment Time Within 12 weeks
  - Increase % Behavioral Health Patients Maintaining Stability
  - Decrease PMPM* Cost for JPS Connection
- **Stewardship**
  - Philanthropy Targets Achieved
  - Meet or Exceed MWBE Spend Goal
  - Decrease Average Age of Plant
  - Meet or Exceed DSRIP* Milestone & Metrics
  - Meaningful Use

*PSI=Patient Safety Index
*PMPM=Per Member Per Month
*LOS=Length of Stay
*CAHPS=Consumer Assessment of Healthcare Providers and Systems
*NICHE=Nurses Improving Care for Healthsystem Elders
*DSRIP=Delivery System Reform Incentive Payments (1115 Waiver)

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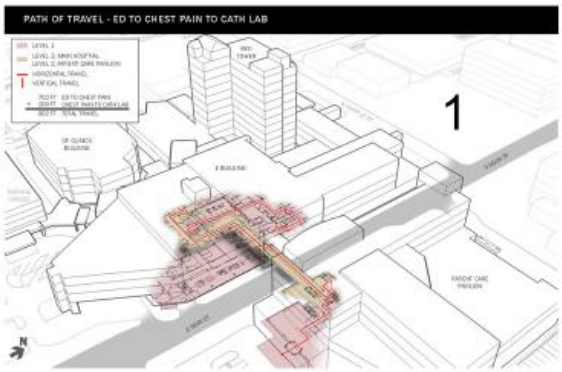
[ii] Although this construction project is in progress, the following represents impact of poor adjacencies and Main Street:

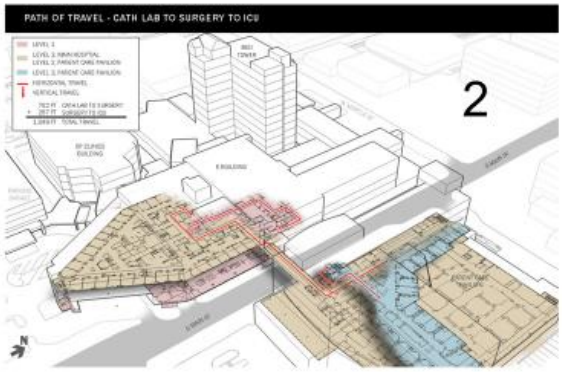
# JPS Network Challenges

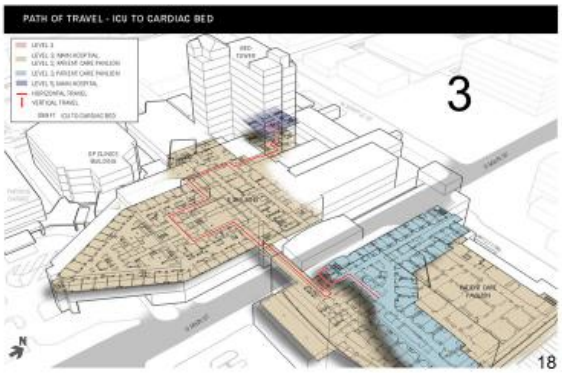
## Downstream Process

### The Cardiac Experience




2,850 ft is the travel distance

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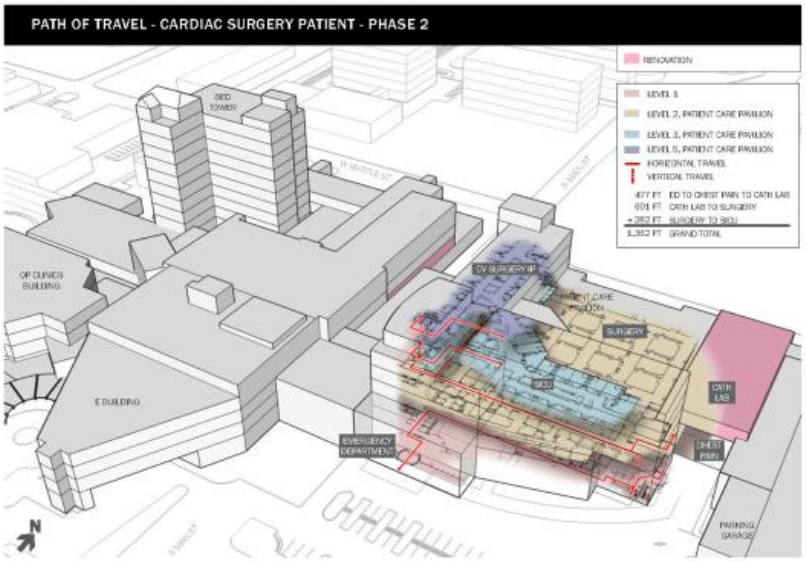
# Solutions

## Downstream Opportunity

### The Cardiac Experience

1,360 ft is the new travel distance



[iii] Psychiatric Inpatients transferred to other facilities resulting in loss of reimbursement or expense of placement for calendar year 2014:

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | DEC | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Arlington | | | | | | | | 1 | 1 | 5 | 2 | 5 | 14 |
| Hickory Trail | | | | | | 2 | | | | | | - | 2 |
| Huguley | 3 | | 2 | 1 | 2 | 2 | 2 | 1 | 3 | 5 | 6 | 8 | 35 |
| Mayhill | 1 | | 1 | | | | | 1 | | | 1 | - | 4 |
| Mesa Springs | 2 | 7 | 8 | 5 | 10 | 19 | 10 | 10 | 16 | 22 | 17 | 8 | 134 |
| Millwood Hospital | 41 | 51 | 41 | 33 | 40 | 21 | 29 | 47 | 28 | 22 | 29 | 32 | 414 |
| Oceans Behavioral | | | | 3 | 2 | 4 | 9 | 14 | 16 | 16 | 10 | 9 | 83 |
| Presbyterian Plano | | | | | | 1 | | | | | | - | 1 |
| Springwood | 4 | 5 | 5 | 2 | 3 | 5 | 2 | 6 | 5 | 1 | 7 | 5 | 50 |
| Sundance | 24 | 38 | 47 | 55 | 71 | 51 | 42 | 62 | 51 | 83 | 52 | 61 | 637 |
| Timberlawn | | | 1 | | 1 | | | | 1 | 2 | | - | 5 |
| UBH Denton | 1 | 2 | 1 | 2 | | | 1 | | 1 | 3 | | - | 11 |
| Total | 76 | 103 | 106 | 101 | 129 | 105 | 95 | 142 | 122 | 159 | 124 | 128 | 1390 |

[iv] Calendar year 2014 transfers into JPS denied due to capacity:

| | |
|---|---|
| THR | 195 |
| MCA | 148 |
| Baylor | 108 |
| Cooks | 87 |
| North Hills | 40 |
| Other | 137 |

[v] Historical state hospital hold days because NTSH did not have capacity to accept transfers:

| FY 2012 | Oct. 11 | Nov. 11 | Dec. 11 | Jan. 12 | Feb. 12 | Mar. 12 | Apr. 12 | May. 12 | Jun. 12 | Jul. 12 | Aug. 12 | Sep. 12 | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Holding Days | 64 | 43 | 129 | 33 | 87 | 129 | 95 | 114 | 86.75 | 86.75 | 86.75 | 86.75 | 1041 |
| | | | | | | | | | | | | | |
| FY 2013 | OCT. 12 | NOV. 12 | DEC. 12 | JAN. 13 | FEB. 13 | MAR. 13 | APR. 13 | MAY. 13 | JUN. 13 | JUL. 13 | AUG. 13 | SEP. 13 | TOTAL |
| Holding Days | 164 | 167 | 147 | 69 | 186 | 107 | 161 | 109 | 100 | 210 | 157 | 192 | 1769 |
| | | | | | | | | | | | | | |
| FY 2014 | OCT. 13 | NOV. 13 | DEC. 13 | JAN. 14 | FEB. 14 | MAR. 14 | APR. 14 | MAY. 14 | JUN. 14 | JUL. 14 | AUG. 14 | SEP. 14 | TOTAL |
| Holding Days | 271 | 237 | 251 | 266 | 194 | 190 | 101 | 191 | 237 | 85 | 174 | 102 | 2299 |
| | | | | | | | | | | | | | |
| FY 2015 | OCT. 14 | NOV. 14 | DEC. 14 | JAN. 15 | FEB. 15 | MAR. 15 | APR. 15 | MAY. 15 | JUN. 15 | JUL. 15 | AUG. 15 | SEP. 15 | TOTAL |
| Holding Days | 109 | 152 | 158 | 286 | 174 | | | | | | | | 879 |