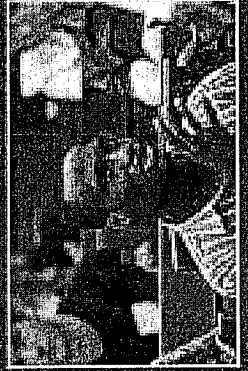


# SUMMARY OF OPERATING RESULTS

Fiscal Year End  
June 30 2010



**UWHealth**

[uwhealth.org](http://uwhealth.org)

# Summary of Inpatient Activity

Twelve months ended June 30, 2010

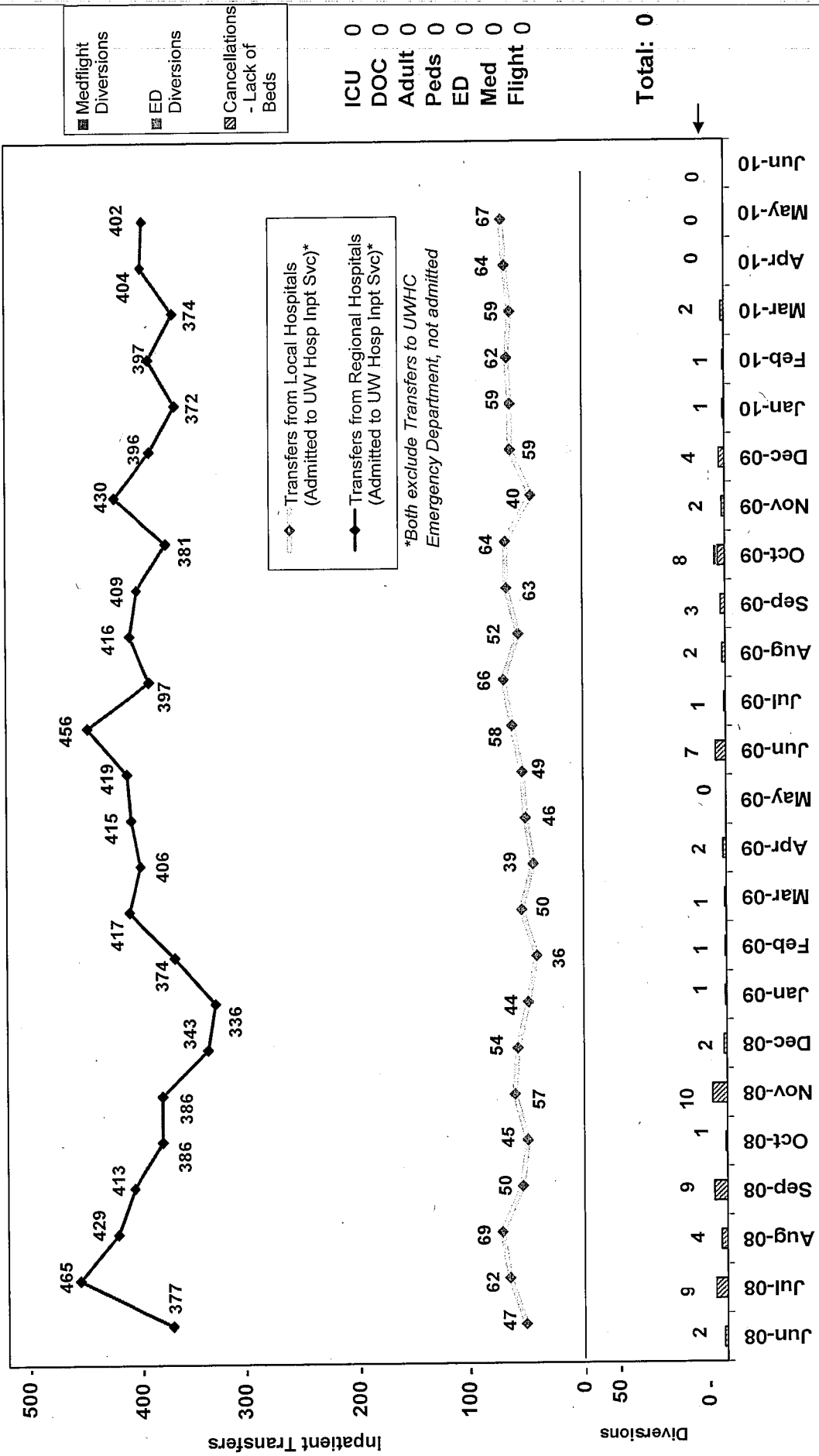
	Actual FY '10	Budget FY '10	Actual FY '09	% Variances	
				Actual to Budget	FY 10 to FY 09
Admissions	25,901	25,667	25,450	0.9%	1.8%
Patient Days	136,817	136,254	136,774	0.4%	0.0%
Average Length of Stay	5.3	5.3	5.4	0.0%	-1.9%
Average Daily Census	375	373	375	0.4%	0.0%
Intensive Care Days	21,820	21,506	22,241	1.5%	-1.9%
Case Mix Index	1.88	1.85	1.85	1.6%	1.6%

# Summary of Clinic Visits

Twelve months ended June 30, 2010

	Actual FY '10	Budget FY '10	Actual FY '09	% Variances	
				Actual to Budget	FY 10 to FY 09
600 Highland	240,719	237,102	229,442	1.5%	4.9%
East Clinics	78,137	80,078	79,607	-2.4%	-1.8%
West Clinics	126,159	121,229	124,910	4.1%	1.0%
University Station	88,883	88,134	90,586	0.8%	-1.9%
Research Park	34,185	33,942	33,050	0.7%	3.4%
All Other	9,646	9,254	8,866	4.2%	8.8%
<b>Total</b>	<b>577,729</b>	<b>569,739</b>	<b>566,461</b>	<b>1.4%</b>	<b>2.0%</b>

# Regional Hospital Transfers and Diversions & Cancelled Hospital Transfers Due to Lack of Beds



# Other Key Ancillary Service Activity Indicators

Twelve Months Ended June 30, 2010

	Actual FY '10	Budget FY '10	Actual FY '09	% Variances	
				Actual to Budget	FY 10 to FY 09
Inpatient Gross Revenues	\$ 1,050,391,621	\$ 1,045,505,461	\$ 976,066,464	0.5%	7.6%
Outpatient Gross Revenues	\$ 923,273,295	\$ 887,241,311	\$ 806,659,400	4.1%	14.5%
<b>Surgical Procedures:</b>					
Inpatient (excluding Misc/Out of OR)	11,177	11,625	11,602	-3.9%	-3.7%
Outpatient	7,614	7,060	7,731	7.8%	-1.5%
AFCH	4,721	4,068	3,300	16.1%	43.1%
Subtotal	23,512	22,753	22,633	3.3%	3.9%
Misc/Out of OR	2,335	2,150	2,328	8.6%	0.3%
Total	25,847	24,903	24,961	3.8%	3.5%
<b>Transplants</b>					
Cadaver	360	398	392	-9.5%	-8.2%
Living	89	114	98	-21.9%	-9.2%
Total	449	512	490	-12.3%	-8.4%
<b>Cardiology Invasive Lab Procedures</b>					
Cardiovascular Lab	11,923	12,106	10,131	-1.5%	17.7%
Electrophysiology Lab	1,739	1,234	1,064	40.9%	63.4%
Total	13,662	13,340	11,195	2.4%	22.0%
<b>Clinical Lab Tests/Service</b>	3,046,445	3,413,512	3,172,950	-10.8%	-4.0%
<b>Emergency Room Visits</b>	42,534	42,641	42,858	-0.3%	-0.8%
<b>Radiology Procedures</b>					
MRI	27,481	27,274	27,213	0.8%	1.0%
CT Scans	56,733	63,976	61,302	-11.3%	-7.5%
Other	226,052	223,651	208,141	1.1%	8.6%
Total	310,266	314,901	296,656	-1.5%	4.6%
<b>Radiotherapy Procedures</b>	35,588	31,402	32,747	13.3%	8.7%

# Summary of Operating Results

Twelve Months Ended June 30, 2010  
(000) Omitted

	Actual FY '10	Budget FY '10	Actual FY '09	% Variances	
				Actual to Budget	FY 09 to FY 08
Operating Revenue	\$994,225	\$973,712	\$935,510	2.1%	6.3%
Operating Expenses	937,359	934,812	903,561	0.3%	3.7%
Income from Operations (Operating Margin of 5.7%)	\$56,866	\$38,900	\$31,949	46.2%	78.0%
Non-Operating Income	13,182	13,000	4,751	1.4%	> 100%
Net Income	<u>\$70,048</u>	<u>\$51,900</u>	<u>\$36,700</u>	35.0%	90.9%

# Non Operating Income (Loss) Preliminary

Twelve Months Ended June 30, 2010  
(000) Omitted

	Actual FY '10	Budget FY '10	Actual FY '09	% Variances	
				Actual to Budget	FY 10 to FY 09
Investment Income & Other Non-Operating Income	\$ 6,535	\$ 9,962	\$ 10,910	-34.4%	-40.1%
Fair Value Gain (Loss) on Investments	4,442	0	(12,685)	> 100%	> 100%
Fair Value Gain (Loss) on Swap agreements	(3,903)	0	-	-100.0%	-100.0%
UWHC portion of Joint Venture Income/Losses:					
Wisconsin Therapies/Chartwell	758	360	497	> 100%	52.5%
Wisconsin Dialysis	71	135	(49)	-47.4%	> 100%
UHC/Unity	4,205	1200	4,865	> 100%	-13.6%
UHC/e-Care	(928)	(840)	(977)	-10.5%	5.0%
Madison Surgery Center	1,849	2,143	2,025	-13.7%	-8.7%
Sleep Equipment of WI	0	0	(15)	0.0%	-100.0%
Madison United Healthcare Linen	143	40	167	> 100%	-14.4%
Madison Environmental Resourcing	10	0	13	100.0%	-23.1%
<b>Total</b>	<b>\$ 13,182</b>	<b>\$ 13,000</b>	<b>\$ 4,751</b>	<b>1.4%</b>	<b>&gt; 100%</b>

# Audit Report Reconciliations

## Twelve Months Ended June 30, 2010

(000) Omitted

	Internal Financial Statements	Audit Report reclasses	Audit Report
<b>Total Operating Revenue</b>	\$ 994,225,263	\$ 24,392,737	\$ 1,018,618,000
Reclass Medicaid Tax Assessment to Expense Rounding		24,393,182 (445)	
		<u>24,392,737</u>	
<b>Total Operating Expense</b>	\$ 937,359,144	\$ 16,135,856	\$ 953,495,000
Reclass Medicaid Tax Assessment to Expense		24,393,182	
Reclass Interest Expense to Non-operating Rounding		(8,258,000) 674	
		<u>16,135,856</u>	
<b>Operating Income</b>	\$ 56,866,119	8,256,881	65,123,000
<b>Operating Margin</b>	5.7%		6.4%
<b>Non-operating Income</b>	\$ 13,181,922	(8,257,922)	4,924,000
Reclass Interest Expense to Non-operating Rounding		(8,258,000) 78	
		<u>(8,257,922)</u>	
<b>Net Income</b>	\$ 70,048,041	\$ (1,041)	\$ 70,047,000



# Performance Ratios

## Industry Comparisons

	Favorable Direction	FY 10	Budget or Target	S&P 500 "A" Rated	Moodys "A" Rated	Fitch "A" Rated	UWHCA Bond Covenant
Operating Margin	↑	5.7%	4.0%	2.5%	2.2%	2.7%	
Total Margin **	↑	6.9%	5.3%	4.2%	4.6%	3.9%	
Days Cash on Hand *	↑	168	138	175	157	171	90, 75 & 45
Days in Accounts Receivable	↓	45	50	49	49	48	
Debt Service Coverage Ratio **	↑	6.9	6.5	3.7	4.3	3.1	2.0, 1.25 & 1.0
Long Term Debt to Capitalization	↓	30.0%	31.0%	34.2%	38.0%	40.3%	65%
Operating Cash Flow	↑	11.5%	10.2%	9.6%	9.1%	8.8%	
Cash-to-Debt	↑	170.9%	138.9%	130.8%	113.9%	113.4%	

\* Days Cash on Hand calculated as a rolling 12 month average

\*\* Excludes unrealized gain/loss on investments and change in fair market value of swap agreements

# Quality of Earnings

<u>Budgeted Income from Operations</u>	\$ 38,900	<u>4.0%</u>
Net Revenue - volume & Payor Mix; less Bad Debt/Charity	20,605	
Salary & Fringe Benefit expenses greater than budget	(5,997)	
Malpractice Insurance less than budget - favorable experience	2,026	
Interest Expense less than budget - low variable rates	1,443	
Other, net	(111)	
	<u>56,866</u>	<u>5.7%</u>
	Actual Income from Operations	
<u>Budgeted Non-operating Income</u>	13,000	
Investment Income less than budget - unfavorable earnings rates	(1,306)	
Unity's earnings (UWHC's 60% portion - favorable to budget)	3,004	
Other, net	(1,516)	
	<u>13,182</u>	
	Actual Non-operating Income	
	<u>70,048</u>	<u>6.9%</u>
	Net Income	

# Accounts Receivable Monitoring Program

	Net Accounts Receivable	Net Days Revenue Outstanding
June 09	108,195,704	41
July 09	116,266,694	43
August 09	121,327,701	46
September 09	117,138,592	44
October 09	116,650,399	44
November 09	116,867,364	44
December 09	109,616,395	42
January 10	116,607,964	45
February 10	116,658,208	45
March 10	110,644,198	42
April 10	108,732,093	40
May 10	112,092,854	41
June 10	123,872,679	45

# Comparison of Charity Care & Bad Debt Expense

	FY 10 Actual	FY 10 Budget	Variance	% Variance	FY 09 Actual	Variance	% Variance
Charity	\$ 47,040,886	\$ 38,654,935	\$ 8,385,951	21.7%	\$ 40,305,549	\$ 6,735,337	16.7%
% of Revenue	2.38%	2.00%			2.26%		
Bad Debt	20,911,437	48,319,044	(27,407,607)	-56.7%	23,140,425	(\$2,228,988)	-9.6%
% of Revenue	1.06%	2.50%			1.30%		
Total	\$ 67,952,323	\$ 86,973,979	\$ (19,021,656)	-21.9%	\$ 63,445,974	\$ 4,506,349	7.1%
Gross Revenue	\$ 1,973,664,916	\$ 1,932,746,772	\$ 40,918,144	2.1%	\$ 1,782,725,865	\$ 190,939,051	10.7%
Total Bad Debt & Charity as % of Revenue	3.4%	4.5%			3.6%		

# EBITDA Compared to Debt Service & Capital Expenditures

(000) Omitted

	Actual	Budget
<u>Cash Provided:</u>		
Net Income prior to Fair Value gains/losses	\$69,509	\$51,900
Market Value Gain/(Loss) on Unrestricted Investments	4,442	0
Fair Value Gain/(Loss) on Swap Agreements	(3,903)	0
Depreciation	48,874	51,200
Interest Expense	8,258	9,700
EBITDA	\$ 127,180	\$ 112,800
<u>Cash (Used) for Capital Expenditures, Debt Service and Working Capital:</u>		
Capital Expenditures	(29,349)	(32,900)
Land purchase 3rd East parcel	(2,608)	0
Capital Contribution - Faculty Office Bldg Buy-out existing space	(2,500)	(2,500)
Capital Contribution - Cardiology equipment & other	(140)	0
Net Capital Expenditures	(34,457)	(35,400)
Est Annual Debt Service	(15,142)	(18,688)
Decrease (increase) in Working Capital	7,154	(5,412)
Total (Used) Provided	(\$42,445)	(\$59,500)
Cash Available for Temporary Investment and Future Capital Expenditures	\$ 84,735	\$ 53,300

# Summary of Changes in Net Assets

Twelve Months Ended June 30, 2010

Net assets at beginning of period	<u>\$513,659,405</u>
Net income	69,509,056
Fair value of investments	4,442,095
Fair value of swap agreements	(3,903,111)
Cumulative effect - Fair value of swap agreements @ 6/30/09	(8,345,493)
Capital grants, gifts and donations	1,090,732
Additions to permanent gift endowments	110,768
Payments to UW School of Medicine and Public Health for capital expenditure support	(2,640,000)
Increase in net assets	<u>\$60,264,047</u>
Net assets at end of period	<u>\$573,923,452</u>

# Comparison to Local Competitors June 30, 2010 vs. 2009

	UWHC	Meriter	St. Mary's	Total
<b>% Change in Admissions</b>				
Current Month	5.1%	4.1%	(8.1)%	0.3%
3 Month Rolling Average	1.7%	2.4%	(11.2)%	(2.6)%
12 Month Rolling Average	1.8%	1.7%	(6.2)%	(1.0)%
<b>% Change in Average Daily Census</b>				
Current Month	(6.0)%	7.3%	(5.4)%	(2.8)%
3 Month Rolling Average	(4.0)%	0.7%	(9.8)%	(4.8)%
12 Month Rolling Average	0.0%	(1.2)%	(6.6)%	(2.4)%

# UWHC Investment Balances & Returns

Account	June Market Value Balances	Investment Allocation	June YTD Investment Return	Benchmark
<b>Operating Account and Commercial Paper</b>				
US Bank	\$ 48,822,805	11.8%	0.11%	0.04% (A)
<b>Intermediate Bond Fund</b>				
Baird Investments	\$ 126,144,675	30.4%	7.81%	8.02% (D)
<b>Capital Replacement Fund</b>				
Account - UW Foundation	\$ 155,966,126	37.5%	0.26%	0.26% (B)
<b>Endowment Fund - Equity Securities</b>				
UW Foundation	\$84,523,957	20.3%	7.92%	12.12% (C)
<b>Total Unrestricted Funds</b>	<u>\$ 415,457,563</u>	<u>100.0%</u>		

(A) Average Financial and Non-Financial Commercial Paper less

(B) Average 1 Month LIBOR

(C) Average S&P 500 Index

(D) Barclays Capital Intermediate Gov/ Credit-YTD