



Cedars-Sinai

LEADING THE QUEST FOR HEALTH®

Financial Report

Year Ended June 30, 2016

www.cedars-sinai.edu





**FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016
FYE 06/30/16**

STATISTICS:

Average occupied beds for the month of June 2016 were 704 or 80 (12.8%) favorable to the budgeted amount of 624 and (3.4%) favorable to last year's 681 average occupied beds. Year-to-date average occupied beds totaled 696 or (4.8%) favorable to last year's average occupied beds of 664. YTD average daily non admitted observation patients decreased to 26 patients a day from 27 patients a day in the prior year.

Average length of stay (patient days / admissions) for the month of June 2016 was 5.1 days which was unfavorable to the budgeted amount of 5.0 days and last year's 5.1 days. Year-to-date average length of stay totaled 5.1 days which was the same as budget amount and favorable to last year's 5.2 days.

Admissions for the month of June 2016 were 4,132 or 430 (11.6%) favorable to the budgeted amount of 3,702 and 122 (3.0%) more than last year's 4,010 admissions. Year-to-date admissions totaled 49,690 or (5.5%) favorable to last year's admissions of 47,114.

Patient days for the month of June 2016 were 21,107 or 2,395 (12.8%) favorable to the budgeted amount of 18,712 and (3.3%) favorable to last year's 20,424 patient days. Year-to-date patient days total 254,668 or (4.8%) favorable compared to last year's patient days of 234,040.

BALANCE SHEET:

Cash and unrestricted investments (including marketable securities and board designated assets) increased by \$32 million to \$1.875 billion at June 30, 2016 from \$1.843 billion at June 30, 2015. The Medical Center's operating activities provided \$570 million in cash and unrestricted investments while investing activities used \$493 million and financing activities used \$45 million.

Net patient receivables increased by \$30 million to \$537 million at June 30, 2016 compared to \$507 million realized at June 30, 2015 due to increase in volume. At June 30, 2016, the Medical Center's days in accounts receivable decreased to 63.4 days from 66.3 days as of June 30, 2015 due to strong cash collection of \$266 million for the month of June compared to \$243 million monthly average for this year.

Inventory, prepaid expenses and other current assets totaled \$163 million at June 30, 2016 which was \$8 million less than the \$171 million balance at June 30, 2015.

Net property, plant and equipment increased by \$16 million to \$1.774 billion at June 30, 2016 compared to \$1.758 billion at June 30, 2015. This is attributed to depreciation of approximately \$159 million offset by capital expenditures totaling \$175 million.

Other assets totaled \$442 million at June 30, 2016 compared to \$272 million at June 30, 2015. The increase was primarily due to acquisitions in the current year.

BALANCE SHEET (CONTINUED)

Accounts payable and accrued liabilities totaled \$298 million at June 30, 2016 which was \$30 million more than the \$268 million recognized at June 30, 2015 primarily due to timing of payments for the Hospital Fee Program.

Accrued payroll and related expenses totaled \$293 million at June 30, 2016 which was \$32 million more than the \$261 million seen at June 30, 2015 due to increase in accrued vacation hours and the number of days in payroll accruals.

Due from/to third-party payers was \$15 million receivable at June 30, 2016 which was \$21 million more than the \$6 million liability at June 30, 2015 as a result of change in prior year settlement amount.

Long-term debt including current portion, at \$980 billion at June 30, 2016 decreased by \$58 million as compared to the \$1.038 billion realized at June 30, 2015. This decrease is attributed to scheduled debt repayments.

Long-term accrued workers' compensation and malpractice insurance claims totaled \$129 million at June 30, 2016 which was \$18 million more than the \$111 million at June 30, 2015 due to increase in claim reserves.

Other long term liabilities totaled \$120 million at June 30, 2016 which was \$64 million more than the \$56 million reported at June 30, 2015 primarily due to increase in pension liability.

Net assets have increased by \$297 million to \$3.525 billion at June 30, 2016 from \$3.308 billion at June 30, 2015. This change is primarily attributed to operating results.

STATEMENT OF OPERATIONS:

Net patient service revenue for the year ended June 30, 2016 totaled \$3.008 billion which was \$115 million favorable to the budgeted total of \$2.893 billion and favorable to the \$2.849 billion realized last year. The increase in net patient service revenue is attributed to increase in volume, and partially offset by the impact of change in payer mix and the continued expansion of commercial exchanges which has resulted in a reduction of reimbursement amount as compared to the traditional commercial plans.

Other operating revenue for the year ended June 30, 2016 was \$255 million which was \$37 million favorable to the budgeted total of \$218 million and favorable to the \$242 million recognized during the same period in the prior year. The increase was primarily attributed to increase in royalty revenue (\$29 million).

Expenses for the year ended June 30, 2016 were \$2.880 billion compared to a budgeted total of \$2.816 billion and \$2.711 billion last year. Included in expenses are salaries and related expenses totaling \$1.483 billion year to date, compared to a budgeted total of \$1.516 billion and \$1.357 billion last year. Supplies and other expenses for the year ended June 30, 2016 were \$1.171 billion which was \$99 million less than the budgeted total of \$1,072 million and more than the \$1,126 million recognized last year. Professional fees for the year ended June 30, 2016 were \$32 million which was \$4 million less than the budgeted amount of \$28 million and \$4 million less than the \$28 million recognized last year.

Based on these results, operating income totaled \$383 million for the year ended June 30, 2016 which is \$88 million more than the budget of \$295 million.

STATEMENT OF CASH AND UNRESTRICTED INVESTMENTS FLOWS (EXCLUDING RESTRICTED FUNDS):

Cash and unrestricted investments flows provided by operations for the year ended June 30, 2016 totaled \$570 million compared to the \$479 million that had been budgeted to be provided by operations. In addition to (\$88 million) favorable income from operations, favorable variances were realized for increase in long-term liabilities (\$83 million), accounts payable and other liabilities (\$28 million), inventory, prepaid expenses and other current assets (\$9 million), and offset by unfavorable variances from accrued payroll and related liabilities (\$69 million), due from/to third party payors (\$22 million), patient accounts receivable (\$21 million), and depreciation and amortization expenses (\$5 million).

Cash and unrestricted investments flows used by investing activities for the year ended June 30, 2016 totaled \$493 million, which represents an unfavorable variance of \$237 million as compared to the \$256 million budgeted to be used in investing activities. These unfavorable results were attributed to investment loss of \$83 million compared to an expected return of \$39 million, increase in other assets (\$169 million), increase in temporarily and permanently restricted assets (\$8 million), offset by favorable variances from transfers to affiliates (\$52 million) and capital expenditures (\$10 million).

Cash and unrestricted investments flows used in financing activities for the year ended June 30, 2016 were \$45 million as compared to an expected expenditure of \$35 million in the budgeted results. The \$10 million variance is attributed to additional principal payment for the extinguishment on 2005 series bonds.

The net results of the operating, investing and financing activities for the year ended June 30, 2016 is to increase the Medical Center's net cash and unrestricted investments by \$32 million. Which represents incremental \$156 million use of cash as compared to the \$188 million budgeted increase in cash and unrestricted investments.

FINANCIAL RATIOS:

	June 2016	June 2015
Current Ratio	4.2	4.4
Days in Patient Receivables	63.4	66.3
Days in Current Liabilities	83.4	81.5
Debt to Equity	0.28	0.31
Debt Service Coverage Ratio ¹	5.9	6.9
Return on Equity ¹	10.9%	11.5%
Return on Revenues ^{1, 2}	11.7%	12.3%

1. The debt service coverage return on equity and return on revenue ratios do not include net investment income.
2. Return on revenues includes bad debt as a revenue reduction before the calculation of the ratio.

AVERAGE OCCUPIED BEDS

YEAR ENDED JUNE 30, 2016

	2016 Actual	2016 Budget	Variance	2015 Actual
July	663	647	2.5%	611
August	673	649	3.7%	632
September	665	641	3.7%	644
Quarter 1	667	646	3.3%	629
October	689	641	7.5%	668
November	694	637	8.9%	655
December	666	640	4.1%	664
Quarter 2	683	639	6.8%	662
January	705	670	5.2%	699
February	730	680	7.4%	682
March	747	681	9.7%	689
Quarter 3	727	677	7.4%	690
April	703	665	5.7%	672
May	714	628	13.7%	673
June	704	624	12.8%	681
Quarter 4	707	639	10.6%	675
Y-T-D	696	650	7.0%	664

AVERAGE LENGTH OF STAY

YEAR ENDED JUNE 30, 2016

(Calculation = Patient Days / Admissions)

	2016 Actual	2016 Budget	Variance	2015 Actual
July	5.0	5.1	0.1	5.0
August	5.1	5.1	0.0	5.3
September	5.0	5.1	0.1	5.2
Quarter 1	5.0	5.1	0.1	5.1
October	5.3	5.1	(0.2)	5.2
November	5.1	5.1	0.0	5.2
December	5.0	5.1	0.1	5.1
Quarter 2	5.1	5.1	0.0	5.2
January	5.2	5.2	(0.0)	5.3
February	5.2	5.2	(0.0)	5.3
March	5.2	5.2	(0.0)	5.2
Quarter 3	5.2	5.2	(0.0)	5.2
April	5.2	5.2	0.0	5.1
May	5.2	5.0	(0.2)	5.2
June	5.1	5.0	(0.1)	5.1
Quarter 4	5.2	5.1	(0.1)	5.1
Y-T-D	5.1	5.1	0.0	5.2

ADMISSIONS

YEAR ENDED JUNE 30, 2016

	2016 Actual	2016 Budget	Variance	2015 Actual
July	4,103	3,897	5.3%	3,828
August	4,117	3,912	5.2%	3,726
September	3,982	3,738	6.5%	3,713
Quarter 1	12,202	11,547	5.7%	11,267
October	4,048	3,867	4.7%	3,976
November	4,061	3,714	9.3%	3,759
December	4,161	3,857	7.9%	4,053
Quarter 2	12,270	11,438	7.3%	11,788
January	4,235	4,030	5.1%	4,112
February	4,053	3,826	5.9%	3,761
March	4,424	4,095	8.0%	4,242
Quarter 3	12,712	11,951	6.4%	12,115
April	4,094	3,867	5.9%	3,942
May	4,277	3,856	10.9%	3,992
June	4,132	3,702	11.6%	4,010
Quarter 4	12,506	11,425	9.5%	11,944
Y-T-D	49,690	46,361	7.2%	47,114

PATIENT DAYS

YEAR ENDED JUNE 30, 2016

	2016 Actual	2016 Budget	Variance	2015 Actual
July	20,543	20,042	2.5%	18,940
August	20,859	20,124	3.7%	19,590
September	19,942	19,229	3.7%	19,324
Quarter 1	61,344	59,395	3.3%	57,854
October	21,372	19,882	7.5%	20,711
November	20,812	19,098	9.0%	19,651
December	20,651	19,831	4.1 %	20,578
Quarter 2	62,835	58,811	6.8%	60,940
January	21,865	20,756	5.3%	21,665
February	21,170	19,724	7.3%	19,779
March	23,145	21,106	9.7%	21,357
Quarter 3	66,180	61,586	7.5%	62,801
April	21,082	19,939	5.7%	20,159
May	22,120	19,476	13.6%	20,862
June	21,107	18,712	12.8%	20,424
Quarter 4	64,309	58,127	10.6%	61,445
Y-T-D	254,668	237,919	7.0%	243,040



CEDARS-SINAI MEDICAL CENTER

Balance Sheets

(In millions)

Assets

June 30, 2016 June 30, 2015

Current assets:

Cash and cash equivalents	\$ 664	\$ 340
Short term investments	547	835
Board designated assets	664	668
Current portion of assets limited as to use	20	12
Patient accounts receivable, less allowance for uncollectible accounts	537	507
Due from third party payers	15	-
Inventory	31	31
Prepaid expenses and other current assets	132	140

Total current assets

2,610 2,533

Assets limited to use

- -

Property and equipment, net	1,774	1,758
Investments	220	194
Assets restricted for the acquisition of property and equipment	4	8
Permanently restricted assets	295	283
Other assets	442	272

Total assets

\$ 5,345 \$ 5,048



CEDARS-SINAI MEDICAL CENTER.

Balance Sheets

(In millions)

Liabilities and net assets

June 30, 2016 June 30, 2015

Current liabilities:

Accounts payable and other accrued liabilities	\$ 298	\$ 268
Accrued payroll and related liabilities	293	261
Due to third-party payers	-	6
Current maturities of long-term debt	29	34

Total current liabilities	620	569
----------------------------------	------------	------------

Long-term debt, less current maturities	951	1,004
---	-----	-------

Accrued workers' compensation and malpractice insurance claims, less current portion	129	111
--	-----	-----

Other long-term liabilities	120	56
-----------------------------	-----	----

Net assets:

Unrestricted	2,905	2,713
Temporarily restricted	325	312
Permanently restricted	295	283

Total net assets	3,525	3,308
-------------------------	--------------	--------------

Total liabilities and net assets	\$ 5,345	\$ 5,048
---	-----------------	-----------------

STATEMENT OF REVENUE & EXPENSES

YEAR ENDED JUNE 30, (*In millions*)

	2016 Actual	2016 Budget	2015 Actual	2014 Actual
Patient Revenue				
-Inpatient - Routine Care	\$ 2,832	\$ 2,672	\$ 2,543	\$ 2,248
-Inpatient - Ancillary Services	6,457	5,918	5,722	5,130
-Outpatient	<u>4,950</u>	<u>4,577</u>	<u>4,431</u>	<u>4,122</u>
Total Patient Revenue	14,239	13,167	12,696	11,500
Deductions	<u>11,231</u>	<u>10,274</u>	<u>9,847</u>	<u>8,918</u>
Net Patient Revenue	3,008	2,893	2,849	2,582
Other Operating Revenue	<u>255</u>	<u>218</u>	<u>242</u>	<u>189</u>
Total Revenue	3,263	3,111	3,091	2,771
Expenses	<u>2,880</u>	<u>2,816</u>	<u>2,711</u>	<u>2,454</u>
Income from Operations	<u><u>\$ 383</u></u>	<u><u>\$ 295</u></u>	<u><u>\$ 380</u></u>	<u><u>\$ 317</u></u>



CEDARS-SINAI MEDICAL CENTER
Statements of Changes in Net Assets
Year ended June 30, 2016
(In millions)

Unrestricted net assets activity

Operating income	\$ 383
Gain on extinguishment of debt	6
Investment income (loss) associated with future operating and capital needs	(87)
Excess of revenues over expenses	302
Net assets released from restrictions used for the purchase of property and equipment	3
Transfer to affiliates	(47)
Change in pension liability	(66)
Increase in unrestricted net assets	192

Temporarily restricted net assets activity

Contributions and grants	160
Investment income	14
Net assets released from restrictions	(161)
Increase in temporarily restricted net assets	13

Permanently restricted net assets activity

Contributions	12
Increase in permanently restricted net assets	12
Increase in net assets	217
Net assets at beginning of year	3,308
Net assets at end of year	\$ 3,525



CEDARS-SINAI MEDICAL CENTER
STATEMENT OF OPERATING CASH AND INVESTMENT FLOWS (Excluding Restricted Funds)
YEAR ENDED JUNE 30, 2016
(In millions)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Operating activities:			
Operating income	\$ 383	\$ 295	\$ 88
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:			
Depreciation	159	160	(1)
Amortization	(6)	(2)	(4)
Changes in operating assets and liabilities:			
Patient accounts receivable	(30)	(9)	(21)
Due to third-party payers	(21)	1	(22)
Inventories, prepaids and other current assets	8	(1)	9
Accounts payable and other accrued liabilities	30	2	28
Accrued payroll and related liabilities	(35)	34	(69)
Increase in other long-term liabilities	82	(1)	83
Net cash & unrestricted investments provided by operating activities	<u>570</u>	<u>479</u>	<u>91</u>
Expenditures for property and equipment	(175)	(185)	10
Investment income and contributions	(83)	39	(122)
Increase in other assets	(180)	(11)	(169)
Decrease (increase) in assets restricted for the acquisition of property and equipment	4	-	4
(Increase) decrease in permanently restricted assets	(12)	-	(12)
Transfer to affiliates	(47)	(99)	52
Net cash & unrestricted investments used in investing activities	<u>(493)</u>	<u>(256)</u>	<u>(237)</u>
Financial activities:			
Principal payments on long-term debt	(35)	(35)	-
Proceeds from issuance of debt	442	-	442
Repayment of deb upon extinguishment	(452)	-	(452)
Net cash & unrestricted investments used in financing activities	<u>(45)</u>	<u>(35)</u>	<u>(10)</u>
Increase (decrease) in cash & unrestricted investments	<u>\$ 32</u>	<u>\$ 188</u>	<u>\$ (156)</u>