



Thomas Jefferson University

Interim Consolidated Financial Statements

Quarterly Disclosure

For the Quarter Ending September 30, 2022

Management's Discussion and Analysis

Operating Performance

Quarter Ending September 2022

For the quarter ending September 30th, TJU operations experienced a \$83.5 million loss (-3.7% margin) compared to a \$12.8 million gain (0.9% margin) in the prior year.

Total operating revenue through September was \$789.9 million or 54.9% greater than the prior year. Operating expenses are \$886.2 million or 62.2% greater than the prior year.

TJU's total operating income compared favorably to budget by \$36.9 million. The operating margin of -3.7% was favorable to the budgeted amount of -5.5%.

Total TJU operating revenue through September was \$29.9 million (1.4%) favorable to budget. The favorable variance was driven by insurance premium revenue of \$14.0 million, and other revenue (\$32.6 million or 18.5%) mainly due to a gain on sale of 51% of the investment in the DVACO to Humana of approximately \$25.0 million and a Commonwealth grant to support retention of the front-line COVID-19 workforce (\$13.5 million). Inpatient admissions were 0.7% favorable to budget, while outpatient visits and physician visits were unfavorable by 4.5% and 9.0%, respectively.

Total TJU operating expenses through September were \$7.0 million favorable to budget. This variance was driven by favorable variances for supplies (\$11.3 million or 6.2%) and drugs (\$1.2 million or 0.8%). These were partially offset by unfavorable variances for salaries and wages (\$1.4 million or 0.2%), employee benefits (\$2.0 million or 0.9%), and insurance services medical expenses (\$1.2 million or 0.3%).

Clinical operations experienced a \$87.3 million loss from operations for a favorable budget variance of \$39.3 million, primarily due to the aforementioned partial sale of the equity interest in the DVACO. From a divisional perspective, TJUH, JH-NE, AEHN and JH-NJ were favorable by \$25.1 million, \$10.9 million, \$3.8 million and \$2.0 million, respectively. Magee and Abington were unfavorable by \$1.7 million and \$0.8 million, respectively.

Academic operations experienced an operating gain of \$0.6 million, which was \$0.6 million favorable to budget.

Insurance operations experienced an operating gain of \$7.1 million, which was \$0.9 million favorable to budget. Including risk-based contracts of hospital providers, Insurance operations experienced an operating gain of \$29.0 million, which was \$10.3 million favorable to budget. Insurance membership enrollment was 5.9% favorable to budget.

Enterprise Services net costs are \$9.1 million or 3.5% favorable to budget through September.

THOMAS JEFFERSON UNIVERSITY (TJU)

Clinical Operations

- Abington – Jefferson Health
 - Abington Hospital
 - Lansdale Hospital
- Jefferson Health Northeast (JH-NE)
Formerly Aria Health
 - Jefferson Bucks Hospital
 - Jefferson Frankford Hospital
 - Jefferson Torresdale Hospital
- Jefferson Health New Jersey (JH-NJ)
Formerly Kennedy Health
 - Jefferson Cherry Hill Hospital
 - Jefferson Stratford Hospital
 - Jefferson Washington Twp. Hospital
- Thomas Jefferson University Hospitals, Inc. (TJUH)
 - Thomas Jefferson Univ Hospital
 - Jefferson Hospital for Neuroscience
 - Methodist Hospital
 - Rothman Orthopaedic Hospital (JV)
 - Physicians Care Surgical Hospital (JV)
- Magee Rehabilitation (Magee)
- Albert Einstein Healthcare Network
 - EMC Philadelphia
 - EMC Elkins Park
 - EMC Montgomery
 - Moss Rehab

Academic Operations

- Thomas Jefferson University

Insurance Operations

- Health Partners Plans (HPP)

Enterprise Services

- Administrative Services
- Facility Services
- Information & Technology
- Bio-medical Services
- Enterprise Clinical Services
 - DVACO
- Health Management Information
- Strategy & Business Development
- Patient Access
- Managed Care Contracting
- Enterprise Pharmacy & Pop Health

Key Financial Indicators

Divisional Operating Performance

For the Three-Month Period Ending September 30, 2022

(in thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Academic	\$47	\$596	549
Clinical	(126,638)	(87,293)	39,346
Insurance	6,154	7,065	911
Eliminations	<u>(0)</u>	<u>(3,904)</u>	<u>(3,904)</u>
Income (Loss) from Operations	<u>(\$120,438)</u>	<u>(\$83,536)</u>	<u>\$36,902</u>

Operating Ratios:

For the Three-Month Period Ending September 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Prior Yr</u>
Operating Margin	-5.5%	-3.7%	0.9%
EBIDA	(\$3,447)	\$33,396	\$99,224
EBIDA Margin	-0.2%	1.5%	6.9%
	<u>Sep 2022</u>	<u>Jun 2022</u>	<u>Moody's A2 Median</u>
Days Cash on Hand - Clinical and Academic	168.8	194.2	213.0
Days Cash on Hand - Consolidated	158.5	169.4	213.0
Days Revenue in Receivable	51.0	47.3	45.9
Debt to Capitalization	49.1%	49.1%	32.3%
Current Ratio	1.7	1.7	1.8

Clinical Operations – Patient Volume

Hospital Inpatient Activity

For the quarter, inpatient admissions are greater than the prior year by 9,223 cases or 30.5% and are favorable to budget by 292 cases or 0.7%.

For the quarter, outpatient observation cases are greater than the prior year by 2,090 cases or 21.6% while favorable to budget by 160 cases or 1.4%. The ratio of observation cases to total inpatient admissions plus observation cases was 22.9% and 24.2% for the quarters ending September 30, 2022 and 2021, respectively.

For the quarter, total admissions plus outpatient observations were 452 cases or 0.9% favorable to budget.

Hospital Outpatient Activity

Outpatient visits of 524,200 for the quarter were 138,563 visits or 35.9% greater than the same period in the prior year. Compared to budget, outpatient visits are 24,508 visits or 4.5% unfavorable to budget.

Physician Network Office Visits

Patient visits to physician offices for the quarter were 163,708 visits or 33.7% greater than the prior year while 39,467 visits or 8.4% unfavorable to budget. 7 million.

Insurance Operations – Enrollment Balance Sheet

For the quarter, enrollment of 328,921 was 18,421 or 5.9% favorable to budget.

Non-operating Items and Net Assets with Donor Restriction Balance Sheet

Non-operating items and other changes in net assets without donor restriction resulted in a \$163.3 million decrease in net assets for the 1st quarter of FY23. Driving this decrease are losses on investments of \$168.0 million.

Net assets with donor restriction experienced an decrease of \$20.5 million. The increase is primarily due to investment losses of \$18.9 million and net assets released from restriction of \$15.9 million that were offset in part by contribution revenue of \$16.7 million.

Balance Sheet

Total net assets at September 30th decreased \$267.4 million (-5.5%) compared to the beginning of the fiscal year. Net assets without donor restriction decreased by \$246.9 million and net assets with donor restriction decreased \$20.5 million.

Total assets at September 30th decreased \$441.4 million (-3.8%). The decrease in assets of \$441.4 million is primarily driven by a decrease in accounts receivable of \$278.6 million mainly due to payment by the Commonwealth of insurance premiums and a \$127.3 million decrease of long-term investments mainly due to market volatility in the first three months of the fiscal year. Partially offsetting these decreases is an increase in other current assets of \$78.2 million mainly due to the prepayment of insurance premiums.

Total liabilities at September 30th decreased \$174.0 million (-2.5%). The decrease in liabilities of \$174.0 million is mainly due to a decrease in long-term obligations of \$53.3 million due to the repayment of credit line draws at HPP, advances of \$120.6 million due to the repayment of the CMS advance, and accrued payroll costs of \$44.2 million. The decreases are offset in part by increases in other current liabilities of \$55.6 million mostly related to deferred tuition revenues due to be recognized over the course of the Fall semester.

Capital expenditures were \$81.1 million through September. Construction is ongoing for the \$762 million Specialty Care Pavilion at 11th and Chestnut Streets on the Center City Campus that will offer convenient and centralized access to care for the majority of TJU's signature specialties. The new facility is targeted for opening in 2024 and will encompass the most advanced technology but not detract from the human interaction between patient and caregiver. The Specialty Care Pavilion will be 462,000 square feet that features more than 300 exam rooms, 58 infusion chairs, 10 operating rooms, imaging and laboratory services, a pharmacy and three levels of underground parking.

Days-Cash-On-Hand

On a consolidated basis, days-cash-on-hand (DCOH) at September 30th is at 158.5, which is a decrease of 10.9 days since the start of the fiscal year. The decrease is primarily due to non-operating investment losses (6.8 days) and the repayment of government advances (5.0 days).

DCOH, excluding HPP, at September 30th is at 168.8 which is a decrease of 25.4 days since the start of the fiscal year.

Thomas Jefferson University
Financial and Statistical Dashboard
September 2022

		Year to Date		
Utilization		Actual	Prior Yr	% Change
1	Admissions	39,463	30,230	30.5%
2	Patient Days	235,383	175,111	(34.4%)
3	Average Daily Census	2,558.51	1,903.38	34.4%
4	Average Length-of-Stay	5.96	5.67	(5.2%)
5	Occupancy %	73.4%	74.1%	(1.0%)
6	Inpatient Surgeries	8,907	8,735	2.0%
7	Outpatient Surgeries	15,723	11,307	39.1%
8	Outpatient Visits	524,200	385,637	35.9%
9	Observation Unit Cases	11,744	9,654	21.6%
10	Adjusted Discharges	68,028	50,149	35.7%
Operating Indicators		Actual	Prior Yr	% Change
11	Total FTE's including agency			
a	TJUH System	9,365.2	9,337.6	(0.3%)
b	Academic	3,061.4	2,998.2	(2.1%)
c	Corporate	5,197.9	5,097.4	(2.0%)
d	Abington	4,255.9	4,401.4	3.3%
e	JHNE	3,121.8	2,985.4	(4.6%)
f	JHNJ	3,399.8	3,374.0	(0.8%)
g	Magee	517.7	525.8	1.5%
h	Einstein	6,393.8	N/A	N/A
i	Total	35,313.5	28,719.8	(23.0%)
12	Medical Supply Cost per Adjusted Discharge			
a)	TJUH Inc	\$6,502	\$5,841	(11.3%)
b)	Abington	\$1,963	\$2,027	3.2%
c)	JHNE	\$1,460	\$1,732	15.7%
d)	JHNJ	\$2,654	\$2,883	8.0%
e)	Magee	\$2,213	\$1,883	(17.5%)
f)	Einstein	\$2,278	N/A	N/A
13	Hospital Operating Expense per Adjusted Discharge			
a)	TJUH Inc	\$28,233	\$25,489	(10.8%)
b)	Abington	\$14,481	\$12,821	(12.9%)
c)	JHNE	\$11,042	\$11,867	7.0%
d)	JHNJ	\$17,098	\$16,061	(6.5%)
e)	Magee	\$73,021	\$54,011	(35.2%)
f)	Einstein	\$13,194	N/A	N/A
14	Case Mix Index (All payers)			
a)	TJUH Inc	2.18	2.18	(0.1%)
b)	Abington	1.63	1.61	1.4%
c)	JHNE	1.79	1.75	2.3%
d)	JHNJ	1.53	1.54	(0.9%)
f)	Einstein	1.64	N/A	N/A
15	Managed Care Payer Mix			
a)	TJUH Inc	22.96%	22.89%	0.3%
b)	Abington	25.92%	25.91%	0.1%
c)	JHNE	12.29%	12.63%	(2.7%)
d)	JHNJ	17.06%	18.77%	(9.1%)
e)	Magee	18.00%	24.72%	(27.2%)
f)	Einstein	18.06%	N/A	N/A
16	Income (Loss) from Operations (in thousands)	(\$83,536)	\$12,759	
Key Ratios & Balance Sheet Items		Actual	Prior Yr	
17	Operating Margin %	(3.75%)	0.89%	
18	EBIDA Margin	1.50%	6.90%	
19	Decrease in Net Assets without Donor Restriction	(\$246,862)	(\$7,284)	
		Sept. 2022	June 2022	
20	Cash & Short-Term Investments (in thousands)	\$1,670,947	\$1,754,702	
21	Days Cash on Hand	158.53	169.40	
22	Days in Accounts Receivable	51.0	47.3	
23	Maximum Annual Debt Service Coverage Ratio ⁽¹⁾	0.76	1.64	
24	Debt Service % of Revenues	1.96%	2.21%	
25	Debt to Capitalization	49.10%	49.10%	

(1) Debt Service Coverage Ratio calculated over the three-month period of July 2022 through September 2022.
Fiscal year pro-rata of maximum annual debt service.

THOMAS JEFFERSON UNIVERSITY
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2022 AND JUNE 30, 2022
(IN THOUSANDS)

	9/30/22	6/30/22
Assets		
Current Assets:		
Cash and cash equivalents	\$707,638	\$403,988
Short-term investments	963,309	1,350,713
Accounts receivable, less allowance for doubtful accts	962,208	1,240,851
Insurance recoverable	90,298	90,298
Pledges receivable	25,499	25,654
Inventory	147,952	152,398
Assets whose use is limited	27,332	27,878
Other current assets	159,662	76,273
Total Current Assets	3,083,899	3,368,054
Noncurrent Assets:		
Assets whose use is limited	367,755	375,694
Insurance recoverable	302,319	302,319
Assets held by affiliated foundation	42,597	42,703
Pledges receivable	119,291	122,313
Goodwill	216,140	216,140
Loans receivable from students, net	20,263	19,884
Land, buildings & equipment, net	3,947,919	3,954,950
Long-term investments	2,598,345	2,725,638
Right-of-use assets	342,263	350,412
Other noncurrent assets	173,870	177,941
Total Assets	\$11,214,660	\$11,656,049
Liabilities and Net Assets		
Current Liabilities:		
Current portion of:		
Deferred revenues	\$85,986	\$30,381
Long-term obligations	41,251	92,281
Accrued professional liability claims	234,404	234,404
Accrued workers' compensation claims	21,471	21,570
Advances	76,231	196,822
Right-of-use liabilities	49,589	44,869
Accrued payroll and related costs	418,787	462,999
Accounts payable and accrued expenses	863,480	875,362
Total Current Liabilities	1,791,199	1,958,688
Noncurrent Liabilities:		
Long-term obligations	3,353,898	3,356,188
Accrued pension liability	412,166	401,111
Accrued professional liability claims	615,997	616,458
Federal student loan advances	5,490	5,477
Deferred revenues	15,855	15,347
Accrued workers' compensation claims	27,177	24,781
Right-of-use liabilities	344,460	357,002
Interest rate swap contracts	13,367	18,211
Other noncurrent liabilities	79,120	79,451
Total Liabilities	6,658,729	6,832,714
Net Assets:		
Net assets without donor restriction	3,505,075	3,753,483
Noncontrolling interest in joint ventures	14,504	12,958
Net assets with donor restriction	1,036,353	1,056,894
Total Net Assets	4,555,931	4,823,335
Total Liabilities and Net Assets	\$11,214,660	\$11,656,049

THOMAS JEFFERSON UNIVERSITY
CONSOLIDATED STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTION
FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(IN THOUSANDS)

	<u>9/30/2022</u>	<u>9/30/2021</u>
Revenues:		
Net patient service revenue	\$1,437,640	\$1,163,769
Insurance premium revenue	468,481	0
Grants and contracts	37,124	35,757
Tuition and fees, net	56,804	53,638
Investment income	34,340	23,327
Contributions	1,077	297
Other revenue	173,937	101,695
Government support for COVID-19	2,600	45,367
Net assets released from restriction	16,045	14,256
Total revenues	<u>2,228,048</u>	<u>1,438,105</u>
Expenses:		
Salaries and wages	916,532	666,310
Employee benefits	216,646	127,326
Insurance services medical expenses	351,890	0
Supplies	169,590	141,235
Drugs	145,315	107,510
Insurance	37,324	28,854
Utilities	18,515	16,741
Interest	26,153	15,556
Depreciation and amortization	90,778	70,909
Other	338,840	250,906
Total expenses	<u>2,311,583</u>	<u>1,425,346</u>
(Loss) Income from operations	(\$83,536)	\$12,759
Nonoperating items and other changes in net assets without donor restriction:		
Return on investments, net of amounts classified as operating revenue	(168,026)	(18,547)
Distribution to noncontrolling interest	(275)	(3,759)
Net assets released from restrictions used for purchase of property and equipment	299	1,698
Other changes in net assets	4,675	565
Total nonoperating items and other changes in net assets without donor restriction	<u>(163,327)</u>	<u>(20,043)</u>
Decrease in net assets without donor restriction	<u>(\$246,862)</u>	<u>(\$7,284)</u>