

Table G – Key Financial Projection Assumptions for John Hopkins Bayview Medical Center (Excludes HSCRC Annual Update Factors & Expense Inflation)

1) Projection period reflects FY2018 – FY2025	
2) Projection is based on the John Hopkins Bayview Medical Center (including Acute Care Hospital, Care Center and Special Programs) FY2018 budget with assumptions identified below. Unless otherwise noted the assumptions listed below apply to the three operating entities.	
3) Volumes	Refer to CON Table F and Need Assessment section of the application for volume methodology and assumptions
4) Patient Revenue	
<ul style="list-style-type: none"> • Gross Charges <ul style="list-style-type: none"> ○ Update Factor ○ Drug Inflation ○ Demographic Adjustment ○ Medicare Shared Savings ○ Market Shift Adjustment (30% revenue variability) ○ Capital Costs In Rates <ul style="list-style-type: none"> ▪ Depreciation ▪ Interest ○ Performance Improvement • Revenue Deductions <ul style="list-style-type: none"> – Acute Care Hospital <ul style="list-style-type: none"> ○ Contractual Allowances ○ Charity Care ○ Allowance for Bad Debt – Care Center and Special Programs <ul style="list-style-type: none"> ○ Deductions from Gross Revenue 	<p>0.0% annual increase</p> <p>0.0% annual increase</p> <p>0.24% per year</p> <p>0.0% annual increase</p> <p>Based on the volumes in table F, ranging from (\$6.3M) reduction in revenue to \$1.5M increase in revenue in the year preceding the change in volume</p> <p>Beginning in FY2023 (including mark-up): \$15.1M <u>\$20.0M</u> \$35.1M</p> <p>Refer to the Viability section of the CON for additional detail regarding revenue performance improvement</p> <p>Remains constant at 12.30% of gross revenue per year</p> <p>Remains constant at 2.14% of gross revenue per year</p> <p>Remains constant at 2.48% of gross revenue per year</p> <p>Based on historical actuals and the FY18 budget and held constant throughout the projection period as a percentage of gross charges.</p>
5) Other Revenue	
<ul style="list-style-type: none"> • Includes Rental Income, Cafeteria Revenue, Contributions and Other Miscellaneous Revenue 	0.0% increase per year
6) Non-Operating Revenue	
<ul style="list-style-type: none"> • Investment Income 	Reflects interest expense on swap agreements, change in market value swaps, gains/losses on investment, pension and parking source
7) Expenses	
<ul style="list-style-type: none"> • Inflation 	0.0% increase per year for all expense categories

<ul style="list-style-type: none"> • Expense Variability with Volume Changes <ul style="list-style-type: none"> ○ Salaries and Benefits ○ Professional Fees ○ Supplies ○ Purchased Services ○ Other Operating Expenses • Interest Expense <ul style="list-style-type: none"> ○ Existing/Other Debt ○ Project Debt • Project Related Facility Operating Expenses • Depreciation and Amortization • Performance Improvement Plan (incorporated into Contractual Services, Supplies and other operating expenses) • Service Line Incremental Investments 	<p>0.09% - 0.45% change in CMI. A variable cost factor ranging from 27.0% to 70.0% per year based on JHBMC staffing projections.</p> <p>0.09% - 0.45% change in CMI. A variable cost factor ranging from 27.0% to 70.0% per year based on JHBMC staffing projections.</p> <p>0.09% - 0.45% change in CMI and a 70.0% variable cost factor per year</p> <p>0.09% - 0.45% change in CMI and a 70.0% variable cost factor per year</p> <p>0.09% - 0.45% change in CMI and a 70.0% variable cost factor per year</p> <p>FY2018 – FY2025:</p> <ul style="list-style-type: none"> - External 2003 Debt Swap CP - 2014 JHBMC External Debt (variety of bond issuances) <p>\$260.0M of total project debt:</p> <ol style="list-style-type: none"> 1) \$60.0M of inter Johns Hopkins Health System debt (borrowed from affiliated entities) at 5.0% interest over 25 years. 2) \$200.0M of 2016 JHHS issued external debt at 5.0% interest over 25 years <p>Incremental building operating costs (utilities, house, maintenance & security) calculated for net new SQFT added to the campus.</p> <p>Average life of 25 years on \$440.5M of construction project expenditures and 7 years on routine capital expenditures</p> <p>Refer to the Viability section of the CON application for additional detail regarding expense performance improvement</p> <p>Yet to be identified one time investments/operating expenses to the delivery system of JHBMC</p>
<p>8) Routine Capital Expenditures</p>	<p>\$26.5M in FY2018, \$24.0M in FY2019, \$21.0M and \$17.5M FY2021 - FY2025 \$27.5M and \$30.0M in FY2024 and FY2025 for yet to be identified capital initiatives</p>

Table H – Key Financial Projection Assumptions for John Hopkins Bayview Medical Center (Includes HSCRC Annual Update Factors & Expense Inflation)

1) Projection period reflects FY2018 – FY2025	
2) Projection is based on the John Hopkins Bayview Medical Center (including Acute Care Hospital, Care Center and Special Programs) FY2018 budget with assumptions identified below. Unless otherwise noted the assumptions listed below apply to the three operating entities.	
3) Volumes	Refer to COE Table F and Need Assessment section of the application for volume methodology and assumptions
4) Patient Revenue	
• Gross Charges	
○ Update Factor	2.40% including per year
○ Drug Inflation	0.23% including per year
○ Demographic Adjustment	0.24% per year
○ Medicare Shared Savings	-0.20% per year
○ Market Shift Adjustment (30% revenue variability)	Based on the volumes in table F, ranging from (\$6.3M) reduction in revenue to \$1.5M increase in revenue in the year preceding the change in volume
○ Capital Costs In Rates	Beginning in FY2023 (including mark-up):
▪ Depreciation	\$15.1M
▪ Interest	<u>\$20.0M</u>
	\$35.1M
○ Performance Improvement	Refer to the Viability section of the CON for additional detail regarding revenue performance improvement
• Revenue Deductions	
– Acute Care Hospital	
○ Contractual Allowances	Remains constant at 12.30% of gross revenue per year
○ Charity Care	Remains constant at 2.14% of gross revenue per year
○ Allowance for Bad Debt	Remains constant at 2.48% of gross revenue per year
– Care Center and Special Programs	
○ Deductions from Gross Revenue	Based on historical actuals and the FY18 budget and held constant throughout the projection period as a percentage of gross charges
5) Other Revenue	
• Includes Rental Income, Cafeteria Revenue, Contributions and Other Miscellaneous Revenue	1.5% increase per year
6) Non-Operating Revenue	
• Investment Income	Reflects interest expense on swap agreements, change in market value swaps, gains/losses on investment, pension and parking source
7) Expenses	
• Inflation	
○ Salaries and Benefits	2.5% increase per year
○ Professional Fees	2.0% increase per year
○ Supplies	2.0% increase per year
○ Purchased Services	2.0% increase per year
○ Other Operating Expenses	2.0% increase per year

<ul style="list-style-type: none"> • Expense Variability with Volume Changes <ul style="list-style-type: none"> ○ Salaries and Benefits ○ Professional Fees ○ Supplies ○ Purchased Services ○ Other Operating Expenses • Interest Expense <ul style="list-style-type: none"> ○ Existing Debt ○ Project Debt • Project Related Facility Operating Expenses • Depreciation and Amortization • Performance Improvement Plan (incorporated into Contractual Services, Supplies and other operating expenses) • Service Line Incremental Investments 	<p>0.09% - 0.45% change in CMI . A variable cost factor ranging from 27.0% to 70.0% per year based on JHBMC staffing projections.</p> <p>0.09% - 0.45% change in CMI. A variable cost factor ranging from 27.0% to 70.0% per year based on JHBMC staffing projections.</p> <p>0.09% - 0.45% change in CMI and a 70.0% variable cost factor per year</p> <p>0.09% - 0.45% change in CMI and a 70.0% variable cost factor per year</p> <p>0.09% - 0.45% change in CMI and a 70.0% variable cost factor per year</p> <p>FY2018 – FY2025:</p> <ul style="list-style-type: none"> - External 2003 Debt Swap CP - 2014 JHBMC External Debt (variety of bond issuances) <p>\$260.0M of total project debt:</p> <ol style="list-style-type: none"> 1) \$60.0M of inter Johns Hopkins Health System Debt (borrowed from affiliated entities) at 5.0% interest over 25 years. 2) \$200.0M of 2016 JHHS issued external debt at 5.0% interest over 25 years <p>Incremental building operating costs (utilities, house, maintenance & security) calculated for net new SQFT added to the campus, inflated at 2.0%.</p> <p>Average life of 25 years on \$440.5M of construction project expenditures and 7 years on routine capital expenditures</p> <p>Refer to the Viability section of the CON application for additional detail regarding expense performance improvement</p> <p>Yet to be identified one time investments/operating expenses to the delivery system of JHBMC</p>
<p>8) Routine Capital Expenditures</p>	<p>\$26.5M in FY2018, \$24.0M in FY2019, \$21.0M and \$17.5M FY2021 - FY2025 \$27.5M and \$30.0M in FY2024 and FY2025 for yet to be identified capital initiatives</p>