

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 FY2018 budget (including Acute Care Hospital, Care Center and Special Programs) 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 plus annual changes in CMI up to 0.76% a year
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 	0.0% annual increase 0.0% annual increase 0.00% per year 0.0% annual increase 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 Beginning in FY2023 (including mark-up): \$14.3M <u>\$19.4M</u> \$33.7M Refer to the Viability section of the CON for additional detail regarding revenue performance improvement Remains constant at 12.30% of gross revenue per year Remains constant at 2.14% of gross revenue per year Remains constant at 2.48% of gross revenue per year Based on historical actuals and the FY18 budget and held constant throughout the projection period as a percentage of gross charges.
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 Expense Variability with Volume Changes <ul style="list-style-type: none"> Salaries and Benefits Contractual Services Supplies 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>0.0% increase per year for all expense categories</p> <p>27.0% variability with changes in volumes in FY2019 through FY2022 increasing to 70% variability beginning in FY2023 plus Project related changes as presented in Table L</p> <p>70.0% variability with changes in volumes</p> <p>70.0% variability with changes in volumes</p> <p>70.0% variability with changes in volumes</p> <p>External 2003 Debt Swap CP 2014 JHBMC External Debt (variety of bond issuances)</p> <p>\$260.0M of total project debt: 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> <p>Incremental building operating costs (utilities, house, maintenance & security) calculated for net new square feet 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>One time incremental investments / operating expenses in service lines to be identified</p>
8) Routine Capital Expenditures	<p>\$26.5M in FY2018, \$24.0M in FY2019, \$21.0M and \$17.5M FY2021 - FY2025</p> <p>An additional \$27.5M and \$30.0M in FY2024 and FY2025 for capital projects yet to be identified</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 FY2018 budget (including Acute Care Hospital, Care Center and Special Programs) 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 plus annual changes in CMI up to 0.76% a year
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 	2.40% annual increase 0.23% annual increase 0.24% per year -0.20% annual increase 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 Beginning in FY2023 (including mark-up): \$14.3M <u>\$19.4M</u> \$33.7M Refer to the Viability section of the CON for additional detail regarding revenue performance improvement Remains constant at 12.30% of gross revenue per year Remains constant at 2.14% of gross revenue per year Remains constant at 2.48% of gross revenue per year Based on historical actuals and the FY18 budget and held constant throughout the projection period as a percentage of gross charges.
5) Other Revenue <ul style="list-style-type: none"> • Includes Rental Income, Cafeteria Revenue, Contributions and Other Miscellaneous Revenue 	1.5% 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 <ul style="list-style-type: none"> Salaries and Benefits Professional Fees Supplies Purchased Services Other Operating Expenses Expense Variability with Volume Changes <ul style="list-style-type: none"> Salaries and Benefits Contractual Services Supplies 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>2.5% increase per year 2.0% increase per year 2.0% increase per year 2.0% increase per year 2.0% increase per year</p> <p>27.0% variability with changes in volumes in FY2019 through FY2022 increasing to 70% variability beginning in FY2023 plus Project related changes as presented in Table L</p> <p>70.0% variability with changes in volumes</p> <p>70.0% variability with changes in volumes</p> <p>70.0% variability with changes in volumes</p> <p>External 2003 Debt Swap CP 2014 JHBMC External Debt (variety of bond issuances)</p> <p>\$260.0M of total project debt: 3) \$60.0M of inter Johns Hopkins Health System debt (borrowed from affiliated entities) at 5.0% interest over 25 years. 4) \$200.0M of 2016 JHHS issued external debt at 5.0% interest over 25 years</p> <p>Incremental building operating costs (utilities, house, maintenance & security) calculated for net new square feet 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>One time incremental investments / operating expenses in service lines to be identified</p>
8) Routine Capital Expenditures	<p>\$26.5M in FY2018, \$24.0M in FY2019, \$21.0M and \$17.5M FY2021 - FY2025 An additional \$27.5M and \$30.0M in FY2024 and FY2025 for capital projects yet to be identified</p>