

# **EXHIBIT 17**

**(INSTRUCTIONS: Table 3, “Revenue and Expenses - Entire Facility (including the proposed project)” is to be completed by existing facility applicants only. Applicants for new facilities should not complete Table 3. Specify whether data are for calendar year or fiscal year. All projected revenue and expense figures should be presented in current dollars. Medicaid revenues for all years should be calculated on the basis of Medicaid rates and ceilings in effect at the time of submission of this application. Specify sources of non-operating income. State the assumptions used in projecting all revenues and expenses.) Table 4, “Revenues and Expenses - Proposed Project,” is to be completed by each applicant for the proposed project only, using the same instructions outlined above for Table 3.**

**TABLE 3: REVENUES AND EXPENSES - ENTIRE FACILITY (including proposed project)**

	Two Most Recent Actual Years		Current Year Projected	Projected Years (ending with first year at full utilization)				
Fiscal Year	2010	2011	2012	2013	2014	2015	2016	2017
<b>1. Revenue</b>	SEE NOTE		SEE NOTE	SEE NOTE	SEE NOTE	SEE NOTE	SEE NOTE	SEE NOTE
a. Inpatient Services	\$ 95,278,600							
b. Outpatient Services	65,490,600							
c. Gross Patient Services Revenues	160,769,200	173,497,318	184,253,259	186,220,528	188,470,949	190,748,565	203,306,578	216,034,133
d. Allowance for Bad debt	4,236,594	5,391,828	7,101,833	8,021,144	8,118,785	8,217,096	8,746,289	9,282,621
e. Contractual Allowance	16,378,961	18,633,681	21,768,847	22,001,273	22,267,152	22,536,244	24,019,927	25,523,641
f. Charity Care	2,739,281	3,674,124	2,924,725	3,348,098	3,390,605	3,432,152	3,624,059	3,818,541
g. Net Patient Services Revenue	137,414,364	145,797,685	152,457,854	152,850,013	154,694,407	156,563,073	166,916,302	177,409,330
h. Other Operating Revenues (Specify)	1,806,811	4,140,354	1,973,877	2,750,365	2,750,365	2,750,365	2,750,365	2,750,365
i. Net Operating Revenues	139,221,175	149,938,039	154,431,731	155,600,378	157,444,772	159,313,438	169,666,667	180,159,695

Table 3 cont.	Two Most Recent Actual Years		Current Year Projected	Projected Years (ending with first year at full utilization)				
Fiscal Year	2010	2011	2012	2013	2014	2015	2016	2017
<b>2. Expenses</b>								
a. Salaries, Wages. And Professional Fees, (including fringe benefits)	\$ 71,411,890	\$ 74,253,305	\$ 74,204,911	\$80,557,061	\$ 81,088,310	\$ 81,628,524	\$ 82,642,973	\$ 83,299,016
b. Contractual Services	24,456,064	24,608,309	26,679,222	28,588,038	29,284,784	29,486,272	30,859,909	29,873,118
c. Interest on Current Debt	2,186,211	2,778,462	3,616,202	4,114,645	3,537,700	3,432,358	3,325,967	3,208,819
d. Interest on Project Debt	-	-	-				5,170,889	10,124,579
e. Current Depreciation	11,944,011	10,750,217	10,246,329	11,296,978	10,755,019	4,639,046	5,205,469	6,078,099
f. Project Depreciation							5,247,948	10,495,895
g. Current Amortization								
h. Project Amortization					97,900	106,800	106,800	106,800
i. Supplies	23,190,072	26,490,957	27,988,639	29,270,553	28,854,957	28,277,541	27,664,977	27,896,842
j. Other Expenses (Impairment Loss)					46,669,784			
k. Total Operating Expenses	133,188,248	138,881,250	142,735,303	153,827,275	200,288,454	147,570,541	160,224,932	171,083,168
<b>3. Income</b>								
a. Income from Operation	6,032,927	11,056,789	11,696,428	1,773,103	(42,843,682)	11,742,897	9,441,735	9,076,527
b. Non-Operating Income	8,472,033	7,960,026	(836,760)	7,215,807	5,947,522	6,299,798	6,553,370	6,855,417

c. Subtotal	14,504,960	19,016,814	10,859,668	8,988,910	(36,896,160)	18,042,695	15,995,105	15,931,944
d. Income Taxes								
e. Net Income (Loss)	\$ 14,504,960	\$ 19,016,814	\$ 10,859,668	\$ 8,988,910	\$ (36,896,160)	\$ 18,042,695	\$ 15,995,105	\$ 15,931,944

Table 3 cont.	Two Most Recent Actual Years		Current Year Projected	Projected Years (ending with first year at full utilization)				
Fiscal Year	2010	2011	2012	2013	2014	2015	2016	2017
<b>4. Patient Mix:</b>								
<b>A. Percent of Total Revenue</b>								
1) Medicare	48.8%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%
2) Medicaid	15.9%	15.3%	15.3%	15.3%	15.3%	15.3%	15.3%	15.3%
3) Blue Cross	14.9%	14.7%	14.7%	14.7%	14.7%	14.7%	14.7%	14.7%
4) Commercial Insurance	16.6%	13.9%	13.9%	13.9%	13.9%	13.9%	13.9%	13.9%
5) Self Pay	3.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%
6) Other (Managed care)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
7) Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>B. Percent of Patient Days\Visits\Procedures (as applicable)</b>								
1) Medicare	48.8%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%
2) Medicaid	15.9%	15.3%	15.3%	15.3%	15.3%	15.3%	15.3%	15.3%
3) Blue Cross	14.9%	14.7%	14.7%	14.7%	14.7%	14.7%	14.7%	14.7%
4) Commercial Insurance	16.6%	13.9%	13.9%	13.9%	13.9%	13.9%	13.9%	13.9%
5) Self Pay	3.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%
6) Other (Managed care)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
7) Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

**(INSTRUCTION: ALL APPLICANTS OPERATING EXISTING FACILITIES MUST SUBMIT THEIR MOST RECENT AUDITED FINANCIAL STATEMENTS)**

NOTE: Memorial Hospital Easton is a TPR hospital. TPR does not distinguish between Inpatient and Outpatient

Shore Health System, Inc  
Key Financial Assumptions for CON Model

**Volume - Admissions**

Med/Surg-	Decrease by less than 1%/year due to continued conversion of one day stays to observation and a reduction in readmissions
Pediatric-	Increase by less than 1%/year due to population growth
Obstetrics-	Increase by approx 4-5% / year due to population and closing of obstetrics service at ChesterRiver Health System
Intensive Care-	Increase by less than 1%/year due to population growth
Rehab-	No increase projected
Other( Nursery)-	Increase by approx 4-5% / year due to population and closing of obstetrics service at ChesterRiver Health System

**Volume- Length of Stay**

Med/Surg-	Slight increase due to conversion of 1 day stays to observation
Pediatric-	Remains constant
Obstetrics-	Remains constant
Intensive Care-	Remains constant
Rehab-	Remains constant
Other( Nursery)-	Remains constant

**Outpatient Visits**

Emergency-	Increasing by approx. 1.5% / year based on historic trends
Outpatient -	Increasing by approx 2%/year based on historic trends
Other ( observation )	Increasing by approx 2%/year based on further conversion of 1 day stays to observation

**REVENUE**

Gross revenue	Based on Total Population formula plus request to HSCRC for additional rates
Allowance for Bad debt	Based as a % of gross revenue
Contractual Allowances	Based as a % of gross revenue
Charity Care	Based as a % of gross revenue
Other operating revenue	Held constant

**EXPENSES**

Salaries/Wages/Prof. fees	FTE's are changed based on a variable factor of 70% applied to the increase/decrease in EIPA's . Benefits are % of wages and prof. fees are held constant.
Contractual Services	Increase based on 70% variable factor applied to increase/decrease in EIPA's. FY 16 has \$1.2m in relocation expense.
Interest/Depreciation/Amortization	Broken out between current and project. Half year is used for depreciation in fy 16 and half year is used for amortization in fy 14.
Supplies	Increase based on 70% variable factor applied to increase/decrease in EIPA's. There are supply chain savings incorporated in each year bas
Other expense ( impairment loss)	Loss from the write off of remaining book value at June 30, 2014, for the existing hospital building and 75% of equipment.

**PAYOR MIX**

Remains constant