

SPECTRUM HEALTH





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Annual Public Meeting 2017



Agenda

Welcome

Richard C. Breon
President & CEO

Report on Community
Commitments

Martin Jennings
Chair, Finance Advisory Committee

Review of Fiscal Year 2018
Spectrum Health Budget

Ronald J. Knaus
Senior Vice President and CFO

Question and Answer

All

Community Commitments

Total margin not to exceed Moody's and Standard & Poor's upper quartile.

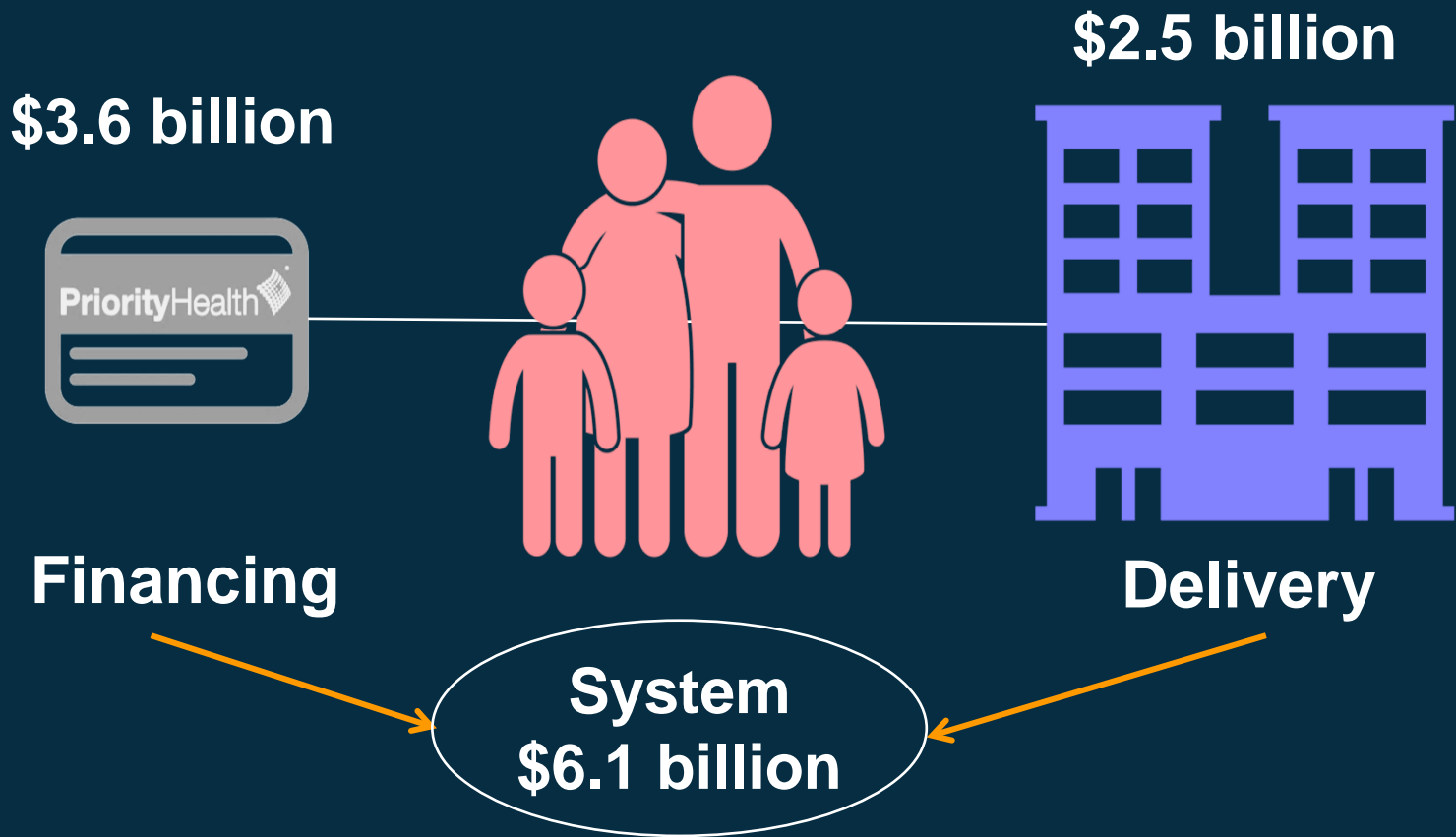
\$6 million annual budget for the underserved.

Open budget and pricing process.



Spectrum Health – An Integrated Health System

Revenue in FY2018:



2018 Budget (in millions)

	<u>Est. 2017</u>	<u>Budget 2018</u>
Operating Revenue	\$ 5,681	\$ 6,105
Operating Expenses	<u>5,495</u>	<u>5,934</u>
Operating Margin	186	171
Non-operating Income	<u>96</u>	<u>54</u>
Total Margin	<u>\$ 282</u>	<u>\$ 225</u>
Operating Margin (%)	3.3%	2.8%
Total Margin (%)	4.9%	3.7%

2018 Budget Review

Revenue of \$6.10 billion (\$424 million increase, or 7.5%)
due mostly to:

- Priority Health revenue is expected to increase 9.0%. This is due to an increase in member months of 5.5% and 3.5% premium trend (all products, including mix changes).
- Governmental enrollment (Medicare and Medicaid) will grow to over 285,000 members.

2018 Budget Review

- Spectrum Health Grand Rapids adjusted admissions are expected to be in line with 2017. A gross price increase of 6.0% will yield a 1.5% net increase.
- Governmental payers will approximate 60%.
- Federal payments (Medicare) are projected to decrease by approximately 1%.
- State payments (Medicaid) are projected to decrease by \$18 million due to lower supplemental payments.
- Spectrum Health Medical Group encounters will grow 6.8% due to new providers, programs and practice efficiency initiatives.

2018 Budget Review

- Spectrum Health Regional Hospital adjusted admissions are expected to increase 3.7% over 2017 levels.
- Long-term care patient days are expected to have moderate growth of 4.1% over 2017 levels.
- Home health and hospice visits are expected to have moderate growth of 1.5% over 2017 levels.

2018 Budget Review

Expenses of \$5.93 billion (\$439 million increase, or 8.0%) due mostly to:

- \$244 million additional health claims from projected growth of Priority Health.
- \$108 million of salary and benefit increases including additional growth in programs and associated staffing.
- \$63 million of additional supplies and other expense.
- \$21 million of additional depreciation and interest expense.
- Total capital expenditures are expected to approximate \$213 million.
- \$54 million of additional expense related to Nexus, which primarily represents one-time training costs and go-live support.

Ratings

Moody's	Aa3	Stable Outlook
Standard and Poor's	AA	Stable Outlook
AM Best	A	Stable Outlook

We believe this budget will support our continued high quality ratings.

Questions

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