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PRELIMINARY

Content

- Estimated cost to close with assumptions
- Summary workplan for wind down and closure
- Risks
- High level market capacity overview

PRELIMINARY

Operating losses are expected to be approximately $28.1M to $32.7M over the 60 day period required to close Greater Southeast with WARN Act

	Baseline (6 Mon Avg Feb thru July)	Month 1 Announce to closure start	Month 2 Closure start to closure end	Month 3 30 days post closure	Month 4 60 days post closure	Months 5-14	Total Low Estimate	Total High Estimate
Revenue:								
Gross patient service revenue	$ 20,117,936	$ 6,190,134	$ 3,095,067	$ -	$ -	$ -	$ 9,285,201	$ 9,285,201
Deductions from revenue	(11,717,995)	(3,605,537)	(1,802,769)	-	-	-	(5,408,306)	(5,408,306)
Other revenue	1,146,358	-	-	-	-	-	-	-
Total net revenue	9,546,298	2,584,597	1,292,299	-	-	-	3,876,896	3,876,896
Operating Expenses:								
Salaries and benefits	5,718,573	5,718,573	5,718,573	285,929	285,929	315,865	12,324,869	12,324,869
Supplies	1,212,807	373,171	186,586	-	-	-	559,757	559,757
Professional fees (Medical)	529,733	529,733	529,733	-	-	-	1,059,467	1,059,467
Provision for uncollectible accounts	472,530	774,084	387,042	-	-	-	1,161,125	1,161,125
Purchased services	715,491	429,295	214,647	-	-	-	643,942	643,942
Repairs and maintenance	41,287	41,287	41,287	10,322	10,322	-	103,218	103,218
Insurance	404,369	404,369	404,369	33,588	33,588	335,880	1,211,793	1,211,793
Utilities	221,525	221,525	221,525	166,144	166,144	332,288	1,107,627	1,107,627
Rents and Leases	68,000	68,000	68,000	68,000	68,000	-	271,999	271,999
Other	121,694	121,694	121,694	-	-	-	243,389	243,389
One Time Closure Expenses	-	-	-	-	-	13,350,000	13,350,000	17,850,000
Total operating expenses	9,935,594	8,681,732	7,893,457	563,982	563,982	14,334,033	32,037,186	36,537,186
EBITDA	(389,295)	(6,097,135)	(6,601,158)	(563,982)	(563,982)	(14,334,033)	**(28,160,291)**	**(32,660,291)**

Please see notes on following page

PRELIMINARY

Financial Model Assumptions/Notes

Assumptions

Revenue	Estimated at 30% of baseline month 1, 15% baseline month 2
Deductions from revenue	Estimated at baseline value
Salaries and benefits	60 day notice required per WARN Act, months 3+4 salaries to address clean-up and storage requirements; months 5-14 reflect cost
Supplies	Estimated as % of Net Revenue
Professional fees (Medical)	Contracts closed during month 2, no exit fees assumed
Provision for uncollectible accounts	Months 1+2 reflect historical rate plus factor for reduced efficiency. This factor based on AR liquidity analysis for unbilled accounts
Purchased services	Purchased services decrease at half the rate of patient volumes
Repairs and maintenance	25% of baseline for months 3+4
Insurance	Tail liability coverage included in one time closure expense;month 3-14 includes facility & other non patient care insurance and is based on est. actual
Utilities	Estimated @ 75% post closure (months 3+4) to support clean-up and storage activities; months 5-14 based on 20% of pre closure costs
Rents and Leases	Unsure of ability to terminate

One Time Closure Expenses

Legal & Consulting Fees to Close	1,000,000	Estimate considers additional resources to wind-down facility
Record Storage	$1,000,000-2,000,000	Estimated annual cost of $100,000 to 200,000 for medical records storage based on DCHC current experience. 10 Year storage requirement
Retention Bonuses for Key Employees	200,000	
Moving Expenses	100,000	
Miscellaneous	500,000	Contingency, Moving, Construction, Other licensure & regulatory, Cleaning, Information system one time costs, etc.
Waste Disposal	50,000	
Hazardous Materials Disposal & Remediation	3,000,000-4,000,000	Expense based on experience with similar situations; however, actual experience may vary significantly. Environmental Site Assessment completed in July identified typical issues (e.g. asbestos, USTs, etc.)
Tail Malpractice Liability Coverage	$7,500,000-10,000,000	Assume a one-time cost of $7.5 - $10 million for the purchase of a tail coverage policy for professional liability costs. Current annual malpractice cost is approximately $5.0 million. This is an estimate; actual cost must be developed by a qualified actuary and priced by a commercial malpractice insurance vendor

PRELIMINARY

The wind down of Greater Southeast Community Hospital will occur over 60 days with special attention to patient safety and access to care. The detailed closure plan is summarized below:

- Evaluate and secure key resources (employees, supplies, etc.)
- Establish access to alternate care providers
- Prepare to support employees, medical staff, and house staff
- Manage wind down:
  - Communicate proactively to all constituencies
  - Establish Transition Management Team
  - Ensure ongoing access to critical patient care resources
  - Manage public relations
  - Terminate employees and contracted services
  - Transfer remaining patients on day of closure
- Support post closure activities
  - Dispose of equipment and supplies
  - Maintain access to medical records and other key records
  - Process remaining financials (payables, receivables, grants, & terminal statements)
  - Maintain security and necessary utilities (e.g., fire alarm & suppression)
  - Dispose of hazardous materials and normal wastes

PRELIMINARY

Risks

- Potential governmental/political action to delay closure
- Public resistance to closure (community, physicians, unions, etc.)
- Ability to maintain key resources (people and supplies) during close
- Impact on graduate medical education/residency program
- Pace of closure may vary
- Potential difficulty transferring remaining patients
- Contract termination penalties have not been assessed
- Outstanding regulatory issues
- Security
- Pending Joint Commission survey of DCHC in December
- Management ability to execute closure work plan

PRELIMINARY

Greater Southeast Community Hospital:
Area Hospital Facilities

GSCH patients can be accommodated across the Washington area provider market; however, there are no other acute care providers in the immediate vicinity

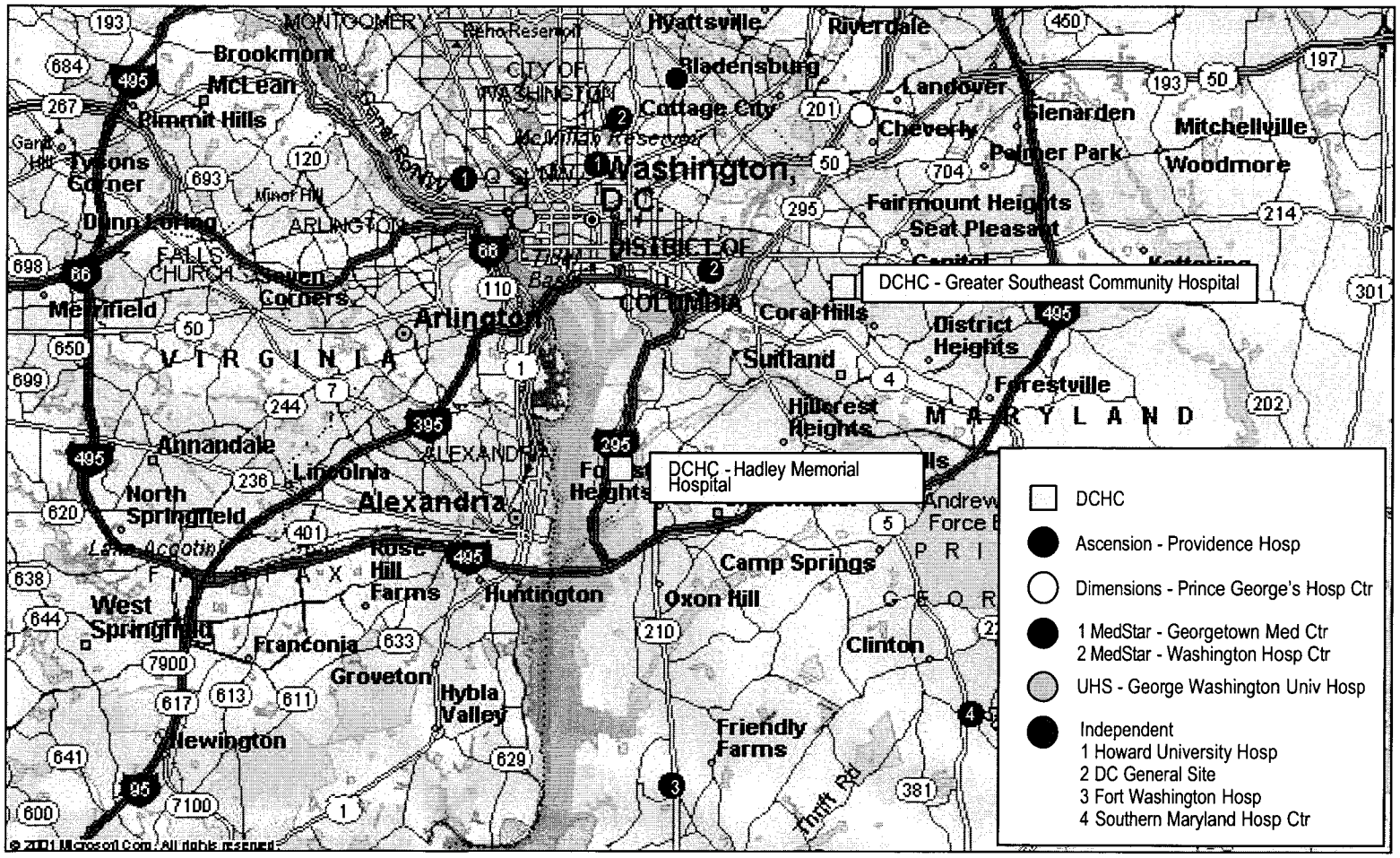
Hospital Bed Analysis

	MED/ SURG	OB/GYN	ICU	NICU	Acute Subtotal	PEDS	PSYCH	OTHER	Total
Greater Southeast Community Hospital	194	22	40	16	272	10	20	32	334
Children's National Medical Center	-	-	18	35	53	115	20	-	188
George Washington University Hospital	201	45	48	21	315	-	20	16	351
Georgetown University Hospital	198	22	38	46	304	30	14	-	348
Howard University Hospital	208	10	30	9	257	16	18	-	291
Providence Hospital	165	32	12	9	218	-	41	-	259
Sibley Memorial Hospital	171	20	14	-	205	-	15	16	236
Washington Hospital Center	581	35	66	20	702	-	36	22	760
Hadley Memorial Hospital - LT Acute Care	-	-	-	-	-	-	-	109	109
National Rehabilitation Hospital	-	-	-	-	-	-	-	156	156
Psychiatric Institute of Washington	-	-	-	-	-	-	104	-	104
St. Elizabeths Hospital	-	-	-	-	-	-	548	-	548
Totals	**1,718**	**186**	**266**	**156**	**2,326**	**171**	**836**	**351**	**3,684**

Source: DCHA Financial Indicators FY 2002

PRELIMINARY

Greater Southeast Community Hospital:
Map



PRELIMINARY

Huron
CONSULTING GROUP

Michael Reese Hospital

Preliminary Closure Plan Summary

November 24, 2003

Experience. Redefined.

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PRELIMINARY

Content

- Estimated cost to close with assumptions
- Summary workplan for wind down and closure
- Risks
- Key issues not addressed/unknown
- High level market capacity overview

PRELIMINARY

Operating losses are expected to be approximately $30.2M to $35.7M over the 60 day period required to close Michael Reese with WARN Act

	Baseline (6 Mon Avg Feb thru July)	Month 1 Announce to closure start	Month 2 Closure start to closure end	Month 3 30 days post closure	Month 4 60 days post closure	Months 5-14	Total Low Estimate	Total High Estimate
Revenue:								
Gross patient service revenue	$ 25,785,187	$ 6,250,954	$ 3,125,477	$ -	$ -	$ -	$ 9,376,432	$ 9,376,432
Deductions from revenue	(16,436,142)	(3,984,519)	(2,303,686)	-	-	-	(6,288,206)	(6,288,206)
Other revenue	118,147	-	-	-	-	-	-	-
Total net revenue	9,467,192	2,266,435	821,791	-	-	-	3,088,226	3,088,226
Operating Expenses:								
Salaries and benefits	4,518,330	4,518,330	4,518,330	225,916	225,916	315,865	9,804,358	9,804,358
Supplies	871,143	211,186	105,593	-	-	-	316,779	316,779
Professional fees (Medical)	238,734	238,734	238,734	-	-	-	477,468	477,468
Provision for uncollectible accounts	548,699	539,316	195,552	-	-	-	734,868	734,868
Purchased services	1,162,318	697,391	348,695	-	-	-	1,046,086	1,046,086
Repairs and maintenance	218,009	218,009	218,009	54,502	54,502	-	545,023	545,023
Insurance	415,993	415,993	415,993	33,588	33,588	335,880	1,235,041	1,235,041
Utilities	377,437	377,437	377,437	283,078	283,078	566,155	1,887,183	1,887,183
Rents and Leases	64,525	64,525	64,525	64,525	64,525	-	258,099	258,099
Other	208,566	208,566	208,566	-	-	-	417,132	417,132
One Time Closure Expenses	-	-	-	-	-	16,600,000	16,600,000	22,100,000
Total operating expenses	8,623,753	7,489,486	6,691,433	661,609	661,609	17,817,900	33,322,037	38,822,037
EBITDA	$ 843,439	$ (5,223,051)	$ (5,869,642)	$ (661,609)	$ (661,609)	$ (17,817,900)	**$ (30,233,811)**	**$ (35,733,811)**

Please see notes on following page

PRELIMINARY