

September 4, 2008

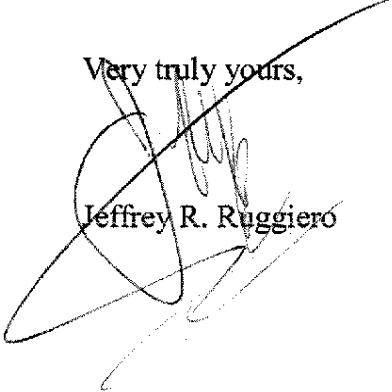
VIA PDF AND FEDERAL EXPRESS

Mr. James Clyne
Deputy Commissioner
Office of Health Systems Management
New York State Department of Health
Corning Tower
Empire State Plaza
Albany, New York 12237

Dear Jim:

In furtherance of our meeting on August 13, 2008, enclosed for your review and consideration is the Restructuring Plan submitted on behalf of the Organized Medical Staff of the Long Island College Hospital. We look forward to the opportunity to discuss the Plan after your review.

Very truly yours,



Jeffrey R. Ruggiero

Enclosure

cc: Ronald Gade, M.D.
The Medical Executive Committee

**PROPOSAL
TO
RECONSTITUTE AND RESTRUCTURE
LONG ISLAND COLLEGE HOSPITAL**

Submitted to: New York State Department of Health

Submitted by: The Medical Executive Committee of the Organized Medical Staff of
Long Island College Hospital
Strategic Programs, LLC
Arnold & Porter LLP

SEPTEMBER 2, 2008

Summary

The Medical Executive Committee of the Organized Medical Staff of Long Island College Hospital ("MEC"), its turnaround/restructuring experts and legal counsel have prepared this restructuring plan for consideration by the New York State Department of Health ("DOH"). Based upon information and belief, Continuum Health Partners, Inc. ("CHP") has, or will soon be submitting its restructuring plan. According to their public statements, their turnaround plan has two general components:

- Close The Long Island College Hospital ("LICH") maternity program. CHP states that it cannot afford medical malpractice costs under the current arrangements it maintains at LICH. Should CHP be permitted to close LICH's maternity program, such closure will result in the inevitable closure of gynecology programs and other women's health programs, neonatal intensive care programs, and general and specialty pediatrics programs. If approved, the closure of the LICH maternity program by CHP and these resultant closures would reduce LICH to a 100-bed medical surgical hospital with psychiatric and rehabilitation medicine programs. Vital primary care programs located in the surrounding communities of Brooklyn such as PCAP and WIC will undoubtedly face disruption as other institutions outside the service area vie for these services.
- Sell more LICH real estate to subsidize deficits rather than stem deficits that chiefly result from abnormally high overhead, bad debt expenses and its current medical malpractice program. CHP has been employing this short-term strategy for some time, having already sold over \$50 million in LICH real estate holdings, but it fails to address the underlying causes for the deficits. It is also important to note that the buildings CHP intends to sell next (Polhemus and 340 Henry Street) are not only historically significant but currently house essential clinical and administrative services. Since there is no articulated plan for relocation of these services, the sale of the buildings would lead inevitably to additional program closures and/or costly outsourcing of services.

While CHP believes reducing LICH beds is sustainable, it is a shortsighted approach that fails to address the many other financial problems that have brought LICH to the brink of financial insolvency. Chief among them are the dismantling of LICH's primary care services through the closure of all of LICH's five community based clinics that has resulted in the loss of patient volume, reduction of clinical staff and loss of revenue.

In contrast to the CHP plan, the MEC plan contemplates rehabilitation of all aspects of institutional and financial operations:

1. Rebuild former clinical strengths and primary care programs in the community. This will initially stem and ultimately reverse losses in patient volume and associated revenue.

2. Realign clinical affiliations with a different and other prestigious academic medical center.
3. Implement turnaround plan to reduce operating deficits by \$20 million annually, principally through reductions in overhead, bad debt and medical malpractice expenses.
4. Secure financing from private sources.
5. Reconstitute the LICH Board of Trustees with individuals from the Brooklyn community LICH services, recruit an executive leadership team and rebuild an appropriately sized administrative infrastructure (at a fraction of the cost of the current CHP charge back arrangements).

Strategic Programs, LLC led by Ronald Gade, M.D., has been working with the MEC to design the corporate, clinical and financial restructuring. Jeffrey Ruggiero, Esq. of Arnold & Porter LLP has been working on behalf of the Organized Medical Staff in its ongoing efforts to terminate LICH's arrangement with CHP and reconstitute its legal and governance structure. The MEC plan retains and reconstitutes the clinical leadership, once the hallmark of LICH prior to the effective dismantling of LICH by CHP. The proposed corporate restructuring of LICH will restore LICH's independence and autonomy by terminating the relationship with CHP and reconstituting the LICH Board.

As indicated in the Summary Tables provided, while LICH inpatient volume has declined 2.5 percent since 2006 and ambulatory care volume has declined 5.8 percent, LICH annual deficits have increased 89.3 percent. As the attached summary tables and Proforma Table 1 indicate, the losses sustained by CHP are reversible. The bad debt and overhead expenses alone have contributed significantly to the financial losses.¹

The MEC plan for the turnaround of LICH will stabilize the decline in patient volume, maintain the maternity program and not require the sale of LICH real estate. The MEC restructuring plan will instead focus on and remediate the three root causes of the losses at LICH:

1. ***Reduce the amount of bad debt expense annually from its current \$26 million to approximately \$10 to \$12 million annually in the next three years.*** This will be accomplished by reducing the bad debt expense from \$26 million to \$20 million in 2009, while increasing net patient revenue by \$6 million in year one.
- The current arrangement between CHP and LICH does not require CHP to be responsible for collection targets. As a result CHP is unnecessarily writing off \$26 million in bad debts, an inexplicably high amount given the size and payor mix of LICH. Under the MEC plan, the net impact of improved revenue collections on operations is \$12 million to the bottom line. In the next two subsequent years, bad debt expenses will continue to be reduced through more effective collection efforts, resulting in continued improvement in net operations. In addition, under new leadership, LICH accounts receivable balances will be reduced from the current June

¹ All data used in this turnaround plan are derived from audited and unaudited financial statements provided by CHP in summary form.

2008 levels of \$38 million. As a benchmark, the newly reorganized institution will maintain its receivables in the \$25 million range, a more acceptable benchmark than that currently employed by CHP. (See tabular information in Proforma Tables).

2. *Elimination of \$28 million in overhead and shared services arrangements currently charged by Continuum Health Partners.*

The \$6 million allocated to pay CHP corporate executives will be replaced with LICH's own executive/administrative leadership for which \$3 million will be sufficient. Regarding shared expenses related to billing, IT, human resources, etc., the reconstituted LICH will require \$10 million to restore its infrastructure to self-sufficiency and use vacant space on its campus to house these back office functions rather than pay CHP to lease more costly space in Manhattan.

- In 2007, LICH lost an average of 20 percent on every discharge and 10 percent on every ambulatory care visit.² In Table 3 the financial trends of the CHP controlled hospitals are compared. It is projected that LICH losses per discharge in 2008 will reach \$2,342, up from \$1,504 per discharge in 2006, an increase in the *loss rate* of 53.4 percent per discharge. Under the MEC five-point turnaround plan, these losses will be eradicated.

3. *Reopen contracts with insurance carriers.*

LICH has not had access to the rates it is paid for clinical services by the major commercial insurance carriers, as CHP staff negotiates these contracts and the rates are not shared with the LICH departments. Restoring LICH will require that it renegotiate rate provisions in its insurance contracts. In this regard, LICH's location, service configuration and lower cost profile give it a market advantage.

- LICH revenue per discharge has increased only 4.5% from \$11,117 in 2006 to \$11,613 in 2008, well below the rate of medical inflation. This financial result is also surprising considering that LICH generally treats a sick population as measured by both its Medicare and Medicaid case mix. (See Table 1). This measure is a gauge of acuity and relative reimbursement. Given LICH's patient acuity, it is anticipated that its revenue per discharge should be similar to that of its peer hospitals. It is significantly lower. This suggests that revenue is not being properly collected and payor rates are below acceptable benchmarks. (See Table 3)
- LICH financial losses from operations have grown from a deficit of \$17.5 million in 2006 to a projected \$33.2 million in 2008, an increase of 89.3%. LICH has maintained a relatively high and sicker patient population, which should result in a larger increase in the revenue generated by inpatient admissions. (See Proforma Table 3).

² This loss factor is calculated as follows: average per discharge deficit divided by average per discharge revenue. See Table 3 for statistical information.

LICH has sustained declines in volume but not in the range that its financial losses would indicate.

4. Medical Malpractice Insurance will require restructuring.

A different approach to insuring for medical malpractice exposure will be put in place that includes a wholesale restructuring and development of effective, comprehensive risk management and loss control programs. A combination of self insured retention and establishment of offshore captives will be implemented to fund loss reserves. Going forward, annual medical malpractice costs will be reduced from \$25 million to \$15 million.

5. Reconstitute primary care programs in the community

CHP has closed all five community-based primary care programs at LICH so that the real estate that housed those programs could be sold to subsidize deficits. As part of the restructuring of LICH, primary care programs will be reintroduced into the community. MEC seeks a partnership with DOH to rebuild these programs to address critical health disparities in LICH's surrounding communities and to provide increased access, particularly for low-income populations. As part of its renegotiations with Medicaid managed care programs, the reconstituted LICH will seek to build important programs to provide increased access, and establish a direct relationship with the managed care programs consistent with DOH goals and objectives. These new approaches will add approximately 20,000 new primary care visits annually to the revitalized LICH campus.

LICH Proforma Model

With the implementation of this five pronged approach, it is expected that operating losses can be completely stemmed by close of 2009 as reflected in the attached Proformas and statistical documentation. We note that at this early stage in turnaround planning, assumptions are conservative regarding growth in volume and renegotiation of contract rates. The focus in the first year of the turnaround will be on stabilization of volume and rebuilding clinical capacity while achieving cost savings from significant expense reductions. The assumptions guiding inpatient census projections are derived from the current profile of LICH patients and payor mix from data provided by CHP.

During the next few months of the turnaround planning, skill mix FTE data will be analyzed and benchmarked against current and projected turnaround volumes to determine staffing needs. Physicians will be submitting plans to revitalize respective departments and strategic initiatives will be modeled and implemented so that no departments will require closure as envisioned by the CHP plan.

A series of five Proforma tables follow that reflect the proposed turnaround plan. The CHP/LICH data used to formulate the MEC plan was provided to the MEC by CHP as part of a presentation upon the announcement of its proposed closure of the maternity service.

Proforma findings include:

1. Operating revenue will increase from an estimated \$321 million in 2008 to \$337.6 million in 2009. The increase in revenue will be achieved from the following: a reduction in the receivables and bad debt expenses that accounts for \$8 million in increased revenue; the increase in commercial carrier contract rates; and, the stabilization of inpatient and outpatient volume.

2. As indicated in Proforma Table 1, operating expenses will be reduced from \$352.2 million to \$334.5 million in 2009. This reduction will be achieved chiefly by reducing the bad debt expense from \$26 million to \$20 million, reducing CHP corporate expenses by \$3 million from \$6 million, and reducing shared services by \$12 million from \$28 million. Finally a new Medical Malpractice program will be put in place that will save another \$10 million in premium costs in the first year. Salaries and benefits will remain unchanged and increase in the out years.

LONG ISLAND COLLEGE HOSPITAL

TURNAROUND PLAN

Proforma Model

**PROFORMA TABLE 1: Long Island College Hospital
Projected Five Year Statement of Revenue and Expenses**

	2006	2007	2008	2008	2009	2010
			June	Projected Based On	Stand Alone	Stand Alone
			Year to Date	Current	2009	2010
			CHP	CHP		
Average Daily Census	287	290	271	273	281	289
Average Discharges Per Day	57	57	54	54	56	57
Total Patient Days Excl. Newborns	104,830	105,953	49,896	99,448	102,538	105,454
Discharges	20,531	20,601	9,896	19,743	20,265	20,836
Average Length of Stay (ALOS)	5.1	5.1	5.0	5.0	5.0	5.0

Revenue:

Net Patient Revenue	\$ 289,719,000	\$ 306,027,000	\$ 142,258,000	\$ 287,842,300	\$ 295,626,378	\$ 303,610,641
Inpatient Revenue	\$ 228,254,000	\$ 230,549,000	\$ 116,288,000	\$ 232,576,000	\$ 239,124,500	\$ 246,238,725
Outpatient Revenue	\$ 47,671,000	\$ 50,827,000	\$ 25,970,000	\$ 55,326,300	\$ 56,501,878	\$ 57,371,916
Investment Income	\$ 5,514,000	\$ 9,479,000	5,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
Other Revenue	32,220,000	22,524,000	\$ 11,949,000	\$ 23,898,000	\$ 24,000,000	\$ 24,000,000
Revenue Recovery from Receivable (See Bad Debt Expense)					\$ 6,000,000	\$ 7,000,000
Increase in Contracted Rates					\$ 2,000,000	\$ 2,000,000
Total	\$ 329,305,000	\$ 338,654,000	\$ 159,207,000	\$ 321,800,300	\$ 337,626,378	\$ 346,610,641

Expenses:

	2006	2007	2008	2008	2009	Stand Alone 2010
Salaries and Wages	\$ 142,793,000	\$ 151,058,000	\$ 74,165,000	\$ 148,330,000	\$ 149,000,000	\$ 150,000,000
Employee Benefits	\$ 41,494,000	\$ 41,856,000	\$ 21,747,000	\$ 43,494,000	\$ 43,000,000	\$ 43,000,000
Insurance	\$ 21,462,000	\$ 26,088,000	\$ 13,100,000	\$ 26,200,000	\$ 15,000,000	\$ 15,000,000
Supplies & Other Expenses	\$ 64,896,000	\$ 64,172,000	\$ 22,669,000	\$ 45,338,000	\$ 55,000,000	\$ 57,000,000
Shared Services Expenses	\$ 22,855,000	\$ 22,018,000	\$ 11,000,000	\$ 22,000,000	\$ 10,000,000	\$ 10,000,000
(Continuum) Corporate Exec Fees	\$ 5,532,000	\$ 5,872,000	\$ 3,000,000	\$ 6,000,000	\$ 3,000,000	\$ 3,000,000
Bad Debt Expense	\$ 24,001,000	\$ 26,026,000	\$ 13,000,000	\$ 26,000,000	\$ 20,000,000	\$ 20,000,000
Depreciation	\$ 18,229,000	\$ 18,382,000	\$ 9,013,000	\$ 18,026,000	\$ 18,000,000	\$ 18,000,000
Working Capital LOC Interest					\$ 2,500,000	\$ 2,000,000
Legal Fees					\$ 2,000,000	\$ 1,000,000
Interest	\$ 17,350,000	\$ 16,991,000	\$ 8,390,000	\$ 16,780,000	\$ 17,000,000	\$ 17,000,000
Total Operating Expenses	\$ 358,612,000	\$ 372,463,000	\$ 176,084,000	\$ 352,168,000	\$ 334,500,000	\$ 336,000,000
Net Surplus/ Deficit	\$ (29,307,000)	\$(33,809,000)	\$ (16,877,000)	\$ (30,367,700)	\$ 3,126,378	\$ 10,610,641
Non-Recurring						
Unrestricted Contributions	\$316,000	\$507,000				
Non-Recurring G/L	\$1,812,000	\$(15,000,000)				
Net P/L	\$(27,179,000)³	\$(48,302,000)³	\$(16,877,000⁴)	\$(33,754,000)⁴	\$ 3,126,378	\$ 10,610,641

³ Agrees with Audited Financial Statements prepared by Continuum Health Partners presented to the LICH MEC dated August 12, 2008

⁴ Based on trended monthly unaudited financial statements through June 2008 prepared by Continuum Health Partners

PROFORMA TABLE 2: LONG ISLAND COLLEGE HOSPITAL INPATIENT REVENUE PROJECTIONS 2007-2010

LONG ISLAND COLLEGE HOSPITAL

2007 Revenue Budget - Discharges and Payor Mix

Discharges by Service:	January	February	March	April	May	June	July	August	Oct	Nov	Dec	Totals
Maternity	352	330	325	318	309	295	295	295	280	279	292	3,656
Med/Surg	1,111	1,100	1,065	1,057	1,141	1,042	1,040	1,040	1,015	1,015	1,119	13,325
Peds/NICU	149	140	140	131	138	98	130	130	130	130	148	1570.0
Psych	64	65	65	70	55	71	66	66	66	65	63	799.0
Rehab	25	25	25	30	33	36	36	36	36	36	38	372.0
Other	86	80	75	73	95	120	95	95	95	90	91	1129.0
Total Discharges	1,787	1,740	1,695	1,679	1,771	1,662	1,662	1,662	1,622	1,615	1,751	20,851
Average Discharges/Day	58	62	55	56	57	55	54	54	52	54	56	57

Discharges by Payor:

Medicare	536	522	509	504	531	499	499	499	487	485	525	6,085
Medicaid	525	512	498	494	521	489	489	489	477	475	515	5,963
Blue Cross	238	232	226	224	236	222	222	222	216	215	233	2,704
Self Pay	32	32	32	32	32	32	32	32	32	32	32	384
Commercial	79	77	75	74	78	73	73	73	71	71	77	892
HMO	377	367	358	354	374	351	351	351	342	341	369	4,280
Total Discharges	1,787	1,741	1,697	1,681	1,772	1,665	1,665	1,665	1,625	1,618	1,752	20,851

LICH

2007 Revenue Budget - Discharges and Payor Mix

Average Length of Stay	January	February	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Average
Medicare	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Medicaid	4.2	4.2	4.2	4.2	4.1	4.1	4.1	4.1	4.1	4.2	4.2	4.2	4.2
Blue Cross	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Self Pay	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Commercial	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8
HMO	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0

Patient Days by Payor:													
Medicare	3,753	3,654	3,560	3,526	3,719	3,490	3,490	3,490	3,438	3,406	3,392	3,675	42,592
Medicaid	2,207	2,149	2,093	2,073	2,135	2,003	2,003	2,003	1,973	2,003	1,994	2,162	24,799
Blue Cross	953	928	904	895	944	886	886	886	873	865	861	930	10,811
Self Pay	125	125	125	125	125	125	125	125	125	125	125	128	1,501
Commercial	377	367	358	355	374	351	351	351	346	343	341	370	4,284
HMO	1,885	1,836	1,788	1,771	1,868	1,753	1,753	1,753	1,727	1,711	1,704	1,846	21,398

Patient Days	9,300	9,058	8,827	8,745	9,165	8,609	8,609	8,609	8,481	8,452	8,417	9,111	105,384
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Average Daily Census (ADC)	300	324	285	292	296	287	278	278	283	273	281	294	289
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LONG ISLAND COLLEGE HOSPITAL
2008 Revenue Budget - Discharges and Payor Mix

PROJECTED

Discharges by Service:	January	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Totals
Maternity	279	250	245	239	232	258	250	255	260	260	260	260	3,048
Med/Surg	1,099	1,090	1,085	1,079	1,117	1,057	1,060	1,070	1,075	1,090	1,075	1,075	12,972
Peds/NICU	136	130	123	120	100	91	115	115	120	120	120	120	1,410
Psych	66	66	66	66	82	72	75	75	75	75	75	80	868.0
Rehab	30	25	25	25	19	30	30	30	30	30	30	30	334.0
Other	99	96	96	94	84	79	85	85	90	95	95	90	1,088.0
Total Discharges	1,709	1,657	1,640	1,623	1,634	1,587	1,615	1,440	1,650	1,670	1,655	1,655	19,720
Average Discharges / Day	55	59	53	54	53	53	52	46	55	54	55	53	54

Discharges by Payor:

Medicare	513	497	492	487	490	476	485	432	495	501	497	497	6,031
Medicaid	502	487	482	477	480	467	475	423	485	491	487	487	5,743
Blue Cross	227	220	218	216	217	211	215	192	219	222	220	220	2,598
Self Pay	32	32	32	32	32	32	32	32	32	32	32	32	384
Commercial	75	73	72	71	72	70	71	63	73	73	73	73	860
HMO	361	350	346	342	345	335	341	304	348	352	349	349	4,122
Total Discharges	1,710	1,659	1,642	1,626	1,637	1,590	1,618	1,446	1,652	1,672	1,657	1,657	19,720

LICH

2008 Revenue Budget - Discharges and Payor Mix

<u>Average Length of Stay</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Average</u>
Medicare	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Medicaid	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Blue Cross	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Self Pay	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Commercial	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
HMO	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Patient Days by Payor:												
Medicare	3,538	3,430	3,395	3,360	3,382	3,285	3,343	3,416	3,457	3,426	3,424	40,435
Medicaid	2,010	1,949	1,929	1,909	1,922	1,866	1,899	1,940	1,964	1,946	1,946	22,973
Blue Cross	909	882	872	863	869	844	859	878	888	880	876	10,389
Self Pay	125	125	125	125	125	125	125	125	125	125	128	1,501
Commercial	346	335	332	328	331	321	327	334	338	335	335	3,954
HMO	1,767	1,713	1,696	1,678	1,689	1,641	1,670	1,706	1,727	1,711	1,710	20,196
Patient Days	8,694	8,433	8,348	8,263	8,318	8,082	8,223	8,398	8,499	8,423	8,419	99,448
Average Daily Census (ADC)	280	301	269	275	268	269	265	280	274	281	272	273

LONG ISLAND COLLEGE HOSPITAL
2009 Revenue Budget - Discharges and Payor Mix

Discharges by Service:	January	February	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Totals
Maternity	260	260	265	265	270	270	270	275	275	275	275	275	3,235
Med Surg	1,075	1,075	1,075	1,080	1,080	1,080	1,080	1,080	1,085	1,085	1,090	1,090	12,975
Peds/NICU	120	120	120	123	123	125	125	126	128	130	130	130	1,500
Psych	80	80	80	80	80	80	80	80	80	80	80	80	960
Rehab	30	30	30	30	30	30	30	30	30	30	30	30	360
Other	95	95	95	95	95	95	95	95	95	95	95	95	1,235
Total Discharges	1,660	1,660	1,665	1,673	1,678	1,680	1,680	1,686	1,693	1,695	1,700	1,700	20,265
Average Discharges/ Day	54	59	54	56	54	56	54	54	56	55	57	55	56

Discharges by Payor:

Medicare	498	498	500	502	503	504	504	506	508	509	510	510	6,051
Medicaid	488	488	490	492	493	494	494	496	498	498	500	500	5,930
Blue Cross	221	221	221	223	223	223	223	224	225	225	226	226	2,683
Self Pay	30	30	30	30	30	30	30	30	30	30	30	30	360
Commercial	73	73	73	74	74	74	74	74	74	75	75	75	887
HMO	350	350	351	353	354	354	354	356	357	358	359	359	4,256
Total Discharges	1,660	1,660	1,665	1,673	1,678	1,680	1,680	1,686	1,693	1,694	1,699	1,699	20,265

LICH

2009 Revenue Budget - Discharges and Payor Mix

Average Length of Stay	January	February	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Average
Medicare	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Medicaid	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Blue Cross	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Self Pay	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Commercial	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
HMO	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9

Patient Days by Payor:

Medicare	3,436	3,436	3,447	3,463	3,473	3,478	3,478	3,490	3,505	3,509	3,519	3,517	41,750
Medicaid	1,952	1,952	1,958	1,967	1,973	1,976	1,976	1,983	1,991	1,993	1,999	1,999	23,720
Blue Cross	883	883	886	890	893	894	894	897	901	902	904	900	10,726
Self Pay	117	117	117	117	117	117	117	117	117	117	117	120	1,407
Commercial	336	336	337	339	340	340	340	341	343	343	344	344	4,082
HMO	1,716	1,716	1,721	1,730	1,735	1,737	1,737	1,743	1,750	1,752	1,758	1,757	20,853

Patient Days

8,441	8,441	8,466	8,506	8,531	8,541	8,541	8,541	8,571	8,606	8,616	8,641	8,637	102,538
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Average Daily Census

(ADC)	272	301	273	284	275	285	276	276	287	278	288	279	281
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LONG ISLAND COLLEGE HOSPITAL
2010 Revenue Budget - Discharges and Payor Mix

Discharges by Service:	January	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Totals
Maternity	275	275	280	280	280	285	285	285	290	290	290	290	3,405
Med/Surg	1,090	1,090	1,095	1,095	1,100	1,100	1,100	1,100	1,120	1,120	1,125	1,125	13,260
Peds/NICU	130	130	130	132	133	135	135	135	138	138	140	140	1,616
Psych	80	80	80	80	80	80	80	80	80	80	80	80	960
Rehab	30	30	30	30	30	30	30	30	30	30	30	30	360
Other	95	95	95	95	95	95	95	95	95	95	95	95	1,235
Total Discharges	1,700	1,700	1,710	1,712	1,718	1,725	1,725	1,725	1,753	1,753	1,760	1,760	20,836
Average Discharges / Day	55	61	55	57	55	58	56	56	58	57	59	57	57

Discharges by Payor:	January	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Totals
Medicare	510	510	513	514	515	518	518	518	526	526	528	528	6,222
Medicaid	500	500	503	503	505	507	507	507	515	515	517	517	6,098
Blue Cross	226	226	227	228	228	229	229	229	233	233	234	234	2,759
Self Pay	31	31	31	31	31	31	31	31	32	32	32	32	373
Commercial	75	75	75	75	76	76	76	76	77	77	77	77	913
HMO	359	359	361	361	362	364	364	364	370	370	371	371	4,376
Total Discharges	1,700	1,700	1,710	1,712	1,718	1,725	1,725	1,725	1,753	1,753	1,760	1,760	20,836

LICH

2010 Revenue Budget - Discharges and Payor Mix

Average Length of Stay	January	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Average
Medicare	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Medicaid	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Blue Cross	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Self Pay	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Commercial	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
HMO	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9

Patient Days by Payor:

Medicare	3,519	3,519	3,540	3,544	3,556	3,571	3,571	3,571	3,629	3,629	3,643	3,641	42,932
Medicaid	1,999	1,999	2,011	2,013	2,020	2,029	2,029	2,029	2,062	2,062	2,070	2,070	24,391
Blue Cross	904	904	910	911	914	918	918	918	933	933	936	932	11,030
Self Pay	119	119	120	120	121	121	121	121	123	123	124	127	1,459
Commercial	344	344	346	347	348	349	349	349	355	355	356	356	4,198
HMO	1,758	1,758	1,768	1,770	1,776	1,783	1,783	1,783	1,812	1,812	1,820	1,819	21,443

Patient Days	8,644	8,644	8,694	8,705	8,735	8,771	8,771	8,771	8,913	8,913	8,949	8,945	105,454
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Average Daily Census (ADC)

Average Daily Census (ADC)	279	309	280	290	282	292	283	283	297	288	298	289	289
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**Long Island College Hospital
 Outpatient Revenue & Other Income Budget Projections**

	2006	2,007	2,008	Rate	2,008	2,009	2,010
ER Visits Non Admissions	53,535	52,499	53,363	\$ 300	\$ 16,008,900	\$ 16,329,078	\$ 16,655,660
Ambulatory Surgery	17,157	17,805	17,760	\$ 1,500	\$ 26,640,000	\$ 27,172,800	\$ 27,716,256
Outpatient Visits	299,892	280,804	211,290	\$ 60	\$ 12,677,400	\$ 13,000,000	\$ 13,000,000
					\$ 55,326,300	\$ 56,501,878	\$ 57,371,916

**PROFORMA TABLE 3 : INPATIENT REVENUE ASSUMPTIONS
2008 THROUGH 2010**

Long Island College Hospital

Inpatient Revenue Budget Projections

2008 Revenue Budget - Inpatient

Payor	# of Budgeted Discharges	CMI	Rate	Net Inpatient Revenue
Medicare	6,031	1.45	\$ 10,000	\$ 87,449,500
Medicaid	5,743	1.70	\$ 6,750	\$ 65,900,925
Blue Cross	2,598	1.5	\$ 6,500	\$ 16,887,000
Self Pay	384		\$ 4,000	\$ 1,536,000
Commercial	860	1.5	\$ 6,500	\$ 8,385,000
		ALOS	Per Diem Rate	
HMO	1,122	5.00	\$ 1,600	\$ 8,976,000
PPO	3,000	5.00	\$ 1,700	\$ 25,500,000
	<u>19,720</u>			<u>\$ 214,634,425</u>
		DSH and GME		<u>\$ 17,841,575</u>
				<u>\$ 232,576,000</u>

PROJECTED 2009 Revenue Budget - Inpatient

Payor	# of Budgeted Discharges	CMI	Rate	Net Inpatient Revenue
Medicare	6,050	1.45	\$ 10,000	\$ 87,725,000
Medicaid	5,930	1.70	\$ 6,750	\$ 68,046,750
Blue Cross	2,683	1.5	\$ 6,750	\$ 18,110,250
Self Pay	360		\$ 4,000	\$ 1,440,000
Commercial	887	1.5	\$ 6,675	\$ 8,881,000
		ALOS	Per Diem Rate	
HMO	1,150	4.90	\$ 1,700	\$ 9,579,500
PPO	3,100	4.90	\$ 1,800	\$ 27,342,000
	<u>20,265</u>			<u>\$ 221,124,500</u>
		DSH Payment		\$ 18,000,000
				\$ 239,124,500

PROJECTED 2010 Revenue Budget - Inpatient

Payor	# of Budgeted Discharges	CMI	Rate	Net Inpatient Revenue
Medicare	6,222	1.45	\$ 10,200	\$ 92,023,380
Medicaid	6,098	1.70	\$ 6,750	\$ 69,974,550
Blue Cross	2,779	1.5	\$ 6,800	\$ 18,897,200
Self Pay	375		\$ 4,000	\$ 1,500,000
Commercial	913	1.5	\$ 6,700	\$ 9,175,665
		ALOS	Per Diem Rate	
HMO	1,176	4.59	\$ 1,750	\$ 9,435,930
PPO	3,200	4.60	\$ 1,850	\$ 27,232,000
	<u>20,763</u>			<u>\$ 228,238,725</u>
			DSH Payment	<u>\$ 18,000,000</u>
				<u>\$ 246,238,725</u>

PROFORMA TABLE 4:

**The Long Island College Hospital Consolidated Net Accounts
Receivable**

December-07	\$32,172,000
January-08	\$35,343,000
February-08	35,591,000
March-08	36,459,000
April-08	37,096,000
May-08	36,911,000
June-08	37,991,000

**PROFORMA TABLE 5:
LICH Shared Services Purchased From Continuum Health Partners 2001-2007**

	2001	2002	2003	2004	2005	2006	2007
Total Hospital Operations	172,828	179,421	194,115	205,746	203,189	206,088	215,230
<i>Shared Services:</i>							
IT/Telecom	7,743	6,969	7,367	7,587	9,011	11,522	10,401
Shared Real Estate	-		164	169	230	641	997
Finance	5,144	4,485	3,450	3,295	3,495	3,677	2,957
Patient Accounting	3,830	3,551	9,140	3,542	3,463	3,686	4,380
Human Resources	1,063	1,203	1,345	1,343	1,276	1,557	1,777
Legal	873	898	1,230	1,030	714	749	511
Public Affairs	545	329	1,955	358	155	287	346
Development	226	162	224	310	209	209	167
Broadlane	-		641	644	607	527	482
Total Shared Services	19,424	17,597	25,516	18,232	19,160	22,855	22,018
Hospital/Corporate Exec Admin	5,459	4,035	5,183	4,512	5,532	5,833	5,872
Grand Total Expenses	197,711	201,053	224,814	228,490	227,881	234,776	243,120

Source: Data Provided by Continuum Health Partners, Presentation to the LICH MEC, August 12, 2008

Summary of Long Island College Hospital Financial Trends

Table 1: Comparative Operating Statistics, Hospitals Under Management by Continuum Health Partners, 2006 through Annualized 2008

Table 2: Comparative Financial Trends, Hospitals Under Management by Continuum Health Partners, 2006 through Annualized 2008

Table 3: Comparative Financial Benchmarks Hospitals Under Management by Continuum Health Partners, 2006 through Annualized 2008

Table 1: Comparative Operating Statistics	Long Island College Hospital	St. Luke's – Roosevelt Hospital	Beth Israel (incl. Kings Hghwy)
Discharge Trends			
Through May 2008 Annualized	20,025	44,134	50,864
2007	20,601	44,765	48,349
2006	20,531	44,253	47,597
Percent Change	(2.46%)	(2.7%)	6.9%
Average Daily Census			
Through May 2008 Annualized	276	730	797
2007	290	711	748
2006	287	698	740
Medicare Case Mix Index			
Through June 2008	1.41	1.42	1.49
2007	1.31	1.37	1.46
2006	1.31	1.39	1.50
Percent Change			
Medicaid Case Mix Index			
Through June 2008	1.70	1.67	1.42
2007	1.63	1.63	1.40
2006	1.58	1.58	1.37
Outpatient Visits			
Through April 2008 Annualized	211,290	382,359	596,985
2007	210,500	409,227	584,476
2006	229,200	405,020	635,822
Percent Change	(7.8%)	(5.6%)	(6.1%)
Table 1 con't: Comparative Operating Statistics	Long Island College Hospital	St. Luke's – Roosevelt Hospital	Beth Israel (incl. Kings Hghwy)
ER Room Visits			
Through April 2008 Annualized	53,463	152,841	80,313
2007	52,499	139,822	75,573
2006	53,535	132,306	72,148
Percent Change	0.1%	15.5%	11.3%

Ambulatory Surgical Visits			
Through April 2008 Annualized	17,760	26,358	37,182
2007	17,805	24,528	34,427
2006	17,157	25,461	32,823
Percent Change	3.5%	3.5%	13.2%
All Ambulatory Care			
Through April 2008 Annualized	282,513	561,558	714,480
2007	280,804	573,577	694,478
2006	299,892	562,787	740,793
Percent Change	(5.8%)	(2.2%)	(3.55%)

Source: Continuum Unaudited Financial Statements

Table 2: Comparative Financial Trends	Long Island College Hospital \$000			St. Luke's -Roosevelt Hospital \$000			Beth Israel Medical Center		
	Annualized May through 2008	2007	2006	Annualized May through 2008	2007	2006	Annualized May through 2008	2007	2006
Total Operating Revenue	\$309,655	\$306,027	\$299,729	\$894,084	\$859,797	\$818,773	\$1,056,052	\$994,137	\$969,952
Net Patient Revenue									
Inpatient	\$232,553	230,549	\$228,254	\$650,500	\$620,133	\$584,656	\$719,186	670,039	660,033
Outpatient	52,166	50,827	\$47,691	\$158,304	154,653	152,254	220,858	208,231	202,626
Other	24,936	24,651	\$23,784	\$85,279	85,011	81,863	116,008	115,867	107,293
Total Operating Expenses	\$328,368	\$337,115	\$317,269	\$847,941	\$859,782	\$817,562	\$975,362	\$1,009,398	\$993,514
Salaries/Wages	\$149,304	\$151,058	\$142,793	397,312	396,786	377,224	447,321	431,160	423,065
Fringe Benefits	44,119	\$41,752	\$40,134	116,780	110,669	115,468	135,655	131,916	125,668
Supplies and other Expenses	100,050	\$108,068	\$95,594	254,726	275,066	249,373	308,350	366,002	361,988
Depreciation and Interest	35,893	\$36,237	\$38,748	79,123	77,261	75,497	83,625	80,320	82,793
Administrative Expenses (general and Central Charges)									
General	\$13,776	-	-	\$44,707			59,660		
Central Office (Continuum)	708	-	-	2,950			3,619		
Total Expenses w/ Overhead	\$342,144	\$337,115	\$317,269	\$895,598	\$859,782	\$817,562	\$1,038,641	\$1,009,398	\$993,514
Net Operating Loss/Gain	\$ (33,196)	\$ (31,088)	\$ (17,540)	\$ (1,514)	\$ 15	\$ 1,211	\$ 17,380	\$ (15,261)	\$ (23,562)
Net Result After Non Recurring	\$ (25,896)	\$ (21,740)	\$ (15,836)	\$ 12,895	\$ 2,828	\$ 3,549	\$ 12,511	\$ (2,199)	\$ 53,726

Source: Continuum Unaudited Financial Statements

<u>Table 3: Comparative Financial Benchmarks</u>	Long Island College Hospital \$000			St. Luke's -Roosevelt Hospital \$000			Beth Israel Medical Center (Incl. Kings Hwywy) \$000		
	Projected 2008	2007	2006	Projected 2008	2007	2006	Projected 2008	2007	2006
Inpatient Revenue per Occupied Bed	\$842,583	794,996	\$798,794	\$891,095	\$872,714	\$837,616	\$902,366	\$895,774	\$891,936
Percent Change									
Inpatient Revenue per Discharge	\$11,613	\$11,191	\$11,117	\$14,739	\$13,853	\$13,211	\$14,139	\$13,858	\$14,915
Percent Change	3.8%	0.7%	-	6.4%	4.9%	-	2.1%		
Average Outpatient Revenue Per Visit	\$185	\$181	\$179	\$282	\$270	\$270	\$309	\$300	\$273
Percent Change	2.2%	1.1%		4.4%	-		3.0%	9.9%	
Est. Expense Per Discharge	\$13,955	\$13,365	\$12,621	\$16,320	\$15,439	14,858	\$15,622	\$15,972	\$15,969
Average P/L Discharge	\$(2,342)	\$(2,174)	\$(1,504)	\$(1,527)	\$(1,586)	\$(1,647)	\$(1,483)	\$(2,114)	\$(1,055)
Expense Per Outpatient Visit	\$221	\$220	\$194	\$312	\$293	\$284	\$341	\$341	\$315
Average P/L Ambulatory Visit	\$(36)	\$(39)	\$(15)	\$(30)	\$(23)	\$(14)	\$(32)	\$(41)	\$(42)
Combined Per Unit of Service P/L	\$(2,379)	\$(2,213)	\$(1,519)	\$(1,557)	\$(1,609)	\$(1,661)	\$(1,515)	\$(2,155)	\$(1,097)
Loss Rate Per Discharge: (Deficit per discharge/ revenue per discharge)	20.16%	19.77%	13.52%	10.36%	11.44%	12.46%	10.49%	13.23%	7.07%

Source: Continuum Unaudited Financial Statements