

COMMUNITY MEDICAL CENTER OVERVIEW



Introduction

Community Medical Center (“CMC” or the “System”), founded in 1947 and located in Missoula, Montana, is a not-for-profit 501(c)(3) corporation providing acute care and general health care services to residents in western Montana and northern Idaho. The 151-licensed bed, newly remodeled hospital provides a full suite of services and is the only facility offering obstetrical and newborn care in Missoula County. CMC has over 900 full-time-equivalent employees and approximately 349 physicians on staff, including 54 employed physicians and midlevels (CPG providers). In 2013, the System had 5,175 inpatient and observation admissions, including newborns, and 133,150 outpatient visits.

Business Overview

CMC provides comprehensive inpatient and outpatient services including:

- Cardiology
- Endocrinology
- Gastroenterology
- Maternal Fetal Medicine
- Oncology
- Orthopedic surgery
- Orthopedics
- Pediatrics
- Radiology
- Rehabilitation

Obstetric/Newborn Program

CMC’s newly renovated Women’s and Newborn Care Center is the only facility providing obstetrical and newborn care in Missoula County. The recent \$17.8 million capital investment included over 36,000 square feet of new construction and 15,000 square feet of remodeled space. The project provided CMC with a new NICU with 26 bassinets (10 private and 16 clustered) as well as a new labor and delivery suite with C-section room, operating room and post/ante partum rooms.

Medical Oncology Services

The System provides outpatient medical oncology services through a contract with an independent medical oncology group, Montana Cancer Specialists, and oncology chemotherapy in both outpatient and inpatient settings. CMC is currently investing \$6.8 million in a new oncology building to expand its oncology services from approximately 4,000 square feet to 18,000 square feet. The project is expected to be completed by September 2013 and will increase CMC’s chemotherapy capacity to 18 infusion

bays and 4 private infusion rooms. Beginning September of 2013, CMC will invest an additional \$8.2 million to expand the cancer center by 10,000 square feet and add radiation therapy which will include a linear accelerator, computed tomography simulation, high dose radiation and dosimetry. The new radiation therapy space is expected to be completed by May 2014.

Financial Summary and Utilization

CMC has achieved consistently growing revenue while recently experiencing decreasing margins due to a shift in payor mix from commercial to Medicare and case mix shift from surgical to medical. Table 1 below summarizes the System’s financial performance for fiscal years ended June 30, 2010 through 2013.

Table 1 Financial Summary

(\$ in 000s)	Fiscal Year Ended June 30,			
	2010	2011	2012	2013
Total Revenue ⁽¹⁾	\$ 141,949	\$ 149,800	\$ 152,835	\$ 156,657
Total Operating Expenses ⁽²⁾	126,940	134,608	136,841	141,710
EBIDA	15,009	15,192	15,994	14,947
Total Operating Margin (inc. JV's)	5.6%	5.6%	4.5%	3.7%
Total EBIDA Margin (inc. JV's)	10.6%	10.1%	10.5%	9.5%
Capital Expenditures	7,782	14,623	24,159	16,334

⁽¹⁾ Includes JV income (Surgery Center and Radiology JV)

⁽²⁾ Excluding interest and depreciation

Source: CMC Management

Table 2 below provides the corresponding utilization statistics for fiscal years ended June 30, 2010 through 2013. CMC’s decreasing inpatient revenue and admissions are offset by an increase in outpatient revenue and visits.

Table 2 Utilization Statistics

	Fiscal Year Ended June 30,			
	2010	2011	2012	2013
Inpatient and Observation Admissions	5,471	5,463	5,061	5,175
Case Mix Index	1.32	1.35	1.39	1.40
Patient Days	23,296	23,805	21,307	23,153
Average Length of Stay	4.26	4.36	4.21	4.47
Average Daily Census	64	65	58	63
Available Staffed Beds	137	137	137	137
Percent Occupancy	47.0%	47.6%	42.5%	46.3%
Inpatient Surgery	2,233	2,276	2,029	1,748
Outpatient Surgery	1,943	1,880	2,163	2,136

Source: CMC Management

Market Overview and Payor Mix

CMC’s primary service area has a population of over 180,000 and includes Missoula County, Lake County to the north and Ravalli County to the south. The System’s secondary service area includes Sanders County, Mineral County, Deer Lodge County, Powell

County and Granite County. The median and average annual household income in 2012 in CMC’s primary service area was similar to the state average. The demographics are expected to improve by 2017 with the number of low income households decreasing meaningfully over the next four years.

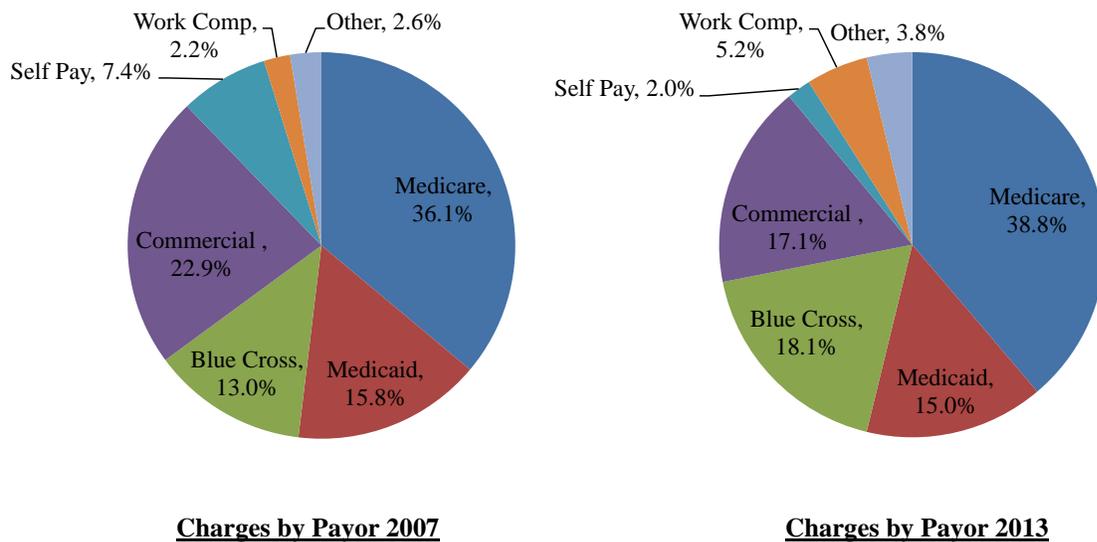
Table 3 Demographics

Income	Households by Income							
	2012				2017			
	Primary Service Area		Montana		Primary Service Area		Montana	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<\$15,000	11,887	15.8%	60,221	14.5%	11,946	15.1%	60,532	13.8%
\$15,000 - \$24,999	10,212	13.6%	58,721	14.1%	7,711	9.8%	46,830	10.7%
\$25,000 - \$34,999	9,099	12.1%	51,328	12.3%	7,694	9.8%	46,391	10.6%
\$35,000 - \$49,999	11,957	15.9%	68,275	16.4%	12,363	15.7%	66,510	15.2%
\$50,000 - \$74,999	13,651	18.2%	79,106	19.0%	17,401	22.1%	100,203	22.8%
\$75,000 - \$99,999	7,883	10.5%	45,475	10.9%	9,789	12.4%	56,979	13.0%
\$100,000 - \$149,999	7,208	9.6%	36,362	8.7%	8,255	10.5%	41,927	9.6%
\$150,000 - \$199,999	1,607	2.1%	8,947	2.2%	2,011	2.6%	11,284	2.6%
\$200,000+	1,580	2.1%	7,251	1.7%	1,688	2.1%	7,923	1.8%
Median Household Inco	\$41,697		\$41,978		\$49,531		\$49,703	
Average Household Inc	\$56,091		\$55,295		\$61,806		\$60,711	
Per Capita Income	\$23,967		\$23,423		\$26,622		\$25,898	

Source: BEA, August 2013

CMC’s payor mix has seen a slight increase in Medicare and a 5% shift from commercial to Blue Cross over the past six years.

Figure 4 Payor Mix



Source: CMC Management

Physicians

Community enjoys a strong working relationship with its employed and independent physicians. The medical staff is comprised of 349 practitioners in over 50 different specialties. Community Physician Group (a wholly owned group of CMC) (“CPG”) currently employs providers (2/3 physicians and 1/3 nurse practitioners) in 14 locations spread across its primary service area. In the past 12 months, CPG successfully recruited 11 practitioners (growing to 55) by adding seven physicians and four nurse practitioners. Letters of Intent have been offered and are currently under consideration by an additional four physicians and two nurse practitioners. CPG has a goal of growing by 24 providers over the next 12 months.

Table 5 Physician Complement

Specialties	Physician Count	% of Total	Specialties	Physician Count	% of Total
Family Practice	38	10.9%	Urology	8	2.3%
Anesthesiology	31	8.9%	Gastroenterology	7	2.0%
Orthopedic Surgery	22	6.3%	Teleradiology	7	2.0%
Radiology	16	4.6%	Hematology/Oncology	6	1.7%
Internal Medicine	16	4.6%	Podiatry	6	1.7%
Pediatrics	13	3.7%	Psychology	5	1.4%
Emergency Medicine	13	3.7%	Pediatric Dentistry	5	1.4%
Nurse Practitioner	12	3.4%	Otolaryngology	5	1.4%
Obstetrics/Gynecology	11	3.2%	Neurology	5	1.4%
Pathology	11	3.2%	Oral Surgery	5	1.4%
Physician Assistant	10	2.9%	Pulmonology	4	1.1%
Pediatric Surgery	9	2.6%	Neonatology	4	1.1%
General Surgery	9	2.6%	Cardiology	4	1.1%
Ophthalmology	8	2.3%	Other	59	16.9%
			Total	349	100.0%

Source: CMC Management. Note: Table includes physician assistants

Facilities

CMC has invested approximately \$26 million in its facility over the past three years renovating most of the hospital campus, expanding its oncology services and building a state-of-the-art Women’s and Newborn Center. The NICU now offers 26 bassinets including 10 in private rooms equipped with sleeper sofas for parents. In total, CMC has 151 licensed / 135 staffed beds all of which are in private rooms.

Table 6 Bed Count

Service Line	Beds
Medical/Surgical	32
Obstetric/Mother and Baby	30
Orthopedics	22
Pediatric	12
Emergency Department	12
Rehabilitation	10
Intensive Care Unit	8
Pediatric Intensive Care Unit	5
Other	4
Total	135

Source: CMC Management.

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