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Catholic Health Initiatives Shows Positive Second-Quarter Financial Results

Increased patient volumes, operational improvements lead to improved financial results

ENGLEWOOD, Colo. – March 31, 2015 – Catholic Health Initiatives, one of the nation’s largest nonprofit health systems, showed improved second-quarter financial results as the organization continues a comprehensive program of operational improvement, revenue enhancements and strategic expansion in key markets.

CHI’s earnings before interest, depreciation and amortization -- excluding business combination gains and before restructuring -- were \$290.5 million for the second quarter, a 7.5% operating EBIDA margin. Comparable numbers for the first quarter were \$132.1 million and 3.7% for operating EBIDA, a measure of financial performance and operating cash flow. Operating revenue for the second quarter was \$4.3 billion, compared to \$3.5 billion in the first quarter – a nearly 20% increase.

“We think these improved numbers reinforce our long-term strategies to make the kinds of investments necessary to position CHI for the change in delivery and payment models that have come as a result of the Affordable Care Act,” said Dean Swindle, CHI’s president for enterprise business lines and chief financial officer. “The financial improvement in the second quarter is a big step in the right direction, but we still have a lot of work ahead to ensure that the positive financial results are sustainable well into the future.”

CHI’s operating income before restructuring -- including gains from business acquisitions of \$406 million related to two health systems now part of CHI -- was \$419.9 million in the second quarter ending Dec. 31, 2014. In the first quarter of the 2015 fiscal year, CHI posted an operating loss of \$124.6 million, before restructuring.

A significant portion of second-quarter results was related to the acquisition of the two health systems -- Sylvania Franciscan Health, Toledo, Ohio; and St. Alexius, Bismarck, N.D. Both acquisitions represent significant growth in regional markets and are an integral part of CHI’s strategy to create strong, clinically integrated networks across its national enterprise.

The strategic focus on growth in these and other key markets has resulted in a doubling of CHI's annual revenues in the last five years to more than \$15 billion.

In North Dakota, St. Alexius operates a 306-bed, full-service medical center that will serve as a tertiary hub for CHI's network of 14 critical-access hospitals serving patients and communities across that state and neighboring Minnesota. In Texas, St. Joseph Health System in the Brazos Valley, which is part of Sylvania, adds to CHI's growing regional network that includes Houston and east Texas and now generates more than \$2 billion in annual revenue. The addition of Sylvania not only builds statewide scale but also serves as the basis for the development and centralized management of post-acute care and senior-living sectors in Texas and across the CHI enterprise.

The positive second-quarter numbers reflect continued progress toward operational improvement after a challenging first quarter, which was marked by lower patient volumes and shifts in utilization patterns.

A system-wide initiative focused on clinical and operational improvements contributed to the second quarter turnaround along with a number of other internal cost-saving programs to reduce expenses in areas such as travel, consulting contracts and administrative services.

Overall, operations and patient volumes improved in the second quarter in most markets across the country – particularly in Texas and the Pacific Northwest, where CHI operates health care facilities in Washington and Oregon.

Read the full report [here](#).

ABOUT CATHOLIC HEALTH INITIATIVES: Catholic Health Initiatives, a nonprofit, faith-based health system formed in 1996 through the consolidation of four Catholic health systems, expresses its mission each day by creating and nurturing healthy communities in the hundreds of sites across the nation where it provides care. One of the nation's largest health systems, Englewood, Colorado-based CHI operates in 19 states and comprises 105 hospitals, including four academic health centers and major teaching hospitals and 30 critical-access facilities; community health-services organizations; accredited nursing colleges; home-health agencies; and other facilities that span the inpatient and outpatient continuum of care. In fiscal year 2014, CHI provided \$910 million in charity care and community benefit -- a nearly 20% increase over the previous year -- for programs and services for the poor, free clinics, education and research. Charity care and community benefit totaled more than \$1.7 billion with the inclusion of the unpaid costs of Medicare. The health system, which generated revenues of almost \$13.9 billion in fiscal year 2014, has total assets of \$21.8 billion.