

IOWA HEALTH SYSTEM
COMMENTARY
December 31, 2007

For the year ended December 31, 2007, IHS recorded operating income of \$63.6 million (3.4%). These results trailed prior year results by \$5.5 million.

Total revenue for 2007 increased from 2006 by 4.9%. 2007 admissions were nearly unchanged from the prior year. Fourth quarter admissions decreased by 1.2% compared to the prior year. Outpatient activity has increased slightly in 2007. In 2006, Trinity Quad Cities recorded approximately \$11 million of additional payment from Illinois Medicaid. In 2007, these additional payments approximated \$7.5 million. These payments cease in 2008, when management expects to receive the final additional payment of \$3.7 million.

In 2007, Waterloo and Sioux City recorded operating margins above 4.0%. Dubuque and Des Moines recorded strong operating margins in the 3% range. Quad Cities, Cedar Rapids and Fort Dodge finished 2007 significantly underperforming prior year results.

The operating income for the fourth quarter was \$19.6 million (4.0%). Fourth quarter results were below prior year by \$8.3 million. The recognition of the \$11 million of Illinois Medicaid payment significantly boosted prior year fourth quarter results.

RGD for the fourth quarter was \$33.2 million which trailed prior year by \$6.3 million. For 2007, RGD was \$114.7 million, significantly above prior year results.

**IOWA HEALTH SYSTEM AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS ***

As of
(\$ in millions)

	<u>December 31 2007</u>	<u>December 31 2006</u>
<u>Assets</u>		
Current Assets		
Cash	\$ 113.5	\$ 55.5
Short term investments	72.6	82.8
Net accounts receivable	247.9	228.8
Other assets	<u>93.0</u>	<u>104.0</u>
	527.0	471.1
Assets Limited as to use		
Held by Trustee	8.0	53.7
Internally Designated	<u>717.3</u>	<u>640.1</u>
	725.3	693.8
Property Plant and Equipment	778.1	730.0
Long Term Investments	150.7	159.1
Other Assets	<u>148.2</u>	<u>132.1</u>
	298.9	291.2
 Total Assets	 <u>\$ 2,329.3</u>	 <u>\$ 2,186.1</u>
 <u>Liabilities and Net Assets</u>		
Current Liabilities	294.5	269.8
Long Term Debt	491.5	502.8
Other Liabilities	127.5	118.5
Net Assets	<u>1,415.8</u>	<u>1,295.0</u>
 Total Liabilities	 <u>\$ 2,329.3</u>	 <u>\$ 2,186.1</u>

* Internally prepared, unaudited financial information

IOWA HEALTH SYSTEM AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
Twelve Months ended December 31, *
(\$ in millions)

	<u>2007</u>	<u>2006</u>
Total Revenue	\$ 1,874.9	\$ 1,791.3
Operating Expenses:		
Salaries & benefits	1,020.1	968.5
Supplies & other	625.3	592.7
Depreciation & amortization	106.3	100.8
Interest	12.0	17.8
Provision for uncollectibles	48.1	42.4
Total Operating Expenses	<u>1,811.8</u>	<u>1,722.2</u>
Operating Income	63.1	69.1
Non Operating Gains (Includes Realized Investment Income)	<u>51.1</u>	<u>38.1</u>
Reserve for Growth & Development	\$ <u>114.2</u>	<u>107.2</u>

* Internally prepared, unaudited financial information

IOWA HEALTH SYSTEM AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
Three Months ended December 31, *
(\$ in millions)

	<u>2007</u>	<u>2006</u>
Total Revenue	\$ 488.0	\$ 479.6
Operating Expenses:		
Salaries & benefits	259.0	244.0
Supplies & other	168.0	162.8
Depreciation & amortization	27.8	27.5
Interest	2.6	4.9
Provision for uncollectibles	11.0	12.5
Total Operating Expenses	<u>468.4</u>	<u>451.7</u>
Operating Income	19.6	27.9
Non Operating Gains (Includes Realized Investment Income)	<u>13.6</u>	<u>11.6</u>
Reserve for Growth & Development	<u>\$ 33.2</u>	<u>39.5</u>

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	<u>Year to Date 2007</u>	<u>Year to Date 2006</u>
Available Beds	1,954	1,954
Admissions		
Adult & Pediatrics	100,126	100,757
Births	12,819	13,013
Subacute	3,045	3,308
Patient Days		
Adult & Pediatrics	453,690	459,220
Births	29,863	29,571
Subacute	30,477	30,818
Occupancy Adult & Pediatrics	63.6%	64.4%
Length of Stay	4.53	4.56
Surgeries		
Inpatient	27,526	27,530
Outpatient	53,448	56,100
Outpatient Admissions Equivalent	88,807	88,319
Full Time Equivalent Hospital Employees	11,821	11788
Payor Mix		
Medicare	45%	45%
Medicaid	10%	10%
Blue Cross	18%	17%
Commercial	20%	22%
Self Pay \ Other	7%	6%
Total	100%	100%

	<u>4th Qtr 2007</u>	<u>4th Qtr 2006</u>
Available Beds	1,954	1,954
Admissions		
Adult & Pediatrics	24,472	24,975
Births	3,115	3,159
Subacute	547	859
Patient Days		
Adult & Pediatrics	114,616	112,813
Births	7,052	7,066
Subacute	7,595	7,896
Occupancy Adult & Pediatrics	63.8%	62.8%
Length of Stay	4.68	4.52
Surgeries		
Inpatient	6,941	6,875
Outpatient	13,455	14,433
Outpatient Admissions Equivalent	21,815	21,795
Full Time Equivalent Hospital Employees	11,859	11,732
Payor Mix		
Medicare	46%	45%
Medicaid	10%	10%
Blue Cross	18%	17%
Commercial	20%	22%
Self Pay \ Other	6%	6%
Total	100%	100%