

IOWA HEALTH
COMMENTARY
December 31, 2008

For the quarter ended December 31, 2008, IHS recorded operating income of \$9.7 million or 1.9%. These results were \$9.4 million lower than prior year results. The 2007 4th quarter operating margin was 4.0%.

For the quarter ending December 31, 2008, non-operating income was negative \$126.7 million which is \$140.3 million below year ago levels, due to investment losses.

For the twelve months ending December 31, 2008, IHS operating income stood at \$48.7 million or 2.4%. These results trail prior year amounts of \$63.1 million and 3.4%.

For the twelve months ending December 31, 2008, IHS recorded Reserve for Growth and Development of negative \$41.6 million compared to prior year results of positive \$114.2 million. This decline is primarily due to heavy investment losses.

For the twelve months ending December 31, 2008, Allen and Trinity Quad Cities finished significantly ahead of prior year results. IHS & Other is significantly behind prior year results due to interest expense being \$11.5 million higher than year ago levels.

IOWA HEALTH SYSTEM AND SUBSIDIARIES
UNAUDITED STATEMENTS
CONSOLIDATED BALANCE SHEETS
As of
(\$ in millions)

	<u>December 31</u> <u>2008</u>	<u>December 31</u> <u>2007</u>
<u>Assets</u>		
Current Assets		
Cash	\$ 171.0	\$ 113.5
Short term investments	47.0	72.6
Net accounts receivable	257.8	247.9
Other assets	<u>106.3</u>	<u>93.0</u>
	582.1	527.0
Assets Limited as to use		
Held by Trustee	35.2	8.0
Internally Designated	<u>514.4</u>	<u>717.3</u>
	549.6	725.3
Property Plant and Equipment	895.2	778.1
Long Term Investments	94.8	150.7
Other Assets	<u>123.9</u>	<u>148.2</u>
	218.7	298.9
Total Assets	<u>\$ 2,245.6</u>	<u>\$ 2,329.3</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities	335.7	294.5
Long Term Debt	588.1	491.5
Other Liabilities	255.1	127.6
Net Assets	<u>1,066.7</u>	<u>1,415.7</u>
Total Liabilities	<u>\$ 2,245.6</u>	<u>\$ 2,329.3</u>

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

	<u>2008</u>	<u>2007</u>
Total Revenue	\$ <u>1,996.2</u>	\$ <u>1,872.6</u>
Operating Expenses:		
Salaries & benefits	1,089.9	1,020.2
Supplies & other	660.3	622.9
Depreciation & amortization	109.2	106.3
Interest	23.5	12.0
Provision for uncollectibles	<u>64.6</u>	<u>48.1</u>
Total Operating Expenses	<u>1,947.5</u>	<u>1,809.5</u>
Operating Income	48.7	63.1
Non Operating Gains (Includes Realized Investment Income)	<u>(90.3)</u>	<u>51.1</u>
Reserve for Growth & Development	\$ <u>(41.6)</u>	<u>114.2</u>
Loss on Bond Transactions	<u>(3.9)</u>	<u>0.0</u>
Excess Revenue Over Expenses	\$ <u>(45.5)</u>	<u>114.2</u>

CONSOLIDATED STATEMENT OF OPERATIONS
Three Months ended December 31,
(\$ in millions)

	<u>2008</u>	<u>2007</u>
Total Revenue	\$ <u>503.9</u>	\$ <u>481.9</u>
Operating Expenses:		
Salaries & benefits	278.0	259.1
Supplies & other	156.9	165.6
Depreciation & amortization	29.5	27.8
Interest	5.0	(0.7)
Provision for uncollectibles	<u>24.8</u>	<u>11.0</u>
Total Operating Expenses	<u>494.2</u>	<u>462.8</u>
Operating Income	9.7	19.1
Non Operating Gains	<u>(126.7)</u>	<u>13.6</u>
(Includes Realized Investment Income)		
Reserve for Growth & Development	\$ <u>(117.0)</u>	<u>32.7</u>
Loss on Bond Transactions	<u>(0.2)</u>	<u>0.0</u>
Excess Revenue Over Expenses	\$ <u>(117.2)</u>	<u>32.7</u>

	<u>Year to Date 2008</u>	<u>Year to Date 2007</u>
Available Beds	1,920	1,920
Admissions		
Adult & Pediatrics	98,807	100,126
Births	11,838	12,819
Subacute	2,873	3,045
Patient Days		
Adult & Pediatrics	449,984	453,690
Births	29,860	29,863
Subacute	27,937	30,477
Occupancy Adult & Pediatrics	64.2%	63.6%
Length of Stay	4.55	4.53
Surgeries		
Inpatient	28,619	27,526
Outpatient	46,093	53,448
Outpatient Admissions Equivalent	84,847	88,807
Full Time Equivalent Hospital Employees	12,017	11,821
Payor Mix		
Medicare	46%	45%
Medicaid	10%	10%
Blue Cross	19%	18%
Commercial	22%	23%
Self Pay \ Other	3%	4%
Total	100%	100%

	<u>4th Qtr 2008</u>	<u>4th Qtr 2007</u>
Available Beds	1,920	1,920
Admissions		
Adult & Pediatrics	23,724	24,472
Births	2,154	3,115
Subacute	896	547
Patient Days		
Adult & Pediatrics	108,258	114,616
Births	7,225	7,052
Subacute	6,231	7,595
Occupancy Adult & Pediatrics	62.4%	62.5%
Length of Stay	4.55	4.51
Surgeries		
Inpatient	6,631	6,941
Outpatient	8,055	13,455
Outpatient Admissions Equivalent	18,416	21,815
Full Time Equivalent Hospital Employees	12,017	11,828
Payor Mix		
Medicare	46%	45%
Medicaid	10%	10%
Blue Cross	19%	18%
Commercial	21%	22%
Self Pay \ Other	4%	5%
Total	100%	100%