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Catholic Health Initiatives Shows Substantial Gains in First Quarter of FY18, Doubling EBIDA as Performance-Improvement Plan Delivers Significant Cost Reductions

National Health System Announces Results for Three-Month Period Ending Sept. 30, 2017

ENGLEWOOD, Colo. – Nov. 8, 2017 -- Catholic Health Initiatives reported net excess of revenue over expenses of \$136 million in the first quarter of the 2018 fiscal year – a 3.5 percent excess margin that represents more than a three-fold increase over the same period in the previous fiscal year.

The faith-based nonprofit health system also nearly doubled earnings before interest, depreciation and amortization over the year-ago quarter, posting almost \$237 million in operating EBIDA before restructuring in the first three months of the current fiscal year. The 6.4% EBIDA margin, on target for the enterprise-wide budget, eclipsed a 3.7% EBIDA margin in the first quarter of FY17. The first-quarter improvement over the previous year totaled more than \$100 million.

As it continues its comprehensive performance-improvement plan across 100 hospitals and hundreds of other health care facilities and physician practices in 17 states, the Englewood, Colo.-based organization also cut its operating losses in half as it delivered significant savings in two key areas – supplies and labor. CHI’s operating loss before restructuring for the quarter was approximately \$64 million, or (1.7 percent), compared to more than \$137 million and (3.8 percent) in the same period last year.

“We did not expect an organizational turnaround to be quick or easy – but we have made substantial progress in recent months and expect that trend to accelerate throughout this fiscal year,” said Dean Swindle, CHI’s president for enterprise business lines and chief financial officer. “We’ve taken all the necessary steps in our transformation to a higher-performing

organization – and we certainly expect the numbers to reinforce that as we move through the 2018 fiscal year.”

CHI also made significant reductions in costs pertaining to restructuring, impairment and other losses, slicing that total to about \$14.2 million in the quarter compared to nearly \$43.4 million from the corresponding period in 2017. Much of that reduction was due to the completion of key performance-improvement initiatives, including revenue-cycle operations, supply chain functions, labor and information-technology services.

The positive trends for the current quarter came despite the impact of Hurricane Harvey on CHI’s Texas Division, which was forced to briefly close two facilities as a result of the storm in late August. The division, with 17 hospitals in southeast Texas, suffered a volume shortfall that negatively impacted revenue by \$16.4 million while absorbing approximately \$9.4 million in incremental costs, including labor. Property damage across the division was relatively minor, and CHI is currently evaluating insurance recoveries related to the impact of the storm.

For the first quarter, supplies as a percentage of net patient-services revenues (NPSR) fell by nearly a full percent. At the same time, labor costs as a percentage of NPSR dropped by about 3 percent as CHI restructured and reorganized some segments of its work force to better reflect changing patterns in how care is delivered at the bedside.

“At CHI and across the health care industry, our two largest costs are labor and supply,” Swindle said. “We have made a strategic effort to find better, more efficient ways to provide the very best care possible at the bedside.”

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 we provide care. One of the nation’s largest nonprofit health systems, Englewood, Colo.-based CHI operates in 17 states and comprises 100 hospitals, including three academic health centers and major teaching hospitals as well as 30 critical-access facilities; community health-services organizations; accredited nursing colleges; home-health agencies; living communities; and other facilities and services that span the inpatient and outpatient continuum of care. In fiscal year 2017, CHI provided more than \$1.2 billion in financial assistance and community benefit for programs and services for the poor, free clinics, education and research. Financial assistance and community benefit totaled approximately \$2.1 billion with the inclusion of the unpaid costs of Medicare. The health system, which generated operating revenues of \$15.5 billion in fiscal year 2017, has total assets of approximately \$22 billion. Learn more at www.catholichealthinitiatives.org.

