**Exhibit 7. Certification of Independent CPA**

Southcoast Health System, Inc.

Analysis of the Reasonableness of Assumptions and Prospective Financial Schedules Used to Support the Financial Feasibility and Sustainability of the Proposed Transfer of Ownership of Same Day SurgiCare of New England, Inc.

**REPORT DATED APRIL 25, 2024**



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April, 25 2024

Wade Broughman

Executive Vice President and Chief Financial Officer

Southcoast Health System, Inc.

101 Page Street

New Bedford, MA 02740

Dear Mr. Broughman:

Southcoast Health System Inc. (the “Applicant” or “SHS”) is filing an application for a Notice of Determination of Need (“Application”) for a proposed transfer of ownership of Same Day SurgiCare of New England, Inc. (“SDS” or the “ASC”). SHS is currently a 49 percent owner in the ASC. Pursuant to the proposed transaction, SHS will acquire the remaining 51 percent ownership interest in the ASC currently owned by individual physicians (the “Proposed Project”), and become the 100 percent owner of the ASC upon approval by the Massachusetts Department of Public Health. Veralon Partners Inc. (“Veralon”) performed an analysis of the prospective financial schedules prepared by SHS and the ASC in connection with the Proposed Project in accordance with Massachusetts Department of Public Health Determination of Need (“MA DPH DoN”) Application Instructions. At this time, SHS intends to file a Determination of Need (“DoN”) application with the Commonwealth of Massachusetts seeking approval for the Proposed Project.

This application includes a section regarding Financial Feasibility as referenced in the MA DPH DoN code section 100.210 specifically paragraph (A)(4) *Determination of Need Factors*. This Financial Feasibility component of the application provides “sufficient documentation of the availability of sufficient funds for capital and ongoing operating costs necessary to support the Proposed Project without negative impacts or consequences to the Applicant’s Patient Panel.” This report details our findings regarding the reasonableness of the assumptions used in preparation of the prospective financial schedules, and the feasibility of the Proposed Project based on the prospective financial schedules prepared by SHS management and ASC management (“SHS Management”, “ASC Management”, and together “Management”) for the operation of the Proposed Project.

This report is to be used by Southcoast in its DoN Application – Factor 4(a) and should not be distributed for any other purpose.

**I. EXECUTIVE SUMMARY**

ASC Management provided SHS Management with seven years (2024-2030, or the “Prospective Period”) of prospective financial schedules (the “ASC Prospective Financial Schedules”) for the ASC operation under the assumption of a 100% ownership of the ASC by SHS. SHS Management reviewed the ASC Prospective Financial Schedules and incorporated them into a set of seven-year consolidated prospective financial schedules (the “SHS Prospective Financial Schedules”). The SHS Prospective Financial Schedules





reflect prospective SHS financial performance and position assuming a 100% ownership of the ASC.

The scope of our analysis was limited to the following:

* An analysis of the SHS Prospective Financial Schedules and the underlying assumptions used in their development; and
* Select financial ratio analysis of the SHS Prospective Financial Schedules.

The SHS Prospective Financial Schedules reflect positive and growing earnings before interest, depreciation, and amortization (“EBIDA”) margins throughout the Prospective Period, days cash on hand greater than 150 in all years, and a debt to capitalization ratio at 22% or below in all years. Based on our analysis of the SHS Prospective Financial Schedules, we determined that the Proposed Project is reasonable, feasible and sustainable, and not likely to have a negative impact on the patient panel or result in a liquidation of assets of the Applicant.

The COVID-19 Pandemic has disrupted the operating environment for nearly all businesses, and in particular, those operating in the healthcare industry. The below considerations, among others, have acutely impacted healthcare providers:

* A likely permanent elevation of salary and wage expense for clinical and administrative staff, compounded by labor shortages;
* The availability of staff to meet the demands of budgeted/planned patient volumes; and
* Supply chain difficulties, contributing to difficulty in obtaining certain supplies, as well as elevated supply expenditures.

SHS Management has represented that in the development of the Applicant’s Prospective Financial Schedules and associated underlying assumptions, they have taken into consideration the above factors and have considered the current and likely ongoing/future impact of the COVID-19 Pandemic.

**II. RELEVANT BACKGROUND INFORMATION**

SHS is the parent of an integrated health delivery system serving patients throughout the South Coast communities through three hospitals, urgent care facilities, physician offices, a visiting nurse association, and accountable care organizations participating in the Medicare Shared Savings Program and MassHealth Medicaid ACO program.

The ASC is an outpatient surgery center located in Fall River, Massachusetts. SHS currently has a 49 percent ownership interest in the ASC, and intends to purchase the remaining 51 percent of the ASC from the physician owners,[[1]](#footnote-1) which would make Southcoast the sole owner.

**III. SCOPE OF ANALYSIS**

The scope of this report is limited to an analysis of the SHS Prospective Financial Schedules prepared by SHS Management and the supporting documentation to render an opinion as to the reasonableness of the assumptions used in the preparation and the feasibility of the SHS Prospective Financial Schedules. Reasonableness is defined within the context of this report as supportable and proper, given the underlying information. Feasibility is defined as based on the assumptions used, and that the plan is not likely to result in a liquidation of the underlying assets or the need for reorganization.

This report is based upon historical and prospective financial information provided to us by SHS and ASC Management. If we had reviewed the underlying data, matters may have come to our attention that would have resulted in the use of amounts that differ from those provided by SHS or ASC Management. Accordingly, we do not express an opinion or any other assurances on the underlying data presented or relied upon in this report. We do not provide assurance on the achievability of the results forecasted by SHS or ASC Management because events and circumstances frequently do not occur as expected, and the achievement of the forecasted results are dependent on the actions, plans, and assumptions of SHS and ASC Management. We reserve the right to update our analysis in the event that we are provided with additional information.

**IV. SOURCES OF INFORMATION UTILIZED**

In formulating our report, we reviewed the SHS Prospective Financial Schedules and discussed corresponding assumptions with Management. The documents and information upon which we relied are identified below or are otherwise referenced in this report:

1. SHS seven-year Prospective Financial Schedules, prepared as of April 10, 2024 and associated revenue and expenditure assumptions;
2. SHS historical audited financial statements;
3. ASC seven-year Prospective Financial Schedules, prepared as of April 10, 2024 and associated revenue and expenditure assumptions;
4. An overview of the Proposed Project and associated business case rationale provided by SHS Management;
5. CPA Report Guidelines from the Determination of Need Program, dated March 2021; and
6. Correspondence with SHS and ASC Management.

**V. REVIEW OF THE SHS PROSPECTIVE FINANCIAL SCHEDULES**

This section of our report summarizes our review of the reasonableness of the assumptions utilized in preparing the SHS Prospective Financial Schedules as well as the feasibility of the Applicant. Table 1 presents the key metrics (the “Key Metrics”) reviewed in our analysis along with definitions.

Table 1

**Summary of Key Metric Calculation Definitions**

**Key Metric Calculation**

**Liquidity**

Current Ratio Current Assets/Current Liabilities

Days Cash on Hand Cash and Cash Equivalents + Unrestricted Investments / (Operating Expenses - Depreciation/365)

**Operating**

EBIDA Operating Income + Depreciation and Amortization + Interest

EBIDA Margin (Operating Income + Depreciation and Amortization + Interest) / Operating Revenue

**Leverage**

Debt to Capitalization Total Debt/ Total Debt + Total Net Assets

The Key Metrics used in this report fall into three categories: liquidity, operating, and leverage metrics. Liquidity ratios measure the quality and adequacy of assets to meet current obligations as they come due. Operating ratios are used to assist in the evaluation of management performance. Leverage ratios are used to evaluate a company’s debt levels. Table 2 shows the results of the Key Metric calculations based on both SHS’s historical audited financial information and the Prospective Financial Schedules.

Table 2



**SouthCoast Health System - Historical and Prospective Key Metrics1**

**Prospective**

|  |  |  |
| --- | --- | --- |
| **Key Metric** | **2021 2022 2023** | **2024 2025 2026 2027 2028 2029 2030** |
| **Liquidity** |   |   |   |   |   |   |   |   |   |   |
| Current Ratio | 1.09 | 1.40 | 1.47 | 1.22 | 1.09 | 1.04 | 1.07 | 1.19 | 1.38 | 1.63 |
| Days Cash on Hand | 267 | 161 | 173 | 172 | 159 | 155 | 157 | 158 | 164 | 172 |
| **Operating** |   |   |   |   |   |   |   |   |   |   |
| EBIDA | $ 32,907,000 | $ 16,995,000 | $ 78,895,000 | $ 36,904,212 | $ 48,442,749 | $ 65,766,483 | $ 87,443,498 | $ 103,067,697 | $ 120,635,226 | $ 140,120,000 |
| EBIDA Margin | 2.9% | 1.4% | 5.8% | 2.7% | 3.3% | 4.2% | 5.3% | 6.0% | 6.6% | 7.2% |
| **Leverage**Debt to Capitalization | 21% | 24% | 22% | 22% | 21% | 20% | 18% | 16% | 15% | 13% |

1Historical years (2021-2023) reflect SHS data only, prospective years (2024-2030) reflect SHS and SDS consolidated data.

1. **Revenues**

To determine the reasonableness of the prospective revenues, we reviewed the underlying assumptions upon which SHS Management relied. Prospective net patient service revenues were assumed to grow approximately 5% (based on 2.5% annual growth in both patient volume and reimbursement) annually. The 2.5% growth in patient volume through the Prospective Period is reasonable, as it would return the SHS to the pre-pandemic level of approximately 37,500 discharges annually[[2]](#footnote-2) by FY 2029. Prospective other operating revenues were assumed to grow approximately 10 percent annually. Per SHS management, this includes SHS’ retail, specialty, and contracted pharmacy activity which is the primary driver of the year-over-year growth. The growth rate is attributed to SHS’ continued focus on expansion of retail pharmacy operations and contracting.

The ASC’s total revenue is less than 1 percent of SHS revenue for each year of the Prospective Period.

It is our opinion that the revenue growth of the Applicant, including the ASC, estimated by Management reflects a reasonable estimate of future revenues of the Applicant.

1. **Expenses**

We analyzed the expense categories included in the SHS Prospective Financial Schedules for reasonableness. Our approach included a historical review of the total expenses for each expense category and expense growth assumptions in the Prospective Period for the Applicant, including the ASC. Below are the expense categories provided in the SHS Prospective Financial Schedules along with relevant findings.

The operating expenses in the analysis include salaries and benefits, supplies and drugs, contract physicians, services, insurance, other expenses, depreciation and amortization, and interest expense. Salaries and benefits account for approximately 63 to 68 percent of total operating expenses while supplies and drugs account for approximately 15 to 16 percent of total operating expenses throughout the Prospective Period.

Salaries were forecasted to increase 5 to 6 percent annually throughout the Prospective Period, based on a 3% annual inflationary increase, and additional

expenses to support the forecasted increase in patient volumes mentioned above. The ASC’s salary expenses is less than 1 percent of SHS’ salary expense in each year of the Prospective Period.

The ASC’s supply and drug expense is less than 1 percent of SHS’ supply and drug expense in each year of the Prospective Period.

Other expenditures (contract physicians, services, insurance, and other expenses) were forecasted to grow at approximately 3 percent annually.

Other operating expenses represent approximately 8 percent of total operating expenses for the Applicant throughout the Prospective Period. This includes the Hospital Health Safety Net Tax Assessment, software expenses/maintenance, utilities, and right of use assets, repairs/maintenance, patient linens and various other miscellaneous items.

The ASC’s total operating expenses are less than 1 percent of SHS operating expenses for each year of the Prospective Period.

Based upon the foregoing, it is our opinion that the operating expenses forecasted by SHS Management are based on reasonable assumptions and are feasible for the Applicant.

**III. Capital Expenditures and Cash Flows**

We reviewed the capital expenditures and future cash flows to determine whether sufficient funds would be available to sustain the operation of the Applicant. Capital expenditures for the ASC are less than 1% of SHS capital expenditures.

Accordingly, we determined that the prospective capital requirements and resulting impact on the cash flows are reasonable.

**VI. FEASIBILITY**

We analyzed the SHS Prospective Financial Schedules and the resulting Key Metrics and determined that the SHS Prospective Financial Schedules are based on reasonable assumptions. The SHS Prospective Financial Schedules do not account for any anticipated changes in accounting standards. These standards, which may have a material impact on individual future years, are not anticipated to have a material impact on the feasibility of the Proposed Project.

The Applicant exhibits cash surpluses from operations (defined as earnings before interest, depreciation, and amortization or “EBIDA”) in the SHS Prospective Financial Schedules in each of the seven prospective years which range from approximately $37 million in 2024 to approximately $140 million in 2030.

Based upon our review of the relevant documents, we determined the SHS Prospective Financial Schedules which exhibit a cumulative EBIDA surplus of approximately 5 percent of cumulative projected operating revenue for the six years from 2024 – 2030. Based upon our review, the Prospective Financial Schedules are based upon reasonable and feasible assumptions. Accordingly, we determined that the SHS Prospective Financial Schedules are a reasonable expectation and based on feasible and

sustainable financial projects which are not likely to have a negative impact on the patient panel or result in a liquidation of assets of the Applicant.

**VII. ASSUMPTIONS AND LIMITING CONDITIONS**

Veralon relied upon the SHS Prospective Financial Schedules provided by SHS Management as the basis for SHSs future financial performance and position shown in the report. The SHS Prospective Financial Schedules provided by SHS Management are assumed by Veralon to be SHS Management most accurate and complete forecast of SHSs future financial performance and position and Veralon assumes no responsibility and provides no assurance of the accuracy or completeness of the SHS Prospective Financial Schedules or the underlying data and assumptions used in these analyses.

Some of the associated assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the forecasted time period will vary from those described in our report, and the variations may be material.

Respectively submitted,



Daniel M. Grauman, MBA, CPA/ABV

Managing Director & CEO

Veralon Partners Inc.

Appendix: The Prospective Financial

Schedules

**SHS PROSPECTIVE FINANCIAL SCHEDULES[[3]](#footnote-3)**

**Schedule of Revenues and Expenses**

**SouthCoast Health System**

**Prospective Schedule of Revenues and Expenses
Fiscal Year Ending September 30**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|   | **2024 YTD Through March** | **2024** | **2025** | **2026** | **2027** | **2028** | **2029** | **2030** |
| *$s in 000s* |   |   |   |   |   |   |   |   |   |
| **Operating Revenue** |   |   |   |   |   |   |   |   |   |
| Net Patient Service Revenue | $ | 622,096 | $ 1,237,720 | $ 1,300,676 | $ 1,366,850 | $ 1,436,406 | $ 1,509,521 | $ 1,586,379 | $ 1,667,172 |
| Other Operating Revenue |   | 127,145 | 152,082 | 167,290 | 184,019 | 202,421 | 222,663 | 244,929 | 269,422 |
| Total Operating Revenue |   | 749,241 | $ 1,389,802 | $ 1,467,965 | $ 1,550,868 | $ 1,638,826 | $ 1,732,184 | $ 1,831,308 | $ 1,936,594 |
| **Operating Expense** |   |   |   |   |   |   |   |   |   |
| Payroll |   | 366,317 | $ 736,502 | $ 779,831 | $ 821,995 | $ 864,716 | $ 916,756 | $ 971,658 | $ 1,029,577 |
| Benefits |   | 77,246 | 162,950 | 173,460 | 183,708 | 193,708 | 205,431 | 217,799 | 230,847 |
| Supplies |   | 135,629 | 241,538 | 247,785 | 254,203 | 260,797 | 267,572 | 274,333 | 281,424 |
| Contract Physicians |   | 5,827 | 12,020 | 12,502 | 13,002 | 13,523 | 14,064 | 14,628 | 15,213 |
| Services |   | 39,042 | 65,998 | 67,980 | 70,022 | 72,126 | 74,293 | 76,525 | 78,824 |
| Insurance |   | 7,456 | 15,271 | 15,730 | 16,202 | 16,689 | 17,190 | 17,707 | 18,239 |
| Other Expenses |   | 56,728 | 118,618 | 122,234 | 125,968 | 129,824 | 133,809 | 138,023 | 142,350 |
| Depreciation and amortization |   | 29,436 | 59,107 | 59,122 | 59,140 | 59,163 | 59,183 | 59,205 | 59,233 |
| Interest |   | 3,650 | 6,913 | 6,910 | 6,907 | 6,904 | 6,901 | 6,900 | 6,900 |
| Operating Expense | $ | 721,331 | $ 1,418,917 | $ 1,485,555 | $ 1,551,149 | $ 1,617,450 | $ 1,695,201 | $ 1,776,778 | $ 1,862,607 |
| **Operating Income/Loss** | **$** | **27,910** | **$ (29,116)** | **$ (17,589)** | **$ (280)** | **$ 21,376** | **$ 36,983** | **$ 54,530** | **$ 73,987** |
| Source: SHS management. |   |   |   |   |   |   |   |

**Balance Sheet**

**SouthCoast Health System
Prospective Balance Sheet
Fiscal Year Ending September 30**

|   | **2024** | **2025** | **2026** | **2027** | **2028** | **2029** | **2030** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Assets** |   |   |   |   |   |   |   |
| Current assets |   |   |   |   |   |   |   |
| Cash and cash equivalents | $ 85,779 | $ 49,197 | $ 43,160 | $ 44,819 | $ 63,456 | $ 107,668 | $ 171,338 |
| ST Investments | 2,988 | 3,078 | 3,139 | 3,202 | 3,266 | 3,331 | 3,398 |
| Patient accounts receivable | 104,209 | 109,507 | 115,075 | 120,928 | 127,080 | 133,546 | 133,546 |
| Receivables for settlements and performance contracts | 19,977 | 19,977 | 19,977 | 19,977 | 19,977 | 19,977 | 19,977 |
| Other receivables | 19,333 | 19,333 | 19,333 | 19,333 | 19,333 | 19,333 | 19,333 |
| Pledge receivables | 450 | 400 | 350 | 300 | 250 | 200 | 200 |
| Inventories | 20,945 | 21,475 | 22,019 | 22,578 | 23,151 | 23,741 | 24,330 |
| Prepaid expenses and other assets | 17,737 | 17,914 | 18,094 | 18,276 | 18,458 | 18,644 | 18,830 |
| Current portion of limited-use and restricted assets | 5,749 | 5,749 | 5,749 | 5,672 | 5,659 | 5,645 | 5,630 |
| Total current assets | 277,167 | 246,630 | 246,897 | 255,085 | 280,631 | 332,085 | 396,582 |
| Investments | 553,558 | 570,165 | 587,270 | 622,882 | 641,569 | 660,816 | 673,396 |
| Limited-use and restricted assets | - | - | - | - | - | - | - |
| Insurance reserves | 21,062 | 21,272 | 21,485 | 21,700 | 21,917 | 22,136 | 22,357 |
| Deferred compensation | 24,580 | 25,072 | 25,573 | 26,084 | 26,606 | 27,138 | 27,681 |
| Under bond indenture agreement held by | - | - | - | - | - | - | - |
| trustee, net of current portion | - | - | - | - | - | - | - |
| With donor restrictions | 86,017 | 88,598 | 91,256 | 93,993 | 96,813 | 99,718 | 102,709 |
| Total limited-use and restricted assets | 131,659 | 134,942 | 138,314 | 141,778 | 145,336 | 148,992 | 152,747 |
| Property, plant and equipment, net | 353,409 | 354,445 | 355,470 | 356,482 | 357,484 | 358,473 | 359,475 |
| Noncurrent pledges and third-party receivables | 1,788 | 1,688 | 1,588 | 1,488 | 1,388 | 1,288 | 1,195 |
| Right-of-use assets - operating | 60,307 | 60,910 | 61,519 | 62,134 | 62,756 | 63,383 | 64,017 |
| Right-of-use assets - financing | - | - | - | - | - | - | - |
| Other assets | 59,495 | 60,666 | 61,860 | 63,078 | 64,321 | 65,588 | 66,880 |
| Total noncurrent assets | 1,160,216 | 1,182,815 | 1,206,021 | 1,247,843 | 1,272,854 | 1,298,540 | 1,317,710 |
| Total assets | $ 1,437,383 | $ 1,429,446 | $ 1,452,918 | $ 1,502,928 | $ 1,553,485 | $ 1,630,626 | $ 1,714,292 |
| **Liabilities and Net Assets** Current liabilities |   |   |   |   |   |   |   |
| Accounts payable | $ 62,216 | $ 64,081 | $ 66,009 | $ 67,993 | $ 70,038 | $ 72,144 | $ 74,270 |
| Current portion of long-term debt | 11,833 | 7,973 | 14,123 | 12,513 | 5,998 | 6,113 | 6,230 |
| Current portion of lease liability - operating | 9,374 | 9,655 | 9,945 | 10,243 | 10,551 | 10,867 | 11,193 |
| Current portion of lease liability - financing | - | - | - | - | - | - | - |
| Current portion of Medicare advance payments | - | - | - | - | - | - | - |
| Estimated third party settlements | 14,460 | 14,894 | 15,341 | 15,801 | 16,275 | 16,763 | 17,266 |
| Insurance reserves | 15,395 | 15,395 | 15,395 | 15,395 | 15,395 | 15,395 | 15,395 |
| Accrued expenses | 24,609 | 25,104 | 25,609 | 26,124 | 26,651 | 27,187 | 27,729 |
| Accrued compensation and payroll taxes | 58,853 | 59,032 | 59,211 | 59,390 | 59,570 | 59,751 | 59,929 |
| Accrued earned time and sick pay | 30,057 | 30,357 | 30,661 | 30,968 | 31,277 | 31,590 | 31,905 |
| Total current liabilities | 226,797 | 226,491 | 236,294 | 238,427 | 235,755 | 239,811 | 243,917 |
| Long-term debt | 225,080 | 213,443 | 205,175 | 190,818 | 183,002 | 176,800 | 170,807 |
| Non-current portion of lease liability - operating | 53,058 | 54,120 | 55,202 | 56,306 | 57,432 | 58,581 | 59,752 |
| Non-current portion of lease liability - financing | - | - | - | - | - | - | - |
| Long-term insurance reserves | 40,624 | 41,436 | 42,265 | 43,110 | 43,972 | 44,852 | 45,748 |
| Non-pension post retirement benefits | 4,439 | 4,439 | 4,439 | 4,439 | 4,439 | 4,439 | 4,439 |
| Other liabilities | 31,128 | 31,663 | 32,208 | 32,764 | 33,331 | 33,910 | 34,482 |
| Total liabilities | 581,126 | 571,591 | 575,582 | 565,864 | 557,932 | 558,392 | 559,145 |
| Net assets |   |   |   |   |   |   |   |
| Without donor restrictions | 768,694 | 767,711 | 784,533 | 841,524 | 897,194 | 970,971 | 1,050,895 |
| With donor restrictions | 87,563 | 90,144 | 92,802 | 95,539 | 98,359 | 101,264 | 104,253 |
| Total net assets | 856,257 | 857,855 | 877,335 | 937,063 | 995,553 | 1,072,234 | 1,155,148 |
| Total liabilities and net assets | $ 1,437,384 | $ 1,429,446 | $ 1,452,918 | $ 1,502,928 | $ 1,553,485 | $ 1,630,626 | $ 1,714,293 |
| Source: SHS management. |   |   |   |   |   |   |   |

**Schedule of Cash Flows**

**SouthCoast Health**

**Prospective Statement of Cash Flows
Fiscal Year Ending September 30**

|   | **2024** | **2025** | **2026** | **2027** | **2028** | **2029** | **2030** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Operating Income/(Loss) | (29.12) | (17.59) | (0.28) | 21.38 | 36.98 | 54.53 | 73.99 |
| Routine items: |   |   |   |   |   |   |   |
| Depreciation and amortization | 59.11 | 59.12 | 59.14 | 59.16 | 59.18 | 59.21 | 59.21 |
| Capital purchases | (60.14) | (60.16) | (60.17) | (60.18) | (60.19) | (60.20) | (60.20) |
| Debt payments | (11.62) | (7.97) | (14.12) | (12.51) | (6.00) | (6.11) | (6.11) |
| Patient accounts receivable and 3rd party settlements | (2.43) | 5.25 | 5.52 | 5.80 | 6.09 | 6.40 | 6.40 |
| Accrued compensation and payroll taxes | 0.18 | 0.18 | 0.18 | 0.18 | 0.18 | 0.18 | 0.18 |
| All other routine items | 25.04 | (15.32) | 3.76 | (12.11) | (17.55) | (9.73) | (9.73) |
| Subtotal - Routine items, net | 10.13 | (18.90) | (5.70) | (19.66) | (18.28) | (10.25) | (10.25) |
| Non-routine items: |   |   |   |   |   |   |   |
| Debt proceeds, net of refinancing and capx escrow | - | - | - | - | - | - | - |
| Use of bond escrow for capital expenditures | - | - | - | - | - | - | - |
| Transfer (to) from long-term investments | - | - | - | - | - | - | - |
| Subtotal - Non-routine items, net | - | - | - | - | - | - | - |
| Net change in unrestricted cash | (18.98) | (36.49) | (5.98) | 1.72 | 18.70 | 44.28 | 63.74 |
| Cash and short-term investments - beginning of year | 107.75 | 88.77 | 52.28 | 46.30 | 48.02 | 66.72 | 111.00 |
| Cash and short-term investments - end of year | 88.77 | 52.28 | 46.30 | 48.02 | 66.72 | 111.00 | 174.74 |
| Source: SHS management. |   |   |   |   |   |   |   |

**SDS PROSPECTIVE FINANCIAL SCHEDULES[[4]](#footnote-4)**

**SDS Schedule of Revenues and Expenses**

**Same Day SurgiCare of New England**

**Prospective Schedule of Revenues and Expenses
Fiscal Year Ending September 30**

|   | **2024 YTD Through March** | **2024** | **2025** | **2026** | **2027** | **2028** | **2029** | **2030** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| *$s in 000s***Operating Revenue** |   |   |   |   |   |   |   |   |   |
| Net Patient Service Revenue | $ | 2,925 | $ 5,711 | $ 6,296 | $ 6,942 | $ 7,653 | $ 8,438 | $ 9,303 | $ 10,257 |
| Other Operating Revenue |   | - | - | - | - | - | - | - | - |
| Total Operating Revenue |   | 2,925 | 5,711 | 6,296 | 6,942 | 7,653 | 8,438 | 9,303 | 10,257 |
| **Operating Expense** |   |   |   |   |   |   |   |   |   |
| Payroll |   | 1,150 | 2,300 | 2,392 | 2,488 | 2,587 | 2,691 | 2,798 | 2,910 |
| Benefits |   | 352 | 703 | 736 | 770 | 806 | 843 | 882 | 923 |
| Supplies |   | 866 | 1,732 | 1,985 | 2,257 | 2,553 | 2,872 | 3,015 | 3,323 |
| Contract Physicians |   | 25 | 50 | 53 | 55 | 58 | 61 | 64 | 67 |
| Services |   | 165 | 330 | 343 | 356 | 369 | 383 | 398 | 413 |
| Insurance |   | 30 | 60 | 62 | 65 | 67 | 70 | 73 | 76 |
| Other Expenses |   | 154 | 307 | 374 | 452 | 542 | 649 | 868 | 1,081 |
| Depreciation and amortization |   | 54 | 107 | 122 | 140 | 163 | 183 | 205 | 233 |
| Interest |   | 7 | 13 | 10 | 7 | 4 | 1 | - | - |
| Operating Expense |   | 2,803 | 5,602 | 6,075 | 6,590 | 7,150 | 7,752 | 8,304 | 9,026 |
| **Operating Income/Loss** | **$** | **122** | **$ 109** | **$ 221** | **$ 352** | **$ 503** | **$ 686** | **$ 999** | **$ 1,231** |
| Source: SHS management. |   |   |   |   |   |   |   |

1. The physician owners are 10-12 individual physicians who collectively own the 51% majority stake of the ASC. [↑](#footnote-ref-1)
2. Prior to the COVID-19 pandemic, SHS averaged 37,500 discharges annually for five years (2015-2019). [↑](#footnote-ref-2)
3. All SHS Prospective Financial Schedules are consolidated and include the ASC. [↑](#footnote-ref-3)
4. SDS Prospective Schedules of Revenues and Expenses is reflective of the ASC operation under full ownership of SHS. [↑](#footnote-ref-4)