FORVIS

Healthcare

AUDRAIN COUNTY // Healthcare Market Assessment and Needs Study

September 2023

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EXECUTIVE SUMMARY

FORVIS was engaged by the Audrain County Commission, the City of Mexico, and the Audrain County Health Department (Audrain) to conduct an independent study to determine the overall need for services in the community. This independent study is intended to provide a healthcare market assessment and needs analysis of the Audrain County market and is not designed to evaluate any previously conducted or existing analysis, study, or plans.

We understand that the population in the area does not have access to a general acute-care facility or emergency services in the community since the close of the community hospital. The team has not yet identified the most sustainable healthcare services for the community and wanted this study to inform the overall healthcare needs of the community for Audrain. The team sought advisory support to conduct a study that looks into Urgent Care, Emergency, and Acute Care service needs. This study and recommended services are based on community needs, financial viability, and key success factors for sustainable services. Below is an overview of the key findings/considerations, along with an initial set of high-level recommendations.

Key Findings / Considerations:

- Current determined service area population is 40,185, and the 2028 population is projected to be 40,210. With a flat population projection, we are able to forecast, with a high level of confidence, estimated needed services.
- Based on 2021 state data provided by DHSS we estimated Boone County (comprised of Missouri University and Boone Health Hospitals) sees roughly 67% of the inpatient visits and approximately 48% of the Emergency visits of patients from Audrain County.
- The travel time from Mexico, MO, to Boone Hospital in Columbia, MO is ~50 min. / 39 miles.
- Based on the community survey of (534 respondents) the following key statistics speak to the desire to have Emergency and Acute Care services in the community and operated by a known entity.
    - The perceived need for emergency services = 4.89 out of 5
    - The perceived need for inpatient beds = 4.43 out of 5
    - The likelihood of supporting a known hospital operator = 4.69
    - The likelihood of supporting an unknown hospital operator = 2.97
- Missouri University (MU) and Boone Hospital (BH) have made investments in Mexico, MO.
    - MU opened an Urgent Care with 7 days a week coverage and operates a primary care clinic in Mexico, MO.
    - BH operates an Internal Medicine practice, Family Medicine Clinic, and laboratory services in Mexico, MO.
- Initial provider needs assumptions and observations show gaps in primary care, internal medicine, urology, women's, and behavioral health.
- FORVIS estimates that if there was an emergency department in Mexico, MO, it would see ~12,450 visits a year.
- Based on the data analysis including estimated Population, Use Rate, Length of Stay, Days of Care, Occupancy Rates, Market Share Capture, and In-migration FORVIS estimates the Acute Care Bed Need to be 16-18 In-Patient Beds.
- FORVIS estimates a total project cost of $24.7M for renovating the existing hospital with critical access designation.
- FORVIS estimates a total project cost of $53M for a new critical access hospital.
- Findings support a Critical Access Hospital (CAH); however, if the operation of a CAH is unsuccessful, an offsite provider base Emergency Services Department model with an existing regional healthcare provider could be pursued.

Initial Recommendation:

Based on the data analysis and initial findings, FORVIS believes the study suggests a need for 8 Emergency Department Treatment Rooms and 16-18 Inpatient Beds.

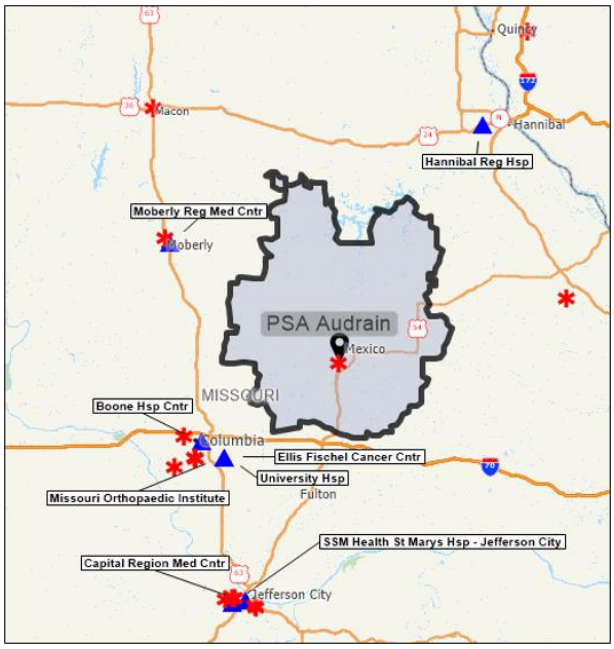
MARKET NEEDS STUDY

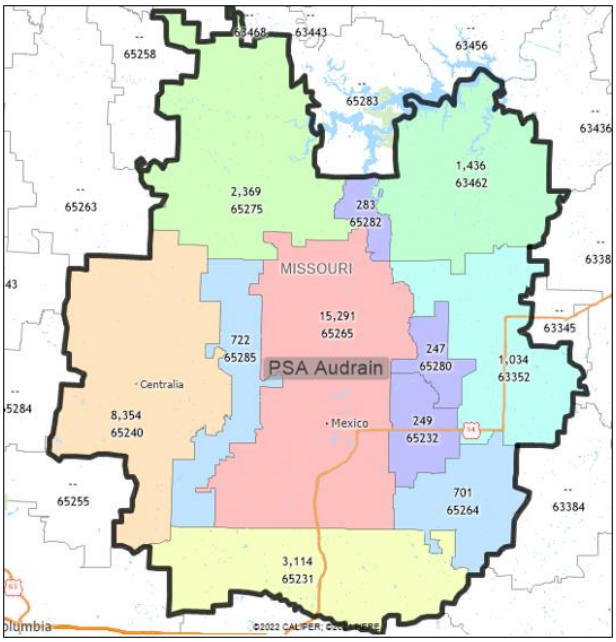
The below outlines the Discovery and Validation stages of the engagement and several of the outputs of the work completed to date. This document does not constitute a feasibility study for investment purposes.

Service Area

When analyzing a market's healthcare needs, we first determine and then evaluate the Primary Service Area (PSA), which consists of 14 zip codes, as shown in the two figures below.

Service area map and zip codes:





Deep Dive Market Analysis

FORVIS gained a deep understanding of the local and regional environment by leveraging key demographics, market share trends, physician need, and regulatory information to provide further insight to develop strategic priorities for the market service area.

- **Key Stakeholder Interviews and Community Survey** – FORVIS collected and documented the perceived current state challenges and potential future state opportunities by conducting nine onsite interviews and five virtual meetings with Mexico key stakeholders, medical providers, business owners, governmental and service agencies, nursing homes, MU Health, Boone Health and those groups interested in re-opening or building a new facility which totaled over 40 individuals. These interviews delivered candid feedback from stakeholders and provided FORVIS with deeper insight than analyzing data could provide that will ultimately impact the success of future service line planning in Audrain County. A community survey was also conducted, which garnered over 530 responses (see a sample of survey results in the appendix).

- **Demographics Assessment** – FORVIS created market definitions for targeted sites and provided tableau visualized demographic data to analyze and map trends such as age, population, household income, education, etc. This assessment showed that the service area's population overall is projected to remain relatively flat over the next five years, with growth expected in the 65+ group of ~9.8 % (21.2% of total population) and contraction in all other age groups of around -2.6 %. Median household income of $57,774 in the service area is projected to grow by 15.6% over the next five years, which is 4.4% higher than the state average but still lags the state and national averages by nearly $6,000 and $17,000, respectively. Reference tables below:

Demographic Summary Table

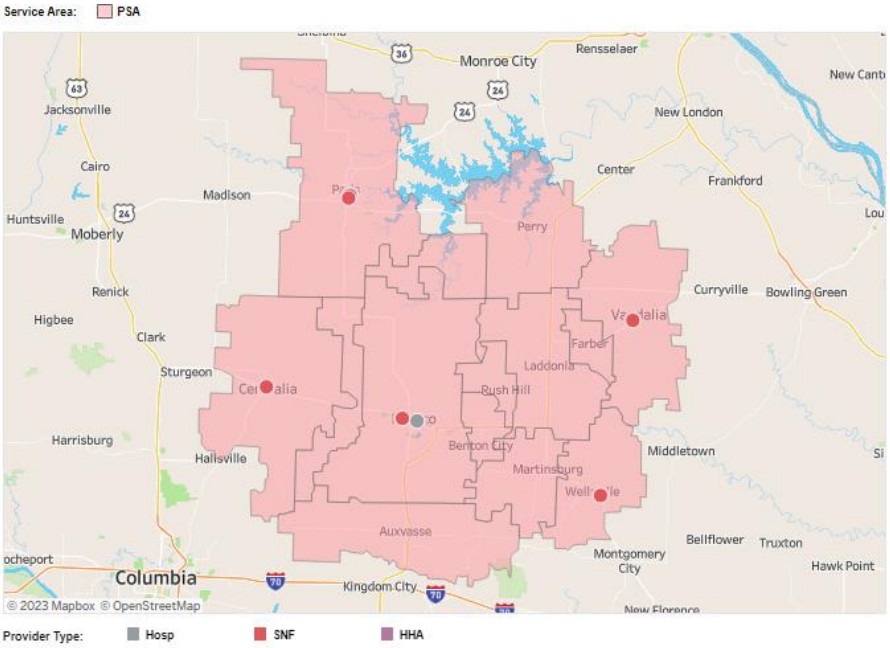
(Gender/Age Grp filters don't apply to Median Age, Median HHI & % Families < Poverty)

Service Area	Population CY	Population 5-Yr	5-Yr Net Growth	5-Yr % Net Growth	CAGR	Median Age CY	Med HH Inc. CY	% Families < Poverty CY
Grand Total	40,185	40,210	25	0.1%	0.0%	42	$57,774	10.5%
PSA	40,185	40,210	25	0.1%	0.0%	42	$57,774	10.5%
Missouri				1.1%	0.2%	40	$65,579	8.8%
USA				2.1%	0.4%	39	$73,503	8.8%

Median Household Income by Service Area

Service Area	Med HH Inc. CY	Med HH Inc. 5Yr	Med HH Inc. 5Yr Net Growth	Med HH Inc. 5Yr % Net Growth	% Families < Poverty CY
PSA	$57,774	$66,806	$9,033	15.6%	10.5%
Missouri	$65,579	$72,922	$7,343	11.2%	8.8%
USA	$73,503	$83,333	$9,830	13.4%	8.8%

- **Competitive Analysis –** FORVIS analyzed the healthcare access points across the service area to gain a better understanding of the current landscape. The map and table below provide a high-level overview of the current service providers in the market for Home Health (HHA), Skilled Nursing (SNF) and Hospitals. (See below)



Service Area	Type	Provider Name
PSA	Hosp	NOBLE HEALTH AUDRAIN COMMUNITY HOSPITAL-260064
	SNF	GAMMA ROAD LODGE-265398
		HERITAGE HALL NURSING CENTER-265385
		MONROE MANOR-265590
		PIN OAKS LIVING CENTER-265481
		TRI-COUNTY CARE CENTER-265638
	HHA	MONROE COUNTY HEALTH DEPT AND HOME HEALTH AG-267051

In addition to the providers in the service area, there were four other acute care hospitals outside the service area that we took into consideration. These include Missouri University (~39 Miles), Boone Health (~36 Miles), Hannibal Regional Hospital (~56 Miles), Pike County Hospital (~53 Miles) and Moberly Regional Medical Center (~39 miles).

- **Volume / Demand Projections and Analysis –** Using information from a variety of sources, FORVIS compiled data points to inform the current and future state picture of inpatient volumes for services within the market; outpatient volumes are unavailable at a service line level through the state of Missouri, and therefore, FORVIS was unable to assess this data point in detail. However, based on the high-level inpatient (IP)/outpatient (OP) volumes shared by DHSS, summarized in the tables below, it appears the Audrain County market is seeing similar trends in the OP space that FORVIS has observed in other rural markets. This patient population is slower to utilize low-acuity settings, and the shift to outpatient settings is lagging. Further analysis is needed to validate service line trends. FORVIS also analyzed available data and identified patient utilization trends for the Audrain service area so that Audrain can understand and meet the needs of the community it serves by developing an appropriately sized and scoped set of healthcare services. These volumes validated the ED and Bed demand methodology.

Audrain Resident Visits to Boone County Facilities 2014 to 2020

	Outpatient	ER	Inpatient	Total
Audrain Residents to Boone County	48868	15012	12393	76273
Audrain Residents to Boone County (% Share)	**36.2%**	**18.6%**	**49.4%**	**31.7%**
Total Audrain Resident Visits to Facilities	135098	80674	25098	240870

Audrain Resident Visits to Boone County Facilities by Year: Inpatient

	2014	2015	2016	2017	2018	2019	2020	2021
Audrain Residents to Boone County	1345	1438	1326	1409	1551	1916	1685	1723
Audrain Residents to Boone County (% Share)	**41.5%**	**43.7%**	**41.5%**	**44.1%**	**47.5%**	**58.7%**	**55.0%**	**66.6%**
Total Audrain Resident Visits to Facilities	3244	3287	3193	3192	3268	3262	3065	2587

Audrain Resident Visits to Boone County Facilities by Year: ER

	2014	2015	2016	2017	2018	2019	2020	2021
Audrain Residents to Boone County	1387	1608	1701	1712	1912	2337	1969	2386
Audrain Residents to Boone County (% Share)	**13.0%**	**14.1%**	**15.4%**	**15.8%**	**18.0%**	**20.8%**	**20.3%**	**46.9%**
Total Audrain Resident Visits to Facilities	10682	11402	11071	10835	10646	11257	9693	5088

Audrain Resident Visits to Boone County Facilities by Quarter (2020 to 2021) Inpatient

	2020_Q1	2020_Q2	2020_Q3	2020_Q4	2021_Q1	2021_Q2	2021_Q3	2021_Q4
Audrain Residents to Boone County	429	374	434	448	406	427	428	462
Audrain Residents to Boone County (% Share)	**54.0%**	**56.3%**	**54.1%**	**55.7%**	**58.6%**	**72.1%**	**70.4%**	**66.6%**
Total Audrain Resident Visits to Facilities	795	664	802	804	693	592	608	694

Audrain Resident Visits to Boone County Facilities by Quarter (2020 to 2021) ER

	2020_Q1	2020_Q2	2020_Q3	2020_Q4	2021_Q1	2021_Q2	2021_Q3	2021_Q4
Audrain Residents to Boone County	562	350	536	521	515	587	620	664
Audrain Residents to Boone County (% Share)	**19.6%**	**17.4%**	**21.8%**	**22.1%**	**25.1%**	**62.4%**	**60.5%**	**61.9%**
Total Audrain Resident Visits to Facilities	2861	2008	2463	2361	2051	941	1024	1072

- **Provider Landscape & Provider Needs Assessment –** FORVIS used industry resources to develop a high-level overview of providers in the market. Through interviews and analysis, FORVIS determined that a deeper dive into the provider need in the market would be needed to validate the initial assumptions and observations of gaps in primary care, internal medicine, urology, women's, and behavioral health. The current supply of providers in the market, both independent and affiliated/employed, supplemented by access to subspecialty care and clinics in Columbia, Hannibal, and surrounding markets, appears to be filling the gaps for the community's needs at this time.

ED & Bed Demand Analysis

FORVIS completed a summary market bed need assessment that incorporated several scenarios for the service area to clearly understand the current and future ED and IP bed needs of the community and market. If further facility planning is needed, FORVIS can partner with industry Facility Planning experts to conduct a deeper facility plan in a separate scope of work. Our analysis:

- Assessed current state, leveraged volume projections performed, and identified the need for service offerings in the service area.
- Defined variables within the bed demand projections based on service area need, including the shift to value-based care models.
- Developed assumptions based on the service area's demographic estimates and future projections.
- Created bed demand projections utilizing national and regional benchmark assumptions and factors applied to current state benchmarks to determine the service area's future bed need.
- Analyzed the ED landscape (i.e., volume trends, acuity, access gaps) in the market to determine (based on FORVIS 15+ years of conducting over 50+ ED Assessments) current and future needs.
- Additional considerations included:
    - Urgent Care utilization in the market, as well as other low-acuity points of access
    - MU and Boone Health investments in the market including primary and specialty care alignment.
    - Patient migration habits and trends
    - Like-sized communities with Critical Access Hospitals
    - Drive times for access to care

The following chart shows Audrain Medical Center's 2019 ED volume capture, in-migration to the service area and projected volume. It also shows an estimated need for eight emergency department treatment rooms, assuming an industry standard of ~1,550 visits per year/per room.

			Scenario Modeling
Facility Sizing Element	Current State (YE 2019 Q4)	Estimated 2028	III: Est "Right Sizing"
Audrain Hospital ED Visits	11,257	11,257	11,257
Audrain Hospital ED Visits with IP Admits	953	953	953
In-Migration	225	225	225
Total Visits	12,435	12,435	12,435
Treatment Rooms	8	8	8
Patient Visits / Rm / Yr.	**1,554**	**1,554**	**1,554**

Bed Need Assessment

The volume projections for the Bed Need were completed via a two-step process.

The first step was to pull actual discharge volume from DHSS data, and FORVIS benchmarked National averages for like facilities to develop an estimate of expected volumes used to test the feasibility of a hospital. The components of this initial step are as follows:

- Pulling population by zip code from ***Claritas*** projections to provide direction (i.e., identify growth areas).
- Use DHSS volume and national benchmarks as an estimate of projected volume.
- Estimate conservative and target market share expectations out of each of these zip codes by weighing the impact of competitors in the vicinity, relative drive times to each hospital vs. competing facilities, overall market demographics, traffic patterns, and historical Audrain Medical Center market penetration.
- Estimate in-migration percentage for patients who might be drawn to the programming from outside the service area (considering previously estimated in-migration capture).

Step two takes the estimated incremental market share gains/losses projected in step one and builds out models based on the additional factors that follow:

- Primary service area population
- Primary service area use rate
- Estimated days of care
- Market-level average length of stay
- Estimated occupancy rate

The chart below shows a scenario model of projected in-patient bed need in the service area.

		Mexico, MO Primary Service Area (PSA)									In-Migration^^	
		PSA	PSA Acute	ALOS	Acute Care	Average	Estimated	PSA	Estimated	PSA	to Audrain	Total
	%	Population	Use Rate	Acute per	PSA Days	Daily	Occupancy	Bed	Acute Mkt.	Acute	2.0%	Acute
Scenarios:	Change	Estimate	per 1000	Admit	of Care	Census	Rate Acute	Need		Bed Need	M/S Bed Need	Bed Need
Data FYE 2019 Q4		40,185	79.1	4.98	15,829	43	72.3%	60	50.0%	30	1	31
National Avg. Assumption		40,185	80.0	4.50	14,467	40	65.0%	61	25.0%	15	0	16
FORVIS also looked at multiple scenarios considering increased/decreased: ALOS, Occupancy rate, Market share, In-Migration, Use Rate and Population and created a reasonable estimate scenario based on reccomended assumptions.												
Reasonable Est. Scenario		40,185	80.0	3.50	11,252	31	65.0%	47	36.0%	17	0	17

FORVIS created a reasonable Est. Scenario that considered all above factors and projected an estimated need of 16-18 Inpatient beds based on a projected estimated 36% Market Share capture.

Workshop

FORVIS also facilitated multiple planning sessions focused on sharing preliminary outputs and FORVIS' observations from the Discovery stage. This time was used to challenge assumptions, identify emerging opportunities and trends from the assessment that present unique growth opportunities, and identify areas that require additional deep-dive analysis. This time identified the need to validate the DHSS data to support the discovery stage's assumptions. The consensus was the immediate need for emergency services for the service area was the primary opportunity, and the need for some inpatient beds was likely. The group also considered the reopening of the site of the former hospital versus the development of a greenfield site. A more focused analysis was performed in the Validation stage to develop a more granular, detailed view of the opportunities as well as the potential risks and associated challenges.

Initial Considerations / Recommendations

Based on the process and methodology outlined above, FORVIS concludes that the estimated need in the market is 16-18 IP beds and 8 ED treatment rooms when applying reasonable expectations of population metrics, growth projections, and market share capture. These conclusions are supported by the initial analysis of DHSS supply data for the years 2014 – 2021, which validates FORVIS' initial volume projections for ED and IP cases. FORVIS' initial takeaways and considerations include the following:

- The national shift from inpatient to outpatient services in markets of all sizes continues to grow. However, the nation's rapid increase in the aging population, combined with an overall increase in the acuity of services needed by that patient population, makes care close to home even more critical in rural markets like Audrain County.
- ED services are an immediate need in Mexico and Audrain County.
- In the initial recommendation, FORVIS identified a need for approximately 16-18 IP beds.
- A deeper dive into sub-specialty services is needed, particularly in oncology, orthopedics, and behavioral health, to determine if these service lines are a sustainable strategy.
- The longer the Mexico community goes without a hospital, the more likely the provider alignment within the community becomes an issue with outmigration.
- Boone Hospital and University of Missouri Healthcare have made significant investments in the market's primary care and urgent care spaces. However, the addition of ED and IP beds would not be duplicative to those investments.

FREQUENTLY ASKED QUESTIONS

1. What healthcare delivery model is most likely to be sustainable in Mexico, MO?

FORVIS' analysis would suggest that a critical access hospital with eight emergency treatment rooms and 16-18 Inpatient rooms would be a sustainable model that would meet the needs of the community.

Why? The community is currently seeking care outside the defined service area. However, we believe having emergency room access and lower acuity inpatient care close to home, can be a financially sustainable model based on the needs analysis. An advantage that CAHs have compared to other facilities is the swing bed services' reimbursement. Swing bed services allow patients to transition from an acute care patient to a swing bed patient without leaving your hospital, allowing the people in your community to remain in your community.

2. What is a Critical Access Hospital?

The Medicare Rural Hospital Flexibility Program (Flex Program), created by Congress in 1997, allows small hospitals to be licensed as CAHs and offers grants to states to help implement initiatives to strengthen the rural health care infrastructure. CAHs must be located in a rural area and be more than 35 miles from another hospital (15 miles by secondary roads or in mountain terrain) or have been certified before January 1, 2006, by the State as being a necessary provider of health care services. Additionally, to be considered a CAH, the hospital must have an emergency room that operates 24 hours a day and seven days a week using either on-site or on-call staff. A CAH is normally limited to 25 inpatient beds used for either inpatient or swing bed services. CAHs are also subject to a 96-hour (4-day) limit on the average length of stay. The CAH designation is designed to reduce the financial vulnerability of rural hospitals and improve access to healthcare by keeping essential services in rural communities. To accomplish this goal, CAHs receive certain benefits, such as cost-based reimbursement for Medicare services. (Source: https://www.ruralhealthinfo.org/; https://www.healthit.gov/)

3. What is the greatest challenge facing the operations of a Critical Access Hospital (CAH) in Mexico, MO?

FORVIS believes staffing and recruitment of providers are two of the greatest challenges facing any CAH today.

4. Why do both financial models in the report exclude childbirth (OB) services?

Based on the total population and the volume analysis, FORVIS' analysis suggests that OB services would not produce the overall volume needed to support the infrastructure needed or the financial needs to provide OB services at this time. These services are currently being provided in surrounding communities.

5. What is a Rural Emergency Hospital (REH)?

Rural emergency hospital (REH) is a new Medicare provider designation established by Congress through the Consolidated Appropriations Act of 2021. REHs are meant to reinforce access to outpatient medical services and reduce health disparities in areas that may not be able to sustain a full-service hospital. Starting in January 2023, Critical Access Hospitals (CAHs) and small rural hospitals with no more than 50 beds may apply for REH designation and receive Medicare payment for providing emergency services. (Source: https://www.ncsl.org/health/rural-emergency-hospitals)

6. Is a Rural Emergency Hospital (REH) a viable option?

FORVIS' analysis suggests the need for Inpatient beds that would make pursuing a CAH a potentially more viable option. However, determining if an REH would be the most optimal option would be part of the full feasibility study and business plan.

HIGH-LEVEL FINANCIAL ANALYSIS

FORVIS prepared two high-level five-year financial models to compare the projected operations of a renovation to the existing hospital (known as Audrain Community Hospital, the "Existing Hospital") and a newly constructed Hospital ("New Hospital") in Audrain County. The forward-looking statement of operations is **not a guarantee of the future performance** of either the Existing Hospital or a New Hospital and is based on estimates from healthcare industry trends and comparable hospitals.

Renovation of the Existing Hospital

FORVIS completed a five-year financial model for the projected operations of a 17-bed acute care hospital, assuming the Existing Hospital is purchased, renovated, and reopened. FORVIS assumes the Existing Hospital receives the critical access hospital ("CAH") Medicare designation prior to reopening. In order to obtain this designation, the Existing Hospital first needs to be licensed by the Missouri Department of Health and Senior Services Hospital Regulatory Department as a CAH. Subsequently, the hospital would receive CAH Medicare designation from CMS. The financial model assumed the Existing Hospital would reopen as a 17 inpatient bed facility as recommended from the bed need analysis completed by FORVIS. Revenue and expense assumptions were derived based on a hospital of similar size, with additional Medicare reimbursement for the cost-based reimbursement of Medicare patients and capital improvement costs. Below is an overview of key assumptions of the financial model for the renovation of the Existing Hospital.

Key Assumptions

Hospital with Full-Service Emergency Department

- 17 Total IP Beds
- Excludes OB Services
- 2-3 Operating Rooms
- 3-4 Observation Rooms
- 8-9 Pre/Post Op Beds
- Imaging requirements (Xray, Ultrasound)
- Lab Capabilities

Additional Key Assumptions

- Total Project Cost $24,700,000
  - Hard cost and soft cost of Hospital $6,500,000
  - Working capital $17,500,000
  - Debt payments $700,000
- Utilization in Stable Year 48%
- Payor Mix: Commercial 25.4%, Medicare 50.6%, Medicaid 17.3%, and 7% Other
- Operating Income and EBITDA Both Positive at Year 5
- Reimbursement rates increase 2% YOY
- Volumes increase 1% YOY
- Expenses increase 3% YOY

Key Takeaways

- Purchase, renovation and reopening Audrain Community Hospital as a 17 inpatient bed acute care hospital estimated to cost approximately $24.7 million
- Converting the current hospital facility to a critical access hospital ("CAH") Medicare designation allows for cost-based reimbursement for Medicare (less 2% sequestration) and capital improvement costs included in allowable costs for determining Medicare reimbursement
- Projected operating income and EBITDA are both positive in Year 5

RENOVATION OF THE EXISTING HOSPITAL

Projected Statement of Operations

For the Years Ending December 31,

(in thousands of dollars)

Income Statement	2025	2026	2027	2028	2029
REVENUES:					
Net patient service revenue	37,007	38,001	39,021	40,070	41,149
Other operating revenue	740	760	780	801	823
NET OPERATING REVENUE	37,747	38,761	39,801	40,871	41,972
Personnel	20,504	21,017	21,542	22,081	22,633
Professional fees	4,967	5,091	5,218	5,349	5,483
Supplies	4,306	4,414	4,524	4,637	4,753
Purchased services	2,523	2,586	2,651	2,717	2,785
Facility-related costs	1,041	1,072	1,104	1,137	1,171
Insurance	784	804	824	845	866
Other	1,225	1,255	1,287	1,319	1,352
Interest	1,202	1,182	1,161	1,139	1,116
Depreciation and amortization	825	825	825	825	825
TOTAL EXPENSES	37,377	38,246	39,136	40,049	40,984
OPERATING INCOME	370	515	665	822	988
NET OPERATING MARGIN	1.0%	1.3%	1.7%	2.0%	2.4%

RENOVATION OF THE EXISTING HOSPITAL

Projected Net Patient Service Revenue Assumptions

For the Years Ending December 31,

($ in thousands of dollars)

Net Operating Revenue	2025	2026	2027	2028	2029
ALOS	2.3	2.3	2.3	2.3	2.3
Patient Days	2,837	2,866	2,895	2,923	2,953
Average Daily Census	7.8	7.9	7.9	8.0	8.1
IP Beds	17	17	17	17	17
IP Bed Utilization	46%	46%	47%	47%	48%
Payor Mix:					
Commercial	25.4%	25.4%	25.4%	25.4%	25.4%
Medicare	50.6%	50.6%	50.6%	50.6%	50.6%
Medicaid	17.3%	17.3%	17.3%	17.3%	17.3%
Other	7.0%	7.0%	7.0%	7.0%	7.0%
Net Patient Service Revenue:					
IP Medicare Reimb	6,016	6,167	6,322	6,481	6,644
IP Medicaid Reimb	1,486	1,531	1,578	1,625	1,674
IP Commercial Reimb	4,272	4,401	4,534	4,671	4,812
IP Other Reimb	301	310	319	329	339
Subtotal - Inpatient	12,075	12,409	12,753	13,106	13,469
OP Medicare Reimb	8,950	9,167	9,390	9,618	9,851
OP Medicaid Reimb	2,208	2,273	2,339	2,408	2,479
OP Commercial Reimb	6,346	6,532	6,724	6,921	7,124
OP Other Reimb	447	460	473	487	501
Subtotal - Outpatient	17,951	18,432	18,926	19,434	19,955
ED Medicare Reimb	3,100	3,186	3,274	3,364	3,457
ED Medicaid Reimb	765	790	816	842	870
ED Commercial Reimb	2,198	2,270	2,344	2,421	2,500
ED Other Reimb	155	160	165	170	176
Subtotal - ED	6,218	6,406	6,599	6,797	7,003
50% of New Depreciation	163	163	163	163	163
50% of New Interest	601	591	580	569	558

RENOVATION OF THE EXISTING HOSPITAL

Projected Net Patient Service Revenue Assumptions, Cont.

For the Years Ending December 31,

($ in thousands of dollars, unless reimbursement rates)

Net Operating Revenue	2025	2026	2027	2028	2029
Discharges					
Commercial	312	316	319	322	325
Medicare	622	629	635	641	648
Medicaid	213	215	217	219	221
Other	86	87	88	89	90
Subtotal	1,234	1,246	1,258	1,271	1,284
IP Volume Increases		1.0%	1.0%	1.0%	1.0%
Revenue per Discharge					
Commercial	13,675	13,948	14,227	14,512	14,802
Medicare	6,985	7,125	7,267	7,413	7,561
Medicaid	6,985	7,125	7,267	7,413	7,561
Other	3,493	3,562	3,634	3,706	3,781
Average ED Reimbursement	500	510	520	531	541
Reimbursement Rate Increase		2.0%	2.0%	2.0%	2.0%
Outpatient Total Visits					
Commercial	937	947	956	966	975
Medicare	1,867	1,886	1,905	1,924	1,943
Medicaid	638	645	651	658	664
Other	258	261	263	266	269
Subtotal	3,701	3,738	3,775	3,813	3,851
Total ED Visits	12,435	12,559	12,685	12,812	12,940

RENOVATION OF THE EXISTING HOSPITAL

Projected Operating Expense Assumptions

For the Years Ending December 31,

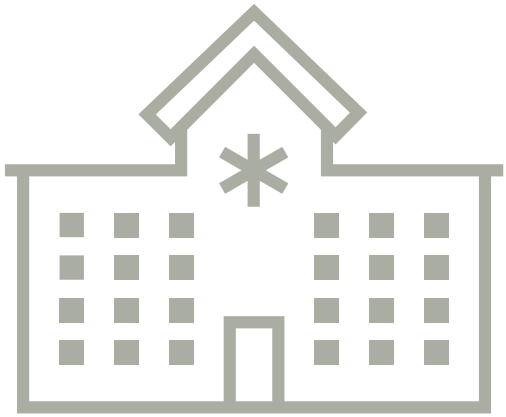
($ in thousands of dollars)

Operating Expense

	2025	2026	2027	2028	2029
Operating Expense					
Personnel	20,504	21,017	21,542	22,081	22,633
Professional fees	4,967	5,091	5,218	5,349	5,483
Supplies	4,306	4,414	4,524	4,637	4,753
Purchased services	2,523	2,586	2,651	2,717	2,785
Facility-related costs	1,041	1,072	1,104	1,137	1,171
Insurance	784	804	824	845	866
Other	1,225	1,255	1,287	1,319	1,352
Subtotal	35,350	36,239	37,150	38,085	39,043
Expense Inflator		3.0%	3.0%	3.0%	3.0%
Daily operating expenses	97	99	102	104	107
Cash on hand	17,433	17,871	18,321	18,781	19,254

New Hospital

FORVIS completed a high level five-year financial model for the projected operations of a newly constructed 17-bed acute care hospital in Audrain County. FORIVS assumes the New Hospital receives the critical access hospital ("CAH") Medicare designation prior to the New Hospital opening. In order to obtain this designation, the New Hospital first needs to be licensed by the Missouri Department of Health and Senior Services Hospital Regulatory Department as a CAH. Subsequently, the hospital would receive CAH Medicare designation from CMS. The financial model assumed the New Hospital is a 17 inpatient bed facility as recommended from the bed need analysis completed by FORVIS. Revenue and expense assumptions were derived based on a hospital of similar size, with additional Medicare reimbursement for the cost-based reimbursement of Medicare patients and capital improvement costs. Below is an overview of key assumptions of the financial model for the New Hospital.



Key Assumptions

Hospital with Full-Service Emergency Department

- 17 Total IP Beds
- Excludes OB Services
- 2-3 Operating Rooms
- 3-4 Observation Rooms
- 8-9 Pre/Post Op Beds
- Imaging requirements (Xray, Ultrasound)
- Lab Capabilities
- 40,000 sq. ft.

Additional Key Assumptions

- Total Project Cost $53,000,000
  - Hard cost and soft cost of Hospital $34,000,000 (includes approx. $7,000,000 for equipment)
  - Working capital $17,500,000
  - Debt payments $1,500,000
- Utilization in Stable Year 48%
- Payor Mix: Commercial 25.4%, Medicare 50.6%, Medicaid 17.3%, and 7% Other
- Operating Income and EBITDA Both Positive at Year 5
- Reimbursement rates increase 2% YOY
- Volumes increase 1% YOY
- Expenses increase 3% YOY

Key Takeaways

- Constructing a new 17 inpatient bed acute care hospital estimated to cost approximately $53 million
- Establishing the new acute care hospital as a critical access hospital ("CAH") Medicare designation allows for cost-based reimbursement for Medicare (less 2% sequestration) and capital improvement costs included in allowable costs for determining Medicare reimbursement
- Projected operating income and EBITDA are both positive in Year 5

NEW HOSPITAL

Projected Statement of Operations

For the Years Ending December 31,

(in thousands of dollars)

Income Statement	2025	2026	2027	2028	2029
REVENUES:					
Net patient service revenue	37,608	38,578	39,575	40,599	41,652
Other operating revenue	752	772	792	812	833
NET OPERATING REVENUE	38,360	39,350	40,367	41,411	42,485
Personnel	20,504	21,017	21,542	22,081	22,633
Professional fees	4,967	5,091	5,218	5,349	5,483
Supplies	4,306	4,414	4,524	4,637	4,753
Purchased services	2,523	2,586	2,651	2,717	2,785
Facility-related costs	672	688	706	723	741
Insurance	627	643	659	676	693
Other	1,065	1,092	1,119	1,147	1,175
Interest	2,578	2,536	2,491	2,444	2,394
Depreciation and amortization	850	850	850	850	850
TOTAL EXPENSES	38,092	38,917	39,760	40,624	41,507
OPERATING INCOME	268	433	607	787	978
NET OPERATING MARGIN	0.7%	1.1%	1.5%	1.9%	2.3%

NEW HOSPITAL

Projected Net Patient Service Revenue Assumptions

For the Years Ending December 31,

($ in thousands of dollars)

Net Operating Revenue	2025	2026	2027	2028	2029
ALOS	2.3	2.3	2.3	2.3	2.3
Patient Days	2,837	2,866	2,895	2,923	2,953
Average Daily Census	7.8	7.9	7.9	8.0	8.1
IP Beds	17	17	17	17	17
IP Bed Utilization	46%	46%	47%	47%	48%
Payor Mix:					
Commercial	25.4%	25.4%	25.4%	25.4%	25.4%
Medicare	50.6%	50.6%	50.6%	50.6%	50.6%
Medicaid	17.3%	17.3%	17.3%	17.3%	17.3%
Other	7.0%	7.0%	7.0%	7.0%	7.0%
Net Patient Service Revenue:					
IP Medicare Reimb	5,899	6,047	6,198	6,353	6,512
IP Medicaid Reimb	1,486	1,531	1,578	1,625	1,674
IP Commercial Reimb	4,272	4,401	4,534	4,671	4,812
IP Other Reimb	301	310	319	329	339
Subtotal - Inpatient	11,958	12,289	12,629	12,978	13,337
OP Medicare Reimb	8,747	8,958	9,173	9,394	9,621
OP Medicaid Reimb	2,201	2,265	2,331	2,400	2,470
OP Commercial Reimb	6,325	6,510	6,701	6,897	7,099
OP Other Reimb	445	458	472	485	500
Subtotal - Outpatient	17,718	18,191	18,677	19,176	19,690
ED Medicare Reimb	3,069	3,154	3,241	3,330	3,422
ED Medicaid Reimb	772	798	824	851	879
ED Commercial Reimb	2,220	2,292	2,367	2,445	2,525
ED Other Reimb	156	161	167	172	178
Subtotal - ED	6,217	6,405	6,599	6,798	7,004
50% of New Depreciation	425	425	425	425	425
50% of New Interest	1,289	1,268	1,245	1,222	1,197

NEW HOSPITAL

Projected Net Patient Service Revenue Assumptions, Cont.

For the Years Ending December 31,

($ in thousands of dollars, unless reimbursement rates)

Net Operating Revenue	2025	2026	2027	2028	2029
Discharges					
Commercial	312	316	319	322	325
Medicare	622	629	635	641	648
Medicaid	213	215	217	219	221
Other	86	87	88	89	90
Subtotal	1,234	1,246	1,258	1,271	1,284
IP Volume Increases		1.0%	1.0%	1.0%	1.0%
Revenue per Discharge					
Commercial	13,675	13,948	14,227	14,512	14,802
Medicare	6,985	7,125	7,267	7,413	7,561
Medicaid	6,985	7,125	7,267	7,413	7,561
Other	3,493	3,562	3,634	3,706	3,781
Average ED Reimbursement	500	510	520	531	541
Reimbursement Rate Increase		2.0%	2.0%	2.0%	2.0%
Outpatient Total Visits					
Commercial	937	947	956	966	975
Medicare	1,867	1,886	1,905	1,924	1,943
Medicaid	638	645	651	658	664
Other	258	261	263	266	269
Subtotal	3,701	3,738	3,775	3,813	3,851
Total ED Visits	12,435	12,559	12,685	12,812	12,940

NEW HOSPITAL

Projected Operating Expense Assumptions

For the Years Ending December 31,

($ in thousands of dollars)

Operating Expense	2025	2026	2027	2028	2029
Operating Expense					
Personnel	20,504	21,017	21,542	22,081	22,633
Professional fees	4,967	5,091	5,218	5,349	5,483
Supplies	4,306	4,414	4,524	4,637	4,753
Purchased services	2,523	2,586	2,651	2,717	2,785
Facility-related costs	672	688	706	723	741
Insurance	627	643	659	676	693
Other	1,065	1,092	1,119	1,147	1,175
Subtotal	34,664	35,531	36,419	37,330	38,263
Expense Increase		3.0%	3.0%	3.0%	3.0%
Daily operating expenses	95	97	100	102	105
Cash on hand	17,095	17,522	17,960	18,409	18,869

APPENDIX

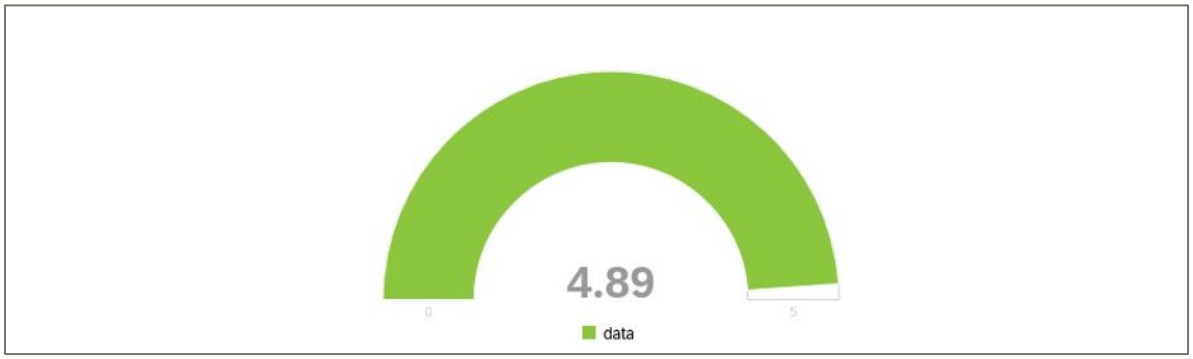
Community Survey: (Key Highlights)

What county do you reside in?

#	Answer	%	Count
1	Audrain	91.39%	488
2	Boone	2.43%	13
3	Callaway	2.62%	14
4	Monroe	1.31%	7
5	Montgomery	0.94%	5
6	Ralls	0.94%	5
7	Other	0.37%	2
	Total	100%	534

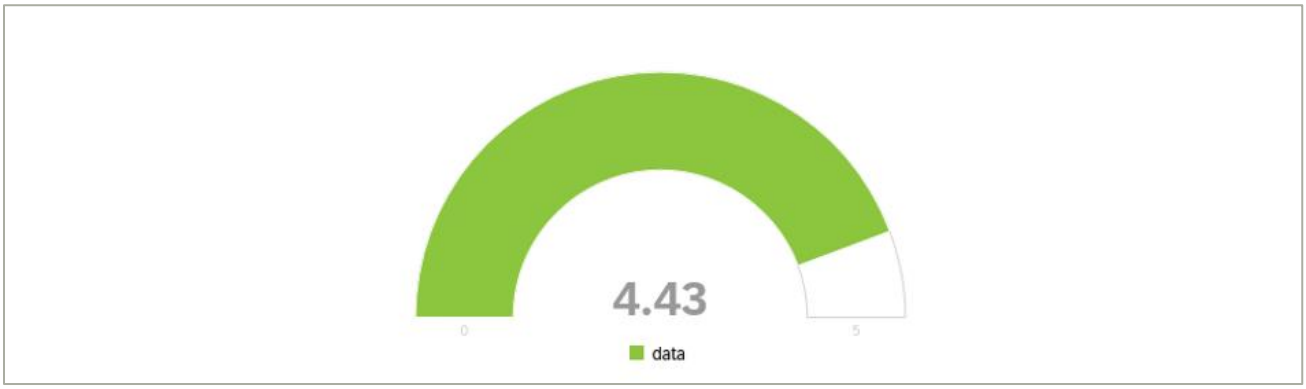
Q2 - On a scale of 1-5, what is the need for emergency services in Audrain County?

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
2		1.00	5.00	4.89	0.45	0.20	534



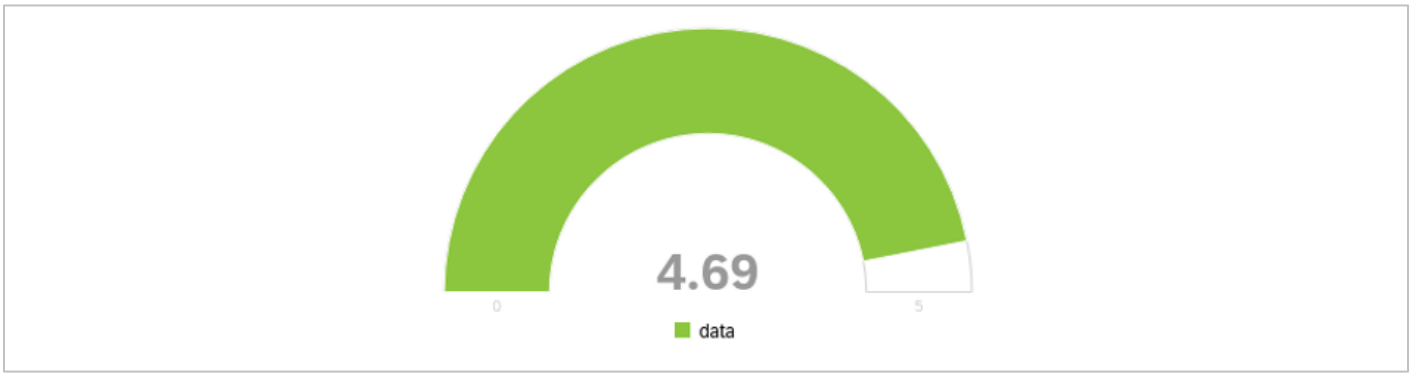
Q3 - On a scale of 1-5, what is the need for inpatient beds in Audrain County?

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1		1.00	5.00	4.43	0.79	0.63	534



Q4 - On a scale of 1-5, how likely is the community to support a known entity operating a hospital in Audrain County, such as Boone or the University of Missouri?

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1		1.00	5.00	4.69	0.64	0.41	534



Q5 - On a scale of 1-5, how likely is the community to support an unknown entity operating a hospital in Audrain County?

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1		1.00	5.00	2.97	1.30	1.69	534