



VERALON®

TRANSFORMATIVE HEALTHCARE CONSULTING

Are You Seeking Financial Planning Support That Goes Beyond the Superficial?

Too often, healthcare financial planning is based on straight-line utilization projections, financial ratio analysis, and a superficial analysis of the local healthcare marketplace. To address capital needs, providers must develop a full understanding of their income-producing potential, and the market dynamics that define the risks and threats to realizing that potential. This bottom line potential drives the decisions that lay the foundation for tomorrow's ability to access capital.

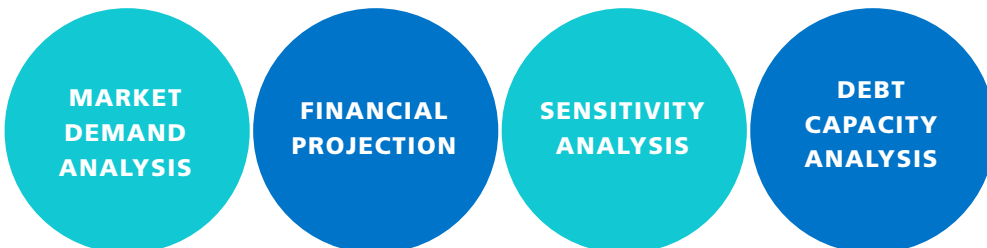
No two financial planning engagements are alike. One may require a focus on market demand, another on physician referral relationships, while another emphasizes financial forecasting. In any case, the skills and knowledge of those performing the analyses will be the key determinant of their usefulness to the client.

Veralon can support your financial planning efforts with prospective estimates based on decades of experience in evaluating local healthcare markets, and in assessing how both client and competitor strategic and operational initiatives can impact the client's ability to service debt. We recognize that current short-term trends in inpatient and ambulatory care revenue may affect that ability, and we have the experience to quantify that impact.

Veralon can assist you in determining:

- Market demand
- Financial feasibility
- Debt capacity
- Quality of earnings

FINANCIAL PLANNING



WHY VERALON?

Veralon completes meticulous financial analysis on virtually all of our consulting engagements. We have performed hundreds of healthcare financial feasibility and modeling assignments, including feasibility of new and replacement facilities. In addition, we have:

- A deep knowledge of the dynamics of healthcare markets, born from 30 years of experience of strategic planning
- Extensive experience in modeling the financial impacts of mergers and acquisitions, service line development and consolidation, physician practice revenues and expenses, and many others
- A track record of findings that hold up to the scrutiny of bankers and other third parties — as well as the many internal and external constituencies.

Depending on client requirements, Veralon's capital planning engagements may include:

Market Demand

Market demand analysis provides the basis for meaningful projections of provider income producing capacity, based on population dynamics, trends in healthcare usage, and strategic initiatives of market area competitors. Veralon will:

- Analyze historical market area and related patient volume statistics to determine use rates and individual provider market shares
- Interview key constituents such as physicians, provider management and board members
- Assess the impact of key provider market dynamics and competitor initiatives
- Develop projected inpatient and outpatient volumes for the target organization

Financial Feasibility

A detailed financial model is essential to adequately address any issue encountered in the capital planning process. Veralon will:

- Develop provider-specific financial projection models based on market demand
- Identify and model key operational and strategic initiatives
- Estimate prospective statements of income, cash flow, balance sheets and financial ratios
- Produce a deliverable specific to client needs: a full financial feasibility report to support a financing or summary financial modeling results to support further capital planning efforts

Quality of Earnings

A quality of earnings evaluation identifies and quantifies the risks to a provider's ability to generate income and debt capacity. Veralon will:

- Identify and analyze key drivers, risks and threats to income
- Define financial goals and related parameters by which to measure performance
- Perform sensitivity analyses of the organization's ability to achieve financial goals

Debt Capacity

The debt capacity assessment is a critical starting point in the development of a plan to provide funding for capital projects. Veralon will:

- Identify funding alternatives (e.g., tax-exempt bonds, private equity, joint venture)
- Define reasonable parameters for cost of debt or equity capital alternatives
- Project income available to apply to debt or equity funding sources
- Refine capital project and/or capital funding alternatives