

Pro Forma Income Statement
CONSERVATIVE CASE

Expected incremental revenues and associated expenses
for the implementation of Spirit of Women
(exclusive of HeartCaring business extension)

Incremental Revenue

Spirit of Women Consumers ¹		
Increased utilization from existing clients ²	\$	3,060,000
New revenue from new clients ³	\$	540,000
Non-Spirit Consumers ⁴		
Increased utilization from existing clients ⁵	\$	4,039,200
New client revenue ⁶	\$	712,800
Total Gross Charges		\$ 8,352,000
Adjustment for Market Share in New Client Revenue ⁷	\$	(626,400)
Adjustment for Loyalty in Existing Client Revenue ⁸	\$	(5,324,400)
Adjusted Gross Charges		\$ 2,401,200
Adjustment for Net Charges ⁹	\$	(720,360)
Total Incremental Net Revenue		\$ 1,680,840

Program Related Expenses

Spirit of Women Annual Membership Fee	\$	(66,500)
Staffing ¹⁰	\$	(42,500)
Incremental Program Expenses (print, mail, event) ¹¹	\$	(30,000)
Total Program Related Expenses		\$ (139,000)

Net Profit Before Cost Savings **\$ 1,541,840**

Cost Savings¹² **\$ 230,000**

Total Net Profit **\$ 1,771,840**

Assumptions Calculator

Spirit Consumer Database ¹	900
Average Incremental Charges ²	\$4,000
New patients ³	15%
Non-Spirit Reach Multiplier ⁴	4
Non-Spirit Utilization ⁵	33%
Market Share Reduction ⁷	50%
Loyalty Reduction ⁸	75%
Charge Adjustment ⁹	70%
Staffing Expense ¹⁰	\$42,500
Incremental Program Expenses ¹¹	\$30,000

Notes:

- Average Spirit of Women hospital engages 1400 consumers, ranging from 100 to 6,300; hospital programs generate just under 950 consumers in the first 12 months and programs older than 12 months average 2,077 members
- ¹
- Network average incremental gross charges is \$4,969/consumer with a range from \$1,636 - \$8,681, based on actual hospital member data
- ²
- Members report an average of 15% of Spirit consumers are new patients
- ³
- Members estimate that they reach 4 times the consumers that are participating and being tracked through their Spirit database
- ⁴
- Non-Spirit clients utilize only 25-50% of services utilized by Spirit consumers
- ⁵
- An estimated 15% of non-Spirit clients are new patients
- ⁶
- Market share reduction is applied to new client revenue
- ⁷
- Loyalty factor reduction is applied to existing client revenue, hospitals average 75%
- ⁸
- Adjustment for percentage of contractuals received relative to gross charges; hospitals average 70%
- ⁹
- Hospital members dedicated between 0.5 - 1.0 FTE and often redeploy existing staff in similar roles
- ¹⁰
- Members report spending between \$15,000 and \$45,000 annually in program and event costs but that only \$10,000 to \$15,000 are "new" costs not already budgeted in marketing, outreach and education
- ¹¹
- Based on average value of Spirit of Women program benefits utilized on 2011 program year based on actual hospital member data
- ¹²