

August 26, 2020

Dear Members of the Glynn-Brunswick Memorial Hospital Authority  
and Southeast Georgia Health System, Inc. Board of Directors:

Following is the 2020 - 2023 Business Plan for Southeast Georgia Health System, Inc., which has been delayed due to the uncertainty associated with the COVID-19 pandemic. Certainly, the effects of the coronavirus are fresh in our mind but the results of the past fiscal year were also impacted by Hurricane Dorian which threatened our coastal region and affected operations the entire Labor Day week. Both of these events added to the complexity of forecasting our Health System's operations for the 2021 fiscal year.

Initiatives adopted previously and throughout the course of the 2020 fiscal year enabled the Health System to largely offset the effects that the hurricane had on operations, but the discontinuation of elective services which occurred when the pandemic struck was something that was virtually impossible to overcome. Fortunately, with the benefit of CARES Act funding, the Health System achieved a slight positive bottom line from operations for the 2020 fiscal year while also maintaining our commitment to our workforce. We are grateful to our Team Members and medical staffs who together helped us deal with these unforeseen situations, and we are especially grateful to our Board of Directors for their support to stand behind our workforce in spite of the unprecedented and unpredictable effects of the pandemic.

Over the course of the year and prior to the COVID-19 outbreak, patient utilization demand was growing causing challenges on the Brunswick Campus, which was also affected by the disruption associated with the Master Facility Plan construction and renovations. Add to this the challenges of a tight labor market, in particular as it affected the nursing profession nationwide, and the Health System found itself once again relying on a greater number of contract agency staff in order to meet the needs of our patients. Shortages in certain pharmaceutical and supplies, exacerbated with the COVID-19 pandemic, added to the cost structure within our Health System. Given all of these cost pressures, a sense of accomplishment was shared throughout our entire team relative to the degree to which we were able to manage the Health System's overall cost structure in light of the varying demand for services.

Currently, there is only one exchange option available under the Affordable Care Act in our region of the state. Furthermore, the pandemic has clearly had an impact on the workforce throughout the communities we serve, and while most employers continued to offer health benefits to furloughed workers, we are preparing for the possibility of an increase in uncompensated services given the level of copayments and deductibles under individual and employer-sponsored insurance programs. Combine these factors with the ongoing aggressive positions taken by commercial insurance carriers on payment rates and coverage issues, including denials, and one can understand that the revenue component of the Health System's forecast are somewhat muted.

Based on the forecast for the upcoming year, the Health System is looking to achieve a breakeven bottom line from operations with the ultimate goal to return to a margin of 2.4% by the 2023 fiscal year. It should also be noted that these forecasts include a provision of approximately \$2.0 million annually should a weather event impact our operations as has been the case in three of the last four years.

We thank the Southeast Georgia Health System, Inc. Board of Directors, the Glynn-Brunswick Memorial Hospital Authority, the Camden Campus Advisory Committee, our medical staffs, volunteers and most importantly, all of our Team Members for the support that they have provided during these extremely challenging times which are putting our communities, the State of Georgia and the entire nation to the test. We are especially grateful for the teamwork this group has demonstrated during this unprecedented time and are confident that through their continued diligence and commitment, we will further enhance the safety, quality and health outcomes for our patients. Our commitment remains unchanged - Southeast Georgia Health System will "provide safe, quality, accessible, and cost-effective care to meet the health needs of the people and communities which it serves".

Sincerely,



Michael D. Scherneck  
President & Chief Executive Officer