

May 2, 2016

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

We are pleased to present the Southeast Georgia Health System, Inc. 2016 – 2019 Business Plan.

I am proud to report that the Health System was able to meet and exceed its financial goals for the 2016 fiscal year in spite of a host of challenges facing the health care industry throughout the country and the State of Georgia, and some matters specific to our organization, most significantly, the change in the Health System's status at the Brunswick Campus under the federal 340B pharmaceutical acquisition program which has resulted in a significant increase in costs in that area of our operations. Our financial success is critically important as it enables us to fulfill the Mission of Southeast Georgia Health System to "provide safe, quality, accessible, and cost-effective care to meet the health needs of the people and communities which it serves", which is at the heart of all that we do.

Patient activity, particularly outpatient-based services, increased in the 2016 fiscal year and, once again, we have benefitted from continued improvements in the level of uninsured patients seeking care throughout our Health System. This development has enabled our Health System to overcome the arbitrary 2% federal budget sequestration cuts which remain in effect. But it is also important to be reminded that while the adoption of the Affordable Care Act (ACA) has provided a degree of relief, the State of Georgia has opted not to expand Medicaid coverage, and as such, there remains a portion of the residents within our community that do not qualify to receive any subsidy of their insurance premiums. As a result, those individuals remain uninsured which has, and will continue to, place added pressure in the form of higher bad debts.

With respect to our operating expenses, the demands of the increased patient activity have limited the degree to which costs could be reduced. Adding further to the challenge was the shrinking pool of nurse professionals which is affecting hospitals throughout the country, as well as the aforementioned pressure resulting from the change in our status under the 340B pharmaceutical acquisition program.

Fortunately, the operating results achieved by the Health System in 2016 have enabled us to grow our operating cash, however, the volatility in the investment market has had an impact on our investment position. And in April, Standard & Poor's reaffirmed our "A-" credit rating and changed their outlook to "stable".

Change and challenges have come to be expected in healthcare yet we remain committed to doing more with less, all the while balancing safety, quality, patient experience and accessibility. It is our goal to leverage our Coastal Community Health affiliation, an arrangement that is intended to assure our autonomy while still allowing us to pursue joint efficiencies, to these ends.

The Health System is carefully monitoring professional staffing, particularly registered nurses, along with the long-term medical staff needs of our community, and we remain committed to actively recruit physicians and other practitioners to our region in areas where the need exists.

In closing, it is not possible for us to have achieved the things that we have without the support of the Hospital Authority, the Health System Board of Directors, the Camden Campus Advisory Committee, our medical staff, volunteers and most importantly, all of our Team Members. I remain grateful for the teamwork this group, and particularly the Leadership Team, has demonstrated and am confident that through the continued diligent efforts of all, we will further enhance the safety, quality and outcomes for those that we serve.

We thank you for your support as we look to the future.

Sincerely,



Michael D. Scherneck  
President & Chief Executive Officer