

May 1, 2018

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

We are pleased to present the 2018 - 2021 Business Plan for Southeast Georgia Health System, Inc.

Safety, quality and accessibility remain at the forefront of our service commitment and we are keenly focused on meeting the expectations that our patients have in this regard.

Having barely recovered from the impact of Hurricane Matthew in October 2016, to the surprise of many we found ourselves dealing with the second of two hurricanes in as many years when Hurricane Irma impacted our Community in September 2017. Even though we remained operational, the effects of Hurricane Irma were arguably even more significant compared to that which we experienced with Hurricane Matthew. Then throw in an ice storm in January 2018 for good measure! But once again, our team members and medical staffs responded effectively to the challenges these unusual weather conditions caused and I am proud of the manner by which our Team Members planned for, and reacted to, those hurdles.

Our challenges were not limited to those presented by Mother Nature as the continued tight labor market combined with the incremental increase in the demand for inpatient services caused our reliance on contract agency staff, particularly in the area of nursing, to remain at unusually high levels. From a revenue perspective, while our Health System has, over the longer term, benefitted from a decline in the numbers of uninsured patients with the advent of the Affordable Care Act, only one exchange option currently exists which has resulted in a slight reversal of that trend in uninsured patients as well as a greater level of payment concessions for care provided under the exchange. Commercial carriers have also become more aggressive resulting in a higher level of denials of coverage for care that our Health System has provided in good faith.

Regrettably, in spite of focused efforts by our Health System Leadership and Team Members, we were unable to overcome the financial impact caused by this host of issues. We expect to post an operating shortfall equal to approximately (1.8%) of net patient service revenue, well below the budgeted gain of 2.9%. Nonetheless, we remain committed to fulfilling 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".

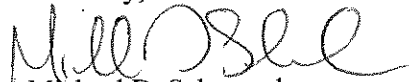
As we enter the 2019 fiscal year, we are optimistic with regard to our staffing complement given recent successes in Team Member retention and recruitment. We have also enjoyed success in our provider recruitment efforts, particularly to those specialties where a particular long-term need exists. But one of the most meaningful areas that we are committed to address involves the assurance that we are paid appropriately by insurers for the services that we provide to their beneficiaries.

While the issues of 2018 weigh heavily on the Health System, I take heed in the resilience we have demonstrated in the past and am confident of our ability in the future. This is especially important given the master facility plan that is being undertaken.

In closing, it is not possible for us to hold out this level of optimism without the support of 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. I remain grateful for the teamwork this group has demonstrated and am confident that through their continued diligent efforts, we will further enhance the safety, quality and health 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