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|  | The Johns Hopkins Health System Policy & Procedure | <i>Policy Number</i> | FIN081 | |
| | | <i>Effective Date</i> | 01-01-08 | |
| | <i>Subject</i> | JHHS BUDGETING FOR EXPENSE INFLATION | <i>Page</i> | 1 of 2 |
| | | | <i>Supersedes</i> | 7-01-05 |

POLICY

This policy applies to The Johns Hopkins Health System Corp. (JHHS) and the following affiliated entities: The Johns Hopkins Hospital (JHH), Johns Hopkins Bayview Medical Center (JHBMC), Howard County General Hospital (HCGH), Johns Hopkins Community Physicians (JHCP), Johns Hopkins Medical Services Corporation (JHMSC), Johns Hopkins Medicine International (JHMI), Ophthalmology Associates (OA), Johns Hopkins Employer Health Programs (EHP), Johns Hopkins Medical Management Corporation (JHMMC), Priority Partners (PP), Johns Hopkins Pharmaquip, Inc. (JHPQ), Johns Hopkins Home Health Services, Inc. (JHHHS), Johns Hopkins Pediatrics Home, Inc. (JHPAHI), Johns Hopkins HealthCare (JHHC), Johns Hopkins Home Care Group (JHHCG), Suburban Health Center (SHC), Broadway Acquisition and Development, and HCGH OB/GYN Associates Series, LLC (HCGH OBGYN)

Purpose

The purpose of the policy is (1) to ensure the consistent and appropriate application of expense inflation rates among the JHHS affiliates in the determination of financial revenue and expense target components of JHHS and affiliate Annual Operating Plans, and (2) to provide comparable financial data among JHHS affiliates.

The process will incorporate the following:

1. The primary guideline for determining annual expense inflation rates for JHHS affiliate acute care hospitals will be the HSCRC salary inflation index and the HSCRC supply inflation index. Modifications to the HSCRC indices deemed necessary in order to achieve prescribed revenue and expense targets will be made by the respective affiliate Chief Financial Officer (CFO) with the approval of the JHHS Vice President of Finance/CFO and Treasurer. Salary and wage inflation factors are subject to final approval by the JHHS Vice President of Human Resources.
2. The primary source of expense inflation data utilized by JHHS as an entity will be the expense inflation rates utilized by JHH. Modification of those inflation rates may be made at the discretion of the JHHS Vice President of Finance/CFO and Treasurer. As with JHHS affiliate acute care hospitals, salary and wage inflation factors are subject to final approval by the JHHS Vice President of Human Resources.


It is imperative that appropriate staff from the Finance and Human Resources Departments at all affiliates, including the following representatives, participate in the expense inflation determination process:

| <u>Affiliate</u> | <u>Representative</u> |
|----------------------|-----------------------|
| JHH and JHHS | Management Committee |
| All other affiliates | Senior Management |

RESPONSIBILITIES

Vice President of Finance/Chief Financial Officer and Treasurer, JHHS Determine appropriate operating expense inflation factors.

Vice President - Human Resources, Ensure that salary and wage inflation rates are appropriate

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JHHS and competitive.

SPONSOR

Vice President of Finance/CFO and Treasurer, JHHS

REVIEW CYCLE

Three (3) years

APPROVAL

 President, JHHS

 Date