



# Mass General Brigham

## **Interim Unaudited Consolidated Financial Statements and Other Information**

**For the Period Ended June 30, 2022**

Conduit Issuer: MassDevelopment Finance Agency

Obligor: Mass General Brigham (f/k/a Partners HealthCare System)

Voluntary Filing of Interim Financial & Operating Information Posted August 12, 2022

**Organization**

Mass General Brigham Incorporated (the Company) is the parent organization and sole corporate member of numerous organizations whose financial conditions and operations are described in Management's Discussion and Analysis of Financial Performance and the consolidated financial statements that follow. The terms Mass General Brigham, system, we, our, or us as used herein, unless otherwise stated or indicated by context, refer collectively to the Company and its affiliated organizations.

Mass General Brigham operates academic medical centers, community acute care hospitals, inpatient and outpatient mental health services facilities, urgent care centers, facilities that provide rehabilitation medicine and long-term care services, physician organizations, home health services, nursing homes and a graduate level program for health professions. Our mission is to provide world class health care services to the local communities in which we operate as well as to patients across the United States and the world. In addition, we are a nonuniversity-based non-profit private medical research enterprise and a principal teaching affiliate of the medical and dental schools of Harvard University. Our licensed, not-for-profit managed care organization and licensed, for-profit insurance company (collectively referred to as AllWays Health Partners) provide health insurance products and administrative services to the Massachusetts Medicaid program (MassHealth), ConnectorCare (a state subsidized program for adults who meet income and immigration guidelines) and commercial populations.

**Basis of Presentation**

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal and recurring nature. For further information, refer to the audited financial statements and notes thereto for the year ended September 30, 2021.

# Management's Discussion and Analysis of Financial Results

## Executive Overview

Mass General Brigham continues to experience significant financial pressures driven by a widespread labor shortage, historic cost inflation and the enduring capacity crisis, despite a rapid decline in COVID-19 hospitalizations following the winter surge. While the impacts of these challenges are widespread, Mass General Brigham remains committed to transforming care delivery, making it more affordable while improving outcomes for our patients.

We are focused on navigating current market dynamics while planning for the future, transforming our organization to deliver services as a single integrated system and enabling our patients to easily access the full continuum of care that we provide. We are shaping new treatments, procedures, and delivery methods, meeting patient needs as they evolve, and making care more affordable. The progress we are making is thanks to our employees who, despite extraordinary difficulties in recent years, show their dedication each day toward our mission to provide world-class care to the patients and communities we serve.

## Strategic Initiatives

### *Expanding home-based care offerings*

Demand for home-based care and home hospital offerings has accelerated due to the pandemic and the evolving needs of our community. Mass General Brigham is [expanding capacity for home-based care](#) to improve access and value for our patients. Shifting the site of healthcare to the home and scaling home-based care will meaningfully decrease healthcare expenditures while affording additional benefits to patients through an improved experience, including the ability to be surrounded by family and friends and be more active in the comfort of a home setting. Research shows that home-based care can provide more patient-centered and satisfying care, lower complication rates, reduce Emergency Department utilization and lead to improved patient outcomes for patients who can safely be transitioned out of a hospital setting. It also results in fewer readmissions, one of several ways Mass General Brigham is addressing the ongoing hospital capacity crisis.

### *AllWays Health Partners to become Mass General Brigham Health Plan*

AllWays Health Partners will change its name to [Mass General Brigham Health Plan](#) as of January 1, 2023. An integrated brand identity advances Mass General Brigham's unified system strategy and supports our value-

based care goals. The system's unique provider-payer integration fosters collaborative innovations that can simultaneously lower costs and improve care. For example, Mass General Brigham is exploring opportunities to expand risk-based arrangements that support MassHealth population to access to high-quality care through population health interventions and coordinated primary care.

### ***Commitment to reducing carbon footprint and building climate resilience***

The health sector is responsible for approximately [8.5% of carbon emissions in the United States](#), which are the leading cause of global climate change. Acknowledging the important intersections between climate change, human health, and health care delivery, Mass General Brigham launched the Climate and Sustainability Leadership Council earlier this year. Its purpose is to develop systemwide goals in three principal areas: eliminating our contribution to climate change and pollution, promoting health equity through environmental justice, and transforming climate and sustainability through research and education. Initiatives to date include integrating climate-health and health care sustainability into resident training, minimizing food waste as part of the Cool Food Pledge, and designing carbon neutral buildings. In fact, Mass General Brigham has already reduced greenhouse gas emissions from energy by roughly 60% since 2008. In May, Mass General Brigham's leadership in sustainable healthcare delivery was [acknowledged by the Environmental League of Massachusetts](#) with the Commonwealth Environmental Leadership Award. In July, Mass General Brigham [committed to meet the Biden administration's climate goal](#) of reducing emissions by 50% by 2030 and achieving net zero emissions by 2050.

### ***Reducing health disparities in our communities***

During the third quarter of fiscal year 2022, Mass General Brigham continued to distribute grants that comprise its \$50 million commitment to fund new, comprehensive community and mental health strategies. This includes a grant to support a new partnership with the Greater Boston Chinese Golden Age Center (GBCGAC) that will enhance mental health services and reduce health disparities for Asian adults and senior. Through the partnership, GBCGAC will expand both the number of community health workers delivering linguistically appropriate mental health services and the number of participants in the program. By providing transformative grants to community partners throughout the region, Mass General Brigham is building a strong foundation to drive lasting change for our patients and the communities we serve, establishing a culture of health equity improvement required to meet today's healthcare challenges. These community grants build upon Mass General Brigham's existing \$175 million annual community health investment program.

### **Mass General Brigham hospitals achieve top spots in *U.S. News & World Report* rankings**

Massachusetts General Hospital and Brigham and Women's Hospital, the founding members of Mass General Brigham, [once again ranked](#) on the *U.S. News & World Report* [Best Hospital Honor Roll](#) among the top hospitals in the country. Additionally, Brigham and Women's Hospital ranked No. 1 for obstetrics and gynecology in the nation and three Mass General Brigham specialty hospitals were recognized for national excellence: McLean Hospital ranked No. 1 in the nation in psychiatry; Spaulding Rehabilitation ranked No. 1 in rehabilitation in New England and No. 3 in rehabilitation in the nation; and Mass Eye and Ear ranked No. 1 for otolaryngology (ear, nose, and throat care) and ophthalmology in New England and No. 4 for both otolaryngology and ophthalmology in the nation.

### **Second Quarter Financial Results**

Mass General Brigham reported a loss from operations of \$120 million (-2.8% operating margin) for the third quarter which ended June 30, 2022. Provider activity resulted in a loss of \$121 million (-3.0% operating margin) and insurance activity generated income of \$1 million (0.3% operating margin).

In the comparable 2021 quarter, the system reported operating income of \$128 million (3.1% operating margin). This included \$135 million income from provider activity (3.5% operating margin) and a loss from insurance activity of \$7 million (-2.9% operating margin).

The system generated total operating revenue of \$4.3 billion in the 2022 third quarter. Higher inpatient acuity coupled with longer lengths of stay at Mass General Brigham's academic and community hospitals resulted in a decline in discharges (-5%) and curtailed patient care revenue growth (\$37 million or 1%) over the 2021 third quarter to \$3.0 billion. The average acute care length of stay exceeded 6 days, a level that was not surpassed during COVID-19 surges in prior years and roughly 15% longer than the average length of stay before COVID-19, increasing overall resource use per patient.

Premium revenue increased \$17 million (8%) to \$238 million, reflecting membership growth of 7,951 (3%) to 263,853. As of March 31, 2022, approximately 31% of the members were in commercial fully-insured plans, 17% were in managed Medicaid, and the remaining 52% were in self-insured plans (including approximately 105,000 Mass General Brigham employees and family members). Research revenue grew \$61 million (10%) to \$643

million. Other operating revenue increased \$60 million (22%) to \$338 million, driven by outpatient pharmacy revenue.

Operating expenses totaled \$4.4 billion, an increase of \$424 million (11%) over the 2021 third quarter and remain elevated due to increases in wages (11%, reflecting continued high use and cost of temporary staffing as well as market wage adjustments to facilitate workforce retention), employee benefit costs (10%) and clinical supplies (8%).

Despite the rapid decline of the winter Omicron surge, staffing shortages have led to higher sustained labor costs while exacerbating the strain on systemwide inpatient capacity. As these challenges are unlikely to subside in the near term, we must continue and even accelerate our efforts to improve efficiency, deliver care in the most appropriate and convenient settings, and integrate payer and provider capabilities to improve affordability for patients.

Medical claims expense increased \$12 million (8%) to \$174 million, reflecting increases in membership as well as acuity. The medical loss ratio (the percentage of insurance premiums that were used to pay medical claims) was 88.9% in the 2022 quarter and 91.5% in the 2021 quarter. The administrative expense ratio (the percentage of insurance premiums that were used to pay general and administrative expenses) decreased to 10.8% from 11.5% in the comparable 2021 quarter.

Depreciation and interest expense increased \$33 million (15%) to \$250 million.

The system reported an overall loss of \$949 million in the third quarter of 2022. This includes a nonoperating loss of \$829 million, reflecting heightened unfavorable volatility in the financial markets. In the comparable 2021 period, the system reported an overall gain of \$870 million, including a nonoperating gain of \$742 million during a period of heightened favorable volatility in the financial markets.

### **Year-to-Date Financial Results**

The system reported a loss from operations of \$303 million (-2.4% operating margin) for nine months ended June 30, 2022. This includes losses of \$288 million (-2.4% operating margin) from provider activity and \$15 million (-2.0% operating margin) from insurance activity. Operating performance in fiscal year 2022 has been

impacted by the Omicron surge, particularly during the March quarter, along with unrelenting pressure on the cost of supplies and labor, which has limited systemwide inpatient capacity.

In the comparable prior year period, the system reported income from operations of \$508 million. This includes \$232 million of permanent grants from the Provider Relief Fund of the Coronavirus Aid Relief and Economic Security (CARES) Act to reimburse the system for COVID-19 pandemic activity that occurred in 2020 and \$30 million Affordable Care Act risk corridor program subsidies for insurance coverage provided in 2014-2016. Excluding these funds, operating income was \$246 million (2.1% operating margin), including income from provider activity of \$270 million (2.4% operating margin) and a loss from insurance activity of \$24 million (-3.4% operating margin).

For the nine months ended June 30, 2022, the system absorbed \$1.6 billion in Medicare, Medicaid, and Health Safety Net shortfalls due to certain government reimbursements that do not cover the full cost of providing care to Medicare, low-income, and uninsured patients, an increase of \$187 million (13%) compared to the shortfall absorbed in the comparable prior year period.

For the nine months ended June 30, 2022 and 2021, operating cash flow, consisting of operating income before interest expense, depreciation and amortization, totaled \$394 million (3.2% cash flow margin) and \$1,168 million (9.8% cash flow margin, including the CARES Act funds) and capital expenditures totaled \$705 million and \$423 million, respectively.

The system reported an overall loss of \$1.7 billion for the nine months ended June 30, 2022, including a nonoperating loss of \$1.4 billion. Nonoperating activity includes gains and losses on investments and interest rate swaps, which can vary significantly year to year due to volatility in the financial markets, and philanthropic activity. In the comparable 2021 nine-month period the system reported an overall gain of \$2.9 billion, including a nonoperating gain of \$2.4 billion.

***Attachments:***

- Mass General Brigham consolidated financial statements, notes to the consolidated financial statements and utilization statistics as of and for the nine-month periods ended June 30, 2022 and 2021;
- Mass General Brigham consolidated investment liquidity and debt backed by self-liquidity as well as selected statistics on investments identified to support debt backed by self-liquidity as of June 30, 2022.

**Forward-Looking Statements**

*This disclosure contains certain “forward-looking statements” concerning financial and operating plans and results which involve known and unknown risks and uncertainties. In particular, statements preceded or followed by, or that include the words, “projects,” “believes,” “expects,” “estimates,” “anticipates,” “plans,” “intends,” “scheduled,” or similar expressions are forward-looking statements. Various factors could cause Mass General Brigham’ actual results to differ materially including, but not limited to the impact of the COVID-19 pandemic, federal and state regulation of healthcare providers, changes in reimbursement policies of state and federal government and managed care organizations, competition in the healthcare industry in our market, general economic and capital market conditions, and changes in our labor and supply costs and in our ability to retain personnel. For more information on these and other risk factors, please refer to our most recent bond official statement or annual disclosure statement filed on the Electronic Municipal Market Access (EMMA) website maintained by the Municipal Securities Rulemaking Board. We undertake no responsibility to update any such forward-looking statements except as expressly required by law.*

**About Mass General Brigham**

*Mass General Brigham is an integrated academic healthcare system, uniting great minds in medicine to make life-changing impact for patients in our communities and people around the world. Mass General Brigham connects a full continuum of care across a system of academic medical centers, community and specialty hospitals, a health insurance plan, physician networks, community health centers, home care, and long-term care services. Mass General Brigham is a non-profit organization that is committed to patient care, research, teaching, and service to the community. In addition, Mass General Brigham is one of the nation’s leading biomedical research organizations and a principal teaching affiliate of Harvard Medical School. For more information, please visit [massgeneralbrigham.org](http://massgeneralbrigham.org).*

**Mass General Brigham and Affiliates**  
**Consolidated Balance Sheets**  
(In Thousands)

	<u>June 30, 2022</u> (unaudited)	<u>September 30, 2021</u> (audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and equivalents	\$ 193,521	\$ 177,259
Investments	2,059,967	3,395,005
Current portion of investments limited as to use	4,967,208	5,637,637
Patient accounts receivable, net	1,416,094	1,332,404
Research grants receivable, net	226,021	187,193
Other current assets	744,620	684,632
<b>Total current assets</b>	<b>9,607,431</b>	<b>11,414,130</b>
Investments limited as to use, less current portion	5,346,187	6,202,723
Long-term investments	2,693,208	2,950,684
Property and equipment, net	6,392,821	6,261,727
Right-of-use operating lease assets	1,078,160	1,108,275
Other assets	1,018,212	1,027,593
<b>Total assets</b>	<b>\$ 26,136,019</b>	<b>\$ 28,965,132</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Current portion of long-term obligations	\$ 593,796	\$ 381,987
Accounts payable and accrued expenses	1,293,705	1,730,310
Accrued medical claims and related expenses	94,491	87,289
Accrued employee compensation and benefits	1,280,064	1,414,036
Current portion of operating lease obligations	207,594	200,706
Unexpended funds on research grants	344,991	345,403
<b>Total current liabilities</b>	<b>3,814,641</b>	<b>4,159,731</b>
<b>Other liabilities</b>		
Accrued professional liability	592,195	588,402
Accrued employee benefits	613,993	729,924
Interest rate swaps liability	249,632	472,011
Accrued other	272,476	254,673
Operating lease obligations, less current portion	739,934	782,650
Long-term obligations, less current portion	5,567,822	5,802,238
<b>Total liabilities</b>	<b>11,850,693</b>	<b>12,789,629</b>
<b>Net assets</b>		
Unrestricted	11,141,996	12,806,328
Donor restricted	3,143,330	3,369,175
<b>Total net assets</b>	<b>14,285,326</b>	<b>16,175,503</b>
<b>Total liabilities and net assets</b>	<b>\$ 26,136,019</b>	<b>\$ 28,965,132</b>

**Mass General Brigham and Affiliates**  
**Consolidated Statements of Operations**  
(In Thousands)

	Third Quarter Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
<b>Operating revenues</b>				
Net patient service revenue	\$ 3,037,538	\$ 3,000,802	\$ 8,877,512	\$ 8,493,529
Premium revenue	238,413	221,052	691,466	686,942
Direct academic and research revenue	496,017	444,715	1,414,802	1,288,046
Indirect academic and research revenue	146,563	136,968	419,618	398,171
Other revenue	338,464	278,041	1,010,550	1,071,675
<b>Total operating revenues</b>	<b>4,256,995</b>	<b>4,081,578</b>	<b>12,413,948</b>	<b>11,938,363</b>
<b>Operating expenses</b>				
Employee compensation and benefit expenses	2,346,199	2,120,658	6,852,481	6,140,236
Supplies and other expenses	1,111,502	1,009,598	3,228,916	2,860,498
Medical claims and related expenses	173,538	161,147	523,753	481,449
Direct academic and research expenses	496,017	444,715	1,414,802	1,288,046
Depreciation and amortization expenses	208,230	177,589	575,412	537,212
Interest expense	41,684	39,670	121,864	123,013
<b>Total operating expenses</b>	<b>4,377,170</b>	<b>3,953,377</b>	<b>12,717,228</b>	<b>11,430,454</b>
<b>Income (loss) from operations</b>	<b>(120,175)</b>	<b>128,201</b>	<b>(303,280)</b>	<b>507,909</b>
<b>Nonoperating gains (expenses)</b>				
Income (loss) from investments	(937,348)	797,943	(1,752,549)	2,066,618
Change in fair value of interest rate swaps	143,480	(116,552)	222,586	136,474
Other nonoperating (expenses) income	(56,716)	(45,154)	(127,144)	(62,493)
Academic and research gifts, net of expenses	(28,478)	73,464	99,018	151,540
Non-service related pension income	50,250	31,985	150,750	95,954
<b>Total nonoperating gains (expenses), net</b>	<b>(828,812)</b>	<b>741,686</b>	<b>(1,407,339)</b>	<b>2,388,093</b>
<b>Excess (deficit) of revenues over expenses</b>	<b>(948,987)</b>	<b>869,887</b>	<b>(1,710,619)</b>	<b>2,896,002</b>
<b>Other changes in net assets</b>				
Funds utilized for property and equipment	9,830	11,994	31,341	43,393
Other changes in net assets	(18)	203	14,946	6,358
<b>Increase (decrease) in unrestricted net assets</b>	<b>\$ (939,175)</b>	<b>\$ 882,084</b>	<b>\$ (1,664,332)</b>	<b>\$ 2,945,753</b>

**Mass General Brigham and Affiliates**  
**Consolidated Statements of Cash Flows**  
(In Thousands)

	<b>Nine Months Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
Cash flows from operating activities:		
Change in net assets	\$ (1,890,177)	\$ 3,681,430
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:		
Loss on refunding of debt	5	-
Change in fair value of interest rate swaps	(222,586)	(136,474)
Depreciation and amortization	575,412	537,212
Amortization of bond discount, premium and issuance costs	(8,705)	(9,216)
Gain on disposal of property	(83)	181
Change in right-of-use operating lease assets	123,107	134,372
Net realized and change in unrealized appreciation on investments	1,967,004	(2,662,195)
Restricted contributions and investment income	(184,512)	(343,906)
Increases (decreases) in cash resulting from a change in		
Patient accounts receivable	(83,690)	(259,179)
Other assets	(37,342)	(96,282)
Accounts payable and other accrued expenses	(50,724)	379,881
Accrued medical claims and related expenses	7,202	4,823
Operating lease obligations	(128,820)	(111,995)
Settlements with third-party payers	(84,761)	(79,824)
Medicare accelerated payments	(583,216)	(137,857)
<b>Net cash (used for) provided by operating activities</b>	<b>(601,886)</b>	<b>900,971</b>
Cash flows from investing activities:		
Purchases of property and equipment	(705,229)	(422,627)
Proceeds from sale of property	297	293
Net sales (purchases) of investments	1,152,475	(1,996,059)
<b>Net cash provided by (used for) investing activities</b>	<b>447,543</b>	<b>(2,418,393)</b>
Cash flows from financing activities:		
Payments on long-term obligations	(20,407)	(150,603)
Proceeds from long-term obligations, net of financing costs	56,735	-
Decrease in auction rate securities holdings	-	29,985
Deposits into refunding trusts	(50,235)	-
Restricted contributions and investment income	184,512	343,906
<b>Net cash provided by financing activities</b>	<b>170,605</b>	<b>223,288</b>
<b>Net increase (decrease) in cash and equivalents</b>	<b>16,262</b>	<b>(1,294,134)</b>
<b>Cash and equivalents at beginning of period</b>	<b>177,259</b>	<b>2,129,189</b>
<b>Cash and equivalents at end of period</b>	<b>\$ 193,521</b>	<b>\$ 835,055</b>

**Notes to Consolidated Financial Statements**  
**(In Thousands)**

1. The accompanying consolidated quarterly financial statements have been prepared on the accrual basis of accounting and include the accounts of the Company and its affiliates. The financial statements do not include all the information and footnote disclosures required by generally accepted accounting principles. These statements should be read in conjunction with the Company's audited consolidated financial statements for the fiscal year ended September 30, 2021.

The consolidated quarterly financial statements are unaudited. These statements include all adjustments (consisting of normal recurring accruals) considered necessary by management to present a fair statement of the results of operations, financial position and cash flows. The results reported in these consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

2. Income from investments (including realized gains and losses, unrealized change in value of investments, interest, dividends and endowment income distributions) is included in excess of revenues over expenses unless the income or loss is restricted by donor or law. Income from investments is reported net of investment-related expenses.
3. We recognize changes in third-party payer settlements and other estimates in the year of the change in estimate. For the three months ended June 30, 2022 and 2021, adjustments to prior year estimates resulted in an increase/(decrease) to operations of \$2,059 and (\$2,533), respectively. For the nine months ended June 30, 2022 and 2021, adjustments to prior year estimates resulted in an increase to income from operations of \$20,310 and \$45,979, respectively.
4. Risk-based capital (RBC) is a methodology adopted by the National Association of Insurance Commissioners for determining the minimum level of capital and surplus deemed necessary for an insurer based upon the types of assets held and business written. The Company has guaranteed to the Massachusetts Division of Insurance (DOI) (the RBC Guaranty) to maintain AllWays Health's capital and surplus at a specified minimum level, measured quarterly in accordance with an RBC methodology permitted by DOI. The RBC Guaranty may be enforced by the DOI. For the nine months ended June 30, 2022 and 2021, respectively, the Company contributed \$11,000 and \$0 to AllWays Health to align RBC with growth in its PPO business segment.
5. The current portion of long-term obligations includes payments scheduled to be made over the next twelve months of \$98,281, bonds supported by self-liquidity that can be tendered prior to June 30, 2023 of \$279,655 and bonds supported by bank facilities with financial institutions (standby bond purchase agreements or letters of credit) that expire prior to June 30, 2023 of \$215,860. The bonds supported by self-liquidity provide the bondholder with an option to tender the bonds to the Company. Accordingly, these bonds are classified as a current liability. The bonds supported by bank facilities provide the bondholder with an option to tender the bonds to the liquidity provider. Generally accepted accounting principles require bonds backed by bank facilities expiring within one year of the balance sheet date as well as potential principal amortization under bank facilities' term out provisions due within one year of the balance sheet date to be classified as a current liability.
6. The Company maintains two lines of credit aggregating \$375,000 that provide access to same day funds. Advances under the lines of credit bear a variable rate of interest based on the Bloomberg Short-Term Bank Yield Index rate (BSBY) for the \$250,000 line of credit and the Secured Overnight Financing Rate (SOFR) for the \$125,000 line of credit. As of June 30, 2022, there were no amounts outstanding under the lines of credit. The \$250,000 line of credit expires in July 2025. The \$125,000 line of credit expires in July 2024.

The Company maintains a \$500,000 Taxable Commercial Paper (CP) program. As of June 30, 2022 and 2021, \$50,235 and \$0, respectively, were outstanding under the CP Program.

**Notes to Consolidated Financial Statements**  
**(In Thousands)**

7. We lease property and equipment under both finance and operating lease agreements. Upon adoption of the Leases Standard, we recognize leases with a term greater than twelve months on the balance sheet. We elected the package of practical expedients and did not reassess expired agreements for lease identification or classification as a finance or operating lease, or for the reassessment of initial direct costs.

Some lease agreements require us to pay variable costs including property taxes, insurance, maintenance and repairs. Variable costs are excluded from the right-of-use assets and liability. Lease and non-lease components of agreements are not separated. Some leases contain rental escalation clauses and renewal options that are included in lease payment calculations when appropriate. The estimated incremental borrowing rate is used to discount the lease payment amounts. All operating and finance leases have a weighted discount rate of 4.00%.

The components of lease expense consist of the following:

	9 months ended June 30, 2022		
	Supplies and other expenses	Academic and research gifts, net of expenses	Total
Operating lease expense	\$ 161,463	\$ 5,716	\$ 167,179
Short-term lease expense	9,942	166	10,108
Variable lease expense	54,795	1,774	56,569
Finance lease expense:			
Amortization of lease assets	9,567	143	9,710
Interest on lease liabilities	2,931	25	2,956
Total lease expense	\$ 238,698	\$ 7,824	\$ 246,522

Lease related assets and liabilities are as follows at:

	Balance Sheet Classification	June 30, 2022
Operating lease assets	Right-of-use operation lease assets	1,078,160
Finance lease assets	Property and equipment, net	74,621
Total lease assets		<u>\$ 1,152,781</u>
Current operating lease liability	Current portion of operating lease obligations	207,594
Current finance lease liability	Accounts payable and accrued expenses	15,724
Noncurrent operating lease liability	Operating lease obligations, less current portion	739,934
Noncurrent finance lease liability	Accrued other	79,274
Total lease liabilities		<u>\$ 1,042,526</u>

Commitments related to noncancelable operating and finance leases for each of the next five years and thereafter are as follows:

	Operating Leases	Finance Leases
2023	\$ 201,575	\$ 15,515
2024	172,028	14,417
2025	154,735	10,920
2026	139,703	6,359
2027	106,794	3,321
Thereafter	307,361	100,294
Total minimum future payments	<u>\$ 1,082,196</u>	<u>\$ 150,826</u>

**Notes to Consolidated Financial Statements**  
**(In Thousands)**

**8. COVID-19 Pandemic and Government Funding**

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic resulting in an extraordinary impact to patient activity in 2020. Federal and state policies, including declarations of a state of emergency by the governors of Massachusetts and New Hampshire on March 10 and March 27, respectively, were enacted to help contain the spread of COVID-19. Beginning on March 18, 2020, our Massachusetts facilities were prohibited from performing nonessential elective procedures. On June 8, 2020, Massachusetts entered phase two of its reopening plan, which permitted our Massachusetts facilities to provide in-person care for certain routine services. Our New Hampshire facilities generally followed a similar timeline.

In response to COVID-19, the Coronavirus Aid Relief and Economic Security (CARES) Act was enacted which provided different types of economic support to a wide variety of companies and individuals. Mass General Brigham employed several CARES Act provisions, with the most significant impacts summarized below.

**Medicare Accelerated Payments (MAP)**

As of September 30, 2020, we received approximately \$1,018,093 in MAP funding which was recorded in accounts payable and accrued expenses as of September 30, 2020. Medicare started to recoup these payments beginning in April 2021 based upon the terms and conditions of this program and most will be recouped by the end of fiscal year 2022. As of June 30, 2022, we had \$141,253 in MAP funding recorded in accounts payable and accrued expenses.

**Deferred Payment of Employer Payroll Taxes**

As of September 30, 2021 and 2020, we have accumulated \$239,466 and \$165,088, respectively, of deferred employer payroll taxes within accrued employee compensation and benefits. The CARES Act allows for deferred payments of only the employer share of payroll taxes through December 31, 2020 and requires payment of 50% of these deferred taxes by December 31, 2021 and 50% by December 31, 2022. As of June 30, 2022, a balance of \$121,604 was due to be paid prior to December 31, 2022.

**Provider Relief Funds (PRF)**

For the year ended September 30, 2021 and 2020, we recognized approximately \$232,063 and \$546,373, respectively, of permanent grants from the PRF within other operating revenue. For the nine months ended June 30, 2022 and 2021 we recognized \$0 and \$232,063 respectively, of PRF. PRF were used to prevent, prepare for and respond to COVID-19. Based on our interpretation of available information as of June 30, 2022 and September 30, 2021, we have deferred \$86,487 of PRF we received. These estimates could change as additional guidance becomes available.

**MASS GENERAL BRIGHAM: ACUTE CARE SECTOR <sup>(1)</sup>**  
**UTILIZATION STATISTICS**

	Third Quarter Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
<b>INPATIENT:</b>				
Discharges	40,680	42,832	119,579	121,492
% Change	-5.0%		-1.6%	
Discharge Days	245,429	240,939	737,193	697,348
% Change	1.9%		5.7%	
Average Length of Stay (Days)	6.03	5.63	6.16	5.74
% Change	7.1%		7.3%	
Patient Days	232,213	226,922	696,817	664,263
% Change	2.3%		4.9%	
Births	4,569	4,659	13,403	12,649
% Change	-1.9%		6.0%	
<b>OUTPATIENT:</b>				
ATO's	6,486	6,085	17,283	15,818
% Change	6.6%		9.3%	
ED Observations	7,159	6,251	19,910	14,972
% Change	14.5%		33.0%	
Day Surgery	28,152	27,916	79,959	77,455
% Change	0.8%		3.2%	
Ambulatory visits	530,892	510,868	1,554,656	1,471,131
% Change	3.9%		5.7%	
ER Visits	113,432	105,529	320,415	281,207
% Change	7.5%		13.9%	
Procedures	490,012	501,482	1,420,939	1,322,362
% Change	-2.3%		7.5%	
Major Imaging	128,127	126,989	374,890	355,608
% Change	0.9%		5.4%	
Minor Imaging	332,081	308,488	985,200	890,794
% Change	7.6%		10.6%	
Treatments	280,519	277,327	824,456	773,164
% Change	1.2%		6.6%	
Therapies	387,983	363,280	1,132,875	1,002,986
% Change	6.8%		13.0%	
Lab Services	3,295,035	3,283,407	9,884,788	9,171,917
% Change	0.4%		7.8%	
<b>CASE MIX INDEX (CMI)<sup>(2)</sup>:</b>				
Combined Academic (The General & BWH)	2.19	2.15	2.22	2.17
	1.9%		2.3%	
Combined Community (BWFH, Salem & NWH)	1.32	1.30	1.32	1.30
	1.5%		1.5%	

<sup>(1)</sup> Includes data from The General, BWH, BWFH, Salem, NWH, Cooley Dickinson, Nantucket, Martha's Vineyard, Wentworth-Douglass and Mass Eye and Ear.

<sup>(2)</sup> CMI based on APR-DRG version 30, NY weight.

**MASS GENERAL BRIGHAM:  
REHABILITATION & PSYCHIATRIC CARE SECTORS  
UTILIZATION STATISTICS**

	Third Quarter Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
<b>REHABILITATION</b>				
<b>Inpatient:</b>				
Discharges	960	1,100	2,876	3,282
% Change	-12.7%		-12.4%	
Discharge Days	23,575	24,553	68,946	75,719
% Change	-4.0%		-8.9%	
Average Length of Stay (Days)	24.56	22.32	23.97	23.07
% Change	10.0%		3.9%	
Patient Days	24,561	25,607	72,425	75,872
% Change	-4.1%		-4.5%	
<b>Outpatient:</b>				
Home Health	115,395	127,365	334,697	367,727
% Change	-9.4%		-9.0%	
Therapies	276,130	276,530	808,993	787,134
% Change	-0.1%		2.8%	

Note: Rehabilitation sector includes Spaulding Boston, Spaulding Cambridge, Spaulding Cape Cod and Mass General Brigham Home Care.

**PSYCHIATRIC**

<b>Inpatient:</b>				
Discharges	1,486	1,459	4,334	4,168
% Change	1.9%		4.0%	
Discharge Days	22,429	19,801	64,221	57,171
% Change	13.3%		12.3%	
Average Length of Stay (Days)	15.09	13.57	14.82	13.72
% Change	11.2%		8.0%	
Patient Days	21,167	19,690	63,249	57,827
% Change	7.5%		9.4%	
<b>Outpatient:</b>				
Psychiatric Services	33,191	34,198	98,059	99,940
% Change	-2.9%		-1.9%	

**MASS GENERAL BRIGHAM: INSURANCE SECTOR  
STATISTICS**

	Third Quarter Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
<b>Medical loss ratio</b> <sup>(1)</sup>	88.9%	91.5%	91.7%	92.4%
% Change	-2.6%		-0.7%	
<b>Administrative expense ratio</b> <sup>(1)</sup>	10.8%	11.5%	10.5%	11.1%
% Change	-0.7%		-0.6%	
<b>Total members</b>	263,853	255,902	263,853	255,902
% Change	3.1%		3.1%	

<sup>(1)</sup> Excludes impact of \$30 million prior year settlement in FY21 Q1.

<b>Statistic</b>	<b>Definition</b>
Discharges	The total number of patients discharged from a hospital bed in a given time period
Discharge Days	The total number of days each discharged patient occupied a bed during the duration of their hospital stay
Average Length of Stay	Patient days divided by the number of patient discharges
Patient Days	Total number of days a patient occupied a hospital bed in a given time period
ATO's	Patients admitted under observation status and generally discharged within 24 hours
ED Observations	Patients admitted under observation status in the ER (at GH and BWH) and generally discharged within 24 hours
Day Surgery	Surgical procedures performed on an outpatient basis
Ambulatory visits	Includes office/outpatient services, consults, preventive medicine and psychiatric visit - clinic O/P
ER Visits	Emergency room visits
Procedures	Includes integumentary, musculoskeletal, oral & maxillofacial surg, respiratory, cardiovascular, hemic/lymphatic, mediastinum/disphragm, digestive, urinary, female/male genital, endocrine, nervous system, eye/ocular adnexa and auditory
Major Imaging	Includes MRI, CT Scan, nuclear medicine and PET Scan
Minor Imaging	Includes radiology diagnostic, ultrasound, breast imaging and 3D reconstruction
Treatments	Includes chemotherapy, radiation therapy, non chemo infusions, dialysis, electroconvulsive therapy and dental
Therapies	Includes respiratory/pulmonary therapy, physical therapy, occupational therapy, speech language pathology, cardiac rehabilitation and nutrition
Lab Services	Lab services
Home Health	Nurse visits, aide visits, physical therapy, occupational therapy, speech-language pathology, registered dietician, medical social work, telemedicine and private duty converted hours
Psychiatric Services	Includes partial days, ART days, individual therapy, group therapy, family therapy, child and adolescent days and other therapies
Case Mix Index	The average diagnosis-related-group weight for all of a hospital's inpatient volume
Medical Loss Ratio	Medical expense as a percentage of premium revenue

**MASS GENERAL BRIGHAM: INVESTMENT LIQUIDITY & DEBT BACKED BY SELF LIQUIDITY**  
as of June 30, 2022  
(In Thousands)

**INVESTMENT LIQUIDITY<sup>(1)</sup>**

**Funds Available**

<b>Investment Pool</b>	<b>Same Day</b>	<b>1 Week</b>	<b>1 Month</b>	<b>3 Months</b>	<b>1 Year</b>	<b>&gt;1 Year</b>	<b>Total</b>
Money Market	\$379,023	-	-	-	-	-	\$379,023
Aggregate Bond	456,004	327,285	-	-	-	-	783,288
Long Term	130,707	689,614	1,316,988	2,682,204	1,935,602	6,038,266	12,793,382
<b>Total</b>	<b>\$965,733</b>	<b>\$1,016,899</b>	<b>\$1,316,988</b>	<b>\$2,682,204</b>	<b>\$1,935,602</b>	<b>\$6,038,266</b>	<b>\$13,955,693</b>
Cumulative Total	\$965,733	\$1,982,632	\$3,299,621	\$5,981,825	\$7,917,427	\$13,955,693	

**DEBT BACKED BY SELF LIQUIDITY**

**Funds Required**

<b>Debt Mode</b>	<b>Same Day</b>	<b>1 Week</b>	<b>1 Month</b>	<b>3 Months</b>	<b>1 Year</b>	<b>&gt;1 Year</b>	<b>Total</b>
Flexible Rate <sup>(2)</sup>	-	\$52,335	\$17,385	\$90,065	-	-	\$159,785
Index Floating Rate	-	-	-	-	119,870	214,800	334,670
Term Rate	-	-	-	-	-	207,205	207,205
<b>Total</b>	<b>-</b>	<b>\$52,335</b>	<b>\$17,385</b>	<b>\$90,065</b>	<b>\$119,870</b>	<b>\$422,005</b>	<b>\$701,660</b>
Cumulative Total	-	\$52,335	\$69,720	\$159,785	\$279,655	\$701,660	

<sup>(1)</sup> Excludes ERISA.

<sup>(2)</sup> Mass General Brigham limits daily maturities on its flexible rate bonds to \$20 million.



# Mass General Brigham

## Money Market Pool

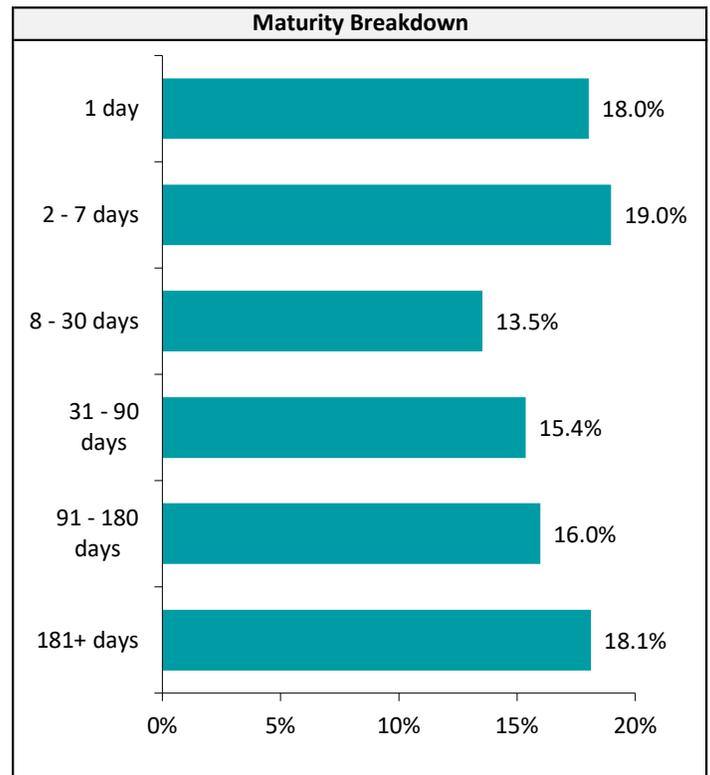
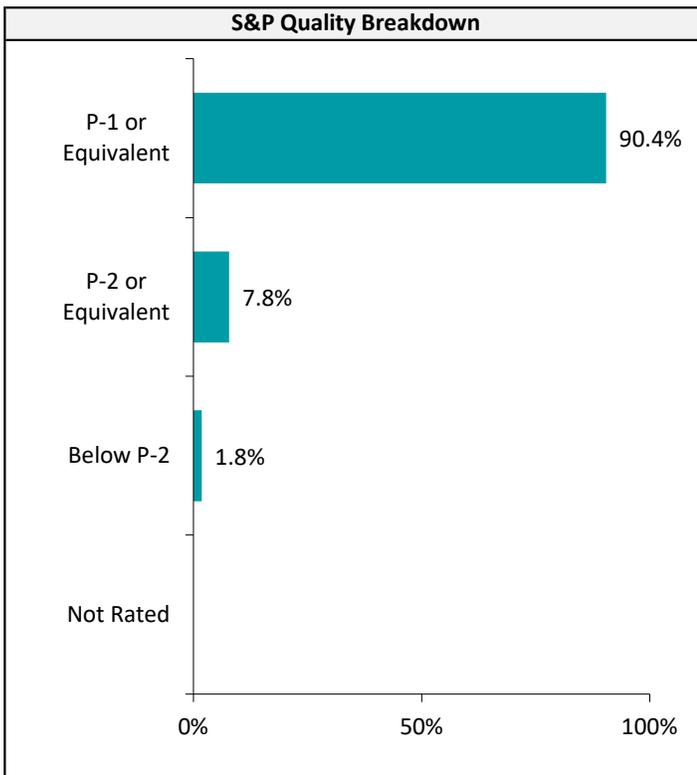
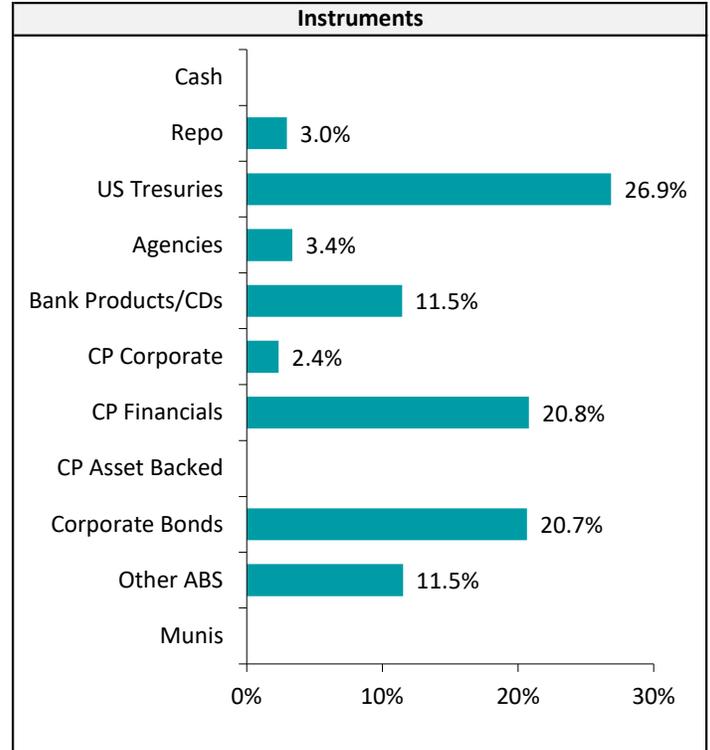
6/30/2022

Portfolio Manager **Wellington Management Co. - Tim Smith**  
 Benchmark **iMoneyNet Money Market Fund Average/All Taxable**

Characteristics	Portfolio	Benchmark
Market Value (\$000)	\$ 379,023	n/a
Avg Rating	P-1	P-1
Avg Maturity (Days)	92.2	n/a
Avg Life (Days)	169.5	n/a
Current Yield	1.88%	n/a
Daily Liquidity (%)	29.80%	n/a
Weekly Liquidity (%)	33.96%	n/a
144A Securities (%)	11.57%	n/a
Floating Rate (%)	6.91%	n/a

Net Asset Value 1.00

Annualized Returns	Portfolio	Benchmark	Relative
Month	0.01%	0.06%	- 0.05%
Quarter	0.10%	0.10%	- 0.00%
FYTD	0.03%	0.11%	- 0.07%
CYTD	0.08%	0.10%	- 0.03%
1 Year	0.05%	0.11%	- 0.06%
3 Year	0.54%	0.42%	+ 0.13%
5 Year	1.02%	0.82%	+ 0.20%
Inception (12/31/94)	2.43%	2.02%	+ 0.41%





# Mass General Brigham

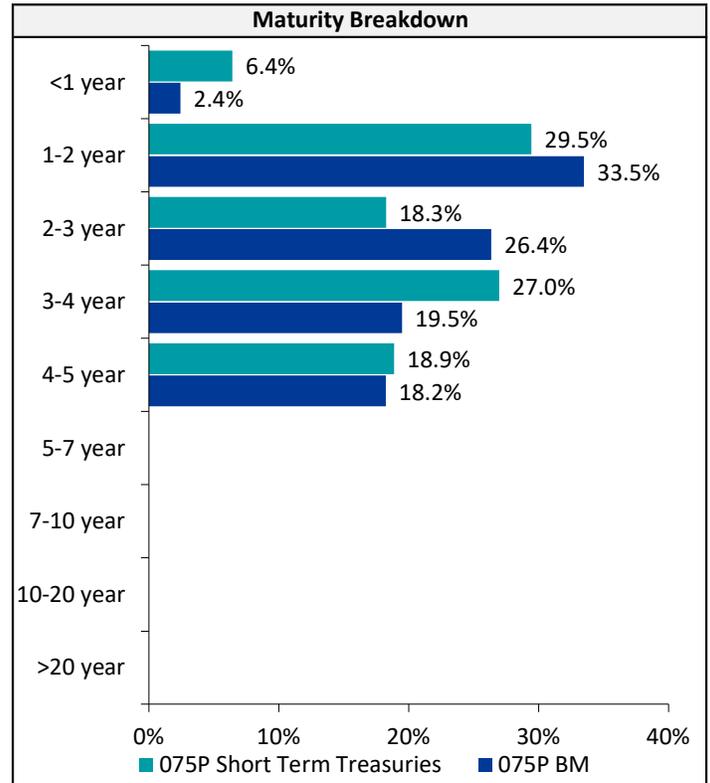
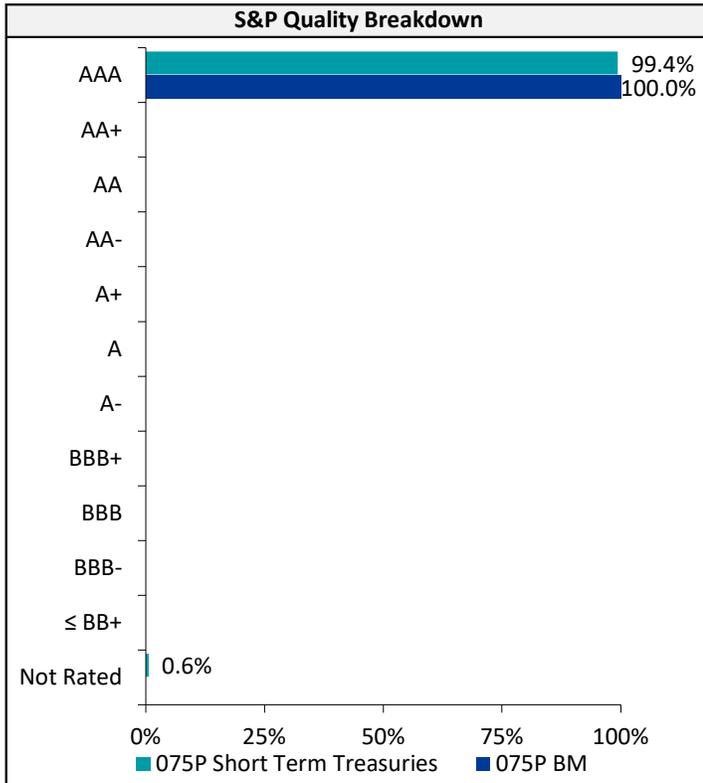
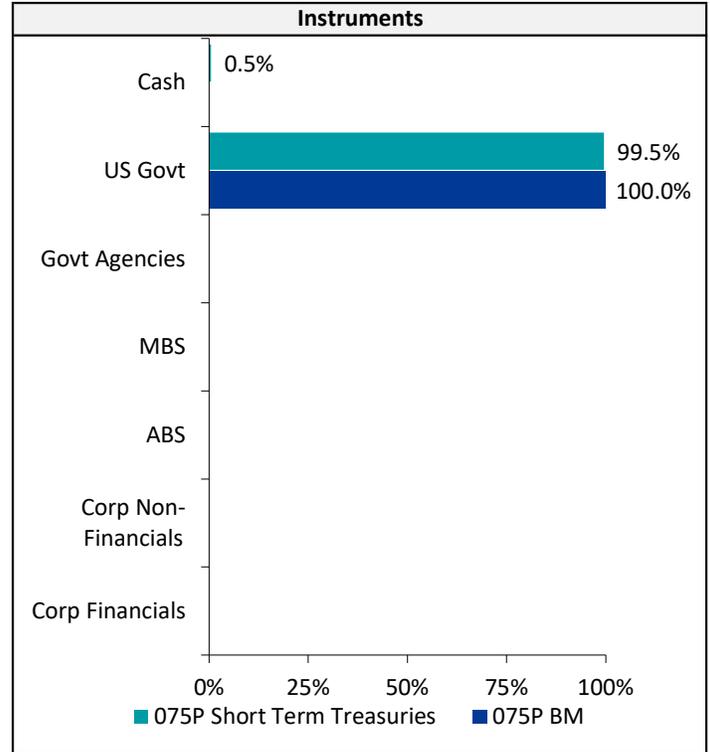
## Short Term Treasury Fund

6/30/2022

Portfolio Manager **Congress Asset Management - Jeff Porter**  
 Benchmark **Barc. US Treas 1-5 yr**

	Portfolio	Benchmark
Market Value (\$000)	\$ 185,972	n/a
# Issues	14	153
Avg Coupon	1.77%	1.41%
Avg Rating	AAA	AAA
Avg Maturity	2.80	2.70
Avg Yield	3.00%	3.02%
Avg Mod. Duration	2.67	2.67
Avg. Convexity	0.10	0.09

Annualized Returns	Portfolio	Benchmark	Relative
Month	-0.65%	-0.66%	+ 0.01%
Quarter	-0.86%	-0.85%	- 0.01%
FYTD	-4.89%	-4.90%	+ 0.02%
CYTD	-4.13%	-4.20%	+ 0.06%
1 Year	-4.89%	-4.88%	- 0.01%
3 Year	0.22%	-0.04%	n/a
5 Year	0.98%	0.87%	n/a
Inception (4/1/14)	1.02%	0.97%	+ 0.04%





# Mass General Brigham

## Intermediate Domestic Bond Fund

6/30/2022

Portfolio Manager **Congress Asset Management - Jeff Porter**  
 Benchmark **Barc. Intermediate US Govt/Credit**

	Portfolio	Benchmark
Market Value (\$000)	\$ 269,596	n/a
# Issues	37	5,541
Avg Coupon	2.29%	2.00%
Avg Rating	AA	AA
Avg Maturity	4.34	4.27
Avg Yield	3.35%	3.49%
Avg Mod. Duration	3.92	3.93
Avg. Convexity	0.23	0.23

Annualized Returns	Portfolio	Benchmark	Relative
Month	-1.02%	-1.11%	+ 0.10%
Quarter	-2.17%	-2.37%	+ 0.20%
FYTD	-6.79%	-7.30%	+ 0.51%
CYTD	-6.31%	-6.77%	+ 0.46%
1 Year	-6.80%	-7.28%	+ 0.48%
3 Year	-0.05%	-0.16%	+ 0.11%
5 Year	1.21%	1.13%	+ 0.08%
Inception (5/31/02)	3.68%	3.28%	+ 0.40%

