



***Methodist***<sup>SM</sup>  
***Le Bonheur Healthcare***

**THIRD QUARTER**  
**September 30, 2018**

**This report is dated November 5, 2018**

# METHODIST LE BONHEUR HEALTHCARE

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## QUARTERLY REPORT OF FINANCIAL INFORMATION AND OPERATING DATA

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**For Quarter-ended September 30, 2018**

**Relating to:**

***The Health, Educational and Housing Facility Board of the County of Shelby, Tennessee  
Hospital Revenue Bonds - Series 2012 and Series 2017 (Methodist Le Bonheur Healthcare)***

This Quarterly Report of Financial Information and Operating Data ("Quarterly Report") is filed by Methodist Le Bonheur Healthcare pursuant to Continuing Disclosure Agreements entered into by Methodist Le Bonheur Healthcare in connection with the issuance of the Series Series 2012 and Series 2017 bonds (the "Securities") referenced above. This Quarterly Report relates to the Securities. The Securities are described in the Official Statements dated May 2, 2012 and April 4, 2017, related to the issuance of the Securities.

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# METHODIST LE BONHEUR HEALTHCARE

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## QUARTERLY REPORT OF FINANCIAL INFORMATION AND OPERATING DATA

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This disclosure document is related to the following outstanding CUSIPs:

<u>Series 2012</u>	<u>Series 2017A</u>	
821697G37	821697Q85	821697S26
821697G45	821697Q93	821697S34
821697G52	821697R27	821697S42
821697G60	821697R35	821697S59
821697G78	821697R43	821697S67
821697G86	821697R50	821697S75
821697G94	821697R68	821697S83
821697H28	821697R76	821697S91
821697H36	821697R84	
821697H44	821697R92	

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As of April 2017, the Combined Group consists of the following members:

<b>COMBINED GROUP</b>
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<b>OBLIGATED GROUP</b>	<b>RESTRICTED GROUP</b>
<i>Methodist Le Bonheur Healthcare</i> <i>Methodist Healthcare - Memphis Hospitals</i> <i>Methodist Healthcare – Olive Branch Hospital</i> <i>Methodist Healthcare Community Care Associates</i> <i>Primary Care Group, LLC</i> <i>Specialty Physician Group, LLC</i> <i>UT Methodist Physicians, LLC</i> <i>Le Bonheur Pediatrics, LLC</i> <i>Alliance Health Services, Inc.</i>	<i>No active members</i>

## **NOTE CONCERNING FORWARD-LOOKING STATEMENTS**

Certain of the discussions included in the narrative section(s) of the following document may include certain "forward-looking statements." In particular, statements preceded by, followed by, or that include forward-looking words such as "may," "will," "should," "believes," "estimates," "expects," "anticipates," "plans," "intends," "scheduled," or other similar expressions are or may constitute forward-looking statements. Methodist Le Bonheur Healthcare cautions that these forward-looking statements, which are subject to numerous assumptions, involve known and unknown risks and uncertainties inherent in the operation of healthcare facilities. Those risks and uncertainties include general economic and business conditions, competition from other healthcare facilities, federal and state regulation of healthcare providers, and reimbursement policies of the state and federal governments and managed care organizations.

This document is marked with a dated date and speaks only as of that dated date. Readers are cautioned not to assume that any information has been updated beyond the dated date. Methodist Le Bonheur Healthcare assumes no duty to update forward-looking statements. Actual actions or results may differ materially from those discussed herein.

**Methodist Le Bonheur Healthcare**  
Financial Report – period ending September 30, 2018  
(Unaudited)

**Combined Statement of Operations and Changes in Net Assets**

Methodist's combined net patient service revenue increased by \$47.0 million, or 3.5%, for the period ending September 30, 2018 over the same period last year. The increase was due to higher payment rates of 4.2%, as measured by net patient revenue per adjusted discharge, offset by a 0.7% decline in adjusted discharges. A detailed breakdown of these factors is as follows:

- Inpatient volumes decreased by 801 discharges, or 1.6%, due to a 1,038 discharge, or 2.4%, decrease at the adult campuses offset by a 237 discharge, or 3.9%, increase at Le Bonheur. The payor mix of system discharges declined with commercial volumes down by 732, or 4.9%, Medicaid/TennCare down by 88, or 0.9%, and Medicare down by 172, or 0.8%. The only payor category that was up was uninsured which increased by 191, or 5.5%. The lower Medicaid and higher uninsured was due in part to TennCare reducing the number of lives due to an improved verification process at the State level. In addition, the number of covered lives on the exchange has declined from 32,000 to 28,000, which lowered commercial volumes and increased self-pay. Lastly, commercial volumes were also negatively impacted by a shift of approximately 40,000 covered lives from Methodist narrow network commercial contracts to Baptist narrow network commercial contracts.
- Outpatient volumes, as measured by outpatient equivalent discharges, increased by only 0.1% due primarily to a decrease in hospital outpatient volumes offset by an increase in physician practice volumes. The decline in the hospital volume was primarily due to the loss of the 40,000 narrow network commercial lives to a plan tied to Baptist.
- Payment rates per adjusted discharge increased by 4.2% due primarily higher acuity levels at Le Bonheur and normal payment increases from commercial and Medicare payors. Total payments per adjusted discharge increased by 8.1% at Le Bonheur due to a 9% increase in inpatient surgical volumes and an increased number of critical care patients from both the Memphis market and the region.

Other revenue increased by \$18.4 million, or 15.4%, compared to the same period last year. This is due primarily to higher revenues related to wholly owned

outpatient take home cancer and transplant pharmacies, which allows outpatient prescriptions written by our oncology and transplant doctors and filled at these outpatient pharmacies to qualify for 340b drug pricing.

Salaries and benefits increased by \$15.2 million, or 2.1%, for the period ending September 30, 2018 compared to the same period last year. Salaries increased by \$8.3 million, or 1.4%, due primarily to an overall 3.0% pay increase limit for all associates, offset by the reduction of 109 FTE's due to the System wide cost reduction plan implemented last year and lower usage of contract labor. Benefit related expenses increased by \$6.9 million, or 5.4%, due primarily to higher health insurance costs.

Supplies and other expenses increased by \$33.8 million, or 5.4%, compared to the same period in 2017. Supply costs have increased by \$24.3 million, or 7.4%, due to continued pricing increases on brand name drugs and drugs that are in short supply, the additional 340b activity mentioned above, and higher acuity level of patients. Other expenses increased by \$9.5 million, or 3.2%, due primarily to higher professional fees related to the higher oncology volume, higher 340b activity and higher academic support costs.

Investment income (which includes realized and unrealized returns), at \$15.9 million, was \$47.9 million lower than the same period last year. This was due to the impact of market factors on the investment portfolio in 2018, as follows: U.S. Equity was \$6.2 million lower, International Equity was \$28.6 million lower, Fixed Income was \$13.7 million lower, and Private Real Estate was \$0.6 million higher than the prior period. The investment portfolio returns in 2018 were in line with the returns of the overall markets, per the following:

	YTD	YTD	Index
	9-30-18	9-30-17	
U.S. Equity	+10.6%	+14.2%	S&P 500
Int'l Equity	-1.4%	+20.0%	MSCI EAFE
Fixed Income	-0.7%	+3.6%	BC Int Credit
Real Estate	+3.8%	+3.0%	NCREIF ODCE

Change in fair value of interest rate swaps at \$15.2 million was \$11.6 million higher than the same period last year. This was the result of LIBOR swap rates increasing by a significantly larger amount in the first 9 months of 2018 compared to the first 9 months of 2017.

**Methodist Le Bonheur Healthcare**  
Financial Report – period ending September 30, 2018  
(Unaudited)

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Gain on early extinguishment of debt of \$0.7 million was due to the Series 2004AB call redemption of \$15.9 million of bond debt in March 2018.

**Combined Balance Sheet**

Cash and investments were \$42.1 million higher than the same period last year. The increase was due primarily to strong operating performance, which outweighed capital expenditures and routine debt payments.

Other current assets were \$4.7 million higher than the same period last year. This increase is due primarily to the receivables related to the higher revenues in the retail pharmacies, drug rebates due to our associate health plan, and several large prepaid software/hardware maintenance contracts.

Assets limited as to use, less current portion decreased by \$22.3 million due primarily to the early redemption of \$15.9 million bond debt (Series 2004AB) and the final payment of \$9.9 million bond debt (Series 2008C) by using the debt service reserve fund in 2018.

Net property and equipment increased by \$85.4 million over the same period last year. This increase is a result of routine capital investments plus the construction of a replacement patient tower for the University campus. The total cost for the new University project is \$275 million and is expected to be completed and occupied in 2019. Approximately \$172 million has been spent on this project as of September 2018.

Debt decreased by \$32.5 million over the same period last year due to routine bond/other debt related payments along with the early redemption of \$15.9 million bond debt in March 2018.

Total reserves for estimated professional and general liability costs at \$24.9 million are up \$2.1 million compared to the same period last year (current portion is included in accrued expenses and other current liabilities). The required reserve levels are actuarially determined and the estimates are updated on a semi-annual basis.

Accrued pension liability decreased by \$33.3 million compared to the same period last year. This decrease was due to the minimum pension liability adjustment of \$33.3 million recorded at December

31, 2017 in accordance with FASB ASC Topic 715-20. The positive pension liability adjustment was due to strong investment returns for the year, which were partially offset by a lower discount rate. The discount rate declined from 4.16% in 2016 to 3.61% in 2017. Total return on pension assets was 17.3% in 2017, which was above the expected long-term investment target of 6.5%.

Market values for Methodist's 2004 and 2007 fixed payor swaps increased by \$18.7 million (therefore the liability decreased by \$18.7 million) as LIBOR swap rates were at significantly higher levels on September 30, 2018 compared to the levels on September 30, 2017.

**Financial Ratios**

The following is a table of financial ratios for the period ending September 30:

	YTD 9-30-18	YTD 9-30-17
Operating Margin	3.3%	2.2%
Excess Margin	4.2%	6.3%
Cash / Debt (%)	184%	171%
Debt / Cash Flow (X)	3.1	2.9
Days Cash on Hand	228	229
Days in A/R	50.0	51.2

**METHODIST LE BONHEUR HEALTHCARE**  
**COMBINED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**Nine Months Ending September 30**

Unaudited (Thousands of Dollars)

	<u>2018</u>	<u>2017</u>	<u>Difference</u>
Unrestricted revenues and other support:			
Net patient service revenue	\$ 1,392,698	\$ 1,345,681	\$ 47,017
Other revenue	137,848	119,497	18,351
Net assets released from restrictions used for operations	10,686	12,131	(1,445)
Total unrestricted revenues and other support	<u>1,541,232</u>	<u>1,477,309</u>	<u>63,923</u>
Expenses:			
Salaries and benefits	733,417	718,240	15,177
Supplies and other	655,343	621,580	33,763
Depreciation and amortization	84,388	83,494	894
Interest	15,434	17,285	(1,851)
Total expenses	<u>1,488,582</u>	<u>1,440,599</u>	<u>47,983</u>
Operating Income	52,650	36,710	15,940
Nonoperating gains (losses):			
Investment income, net	25,193	20,130	5,063
Change in fair value of interest rates swaps	15,246	3,611	11,635
Unrealized income on trading securities, net	(9,260)	43,683	(52,943)
Gain on early extinguishment of debt	697	-	697
Loss on impairment of land	-	-	-
Total nonoperating gains, net	<u>31,876</u>	<u>67,424</u>	<u>(35,548)</u>
Revenues, gains and other support in excess of expenses and losses, before noncontrolling interest	84,526	104,134	(19,608)
Noncontrolling interest	<u>(530)</u>	<u>(937)</u>	<u>407</u>
Revenues, gains and other support in excess of expenses and losses	<u>83,996</u>	<u>103,197</u>	<u>(19,201)</u>
Other changes in unrestricted net assets:			
Other	-	(125)	125
Accrued pension costs adjustments	-	-	-
Net assets released from restrictions used for capital	1,676	297	1,379
	<u>1,676</u>	<u>172</u>	<u>1,504</u>
Increase (decrease) in unrestricted net assets	<u>\$ 85,672</u>	<u>\$ 103,369</u>	<u>\$ (17,697)</u>
Change in net assets:			
Temporarily and permanently restricted net assets:			
Temporarily and permanently restricted contributions	13,034	14,829	(1,795)
Net assets released from restrictions used for operations	(10,686)	(12,131)	1,445
Net assets released from restrictions used for capital	(1,676)	(297)	(1,379)
Incr (decr) in temporarily & permanently restricted net assets	<u>672</u>	<u>2,401</u>	<u>(1,729)</u>
Increase (decrease) in noncontrolling interests	(341)	19	(360)
Increase (decrease) in unrestricted net assets	<u>85,672</u>	<u>103,369</u>	<u>(17,697)</u>
Increase (decrease) in net assets	86,003	105,789	(19,786)
Net assets at beginning of year	<u>1,633,609</u>	<u>1,445,101</u>	<u>188,508</u>
Net assets at September 30	<u>\$ 1,719,612</u>	<u>\$ 1,550,890</u>	<u>\$ 168,722</u>

**METHODIST LE BONHEUR HEALTHCARE**  
**COMBINED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**Nine Months Ending September 30, 2018**  
Unaudited (Thousands of Dollars)

	<b>Obligated Group</b>	<b>Restricted Group</b>	<b>Combined Group</b>	<b>Other Affiliated &amp; Eliminations</b>	<b>Consolidated</b>
Unrestricted revenues and other support:					
Net patient service revenue	\$ 1,385,537	\$ -	\$ 1,385,537	\$ 7,161	\$ 1,392,698
Other revenue	145,535	-	145,535	(7,687)	137,848
Net assets released from restrictions used for operations	-	-	-	10,686	10,686
Total unrestricted revenues and other support	<u>1,531,072</u>	<u>-</u>	<u>1,531,072</u>	<u>10,160</u>	<u>1,541,232</u>
Expenses:					
Salaries and benefits	717,962	-	717,962	15,455	733,417
Supplies and other	647,345	-	647,345	7,998	655,343
Depreciation and amortization	84,244	-	84,244	144	84,388
Interest	15,274	-	15,274	160	15,434
Total expenses	<u>1,464,825</u>	<u>-</u>	<u>1,464,825</u>	<u>23,757</u>	<u>1,488,582</u>
Operating Income	66,247	-	66,247	(13,597)	52,650
Nonoperating gains (losses):					
Investment income, net	25,596	-	25,596	(403)	25,193
Change in fair value of interest rates swaps	15,246	-	15,246	-	15,246
Unrealized income on trading securities, net	(10,487)	-	(10,487)	1,227	(9,260)
Gain on early extinguishment of debt	697	-	697	-	697
Loss on impairment of land	-	-	-	-	-
Total nonoperating gains, net	<u>31,052</u>	<u>-</u>	<u>31,052</u>	<u>824</u>	<u>31,876</u>
Revenues, gains and other support in excess of expenses and losses, before noncontrolling interest	97,299	-	97,299	(12,773)	84,526
Noncontrolling interest	(530)	-	(530)	-	(530)
Revenues, gains and other support in excess of expenses and losses	<u>96,769</u>	<u>-</u>	<u>96,769</u>	<u>(12,773)</u>	<u>83,996</u>
Other changes in unrestricted net assets:					
Other	-	-	-	-	-
Accrued pension costs adjustments	-	-	-	-	-
Net assets released from restrictions used for capital	-	-	-	1,676	1,676
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,676</u>	<u>1,676</u>
Increase (decrease) in unrestricted net assets	96,769	-	96,769	(11,097)	85,672
Intercompany transfers of assets	(1,728)	-	(1,728)	1,728	-
Increase (decrease) in unrestricted net assets	<u>\$ 95,041</u>	<u>\$ -</u>	<u>\$ 95,041</u>	<u>\$ (9,369)</u>	<u>\$ 85,672</u>
Change in net assets:					
Temporarily and permanently restricted net assets:					
Temporarily and permanently restricted contributions	-	-	-	13,034	13,034
Net assets released from restrictions used for operations	-	-	-	(10,686)	(10,686)
Net assets released from restrictions used for capital	-	-	-	(1,676)	(1,676)
Incr (decr) in temporarily & permanently restricted net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>672</u>	<u>672</u>
Increase (decrease) in noncontrolling interests	(341)	-	(341)	-	(341)
Increase (decrease) in unrestricted net assets	<u>95,041</u>	<u>-</u>	<u>95,041</u>	<u>(9,369)</u>	<u>85,672</u>
Increase (decrease) in net assets	94,700	-	94,700	(8,697)	86,003
Net assets at December 31, 2017	<u>1,517,290</u>	<u>-</u>	<u>1,517,290</u>	<u>116,319</u>	<u>1,633,609</u>
Net assets at September 30, 2018	<u>\$ 1,611,990</u>	<u>\$ -</u>	<u>\$ 1,611,990</u>	<u>\$ 107,622</u>	<u>\$ 1,719,612</u>



**METHODIST LE BONHEUR HEALTHCARE**  
**COMBINED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**Nine Months Ending September 30, 2017**  
Unaudited (Thousands of Dollars)

	<b>Obligated Group</b>	<b>Restricted Group</b>	<b>Combined Group</b>	<b>Other Affiliated &amp; Eliminations</b>	<b>Consolidated</b>
Unrestricted revenues and other support:					
Net patient service revenue	\$ 1,338,676	\$ -	\$ 1,338,676	\$ 7,005	\$ 1,345,681
Other revenue	113,633	-	113,633	5,864	119,497
Net assets released from restrictions used for operations	-	-	-	12,131	12,131
Total unrestricted revenues and other support	<u>1,452,309</u>	<u>-</u>	<u>1,452,309</u>	<u>25,000</u>	<u>1,477,309</u>
Expenses:					
Salaries and benefits	702,645	-	702,645	15,595	718,240
Supplies and other	613,196	-	613,196	8,384	621,580
Depreciation and amortization	83,397	-	83,397	97	83,494
Interest	17,080	-	17,080	205	17,285
Total expenses	<u>1,416,318</u>	<u>-</u>	<u>1,416,318</u>	<u>24,281</u>	<u>1,440,599</u>
Operating Income	35,991	-	35,991	719	36,710
Nonoperating gains (losses):					
Investment income, net	20,390	-	20,390	(260)	20,130
Change in fair value of interest rates swaps	3,611	-	3,611	-	3,611
Unrealized income on trading securities, net	40,663	-	40,663	3,020	43,683
Gain on early extinguishment of debt	-	-	-	-	-
Loss on impairment of land	-	-	-	-	-
Total nonoperating gains, net	<u>64,664</u>	<u>-</u>	<u>64,664</u>	<u>2,760</u>	<u>67,424</u>
Revenues, gains and other support in excess of expenses and losses, before noncontrolling interest	100,655	-	100,655	3,479	104,134
Noncontrolling interest	(937)	-	(937)	-	(937)
Revenues, gains and other support in excess of expenses and losses	<u>99,718</u>	<u>-</u>	<u>99,718</u>	<u>3,479</u>	<u>103,197</u>
Other changes in unrestricted net assets:					
Other	(125)	-	(125)	-	(125)
Accrued pension costs adjustments	-	-	-	-	-
Net assets released from restrictions used for capital	-	-	-	297	297
	<u>(125)</u>	<u>-</u>	<u>(125)</u>	<u>297</u>	<u>172</u>
Increase (decrease) in unrestricted net assets	99,593	-	99,593	3,776	103,369
Intercompany transfers of assets	(2,366)	-	(2,366)	2,366	-
Increase (decrease) in unrestricted net assets	<u>\$ 97,227</u>	<u>\$ -</u>	<u>\$ 97,227</u>	<u>\$ 6,142</u>	<u>\$ 103,369</u>
Change in net assets:					
Temporarily and permanently restricted net assets:					
Temporarily and permanently restricted contributions	-	-	-	14,829	14,829
Net assets released from restrictions used for operations	-	-	-	(12,131)	(12,131)
Net assets released from restrictions used for capital	-	-	-	(297)	(297)
Incr (decr) in temporarily & permanently restricted net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,401</u>	<u>2,401</u>
Increase (decrease) in noncontrolling interests	19	-	19	-	19
Increase (decrease) in unrestricted net assets	<u>97,227</u>	<u>-</u>	<u>97,227</u>	<u>6,142</u>	<u>103,369</u>
Increase (decrease) in net assets	97,246	-	97,246	8,543	105,789
Net assets at December 31, 2016	<u>1,344,466</u>	<u>-</u>	<u>1,344,466</u>	<u>100,635</u>	<u>1,445,101</u>
Net assets at September 30, 2017	<u>\$ 1,441,712</u>	<u>\$ -</u>	<u>\$ 1,441,712</u>	<u>\$ 109,178</u>	<u>\$ 1,550,890</u>

**METHODIST LE BONHEUR HEALTHCARE**  
**COMBINED BALANCE SHEET**  
**As of September 30**

Unaudited (Thousands of Dollars)

	<u>2018</u>	<u>2017</u>	<u>Difference</u>
<b>Assets</b>			
Current assets:			
Cash, cash equivalents, and short-term investments	\$ 1,226,082	\$ 1,183,978	\$ 42,104
Net patient accounts receivable	255,053	252,252	2,801
Pledge campaign	4,160	4,161	(1)
Other current assets	92,779	88,059	4,720
Assets limited as to use-current portion	574	733	(159)
Total current assets	<u>1,578,648</u>	<u>1,529,183</u>	<u>49,465</u>
Assets limited as to use, less current portion	10,327	32,633	(22,306)
Property and equipment, net	1,063,093	977,728	85,365
Pledge campaign-long term	6,228	7,069	(841)
Other assets	<u>44,073</u>	<u>47,402</u>	<u>(3,329)</u>
Total assets	<u><u>\$ 2,702,369</u></u>	<u><u>\$ 2,594,015</u></u>	<u><u>\$ 108,354</u></u>
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Accounts payable	\$ 79,943	\$ 66,758	\$ 13,185
Accrued expenses and other current liabilities	117,819	109,710	8,109
Due to third-party payors	7,763	7,457	306
Current installments of long-term debt	<u>9,599</u>	<u>20,265</u>	<u>(10,666)</u>
Total current liabilities	<u>215,124</u>	<u>204,190</u>	<u>10,934</u>
Long-term debt, excluding current installments	625,554	647,347	(21,793)
Estimated professional and general liability costs	16,364	14,273	2,091
Accrued pension liability	82,113	115,434	(33,321)
Swap market value	39,843	58,584	(18,741)
Other long-term liabilities	<u>3,760</u>	<u>3,298</u>	<u>462</u>
Total liabilities	<u>982,758</u>	<u>1,043,126</u>	<u>(60,368)</u>
Net assets:			
Unrestricted	1,681,768	1,513,682	168,086
Temporarily restricted	32,280	31,300	980
Permanently restricted	<u>3,641</u>	<u>3,641</u>	<u>-</u>
Total net assets attributable to MLH	<u>1,717,689</u>	<u>1,548,623</u>	<u>169,066</u>
Noncontrolling interests	<u>1,922</u>	<u>2,266</u>	<u>(344)</u>
Total net assets	<u>1,719,611</u>	<u>1,550,889</u>	<u>168,722</u>
Total liabilities and net assets	<u><u>\$ 2,702,369</u></u>	<u><u>\$ 2,594,015</u></u>	<u><u>\$ 108,354</u></u>

**METHODIST LE BONHEUR HEALTHCARE**  
**COMBINED BALANCE SHEET**  
**As of September 30, 2018**  
Unaudited (Thousands of Dollars)

	<b>Obligated Group</b>	<b>Restricted Group</b>	<b>Combined Group</b>	<b>Other Affiliated &amp; Eliminations</b>	<b>Consolidated</b>
<b>Assets</b>					
Current assets:					
Cash, cash equivalents, and short-term investments	\$ 1,127,340	\$ -	\$ 1,127,340	\$ 98,742	\$ 1,226,082
Net patient accounts receivable	255,053	-	255,053	-	255,053
Pledge campaign	-	-	-	4,160	4,160
Other current assets	90,949	-	90,949	1,830	92,779
Assets limited as to use-current portion	574	-	574	-	574
Total current assets	1,473,916	-	1,473,916	104,732	1,578,648
Assets limited as to use, less current portion	10,327	-	10,327	-	10,327
Property and equipment, net	1,061,786	-	1,061,786	1,307	1,063,093
Pledge campaign-long term	-	-	-	6,228	6,228
Other assets	37,779	-	37,779	6,294	44,073
Total assets	<u>\$ 2,583,808</u>	<u>\$ -</u>	<u>\$ 2,583,808</u>	<u>\$ 118,561</u>	<u>\$ 2,702,369</u>
<b>Liabilities and Net Assets</b>					
Current liabilities:					
Accounts payable	\$ 79,420	\$ -	\$ 79,420	\$ 523	\$ 79,943
Accrued expenses and other current liabilities	115,943	-	115,943	1,876	117,819
Due to third-party payors	7,763	-	7,763	-	7,763
Current installments of long-term debt	8,720	-	8,720	879	9,599
Advances from affiliates	(5,968)	-	(5,968)	5,968	-
Total current liabilities	205,878	-	205,878	9,246	215,124
Long-term debt, excluding current installments	623,936	-	623,936	1,618	625,554
Estimated professional and general liability costs	16,364	-	16,364	-	16,364
Accrued pension liability	82,113	-	82,113	-	82,113
Swap market value	39,843	-	39,843	-	39,843
Other long-term liabilities	3,685	-	3,685	75	3,760
Total liabilities	971,819	-	971,819	10,939	982,758
Net assets:					
Unrestricted	1,610,067	-	1,610,067	71,701	1,681,768
Temporarily restricted	-	-	-	32,280	32,280
Permanently restricted	-	-	-	3,641	3,641
Total net assets attributable to MLH	1,610,067	-	1,610,067	107,622	1,717,689
Noncontrolling interests	1,922	-	1,922	-	1,922
Total net assets	1,611,989	-	1,611,989	107,622	1,719,611
Total liabilities and net assets	<u>\$ 2,583,808</u>	<u>\$ -</u>	<u>\$ 2,583,808</u>	<u>\$ 118,561</u>	<u>\$ 2,702,369</u>

**METHODIST LE BONHEUR HEALTHCARE**  
**COMBINED BALANCE SHEET**  
**As of September 30, 2017**

Unaudited (Thousands of Dollars)

	<b>Obligated Group</b>	<b>Restricted Group</b>	<b>Combined Group</b>	<b>Other Affiliated &amp; Eliminations</b>	<b>Consolidated</b>
<b>Assets</b>					
Current assets:					
Cash, cash equivalents, and short-term investments	\$ 1,089,113	\$ -	\$ 1,089,113	\$ 94,865	\$ 1,183,978
Net patient accounts receivable	252,252	-	252,252	-	252,252
Pledge campaign	-	-	-	4,161	4,161
Other current assets	85,800	-	85,800	2,259	88,059
Assets limited as to use-current portion	733	-	733	-	733
Total current assets	1,427,898	-	1,427,898	101,285	1,529,183
Assets limited as to use, less current portion	32,633	-	32,633	-	32,633
Property and equipment, net	976,980	-	976,980	748	977,728
Pledge campaign-long term	-	-	-	7,069	7,069
Other assets	40,256	-	40,256	7,146	47,402
Total Assets	<u>\$ 2,477,767</u>	<u>\$ -</u>	<u>\$ 2,477,767</u>	<u>\$ 116,248</u>	<u>\$ 2,594,015</u>
<b>Liabilities and Net Assets</b>					
Current liabilities:					
Accounts payable	\$ 66,295	\$ -	\$ 66,295	\$ 463	\$ 66,758
Accrued expenses and other current liabilities	107,615	-	107,615	2,095	109,710
Due to third-party payors	7,457	-	7,457	-	7,457
Current installments of long-term debt	19,450	-	19,450	815	20,265
Advances from affiliates	(1,068)	-	(1,068)	1,068	-
Total current liabilities	199,749	-	199,749	4,441	204,190
Long-term debt, excluding current installments	644,851	-	644,851	2,496	647,347
Estimated professional and general liability costs	14,273	-	14,273	-	14,273
Accrued pension liability	115,434	-	115,434	-	115,434
Swap market value	58,584	-	58,584	-	58,584
Other long-term liabilities	3,164	-	3,164	134	3,298
Total liabilities	1,036,055	-	1,036,055	7,071	1,043,126
Net assets:					
Unrestricted	1,439,446	-	1,439,446	74,236	1,513,682
Temporarily restricted	-	-	-	31,300	31,300
Permanently restricted	-	-	-	3,641	3,641
Total net assets attributable to MLH	1,439,446	-	1,439,446	109,177	1,548,623
Noncontrolling interests	2,266	-	2,266	-	2,266
Total net assets	1,441,712	-	1,441,712	109,177	1,550,889
Total liabilities and net assets	<u>\$ 2,477,767</u>	<u>\$ -</u>	<u>\$ 2,477,767</u>	<u>\$ 116,248</u>	<u>\$ 2,594,015</u>

**METHODIST LE BONHEUR HEALTHCARE**  
**COMBINED STATEMENT OF CASH FLOW**  
**As of September 30**

Unaudited (Thousands of Dollars)

	<b>2018</b>	<b>2017</b>
<i>Increase (decrease) in cash due to:</i>		
Change in net assets	\$ 86,003	\$ 105,789
Discontinued operations	-	-
Non-cash items:		
Depreciation / amortization	84,388	83,494
Pension expense funding	-	-
Net change in market value swaps / bonds	(15,246)	(3,611)
Extraordinary gain (loss)	-	-
(Gain) / loss on disposal of assets	(569)	(247)
Total non-cash items	68,573	79,636
Cash flows from operating activities:		
Net changes in working capital	12,902	(30,699)
Changes in long term assets / liabilities	4,591	656
Advances (to) from affiliates	-	-
Total cash flows from operating activities	17,493	(30,043)
Cash flows from financing / investing activities:		
Principal payments	(32,365)	(19,645)
Advanced payment of debt	-	-
Debt / OID / bond issue cost additions (reductions)	80	160,013
Capital additions	(150,454)	(106,417)
Proceeds from disposal of assets	604	270
Asset transfers / disposals	(644)	(355)
Notes payable	(178)	(50)
Assets limited as to use	22,647	227
Total cash flows from financing / investing activities	(160,310)	34,043
Net increase (decrease) in cash	\$ 11,759	\$ 189,425
Change in cash:		
Beginning balance	\$ 1,214,323	\$ 994,553
Ending balance	1,226,082	1,183,978
Net increase (decrease) in cash	\$ 11,759	\$ 189,425

**METHODIST LE BONHEUR HEALTHCARE**  
**COMBINED STATEMENT OF CASH FLOW**  
**Nine Months Ending September 30, 2018**

Unaudited (Thousands of Dollars)

	Obligated Group	Restricted Group	Combined Group	Other Affiliated & Eliminations	Consolidated
<i>Increase (decrease) in cash due to:</i>					
Change in net assets	\$ 94,700	\$ -	\$ 94,700	\$ (8,697)	\$ 86,003
Discontinued operations	-	-	-	-	-
Non-cash items:					
Depreciation / amortization	84,244	-	84,244	144	84,388
Pension expense funding	-	-	-	-	-
Net change in market value swaps / bonds	(15,246)	-	(15,246)	-	(15,246)
Extraordinary gain (loss)	-	-	-	-	-
(Gain) / loss on disposal of assets	(569)	-	(569)	-	(569)
Total non-cash items	68,429	-	68,429	144	68,573
Cash flows from operating activities:					
Net changes in working capital	13,030	-	13,030	(128)	12,902
Changes in long term assets / liabilities	4,072	-	4,072	519	4,591
Advances (to) from affiliates	(4,874)	-	(4,874)	4,874	-
Total cash flows from operating activities	12,228	-	12,228	5,265	17,493
Cash flows from financing / investing activities:					
Principal payments	(31,749)	-	(31,749)	(616)	(32,365)
Advanced payment of debt	-	-	-	-	-
Debt / OID / bond issue cost additions (reductions)	80	-	80	-	80
Capital additions	(150,373)	-	(150,373)	(81)	(150,454)
Proceeds from disposal of assets	604	-	604	-	604
Asset transfers / disposals	(569)	-	(569)	(75)	(644)
Notes payable	(178)	-	(178)	-	(178)
Assets limited as to use	22,647	-	22,647	-	22,647
Total cash flows from financing / investing activities	(159,538)	-	(159,538)	(772)	(160,310)
Net increase (decrease) in cash	\$ 15,819	\$ -	\$ 15,819	\$ (4,060)	\$ 11,759
Change in cash:					
Beginning balance	\$ 1,111,521	\$ -	\$ 1,111,521	\$ 102,802	\$ 1,214,323
Ending balance	1,127,340	-	1,127,340	98,742	1,226,082
Net increase (decrease) in cash	\$ 15,819	\$ -	\$ 15,819	\$ (4,060)	\$ 11,759

**METHODIST LE BONHEUR HEALTHCARE**  
**COMBINED STATEMENT OF CASH FLOW**  
**Nine Months Ending September 30, 2017**

Unaudited (Thousands of Dollars)

	Obligated Group	Restricted Group	Combined Group	Other Affiliated & Eliminations	Consolidated
<i>Increase (decrease) in cash due to:</i>					
Change in net assets	\$ 97,246	\$ -	\$ 97,246	\$ 8,543	\$ 105,789
Discontinued operations	-	-	-	-	-
Non-cash items:					
Depreciation / amortization	83,397	-	83,397	97	83,494
Pension expense funding	-	-	-	-	-
Net change in market value swaps / bonds	(3,611)	-	(3,611)	-	(3,611)
Extraordinary gain (loss)	-	-	-	-	-
(Gain) / loss on disposal of assets	(247)	-	(247)	-	(247)
Total non-cash items	79,539	-	79,539	97	79,636
Cash flows from operating activities:					
Net changes in working capital	(31,291)	-	(31,291)	592	(30,699)
Changes in long term assets / liabilities	887	-	887	(231)	656
Advances (to) from affiliates	809	-	809	(809)	-
Total cash flows from operating activities	(29,595)	-	(29,595)	(448)	(30,043)
Cash flows from financing / investing activities:					
Principal payments	(19,073)	-	(19,073)	(572)	(19,645)
Advanced payment of debt	-	-	-	-	-
Debt / OID / bond issue cost additions (reductions)	160,013	-	160,013	-	160,013
Capital additions	(106,416)	-	(106,416)	(1)	(106,417)
Proceeds from disposal of assets	270	-	270	-	270
Asset transfers / disposals	286	-	286	(641)	(355)
Notes payable	(50)	-	(50)	-	(50)
Assets limited as to use	227	-	227	-	227
Total cash flows from financing / investing activities	35,257	-	35,257	(1,214)	34,043
Net increase (decrease) in cash	\$ 182,447	\$ -	\$ 182,447	\$ 6,978	\$ 189,425
Change in cash:					
Beginning balance	\$ 906,666	\$ -	\$ 906,666	\$ 87,887	\$ 994,553
Ending balance	1,089,113	-	1,089,113	94,865	1,183,978
Net increase (decrease) in cash	\$ 182,447	\$ -	\$ 182,447	\$ 6,978	\$ 189,425

**METHODIST LE BONHEUR HEALTHCARE**  
**OPERATING STATISTICS <sup>(1)</sup>**

	<b>COMBINED GROUP</b>		<b>SYSTEM</b>	
	<i>For 9 months-ended</i>		<i>For 9 months-ended</i>	
	<b>Sep 30</b>	<b>Sep 30</b>	<b>Sep 30</b>	<b>Sep 30</b>
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Licensed Beds	1,662	1,660	1,662	1,660
Beds in Service	1,437	1,429	1,437	1,429
Patient Days (inpatients)	269,608	272,089	269,608	272,089
Discharges (inpatients)	48,699	49,500	48,699	49,500
Occupancy	68.7%	69.7%	68.7%	69.7%
Avg Length of Stay (days)	5.5	5.5	5.5	5.5
ER Visits	281,675	290,103	281,675	290,103
Gross Outpat. to Total Revenue	55.9%	55.5%	55.9%	55.5%

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<sup>(1)</sup> Statistics include hospital entities only, except Gross Outpat to Total Revenue which includes hospital entities and other affiliates of MLH.



**METHODIST LE BONHEUR HEALTHCARE**  
**PAYOR MIX - GROSS PATIENT REVENUE <sup>(1)</sup>**

	<b>COMBINED GROUP</b>		<b>SYSTEM</b>	
	<i>For 9 months-ended</i>		<i>For 9 months-ended</i>	
	<b>Sep 30</b>	<b>Sep 30</b>	<b>Sep 30</b>	<b>Sep 30</b>
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Medicare	37.9%	37.2%	37.9%	37.2%
Medicaid / TennCare	23.5%	22.5%	23.5%	22.5%
Self Pay	7.0%	6.8%	7.0%	6.8%
Commercial / Other	<u>31.6%</u>	<u>33.5%</u>	<u>31.6%</u>	<u>33.5%</u>
Total	100.0%	100.0%	100.0%	100.0%

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<sup>(1)</sup> Payor mix information for the Combined Group and the System consists of Methodist Healthcare - Memphis Hospitals and Methodist Healthcare - Olive Branch Hospital.

## **MISCELLANEOUS**

The information set forth herein has been obtained from records and other sources which are considered reliable. The filing of this Quarterly Report shall not, under any circumstances, create any implication that there has been no change in the affairs of Methodist Le Bonheur Healthcare or in the other matters described herein since the date as of which such information is provided.

The historical information set forth in this Quarterly Report is not necessarily indicative of future financial results of operations due to various factors, including, among others, those discussed in the Official Statements. The Official Statements are on file with the Municipal Securities Rulemaking Board.

In the Continuing Disclosure Agreements, Methodist Le Bonheur Healthcare disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its Continuing Disclosure Agreements or from any statement made pursuant to its Agreements. See “Continuing Disclosure of Information” in the Official Statements.