

Subject: Continuing Disclosure Filing for MidMichigan Health
Period Ended: Three-month Period Ended September 30, 2018
Filed by: Francine M. Padgett, SVP and CFO
Dated: November 13, 2018

Enclosed please find the consolidated financial and statistical report for MidMichigan Health, which includes the MidMichigan Obligated Group for the first quarter, ended September 30, 2018.

On July 1, 2018, MidMichigan Health adopted the Financial Accounting Standards Board Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which primarily resulted in a change in the presentation of revenue related to uninsured or self-pay patients. Under this ASU, the majority of what was previously classified as provision for uncompensated, or uncollectible accounts, is now reflected as implicit price concessions and therefore a direct reduction to patient service revenue.

MidMichigan Health also adopted ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which requires equity investments to be measured at fair value with changes in fair value recognized in net income. This also resulted in a change in presentation that eliminated separate presentation of unrealized investment income, which is now presented in nonoperating income as part of excess of revenue over expenses.

While the adoption of the above ASUs significantly affected presentation, it did not significantly impact the financial position, results of operations or cash flows of MidMichigan Health.

Year-To-Date: Three-Month Period Ended September 30, 2018 compared to September 30, 2017

ACTIVITY: Total admissions for the system were up 17.6% or 1,070 admissions. Total hospital outpatient visits increased by approximately 13.7%, driven by all areas (emergency room, outpatient surgery, observation, and other outpatient visits). The increase in both inpatient admissions and outpatient visits is also driven by the acquisition of West Branch. A supplemental statement is provided to show the change to prior year with and without West Branch. Physician visits increased 25.5%, and total urgent care visits increased 9.9%.

TOTAL OPERATING REVENUE: Net patient service revenue increased 19.0%, or \$36.3 million, driven primarily by increased patient activity and the acquisition of West Branch.

EXPENSE MANAGEMENT: Expenses increased by 15.4%; the increases resulted from the acquisition of West Branch and the following:

- Salaries: a general increase related to patient activity;
- Supplies: higher pharmaceutical and patient related expenses; and
- Fees: higher consulting related to revenue cycle and cost structure.

FINANCIAL RESULTS: The operating performance increased from the prior year performance for the quarter. Increased volumes resulting in improved operating revenue and better expense management have driven the increase in financial performance.

NONOPERATING ITEMS: MidMichigan Health's investment income of \$14.0 million decreased compared to \$19.2 million a year ago. This decrease is from realized gains in fiscal 2018, due to the rebalancing of the portfolio and funding of capital projects.

Continuing Disclosure MidMichigan Health
Three Month Period Ended September 30, 2018

Year-To-Date: September 30, 2018 compared to the Annual Financial Plan (Budget)

ACTIVITY: Total admissions for the system were up 5.5% or 372 admissions driven by increases across four of the six medical centers. Total outpatient visits increased 2.6%, driven by increased visits in all areas (emergency room, outpatient surgery, observation, and other outpatient visits). Physician visits were 2.7% above budget as a result of more specialty providers. Decreases were seen in all other areas except specialty care (primary care, rural health clinics, and family practice). Urgent Care visits decreased 6.8% compared to budget or approximately 1,800 visits.

TOTAL OPERATING REVENUE: Net patient service revenue increased \$12.2 million from Plan due to increased acute admissions, outpatient visits, and physician visits. Other operating revenue was slightly above budget. As a result, total operating revenue for first quarter was up \$12.2 million above budget.

EXPENSE MANAGEMENT: Expenses increased by 4.0% or \$8.8 million. The increase resulted primarily from supplies and fees. The increase in supplies is primarily driven by the pharmaceutical and patient related supplies associated with the higher patient activity. The increase in fees is primarily related to revenue cycle and cost structure consulting.

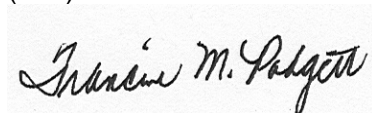
FINANCIAL RESULTS: These factors resulted in income from operations of \$5.0 million compared to the budgeted operating income of \$1.5 million. The operating margin of 2.1% was above the budgeted margin of 0.7%.

Forward-Looking:

Operating Income is significantly better than the annual plan (budget) and the prior year loss. This reflects the increased volume and better expense management. We are continuing to monitor the revenue cycle and will be making additional changes as required in order to achieve our Fiscal 2019 priorities related to increased collections and increased documentation related to case mix. We continue to work with Deloitte to assess our cost structure for both the medical centers and the physician enterprise. Action plans are now being developed to achieve the targeted savings and quality outcomes over the next three years.

We did experience significant unrealized losses in October (\$20 million loss on a portfolio of \$696 million) consistent with the volatility in the markets.

If you have any questions on any of this information, please do not hesitate to contact me at (989) 839-3181.



Enclosures: Consolidated Financial and Statistical Report



CONSOLIDATED FINANCIAL AND STATISTICAL REPORT

September 30, 2018

QUARTERLY BOND STATEMENTS

CONSOLIDATED STATISTICAL REPORT
 For the Period Ended September 30, 2018

| Current Quarter | | | | |
|-----------------|--------|-------------|------------|-------------|
| Actual | Budget | % Change | Prior Year | % Change |

| | | | | |
|------------|------------|--------|------------|-------|
| 6,493 | 6,116 | 6.2% | 5,409 | 20.0% |
| 125 | 146 | -14.4% | 120 | 4.2% |
| <u>522</u> | <u>506</u> | 3.2% | <u>541</u> | -3.5% |

| | | | | |
|--------------|--------------|-------------|--------------|--------------|
| 7,140 | 6,768 | 5.5% | 6,070 | 17.6% |
|--------------|--------------|-------------|--------------|--------------|

| | | | | |
|--------------|--------------|--------|--------------|-------|
| 23,186 | 21,336 | 8.7% | 18,422 | 25.9% |
| 1,491 | 1,775 | -16.0% | 1,383 | 7.8% |
| <u>4,236</u> | <u>4,143</u> | 2.2% | <u>4,164</u> | 1.7% |

| | | | | |
|---------------|---------------|-------------|---------------|--------------|
| 28,913 | 27,255 | 6.1% | 23,969 | 20.6% |
|---------------|---------------|-------------|---------------|--------------|

| | | | | |
|------------|------------|-------|------------|------|
| 3.6 | 3.5 | 2.4% | 3.4 | 4.8% |
| 11.9 | 12.2 | -1.9% | 11.5 | 3.5% |
| <u>8.1</u> | <u>8.2</u> | -0.9% | <u>7.7</u> | 5.4% |

| | | | | |
|------------|------------|-------------|------------|-------------|
| 4.0 | 4.0 | 0.6% | 3.9 | 2.5% |
|------------|------------|-------------|------------|-------------|

| | | | | |
|-------------|-------------|-------------|-------------|-------------|
| 1.93 | 1.89 | 2.1% | 1.89 | 2.1% |
|-------------|-------------|-------------|-------------|-------------|

| | | | | |
|-------------|-------------|-------------|-------------|-------------|
| 1.39 | 1.34 | 4.2% | 1.38 | 0.8% |
|-------------|-------------|-------------|-------------|-------------|

| | | | | |
|-------------|-------------|-------------|-------------|-------------|
| 1.75 | 1.71 | 2.4% | 1.70 | 3.0% |
|-------------|-------------|-------------|-------------|-------------|

| | | | | |
|-------------|-------------|--------------|-------------|--------------|
| 1.36 | 1.00 | 36.1% | 1.09 | 25.2% |
|-------------|-------------|--------------|-------------|--------------|

| | | | | |
|-------|-------|-------|-------|--------|
| 54.1% | 53.9% | 0.4% | 62.5% | -13.4% |
| 16.4% | 16.5% | -0.6% | 12.2% | 34.8% |
| 16.0% | 16.3% | -1.8% | 13.4% | 19.8% |
| 13.5% | 13.3% | 1.5% | 12.0% | 12.4% |

INPATIENT - HOSPITALS

| | | | | | |
|-----------------------------|------------|------------|--------|------------|-------|
| Admissions - Acute | 6,493 | 6,116 | 6.2% | 5,409 | 20.0% |
| Admissions - Rehabilitation | 125 | 146 | -14.4% | 120 | 4.2% |
| Admissions - Mental Health | <u>522</u> | <u>506</u> | 3.2% | <u>541</u> | -3.5% |

Total Admissions

| | | | | | |
|-------------------------------|--------------|--------------|--------|--------------|-------|
| Patient Days - Acute | 23,186 | 21,336 | 8.7% | 18,422 | 25.9% |
| Patient Days - Rehabilitation | 1,491 | 1,775 | -16.0% | 1,383 | 7.8% |
| Patient Days - Mental Health | <u>4,236</u> | <u>4,143</u> | 2.2% | <u>4,164</u> | 1.7% |

Total Patient Days

| | | | | | |
|---------------------------------|------------|------------|-------|------------|------|
| Length of Stay - Acute | 3.6 | 3.5 | 2.4% | 3.4 | 4.8% |
| Length of Stay - Rehabilitation | 11.9 | 12.2 | -1.9% | 11.5 | 3.5% |
| Length of Stay - Mental Health | <u>8.1</u> | <u>8.2</u> | -0.9% | <u>7.7</u> | 5.4% |

Total Length of Stay

| | | | | | |
|--|------|------|-------|------|-------|
| Midland Casemix - Medicare | 1.93 | 1.89 | 2.1% | 1.89 | 2.1% |
| Alpena, Gratiot, Clare, Gladwin, West Branch Casemix | 1.39 | 1.34 | 4.2% | 1.38 | 0.8% |
| Midland Casemix - Total | 1.75 | 1.71 | 2.4% | 1.70 | 3.0% |
| Alpena, Gratiot, Clare, Gladwin, West Branch Casemix | 1.36 | 1.00 | 36.1% | 1.09 | 25.2% |

System Payor Mix (% Revenue)

| | | | | | |
|------------|-------|-------|-------|-------|--------|
| Medicare | 54.1% | 53.9% | 0.4% | 62.5% | -13.4% |
| Blue Cross | 16.4% | 16.5% | -0.6% | 12.2% | 34.8% |
| Medicaid | 16.0% | 16.3% | -1.8% | 13.4% | 19.8% |
| Other | 13.5% | 13.3% | 1.5% | 12.0% | 12.4% |

OUTPATIENT

| | | | | |
|----------------|----------------|-------|----------------|-------|
| 33,165 | 31,306 | 5.9% | 28,157 | 17.8% |
| 13,631 | 13,463 | 1.2% | 12,822 | 6.3% |
| 1,660 | 1,456 | 14.0% | 1,331 | 24.7% |
| <u>156,060</u> | <u>153,163</u> | 1.9% | <u>137,639</u> | 13.4% |

| | | | | |
|----------------|----------------|-------------|----------------|--------------|
| 204,516 | 199,388 | 2.6% | 179,949 | 13.7% |
|----------------|----------------|-------------|----------------|--------------|

| | | | | |
|----------------|----------------|-------------|----------------|--------------|
| 31,374 | 37,122 | -15.5% | 32,380 | -3.1% |
| 113,243 | 101,345 | 11.7% | 79,840 | 41.8% |
| 30,435 | 31,359 | -2.9% | 26,860 | 13.3% |
| <u>10,807</u> | <u>11,093</u> | -2.6% | <u>9,072</u> | 19.1% |
| 185,859 | 180,919 | 2.7% | 148,152 | 25.5% |

| | | | | |
|---------------|---------------|--------------|---------------|-------------|
| 24,627 | 26,421 | -6.8% | 22,406 | 9.9% |
|---------------|---------------|--------------|---------------|-------------|

| | | | | |
|---------------|---------------|-------------|---------------|--------------|
| 25,527 | 24,773 | 3.0% | 22,420 | 13.9% |
|---------------|---------------|-------------|---------------|--------------|

FTEs

| | | | | |
|----------------|----------------|--------------|----------------|-------------|
| 4,570.6 | 4,592.9 | -0.5% | 4,346.5 | 5.2% |
|----------------|----------------|--------------|----------------|-------------|

| | | | | |
|----------------|----------------|-------------|----------------|-------------|
| 5,215.5 | 5,149.8 | 1.3% | 4,981.6 | 4.7% |
|----------------|----------------|-------------|----------------|-------------|

| Year-to-Date | | | | |
|--------------|--------|-------------|------------|-------------|
| Actual | Budget | % Change | Prior Year | % Change |

| | | | | |
|------------|------------|--------|------------|-------|
| 6,493 | 6,116 | 6.2% | 5,409 | 20.0% |
| 125 | 146 | -14.4% | 120 | 4.2% |
| <u>522</u> | <u>506</u> | 3.2% | <u>541</u> | -3.5% |

| | | | | |
|--------------|--------------|-------------|--------------|--------------|
| 7,140 | 6,768 | 5.5% | 6,070 | 17.6% |
|--------------|--------------|-------------|--------------|--------------|

| | | | | |
|--------------|--------------|--------|--------------|-------|
| 23,186 | 21,336 | 8.7% | 18,422 | 25.9% |
| 1,491 | 1,775 | -16.0% | 1,383 | 7.8% |
| <u>4,236</u> | <u>4,143</u> | 2.2% | <u>4,164</u> | 1.7% |

| | | | | |
|---------------|---------------|-------------|---------------|--------------|
| 28,913 | 27,255 | 6.1% | 23,969 | 20.6% |
|---------------|---------------|-------------|---------------|--------------|

| | | | | |
|------------|------------|-------|------------|------|
| 3.6 | 3.5 | 2.4% | 3.4 | 4.8% |
| 11.9 | 12.2 | -1.9% | 11.5 | 3.5% |
| <u>8.1</u> | <u>8.2</u> | -0.9% | <u>7.7</u> | 5.4% |

| | | | | |
|------------|------------|-------------|------------|-------------|
| 4.0 | 4.0 | 0.6% | 3.9 | 2.5% |
|------------|------------|-------------|------------|-------------|

| | | | | |
|-------------|-------------|-------------|-------------|-------------|
| 1.93 | 1.89 | 2.1% | 1.89 | 2.1% |
|-------------|-------------|-------------|-------------|-------------|

| | | | | |
|-------------|-------------|-------------|-------------|-------------|
| 1.39 | 1.34 | 4.2% | 1.38 | 0.8% |
|-------------|-------------|-------------|-------------|-------------|

| | | | | |
|-------------|-------------|-------------|-------------|-------------|
| 1.75 | 1.71 | 2.4% | 1.70 | 3.0% |
|-------------|-------------|-------------|-------------|-------------|

| | | | | |
|-------------|-------------|--------------|-------------|--------------|
| 1.36 | 1.00 | 36.1% | 1.09 | 25.2% |
|-------------|-------------|--------------|-------------|--------------|

| | | | | |
|-------|-------|-------|-------|--------|
| 54.1% | 53.9% | 0.4% | 62.5% | -13.4% |
| 16.4% | 16.5% | -0.6% | 12.2% | 34.8% |
| 16.0% | 16.3% | -1.8% | 13.4% | 19.8% |
| 13.5% | 13.3% | 1.5% | 12.0% | 12.4% |

| | | | | |
|----------------|----------------|-------|----------------|-------|
| 33,165 | 31,306 | 5.9% | 28,157 | 17.8% |
| 13,631 | 13,463 | 1.2% | 12,822 | 6.3% |
| 1,660 | 1,456 | 14.0% | 1,331 | 24.7% |
| <u>156,060</u> | <u>153,163</u> | 1.9% | <u>137,639</u> | 13.4% |

| | | | | |
|----------------|----------------|-------------|----------------|--------------|
| 204,516 | 199,388 | 2.6% | 179,949 | 13.7% |
|----------------|----------------|-------------|----------------|--------------|

| | | | | |
|----------------|----------------|-------------|----------------|--------------|
| 31,374 | 37,122 | -15.5% | 32,380 | -3.1% |
| 113,243 | 101,345 | 11.7% | 79,840 | 41.8% |
| 30,435 | 31,359 | -2.9% | 26,860 | 13.3% |
| <u>10,807</u> | <u>11,093</u> | -2.6% | <u>9,072</u> | 19.1% |
| 185,859 | 180,919 | 2.7% | 148,152 | 25.5% |

| | | | | |
|---------------|---------------|--------------|---------------|-------------|
| 24,627 | 26,421 | -6.8% | 22,406 | 9.9% |
|---------------|---------------|--------------|---------------|-------------|

| | | | | |
|---------------|---------------|-------------|---------------|--------------|
| 25,527 | 24,773 | 3.0% | 22,420 | 13.9% |
|---------------|---------------|-------------|---------------|--------------|

| | | | | |
|----------------|----------------|--------------|----------------|-------------|
| 4,570.6 | 4,592.9 | -0.5% | 4,346.5 | 5.2% |
|----------------|----------------|--------------|----------------|-------------|

| | | | | |
|----------------|----------------|-------------|----------------|-------------|
| 5,215.5 | 5,149.8 | 1.3% | 4,981.6 | 4.7% |
|----------------|----------------|-------------|----------------|-------------|

NET INCOME - ACTUAL VS BUDGET (000s)
For the Period Ended September 30, 2018

| Current Quarter | | | | |
|-----------------|--------|----------|------------|----------|
| Actual | Budget | % Change | Prior Year | % Change |

| | | | | |
|---------------|---------------|-------|---------------|-------|
| \$56,392 | \$53,018 | 6.4% | \$46,984 | 20.0% |
| 121,663 | 116,208 | 4.7% | 98,869 | 23.1% |
| 346,467 | 307,476 | 12.7% | 283,476 | 22.2% |
| <u>55,550</u> | <u>56,428</u> | -1.6% | <u>43,421</u> | 27.9% |

| | | | | |
|--------------|--------------|--------|----------------|--------|
| 580,072 | 533,130 | 8.8% | 472,750 | 22.7% |
| (353,169) | (318,420) | -10.9% | (272,329) | -29.7% |
| <u>0</u> | <u>0</u> | 0.0% | <u>(9,824)</u> | 100.0% |
| 226,903 | 214,710 | 5.7% | 190,597 | 19.0% |
| <u>7,377</u> | <u>7,327</u> | 0.7% | <u>6,578</u> | 12.1% |

| | | | | |
|-----------------------|-----------------------|-------------|-----------------------|--------------|
| <u>234,280</u> | <u>222,037</u> | 5.5% | <u>197,175</u> | 18.8% |
|-----------------------|-----------------------|-------------|-----------------------|--------------|

| | | | | |
|--------------|--------------|--------|--------------|-------|
| 97,005 | 95,424 | 1.7% | 86,871 | 11.7% |
| 22,932 | 23,460 | -2.3% | 20,129 | 13.9% |
| 45,529 | 39,793 | 14.4% | 36,531 | 24.6% |
| 18,476 | 19,847 | -6.9% | 20,504 | -9.9% |
| 24,147 | 20,223 | 19.4% | 16,960 | 42.4% |
| 12,778 | 13,386 | -4.5% | 11,785 | 8.4% |
| 952 | 1,400 | -32.0% | 0 | 0.0% |
| 2,034 | 1,931 | 5.3% | 1,916 | 6.2% |
| 3,196 | 3,082 | 3.7% | 2,707 | 18.1% |
| <u>2,263</u> | <u>2,006</u> | 12.8% | <u>1,346</u> | 68.1% |

| | | | | |
|-----------------------|-----------------------|-------------|-----------------------|--------------|
| <u>229,312</u> | <u>220,552</u> | 4.0% | <u>198,749</u> | 15.4% |
|-----------------------|-----------------------|-------------|-----------------------|--------------|

| | | | | |
|--------------|--------------|---------------|----------------|---------------|
| 4,968 | 1,485 | 234.5% | (1,574) | 415.6% |
|--------------|--------------|---------------|----------------|---------------|

| | | | | |
|---------------|--------------|--------|---------------|--------|
| <u>14,016</u> | <u>4,573</u> | 206.5% | <u>41,330</u> | -66.1% |
| 14,016 | 4,573 | 206.5% | 41,330 | -66.1% |

| | | | | |
|---------------|--------------|---------------|---------------|---------------|
| 18,984 | 6,058 | 213.4% | 39,756 | -52.2% |
|---------------|--------------|---------------|---------------|---------------|

| | | | | |
|----------|----------|------|-----------------|--------|
| <u>0</u> | <u>0</u> | 0.0% | <u>(22,155)</u> | 100.0% |
|----------|----------|------|-----------------|--------|

| | | | | |
|------------------------|-----------------------|---------------|------------------------|-------------|
| <u>\$18,984</u> | <u>\$6,058</u> | 213.4% | <u>\$17,601</u> | 7.9% |
|------------------------|-----------------------|---------------|------------------------|-------------|

| | | | | |
|------|------|--|-------|--|
| 2.1% | 0.7% | | -0.8% | |
|------|------|--|-------|--|

OPERATING REVENUE:

| |
|----------------------|
| Routine Care |
| Inpatient Ancillary |
| Outpatient Ancillary |
| Physician Office |

Total Patient Service Revenue

| |
|---------------------------------------|
| Provision for Contractual Adjustments |
| Provision for Uncompensated Services |
| Net Patient Service Revenue |

Other Operating Revenue

TOTAL OPERATING REVENUE

OPERATING EXPENSES:

| |
|------------------------------|
| Salaries |
| Benefits |
| Supplies |
| Purchased Services and Other |
| Fees |
| Depreciation & Amortization |
| Uncompensated |
| Interest |
| Utilities |
| Insurance |

TOTAL OPERATING EXPENSES

INCOME FROM OPERATIONS

NONOPERATING ITEMS:

| |
|--------------------------------|
| Nonoperating Investment Income |
| Total Nonoperating Items |

EXCESS OF REVENUE OVER EXPENSES

Unrealized Investment Return

INCREASE IN UNRESTRICTED NET ASSETS

Operating Margin

| Year-to-Date | | | | |
|--------------|--------|----------|------------|----------|
| Actual | Budget | % Change | Prior Year | % Change |

| | | | | |
|---------------|---------------|-------|---------------|-------|
| \$56,392 | \$53,018 | 6.4% | \$46,984 | 20.0% |
| \$121,663 | 116,208 | 4.7% | 98,869 | 23.1% |
| 346,467 | 307,476 | 12.7% | 283,476 | 22.2% |
| <u>55,550</u> | <u>56,428</u> | -1.6% | <u>43,421</u> | 27.9% |

| | | | | |
|--------------|--------------|--------|----------------|--------|
| 580,072 | 533,130 | 8.8% | 472,750 | 22.7% |
| (353,169) | (318,420) | -10.9% | (272,329) | -29.7% |
| <u>0</u> | <u>0</u> | 0.0% | <u>(9,824)</u> | 100.0% |
| 226,903 | 214,710 | 5.7% | 190,597 | 19.0% |
| <u>7,377</u> | <u>7,327</u> | 0.7% | <u>6,578</u> | 12.1% |

| | | | | |
|-----------------------|-----------------------|-------------|-----------------------|--------------|
| <u>234,280</u> | <u>222,037</u> | 5.5% | <u>197,175</u> | 18.8% |
|-----------------------|-----------------------|-------------|-----------------------|--------------|

| | | | | |
|--------------|--------------|--------|--------------|-------|
| 97,005 | 95,424 | 1.7% | 86,871 | 11.7% |
| 22,932 | 23,460 | -2.3% | 20,129 | 13.9% |
| 45,529 | 39,793 | 14.4% | 36,531 | 24.6% |
| 18,476 | 19,847 | -6.9% | 20,504 | -9.9% |
| 24,147 | 20,223 | 19.4% | 16,960 | 42.4% |
| 12,778 | 13,386 | -4.5% | 11,785 | 8.4% |
| 952 | 1,400 | -32.0% | 0 | 0.0% |
| 2,034 | 1,931 | 5.3% | 1,916 | 6.2% |
| 3,196 | 3,082 | 3.7% | 2,707 | 18.1% |
| <u>2,263</u> | <u>2,006</u> | 12.8% | <u>1,346</u> | 68.1% |

| | | | | |
|-----------------------|-----------------------|-------------|-----------------------|--------------|
| <u>229,312</u> | <u>220,552</u> | 4.0% | <u>198,749</u> | 15.4% |
|-----------------------|-----------------------|-------------|-----------------------|--------------|

| | | | | |
|--------------|--------------|---------------|----------------|---------------|
| 4,968 | 1,485 | 234.5% | (1,574) | 415.6% |
|--------------|--------------|---------------|----------------|---------------|

| | | | | |
|---------------|--------------|--------|---------------|--------|
| <u>14,016</u> | <u>4,573</u> | 206.5% | <u>41,330</u> | -66.1% |
| 14,016 | 4,573 | 206.5% | 41,330 | -66.1% |

| | | | | |
|---------------|--------------|---------------|---------------|---------------|
| 18,984 | 6,058 | 213.4% | 39,756 | -52.2% |
|---------------|--------------|---------------|---------------|---------------|

| | | | | |
|----------|----------|------|-----------------|--------|
| <u>0</u> | <u>0</u> | 0.0% | <u>(22,155)</u> | 100.0% |
|----------|----------|------|-----------------|--------|

| | | | | |
|------------------------|-----------------------|---------------|------------------------|-------------|
| <u>\$18,984</u> | <u>\$6,058</u> | 213.4% | <u>\$17,601</u> | 7.9% |
|------------------------|-----------------------|---------------|------------------------|-------------|

| | | | | |
|------|------|--|-------|--|
| 2.1% | 0.7% | | -0.8% | |
|------|------|--|-------|--|

- >1000%

Note: Prior to adopting Accounting Standards Update 2016-01, the total investment return was shown in the financial statements in two segments: (1) investment income which consists of the real return; earned income and realized gain (loss), unrealized gain (loss) for fair value investments, and the unrealized gain (loss) for alternative investments held in the MidMichigan Health portfolio, and (2) unrealized investment return, which consists of the unrealized gain (loss) on investments not considered to be alternative investments.

BALANCE SHEET (000s)

| | September 30, <u>2018</u> | June 30, <u>2018</u> | June 30, <u>2018</u> | | September 30, <u>2018</u> | June 30, <u>2018</u> | June 30, <u>2018</u> |
|--|------------------------------|-------------------------|-------------------------|--|------------------------------|-------------------------|-------------------------|
| ASSETS | | | | LIABILITIES AND NET ASSETS | | | |
| CURRENT ASSETS: | | | | CURRENT LIABILITIES: | | | |
| Cash and short-term investments | \$22,088 | \$20,782 | \$20,782 | Accounts payable & accrued expenses | \$40,774 | \$40,345 | \$40,345 |
| Patient accounts receivable | 257,251 | 257,086 | 257,086 | Accrued salaries, wages, & benefits | 42,515 | 46,388 | 46,388 |
| Less: Allowance for contractual adjustments | (172,289) | (122,536) | (122,536) | Current portion of long-term debt | 5,771 | 6,496 | 6,496 |
| | 84,962 | 134,550 | 134,550 | Amount due to third-party payors | 20,132 | 17,513 | 17,513 |
| Less: Allowance for doubtful accounts | 0 | (44,965) | (44,965) | Current portion of self-insurance & other | 2,554 | 3,154 | 3,154 |
| Net accounts receivable | 84,962 | 89,585 | 89,585 | | | | |
| | | | | Total current liabilities | <u>111,746</u> | <u>113,896</u> | <u>113,896</u> |
| Amount due from third-party payors | 14,312 | 14,857 | 14,857 | | | | |
| Inventories | 12,926 | 12,124 | 12,124 | DEFERRED COMPENSATION, SELF-INSURANCE AND OTHER ACCRUED LIABILITIES | 83,867 | 83,022 | 83,022 |
| Prepaid expenses and other | 10,802 | 10,837 | 10,837 | | | | |
| Current portion of assets whose use is limited | <u>17,477</u> | <u>17,447</u> | <u>17,447</u> | PENSION OBLIGATION | 123,530 | 129,314 | 129,314 |
| | | | | LONG-TERM DEBT OBLIGATIONS | <u>217,638</u> | <u>217,738</u> | <u>217,738</u> |
| Total current assets | <u>162,567</u> | <u>165,632</u> | <u>165,632</u> | Total Liabilities | <u>536,781</u> | <u>543,970</u> | <u>543,970</u> |
| INVESTMENTS | 133,371 | 132,180 | 132,180 | | | | |
| INVESTMENTS WHOSE USE IS LIMITED BY: | | | | NET ASSETS: | | | |
| Board-designated investments for: | | | | Unrestricted | 768,280 | 749,155 | 749,155 |
| Replacement and improvement of property and equipment | 501,124 | 488,536 | 488,536 | Temporarily restricted by donors | 30,782 | 30,737 | 30,737 |
| Deferred compensation, self-insurance and other | 48,219 | 47,398 | 47,398 | Permanently restricted endowment funds | <u>16,955</u> | <u>16,903</u> | <u>16,903</u> |
| Donor Restricted for: | | | | | | | |
| Specific purposes | 30,782 | 30,737 | 30,737 | Total net assets | <u>816,017</u> | <u>796,795</u> | <u>796,795</u> |
| Permanent endowment funds | <u>16,955</u> | <u>16,903</u> | <u>16,903</u> | TOTAL | <u>\$1,352,798</u> | <u>\$1,340,765</u> | <u>\$1,340,765</u> |
| Total assets whose use is limited/restricted | <u>597,080</u> | <u>583,574</u> | <u>583,574</u> | | | | |
| INVESTMENT IN JOINT VENTURES | 7,963 | 7,945 | 7,945 | | | | |
| PROPERTY AND EQUIPMENT, NET | 372,432 | 374,247 | 374,247 | | | | |
| RENTAL BUILDINGS, NET | 58,317 | 55,962 | 55,962 | | | | |
| DEFERRED CHARGES & OTHER | <u>21,068</u> | <u>21,225</u> | <u>21,225</u> | | | | |
| TOTAL | <u>\$1,352,798</u> | <u>\$1,340,765</u> | <u>\$1,340,765</u> | | | | |



STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS* (000s)
For the Period Ended September 30, 2018

| | Current Quarter | Year-to-Date |
|---|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net unrestricted assets | \$19,125 | \$19,125 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 12,778 | 12,778 |
| Restricted contributions and investments received | (97) | (97) |
| Equity earning in joint ventures, net of dividends | (18) | (18) |
| Changes in: | | |
| Patient Accounts Receivable | 4,623 | 4,623 |
| Estimated third-party payor settlements | 3,164 | 3,164 |
| Prepaid expenses and other | (797) | (797) |
| Accounts payable and accrued expenses | (3,444) | (3,444) |
| Liability for self-insurance, deferred compensation and other accrued liabilities | <u>(6,360)</u> | <u>(6,360)</u> |
| Net cash provided by operating activities | 28,974 | 28,974 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Property and Equipment Additions | <u>(13,369)</u> | <u>(13,369)</u> |
| Net cash used in investing activities | (13,369) | (13,369) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payment of long-term debt | (588) | (588) |
| Proceeds from restricted contributions | 97 | 97 |
| Debt retirement, premiums, debt issuance costs and other ** | <u>(29)</u> | <u>(29)</u> |
| Net cash provided by financing activities | (520) | (520) |
| INCREASE IN CASH AND CASH EQUIVALENTS | 15,085 | 15,085 |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of period | <u>641,498</u> | <u>641,498</u> |
| End of period | <u>\$656,583</u> | <u>\$656,583</u> |

| | |
|---|------------------|
| *Cash and short-term investments | \$22,088 |
| Investments | 133,371 |
| Board-designated investments for: | |
| Replacement and improvement of property and equipment at cost | <u>501,124</u> |
| End of Period Cash and Cash Equivalents | <u>\$656,583</u> |

** Other is primarily post retirement and long term receivables

SUPPLEMENTAL INFORMATION FOR RATIO ANALYSIS (000s)
For the Period Ended September 30, 2018

| | Current Year | Prior Year |
|--|------------------------|------------------------|
| | <u>YTD</u> | <u>YTD</u> |
| Total Investment Return | | |
| Interest and Dividends - net | \$649 | \$3,035 |
| Realized Gains | 49 | 37,045 |
| Unrealized gains (losses) from investments accounted for using the fair value option and the equity method | 13,318 | 1,250 |
| Unrealized investment return | <u>0</u> | <u>(22,155)</u> |
| Total Investment return | <u>\$14,016</u> | <u>\$19,175</u> |
| Reported as: | | |
| Nonoperating income | 14,016 | 41,330 |
| Change in unrealized | <u>0</u> | <u>(22,155)</u> |
| Total Investment return | <u>\$14,016</u> | <u>\$19,175</u> |

| | September 30, | June 30, |
|--|------------------|------------------|
| | <u>2018</u> | <u>2018</u> |
| Unrestricted Net Assets | | |
| Beginning balance July 1 | \$749,155 | \$683,568 |
| Net increase in unrestricted net assets | 18,984 | 44,477 |
| Net assets released from restriction for capital purchases | 140 | 1,850 |
| Minimum pension and other postretirement adjustments | <u>0</u> | <u>19,260</u> |
| Ending balance | <u>\$768,279</u> | <u>\$749,155</u> |

| | September 30, | June 30, |
|---|-------------------------|-------------------------|
| | <u>2018</u> | <u>2018</u> |
| Ratios | | |
| Cash and short-term investments | \$22,088 | \$20,782 |
| Investments | 133,371 | 132,180 |
| Board designated investments for: | | |
| Replacements and improvement of property and equipment | 501,124 | 488,536 |
| Less: Current portion of long-term debt obligations | <u>(5,771)</u> | <u>(6,496)</u> |
| Total Cash on Hand | <u>\$650,812</u> | <u>\$635,003</u> |
| Operating expenses year-to-date | \$229,312 | \$830,521 |
| Less: depreciation and amortization | <u>(12,778)</u> | <u>(49,367)</u> |
| Total Operating Expenses | <u>\$216,534</u> | <u>\$781,154</u> |
| Number of Days in Period | <u>92</u> | <u>365</u> |
| DAYS CASH ON HAND (including Market Valuation) | <u>277</u> | <u>297</u> |
| Maximum Annual Debt Service | <u>\$17,255</u> | <u>\$17,255</u> |
| CUSHION RATIO | <u>37.7</u> | <u>36.8</u> |
| Excess of revenue over expenses | \$18,984 | \$64,906 |
| Increases: | | |
| Depreciation and amortization | 12,778 | 49,367 |
| Interest | 2,034 | 7,871 |
| Decreases: | | |
| Change in unrealized values for investments accounted for using the equity method and fair value option, including impairment | (13,318) | (5,518) |
| Inherent contributions related to acquisitions | <u>-</u> | <u>(14,737)</u> |
| Income available for debt service | <u>20,478</u> | <u>101,889</u> |
| Income available for debt service | <u>\$81,244</u> | <u>\$101,889</u> |
| DEBT SERVICE COVERAGE RATIO | <u>4.7</u> | <u>5.9</u> |



| **FY 2019 YTD | <u>MidMichigan Health*</u> | <u>Prior Year</u> | <u>Change</u> | <u>Change %</u> | <u>FY 2019 West Branch Consolidated</u> | <u>FY 2019 Reported</u> |
|---|----------------------------|-------------------|---------------|-----------------|---|-------------------------|
| <u>Activity:</u> | | | | | | |
| Admissions | 6,593 | 6,070 | 523 | 8.6% | 547 | 7,140 |
| Outpatient Visits | 184,402 | 179,949 | 4,453 | 2.5% | 20,114 | 204,516 |
| <u>Financial Results (000s):</u> | | | | | | |
| Net Patient Service Revenue | \$214,445 | \$190,597 | \$23,848 | 12.5% | \$12,458 | \$226,903 |
| Total Operating Revenue | 221,568 | 197,175 | 24,393 | 12.4% | 12,712 | 234,280 |
| Total Operating Expenses | 215,335 | 198,749 | 16,586 | 8.3% | 13,977 | 229,312 |
| Operating Income | \$6,233 | (\$1,574) | \$7,807 | -496.0% | (\$1,265) | \$4,968 |
| Operating Margin | 2.8% | -0.8% | | | -9.9% | 2.1% |
| *Excludes West Branch Consolidated | | | | | | |