Trinity Health Net Income grows $1.1 Billion in First Half of FY20

Summary Highlights for the First Half of FY2020 (Six Months Ended December 31, 2019)

Trinity Health reported $9.7 billion in operating revenue and excess of revenue over expenses of $805.7 million for the first six months of fiscal year 2020. Operating revenue increased $225.9 million, or 2.4 percent, over the same period in fiscal year 2019. Excluding the impact of the divestiture of Lourdes Health System ("Lourdes") on June 30, 2019, revenue growth on a same-ministry basis was $493.0 million, or 5.3 percent in the first six months of fiscal year 2020 compared to the same period in the prior year.

Results include operating income of $102.6 million, a $10.8 million decrease from $113.4 million in the prior year. The system's fiscal year 2020 six-month operating margin of 1.1 percent decreased slightly compared to the prior year's operating margin of 1.2 percent, while operating cash flow margin was 6.9 percent for both the current and prior fiscal years. While increases in volume, improvements in payment rates and acuity, as well as the divestiture of Lourdes helped margins, these improvements were offset by increases in operating expenses with continued unfavorable trends related to rising labor, purchased services, supply costs and, to a lesser extent, $25 million of costs related to the system's strategic conversion to the Epic electronic health record platform.

Expenses for the first six months of fiscal year 2020 increased by $236.7 million, or 2.5 percent, to $9.6 billion. Excluding the impact of Lourdes, expense growth on a same ministry basis was $522.0 million, or 5.7 percent, in the first six months of fiscal year 2020 compared to the same period in the prior year.

For the first six months of fiscal year 2020, Trinity Health reported non-operating gains of $729.1 million compared to losses of $392.7 million for the same period in fiscal year 2019. The increase was primarily due to $895.3 million in higher investment returns, and an increase of $246.8 million in equity in earnings of unconsolidated affiliates, both driven by overall global investment market conditions. Excess of revenue over expenses for fiscal year 2020 totaled $805.7 million, compared to a deficiency of revenue over expenses of $301.5 million in the prior fiscal year, a growth of $1.1 billion.

Highlights for the first six months ended December 31, 2019, include:

- Total assets of $28.2 billion and net assets of $14.7 billion
- Total operating revenue of $9.7 billion, a 5.3 percent increase over the same period in fiscal year 2019, excluding the impact of the Lourdes divestiture
- Operating income of $102.6 million, with a 1.1 percent operating margin
- Excess of revenue over expense of $805.7 million
- Unrestricted cash and investments of $9.3 billion
- Days cash on hand of 187 days

TRINITY HEALTH

UNAUDITED QUARTERLY REPORT

As of December 31, 2019 and June 30, 2019, and
For the six months ended December 31, 2019 and 2018

TRINITY HEALTH

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TRINITY HEALTH
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands)

	As of	
ASSETS	**December 31, 2019**	**June 30, 2019**
CURRENT ASSETS:		
Cash and cash equivalents	$ 456,892	$ 474,314
Investments	4,741,563	4,833,039
Security lending collateral	194,974	264,435
Assets limited or restricted as to use - current portion	371,861	403,799
Patient accounts receivable	2,105,493	2,012,354
Estimated receivables from third-party payers	284,575	267,181
Other receivables	364,188	374,818
Inventories	311,644	297,804
Prepaid expenses and other current assets	196,183	179,124
Total current assets	9,027,373	9,106,868
ASSETS LIMITED OR RESTRICTED AS TO USE - noncurrent portion:		
Held by trustees under bond indenture agreements	6,243	5,828
Self-insurance, benefit plans, and other	900,016	867,132
By Board	3,945,732	3,474,947
By donors	498,281	460,836
Total assets limited or restricted as to use - noncurrent portion	5,350,272	4,808,743
PROPERTY AND EQUIPMENT - Net	8,307,808	8,359,974
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	4,109,100	3,876,028
GOODWILL	445,166	437,403
OTHER ASSETS	990,454	383,088
TOTAL ASSETS	$ 28,230,173	$ 26,972,104

TRINITY HEALTH
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands)

LIABILITIES AND NET ASSETS	**As of December 31, 2019**	**As of June 30, 2019**
CURRENT LIABILITIES:		
Commercial paper	$ 99,931	$ 99,493
Short-term borrowings	667,048	686,670
Current portion of long-term debt	318,661	126,727
Accounts payable, accrued expenses and other	1,406,501	1,435,939
Salaries, wages, and related liabilities	887,534	919,055
Payable under security lending agreements	194,974	264,435
Estimated payables to third-party payers	405,201	375,116
Current portion of self-insurance reserves	282,238	282,364
Total current liabilities	4,262,088	4,189,799
LONG-TERM DEBT - Net of current portion	6,199,983	6,222,908
SELF-INSURANCE RESERVES - Net of current portion	1,039,763	1,036,697
ACCRUED PENSION AND RETIREE HEALTH COSTS	817,371	933,238
OTHER LONG-TERM LIABILITIES	1,258,760	754,054
Total liabilities	13,577,965	13,136,696
NET ASSETS:		
Net assets without donor restrictions	13,834,961	13,047,732
Noncontrolling ownership interest in subsidiaries	235,907	234,987
Total net assets without donor restrictions	14,070,868	13,282,719
Net assets with donor restrictions	581,340	552,689
Total net assets	14,652,208	13,835,408
TOTAL LIABILITIES AND NET ASSETS	$ 28,230,173	$ 26,972,104

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

TRINITY HEALTH
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (UNAUDITED)
SIX MONTHS ENDED DECEMBER 30, 2019 AND 2018
(In thousands)

	2019	2018
OPERATING REVENUE:		
Net patient service revenue	$ 8,356,900	$ 8,202,796
Premium and capitation revenue	523,690	563,313
Net assets released from restrictions	13,409	17,395
Other revenue	814,612	699,236
Total operating revenue	9,708,611	9,482,740
EXPENSES:		
Salaries and wages	4,185,928	4,132,068
Employee benefits	822,369	817,738
Contract labor	137,338	178,351
Total labor expenses	5,145,635	5,128,157
Supplies	1,653,402	1,597,460
Purchased services and medical claims	1,372,369	1,280,226
Depreciation and amortization	443,879	425,651
Occupancy	383,325	386,891
Interest	123,102	117,676
Other	484,339	433,276
Total expenses	9,606,051	9,369,337
OPERATING INCOME	102,560	113,403
NONOPERATING ITEMS:		
Investment earnings (losses)	468,581	(426,681)
Equity in earnings of unconsolidated affiliates	261,725	14,903
Change in market value and cash payments of interest rate swaps	(9,278)	(10,480)
Other net periodic retirement income	40,426	26,920
Loss from early extinguishment of debt	(32,525)	-
Other, including income taxes	164	2,648
Total nonoperating items	729,093	(392,690)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	831,653	(279,287)
EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	(25,915)	(22,187)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES, net of noncontrolling interest	$ 805,738	$ (301,474)

The accompanying notes are an integral part of the consolidated financial statements. (Continued)

TRINITY HEALTH
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (UNAUDITED)
SIX MONTHS ENDED DECEMBER 30, 2019 AND 2018
(In thousands)

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS :		
Net assets without donor restrictions attributable to Trinity Health:		
Excess of revenue over expenses	$ 805,738	$ (301,474)
Net assets released from restrictions for capital acquisitions	14,449	32,339
Net change in retirement plan related items - consolidated organizations	(10,181)	44,660
Net change in retirement plan related items - unconsolidated organizations	(22,014)	6,282
Cumulative effect of change in accounting principle	(18,705)	-
Other	17,942	7,311
Increase in net assets without donor restrictions attributable to Trinity Health	787,229	(210,882)
Net assets without donor restrictions attributable to noncontrolling interests:		
Excess of revenue over expenses attributable to noncontrolling interests	25,915	22,187
Sale of noncontrolling interest in subsidiary	-	53,768
Dividends and other	(24,995)	(22,691)
Increase in net assets without donor restrictions attributable to noncontrolling interest	920	53,264
NET ASSETS WITH DONOR RESTRICTIONS :		
Contributions:		
Program and time restrictions	35,441	66,171
Endowment funds	6,080	2,955
Net investment gains (losses):		
Program and time restrictions	11,629	(8,284)
Endowment funds	5,005	(5,567)
Net assets released from restrictions	(27,858)	(49,734)
Other	(1,646)	(713)
Increase in net assets with donor restrictions	28,651	4,828
INCREASE IN NET ASSETS	816,800	(152,790)
NET ASSETS - BEGINNING OF YEAR	13,835,408	13,344,016
NET ASSETS - END OF PERIOD	$ 14,652,208	$ 13,191,226

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

TRINITY HEALTH

SUMMARIZED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

SIX MONTHS ENDED DECEMBER 31, 2019 AND 2018

(In thousands)

	2019	2018
OPERATING ACTIVITIES:		
Increase (decrease) in net assets	$ 816,800	$ (152,790)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	443,879	425,651
Amortization of right-of-use-asset	73,495	-
Loss from early extinguishment of debt	32,525	-
Change in net unrealized and realized gains and losses on investments	(445,331)	531,613
Undistributed equity in earnings of unconsolidated affiliates	(251,535)	(14,262)
Deferred retirement items - consolidated organizations	48,187	(14,362)
Deferred retirement items - unconsolidated organizations	22,014	(6,282)
Sale of noncontrolling interest in subsidiary	-	(53,768)
Restricted contributions and investment income received	(16,174)	(27,214)
Cummulative effect of change in accounting principal	18,705	-
Other adjustments	(5,539)	(7,210)
Changes in:		
Patient accounts receivable	(92,515)	(90,507)
Other assets	(85,153)	(40,161)
Accounts payable and accrued expenses	(162,053)	(169,649)
Estimated receivables from third-party payers	(17,394)	3,733
Estimated payables to third-party payers	30,009	2,932
Self-insurance reserves and other liabilities	(89,286)	24,333
Accrued pension and retiree health costs	(168,306)	(125,311)
Total adjustments	(664,472)	439,536
Net cash provided by operating activities	152,328	286,746
INVESTING ACTIVITIES:		
Net sales (purchases) of investments	30,738	(30,112)
Purchases of property and equipment	(438,558)	(559,469)
Proceeds from disposal of property and equipment	2,214	22,807
Proceeds from the sale of divestitures	48,976	-
Change in other investing activities	(7,481)	(21,515)
Change in assets limited as to use and other	15,503	14,419
Net cash used in investing activities	(348,608)	(573,870)
FINANCING ACTIVITIES:		
Proceeds from issuance of debt	1,924,680	28,901
Repayments of debt	(1,732,618)	(137,542)
Net change in commercial paper and line of credit	438	(1,109)
Dividends paid	(24,968)	(22,398)
Proceeds from restricted contributions and restricted investment income	15,814	5,343
Increase in financing costs and other	(10,795)	(23)
Net cash provided by (used in) financing activities	172,551	(126,828)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(23,729)	(413,952)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	605,870	1,129,641
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 582,141	$ 715,689

The accompanying notes are an integral part of the consolidated financial statements.

1. ORGANIZATION AND MISSION

Trinity Health Corporation, an Indiana nonprofit corporation headquartered in Livonia, Michigan, and its subsidiaries ("Trinity Health" or the "Corporation"), controls one of the largest health care systems in the United States. The Corporation is sponsored by Catholic Health Ministries, a Public Juridic Person of the Holy Roman Catholic Church. The Corporation operates a comprehensive integrated network of health services, including inpatient and outpatient services, physician services, managed care coverage, home health care, long-term care, assisted living care and rehabilitation services located in 22 states. The operations are organized into Regional Health Ministries, National Health Ministries and Mission Health Ministries ("Health Ministries"). The mission statement for the Corporation is as follows:

We, Trinity Health, serve together in the spirit of the Gospel as a compassionate and transforming healing presence within our communities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting 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. Operating results for the six months ended December 31, 2019 are not necessarily indicative of the results to be expected for the year ending June 30, 2020.

Principles of Consolidation – The consolidated financial statements include the accounts of the Corporation, and all wholly-owned, majority-owned, and controlled organizations. Investments where the Corporation holds less than 20% of the ownership interest are accounted for using the cost method. All other investments that are not controlled by the Corporation are accounted for using the equity method of accounting. The equity share of income or losses from investments in unconsolidated affiliates is recorded in other revenue if the unconsolidated affiliate is operational and projected to make routine and regular cash distributions; otherwise, the equity share of income or losses from investments in unconsolidated affiliates is recorded in nonoperating items in the consolidated statements of operations and changes in net assets. All material intercompany transactions and account balances have been eliminated in consolidation.

Use of Estimates – The preparation of consolidated financial statements in conformity with GAAP requires management of the Corporation to make assumptions, estimates, and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any.

The Corporation considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient service revenue, which includes explicit and implicit price concessions; financial assistance; premium revenue; recorded values of investments, derivatives, and goodwill; evaluation of long-lived assets for impairment; reserves for losses and expenses related to health care professional and general liabilities; and risks and assumptions for measurement of pension and retiree health liabilities. Management relies on historical experience and other assumptions believed to be reasonable in making its judgment and estimates. Actual results could differ materially from those estimates.

Cash, Cash Equivalents and Restricted Cash – For purposes of the consolidated statements of cash flows, cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

The following table reconciles cash, cash equivalents and restricted cash shown in the statements of cash flows to amounts presented within the consolidated balance sheets as of December 31 (in thousands):

	2019	2018
Cash and cash equivalents	$ 456,892	$ 594,433
Restricted cash included in assets limited or restricted as to use - current portion		
Held by trust under bond indenture	24	1,412
Self insured benefit plans & other	47,491	3,787
By donors	6,633	14,463
Total restricted cash included in assets limited or restricted as to use - current portion	54,148	19,662
Restricted cash included in assets limited as to use - noncurrent portion		
Held by trust under bond indenture	6,260	5,447
Self insured benefit plans & other	32,683	72,706
By donors	32,158	23,441
Total restricted cash included in assets limited or restricted as to use - noncurrent portion	71,101	101,594
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	$ 582,141	$ 715,689

Investments – Investments, inclusive of assets limited or restricted as to use, include marketable debt and equity securities. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value and are classified as trading securities. Investments also include investments in commingled funds, hedge funds, and other investments structured as limited liability corporations or partnerships. Commingled funds and hedge funds that hold securities directly are stated at the fair value of the underlying securities, as determined by the administrator, based on readily determinable market values or based on net asset value, which is calculated using the most recent fund financial statements. Limited liability corporations and partnerships are accounted for under the equity method.

Investment Earnings – Investment earnings include interest, dividends, realized gains and losses, and unrealized gains and losses. Also included are equity earnings from investment funds accounted for using the equity method. Investment earnings on assets held by trustees under bond indenture agreements, assets designated by the Corporation's board of directors ("Board") for debt redemption, assets held for borrowings under the intercompany loan program, assets held by grant-making foundations, assets deposited in trust funds by a captive insurance company for self-insurance purposes, and interest and dividends earned on life plan communities advance entrance fees, in accordance with industry practices, are included in other revenue in the consolidated statements of operations and changes in net assets. Investment earnings, net of direct investment expenses, from all other investments and Board-designated funds are included in nonoperating investment income unless the income or loss is restricted by donor or law.

Derivative Financial Instruments – The Corporation periodically utilizes various financial instruments (e.g., options and swaps) to hedge interest rates, equity downside risk, and other exposures. The Corporation's policies prohibit trading in derivative financial instruments on a speculative basis. The Corporation recognizes all derivative instruments in the consolidated balance sheets at fair value.

Securities Lending – The Corporation participates in securities lending transactions whereby a portion of its investments are loaned, through its agent, to various parties in return for cash and securities from the parties as collateral for the securities loaned. Each business day, the Corporation, through its agent, and the borrower determine the market value of the collateral and the borrowed securities. If on any business day the market value of the collateral is less than the required value, additional collateral is obtained as appropriate. The amount of cash collateral received under securities lending is reported as an asset and a corresponding payable in the consolidated balance sheets and is up to 105% of the market value of securities loaned. As of December 31, 2019, and June 30, 2019, the Corporation had securities loaned of $607.3 million and $514.5 million, respectively, and received collateral (cash and noncash) totaling $631.6 million and $529.5 million, respectively, relating to the securities loaned. The fees received for these transactions are recorded in nonoperating investment income in the consolidated statements of operations and changes in net assets. In addition, certain pension plans participate in securities lending programs with the Northern Trust Company, the plans' agent.

Assets Limited as to Use – Assets set aside by the Board for quasi-endowments, future capital improvements, future funding of retirement programs and insurance claims, retirement of debt, held for borrowings under the intercompany loan program, and other purposes over which the Board retains control and may at its discretion subsequently use for other purposes, assets held by trustees under bond indenture and certain other agreements, and self-insurance trust and benefit plan arrangements are included in assets limited as to use.

Donor-Restricted Gifts – Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or program restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the consolidated statements of operations and changes in net assets.

Inventories – Inventories are stated at the lower of cost or market. The cost of inventories is determined principally by the weighted-average cost method.

Property and Equipment – Property and equipment, including internal-use software, are recorded at cost, if purchased, or at fair value at the date of donation, if donated. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using either the straight-line or an accelerated method and includes capital lease amortization for fiscal year 2019, and internal-use software amortization. The useful lives of these assets range from 2 to 50 years. Interest costs incurred during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment, are reported as support without donor restrictions and are excluded from the excess of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions.

Goodwill – Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized.

Asset Impairments –

Property, Equipment, and Right-of-Use-Lease Assets– The Corporation evaluates long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future undiscounted cash flows. If the estimated future undiscounted cash flows are less than the carrying value of the assets, the impairment recognized is calculated as the carrying value of the long-lived assets in excess of the fair value of the assets. The fair value of the assets is estimated based on appraisals, established market values of comparable assets or internal estimates of future net cash flows expected to result from the use and ultimate disposition of the assets.

Goodwill – Goodwill is tested for impairment on an annual basis or when an event or change in circumstance indicates the value of a reporting unit may have changed. Testing is conducted at the reporting unit level. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. Estimates of fair value are based on appraisals, established market prices for comparable assets or internal estimates of future net cash flows.

Other Assets – Other assets include long-term notes receivable, reinsurance recovery receivables, definite- and indefinite-lived intangible assets other than goodwill, lease right of use assets for both finance and operating leases and prepaid retiree health costs. The net balances of definite-lived intangible assets include noncompete agreements, physician guarantees, and other definite-lived intangible assets with finite lives amortized using the straight-line method over their estimated useful lives, which generally range from 2 to 10 years. Indefinite-lived intangible assets primarily include trade names, which are tested annually for impairment.

Short-Term Borrowings – Short-term borrowings include puttable variable rate demand bonds supported by self-liquidity or liquidity facilities considered short-term in nature

Accounts Payable, Accrued Expenses and Other – Accounts payable, accrued expenses and other also includes the short-term portion of finance and operating lease liabilities.

Other Long-Term Liabilities – Other long-term liabilities include deferred compensation, asset retirement obligations, interest rate swaps, finance and operating lease liabilities and deferred revenue from entrance fees. Deferred revenue from entrance fees are fees paid by residents of facilities for the elderly upon entering into continuing care contracts, which are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident, net of the portion that is refundable to the resident.

Net Assets with Donor Restrictions – Net assets with donor restrictions are those whose use by the Corporation has been limited by donors to a specific time period or program. In addition, certain net assets have been restricted by donors to be maintained by the Corporation in perpetuity.

Patient Accounts Receivable, Estimated Receivables from and Payables to Third-Party Payers – The Corporation has agreements with third-party payers that provide for payments to the Corporation's Health Ministries at amounts different from established rates. Estimated retroactive adjustments under reimbursement agreements with third-party payers and other changes in estimates are included in patient service revenue and estimated receivables from and payables to third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Under the provisions of Accounting Standards Update ("ASU") No. 2014-09 "*Revenue from Contracts with Customers (Topic 606),*" an unconditional right to payment, subject only to the passage of time is treated as a receivable. Patient accounts receivable, including billed accounts and unbilled accounts for which there is an unconditional right to payment, and estimated amounts due from third-party payers for retroactive adjustments, are receivables if the right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. For patient accounts receivable the estimated uncollectable amounts are generally considered implicit price concessions that are a direct reduction to patient service revenue and accounts receivable.

Net Patient Service Revenue – The Corporation reports patient service revenue at the amount that reflects the consideration expected to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payers (including commercial payers and government programs) and others, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Corporation bills patients and third-party payers several days after the services are performed or the patient is discharged from the facility.

The Corporation determines performance obligations based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges. The Corporation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in hospitals receiving inpatient acute care services, or receiving services in outpatient centers, or in their homes (home care). The Corporation measures performance obligations from admission to the hospital, or the commencement of an outpatient service, to the point when it is no longer required to provide services to the patient, which is generally at the time of discharge or the completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) and the Corporation does not believe that it is required to provide additional goods and services related to that sale.

Because patient service performance obligations relate to contracts with a duration of less than one year, the Corporation has elected to apply the optional exemption provided in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606-10-50-14(a) and, therefore, the Corporation is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Corporation has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payers for the effects of a significant financing component due to the Corporation's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payer pays for that service will be one year or less. However, the Corporation does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The Corporation determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured and underinsured patients in accordance with the Corporation's policy, and implicit price concessions provided to uninsured and underinsured patients. The Corporation determines its estimates of contractual adjustments and discounts based on contractual agreements, discount policies and historical experience. The estimate of implicit price concessions is based on historical collection experience with the various classes of patients using a portfolio approach as a practical expedient to account for patient contracts with similar characteristics, as collective groups rather than individually. The financial statement effect of using this practical expedient is not materially different from an individual contract approach.

Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured and underinsured patients, and offers those uninsured and underinsured patients a discount, either by policy or law, from standard charges. The Corporation estimates the transaction price for patients with deductibles and coinsurance and for those who are uninsured and underinsured based on historical experience and current market conditions, using the portfolio approach. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense in other expenses in the statement of operations and changes in net assets.

Agreements with third-party payers typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payers is as follows:

Medicare – Acute inpatient and outpatient services rendered to Medicare program beneficiaries are paid primarily at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediaries.

Medicaid – Reimbursement for services rendered to Medicaid program beneficiaries includes prospectively determined rates per discharge, per diem payments, discounts from established charges, fee schedules and cost reimbursement methodologies with certain limitations. Cost reimbursable items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediaries.

Other – Reimbursement for services to certain patients is received from commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for reimbursement includes prospectively determined rates per discharge, per diem payments and discounts from established charges.

Cost report settlements under these programs are subject to audit by Medicare and Medicaid auditors and administrative and judicial review, and it can take several years until final settlement of such matters is determined and completely resolved. Because the laws, regulations, instructions and rule interpretations governing Medicare and Medicaid reimbursement are complex and change frequently, the estimates that have been recorded could change by material amounts.

Settlements with third-party payers for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations.

Financial Assistance – The Corporation provides services to all patients regardless of ability to pay. In accordance with the Corporation's policy, a patient is classified as a financial assistance patient based on specific criteria, including income eligibility as established by the *Federal Poverty Guidelines,* as well as other financial resources and obligations.

Charges for services to patients who meet the Corporation's guidelines for financial assistance are not reported as net patient service revenue in the accompanying consolidated financial statements. Therefore, the Corporation has determined it has provided implicit price concessions to uninsured and underinsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Corporation expects to collect based on its collection history with those patients.

Self-Insured Employee Health Benefits – The Corporation administers self-insured employee health benefit plans for employees. The majority of the Corporation's employees participate in the programs. The provisions of the plans permit employees and their dependents to elect to receive medical care at either the Corporation's Health Ministries or other health care providers. Patient service revenue has been reduced by an allowance for self-insured employee health benefits, which represents revenue attributable to medical services provided by the Corporation to its employees and dependents in such years.

Premium and Capitation Revenue – The Corporation has certain Health Ministries that arrange for the delivery of health care services to enrollees through various contracts with providers and common provider entities. Enrollee contracts are negotiated on a yearly basis. Premiums are due monthly and are recognized as revenue during the period in which the Corporation is obligated to provide services to enrollees. Premiums received prior to the period of coverage are recorded as deferred revenue and included in accounts payable, accrued expenses and other in the consolidated balance sheets.

Certain of the Corporation's Health Ministries have entered into capitation arrangements whereby they accept the risk for the provision of certain health care services to health plan members. Under these agreements, the Corporation's Health Ministries are financially responsible for services provided to the health plan members by other institutional health care providers. Capitation revenue is recognized during the period for which the Health Ministry is obligated to provide services to health plan enrollees under capitation contracts. Capitation receivables are included in other receivables in the consolidated balance sheets.

Reserves for incurred but not reported claims have been established to cover the unpaid costs of health care services covered under the premium and capitation arrangements. The premium and capitation arrangement reserves are classified with accounts payable, accrued expenses and other in the consolidated balance sheets. The liability is estimated based on actuarial studies, historical reporting, and payment trends. Subsequent actual claim experience will differ from the estimated liability due to variances in estimated and actual utilization of health care services, the amount of charges and other factors. As settlements are made and estimates are revised, the differences are reflected in current operations.

Income Taxes – The Corporation and substantially all of its subsidiaries have been recognized as tax-exempt pursuant to Section 501(a) of the Internal Revenue Code. The Corporation also has taxable subsidiaries, which are included in the consolidated financial statements. The Corporation includes penalties and interest, if any, with its provision for income taxes in other nonoperating items in the consolidated statements of operations and changes in net assets.

Excess of Revenue Over Expenses – The consolidated statements of operations and changes in net assets includes excess of revenue over expenses. Changes in net assets without donor restrictions, which are excluded from excess of revenue over expenses, consistent with industry practice, include the effective portion of the change in market value of derivatives that meet hedge accounting requirements, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets received or gifted (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets), net change in retirement plan related items, discontinued operations, and cumulative effects of changes in accounting principles.

Adopted Accounting Pronouncements –

Effective July 1, 2019, the Corporation adopted FASB ASU No. 2016-02, "Leases (Topic 842)" using the modified retrospective transition approach as of the period of adoption. The financial statements for periods prior to July 1, 2019 were not modified for the application of the new lease accounting standard. The main difference between the guidance in ASU No. 2016-02 and previous standards is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous standards. Upon adoption of ASU No. 2016-02, the Corporation recorded $637.4 million of right-of-use assets and $653.7 million of liabilities associated with operating leases in the consolidated balance sheet. The Corporation has also recognized a charge of $18.7 million as a cumulative effect adjustment to net assets without donor restrictions in the consolidated statements of operations and changes in net assets. The Corporation has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. The Corporation has also elected the practical expedient package to not reassess at adoption (i) expired or existing contracts as to whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases.

Effective July 1, 2019, the Corporation adopted FASB ASU No. 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," which amends the requirements related to the presentation of the components of net periodic benefit cost in the statement of operations for an entity's sponsored defined benefit pension and other postretirement plans on a retrospective basis. For the six months ended December 31, 2018, the Corporation reclassified $26.9 million of defined benefit pension and postretirement plan income from employee benefits expense to nonoperating income in the consolidated statement of operations and changes in net assets as a result of adopting the new guidance. For the six months ended December 31, 2019, the Corporation recorded $40.4 million of defined benefit pension and postretirement plan income to nonoperating income in the consolidated statement of operations and changes in net assets.

Effective July 1, 2019, the Corporation adopted FASB ASU No. 2016-18, "Restricted Cash," which adds and clarifies guidance in the presentation of changes in restricted cash on the statement of cash flows and requires restricted cash to be included with cash and cash equivalents in the statement of cash flows on a retrospective basis. The adoption of ASU No. 2016-18 changed the amounts presented as cash and cash equivalents in the statements of cash flows. As of December 31, 2018, the Corporation modified the cash flow statement to include restricted cash of $121.3 million under the new standard. It also impacted certain disclosures but did not materially impact the Corporation's financial position, or results of operations.

Forthcoming Accounting Pronouncements –

In August 2018, the FASB issued ASU No. 2018-15, *"Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract."* This guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This guidance is effective for the Corporation beginning July 1, 2021. The Corporation does not expect this guidance to have a material impact on its consolidated financial statements.

In November 2018, the FASB issued ASU No. 2018-18, *"Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606."* This guidance clarifies whether certain transactions between collaborative arrangement participants should be accounted for with revenue under Topic 606. This guidance is effective for the Corporation beginning July 1, 2021. The Corporation is still evaluating the impact this guidance will have on its consolidated financial statements.

3. INVESTMENTS IN UNCONSOLIDATED AFFILIATES, BUSINESS ACQUISITIONS, AND DIVESTITURES

Investments in Unconsolidated Affiliates – The Corporation and certain of its Health Ministries have investments in entities that are recorded under the cost and equity methods of accounting. The Corporation's share of equity earnings from entities accounted for under the equity method was $272.6 million and $30.9 million for the six months ended December 31, 2019 and 2018, respectively, of which $10.9 million and $16.0 million, respectively, is included in other revenue and $261.7 million and $14.9 million, respectively, is included in nonoperating items in the consolidated statements of operations and changes in net assets. The most significant of these investments include the following:

BayCare Health System – The Corporation has a 50.4% interest in BayCare Health System Inc. and Affiliates ("BayCare"), a Florida not-for-profit corporation exempt from state and federal income taxes. BayCare was formed in 1997 pursuant to a Joint Operating Agreement ("JOA") among the not-for-profit, tax-exempt members of the Trinity Health BayCare Participants, Morton Plant Mease Health Care, Inc., and South Florida Baptist Hospital, Inc. (collectively, the "Members"). BayCare consists of three community health alliances located in the Tampa Bay area of Florida, including St. Joseph's-Baptist Healthcare Hospital, St. Anthony's Health Care, and Morton Plant Mease Health Care. The Corporation has the right to appoint nine of the 21 voting members of the Board of Directors of BayCare, therefore the Corporation accounts for BayCare under the equity method of accounting. As of December 31, 2019 and June 30, 2019, the Corporation's investment in BayCare totaled $3,325 million and $3,058 million, respectively.

Gateway Health Plan – The Corporation has a 50% interest in Gateway Health Plan, L.P. and subsidiaries ("GHP"), a Pennsylvania limited partnership. GHP has two general partners, Highmark Ventures Inc., formerly known as Alliance Ventures, Inc., and Mercy Health Plan (a wholly owned subsidiary of the Corporation), each owning 1%. In addition to the general partners, there are two limited partners, Highmark Inc. and Mercy Health Plan, each owning 49%. As of December 31, 2019 and June 30, 2019, the Corporation's investment in GHP totaled $199.9 million and $213.7 million, respectively.

Catholic Health System, Inc. – The Corporation has a 50% interest in Catholic Health System, Inc. and subsidiaries ("CHS") with the Diocese of Buffalo holding the remaining 50%. CHS, formed in 1998, is a not-for-profit integrated delivery health care system in western New York. CHS operates several organizations, the largest of which are four acute care hospitals located in Buffalo, New York: Mercy Hospital of Buffalo; Kenmore Mercy Hospital; Sisters of Charity Hospital; and St. Joseph Hospital. As of December 31, 2019 and June 30, 2019, the Corporation's investment in CHS totaled $59.4 million and $97.3 million, respectively.

Emory Healthcare/St. Joseph's Health System – The Corporation has a 49% interest in Emory Healthcare/St. Joseph's Health System ("EH/SJHS"). EH/SJHS operates several organizations, including two acute care hospitals, St. Joseph's Hospital of Atlanta and John's Creek Hospital. As of December 31, 2019 and June 30, 2019, the Corporation's investment in EH/SJHS totaled $153.0 million and $136.7 million, respectively.

Mercy Health Network – The Corporation has a 50% interest in Mercy Health Network, dba MercyOne, ("MHN"), a nonstock-basis membership corporation with CommonSpiritHealth, formerly known as Catholic Health Initiatives ("CSH") holding the remaining 50% interest. MHN is the sole member of Wheaton Franciscan Services, Inc. ("WFSI") that operates three hospitals in Iowa: Covenant Medical Center located in Waterloo, Sartori Memorial Hospital located in Cedar Falls, and Mercy Hospital of Franciscan Sisters located in Oelwein. In November 2018, a subsidiary of MHN acquired Central Community Hospital, a critical access hospital located in Elkader, Iowa, and as a result of this transaction, the Corporation recognized an inherent contribution of $3.7

million for the year ended June 30, 2019, in the consolidated statement of operations and changes in net assets.

Effective March 1, 2016, the Corporation and CSH amended and restated their existing MHN Joint Operating Agreement ("JOA") that governs certain of their legacy operations in Iowa to strengthen MHN's management responsibilities over the Iowa operations, to jointly acquire health care operations in Iowa and contiguous markets, and to provide for greater financial, governance, and clinical integration. The JOA provides for the Corporation and CSH to maintain ownership of their respective assets in Iowa while agreeing to operate the Corporation's Iowa hospitals in collaboration with CSH's Mercy Hospital Medical Center, Des Moines, Iowa, as one organization with common governance and management. MHN has developed a regional health care network that provides for a collaborative effort in the areas of community health care development, enhanced access to health services for the poor and sharing of other common goals. Under the JOA, the Corporation and CSH equally share adjusted operating cash flow from Iowa operations which commenced in July 2016. The Corporation and CSH agreed to suspend the cash flow sharing arrangement for fiscal years 2019 and 2020. As of December 31, 2019 and June 30, 2019, the Corporation's investment in MHN totaled $101.3 million and $95.7 million, respectively.

Condensed consolidated balance sheets of BayCare, GHP, CHS, EH/SJHS, and MHN are as follows (in thousands):

	December 31, 2019				
	Baycare	GHP	CHS	EH/SJHS	MHN
Total assets	$ 9,018,807	$ 854,600	$ 1,336,331	$ 563,830	$ 298,289
Total liabilities	$ 2,240,252	$ 451,800	$ 1,143,576	$ 328,884	$ 92,257

	June 30, 2019				
	Baycare	GHP	CHS	EH/SJHS	MHN
Total assets	$ 8,390,504	$ 1,093,943	$ 1,335,359	$ 534,806	$ 301,725
Total liabilities	$ 2,141,893	$ 663,102	$ 1,066,702	$ 275,275	$ 105,207

Condensed consolidated statements of operations of BayCare, GHP, CHS, EH/SJHS, and MHN are as follows (in thousands):

	Six months ended December 31, 2019				
	Baycare	GHP	CHS	EH/SJHS	MHN
Revenue, net	$ 2,080,637	$ 1,172,900	$ 569,934	$ 375,957	$ 203,337
Excess (deficiency) of revenue over expenses	$ 519,839	$ (25,900)	$ (35,646)	$ 37,395	$ 8,874

	Six months ended December 31, 2018				
	Baycare	GHP	CHS	EH/SJHS	MHN
Revenue, net	$ 1,931,968	$ 1,232,776	$ 590,082	$ 341,046	$ 194,499
Excess (deficiency) of revenue over expenses	$ (7,474)	$ (15,805)	$ (14,650)	$ 14,791	$ 8,380

The following amounts have been recognized in the accompanying consolidated statements of operations and changes in net assets related to BayCare, GHP, CHS, EH/SJHS, and MHN (in thousands):

	Six months ended December 31, 2019				
	Baycare	**GHP**	**CHS**	**EH/SJHS**	**MHN**
Other revenue	$ -	$ (13,662)	$ -	$ -	$ 7,110
Equity in earnings of unconsolidated organizations	262,051	-	(17,823)	16,610	-
Other changes in unrestricted net assets	837	(633)	(20,128)	-	-
	$ 262,888	$ (14,295)	$ (37,951)	$ 16,610	$ 7,110

	Six months ended December 31, 2018				
	Baycare	**GHP**	**CHS**	**EH/SJHS**	**MHN**
Other revenue	$ -	$ (5,993)	$ -	$ -	$ 1,596
Equity in earnings of unconsolidated organizations	5,739	-	(2,916)	12,324	-
Inherent contributions related to acquisitions	-	-	-	-	3,726
Other changes in unrestricted net assets	360	(9,068)	11,363	-	-
	$ 6,099	$ (15,061)	$ 8,447	$ 12,324	$ 5,322

Sales and Divestitures:

Membership Transfer Agreement Lourdes Health System ("Lourdes") – Effective June 30, 2019, Maxis, a wholly-controlled subsidiary of Trinity Health, transferred membership interests of Our Lady of Lourdes Health Care Services, Inc. (the Lourdes legal entity) from Maxis to Virtua Health, Inc. ("Virtua"). The transfer to Virtua included substantially all of the health care operations and certain assets and working capital of Lourdes, effective as of June 30, 2019. Lourdes includes Our Lady of Lourdes Medical Center (Camden, NJ) and Lourdes Medical Center of Burlington County (Willingboro, NJ) and their affiliated operations.

For the six months ended December 31, 2018, the Corporation's consolidated statements of operations and changes in net assets included revenue of $267.3 million and deficiency of revenue over expenses of $19.0 million related to the operations of Lourdes.

4. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows (in thousands):

	December 31, 2019	June 30, 2019
Land	$ 357,933	$ 357,802
Buildings and improvements	10,031,503	9,928,543
Equipment	6,307,945	6,264,515
Capital leased assets	56,204	133,181
Total	16,753,585	16,684,041
Accumulated depreciation and amortization	(9,789,031)	(9,439,638)
Construction in progress	1,343,254	1,115,571
Property and equipment, net	$ 8,307,808	$ 8,359,974

In conjunction with the acquisition of St. Francis Hospital and Medical Center, Hartford, CT ("SFC") during the year ended June 30, 2016, the Corporation committed to $275 million of capital spending over five years, if performance metrics are achieved, with the commitment period ending June 30, 2020. The Corporation's related capital spending for SFC through December 31, 2019 is $210.0 million.

5. LEASES

The Corporation determines if an arrangement is a lease at inception of the contract. The right-of-use assets represents the right to use the underlying assets for the lease term and lease liabilities represent the obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Corporation uses the implicit rate noted within the contract, when available. Otherwise, the Corporation uses its incremental borrowing rate estimated using recent secured debt issuances that correspond to various lease terms, information obtained from banking advisors, and the Corporation's secured debt fair value. The Corporation does not recognize leases with an initial term of 12 months or less ("short-term leases") on the consolidated balance sheet, and the lease expense for these short-term leases is recognized on a straight-line basis over the lease term within occupancy expense.

The Corporation's operating leases are primarily for real estate, vehicles, medical and office equipment. Real estate leases include outpatient, medical office, ground, and corporate administrative office space. The Corporation's finance leases are primarily for real estate. The Corporation's real estate lease agreements typically have an initial term of three to 10 years. The Corporation's equipment lease agreements typically have an initial term of one to six years. These real estate leases may include one or more options to renew, with renewals that can extend the lease term from five to 10 years. The exercise of lease renewal options is at the Corporation's sole discretion. For accounting purposes, options to extend or terminate the lease are included in the lease term when it is reasonably certain that the option will be exercised.

Certain of the Corporation's lease agreements for real estate include payments based on actual common area maintenance expenses and others include rental payments adjusted periodically for inflation. These variable lease payments are recognized in occupancy expense, net, but are not included in the right-of-use asset or liability balances when they can be separately identified in the contract. The Corporation's lease agreements do not contain any material residual value guarantees, restrictions or covenants.

The following table presents the components of the Corporation's right-of-use assets and liabilities related to leases and their classification in the consolidated balance sheet:

Component of Lease Balances	Classification in Consolidated Balance Sheet	December 31, 2019
Assets:		
Operating lease right-of-use asset	Other assets	$ 574,618
Finance lease right-of-use asset	Other assets	31,579
Liabilities:		
Current portion of operating lease liability	Accounts payable, accrued expenses and other	134,102
Current portion of finance lease liability	Accounts payable, accrued expenses and other	4,729
Long-term portion of operating lease liability	Other long-term liabilities	464,073
Long-term portion of finance lease liability	Other long-term liabilities	51,173

The components of lease expense for the six months ended December 31 were as follows (in thousands):

	2019
Operating lease expense	$ 73,495
Finance lease expense:	
Amortization of right-of-use assets	1,713
Interest on lease liabilities	2,049
Total finance lease expense	3,762
Short-term lease expense	34,294
Total lease expense	$ 111,550

The weighted average remaining lease term and weighted average discount rate as of and for the six months ended December 31, 2019, were as follows:

	Weighted average remaining lease term (years)	Weighted average discount rate
Operating leases	7.13	3.15%
Finance leases	9.70	6.62%

Supplemental cash flow information related to leases for the six month period ended December 31, 2019 was as follows (in thousands):

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$	65,487
Operating cash outflows from finance leases	$	2,049
Financing cash outflows from finance leases	$	3,796
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$	666,749
Finance leases	$	31,636

Future maturities of lease liabilities as of December 31, 2019 are presented in the following table (in thousands):

	Operating Leases	Finance Leases	Total
2020	$ 146,854	$ 8,549	$ 155,403
2021	127,011	8,615	135,626
2022	104,845	8,270	113,115
2023	79,870	8,271	88,141
2024	58,801	8,285	67,086
Thereafter	155,036	32,193	187,229
Total lease payments	672,417	74,183	746,600
Less: Imputed interest	(74,242)	(18,281)	(92,523)
Total lease obligations	598,175	55,902	654,077
Less: Current obligations	(134,102)	(4,729)	(138,831)
Long-term lease obligations	$ 464,073	$ 51,173	$ 515,246

The following is a schedule of future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year as of June 30, 2019, prior to adoption of ASU No. 2016-02 (in thousands):

Years ending June 30:	
2020	$ 172,118
2021	148,749
2022	127,253
2023	98,410
2024	73,409
Thereafter	172,236
Total	$ 792,175

6. LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

Obligated Group and Other Requirements – The Corporation has debt outstanding under a master trust indenture dated October 3, 2013, as amended and supplemented, the amended and restated master indenture ("ARMI"). The ARMI permits the Corporation to issue obligations to finance certain activities. Obligations issued under the ARMI are joint and several obligations of the obligated group established thereunder (the "Obligated Group", which currently consists of the Corporation). Proceeds from tax-exempt bonds and refunding bonds are to be used to finance the construction, acquisition, and equipping of capital improvements. Proceeds from taxable bonds are to be used to finance corporate purposes. Certain Health Ministries of the Corporation constitute designated affiliates and the Corporation covenants to cause each designated affiliate to pay, loan, or otherwise transfer to the Obligated Group such amounts necessary to pay the amounts due on all obligations issued under the ARMI. The Obligated Group and the designated affiliates are referred to as the Trinity Health Credit Group.

Effective June 28, 2019, the St. Peter's obligated group and master trust indenture were discharged and certain New York entities that now constitute Designated Affiliates were formally transitioned to the Trinity Health Credit Group. Prior to June 28, 2019, those New York entities, consisting of St. Peter's Hospital of the City of Albany; St Peter's Health Partners; Memorial Hospital, Albany, New York; Samaritan Hospital of Troy, New York; Seton Health System, Inc.; Sunnyview Hospital and Rehabilitation Center; the Capital Region Geriatric Center, Inc. and Hawthorne Ridge, Inc., were included in the Corporation's consolidated financial statements, but were not part of the Trinity Health Credit Group. Additionally, St. Joseph's Hospital Health Center, Syracuse, New York became a designated affiliate on June 28, 2019. Also, as a result of the transfer of Lourdes, described in Note 3, the related

Designated Affiliates were removed from the Trinity Health Credit Group effective June 30, 2019. As of July 1, 2018, in conjunction with the sale of a 49% noncontrolling membership interest in St Joseph Mercy Chelsea Hospital ("Chelsea"), Chelsea is no longer included as a Designated Affiliate nor is it in the Trinity Health Credit Group.

Pursuant to the ARMI, the Obligated Group agent (which is the Corporation) has caused the designated affiliates representing, when combined with the Obligated Group members, at least 85% of the consolidated net revenues of the Trinity Health Credit Group to grant to the master trustee security interests in their pledged property which security interests secure all obligations issued under the ARMI. There are several conditions and covenants required by the ARMI with which the Corporation must comply, including covenants that require the Corporation to maintain a minimum historical debt-service coverage and limitations on liens or security interests in property, except for certain permitted encumbrances, affecting the property of the Corporation or any material designated affiliate (a designated affiliate whose total revenue for the most recent fiscal year exceed 5% of the combined total revenue of the Corporation for the most recent fiscal year). Long-term debt outstanding as of December 31, 2019 and June 30, 2019 that has not been secured under the ARMI is generally collateralized by certain property and equipment.

Further, Mercy Health System of Chicago ("MHSC") has a $52.3 million mortgage loan outstanding at December 31, 2019 that is insured by the U.S. Department of Housing and Urban Development ("HUD"). MHSC’s payment obligations under the two mortgage notes evidencing this loan are guaranteed by the Corporation. Such guarantee is not secured under the ARMI. The mortgage loan agreements with HUD contain various covenants, including those relating to limitations on incurring additional debt, transactions with affiliates, transferring or disposing of designated property, use of funds and other assets of the mortgaged property, financial performance, required reserves, insurance coverage, timely submission of specified financial reports, and restrictions on prepayment of the mortgage loan. MHSC and the Corporation provided covenants to HUD not to interfere in the performance of MHSC’s obligations under the HUD-insured loan documents. MHSC is not a designated affiliate and is not part of the Trinity Health Credit Group.

Commercial Paper – The Corporation's commercial paper program is authorized for borrowings up to $600 million. As of December 31, 2019 and June 30, 2019, the total amount of commercial paper outstanding was $99.9 million and $99.5 million, respectively. Proceeds from this program are to be used for general purposes of the Corporation. The notes are payable from the proceeds of subsequently issued notes and from other funds available to the Corporation, including funds derived from the liquidation of securities held by the Corporation in its investment portfolio.

Liquidity Facilities – On July 29, 2019, the Corporation renewed its Revolving Credit Agreement (the "Credit Agreement"), by and among the Corporation and US Bank National Association, which acts as an administrative agent for a group of lenders under the Credit Agreement. The Credit Agreement establishes a revolving credit facility for the Corporation, under which that group of lenders agree to lend to the Corporation amounts that may fluctuate from time to time. Amounts drawn under the Credit Agreement can only be used to support the Corporation’s obligation to pay the purchase price of bonds that are subject to tender and that have not been successfully remarketed, and the maturing principal of and interest on commercial paper notes. Of the $900 million available balance, the amount is divided equally among the three tranches ($300 million each). On July 29, 2019, the Corporation extended the maturity dates to August 2021, August 2022 and August 2023 for the related tranches, respectively. The Credit Agreement is secured by obligations under the ARMI. As of December 31, 2019 and June 30, 2019, there were no amounts outstanding under this Credit Agreement.

In addition, on July 29, 2019, the Corporation renewed a three-year general purpose credit facility of $200 million with a maturity date of July 2022. As of December 31, 2019 and June 30, 2019, there were no amounts outstanding under this credit facility.

Standby Letters of Credit – The Corporation has entered into various standby letters of credit totaling $106.0 million as of December 31, 2019. These standby letters of credit are renewed annually and are available to the Corporation as necessary under its insurance programs and for unemployment liabilities. As of December 31, 2019 and June 30, 2019 there were no draws on the letters of credit.

Transactions – During December 2019, the Trinity Health Credit Group issued $315.9 million par value tax-exempt fixed-rate hospital revenue and refunding bonds at a premium of $34.1 million. Proceeds were used to refund $50.0 million of certain tax-exempt bonds on a current basis. The remaining proceeds were used to refinance and reimburse a portion of the costs of acquisition, construction, and renovation and equipping of various health facilities.

Concurrently during December 2019, the Trinity Health Credit Group issued $1,091.0 million par value taxable fixed-rate hospital revenue refunding bonds at par and $300.8 million par value taxable fixed-rate corporate bonds at par. The proceeds were used to advance refund $1,281.0 million of certain tax-exempt bonds. The Corporation advance refunded the bonds by depositing funds in trustee-held escrow accounts exclusively for the payment of principal and interest. The trustees/escrow agents are solely responsible for the subsequent extinguishment of the bonds. The trustee held escrow accounts are invested in U.S. government securities.

Also during December 2019, the Corporation converted $218.3 million par value tax-exempt, revenue bonds then held by bank direct purchasers, at a premium of $31.7 million from variable to fixed-rate and remarketed such bonds to the public.

Each series of the referenced bonds are secured by obligations issued under the ARMI.

7. PROFESSIONAL AND GENERAL LIABILITY PROGRAMS

The Corporation operates a wholly owned insurance company, Trinity Assurance, Ltd ("TAL"). TAL qualifies as a captive insurance company and provides certain insurance coverage to the Corporation's Health Ministries under a centralized program. The Corporation is self-insured for certain levels of general and professional liability, workers' compensation, and certain other claims. The Corporation has limited its liability by purchasing other coverages from unrelated third-party commercial insurers. TAL has also limited its liability through commercial reinsurance arrangements.

The Corporation's current self-insurance program includes $15 million per occurrence for the primary layers of professional liability as well as $10 million per occurrence for general and hospital government liability, $5 million per occurrence for miscellaneous errors and omissions liability, and $1 million per occurrence for management liability (directors' and officers' and employment practices), network security and privacy liability and certain other coverages. In addition, through TAL and its various commercial reinsurers, the Corporation maintains integrated excess liability coverage with separate annual aggregate limits for professional/general liability and management liability. The Corporation self-insures $750,000 per occurrence for workers' compensation in most states, with commercial insurance providing coverage up to the statutory limits and self-insures up to $500,000 per occurrence for first-party property damage with commercial insurance providing additional coverage. Privacy and network security coverage in excess of the self-insurance is also commercially insured.

The liability for self-insurance reserves represents estimates of the ultimate net cost of all losses and loss adjustment expenses, which are incurred but unpaid at the consolidated balance sheet date. The reserves are based on the loss and loss adjustment expense factors inherent in the Corporation's premium structure. Independent consulting actuaries determined these factors from estimates of the Corporation's expenses and available industry-wide data. The Corporation discounted the reserves to their present value using a discount rate of 2.5%. The reserves include estimates of future trends in claim severity and frequency. Although considerable variability is inherent in such estimates, management believes that the liability for unpaid claims and related adjustment expenses is adequate based on the loss experience of the

Corporation. The estimates are continually reviewed and adjusted as necessary. The changes to the estimated self-insurance reserves were determined based upon the annual independent actuarial analyses.

Claims in excess of certain insurance coverage and the recorded self-insurance liability have been asserted against the Corporation by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. There are known incidents occurring through December 31, 2019, that may result in the assertion of additional claims and other claims may be asserted arising from services provided in the past. While it is possible that settlement of asserted claims and claims which may be asserted in the future could result in liabilities in excess of amounts for which the Corporation has provided, management, based upon the advice of the legal counsel, believes that the excess liability, if any, should not materially affect the consolidated financial statements of the Corporation.

8. PENSION AND OTHER BENEFIT PLANS

Deferred Compensation – The Corporation has nonqualified deferred compensation plans at certain Health Ministries that permit eligible employees to defer a portion of their compensation. The deferred amounts are distributable in cash after retirement or termination of employment. As of December 31, 2019 and June 30, 2019, the assets under these plans totaled $276.7 million and $256.0 million, respectively, and liabilities totaled $291.5 million and $269.3 million, respectively, which are included in self-insurance, benefit plans and other assets and other long-term liabilities in the consolidated balance sheets.

Defined Contribution Benefits – The Corporation sponsors defined contribution pension plans covering substantially all of its employees. These programs are funded by employee voluntary contributions, subject to legal limitations. Employer contributions to these plans include a nonelective contribution of 3% for participants who satisfy certain eligibility requirements, with a minimum nonelective contribution for certain participants, and varying levels of matching contributions based on employee service. The employees direct their voluntary contributions and employer contributions among a variety of investment options. Contribution expense under the plans totaled $182.6 million and $179.6 million for the six month periods ended December 31, 2019 and 2019, respectively.

Noncontributory Defined Benefit Pension Plans ("Pension Plans") – The Corporation maintains qualified Pension Plans that are closed to new participants and under which benefit accruals are frozen. Certain nonqualified, supplemental plan arrangements also provide retirement benefits to specified groups of participants.

Certain plans are subject to the provisions of the Employee Retirement Security Act of 1974 ("ERISA"). The majority of the plans sponsored by the Corporation are intended to be "Church Plans", as defined in Code Section 414(e) and Section 3(33) of the ERISA, which have not made an election under Section 410(d) of the Code to be subject to ERISA. The Corporation's adopted funding policy for the majority of its qualified church plans, which is reviewed annually, is to fund the current service cost based on the accumulated benefit obligations and amortization of any under or over funding.

Postretirement Health Care and Life Insurance Benefits ("Postretirement Plans") – The Corporation sponsors both funded and unfunded contributory plans to provide health care benefits to certain of its retirees. All of the Postretirement Plans are closed to new participants. The Postretirement Plans cover certain hourly and salaried employees who retire from certain Health Ministries. Medical benefits for these retirees are subject to deductibles and cost sharing provisions. The funded plans provide benefits to certain retirees at fixed dollar amounts in health reimbursement account arrangements for Medicare eligible participants. Components of net periodic benefit income for the six month periods ended December 31 consisted of the following (in thousands):

	Pension Plans		Postretirement Plans	
	2019	2018	2019	2018
Service cost	$ -	$ -	$ 15	$ 43
Interest cost	140,135	156,649	2,110	2,646
Expected return on assets	(216,248)	(212,667)	(4,102)	(3,858)
Amortization of prior service cost	(2,457)	(2,714)	(221)	(211)
Recognized net actuarial loss	41,135	33,816	(777)	(593)
Net periodic benefit income	$ (37,435)	$ (24,916)	$ (2,975)	$ (1,973)

Service cost is included in employee benefits expense in the consolidated statements of operations and changes in net assets.

9. CONTINGENCIES

Litigation and Settlements – In November 2018, Mount Carmel Health System ("Mount Carmel"), the Corporation's Regional Health Ministry in Central Ohio, discovered sentinel events relating to the clinical practice by one of its physicians and the related conduct of certain of Mount Carmel's staff. The physician's employment was terminated, and this matter was reported to the authorities. Mount Carmel has been fully cooperative with the investigations. The Corporation believes that this matter will be resolved without material adverse effect to the System's future consolidated financial position or results of operations.

The Corporation is involved, from time to time, in other litigation and regulatory investigations that may result in litigation or settlement, arising in the ordinary course of doing business. After consultation with legal counsel, management believes that these matters will be resolved without material adverse effect on the Corporation's future consolidated financial position or results of operations.

Health Care Regulatory Environment – The health care industry is subject to numerous and complex laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, privacy, government health care program participation requirements and government reimbursement for patient services, fraud and abuse requirements, and requirements for tax-exempt organizations. Laws and regulations concerning government programs, including Medicare and Medicaid, are subject to varying interpretation. Compliance with such laws and regulations is complex and can be subject to future government review and interpretation as well as significant regulatory enforcement actions, including fines, penalties, and potential exclusion from government health care programs such as Medicare and Medicaid. As a result of investigations by governmental agencies, the Corporation and its Health Ministries periodically receive requests for information and notices regarding alleged noncompliance with those laws and regulations, billing, payment or other reimbursement matters initiating investigations, or indicating the existence of whistleblower litigation which, in some instances, have resulted in the Corporation entering into significant settlement agreements. There can be no assurance that regulatory authorities will not challenge the Corporation's compliance with these laws and regulations. In addition, the contracts the Corporation has with commercial payers also provide for retroactive audit and review of claims. The health care industry in general is experiencing an increase in these activities as federal and state governments increase their enforcement activities and institute new programs designed to identify potential irregularities in reimbursement or quality of patient care. Based on the information received to date, management does not believe the ultimate resolution of these matters will have a material adverse effect on the Corporation's future consolidated financial position or results of operations.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 6, 2020, the date the quarterly report was issued and noted no subsequent events requiring recording or disclosure in the consolidated financial statements or related notes to the consolidated financial statements.

Discussion and Analysis of Financial Condition and Results of Operations for Trinity Health

December 31, 2019

Introduction to Management's Discussion & Analysis

Trinity Health Corporation, an Indiana nonprofit corporation headquartered in Livonia, Michigan, and its subsidiaries ("Trinity Health" or the "Corporation"), controls one of the largest health care systems in the United States.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Corporation to make assumptions, estimates and judgments that affect the amounts reported in the financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. The Corporation considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its financial statements, including the following: recognition of patient service revenue, which includes explicit and implicit price concessions; premium revenue; recorded values of investments, derivatives and goodwill; evaluation of long-lived assets for impairment; reserves for losses and expenses related to health care professional and general liabilities; and risks and assumptions for measurement of pension and retiree medical liabilities. Management relies on historical experience and other assumptions believed to be reasonable under the circumstances in making its judgments and estimates. Actual results could differ materially from those estimates.

Recent Developments

Adoption of Accounting Pronouncements

Effective July 1, 2019, the Corporation adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-02, “Leases (Topic 842)” using the modified retrospective transition approach as of the period of adoption. The financial statements for periods prior to July 1, 2019 were not modified for the application of the new lease accounting standard. Upon adoption of ASU No. 2016-02, the Corporation recorded $637.4 million of right-of-use assets and $653.7 million of liabilities associated with operating leases in the consolidated balance sheets. The Corporation also recognized a charge of $18.7 million as a cumulative effect adjustment to net assets without donor restrictions in the consolidated statements of operations and changes in net assets as a result of adopting the new standard.

Effective July 1, 2019, the Corporation adopted FASB ASU No. 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," which amends the requirements related to the presentation of the components of net periodic benefit cost in the statements of operations for an entity's sponsored defined benefit pension and other postretirement plans on a retrospective basis. For the six months ended December 31, 2018, the Corporation reclassified $26.9 million of defined benefit pension and postretirement plan income to nonoperating income in the consolidated statements of operations and changes in net assets as a result of adopting the new standard.

Effective July 1, 2019, the Corporation adopted the FASB ASU No. 2016-18, "Restricted Cash," which adds and clarifies guidance in the presentation of changes in restricted cash on the statement of cash flows and requires restricted cash to be included with cash and cash equivalents in the statement of cash flows on a retrospective basis. The adoption of ASU No. 2016-18, changed the amounts presented as cash and cash equivalents in the statement of cash flows. As of December 31, 2018, the Corporation modified the cash flow statement to include restricted cash of $121.3 million under the new standard. It also impacted certain disclosures but did not materially impact the Corporation's financial position, or results of operations.

Membership Transfer Agreement Lourdes Health System ("Lourdes")

Effective June 30, 2019, Maxis Health System ("Maxis"), a wholly-controlled subsidiary of Trinity Health, transferred membership interests of Our Lady of Lourdes Health Care Services, Inc. (the Lourdes legal entity) from Maxis to Virtua Health, Inc. ("Virtua"). The transfer to Virtua included substantially all of the health care operations and certain assets and working capital of Lourdes effective as of June 30, 2019. Lourdes included Our Lady of Lourdes Medical Center (Camden, NJ) and Lourdes Medical Center of Burlington County (Willingboro, NJ) and their affiliated operations. Accordingly, the Corporation's results of operations exclude Lourdes for the six months ended December 31, 2019.

Results from Operations

Operating Income

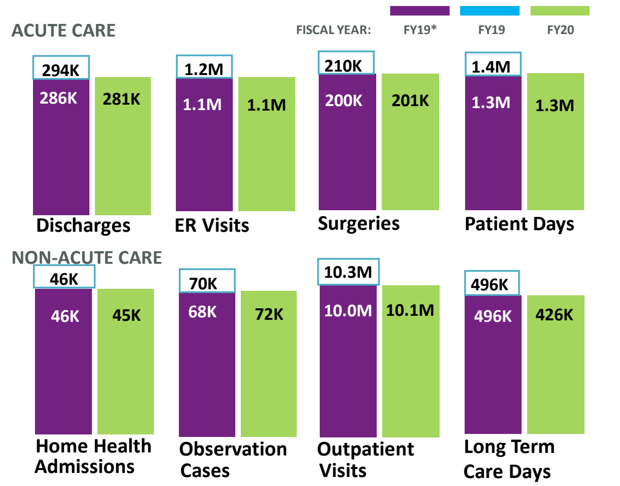
Operating income for the first six months of fiscal year 2020 was $102.6 million compared to $113.4 million for the same period in fiscal year 2019. Operating margin and operating cash flow margin were 1.1% and 6.9%, respectively, for the first six months of fiscal year 2020 compared to 1.2% and 6.9% for the same period in fiscal year 2019. On a same ministry basis, excluding Lourdes, operating income was $131.6 million for the first six months of fiscal year 2019, with corresponding operating margin and operating cash flow margin of 1.4% and 7.3%, respectively.

(dollars in millions)	Q2 FY19	Q2 FY19*	Q2 FY20
Operating Income	$113.4	$131.6	$102.6
Operating Revenue	$9,483	$9,216	$9,709
Operating Margin	1.2%	1.4%	1.1%
Operating Cash Flow Margin	6.9%	7.3%	6.9%

* Excludes Lourdes Health System results for comparison to FY20

Revenue

Total operating revenue of $9.7 billion increased $225.9 million, or 2.4%, for the first six months of fiscal year 2020 compared to the same period in fiscal year 2019. Excluding the results of Lourdes in fiscal year 2019, total operating revenue increased $493.0 million, or 5.3% over the prior fiscal year. The increase in revenue was due primarily to the following: (i) $173.5 million from volume growth, (ii) $193.5 million of payment rate increases, (iii) $67.1 million from improvements in case mix, and (iii) an increase of $90.8 million in premium and other revenue primarily related to increased pharmacy revenue, provider incentives, and gainshare. These increases were partially offset by a continued shift in payer mix with an increase in uninsured patients.



* Excluding the impact of Lourdes Health System

Expenses

Total operating expenses of $9.6 billion increased $236.7 million, or 2.5% for the first six months of fiscal year 2020 compared to the same period in fiscal year 2019. Excluding the results of Lourdes from fiscal year 2019, operating expenses increased $522.0 million, or 5.7% as compared to the first six months of fiscal year 2020. The increase in operating expenses was due primarily to the following: (i) labor expense increased $173.5 million (salaries and wages and contract labor increase of $142.1 million primarily due to a 2.5% increase in rate and a 0.9% increase in FTEs, and includes $16.0 million related to EPIC electronic health records conversion), (ii) purchased services and medical claims increased $136.7 million mainly due to outsourced medical professional fees, software maintenance and data services, consulting and billing services, (iii) supplies increased $97.2 million, impacted by volumes, service mix, and increased drugs and retail pharmacy costs, (iv) depreciation and amortization increased $21.3 million related to new facilities, and (v) other expenses increased $80.1 million partially related to provider taxes and insurance costs.

Nonoperating Items

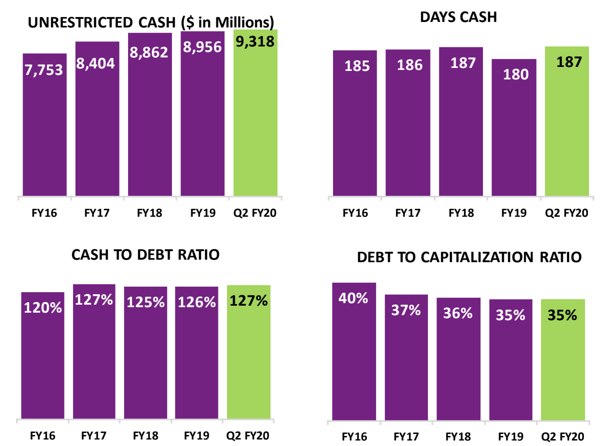
The Corporation reported gains in nonoperating items of $729.1 million for the first six months of fiscal year 2020 compared to losses of $392.7 million for the same period in fiscal year 2019. The increase in gains in the first six months of fiscal year 2020 was primarily due to an increase in investment returns of $895.3 million and an increase of $246.8 million on equity in earnings of unconsolidated affiliates, both partially offset by a $32.5 million noncash loss from early extinguishment of debt.

Excess of Revenue over Expenses

Excess of revenue over expenses for the first six months of fiscal year 2020 was $805.7 million compared to a deficit of $301.5 million for the same period in fiscal year 2019. The increase was primarily due to higher nonoperating investment earnings and equity in earnings of unconsolidated affiliates.

Balance Sheet

Total assets of $28.2 billion increased $1.3 billion, or 4.7% as of December 31, 2019, compared to June 30, 2019. The increase in assets was primarily due to the recognition of operating lease right-of-use lease assets of $574.6 million for the adoption of ASU No. 2016-02. The financial statements for periods prior to July 1, 2019 were not modified for the application of this standard as the Corporation elected the modified retrospective transition approach. The remaining increase in assets is mainly driven by investment returns, $300 million of proceeds from debt issuance, and $233.1 million increase in investments in unconsolidated affiliates, primarily due to equity earnings. Total assets include unrestricted cash and investments of $9.3 billion or 187 days of cash on hand. Days cash on hand increased as of December 31, 2019 compared to the same period in the prior fiscal year, and unrestricted cash and investments increased $361.9 million from June 30, 2019, primarily due to stronger investment returns and positive operating cash flow. Net days in accounts receivable increased by 1.5 days to 44 days as of December 31, 2019 compared to fiscal year June 30, 2019. Total liabilities of $13.6 billion increased $441.3 million, or 3.4%, primarily due to the recognition of $598.2 million of operating lease liabilities under ASU No. 2016-02, partially offset by decreased accounts payable and accrued expenses, and accrued pension and retiree health costs which included cash funding of $80.5 million. Debt to capitalization as of December 31, 2019 and June 30, 2019 was 35%.



Statement of Cash Flows

The cash flow statement reflects the adoption of ASU No. 2016-18, "Restricted Cash," for both fiscal years 2019 and 2020. Cash, cash equivalents and restricted cash decreased $23.7 million during the six months ended December 31, 2019. Operating activities provided $152.3 million of cash. Investing activities used $348.6 million of cash including $438.6 million for purchases of property and equipment, partially offset by $30.7 million proceeds from sales of investments. Financing activities provided $172.6 million of cash.

TRINITY HEALTH
Liquidity Reporting
December 31, 2019

	($ in millions) (unaudited)	
ASSETS		
Daily Liquidity		
Money Market Funds (Moody's rated Aaa)	$ 25	
Checking and Deposit Accounts (at P-1 rated bank)	569	
Repurchase Agreements	-	
U.S. Treasuries & Aaa-rated Agencies	-	
Dedicated Bank Lines	900	
Subtotal Daily Liquidity (Cash & Securities)	$ 1,494	
Undrawn Portion of $600M Taxable Commercial Paper Program	500	
Subtotal Daily Liquidity Including Taxable Commercial Paper Program		$ 1,994
Weekly Liquidity		
Exchange Traded Equity	$ 3,073	
Publicly Traded Fixed Income Securities Rated at least Aa3 and Bond Funds	1,688	
Equity Funds	897	
Other	444	
Subtotal Weekly Liquidity		6,102
TOTAL DAILY AND WEEKLY LIQUIDITY		$ 8,096
Longer Term Liquidity		
Funds, vehicles, investments that allow withdrawals with less than one-month notice	892	
Funds, vehicles, investments that allow withdrawals with one month notice or longer	2,413	
Total Longer-Term Liquidity		$ 3,305
LIABILITIES (Self-liquidity Variable Rate Demand Bonds & Commercial Paper)		
Weekly Put Bonds		
VRDO Bonds (7-day)		$ 215
Long-Mode Put Bonds		
VRDO Bonds (Commercial Paper Mode)		168
Taxable Commercial Paper Outstanding		100
TOTAL SELF-LIQUIDITY DEBT AND COMMERCIAL PAPER		$ 483
Ratio of Daily and Weekly Liquidity to Self-Liquidity Debt and Commercial Paper		16.76

Trinity Health

Financial Ratios and Statistics (Unaudited)

	December 31, 2019	December 31, 2018
Financial Indicators		
Liquidity Ratios (at December 31)		
Days Cash on Hand	187	165
Days in Accounts Receivable, Net	44	46
Leverage Ratios (at December 31)		
Debt to Capitalization	35%	36%
Cash to Debt	127%	116%
Profitability Ratios (For the Six Months Ended December 31)		
Operating Margin	1.1%	1.2%
Operating Cash Flow Margin	6.9%	6.9%
Statistical Indicators (For the Six Months Ended December 31)		
Rounded to nearest thousand		
Discharges	281,000	294,000
Patient Days	1,286,000	1,355,000
Outpatient Visits	10,077,000	10,318,000
Emergency Room Visits	1,119,000	1,181,000
Observation Cases	72,000	70,000
Continuing Care		
Home Health Admissions	45,000	46,000
Long-term Care Patient Days	426,000	496,000