



For the Period Ended June 30, 2018
Unaudited Quarterly Disclosure



Quarterly Disclosure Report for June 30, 2018

The following discussion and analysis provides a narrative explanation of the results of operations and financial position of ProMedica Health System Inc. and its subsidiaries (collectively "ProMedica") for the six months ended June 30, 2018. The analysis should be read in conjunction with ProMedica Health System and ProMedica Healthcare Obligated Group's financial statements for the six-month periods ending June 30, 2018, and June 30, 2018. Beginning with the disclosure information presented for the second quarter of 2016, the discussion and analysis is made with respect to consolidated ProMedica Health System and does not include a separate discussion or presentation of the results of operations and financial position for the members of the Obligated Group except in those instances where management of ProMedica believes that discussion of the results of the members of the Obligated Group is relevant to understanding the discussion and analysis. The Obligated Group accounted for approximately 47% of total operating revenues for the six months ended June 30, 2018.

Bond Cusips

Bond Series	CUSIP	
2011A	2011E	
	549310UC2	52601PBP2
	549310UD0	
	549310UE8	
	549310UK4	
2011B	2015A	
	52601PBD9	889184AA5
	52601PBC1	
2011D	2015B	
	549310UW8	549310VF4
	549310UX6	549310VG2
	549310VD9	549310VH0
	549310VE7	549310VV9
	549310WB2	549310VW7
	549310VZ0	549310VX5
	549310WA4	549310VY3
		549310VIL1



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PROMEDICA OVERVIEW

Formed in 1986, ProMedica is a mission-driven, community-based, not-for-profit health and well-being organization that serves 24 northwest Ohio and 4 southeast Michigan counties. ProMedica operates acute-care hospital facilities, integrated continuing-care facilities and services, a health insurance company with several health plans, and a physician organization. ProMedica also has numerous joint ventures, co-management and other affiliations, including a long-term academic affiliation with The University of Toledo College of Medicine and Life Sciences.

Since its inception in 1986, ProMedica has maintained a steadfast commitment to operating as a fully integrated health system. Its legacy hospital, ProMedica Toledo Hospital, opened in 1874 and now serves as the health system's tertiary care facility. In 1988, ProMedica formed Paramount, its health insurance company; in 1992, ProMedica Physicians; and, in 1993, ProMedica Toledo Children's Hospital. The nationally recognized organization has grown to be the region's largest health system with 12-owned and one affiliated health system (Lima Memorial).

Who ProMedica is

(Data from fiscal year 2017)



2,169

licensed inpatient beds

360

Continuum
Service
beds



18,900

employees

13

hospitals

- 7,800+ births
- 62,000+ surgeries
- 76,000+ inpatient discharges
- 344,000+ ER visits



590,000

lives covered by
Paramount insurance



2,600

Physicians with
privileges



273,000

home care visits

1000

ProMedica Physicians
and providers

412,000

rehabilitation therapy
encounters



1.8 million

ProMedica Physicians
Group encounters

77,000

urgent care visits

Mission

Our Mission is to improve
your health and well-being.

Values

Compassion – We treat our patients and each other with respect, integrity and dignity.

Innovation – We continually search to find a better way forward.

Teamwork – We collaborate with others because we are better together than apart.

Excellence – We strive to be the best in all we do.

Note: Data includes ProMedica's Obligated Group and its affiliated and managed hospitals.

Service Area

ProMedica is headquartered in Toledo, Ohio, and serves a 28-county area in northwest Ohio and southeast Michigan. The graph below denotes the location of ProMedica facilities across the service area:



Paramount: Health Plan Options across the Region

Paramount serves more than 340,000 members throughout Ohio and several southeast counties of Michigan. Paramount is the largest provider-sponsored health plan in Ohio. In 2013, Paramount, through its statewide Paramount Advantage subsidiary, was selected as one of five Medicaid insurers in Ohio to provide statewide-managed care services. Paramount Advantage is now offered in all 88 Ohio counties. At the end of 2017, Paramount purchased Dental Health Options by Health Resources, Inc. This subsidiary offers commercial dental insurance in Indiana and Kentucky; and has over 250,000 members and over 3,600 employer groups. Paramount's workers compensation product (HMS) is offered throughout Ohio. In the 4th quarter, 2017, HMS acquired another Ohio worker's compensation managed care organization and a third party administrator from The Health Plan. This acquisition expanded the HMS worker's compensation footprint into West Virginia. Paramount also offers commercial (Paramount Care) and Medicare (Paramount Elite) products in various counties in Ohio and Michigan as well as individual coverage through the federally facilitated marketplace.



Community Benefit

As an anchor institution with a vision for healthy individuals and communities, ProMedica is committed to the long-term welfare of the City of Toledo and surrounding region. We go beyond our clinical walls to achieve clinical excellence, address social determinants of health, advance education, and drive economic development and innovation.

In 2017, ProMedica contributed \$191.7 million in community benefit through community benefit expenditures, financial assistance and government-sponsored, means-tested health care. These numbers represent ProMedica's long-standing commitment to the community, fulfilling our not-for-profit status and Mission to improve the health and well-being of the residents in the communities we serve.

ProMedica goes beyond industry standards in meeting the goal of providing care to everyone, regardless of their ability to pay. We provide hospital care free of charge to all families without insurance with incomes at or below 200% of the federal poverty level. Additionally, ProMedica hospitals provide significant discounts to families with incomes of up to 400% of the federal poverty level. As a leading advocate for the health and well-being of others, ProMedica provides and promotes community wellness, collaborating with local nonprofit agencies and organizations.

2018 Awards and Accreditations

- American Institute of Steel Construction IDEAS² Presidential Award of Excellence for Adaptive Reuse – ProMedica Corporate Headquarters
- *Becker's* 50 Experts Leading the Field of Patient Safety – Brian Kaminski, DO, vice president quality and patient safety, ProMedica
- *Becker's* 52 Great Health Systems to Know – ProMedica
- *Becker's* 100 Great Community Hospitals – ProMedica Flower Hospital
- *Becker's* 100 Great Leaders in Healthcare – Randy Oostra, ProMedica President and CEO
- *Becker's* 100 Hospital and Health System CMOs to Know – Lee Hammerling
- *Becker's* 150 Hospitals and Health System CFOs to know – Michael Browning, ProMedica CFO
- *Becker's* 150 Top Places to Work in Healthcare – ProMedica
- Bureau of Workers Fostoria Area Safety Council's Group Award for lowest incident rate, Achievement Award for 25% reduction in incident rate, 100% Award for zero injuries/illnesses in a day or more away from work – ProMedica Fostoria Community Hospital
- *Modern Healthcare* IBM Watson Health Top Health Systems for 2018, top quintile for medium-sized health systems – ProMedica
- The Partnership for Excellence 2018 Platinum Governor's Award for Excellence – ProMedica Memorial Hospital
- The Partnership for Excellence 2018 Gold Governor's Award of Excellence – ProMedica
- United Way Employee Achievement Award – ProMedica Memorial Hospital

2018 HEALTH GRADES CLINICAL ACHIEVEMENTS

- Toledo Hospital – 47 awards including:
 - America's 50 Best Hospitals (2018)
 - America's 100 Best Hospitals for Cardiac Care™ (2013 – 2018)
 - America's 100 Best Hospitals for Joint Replacement™ (2016 – 2018)
 - America's 100 Best Hospitals for Orthopaedic Surgery™ in 2018
 - America's 100 Best Hospitals for Stroke Care™ (2014 – 2018)
 - America's 100 Best Hospitals for Pulmonary Care™ (2015 – 2018)
 - America's 100 Best Hospitals for Gastrointestinal Care™ (2014 – 2018)
- Bay Park Hospital – 7 awards including
 - Five-Star Recipient for Total Hip Replacement (2017 – 2018)
 - Five-Star Recipient for Hip Fracture Treatment (2017 – 2018)
 - Five-Star Recipient for Treatment of Stroke (2016 – 2018)
- Flower Hospital – 24 awards including:
 - America's 100 Best Hospitals for Stroke Care™ (2014 – 2018)
 - America's 100 Best Hospitals for Pulmonary Care™ (2014 – 2018)
 - America's 100 Best Hospitals for Gastrointestinal Care™ (2016 – 2018)

- Monroe Regional Hospital – 32 awards including:
 - America's 100 Best Hospitals for Stroke Care™ (2018)
 - America's 100 Best Hospitals for Pulmonary Care™ (2018)
 - America's 100 Best Hospitals for Gastrointestinal Care (2018)
 - America's 100 Best Hospitals for General Surgery (2018)

OTHERS OF NOTE

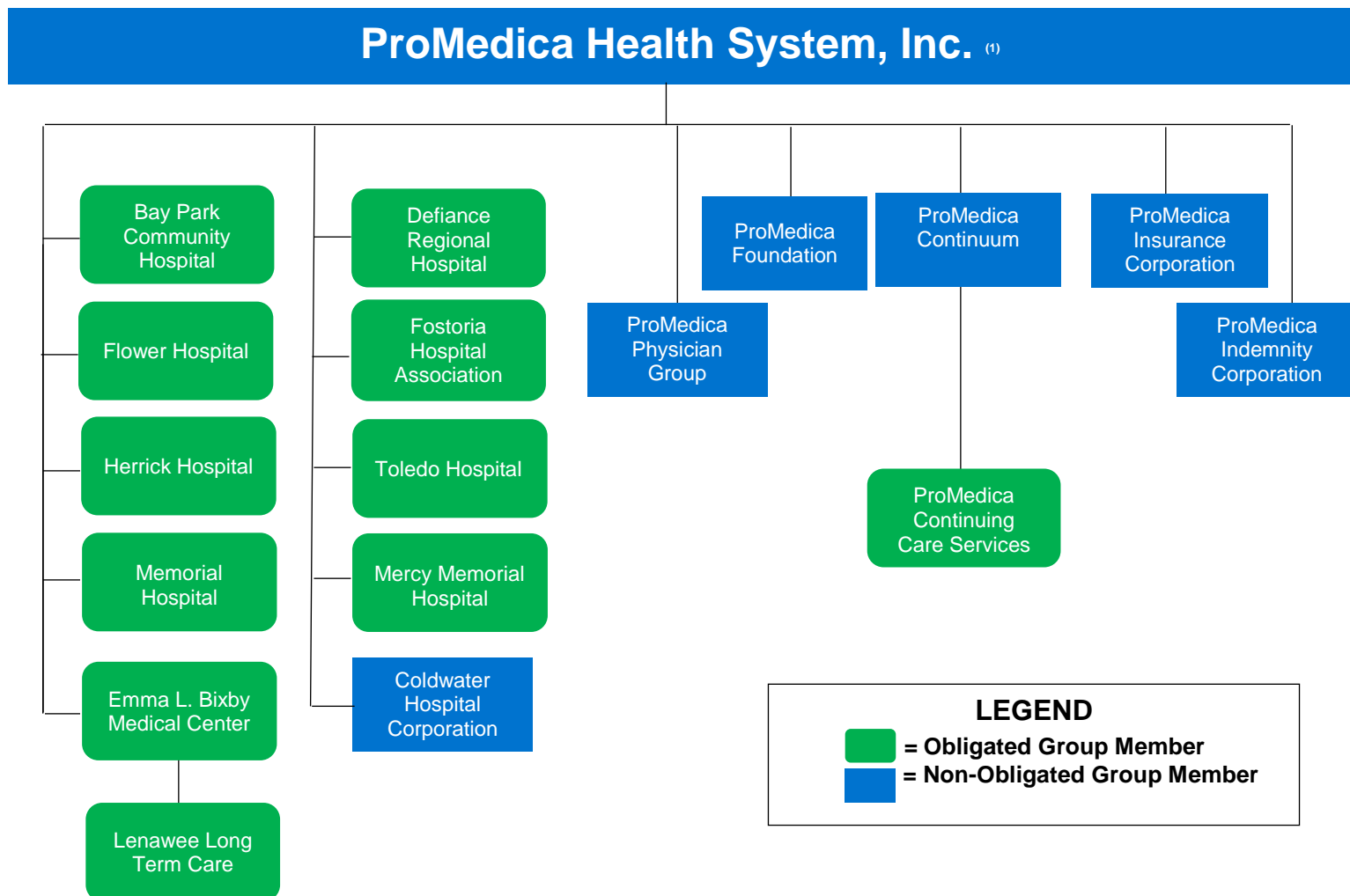
- Toledo Hospital
 - American Heart Association Get with the Guidelines® Gold Plus – Stroke
 - American Heart Association Mission: Lifeline Silver Quality Achievement Award – STEMI
 - Becker's Hospital Review "Top 100 Hospitals with Great Heart Programs" – ProMedica Toledo
 - CMS 5-Star Rating
 - Comprehensive Stroke Center, The Joint Commission and American Heart Association/American Stroke Association
 - Get with The Guidelines® – Stroke Gold Plus, American Heart Association/American Stroke Association
 - Health Grades America's 50 Best Hospitals – ProMedica Toledo Hospital
 - ISO 15189 re-accreditation – ProMedica Toledo Hospital laboratory
 - Metabolic and Bariatric Surgery Accreditations and Quality Improvement Program, re-certified
- Bay Park Hospital
 - American Academy of Sleep Medicine Accreditation
 - Leapfrog Group of Hospital Safety Grade A
 - Ohio Society for Respiratory Care Center of Excellence Award
 - Joint Commission and American Heart Association/American Stroke Association, Primary Stroke Center
 - U.S. Environmental Protection Agency's (EPA) ENERGY STAR® Certification for Superior Energy Efficiency
- Bixby Hospital
 - American Heart Association Get with the Guidelines® Gold Plus – Stroke
 - CMS 3-Star Rating
 - Healthcare Facilities Accreditation Program Primary Stroke Center Certification
 - Joint Commission and American Heart Association/American Stroke Association, Primary Stroke Center
 - Leapfrog Group of Hospital Safety Grade B
- Defiance Hospital
 - CMS 4-Star Rating
 - Press Ganey Guardian of Excellence Award for physician engagement
- Flower Hospital
 - American Heart Association Get with the Guidelines® Gold Plus – Stroke
 - *Becker's Hospital Review* 100 Great Community Hospitals
 - CMS 4-Star Rating
 - Heart Failure Certification
 - Joint Commission and American Heart Association/American Stroke Association, Primary Stroke Center
 - Leapfrog Group of Hospital Safety Grade A
- Fostoria Community Hospital
 - American Academy of Sleep Medicine Accreditation
 - Chartis Center for Rural Health/iVantage Health Analytics and National Organization of State Office of Rural Health top quartile of performance among all rural hospital in the nation
 - CMS 3-Star Rating
- Herrick Hospital

- American Heart Association Get with the Guidelines® Silver Plus – Stroke
 - CMS 3-Star Rating
 - Healthcare Facilities Accreditation Program Primary Stroke Center Certification
 - Joint Commission and American Heart Association/American Stroke Association, Primary Stroke Center
- Memorial Hospital
 - American Academy of Sleep Medicine Accreditation
 - Chartis Center for Rural Health/iVantage Health Analytics and the National Organization of State Office of Rural Health top quartile for overall excellence in quality and outcomes among rural hospitals
 - CMS 5-Star Rating
 - Joint Commission and American Heart Association/American Stroke Association Acute Stroke Ready Certification
 - Leapfrog Group of Hospital Safety Grade A
 - Ohio Hospital Association and Ohio Department of Health recognition from Ohio First Steps for Healthy Babies Review Committee
 - Partnership for Gold Achievement of Excellence Award
- Monroe Regional Hospital
 - CMS 3-Star Rating
 - Joint Commission and American Heart Association/American Stroke Association, Primary Stroke Center
 - Leapfrog Group of Hospital Safety Grade A
- Toledo Children's Hospital
 - Joint Commission dual disease-specific care for both inpatient and outpatient pediatric asthma care certification
- Wildwood Orthopaedic And Spine Hospital
 - Joint Commission Certified Total Hip Surgery
 - Joint Commission Certified Total Knee Surgery
 - Press Ganey Guardian of Excellence Award for patient engagement
- ProMedica
 - American College of Radiology Accreditation, ProMedica Cancer Institute
 - American College of Surgeons' Commission on Cancer accreditation with commendation and the Outstanding Achievement Award – ProMedica Cancer Institute
 - *Becker's Hospital Review* 58 Hospitals with Innovation Programs – ProMedica Innovations
 - *Becker's Hospital Review* 100 Hospital & Health System CMOs to Know – Lee Hammerling, chief physician executive and chief medical officer
 - CMS Four Star Rating for Paramount's Medicare product (Paramount Elite)
 - *Modern Healthcare* 100 Most Influential People in Healthcare – Randy Oostra, President and CEO
 - National Accreditation Program for Breast Centers Accreditation – ProMedica Cancer Institute
 - Radiation Therapy Oncology Group certified – ProMedica Cancer Institute
 - Quality Assurance Review Center certified – ProMedica Cancer Institute

ORGANIZATIONAL OVERVIEW

Structure

ProMedica has established an “Obligated Group” structure. The entities included in the Obligated Group are highlighted in green in the chart below. ProMedica is the sole member or exercises control over the sole member of each of the members of the Obligated Group. However, ProMedica is not a member of the Obligated Group. Only those entities defined as Obligated Group members are obligated to make payments under the Master Trust Indenture.



(1) Some of the Obligated Group Members and Non-Obligated Group Members included in the chart above control one or more subsidiary organizations. Those subsidiary organizations, none of which is an Obligated Group Member, are excluded from the above chart.



ProMedica Obligated Group Members

ProMedica's Obligated Group facilities operate solely within the ambulatory, acute and continuum care business lines. It is comprised of 11 acute care facilities (1,793 licensed beds) and several long-term, skilled nursing and hospice business lines. A summary of the members of the Obligated Group **Acute Care Hospitals** as of June 30, 2018, is as follows:



- ProMedica Bay Park Hospital
- Oregon, Ohio
- Licensed Beds: 91
- Year Established: 2001



- ProMedica Memorial Hospital
- Fremont, Ohio
- Licensed Beds: 100
- Year Affiliated: 2014



- ProMedica Bixby Hospital
- Adrian, Michigan
- Licensed Beds: 88
- Year Affiliated: 1999



- ProMedica Monroe Regional Hospital
- Monroe, Michigan
- Licensed Beds: 238
- Year Affiliated: 2015



- ProMedica Defiance Regional Hospital
- Defiance, Ohio
- Licensed Beds: 51
- Year Affiliated: 1999



- ProMedica Toledo Hospital
- Toledo, Ohio
- Licensed Beds: 641
- Year Affiliated: Legacy



- ProMedica Flower Hospital
- Sylvania, Ohio
- Licensed Beds: 315
- Year Affiliated: 1996



- ProMedica Toledo Children's Hospital
- Toledo, Ohio
- Licensed Beds: 151
- Year Established: 1994



- ProMedica Fostoria Hospital
- Fostoria, Ohio
- Licensed Beds: 25
- Year Affiliated: 2000



- ProMedica Wildwood Orthopaedic & Spine
- Toledo, Ohio
- Licensed Beds: 42
- Year Established: 2011



- ProMedica Herrick Hospital
- Tecumseh, Michigan
- Licensed Beds: 25
- Year Affiliated: 1999

Corporation	Licensed Beds	Location
Long-Term Care/Assisted Living/Other		
Goerlich Center for Alzheimer's Care	60	Sylvania, Ohio
Ebeid Hospice	12	Sylvania, Ohio
Caring Home Health Services	*	Sylvania, Ohio
Provincial House of Adrian	117	Adrian, Michigan
Charlotte Stephenson Manor	60	Adrian, Michigan
Monroe Skilled Nursing and Rehab	89	Monroe, Michigan
Total Long-Term Care Beds	338	

*236,000 Home Health Visits in 2017

Non-Obligated Group Members

Paramount Insurance

Paramount is key to the integrated delivery system of ProMedica and is a wholly owned subsidiary.



As the largest provider-sponsored health plan in Ohio, Paramount provides ProMedica almost 30 years of experience in managing risk and population health. Neither Paramount, nor any of its subsidiaries, are Members of the Obligated Group. Paramount and its subsidiaries offer the following insurance products in Ohio and Michigan:

- **Commercial (Paramount Care):** Our commercial products include fully funded insurance products (Ohio and Michigan) and self-funded administrative services-only (“ASO”) plans. It also offers gold, silver, bronze plans in the health insurance marketplace. Paramount serves more than 78,000 commercial members and 5,500 marketplace consumers.
- **Medicaid (Paramount Advantage):** Paramount Advantage has been contracted with the Ohio Department of Medicaid since 1993. Paramount Advantage services Covered Families and Children, Adult and Pediatric Aged Blind and Disabled, and Adult Extension members. The provider contract with ODM does not have a specific termination date. Paramount Advantage served over 245,000 Medicaid members at the end of first quarter of 2018.
- **Medicare (Paramount Elite):** This Medicare product is offered in 14 counties in Ohio and 2 counties in Michigan. Paramount Elite has been contracted with Centers for Medicare/Medicaid Services (CMS) since 1995. Paramount Elite has 16,000 members.
- **Managed Care Workers Compensation (HMS):** This Ohio statewide product is the fifth (out of 16) largest worker’s compensation managed care organization in Ohio. Other entities provide workers compensation third-party administration services, life care planning, and expert witness testimony services.

As of June 30, 2018, there were approximately 340,000 members in the various health plans offered by Paramount and its subsidiaries, with the largest segment in Paramount Advantage. Over the last four years, the overall plan mix of Paramount product offerings has shifted to 75% enrollment in the government sector (245,000 Medicaid and 16,000 Medicare enrollees) as of June 30, 2018. With the acquisition of Dental Health Options, Paramount added 250,000 commercial, dental members in Indiana and Kentucky.

ProMedica Physician Group

ProMedica Physician Group, Inc. and its subsidiary limited liability companies (collectively, “PPG”) is a comprehensive provider network consisting of 952 employed providers, including 518 primary care and specialty physicians, as well as 434 advanced practice providers. PPG handled approximately 495,000 patient encounters in the second quarter of 2018. An additional 117 providers have been recruited in 2018 as part of ProMedica’s continued focus on expanding patient access within its provider network.

PPG providers are engaged in achieving quality outcomes by targeting preventative healthcare, with special emphasis on cardiovascular diseases and cancer. Members of the physician network provide leadership to ProMedica through participation on boards, councils and membership in co-management companies.

ProMedica Continuum Services

ProMedica Continuum Services (formerly known as ProMedica Physicians and Continuum Services, or “PCS”) is an Ohio nonprofit corporation that includes ProMedica Continuing Care Services Corporation, an Ohio nonprofit corporation that provides and manages specialty pharmacy, durable medical equipment, home health, palliative care, hospice, and inpatient and outpatient rehabilitation services.

Executive Leadership & Governance

Executive Leadership

The 14-member Executive System Team (listed below) plans and administers the strategic plans of ProMedica and its subsidiary entities, subject to the policies and authority of the ProMedica Board of Trustees.

Name	Title	Years with ProMedica	Years in Health Care
Randy Oostra	President & Chief Executive Officer	21	39
Michael Browning	Chief Financial Officer	2	27
Holly Bristoll	Chief Integration Officer, Academic Affiliation	27	27
Gary Cates	Chief Philanthropy Officer	21	21
Lee Hammerling, MD	Chief Physician Executive & Chief Medical Officer	23	38
Lori Johnston	President, ProMedica Insurance Corp	22	35
Jeff Kuhn	Chief Legal Officer/General Counsel and Chief Construction & Property Management Officer	26	33
Barb Petee	Chief Government Relations & Advocacy Officer	32	32
John Pigott, MD	Chief Innovations Officer/Strategic Business Development	26	32
Arturo Polizzi	President, Metro Region	20	20
Jack Randolph	Chief Information Officer	37	37
Karen Strauss	Chief Strategy, Marketing & HR Officer	5	5
Kevin Webb	Chief Acute & Post-Acute Care Officer	18	36

Governance

ProMedica has 444 volunteer board members serving on 44 boards, committees, councils and foundations.

The ProMedica Board is comprised of 32 members, four of which are members of various Hospital Subsidiary Boards while the remainder are members of ProMedica's standing committees or represent ProMedica business units, physicians or areas requiring special expertise.

A majority of the members on the ProMedica Board of Trustees serve for two three-year terms. Each Board member may serve up to two terms. In addition, the ProMedica Board has established standing committees. Members appointed to these committees may serve for a term of up to six years, except for the Investment Committee, which requires specific expertise.

The Subsidiary Boards exercise the powers delegated to them in their respective Code of Regulations or Bylaws and granted to them by statutory authority. The ProMedica Board appoints or approves all members to the Subsidiary Boards.

ProMedica Committees

- Audit/Compliance
- Center of Nursing Excellence
- Compensation
- Executive
- Finance
- Governance
- Insurance/Risk
- Investment
- Mission Development
- Physician Leadership

2018 – 2020 Strategic Plan

ProMedica has adopted and implemented, and continues to execute, various strategic initiatives to advance key components of its integrated healthcare delivery system in the fulfillment of its mission. ProMedica remains committed to the integrated delivery system structure first implemented in the 1990's.

High Reliability: Safety | Quality | Experience | Baldrige

Deliver great healthcare outcomes and preferred healthcare experiences.



HIGHLY RELIABLE

High Performance: Growth | Performance Targets | Cost Transformation | Philanthropy

Achieve financial targets through strategic growth and cost transformation.



HIGH PERFORMANCE

Strategic Innovation: ProMedica Innovations | Telemedicine

Continuously pursue innovative solutions to support care management and improved experiences, while growing the business.



STRATEGIC INNOVATION

Community Advocate: Social Determinants | Economic Development | Opioid and Substance Abuse | Ebeid Promise

Lead partnering relationships and healthcare advocacy efforts in our communities and nationally to improve the social determinants of health.



COMMUNITY ADVOCATE

Workplace of Choice: Talent Management | Talent Attraction | Total Rewards

Create an inclusive workplace environment that attracts and retains top talent.



WORKPLACE OF CHOICE

Research & Education: Faculty, Resident, Student Transition | Space Planning | New Program Development

Enhance the education of the next generation of healthcare providers and engage in targeted cutting-edge research.



LEADER IN EDUCATION
AND RESEARCH

RECENT SIGNIFICANT DEVELOPMENTS

Recent Significant Developments

ProMedica, Welltower enter JV to acquire HCR ManorCare

In late April, ProMedica entered into a joint venture agreement with Welltower to acquire HCR ManorCare in Toledo. On July 27, 2018, ProMedica acquired the operations of HCR ManorCare and entered into a lease with the joint venture of the real property. HCR ManorCare is a leading provider of short-term, post-acute services and long-term care with a network of more than 450 assisted living facilities, skilled nursing and rehabilitation centers, memory care communities, outpatient rehabilitation clinics, and hospice and home health care agencies. Upon closing, ProMedica will employ approximately 70,000 employees, expand our footprint from six to 30 states and double our revenue to \$7 billion. This positions ProMedica as one of the top 15 largest U.S. health systems in the nation. See *Subsequent Events* below for additional information.

TPE awards platinum ProMedica Memorial Hospital and gold to ProMedica

The Partnership for Excellence (TPE), which conducts the Baldrige examinations in our region, announced ProMedica Memorial Hospital is the recipient of the 2018 Platinum, Governor's Award for Excellence. The award represents Ohio, Indiana and West Virginia's highest honor for performance excellence through innovation, results and visionary leadership using the Baldrige Excellence Framework.

Additionally, TPE announced that, as a system, ProMedica earned the 2018 Gold Governor's Award (the second highest level), a remarkable achievement as we are just beginning our Journey of Excellence. The TPE team rigorously evaluates applicants in seven areas defined by the Baldrige Excellence Framework: leadership; strategy; customers; measurement, analysis and knowledge management; workforce; operations; and results. The evaluation process included more than 1,000 hours of review and a three-day site visit by a team of examiners to clarify questions and verify information in our application.

Chief innovations officer invited to join HIPS Council of 33

John Pigott, MD, FACS, Chief Innovations Officer, ProMedica Innovations, has been included in the Healthcare Innovators Professional Society (HIPS). HIPS is the advocacy, recognition, and support community for transformative thought leaders. It is the first and only professional, nonpartisan, non-profit organization that is focused solely on providing a limited number of innovation leaders — the Council of 33 — who support driving change across the healthcare infrastructure, both regionally and nationally.


ProMedica again named to Becker's Healthcare 2018 list of 150 Top Places to Work in Healthcare

This list is created by highlighting hospitals, health systems, and healthcare companies that promote diversity within the workforce, employee engagement, and professional growth. ProMedica specifically made the list for its accomplishment of being one of Forbes' 2017 Best Large Employers, as well as a benefits package that goes well beyond the standard by offering tuition assistance, continuing education, financial assistance, and several wellness programs. ProMedica's role as an anchor institution within the communities it serves also contributed to this achievement.

New medical office building opens in Defiance

A second medical office building opened on the campus of ProMedica Defiance Regional Hospital. The 41,000-square-foot facility expands the hospital's ability to provide a wide range of health services to the members of the Defiance community.

New heart rhythm center opened at ProMedica Toledo Hospital. Dedicated to caring for patients with heart rhythm conditions and disorders, the brand-new center comprises 6,500 square-foot of patient case space, featuring three dedicated electrophysiology labs and three types of 3D-cardiac mapping. With the largest team of cardiac electrophysiologists in the region, the center allows Toledo Hospital to increase patient access by 20% over the next several years.



ProMedica Cancer Institute (PCI) expanding cancer care to the Maumee community starting in September 2018. The new site on the campus of St. Luke's Hospital will provide both medical and radiation oncology services as well as care navigation and a wide range of support programs such as social work and nutrition counseling.

ProMedica Toledo Hospital “topped off” its new 13-story Generations Tower with the last structural beam. The 302-bed tower will replace the hospital's 86-year-old existing tower, significantly transforming the hospital campus. It is expected to open by the end of 2019.

Cardiothoracic surgeon at ProMedica Toledo Hospital performed the first commercial implant of the Medtronic Avelus pericardial aortic surgical valve in the United States. Michael Moront, MD, a cardiovascular surgeon employed by ProMedica Physicians, performed the surgery on a 78-year-old Toledo-area woman. The valve earned U.S. Food and Drug Administration approval in 2017.

The ProMedica Health Network (PHN) entered its third year of its three-year Track 1 ACO agreement in the Medicare Share Savings Program (MSSP). PHN has more than 1,200 providers and just under 34,000 beneficiaries. PHN also became a group in a Value Based Contract with Paramount Elite.

ProMedica Physicians and Continuum Services implemented a medical management model to improve transitions of care between acute care and skilled nursing facilities. Physician led, the program will develop and implement clinical pathways to improve patient care with community skilled nursing partners. This will enhance the coordination of services and allow an active participation in the management of patient care as well as unnecessary returns to the hospital.

ProMedica Toledo Hospital named among Top 50 in country. Healthgrades named the hospital one of America's 50 Best Hospitals in 2018, putting it in the Top 1% of hospitals for clinical outcomes.

Oostra named to Local Initiatives Support Corporation (LISC) national board of directors. ProMedica President and CEO Randy Oostra was selected to serve on the LISC board of directors as a national thought-leader of the issue of social determinants of health and their impact on an individual's health and well-being.

Hammerling makes Becker's list of 100 Hospital & Health System CMOs to know. Lee Hammerling, MD, ProMedica's chief physician executive and chief medical officer, provides oversight for the development and growth of ProMedica's service lines, population health strategies and academic programs and affiliations.

Leadership Changes

On March 1, 2018, Jack Randolph, former president of Paramount Health Insurance, Inc., transitioned to the role of chief information technology officer for ProMedica. Randolph has been with ProMedica for 36 years, 25 years of that at Paramount and has been critical to the success of Paramount. Under his leadership, Paramount established its Medicare, Medicaid and Workers' Compensation product lines, acquired numerous companies including Toledo Health Plan, Medical Value Plan, HMS, Advocare, BalaCare, ProComp, and Health Resources Inc.; grew its services into Michigan, West Virginia, Indiana, and other states; and expanded its Medicaid offering to more than 590,000 members and \$1.5 billion in annual revenues.

Simultaneously, Lori Johnston, former chief information technology officer for ProMedica, became president of ProMedica Insurance Corporation and Paramount Health Care Inc. Johnston has been with ProMedica for 21 years holding several key leadership roles in finance, acute, post-acute and physician group operations. She was instrumental in the integration (and divestiture) of St Luke's Hospital. Most recently, she was instrumental in implementing Epic system-wide and improving ProMedica's technical educational efforts around cybersecurity.

Subsequent Events

ProMedica with the addition of HCR ManorCare is set to transform health care for seniors

ProMedica, a mission-based, not-for-profit healthcare system focused on improving health and well-being, on July 27, 2018, finalized the transaction that adds HCR ManorCare operations to the ProMedica organization. With HCR ManorCare being the nation's second largest post-acute and long-term care provider, this acquisition has enabled ProMedica to significantly scale its system to become the 15th largest in the nation. The new combined organization provides an unmatched breadth of services and capabilities, including: a hospital system, a physician group, telehealth, several health plans, an academic affiliation, skilled nursing, assisted living, rehab, home health and hospice.

Randy Oostra, president and CEO of ProMedica, is the CEO of the combined organization. Steve Cavanaugh, former CEO of HCR ManorCare, now serves as the president of the HCR ManorCare division at ProMedica.

"This partnership is groundbreaking. Together, we will redefine health care and its role in healthy aging," said Randy Oostra, president and CEO at ProMedica. "We are focused on tearing down the walls between care delivery channels to provide simpler navigation across the care continuum, along with greater value. Further, we see a tremendous opportunity to engage ProMedica's nationally-recognized, social determinants of health work to benefit seniors across the communities we serve."

"This relationship is exciting because of all of the opportunities it creates. No other organization in the country offers the breadth of services and capabilities of our combined organizations," said Steve Cavanaugh, president, HCR ManorCare division at ProMedica. "We are looking forward to leveraging our resources to create a new way of delivering better care and improving outcomes."

While hospitals will always play a significant role in healthcare delivery, the "baby boomers" are aging and their expectations for safe and value-based health care are different than any other prior generation. Forecasts indicate that the 85-and-older population in the United States is expected to double over the next 20 years. This growth will exacerbate the inefficiencies of the current fragmented and costly health systems. The acquisition of HCR ManorCare uniquely positions ProMedica to address these challenges by seamlessly coordinating care across multiple health delivery channels to improve quality and reduce the overall cost of care.

Toledo, Ohio-based Welltower Inc. (NYSE:WELL), the leading global real estate capital provider to the healthcare industry, played a major role in facilitating this transaction through its innovative approach to using healthcare infrastructure to optimize healthcare delivery to lower cost sites of care while driving improved outcomes.

"Together with ProMedica, one of the largest and most innovative health systems in the U.S., this acquisition of HCR ManorCare provides us the platform to think differently about where healthcare services are delivered, particularly with respect to the aging of the population," said Tom DeRosa, Chief Executive Officer of Welltower. "The close of this transformative joint venture further validates our health system strategy through which we leverage high-quality real estate to optimize care delivery at lower cost sites of care while remaining focused on improved outcomes."

Termination of Certain Covenants in the ProMedica Master Trust Indenture

On July 24, 2018 as a result of the termination of an insured interest rate swap transaction, certain covenants (the "Terminated Covenants") contained in the Master Indenture were released. Such covenants related to (i) the Obligated Group maintaining a ratio of long-term indebtedness to total capitalization below a prescribed level (ii) the Obligated Group maintaining cash and liquid investments above prescribed levels, and (iii) restrictions on the disposition of property (including accounts receivable) by the Members of the Obligated Group to persons that were not Members of the Obligated Group unless certain tests were met. Reference is made to the Official Statement dated September 23, 2015 related to the \$46,755,000 County of Lucas, Ohio Hospital Revenue Bonds, Series 2015B

□

(ProMedica Healthcare Obligated Group) (CUSIP No. 549310VL1) that has been filed on the Electronic Municipal Market Access website of the Municipal Securities Rulemaking Board for a summary of the Terminated Covenants under the captions "Long-Term Indebtedness to Capitalization Ratio"; "Liquidity Covenant"; "Disposition of Property"; and "Disposition and Pledges of Accounts Receivable" in Appendix C thereto.

Ratings

On August 14, 2018 S&P Global Ratings lowered its long-term rating on the ProMedica Healthcare Obligated Group debt obligations from A+ to BBB with a stable outlook and removed the rating from CreditWatch with negative implications that was placed on April 26, 2018.

On July 24, 2018 Moody's rating on the ProMedica Healthcare Obligated Group rating of A1 was placed on under review for downgrade.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Performance

ProMedica's operating performance for the six months ending June 30, 2018 saw an improvement in operating income compared to 2017 due to increased revenue from the Acute Care division. Net Unrestricted Assets decreased in 2018 due to operating losses after increasing in 2017 due to favorable market performance.

Income Statement

(Detailed Financial Statements are presented in the Appendix)

(\$000's omitted)	ProMedica Health System Six Months Ended June 30		Obligated Group Six Months Ended June 30	
	2018	2017	2018	2017
Revenues				
Net patient service revenue	\$832,128	\$749,089	\$781,113	\$728,138
Member revenue	852,808	736,469	-	-
Other	27,774	36,754	16,107	22,669
Total operating revenue	1,712,710	1,522,312	797,220	750,807
Expenses				
Salaries and benefits	577,062	529,665	286,784	283,434
Supplies	107,201	101,700	91,246	90,173
Contracted fees	158,828	147,906	72,256	67,911
Other	812,841	691,013	271,916	239,649
Total operating expenses	1,655,932	1,470,284	722,202	681,167
Operating income before depreciation and amortization	56,778	52,028	75,018	69,640
Depreciation and amortization	69,289	68,002	45,195	45,710
Net income from operations	(12,511)	(15,974)	29,823	23,930

Other income (loss)	(694)	99,740	(12,033)	74,135
Excess (deficiency) of revenue over expenses before unusual items	(13,205)	83,766	17,790	98,065
Unusual items – restructuring and severance costs	(1,881)	(941)	-	-
Excess (deficiency) of revenue over expenses	(\$15,086)	\$82,825	\$17,790	\$98,065

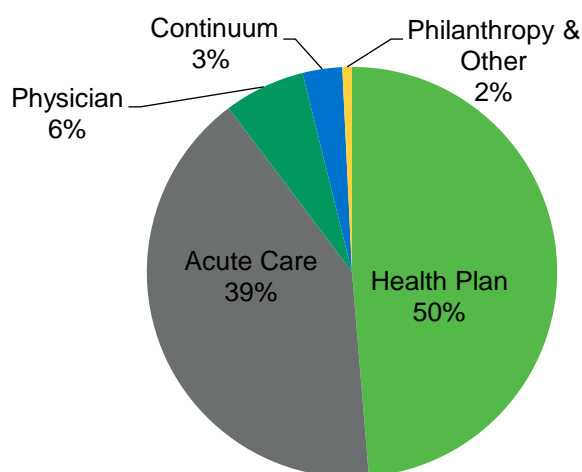
For the six months ending June 30, 2018, ProMedica's total operating revenue was \$1.7 billion, an increase of \$190.4 million over the comparable period in 2017. Membership revenue increased \$116.3 million due to increased membership in the Medicaid product line and rate increases in Medicaid and HIX product lines. ProMedica Insurance Company also acquired a dental insurance company at the end of 2017 that contributed \$32.5 million in membership revenue. Total operating expenses increased \$185.6 million due to salaries and benefits as well as medical expense related to the additional membership in Medicaid, an increase in per member per month costs and \$28.7 million from the acquired dental insurance company. Net Operating income

For the six months of fiscal 2018, ProMedica's operating income was (\$12.5) million, an increase of \$3.5 million when compared to the prior period in 2017. Based on expanded Medicaid membership and acquiring HRI, Paramount has incurred increased membership revenue and medical expense.

Sources of Revenue

As Paramount has experienced continued growth in Medicaid products from the statewide expansion of coverage, the health plan now accounts for approximately 50% of ProMedica Health System's total operating revenue.

The Obligated Group accounted for approximately 47% of the total system revenue for the six months ending June 30, 2018.



Total system revenue as of June 30, 2018, was \$1.7 billion

Uncompensated Care

Bad debt and charity care, as a percentage of operating revenue for the six months ending June 30, 2018, is comparable to the prior period.

ProMedica Health System

(000's omitted)	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Charity care	\$30,345	\$30,962
Bad debt	58,373	51,784
Total uncompensated care	\$88,718	\$82,746
% of Total operating revenue	4.9%	5.1%

Acute Care Payor Mix

	Year-to-Date June 30, 2018		Calendar Year	
	2018	2017	2017	2016
Medicare (1)	45.1%	43.7%	43.8%	43.2%
Medicaid (1)	20.5%	21.5%	21.1%	19.9%
Blue Cross	11.8%	11.1%	11.9%	12.1%
Managed Care	21.3%	22.5%	22.0%	23.4%
Self-Pay	1.3%	1.2%	1.2%	1.4%
Totals	100%	100%	100.0%	100.0%

(1) Includes Medicare and Medicaid HMOs.

Non-Operating Income

Total investment income for the six-month period ending June 30, 2018, was (\$3.2) million. This amount included \$94.7 million of unrealized losses as compared to prior year investment income of \$120.2 million that included \$71.7 million in unrealized gains. The year-to-date gain on interest the rate swap was \$3.3 million through June 2018.

Balance Sheet

(Detailed Financial Statements are presented in the Appendix)

(\$000's omitted)	ProMedica Health System As of		Obligated Group As of	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Assets				
*Unrestricted cash & investments	\$1,724,160	\$1,882,781	\$754,527	\$1,227,202
Accounts receivable, net	285,215	255,472	262,671	267,633
Other current assets	111,784	131,651	53,320	53,598
Property, plant and equipment, net	1,441,042	1,345,046	1,089,476	1,017,055
Other assets	627,297	602,193	85,244	80,224
Total assets	4,189,498	4,217,143	2,245,238	2,645,712
Liabilities & Net Assets				
Current liabilities	1,003,261	1,020,849	773,117	766,483
Long-term debt	437,226	429,012	424,501	425,532
Other liabilities	165,454	178,838	56,310	62,643
Net assets	2,583,557	2,588,444	991,310	1,391,054
Total liabilities & net assets	\$4,189,498	\$4,217,143	\$2,245,238	\$2,645,712

*Includes unrestricted foundation cash

Balance Sheet and Cash Flow

As of June 30, 2018, ProMedica had \$1.7 billion of unrestricted cash and investments to fund operations and capital expenditures. This equated to 191.6 days cash on hand as of June 30, 2018, compared with 226.1 days at December 31, 2017.

Total debt was \$992.1 million at June 30, 2018, and \$982.8 million at December 31, 2017. The total debt to capitalization ratio as of June 30, 2018, was at 28.9% as compared to 28.5% as of December 31, 2017. The total cash to debt ratio for ProMedica was 1.7 as of June 30, 2018, as compared to 1.9 as of December 31, 2017.

ProMedica capital expenditures were \$133.3 million for the six months ending June 30, 2018, compared to \$144.7 million for the prior year comparable period. Net cash provided by operating activities was \$8.1 million in the six months ending June 30, 2018, compared to \$6.9 million provided by operating activities in the six months ended June 30, 2017.

Debt

The composition of ProMedica's current debt structure, as of June 30, 2018, is summarized below:

Series	Par Outstanding	Product	Final Maturity	Average Coupon	Tax Status
Series 2011A	\$4,055,000	Fixed Rate	11/15/2021	4.91%	Tax-Exempt
Series 2011B	156,000	Fixed Rate	11/15/2019	4.31%	Tax-Exempt
Series 2011C	8,920,000	Direct Loan	11/15/2019	Variable	Tax-Exempt
Series 2011D	97,217,000	Fixed Rate	11/15/2030	5.02%	Tax-Exempt
Series 2011E	2,186,000	Fixed Rate	11/15/2021	3.46%	Tax-Exempt
Series 2015A	270,436,000	Fixed Rate	11/15/2045	4.98%	Taxable
Series 2015B	45,194,000	Fixed Rate	11/15/2045	4.00%	Tax-Exempt
Series 2015C	19,133,000	Direct Loan	11/15/2051	Variable	Taxable
Series 2015D	4,988,000	Direct Loan	11/15/2025	Variable	Taxable
Series 2015E	34,918,000	Direct Loan	11/15/2025	Variable	Taxable
Series 2017A	54,574,000	Direct Loan	11/15/2040	2.24%	Tax-Exempt
Series 2017B	119,878,000	Direct Loan	11/15/2041	2.24%	Tax-Exempt
Series 2017C	84,848,000	Direct Loan	11/15/2041	2.10%	Tax-Exempt
Series 2017D	39,659,000	Direct Loan	11/15/2025	2.28%	Tax-Exempt
Series 2017F	62,398,000	Direct Loan	11/15/2029	Variable	Tax-Exempt
Series 2017G	79,942,000	Direct Loan	11/15/2048	Variable	Tax-Exempt
Series 2017H	24,818,000	Direct Loan	11/15/2035	2.18%	Tax-Exempt
Coldwater 2012	5,695,000				
Qualified Low-Income Community Investment Loans	14,372,000	Direct Loan	12/15/2045	1.00%-2.58%	Tax-Exempt
Sub Total	973,387,000				
Other*	18,684,000				
	<u>\$992,071,000</u>				

*Other debt includes capital lease obligations, and other miscellaneous notes and loans

Interest Rate Swaps

ProMedica utilizes interest-rate swaps as part of its risk management strategy to manage exposure to fluctuations in interest rates and the overall cost of its debt. Derivatives are used to manage identified and approved exposures and are not used for speculative purposes. The following is a summary of the outstanding interest rates swaps as of June 30, 2018.

Debt Swapped	Instrument Type	Notional Amount	Maturity Date	YTD Gain(Loss) thru 6/30/2018	6/30/2018 Mark-to-Market
Series 2017F	Floating to Fixed Rate	\$62,500,000	11/15/2034	\$3,279,000	(\$14,051,000)
		\$62,500,000		\$3,279,000	(\$14,051,000)

Fixed/Variable Debt Mix* (\$000s omitted)

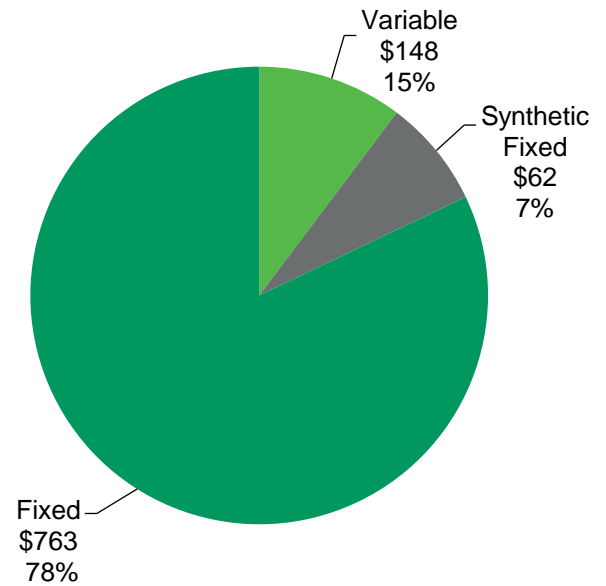
ProMedica maintains a conservative debt structure. Approximately 85% of outstanding debt is fixed rate as shown in the graph to the right. Total outstanding debt as of June 30, 2018, was \$973.4 million.

Synthetic Fixed includes swap on 2017F Bonds

*Excludes capital leases, other misc. notes & loans of \$18,684.

Recent Debt Activity

On February 2, 2018, the System closed a \$4M loan with Jobs Ohio for project costs relating to the ProMedica downtown Toledo Headquarters project.



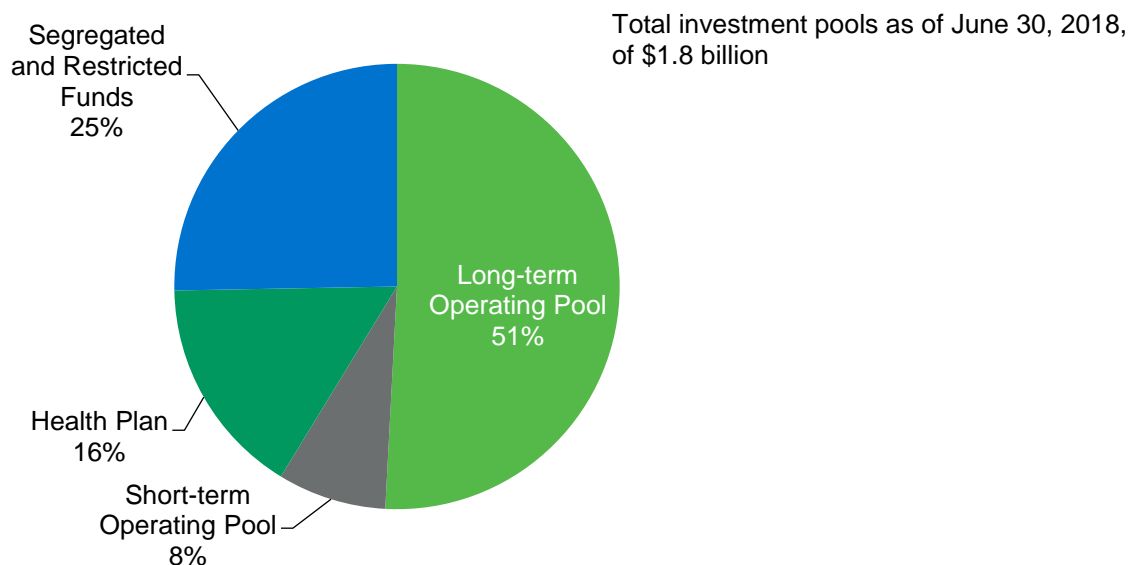
Investments

Total unrestricted cash and investments for ProMedica as of June 30, 2018, and December 31, 2017, were as follows:

Unrestricted Cash and Investments				
(\$000s)	June 30, 2018		December 31, 2017	
Cash and cash equivalents	\$231,505	13%	\$294,030	16%
Marketable securities	324,489	19%	295,433	16%
Internally designated investments for capital acquisitions*	1,168,166	68%	1,293,318	69%
Total unrestricted assets	\$1,724,160		\$1,882,781	

*includes unrestricted foundation cash

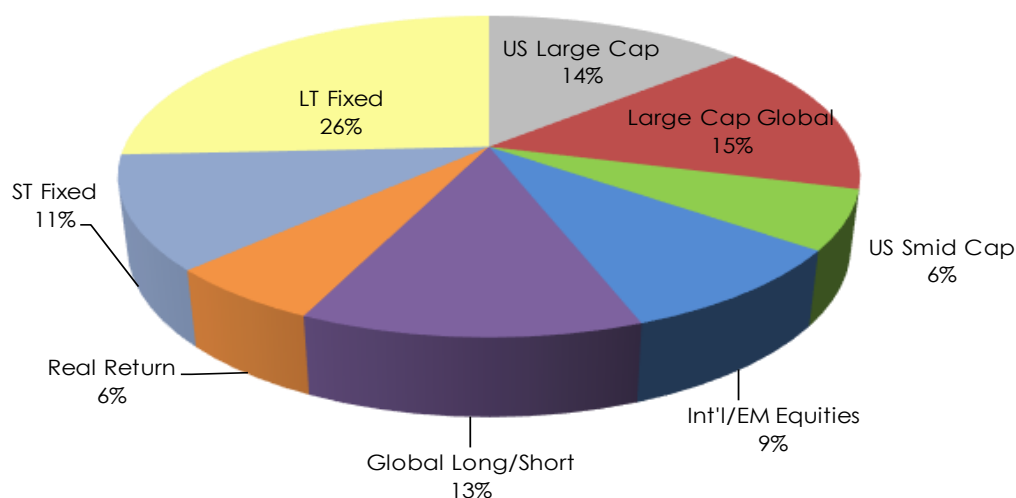
ProMedica centralizes the management of cash and investments maximizing flexibility and allowing for efficiencies in managing liquidity. The majority of ProMedica's investments are pooled in a master trust arrangement with custody provided by BNY Mellon. Investments held outside of the pooled trusts are done so due to regulatory requirements or other purposes. Governance of all investments is provided by the ProMedica Investment Committee, who annually approves the investment policies. A summary of the investment portfolios is as follows:



ProMedica's investment program is structured to maintain adequate liquidity levels, while maximizing long-term growth. ProMedica utilizes ongoing cash forecasting to ensure proper allocations between operating, short-term, and long-term funds. Portfolios are monitored quarterly to ensure compliance against the policy along with detailed portfolio reviews.

Operating Pools Asset Allocation

Total Assets of \$1.1B as of June 30, 2018

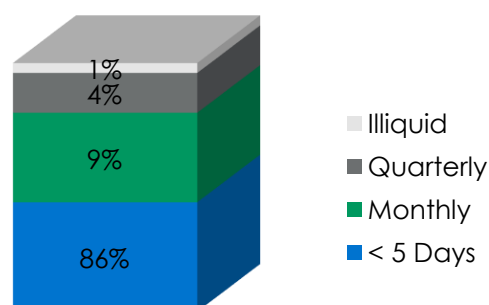


Valuations

ProMedica's investment portfolio is primarily composed of level-I and level-II securities with limited exposure to level-III investments. The value of level-III investments as of June 30, 2018, is \$52.0 million or 3% of the portfolio. It is comprised of land held for investment, the foundation's beneficial interests in funded perpetuities and a nominal allocation to private capital.

Liquidity

ProMedica maintains a high level of liquidity within the investment portfolio. Approximately \$97.7 million or 5% of investments have liquidity provisions that may restrict their ability to be liquidated in 30 days or less and approximately \$20.1 million or 1% has liquidity provisions greater than one year.



Pension Plans

ProMedica Health System provides retirement plans covering a large portion of its employees. The Plans were froze in prior years for benefit accruals to all active plan participants. The System contributes to the plans annually based upon actuarially determined funding guidelines.

As of June 30, 2018, the cash balance plan had a pension asset of \$29.3 million and as of June 30, 2017, a pension liability of \$9.3 million. As of June 30, 2018 and 2017, the defined benefit pension plan for Monroe employees had a pension liability of \$17.6 million and \$21.6 million, respectively. At December 31, 2017, the System recognized a pension asset of \$25.3 million for the fair value of cash balance plan assets exceeding the plan's projected benefit obligation, and a pension liability of \$20.6 million for the Monroe employee's retirement plan projected benefit obligation exceeding the fair value of plan assets.

ProMedica Health System Financial Indicators

Profitability

	Year-to-Date June 30, 2018	Year-to-Date June 30, 2017
Operating margin	(1.5%)	(2.2%)
Operating cash flow margin	3.3%	3.4%

Liquidity/Leverage

	June 30, 2018	December 31, 2017
Days cash on hand	191.6	228.2
Debt-to-capitalization	28.9%	28.5%
Cash-to-debt	1.7	1.9

UTILIZATION STATISTICS – SYSTEM

The following table provides details on historical data on patient volumes and long-term care occupancy rates along with current and prior year comparisons:

	Year-to-Date June 30		Calendar Year	
	2018	2017 ⁽¹⁾	2017 ⁽¹⁾	2016 ⁽²⁾
Acute discharges	28,687	30,812	59,739	66,234
Newborn discharges	3,262	3,253	6,646	7,268
Outpatient surgeries	19,979	18,926	38,327	40,286
Emergency room visits	138,027	145,115	286,408	317,795
ALOS - acute	4.70	4.53	4.55	4.55
% of Staffed beds (acute care)	58%	55%	54%	55%
Home health admissions	6,577	6,428	12,863	12,929
Home care visits	113,358	118,336	233,203	219,973
LTC patient/resident days	50,159	50,609	102,548	104,927
Inpatient hospice days	1,793	1,601	3,416	3,258

Occupancy rates as a percentage of beds:

ProMedica Goerlich Center	92.9%	94.1%	92.8%	93.1%
ProMedica Provincial House	96.7%	93.00%	93.4%	91.9%
ProMedica Charlotte Stephenson Manor	67.8%	85.5%	81.9%	94.6%
ProMedica Herrick Manor ⁽³⁾	0.0%	0.0%	0.0%	64.6%
ProMedica Monroe Skilled Nursing Rehab	76.0%	75.4%	77.3%	87.6%

(1) Includes results of ProMedica Monroe Regional Hospital beginning January 1, 2015

(2) Herrick Manor ceased operation in January 2017

**includes St. Luke's for all annual periods and through the second quarter of 2016*

FINANCIAL STATEMENTS

PROMEDICA HEALTH SYSTEM

Consolidating Balance Sheet

(Unaudited and \$000s omitted)

	As of June 30, 2018			As of December 31, 2017		
	Obligated Group	Other ProMedica Entities Including Eliminations	ProMedica	Obligated Group	Other ProMedica Entities Including Eliminations	ProMedica
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	65,020	166,485	231,505	\$137,916	\$156,114	\$294,030
Marketable securities	6,311	318,178	324,489	6,514	288,919	295,433
Accounts receivable, net	262,671	22,544	285,215	267,633	(12,161)	255,472
Assets limited as to use or restricted	-	4,363	4,363	-	4,335	4,335
Inventories	19,046	9,030	28,076	18,921	7,326	26,247
Other current assets	53,320	58,464	111,784	53,598	78,053	131,651
TOTAL CURRENT ASSETS	406,368	579,064	985,432	484,582	522,586	1,007,168
ASSETS WHOSE USE IS LIMITED						
Restricted funds	2,940	134,179	137,119	2,069	132,941	135,010
Bond indenture agreement funds	15	-	15	12	-	12
Internally designated for capital acquisition	683,196	302,113	985,309	1,082,772	28,377	1,111,149
Other segregated investments	36,569	288,505	325,074	31,643	288,303	319,946
TOTAL ASSETS WHOSE USE IS LIMITED	722,720	724,797	1,447,517	1,116,496	449,621	1,566,117
Property, plant and equipment, net	1,089,476	351,566	1,441,042	1,017,055	327,991	1,345,046
OTHER ASSETS						
Pension	-	25,326	25,326	-	25,326	25,326
Goodwill	18,019	52,987	71,006	18,019	52,058	70,077
Other intangible assets	1,211	52,022	53,233	1,255	53,826	55,081
Investments in affiliated companies	6,862	95,470	102,332	7,748	77,681	85,429
Other assets	582	63,028	63,610	557	62,342	62,899
TOTAL OTHER ASSETS	26,674	288,833	315,507	27,579	271,233	298,812
TOTAL ASSETS	2,245,238	1,944,260	4,189,498	\$2,645,712	\$1,571,431	\$4,217,143



	As of June 30, 2018			As of December 31, 2017		
	Obligated Group	Other ProMedica Entities Including Eliminations	ProMedica	Obligated Group	Other ProMedica Entities Including Eliminations	ProMedica
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	100,391	96,352	196,743	\$102,072	\$105,431	\$207,503
Accrued compensation and benefits	53,468	73,401	126,869	49,790	88,834	138,624
Current installments of long-term debt	94,964	2,330	97,294	95,180	1,170	96,350
Contingent current installments of long-term debt	443,179	14,372	457,551	443,044	14,365	457,409
Estimated third-party payor settlements	13,719	5,721	19,440	28,204	319	28,523
Professional liability and workers' compensation	419	7,332	7,751	353	7,000	7,353
Accrued post-retirement health care benefits	163	-	163	163	-	163
Other	66,814	30,636	97,450	47,677	37,247	84,924
TOTAL CURRENT LIABILITIES	773,117	230,144	1,003,261	766,483	254,366	1,020,849
OTHER LIABILITIES						
Accrued professional liabilities and workers' compensation, less current portion	622	45,851	46,473	502	48,642	49,144
Deferred compensation	4,227	35,922	40,149	4,278	37,291	41,569
Pension	17,913	(4,034)	13,879	20,938	-	20,938
Accrued post- retirement health care benefits, less current portion	967	14	981	1,014	-	1,014
Other	32,581	31,391	63,972	35,911	30,262	66,173
TOTAL OTHER LIABILITIES	56,310	109,144	165,454	62,643	116,195	178,838
Long-term debt, net of current installments	424,501	12,725	437,226	425,532	3,480	429,012
TOTAL LIABILITIES	1,253,928	352,013	1,605,941	1,254,658	374,041	1,628,699
NET ASSETS						
Net assets without donor restrictions	988,370	1,458,068	2,446,438	1,388,985	1,064,449	2,453,434
Net assets with donor restrictions	2,940	134,179	137,119	2,069	132,941	135,010
TOTAL NET ASSETS	991,310	1,592,247	2,583,557	1,391,054	1,197,390	2,588,444
TOTAL LIABILITIES AND NET ASSETS	2,245,238	1,944,260	4,189,498	\$2,645,712	\$1,571,431	\$4,217,143

PROMEDICA HEALTH SYSTEM

Consolidating Statement of Operations

(Unaudited and \$000s omitted)

	Six Months Ended June 30, 2018			Six Months Ended June 30, 2017		
	Obligated Group	Other ProMedica Entities Including Eliminations	ProMedica	Obligated Group	Other ProMedica Entities Including Eliminations	ProMedica
Unrestricted revenues, gains, and other support:						
Net patient service revenue less bad debts	781,113	51,015	832,128	728,138	20,951	749,089
Premiums earned	-	852,808	852,808	-	736,469	736,469
Net assets released	3,684	491	4,175	4,094	272	4,366
Other	12,423	11,176	23,599	18,575	13,813	32,388
Total revenues, gains, and other support	797,220	915,490	1,712,710	750,807	771,505	1,522,312
Expenses:						
Salaries, wages, and employee benefits	286,784	290,278	577,062	283,434	246,231	529,665
Food and drugs	63,722	27,571	91,293	64,183	30,296	94,479
Medical expense	-	591,368	591,368	-	495,956	495,956
Contracted fees	72,256	86,572	158,828	67,911	79,995	147,906
Supplies	91,246	15,955	107,201	90,173	11,527	101,700
Insurance	5,928	3,829	9,757	6,988	2,723	9,711
Utilities	8,751	4,771	13,522	8,612	4,597	13,209
Other	193,515	(86,614)	106,901	159,866	(82,208)	77,658
Total expenses	722,202	933,730	1,655,932	681,167	789,117	1,470,284
Operating income (loss) before depreciation and amortization	75,018	(18,240)	56,778	69,640	(17,612)	52,028
Depreciation and amortization	45,195	24,094	69,289	45,710	22,292	68,002
Net income from operations	29,823	(42,334)	(12,511)	23,930	(39,904)	(15,974)
Other income:						
Interest	(9,366)	(3,342)	(12,708)	(15,242)	(2,560)	(17,802)
Investment income	76,696	11,491	88,187	54,700	16,978	71,678
Net unrealized gains (losses)	(82,680)	(12,020)	(94,700)	34,710	14,001	48,711
Change in fair value of interest rate swap	3,280	(1)	3,279	(186)	-	(186)
Inherent contribution of acquired assets	-	19,432	19,432	-	-	-
Loss on extinguishment of long term debt	-	-	-	-	-	-
Other	37	(4,221)	(4,184)	153	(2814)	(2,661)
Excess (deficiency) of revenues over expenses before unusual items	17,790	(30,995)	(13,205)	98,065	(14,299)	83,766
Unusual Items:						
Restructuring costs	-	(1,881)	(1,881)	-	(941)	(941)
Severance cost	-	-	-	-	-	-
Total unusual items	-	(1,881)	(1,881)	-	(941)	(941)
Excess (deficiency) of revenues over expenses	17,790	(32,876)	(15,086)	98,065	(15,240)	82,825
Contributions and other:						
Net assets released from restrictions	1,211	144	1,355	7,051	(4,528)	2,523
Transfers (to) from affiliated entities	(419,616)	419,616	-	(93,187)	93,187	-
Other non-operating income	-	6,258	6,258	-	(475)	(475)
Increase (decrease) in unrestricted net assets	(400,615)	393,142	(7,473)	11,929	72,944	84,873

PROMEDICA HEALTH SYSTEM

Statement of Change in Net Assets

(Unaudited and
\$000s omitted)

	Six Months Ended June 30, 2018			Six Months Ended June 30, 2017		
	Obligated Group	Other ProMedica Entities Including Eliminations	ProMedica	Obligated Group	Other ProMedica Entities Including Eliminations	ProMedica
Net Assets without Donor Restrictions						
Excess of revenues over expenses	17,790	(32,876)	(15,086)	98,065	(15,240)	82,825
Net assets released from restrictions	1,211	144	1,355	7,051	(4,528)	2,523
Capital Contributions from (to) non-obligated group affiliates, net	(419,616)	419,616	-	(93,187)	93,187	
Change in accounting principle		534	534			
Other	-	6,201	6,201	-	(475)	(475)
Increase (decrease) in unrestricted net assets	(400,615)	393,619	(6,996)	11,929	72,944	84,873
Net Assets with Donor Restrictions						
Contributions	2,327	3,457	5,784	1,432	4,588	6,020
Investment return	-	(181)	(181)	13	4,149	4,162
Net assets released from restriction	(1,456)	(3,579)	(5,035)	(1,228)	(4,299)	(5,527)
Change in accounting principle		(534)	(534)			-
Other	-	2,075	2,075			-
Increase (decrease) in temporarily restricted net assets	871	1,238	2,109	217	4,238	4,455
Increase (decrease) in net assets	(399,744)	394,857	(4,887)	12,146	77,182	89,328
Net asset at beginning of period	1,391,054	1,197,390	2,588,444	1,432,088	965,281	2,397,369
Net asset at end of period	991,310	1,592,247	2,583,557	1,444,234	1,042,463	2,486,697

PROMEDICA HEALTH SYSTEM

Unaudited Consolidated Statements of Cash Flows

For the Period Ended June 30, 2018

(\$000s omitted)

	Year-to-Date June 30, 2018	Year-to-Date June 30, 2017
Cash flows from operating activities		
Increase (decrease) in net assets	(4,887)	89,328
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Inherent contribution	(21,509)	
Depreciation and amortization	69,289	68,002
Loss on extinguishment of debt	-	-
Provision for bad debts	58,373	49,175
Loss on deconsolidation of subsidiary	-	-
Net assets released from restrictions	(1,355)	(2,523)
Change in net unrealized (gains) losses on investments	94,700	(48,711)
Realized (gains) losses on investments	(74,911)	(58,986)
Increase (decrease) in:		
Accounts receivable	(83,980)	(45,737)
Supplies and other current assets	21,202	5,214
Other assets	(3,501)	12,378
Increase (decrease) in:		
Accounts payable and accrued liabilities	(30,006)	(52,274)
Estimated third-party payor settlements	(15,305)	(8,988)
Net cash provided by operating activities	8,110	6,878
Cash flows from investing activities		
Acquisition of property and equipment, net of disposals	(133,333)	(144,654)
Less amounts released from restrictions	1,355	2,523
Subtotal cash outflows for property and equipment	(131,978)	(142,131)
Increase (decrease) in:		
Payment of business combination-net of cash acquired	(26,257)	
Marketable securities and total assets limited as to use	85,582	66,645
Net cash provided (used) by investing activities	(72,653)	(75,486)
Cash flows from financing activities		
Proceeds from issuance of long term debt	4,000	
Repayment of long term debt	(1,982)	(3,585)
Extinguishment of long term debt		
Net cash provided (used) by financing activities	2,018	(3,585)
Net increase (decrease) in cash and cash equivalents	(62,525)	(72,193)
Cash and cash equivalents at beginning of period	294,030	222,673
Cash and cash equivalents at end of period	231,505	150,480

PROMEDICA HEALTHCARE OBLIGATED GROUP

Unaudited Balance Sheet

(\$000s omitted)

	As of June 30, 2018	As of June 30, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	65,020	137,916
Marketable securities	6,311	6,514
Accounts receivable, net	262,671	267,633
Inventories	19,046	18,921
Other current assets	53,320	53,598
TOTAL CURRENT ASSETS	406,368	484,582
ASSETS WHOSE USE IS LIMITED		
Restricted funds	2,940	2,069
Bond indenture agreement funds	15	12
Internally designated for capital acquisition	683,196	1,082,772
Other segregated investments	36,569	31,643
TOTAL ASSETS WHOSE USE IS LIMITED	722,720	1,116,496
Property, plant and equipment, net	1,089,476	1,017,055
OTHER ASSETS		
Goodwill	18,019	18,019
Other intangible assets	1,211	1,255
Investments in affiliated companies	6,862	7,748
Other assets	582	557
TOTAL OTHER ASSETS	26,674	27,579
TOTAL ASSETS	2,245,238	2,645,712



	As of June 30, 2018	As of June 30, 2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	100,391	102,072
Accrued compensation and benefits	53,468	49,790
Current installments of long-term debt	94,964	95,180
Contingent current installments of long-term debt	443,179	443,044
Estimated third-party payor settlements	13,719	28,204
Professional liability and workers' compensation	419	353
Accrued post-retirement health care benefits	163	163
Other	66,814	47,677
TOTAL CURRENT LIABILITIES	773,117	766,483
OTHER LIABILITIES		
Accrued professional liabilities and workers' compensation, less current portion	622	502
Deferred compensation	4,227	4,278
Pension	17,913	20,938
Accrued post-retirement health care benefits, less current portion	967	1,014
Other	32,581	35,911
TOTAL OTHER LIABILITIES	56,310	62,643
Long-term debt, net of current installments	424,501	425,532
TOTAL LIABILITIES	1,253,928	1,254,658
NET ASSETS		
Net assets without donor restrictions	988,370	1,388,985
Net assets with donor restrictions	2,940	2,069
TOTAL NET ASSETS	991,310	1,391,054
TOTAL LIABILITIES AND NET ASSETS	2,245,238	2,645,712

PROMEDICA HEALTHCARE OBLIGATED GROUP

Statement of Operations

(Unaudited and \$000s omitted)

	Six Months Ended	
	June 30, 2018	June 30, 2017
Unrestricted revenues, gains, and other support:		
Net patient service revenue less bad debts	781,113	728,138
Net assets released	3,684	4,094
Other	12,423	18,575
Total revenues, gains, and other support	797,220	750,807
Expenses:		
Salaries, wages, and employee benefits	286,784	283,434
Food and drugs	63,722	64,183
Contracted fees	72,256	67,911
Supplies	91,246	90,173
Insurance	5,928	6,988
Utilities	8,751	8,612
Other	193,515	159,866
Total expenses	722,202	681,167
Operating income before depreciation and amortization	75,018	69,640
Depreciation and amortization	45,195	45,710
Net income from operations	29,823	23,930
Other income:		
Interest	(9,366)	(15,242)
Investment income	76,696	54,700
Net unrealized gains (losses)	(82,680)	34,710
Change in fair value of interest rate swap	3,280	(186)
Extinguishment of long term debt		
Other	37	153
Excess (deficiency) of revenues over expenses	17,790	98,065
Contributions and other		
Net assets released from restrictions	1,211	7,051
Transfers to affiliated entities	(419,616)	(93,187)
Other non-operating income		
Increase (decrease) in unrestricted net assets	(400,615)	11,929

PROMEDICA HEALTHCARE OBLIGATED GROUP

Statement of Changes in Net Assets for the six months ended June 30, 2018

(Unaudited and \$000s omitted)

	Six Months Ended	
	June 30, 2018	June 30, 2017
Net Assets without Donor Restrictions		
Excess of revenues over expenses	17,790	98,065
Net assets released from restrictions	1,211	7,051
Capital contributions from (to) non-obligated group affiliates, net	(419,616)	(93,187)
Other		
Increase (decrease) in unrestricted net assets	(400,615)	11,929
Net Assets with Donor Restrictions		
Contributions	2,327	1,432
Investment return		13
Net assets released from restriction	(1,456)	(1,228)
Other		
Increase (decrease) in temporarily restricted net assets	871	217
Increase (decrease) in net assets	(399,744)	12,146
Net asset at beginning of period	1,391,054	1,432,088
Net asset at end of period	991,310	1,444,234

PROMEDICA HEALTHCARE OBLIGATED GROUP
Unaudited Consolidated Statements of Cash Flows- Obligated Group
For the Period Ended June 30, 2018
(\$000s omitted)

	Year-to-Date June 30, 2018	Year-to-Date June 30, 2017
Cash flows from operating activities		
Increase (decrease) in net assets	(399,744)	12,146
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Loss on departure of SLH from OB group		
Depreciation and amortization	45,195	45,710
Loss on extinguishment of debt		
Provision for bad debts	46,305	41,539
Net assets released from restrictions	(1,211)	(7,051)
Change in net unrealized (gains) losses on investments	82,680	(34,710)
Realized (gains) losses on investments	(69,514)	(47,508)
Increase (decrease) in, net of acquisition:		
Accounts receivable	(41,343)	(42,726)
Supplies and other current assets	153	447
Other assets	861	630
Increase (decrease) in, net of acquisition:		
Accounts payable and accrued liabilities	14,867	29,488
Estimated third-party payor settlements	(14,485)	(9,066)
Net cash used by operating activities	(336,236)	(11,101)
Cash flows from investing activities		
Acquisition of property and equipment, net of disposals	(117,573)	(95,160)
Less amounts released from restrictions	1,211	7,051
Subtotal cash outflows for property and equipment	(116,362)	(88,109)
(Increase) decrease in:		
Payment of business combination-net of cash acquired		
Marketable securities and total assets limited as to use	380,814	98,500
Net cash provided by investing activities	264,452	10,391
Cash flows from financing activities		
Proceeds from issuance of long term deb		
Repayment of long term debt	(1,112)	(2,924)
Extinguishment of long term debt		
Net cash used by financing activities	(1,112)	(2,924)
Net increase decrease in cash and cash equivalents	(72,896)	(3,634)
Cash and cash equivalents at beginning of period	137,916	54,144
Cash and cash equivalents at end of period	65,020	50,510

DEBT COVENANT CALCULATIONS

ProMedica Health Care Obligated Group

(\$000s omitted)

Debt Service Coverage Ratio

Excess of revenue over expenses	\$17,790
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ADJUSTED BY:

Loss (gain) on Sale of Equipment	155
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Net unrealized gains/losses	79,400
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Depreciation and amortization	45,195
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Interest expense	9,366
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Capitalized interest	4,664
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Net income available for debt service	156,571
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Actual principal and interest	\$52,005
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Debt Service Coverage Ratio	3.01
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Requirement	1.10
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Days Cash on Hand

Cash and cash equivalents	\$65,020
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Marketable securities	6,311
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Internally designated for capital acquisition	683,196
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Total unrestricted cash and investments	754,527
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Total expenses (excluding depreciation and amortization)	1,453,765
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Days Cash on Hand	189.4
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Requirement - Greater than	60
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Debt-to-Capitalization

Current installments of long-term debt	\$538,143
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Long-term debt, less current portion	424,501
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Total debt	962,644
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Unrestricted net assets	988,370
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Debt-to-Capitalization	.49
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Requirement - Less than	.65
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