

QUARTERLY REPORT

ORLANDO HEALTH, INC.

Quarter Ended December 31, 2018

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Orlando Health, Inc.
December 31, 2018

Interim Condensed Consolidated Financial Statements

Consolidated Balance Sheets (in 000's)

| | December 31 | September 30 |
|---|---------------------|---------------------|
| | 2018 | 2018 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 564,060 | \$ 563,428 |
| Assets limited as to use | 21,377 | 34,062 |
| Accounts receivable, less allowance for doubtful accounts | 350,920 | 350,082 |
| Other receivables | 82,175 | 64,415 |
| Inventory | 54,017 | 55,135 |
| Other current assets | 47,760 | 41,872 |
| Total current assets | <u>1,120,309</u> | <u>1,108,994</u> |
| Assets limited as to use: | | |
| Debt service and reserve funds held by bond trustee | 2 | 19,227 |
| Interest rate swap collateral | 7,827 | 4,595 |
| Designated by board for malpractice self-insurance | 13,548 | 13,304 |
| | <u>21,377</u> | <u>37,126</u> |
| Less amount required to meet current obligations | <u>(21,377)</u> | <u>(34,062)</u> |
| | - | 3,064 |
| Long-term investments - unrestricted | 1,558,754 | 1,635,560 |
| Long-term investments - restricted | 109,659 | 117,932 |
| Investments in related parties | 42,940 | 41,867 |
| Other assets | 208,486 | 228,478 |
| Property and equipment, net | 1,517,348 | 1,465,550 |
| Total assets | <u>\$ 4,557,496</u> | <u>\$ 4,601,445</u> |
| Liabilities and net assets | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 273,910 | \$ 291,121 |
| Other current liabilities | 167,844 | 174,469 |
| Current portion of long-term debt | 24,323 | 22,152 |
| Total current liabilities | <u>466,077</u> | <u>487,742</u> |
| Long-term debt, less current portion | 1,277,740 | 1,300,671 |
| Accrued malpractice claims | 110,179 | 109,728 |
| Other noncurrent liabilities | 110,165 | 108,439 |
| Total liabilities | <u>1,964,161</u> | <u>2,006,580</u> |
| Net assets: | | |
| Unrestricted | | |
| Orlando Health, Inc. and Controlled Affiliates | 2,468,797 | 2,469,235 |
| Non-controlling interest in Controlled Affiliates | (668) | (440) |
| Total unrestricted | <u>2,468,129</u> | <u>2,468,795</u> |
| Temporarily restricted | 123,325 | 124,625 |
| Permanently restricted | 1,881 | 1,445 |
| Total net assets | <u>2,593,335</u> | <u>2,594,865</u> |
| Total liabilities and net assets | <u>\$ 4,557,496</u> | <u>\$ 4,601,445</u> |

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

Orlando Health, Inc.
December 31, 2018

Consolidated Statements of Operations and Changes in Net Assets (in 000's)

| | Quarter ended December 31 | |
|--|--------------------------------------|--------------|
| | 2018 | 2017 |
| Unrestricted revenues and other support | | |
| Net patient service revenue (net of contractual allowances and discounts) | | \$ 1,016,864 |
| Provision for bad debts | | (136,480) |
| Net patient service revenue | \$ 753,773 | 880,384 |
| Other revenue | 33,410 | 34,346 |
| Net assets released from restrictions | 1,593 | 1,066 |
| Total unrestricted revenues and other support | 788,776 | 915,796 |
| Expenses | | |
| Salaries and benefits | 399,839 | 473,686 |
| Supplies and other | 258,109 | 294,337 |
| Professional fees | 7,060 | 11,530 |
| Depreciation and amortization | 35,598 | 45,112 |
| Interest | 12,574 | 15,739 |
| Total expenses | 713,180 | 840,404 |
| Income from operations | 75,596 | 75,392 |
| Non-operating gains and losses | | |
| Investment (loss) income | (79,821) | 38,978 |
| (Loss) gain on interest rate swap agreements | (4,202) | 1,219 |
| Non-operating (losses) gains, net | (84,023) | 40,197 |
| (Deficit) excess of revenues, other support, and gains over expenses and losses | (8,427) | 115,589 |
| Deficit of revenues, other support, and gains over expenses and losses attributed to non-controlling interests | 191 | 286 |
| (Deficit) excess of revenues, other support, and gains over expenses and losses attributed to Orlando Health, Inc. and Controlled Affiliates | (8,236) | 115,875 |

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

Orlando Health, Inc.
December 31, 2018

Consolidated Statements of Operations and Changes in Net Assets (in 000's)(continued)

| | Quarter ended | |
|--|----------------------|--------------|
| | December 31 | |
| | 2018 | 2017 |
| Unrestricted net assets | | |
| (Deficit) excess of revenues, other support and gains over expenses and losses | \$ (8,427) | \$ 115,589 |
| Other changes in unrestricted net assets: | | |
| Net assets released from restriction for property and equipment | 7,774 | 5,403 |
| Non-controlling interests and other changes | (13) | 780,593 |
| (Decrease) increase in unrestricted net assets | (666) | 901,585 |
| Temporarily restricted net assets | | |
| Contributions | 10,257 | 4,930 |
| Net assets released from restrictions | (9,366) | (6,455) |
| Net realized and unrealized (losses) gains on investments | (2,188) | 1,023 |
| Other changes | (3) | 30,285 |
| (Decrease) increase in temporarily restricted net assets | (1,300) | 29,783 |
| Permanently restricted net assets | | |
| Contributions | 436 | - |
| Other | - | 1,538 |
| Increase in permanently restricted net assets | 436 | 1,538 |
| (Decrease) increase in net assets | (1,530) | 932,906 |
| Net assets, beginning of period | 2,594,865 | 2,193,372 |
| Net assets, end of period | \$ 2,593,335 | \$ 3,126,278 |

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

Orlando Health, Inc.
December 31, 2018

Consolidated Statements of Cash Flows (in 000's)

| | Quarter ended | |
|---|----------------------|-------------------|
| | December 31 | |
| | 2018 | 2017 |
| Operating activities | | |
| Change in net assets | \$ (1,530) | \$ 932,906 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 35,598 | 45,112 |
| Change in value of interest rate swap agreements | 4,202 | (1,219) |
| Net unrealized losses (gains) on investments | 79,821 | (24,915) |
| Inherent contribution associated with business combination | - | (788,141) |
| Restricted contributions and investment income | (8,505) | (5,953) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | (838) | (75,106) |
| Other operating assets | (5,001) | 5,153 |
| Accounts payable and accrued expenses | (17,211) | (44,397) |
| Other operating liabilities | (5,153) | 17,780 |
| Net cash provided by operating activities | <u>81,383</u> | <u>61,220</u> |
| Investing activities | | |
| Purchases of property, equipment and other assets | (87,396) | (70,972) |
| Decrease in assets limited as to use | 16,040 | 74,205 |
| Purchases of trading securities, net of sales | 4,967 | (13,923) |
| Other investing activities | (3,496) | (12,541) |
| Net cash used in investing activities | <u>(69,885)</u> | <u>(23,231)</u> |
| Financing activities | | |
| Refunding and repayments of long-term debt | (20,760) | (31,026) |
| Grant proceeds received for long-term purposes | 1,389 | - |
| Restricted contributions and investment income | 8,505 | 5,953 |
| Net cash used in financing activities | <u>(10,866)</u> | <u>(25,073)</u> |
| Increase in cash and cash equivalents | 632 | 12,916 |
| Cash and cash equivalents at beginning of period | 563,428 | 358,845 |
| Cash and cash equivalents at end of period | <u>\$ 564,060</u> | <u>\$ 371,761</u> |

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

Orlando Health, Inc.
December 31, 2018

Notes to Interim Consolidated Financial Statements

1. Basis of Presentation

The accompanying unaudited interim consolidated financial statements include the accounts and activity of the Corporation and its Controlled Affiliates. All significant intercompany transactions have been eliminated in consolidation for all periods presented. The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information. However, 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. These unaudited interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended September 30, 2018 and 2017.

2. Organization

Orlando Health, Inc. (Orlando Health) and Orlando Health Central, Inc. (Health Central) comprise the Obligated Group. Orlando Health is a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code, which controls a diversified healthcare delivery system headquartered in Orlando, Florida. Orlando Health includes the following hospitals operating in Central Florida: Orlando Regional Medical Center (ORMC), Dr. P. Phillips Hospital, Arnold Palmer Hospital for Children (APH), Winnie Palmer Hospital for Women and Babies (WPH), South Seminole Hospital and Health Central Hospital. APH and WPH are jointly referred to as the Arnold Palmer Medical Center (APMC). Health Central includes a hospital and Health Central Park, a skilled nursing facility. Orlando Health also has a home health services division and eight medical residency programs.

Controlled Affiliates are those entities Orlando Health controls as the sole or majority member, sole shareholder, or through board appointment and approval of all major transactions. Controlled Affiliates operate a variety of healthcare-related services, including, physician practice groups (Orlando Health Physician Group, Inc., Orlando Physician Network, Inc., Orlando Cancer Center, Inc., Physician Associates, LLC (PAL)), ORHI, LLC (ORHI), which operates five imaging centers, a fund-raising organization (Orlando Health Foundation, Inc.) and other healthcare-related services.

Effective October 1, 2017, the System completed an affiliation with Lakeland Regional Health Systems, Inc. (LRHS) to create an integrated regional health care system. Effective September 30, 2018 the System and LRHS agreed to terminate their strategic relationship and LRHS provided financial and strategic concessions to terminate the relationship.

Healthnet Services, Inc. and its subsidiaries are taxable corporations and are a part of the Controlled Affiliates. The Obligated Group, together with its Controlled Affiliates, is collectively referred to herein as the "System." These consolidated financial statements include the consolidated accounts of Orlando Health, Orlando Health Central, and their Controlled Affiliates. Significant transactions between entities have been eliminated.

Orlando Health has a 50% membership in South Lake Hospital, Inc. (South Lake), a not-for-profit acute care hospital. As Orlando Health does not hold a controlling interest in the accounts of South Lake, those accounts are excluded from the consolidated financial statements. Effective September 28, 2018, Orlando Health, South Lake, South Lake Memorial Hospital, Inc. and Live Well Foundation of South Lake, Inc. (Live Well) entered into a Contribution, Capital Investment and Services Agreement whereby Orlando Health would become the sole member of South Lake upon the closing date, which is contingent upon the establishment of Live Well as a tax-exempt entity. Live Well filed an application for tax-exempt status on November 13, 2018.

Orlando Health, Inc.
December 31, 2018

Consolidating Balance Sheets as of December 31, 2018 (in 000's)

| | Consolidated | Eliminations | Orlando Health Obligated Group | Controlled Affiliates |
|---|--------------------|---------------------|-----------------------------------|--------------------------|
| Assets | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 564,060 | \$ - | \$ 535,163 | \$ 28,897 |
| Assets limited as to use | 21,377 | - | 21,377 | - |
| Accounts receivable, less allowance for doubtful accounts | 350,920 | - | 325,077 | 25,843 |
| Other receivables | 82,175 | (56,868) | 118,769 | 20,274 |
| Inventory | 54,017 | - | 52,375 | 1,642 |
| Other current assets | 47,760 | - | 47,305 | 455 |
| Total current assets | 1,120,309 | (56,868) | 1,100,066 | 77,111 |
| Assets limited as to use: | | | | |
| Debt service and reserve funds held by bond trustee | 2 | - | 2 | - |
| Interest rate swap collateral | 7,827 | - | 7,827 | - |
| Malpractice self-insurance | 13,548 | - | 13,548 | - |
| | 21,377 | - | 21,377 | - |
| Less amount required to meet current obligations | (21,377) | - | (21,377) | - |
| | - | - | - | - |
| Long-term investments - unrestricted | 1,558,754 | - | 1,558,754 | - |
| Long-term investments - restricted | 109,659 | - | - | 109,659 |
| Investments in related parties | 42,940 | (61,098) | 14,226 | 89,812 |
| Other assets | 208,486 | (146,788) | 250,134 | 105,140 |
| Property and equipment, net | 1,517,348 | - | 1,482,108 | 35,240 |
| Total assets | \$4,557,496 | \$ (264,754) | \$ 4,405,288 | \$ 416,962 |
| Liabilities and net assets | | | | |
| Current Liabilities: | | | | |
| Accounts Payable and accrued expenses | \$ 273,910 | \$ - | \$ 243,125 | \$ 30,785 |
| Other current liabilities | 167,844 | (52,625) | 160,493 | 59,976 |
| Current portion of long-term debt | 24,323 | - | 22,552 | 1,771 |
| Total current liabilities | 466,077 | (52,625) | 426,170 | 92,532 |
| Long-term debt less current portion | 1,277,740 | - | 1,273,485 | 4,255 |
| Accrued malpractice claims | 110,179 | - | 110,179 | - |
| Other noncurrent liabilities | 110,165 | (39,849) | 85,709 | 64,305 |
| Total liabilities | 1,964,161 | (92,474) | 1,895,543 | 161,092 |
| Net assets: | | | | |
| Unrestricted | | | | |
| Orlando Health, Inc. and Controlled Affiliates | 2,468,797 | (61,098) | 2,395,673 | 134,222 |
| Noncontrolling interest in Controlled Affiliates | (668) | - | - | (668) |
| Total unrestricted | 2,468,129 | (61,098) | 2,395,673 | 133,554 |
| Temporarily restricted | 123,325 | (109,688) | 112,818 | 120,195 |
| Permanently restricted | 1,881 | (1,494) | 1,254 | 2,121 |
| Total net assets | 2,593,335 | (172,280) | 2,509,745 | 255,870 |
| Total liabilities and net assets | \$4,557,496 | \$ (264,754) | \$ 4,405,288 | \$ 416,962 |

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

Orlando Health, Inc.
December 31, 2018

Consolidating Balance Sheets as of September 30, 2018 (in 000's)

| | Consolidated | Eliminations | Orlando Health Obligated Group | Controlled Affiliates |
|---|---------------------|---------------------|-----------------------------------|--------------------------|
| Assets | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 563,428 | \$ - | \$ 543,102 | \$ 20,326 |
| Assets limited as to use | 34,062 | - | 34,062 | - |
| Accounts receivable, less allowance for doubtful accounts | 350,082 | - | 320,668 | 29,414 |
| Other receivables | 64,415 | (46,541) | 95,923 | 15,033 |
| Inventory | 55,135 | - | 52,840 | 2,295 |
| Other current assets | 41,872 | - | 41,352 | 520 |
| Total current assets | 1,108,994 | (46,541) | 1,087,947 | 67,588 |
| Assets limited as to use: | | | | |
| Debt service and reserve funds held by bond trustee | 19,227 | - | 19,227 | - |
| Interest rate swap collateral | 4,595 | - | 4,595 | - |
| Malpractice self-insurance | 13,304 | - | 13,304 | - |
| | 37,126 | - | 37,126 | - |
| Less amount required to meet current obligations | (34,062) | - | (34,062) | - |
| | 3,064 | - | 3,064 | - |
| Long-term investments - unrestricted | 1,635,560 | - | 1,635,560 | - |
| Long-term investments - restricted | 117,932 | - | - | 117,932 |
| Investments in related parties | 41,867 | (61,841) | 14,231 | 89,477 |
| Other assets | 228,478 | (139,498) | 260,794 | 107,182 |
| Property and equipment, net | 1,465,550 | - | 1,429,879 | 35,671 |
| Total assets | \$ 4,601,445 | \$ (247,880) | \$ 4,431,475 | \$ 417,850 |
| Liabilities and net assets | | | | |
| Current Liabilities: | | | | |
| Accounts Payable and accrued expenses | \$ 291,121 | \$ - | \$ 257,563 | \$ 33,558 |
| Other current liabilities | 174,469 | (43,321) | 165,039 | 52,751 |
| Current portion of long-term debt | 22,152 | - | 20,666 | 1,486 |
| Total current liabilities | 487,742 | (43,321) | 443,268 | 87,795 |
| Long-term debt less current portion | 1,300,671 | - | 1,295,938 | 4,733 |
| Accrued malpractice claims | 109,728 | - | 109,728 | - |
| Other noncurrent liabilities | 108,439 | (38,801) | 82,726 | 64,514 |
| Total liabilities | 2,006,580 | (82,122) | 1,931,660 | 157,042 |
| Net assets: | | | | |
| Unrestricted | | | | |
| Orlando Health, Inc. and Controlled Affiliates | 2,469,235 | (61,841) | 2,384,756 | 146,320 |
| Noncontrolling interest in Controlled Affiliates | (440) | - | - | (440) |
| Total unrestricted | 2,468,795 | (61,841) | 2,384,756 | 145,880 |
| Temporarily restricted | 124,625 | (102,859) | 114,241 | 113,243 |
| Permanently restricted | 1,445 | (1,058) | 818 | 1,685 |
| Total net assets | 2,594,865 | (165,758) | 2,499,815 | 260,808 |
| Total liabilities and net assets | \$ 4,601,445 | \$ (247,880) | \$ 4,431,475 | \$ 417,850 |

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

Orlando Health, Inc.
December 31, 2018

Consolidating Statements of Operations for the Quarter Ended December 31, 2018 (in 000's)

| | Consolidated | Eliminations | Orlando Health Obligated Group | Controlled Affiliates |
|---|--------------|--------------|---|--------------------------|
| Unrestricted revenues and other support | | | | |
| Net patient service revenue | 753,773 | - | 666,383 | 87,390 |
| Other revenue | 33,410 | (17,891) | 32,001 | 19,300 |
| Net assets released from restrictions | 1,593 | (794) | 1,593 | 794 |
| Total unrestricted revenues and other support | 788,776 | (18,685) | 699,977 | 107,484 |
| Expenses | | | | |
| Salaries and benefits | 399,839 | - | 283,143 | 116,696 |
| Supplies and other | 258,109 | (17,342) | 244,588 | 30,863 |
| Professional fees | 7,060 | (2,086) | 7,700 | 1,446 |
| Depreciation and amortization | 35,598 | - | 33,496 | 2,102 |
| Interest | 12,574 | - | 12,449 | 125 |
| Total expenses | 713,180 | (19,428) | 581,376 | 151,232 |
| Income (loss) from operations | 75,596 | 743 | 118,601 | (43,748) |
| Nonoperating gains and losses | | | | |
| Investment loss | (79,821) | - | (74,206) | (5,615) |
| Loss on interest rate swap agreements | (4,202) | - | (4,202) | - |
| Nonoperating losses, net | (84,023) | - | (78,408) | (5,615) |
| (Deficit) excess of revenues, other support and gains over expenses and losses | (8,427) | 743 | 40,193 | (49,363) |
| Plus noncontrolling interest | 191 | - | - | 191 |
| (Deficit) excess of revenues, other support and gains over expenses and losses attributed to Orlando Health, Inc. and Controlled Affiliates | (8,236) | 743 | 40,193 | (49,172) |

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

Orlando Health, Inc.
December 31, 2018

Consolidating Statements of Operations for the Quarter Ended December 31, 2017 (in 000's)

| | Consolidated | Eliminations | Orlando Health Obligated Group | Controlled Affiliates |
|--|--------------|--------------|---|--------------------------|
| Unrestricted revenues and other support | | | | |
| Net patient service revenue | \$ 1,016,864 | \$ - | \$ 677,960 | \$ 338,904 |
| Provision for bad debts | (136,480) | - | (73,754) | (62,726) |
| Net patient service revenue less provision for bad debts | 880,384 | - | 604,206 | 276,178 |
| Other revenue | 34,346 | (16,030) | 29,471 | 20,905 |
| Net assets released from restrictions | 1,066 | (1,666) | 1,034 | 1,698 |
| Total unrestricted revenues and other support | 915,796 | (17,696) | 634,711 | 298,781 |
| Expenses | | | | |
| Salaries and benefits | 473,686 | - | 265,025 | 208,661 |
| Supplies and other | 294,337 | (16,113) | 221,144 | 89,306 |
| Professional fees | 11,530 | (1,880) | 8,713 | 4,697 |
| Depreciation and amortization | 45,112 | - | 30,024 | 15,088 |
| Interest | 15,739 | - | 10,368 | 5,371 |
| Total expenses | 840,404 | (17,993) | 535,274 | 323,123 |
| Income (loss) from operations | 75,392 | 297 | 99,437 | (24,342) |
| Nonoperating gains and losses | | | | |
| Investment loss | 38,978 | - | 28,784 | 10,194 |
| Gain on interest rate swap agreements | 1,219 | - | 1,219 | - |
| Gain on Sale of Assets | - | - | - | - |
| Nonoperating gains and losses, net | 40,197 | - | 30,003 | 10,194 |
| Excess (deficiency) of revenues, other support and gains over expenses and losses | 115,589 | 297 | 129,440 | (14,148) |
| Plus noncontrolling interest | 286 | - | - | 286 |
| Excess (deficiency) of revenues, other support and gains over expenses and losses attributed to Orlando Health, Inc. and Controlled Affiliates | 115,875 | 297 | 129,440 | (13,862) |

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

Orlando Health, Inc.
December 31, 2018

Operating and Statistical Information

Sources of Patient Revenues and Utilization of Patient Services

The table below lists the approximate percentage of gross patient charges for hospital services by payor category and patient services utilization statistics for the Obligated Group.

| | Quarter ended December 31 | |
|---|----------------------------------|-------------|
| | 2018 | 2017 |
| <i>Payor Mix</i> | | |
| Medicare (includes HMO's) | 34.7% | 33.5% |
| Medicaid (includes HMO's) | 17.3% | 20.2% |
| Managed Care | 34.8% | 35.2% |
| Commercial | 3.9% | 3.7% |
| Self Pay | 7.3% | 5.6% |
| Other | 2.0% | 1.8% |
| | 100.0% | 100.0% |
| | | |
| <i>Average Licensed Beds</i> | 2,026 | 2,048 |
| <i>Average Beds in Service</i> | 1,953 | 1,920 |
| | | |
| <i>Average Daily Census</i> | | |
| Adult | 1,245 | 1,144 |
| Newborn and neonatal | 184 | 204 |
| | 1,429 | 1,348 |
| | | |
| <i>Admissions</i> | | |
| Adult | 25,247 | 23,335 |
| Newborn and neonatal | 3,781 | 4,021 |
| | 29,028 | 27,356 |
| | | |
| <i>Observation Cases</i> | | |
| Adult and neonatal | 6,596 | 7,279 |
| | | |
| <i>Patient Days</i> | | |
| Adult | 114,518 | 105,224 |
| Newborn and neonatal | 16,893 | 18,727 |
| | 131,411 | 123,951 |
| | | |
| <i>Average Length of Stay (days)</i> | | |
| Adult | 4.5 | 4.5 |
| Newborn and neonatal | 4.5 | 4.7 |
| | | |
| <i>Percent Occupancy (beds in service)</i> | | |
| Adult | 74.2 | 70.1 |
| Newborn and neonatal | 66.9 | 71.1 |
| | | |
| <i>Outpatient Visits</i> | | |
| Outpatient Visits | 177,341 | 172,921 |
| Outpatient Surgery Cases | 7,401 | 7,078 |
| Total Outpatient Visits | 184,742 | 179,999 |
| | | |
| <i>Emergency Dept. Patients Treated</i> | 86,353 | 78,166 |
| | | |
| <i>Case Mix Index</i> | | |
| Medicare only | 1.83 | 1.84 |
| All payors | 1.72 | 1.75 |

Source: Records of the Corporation

Orlando Health, Inc.
December 31, 2018

Management's Discussion and Analysis

The following discussion and analysis is on a consolidated basis which includes the consolidated operations and financial position of Orlando Health, Inc. and its Controlled Affiliates.

Quarter ended December 31, 2018 Compared to the Same Period of the Prior Year

Deficit of revenues, other support and gains over expenses and losses was \$8.4 million for the quarter ended December 31, 2018. Income from operations was \$75.6 million for the quarter, a \$204 thousand increase from the prior year period. Total unrestricted revenues decreased \$127.0 million from the prior year period, of which \$195.5 million was due to the exclusion of Lakeland Regional Health Systems (LRHS) as a controlled affiliate effective September 30, 2018. LRHS' income from operations was \$4.0 million for the quarter ended December 31, 2018.

Revenue, Utilization, and Payor Mix

Net patient service revenue for the quarter ended December 31, 2018 decreased \$126.6 million or 14.4% compared to the prior year period due to the exclusion of LRHS. Net patient service revenue of the Obligated Group increased \$62.2 million or 10.3% compared to the prior year period. This increase is primarily related to increased patient volumes.

Obligated Group admissions increased 6.1%, emergency patients treated increased 10.5%, and outpatient visits increased 2.6% compared to the prior year period.

Expenses

Total expenses for the quarter ended December 31, 2018 decreased \$127.2 million or 15.1% compared to the prior year period. The exclusion of LRHS resulted in a decrease in expense of \$191.4 million. Total expenses of the Obligated Group increased \$46.1 million or 8.6% compared to the prior year period. The increase in expenses corresponds to the increases in net patient revenue and volume increases in supply intensive service lines.

Changes in Cash, Investments and Accounts Receivable during the Quarter ended December 31, 2018

Unrestricted cash and investments decreased \$76.2 million or 3.5% during the current quarter due to unrealized investment losses for the quarter.

Accounts receivable increased \$838,000 or 0.2% during the current quarter. The Obligated Group's days of revenue in accounts receivable, based on one year of net patient service revenue, were 43.7 days at December 31, 2018, compared with 44.5 days at September 30, 2018.

Capital Expenditures

Construction-in-progress represents numerous construction and renovation projects. Estimated costs to complete these projects as of December 31, 2018, are approximately \$171.9 million which includes \$48.1 million for Freestanding ED-Seminole, \$10.7 million for UFHCC Lake Mary, \$15.0 million for Horizon West bed tower, and \$13.2 million for an on campus Skilled Nursing Facility at Health Central.