

# QUARTERLY REPORT

## ORLANDO HEALTH, INC.

*Quarter Ended March 31, 2019*

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### Contents

	<b>Page</b>
<b>Interim Consolidated Financial Statements</b>	<b>2</b>
Consolidated Balance Sheets	2
Consolidated Statements of Operations and Changes in Net Assets	3
Consolidated Statements of Cash Flows	5
Notes to Unaudited Quarterly Consolidated Financial Statements	6
<b>Other Financial Information – Interim Consolidating Financial Statements</b>	<b>7</b>
Balance Sheets as of March 31, 2019	7
Balance Sheets as of September 30, 2018	8
Statements of Operations for the Quarter Ended March 31, 2019	9
Statements of Operations for the Quarter Ended March 31, 2018	10
<b>Operating and Statistical Information</b>	<b>11</b>
Sources of Patient Revenues and Utilization of Patient Services	11
<b>Management’s Discussion and Analysis</b>	<b>12</b>

**Orlando Health, Inc.**  
**March 31, 2019**

**Interim Condensed Consolidated Financial Statements**

***Consolidated Balance Sheets (in 000's)***

	March 31 2019	September 30 2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 567,456	\$ 563,428
Assets limited as to use	45,928	34,062
Accounts receivable, less allowance for doubtful accounts	418,532	350,082
Other receivables	73,902	64,415
Inventory	54,387	55,135
Other current assets	46,181	41,872
Total current assets	1,206,386	1,108,994
Assets limited as to use:		
Debt service and reserve funds held by bond trustee	125,919	19,227
Interest rate swap collateral	11,564	4,595
Designated by board for malpractice self-insurance	13,821	13,304
	151,304	37,126
Less amount required to meet current obligations	(45,928)	(34,062)
	105,376	3,064
Long-term investments - unrestricted	1,755,861	1,635,560
Long-term investments - restricted	117,659	117,932
Investments in related parties	44,417	41,867
Other assets	218,018	228,478
Property and equipment, net	1,555,019	1,465,550
Total assets	<u>\$ 5,002,736</u>	<u>\$ 4,601,445</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 298,147	\$ 291,121
Other current liabilities	168,689	174,469
Current portion of long-term debt	22,607	22,152
Total current liabilities	489,443	487,742
Long-term debt, less current portion	1,476,764	1,300,671
Accrued malpractice claims	121,247	109,728
Other noncurrent liabilities	122,817	108,439
Total liabilities	2,210,271	2,006,580
Net assets:		
Unrestricted:		
Orlando Health, Inc. and Controlled Affiliates	2,668,843	2,469,235
Non-controlling interest in Controlled Affiliates	(858)	(440)
Total unrestricted	2,667,985	2,468,795
Temporarily restricted	122,598	124,625
Permanently restricted	1,882	1,445
Total net assets	2,792,465	2,594,865
Total liabilities and net assets	<u>\$ 5,002,736</u>	<u>\$ 4,601,445</u>

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

**Orlando Health, Inc.**  
**March 31, 2019**

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

	<b>Quarter ended March 31</b>		<b>Year-to-date March 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Unrestricted revenues and other support</b>				
Net patient service revenue (net of contractual allowances and discounts)		\$ 992,725		\$ 2,009,589
Provision for bad debts		(92,747)		(229,227)
Net patient service revenue	<b>\$ 769,749</b>	899,978	<b>\$ 1,523,522</b>	1,780,362
Other revenue	<b>38,400</b>	33,631	<b>71,810</b>	67,977
Net assets released from restrictions	<b>1,264</b>	1,171	<b>2,857</b>	2,237
Total unrestricted revenues and other support	<b>809,413</b>	934,780	<b>1,598,189</b>	1,850,576
<b>Expenses</b>				
Salaries and benefits	<b>402,251</b>	478,081	<b>802,090</b>	951,767
Supplies and other	<b>259,434</b>	301,999	<b>517,543</b>	596,336
Professional fees	<b>7,578</b>	10,739	<b>14,638</b>	22,269
Depreciation and amortization	<b>36,411</b>	46,991	<b>72,009</b>	92,103
Interest	<b>13,892</b>	17,788	<b>26,466</b>	33,527
Total expenses	<b>719,566</b>	855,598	<b>1,432,746</b>	1,696,002
Income from operations	<b>89,847</b>	79,182	<b>165,443</b>	154,574
<b>Nonoperating gains and losses</b>				
Investment income (loss)	<b>107,429</b>	(4,121)	<b>27,608</b>	34,857
Change in value of interest rate swap agreements	<b>(2,959)</b>	4,760	<b>(7,161)</b>	5,979
Nonoperating gain	<b>-</b>	2,976	<b>-</b>	2,976
Loss on early extinguishment of debt	<b>-</b>	(4,707)	<b>-</b>	(4,707)
Nonoperating gains (losses), net	<b>104,470</b>	(1,092)	<b>20,447</b>	39,105
Excess of revenues, other support, and gains over expenses and losses	<b>194,317</b>	78,090	<b>185,890</b>	193,679
Deficit of revenues, other support, and gains over expenses and losses attributed to non-controlling interests	<b>190</b>	369	<b>418</b>	655
Excess of revenues, other support, and gains over expenses and losses attributed to Orlando Health, Inc. and Controlled Affiliates	<b>194,507</b>	78,459	<b>186,308</b>	194,334

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

**Orlando Health, Inc.**  
**March 31, 2019**

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

	Quarter ended March 31		Year-to-date March 31	
	2019	2018	2019	2018
<b>Unrestricted net assets</b>				
Excess of revenues, other support and gains over expenses and losses	\$ 194,317	\$ 78,090	\$ 185,890	\$ 193,679
Other changes in unrestricted net assets:				
Net assets released from restriction for property and equipment	5,573	11,332	13,347	16,735
Non-controlling interests and other changes	(34)	396	(47)	780,989
Increase in unrestricted net assets	199,856	89,818	199,190	991,403
<b>Temporarily restricted net assets</b>				
Contributions	4,179	10,122	14,436	15,052
Net assets released from restrictions	(6,837)	(12,522)	(16,204)	(18,977)
Net realized and unrealized gains (losses) on investments	1,977	(65)	(211)	958
Other changes	(46)	(7)	(48)	30,278
(Decrease) increase in temporarily restricted net assets	(727)	(2,472)	(2,027)	27,311
<b>Permanently restricted net assets</b>				
Contributions	1	60	437	60
Other	-	-	-	1,538
Increase in permanently restricted net assets	1	60	437	1,598
Increase in net assets	199,130	87,406	197,600	1,020,312
Net assets, beginning of period	2,593,335	3,126,278	2,594,865	2,193,372
Net assets, end of period	\$ 2,792,465	\$ 3,213,684	\$ 2,792,465	\$ 3,213,684

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

**Orlando Health, Inc.**  
**March 31, 2019**

***Consolidated Statements of Cash Flows (in 000's)***

	Quarter ended March 31		Year-to-date March 31	
	2019	2018	2019	2018
<b>Operating activities</b>				
Change in net assets	\$ 199,130	\$ 87,406	\$ 197,600	\$ 1,020,312
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization	36,411	46,991	72,009	92,103
Change in value of interest rate swap agreements	2,959	(4,760)	7,161	(5,979)
Net unrealized (gains) losses on investments	(107,429)	19,539	(27,608)	(5,376)
Loss on early extinguishment of debt	-	4,707	-	4,707
Inherent contribution associated with business combination	-	-	-	(788,141)
Restricted contributions and investment income	(6,157)	(10,117)	(14,662)	(16,070)
Changes in operating assets and liabilities:				
Accounts receivable, net	(67,612)	(13,758)	(68,450)	(88,864)
Other operating assets	(8,133)	(3,445)	(13,134)	1,708
Accounts payable and accrued expenses	24,237	19,337	7,026	(25,060)
Other operating liabilities	15,880	25,296	10,727	43,076
Net cash provided by operating activities	89,286	171,196	170,669	232,416
<b>Investing activities</b>				
Purchases of property, equipment, and other assets	(74,082)	(89,812)	(161,478)	(160,784)
Proceeds from sale of group purchasing organization	-	2,976	-	2,976
(Increase) decrease in assets limited as to use	(129,799)	(7,423)	(113,759)	66,782
Purchases of trading securities, net of sales	(97,657)	(285,575)	(92,690)	(299,498)
Other investing activities	294	3,519	(3,202)	(9,022)
Net cash used in investing activities	(301,244)	(376,315)	(371,129)	(399,546)
<b>Financing activities</b>				
Proceeds from issuance of long-term debt	204,620	475,000	204,620	475,000
Refunding and repayments of long-term debt	(5,798)	(114,516)	(26,558)	(145,542)
Proceeds from debt service reserve fund liquidation	-	14,509	-	14,509
Bond proceeds used for loan costs	(1,514)	(2,090)	(1,514)	(2,090)
Grant proceeds received for long-term purposes	11,889	-	13,278	-
Restricted contributions and investment income	6,157	10,117	14,662	16,070
Net cash provided by financing activities	215,354	383,020	204,488	357,947
Increase in cash and cash equivalents	3,396	177,901	4,028	190,817
Cash and cash equivalents at beginning of period	564,060	371,761	563,428	358,845
Cash and cash equivalents at end of period	\$ 567,456	\$ 549,662	\$ 567,456	\$ 549,662

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

## 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 was granted tax-exempt status on May 10, 2019 and the transaction is expected to close prior to June 30, 2019.

**Orlando Health, Inc.**  
**March 31, 2019**

***Consolidating Balance Sheets as of March 31, 2019 (in 000's)***

	Consolidated	Eliminations	Orlando Health Obligated Group	Controlled Affiliates
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$ 567,456	\$ -	\$ 541,154	\$ 26,302
Assets limited as to use	45,928	-	45,928	-
Accounts receivable, less allowance for doubtful accounts	418,532	-	386,466	32,066
Other receivables	73,902	(58,199)	112,641	19,460
Inventory	54,387	-	52,776	1,611
Other current assets	46,181	-	45,589	592
Total current assets	1,206,386	(58,199)	1,184,554	80,031
Assets limited as to use:				
Debt service and reserve funds held by bond trustee	125,919	-	125,919	-
Interest rate swap collateral	11,564	-	11,564	-
Malpractice self-insurance	13,821	-	13,821	-
	151,304	-	151,304	-
Less amount required to meet current obligations	(45,928)	-	(45,928)	-
	105,376	-	105,376	-
Long-term investments - unrestricted	1,755,861	-	1,755,861	-
Long-term investments - restricted	117,659	-	-	117,659
Investments in related parties	44,417	(72,261)	14,199	102,479
Other assets	218,018	(154,215)	263,917	108,316
Property and equipment, net	1,555,019	-	1,515,466	39,553
Total assets	\$5,002,736	\$ (284,675)	\$ 4,839,373	\$ 448,038
<b>Liabilities and net assets</b>				
Current Liabilities:				
Accounts Payable and accrued expenses	\$ 298,147	\$ -	\$ 267,084	\$ 31,063
Other current liabilities	168,689	(57,544)	165,287	60,946
Current portion of long-term debt	22,607	-	22,573	34
Total current liabilities	489,443	(57,544)	454,944	92,043
Long-term debt less current portion	1,476,764	-	1,474,944	1,820
Accrued malpractice claims	121,247	-	121,247	-
Other noncurrent liabilities	122,817	(39,547)	95,313	67,051
Total liabilities	2,210,271	(97,091)	2,146,448	160,914
Net assets:				
Unrestricted				
Orlando Health, Inc. and Controlled Affiliates	2,668,843	(72,262)	2,579,754	161,351
Noncontrolling interest in Controlled Affiliates	(858)	-	-	(858)
Total unrestricted	2,667,985	(72,262)	2,579,754	160,493
Temporarily restricted	122,598	(113,827)	111,916	124,509
Permanently restricted	1,882	(1,495)	1,255	2,122
Total net assets	2,792,465	(187,584)	2,692,925	287,124
Total liabilities and net assets	\$5,002,736	\$ (284,675)	\$ 4,839,373	\$ 448,038

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

**Orlando Health, Inc.**  
**March 31, 2019**

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

	Consolidated	Eliminations	Orlando Health Obligated Group	Controlled Affiliates
<b>Assets</b>				
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
<b>Liabilities and net assets</b>				
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.**  
**March 31, 2019**

***Consolidating Statements of Operations for the Quarter Ended March 31, 2019 (in 000's)***

	Consolidated	Eliminations	Orlando Health Obligated Group	Controlled Affiliates
<b>Unrestricted revenues and other support</b>				
Net patient service revenue	\$ 769,749	\$ -	\$ 683,051	\$ 86,698
Other revenue	38,400	(18,644)	32,766	24,278
Net assets released from restrictions	1,264	(2,035)	1,264	2,035
Total unrestricted revenues and other support	809,413	(20,679)	717,081	113,011
<b>Expenses</b>				
Salaries and benefits	402,251	-	282,873	119,378
Supplies and other	259,434	(19,476)	250,838	28,072
Professional fees	7,578	(2,039)	8,407	1,210
Depreciation and amortization	36,411	-	34,234	2,177
Interest	13,892	-	13,828	64
Total expenses	719,566	(21,515)	590,180	150,901
Income (loss) from operations	89,847	836	126,901	(37,890)
<b>Nonoperating gains and (losses)</b>				
Investment income	107,429	-	101,916	5,513
Change in fair value of interest rate swap agreements	(2,959)	-	(2,959)	-
Nonoperating gains, net	104,470	-	98,957	5,513
Excess (deficit) of revenues, other support and gains over expenses and losses	194,317	836	225,858	(32,377)
Plus noncontrolling interest	190	-	-	190
Excess (deficit) of revenues, other support and gains over expenses and losses attributed to Orlando Health, Inc. and Controlled Affiliates	194,507	836	225,858	(32,187)

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

**Orlando Health, Inc.**  
**March 31, 2019**

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

	Consolidated	Eliminations	Orlando Health Obligated Group	Controlled Affiliates
<b>Unrestricted revenues and other support</b>				
Net patient service revenue	\$ 992,725	\$ -	\$ 684,641	\$ 308,084
Provision for bad debts	(92,747)	-	(62,316)	(30,431)
Net patient service revenue less provision for bad debts	899,978	-	622,325	277,653
Other revenue	33,631	(17,646)	29,700	21,577
Net assets released from restrictions	1,171	(1,421)	1,155	1,437
Total unrestricted revenues and other support	934,780	(19,067)	653,180	300,667
<b>Expenses</b>				
Salaries and benefits	478,081	-	262,376	215,705
Supplies and other	301,999	(17,580)	225,570	94,009
Professional fees	10,739	(1,871)	9,047	3,563
Depreciation and amortization	46,991	-	30,609	16,382
Interest	17,788	-	12,454	5,334
Total expenses	855,598	(19,451)	540,056	334,993
Income (loss) from operations	79,182	384	113,124	(34,326)
<b>Nonoperating gains and losses</b>				
Investment loss (gain)	(4,121)	-	(4,260)	139
Change in fair value of interest rate swap agreements	4,760	-	4,760	-
Nonoperating gain	2,976	-	2,976	-
Loss on early extinguishment of debt	(4,707)	-	(4,707)	-
Nonoperating (losses) gains, net	(1,092)	-	(1,231)	139
Excess (deficit) of revenues, other support and gains over expenses and losses	78,090	384	111,893	(34,187)
Plus noncontrolling interest	369	-	-	369
Excess (deficit) of revenues, other support and gains over expenses and losses attributed to Orlando Health, Inc. and Controlled Affiliates	78,459	384	111,893	(33,818)

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

**Orlando Health, Inc.**  
**March 31, 2019**

## 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.

	<b>Quarter ended March 31</b>		<b>Year-to-date March 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b><i>Payor Mix</i></b>				
Medicare (includes HMO's)	<b>37.2%</b>	36.2%	<b>36.0%</b>	34.9%
Medicaid (includes HMO's)	<b>17.2%</b>	19.1%	<b>17.2%</b>	19.6%
Managed Care	<b>32.6%</b>	33.7%	<b>33.7%</b>	34.4%
Commercial	<b>4.1%</b>	3.4%	<b>4.0%</b>	3.5%
Self Pay	<b>6.8%</b>	5.6%	<b>7.0%</b>	5.7%
Other	<b>2.1%</b>	2.0%	<b>2.1%</b>	1.9%
	<b>100.0%</b>	100.0%	<b>100.0%</b>	100.0%
<b><i>Average Licensed Beds</i></b>				
	<b>2,026</b>	2,048	<b>2,026</b>	2,048
<b><i>Average Beds in Service</i></b>				
	<b>1,953</b>	1,936	<b>1,953</b>	1,928
<b><i>Average Daily Census</i></b>				
Adult	<b>1,295</b>	1,214	<b>1,270</b>	1,178
Newborn and neonatal	<b>180</b>	193	<b>182</b>	198
	<b>1,475</b>	1,407	<b>1,452</b>	1,376
<b><i>Admissions</i></b>				
Adult	<b>25,683</b>	24,199	<b>50,930</b>	47,534
Newborn and neonatal	<b>3,364</b>	3,622	<b>7,145</b>	7,643
	<b>29,047</b>	27,821	<b>58,075</b>	55,177
<b><i>Observation Cases</i></b>				
Adult and neonatal	<b>7,581</b>	7,332	<b>14,177</b>	14,611
<b><i>Patient Days</i></b>				
Adult	<b>116,552</b>	109,227	<b>231,070</b>	214,451
Newborn and neonatal	<b>16,190</b>	17,369	<b>33,083</b>	36,096
	<b>132,742</b>	126,596	<b>264,153</b>	250,547
<b><i>Average Length of Stay (days)</i></b>				
Adult	<b>4.5</b>	4.5	<b>4.5</b>	4.5
Newborn and neonatal	<b>4.8</b>	4.8	<b>4.6</b>	4.7
<b><i>Percent Occupancy (beds in service)</i></b>				
Adult	<b>77.2</b>	73.6	<b>75.7</b>	71.8
Newborn and neonatal	<b>65.5</b>	67.3	<b>66.2</b>	69.0
<b><i>Outpatient Visits</i></b>				
Outpatient Visits	<b>171,692</b>	167,778	<b>349,033</b>	334,400
Outpatient Surgery Cases	<b>6,922</b>	6,982	<b>14,323</b>	14,060
Total Outpatient Visits	<b>178,614</b>	174,760	<b>363,356</b>	348,460
<b><i>Emergency Dept. Patients Treated</i></b>				
	<b>95,238</b>	97,844	<b>181,591</b>	188,092
<b><i>Case Mix Index</i></b>				
Medicare only	<b>1.84</b>	1.93	<b>1.81</b>	1.87
All payors	<b>1.77</b>	1.75	<b>1.74</b>	1.75

Source: Records of the Corporation

**Orlando Health, Inc.**  
**March 31, 2019**

## **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 March 31, 2019 Compared to the Same Period of the Prior Year***

Excess of revenues, other support and gains over expenses and losses was \$194.3 million for the quarter ended March 31, 2019. Income from operations was \$89.8 million for the quarter, a \$10.6 million increase from the prior year period. Total unrestricted revenues decreased \$125.4 million from the prior year period, of which \$199.9 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 \$4.5 million for the quarter ended March 31, 2018.

### ***Revenue, Utilization, and Payor Mix***

Net patient service revenue for the quarter ended March 31, 2019 decreased \$130.2 million or 14.5% compared to the prior year period due to the exclusion of LRHS. Net patient service revenue of the Obligated Group increased \$60.7 million or 9.8% compared to the prior year period. This increase is primarily related to increased patient volumes.

Obligated Group admissions increased 4.4% and outpatient visits increased 2.2% compared to the prior year period.

### ***Expenses***

Total expenses for the quarter ended March 31, 2019 decreased \$136 million or 15.9% compared to the prior year period. The exclusion of LRHS resulted in a decrease in expense of \$195.5 million. Total expenses of the Obligated Group increased \$50.1 million or 9.3% 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 March 31, 2019***

Unrestricted cash and investments increased \$200.5 million or 9.4% during the current quarter due to \$200 million in proceeds from the issuance of the 2019 Series A and C Bonds in February 2019.

Accounts receivable increased \$67.6 million or 19.3% during the current quarter. The Obligated Group's days of revenue in accounts receivable, based on one year of net patient service revenue, were 50.9 days at March 31, 2019, compared with 43.7 days at December 31, 2018.

### ***Capital Expenditures***

Construction-in-progress represents numerous construction and renovation projects. Estimated costs to complete these projects as of March 31, 2019, are approximately \$409.7 million which includes \$149.1 million for freestanding emergency departments and \$138.2 million for Horizon West bed tower.