



For the Period Ended September 30, 2019
Unaudited Quarterly Disclosure

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Quarterly Disclosure Report for September 30, 2019

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 nine months ended September 30, 2019. The analysis should be read in conjunction with ProMedica Health System and ProMedica Healthcare Obligated Group's financial statements for the nine-month periods ending September 30, 2019, and September 30, 2018. 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 25% of total operating revenues for the nine months ending September 30, 2019.

Bond Cusips

| Bond Series | CUSIP | | |
|-------------|-----------|-----------|------------|
| 2011A | 549310UC2 | 2015A | 889184AA5 |
| | 549310UD0 | | |
| | 549310UE8 | | |
| 2011B | 52601PBD9 | 2015B | 549310VIL1 |
| | | 2018A | 549310WC0 |
| 2011D | 549310UU2 | 549310VF4 | 549310WD8 |
| | 549310UV0 | 549310VG2 | 549310WE6 |
| | 549310UW8 | 549310VY3 | 2018B |
| | 549310UX6 | 549310VH0 | 889184AC1 |
| | 549310VV9 | 549310WA4 | 889184AD9 |
| | 549310VE7 | 549310WB2 | 889184AE7 |
| | 549310VW7 | 549310VZ0 | |
| | | 549310VD9 | |
| 2011E | 52601PBM9 | | |
| | 52601PBN7 | | |
| | 52601PBP2 | | |



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PROMEDICA OVERVIEW

ProMedica is a mission-based, not-for-profit integrated healthcare organization headquartered in Toledo, Ohio. It serves communities in 28 states. The organization offers acute and ambulatory care, an insurance company with a dental plan, and post-acute and academic business lines. The organization has more than 55,000 employees, 12 owned hospitals plus 1 joint venture hospital, 2,100+ physicians and advanced practice providers with privileges, 900+ healthcare providers employed by ProMedica Physicians, a health plan, and over 400 post-acute locations, including, assisted living facilities, skilled nursing and rehabilitation centers, memory care communities, outpatient rehabilitation clinics, and hospice and home health care agencies. Driven by its Mission to improve your health and well-being, ProMedica has been nationally recognized for its advocacy programs and efforts to address social determinants of health. ProMedica also has numerous joint ventures, co-management agreements 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 hospitals and one affiliated (Lima Memorial). In 2018 ProMedica acquired HCR ManorCare, a network of skilled nursing, assisted living, and hospice, home health and rehabilitation operations and programs in 27 states.

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.

Who ProMedica is

Proven Integrated Delivery System – now with a leading Post-Acute Care Division

| | TOTAL |
|---|--------------|
| Staff | 55,000+ |
| Locations | 500+ |
| States with Operations | 28 |
| Skilled Nursing | 171 |
| Assisted Living | 55 |
| Hospice / Home Health | 113 |
| Hospitals | 13 |
| Physicians & Providers (employed and affiliated) | 2,100+ |
| Paramount | 323K Lives |
| Health Resources, Inc. | 270K Lives |



Provider, Acute and Ambulatory Care Service Area

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



Paramount: Health Plan Options across the Region

Paramount health plan products serve approximately 323,000 members throughout Ohio and several southern counties of Michigan and is the largest provider-sponsored health plan in Ohio. Paramount, through its Paramount Advantage subsidiary, is one of five Medicaid insurers in Ohio to provide statewide-managed care services and is offered in all 88 Ohio counties. Paramount's product lines include Dental Health Options by Health Resources, Inc (HRI). This subsidiary offers commercial dental insurance in Indiana and Kentucky; and has approximately 270,000 members and over 3,500 employer groups. Paramount's worker's compensation managed care product (HMS) is offered throughout Ohio. 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.

2019 Awards and Accreditations

- *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 90 Rising healthcare Stars under 40* – Kate Sommerfeld, president, ProMedica Social Determinants of Health
- *Becker's 66 Hospitals and Health Systems with Innovations Programs*
- *Becker's 100 Hospitals and Health Systems with Great Neurosurgery and Spine Programs*
- *Becker's 150 Top Places to Work in Healthcare 2019*
- The Partnership for Excellence 2019 Gold Governor's Award of Excellence – ProMedica
- United Way Employee Achievement Award – ProMedica Memorial Hospital
- Press Ganey 2019 Physician of the Year - Brian Kaminski, DO, VP Quality AND Patient Safety

2019 HEALTHGRADES CLINICAL ACHIEVEMENTS

- Toledo Hospital:
 - America's 50 Best Hospitals (2018 - 2019)
 - America's 100 Best Hospitals for Cardiac Care™ (2013 – 2019)
 - America's 100 Best Hospitals for Coronary Intervention Award™ (2019)
 - America's 100 Best Hospitals for Joint Replacement™ (2016 – 2019)
 - Stroke Care Excellence Award™ (2019)
 - America's 100 Best Hospitals for Pulmonary Care™ (2015 – 2019)
 - America's 100 Best Hospitals for Gastrointestinal Care™ (2014 – 2019)
 - America's 100 Best Hospitals for General Surgery Award™ (2017, 2019)
- Bixby Hospital
 - Pulmonary Care Excellence™ (2018 – 2019)
- Flower Hospital:
 - America's 250 Best Hospitals Award™ (2017 – 2019)
 - America's 100 Best Hospitals for Stroke Care™ (2014 – 2019)
 - America's 100 Best Hospitals for Pulmonary Care™ (2014 – 2019)
- Monroe Regional Hospital:
 - America's 100 Best Hospitals for Gastrointestinal Care (2018)
 - America's 100 Best Hospitals for General Surgery (2018)
 - America's 100 Best Hospitals for Critical Care Excellence™ (2018-2019)

OTHERS OF NOTE

- Toledo Hospital American Heart Association Mission: Lifeline Silver Quality Achievement Award – STEMI
- Becker's Hospital Review "Top 100 Hospitals with Great Heart Programs" – ProMedica Toledo Hospital
- CMS 5-Star Rating
- Comprehensive Stroke Center, The Joint Commission and American Heart Association/American Stroke Association
- ISO 15189 re-accreditation – ProMedica Toledo Hospital laboratory
- Metabolic and Bariatric Surgery Accreditations and Quality Improvement Program, re-certified
- Cardiac Cath Lab accreditation for percutaneous coronary intervention (PCI) from American College of Cardiology
- Breast Imaging Center of Excellence from the American College of Radiology
- Ohio First Steps for Healthy Babies – Four Star Rating
- International Board-Certified Lactation Consultant Care Award from IBLCE/ILCA
- Modern Healthcare's Top 25 Innovators of 2019 – Justin Hammerling, AVP, ProMedica Innovations

- Bay Park Hospital
 - American Academy of Sleep Medicine Accreditation
 - Leapfrog Group of Hospital Safety Grade A, 2019
 - 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
 - CMS 4-Star Rating
 - International Board-Certified Lactation Consultant Care Award from IBLCE/ILCA

- Bixby Hospital
 - CMS 4-Star Rating
 - Healthcare Facilities Accreditation Program Primary Stroke Center Certification
 - Joint Commission and American Heart Association/American Stroke Association, Primary Stroke Center

- Coldwater Regional Hospital
 - CMS 3-Star Rating
 - Healogics Wound Care Center of Excellence

- Defiance Regional Hospital
 - CMS 4-Star Rating
 - 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
 - Ohio First Steps for Healthy Babies – 5 Star Rating, Maternity Care Best Practice Award
 - Becker's Healthcare 70 Critical Access hospital CEOs, presidents and administrators to know, 2019 – Doug Bush, president, DRH

- Flower Hospital
 - 2019 American Heart Association Get with the Guidelines® Gold Plus – Stroke
 - *Becker's Hospital Review* 100 Great Community Hospitals
 - CMS 3-Star Rating
 - Heart Failure Certification
 - Joint Commission and American Heart Association/American Stroke Association, Primary Stroke Center
 - International Board-Certified Lactation Consultant Care Award from IBLCE/ILCA

- 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
 - American College of Radiology – MRI accreditation
 - American College of Radiology – Computed Tomography (CT) accreditation
- Herrick Hospital
 - 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 4-Star Rating
 - Joint Commission and American Heart Association/American Stroke Association Acute Stroke Ready Certification
 - Leapfrog Group of Hospital Safety Grade A, 2019
 - Ohio Hospital Association and Ohio Department of Health recognition from Ohio First Steps for Healthy Babies Review Committee
 - American College of Radiology – Mammography accreditation
 - American College of Radiology – Designated Lung Cancer Screening Center
- Monroe Regional Hospital
 - CMS 3-Star Rating
 - The Joint Commission's Gold Seal of Approval® and the American Stroke Association's Heart-Check mark for Primary Stroke Center Certification
 - Leapfrog Group of Hospital Safety Grade A, 2019
 - The Joint Commission's Gold Seal of Approval® for Hospital Accreditation
- Toledo Children's Hospital
 - Joint Commission dual disease-specific care for both inpatient and outpatient pediatric asthma care certification
 - Solutions for Patient Safety Sharing Hospital's Innovations for Network Engagement (SHINE) – top 10% of the network
- 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
 - 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
 - All seven ProMedica Physician Urgent Care locations awarded Accreditation status by the Urgent Care Association
- (a) Skilled Nursing Facility Division (ManorCare and Heartland):
 - 89% of facilities were 3 star or better in CMS Five Star quality measures (Q3, 19)
 - 66% of facilities were 4 or 5 star in CMS Five Star quality measures (Q3, 19)
 - 68% of facilities are 3 star or better CMS Five Star overall (Q3, 19)
 - 63 skilled nursing and rehabilitation centers were named Best Nursing Homes or Best Nursing Homes – Short-Stay Rehabilitation 2018 – 19 by U.S. News & World Report.
 - Assisted Living Division (Arden Courts memory care communities):
 - 92% of families would recommend us to others
 - 92% of families are satisfied
 - Home Health and Hospice Division (Heartland):
 - 83% of families will recommend Heartland Hospice
 - 83% of families rate Heartland Hospice as good or excellent
 - Heartland Home Health Care average star rating is 3.5 out of 5 stars
 - 78% of patients will recommend Heartland Home Health Care

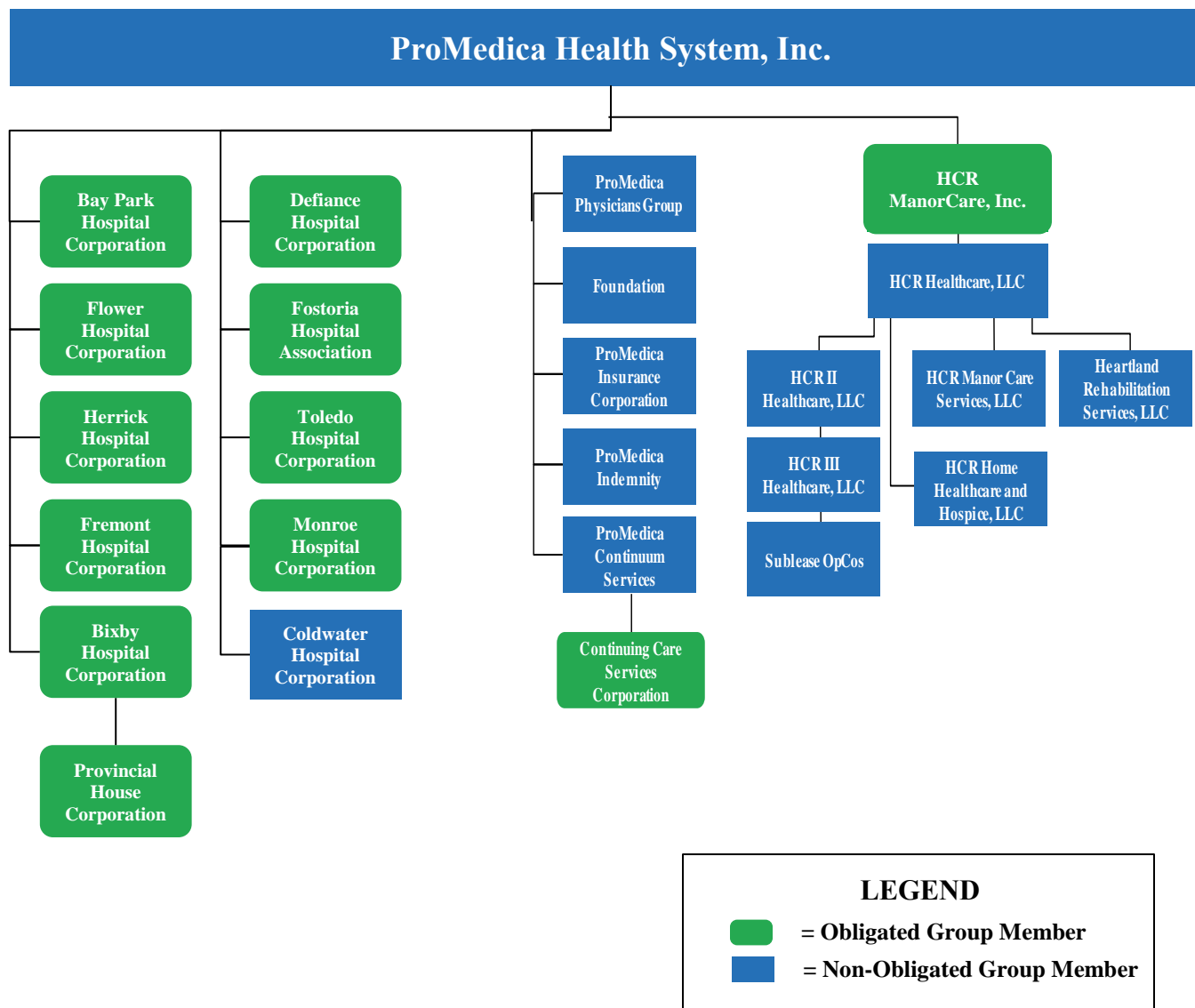
- (a) In April 2019, CMS revised the Five-Star Quality Rating System and Nursing Home Compare website to reflect changes to the star rating methodology therefore shifting the industry thresholds for improvement. These changes include resuming the traditional calculation method for health scores using three most recent cycles of survey inspections, staffing level adjustments with an increased emphasis on registered nurse staffing, separation of long-stay and short-stay measures to reflect various populations in nursing homes and changing the weight and scoring of various quality measures with regular updates to the quality measure threshold every six months. In addition, two new quality measures from Skilled Nursing Facility Quality Reporting Program (QRP) were adopted to replace existing duplicative measures: long-stay emergency department transfers and long-stay hospitalizations. The physical restraints measure was removed from the calculation.

These changes to the Five-Star Quality Rating System significantly impacted ratings across the industry. Although no significant changes were made in our staffing levels or quality of care, the changes CMS made had a negative impact on our latest 2019 star rating.

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.
2. HCR ManorCare, Inc was admitted into the Obligated Group on June 28, 2019



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 (1,725 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 September 30, 2019, 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: 609
- Year Affiliated: Legacy



- ProMedica Flower Hospital
(a division of the Toledo Hospital)
- Sylvania, Ohio
- Licensed Beds: 315
- Year Affiliated: 1996



- ProMedica Toledo Children's Hospital
(a division of the Toledo Hospital)
- Toledo, Ohio
- Licensed Beds: 141
- Year Established: 1994



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



- ProMedica Wildwood Orthopaedic & Spine
(a division of the Toledo Hospital)
- Toledo, Ohio
- Licensed Beds: 42
- Year Established: 2011



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

| | 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 |
| Total Long-Term Care Beds | 249 | |

*223,841 Home Health Visits in 2018

HCR ManorCare

HCR ManorCare, the post-acute division of ProMedica, is a leading provider of short-term, post-hospital services and long-term care with decades of experience helping patients and their families. Quality care is provided through a network of over 380 skilled nursing and rehabilitation centers, assisted living facilities, outpatient rehabilitation clinics, and hospice and home health care agencies in 27 states.

The HCR ManorCare family of nearly 38,000 employees provide services at 171 Medicare and Medicaid-certified skilled nursing and rehabilitation centers; hospice care in over 100 markets; more than 50 centers providing Alzheimer's and related dementia care and over 50 outpatient rehabilitation clinics. These locations operate primarily under the respected names of Heartland, ManorCare Health Services and Arden Courts.

HCR ManorCare works closely with nearly 2,000 hospital systems and over 200 managed care plans across the nation. These referral sources look to HCR ManorCare facilities to help lead the way in providing quality care for complex patients, reducing length of stay and minimizing re-hospitalization in a cost-effective setting.

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 over 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 and other services in Ohio and Michigan:

- **Commercial (Paramount):** 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 approximately 75,000 commercial members including over 2,800 marketplace consumers.
- **Medicaid (Paramount Advantage):** Paramount Advantage serves approximately 232,000 members and has been contracted with the Ohio Department of Medicaid (ODM) since 1993 providing coverage for covered families and children, adult and pediatric aged, blind, and disabled, and adult extension members. The current contract with ODM terminates on June 30, 2020.
- **Medicare (Paramount Elite):** Paramount's Medicare product is offered in 14 counties in Ohio and 2 counties in Michigan. Paramount Elite has been contracted with the Centers for Medicare/Medicaid Services (CMS) since 1995 and has over 16,000 members.
- **Managed Care Workers Compensation (HMS):** This Ohio statewide product is the fifth (out of 12) largest workers' compensation managed care organizations in Ohio.
- **Employer Services (PPS):** This multi-state entity provides workers' compensation third-party administration services, life care planning, and expert witness testimony services.
- **Dental (HRI Dental Health Options):** Offers commercial dental insurance products in Indiana and Kentucky.

As of September 30, 2019, there were approximately 323,000 members included in the various health plans and services offered by Paramount and its subsidiaries, with the largest segment in Paramount Advantage. The overall health plan mix of Paramount product offerings is approximately 77% enrollment in government sector products as of September 30, 2019. HRI Dental Health Options has approximately 270,000 commercial dental members.

ProMedica Physician Group

ProMedica Physician Group, Inc. and its subsidiary limited liability companies (collectively, “PPG”) is a comprehensive provider network consisting of 980 employed providers, including 524 primary care and specialty physicians, as well as 456 advanced practice providers. PPG handled approximately 910,000 patient encounters through September of 2019. An additional 41 providers have been recruited in 2019 as part of ProMedica’s continued focus on expanding patient access within its provider network. More than 300 providers are University of Toledo faculty, and approximately 100 University of Toledo providers are managed by PPG.

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.

ProMedica Coldwater Regional Hospital

ProMedica managed Coldwater Hospital Corporation’s 87-bed acute care hospital facility in Coldwater, Michigan, 100 miles northwest of Toledo, since February 2016 and became the sole member of Coldwater Hospital Corporation on January 1, 2018. Coldwater Hospital Corporation is not a member of the Obligated Group and ProMedica Corporation does not expect to add Coldwater Hospital Corporation to the Obligated Group at this time.

Executive Leadership & Governance

Executive Leadership

The 11-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 Oostr | President & Chief Executive Officer | 22 | 41 |
| Karen Strauss | Chief Operating Officer | 7 | 7 |
| Steve Cavanaugh | Chief Financial Officer | 27 | 27 |
| Jeff Kuhn | Chief Legal Officer/General Counsel | 27 | 35 |
| Lee Hammerling, MD | Chief Academic Affairs Officer & President New Ventures | 24 | 41 |
| Gary Cates | Chief Philanthropy Officer | 23 | 23 |
| David Parker | President, HCR ManorCare | 24 | 25 |
| Lori Johnston | President, ProMedica Insurance Corp | 23 | 36 |
| Leslie Thompson | Chief Human Resource Officer | <1 | <1 |
| Kevin Webb | President, Providers, Acute & Ambulatory Care | 20 | 38 |
| Robin Whitney | Chief Strategic Planning, Business Development & Real Estate Officer | 5 | 5 |

* Includes years with HCR ManorCare

Governance

ProMedica has 339 volunteer board members serving on 34 boards, committees, councils and foundations.

In response to its' acquisition of HCR ManorCare, ProMedica implemented a new governance structure in January of 2019 to better support its' new operating model. Major changes included a decrease in the number of parent board members, a decrease in the number of standing committees and the mirroring of all the hospital subsidiary operating and foundation boards. These changes allow for all ProMedica boards to better support the newly expanded organization and work in a more efficient and effective manner.

The ProMedica Board of Trustees is now comprised of 13 members, four of which are chairs of the various Subsidiary Boards, three are chairs of ProMedica's standing committees, one is the President & CEO and the remainder are at large members.

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
- Compensation/Retirement
- Finance/Investment
- Risk

OUR MISSION IS TO IMPROVE YOUR HEALTH AND WELL-BEING

OUR VALUES: COMPASSION | INNOVATION | TEAMWORK | EXCELLENCE | LEARNING



INTEGRATED HEALTH AND WELL-BEING ORGANIZATION

Assume role as leader in redesign of healthcare delivery nationally | Lead healthcare advocacy efforts nationally and in our communities
Anchor Institution | Partner in community projects that promote the health and economic vitality of our communities

OPERATIONAL IMPERATIVES



Operational Excellence

- Uphold and advance clinical excellence
- Ingrain a culture of safety
- Instill a consumer-driven mindset
- Cultivate a workplace of choice
- Advance efficiencies in work processes and ensure operational right sizing
- Improve access to providers
- Create a highly reliable patient/customer/member experience



Stewardship

- Grow enterprise, both organically and through disciplined M&A
- Achieve margin growth, improve cash flow, and strengthen balance sheet
- Optimize expense reduction opportunities
- Build strategic donor pathways
- Bolster ProMedica Innovations
- Accelerate HCR integration efforts
- Reinforce community partnerships

STRATEGIC IMPERATIVES

National Leader in Social Determinants of Health

- Develop SDOH Healthy Aging initiatives
- Increase SDOH Screenings and interventions; connection of social and clinical care plans
- Develop SDOH support for our employee groups
- Increase healthcare industry advocacy and support for SDOH
- Elevate focus on SDOH, learning, education and research across the organization

National Leader in Healthy Aging

- Develop and promote telemedicine solutions between acute/post acute/home health
- Expand research efforts to geriatric medicine
- Increase healthcare industry advocacy and support for healthy aging
- Implement innovative payment models between Paramount and HCR
- Create new clinical models between providers/post acute

Research and Education

- Elevate focus on learning, education and research across the organization
- Become a top quartile Academic Medical Center
- Evaluate/implement new clinical programs and research opportunities to support the transformation to an academic healthcare delivery system
- Foster relationships with education institutions to develop the next generation of healthcare workers

HOSPITALS | PHYSICIANS | AMBULATORY SERVICES | SKILLED NURSING FACILITIES | ASSISTED LIVING FACILITIES
HOSPICE | HOME CARE | HEALTH/MEDICAL/DENTAL INSURANCE | ACADEMIC MEDICAL CENTER | INTERNATIONAL

RECENT SIGNIFICANT DEVELOPMENTS

Recent Significant Developments

ProMedica Flower Hospital, a division of ProMedica Toledo Hospital, was awarded the Get With the Guidelines Stroke Gold Plus® award for their commitment and success in implementing a higher standard of stroke care according to nationally accepted standard and recommendations.

ProMedica Toledo Children's Hospital received inpatient and outpatient Joint Commission Disease Specific Certification in Pediatric Asthma, once again. TCH is one of 12 centers across the country that hold this certification and is the only asthma certified program in Ohio.

Heartland Home Health and Hospice in Shawnee, Oklahoma earned the 2018 SHP Best 'Superior Performer' Caregiver Satisfaction Award. This award highlights overall caregiver and family satisfaction that scored in the top 20% of all eligible Strategic Healthcare Programs clients in 2018.

ProMedica Fostoria Community Hospital opened the *Just in Time* clinic on July 20 to provide health care services free of charge to anyone who does not have health insurance in the Fostoria community. The clinic is designed to address immediate health care needs and provide primary care until the patient can establish with a primary care provider. It will be open one Saturday per month.

On July 16, **ProMedica Toledo Hospital** began moving patients into the brand-new Generations Tower. The 13-story facility will help deliver the next generation of patient care and will have less disruptions, hotel-like amenities in 309 private rooms.


On July 30, **ProMedica Bixby Hospital, Hickman Cancer Center** began using the Varian® TrueBeam™ linear accelerator to treat all types of cancers and will enhance patient comfort. The machine features powerful radiation, pinpoint accuracy & precision, advanced imaging and motion management technology.

ProMedica entered a new Master Service Provider (MSP) program with AMN Healthcare for hiring temporary workers. This program, according to ProMedica Chief Human Resource Officer, Les Thompson, "Will streamline the delivery of agency work services at all of our business units, lifting administrative burdens with one point of contact-all while we strive to provide high quality patient experiences across our system."

ProMedica and HCR ManorCare employees are now using the same benefits platform, Business Solver. This is another step in the integration between ProMedica and HCR ManorCare.

ProMedica Defiance Regional Hospital recently welcomed the da Vinci® robot to the facility. This state-of-the-art surgical robot is the only one of its kind in the region. The unit is equipped with the tools to enhance a surgeon's skills to perform with even more precision. The robot is currently being used for gynecological surgical procedures with plans for general surgery and urology surgeries in place.

ProMedica Toledo Hospital began deployment of an obstetrical early warning system (EWS), Vigilance. Vigilance is designed to help clinicians identify troubling trends earlier and more consistently than manual assessments and creates a common language for nurses and physicians to assess cases. The artificial intelligence-driven technology is the newest chapter in ProMedica's commitment to lead improvement in Ohio and Michigan's infant and maternal mortality and morbidity rates, which currently rank near the bottom of the nation. The software is designed to be implemented in a matter of weeks and brings an unprecedented level of monitoring to the labor and delivery floor.



ProMedica Toledo Hospital, Parkway Surgical Center, and ProMedica Wildwood Orthopaedic and Spine Hospital have consolidated their surgery scheduling process. The team of schedulers successfully completed training across these facilities. To date, this change has gained positive feedback from physicians and offices eliminating waiting periods and streamlining the scheduling process by having one general number to call. Schedulers have been proactive in assisting with the right location of care for surgical procedures. Future consolidation of ProMedica Flower Hospital and ProMedica Bay Park Surgery scheduling is under consideration for the coming months

HCR ManorCare's pilot Meals-to-Go program in the Detroit area has been expanded to all of Michigan and California. Meals-to-Go provides food upon discharge for its skilled nursing patients who screen positive for food insecurity.

HCR ManorCare's skilled nursing centers in Columbus, Ohio are working with a local food pantry as a satellite mobile food resource for employees and community. Upon discharge, the center's patients are sent home with a nutritious snack box.

In July, **Paramount** launched its Telemedicine pilot to offer Advantage members access to virtual doctor visits using ProMedica OnDemand. The pilot took place in Lucas, Ottawa, Sandusky, Seneca, and Wood counties in Ohio. The goals of the pilot include increased access to high quality care and to engage and educate members.

Paramount has partnered with First Health to give our commercial members access to providers and facilities nationwide. First Health is one of the largest national PPO networks and allows members who live outside our service area to have access to a robust provider and facility network.

Leadership Changes

As part of an overall strategy of developing leadership and continuously providing opportunities to share their talent and expertise across the system, the following leadership changes took effect September 1, 2019.

- **Dawn Buskey**, was promoted to President, Metro Region acute care.
- **Darrin Arquette**, was promoted to President, Regional Acute Care - Michigan and President, ProMedica Monroe Regional Hospital.
- **Raj Kanwal, MD**, transitioned to vice president medical affairs, Metro Region and will continue in his role as senior vice president, pharmacy, for the providers.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Performance

ProMedica's operating performance for the nine months ended September 30, 2019 fell short of the performance for the same period in 2018. Operating performance of the Paramount Advantage (Medicaid) product line has not met expectations. The ProMedica Insurance Corporation operating loss for the nine-month period ended September 30 was \$102.8 million compared to operating income of \$26.8 million for the same nine-month period in 2018.

Income Statement

(Detailed Financial Statements are presented in the Appendix)

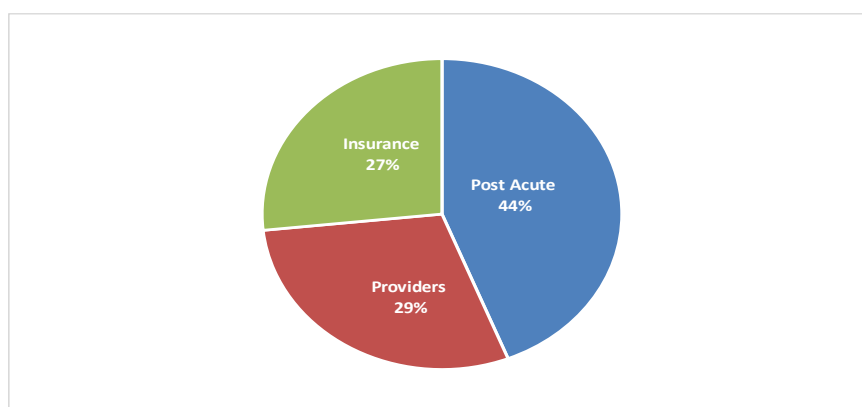
| (\$000's omitted) | ProMedica Health System Nine Months Ended September 30 | | Obligated Group Nine Months Ended September 30 | |
|--|--|-------------|--|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenues | | | | |
| Net patient service revenue | \$3,587,964 | \$1,863,020 | \$1,204,927 | \$1,164,749 |
| Member revenue | 1,413,822 | 1,324,698 | - | - |
| Other | 88,173 | 85,618 | 55,944 | 25,102 |
| Total operating revenue | 5,089,959 | 3,273,336 | 1,260,871 | 1,189,851 |
| Expenses | | | | |
| Salaries and benefits | 2,230,213 | 1,247,806 | 420,870 | 427,760 |
| Supplies | 211,648 | 174,039 | 121,519 | 133,418 |
| Contracted fees | 455,915 | 287,086 | 112,594 | 107,878 |
| Other | 2,089,516 | 1,423,391 | 424,298 | 410,240 |
| Total operating expenses | 4,987,292 | 3,132,322 | 1,079,281 | 1,079,296 |
| Operating income before depreciation and amortization | 102,667 | 141,014 | 181,590 | 110,555 |
| Depreciation and amortization | 134,851 | 106,663 | 70,953 | 66,992 |
| Net income from operations | (32,184) | 34,351 | 110,637 | 43,563 |
| Other income (loss) | 20,240 | 25,786 | (26,085) | (51) |
| Excess (deficiency) of revenue over expenses before unusual items | (11,944) | 60,137 | 84,552 | 43,512 |
| Unusual items | (668) | (161) | - | - |
| Excess (deficiency) of revenue over expenses | \$(12,612) | \$59,976 | \$84,552 | \$43,512 |

Growth of \$1.8 billion and 55.5% in total operating revenue relates to increased patient volumes of nearly \$100 million. The addition of HCR ManorCare to the ProMedica Health System in July 2018 contributed \$1.6 billion to the increase. The increase in medical expenses of \$207 million outpaced increases in the premium revenue of \$89 million due to an unfavorable medical loss ratio. Total operating expenses increased by \$1.8 billion, with nearly \$1.6 billion related to acquisitions of HCR ManorCare.

The losses in the insurance division were attributable exclusively to the Paramount Advantage (Medicaid) product line. All of Paramount's other offerings were profitable on a year-to-date basis. The losses in Medicaid can be partially attributed to increased utilization of services within the adult extension population. In partial recognition of this issue, the Ohio Department of Medicaid (ODM) gave an 8% rate increase in June 2019, retroactive to 1/1/2019. Paramount continues to work with the State of Ohio to identify and address several other issues that may also be contributing to the losses within the Paramount Advantage product line. In addition, Paramount is also evaluating other strategic options to address the losses in the Paramount Advantage product line. Operating income of HCR ManorCare of \$60 million and improvements in the performance of the Providers of \$44.7 million between years, helped to improve results for the nine months ended September 30, 2019.

Sources of Revenue

The Insurance division accounted for approximately 27% of System operating revenue for the nine months ending September 30, 2019 with the Provider division accounting for 29% and the Post-Acute division was at 44%.



Uncompensated Care

Bad debt and charity care, as a percentage of operating revenue for the nine months ending September 30, 2019, is comparable to the prior period.

ProMedica Health System

| (000's omitted) | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|-------------------------------------|---|---|
| Charity care | \$50,522 | \$46,221 |
| Bad debt | \$119,599 | \$103,395 |
| Total uncompensated care | \$170,121 | \$149,616 |
| % of Total operating revenue | 3.3% | 4.4% |

Payor Mix

| | September 30, | |
|-------------------------|---------------|---------------------|
| | 2019 | 2018 ⁽²⁾ |
| Medicare ⁽¹⁾ | 46.3% | 45.0% |
| Medicaid ⁽¹⁾ | 23.4% | 21.6% |
| Other | 24.8% | 29.4% |
| Self-Pay | 5.5% | 4.0% |
| Totals | 100.0% | 100.0% |

⁽¹⁾ Includes Medicare and Medicaid HMOs.

⁽²⁾ Includes HCR ManorCare only September to December 2018

Non-Operating Income

Total investment income for the nine-month period ended September 30, 2019 was \$74.2 million greater than the prior period. Interest expense increased by \$55.9 million between measurement periods related to the issuance of Series 2018A and 2018B Bonds.

Balance Sheet

(Detailed Financial Statements are presented in the Appendix)

| (\$000's omitted) | ProMedica Health System As of | | Obligated Group As of | |
|-------------------------------------|----------------------------------|-------------------|--------------------------|-------------------|
| | September 30, 2019 | December 31, 2018 | September 30, 2019 | December 31, 2018 |
| Assets | | | | |
| *Unrestricted cash & investments | \$1,470,494 | \$1,476,036 | \$743,214 | \$691,914 |
| Accounts receivable, net | 631,366 | 642,307 | 237,986 | 228,746 |
| Other current assets | 269,793 | 227,855 | 124,123 | 129,171 |
| Property, plant and equipment, net | 1,660,163 | 1,608,895 | 1,201,136 | 1,149,416 |
| Other assets | 4,421,862 | 2,377,034 | 1,756,169 | 95,792 |
| Total assets | 8,453,678 | 6,332,127 | 4,062,628 | 2,295,039 |
| Liabilities & Net Assets | | | | |
| Current liabilities | 1,583,536 | 1,485,285 | 771,942 | 720,896 |
| Long-term debt | 1,876,699 | 1,876,952 | 1,867,747 | 1,867,383 |
| Other liabilities | 2,499,505 | 471,896 | 35,717 | 29,793 |
| Net assets | 2,493,938 | 2,497,994 | 1,387,222 | (323,033) |
| Total liabilities & net assets | \$ 8,453,678 | \$6,332,127 | \$4,062,628 | \$2,295,039 |

*Includes unrestricted foundation cash

Balance Sheet and Cash Flow

As of September 30, 2019, ProMedica had \$1.5 billion of unrestricted cash and investments to fund operations and capital expenditures. This equates to 81.4 days cash on hand as of September 30, 2019, as compared with 126.7 days at September 30, 2018.

Total debt was \$2.37 billion at September 30, 2019, and \$2.37 billion at December 31, 2018. The total debt-to-capitalization ratio was 50.1% at September 30, 2019 and 50.0% at December 31, 2018. Total obligations and "right of use" assets recorded because of adopting FASB ASU No. 2016-02, Leases (Topic 842) were \$2.1 billion at September 30, 2019.

ProMedica capital expenditures were \$175.4 million for the nine-months ended September 30, 2019, compared to \$199.2 million for the same period ended 2018. Net cash provided by operating activities was \$40.6 million for the nine-months ended September 30, 2019. Net cash used by operating activities was \$45.4 for the nine-months ended September 30, 2018.

Debt

ProMedica's outstanding debt, net of unamortized bond discount, premium, and debt issuance costs, as of September 30, 2019, is summarized below:

| Series | Par Outstanding | Product | Final Maturity | Average Coupon | Tax Status |
|---|--------------------|-------------|----------------|----------------|------------|
| Series 2011A | \$3,975,000 | Fixed Rate | 11/15/2021 | 4.97% | Tax-Exempt |
| Series 2011B | 95,000 | Fixed Rate | 11/15/2019 | 4.38% | Tax-Exempt |
| Series 2011D | 95,951,000 | Fixed Rate | 11/15/2030 | 5.04% | Tax-Exempt |
| Series 2011E | 1,674,000 | Fixed Rate | 11/15/2021 | 3.55% | Tax-Exempt |
| Series 2015A | 270,553,000 | Fixed Rate | 11/15/2045 | 4.98% | Taxable |
| Series 2015B | 45,265,000 | Fixed Rate | 11/15/2045 | 4.00% | Tax-Exempt |
| Series 2015C | 14,517,000 | Direct Loan | 11/15/2051 | Variable | Taxable |
| Series 2015D | 4,990,000 | Direct Loan | 11/15/2025 | Variable | Taxable |
| Series 2015E | 32,987,000 | Direct Loan | 11/15/2025 | Variable | Taxable |
| Series 2017A | 54,624,000 | Direct Loan | 11/15/2040 | 3.12% | Tax-Exempt |
| Series 2017B | 119,927,000 | Direct Loan | 11/15/2041 | 3.12% | Tax-Exempt |
| Series 2017C | 84,897,000 | Direct Loan | 11/15/2041 | 2.90% | Tax-Exempt |
| Series 2017D | 39,687,000 | Direct Loan | 11/15/2029 | 3.12% | Tax-Exempt |
| Series 2017F | 62,436,000 | Direct Loan | 11/15/2034 | Variable | Tax-Exempt |
| Series 2017H | 24,865,000 | Direct Loan | 11/15/2035 | 3.02% | Tax-Exempt |
| Series 2018A | 258,916,000 | Fixed Rate | 11/15/2048 | 5.16% | Tax-Exempt |
| Series 2018B | 1,202,785,000 | Fixed Rate | 11/15/2048 | 5.83% | Taxable |
| Coldwater 2012A | 5,035,000 | Fixed Rate | 09/01/2031 | 3.35% | Tax-Exempt |
| Jobs Ohio Revitalization Loan | 3,695,000 | Fixed Rate | 06/01/2033 | 1.00% | Tax-Exempt |
| Qualified Low-Income Community Investment Loans | 14,389,000 | Direct Loan | 12/15/2045 | 1.00%-2.58% | Tax-Exempt |
| Sub Total | 2,341,263 | | | | |
| Other* | 26,953 | | | | |
| | <u>\$2,368,216</u> | | | | |

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

Fixed/Variable Debt Mix (in millions)

Currently approximately 5% of outstanding debt is variable and 95% is fixed. Total outstanding debt as of September 30, 2019, was \$2.37 billion.

Ratings

On October 2, 2018 Fitch initiated a rating of BBB+ with a stable outlook on the ProMedica Healthcare Obligated Group 2018A and 2018B taxable bonds and on October 25, 2018 initiated ratings of BBB+ with a stable outlook on the Series 2011A, 2011B, 2011E, 2015A and 2015B bonds.

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. On October 11, 2018 S&P affirmed its BBB long-term rating on various ProMedica debt obligations and assigned its rating of BBB to the Series 2018A tax-exempt and 2018B taxable bonds.

On October 22, 2019 Moody's rating on the ProMedica Healthcare Obligated Group was downgraded to Baa3 with a negative outlook from Baa1 with a negative outlook.

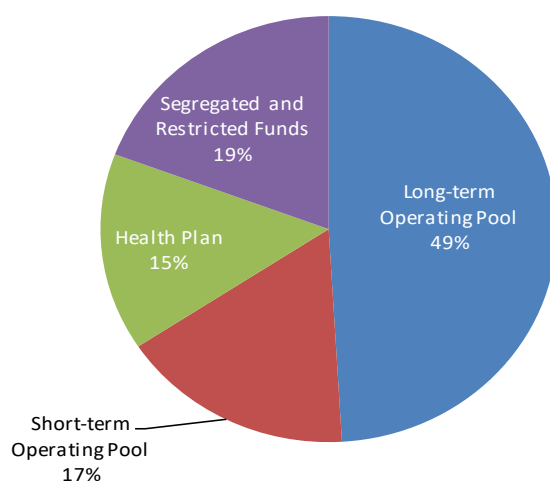
Investments

Total unrestricted cash and investments for ProMedica as of September 30, 2019, and December 31, 2018, were as follows:

| Unrestricted Cash and Investments | | | | |
|--|--------------------|-----|--------------------|-----|
| (\$000s) | September 30, 2019 | | December 31, 2018 | |
| Cash and cash equivalents | \$371,349 | 25% | \$325,496 | 22% |
| Marketable securities | 178,389 | 12% | 307,237 | 21% |
| Unrestricted long-term investments* | 920,756 | 63% | 843,303 | 57% |
| Total unrestricted cash and investments | \$1,470,494 | | \$1,476,036 | |

*includes internally designated for capital acquisition, unrestricted foundation investments & other unrestricted investments

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:



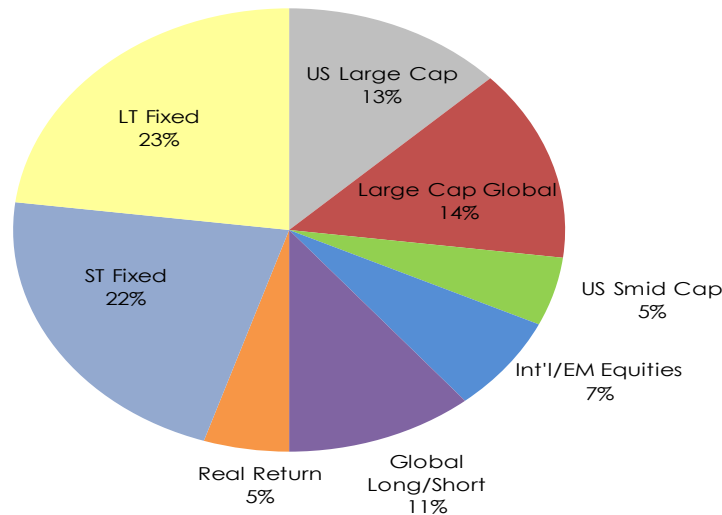
Total investment pools as of September 30, 2019 of \$1.4 billion

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 \$1.04 billion as of September 30, 2019

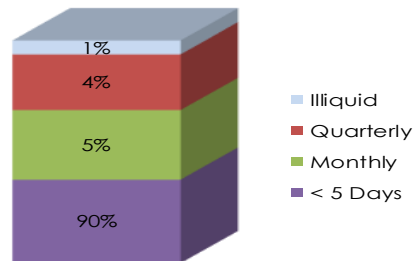


Valuations

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 September 30, 2019, is \$50.7 million or 4% of the portfolio. It is comprised of land and buildings 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 \$58.8 million or 4% 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 frozen in prior years for benefit accruals to all active plan participants. The System contributes to the plans annually based upon actuarially determined funding guidelines.

Effective December 31, 2018, the Retirement Plan for Employees of Mercy Memorial Hospital Corporation (Monroe Regional Hospital Plan) merged into the Cash Balance Retirement Plan.

As of September 30, 2019, the combined plans had a pension liability of \$18.7 million and as of December 31, 2018, a pension liability of \$24.5 million.

ProMedica Health System Financial Indicators

| | Year-to-Date September 30, 2019 | Year-to-Date September 30, 2018 |
|----------------------------|------------------------------------|------------------------------------|
| Operating margin | (0.6%) | 1.0% |
| Operating cash flow margin | 2.0% | 4.3% |
| Debt-to-Cap | 50.1% | 46.1% |



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 September 30 | | Calendar Year | |
|--|------------------------------|---------|---------------|---------|
| | 2019 | 2018 | 2018 | 2017 |
| Acute discharges | 40,812 | 42,326 | 55,943 | 59,739 |
| Newborn discharges | 5,000 | 4,930 | 6,478 | 6,646 |
| Outpatient surgeries | 29,784 | 29,662 | 39,813 | 38,327 |
| Emergency room visits | 199,049 | 207,118 | 273,321 | 286,408 |
| ALOS - acute | 4.83 | 4.69 | 4.70 | 4.55 |
| % of Staffed beds (acute care) | 70% | 65% | 66% | 54% |
| Home health admissions | 9,966 | 9,644 | 12,977 | 12,863 |
| Home care visits | 173,420 | 167,318 | 223,841 | 233,203 |
| LTC patient/resident days | 66,739 | 75,469 | 99,584 | 102,548 |
| Inpatient hospice days | 2,462 | 2,640 | 3,591 | 3,416 |
| Occupancy rates as a percentage of beds: | | | | |
| ProMedica Goerlich Center | 93.3% | 93.1% | 93.4% | 92.8% |
| ProMedica Provincial House | 85.5% | 95.4% | 93.0% | 93.4% |
| ProMedica Charlotte Stephenson Manor | 65.4% | 67.5% | 66.4% | 81.9% |
| ProMedica Monroe Skilled Nursing Rehab | 83.5% | 76.9% | 76.6% | 77.3% |



Historical Operations – Skilled Nursing & Assisted Living

The following table sets forth selected statistics with respect to the historical operations of the Skilled Nursing and Assisted Living lines of business for the years ended December 31, 2018, 2017 & year-to-date through September 30, 2019 and September 30, 2018 respectively.

| (unaudited) ⁽¹⁾ | Year-to-Date September 30, | | Calendar Year | |
|---------------------------------|-------------------------------|---------------------|---------------------|---------------------|
| | 2019 | 2018 | 2018 | 2017 |
| Number of Facilities: | | | | |
| Skilled nursing facilities | 171 | 168 | 168 | 168 |
| Assisted living facilities | 54 | 54 | 54 | 54 |
| | <u>225</u> | <u>222</u> | <u>222</u> | <u>222</u> |
| Number of Beds: | | | | |
| Skilled nursing facilities | 24,096 | 23,830 | 23,830 | 23,830 |
| Assisted living facilities | 3,366 | 3,366 | 3,366 | 3,366 |
| | <u>27,462</u> | <u>27,196</u> | <u>27,196</u> | <u>27,196</u> |
| Skilled Nursing: | | | | |
| Occupancy | 85% | 84% | 84% | 84% |
| Revenue Allocation: | | | | |
| Quality Mix | 56% | 59% | 58% | 61% |
| Post-acute Mix | 46% | 49% | 48% | 51% |
| Medicaid | 44% | 41% | 42% | 39% |
| Average Daily Census: | | | | |
| Medicare | 2,727 | 3,119 | 3,057 | 3,424 |
| Managed Care | 2,599 | 2,588 | 2,573 | 2,618 |
| Medicaid | 12,176 | 11,714 | 11,789 | 11,348 |
| Private/Other | 2,298 | 2,234 | 2,232 | 2,296 |
| | <u>19,800</u> | <u>19,654</u> | <u>19,651</u> | <u>19,686</u> |
| Per Diems: | | | | |
| Medicare | \$ 537.72 | \$ 537.49 | \$ 538.23 | \$ 535.72 |
| Managed Care | 442.17 | 447.28 | 446.47 | 439.21 |
| Medicaid | 207.90 | 208.22 | 208.13 | 208.84 |
| Private/Other | 244.88 | 250.42 | 248.61 | 253.88 |
| Revenues (in thousands): | | | | |
| Medicare | \$ 413,208 | \$ 472,520 | \$ 620,367 | \$ 690,034 |
| Managed Care | 313,722 | 316,008 | 419,263 | 419,652 |
| Medicaid | 691,065 | 665,840 | 895,580 | 865,039 |
| Private/Other | 161,136 | 159,018 | 211,902 | 215,835 |
| Total | <u>\$ 1,579,131</u> | <u>\$ 1,613,386</u> | <u>\$ 2,147,112</u> | <u>\$ 2,190,560</u> |
| Assisted Living: | | | | |
| Occupancy | 81% | 79% | 79% | 82% |
| Revenue Allocation: | | | | |
| Quality Mix | 100% | 100% | 100% | 100% |
| Average Daily Census: | | | | |
| Private/Other | 2,702 | 2,629 | 2,647 | 2,726 |
| Per Diems: | | | | |
| Private/Other | \$ 205.78 | \$ 205.62 | \$ 204.51 | \$ 203.66 |
| Revenues (in thousands): | | | | |
| Private/Other | \$ 155,570 | \$ 150,783 | \$ 201,890 | \$ 207,376 |
| Other Statistics | | | | |
| Outpatient therapy clinics | 51 | 52 | 51 | 52 |
| Hospice and home health offices | 107 | 108 | 108 | 109 |
| Hospice average daily census | 10,503 | 9,971 | 10,089 | 9,444 |

(1) All periods exclude divested facilities

FINANCIAL STATEMENTS

PROMEDICA HEALTH SYSTEM

Consolidating Balance Sheet

(Unaudited and \$000s omitted)

| | As of September 30, 2019 | | | As of December 31, 2018 | | |
|---|--------------------------|---|--------------------|-------------------------|---|--------------------|
| | Obligated Group | Other ProMedica Entities Including Eliminations | ProMedica | Obligated Group | Other ProMedica Entities Including Eliminations | ProMedica |
| ASSETS | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents | \$44,912 | \$326,437 | \$371,349 | \$64,711 | \$260,785 | \$325,496 |
| Marketable securities | 6,432 | 171,957 | 178,389 | 6,394 | 300,843 | 307,237 |
| Accounts receivable, net | 237,986 | 393,380 | 631,366 | 228,746 | 413,561 | 642,307 |
| Assets limited as to use or restricted | - | 11,591 | 11,591 | - | 12,887 | 12,887 |
| Inventories | 20,494 | 11,724 | 32,218 | 21,016 | 10,796 | 31,812 |
| Other current assets | 103,629 | 122,355 | 225,984 | 108,155 | 75,001 | 183,156 |
| TOTAL CURRENT ASSETS | 413,453 | 1,037,444 | 1,450,897 | 429,022 | 1,073,873 | 1,502,895 |
| ASSETS WHOSE USE IS LIMITED | | | | | | |
| Restricted funds | 2,648 | 135,186 | 137,834 | 2,543 | 125,864 | 128,407 |
| Bond indenture agreement funds | 21,091 | - | 21,091 | 62,278 | - | 62,278 |
| Internally designated for capital acquisition | 592,033 | 40,667 | 632,700 | 585,430 | 48,296 | 633,726 |
| Other segregated investments | 104,884 | 275,368 | 380,252 | 40,348 | 272,546 | 312,894 |
| TOTAL ASSETS WHOSE USE IS LIMITED | 720,656 | 451,221 | 1,171,877 | 690,599 | 446,706 | 1,137,305 |
| Property, plant and equipment, net | 1,201,136 | 459,027 | 1,660,163 | 1,149,416 | 459,479 | 1,608,895 |
| OTHER ASSETS | | | | | | |
| Goodwill | 1,054,868 | 81,150 | 1,136,018 | 18,240 | 1,265,540 | 1,283,780 |
| Operating lease right of use asset | 11,869 | 2,090,366 | 2,102,235 | - | - | - |
| Other intangible assets | 59,525 | 148,001 | 207,526 | 1,546 | 68,239 | 69,785 |
| Investments in affiliated companies | 511,931 | 121,812 | 633,743 | 5,634 | 629,807 | 635,441 |
| Other assets | 89,190 | 2,029 | 91,219 | 582 | 93,444 | 94,026 |
| TOTAL OTHER ASSETS | 1,727,383 | 2,443,358 | 4,170,741 | 26,002 | 2,057,030 | 2,083,032 |
| TOTAL ASSETS | \$4,062,628 | \$4,391,050 | \$8,453,678 | \$2,295,039 | \$4,037,088 | \$6,332,127 |



| | As of September 30, 2019 | | | As of December 31, 2018 | | |
|--|--------------------------|---|--------------------|-------------------------|---|--------------------|
| | 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 | \$98,176 | \$374,407 | \$472,583 | \$92,603 | \$343,242 | \$435,845 |
| Accrued compensation and benefits | 44,333 | 253,446 | 297,779 | 54,359 | 262,518 | 316,877 |
| Current installments of long-term debt | 18,149 | 724 | 18,873 | 18,148 | 814 | 18,962 |
| Contingent current installments of long-term debt | 432,243 | 14,389 | 446,632 | 432,065 | 14,379 | 446,444 |
| Current installments of operating leases | 4,591 | 87,103 | 91,694 | - | - | - |
| Current installments of capital leases | 1,436 | 2,008 | 3,444 | 2,133 | 2,108 | 4,241 |
| Estimated third-party payor settlements | 25,839 | 6,424 | 32,263 | 27,623 | 6,811 | 34,434 |
| Professional liability and workers' compensation | 180 | 91,333 | 91,694 | - | 111,535 | 111,535 |
| Accrued post-retirement health care benefits | 122 | - | 122 | 122 | - | 122 |
| Other | 146,873 | (18,240) | 128,633 | 93,843 | 22,982 | 116,825 |
| TOTAL CURRENT LIABILITIES | 771,942 | 811,594 | 1,583,536 | 720,896 | 764,389 | 1,485,285 |
| OTHER LIABILITIES | | | | | | |
| Accrued professional liabilities and workers' compensation, less current portion | - | 315,030 | 315,030 | - | 312,822 | 312,822 |
| Deferred compensation | 4,034 | 34,586 | 38,620 | 4,034 | 34,586 | 38,620 |
| Pension | 228 | 18,470 | 18,698 | 292 | 24,170 | 24,462 |
| Accrued post-retirement health care benefits, less current portion | 570 | - | 570 | 724 | - | 724 |
| Operating lease liabilities | 7,278 | 2,045,498 | 2,052,776 | - | - | - |
| Capital lease liabilities | 4,882 | 17,686 | 22,568 | 5,903 | 19,303 | 25,206 |
| Other | 18,725 | 32,518 | 51,243 | 18,840 | 51,222 | 70,062 |
| TOTAL OTHER LIABILITIES | 35,717 | 2,463,788 | 2,499,505 | 29,793 | 442,103 | 471,896 |
| Long-term debt, net of current installments | 1,867,747 | 8,952 | 1,876,699 | 1,867,383 | 9,569 | 1,876,952 |
| TOTAL LIABILITIES | 2,675,406 | 3,284,334 | 5,959,740 | 2,618,072 | 1,216,061 | 3,834,133 |
| NET ASSETS | | | | | | |
| Net assets without donor restrictions | 1,384,574 | 971,530 | 2,356,104 | (325,576) | 2,695,163 | 2,369,587 |
| Net assets with donor restrictions | 2,648 | 135,186 | 137,834 | 2,543 | 125,864 | 128,407 |
| TOTAL NET ASSETS | 1,387,222 | 1,106,716 | 2,493,938 | (323,033) | 2,821,027 | 2,497,994 |
| TOTAL LIABILITIES AND NET ASSETS | \$4,062,628 | \$4,391,050 | \$8,453,678 | \$2,295,039 | \$4,037,088 | \$6,332,127 |

PROMEDICA HEALTH SYSTEM
Consolidating Statement of Operations
(Unaudited and \$000s omitted)

| | Nine Months Ended September 30, 2019 | | | Nine Months Ended September 30, 2018 | | |
|---|---|---|-------------------|---|---|------------------|
| | 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 | \$1,204,927 | \$2,383,037 | \$3,587,964 | \$1,164,749 | \$698,271 | \$1,863,020 |
| Premiums earned | - | 1,413,822 | 1,413,822 | - | 1,324,698 | 1,324,698 |
| Net assets released | 7,793 | (582) | 7,211 | 6,169 | 2,081 | 8,250 |
| Other | 48,151 | 32,811 | 80,962 | 18,933 | 58,435 | 77,368 |
| Total revenues, gains, and other support | 1,260,871 | 3,829,088 | 5,089,959 | 1,189,851 | 2,083,485 | 3,273,336 |
| Expenses: | | | | | | |
| Salaries, wages, and employee benefits | 420,870 | 1,809,343 | 2,230,213 | 427,760 | 820,046 | 1,247,806 |
| Food | 5,140 | 32,436 | 37,576 | 4,996 | 10,567 | 15,563 |
| Drugs | 95,126 | 122,720 | 217,846 | 91,099 | 63,521 | 154,620 |
| Medical expense | - | 1,137,227 | 1,137,227 | - | 919,793 | 919,793 |
| Contracted fees | 112,594 | 343,321 | 455,915 | 107,878 | 179,208 | 287,086 |
| Supplies | 121,519 | 90,129 | 211,648 | 133,418 | 40,621 | 174,039 |
| Insurance | 7,803 | 56,008 | 63,811 | 8,887 | 16,061 | 24,948 |
| Utilities | 13,366 | 59,294 | 72,660 | 13,561 | 22,483 | 36,044 |
| Other | 302,863 | 257,533 | 560,396 | 291,697 | (19,274) | 272,423 |
| Total expenses | 1,079,281 | 3,908,011 | 4,987,292 | 1,079,296 | 2,053,026 | 3,132,322 |
| Operating income (loss) before depreciation and amortization | 181,590 | (78,923) | 102,667 | 110,555 | 30,459 | 141,014 |
| Depreciation and amortization | 70,953 | 63,898 | 134,851 | 66,992 | 39,671 | 106,663 |
| Net income from operations | 110,637 | (142,821) | (32,184) | 43,563 | (9,212) | 34,351 |
| Other income: | | | | | | |
| Interest | (74,601) | (6,528) | (81,129) | (13,878) | (11,273) | (25,151) |
| Investment in subsidiaries | 138 | 7,074 | 7,212 | 357 | 4,180 | 4,537 |
| Change in fair value of interest rate swap | - | - | - | - | (1) | (1) |
| Investment income | 14,867 | 17,036 | 31,903 | 101,180 | 39,825 | 141,005 |
| Net unrealized gains (losses) | 37,664 | 33,103 | 70,767 | (86,160) | (26,408) | (112,568) |
| Income tax (expense)/credit | - | 1,426 | 1,426 | - | (5,558) | (5,558) |
| Inherent contribution of acquired assets | - | - | - | - | 18,172 | 18,172 |
| Other | (4,153) | (5,786) | (9,939) | (1,550) | 6,900 | 5,350 |
| Excess (deficiency) of revenues over expenses before unusual items | 84,552 | (96,496) | (11,944) | 43,512 | 16,625 | 60,137 |
| Unusual Items: | | | | | | |
| Debt financed acquisition costs | - | (361) | (361) | - | - | - |
| Restructuring and severance costs | - | (307) | (307) | - | (161) | (161) |
| Total unusual items | - | (668) | (668) | - | (161) | (161) |
| Excess (deficiency) of revenues over expenses before discontinued operations | 84,552 | (97,164) | (12,612) | 43,512 | 16,464 | 59,976 |
| Loss on discontinued operations | - | (8,932) | (8,932) | - | - | - |
| Excess (deficiency) of revenues over expenses after discontinued operations | 84,552 | (106,096) | (21,544) | 43,512 | 16,464 | 59,976 |
| Contributions and other: | | | | | | |
| Net assets released from restrictions | 5,182 | (1,418) | 3,764 | 2,751 | 45 | 2,796 |
| Transfers (to) from affiliated entities | 1,616,066 | (1,616,066) | - | (1,786,388) | 1,786,388 | - |
| Other non-operating income | 4,350 | (53) | 4,369 | - | 5,539 | 5,539 |
| Increase (decrease) in unrestricted net assets | \$1,710,150 | \$(1,723,633) | \$(13,411) | \$(1,740,125) | \$1,808,436 | \$68,311 |

PROMEDICA HEALTH SYSTEM

Statement of Change in Net Assets

(Unaudited and
\$000s omitted)

| | Nine Months Ended September 30, 2019 | | | Nine Months Ended September 30, 2018 | | |
|---|--------------------------------------|---|-------------|--------------------------------------|---|-------------|
| | 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 | \$84,552 | \$(106,096) | \$(21,544) | \$43,512 | \$16,464 | \$59,976 |
| Net assets released from restrictions | 5,182 | (1,418) | 3,764 | 2,751 | 45 | 2,796 |
| Capital Contributions from (to) non-obligated group affiliates, net | 1,616,066 | (1,616,066) | - | (1,786,388) | 1,786,388 | - |
| Other | 4,350 | (53) | 4,297 | - | 5,539 | 5,539 |
| Increase (decrease) in unrestricted net assets | 1,710,150 | (1,723,633) | (13,483) | (1,740,125) | 1,808,436 | 68,311 |
| Net Assets with Donor Restrictions | | | | | | |
| Contributions | 2,107 | 12,402 | 14,509 | 2,327 | 7,423 | 9,750 |
| Investment return | - | 5,930 | 5,930 | - | 2,196 | 2,196 |
| Net assets released from restriction | (2,002) | (9,010) | (11,012) | (1,714) | (7,947) | (9,661) |
| Other | - | - | - | - | 1,564 | 1,564 |
| Increase (decrease) in permanently restricted net assets | 105 | 9,322 | 9,427 | 613 | 3,236 | 3,849 |
| Increase (decrease) in net assets | 1,710,255 | (1,714,311) | (4,056) | (1,739,512) | 1,811,672 | 72,160 |
| Net asset at beginning of period | (323,033) | 2,821,027 | 2,497,994 | 1,391,054 | 1,197,390 | 2,588,444 |
| Net asset at end of period | \$1,387,222 | \$1,106,716 | \$2,493,938 | \$(348,458) | \$3,009,062 | \$2,660,604 |

PROMEDICA HEALTH SYSTEM
Unaudited Consolidated Statements of Cash Flows
For the Period Ended September 30, 2019

(\$000s omitted)

| | Year-to-Date September 30, 2019 | Year-to-Date September 30, 2018 |
|---|------------------------------------|------------------------------------|
| Cash flows from operating activities | | |
| Increase (decrease) in net assets | \$(4,056) | \$72,160 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities | | |
| Inherent contribution | - | (21,509) |
| Depreciation and amortization | 134,851 | 106,663 |
| Provision for bad debts | 119,599 | 103,395 |
| Net assets released from restrictions | (3,764) | (2,796) |
| Change in net unrealized (gains) losses on investments | (70,767) | 112,568 |
| Realized (gains) losses on investments | (12,830) | (117,830) |
| Increase (decrease) in: | | |
| Accounts receivable | (108,658) | (101,031) |
| Supplies and other current assets | (43,234) | (850) |
| Other assets | 95,570 | (40,717) |
| Increase (decrease) in: | | |
| Accounts payable and accrued liabilities | (63,950) | (140,292) |
| Estimated third-party payor settlements | (2,171) | (15,194) |
| Net cash provided by operating activities | 40,590 | (45,433) |
| Cash flows from investing activities | | |
| Acquisition of property and equipment, net of disposals | (175,432) | (199,171) |
| Less amounts released from restrictions | 3,764 | 2,796 |
| Subtotal cash outflows for property and equipment | (171,668) | (196,375) |
| Increase (decrease) in: | | |
| Payment of business combination-net of cash acquired | - | (1,522,913) |
| Marketable securities and total assets limited as to use | 179,169 | 655,776 |
| Net cash provided (used) by investing activities | 7,501 | (1,063,512) |
| Cash flows from financing activities | | |
| Proceeds from issuance of long-term debt | - | 1,154,000 |
| Repayment of long-term debt | (154) | (3,313) |
| Repayment of capital lease liabilities | (2,084) | - |
| Net cash provided (used) by financing activities | (2,238) | 1,150,687 |
| Net increase (decrease) in cash and cash equivalents | 45,853 | 41,742 |
| Cash and cash equivalents at beginning of period | 325,496 | 294,030 |
| Cash and cash equivalents at end of period | \$371,349 | \$335,772 |



PROMEDICA HEALTHCARE OBLIGATED GROUP

Unaudited Balance Sheet

(\$000s omitted)

| | As of September 30, 2019 | As of December 31, 2018 |
|---|-----------------------------|----------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$44,912 | \$64,711 |
| Marketable securities | 6,432 | 6,394 |
| Accounts receivable, net | 237,986 | 228,746 |
| Inventories | 20,494 | 21,016 |
| Other current assets | 103,629 | 108,155 |
| TOTAL CURRENT ASSETS | 413,453 | 429,022 |
| ASSETS WHOSE USE IS LIMITED | | |
| Restricted funds | 2,648 | 2,543 |
| Bond indenture agreement funds | 21,091 | 62,278 |
| Internally designated for capital acquisition | 592,033 | 585,430 |
| Other segregated investments | 104,884 | 40,348 |
| TOTAL ASSETS WHOSE USE IS LIMITED | 720,656 | 690,599 |
| Property, plant and equipment, net | 1,201,136 | 1,149,416 |
| OTHER ASSETS | | |
| Goodwill | 1,054,868 | 18,240 |
| Operating lease right of use asset | 11,869 | - |
| Other intangible assets | 59,525 | 1,546 |
| Investments in affiliated companies | 511,931 | 5,634 |
| Other assets | 89,190 | 582 |
| TOTAL OTHER ASSETS | 1,727,383 | 26,002 |
| TOTAL ASSETS | \$4,062,628 | \$2,295,039 |



As of
September 30, 2019

As of
December 31, 2018

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | | |
|---|----------------|----------------|
| Accounts payable and accrued liabilities | \$98,176 | \$92,603 |
| Accrued compensation and benefits | 44,333 | 54,359 |
| Current installments of long-term debt | 18,149 | 18,148 |
| Contingent current installments of long-term debt | 432,243 | 432,065 |
| Current installments of operating leases | 4,591 | - |
| Current installments of capital leases | 1,436 | 2,133 |
| Estimated third-party payor settlements | 25,839 | 27,623 |
| Professional liability and workers' compensation | 180 | - |
| Accrued post-retirement health care benefits | 122 | 122 |
| Other | 146,873 | 93,843 |
| TOTAL CURRENT LIABILITIES | 771,942 | 720,896 |

OTHER LIABILITIES

| | | |
|---|---------------|---------------|
| Deferred compensation | 4,034 | 4,034 |
| Pension | 228 | 292 |
| Accrued post-retirement health care benefits, less current portion | 570 | 724 |
| Operating lease liabilities | 7,278 | - |
| Capital lease liabilities | 4,882 | 5,903 |
| Other | 18,725 | 18,840 |
| TOTAL OTHER LIABILITIES | 35,717 | 29,793 |

| | | |
|---|------------------|------------------|
| Long-term debt, net of current installments | 1,867,747 | 1,867,383 |
| TOTAL LIABILITIES | 2,675,406 | 2,618,072 |

NET ASSETS

| | | |
|---------------------------------------|------------------|------------------|
| Net assets without donor restrictions | 1,384,574 | (325,576) |
| Net assets with donor restrictions | 2,648 | 2,543 |
| TOTAL NET ASSETS | 1,387,222 | (323,033) |

| | | |
|---|--------------------|--------------------|
| TOTAL LIABILITIES AND NET ASSETS | \$4,062,628 | \$2,295,039 |
|---|--------------------|--------------------|

PROMEDICA HEALTHCARE OBLIGATED GROUP

Statement of Operations

(Unaudited and \$000s omitted)

| | Nine Months Ended | |
|---|--------------------|----------------------|
| | September 30, 2019 | September 30, 2018 |
| Unrestricted revenues, gains, and other support: | | |
| Net patient service revenue less bad debts | \$1,204,927 | \$1,164,749 |
| Net assets released | 7,793 | 6,169 |
| Other | 48,151 | 18,933 |
| Total revenues, gains, and other support | 1,260,871 | 1,189,851 |
| Expenses: | | |
| Salaries, wages, and employee benefits | 420,870 | 427,760 |
| Food | 5,140 | 4,996 |
| Drugs | 95,126 | 91,099 |
| Utilities | 13,366 | 13,561 |
| Contracted fees | 112,594 | 107,878 |
| Insurance | 7,803 | 8,887 |
| Supplies | 121,519 | 133,418 |
| Other | 302,863 | 291,697 |
| Total expenses | 1,079,281 | 1,079,296 |
| Operating income before depreciation and amortization | 181,590 | 110,555 |
| Depreciation and amortization | 70,953 | 66,992 |
| Net income from operations | 110,637 | 43,563 |
| Other income: | | |
| Interest | (74,601) | (13,878) |
| Investment in subsidiaries | 138 | 357 |
| Change in fair value of interest rate swap | - | - |
| Investment Income | 14,867 | 101,180 |
| Net unrealized gains (losses) | 37,664 | (86,160) |
| Other | (4,153) | (1,550) |
| Excess (deficiency) of revenues over expenses | 84,552 | 43,512 |
| Contributions and other | | |
| Net assets released from restrictions | 5,182 | 2,751 |
| Transfers to affiliated entities | 1,616,066 | (1,786,388) |
| Other non-operating income | 4,350 | - |
| Increase (decrease) in unrestricted net assets | \$1,710,150 | \$(1,740,125) |

PROMEDICA HEALTHCARE OBLIGATED GROUP

Statement of Changes in Net Assets for the Nine months ended September 30, 2019

(Unaudited and \$000s omitted)

| | Nine Months Ended | |
|---|--------------------|--------------------|
| | September 30, 2019 | September 30, 2018 |
| Net Assets without Donor Restrictions | | |
| Excess of revenues over expenses | \$84,552 | \$43,512 |
| Net assets released from restrictions | 5,182 | 2,751 |
| Capital contributions from (to) non-obligated group affiliates, net | 1,616,066 | (1,786,388) |
| Other | 4,350 | - |
| Increase (decrease) in unrestricted net assets | 1,710,150 | (1,740,125) |
| Net Assets with Donor Restrictions | | |
| Contributions | 2,107 | 2,327 |
| Investment return | - | - |
| Net assets released from restriction | (2,002) | (1,714) |
| Increase (decrease) in temporarily restricted net assets | 105 | 613 |
| Increase (decrease) in net assets | 1,710,255 | (1,739,512) |
| Net asset at beginning of period | (323,033) | 1,391,054 |
| Net asset at end of period | \$1,387,222 | \$(348,458) |

PROMEDICA HEALTHCARE OBLIGATED GROUP
Unaudited Consolidated Statements of Cash Flows- Obligated Group
For the Period Ended September 30, 2019
(\$000s omitted)

| | Year-to-Date September 30, 2019 | Year-to-Date September 30, 2018 |
|---|------------------------------------|------------------------------------|
| Cash flows from operating activities | | |
| Increase (decrease) in net assets | \$(16,361) | \$(1,739,512) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 70,953 | 66,992 |
| Provision for bad debts | 81,749 | 76,821 |
| Net assets released from restrictions | (5,182) | (2,751) |
| Change in net unrealized (gains) losses on investments | (37,664) | 86,160 |
| Realized (gains) losses on investments | (5,769) | (88,376) |
| Increase (decrease) in, net of acquisition: | | |
| Accounts receivable | (90,989) | (51,588) |
| Supplies and other current assets | 6,972 | (1,085) |
| Other assets | 44,462 | 903 |
| Increase (decrease) in, net of acquisition: | | |
| Accounts payable and accrued liabilities | 37,289 | (31,494) |
| Estimated third-party payor settlements | (1,784) | (10,848) |
| Net cash used by operating activities | 83,676 | (1,694,778) |
| Cash flows from investing activities | | |
| Acquisition of property and equipment, net of disposals | (121,517) | (161,958) |
| Less amounts released from restrictions | 5,182 | 2,751 |
| Subtotal cash outflows for property and equipment | (116,335) | (159,207) |
| (Increase) decrease in: | | |
| Marketable securities and total assets limited as to use | 13,338 | 609,174 |
| Net cash provided by investing activities | (102,997) | 449,967 |
| Cash flows from financing activities | | |
| Proceeds from issuance of long-term deb | - | 1,150,000 |
| Repayment of long-term debt | 543 | (1,788) |
| Repayment of capital lease liabilities | (1,021) | - |
| Net cash used by financing activities | (478) | 1,148,212 |
| Net increase decrease in cash and cash equivalents | (19,799) | (96,599) |
| Cash and cash equivalents at beginning of period | 64,711 | 137,916 |
| Cash and cash equivalents at end of period | \$44,912 | \$41,317 |

DEBT COVENANT CALCULATIONS

ProMedica Health Care Obligated Group

(\$000s omitted)

| Debt Service Coverage Ratio | |
|--|-------------|
| September 30, 2019 | |
| Excess of revenue over expenses | \$96,778 |
| ADJUSTED BY: | |
| Provision for depreciation and amortization | 93,312 |
| Interest | 80,698 |
| Transfers pursuant to contribution agreement | 73,605 |
| Loss on extinguishment of debt | - |
| Loss (gain) on sale of equipment | 800 |
| Capitalized Interest | 9,842 |
| Unrealized (gain) losses on investments | 3,059 |
| Net income available for debt service | \$358,094 |
| Actual principal and interest | \$158,019 |
| Debt Service Coverage Ratio | 2.30 |
| Requirement | 1.10 |

ProMedica Health System

(\$000s omitted)

| Days Cash on Hand | |
|--|-------------|
| September 30, 2019 | |
| Cash and cash equivalents | \$371,349 |
| Marketable securities | 178,389 |
| Unrestricted long-term investments | 920,756 |
| Total unrestricted cash and investments | \$1,470,494 |
| Total expenses (excluding depreciation and amortization) | \$6,595,015 |
| Days Cash on Hand | 81.4 |
| Requirement - Greater than | 45 |

SUPPLEMENTAL SCHEDULE

**PROMEDICA
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES
BY BUSINESS LINE**

Nine Months Ending September 30, 2019

(in thousands of dollars)

| | POST ACUTE | | PROVIDERS | | INSURANCE CORPORATION | | OTHER | | PROMEDICA HEALTH SYSTEM CONSOLIDATED | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------------------|--------------------------|
| | 9 Months Ended 9/30/2019 | 9 Months Ended 9/30/2018 | 9 Months Ended 9/30/2019 | 9 Months Ended 9/30/2018 | 9 Months Ended 9/30/2019 | 9 Months Ended 9/30/2018 | 9 Months Ended 9/30/2019 | 9 Months Ended 9/30/2018 | 9 Months Ended 9/30/2019 | 9 Months Ended 9/30/2018 |
| REVENUE | | | | | | | | | | |
| Net Patient Service Revenue | \$2,305,416 | \$680,569 | \$1,508,765 | \$1,409,959 | \$0 | \$0 | (\$226,217) | (\$227,508) | \$3,587,964 | \$1,863,020 |
| Membership Revenue | 0 | 0 | 0 | 0 | 1,418,195 | 1,328,920 | (4,373) | (4,222) | \$1,413,822 | \$1,324,698 |
| Net Asset Released for use in Operations | 63 | 76 | 7,801 | 6,337 | 0 | 0 | (653) | 1,970 | \$7,211 | \$8,383 |
| Other Revenue | 23,963 | 5,109 | 49,611 | 32,483 | 4,031 | 4,151 | 3,357 | 35,469 | \$80,962 | \$77,212 |
| TOTAL REVENUE | 2,329,442 | 685,754 | 1,566,177 | 1,448,779 | 1,422,226 | 1,333,071 | (227,886) | (194,291) | \$5,089,959 | 3,273,313 |
| EXPENSES | | | | | | | | | | |
| Payroll & Benefits | 1,391,416 | 425,527 | 711,732 | 693,196 | 44,276 | 45,254 | 82,789 | 83,857 | 2,230,213 | 1,247,834 |
| Food | 32,210 | 10,418 | 5,102 | 4,878 | 0 | 1 | 264 | 266 | 37,576 | 15,563 |
| Drugs | 76,731 | 23,215 | 141,133 | 131,427 | 0 | 0 | (18) | (22) | 217,846 | 154,620 |
| Utilities | 50,931 | 15,631 | 15,078 | 14,553 | 189 | 216 | 6,462 | 5,644 | 72,660 | 36,044 |
| Contracted Fees | 184,122 | 53,659 | 150,683 | 131,348 | 51,805 | 38,413 | 69,305 | 63,559 | 455,915 | 286,979 |
| Insurance | 49,970 | 11,197 | 14,741 | 15,287 | 5 | 17 | (905) | (1,553) | 63,811 | 24,948 |
| General Supplies | 63,348 | 25,116 | 147,733 | 147,290 | 469 | 1,119 | 98 | 315 | 211,648 | 173,840 |
| Medical Expenses | 0 | 0 | 0 | 0 | 1,316,044 | 1,108,776 | (178,817) | (188,985) | 1,137,227 | 919,791 |
| Other Expenses | 400,041 | 118,170 | 291,044 | 269,191 | 101,936 | 108,649 | (232,625) | (223,312) | 560,396 | 272,698 |
| TOTAL EXPENSES | 2,248,769 | 682,933 | 1,477,246 | 1,407,170 | 1,514,724 | 1,302,445 | (253,447) | (260,231) | 4,987,292 | 3,132,317 |
| CASH FLOW FROM OPERATIONS | 80,673 | 2,821 | 88,931 | 41,609 | (92,498) | 30,626 | 25,561 | 65,940 | 102,667 | 140,996 |
| Depreciation & Amortization | 23,129 | 5,209 | 73,784 | 71,163 | 10,343 | 3,817 | 27,595 | 26,474 | 134,851 | 106,663 |
| OPERATING INCOME (LOSS) | 57,544 | (2,388) | 15,147 | (29,554) | (102,841) | 26,809 | (2,034) | 39,466 | (32,184) | 34,333 |
| OTHER INCOME (LOSS) | | | | | | | | | | |
| Interest | (52,433) | (484) | (23,976) | (14,004) | 0 | (3) | (4,720) | (10,660) | (81,129) | (25,151) |
| Investment in Subsidiaries | 3,057 | 1,231 | 3,079 | 1,895 | 0 | 0 | 1,076 | 1,411 | 7,212 | 4,537 |
| Change in Fair Value of Interest Rate Swap | 0 | 0 | 0 | (1) | 0 | 0 | 0 | 0 | 0 | (1) |
| Investment Income | 2,077 | 1,697 | 13,052 | 100,121 | 10,949 | 5,072 | 5,825 | 34,626 | 31,903 | 141,516 |
| Net Unrealized Gains & Losses | 1,992 | (614) | 37,068 | (85,974) | 8,572 | (1,365) | 23,135 | (25,127) | 70,767 | (113,080) |
| Income Tax (Expense)/Credit | 3,855 | 76 | 0 | 5 | (2,429) | (5,614) | 0 | (25) | 1,426 | (5,558) |
| Inherent Contribution of Acquired Assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 18,172 | 0 | 18,172 |
| Loss on Extinguishment of Debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | (188) | 12,821 | (4,161) | (1,388) | 0 | 0 | (5,590) | (3,303) | (9,939) | 8,130 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE UNUSUAL ITEMS | 15,904 | 12,339 | 40,209 | (28,900) | (85,749) | 24,899 | 17,692 | 54,560 | (11,944) | 62,898 |
| Debt Financed Acquisition costs | 0 | 0 | 0 | 0 | 0 | 0 | (361) | (2,769) | (361) | (2,769) |
| Restructuring and Severance Costs | 0 | 0 | 0 | 0 | 0 | 0 | (307) | (161) | (307) | (161) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE DISCONTINUED OPERATIONS | 15,904 | 12,339 | 40,209 | (28,900) | (85,749) | 24,899 | 17,024 | 51,630 | (12,612) | 59,968 |
| Loss on discontinued operations | (8,932) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (8,932) | 0 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES AFTER DISCONTINUED OPERATIONS | 6,972 | 12,339 | 40,209 | (28,900) | (85,749) | 24,899 | 17,024 | 51,630 | (21,544) | 59,968 |
| Net Assets Released From Restrictions | 0 | 22 | 5,271 | 2,751 | 0 | 0 | (1,507) | 38 | 3,764 | 2,811 |
| Transfers Between Entities | 15,393 | (4,690) | (1,339) | (1,679,717) | 0 | 0 | (14,054) | 1,684,407 | 0 | 0 |
| Other Non-Operating Income | 0 | 0 | 3,273 | (631) | 159 | 0 | 937 | 6,163 | 4,369 | 5,532 |
| Cumulative Effect of Change in Accounting Principles | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL NON-OPERATING INCOME (LOSS) | 15,393 | (4,668) | 7,205 | (1,677,597) | 159 | 0 | (14,624) | 1,690,608 | 8,133 | 8,343 |
| INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS | \$22,365 | \$7,671 | \$47,414 | (\$1,706,497) | (\$85,590) | \$24,899 | \$2,400 | \$1,742,238 | (\$13,411) | \$68,311 |