



For the Period Ended December 31, 2019
Unaudited Quarterly Disclosure

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Quarterly Disclosure Report for December 31, 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 year ended December 31, 2019. The analysis should be read in conjunction with ProMedica Health System and ProMedica Healthcare Obligated Group’s financial statements for the years ended December 31, 2019 and December 31, 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 year ended December 31, 2019.

Bond Cusips

Bond Series	CUSIP		
2011A		2015A	
	549310UD0		889184AA5
	549310UE8		
2011D		2015B	
	549310UV0	549310VG2	549310VIL1
	549310UW8	549310VY3	
	549310UX6	549310VH0	2018A
	549310VV9	549310WA4	549310WD8
	549310VE7	549310WB2	549310WE6
	549310VW7	549310VZ0	
	549310VF4	549310VD9	2018B
			889184AC1
2011E			889184AD9
	52601PBN7		889184AE7
	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, senior care, and academic business lines. The organization has more than 55,000 employees, 12 owned hospitals plus 1 joint venture hospital, 2,500+ physicians and advanced practice providers with privileges, 960+ healthcare providers employed by ProMedica Physicians, a health plan, and over 400 post-acute and senior care 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.

Learning – We continuously pursue knowledge and education to enhance our organizational and personal capabilities.

Who ProMedica is

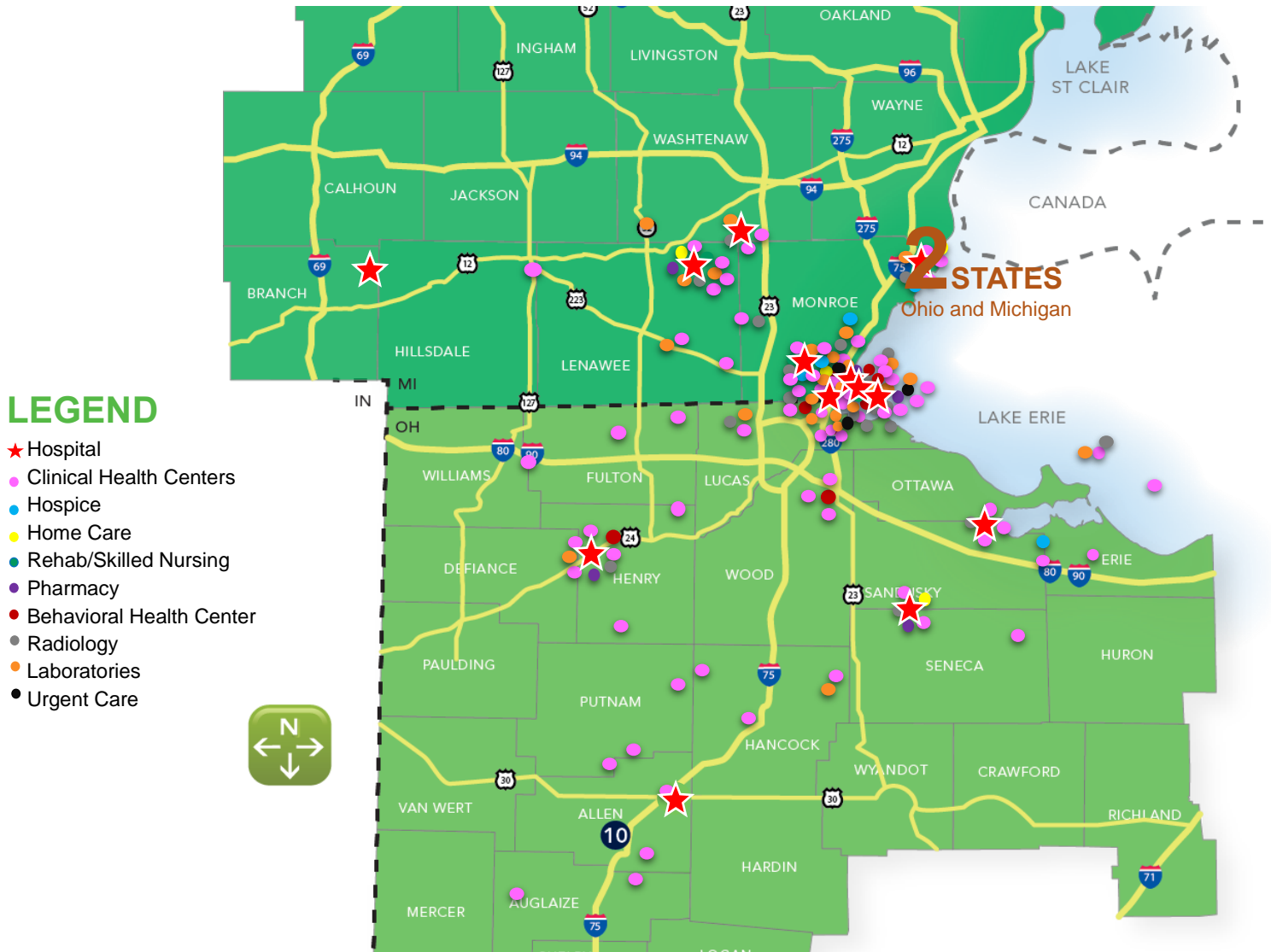
Proven Integrated Delivery System – now with a leading Senior Care Division

	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)	2,500+
Paramount Health Members	306,000
Paramount Dental Members	273,000



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: Insurance products for employers, families and individuals across six states

For more than 30 years, Paramount, a wholly owned subsidiary of ProMedica, has provided trusted, high quality insurance options for its members. Headquartered in Maumee, Ohio, today, Paramount's insurance products cover approximately 579,000 unique members in Indiana, Kentucky, Michigan, Ohio, Pennsylvania and West Virginia. Key product lines include medical, dental, vision and workers' compensation insurance products for employers of any size; Health Insurance Marketplace plans for individuals and families; Medicaid managed care plans for low-income residents of Ohio; and Medicare Advantage plans for adults 65 or older.



Community Benefit

ProMedica is a not-for-profit, Mission based organization working to create a stronger, more cohesive approach to delivering care at the right place, the right time, and the right cost.

In 2018, ProMedica contributed \$266.4 million in community benefit through community benefit expenditures, financial assistance and government-sponsored, means-tested health care (income and capital “means” are below specified limits). These numbers not only indicate ProMedica’s long-standing commitment to the community, but also fulfill 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 more than 300 local nonprofit agencies and organizations in 2018.

2019 Awards and Accreditations

- *Becker’s 100 Great Community Hospitals – ProMedica Flower Hospital*
- *Modern Healthcare 100 Most Influential People in Healthcare – Randy Oostra, ProMedica President and CEO*
- *Becker’s 40+ Hospitals and Health Systems with Innovations Programs*
- *Becker’s 100 Hospitals and Health Systems with Great Neurosurgery and Spine Programs - 2019*
- *Becker’s 150 Top Places to Work in Healthcare 2019*
- *Becker’s 130 ACOs to Know - 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 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 ProMedica Toledo Hospital

- 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
- Paramount
 - 2019 Consumer Assessment of Healthcare Providers and Systems (CAHPS) Health Plan Measures for Member Experience
 - Paramount Elite Medicare Advantage: Rating of health plan, 93.52% (75th national percentile ranking)
 - Paramount Commercial: Rating of health plan, 72.20%; improving by 14.03% from 2018 (74th national percentile ranking)
 - Paramount Advantage Medicaid – Adults: Rating of health plan, 80.52% (75th national percentile ranking)
 - Paramount Advantage Medicaid – Children: Rating of health plan, 87.74% (90th national percentile ranking)
 - 2019 Centers for Medicare Services (CMS) Quality Rating System for Medicare Advantage plans, 4.1 out of 5.0 stars
 - 2019 and 2020 National Committee for Quality Assurance (NCQA), top-rated Medicaid managed care plan in Ohio, earning 4.0 out 5.0 stars
 - 2019 Ohio Medicaid Managed Care Plans Report Card
 - Tied with one other Ohio Medicaid plan in highest overall scores
 - Earned 5 out 5 stars for women's health for the second year in a row

- 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
 - *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

- Skilled Nursing Facility Division (ManorCare and Heartland):
 - 92% of facilities were 3 star or better in CMS Five Star quality measures (Q4, 19)
 - 70% of facilities were 4 or 5 star in CMS Five Star quality measures (Q4, 19)
 - 64% of facilities are 3 star or better CMS Five Star overall (Q4, 19)
 - 63 skilled nursing and rehabilitation centers were named Best Nursing Homes or Best Nursing Homes – Short-Stay Rehabilitation 2019 – 20 by U.S. News & World Report.
 - Ohio skilled nursing centers earned the opportunities for Ohioans with Disabilities (OOD) employer Partners of Including Gold Award for 2019.

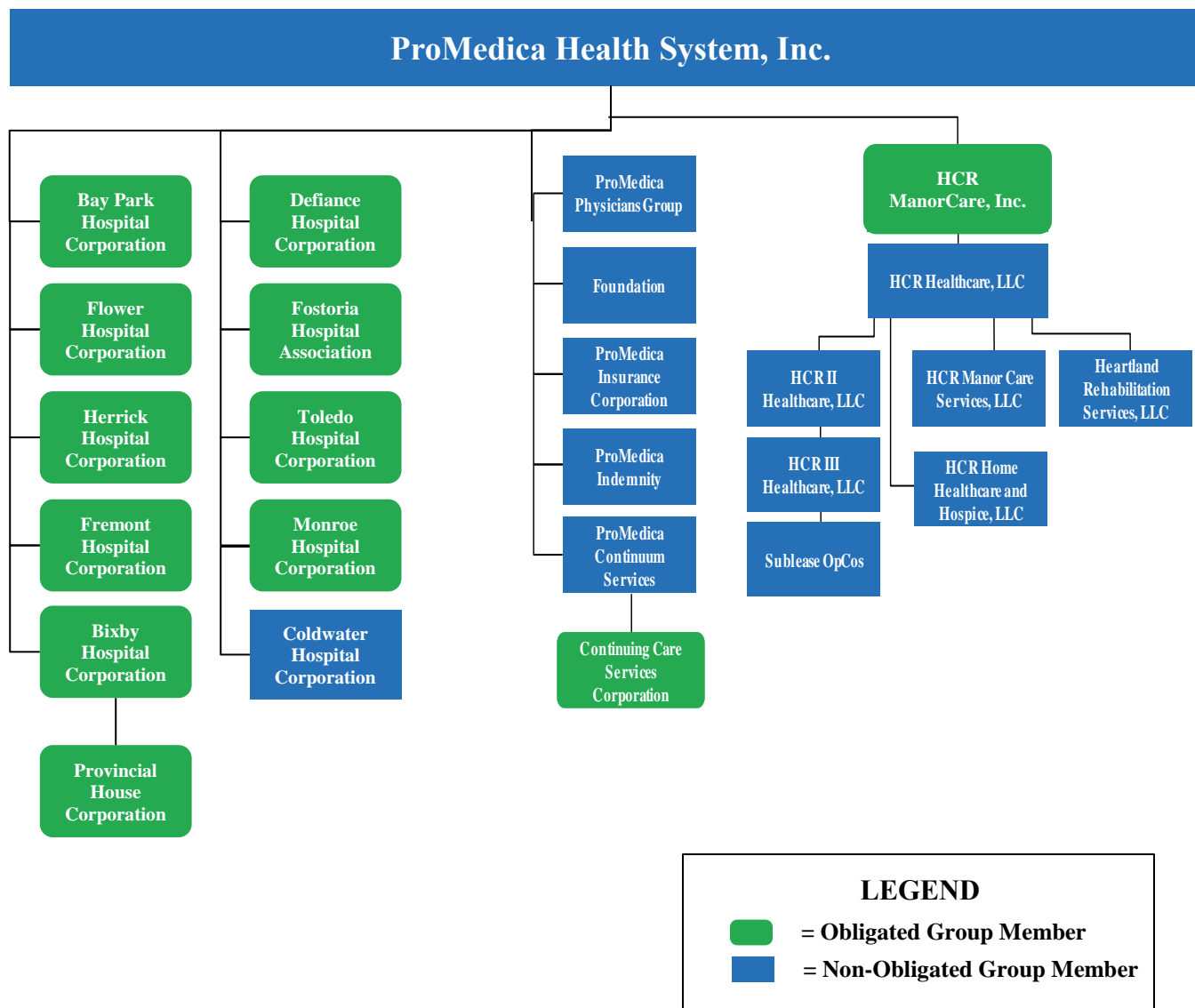
- Assisted Living Division (Arden Courts memory care communities):
 - 92% of families would recommend us to others
 - 92% of families are satisfied

- Home Health and Hospice Division (Heartland):
 - 84% of families will recommend Heartland Hospice
 - 84% 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

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.



LEGEND

■ = Obligated Group Member

■ = Non-Obligated Group Member

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



ProMedica Obligated Group Members

ProMedica's Obligated Group facilities operate solely within the ambulatory, acute and continuum care business lines. It is comprised of 11 acute care facilities (1,725 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 December 31, 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 ProMedica Toledo Hospital)
- Sylvania, Ohio
- Licensed Beds: 315
- Year Affiliated: 1996



- ProMedica Toledo Children's Hospital
(a division of ProMedica 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 ProMedica 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	

*259,207 Home Health Visits in 2019

HCR ManorCare

HCR ManorCare, the senior care 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 37,000 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

With more than 30 years of experience in managing risk and population health, Paramount is key to the integrated delivery system of ProMedica and its growth. Paramount is a wholly owned subsidiary.



Headquartered in Maumee, Ohio, Paramount provides trusted, high quality insurance options for its members. Today, its insurance products cover approximately 579,000 unique members in six states including: Indiana, Kentucky, Michigan, Ohio, Pennsylvania and West Virginia. Key product lines include:

- **Medical:** Paramount - Established in 1988, Paramount offers health insurance products for employers of any size in northwest Ohio and southeast Michigan. It serves more than 72,000 members.
- **Medicaid:** Paramount Advantage - Established in 1993, Paramount Medicaid provides approximately 215,000 low-income residents across Ohio with managed care plans. Members include families and children; adult and pediatric aged, blind and disabled; and adult expansion members.
- **Medicare:** Paramount Elite - Established in 1994, Paramount Medicare offers adults 65 and older a wide range of Medicare plan options for any budget or health need. Its 16,000+ members live in 25 counties in Ohio and southeast Michigan.
- **Workers' Compensation:** Paramount, through PPS, HMS and its other subsidiaries, has assisted employers with vocational rehabilitation, life-care planning, absence management, and managed care and third-party administration for workers' comp since 1997. Today, Paramount works with more than 23,000 employers in Michigan, Ohio, Pennsylvania and West Virginia.
- **Health Insurance Marketplace:** Individuals and families can purchase their own health insurance directly from Paramount. Paramount joined the marketplace in 2015 and has 2,600+ members.
- **Dental:** Paramount Dental – formerly Dental Health Options by Health Resources, Inc. (HRI) – provides dental plans for Paramount Medicare members and employer groups purchasing for their employees. It has approximately 273,000 members in Indiana, Kentucky, Michigan and Ohio.

As of December 31, 2019, there were approximately 306,000 members included in the various health plans and services offered by Paramount and its subsidiaries, with the largest segment in Medicaid, Paramount Advantage. The overall health plan mix of Paramount product offerings is approximately 75% enrollment in government sector products as of December 31, 2019.

ProMedica Physician Group

ProMedica Physician Group, Inc. and its subsidiary limited liability companies (collectively, “PPG”) is a comprehensive provider network consisting of 999 employed providers, including 525 primary care and specialty physicians, as well as 474 advanced practice providers. PPG handled approximately 2 million patient encounters through December of 2019. An additional 131 providers were recruited in 2019 as part of ProMedica’s continued focus on expanding patient access within its provider network.

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

ProMedica Continuum Services

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

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.

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	23	42
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	24	37
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	6	6

* Includes years with HCR ManorCare

Governance

ProMedica has 341 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

RECENT SIGNIFICANT DEVELOPMENTS

Recent Significant Developments

All **ProMedica Urgent Care** facilities earned accreditation through the Urgent Care Association (UCA). This is the highest honor for urgent care centers, and it makes us the only urgent care organization in northwest Ohio to receive the recognition. The accreditation means that all facilities have met all UCA guidelines and criteria for patient safety, care, and scope of services.

ProMedica Flower Hospital opened its new cardiac catheterization lab on the ground floor of the hospital, adjacent to the radiology lab, for patients needing a diagnostic cardiac cath. The procedure is used to help determine how well a patient's heart is working and if further treatment is needed. The new Cath lab includes state of the art equipment and features the same, experienced cardiac team from ProMedica Toledo Hospital.

ProMedica Fostoria Community Hospital achieved 1000 days without a patient serious safety event. We have learned that the key elements of a culture of safety include: (1) a shared belief that although health care is a high-risk undertaking, delivery processes can be designed to prevent failures and harm to participants; (2) an organizational commitment to detecting and analyzing patient injuries and near misses; and (3) an environment that supports a Just Culture.

Paramount introduced myNavigator to ProMedica employees. MyNavigator provides concierge-like guidance and simplifies the healthcare process to ensure that ProMedica employees and their dependents get the most out of their Paramount medical and prescription drug benefits, while also managing healthcare costs. The service will be evaluated as a future product offering for employers.


In November, **Paramount** launched a new product offering for Michigan employers. Using the health plan's point-of-service platform, Paramount partnered with the Employers' Association (EA) to create specialized plans that leverage the EA's robust wellness program to incentivize employers and employees in Michigan.

Arden Courts Memory Care celebrated 25 years of Dementia Care. Arden Courts' 25 years of service includes caring for more than 43,500 residents. Through the years, Arden Courts has improved and transformed the way it delivers care, including how the community is designed to better meet the changing needs of the resident population.

ProMedica Defiance Regional Hospital staff joined teachers at Tinora High School to help educate students about career choices. Five staff members from various departments in the hospital made presentations to the career technology class and gave students an inside look at what the day-to-day job roles include.

Paramount Elite Medicare Advantage expanded its service area for the 2020 Annual Election Period (Oct. 15 - Dec. 7, 2019). It added four counties in the Dayton, Ohio, area, bringing the number of counties that the plan serves to 25 across Ohio and southeast Michigan. Paramount offered a total of five plans for the 2020 Annual Election Period, including two new plans.

Key to Paramount Medicare new product development, **Paramount Dental** – formerly Dental Health Options by Health Resources, Inc. (HRI) – embedded a \$0-copay preventive care option and a comprehensive dental option in all five of Paramount Medicare Advantage's medical and drug plans. For ProMedica employees, **Paramount Dental** – formerly Dental Health Options by Health Resources, Inc. (HRI) – became the sole dental insurance option for ProMedica employees living in the northwest Ohio and southeast Michigan service area.



ProMedica announced the creation of the ProMedica Ebeid Nerve Center and its partnership with Socially Determined, a health care data analytics company. By integrating ProMedica's clinical excellence and deep data structures with Socially Determined's powerful analytic capabilities, the Ebeid Data Nerve Center will focus on the needs of specific patient cohorts that could benefit from standardized interventions designed to improve health care outcomes.

ProMedica earned a spot on the Becker's list of 130 Accountable Care Organizations (ACOs) to know in 2019. ACOs are groups of doctors, hospitals and other healthcare providers who all have joined forces to provide superior care to Medicare patients. ProMedica earned a spot for our efforts in contracting opportunities for providers and distributing contract offers.

Paramount Advantage Medicaid earned a rating of 4.0 out of 5.0 in the National Committee for Quality Assurance's (NCQA) Medicaid Health Insurance Plan Ratings 2019-2020. This makes Paramount Advantage the top-rated Medicaid plan in Ohio.

ProMedica Innovations was recognized as one of Becker's 40 Hospitals and Health Systems with Innovation Programs. To date, ProMedica Innovations has created 70-plus new jobs regionally, attracted \$50 million in venture capital, created four companies, provided ongoing resources to more than eight companies, and issued/applied for 30 patents.

63 **HCR ManorCare** centers were named *Best Nursing Homes – Short-Term Rehabilitation 2019-20* by U.S. News & World Report, the global authority in health care rankings. U.S. News evaluated more than 15,000 homes nationwide, in every state and nearly 100 major metropolitan areas. HCR ManorCare also had three centers that were named *Best Nursing Homes – Long-Term Care 2019-20*. The rating includes data on staffing, success in preventing ER visits, and pneumonia vaccination rates, among other metrics. HCR ManorCare also had 23 Centers on Newsweek's Best Nursing Homes list for 2020.

Paramount Advantage Medicaid introduced a new program to improve the healthy development of babies in Ohio. Cradle to Crib incentivizes families to ensure their child has at least six baby well-visits before turning 15 months old.

ProMedica Flower Hospital opened a new cardiac catheterization lab for patients needing a diagnostic cardiac cath. The procedure is used to help determine how well a patient's heart is working and if further treatment is needed.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Performance

ProMedica's operating performance for the year ended December 31, 2019 fell short of the performance for 2018 by nearly \$41.2 million. The ProMedica Insurance Corporation contributed an operating loss of \$76.3 million for 2019 compared to operating income of \$7.4 million for 2018, primarily related to operating challenges within the Paramount Advantage (Medicaid) product line.

Income Statement

(Detailed Financial Statements are presented in the Appendix)

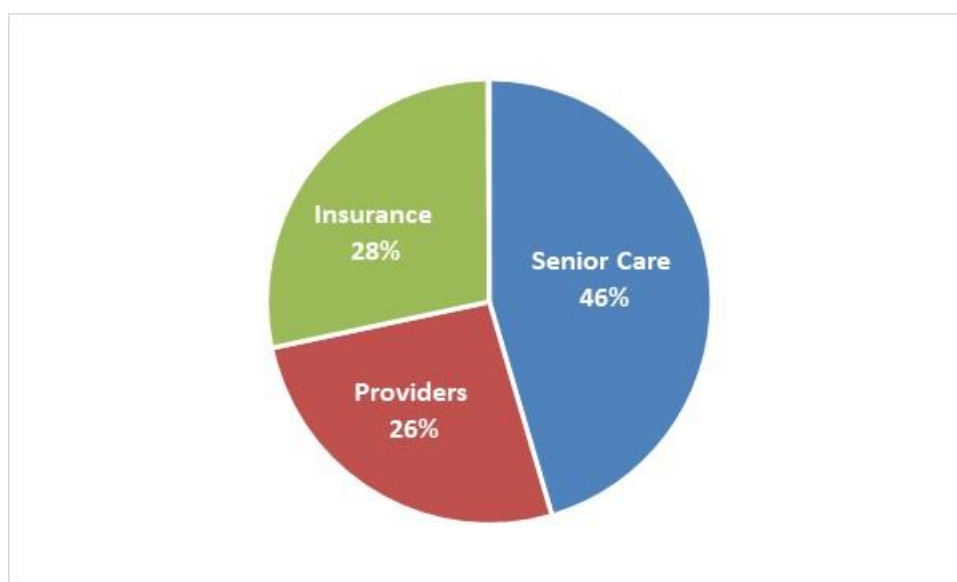
(\$ in thousands)	ProMedica Health System Year Ended December 31		Obligated Group Year Ended December 31	
	2019	2018	2019	2018
Revenues				
Net patient service revenue	\$4,801,171	\$2,991,905	\$1,611,317	\$1,557,630
Member revenue	1,933,569	1,802,508	-	-
Other	123,331	136,659	74,316	39,004
Total operating revenue	6,858,071	4,931,072	1,685,633	1,596,634
Expenses				
Salaries and benefits	2,974,308	1,949,787	566,367	570,679
Supplies	288,300	241,227	166,217	173,379
Contracted fees	620,481	429,467	156,108	150,891
Other	2,777,576	2,117,606	568,526	517,572
Total operating expenses	6,660,665	4,738,087	1,457,218	1,412,521
Operating income before depreciation and amortization	197,406	192,985	228,415	184,113
Depreciation and amortization and impairment	195,296	149,690	103,659	89,412
Net income from operations	2,110	43,295	124,756	94,701
Other income (loss)	50,153	(79,529)	(24,996)	(38,963)
Excess (deficiency) of revenue over expenses before unusual items	52,263	(36,234)	99,760	55,738
Unusual items – restructuring and severance costs	(1,294)	(30,237)	-	-
Excess (deficiency) of revenue over expenses	\$50,969	(\$66,471)	\$99,760	\$55,738

Total operating revenue increased by \$1.9 billion, or 39%, compared with 2018 primarily related to the addition of HCR ManorCare to the ProMedica Health System in July 2018. A full year of revenues in 2019 compared with only five months in 2018, contributed an additional \$1.7 billion to the System. Provider patient revenues also increased by \$119 million. An increase of \$173 million in medical expenses outpaced increased premium revenue of \$131 million due to an unfavorable medical loss ratio. Total operating expenses increased by \$1.9 billion, with nearly \$1.6 billion related to seven additional months of HCR ManorCare expenses in 2019 compared with 2018.

The losses in the insurance division were primarily attributable to the Paramount Advantage (Medicaid) product line. The Ohio Department of Medicaid (ODM) recognized and provided relief of \$66.7 million in December 2019 related to a structural rate issue identified in collaboration with management for Paramount Advantage. After months of study and close collaboration with the ODM, management announced the decision to withdraw from the Central/Southeast region of the Ohio Medicaid Managed Care Program, effective in early January 2020. Nearly 31,000 Medicaid members will be transferred to one of the other four Medicaid managed care plans in the state of Ohio. An impairment charge of \$12.4 million related to an acquired health plan tradename also contributed to 2019 operating performance. Senior Care division operating income of \$73.9 million for the year and an increase in Provider operating income of \$2.9 million over 2018 helped to offset insurance division losses for the year.

Sources of Revenue

For the year ended December 31, 2019, the Senior Care division accounted for approximately 46% of System operating revenue with the Insurance and Provider divisions accounting for 28% and 26%, respectively.



Uncompensated Care

The shift in bad debt and charity care, as a percentage of operating revenue from 2018 to 2019, primarily related to the addition of a full year of HCR ManorCare operations. Total operating revenue increased by \$1.9 billion, or 39%, during 2019.

ProMedica Health System

(\$ in thousands)	Year Ended December 31,	
	2019	2018
Charity care	\$57,263	\$61,340
Bad debt	165,034	154,581
Total uncompensated care	\$222,297	\$215,921
% of Total operating revenue	3.2%	4.4%

Payor Mix

	Providers	
	December 31,	
	2019	2018
Medicare ⁽¹⁾	45.2%	44.5%
Medicaid ⁽¹⁾	19.7%	20.0%
Other	31.7%	32.3%
Self-Pay	3.4%	3.2%

⁽¹⁾ Includes Medicare and Medicaid HMOs.

⁽²⁾ Refer to page 23 for HCR ManorCare payor mix information.

Non-Operating Income

Total investment income for the year ended December 31, 2019 was \$194.7 million greater than the prior year. Interest expense increased by \$61.6 million between measurement periods related to the issuance of Series 2018A and 2018B Bonds.

Balance Sheet

(Detailed Financial Statements are presented in the Appendix)

(\$ in thousands)	ProMedica Health System		Obligated Group	
	As of		As of	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Assets				
*Unrestricted cash & investments	\$1,585,476	\$1,476,036	\$772,035	\$691,914
Accounts receivable, net	617,348	642,307	229,397	228,746
Other current assets	236,316	227,855	222,530	129,171
Property, plant and equipment, net	1,670,721	1,608,895	1,206,694	1,149,416
Other assets	4,382,122	2,377,034	1,731,107	95,792
Total assets	8,491,983	6,332,127	4,161,763	2,295,039
Liabilities & Net Assets				
Current liabilities	1,604,765	1,485,285	858,968	720,897
Long-term debt	1,868,563	1,876,952	1,860,054	1,867,383
Other liabilities	2,424,674	471,896	36,098	29,793
Net assets	2,593,981	2,497,994	1,406,643	(323,034)
Total liabilities & net assets	\$8,491,983	\$6,332,127	\$4,161,763	\$2,295,039

*Includes unrestricted foundation cash

Balance Sheet and Cash Flow

As of December 31, 2019, ProMedica had \$1.6 billion of unrestricted cash and investments to fund operations and capital expenditures. This equates to 86.9 days cash on hand as of December 31, 2019, as compared with 110.9 days at December 31, 2018.

Total debt was \$2.35 billion at December 31, 2019, and \$2.37 billion at December 31, 2018. The total debt-to-capitalization ratio was 49% at December 31, 2019 and 50% at December 31, 2018. Total obligations and "right of use" assets recorded because of adopting FASB ASU No. 2016-02, Leases (Topic 842) were \$2.12 billion at December 31, 2019.

ProMedica capital expenditures were \$255.3 million for the year ended December 31, 2019 compared with \$310.3 million for the prior year. Net cash provided by operating activities was \$204.8 million and \$179.4 million for the years ended December 31, 2019 and 2018, respectively.

Debt

ProMedica's outstanding debt, net of unamortized bond discount, premium, and debt issuance costs, as of December 31, 2019, is summarized below (\$ in thousands):

Series	Par Outstanding	Product	Final Maturity	Average Coupon	Tax Status
Series 2011A	\$3,234	Fixed Rate	11/15/2021	5.00%	Tax-Exempt
Series 2011D	94,815	Fixed Rate	11/15/2030	5.04%	Tax-Exempt
Series 2011E	1,131	Fixed Rate	11/15/2021	3.59%	Tax-Exempt
Series 2015A	270,576	Fixed Rate	11/15/2045	4.98%	Taxable
Series 2015B	45,279	Fixed Rate	11/15/2045	4.00%	Tax-Exempt
Series 2015C	9,781	Direct Loan	11/15/2021	Variable	Taxable
Series 2015D	4,990	Direct Loan	11/15/2025	Variable	Taxable
Series 2015E	31,044	Direct Loan	11/15/2025	Variable	Taxable
Series 2017A	54,634	Direct Loan	11/15/2040	3.22%	Tax-Exempt
Series 2017B	119,937	Direct Loan	11/15/2041	3.22%	Tax-Exempt
Series 2017C	84,907	Direct Loan	11/15/2041	3.00%	Tax-Exempt
Series 2017D	39,692	Direct Loan	11/15/2029	3.22%	Tax-Exempt
Series 2017F	62,443	Direct Loan	11/15/2034	Variable	Tax-Exempt
Series 2017H	24,875	Direct Loan	11/15/2035	3.12%	Tax-Exempt
Series 2018A	249,880	Fixed Rate	11/15/2048	5.16%	Tax-Exempt
Series 2018B	1,202,954	Fixed Rate	11/15/2048	5.83%	Taxable
Coldwater 2012A	4,690	Fixed Rate	09/01/2031	3.52%	Tax-Exempt
Jobs Ohio Revitalization Loan	3,633	Fixed Rate	06/01/2033	1.00%	Tax-Exempt
Qualified Low-Income Community Investment Loans	14,392	Direct Loan	12/15/2045	1.00%-2.58%	Tax-Exempt
Sub Total	\$2,322,887				
Other*	27,981				
	<u>\$2,350,868</u>				

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

Fixed/Variable Debt Mix

As of December 31, 2019, the total outstanding debt of \$2.35 billion was 95% fixed and 5% variable.

Ratings

On December 24, 2019 S&P Global Ratings affirmed its BBB rating on the ProMedica Healthcare Obligated Group but lowered its outlook to negative from stable.

On November 15, 2019 Fitch lowered its rating on the ProMedica Healthcare Obligated Group to BBB with a negative outlook from BBB+ with a stable outlook.

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.

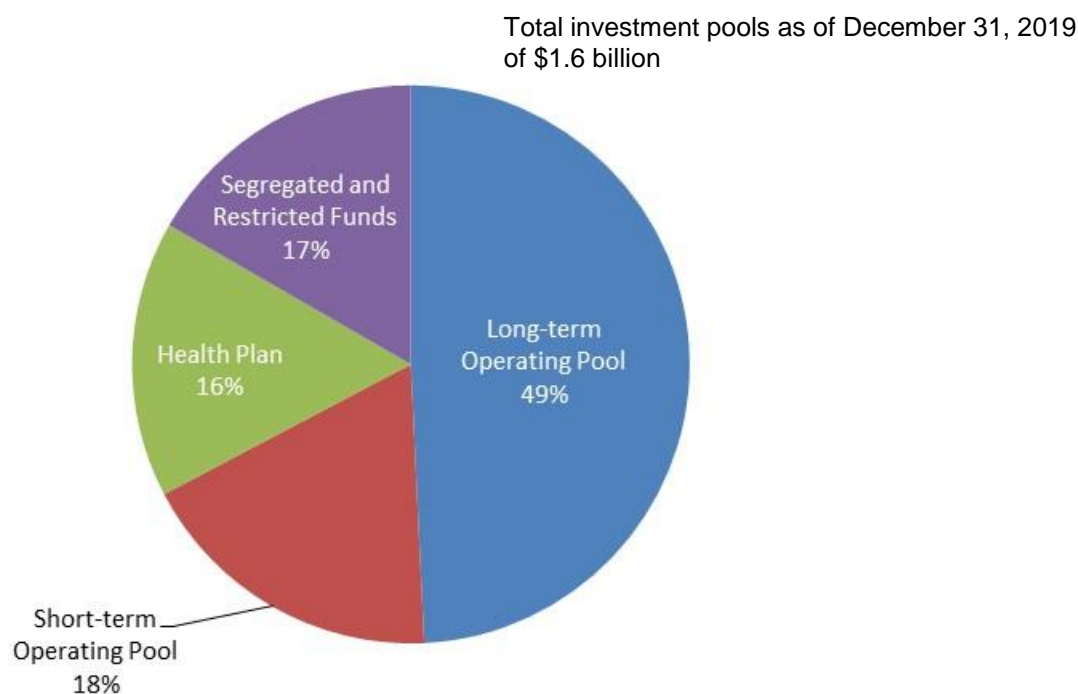
Investments

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

Unrestricted Cash and Investments				
(\$ in thousands)	December 31, 2019		December 31, 2018	
Cash and cash equivalents	\$379,699	24%	\$325,496	22%
Marketable securities	260,616	16%	307,237	21%
Unrestricted long-term investments*	945,161	60%	843,303	57%
Total unrestricted cash and investments	\$1,585,476		\$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:

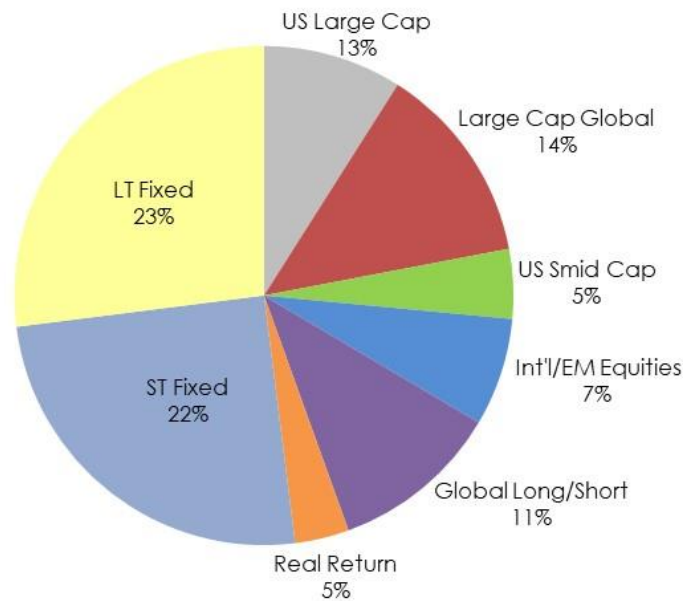


ProMedica's investment program is structured to maintain adequate liquidity levels, while maximizing long-term growth. ProMedica utilizes ongoing cash forecasting to ensure proper allocations between operating, short-term, and long-term funds. Portfolios are monitored quarterly to ensure compliance against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



Operating Pools Asset Allocation

Total Assets of \$1.10 billion as of December 31, 2019

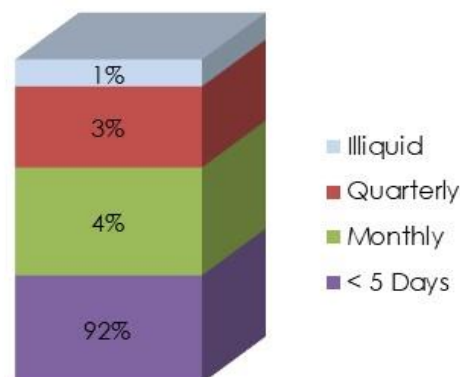


Valuations

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 December 31, 2019, was \$54.2 million or 4% of the portfolio, which was 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 \$80.5 million or 4% of investments have liquidity provisions that may restrict their ability to be liquidated in 30 days or less and approximately \$19.5 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 December 31, 2019, the combined plans comprised a pension asset of \$7.9 million. The plans comprised a pension liability of \$24.5 million as of December 31, 2018. The change from prior year was due to the overall market performance of the pension fund investments.

ProMedica Health System Financial Indicators

	Year-to-Date December 31, 2019	Year-to-Date December 31, 2018
Operating margin	0.03%	0.9%
Operating cash flow margin	2.9%	3.9%
Debt-to-Cap	49%	50%



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 December 31		Calendar Year	
	2019	2018	2018	2017
Acute discharges	57,506	58,893	58,893	59,739
Newborn discharges	6,621	6,692	6,692	6,646
Outpatient surgeries	43,718	43,563	43,563	38,327
Emergency room visits	286,827	294,959	294,959	286,408
ALOS - acute	4.80	4.70	4.70	4.55
% of Staffed beds (acute care)	66%	66%	66%	54%
Home health admissions	14,542	12,977	12,977	12,863
Home care visits	259,207	223,841	223,841	233,203
LTC patient/resident days	97,495	99,584	99,584	102,548
Inpatient hospice days	3,346	3,591	3,591	3,416
Occupancy rates as a percentage of beds:				
ProMedica Goerlich Center	94.4%	93.4%	93.4%	92.8%
ProMedica Provincial House	82.2%	93.0%	93.0%	93.4%
ProMedica Charlotte Stephenson Manor	67.5%	66.4%	66.4%	81.9%
ProMedica Monroe Skilled Nursing Rehab	83.7%	76.6%	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, 2019, 2018, and 2017, respectively.

(unaudited) ⁽¹⁾

	Year-to-Date December 31,		
	2019	2018	2017
Number of Facilities:			
Skilled nursing facilities	171	168	168
Assisted living facilities	54	54	54
	<u>225</u>	<u>222</u>	<u>222</u>
Number of Beds:			
Skilled nursing facilities	24,096	23,830	23,830
Assisted living facilities	3,366	3,366	3,366
	<u>27,462</u>	<u>27,196</u>	<u>27,196</u>
Skilled Nursing:			
Occupancy	85%	84%	84%
Revenue Allocation:			
Quality Mix	56%	58%	61%
Post-acute Mix	45%	48%	51%
Medicaid	44%	42%	39%
Average Daily Census:			
Medicare	2,644	3,057	3,424
Managed Care	2,556	2,573	2,618
Medicaid	12,234	11,789	11,348
Private/Other	2,314	2,232	2,296
	<u>19,748</u>	<u>19,651</u>	<u>19,686</u>
Per Diems:			
Medicare	\$ 543.19	\$ 538.23	\$ 535.72
Managed Care	446.69	446.47	439.21
Medicaid	208.57	208.13	208.84
Private/Other	243.65	248.61	253.88
Revenues (in thousands):			
Medicare	\$ 541,831	\$ 620,367	\$ 690,034
Managed Care	416,660	419,263	419,652
Medicaid	931,308	895,580	865,039
Private/Other	219,548	211,902	215,835
Total	<u>\$2,109,347</u>	<u>\$2,147,112</u>	<u>\$2,190,560</u>
Assisted Living:			
Occupancy	81%	79%	82%
Average Daily Census:			
Private/Other	2,712	2,647	2,726
Per Diems:			
Private/Other	\$ 205.17	\$ 204.51	\$ 203.66
Revenues (in thousands):			
Private/Other	\$ 208,119	\$ 201,890	\$ 207,376
Other Statistics			
Outpatient therapy clinics	51	51	52
Hospice and home health offices	107	108	109
Hospice average daily census	10,589	10,089	9,444

(1) All periods exclude divested facilities

FINANCIAL STATEMENTS

PROMEDICA HEALTH SYSTEM

Consolidating Balance Sheet

(Unaudited and \$ in thousands)

	As of December 31, 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	70,276	309,423	379,699	\$64,711	\$260,785	\$325,496
Marketable securities	6,432	254,184	260,616	6,394	300,843	307,237
Accounts receivable, net	229,397	387,951	617,348	228,746	413,561	642,307
Assets limited as to use or restricted	-	11,501	11,501	-	12,887	12,887
Inventories	19,387	12,763	32,150	21,016	10,796	31,812
Other current assets	203,143	(10,478)	192,665	108,155	75,001	183,156
TOTAL CURRENT ASSETS	528,635	965,344	1,493,979	429,022	1,073,873	1,502,895
ASSETS WHOSE USE IS LIMITED						
Restricted funds	2,135	143,027	145,162	2,543	125,864	128,407
Bond indenture agreement funds	-	-	-	62,278	-	62,278
Internally designated for capital acquisition	573,119	45,301	618,420	585,430	48,296	633,726
Other segregated investments	129,007	294,201	423,208	40,348	272,546	312,894
TOTAL ASSETS WHOSE USE IS LIMITED	704,261	482,529	1,186,790	690,599	446,706	1,137,305
Property, plant and equipment, net	1,206,694	464,027	1,670,721	1,149,416	459,479	1,608,895
OTHER ASSETS						
Goodwill	1,068,821	80,562	1,149,383	18,240	1,265,540	1,283,780
Operating lease right of use asset	12,229	2,063,487	2,075,716	-	-	-
Other intangible assets	129,185	52,221	181,406	1,546	68,239	69,785
Investments in affiliated companies	511,381	129,079	640,460	5,634	629,807	635,441
Other assets	577	92,951	93,528	582	93,444	94,026
TOTAL OTHER ASSETS	1,722,173	2,418,320	4,140,493	26,002	2,057,030	2,083,032
TOTAL ASSETS	\$4,161,763	\$4,330,220	\$8,491,983	\$2,295,039	\$4,037,088	\$6,332,127



	As of December 31, 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	\$81,374	\$356,690	\$438,064	\$92,603	\$343,242	\$435,845
Accrued compensation and benefits	55,478	264,160	319,638	54,359	262,518	316,877
Current installments of long-term debt	14,774	1,035	15,809	18,148	814	18,962
Contingent current installments of long-term debt	425,507	14,392	439,899	432,065	14,379	446,444
Current installments of operating leases	4,765	90,242	95,007	-	-	-
Current installments of capital leases	1,357	1,752	3,109	2,133	2,108	4,241
Estimated third-party payor settlements	28,405	30,158	58,563	27,623	6,811	34,434
Professional liability and workers' compensation	-	109,846	109,846	-	111,535	111,535
Accrued post-retirement health care benefits	126	-	126	122	-	122
Other	247,182	(122,478)	124,704	93,843	22,982	116,825
TOTAL CURRENT LIABILITIES	858,968	745,797	1,604,765	720,896	764,389	1,485,285
OTHER LIABILITIES						
Accrued professional liabilities and workers' compensation, less current portion	-	276,734	276,734	-	312,822	312,822
Deferred compensation	4,066	39,944	44,010	4,034	34,586	38,620
Pension	314	431	745	292	24,170	24,462
Accrued post-retirement health care benefits, less current portion	668	-	668	724	-	724
Operating lease liabilities	7,598	2,024,405	2,032,003	-	-	-
Capital lease liabilities	4,406	19,082	23,488	5,903	19,303	25,206
Other	19,046	27,980	47,026	18,841	51,221	70,062
TOTAL OTHER LIABILITIES	36,098	2,388,576	2,424,674	29,794	442,102	471,896
Long-term debt, net of current installments	1,860,054	8,509	1,868,563	1,867,383	9,569	1,876,952
TOTAL LIABILITIES	2,755,120	3,142,882	5,898,002	2,618,073	1,216,060	3,834,133
NET ASSETS						
Net assets without donor restrictions	1,404,508	1,044,311	2,448,819	(325,576)	2,695,163	2,369,587
Net assets with donor restrictions	2,135	143,027	145,162	2,542	125,865	128,407
TOTAL NET ASSETS	1,406,643	1,187,338	2,593,981	(323,034)	2,821,028	2,497,994
TOTAL LIABILITIES AND NET ASSETS	\$4,161,763	\$4,330,220	\$8,491,983	\$2,295,039	\$4,037,088	\$6,332,127

PROMEDICA HEALTH SYSTEM
Consolidating Statement of Operations
(Unaudited and \$ in thousands)

	Year Ended December 31, 2019			Year Ended December 31, 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	\$1,611,317	\$3,189,854	\$4,801,171	\$1,557,630	\$1,434,275	\$2,991,905
Premiums earned	-	1,933,569	1,933,569	-	1,802,508	1,802,508
Other	62,863	47,361	110,224	29,586	93,362	122,948
Net assets released	11,453	1,654	13,107	9,418	4,293	13,711
Total revenues, gains, and other support	1,685,633	5,172,438	6,858,071	1,596,634	3,334,438	4,931,072
Expenses:						
Salaries, wages, and employee benefits	566,367	2,407,941	2,974,308	570,679	1,379,108	1,949,787
Food and drugs	138,729	208,277	347,006	127,993	123,965	251,958
Medical expense	-	1,489,816	1,489,816	-	1,317,511	1,317,511
Contracted fees	156,108	464,373	620,481	150,891	278,576	429,467
Supplies	166,217	122,083	288,300	173,379	67,848	241,227
Insurance	9,612	75,048	84,660	8,885	28,034	36,919
Utilities	17,688	78,634	96,322	17,612	39,949	57,561
Other	402,497	357,275	759,772	363,082	90,575	453,657
Total expenses	1,457,218	5,203,447	6,660,665	1,412,521	3,325,566	4,738,087
Operating income (loss) before depreciation and amortization and impairment	228,415	(31,009)	197,406	184,113	8,872	192,985
Depreciation and amortization and impairment	103,659	91,637	195,296	89,412	60,278	149,690
Net income (loss) from operations	124,756	(122,646)	2,110	94,701	(51,406)	43,295
Other (loss) income:						
Interest expense	(101,128)	(8,794)	(109,922)	(19,975)	(28,349)	(48,324)
Investment (loss) income	81,191	69,814	151,005	(16,178)	(15,862)	(32,040)
Income tax (expense)/credit	-	(2,374)	(2,374)	-	(7,519)	(7,519)
Inherent contribution of acquired assets	-	4,126	4,126	-	14,639	14,639
Loss on extinguishment of debt	-	-	-	(87)	-	(87)
Other	(5,059)	12,377	7,318	(2,723)	(3,475)	(6,198)
Total other (loss) income, net	(24,996)	75,149	50,153	(38,963)	(40,566)	(79,529)
Excess (deficiency) of revenues over expenses before unusual items	99,760	(47,497)	52,263	55,738	(91,972)	(36,234)
Restructuring, severance, and acquisition costs	-	(1,294)	(1,294)	-	(30,237)	(30,237)
Excess (deficiency) of revenues over expenses	99,760	(48,791)	50,969	55,738	(122,209)	(66,471)
Contributions and other:						
Net assets released from restrictions	6,790	(2,027)	4,763	3,784	174	3,958
Transfers (to) from affiliated entities	1,618,267	(1,618,267)	-	(1,774,030)	1,774,030	-
Loss from discontinued operations	-	(6,166)	(6,166)	-	(21,935)	(21,935)
Other non-operating income	5,267	24,399	29,666	(53)	654	601
Increase (decrease) in unrestricted net assets	\$1,730,084	(\$1,650,852)	\$79,232	(\$1,714,561)	\$1,630,714	(\$83,847)

PROMEDICA HEALTH SYSTEM

Statement of Change in Net Assets

(Unaudited and
\$ in thousands)

	Year Ended December 31, 2019			Year Ended December 31, 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	\$99,760	(\$48,791)	\$50,969	\$55,738	(\$122,209)	(\$66,471)
Net assets released from restrictions	6,790	(2,027)	4,763	3,784	174	3,958
Capital Contributions from (to) non-obligated group affiliates, net	1,618,267	(1,618,267)	-	(1,774,030)	1,815,203	41,173
Loss from discontinued operations	-	(6,166)	(6,166)	-	(21,935)	(21,935)
Other	5,267	24,399	29,666	(53)	(40,519)	(40,572)
Increase (decrease) in unrestricted net assets	1,730,084	(1,650,852)	79,232	(1,714,561)	1,630,714	(83,847)
Net Assets with Donor Restrictions						
Contributions	2,130	18,766	20,896	4,170	13,441	17,611
Investment return	-	13,726	13,726	-	(6,545)	(6,545)
Net assets released from restriction	(2,537)	(15,333)	(17,870)	(3,697)	(13,972)	(17,669)
Other	-	3	3	-	-	-
Increase (decrease) in permanently restricted net assets	(407)	17,162	16,755	473	(7,076)	(6,603)
Increase (decrease) in net assets	1,729,677	(1,633,690)	95,987	(1,714,088)	1,623,638	(90,450)
Net asset at beginning of period	(323,034)	2,821,028	2,497,994	1,391,054	1,197,390	2,588,444
Net asset at end of period	\$1,406,643	\$1,187,338	\$2,593,981	(\$323,034)	\$2,821,028	\$2,497,994

PROMEDICA HEALTH SYSTEM
Unaudited Consolidated Statements of Cash Flows
For the Period Ended December 31, 2019

(\$ in thousands)

	Year-to-Date December 31, 2019	Year-to-Date December 31, 2018
Cash flows from operating activities		
Increase (decrease) in net assets	\$95,987	(\$90,450)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	177,508	147,732
Loss on sale of equipment	15,867	1,852
Loss on extinguishment of debt	-	87
Asset impairment	17,788	1,958
Accelerated depreciation	5,066	-
Noncontrolling interests in acquisitions	(63)	(6,689)
Distributions to noncontrolling interests	1,434	1,002
Investment income including realized and unrealized (gains) losses	(134,876)	81,169
Restricted contributions and other	(20,896)	(17,611)
Changes in operating assets and liabilities, net of business combinations:		
Accounts receivable and third-party payor receivables	24,959	22,866
Supplies and other current assets	(2,705)	123,108
Other assets	152,348	(9,168)
Accounts payable and accrued liabilities	8,390	(150,138)
Estimated third-party payor settlements	16,987	(26,012)
Pension and other postretirement plans	(31,653)	28,850
Other liabilities	(121,375)	70,866
Net cash provided by operating activities	204,766	179,422
Cash flows from investing activities		
Acquisition of property and equipment	(255,341)	(310,279)
Proceeds from sale of equipment	4,278	1,078
Payments for business combinations-net of cash acquired	-	(1,550,384)
Investments in joint ventures	(39,123)	(21,214)
Purchase of investments	(2,111,827)	(2,653,009)
Proceeds from sale of investments	2,279,157	3,039,657
Decrease in total assets limited as to use or restricted	(33,932)	(59,361)
Net cash used in investing activities	(156,788)	(1,553,512)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	1,720	1,477,415
Repayment of long-term debt	(12,199)	(9,996)
Extinguishment of long-term debt	-	(75,090)
Repayment of capital lease liabilities	(2,758)	(3,382)
Distributions to noncontrolling interests	(1,434)	(1,002)
Restricted contributions and other	20,896	17,611
Net cash provided by financing activities	6,225	1,405,556
Net increase in cash and cash equivalents	\$54,203	\$31,466
Cash and cash equivalents at beginning of period	\$325,496	\$294,030
Cash and cash equivalents at end of period	\$379,699	\$325,496

PROMEDICA HEALTHCARE OBLIGATED GROUP

Unaudited Balance Sheet

(\$ in thousands)

	As of December 31, 2019	As of December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$70,276	\$64,711
Marketable securities	6,432	6,394
Accounts receivable, net	229,397	228,746
Inventories	19,387	21,016
Other current assets	203,143	108,155
TOTAL CURRENT ASSETS	528,635	429,022
ASSETS WHOSE USE IS LIMITED		
Restricted funds	2,135	2,542
Bond indenture agreement funds	-	62,278
Internally designated for capital acquisition	573,119	585,430
Other segregated investments	129,007	40,349
TOTAL ASSETS WHOSE USE IS LIMITED	704,261	690,599
Property, plant and equipment, net	1,206,694	1,149,416
OTHER ASSETS		
Goodwill	1,068,821	18,240
Operating lease right of use asset	12,229	-
Other intangible assets	129,185	1,546
Investments in affiliated companies	511,381	5,634
Other assets	557	582
TOTAL OTHER ASSETS	1,722,173	26,002
TOTAL ASSETS	\$4,161,763	\$2,295,039



As of
December 31, 2019

As of
December 31, 2018

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$81,374	\$92,604
Accrued compensation and benefits	55,478	54,359
Current installments of long-term debt	14,774	18,148
Contingent current installments of long-term debt	425,507	432,065
Current installments of operating leases	4,765	-
Current installments of capital leases	1,357	2,133
Estimated third-party payor settlements	28,405	27,623
Professional liability and workers' compensation	-	-
Accrued post-retirement health care benefits	126	(1)
Other	247,182	93,965
TOTAL CURRENT LIABILITIES	859,968	720,896

OTHER LIABILITIES

Deferred compensation	4,066	4,034
Pension	314	292
Accrued post-retirement health care benefits, less current portion	668	724
Operating lease liabilities	7,598	-
Capital lease liabilities	4,406	5,903
Other	19,046	18,840
TOTAL OTHER LIABILITIES	36,098	29,793

Long-term debt, net of current installments	1,860,054	1,867,383
TOTAL LIABILITIES	2,755,120	2,618,072

NET ASSETS

Net assets without donor restrictions	1,404,508	(325,576)
Net assets with donor restrictions	2,135	2,543
TOTAL NET ASSETS	1,406,643	(323,034)

TOTAL LIABILITIES AND NET ASSETS	\$4,161,763	\$2,295,039
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PROMEDICA HEALTHCARE OBLIGATED GROUP

Statement of Operations

(Unaudited and \$ in thousands)

	Year Ended	
	December 31, 2019	December 31, 2018
Unrestricted revenues, gains, and other support:		
Net patient service revenue less bad debts	\$1,611,317	\$1,557,630
Net assets released	11,453	9,418
Other	62,863	29,586
Total revenues, gains, and other support	1,685,633	1,596,634
Expenses:		
Salaries, wages, and employee benefits	566,367	570,679
Food	7,066	6,440
Drugs	131,663	121,553
Utilities	17,688	17,612
Contracted fees	156,108	150,891
Insurance	9,612	8,885
Supplies	166,217	173,379
Other	402,497	363,082
Total expenses	1,457,218	1,412,521
Operating income before depreciation and amortization and impairment	228,415	184,113
Depreciation and amortization and impairment	103,659	89,412
Net income from operations	124,756	94,701
Other income:		
Interest	(101,128)	(19,975)
Investment Income	35,021	110,705
Net unrealized gains (losses)	46,170	(126,883)
Other	(5,059)	(2,810)
Excess (deficiency) of revenues over expenses	99,760	55,738
Contributions and other		
Net assets released from restrictions	6,790	3,784
Transfers to affiliated entities	1,618,267	(1,774,030)
Other non-operating income	5,267	(53)
Increase (decrease) in unrestricted net assets	\$1,730,084	(\$1,714,561)

PROMEDICA HEALTHCARE OBLIGATED GROUP

Statement of Changes in Net Assets for the Year ended December 31, 2019

(Unaudited and \$ in thousands)

	Year Ended	
	December 31, 2019	December 31, 2018
Net Assets without Donor Restrictions		
Excess of revenues over expenses	\$99,760	\$55,738
Net assets released from restrictions	6,790	3,784
Capital contributions from (to) non-obligated group affiliates, net	1,618,267	(1,774,030)
Other	5,267	(53)
Increase (decrease) in unrestricted net assets	1,730,084	(1,714,561)
Net Assets with Donor Restrictions		
Contributions	2,130	4,170
Investment return	-	-
Net assets released from restriction	(2,537)	(3,697)
Increase (decrease) in temporarily restricted net assets	(407)	473
Increase (decrease) in net assets	\$1,729,677	(\$1,714,088)
Net asset at beginning of period	(\$323,034)	\$1,391,054
Net asset at end of period	\$1,406,643	(\$323,034)

PROMEDICA HEALTHCARE OBLIGATED GROUP

Unaudited Consolidated Statements of Cash Flows

For the Period Ended December 31, 2019

(\$ in thousands)

	Year-to-Date December 31, 2019	Year-to-Date December 31, 2018
Cash flows from operating activities		
Increase (decrease) in net assets	\$1,729,677	(\$1,714,088)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	100,159	89,351
Loss on sale of equipment	1,628	3,964
Loss on extinguishment of debt	-	87
Asset impairment	3,500	61
Accelerated depreciation	5,066	-
Investment income including realized and unrealized (gains) losses	(65,704)	77,110
Restricted contributions and other	2,130	(4,170)
Changes in operating assets and liabilities, net of business combinations:		
Accounts receivable and third-party payor receivables	1,677	(16,312)
Supplies and other current assets	(88,513)	(1,453)
Other assets	37,967	5,364
Accounts payable and accrued liabilities	(16,772)	56,261
Estimated third-party payor settlements	(3,492)	(581)
Pension and other postretirement plans	22	(21,823)
Other liabilities	130,380	(17,295)
Net cash provided by operating activities	1,837,725	(1,543,558)
Cash flows from investing activities		
Acquisition of property and equipment	(158,339)	(241,068)
Proceeds from sale of equipment	4,273	1,032
Payment for business acquisition, net of cash acquired	-	(662)
Net assets of addition to obligated group, net of cash	(1,722,821)	-
Investments in joint ventures	(36,172)	(3,275)
Purchase of investments	(984,910)	(2,537,685)
Proceeds from sale of investments	1,110,270	2,887,674
Decrease in total assets limited as to use or restricted	(29,509)	(1,082)
Net cash used in investing activities	(1,817,208)	104,394
Cash flows from financing activities		
Proceeds from issuance of long-term debt	-	1,498,085
Repayment of long-term debt	(11,285)	(54,304)
Extinguishment of long-term debt	-	(79,970)
Repayment of capital lease liabilities	(1,537)	(2,022)
Restricted contributions and other	(2,130)	4,170
Net cash provided by financing activities	(14,952)	1,365,959
Net increase in cash and cash equivalents	\$5,565	(\$73,205)
Cash and cash equivalents at beginning of period	\$64,711	\$137,916
Cash and cash equivalents at end of period	\$70,276	\$64,711

DEBT COVENANT CALCULATIONS

ProMedica Health Care Obligated Group

(\$ in thousands)

Debt Service Coverage Ratio December 31, 2019

Excess of revenue over expenses	\$99,760
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ADJUSTED BY:

Provision for depreciation and amortization and impairment	103,659
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Interest	101,128
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Transfers pursuant to contribution agreement	77,191
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Loss (gain) on sale of equipment	(495)
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Capitalized Interest	10,677
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Unrealized (gain) losses on investments	(46,170)
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Net income available for debt service	345,750
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Actual principal and interest	154,562
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Debt Service Coverage Ratio	2.24
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Requirement	1.10
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ProMedica Health System

(\$ in thousands)

Days Cash on Hand December 31, 2019

Cash and cash equivalents	\$379,699
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Marketable securities	260,616
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Unrestricted long-term investments	945,161
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Total unrestricted cash and investments	\$1,585,476
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Total expenses (excluding depreciation and amortization)	\$6,660,665
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Days Cash on Hand	86.9
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Requirement - Greater than	45
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SUPPLEMENTAL SCHEDULE

PROMEDICA
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES
BY BUSINESS LINE
Twelve Months Ending December 31, 2019
(in thousands of dollars)

	SENIOR CARE		PROVIDERS		INSURANCE CORPORATION		OTHER		PROMEDICA HEALTH SYSTEM CONSOLIDATED	
	12 Months Ended		12 Months Ended		12 Months Ended		12 Months Ended		12 Months Ended	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018
REVENUE										
Net Patient Service Revenue	\$3,081,870	\$1,379,842	\$2,022,761	\$1,903,687	\$ -	\$ -	\$(303,460)	\$(291,624)	\$4,801,171	\$2,991,905
Membership Revenue	-	-	-	-	1,939,361	1,808,140	(5,792)	(5,632)	1,933,569	1,802,508
Net Asset Released for use in Operations	98	126	11,469	9,656	-	-	1,540	3,929	13,107	13,711
Welltower JV income	30,722	13,097	-	-	-	-	-	-	30,722	13,097
Other Revenue	882	17,796	69,209	49,067	5,558	5,427	3,853	37,561	79,502	109,851
TOTAL REVENUE	3,113,572	1,410,861	2,103,439	1,962,410	1,944,919	1,813,567	(303,859)	(255,766)	6,858,071	4,931,072
EXPENSES										
Payroll & Benefits	1,852,078	846,082	958,957	931,603	61,397	60,423	101,876	111,679	2,974,308	1,949,787
Food	43,436	18,968	6,826	6,288	-	1	388	352	50,650	25,609
Drugs	102,621	48,188	193,757	178,185	-	-	(22)	(24)	296,356	226,349
Utilities	67,841	30,050	19,968	19,221	242	290	8,271	8,000	96,322	57,561
Contracted Fees	247,461	110,055	205,932	186,748	69,804	44,095	97,284	88,569	620,481	429,467
Insurance	68,913	23,748	18,965	15,375	7	8	(3,225)	(2,212)	84,660	36,919
General Supplies	85,669	43,634	201,796	196,077	773	1,117	62	399	288,300	241,227
Medical Expenses	-	-	-	-	1,728,475	1,555,417	(238,659)	(237,906)	1,489,816	1,317,511
Welltower rent expense	215,135	92,531	-	-	-	-	-	-	215,135	92,531
Other Expenses	318,882	151,475	384,647	326,288	142,595	139,548	(301,487)	(256,185)	544,637	361,126
TOTAL EXPENSES	3,002,036	1,364,731	1,990,848	1,859,785	2,003,293	1,800,899	(335,512)	(287,328)	6,660,665	4,738,087
CASH FLOW FROM OPERATIONS	111,536	46,130	112,591	102,625	(58,374)	12,668	31,653	31,562	197,406	192,985
Asset Impairment, Depreciation & Amortization	37,600	11,238	103,546	96,495	17,931	5,250	36,219	36,707	195,296	149,690
OPERATING INCOME (LOSS)	73,936	34,892	9,045	6,130	(76,305)	7,418	(4,566)	(5,145)	2,110	43,295
OTHER INCOME (LOSS)										
Interest	(69,667)	(13,556)	(33,759)	(20,141)	-	(4)	(6,496)	(14,623)	(109,922)	(48,324)
Investment in Subsidiaries	3,229	2,897	3,327	3,446	-	-	5,139	(5,102)	11,695	1,241
Investment Income	3,165	3,016	32,514	108,989	12,862	8,028	13,784	40,663	62,325	160,696
Net Unrealized Gains & Losses	2,295	(3,203)	45,692	(125,927)	10,050	(9,170)	30,643	(55,677)	88,680	(193,977)
Income Tax (Expense)/Credit	-	-	-	-	(2,374)	(7,519)	-	-	(2,374)	(7,519)
Inherent Contribution of Acquired Assets	-	-	-	-	-	-	4,126	14,639	4,126	14,639
Loss on Extinguishment of Debt	-	-	-	(87)	-	-	-	-	-	(87)
Other	4,657	242	(5,914)	(3,202)	-	-	(3,120)	(3,238)	(4,377)	(6,198)
	(56,321)	(10,604)	41,860	(36,922)	20,538	(8,665)	44,076	(23,338)	50,153	(79,529)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE UNUSUAL ITEMS	17,615	24,288	50,905	(30,792)	(55,767)	(1,247)	39,510	(28,483)	52,263	(36,234)
Debt Financed Acquisition costs	-	-	-	-	-	-	(361)	(13,423)	(361)	(13,423)
Restructuring and Severance Costs	-	-	-	-	-	-	(933)	(16,814)	(933)	(16,814)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	17,615	24,288	50,905	(30,792)	(55,767)	(1,247)	38,216	(58,720)	50,969	(66,471)
Net Assets Released From Restrictions	-	22	6,879	3,810	-	-	(2,116)	126	4,763	3,958
Transfers Between Entities	32,318	512,592	(8,420)	(1,659,365)	-	(25,174)	(23,898)	1,171,947	-	-
Loss on discontinued operations	(6,166)	(21,935)	-	-	-	-	-	-	(6,166)	(21,935)
Other Non-Operating Income	(153)	(26)	3,827	34,358	200	-	25,792	(33,731)	29,666	601
TOTAL NON-OPERATING INCOME (LOSS)	25,999	490,653	2,286	(1,621,197)	200	(25,174)	(222)	1,138,342	28,263	(17,376)
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 43,614	\$ 514,941	\$ 53,191	\$(1,651,989)	\$ (55,567)	\$ (26,421)	\$ 37,994	\$ 1,079,622	\$ 79,232	\$ (83,847)