

MaineHealth

MaineHealth System
(MaineHealth Services and Subsidiaries)
Fiscal Year 2019
Financial Results

Important Notification

Effective November 21, 2019, the name of the parent organization and sole corporate member of MaineHealth system, Maine Healthcare, was changed to MaineHealth Services. We refer to the overall system as MaineHealth in public communications and to maintain consistency of presentation with prior disclosures, we are describing this presentation as a presentation of and by MaineHealth. Although the former member Maine hospitals have been merged into a single legal entity, we continue to refer to these hospitals using their former legal names as a d/b/a.

Introduction

The following summary consolidated balance sheets of MaineHealth Services and Subsidiaries as of September 30, 2019 and September 30, 2018 and the summary consolidated statements of operations for the years then ended were derived from the audited consolidated financial statements of MaineHealth Services and Subsidiaries.

Consolidated Statement of Operations

MaineHealth reported an operating gain of \$82.8 million and a total excess of revenue over expenses of \$119.1 million during the fiscal year that ended September 30, 2019. The \$82.8 million operating gain was equal to 3.0% of total operating revenue and represented an increase over the prior year of \$67.9 million or 2.7% of total operating revenue. The \$119.1 million excess of revenue over expenses was equal to a total margin of 4.3%.

MaineHealth's operating gain of 3.0% in fiscal year 2019 represented a continuing trend of increasing operating margins. The System's operating margins were 2.7% and 2.4% in fiscal years 2018 and 2017, respectively. The System's total operating revenue of \$2.7 billion increased by \$193.5 million or 7.7% from fiscal year 2018 to fiscal year 2019 while the total operating expenses of \$2.6 billion increased \$178.5 million or 7.3%. Maine Medical Center (MMC) is the System's flagship hospital. MMC's total operating revenue increased by \$58.4 million or 3.7% due to strong demand for its services and commercial payor rate increases. MMC's total operating expenses increased by \$55.4 million or 3.7% in fiscal year 2019. The majority of this increase in expenses was attributed to increases in volume, wage increases, and increases in pharmaceutical supplies expenses. MMC recorded an operating gain of \$75.2 million in fiscal year 2019 which was equal to 4.6% of MMC's total operating revenue compared to \$72.2 million and 4.6% in fiscal year 2018. Southern Maine Health Care and Coastal Healthcare Alliance, the

System's second and third largest local health systems, also experienced growth in total operating revenue of \$15.7 million or 5.4% and \$20.8 million or 8.0%, respectively. Southern Maine Health Care, the System's second largest member, recorded an operating gain of \$5.7 million for the fiscal year ended September 30, 2019 compared to an operating loss of \$5.9 million for the fiscal year ended September 30, 2018. This turn-around is attributed to a 5.4% growth in total operating revenue, driven by an increase in volume, compared to a 1.4% increase in total operating expenses. Coastal Healthcare Alliance, the System's third largest member, recorded an operating gain of \$7.9 million for the fiscal year ended September 30, 2019 compared to a \$3.9 million operating gain for the fiscal year ended September 30, 2018.

Consolidated Balance Sheet

MaineHealth's total net assets of \$1.8 billion increased by only \$5.6 million or 0.3% as the excess of revenue and nonoperating gains were offset by a pension liability adjustment which resulted from a decrease in the discount rate at September 30, 2019.

Total cash, cash equivalents, investments, board designated and plant replacement funds increased \$29 million to \$1.1 billion as of September 30, 2019. The System's days' cash on hand decreased from 173.3 as of September 30, 2018 to 165.2 days as of September 30, 2019 due to capital expenditures and an increase in operating expenses per day.

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MaineHealth System
(MaineHealth Services and Subsidiaries)
Summary Consolidated Balance Sheets
September 30, 2018 and 2019
(thousands)

Assets	2018	2019
Current assets:		
Cash and cash equivalents	\$ 353,300	\$ 292,618
Investments	497,533	781,005
Patient accounts receivable – net	238,805	259,807
Other current assets *	<u>214,286</u>	<u>169,823</u>
Total current assets	<u>1,303,924</u>	<u>1,503,253</u>
Investments whose use is limited		
Board designated & plant replacement funds	251,629	57,570
Other *	<u>269,537</u>	<u>258,606</u>
Total investments whose use is limited	<u>521,166</u>	<u>316,176</u>
Property, plant, and equipment – net	1,138,413	1,250,506
Other assets *	<u>126,084</u>	<u>131,866</u>
 Total assets	 <u>\$ 3,089,587</u>	 <u>\$ 3,201,801</u>
 Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt	\$ 33,095	\$ 36,621
Other current liabilities *	<u>348,539</u>	<u>339,499</u>
Total current liabilities	<u>381,634</u>	<u>376,120</u>
Accrued retirement benefits	270,359	398,266
Long-term debt – less current portion	593,642	567,287
Other liabilities	<u>84,070</u>	<u>94,625</u>
Total liabilities	<u>1,329,705</u>	<u>1,436,298</u>
Net assets:		
Net assets without donor restrictions	1,546,130	1,542,445
Net assets with donor restrictions	<u>213,752</u>	<u>223,058</u>
Total net assets	<u>1,759,882</u>	<u>1,765,503</u>
 Total	 <u>\$ 3,089,587</u>	 <u>\$ 3,201,801</u>

* Certain amounts from 2018 were reclassified to be consistent with the 2019 presentation.

MaineHealth System
(MaineHealth Services and Subsidiaries)
Summary Consolidated Statements of Operations
(thousands)

	<u>2018</u>	<u>2019</u>
Unrestricted revenue and other support:		
Net patient service revenue (net of contractual allowances and discounts)	\$ 2,313,030	\$ 2,465,108
Other revenue	<u>210,846</u>	<u>252,229</u>
Total unrestricted revenue and other support	<u>2,523,876</u>	<u>2,717,337</u>
Operating expenses:		
Salaries & employee benefits	1,544,905	1,653,844
Professional fees, purchased services & supplies	609,272	682,954
Interest	16,157	13,981
Depreciation and amortization	134,658	134,993
Other	<u>150,992</u>	<u>148,742</u>
Total operating expenses	<u>2,455,984</u>	<u>2,634,514</u>
Income from operations	<u>67,892</u>	<u>82,823</u>
Nonoperating gains:		
Gifts and donations – net of related expenses	7,021	1,686
Other	<u>43,296</u>	<u>34,608</u>
Total nonoperating gains – net	<u>50,317</u>	<u>36,294</u>
Excess of revenue and nonoperating gains – net over expenses	118,209	119,117
Retirement benefit plan adjustments	51,580	(132,636)
Other	<u>12,080</u>	<u>9,834</u>
Increase in unrestricted net assets	<u>\$ 181,869</u>	<u>\$ (3,685)</u>

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Summary Financial Information of
the System Funding Agreement Designated Affiliates
Fiscal Year Ended September 30, 2019

Entity	In \$000s				% of MaineHealth Consolidated			
	Assets	Unr. Net Assets	Revenues	Operating Income (Loss)	Assets	Unr. Net Assets	Revenues	Operating Income (Loss)
MaineHealth Services	1,735,626	923,748	260,391	(1,547)	54.2%	59.9%	9.6%	-1.9%
MaineHealth	1,893,415	449,559	2,381,924	174,128	57.3%	29.1%	87.7%	210.2%
LincolnHealth Cove's Edge	10,041	2,120	11,647	(861)	0.3%	0.1%	0.4%	-1.0%
Quarry Hill	17,299	777	11,375	(619)	0.5%	0.1%	0.4%	-0.7%
Subtotal Designated Affiliates	3,596,381	1,376,204	2,665,337	171,101	112.3%	89.2%	98.1%	206.6%
MaineHealth -Non-designated	42,163	38,104	173,005	(83,107)	1.3%	2.5%	6.4%	-106.4%
NorDX	50,496	38,004	79,369	5,859	1.6%	2.5%	2.9%	7.1%
MaineHealth Care at Home	13,673	6,479	33,251	474	0.4%	0.4%	1.2%	0.6%
The Memorial Hospital	102,001	54,909	77,893	163	3.2%	3.6%	2.9%	0.2%
Other	12,052	5,965	19,340	1,444	0.4%	0.4%	0.7%	1.7%
Subtotal Non-Designated Affiliates	220,385	143,461	382,858	(80,167)	6.9%	9.3%	14.1%	-96.8%
Eliminations	(614,955)	22,780	(330,858)	(8,110)	-19.2%	1.5%	-12.2%	-9.8%
Total	3,201,801	1,542,445	2,717,337	82,823	100.0%	100.0%	100.0%	100.0%

As discussed above, Unification, an internal reorganization of the System's Maine-based hospital subsidiaries, occurred effective January 1, 2019. As a result of unification, the System's Maine-based hospitals are now a part of MaineHealth and the consolidation of the amounts previously broken out are reflected in the table above. Under the System Funding Agreement described below Quarry Hill and LincolnHealth Cove's Edge, both long-term care facilities, are Designated Affiliates.

Indebtedness and Guarantees of System

MaineHealth Services and the other System members had the following outstanding indebtedness and guarantee obligations as of September 30, 2019:

- *MaineHealth Services (Parent) Bonded Debt.* Notes payable related to bonds issued through FAME in the amount of \$122,818,000, which obligations are each supported by a separate SeHR system funding agreement and by a parity pledge of MaineHealth Services and MaineHealth (formerly Maine Medical Center) gross revenues.
- *Bonded Subsidiary Debt.* Notes payable related to bonds issued under Maine Health and Higher Educational Facilities Authority's (MHHEFA's) Reserve Fund Resolution, a New Hampshire Health and Education Facilities Authority bond and a Finance Authority of Maine (FAME) bond in the aggregate amount of \$432,088,000 which obligations include original issue bond premium, maturing on various dates through 2048. MaineHealth Services has guaranteed the repayment of \$417,798,000 of such debt issued for the benefit of certain Designated Affiliates, which guarantees are supported by the Second Amended and Restated System Funding Agreement (SFA) dated January 1, 2019 and by a MaineHealth Services and MaineHealth (formerly Maine Medical Center) gross revenues pledge under the Master Trust Indenture (MTI) dated March 1, 1999 as supplemented July 1, 2018.
- *MaineHealth Line of Credit.* Effective January 1, 2019 all existing subsidiary lines of credit were terminated and replaced with a single line of credit of \$50,000,000 for MaineHealth. This line of credit is secured by a parity pledge of MaineHealth Services and MaineHealth (formerly Maine Medical Center) gross revenues. There were no outstanding amounts on the line of credit as of September 30, 2019.

- *MaineHealth Services and Subsidiary Term Loan Debt.* Various term loans totaling \$43,086,000 maturing on various dates through 2031. These term loans are secured by a variety of collateral including liens on certain MaineHealth property and/or by a parity pledge of MaineHealth Services and MaineHealth (formerly Maine Medical Center) gross revenues.
- *MaineHealth and Other Subsidiary Capital Lease Debt.* Capital lease obligations in the outstanding amount of \$12,293,000 are secured by the respective equipment financed.

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Indebtedness and Guaranties of the System ^(*)			
Category	Subcategories	Outstanding as of 9/30/2019 (\$000)	Security
Bonded Parent Debt	SeHR I Bonds	71,037,387	Parent General Obligation ⁽¹⁾ Parent and MaineHealth (formerly MMC) Gross Revenue Pledge ⁽²⁾
	SeHR II Bonds	51,780,837	Parent General Obligation ⁽³⁾ Parent and MaineHealth (formerly MMC) Gross Revenue Pledge ⁽²⁾
Bonded Subsidiary Debt	Subsidiary debt guarantied by Parent under the Master Indenture ⁽⁴⁾		
	Merged Subsidiaries	334,370,360	MaineHealth (formerly MMC) General Obligation Parent Guaranty (secured by Parent and MaineHealth (formerly MMC) Gross Revenue Pledge) ⁽²⁾⁽³⁾
	Other Merged Subsidiaries	30,525,703	MaineHealth (formerly MMC) General Obligation Parent Guaranty (secured by Parent and MaineHealth (formerly MMC) Gross Revenue Pledge) ⁽²⁾⁽³⁾ Mortgage Lien
	SMHC FAME Bonds ⁽⁶⁾	12,540,028	MaineHealth (formerly MMC) General Obligation Parent Guaranty (secured by Parent and MaineHealth (formerly MMC) Gross Revenue Pledge) ⁽²⁾⁽³⁾
	Non-merged Subsidiary - LincolnHealth Cove's Edge	1,950,774	LincolnHealth Cove's Edge General Obligation Parent Guaranty (secured by Parent and MaineHealth (formerly MMC) Gross Revenue Pledge) ⁽²⁾⁽³⁾
	Non-merged Subsidiary - Quarry Hill	7,199,300	Quarry Hill General Obligation Parent Guaranty (secured by Parent and MaineHealth (formerly MMC) Gross Revenue Pledge) ⁽²⁾⁽³⁾ Mortgage Liens
	Subsidiary debt not guarantied under the Master Indenture		
	Non-merged Subsidiary - Memorial Hospital	13,500,000	Memorial Hospital General Obligation Memorial Hospital Gross Revenue Pledge and Mortgage Memorial Foundation Guaranty
Subsidiary Line of Credit Debt	Revolving lines of credit	0	\$50,000,000 revolving line of credit MaineHealth (formerly MMC) General Obligation Parent and MaineHealth (formerly known as MMC) Gross Revenue Pledge ⁽²⁾⁽⁵⁾
Parent Term Loan Debt	SeHR I Term Loan	5,024,070	Parent General Obligation ⁽¹⁾ Parent and MaineHealth (formerly MMC) Gross Revenue Pledge ⁽²⁾
	SeHR II Term Loan	3,399,874	Parent General Obligation ⁽³⁾ Parent and MaineHealth (formerly MMC) Gross Revenue Pledge ⁽²⁾
	Other Term Loans	18,911,052	Parent General Obligation Parent and MaineHealth (formerly MMC) Gross Revenue Pledge ⁽²⁾
Subsidiary and Other Parent Term Loan Debt	Other Term Loans/Capital Leases - Not TD Bank	22,826,371	Substantially all MaineHealth (formerly known as MMC) General Obligation ⁽⁷⁾ Lien on certain MaineHealth merged property
	Other Term Loans - TD Bank	5,218,038	Substantially all MaineHealth (formerly MMC) General Obligation Parent and MaineHealth (formerly MMC) Gross Revenue Pledge ⁽²⁾⁽⁸⁾
Total		578,283,794	

2019 Notes

(*) For purposes of this table, all obligations, debts, guaranties or pledges of MaineHealth (parent corporation) / MaineHealth Services will be referred to as a "Parent" obligation, debt, guaranty or pledge.

(1) Parent's obligation to pay the SeHR I Bonds and SeHR I Term Loan is supported by the contractual obligation of each SeHR I Affiliate to pay its Allocable Share under the SeHR I System Funding Agreement. Post-Unification, the remaining SeHR I Affiliates are: MaineHealth (formerly MMC), MaineHealth Care at Home and NorDx.

(2) All references in this table to "Parent and MaineHealth (formerly MMC) Gross Revenue Pledge" reflect a parity pledge of those gross revenues to secure all Obligations issued under the Master Indenture, the SeHR I Bonds and SeHR I Term Loan, the SeHR II Bonds and SeHR II Term Loan, other Term Loans to Parent and a Line of Credit and other Term Loans to MaineHealth (formerly MMC) held by TD Bank, N.A.

(3) Parent's obligation to pay the SeHR II Bonds and SeHR II Term Loan is supported by the contractual obligation of each SeHR II Affiliate to pay its Allocable Share under the SeHR II System Funding Agreement. Post-Unification, the remaining SeHR II Affiliates are: MaineHealth (formerly MMC), MaineHealth Care at Home, Memorial Hospital and NorDx.

(4) Includes loans of \$75,011,898 made under the MHHEFA's Reserve Fund Resolution program, which is further secured by a debt service reserve fund and moral obligation of the State of Maine.

(5) Parent Guaranty is supported by both Parent and MaineHealth (formerly MMC) Gross Revenue Pledge and the contractual obligation of each SFA Designated Affiliate to pay its Allocable Share under the 2019 Second Amended and Restated System Funding Agreement. Post-Unification, the remaining SFA Designated Affiliates are: Parent, MaineHealth (formerly MMC), LincolnHealth Cove's Edge and Quarry Hill. Quarry Hill became an SFA Designated Affiliate as part of the Unification transaction.

(6) FAME Bonded debt held by TD Bank, N.A.

(7) Including one loan from Bank of America, N.A. that is secured by a Parent Guaranty supported by both Parent and MaineHealth (formerly MMC) Gross Revenue Pledge and the contractual obligation of each SFA Designated Affiliate to pay its Allocable Share under the 2019 Second Amended and Restated System Funding Agreement. See footnote (5) for a roster of SFA Designated Affiliates.

(8) Excluding one loan from TD Bank, N.A. to The Memorial Hospital of North Conway which is secured by a Parent corporate guaranty but is not secured by a Parent or MaineHealth (formerly MMC) gross revenue pledge.

Debt Service Coverage Ratio

The following chart sets forth the annual debt service on long-term debt of MaineHealth Services and Subsidiaries. The debt service coverage ratio is based on income available for debt service comparing the fiscal years ending September 30, 2018 and 2019. The calculation includes debt service on capital leases.

	\$ in thousands	
	<u>2018</u>	<u>2019</u>
Excess of revenue and gains over expenses - adjusted to exclude net unrealized gains and certain other items	\$134,335	\$109,068
Depreciation and amortization	134,658	134,993
Interest expense	<u>16,157</u>	<u>13,981</u>
Income available for debt service	<u>\$285,150</u>	<u>\$258,042</u>
Total debt service	<u>\$49,252</u>	<u>\$50,602</u>
Debt service coverage ratio	5.79	5.10

The above calculation is in accordance with the Maine Health and Higher Educational Facilities Authority (MHHEFA) methodology.

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Cash to Total Debt

The following chart sets forth the cash to total debt ratio for MaineHealth Services and Subsidiaries as of September 30, 2018 and 2019. The calculation includes outstanding line of credit debt, if any.

	\$ in thousands	
	2018	2019
Cash & cash equivalents	\$353,300	\$292,618
Investments (Current Board Designated & Plant)	749,162	838,575
Total unrestricted cash & investments	<u>\$1,102,462</u>	<u>\$1,131,193</u>
Total outstanding long term indebtedness	<u>\$631,462</u>	<u>\$603,908</u>
Total unrestricted cash & investments as a percentage of Indebtedness	174.6%	187.3%

Total Debt as a Percentage of Total Capitalization

The chart below sets forth the System's debt to capitalization ratio for the fiscal years ending September 30, 2018 and 2019. The calculation includes debt service on capital leases.

	\$ in thousands	
	2018	2019
Total outstanding long-term indebtedness	\$631,462	\$603,908
Net assets without donor restrictions	1,546,130	1,542,445
Total capitalization	<u>\$2,177,592</u>	<u>\$2,146,353</u>
Indebtedness as a percentage of total capitalization	29.0%	28.1%

Days Cash on Hand

The System's liquidity and days' cash on hand for the fiscal years ended September 30, 2018 and 2019 are presented below.

	\$ in thousands	
	2018	2019
Cash and cash equivalents	\$353,300	\$292,618
Investments (Current Board Designated & Plant)	749,162	838,575
Total unrestricted cash and investments	<u>\$1,102,462</u>	<u>\$1,131,193</u>
Total Operating Expenses	\$2,455,984	\$2,634,514
Less Depreciation and amortization	134,658	134,993
Adjusted Total Operating Expenses	<u>\$2,321,326</u>	<u>\$2,499,521</u>
Days Cash on Hand	173.3	165.2

Investments

MaineHealth's investment philosophy is to (1) preserve capital and (2) achieve benchmarked returns on investments. The chart below depicts the System's restricted and unrestricted investment allocation (including operating cash) as of September 30, 2018 and 2019.

	2018	2019
Fixed Income	31.2%	32.6%
Equity	22.1%	27.5%
Cash	38.2%	28.3%
Real Assets/Inflation Hedging	4.6%	6.3%
Marketable Alternatives	3.9%	5.3%
	100.0%	100.0%

Service Area Discharges MaineHealth Services and Subsidiaries

The following table shows hospital discharges (including newborns) for calendar year 2018. Service Area 1 is comprised of York, Cumberland and Sagadahoc Counties. These three counties are Maine's most populous and prosperous regions.

The System's Service Area 2 is comprised of Lincoln, Knox and Waldo Counties. These counties comprise the mid-coast region of Maine and are dominated by the tourism and fishing industries.

Service Area 3 is comprised of Androscoggin, Oxford, Franklin, Kennebec and Somerset Counties in Maine and Carroll County in New Hampshire. Service Area 3 includes urban centers along the I-95 corridor (e.g.; Lewiston/Auburn and Augusta/Waterville) and large rural areas extending into the mountains of western Maine and New Hampshire.

Market Share – Hospital Discharges

MaineHealth members accounted for 66.1% of all hospital discharges in Service Area 1 in calendar year 2018. Our share of this market has steadily increased over the past five years. For calendar year 2014 our share of hospital discharges in Service Area 1 was 62.2%. This figure increased each calendar year.

Hospital Affiliation	Hospital	Service Area 1		Service Area 2		Service Area 3	
		Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
MaineHealth Members	Maine Medical Center	21,537	47.1%	2,034	16.4%	5,837	14.0%
	Southern Maine Health Care	6,962	15.2%	31	0.2%	46	0.1%
	Penobscot Bay Medical Center	73	0.2%	3,251	26.2%	40	0.1%
	Franklin Memorial	8	0.0%	6	0.0%	1,942	4.7%
	Spring Harbor	1,499	3.3%	81	0.7%	288	0.7%
	LincolnHealth	35	0.1%	1,636	13.2%	23	0.1%
	Waldo County General	7	0.0%	1,408	11.3%	7	0.0%
	Stephens Memorial	99	0.2%	1	0.0%	1,413	3.4%
Total MaineHealth Members		30,220	66.1%	8,448	68.1%	9,596	23.0%
MaineHealth Strategic Affiliations	MaineGeneral	276	0.6%	1,017	8.2%	10,416	25.0%
	St. Mary's Regional Medical Center	629	1.4%	60	0.5%	4,906	11.8%
	Mid Coast	3,953	8.6%	766	6.2%	578	1.4%
	New England Rehabilitation	1,363	3.0%	95	0.8%	223	0.5%
Total MaineHealth Strategic Affiliations		6,221	13.6%	1,938	15.6%	16,123	38.7%
Nonaligned	Central Maine Medical Center	1,136	2.5%	145	1.2%	8,403	20.2%
	Mercy	4,386	9.6%	139	1.1%	432	1.0%
	York	2,850	6.2%	2	0.0%	17	0.0%
	Eastern Maine Medical Center	65	0.1%	1,194	9.6%	1,641	3.9%
	Other	825	1.8%	548	4.4%	5,452	13.1%
Total Nonaligned		9,262	20.3%	2,028	16.3%	15,945	38.3%
Grand Total		45,703	100.0%	12,414	100.0%	41,664	100.0%

As of the date of this annual filing, calendar year 2019, discharge information for MaineHealth strategic affiliation hospitals and competitor hospitals of MaineHealth was not yet available from the Maine Health Data Organization (MHDO). MaineHealth Service Areas 2 and 3 also showed increases in hospital discharges from calendar 2017 data to calendar year 2018. Service Area 2 hospital discharges increased from 82.7% to 83.7 while Service Area 3 increased from 60.1% to 61.7%.

Utilization

Licensed Bed Capacity/In-Service Beds and Bassinets

The current licensed bed capacity (which excludes bassinets) and the total number of beds and bassinets in service for MMC and for all of the other hospitals in the System are as follows:

	<u>MMC Beds</u>	<u>Other System Hospital Beds</u>	<u>Total Combined Beds</u>
Licensed Bed Capacity	<u>637</u>	<u>593</u>	<u>1,230</u>
Beds in Service:			
Medical/Surgical	330	234	564
Intensive Care	93	34	127
Coronary Care	82	0	82
Obstetrics	70	41	111
Pediatrics	37	5	42
Psychiatry	<u>25</u>	<u>130</u>	<u>155</u>
Total Beds in Service	637	444	1,081
Nursery Bassinets	<u>20</u>	<u>48</u>	<u>68</u>
Total Hospital Beds and Bassinets in Service	<u>657</u>	<u>492</u>	<u>1,149</u>

The following table illustrates the System's utilization statistics for the fiscal years ended September 30, 2018 and 2019.

MaineHealth System-Wide Utilization

	<u>2018</u>	<u>2019</u>
Inpatient Discharges (excluding newborns)	49,333	48,669
Acute Care Patient Days (excluding newborns)	269,696	272,513
Observation Bed Days	18,429	20,587
Inpatient Occupancy (beds in service)	68.7%	69.1%
Average Length of Stay (days)	5.47	5.60
Surgical Cases - Inpatient	16,029	16,391
Surgical Cases - Outpatient	36,548	37,497
Births	4,509	4,555
Emergency Visits	205,711	206,494
Radiology	339,731	347,627
CT Scans	99,578	105,935
MRI Studies	33,588	35,218

Total System inpatient discharges decreased 664 or 1.3% from 49,333 in fiscal year 2018 to 48,669 in fiscal year 2019. MMC's inpatient discharges increased by 216 or 0.7% from fiscal year 2018 to fiscal year 2019. This increase was offset by the remaining MaineHealth System hospitals with a decrease in inpatient discharges of 880 or 4.4%. The overall decrease in inpatient discharges is off-set by a System-wide observation bed increase of 2,158 or 11.7% from 18,429 in fiscal year 2018 to 20,587 in fiscal year 2019. The majority of the increase was attributed to Southern Maine Health Care, Penobscot Bay Medical Center and the Memorial Hospital.

The average inpatient occupancy rate for all members across the System increased from 68.7% in fiscal year 2018 to 69.1% in fiscal year 2019.

Total combined inpatient and outpatient surgical procedures of 53,888 in fiscal year 2019 represented an increase of 1,311 or 2.5% in total surgical procedures compared to fiscal year 2018. MMC's combined surgical procedures increased by 1,100 or 3.4% when comparing fiscal year 2018 to fiscal year 2019.

Total emergency room visits increased 783 or 0.4% to 206,494 in fiscal year 2019 from 205,711 in fiscal year 2018. Increases in emergency room visits occurred at MMC, LincolnHealth and Stephens Memorial.

MMC Medical Staff

Each hospital in the System maintains its own independent medical staff, with associated rules and regulations and distinct privileging requirements. There were approximately 2,000 active medical staff members in the System as of September 30, 2019. The active staff members have clinical and admitting privileges and deliver the majority of medical services within each hospital.

As of September 30, 2019, the MMC medical staff included 1,047 physicians, representing approximately 60 specialties. Nearly 100% of the physicians were Board-certified in their respective specialties. The average age of the physicians was 48.0 years old. The following table identifies MMC medical staff by practice type and whether employed or in private practice as of September 30, 2019. All of such physicians have active or attending status with staff privileges.

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Maine Medical Center Medical Staff by Practice Type

Department	Number of Practices	Number of Employed Physicians	Number of Private Practice Physicians	Total Physicians	% of Total Physicians Employed
Allergy Immunology	1	0	5	5	0.0%
Anesthesiology & Perioperative Management	3	1	63	64	1.6%
Cardiothoracic Surgery	1	8	0	8	100.0%
Cardiology	12	43	16	59	72.9%
Pulmonary/Critical Care Medicine	3	1	14	15	6.7%
Dentistry	8	0	16	16	0.0%
Dermatology	4	2	14	16	12.5%
Developmental Pediatrics	1	3	0	3	100.0%
Emergency Medicine	2	45	0	45	100.0%
Endocrinology	1	11	0	11	100.0%
Family Medicine	16	46	20	66	69.7%
Gastroenterology	1	0	15	15	0.0%
Genetics	1	3	0	3	100.0%
Geriatric Medicine	3	9	2	11	81.8%
Hematology/Oncology	3	10	14	24	41.7%
Hospital Medicine - Adult	1	54	0	54	100.0%
Infectious Disease	3	8	2	10	80.0%
Internal Medicine	10	32	26	58	55.2%
Maternal Fetal Medicine	1	4	0	4	100.0%
Neonatology	1	0	8	8	0.0%
Nephrology	2	1	12	13	7.7%
Neurology	2	22	2	24	91.7%
Neurosurgery	2	10	2	12	83.3%
OB/GYN	10	10	24	34	29.4%
Occupational Medicine	4	0	2	2	0.0%
Ophthalmology	5	0	20	20	0.0%
Oral Surgery	5	0	14	14	0.0%
Orthopedic Surgery	7	17	24	41	41.5%
Otolaryngology	4	8	3	11	72.7%
Hospice and Palliative Medicine	3	3	0	3	100.0%
Pathology	1	0	24	24	0.0%
Pediatric Cardiology	2	6	0	6	100.0%
Pediatric Endocrinology	1	5	0	5	100.0%
Pediatric Gastroenterology	1	7	0	7	100.0%
Pediatric Hospitalist	1	7	0	7	100.0%
Pediatric Infectious Disease	1	4	0	4	100.0%
Pediatric Intensive Care	1	5	0	5	100.0%
Pediatric Nephrology	1	5	0	5	100.0%
Pediatric Neurology	1	5	0	5	100.0%
Pediatric Oncology	1	5	0	5	100.0%
Pediatric Pulmonology	1	4	0	4	100.0%
Pediatric Surgery	1	5	0	5	100.0%
Pediatrics	12	30	16	46	65.2%
Plastic Surgery	2	0	10	10	0.0%
Podiatry	9	1	14	15	6.7%
Psychiatry	13	32	4	36	88.9%
Psychology	5	13	5	18	72.2%
Radiation Oncology	1	0	6	6	0.0%
Radiology	1	0	40	40	0.0%
Rehabilitation Medicine	3	9	2	11	81.8%
Rheumatology	1	0	5	5	0.0%
Sports Medicine	3	5	1	6	83.3%
Surgery - General	2	11	3	14	78.6%
Surgery - Colorectal	1	6	0	6	100.0%
Urology	4	11	1	12	91.7%
Vascular Surgery	1	7	0	7	100.0%
Acute Care Surgery	1	12	0	12	100.0%
Gynecologic-Oncology	2	4	1	5	80.0%
Surgical Oncology	2	7	1	8	87.5%
Vascular & Interventional Radiology	1	0	11	11	0.0%
Telemedicine physicians (Radiology & Neurology)	2	0	25	25	0.0%
Pelvic Medicine (Urogynecology)	1	3	0	3	100.0%
Totals	200	560	487	1047	53.5%

The following table sets forth information regarding the top ten admitting physicians at MMC by specialty and their age for the fiscal year ending September 30, 2019. All of these physicians are employed by MMC. Collectively, the top ten admitting physicians accounted for approximately 12.8% of MMC's total admissions in fiscal year 2019.

Specialty	Admissions	Age (as of 9/30/19)
Internal Medicine	978	58
Internal Medicine	659	52
Orthopedic Surgery	468	64
Orthopedic Surgery	346	43
Orthopedic Surgery	316	56
Surgery	281	46
Trauma Surgery	271	42
Obstetrics and Gynecology	262	40
General & Critical Care Surgery	261	61
General & Critical Care Surgery	<u>259</u>	46
Total	<u>4101</u>	

Source: Maine Medical Center HR and StrataJazz systems.

In addition, MMC is a teaching hospital. MMC's Physician Residency and Fellowship Program supports over 280 residents and fellows in 14 accredited residencies and 10 accredited fellowships approved by the Accreditation Council for Graduate Medical Education. Each program is the responsibility of a full-time program director and more than 500 attending physicians who serve as faculty.

Employees

As of September 30, 2019, there were approximately 10,269 employees and 8,518 full-time equivalent ("FTE") personnel at MMC – hospital, Maine Medical Partners, Saint Joseph's Rehabilitation and Residence, and MMC Realty Corporation all f/k/a MMC and Subsidiaries. Currently, no employees at MMC are represented by collective bargaining units. As of September 30, 2019, the nursing turnover rate was 8.25% and the vacancy rate was 3.25%.

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Sources of Patient Service Revenue

MaineHealth's subsidiaries have agreements with the federal Medicare program ("Medicare") administered by the Centers for Medicare and Medicaid Services ("CMS") of the United States Department of Health and Human Services, Anthem Blue Cross and Blue Shield of Maine ("Anthem"), Aetna Health Inc. ("Aetna"), Harvard Pilgrim Health Care ("Harvard Pilgrim") and various other commercial carriers and managed care organizations for the provision of services to patients covered by those carriers. MaineHealth's subsidiaries also maintain agreements with the States of Maine and New Hampshire under their respective Medicaid programs. The following table shows the percentage of System-wide net patient service revenue, not including the provision for bad debts, by payer for fiscal year 2018 and 2019.

<u>Payor</u>	<u>2018</u>	<u>2019</u>
Medicare	33%	33%
Medicaid	11%	12%
Anthem Blue Cross & Blue Shield	22%	23%
Commercial/other	33%	31%
Self-Pay	<u>1%</u>	<u>1%</u>
Total	100%	100%

Progress of Projects

Maine Medical Center's Master Facilities Plan related to the Maine Health and Higher Educational Facilities Authority Revenue Bonds, MaineHealth Issue, Series 2018A and 2018B is well under way. The bonds were secured to fund a portion of Phase IIB of the project scope which included two new floors on the existing East Tower Building to house 64 private patient rooms, two additional levels on the existing visitor parking garage, a new employee parking garage, and the purchase and renovation of an office building.

The East Tower was renamed the Coulombe Family Tower and patients began occupying rooms in late December 2019.

A partial opening of the Employee Garage took place in January 2020, with employees from multiple parking sites transitioning to the new garage. Work on the garage continues with the second and final phase of occupancies planned to occur in early summer.

Adverse Developments

There were no adverse developments related to pension programs, insurance, licensure and accreditation, litigation or environment issues that were not disclosed in the audited financial statements and related notes.