

**Tower Health**  
**Audited Annual Disclosure**  
**For the Period Ended June 30, 2020**



**TOWER HEALTH**

Advancing Health.  
Transforming Lives.

**TOWER HEALTH SUMMARY OF FISCAL YEAR 2020 ANNUAL FINANCIAL INFORMATION  
DISCLOSURE**

(dollars in thousands)

The following consolidated statements of operations and balance sheets for Tower Health and Subsidiaries as of and for the fiscal years ended June 30, 2020 and 2019 are derived from the audited financial statements of the Tower Health and Subsidiaries.

**Condensed Statements of Operations  
Tower Health and Subsidiaries**

**Consolidated Statements of Operations - Tower Health**

Fiscal Year Ended June 30,

	<u>2020</u>	<u>2019</u>
Revenues		
Net Patient Service Revenue	\$ 1,713,763	\$ 1,688,264
Other revenue	204,540	65,464
Total Revenues	<u>1,918,303</u>	<u>1,753,728</u>
Expenses		
Salaries and benefits	1,314,189	1,038,286
Supplies	315,513	291,284
General operating expenses	523,717	444,880
Interest expense	49,076	42,010
Depreciation and amortization	100,658	94,412
Transaction Related Expenses	30,426	21,637
Total expenses	<u>2,333,579</u>	<u>1,932,509</u>
Loss from Operations before impairment	<u>(415,276)</u>	<u>(178,781)</u>
Impairment	<u>23,578</u>	<u>-</u>
Loss from Operations	<u>(438,854)</u>	<u>(178,781)</u>
Nonoperating Gains (Losses):		
Investment income and impairment loss	17,835	49,592
Change in fair value of swap contracts, incl settlement pmts	(5,467)	(9,072)
Loss on early extinguishment of debt	(4,124)	-
Other losses	<u>(3,176)</u>	<u>(3,605)</u>
Nonoperating Gains (Losses):	<u>5,068</u>	<u>36,915</u>
Total Income/(Loss) Before Controlling Interest	<u>\$ (433,786)</u>	<u>\$ (141,866)</u>
Non Controlling Interest	3,209	-
Excess of revenue, gains, and other support over expenses	<u>\$ (436,995)</u>	<u>\$ (141,866)</u>
Operating margin*	<u>-21.3%</u>	<u>-9.0%</u>
Operating cash flow**	<u>(258,694)</u>	<u>(20,722)</u>
Operating cash flow margin***	<u>-13.5%</u>	<u>-1.2%</u>

\* Operating Margin = Income (loss) from operations + transactions related expenses / total revenues

\*\* Operating cash flow = Income (loss) from operations + interest + depreciation + transaction related expenses

\*\*\* Operating cash flow margin = Operating cash flow / total revenues

**Total Operating Expenses - Tower Health System**

	2020	
	<u>Dollars</u>	<u>Percent of Revenues</u>
Total Revenues	\$ 1,918,303	100.0%
Expenses:		
Salaries and benefits	1,314,189	68.5%
Supplies	315,513	16.4%
Interest	49,076	2.6%
Depreciation	100,658	5.2%
Purchased Services	283,854	14.8%
Repairs and maintenance	80,820	4.2%
Other	159,043	8.3%
Transaction related expenses	30,426	1.6%
Total operating expenses	\$ 2,333,579	121.6%

**Consolidated Balance Sheets**  
**Tower Health and Subsidiaries**  
**June 30, 2020 and 2019**  
(\$ in thousands)

<b>Assets</b>	<b>2020</b>	<b>2019</b>
Current assets:		
Cash and cash equivalents	356,892	3,818
Patient accounts receivable	260,970	314,630
Other receivables	37,992	10,757
Receivables from affiliates	—	312
Inventories	66,072	48,392
Estimated third-party payor receivables	25,623	21,461
Prepaid expenses and other current assets	46,631	32,515
Assets held for sale	—	19,875
Assets whose use is limited – required for current liabilities:		
Self-insurance funding arrangements	7,533	7,483
<b>Total current assets</b>	<b>801,713</b>	<b>459,243</b>
Assets whose use is limited:		
Self-insurance funding arrangements	26,199	19,902
Under regulatory requirements	4,000	2,000
By board for capital improvements	538,464	698,438
Investments with donor restrictions	37,700	40,998
<b>Total assets whose use is limited, net of current portion</b>	<b>606,363</b>	<b>761,338</b>
Property, plant and equipment, net	1,163,479	1,131,464
Right of Use of Assets	151,749	—
Goodwill	206,640	155,191
Investments in joint ventures	19,524	17,350
Other assets	6,920	1,580
<b>Total assets</b>	<b>2,956,388</b>	<b>2,526,166</b>
<b>Liabilities and Net Assets</b>	<b>2020</b>	<b>2019</b>
Current liabilities:		
Current installments of long-term debt	3,750	6,312
Line of Credit	55,000	17,802
Operating Lease - Right of Use - current portion	21,864	—
Finance leases - current	2,241	2,215
Financing obligations - current	13,147	—
Accounts payable	139,555	136,622
Estimated third-party payor settlements	6,479	4,277
Current portion of estimated self-insurance costs	9,916	9,430
Accrued expenses	103,417	51,742
Accrued vacation	66,785	50,515
Current installments of long-term affiliated payables	30,000	—
CMS advances - current	19,124	—
Other current liabilities	45,679	24,372
<b>Total current liabilities</b>	<b>516,957</b>	<b>303,287</b>
Long-term debt, net of current portion and unamortized		
discount/premium and deferred financing costs	1,302,400	1,117,656
Operating lease liabilities - net of current portion	129,885	—
Finance Leases, net of current portion	17,140	18,887
Accrued pension liabilities	289,775	226,031
CMS advances, net of current portion	153,565	—
Other liabilities	22,598	9,114
Financing Obligations, net of current portion and def fin:	183,813	—
Estimated self-insurance costs, net of current portion	31,463	25,099
Swap contracts	—	31,387
<b>Total liabilities</b>	<b>2,647,596</b>	<b>1,731,461</b>
Net assets:		
Without donor restrictions		
Tower Health and Subsidiaries	240,287	754,955
Non-Controlling interest	32,327	—
With donor restrictions	36,178	39,750
<b>Total net assets</b>	<b>308,792</b>	<b>794,705</b>
<b>Total liabilities and net assets</b>	<b>2,956,388</b>	<b>2,526,166</b>

See accompanying notes to consolidated financial statements.

## SUMMARY OF FINANCIAL DATA – TOWER HEALTH OBLIGATED GROUP

The following financial information of the Tower Health Obligated Group for the year ended June 30, 2020 and 2019 have been prepared by Management and are derived from the audited financial statements of the Tower Health and Subsidiaries.

### Condensed Consolidated Financial Information

#### Tower Obligated Group (Tower Health Parent, Reading Hospital, Brandywine, Chestnut Hill, Jennersville, Pottstown, Phoenixville)

Fiscal Year Ended June 30,

	<u>2020</u>	<u>2019</u>
Revenues		
Net Patient Service Revenue	\$ 1,326,599	\$ 1,463,077
Other revenue	138,909	52,285
Total Revenues	<u>1,465,508</u>	<u>1,515,362</u>
Expenses		
Salaries and benefits	830,639	722,789
Supplies	283,180	279,921
General operating expenses	354,588	368,714
Interest expense	48,108	41,986
Depreciation and amortization	92,715	91,481
Transaction related expenses	21,227	19,424
Total expenses	<u>1,630,457</u>	<u>1,524,315</u>
<b>Income (loss) from operations - Before impairment</b>	<b><u>(164,949)</u></b>	<b><u>(8,953)</u></b>
Impairment	23,578	-
<b>Income (loss) from operations - after impairment</b>	<b><u>(188,527)</u></b>	<b><u>(8,953)</u></b>
Nonoperating Gains (Losses):		
Investment income	17,865	49,482
Change in fair value of swap contracts, net of settlement pmts	(5,467)	(9,072)
Loss on early extinguishment of debt	(4,124)	-
Other (losses) gains	<u>(3,586)</u>	<u>(3,774)</u>
Nonoperating Gains (Losses), net	<u>4,688</u>	<u>36,636</u>
<b>Excess (Deficiency) of revenue, gains, and other support over expenses</b>	<b><u>\$ (183,839)</u></b>	<b><u>\$ 27,683</u></b>
Operating margin*	<u>-11.4%</u>	<u>0.7%</u>
Operating cash flow**	<u>(26,477)</u>	<u>143,938</u>
Operating cash flow margin***	<u>-1.8%</u>	<u>9.5%</u>

\* Operating Margin = Income (loss) from operations + transactions related expenses / total revenues

\*\* Operating cash flow = Income (loss) from operations + interest + depreciation + acquisitions related expenses

\*\*\* Operating cash flow margin = Operating cash flow / total revenues

## Trends in Liquidity

The table below sets details the consolidated cash position and liquidity of Tower Health and Subsidiaries at June 30, 2020 and 2019. Liquidity includes operating cash, short-term investments and parent assets limited by the Board to capital improvements. Excluded are trustee-held bond funds, funds held under self-insurance funding arrangements, and funds held for workers' compensation.

### **Selected Capitalization Indicators - Tower Health and Subsidiaries (\$000s)**

Fiscal Year Ended June 30,

	<u>2020</u>	<u>2019</u>
Unrestricted Cash and Investments (1)	\$ 895,356	\$ 701,598
Average Daily Operating Expenses (2)	\$ 6,101	\$ 5,036
Days Cash on Hand (Days) (3)	147	139
Cash to Long-Term Debt (%) (4)	69%	63%

- (1) Includes all cash and cash equivalents and Board designated investments that are not restricted by donors or other third parties.
- (2) Annual expenses exclusive of depreciation divided by number of days in the year
- (3) Unrestricted cash and investments divided by Average Daily Operating Expenses
- (4) Unrestricted cash and investments divided by long term debt, net

### **Selected Capitalization Indicators - Tower Health and Subsidiaries (\$000s)**

Fiscal Year Ended June 30,

	<u>2020</u>	<u>2019</u>
Outstanding Long-Term Debt	\$ 1,302,400	\$ 1,117,656
Net Assets without donor restrictions	272,614	754,955
Total Capitalization	1,575,014	1,872,611
Long-Term Debt to Capitalization (%) (1)	82.7%	59.7%

- (1) Outstanding long-term debt, divided by the sum of (a) outstanding debt and (b) net assets without donor restrictions.

## Debt Service Coverage

The following table details income available for debt service for each of the years ended June 30, 2020 and 2019 for the Tower Health Obligated Group and the coverage of the maximum annual principal and interest requirement on debt outstanding as of June 30, 2020 and 2019 for the Tower Health Obligated Group.

### Long-Term Debt Service Coverage of Maximum Annual Debt Service (\$000s)

Fiscal Year Ended June 30,

<u>Tower Health Obligated Group</u>	<u>2020 Audited</u>	<u>2020 Audited with Covid Adjustments</u>	<u>2019</u>
Excess (Deficiency) of revenue, gains, and other support over expenses	\$ (183,839)	\$ (183,839)	\$ 27,683
Interest Expense	48,108	48,108	41,986
Depreciation and Amortization	92,715	92,715	91,481
Adjustments:			
Loss on early extinguishment of debt and termination of interest rate swaps	4,124	4,124	-
Loss on early termination of basis swap	120	120	-
Unrealized Investment Losses (Gains)	10,765	10,765	-
Direct COVID-19 Expenses w/o IPT	17,353	-	-
One-time RIF severance expense	12,043	-	-
IPT costs associated with COVID-19	12,155	-	-
Unemployment expense due to COVID-19	1,721	-	-
Hoteling impact of costs for patients not able to be placed due to COVID-19	2,800	-	-
Asset Impairment	23,578	23,578	-
Remove CARES Act funds received	-	(61,317)	-
COVID-19 losses - due to mandated shut-down of elective procedures	-	213,857	-
<b><u>Income Available for Debt Service</u></b>	<b><u>\$ 41,643</u></b>	<b><u>\$ 148,111</u></b>	<b><u>\$ 161,150</u></b>
Maximum Annual Debt Service	\$ 90,772	\$ 90,772	\$ 67,992
<b>Coverage of Maximum Annual Debt Service Requirement</b>	<b><u>0.46</u></b>	<b><u>1.63</u></b>	<b><u>2.37</u></b>

## Management Discussion and Analysis – Audit Disclosure Note

Tower Health reviews its long lived assets for impairment whenever there are events or changes to circumstances that indicate the carrying value may not be recoverable. Management recorded \$23.5 million of long-lived asset impairment charges in the year ended June 30, 2020.

Additional reserves were recorded as a result of the system conversion at CMP Hospitals and the potential impact of COVID-19 on the ability to collect patient accounts receivable at historical levels. This resulted in an additional \$67 million reduction to account receivables and patient revenue for the year ended June 30, 2020.

A reclass of Contribution on St. Christopher's Children's Hospital from Non-operating to Other Revenue. This \$29 million was a reclass had no net impact on Excess (Deficiency) of revenue, gains and other support over expenses for the year ended June 30, 2020.

## Investment Policy

Cash and investments are managed by the Investment Committee, a subcommittee of the Board of Directors. The Investment Committee and Tower Health's senior management meet bimonthly, determine the allocation of the Unrestricted Investment Portfolio and Pension Plan investments according to policy asset classes, selects Advisors investment allocation, and reviews Advisor performance based on a benchmark rate of return established for that specific portfolio. The Investment Committee also reviews and modifies, as appropriate, both Investment Portfolio and Pension Plan Investment Policy Statements at least annually.

The following table sets forth the operating cash and market value of unrestricted investments (including cash held in unrestricted investment portfolios) by asset class and the percentage which each asset class represents of the total as of June 30, 2020.

<u>Asset Class (\$000s)</u> <u>As of June 30, 2020</u>	<u>June 30, 2020</u> <u>Market Value</u>	<u>June 30, 2020</u> <u>Percentage of Total</u>
Cash and Cash Equivalents (1)	\$ 429,102	47.9%
Common, Preferred, and foreign stock	42,420	4.7%
Equity Mutual Funds	149,078	16.7%
Fixed Income Funds	138,104	15.4%
Hedge, private equity and other common collective trusts funds	136,653	15.3%
<b>Total</b>	<b>\$ 895,356</b>	<b>100.0%</b>

(1) Cash and Cash Equivalents includes balance sheet operating cash and investment portfolio cash.

## Liquidity and Leverage

Tower Health has historically balanced the incurrence of incremental indebtedness with the maintenance of substantial balance sheet liquidity. The System maintains a conservative total return investment philosophy emphasizing liquidity and minimizing risk. Excluding corporate cash, which is for daily liquidity needs, approximately 75% of the System's Investment Portfolio is available within T+3. The System's Investment Policy Statement - IPS is reviewed and updated annually by the investment consultant and Investment Committee. The IPS is intended to provide investment guidelines for the System, its investment consultants, advisors and managers.

## Interest Rate Swaps

Prior to FY2020, the System had certain interest rate and basis swap agreements in place to hedge changes in interest rates for a portion of its outstanding debt. The fair value of these swaps was a liability of \$31.4 Million as of June 30, 2019. In December 2019, the System terminated its basis swap with the counter party Royal Bank of Canada for a cash receipt consideration of \$2 Million. There was a \$0.120 Million accounting loss on the termination of basis swaps.

In February 2020, the System's Interest Rate Swaps counterpartied with JPMorgan Bank were terminated as part of the 2020 Series Bond funding for a cash consideration payout of \$36.204 Million. Loss on the termination of the swaps was \$0.352 Million and loss on all swaps is shown on the Non-Operating Income section of the Operating Income Statement.

The System ended June 30, 2020 with no interest rate or basis swaps.



## Medical Staff

Tower Health’s medical staff consisted of 2,537 practitioners in thirteen departments. The physicians serving on the Medical Staff are divided into categories, as shown in the table below:

### MEDICAL STAFF - Tower Health

#### Overview Physicians serving on the Medical Staff - Tower Health (Including St. Christopher)

Fiscal Year Ended June 30, 2020

<u>Physician Status</u>	<u>Tower Health and St. Chris Number</u>	<u>Tower Health and St. Chris % of Total</u>
Active with Privileges	1,510	59.5%
Affiliate	254	10.0%
Community	3	0.1%
Consulting	169	6.7%
Courtesy	219	8.6%
Coverage	10	0.4%
Integrated Network	107	4.2%
Locum Tenens	2	0.1%
Telemedicine	145	5.7%
Temporary Privileges	4	0.2%
Other	114	4.5%
<b>Total</b>	<b>2,537</b>	<b>100.0%</b>
<b>Board Certified</b>	<b>2,492</b>	<b>98.2%</b>

Since the acquisition of the Montgomery Chester Hospitals, Tower Health is consolidating medical staff category requirements across all facilities. The acute care facilities have collaborated to create revised bylaws, based on a common template, governing each of the six independent medical staffs, aligning toward a common purpose, except St. Christopher’s which was purchased December 2019 and is currently in the process of adopting the standardized bylaws, effective January 2018 the following applies to all other Tower Health hospitals.

Following initial granting of privileges appointees to Active Staff undergo a Focused Professional Practice Evaluation (FPPE) to verify competency. Active Staff members are expected to be involved in at least twenty four (24) patient contacts per two-year appointment term. Any member who has fewer than 24 patient contacts during his/her two-year appointment term will be transferred to another staff category that best reflects his/her relationship to the Medical Staff and the Hospital (Integrated Network, Courtesy, Consulting, Affiliate or Coverage).

As stated in the Medical Staff Bylaws, all applicants for appointment to the medical staff must:

- Have a current, unrestricted license to practice in Pennsylvania that is not subject to probation and have never had a license to practice revoked or suspended by any state licensing agency
- Where applicable to their practice, have a current, unrestricted DEA registration
- Demonstrate clinical activity in their primary area of practice during the last two years
- Maintain certification in their primary area of practice at the Hospital by the appropriate/subspecialty board of the American Board of Medical Specialties, the American Osteopathic Association, the American Board of Oral and Maxillofacial Surgery, the American Board of General Dentistry or the American Board of Foot and Ankle Surgery.

Applicants who are not board certified at the time of application, must achieve board certification in their primary area of practice within five years (6 years if pertaining to St. Christopher’s) from the date of completion

of the residency or fellowship training. Existing medical staff members who were granted a permanent waiver in the past shall be grandfathered.

The six ACGME general competencies (patient care, medical knowledge, professionalism, system-based practice, practice-based learning, and interpersonal communication) are evaluated as part of the appointment and reappointment process.

- The following tables summarizes the number of Active and Affiliate Medical Staff by Category of medical practices at June 30, 2020.

**Active Medical Staff by Medical / Surgical Specialty - Tower Health (Including St. Christopher)**

Fiscal Year Ended June 30, 2020

<u>Department</u>	<u>Number of Physicians</u>	<u>Average Age</u>
<b>Medicine:</b>		
Anesthesiology	87	50
Dentistry & Oral Maxillofacial Surgery	55	49
Diagnostic Imaging	57	52
Emergency Medicine	146	46
Family and Community Medicine	127	54
Gynecology	7	48
Medicine	843	50
Obstetrics & Gynecology	58	56
Pathology and Laboratory Medicine	26	58
Pediatrics	269	50
Physical Medicine & Rehabilitation	13	59
Psychiatry	58	54
Radiology	295	53
<b>Medicine Total</b>	<b>2,041</b>	
<b>Surgery:</b>		
Anesthesiology	8	54
Bariatric Surgery	5	49
Cardiothoracic Surgery	11	58
Clinical Dentistry	4	72
General Surgery	51	53
Hand Surgery	6	36
Neurologic Surgery	24	50
Obstetrics & Gynecology	4	54
Ophthalmology	72	54
Oral and Maxillofacial Surgery	10	54
Orthopaedic Surgery	96	51
Otolaryngology	47	55
Other	6	58
Pathology	2	51
Physical Medicine & Rehabilitation	3	44
Plastic & Reconstructive Surgery	11	56
Plastic Surgery	19	54
Podiatric Surgery	65	51
Transplant Surgery	1	57
Trauma, Acute Care Surgery, & Surgical Critical Care	9	50
Urology	33	51
Vascular Surgery	9	47
<b>Surgical Total</b>	<b>496</b>	
<b>Combined Totals</b>	<b>2,537</b>	<b>51</b>

The following table sets forth the top ten admitting physicians at Tower Health for FY2020, with their age, specialties, and affiliations.

**Top 10 Admitting Physicians - Tower Health**

Fiscal Year Ended June 30, 2020

<u>Specialty</u>	<u>Ages</u>	<u>Admissions</u>	<u>Percent of Discharges</u>	<u>Employment Status</u>
Internal Medicine	34	1,639	2.4%	Employed by Tower
Internal Medicine	38	1,584	2.3%	Employed by Tower
Internal Medicine	63	1,482	2.2%	Employed by Tower
Internal Medicine	47	1,306	1.9%	Independent
Internal Medicine	44	1,206	1.8%	Employed by Tower
Family Medicine	39	1,029	1.5%	Employed by Tower
Family Medicine	60	981	1.4%	Employed by Tower
Internal Medicine	64	651	1.0%	Independent
Internal Medicine	60	628	0.9%	Independent
Internal Medicine	33	601	0.9%	Employed by Tower
<b>Total</b>		<b>11,107</b>	<b>16.3%</b>	

**Employed Physicians**

Of the 2,537 physician members of the medical staff of Tower Health (including St. Christopher’s Children’s Hospital), 931 physicians and hospitalists are employed by the Health System. Collectively, employed physicians are part of Tower Health Physician Group. There are 350 Residents training within the System who are not included in the 2,537 members of medical staff. The remainder of the medical staff consists of independent, private practitioners from the community and service area. One physician serves on the Tower Health Board of Directors.

## EMPLOYEES

### Tower Health

As of June 30, 2020, Tower Health employed 14,134 employees, which equates to 11,899 full-time equivalent (FTE) employees.

#### **Full-Time Employees of the System**

Fiscal Year Ended June 30, 2020

<b>Entity</b>	<b>Total Employees</b>	<b>Total Full-Time Equivalent</b>
Reading Hospital	5,913	5,106
CMP Hospitals	4,023	3,234
Drexel University Physicians	83	78
St. Christopher's	2,032	1,587
Tower Direct	55	34
Tower Health at Home	162	121
Tower Health Medical Group	1,607	1,508
Tower Health Partners	10	10
Tower Health Urgent Care	249	220
<b>Total</b>	<b>14,134</b>	<b>11,899</b>

Management believes that Tower Health provides compensation and a comprehensive package of fringe benefits that are competitive with other hospitals in the local region. Regular salary and benefits surveys are conducted by Human Resources to ensure Tower Health compensates its employees at levels competitive with other healthcare systems locally and regionally. The employee benefit plans include a (frozen) pension plan, life insurance, health and dental insurance and a retirement 403(b) benefit plan.

The number of employees in nursing roles is listed below:

#### **Full-Time Employees in nursing roles**

Fiscal Year Ended June 30, 2020

<b>Nursing Category</b>	<b>Total Employees</b>	<b>Total Full-Time Equivalent</b>
Registered Nurse	4,759	3,790
Licensed Practical Nurse	125	118
Medical Assistant	338	319
<b>Total</b>	<b>5,222</b>	<b>4,228</b>

## UTILIZATION STATISTICS

### June 30, 2020

**Tower Health  
Historical Utilization of Services  
For the Years Ended 2018 through 2020  
June 30, 2020**

	2018	2019	FY2020 YTD Consolidated *
<b>Beds in Service / Staffed 2020 *:</b>			
Adults & Critical Care	1,109	1,109	1,010
Obstetrics/Gynecology	60	60	91
NICU	30	30	34
Pediatrics	19	19	19
Skilled Nursing	50	50	50
Acute Rehab	76	76	76
Psych	152	152	152
<b>Subtotal</b>	<b>1,496</b>	<b>1,496</b>	<b>1,432</b>
Newborn	73	73	73
<b>Total</b>	<b>1,569</b>	<b>1,569</b>	<b>1,505</b>
<b>Admissions:</b>			
Medical/Surgical	45,552	51,879	51,939
Obstetrics/Gynecology	4,758	4,910	4,993
NICU	395	417	282
Pediatrics	1,296	1,368	1,379
Skilled Nursing	1,274	1,197	1,075
Acute Rehab	1,613	1,548	1,554
Psych	2,174	3,652	2,867
<b>Subtotal</b>	<b>57,062</b>	<b>64,971</b>	<b>64,089</b>
Newborn	3,994	4,200	4,319
<b>Total</b>	<b>61,056</b>	<b>69,171</b>	<b>68,408</b>
<b>Patient Days:</b>			
Medical/Surgical	207,722	224,775	233,151
Obstetrics/Gynecology	12,141	12,875	12,696
NICU	7,529	9,111	8,889
Pediatrics	2,289	2,569	2,578
Skilled Nursing	17,006	16,711	16,917
Acute Rehab	20,052	20,931	22,021
Psych	23,119	42,582	32,366
<b>Subtotal</b>	<b>289,858</b>	<b>329,554</b>	<b>328,618</b>
Newborn	8,095	8,752	8,710
<b>Total</b>	<b>297,953</b>	<b>338,306</b>	<b>337,328</b>
<b>Acuity:</b>			
Case Mix Index	1.43	1.43	1.43
<b>Length of Stay:</b>			
Medical/Surgical	4.56	4.33	4.49
Obstetrics/Gynecology	2.55	2.62	2.54
NICU	19.06	21.85	31.52
Pediatrics	1.77	1.88	1.87
Skilled Nursing	13.35	13.96	15.74
Acute Rehab	12.43	13.52	14.17
Psych	10.63	11.66	11.29
<b>Total</b>	<b>5.08</b>	<b>5.07</b>	<b>5.13</b>
Newborn	2.03	2.08	2.02
<b>Occupancy Rates:</b>			
Medical/Surgical	59.5%	55.5%	63.1%
Obstetrics/Gynecology	55.4%	58.8%	38.1%
NICU	68.8%	83.2%	71.4%
Pediatrics	33.0%	37.0%	37.1%
Skilled Nursing	93.2%	91.6%	92.4%
Acute Rehab	75.8%	75.5%	79.2%
Psych	51.2%	76.8%	58.2%
<b>Total</b>	<b>60.6%</b>	<b>60.4%</b>	<b>62.7%</b>
Newborn	35.1%	32.8%	32.6%

\* Prior FY20, the CMP Hospitals did not segregate beds among Med/Surg, OBGYN and NICU, updated in FY20. Medical/Surgical includes Adult and Critical Care

\* As of 6.30.20 all facilities are reporting staffed.

\* A methodology change from licensed to staffed beds for two CMP hospitals accounted for 32 of the total 42 bed count change from the June 2020 Quarterly filing. Previously, staffed bed data was not available at the time of reporting.

**SELECTED STATISTICS – TOWER HEALTH – FY2020**

Selected Statistics:	FY2020
Laboratory Tests	<u>4,909,660</u>
Ambulatory Surgical	<u>16,302</u>
Diagnostic Radiology	<u>283,683</u>
EKG	<u>157,084</u>
Outpatient Visits	<u>825,854</u>
Emergency Dept. Visits	<u>246,413</u>

## SOURCES OF REVENUE

Tower Health’s revenues come directly from patients, commercial insurance carriers or from governmental sources such as Medicare and Medicaid. The following is a summary of audited net patient service revenue by source for the year ended June 30, 2020.

The percentages of net patient service revenue from patients and third-party payors for the years ended June 30, 2020 and 2019 were as follows:

	2020	2019
Medicare	22 %	19 %
Medicare Advantage	12	11
Medicaid	4	3
Managed Medicaid	10	9
Blue Cross	26	33
Commercial	18	19
Self-pay and other	8	6
	100 %	100 %

**Medicare and Medicaid.** Medicare and Medicaid are the commonly accepted names for hospital payment programs created by certain provisions of the Federal Social Security Act. Medicare is exclusively a Federal Program, and Medicaid is a combined Federal and state program. Effective April 2015, the Medicaid program was expanded in the Commonwealth of Pennsylvania, which lowered the uninsured rate and increased the number of patients covered by Medicaid.

**Highmark Blue Shield.** Highmark Blue Shield reimburses the System under an agreement which provides for payment based on a fixed rate payment for each Medicare Severity-Diagnosis Related Group (“MS-DRG”). The contract is evergreen with payment increases tied to increases in charges. The contract cycle is typically three years.

**Capital Blue Cross.** Capital Blue Cross reimburses the System under an agreement which provides for payment based on a percentage of charges for Reading and MS-DRG for CMP Hospitals. The initial rates were determined at budget-neutral levels relative to the expiring contract. An annual increase is applied at the contract anniversary based on a Bureau of Labor Statistics index. Outpatient activity is also reimbursed based on a percentage of charges for Reading and OPSS methodology for CMP Hospitals.

**Independence Blue Cross.** Independence Blue Cross reimburses the System under an agreement which provides for payments based on a fixed payment methodology for each MS-DRG, with certain services carved out as case rates or per diems. The contract includes annual inflators, which go into effect on the anniversary date, and the contract cycle is three years,

**Other Commercial, Non-Governmental Insurers.** United Healthcare, Cigna, Aetna and Health America all have similar contracts based on a percentage of charges for Reading and fixed methodology for CMP Hospitals.

**Non-Contracted Commercial Insurance.** Other commercial insurance plans reimburse their subscribers or make direct payments to the System for covered services at prevailing area room rates plus ancillary service charges, subject to various limitations, insurance provisions and deductibles.

----- End of Report -----