

For the Period Ended June 30, 2021

Unaudited Quarterly Disclosure



TOWER HEALTH

Advancing Health.
Transforming Lives.

Tower Health Overview

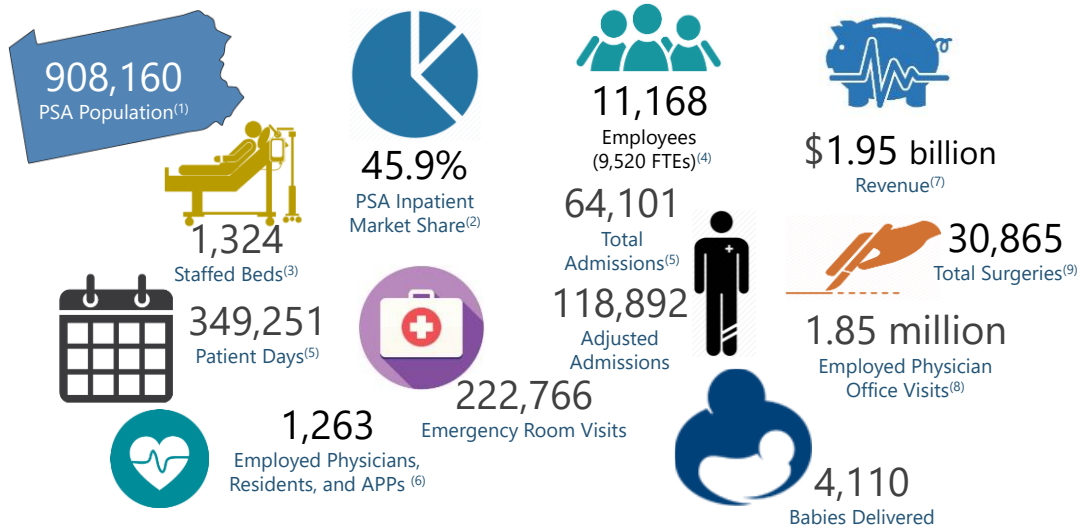
Tower Health (“Tower Health” or the “System”) is a Pennsylvania nonprofit corporation that serves as the parent organization of seven acute care hospitals, an inpatient behavioral health facility, and related facilities that have formed an integrated healthcare system located in the Counties of Berks, Chester and Montgomery, Pennsylvania and the City of Philadelphia, Pennsylvania.

- Brandywine Hospital in Coatesville (171 licensed beds)
- Chestnut Hill Hospital in Philadelphia (148 licensed beds)
- Jennersville Hospital in West Grove (63 licensed beds)
- Phoenixville Hospital in Phoenixville (144 licensed beds*)
- Pottstown Hospital in Pottstown (232 licensed beds)
- Reading Hospital, a teaching hospital in West Reading (737 licensed beds*, including 62 beds at a dedicated rehabilitation hospital)
- St. Christopher’s Hospital for Children, in partnership with Drexel University (188 licensed beds)
- Tower Behavioral Health, a 144-bed inpatient facility and ambulatory campus, opened under a joint venture with Acadia Healthcare
- Tower Health Medical Group, a network of more than 167 ambulatory practices, that includes 902 physicians and 383 Advanced Practice Providers
- Tower Health Urgent Care - Tower Health owns and operates 28 urgent care sites across the region making Tower Health the largest operator of urgent care centers in the metropolitan Philadelphia area according to the Philadelphia Business Journal
- Tower Health at Home, a regional home health and hospice organization
- Tower Health Providers, a clinically integrated physician network with more than 3,100 providers
- Tower Health – UPMC Health Plan, a joint venture with UPMC Health Plan that offers affordable health insurance coverage and access to high quality care in nine counties, with over 47,500 member lives in all lines of business including Medicare Advantage, Administrative Services Only (ASO) for self-insured employers, Individual (Exchange), as well as Commercial Group, Special Needs Plans (SNP), Managed Medical Assistance, and Children’s Health Insurance Program (CHIP).
- Drexel University College of Medicine at Tower Health – a new 120,000 square feet Medical School located a half mile from Reading Hospital that will educate 200 enrolled medical students annually when fully operational in 2024
- Graduate Medical Education – Planned expansion to more than 500 Residents and Fellows

**Number of licensed beds, excludes nursery*

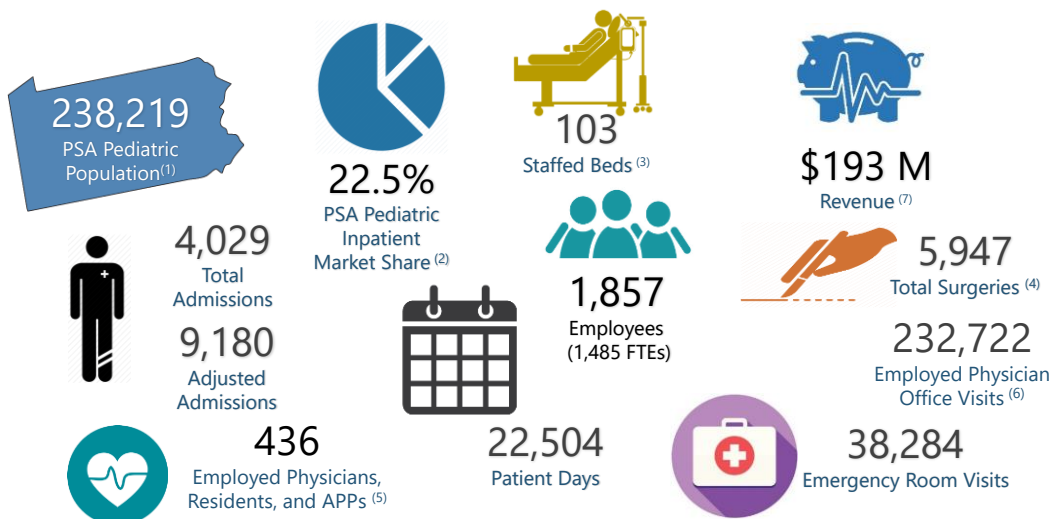
*** Provider numbers are current as of June 30, 2021*

Tower Health at a Glance *(excluding St. Christopher's)*



- 1) 2021 Claritas estimate; Tower Health general acute care hospitals combined PSA
 - 2) CY2020 inpatient market share based on Tower Health combined PSA; PHC4 data
 - 3) Excludes nursery; Includes 61 beds at Reading Hospital Rehabilitation at Wyomissing; current as of Aug 2021
 - 4) Current as of June 30, 2021; Includes THMG, DUP, THP, THUC, THAH, TowerDirect, and hospitals except St. Christopher's
 - 5) Excludes normal newborns
 - 6) Includes 175 residents; 970 THMG, 26 DUP, and 92 THUC providers; current as of June 30, 2021
 - 7) Includes all Tower entities except St. Christopher's; Excludes Transaction Costs and CARES \$
 - 8) THMG primary and specialty care visits; excludes SCMG
 - 9) Includes 12,191 inpatient and 18,674 outpatient surgeries; Excludes endoscopies
- * All data is FY2021 unless otherwise noted

St. Christopher's Hospital for Children At-A-Glance



- 1) 2021 Claritas estimate for patients aged 0-17 in the St. Christopher's PSA
 - 2) CY2020 inpatient market share among patients aged 0-17 in the St. Christopher's PSA; PHC4 data
 - 3) Current as of August 2021
 - 4) Includes 1,039 inpatient and 4,908 outpatient surgeries; Excludes endoscopies
 - 5) Includes 147 residents and 289 SCMG providers; current as of June 30, 2021
 - 6) SCMG primary and specialty care visits
 - 7) Excludes Transaction Costs and CARES \$
- * All data is FY2021 unless otherwise noted

Management Discussion and Analysis

YTD Consolidated Statement of Operations for the 12-Months Ended June 30, 2021 and 2020

(dollars in thousands)

	Tower Health		Obligated Group	
	12 Months ended June 30		12 Months ended June 30	
	FY21	FY20	FY21	FY20
Unrestricted revenues and other support:				
Net patient revenue	2,051,965	1,713,748	1,551,053	1,326,599
Other revenue	139,594	204,555	66,090	138,909
Total revenues and other support	2,191,559	1,918,303	1,617,144	1,465,508
Expenses:				
Salaries and benefits	1,321,811	1,314,189	730,660	830,639
Supplies	350,008	315,514	301,800	283,180
Interest	60,958	49,077	57,920	48,108
Depreciation	102,232	100,658	96,997	92,715
Total Purchased Services	296,653	283,853	168,372	178,234
Repairs and maintenance	90,017	80,819	78,611	74,500
Other	174,381	159,043	75,612	101,854
Transaction related expenses	39,291	30,426	23,852	21,227
Total expenses	2,435,351	2,333,579	1,533,824	1,630,457
Income (loss) from operations	(243,791)	(415,275)	83,319	(164,949)
Nonoperating gains:				
Investment income	102,328	10,300	102,261	10,330
Other (losses) gains	(4,432)	(28,810)	(5,261)	(29,220)
Nonoperating gains, net	97,897	(18,510)	97,000	(18,890)
Excess of revenues, gains and other support over expenses Before Non-Controlling Interest	(145,895)	(433,786)	180,320	(183,839)
Non-Controlling Interest	45,106	(3,209)		
Attributable to Tower Health and Subsidiaries	(100,789)	(436,995)	180,320	(183,839)
Operating margin	-11.1%	-21.6%	5.2%	-11.3%
Operating cash flow*	(41,310)	(235,115)	262,089	(2,898)
Operating cash flow margin**	-1.9%	-12.3%	16.2%	-0.2%

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

**Operating cash flow margin = Operating cash flow / total revenues and other support

Long-Term Debt Service Ratio for Tower Health Obligated Group for the twelve months ended June 30, 2021 was 2.58x.

Note: \$50 million of CARES Act funds are included in revenue for the twelve months ended June 30, 2021.

Management Discussion and Analysis (cont'd)

Subsequent Events Since June 30, 2021

Tower Health Medical Group Restructuring

Tower Health has continued its restructuring of Tower Health Medical Group (THMG) to focus on greater efficiency and productivity. A combination of practice closures and consolidations, transactions with third-parties, returns to private practice, and restructuring of incentive programs have created greater alignment with recommended performance improvement initiatives. These efforts will continue through the remainder of the calendar year.

Tower Health signs Letter of Intent with Penn Medicine to Explore Strategic Alliance

On July 30, 2021 Tower Health and Penn Medicine announced that the two organizations had signed a non-binding Letter of Intent (LOI) to begin the process of developing a strategic alliance between the two health systems. In the LOI, Tower Health and Penn Medicine agreed to establish an Affiliation Steering Committee, with equal representation from both organizations, that will take approximately six months to evaluate potential areas of collaboration. Both organizations emphasize that a strategic alliance is not a merger.

The Strategic Alliance is a relationship between separate organizations focused on the joint development of innovative programs and initiatives that provide exceptional care and value and a high-quality patient experience to the community. Tower Health remains responsible for and focused on implementing its ongoing operational improvements to further strengthen its clinical programs and services, as well as the overall financial performance of the enterprise.

Tower Health Transplant Institute Transfers to Penn Transplant Institute

On August 25, 2021, Tower Health announced, with Penn Medicine, a plan to transition the Tower Health Transplant Institute (THTI) to the Penn Transplant Institute, effective by mid-December 2021. Reading Hospital will continue to provide pre- and post-transplant treatment and screening on-site, while transplant surgical procedures will be performed at the Hospital of the University of Pennsylvania. The Penn Transplant Institute will establish offices at Reading Hospital and a majority of THTI employees will transition to Penn Medicine. This development will sustain world-class kidney and liver transplant services for patients and communities in the Berk County region.

Hospital Leadership Changes

Effective September 2, 2021, Claire Mooney will step down as CEO of Brandywine and Jennersville Hospitals to take a position with another health system. Stephen Tullman, long-time CEO of Phoenixville Hospital, will become Chief Executive Officer for Brandywine and Jennersville Hospitals. Mr. Tullman knows the area served by the Brandywine and Jennersville Hospitals well and is a seasoned hospital leader. With Mr. Tullman taking on this new role, Richard Newell will expand his role to serve as CEO for Phoenixville Hospital, in addition to his CEO role at Pottstown Hospital. Mr. Newell knows the area served by Phoenixville Hospital and has long collaborated with the team at the Phoenixville Hospital. Both these changes are effective on September 3, 2021.

Management Discussion and Analysis (cont'd)

Finance Leadership Team Changes

Tower Health Treasurer Sean O'Connell is no longer with the organization. Robert Ehinger, Tower Health's Senior Vice President, Financial Operations, is assuming the Treasurer role and will be supported by Jordan Melick of Warbird Consulting Partners.

Operational Performance Quarter and 12-Months Ended June 30, 2021 vs June 30, 2020 and March 31, 2021

Tower Health ("Tower" or "System") operating performance for the quarter ended June 30, 2021 (Q4 FY2021) reflects a significant improvement over the quarter ended March 31, 2021 (Q3 2021). Operating income in Q4 FY2021 was positive \$528 thousand compared to Q3 FY2021 operating income of negative \$61.7 million. In Q4 FY2021, total revenue increased by 5.36% over Q3 FY2021, and the System generated a positive operating margin of 0.1% in Q4 FY 2021 in comparison to a Q3 FY2021 operating margin of negative 11.5%. Last quarter includes no funds for CARES Act grant funds received from the federal government, whereas \$4.7 million were received in Q3 FY2021. All CARES Act grant funds received were recognized and recorded in other operating revenue.

Twelve-months operating performance through June 30, 2021 compared to twelve-months through June 30, 2020 reflects significant improvement. In the twelve-month period ended June 30, 2021, total revenue increased by 16.08% compared with the twelve-month period ended June 30, 2020, the System generated an operating margin of negative 11.5% in comparison to operating margin of negative 26.7%, respectively.

Twelve-months ended June 30, 2021 includes \$39.3million of one-time, non-recurring expenses. Of the \$39.3 million, there was an \$18 million education grant provided to Drexel University and \$8.3 million was related to EPIC implementation costs at the Urgent Care and the St. Christopher Hospital for Children project, with the remainder related to other one-time transaction costs. Excluding the \$39.3 million in one-time, non-recurring expenses, the System's operating income in the twelve-month period ended June 30, 2021 was negative \$166.9 million, resulting in an operating margin of negative 7.8%, compared with negative 21.2% in the twelve-month period ended June 30, 2020.

Excluding \$39.3 million in one-time, non-recurring expenses, the System's operating cash flow margin* for the twelve-month period ended Jun 30, 2021 was negative 0.3%, compared with negative 13.2% in for the twelve-month period ended June 30, 2020.

Across the system Tower has seen volumes increases for Q4 2021 from Q3 FY 2021. Admissions are up 2.7%, ER inpatient visits are up 1.6% and outpatient ER visits are up 25.7%. Inpatient surgeries are up 10.2% while outpatient surgeries are up 14.07%. OP registrations are up 11.3%.

Reading Hospital continued to generate significant operating income. Reading Hospital produced \$175.6 million in operating income (15.8% op. margin) for the twelve-month period ended June 30, 2021 compared with 1.4% in the twelve-month period ended June 30, 2020. And Reading Hospital's operating cash flow margin* was 24.0%, compared with 10.2%, respectively.

**as defined on the prior pages*

Management Discussion and Analysis (cont'd)

Total revenue for the CMP hospitals for the twelve month period ending June 30, 2021 increased 22.36% as compared with the prior year, while total expenses (including interest, depreciation, and amortization) decreased by 5.16%. The CMP hospitals' results improved in the twelve-month period ending June 30, 2021 as compared to the prior year, generating an operating income of negative \$124.4 million, for an operating margin of negative 22.7%, compared with the twelve-month period ending June 30, 2020, which had an operating loss of \$261.0 million and an operating margin of negative 58.33%. The CMP hospitals generated operating cash flow* of negative \$54.2 million and operating cash flow margin* of negative 9.9% for the twelve-month period ending June 30, 2021 compared to negative \$206.6 million and negative 46.2% for the twelve-month period ending June 30, 2020.

**as defined on the prior pages*

Guidehouse Recommendations

Guidehouse's assessment identified \$163 million in potential improvement to Operations and \$18 million in Cash Acceleration / Balance Sheet improvement opportunities, incremental to performance improvement initiatives already underway at Tower Health. The assessment opportunities were categorized into the following areas, with Revenue Cycle and the Physician Enterprise making up half of the improvement opportunity:

- Enterprise-wide Revenue Cycle
- Physician Services
- Pharmacy – 340b
- Supply Chain
- System Laboratory
- Corporate Overhead
- Workforce Productivity

Since the end of the assessment, Tower Health and Guidehouse have developed a comprehensive set of solutions to begin rapidly implementing initiatives to improve the systems bond ratings and credit quality, while still supporting Tower's mission of providing safe and high-quality care to its communities. Tower Health and Guidehouse have formed 'SWAT' implementation teams to rapidly implement opportunities identified from the assessment.

As of the end of June 2021, Tower Health has implemented \$108.4M in realized Net Revenue and Cost Reduction initiatives. Realized improvements includes \$36.8M in one-time savings and \$71.6M in recurring benefits (estimated \$144M in recurring annualized benefit to the health system). Tower recently announced restructuring plans for Tower Health Medical Group, which is an incremental benefit to Guidehouse's original assessment.

Impact of Changes in Accounting Methodologies and Asset Impairment on the Statement of Operations

As part of a mid-year review of our accounting procedures, it was determined that a more conservative methodology would more accurately reflect the valuation of accounts receivable. The methodology was changed in December 2020 to reflect this updated valuation, which resulted in a total adjustment for the six months ended December 31, 2020 of approximately \$25 million for Reading and the CMP hospitals.

Management Discussion and Analysis (cont'd)

Tower continues to review all assets in the business portfolio as it pursues strategic options. Tower's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Tower will be performing its goodwill and long-lived asset impairment analysis through the issuance date of the June 30, 2021 audited financial statements. If the carrying value of any of these assets is impaired, Tower may incur a material non-cash charge to earnings.

Unrestricted Cash and Investments

Total balance sheet unrestricted cash and board-designated investment funds for capital improvements was \$701 million at June 30, 2021. This represents a decrease of \$28 million from March 31, 2021. Total days cash on hand for the consolidated group was 110 at June 30, 2021, representing a decrease of 2 days from March 31, 2021. Net assets were \$257 million at June 30, 2021. This represents an increase of \$100 million from March 31, 2020.

Included in unrestricted cash and investments above is approximately \$149 million of the remaining CMS Advance Payments received during FY2020, which equates to approximately 24 days cash on hand. The amount started to be repaid using an amortized schedule beginning in April 2021.

CARES Act Relief Funds

As of June 30, 2021, Tower Health has received a total \$148 million in grants from several phases of the CARES Act stimulus bill, which have been recognized as other operating revenue.

Tower Health System
YTD Consolidating Income Statement w/CARES \$
Jun-21

	Reading Hospital	Brandywine	Chestnut Hill	Jennersville	Phoenixville	Pottstown	THMG	Parent	STC	Other	Consolidated
Inpatient Revenues	\$ 1,970,938,029	\$ 352,376,569	\$ 607,979,183	\$ 88,259,123	\$ 474,745,176	\$ 519,628,551	\$ -	\$ -	\$ 596,032,845	\$ -	\$ 4,609,959,476
Outpatient Revenues	1,787,247,681	166,903,675	406,256,618	94,406,260	458,741,765	452,642,766	817,810,653	-	896,712,238	74,332,456	5,155,054,113
Total Revenues	3,758,185,710	519,280,244	1,014,235,801	182,665,384	933,486,941	972,271,317	817,810,653	-	1,492,745,083	74,332,456	9,765,013,589
Contractual Adjustments	2,603,260,072	426,599,849	872,362,921	134,800,667	761,197,800	800,900,178	561,650,144	-	1,269,143,886	66,892,571	7,496,808,087
Uncompensated Care	99,263,436	13,693,850	26,557,421	8,160,792	18,909,067	20,026,346	21,819,013	-	6,826,780	983,340	216,240,045
Net Revenue	\$ 1,055,662,202	\$ 78,986,545	\$ 115,315,459	\$ 39,703,924	\$ 153,380,074	\$ 151,344,793	\$ 234,341,497	\$ -	\$ 216,774,418	\$ 6,456,545	\$ 2,051,965,457
Interest Income	-	-	-	-	-	-	-	-	-	-	-
Other Operating Income	73,199,679	1,990,345	13,110,334	3,082,161	11,085,629	1,206,300	15,769,048	7,468,740	48,102,991	(35,421,328)	139,593,900
Total Other Operating Revenues	73,199,679	1,990,345	13,110,334	3,082,161	11,085,629	1,206,300	15,769,048	7,468,740	48,102,991	(35,421,328)	139,593,900
Assets Released from Restriction	-	-	-	-	-	-	-	-	-	-	-
Net Revenues	1,128,861,881	80,976,891	128,425,793	42,786,085	164,465,704	152,551,093	250,110,545	7,468,740	264,877,409	(28,964,783)	2,191,559,357
Expenses											
Salaries and Wages	307,594,365	36,593,249	47,881,907	16,891,104	51,241,492	50,335,206	315,407,945	-	147,055,291	133,947,283	1,106,947,841
Benefits	85,889,187	8,178,728	9,897,547	4,409,882	11,846,586	16,193,826	47,861,985	-	30,967,719	(18,602,787)	196,642,673
Contract Labor	11,950,413	2,916,939	211,338	131,036	656,130	1,244,155	116,146	-	99,602	895,145	18,220,904
Physician Fees	29,072,775	9,293,571	8,216,527	4,272,025	6,975,249	8,742,348	16,155,785	-	40,251,117	(37,427,056)	85,552,341
Professional Fees	4,797,329	1,926	14,003	237	4,098	-	18,536,879	198,444	15,684,381	38,295,836	77,533,133
Purchased Services	29,322,992	6,719,013	11,385,270	3,262,800	11,500,383	14,256,665	3,600,049	297,622	10,488,301	529,550	133,567,797
Billable Medical Supplies	53,138,580	6,497,135	6,601,529	2,797,959	19,613,605	15,479,950	1,660,510	-	30,053,117	23,169,886	133,567,797
Non Billable Medical Supplies	34,576,331	4,060,940	4,993,759	2,184,684	7,381,526	7,127,098	1,447,100	-	10,488,301	529,550	116,807,119
Other Supplies	8,863,405	47,104	1,360,510	665,007	1,189,975	779,418	1,497,036	-	8,502,193	1,104,525	71,378,156
Drugs	83,545,016	2,918,461	3,360,474	1,464,755	17,043,355	14,550,112	9,357,526	-	1,356,637	1,747,967	17,507,058
Repairs/Maintenance	15,907,258	4,029,676	3,880,409	1,643,272	512,160	5,224,388	1,789,424	-	11,714,034	361,672	144,315,404
Rental/Leases	5,286,717	1,692,111	1,095,506	559,130	4,118,278	5,438,057	915,930	-	9,045,589	45,038,178	90,016,647
Utilities	8,647,054	1,576,238	1,818,358	559,130	1,756,520	1,415,191	1,174,364	35,250	11,666,843	11,022,250	55,096,884
Taxes Licenses and Permits	3,251,417	513,803	363,913	3	340,730	63,212	527,600	-	3,261,200	4,007,169	24,250,475
Insurance	(2,244,643)	-	-	463	-	-	-	-	106,458	443,308	5,610,444
Other Expenses	18,907,632	1,037,008	1,210,067	684,375	941,440	11,418,600	11,418,600	-	12,353,125	13,245,823	34,773,369
Corporate Allocation	123,128,230	16,557,734	20,250,639	6,747,141	25,082,605	26,979,372	15,904,731	17,908	3,028,349	19,734,757	54,646,969
Transaction and Integration Costs	23,852,372	-	-	-	-	-	-	12,715,197	-	(247,363,148)	2,500
Total Expenses	845,486,431	102,633,636	122,541,754	46,226,031	164,916,358	165,309,893	470,810,518	13,264,421	350,821,805	(9,849,642)	2,272,161,204
EBIDA	283,375,450	(21,656,745)	5,884,039	(3,439,946)	(450,655)	(12,758,800)	(220,699,973)	(5,795,681)	(85,944,396)	(19,115,142)	(80,601,847)
Interest Expense	30,031,437	7,724,574	11,716,482	1,140,694	2,655,631	11,569,901	168,254	-	2,424,375	(6,473,543)	60,957,805
Depreciation	61,618,985	6,080,920	9,661,272	2,200,928	7,446,545	9,988,335	2,207,251	-	1,965,411	1,061,967	102,231,614
Operating Income/(Loss)	191,725,028	(35,462,240)	(15,493,715)	(6,781,568)	(10,552,830)	(34,317,036)	(223,075,478)	(5,795,681)	(90,334,182)	(13,703,565)	(243,791,266)
Contributions	761,681	-	10,800	-	(4,403)	151,265	170,178	-	32,666	520,031	1,642,217
Investment Income	39,679	-	-	-	-	-	-	-	-	67,233	102,328,266
Other Non Oper (Income)/Expense	(5,679,058)	-	-	-	8,387	5	-	102,221,354	-	18,416	(6,073,794)
Total Income / (Loss) Before Non-Controlling Interest	\$ 186,847,330	\$ (35,462,240)	\$ (15,482,915)	\$ (6,781,568)	\$ (10,548,846)	\$ (34,165,766)	\$ (222,905,300)	\$ 95,914,131	\$ (90,211,516)	\$ (13,097,886)	\$ (145,894,577)
Non-Controlling Interest									45,105,758		45,105,758
Attributable to Tower Health and Subsidiaries w/CARES Act \$	\$ 186,847,330	\$ (35,462,240)	\$ (15,482,915)	\$ (6,781,568)	\$ (10,548,846)	\$ (34,165,766)	\$ (222,905,300)	\$ 95,914,131	\$ (45,105,758)	\$ (13,097,886)	\$ (100,788,819)

**Tower Health System
Consolidating Balance Sheet
Jun-21**

	Reading Hospital	CMP Hospitals	THMG	STC	Parent	Other	Consolidated
Current Assets							
Cash & Cash Equivalents	\$ (8,114,499)	\$ 14,102	\$ 23,696	\$ 13,521,373	\$ 51,982,218	\$ 1,850,857	\$ 59,277,748
Patient Accounts Receivable Net	122,616,405	62,943,271	22,060,778	31,787,487	-	9,927,230	249,335,172
Other Receivables	3,191,307	2,912,390	4,611,736	2,808,179	6,962,395	691,180	21,177,188
Affiliates Recv / (Payable)	338,420,907	(348,755,001)	(225,892,251)	(6,834,081)	340,346,632	(91,159,016)	6,127,191
Estimated Third Party Receivables	15,814,205	7,222,599	-	14,682,394	-	-	37,719,198
Inventory of Supplies	51,193,376	20,611,785	-	4,501,255	-	20,255	76,326,671
Prepaid Expenses & Other Assets	22,815,145	11,395,411	1,416,688	6,077,642	8,944,872	564,209	51,213,966
Self Insurance Fund Current	7,482,000	-	-	-	-	-	7,482,000
Bond Indenture Debt Service Current	-	-	-	-	6	-	6
Board Capital Improvements	-	-	-	-	-	-	-
Total Current Assets	553,418,846	(243,655,442)	(197,779,352)	66,544,250	408,236,123	(78,105,286)	508,659,139
Assets Limited Use							
Self Insurance Fund	20,888,807	-	-	6,197,351	21,182,513	5,655	48,274,325
Swap Collateral Requirement	-	-	-	-	-	-	-
Regulatory Restricted Funds	-	-	-	2,000,000	2,000,000	-	4,000,000
Board Restricted	-	-	-	-	641,243,836	429,382	641,673,219
Total Assets Limited Use	20,888,807	-	-	8,197,351	664,426,349	435,037	693,947,544
Property, Plant & Equipment Net	635,670,035	381,389,617	18,652,350	45,033,156	35,995,607	59,485,791	1,176,226,555
Operating Lease Right of Use Asset	60,997,729	34,191,638	31,359,449	103,805,871	-	24,748,288	255,102,975
Other Assets							
Permanently Restricted Funds	-	-	-	-	-	22,647,940	22,647,940
Temporarily Restricted Funds	263,003	-	-	-	-	26,421,110	26,684,114
Long Term Recv Affiliate	-	-	-	-	431,487,413	(431,487,413)	-
Deferred Financing Costs	-	-	-	-	-	-	-
Deferred Compensation	331,737	-	-	-	-	-	331,737
Investments in Joint Ventures	374,188	-	-	-	(12,357,819)	17,065,418	5,081,786
Other Assets	5,100,177	129,723,702	175,822	51,214,603	28,067,806	27,802,076	242,084,186
Total Other Assets	6,069,106	129,723,702	175,822	51,214,603	447,197,399	(337,550,869)	296,829,762
Total Assets	\$ 1,277,044,521	\$ 301,649,515	\$ (147,591,731)	\$ 274,795,230	\$ 1,555,855,479	\$ (330,987,038)	\$ 2,930,765,976
Current Liabilities							
Accounts Payable	\$ 134,937,483	\$ 29,979,445	\$ 7,293,065	\$ 18,468,069	\$ -	\$ 303,440	\$ 190,981,501
Accrued Expenses	14,787,051	8,486,770	34,815,021	9,492,322	15,443,637	1,582,184	84,606,985
Accrued Vacation	21,948,975	10,110,494	22,683,354	8,911,047	-	2,640,950	66,294,819
Current Portion of Self Insurance Liability	9,916,021	-	-	-	-	-	9,915,390
Operating Lease ROU Current Liability	6,860,580	4,299,684	8,378,374	6,427,807	-	(631)	29,104,768
Due to Third Parties	3,809,542	-	-	154,549	-	3,138,322	3,964,091
Capital Lease Obligations - Short Term	483,881	2,279,151	360,599	936,796	-	4,715	4,065,141
Other Current Liabilities	148,602,104	60,653,583	10,469,164	8,362,490	19,085,932	5,005,980	252,179,254
Current Portion Bonds Payable Affiliates	-	-	-	-	5,765,000	-	5,765,000
Current Portion of Notes and Bonds Payable	5,765,000	-	-	-	-	(5,765,000)	-
Total Current Liabilities	347,110,637	115,809,126	83,999,578	52,753,079	40,294,570	6,909,959	646,876,949
Operating Lease Obligation LT	60,908,972	29,891,954	22,981,074	97,378,064	-	21,609,966	232,770,030
Long Term Affiliate Payable	360,987,413	-	-	141,000,000	-	(431,487,413)	70,500,000
Long Term Debt	-	-	-	-	1,290,385,274	-	1,290,385,274
Capital Lease Obligations - Long Term	1,469,428	15,826,762	2,115,586	1,052,842	-	(56,590)	20,408,027
Accrued Post Retirement Liabilities	184,509,434	-	-	-	-	-	184,509,434
Self Insurance Liability	16,591,479	-	-	8,168,149	17,769,953	-	42,529,581
Gift Annuities	-	-	-	-	-	14,241	14,241
Deferred Compensation Liability	1,436,177	484,231	57,264	-	-	67,047	2,044,719
Deferred Revenue	3,406,430	3,509,806	-	-	-	302,998	7,219,234
Asset Monetization	-	-	-	-	176,392,192	-	176,392,192
Total Liabilities	976,419,969	165,521,879	109,153,502	300,352,134	1,524,841,988	(402,639,791)	2,673,649,681
Unrestricted Fund Balance	300,361,549	136,091,350	(256,745,233)	(25,556,904)	31,013,491	22,707,174	207,871,426
Temporarily Restricted	263,003	36,287	-	-	-	26,141,107	26,440,397
Permanently Restricted Donor Funds	-	-	-	-	-	-	22,804,472
Total Net Assets	300,624,552	136,127,636	(256,745,233)	-	31,013,491	71,652,753	257,116,295
Net Assets W/O Donor Restrictions	300,361,549	136,091,350	(256,745,233)	(12,778,452)	31,013,491	22,707,174	220,649,878
Net Assets W/ Donor Restrictions	263,003	36,287	-	-	-	48,945,579	49,244,869
Total Net Assets	300,624,552	136,127,636	(256,745,233)	(25,556,904)	31,013,491	71,652,753	257,116,295
Total Liabilities & Net Assets	\$ 1,277,044,521	\$ 301,649,515	\$ (147,591,731)	\$ 274,795,230	\$ 1,555,855,479	\$ (330,987,038)	\$ 2,930,765,976

Tower Health
Consolidated Statement of Cash Flow
For The Twelve Month Period Ending June 30, 2021

Cash flows from operating activities and gains:	
Change in net assets	(51,674,000)
Adjustments to reconcile change in net assets to net cash provided by operating activities and gains:	
Change in unrealized gain on investments	(98,163,000)
Change in pension liability	(105,266,000)
Change in deferred revenue	3,766,000
Amortization of bond discount	516,000
Amortization of bond premium	(6,766,000)
Depreciation	102,231,000
(Gain) loss on disposal of fixed assets	152,000
Realized gains on investments	(15,482,000)
Equity in (income) loss of affiliate	13,575,000
Restricted contributions	(3,692,000)
Change in cash due to changes in operating assets & liabilities:	
Receivables from patients and others	62,820,000
Inventories	(10,254,000)
Prepaid expenses and other current assets	(2,746,000)
Deferred Compensation	341,000
Goodwill	410,000
Other assets	(32,536,000)
Long term debt	-
Third-party settlements	(4,761,000)
Accounts payable and other liabilities	(12,493,000)
Accrued vacation	(491,000)
Other liabilities	-
Self-insurance cost	11,065,000
Net cash provided (used) by operating activities and gains	\$ (149,448,000)
Cash flows from investing activities:	
Acquisition of property, plant and equipment	(72,276,000)
Proceeds from sale of PP&E	2,699,000
Distribution to/from equity investees	1,228,000
Investment in equity investees	(362,000)
Sales from assets whose use is limited	47,651,000
Purchases from assets whose use is limited	(53,907,000)
Net cash provided (used) by investing activities	\$ (74,967,000)
Cash flows from financing activities:	
Restricted contributions and investment income received	3,692,000
CMS Advance Recoupment	(23,292,000)
Finance Lease Issuance	2,604,000
Payments of long-term debt (including current portion)	(3,750,000)
Proceeds from line of credit	7,500,000
Repayments of line of credit	(62,500,000)
Payments of finance leases	2,547,000
Net cash provided (used) in financing activities	\$ (73,199,000)
Net change in cash and cash equivalents	\$ (297,614,000)
Cash and cash equivalents at beginning of year	\$ 356,892,000
Cash and cash equivalents at end of year	\$ 59,278,000

✓

TOWER HEALTH AND SUBSIDIARIES
Consolidated Statement of Changes in Net Assets
Fiscal years ended June 30, 2021 and 2020

(Dollars in thousands)

	Without donor restrictions	With donor restrictions	Total net assets
Net assets at June 30, 2020	\$ <u>272,614</u>	<u>36,178</u>	<u>308,792</u>
Changes in net assets:			
Deficiency of revenues, gains, and other support over expenses	(145,900)	-	(145,900)
Net change in unrealized gains (losses) on investments	(148)	2,870	2,722
Net change in realized gains on investments	-	2,451	2,451
Change in pension liability	79,950	-	79,950
Restricted contributions	-	3,692	3,692
Net assets released from restrictions	(1,274)	(1,876)	(3,150)
Change in beneficial interest in trusts	-	4,696	4,696
Non-Controlling Interest	-	-	-
Other	2,631	1,234	3,865
Change in net assets	<u>(64,741)</u>	<u>13,067</u>	<u>(51,674)</u>
Net assets at June 30, 2021	\$ <u>207,873</u>	<u>49,245</u>	<u>257,118</u>

✓

Tower Health
Historical Utilization of Services
For the Years Ended 2019 through 2021 YTD

Year to Date June 30, 2021

	2019	2020	FY2021 YTD Consolidated
Beds in Service:			
Adults & Critical Care	1,109	1,010	991
Obstetrics/Gynecology	60	91	72
NICU	30	34	34
Pediatrics	19	19	19
Skilled Nursing	50	50	50
Acute Rehab	76	76	73
Observation	-	-	29
Psych	152	152	103
Subtotal	1,496	1,432	1,371
Newborn	73	73	52
Total	1,569	1,505	1,423
Admissions:			
Medical/Surgical	51,879	51,939	53,159
Obstetrics/Gynecology	4,910	4,993	4,569
NICU	417	282	236
Pediatrics	1,368	1,379	1,132
Skilled Nursing	1,197	1,075	1,233
Acute Rehab	1,548	1,554	1,584
Psych	3,652	2,867	2,178
Subtotal	64,971	64,089	64,091
Newborn	4,200	4,319	3,898
Total	69,171	68,408	67,989
Patient Days:			
Medical/Surgical	224,775	233,151	256,165
Obstetrics/Gynecology	12,875	12,696	11,380
NICU	9,111	8,889	7,705
Pediatrics	2,569	2,578	2,183
Skilled Nursing	16,711	16,917	17,993
Acute Rehab	20,931	22,021	24,309
Psych	42,582	32,366	29,516
Subtotal	329,554	328,618	349,251
Newborn	8,752	8,710	7,471
Total	338,306	337,328	356,722
Acuity:			
Case Mix Index	1.43	1.43	1.46
*Prior to FY20, the CMP Hospitals did not segregate beds among Med/Surg, OBGYN and NICU, updated in FY20. Medical/Surgical includes Adult and Critical Care			
Length of Stay:			
Medical/Surgical	4.33	4.49	4.82
Obstetrics/Gynecology	2.62	2.54	2.49
NICU	21.85	31.52	32.65
Pediatrics	1.88	1.87	1.93
Skilled Nursing	13.96	15.74	14.59
Acute Rehab	13.52	14.17	15.35
Psych	11.66	11.29	13.55
Total	5.07	5.13	5.45
Newborn	2.08	2.02	1.92
Occupancy Rates:			
Medical/Surgical	55.5%	63.1%	70.8%
Obstetrics/Gynecology	58.8%	38.1%	43.3%
NICU	83.2%	71.4%	62.1%
Pediatrics	37.0%	37.1%	31.5%
Skilled Nursing	91.6%	92.4%	98.6%
Acute Rehab	75.5%	79.2%	91.2%
Psych	76.8%	58.2%	78.5%
Total	60.4%	62.7%	69.8%
Newborn	32.8%	32.6%	39.4%

**Tower Health
Historical Utilization of Services**

Year to Date June 30, 2021	2019	2020	FY2021 YTD Consolidated
Surgeries:			
IP	14,306	12,616	13,168
OP	23,595	18,542	23,363
Total	37,901	31,158	36,531
Emergency Visits:			
IP	48,736	50,602	52,103
OP	229,031	236,667	202,379
Total	277,767	287,269	254,482
OP Registrations	1,304,467	1,388,777	645,394
Physician Vists:	1,728,810	1,871,449	2,644,230
Urgent Care Visits	108,072	159,947	178,476
Telehealth	N/A	16,757	84,096

June only

Tower Health
Historical Utilization of Services
For the Years Ended 2019 through 2021 YTD

Year to Date June 30, 2021

	Admissions					Q3 FY2021 vs Q4 FY2021
	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	
Reading	7,828	9,500	9,462	9,017	9,498	
Brandywine	1,240	1,403	1,393	1,385	1,271	
Chestnut Hill	1,498	1,645	1,850	1,778	1,799	
Jennersville	514	593	669	564	573	
Phoenixville	1,612	1,756	1,899	1,923	1,919	
Pottstown	1,793	2,018	2,007	1,982	2,030	
St Christopher's	682	974	971	1,014	1,028	
Total	15,167	17,889	18,251	17,663	18,118	2.6%

	IP Surg					Q3 FY2021 vs Q4 FY2021
	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	
Reading	1,281	1,837	1,735	1,635	1,869	
Brandywine	154	179	160	164	154	
Chestnut Hill	204	331	288	299	298	
Jennersville	110	133	140	96	125	
Phoenixville	244	301	298	311	339	
Pottstown	257	376	373	337	362	
St Christopher's	187	319	247	232	230	
Total	2,437	3,476	3,241	3,074	3,377	9.9%

	OP Surg					Q3 FY2021 vs Q4 FY2021
	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	
Reading	846	1,477	1,491	1,408	1,738	
Brandywine	183	293	290	259	264	
Chestnut Hill	216	363	369	445	626	
Jennersville	230	350	359	327	356	
Phoenixville	618	1,278	1,323	1,223	1,253	
Pottstown	340	654	851	761	768	
St Christopher's	702	1,122	1,156	1,180	1,379	
Total	3,135	5,537	5,839	5,603	6,384	13.9%

	IP ER					Q3 FY2021 vs Q4 FY2021
	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	
Reading	5,024	6,002	6,239	6,108	6,115	
Brandywine	1,080	1,198	1,220	1,160	1,102	
Chestnut Hill	1,404	1,421	1,701	1,610	1,673	
Jennersville	498	553	627	543	547	
Phoenixville	1,062	1,098	1,200	1,191	1,218	
Pottstown	1,491	1,721	1,834	1,824	1,893	
St Christopher's	409	565	610	570	560	
Total	10,559	12,558	13,431	13,006	13,108	0.8%

	OP ER					Q3 FY2021 vs Q4 FY2021
	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	
Reading	14,294	19,543	16,780	16,122	18,510	
Brandywine	3,373	4,351	4,119	3,700	4,546	
Chestnut Hill	5,112	6,845	7,500	6,373	8,023	
Jennersville	2,241	2,741	2,487	2,292	2,915	
Phoenixville	2,646	3,811	4,174	3,565	4,387	
Pottstown	4,659	6,218	6,115	5,732	6,806	
St Christopher's	5,106	7,929	8,228	7,295	11,272	
Total	37,431	51,438	49,403	45,079	56,459	25.2%

	OP Registrations					Q3 FY2021 vs Q4 FY2021
	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	
Reading	54,027	82,004	83,154	82,838	91,273	
Brandywine	6,041	9,091	9,014	8,913	9,292	
Chestnut Hill	6,059	13,506	15,240	14,786	17,425	
Jennersville	3,224	5,844	6,028	6,058	6,454	
Phoenixville	8,768	16,149	16,672	16,292	17,183	
Pottstown	9,295	15,189	15,149	14,691	17,029	
St Christopher's	6,514	12,725	14,152	13,533	15,710	
Total	93,928	154,508	159,409	157,111	174,366	11.0%

TOWER HEALTH
NET REVENUE BY PAYOR CATEGORY

Reading & CMP Hospitals (Excluding St. Chris)	FY21 4Q - June FY 2021	June - YTD FY 2021	Annual FY2020	Annual FY2019
Category				
Medicare Including Mgd MCR	34%	35%	34%	30%
Medicaid Including Mgd MCD	10%	10%	15%	12%
Blue Cross	30%	29%	26%	33%
Non-Blue Commercial	20%	21%	18%	19%
Other & Self Pay	6%	5%	7%	6%
Total	100%	100%	100%	100%

* Reading and CMP Hospitals only. Excludes St. Christopher's