Trinity Health Reports Operating Revenue Growth in the First Quarter of FY2022

Summary Highlights for the First Quarter of FY2022 (Quarter Ended September 30, 2021)

In the first quarter of fiscal year 2022, Trinity Health reported operating revenue growth compared to the first quarter of fiscal year 2021 with negligible Provider Relief Fund grant revenue recognized in both fiscal years. Increased operating expenses, primarily labor and supplies, tempered the impact of revenue growth on margins. Operating income before other items of $106.3 million in the first quarter of fiscal year 2022 compared to $112.1 million in the same period of the prior fiscal year. The Corporation's operating margin before other items for the first quarter of fiscal year 2022 was 2.1 percent compared to 2.3 percent in the same period of fiscal year 2021, while operating cash flow margin before other items was 7.7 percent for first quarter of fiscal year 2022 compared to 8.2 percent during the same period of fiscal year 2021. In the first quarter of fiscal year 2022, other items include a $127.2 million gain on the sale of Gateway Health Plan, L.P. ("GHP"). The Corporation sold its 50% interest in GHP to the existing partner and parent owner, Highmark Ventures on August 31, 2021. Including this gain on sale, operating income totals $233.5 million, with operating margin of 4.7 percent and operating cash flow margin of 10.3 percent for the first quarter of fiscal year 2022.

For the first quarter of fiscal year 2022, operating revenue of $5.0 billion increased $176.7 million, or 3.7 percent compared to the same period of fiscal year 2021, driven by a 4.1 percent increase in net patient service revenue. For the first quarter of fiscal year 2022, year-over-year volumes, as measured by case mix adjusted equivalent discharges ("CMAEDs") increased, when adjusted for locations that were divested in fiscal year 2021. In addition, COVID-19 discharges increased 29.7 percent, emergency room visits increased 9.6 percent and surgeries decreased 2.5 percent compared to the same period in the prior fiscal year. Patient volumes continue to fluctuate with COVID-19 pandemic surge and recovery waves, as patient volumes are returning but have yet to return to pre-pandemic levels. During the first quarter of fiscal year 2022, increased volume (excluding the impact of locations divested during fiscal year 2021) and payment rates were partially offset by less favorable payor and case mix. Operating expenses for the first three months of fiscal year 2022 increased by $182.5 million, or 3.9 percent, to $4.9 billion, primarily driven by increased expenses: (1) $110.9 million in labor, (2) $47.4 million in supplies and (3) $26.8 million in purchased services and medical claims. Salaries and wages were impacted by a 1.9 percent increase in FTEs and a 0.9 percent increase in rate, and contract labor expense increased $43.6 million, reflecting an 18.4 percent increase in FTEs and 74.9 percent increase in rate.

In the first three months of fiscal year 2022, Trinity Health reported non-operating gains of $164.9 million compared to $674.8 million during the same period of fiscal year 2021. While positive, the lower level of non-operating gains was due primarily to more moderated global financial market conditions as compared to the same period of fiscal year 2021. As a result, investment earnings were lower by $384.8 million and earnings of unconsolidated affiliates were lower by $106.5 million. Excess of revenue over expenses for the first quarter of fiscal year 2022 totaled $378.8 million, compared to $771.9 million in the same period of fiscal year 2021.

Highlights for the quarter ended September 30, 2021, include:

- Total assets of $34.0 billion and net assets of $18.9 billion;
- Operating revenue of $5.0 billion, a 3.7 percent increase over first quarter of fiscal year 2021;
- Operating income of $233.5 million, or a 4.7 percent operating margin; operating income before the gain on sale of GHP of $106.3 million, or 2.1 percent operating margin before the gain;
- Unrestricted cash and investments of $13.2 billion; and days cash on hand of 263 days compared to 254 days for the year ended June 30, 2020, including CARES Act Medicare cash advances, of which $174.1 million were repaid in the first quarter of fiscal year 2022; excluding these items, September 30, 2021 days cash on hand of 241 days improved 13 days since June 30, 2021.

TRINITY HEALTH

UNAUDITED QUARTERLY REPORT

As of September 30, 2021, and June 30, 2021, and
For the three months ended September 30, 2021 and 2020

TRINITY HEALTH

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ASSETS	As of September 30, 2021	As of June 30, 2021
CURRENT ASSETS:		
Cash and cash equivalents	$ 929,088	$ 781,989
Investments	7,255,320	7,316,257
Security lending collateral	463,140	392,728
Assets limited or restricted as to use - current portion	447,712	456,723
Patient accounts receivable	2,055,353	2,078,192
Estimated receivables from third-party payers	309,411	322,586
Other receivables	365,847	356,161
Inventories	390,403	389,553
Prepaid expenses and other current assets	248,586	163,438
Total current assets	12,464,860	12,257,627
ASSETS LIMITED OR RESTRICTED AS TO USE - Noncurrent portion:		
Self-insurance, benefit plans, and other	1,072,416	1,063,638
By Board	4,847,559	4,486,606
By donors	561,089	556,951
Total assets limited or restricted as to use - Noncurrent portion	6,481,064	6,107,195
PROPERTY AND EQUIPMENT - Net	8,093,053	8,209,177
OPERATING LEASE RIGHT-OF-USE ASSETS	572,828	531,522
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	4,903,813	5,071,333
GOODWILL	820,127	820,127
PREPAID PENSION AND RETIREE HEALTH ASSETS	349,369	324,006
OTHER ASSETS	301,831	300,760
TOTAL ASSETS	$ 33,986,945	$ 33,621,747

The accompanying notes are an integral part of the consolidated financial statements.

(Continued)

LIABILITIES AND NET ASSETS	As of September 30, 2021	As of June 30, 2021
CURRENT LIABILITIES:		
Commercial paper	$ 119,988	$ 99,994
Short-term lines of credit		-
Short-term borrowings	650,465	650,465
Current portion of long-term debt	211,112	224,938
Current portion of operating lease liabilities	138,094	141,130
Medicare cash advances	1,122,436	923,492
Accounts payable and accrued expenses	1,541,664	1,506,756
Salaries, wages and related liabilities	1,111,268	1,112,506
Payable under security lending agreements	463,140	392,728
Estimated payables to third-party payers	404,275	381,120
Current portion of self-insurance reserves	304,391	304,454
Total current liabilities	6,066,833	5,737,583
LONG-TERM DEBT - Net of current portion	6,303,058	6,339,608
LONG-TERM PORTION OF OPERATING LEASE LIABILITIES	499,160	467,876
SELF-INSURANCE RESERVES - Net of current portion	1,193,987	1,168,843
ACCRUED PENSION AND RETIREE HEALTH COSTS	193,094	209,097
LONG-TERM MEDICARE CASH ADVANCES	-	373,089
OTHER LONG-TERM LIABILITIES	808,543	817,386
Total liabilities	15,064,675	15,113,482
NET ASSETS:		
Net assets without donor restrictions	17,777,898	17,376,413
Noncontrolling ownership interest in subsidiaries	497,459	490,170
Total net assets without donor restrictions	18,275,357	17,866,583
Net assets with donor restrictions	646,913	641,682
Total net assets	18,922,270	18,508,265
TOTAL LIABILITIES AND NET ASSETS	$ 33,986,945	$ 33,621,747

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

TRINITY HEALTH
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (UNAUDITED)
THREE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(In thousands)

	2021	2020
OPERATING REVENUE:		
Net patient service revenue	$ 4,238,411	$ 4,071,021
Premium and capitation revenue	274,355	269,764
Net assets released from restrictions	4,926	7,593
Other revenue	453,618	446,258
Total operating revenue	4,971,310	4,794,636
EXPENSES:		
Salaries and wages	2,137,866	2,079,078
Employee benefits	396,543	388,053
Contract labor	84,372	40,729
Total labor expenses	2,618,781	2,507,860
Supplies	879,842	832,444
Purchased services and medical claims	680,656	653,830
Depreciation and amortization	221,530	218,808
Occupancy	187,132	181,216
Interest	55,176	60,295
Other	221,871	228,061
Total expenses	4,864,988	4,682,514
OPERATING INCOME BEFORE OTHER ITEMS	106,322	112,122
Gain on sale of Gateway Health Plan L.P.	127,204	-
OPERATING INCOME	233,526	112,122
NONOPERATING ITEMS:		
Investment earnings	77,825	462,599
Equity in earnings of unconsolidated affiliates	78,256	184,708
Change in market value and cash payments of interest rate swaps	4,460	1,034
Other net periodic retirement income	5,284	27,683
Other, including income taxes	(952)	(1,203)
Total nonoperating items	164,873	674,821
EXCESS OF REVENUE OVER EXPENSES	398,399	786,943
EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	(19,564)	(15,072)
EXCESS OF REVENUE OVER EXPENSES, net of noncontrolling interest	$ 378,835	$ 771,871

The accompanying notes are an integral part of the consolidated financial statements. (Continued)

TRINITY HEALTH
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (UNAUDITED)
THREE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(In thousands)

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS :		
Net assets without donor restrictions attributable to Trinity Health:		
Excess of revenue over expenses	$ 378,835	$ 771,871
Net assets released from restrictions for capital acquisitions	2,036	3,920
Net change in retirement plan related items - consolidated organizations	18,584	31,177
Other	2,030	(3,584)
Increase in net assets without donor restrictions attributable to Trinity Health	401,485	803,384
Net assets without donor restrictions attributable to noncontrolling interest:		
Excess of revenue over expenses attributable to noncontrolling interest	19,564	15,072
Noncontrolling interests related to acquisitions	-	71,586
Dividends and other	(12,275)	(13,090)
Increase in net assets without donor restrictions attributable to noncontrolling interest	7,289	73,568
NET ASSETS WITH DONOR RESTRICTIONS :		
Contributions:		
Program and time restrictions	10,492	13,037
Endowment funds	33	1,017
Net investment gains (losses):		
Program and time restrictions	3,086	7,845
Endowment funds	(541)	8,860
Net assets released from restrictions	(6,962)	(11,513)
Other	(877)	(2,731)
Increase in net assets with donor restrictions	5,231	16,515
INCREASE IN NET ASSETS	414,005	893,467
NET ASSETS - BEGINNING OF YEAR	18,508,265	13,530,748
NET ASSETS - END OF PERIOD	$ 18,922,270	$ 14,424,215

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

TRINITY HEALTH
SUMMARIZED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
THREE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(In thousands)

	2021	2020
OPERATING ACTIVITIES:		
Increase in net assets	$ 414,005	$ 893,467
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	221,530	218,808
Amortization of right-of-use asset	31,464	30,407
Change in net unrealized and realized gains and losses on investments	(19,139)	(471,514)
Change in market values of interest rate swaps	(10,211)	(7,337)
Undistributed equity in earnings of unconsolidated affiliates	(26,914)	(206,918)
Gain on sale of Gateway Health Plan L.P.	(127,204)	-
Deferred retirement items - consolidated organizations	(6,151)	(9,832)
Increase in noncontrolling interest related to acquisitions	-	(71,586)
Restricted contributions and investment income received	(598)	(3,922)
Other adjustments	1,506	7,400
Changes in:		
Patient accounts receivable	22,839	(134,792)
Estimated receivables from third-party payers	13,174	4,059
Prepaid pension and retiree health costs	(25,363)	-
Other assets	(102,235)	(124,406)
Medicare cash advances	(174,145)	12,011
Accounts payable and accrued expenses	98,723	598,878
Estimated payables to third-party payers	23,156	(975)
Self-insurance reserves and other liabilities	(20,040)	28,805
Accrued pension and retiree health costs	(9,852)	(83,109)
Total adjustments	(109,460)	(214,023)
Net cash provided by operating activities	304,545	679,444
INVESTING ACTIVITIES:		
Net purchases of investments	(297,432)	(464,555)
Purchases of property and equipment	(169,351)	(171,599)
Cash proceeds from sale of Gateway Health Plan L.P.	321,904	-
Net cash used for acquisitions	-	(42,936)
Change in other investing activities	10,461	25,145
Net cash used in investing activities	(134,418)	(653,945)
FINANCING ACTIVITIES:		
Proceeds from issuance of debt	12,082	10,807
Repayments of debt	(56,777)	(17,370)
Net change in commercial paper	19,994	6
Dividends paid	(11,641)	(12,823)
Proceeds from restricted contributions and restricted investment income	593	3,700
Increase in financing costs and other	(303)	(119)
Net cash used in financing activities	(36,052)	(15,799)
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	134,075	9,700
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING OF YEAR	949,951	2,339,381
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF PERIOD	$ 1,084,026	$ 2,349,081

The accompanying notes are an integral part of the consolidated financial statements.

1. ORGANIZATION AND MISSION

Trinity Health Corporation, an Indiana nonprofit corporation headquartered in Livonia, Michigan, and its subsidiaries ("Trinity Health" or the "Corporation"), controls one of the largest health care systems in the United States. The Corporation is sponsored by Catholic Health Ministries, a Public Juridic Person of the Holy Roman Catholic Church. The Corporation operates a comprehensive integrated network of health services, including inpatient and outpatient services, physician services, managed care coverage, home health care, long-term care, assisted living care and rehabilitation services located in 25 states. The operations are organized into Regional Health Ministries, National Health Ministries and Mission Health Ministries ("Health Ministries"). The mission statement for the Corporation is as follows:

We, Trinity Health, serve together in the spirit of the Gospel as a compassionate and transforming healing presence within our communities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal and recurring nature. Operating results for the three months ended September 30, 2021 are not necessarily indicative of the results to be expected for the year ending June 30, 2022.

Principles of Consolidation – The consolidated financial statements include the accounts of the Corporation, and all wholly-owned, majority-owned and controlled organizations. Investments where the Corporation holds less than 20% of the ownership interest are accounted for using the cost method. All other investments that are not controlled by the Corporation are accounted for using the equity method of accounting. The equity share of income or losses from investments in unconsolidated affiliates is recorded in other revenue if the unconsolidated affiliate is operational and projected to make routine and regular cash distributions; otherwise, the equity share of income or losses from investments in unconsolidated affiliates is recorded in nonoperating items in the consolidated statements of operations and changes in net assets. All material intercompany transactions and account balances have been eliminated in consolidation.

Use of Estimates – The preparation of consolidated financial statements in conformity with GAAP requires management of the Corporation to make assumptions, estimates and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any.

The Corporation considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient service revenue, which includes explicit and implicit price concessions; financial assistance; premium revenue; recorded values of investments and derivatives; goodwill; evaluation of long-lived assets for impairment; reserves for losses and expenses related to health care professional and general liabilities; and risks and assumptions for measurement of pension and retiree health liabilities. Management relies on historical experience and other assumptions believed to be reasonable in making its judgments and estimates. Actual results could differ materially from those estimates.

Cash, Cash Equivalents and Restricted Cash – For purposes of the consolidated statements of cash flows, cash, cash equivalents and restricted cash include certain investments in highly liquid debt instruments with original maturities of three months or less.

The following table reconciles cash, cash equivalents and restricted cash shown in the statements of cash flows to amounts presented within the consolidated balance sheets as of September 30 (in thousands):

	2021	**2020**
Cash and cash equivalents	$ 929,088	$ 2,210,791
Restricted cash included in assets limited or restricted as to use - current portion		
Held by trust under bond indenture	4,147	11,578
Self insured benefit plans & other	80,202	48,659
By donors	5,642	4,699
Total restricted cash included in assets limited or restricted as to use - current portion	89,991	64,936
Restricted cash included in assets limited as to use - noncurrent portion		
Held by trust under bond indenture	-	6,851
Self insured benefit plans & other	33,867	32,215
By donors	31,080	34,288
Total restricted cash included in assets limited or restricted as to use - noncurrent portion	64,947	73,354
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	$ 1,084,026	$ 2,349,081

Investments – Investments, inclusive of assets limited or restricted as to use, include marketable debt and equity securities. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value and are classified as trading securities. Investments also include investments in commingled funds, hedge funds and other investments structured as limited liability corporations or partnerships. Commingled funds and hedge funds that hold securities directly are stated at the fair value of the underlying securities, as determined by the administrator, based on readily determinable market values or based on net asset value, which is calculated using the most recent fund financial statements. Limited liability corporations and partnerships are accounted for under the equity method.

Investment Earnings – Investment earnings include interest, dividends, realized gains and losses and unrealized gains and losses. Also included are equity earnings from investment funds accounted for using the equity method. Investment earnings on assets held by trustees under bond indenture agreements, assets designated by the Corporation's board of directors ("Board") for debt redemption, assets held for borrowings under the intercompany loan program, assets held by grant-making foundations, assets deposited in trust funds by a captive insurance company for self-insurance purposes, and interest and dividends earned on life plan communities advance entrance fees, in accordance with industry practices, are included in other revenue in the consolidated statements of operations and changes in net assets. Investment earnings, net of direct investment expenses, from all other investments and Board-designated funds are included in nonoperating investment income unless the income or loss is restricted by donor or law.

Derivative Financial Instruments – The Corporation periodically utilizes various financial instruments (e.g., options and swaps) to hedge interest rates, equity downside risk and other exposures. The Corporation's policies prohibit trading in derivative financial instruments on a speculative basis. The Corporation recognizes all derivative instruments in the consolidated balance sheets at fair value.

Securities Lending – The Corporation participates in securities lending transactions whereby a portion of its investments are loaned, through its agent, to various parties in return for cash and securities from the parties as collateral for the securities loaned. Each business day, the Corporation, through its agent, and the borrower determine the market value of the collateral and the borrowed securities. If on any business day the market value of the collateral is less than the required value, additional collateral is obtained as appropriate. The amount of cash collateral received under securities lending is reported as an asset and a corresponding payable in the consolidated balance sheets and is up to 105% of the market value of securities loaned. As of September 30, 2021, and June 30, 2021, the Corporation had securities loaned of $736.9 million and $842.0 million, respectively, and received collateral (cash and noncash) totaling $761.0 million and $871.0 million, respectively, relating to the securities loaned. The fees received for these transactions are recorded in nonoperating investment income in the consolidated statements of operations and changes in net assets. In addition, certain pension plans participate in securities lending programs with the Northern Trust Company, the plans' agent.

Patient Accounts Receivable, Estimated Receivables from and Payables to Third-Party Payers – An unconditional right to payment, subject only to the passage of time is treated as a receivable. Patient accounts receivable, including billed accounts and unbilled accounts for which there is an unconditional right to payment, and estimated amounts due from third-party payers for retroactive adjustments, are receivables if the right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. For patient accounts receivable, the estimated uncollectable amounts are generally considered implicit price concessions that are a direct reduction to patient service revenue and accounts receivable.

The Corporation has agreements with third-party payers that provide for payments to the Corporation's Health Ministries at amounts different from established rates. Estimated retroactive adjustments under reimbursement agreements with third-party payers and other changes in estimates are included in net patient service revenue and estimated receivables from and payables to third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Assets Limited as to Use – Assets set aside by the Board for quasi-endowments, future capital improvements, future funding of retirement programs and insurance claims, retirement of debt, held for borrowings under the intercompany loan program, and other purposes over which the Board retains control and may at its discretion subsequently use for other purposes, assets held by trustees under bond indenture and certain other agreements, and self-insurance trust and benefit plan arrangements are included in assets limited as to use.

Donor-Restricted Gifts – Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or program restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the consolidated statements of operations and changes in net assets.

Inventories – Inventories are stated at the lower of cost or market. The cost of inventories is determined principally by the weighted-average cost method.

Property and Equipment – Property and equipment, including internal-use software, are recorded at cost, if purchased, or at fair value at the date of donation, if donated. Finance lease right-of-use assets included in property and equipment represent the right to use the underlying assets for the lease term and are recognized at the lease commencement date based on the present value of lease payments over the term of the lease.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using either the straight-line or an accelerated method and includes finance lease right-of-use asset amortization and internal-use software amortization. The useful lives of property and equipment range from 2 to 50 years, and finance lease agreements have initial terms typically ranging from 4 to 30 years. Interest costs incurred during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions and are excluded from the excess of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions.

Right-of-Use Lease Assets and Lease Liabilities – The Corporation determines if an arrangement is a lease at inception of the contract. Right-of-use assets represent the right to use the underlying assets for the lease term and lease liabilities represent the obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Corporation uses the implicit rate noted within the contract, when available. Otherwise, the Corporation uses its incremental borrowing rate estimated using recent secured debt issuances that correspond to various lease terms, information obtained from banking advisors, and the Corporation's secured debt fair value. The Corporation does not recognize leases, for operating or finance type, with an initial term of 12 months or less ("short-term leases") on the consolidated balance sheet, and the lease expense for these short-term leases is recognized on a straight-line basis over the lease term within occupancy expense in the consolidated statements of operations and changes in net assets. The Corporation's finance leases are primarily for real estate. Finance lease right-of-use assets are included in property and equipment, with the related liabilities included in current and long-term debt on the consolidated balance sheet.

Operating lease right-of-use assets and liabilities are recorded for leases that are not considered finance leases. The Corporation's operating leases are primarily for real estate, vehicles, and medical and office equipment. Real estate leases include outpatient, medical office, ground, and corporate administrative office space. The Corporation's real estate lease agreements typically have an initial term of 3 to 10 years. The Corporation's equipment lease agreements typically have an initial term of 1 to 6 years. The real estate leases may include one or more options to renew, with renewals that can extend the lease term from 5 to 10 years. The exercise of lease renewal options is at the Corporation's sole discretion. For accounting purposes, options to extend or terminate the lease are included in the lease term when it is reasonably certain that the option will be exercised. Operating lease liabilities represent the obligation to make lease payments arising from the leases and are recognized at the lease commencement date based on the present value of lease payments over the lease term.

Certain of the Corporation's lease agreements for real estate include payments based on common area maintenance expenses and others include rental payments adjusted periodically for inflation. These variable lease payments are recognized in occupancy expense, net, but are not included in the right-of-use asset or liability balances when they can be separately identified in the contract. The Corporation's lease agreements do not contain any material residual value guarantees, restrictions or covenants.

Goodwill – Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized.

Asset Impairments –

Property, Equipment and Right-of-Use Lease Assets – The Corporation evaluates long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future undiscounted cash flows. If the estimated future undiscounted cash flows are less than the carrying value of the assets, the impairment recognized is calculated as the carrying value of the long-lived assets in excess of the fair value of the assets. The fair value of the assets is estimated based on appraisals, established market values of comparable assets or internal estimates of future net cash flows expected to result from the use and ultimate disposition of the assets.

Goodwill – Goodwill is tested for impairment on an annual basis or when an event or change in circumstance indicates the value of a reporting unit may have changed. Testing is conducted at the reporting unit level. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. Estimates of fair value are based on appraisals, established market prices for comparable assets or internal estimates of future net cash flows.

Other Assets – Other assets include long-term notes receivable, reinsurance recovery receivables, definite- and indefinite-lived intangible assets other than goodwill and prepaid retiree health costs. The net balances of definite-lived intangible assets include noncompete agreements, physician guarantees and other definite-lived intangible assets with finite lives amortized using the straight-line method over their estimated useful lives, which generally range from 2 to 15 years. Indefinite-lived intangible assets primarily include trade names, which are tested annually for impairment.

Short-Term Lines of Credit – Short-term lines of credit include those facilities whose scheduled termination date is no longer than 364 days from the effective date of the facility. Any drawdowns outstanding are due on or prior to any scheduled termination date.

Short-Term Borrowings – Short-term borrowings include puttable variable-rate demand bonds supported by self-liquidity or liquidity facilities considered short-term in nature.

Medicare Cash Advances – In April 2020, the Corporation requested and received accelerated Medicare payments of $1.6 billion for its acute care hospitals, which was provided through the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). Claims for services provided to Medicare beneficiaries began being applied against the Corporation's cash advances in April 2021. As of September 30, 2021, CMS has recouped $523.7 million of the advances. The remaining recoupment amounts are estimated to be repaid within one year and are classified in current liabilities on the consolidated balance sheet as of September 30, 2021.

Other Long-Term Liabilities – Other long-term liabilities include deferred compensation, asset retirement obligations, interest rate swaps and deferred revenue from entrance fees. Deferred revenue from entrance fees are fees paid by residents of facilities for the elderly upon entering into continuing care contracts, which are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident, net of the portion that is refundable to the resident.

Net Assets with Donor Restrictions – Net assets with donor restrictions are those whose use by the Corporation has been limited by donors to a specific time period or program. In addition, certain net assets have been restricted by donors to be maintained by the Corporation in perpetuity.

Net Patient Service Revenue – The Corporation reports patient service revenue at the amount that reflects the consideration it is expected to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payers (including commercial payers and government programs) and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Corporation bills patients and third-party payers several days after the services are performed or the patient is discharged from a facility.

The Corporation determines performance obligations based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges. The Corporation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in hospitals receiving inpatient acute care services, or receiving services in outpatient centers, or in their homes (home care). The Corporation measures performance obligations from admission to the hospital, or the commencement of an outpatient service, to the point when it is no longer required to provide services to the patient, which is generally at the time of discharge or the completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) and the Corporation does not believe that it is required to provide additional goods and services related to that sale.

Because patient service performance obligations relate to contracts with a duration of less than one year, the Corporation has elected to apply the optional exemption provided in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606-10-50-14(a) and, therefore, the Corporation is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks from the end of the reporting period.

The Corporation has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payers for the effects of a significant financing component due to the Corporation's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payer pays for that service will be one year or less. However, the Corporation does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The Corporation determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured and underinsured patients in accordance with the Corporation's policy, and implicit price concessions provided to uninsured and underinsured patients. The Corporation determines its estimates of contractual adjustments and discounts based on contractual agreements, discount policies and historical experience. The estimate of implicit price concessions is based on historical collection experience with the various classes of patients using a portfolio approach as a practical expedient to account for patient contracts with similar characteristics, as collective groups rather than individually. The financial statement effect of using this practical expedient is not materially different from an individual contract approach.

Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured and underinsured patients, and offers those uninsured and underinsured patients a discount, either by policy or law, from standard charges. The Corporation estimates the transaction price for patients with deductibles and coinsurance and for those who are uninsured and underinsured based on historical experience and current market conditions, using the portfolio approach. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the payer's or patient's ability to pay are recorded as bad debt expense in other expenses in the statement of operations and changes in net assets. Agreements with third-party payers typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payers is as follows:

Medicare – Acute inpatient and outpatient services rendered to Medicare program beneficiaries are paid primarily at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediaries.

Medicaid – Reimbursement for services rendered to Medicaid program beneficiaries includes prospectively determined rates per discharge, per diem payments, discounts from established charges, fee schedules and cost reimbursement methodologies with certain limitations. Cost reimbursable items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediaries.

Other – Reimbursement for services to certain patients is received from commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for reimbursement includes prospectively determined rates per discharge, per diem payments and discounts from established charges.

Cost report settlements under these programs are subject to audit by Medicare and Medicaid auditors and administrative and judicial review, and it can take several years until final settlement of such matters is determined and completely resolved. Because the laws, regulations, instructions and rule interpretations governing Medicare and Medicaid reimbursement are complex and change frequently, the estimates that have been recorded could change by material amounts.

Settlements with third-party payers for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations.

Financial Assistance – The Corporation provides services to all patients regardless of ability to pay. In accordance with the Corporation's policy, a patient is classified as a financial assistance patient based on specific criteria, including income eligibility as established by the *Federal Poverty Guidelines,* as well as other financial resources and obligations.

Charges for services to patients who meet the Corporation's guidelines for financial assistance are not reported as net patient service revenue in the accompanying consolidated financial statements. Therefore, the Corporation has determined it has provided implicit price concessions to uninsured and underinsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Corporation expects to collect based on its collection history with those patients.

Self-Insured Employee Health Benefits – The Corporation administers self-insured employee health benefit plans for employees. The majority of the Corporation's employees participate in the programs. The provisions of the plans permit employees and their dependents to elect to receive medical care at either the Corporation's Health Ministries or other health care providers. Patient service revenue has been reduced by an allowance for self-insured employee health benefits, which represents revenue attributable to medical services provided by the Corporation to its employees and dependents in such years.

Premium and Capitation Revenue – The Corporation has certain Health Ministries that arrange for the delivery of health care services to enrollees through various contracts with providers and common provider entities. Enrollee contracts are negotiated on a yearly basis. Premiums are due monthly and are recognized as revenue during the period in which the Corporation is obligated to provide services to enrollees. Premiums received prior to the period of coverage are recorded as deferred revenue and included in accounts payable and accrued expenses in the consolidated balance sheets.

Certain of the Corporation's Health Ministries have entered into capitation arrangements whereby they accept the risk for the provision of certain health care services to health plan members. Under these agreements, the Corporation's Health Ministries are financially responsible for services provided to the health plan members by other institutional health care providers. Capitation revenue is recognized during the period for which the Health Ministry is obligated to provide services to health plan enrollees under capitation contracts. Capitation receivables are included in other receivables in the consolidated balance sheets.

Reserves for incurred but not reported claims have been established to cover the unpaid costs of health care services covered under the premium and capitation arrangements. The premium and capitation arrangement reserves are classified in accounts payable and accrued expenses in the consolidated balance sheets. The liability is estimated based on actuarial studies, historical reporting and payment trends. Subsequent actual claim experience will differ from the estimated liability due to variances in estimated and actual utilization of health care services, the amount of charges and other factors. As settlements are made and estimates are revised, the differences are reflected in current operations.

Other Revenue – Other revenue is recorded at amounts the Corporation expects to collect in exchange for providing goods or services not directly associated with patient care and recorded over the time in which obligations to provide goods or services are satisfied. Other revenue includes revenue from the following sources: grants, retail pharmacy, operating investment income, assisted and independent living, equity in earnings of unconsolidated affiliates if the unconsolidated affiliate is operational and projected to make routine and regular cash distributions, gainshare recognized under alternative payment models and ancillary services.

Grant Revenue – Where grants are determined to be contributions, unconditional grants are recognized as revenue when received. Conditional grants are recognized as revenue when the Corporation has complied with and substantially met the conditions associated with the grant. For grants that are not contributions, the Corporation recognizes revenue at the amount that reflects the consideration it is expected to be entitled to in exchange for providing services under the term of the grant agreement.

The CARES Act authorized $100 billion in funding to hospitals and other health care providers to be distributed through the Public Health and Social Services Emergency Fund ("PRF grants"). Also, the Paycheck Protection Program and Health Care Enhancement Act ("PPPHCE Act") enacted on April 24, 2020 provides an additional $75 billion in emergency appropriations to eligible providers for COVID-19 response including distributions to safety net hospitals to compensate for lost revenues and qualified expenses, loan forgiveness and capacity expansion. Furthermore, on December 27, 2020, the Consolidated Appropriations Act ("CAA Act," collectively the "Acts") provided additional guidance regarding recognition of PRF grants. PRF grants recognized as revenue, recorded in other revenue in the consolidated statements of operations and changes in net assets, totaled $1.5 million and $2.4 million for the three months ended September 30, 2021 and 2020, respectively. The Corporation believes the amount of PRF grants recognized as grant revenue is appropriate under the various and changing guidance from HHS and continues to monitor progression of clarifying guidance issued by HHS. The Corporation transferred both General Distribution and Targeted Distribution PRF grants amongst its subsidiaries.

Income Taxes – The Corporation and substantially all of its subsidiaries have been recognized as tax-exempt pursuant to Section 501(a) of the Internal Revenue Code. The Corporation also has taxable subsidiaries, which are included in the consolidated financial statements. The Corporation includes penalties and interest, if any, with its provision for income taxes in other nonoperating items in the consolidated statements of operations and changes in net assets.

Excess of Revenue Over Expenses – The consolidated statements of operations and changes in net assets includes excess of revenue over expenses. Changes in net assets without donor restrictions, which are excluded from excess of revenue over expenses, consistent with industry practice, include the effective portion of the change in market value of derivatives that meet hedge accounting requirements, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets received or gifted (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets), net change in retirement plan related items, discontinued operations and cumulative effects of changes in accounting principles.

3. INVESTMENTS IN UNCONSOLIDATED AFFILIATES, BUSINESS ACQUISITIONS AND DIVESTITURES

Investments in Unconsolidated Affiliates – The Corporation and certain of its Health Ministries have investments in entities that are recorded under the cost and equity methods of accounting. The Corporation's share of equity earnings from entities accounted for under the equity method was $101.8 million and $219.8 million for the three months ended September 30, 2021 and 2020, respectively, of which $23.5 million and $35.1 million, respectively, is included in other revenue and $78.3 million and $184.7 million, respectively, is included in nonoperating items in the consolidated statements of operations and changes in net assets. The most significant of these investments include the following:

BayCare Health System – The Corporation has a 50.4% interest in BayCare Health System Inc. and Affiliates ("BayCare"), a Florida not-for-profit corporation exempt from state and federal income taxes. BayCare was formed in 1997 pursuant to a Joint Operating Agreement ("JOA") among the not-for-profit, tax-exempt members of the Trinity Health BayCare Participants, Morton Plant Mease Health Care, Inc., and South Florida Baptist Hospital, Inc. (collectively, the "Members"). BayCare consists of three community health alliances located in the Tampa Bay area of Florida, including St. Joseph's-Baptist Healthcare Hospital, St. Anthony's Health Care, and Morton Plant Mease Health Care. The Corporation has the right to appoint nine of the 21 voting members of the Board of Directors of BayCare; therefore, the Corporation accounts for BayCare under the equity method of accounting. As of September 30, 2021, and June 30, 2021, the Corporation's investment in BayCare totaled $4,213.9 million and $4,151.5 million, respectively.

Gateway Health Plan – The Corporation held a 50% interest in Gateway Health Plan, L.P. and subsidiaries ("GHP"), a Pennsylvania limited partnership. GHP has two general partners, Highmark Ventures Inc. ("Highmark"), formerly known as Alliance Ventures, Inc., and Mercy Health Plan ("MHP", a wholly owned subsidiary of the Corporation), each owning 1%. In addition to the general partners, there are two limited partners, Highmark Inc. and Mercy Health Plan, each owning 49%.

Effective August 31, 2021, the Corporation, through MHP, sold its 50% interest in GHP to the existing partner and parent owner, Highmark. As a result of the transaction the Corporation received a $62.5 million dividend distribution on August 27, 2021. Furthermore, the Corporation recorded a gain on the sale of $127.2 million in the first quarter of fiscal year 2022 in the consolidated statement of operations and changes in net assets. The parties are assessing whether additional gain on sale exists, which will be concluded 120 days from the date of the sale. As of September 30, 2021, and June 30, 2021, the Corporation's investment in GHP totaled $0 and $255.9 million, respectively.

Catholic Health System, Inc. – As of September 30, 2021, and June 30, 2021, the Corporation held a 50% interest in Catholic Health System, Inc. and subsidiaries ("CHS") with the Diocese of Buffalo holding the remaining 50%. CHS, formed in 1998, is a not-for-profit integrated delivery health care system in western New York. CHS operates several organizations, the largest of which are four acute care hospitals located in Buffalo, New York: Mercy Hospital of Buffalo, Kenmore Mercy Hospital, Sisters of Charity Hospital, and St. Joseph Hospital. As of both September 30, 2021, and June 30, 2021, the Corporation's investment in CHS totaled $0.

Emory Healthcare/St. Joseph's Health System – The Corporation has a 49% interest in Emory Healthcare/St. Joseph's Health System ("EH/SJHS"). EH/SJHS operates several organizations, including two acute care hospitals, St. Joseph's Hospital of Atlanta and John's Creek Hospital. As of September 30, 2021, and June 30, 2021, the Corporation's investment in EH/SJHS totaled $192.8 million and $176.5 million, respectively.

Mercy Health Network – The Corporation has a 50% interest in Mercy Health Network, dba MercyOne, ("MHN"), a nonstock-basis membership corporation with CommonSpirit Health ("CSH"), holding the remaining 50% interest. MHN is the sole member of Wheaton Franciscan Services, Inc. ("WFSI") that operates three hospitals in Iowa: Covenant Medical Center located in Waterloo, Sartori Memorial Hospital located in Cedar Falls and Mercy Hospital of Franciscan Sisters located in Oelwein. MHN is also the sole member of Central Community Hospital, a critical access hospital located in Elkader, Iowa.

Effective March 1, 2016, the Corporation and CSH amended and restated their existing MHN JOA that governs certain of their legacy operations in Iowa to strengthen MHN's management responsibilities over the Iowa operations, to jointly acquire health care operations in Iowa and contiguous markets, and to provide for greater financial, governance and clinical integration. The JOA provides for the Corporation and CSH to maintain ownership of their respective assets in Iowa while agreeing to operate the Corporation's Iowa hospitals in collaboration with CSH's Mercy Hospital Medical Center, Des Moines, Iowa, as one organization with common governance and management. MHN has developed a regional health care network that provides for a collaborative effort in the areas of community health care development, enhanced access to health services for the poor and sharing of other common goals. Under the JOA, the Corporation and CSH equally share adjusted operating cash flow from Iowa operations, which commenced in July 2016. The Corporation and CSH agreed to suspend the cash flow sharing arrangement for fiscal year 2021. As of September 30, 2021, and June 30, 2021, the Corporation's investment in MHN totaled $120.3 million and $118.4 million, respectively.

Condensed consolidated balance sheets of BayCare, GHP, CHS, EH/SJHS and MHN are as follows (in thousands):

	September 30, 2021			
	Baycare	**CHS**	**EH/SJHS**	**MHN**
Total assets	$ 11,608,320	$ 1,297,600	$ 853,449	$ 381,292
Total liabilities	$ 3,057,052	$ 1,269,700	$ 574,841	$ 33,124

	June 30, 2021				
	Baycare	**GHP**	**CHS**	**EH/SJHS**	**MHN**
Total assets	$ 11,442,894	$ 1,274,300	$ 1,313,588	$ 822,481	$ 374,023
Total liabilities	$ 3,016,012	$ 762,600	$ 1,278,381	$ 547,529	$ 129,416

Condensed consolidated statements of operations of BayCare, GHP, CHS, EH/SJHS and MHN are as follows (in thousands):

	Three months ended September 30, 2021			
	Baycare	CHS	EH/SJHS	MHN
Revenue, net	$ 1,146,642	$ 308,691	$ 252,075	$ 107,368
Excess (deficiency) of revenue over expenses	$ 120,206	$ (11,673)	$ 48,830	$ 3,530

	Three months ended September 30, 2020				
	Baycare	GHP	CHS	EH/SJHS	MHN
Revenue, net	$ 1,030,050	$ 588,400	$ 309,965	$ 171,279	$ 100,799
Excess (deficiency) of revenue over expenses	$ 359,273	$ 32,500	$ 1,042	$ 647	$ 4,547

The following amounts have been recognized in the accompanying consolidated statements of operations and changes in net assets related to the investments in BayCare, GHP, CHS, EH/SJHS and MHN (in thousands):

	Three months ended September 30, 2021				
	Baycare	GHP	CHS	EH/SJHS	MHN
Other revenue	$ -	$ -	$ -	$ -	$ 1,965
Equity in earnings of unconsolidated organizations	60,596	1,650	-	16,481	-
Gain on sale of investment	-	127,204	-	-	-
Other changes in net assets without donor restrictions	- 1,586	(300)	-	-	-
	$ 62,182	$ 128,554	$ -	$ 16,481	$ 1,965

	Three months ended September 30, 2020				
	Baycare	GHP	CHS	EH/SJHS	MHN
Other revenue	$ -	$ 18,750	$ -	$ -	$ 2,394
Equity in earnings of unconsolidated organizations	181,110	-	521	2,453	-
Other changes in net assets without donor restrictions	193	250	81	-	-
	$ 181,303	$ 19,000	$ 602	$ 2,453	$ 2,394

Consolidation of the Surgery Center at Easton ("Easton"). On December 31, 2020, Mount Carmel Health System, a wholly controlled subsidiary of Trinity Health, acquired a 50% controlling interest in Easton with the remaining 50% interest held by a number of physician investors. Easton owns and operates an ambulatory surgery center known as Surgery Center at Easton located in Columbus, Ohio. Easton recorded operating revenue of $15.9 million and excess of revenue over expenses of $10.1 million for the three-month period ended September 30, 2021 in the consolidated statement of operations and changes in net assets.

Sales and Divestitures:

Mercy Health System of Chicago, Chicago ("MHSC") - In July 2020, MHSC announced a clinical transformation plan for Mercy Hospital and Medical Center, Chicago ("Mercy") to a community-based health care organization, to be named Mercy Care Center. The new organization will focus on serving community needs by providing diagnostic imaging, urgent care, and care coordination services, and will honor the legacy of the mission of its founding sponsors as a Mission Health Ministry of the Corporation. On June 2, 2021, Mercy and MHSC sold certain assets, including the land and hospital building on the Mercy campus, to Insight Chicago, Inc., an Illinois not-for-profit corporation. The Corporation, MHSC and Mercy continue to implement the transformation plan and MHSC and Mercy have wound-down their other remaining operations. Mercy Care Center is currently providing a limited number of services and the Corporation anticipates that Mercy Care Center will begin providing all of the services contemplated under the transformation plan in late calendar year 2021. For the three months ended September 30, 2020, the Corporation's consolidated statement of operations and changes in net assets included operating revenue of $56.5 million and incurred a deficiency of revenue over expense of $10.7 million related to the operations of MHSC.

4. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows (in thousands):

	September 30, 2021	June 30, 2021
Land	$ 340,287	$ 340,838
Buildings and improvements	10,561,441	10,503,285
Equipment	6,890,273	6,850,045
Finance lease right-of-use assets	93,717	94,384
Total	17,885,718	17,788,552
Accumulated depreciation and amortization	(10,444,222)	(10,265,700)
Construction in progress	651,557	686,325
Property and equipment - net	$ 8,093,053	$ 8,209,177

5. LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

Obligated Group and Other Requirements – The Corporation has debt outstanding under a master trust indenture dated October 3, 2013, as amended and supplemented, the amended and restated master indenture ("ARMI"). The ARMI permits the Corporation to issue obligations to finance certain activities. Obligations issued under the ARMI are joint and several obligations of the obligated group established thereunder (the "Obligated Group," which currently consists of the Corporation). Proceeds from tax-exempt bonds and refunding bonds are to be used to finance the construction, acquisition and equipping of capital improvements. Proceeds from taxable bonds are to be used to finance corporate purposes or advance refund tax-exempt bonds. Certain Health Ministries of the Corporation constitute designated affiliates and the Corporation covenants to cause each designated affiliate to pay, loan or otherwise transfer to the Obligated Group such amounts necessary to pay the amounts due on all obligations issued under the ARMI. The Obligated Group and the designated affiliates are referred to as the Trinity Health Credit Group.

Pursuant to the ARMI, the Obligated Group agent (which is the Corporation) has caused the designated affiliates representing, when combined with the Obligated Group members, at least 85% of the consolidated net revenues of the Trinity Health Credit Group to grant to the master trustee security interests in their pledged property which security interests secure all obligations issued under the ARMI. There are several conditions and covenants required by the ARMI with which the Corporation must comply, including covenants that require the Corporation to maintain a minimum historical debt-service coverage and limitations on liens or security interests in property, except for certain permitted encumbrances, affecting the property of the Corporation or any material designated affiliate (a designated affiliate whose total revenues for the most recent fiscal year exceed 5% of the combined total revenues of the Corporation for the most recent fiscal year). Long-term debt outstanding as of September 30, 2021 and June 30, 2021 that has not been secured under the ARMI is generally collateralized by certain property and equipment.

Commercial Paper – The Corporation's commercial paper program is authorized for borrowings up to $600 million. As of September 30, 2021, and June 30, 2021, the total amount of commercial paper outstanding was $120 and $100 million, respectively. Proceeds from this program are to be used for general purposes of the Corporation. The notes are payable from the proceeds of subsequently issued notes and from other funds available to the Corporation, including funds derived from the liquidation of securities held by the Corporation in its investment portfolio.

Liquidity Facilities – The Corporation has a revolving credit agreement ("RCAI"), which establishes a revolving credit facility of $600 million for the Corporation. As of September 30, 2021 and June 30, 2021, there were no amounts outstanding under RCAI.

The Corporation has a general-purpose credit facility ("RCAII") of $600 million, which can be used for general corporate purposes and working capital needs. As of September 30, 2021 and June 30, 2021, there were no amounts outstanding under RCAII.

Each financial institution providing liquidity support under RCAI and RCAII is secured by an obligation under the ARMI.

Standby Letters of Credit – The Corporation maintains an arrangement for multiple standby letters of credit with a financial institution with a capacity available of $115.0 million as of September 30, 2021 and June 30, 2021, respectively. The arrangement supports multiple insurance, unemployment, and other risk liabilities that have been issued in the amounts of $69.4 million as of September 30, 2021 and June 30, 2021. As of September 30, 2021, and June 30, 2021 there were no draws on the letters of credit.

In March 2020, the Corporation entered into a two-year standby letters of credit arrangement with an additional financial institution in the amount of $50.0 million. The arrangement supports multiple letters of credit that can relate to multiple insurance, unemployment, and other risk liabilities that have been issued in the amounts of $19.5 million as of September 30, 2021 and June 30, 2021. As of September 30, 2021, and June 30, 2021 there were no draws on the letters of credit.

The banks providing standby letters of credit are not secured by an obligation under the ARMI.

Transactions – As a result of the disposition of Mercy Health System of Chicago, on August 12, 2021, the Corporation defeased $18.8 million of tax-exempt fixed rate hospital revenue and refunding bonds. The Corporation recorded a net loss from early extinguishment of debt of $0.5 million in the consolidated statement of operations and changes in net assets.

6. PROFESSIONAL AND GENERAL LIABILITY PROGRAMS

The Corporation operates a wholly owned insurance company, Trinity Assurance, Ltd. ("TAL"). TAL qualifies as a captive insurance company and provides certain insurance coverage to the Corporation's Health Ministries under a centralized program. The Corporation is self-insured for certain levels of general and professional liability, workers' compensation and certain other claims. The Corporation has limited its liability by purchasing other coverages from unrelated third-party commercial insurers. TAL has also limited its liability through commercial reinsurance arrangements.

The Corporation's current self-insurance program includes $15 million per occurrence for the primary layers of professional and general liability as well as $10 million per occurrence for hospital government liability, $5 million per occurrence for miscellaneous errors and omissions liability, and $1 million per occurrence for management liability (directors' and officers' and employment practices), network security and privacy liability and certain other coverages. In addition, through TAL and its various commercial reinsurers, the Corporation maintains integrated excess liability coverage with separate annual aggregate limits for professional/general liability and management liability. The Corporation self-insures $750,000 per occurrence for workers' compensation in most states, with commercial insurance providing coverage up to the statutory limits and self-insures up to $500,000 per occurrence for first-party property damage with commercial insurance providing additional coverage. Privacy and network security coverage in excess of the self-insurance is also commercially insured.

The liability for self-insurance reserves represents estimates of the ultimate net cost of all losses and loss adjustment expenses, which are incurred but unpaid at the consolidated balance sheet date. The reserves are based on the loss and loss adjustment expense factors inherent in the Corporation's premium structure. Independent consulting actuaries determined these factors from estimates of the Corporation's expenses and available industry-wide data. The Corporation discounts the reserves to their present value using a discount rate of 2.5%. The reserves include estimates of future trends in claim severity and frequency. Although considerable variability is inherent in such estimates, management believes that the liability for unpaid claims and related adjustment expenses is adequate based on the loss experience of the Corporation. The estimates are continually reviewed and adjusted as necessary. The changes to the estimated self-insurance reserves were determined based upon the annual independent actuarial analyses.

Claims in excess of certain insurance coverage and the recorded self-insurance liability have been asserted against the Corporation by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. There are known incidents occurring through September 30, 2021, that may result in the assertion of additional claims and other claims may be asserted arising from services provided in the past. While it is possible that settlement of asserted claims and claims which may be asserted in the future could result in liabilities in excess of amounts for which the Corporation has provided, management, based upon the advice of legal counsel, believes that the excess liability, if any, should not materially affect the consolidated financial statements of the Corporation.

7. PENSION AND OTHER BENEFIT PLANS

Deferred Compensation – The Corporation has nonqualified deferred compensation plans at certain Health Ministries that permit eligible employees to defer a portion of their compensation. The deferred amounts are distributable in cash after retirement or termination of employment. As of September 30, 2021, and June 30, 2021, the assets under these plans totaled $351.0 million and $349.6 million, respectively, and liabilities totaled $361.2 million and $356.5 million, respectively, which are included in self-insurance, benefit plans and other assets and other long-term liabilities in the consolidated balance sheets.

Defined Contribution Benefits – The Corporation sponsors defined contribution pension plans covering substantially all of its employees. These programs are funded by employee voluntary contributions, subject to legal limitations. Employer contributions to these plans include a nonelective contribution of 3% for participants who satisfy certain eligibility requirements, with a minimum nonelective contribution for certain participants, and varying levels of matching contributions based on employee service. The employees direct their voluntary contributions and employer contributions among a variety of investment options. Contribution expense under the plans totaled $87.0 million and $88.5 million for the three-month periods ended September 30, 2021 and 2020, respectively.

Noncontributory Defined Benefit Pension Plans ("Pension Plans") – The Corporation maintains qualified Pension Plans that are closed to new participants and under which benefit accruals are frozen. Certain nonqualified, supplemental plan arrangements also provide retirement benefits to specified groups of participants.

Certain plans are subject to the provisions of the Employee Retirement Security Act of 1974 ("ERISA"). The majority of the plans sponsored by the Corporation are intended to be "Church Plans," as defined in the Code Section 414(e) and Section 3(33) of the ERISA, as amended, which have not made an election under Section 410(d) of the Code to be subject to ERISA. The Corporation's adopted funding policy for its qualified church plans, which is reviewed annually, is to fund the current service cost based on the accumulated benefit obligations and amortization of any under or over funding.

Postretirement Health Care and Life Insurance Benefits ("Postretirement Plans") – The Corporation sponsors both funded and unfunded contributory plans to provide health care benefits to certain of its retirees. All of the Postretirement Plans are closed to new participants. The Postretirement Plans cover certain hourly and salaried employees who retire from certain Health Ministries. Medical benefits for these retirees are subject to deductibles and cost sharing provisions. The funded plans provide benefits to certain retirees at fixed dollar amounts in health reimbursement account arrangements for Medicare eligible participants. Components of net periodic benefit income for the three-month periods ended September 30 consisted of the following (in thousands):

	Pension Plans		Postretirement Plans	
	2021	**2020**	**2021**	**2020**
Interest cost	$ 58,384	$ 60,388	$ 751	$ 811
Expected return on assets	(74,206)	(108,159)	(2,604)	(1,984)
Amortization of prior service cost	(1,229)	(1,229)	(111)	(111)
Recognized net actuarial loss (gain)	14,835	23,041	(1,105)	(348)
Net periodic benefit income	$ (2,216)	$ (25,959)	$ (3,069)	$ (1,632)

Service cost is included in employee benefits expense in the consolidated statements of operations and changes in net assets.

8. COMMITMENTS AND CONTINGENCIES

Litigation and Settlements – In November 2018, Mount Carmel Health System ("Mount Carmel"), the Corporation's Regional Health Ministry in Central Ohio, discovered sentinel events relating to the clinical practice by one of its physicians and the related conduct of certain of Mount Carmel's staff. The physician's employment was terminated, and this matter was reported to the authorities. Mount Carmel has been fully cooperative with the investigations. The Corporation believes that this matter will be resolved without material adverse effect to the Corporation's future consolidated financial position or results of operations.

The Corporation is involved, from time to time, in other litigation and regulatory investigations that may result in litigation or settlement, arising in the ordinary course of doing business. After consultation with legal counsel, management believes that these matters will be resolved without material adverse effect on the Corporation's future consolidated financial position or results of operations.

COVID-19 Pandemic – Beginning in March of 2020, the global COVID-19 pandemic began to significantly affect the U.S. health care industry and the Corporation's patients, communities, employees and business operations. Patient volumes and related revenue for the Corporation's health care services continue to fluctuate with COVID-19 pandemic surge and recovery waves with prolonged reduced patient volumes compared to pre-COVID-19 periods. The Corporation's service mix, revenue mix and patient volumes still endure negative impacts from broad economic factors, such as elevated unemployment rates and reduced consumer spending. The Corporation's response to the COVID-19 pandemic continues to require additional contract labor staff and increased premium labor rates. Both labor and supply chain disruptions, including shortages, delays and significant price increases in medical supplies, pharmaceuticals and personal protective equipment, have impacted and are expected to continue to impact the Corporation's operations. Risks and uncertainties caused by the COVID-19 pandemic continue to impact the Corporation's business, financial condition, results of operations and cash flows.

The Corporation continues to take various actions to mitigate the impact on operations from the COVID-19 pandemic. The Corporation received PRF grants, under both the CARES Act and the PPPHCE Act, which added to unrestricted cash reserves and also partially offset a portion of the revenue shortfalls and operating expenses incurred as a direct result of the COVID-19 pandemic. Compliance with the HHS Provider Relief Fund General and Targeted Distribution Post-Payment Notice of Reporting Requirements is complex and subject to HHS audit. Transferred Targeted Distribution payments face an increased likelihood of an audit by HHS. There can be no assurance that HHS will not challenge the Corporation's compliance with these reporting requirements.

Health Care Regulatory Environment – The health care industry is subject to numerous and complex federal, state and local government laws and regulations. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, data privacy and security, government health care program participation requirements, government reimbursement rules for patient services, fraud and abuse prevention requirements, and requirements for tax-exempt organizations. Both the CARES Act and the PPPHCE Act include Terms and Conditions as well as attestation to accept related funding. In addition, requirements for accepting, using and reporting on use of the funds are numerous and the compliance guidance has been subject to periodic updates by the Department of Health and Human Services. Laws and regulations concerning government programs, including Medicare, Medicaid, CARES Act and PPPHCE Act, are subject to varying interpretation. Compliance with such laws and regulations is nuanced and can be subject to future government review and interpretation as well as significant regulatory enforcement actions, including fines, penalties, and potential exclusion from government health care programs such as Medicare and Medicaid.

The Corporation and its Health Ministries periodically receive requests for information and notices of investigations regarding potential noncompliance with those laws and regulations, billing, payment or other reimbursement matters; or indicating the existence of whistleblower litigation which, in some instances, have resulted in the Corporation entering into significant settlement agreements. There can be no assurance that regulatory authorities will not challenge the Corporation's compliance with these laws and regulations. In addition, the contracts the Corporation has with commercial payers also provide for retroactive audit and review of claims. The health care industry in general is experiencing an increase in these activities as federal and state governments increase their enforcement activities and institute new programs designed to identify potential irregularities in reimbursement or quality of patient care. Based on the information received to date, management does not believe the ultimate resolution of these matters will have a material adverse effect on the Corporation's future consolidated financial position or results of operations. Trinity Health monitors its business activities for compliance with applicable laws and regulations and operates a values-based ethics and compliance program that is designed to meet or exceed applicable federal guidelines and industry standards.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 3, 2021, the date the quarterly report was issued. The following subsequent events occurred:

Catholic Health System, Inc. Membership Withdrawal – Effective November 6, 2021, the Corporation withdrew as a member of CHS. There was no impact to the Corporation's consolidated balance sheet, statement of operations and changes in net assets or cash flows from the membership withdrawal.

COVID-19 Relief Funding – During October 2021, the Corporation applied for PRF Phase 4 grants and Rural payments under the American Rescue Plan Act of 2021. During November 2021, $43 million of Rural payments were received, which amounts did not qualify for financial statement recognition during the three months ended September 30, 2021. The Corporation has not yet received notification from HHS as to whether additional PRF Phase 4 grants will be received.

Discussion and Analysis of Financial Condition and Results of Operations for Trinity Health

September 30, 2021

Introduction to Management's Discussion & Analysis

Trinity Health Corporation, an Indiana nonprofit corporation headquartered in Livonia, Michigan, and its subsidiaries ("Trinity Health" or the "Corporation"), controls one of the largest health care systems in the United States.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Corporation to make assumptions, estimates and judgments that affect the amounts reported in the financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. The Corporation considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its financial statements, including the following: recognition of net patient service revenue, which includes explicit and implicit price concessions; financial assistance; premium revenue; recorded values of investments and derivatives; goodwill; evaluation of long-lived assets for impairment, reserves for losses and expenses related to health care professional and general liabilities; and risks and assumptions for measurement of pension and retiree medical liabilities. Management relies on historical experience and other assumptions, believed to be reasonable under the circumstances, in making its judgments and estimates. Actual results could differ materially from those estimates.

Certain statements constitute “forward looking statements.” Such statements generally are identifiable by the terminology used such as “plan,” “expect,” “predict,” “estimate,” “anticipate,” “forecast” or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties, and other factors, many of which the Corporation is unable to predict or control, that may cause actual results, performance, or achievements to be materially different from those expressed or implied by forward-looking statements.

Coronavirus Pandemic

Beginning in March of 2020, the global coronavirus disease 2019 (“COVID-19”) pandemic began to significantly affect the U.S. health care industry and the Corporation’s patients, communities, employees, and business operations. Patient volumes and related revenue for the Corporation’s health care services continue to fluctuate with COVID-19 pandemic surge and recovery waves, with prolonged reduced patient volumes compared to pre-COVID-19 periods. COVID-19 discharges increased 29.7% during the first quarter of fiscal year 2022 compared to the same period in the prior fiscal year. The Corporation’s service mix, revenue mix and patient volumes still endure negative impacts from broad economic factors, such as elevated unemployment rates and reduced consumer spending. The Corporation’s response to the COVID-19 pandemic continues to require additional contract labor staff and increased premium labor rates. Both labor and supply chain disruptions, including shortages, delays and significant price increases in medical supplies, pharmaceuticals, and personal protective equipment, are expected to continue to impact the Corporation’s operations. Risks and uncertainties caused by the COVID-19 pandemic continue to impact the Corporation’s business, financial condition, results of operations and cash flows.

The Corporation continues to take various actions to mitigate the impact on operations from the COVID-19 pandemic. The Corporation received Provider Relief Fund (“PRF”) grants, under both the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) and the Paycheck Protection Program and Health Care Enhancement Act (“PPPHCE Act,” collectively the “Acts”), which added to unrestricted cash reserves and partially offset a portion of the revenue shortfalls and operating expenses incurred as a direct result of the COVID-19 pandemic. Compliance with the Department of Health and Human Services (“HHS”) Provider Relief Fund General and Targeted Distribution Post-Payment Notice of Reporting Requirements is complex and subject to HHS audit. There can be no assurance that HHS will not challenge the Corporation’s compliance with these reporting requirements, however the Corporation believes it has fully complied with all requirements. The Corporation recognized a negligible amount of PRF grant revenue during the first quarter in both fiscal years 2022 and 2021. The Corporation believes the amount of PRF grants recognized as grant revenue is appropriate under the various and changing guidance from HHS and continues to monitor progression of clarifying guidance issued by HHS. During October 2021, the Corporation applied for PRF Phase 4 grants and Rural payments under the American Rescue Plan Act of 2021. During November 2021, $43 million of Rural payments were received, which amounts did not qualify for financial statement recognition during the three months ended September 30, 2021. The Corporation has not yet received notification from HHS as to whether additional PRF Phase 4 grants will be received.

In April 2020, the Corporation requested and received $1.6 billion of cash advances from accelerated Medicare payment requests under the CARES Act, which have been recorded as current and long-term Medicare cash advances on the consolidated balance sheets as of September 30, 2021 and June 30, 2021, based on the repayment requirements as of those dates. The Corporation repaid $174.1 million of the Medicare cash advances during the three months ended September 30, 2021 and the balance of the advances outstanding is $1.1 billion as of September 20, 2021.

Recent Developments

Divestiture of 50% Interest in Gateway Health Plan, L.P. and Subsidiaries ("GHP") – Effective August 31, 2021, the Corporation, through its wholly owned subsidiary, Mercy Health Plan, sold its 50% interest in GHP, accounted for under the equity method, to the existing partner and parent owner, Highmark Ventures, Inc. As a result of the transaction the Corporation received a $62.5 million dividend distribution on August 27, 2021. Furthermore, the Corporation recorded a gain on the sale of $127.2 million in the first quarter of fiscal year 2022 in the consolidated statement of operations and changes in net assets. Based on the final closing statement, the Corporation is assessing additional gain on the sale, which will be concluded 120 days from the date of the sale under the terms of the purchase agreement.

Results from Operations

Operating Income Before Other Items

Trinity Health reported operating margin before other items of 2.1 percent in the first quarter of fiscal year 2022 compared to 2.3 percent for the same period in the prior year. In the first quarter of fiscal year 2022, Trinity Health reported operating revenue growth compared to the first quarter of fiscal year 2021 with negligible Provider Relief Fund grant revenue recognized in both fiscal years. Increased operating expenses, primarily labor and supplies, tempered the impact of revenue growth on margins. Operating income before other items of $106.3 million in the first quarter of fiscal year 2022 compared to $112.1 million in the same period of the prior fiscal year. The Corporation's operating cash flow margin before other items was 7.7 percent for first quarter of fiscal year 2022 compared to 8.2 percent during the same period of fiscal year 2021.

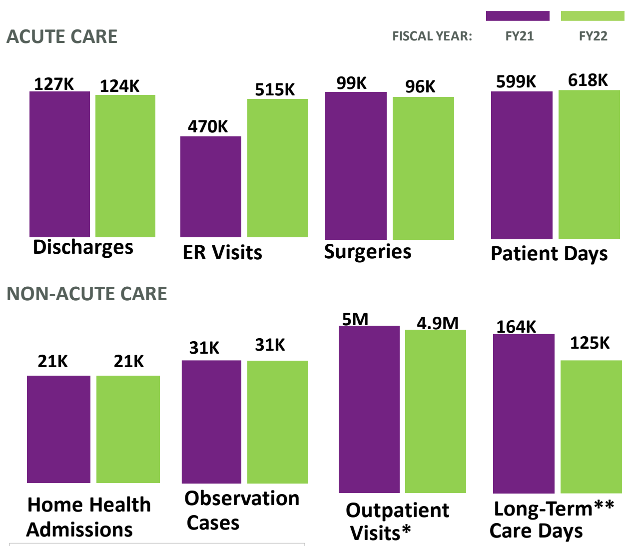
For the first quarter of fiscal year 2022, year-over-year volumes, as measured by case mix adjusted equivalent discharges ("CMAEDs"), increased, when adjusted for locations that were divested in fiscal year 2021. Additionally, fiscal year 2022 COVID-19 discharges increased 29.7 percent, emergency room visits increased 9.6 percent and surgeries decreased 2.5 percent compared to the same period in the prior fiscal year. The Corporation expects patient volume growth to continue to be impacted by COVID-19 surge and recovery waves during fiscal 2022.

For the quarters ended September 30,		
(dollars in millions)	**Q1FY21**	**Q1FY22**
Operating Income*	$112.1	$106.3
Operating Revenue	$4,794.6	$4,971.3
Operating Margin*	2.3%	2.1%
Operating Cash Flow Margin*	8.2%	7.7%

* Before other items

Revenue

Total operating revenue of $5.0 billion increased $176.7 million, or 3.7 percent, for the first three months of fiscal year 2022 compared to the same period of fiscal year 2021. Net patient service revenue increased $167.4 million, or 4.1 percent, primarily due to increased volume (excluding the impact of locations divested during fiscal year 2021) and payment rates, which were partially offset by less favorable payor and case mix. Other revenue in the first three months of fiscal year 2022 increased $7.4 million compared to the same period in fiscal year 2021 and was favorably impacted by gainshare revenue, partially offset by lower equity earnings of unconsolidated affiliates.



*Excluding the impact of locations divested in FY21, outpatient visits increased 0.3%

**83% of the decrease in LTC days is related to the divestiture and closure of facilities

Expenses

Total operating expenses of $4.9 billion increased $182.5 million, or 3.9 percent in the first three months of fiscal year 2022 compared to the same period in fiscal year 2021. The increase in operating expenses was due to increases in total labor expenses of $110.9 million: (1) salaries and wages increased $58.7 million (1.9 percent increase in FTEs and 0.9 percent increase in rate) and (2) contract labor increased $43.6 million (18.4 percent increase in FTEs and 74.9 percent increase in rate), as well as increases in supplies of $47.4 million and purchased services and medical claims of $26.8 million. COVID-19 pandemic direct costs totaled $32.6 million and $55.2 million, including $22.4 million and $30.0 million of labor costs, for first three months of fiscal year 2022 and 2021, respectively.

Other Items

For the first three months of fiscal year 2022, other items include the $127.2 million gain on the sale of the Corporation's 50% equity interest in GHP. Including this gain on sale, operating income totals $233.5 million, with operating margin of 4.7 percent and operating cash flow margin of 10.3 percent for the first quarter of fiscal year 2022.

Nonoperating Items

The Corporation reported gains in nonoperating items of $164.9 million for the first three months of fiscal year 2022 compared to $674.8 million for the same period in fiscal year 2021. While positive, the lower level of non-operating gains was due primarily to more moderated global financial market conditions as compared to the same period of fiscal year 2021. As a result, investment earnings were lower by $384.8 million and equity in earnings of unconsolidated affiliates were lower by $106.5 million.

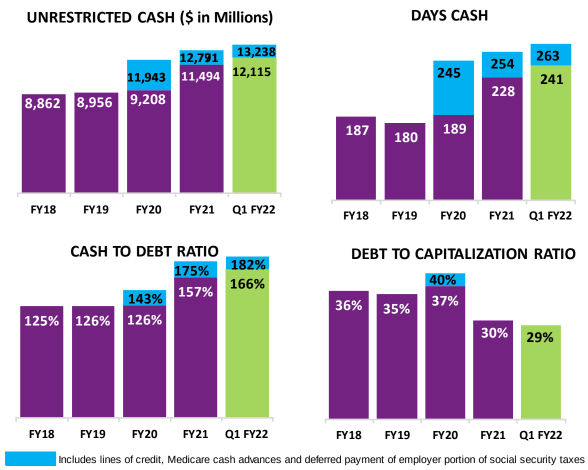
Excess of Revenue over Expenses

Excess of revenue over expenses for the first three months of fiscal year 2022 was $378.8 million compared to $771.9 million for the same period in fiscal year 2021. The decrease was primarily due to lower nonoperating gains, related to lower investment earnings, partially offset by the gain on the sale of GHP.

Balance Sheet

Total assets of $34.0 billion increased $365.2 million, or 1.1 percent as of September 30, 2021, compared to June 30, 2021. The increase in assets was due primarily to a $447.0 million increase in unrestricted cash and investments partially offset by a decrease in investments in unconsolidated affiliates from the sale of equity interest in GHP. Total assets include unrestricted cash and investments of $13.2 billion or 263 days of cash on hand. During the first three months of fiscal year 2022, days cash on hand increased 9 days with 8 days generated from the sale of GHP. Net days in accounts receivable increased by 0.4 days to 42.9 days as of September 30, 2021 compared to June 30, 2021.

Total liabilities of $15.1 billion decreased $48.8 million, or 0.3 percent. The decrease in liabilities was primarily due to $174.1 million repayment of Medicare cash advances, partially offset by changes in accounts payable and accrued liabilities due to timing. Debt to capitalization as of September 30, 2021, decreased to 29 percent from 30 percent compared to June 30, 2021.



Statement of Cash Flows

Cash, cash equivalents and restricted cash increased $134.1 million during the first three months of fiscal year 2022. Operating activities provided $304.5 million of cash. Investing activities used $134.4 million of cash including $297.4 million for net purchases of investments, $169.4 million for purchases of property and equipment partially offset by receipt of $321.9 million of cash from the sale of GHP. Financing activities used $36.1 million of cash, primarily for repayments of debt.

TRINITY HEALTH
Liquidity Reporting
September 30, 2021

	($ in millions) (unaudited)	
ASSETS		
Daily Liquidity		
Money Market Funds (Moody's rated Aaa)	$ 510	
Checking and Deposit Accounts (at P-1 rated bank)	525	
Repurchase Agreements	-	
U.S. Treasuries & Aaa-rated Agencies	-	
Dedicated Bank Lines	600	
Subtotal Daily Liquidity (Cash & Securities)	$ 1,635	
Undrawn Portion of $600M Taxable Commercial Paper Program	480	
Subtotal Daily Liquidity Including Taxable Commercial Paper Program		$ 2,115
Weekly Liquidity		
Exchange Traded Equity	$ 3,794	
Publicly Traded Fixed Income Securities Rated at least Aa3 and Bond Funds	2,394	
Equity Funds	1,023	
Other	345	
Subtotal Weekly Liquidity		7,556
TOTAL DAILY AND WEEKLY LIQUIDITY		$ 9,671
Longer-Term Liquidity		
Funds, vehicles, investments that allow withdrawals with less than one-month notice	1,335	
Funds, vehicles, investments that allow withdrawals with one-month notice or longer	3,221	
Total Longer-Term Liquidity		$ 4,556
LIABILITIES (Self-liquidity Variable Rate Demand Bonds & Commercial Paper)		
Weekly Put Bonds		
VRDO Bonds (7-day)		$ 195
Long-Mode Put Bonds		
VRDO Bonds (Commercial Paper Mode)		153
Taxable Commercial Paper Outstanding		120
TOTAL SELF-LIQUIDITY DEBT AND COMMERCIAL PAPER		$ 468
Ratio of Daily and Weekly Liquidity to Self-Liquidity Debt and Commercial Paper		20.66

Trinity Health

Financial Ratios and Statistics (Unaudited)

	September 30, 2021	September 30, 2020
Financial Indicators		
Liquidity Ratios (as of September 30)		
Days Cash on Hand	263	265
Days in Accounts Receivable, Net	42.9	40.5
Leverage Ratios (as of September 30)		
Debt to Capitalization	29%	38%
Cash to Debt	182%	153%
Profitability Ratios (For the Three Months Ended September 30)		
Operating Margin before Other Items	2.1%	2.3%
Operating Cash Flow Margin before Other Items	7.7%	8.2%
Statistical Indicators (For the Three Months Ended September 30)		
Rounded to nearest thousand		
Discharges	124,000	127,000
Patient Days	618,000	599,000
Outpatient Visits	4,917,000	5,040,000
Emergency Room Visits	515,000	470,000
Observation Cases	31,000	31,000
Continuing Care		
Home Health Admissions	21,000	21,000
Long-term Care Patient Days	125,000	164,000