



Management's Discussion and Analysis (MDA) For the Nine months Ended March 31, 2022 and 2021

This section is intended to present management's analysis of Ballad Health's financial condition and activities as of and for the quarters ended March 31, 2022 and 2021. Management's Discussion and Analysis (MDA) is intended to serve as an introduction to the Ballad Health financial statements and should be used in conjunction with the unaudited financial statements, utilization statistics, and performance ratios that follow this section. All dollar amounts, unless otherwise noted, are expressed in thousands of dollars.

The information in the MDA is presented under the following sections:

- Organization and Operations
- Overview of Financial Statements
- Financial Analysis
- Debt Compliance
- Certificate of Public Advantage (COPA) & Cooperating Agreement (CA) Compliance
- Request for Information

Organization and Operations

Ballad Health is a tax-exempt entity and the parent corporation of both Mountain States Health Alliance (MSHA) and Wellmont Health System (WHS). The two healthcare systems came together on February 1, 2018 as a result of a merger approved by the Department of Health in both Tennessee and Virginia. Ballad operates under a COPA in Tennessee and a CA in Virginia. Pursuant to the COPA and CA, MSHA and WHS (the COPA Parties) must fulfill certain obligations, commitments, and covenants agreed to by the states and Ballad Health. Such obligations include certain spending over a ten-year period (beginning July 2018) on initiatives to ensure access to healthcare services, health research and graduate medical education, population health, and a plan for ensuring patient data is available to providers throughout the region. The full text of the COPA may be found on the Tennessee Department of Health website. The full text of the CA may be found on the Virginia Department of Health website.

Ballad Health is a healthcare delivery system serving 29 counties in Northeast Tennessee, Southwest Virginia, Northwest North Carolina, and Southeast Kentucky. Ballad Health operates 3,009 licensed beds in 22 hospitals, including a dedicated children's hospital, community hospitals, four critical access hospitals, a behavioral health hospital, an addiction treatment facility, long-term care facilities, home care and hospice services, retail pharmacies, outpatient services and a comprehensive medical management corporation.

Ballad Health is the primary beneficiary of fundraising and development activities of the Ballad Health Foundation.

Overview of Financial Statements

Ballad Health's unaudited financial statements include the following:

Balance Sheet presents information on Ballad Health's assets, liabilities, and net assets as of the period ended March 31, 2022.

Consolidated Statement of Operations presents the results of Ballad Health's operations over the course of the third quarter of fiscal year 2022 compared to the same period in the previous fiscal year and the same for the nine months year to date.

The financial statements are prepared using the accrual basis of accounting and in conformity with generally accepted accounting principles (GAAP).

Impact of COVID-19

- In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. Beginning in March 2020 and continuing throughout the year ended June 30, 2021 and beyond, the COVID-19 outbreak has severely restricted the level of economic activity around the world and caused significant volatility in the financial markets. Along with the rest of the healthcare industry, Ballad Health has faced financial pressure from general decreases in non-emergency patient volumes, cancellations and delays of elective medical procedures, rising labor costs and shortages, and rising costs associated with obtaining personal protective equipment and other medical supplies, among other factors.
- ***As more fully explained below, the operating income and cash flow of Ballad Health has been materially impacted by the loss of revenue due to COVID response efforts and offsetting federal relief dollars which occur in separate reporting periods, rendering prior year comparisons inadvisable without proper adjustment for these one-time and non-budgeted events.*** Government support to hospitals and other healthcare entities, including funding from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) are of material impact with respect to financial stability. **During the years ended June 30, 2021 and 2020, Ballad Health recognized revenues from CARES Act Provider Relief funding of \$63.9 million and \$82.5 million respectively. In the current fiscal year, as of March 31, 2022, Ballad Health has recognized additional revenues of \$50.2 million from CARES Act Provider Relief funding. Additionally, Ballad Health received and recognized in revenue other federal grants and supplemental funding from other sources totaling approximately \$32.8 million during the prior fiscal year ended June 30, 2021; and additional funding of \$6.4 million in the current fiscal year through March 31, 2022.**
- The CARES Act also expanded the Medicare Accelerated and Advance Payment Program. Ballad Health received approximately \$200 million in advanced payments under this program during the year ended June 30, 2020. As of March 31, 2022, Ballad Health has repaid over half of the accelerated payments, leaving a balance of approximately \$99 million to be repaid by September 30, 2022. These funds are recorded in the balance sheet as current liabilities.
- Ballad Health continues to participate meaningfully in efforts to seek the appropriate relief intended in law. The amount of future funding is uncertain.

Timeline of COVID-19 events

Quarter 3 (beginning January 1, 2020): Fiscal Year 2020

- On March 10, 2020, Ballad Health executed its disaster plan, which includes the activation of its Corporate Emergency Operations Command (CEOC) to coordinate efforts across the system and around the region to rapidly plan for, and execute, ongoing response to the issues resulting from the COVID-19 pandemic.

- In addition to the implementation of the CEOC, the Chief Executive Officer appointed an Economic Recovery Team, charged with identifying various provisions of federal and state support intended to provide relief to hospitals and health systems.
- Effective March 23, 2020, Ballad Health complied with the federal and state guidance to cease all non-emergent, elective procedures. Beyond the deferral of these procedures and diagnostic testing, Ballad Health experienced a decline in other types of medical treatment similar in effect to that experienced by most health systems and physician organizations – physician practice, urgent care and other routine medical service visits declined precipitously. With a majority of patient days being Medicare, Ballad Health experiences a disproportionate impact due to the aged populations seeking to curtail interactions with the health delivery system.

Quarter 4 (beginning April 1, 2020): Fiscal Year 2020

- Ballad Health resumed elective procedures on May 4th, 2020. Non-emergent elective procedures resumed at twenty-five percent capacity, and slowly returned to full operation by May 30, 2020. At full operation, Ballad continued to experience organic volumes lower than normal, most likely a result of patient self-selection.

Quarter 1 (beginning July 1, 2020): Fiscal Year 2021

- Beginning in July 2020, the rate of positive COVID-19 cases in the region served began increasing dramatically, bringing evidence of widespread community infection. This increase in community infections also brought a lagging increase in the number of patients admitted to the hospital with a diagnosis of COVID-19.

Quarter 2 (beginning October 1, 2020): Fiscal Year 2021

- In early October 2020, the region saw a second spike in COVID-19 cases, leading to significantly higher rates of community spread, and record numbers of patients admitted to the hospitals with a diagnosis of COVID-19. In an effort to preserve already limited staffing, Ballad Health paused elective procedures requiring an overnight stay. The surge in COVID-19 cases in the region continued to rise over the course of November and December. After the first spike in COVID-19 cases had subsided, Ballad saw an increase in nursing turnover, with nurses citing fatigue and burnout from the ongoing pandemic. In an effort to help retain staff to deal with the new surge in COVID-19 cases, Ballad Health announced a 15 percent temporary pay increase for nursing, nursing support and respiratory therapy team members.

Quarter 3 (beginning January 1, 2021): Fiscal Year 2021

- After reaching a high of over 35 percent, the positivity rate in the region began to decline in mid-to-late January. Ballad Health resumed elective surgeries on February 1 on a gradual basis. Cases and hospitalizations continued a steady decline through February; however, the region experienced another spike in cases throughout March.

Quarter 4 (beginning April 1, 2021): Fiscal Year 2021

- Cases again began to decline, this time precipitously, in mid-April, and continued a downward trajectory throughout the end of the fiscal year. Ballad experienced a COVID-19 census which dipped to below 30. With a positivity rate of just 3.5 percent, Ballad Health continued its focused effort on staff recovery and retention. In addition to utilizing more than 400 contract nurses to help offset the staffing challenges created by the volatility in the supply of nurses, Ballad health made permanent the previously announced nursing and other clinical pay increases. Additionally, Ballad Health made other wage adjustments for support staff where volatility in supply of staff was also becoming a factor. Annualized, Ballad Health committed more than \$120 million to permanent wage adjustments, in addition to the approximately \$120 million in annualized cost for contract labor. Additionally, the Board of Directors of Ballad Health approved a plan for the addition of more than 100 nursing support positions and other initiatives to help reduce the burden on bedside nursing.

Quarter 1 (beginning July 1, 2021): Fiscal Year 2022

- During the month of July 2021, the region began to see a third spike in COVID-19 cases with cases rising dramatically throughout the month of August into September with a record number of 413 patients admitted with COVID-19 in early September. Due to the surge of positive cases, Ballad Health began to defer elective, non-emergent surgical cases, for the third time, on August 16, 2021. After peaking at just over 8,000 new cases in the region during the week ending September 11th, COVID-19 cases had decreased by 53 percent by the end of the reporting period. As a result of the decline in COVID-19 cases, the health system once again began phasing in the resumption of elective, non-emergent surgeries on September 29, 2021.

Quarter 2 (beginning October 1, 2021): Fiscal Year 2022

- During October and the beginning of November, new COVID-19 cases continued to decline from the prior period falling below 1,800 the week ending November 6, 2021. Cases began to rapidly increase ahead of the holiday season. The region began to see a fourth spike in COVID-19 cases with Omicron cases steadily rising in mid-November throughout December peaking at just over 4,800 new cases in the region during the last week of the reporting period.

Quarter 3 (beginning January 1, 2022): Fiscal Year 2022

- The region continued to see a dramatic spike in COVID-19 cases into the new year. New cases more than tripled the number of new cases at the end of the December 31, 2021, reporting period. In February Ballad reported a record number of 454 inpatients with a diagnosis of COVID-19. The positivity rate in Ballad's service area topped out at just under 45 percent, the highest since the start of the Pandemic. Subsequent to the all-time high of 454 patients hospitalized on February 7 and February 8, the inpatient cases with a COVID-19 diagnosis began to decline daily with 247 inpatient cases at the end of February and 57 inpatient cases at the end of March 2022.

Additional Information

- Subsequent to the reporting period, COVID-19 cases in the region continued to decline and the average census of patients in the hospitals with a **diagnosis of COVID-19 had decreased to below 30 as of mid-May.**
- Effective April 18, 2022, **Ballad closed its Corporate Emergency Operations Center**, which was activated when the first cases of the novel coronavirus (COVID-19) were diagnosed in the Appalachian Highlands in March 2020. The health system continues to vigilantly monitor the COVID-19 situation in the Appalachian Highlands and will continue doing all it can to serve our communities. Due to the sustained drop in COVID-19 cases in Ballad facilities and across the Appalachian Highlands, Ballad also removed all COVID-related visitation restrictions in its offices and facilities effective April 18, 2022.
- Ballad Health has been actively administering vaccines according to Tennessee Department of Health, Virginia Department of Health and Center for Disease Control and Prevention (CDC) recommendations and guidelines. In addition to team members, Ballad Health expanded its vaccination efforts into the community by establishing community vaccination centers to assist with vaccine distribution and provide the immunizations to community health care workers, front line caregivers, and community members. As of this filing, Ballad Health has administered over 100,000 doses of vaccine. The current vaccination rate for the Ballad Health service area for those fully vaccinated is 49.5 percent.
- Ballad Health created a Center for Post-COVID Care, an innovative approach that provides comprehensive clinical care for patients who are struggling with post-COVID symptoms. Through the Center for Post-COVID Care, Ballad Health provides a full spectrum of services, including care navigation and care management. The health system will also foster research and learning opportunities and collaborate with other leading institutions to understand post-COVID care and increase awareness to healthcare providers, patients, and community members of this condition.

Financial Analysis

Financial Highlights for the Quarter ended March 31, 2022

Note: Ballad Health advises against year-over-year comparisons, or conclusions from current financial statements, without analysis and adjustment for one-time factors, including extreme volume fluctuations and revenue loss in prior periods, offset with one-time federal support funds in current year periods which do not align with current year operational revenue and expense. Further, current year volatility in labor cost combined with volume fluctuations may impact quarter-over-quarter and year-over-year comparisons without appropriate adjustment for these factors.

In the face of the COVID-19 pandemic and significant challenges continuing to impact rural and non-urban hospital systems, Ballad Health experienced an operating loss in the third quarter of fiscal year 2022. COVID-19 hospitalizations, driven by the Omicron variant, peaked at record levels in the third quarter with those inpatients requiring longer hospital stays. The Omicron surge contributed to declines in other volume, while expenses continued to escalate due to widespread national labor shortages and global supply chain issues coupled with inflation on most other non-labor expenses. After reaching a peak in January, COVID-19 related hospitalizations declined. Outpatient volumes rebounded slightly toward the end of the quarter, but overall outpatient volumes remained low relative to pre-pandemic levels.

Financial Position

Please see accompanying Balance Sheet as of March 31, 2022.

- As of quarter ended March 31, 2022, Ballad Health's assets exceeded liabilities by \$1.604 billion. Total Net Assets decreased from prior year end by \$307.4 million or 16.1 percent, largely due to the purchase of the remaining non-controlling interests in Johnston Memorial Hospital and Smyth County Community Hospital in November 2021.
- Significant capital investments, totaling \$26.4 million, occurred in the third quarter. The investments were mainly related to diagnostic and treatment equipment, information technology infrastructure and building improvements.

Results from Operations

*Please see accompanying Statement of Revenue over Expenses for the quarter and nine months ended March 31, 2022 and the same period ended in 2021. **Due to the extraordinary impact of the ongoing COVID-19 spread within the Ballad Health region, which has created significant volatility and unpredictability in volumes, combined with the infusion of federal CARES dollars and expenses associated with the conversion to EPIC, comparisons of periods are complicated and should be viewed with caution.** Ballad Health attributes most volume and revenue volatility to the uncertainty in the market and impact related to COVID-19. Some outpatient diagnostic volume is impacted by payer decisions to direct volumes away from hospital-based diagnostic centers, and continued efforts by Ballad Health and its physician partners to succeed in value-based arrangements continues to impact lower acuity admissions as previously reported.*

During the quarter as compared to the same period last year

- Ballard Health's increase in overall **volume** was mainly due to the continued spike of COVID-19 cases, resulting from the omicron variant. Acute discharges in the quarter decreased by 1.9 percent while acute discharges for patients with a COVID-19 diagnosis increased from 1,969 in the prior year period to 3,291 in the current period, an increase of 67.1 percent. Due to the pause of non-emergent, elective procedures in the prior year period, surgeries performed in the hospital setting increased by 8.8 percent to 11,854 cases in the quarter. Inpatient surgeries decreased by 3.1 percent and outpatient surgeries increased by 15.8 percent. Outpatient Emergency Department visits increased by 10.3 percent.
- **Net patient revenue** of \$544.9 million was \$37.8 million, or 7.4 percent, above the same period prior year.
- **Other operating revenue** of \$19.9 million decreased from the prior year by \$31.8 million (61.5%). The decrease is mainly due to the receipt of \$1.5 million in CARES act funding and other relief funds in the current year period versus \$34.7 million in the prior year period.
- **Total expenses** of \$602.1 million exceeded the prior year by \$59.2 million (10.9%). The substantial increase is related to the continued increase in costs related to labor and supplies driven by the national staffing shortages and the COVID-19 pandemic.
- **Net Operating Income** for the quarter was a loss of \$37.3 million compared to prior year income of \$16.0 million.
- **Non-operating income** (excluding unrealized gains/losses on investments and change in fair value of derivatives) of \$14.8 million for the quarter was favorable to prior year by \$18.3 million. The favorable variance is largely related to an increase in contribution income and a reduction of non-controlling interest in subsidiaries due to the purchase of the remaining non-controlling interest in Johnston Memorial Hospital and Smyth County Community Hospital. These positive variances were offset by a decrease in realized gains on investments. For the quarter, Ballard Health experienced an unrealized loss on investments of \$86.2 million.
- **Operating EBITDA** for the quarter of \$11.3 million was \$52.0 million below the same quarter in the prior year.
- **EBITDA** for the quarter was \$26.2 million compared to a prior year of \$59.9 million.

For the nine months ended March 31, 2022, as compared to the same period last year

- **Net patient revenue** of \$1.630 billion was \$163.3 million, or 11.1 percent, above the same period prior year.
- **Other operating revenue** of \$122.3 million decreased from the prior year by \$0.8 million (0.7%).
- **Total expenses** of \$1.722 billion exceeded the prior year by \$118.3 million (7.4%). The substantial increase is related to the continued increase in costs related to national labor shortages and widespread supply chain issues driven by the COVID-19 pandemic.
- **Net Operating Income** for the year was \$29.8 million compared to the prior year loss of \$14.4 million.
- **Non-operating income** (excluding unrealized gains/losses on investments and change in fair value of derivatives) of \$123.5 million for the year was favorable to prior year by \$111.6 million. The favorable variance is largely related to significantly higher annual capital gains distributions and dividend income, than in years past, due to the very strong markets in late 2020 and all of 2021. For the year, Ballard Health experienced an unrealized loss on investments of \$137.3 million. A significant reduction of non-controlling interest in subsidiaries has also been realized due to the purchase of the

remaining non-controlling interest in Johnston Memorial Hospital and Smyth County Community Hospital during the current fiscal year.

- **Operating EBITDA** for the year of \$173.1 million was \$49.9 million above the same period in the prior year.
- **EBITDA** for the year was \$296.6 million compared to a prior year of \$135.0 million.

Debt Compliance

The global investment markets, and U.S. domestic debt capital markets, encountered substantial volatility in the wake of the COVID-19 pandemic. While Ballad Health was not immune to the market fluctuations, the diversified approach to both the investment and debt programs complemented one another to assist in the loss mitigation. As of March 31, 2022, Ballad Health had \$1.486 billion in debt outstanding, an increase of \$140.7 million from the prior year end. Total debt outstanding increased due to the purchase of the remaining non-controlling interest in Johnston Memorial Hospital in November 2021. A promissory note in the amount of \$168.7 million was issued and is fully collateralized through an irrevocable security agreement between Johnston Memorial Hospital and the community foundation. Total debt outstanding consisted of (1) fixed-rate serial, term, capital appreciation, and revenue bonds, (2) variable rate term bonds, (3) capital lease obligations and (4) promissory notes.

While Ballad Health availed itself of lines of credit in order to assist with volatility of revenue and expenses due to the uncertainty of the global pandemic, Ballad has been able to manage the volatility ***without drawing on any of its available lines of credit.***

Credit Ratings

Ballad Health carries underlying ratings of (1) Fitch Ratings: "A", (2) Standard & Poor's: "A-", and (3) Moody's Investor Service: "A3".

Days Cash on Hand

Pursuant to the Master Trust Indenture (MTI), Ballad Health is required to maintain 100 days cash on hand. For the nine months ended March 31, 2022 Ballad Health's days cash on hand was 261, more than sufficient to meet the covenant requirements under the MTI.

Debt Service Coverage

Revenues were sufficient to pay debt service. Based on a pro forma annualized quarterly income, debt service coverage was 1.1. Based on rolling twelve-months of income, debt service coverage was 6.0. The calculations were performed as defined in the Amended and Restated Master Trust Indenture dated June 1, 2018.

Certificate of Public Advantage and Cooperative Agreement Compliance

Ballad Health is in compliance with the terms of both the COPA and CA.

The Commissioners of Health of Tennessee and Virginia independently have certified that Ballad Health continues to meet the public benefit requirements of law, with each commissioner providing an annual report including their findings of compliance.

Forward-Looking Information

The following commentary contains information that may be considered forward-looking. While these statements reflect management's best judgment on future events, they are subject to risk and uncertainty that may cause actual results to differ materially. The reader should not place undue reliance on these forward-looking statements, which reflect management's opinion only as of the date of this publication. Ballad Health is not obligated to revise or publicly release revisions to these forward-looking statements in light of new information or future events.

- Due to the unknown duration and severity of the outbreak, Ballad Health is unable to predict when patient volumes will return to historically normal levels or predict the amount of COVID-19 related care it may ultimately provide. Ballad Health cannot presently quantify or estimate the immediate or long-term cumulative impact of this pandemic.
- Ballad Health is unable to quantify changes in revenues due to declining patient volumes, changes in payor mix and deteriorating macroeconomic conditions, potential increased expenses related to labor, supply chain or other expenditures and the timing and availability of effective medical treatments and vaccines.
- Ballad Health cannot predict the impact of future government and administrative regulation and stimulus funding.

Request for Information

This report is intended to provide investors and creditors an overview of Ballad Health's financials. Questions regarding any of the information provided in this report should be addressed to Ballad Health, Chief Financial Officer, 300 Med Tech Parkway, Suite 300, Johnson City, Tennessee 37604.



Comparative Balance Sheet

	March 31 2022	June 30 2021
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	180,234,717	412,413,599
Board Designated Funds COPA	0	238,825
Board Designated Funds Cooperative Agreement	8,725,346	8,486,483
Current Portion AWUIL	5,427,150	13,701,088
Accounts Receivable (Net)	241,527,674	232,384,328
Other Receivables	77,422,785	68,152,574
Due From Affiliates	0	1,552
Due From Third Party Payors	(0)	(0)
Inventories	49,841,175	55,386,086
Prepaid Expense	17,166,208	14,690,052
	<u>580,345,055</u>	<u>805,454,586</u>
<u>ASSETS WHOSE USE IS LIMITED</u>	<u>253,475,429</u>	<u>85,457,559</u>
<u>OTHER INVESTMENTS</u>	<u>1,322,365,019</u>	<u>1,498,853,771</u>
<u>PROPERTY, PLANT AND EQUIPMENT</u>		
Land, Buildings and Equipment	3,293,460,424	3,348,451,968
Less Allowances for Depreciation	2,131,585,484	2,133,523,565
	<u>1,161,874,941</u>	<u>1,214,928,402</u>
<u>OTHER ASSETS</u>		
Pledges Receivable	4,572,250	1,039,309
Long Term Compensation Investment	34,338,132	35,150,998
Investments in Unconsolidated Subsidiaries	17,570,351	19,088,234
Land / Equipment Held for Resale	3,028,830	6,028,830
Assets Held for Expansion	11,268,702	11,268,702
Investments in Subsidiaries	0	(0)
Goodwill	206,027,773	206,027,773
Deferred Charges and Other	37,200,962	38,452,932
	<u>314,007,000</u>	<u>317,056,778</u>
<u>TOTAL ASSETS</u>	<u>3,632,067,445</u>	<u>3,921,751,097</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable and Accrued Expense	173,644,130	213,296,180
Accrued Salaries, Benefits, and PTO	149,378,132	134,996,318
Claims Payable	0	0
Accrued Interest	9,609,557	20,134,462
Due to Affiliates	0	0
Due to Third Party Payors	119,053,910	148,984,432
Call Option Liability	0	0
Current Portion of Long Term Debt	64,316,233	37,308,918
	<u>516,001,961</u>	<u>554,720,311</u>
<u>OTHER NON CURRENT LIABILITIES</u>		
Long Term Compensation Payable	17,948,685	19,268,218
Long Term Debt	1,422,013,273	1,308,325,852
Estimated Fair Value of Interest Rate Swaps	9,282,356	729,895
Deferred Income	676,524	483,940
Professional Liability Self-Insurance and Other	62,400,060	127,056,950
	<u>1,512,320,897</u>	<u>1,455,864,855</u>
<u>TOTAL LIABILITIES</u>	<u>2,028,322,858</u>	<u>2,010,585,166</u>
<u>NET ASSETS</u>		
Restricted Net Assets	44,072,285	38,688,600
Unrestricted Net Assets	1,558,322,375	1,577,580,203
Noncontrolling Interests in Subsidiaries	1,349,927	294,897,127
	<u>1,603,744,587</u>	<u>1,911,165,931</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>3,632,067,445</u>	<u>3,921,751,097</u>



Statement of Revenue and Expense
For The Period Ended March 31, 2022 and March 31, 2021

	Quarter 3 Mar 2022	Quarter 3 Mar 2021	Year to Date Mar 2022	Year to Date Mar 2021
<u>Revenue, Gains and Support</u>				
Net patient service revenue	544,878,475	507,115,376	1,629,588,240	1,466,335,600
CARES act funding and other relief funds	1,488,035	34,663,974	56,652,595	62,429,971
Other operating revenue (excl relief funds)	18,415,651	17,081,065	65,668,443	60,726,807
TOTAL REVENUE, GAINS AND SUPPORT	564,782,161	558,860,415	1,751,909,277	1,589,492,377
<u>Expenses:</u>				
Salaries and wages	182,985,586	159,532,206	516,697,136	466,006,131
Physician salaries and wages	43,661,402	44,743,449	131,774,316	135,928,892
Contract Labor	41,233,699	22,850,745	100,265,415	60,420,357
Employee Benefits	36,992,252	36,370,891	100,958,747	96,373,433
Fees	75,706,796	78,477,781	227,344,036	239,281,100
Supplies	124,032,460	106,086,033	356,089,962	323,648,167
Utilities	8,164,844	7,838,403	25,206,628	24,638,063
Other Expense	40,660,203	39,571,751	120,486,318	120,038,371
Depreciation and amortization	37,644,429	37,046,038	112,430,527	107,334,919
Interest and taxes	10,991,051	10,347,437	30,897,852	30,230,273
TOTAL EXPENSES	602,072,719	542,864,733	1,722,150,936	1,603,899,706
OPERATING INCOME	(37,290,558)	15,995,682	29,758,341	(14,407,329)
<u>Nonoperating gains (losses):</u>				
Interest and dividend income	5,658,680	5,405,648	35,555,055	21,668,590
Net realized gains (losses) on the sale of securities	1,115,281	11,509,825	76,251,244	25,654,745
Change in net unrealized gains on securities	(86,166,999)	16,308,149	(137,252,688)	141,845,634
Derivative related income	26,404	39,409	104,639	109,343
Loss on extinguishment of LTD / derivatives	0	0	0	0
Change in estimated fair value of derivatives	(6,277,544)	(454,753)	(8,606,043)	1,030,851
Gain (loss) on discontinued operations	0	1,846	0	(4,338)
Other nonoperating gains (losses)	8,039,076	(6,863,736)	11,797,611	(5,599,743)
Noncontrolling interests in subsidiaries	(28,656)	(13,592,942)	(237,441)	(29,974,970)
NET NONOPERATING GAINS	(77,633,758)	12,353,446	(22,387,623)	154,730,111
EXCESS OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	(114,924,316)	28,349,128	7,370,718	140,322,783
EBITDA	26,155,707	59,889,206	296,557,828	135,011,489
OPERATING EBITDA	11,344,921	63,389,156	173,086,720	123,157,863

COVID-19 Pandemic

Note: Ballad Health advises against year-over-year comparisons, or conclusions from current unaudited financial statements, without analysis and adjustment for one time factors, including extreme volume fluctuations and revenue loss in prior periods, offset with one-time federal support funds in current year periods which do not align with current year operational revenue and expense. Further, current year volatility in labor cost combined with volume fluctuations may impact quarter-over-quarter and year-over-year comparisons without appropriate adjustment for these factors.



Utilization Statistics	Fiscal Year Ended June 30					Quarter 3		9 Months Ended	
	2017	2018	2019	2020	2021	Mar 2022	Mar 2021	Mar 2022	Mar 2021
	Acute Licensed Beds	2,523	2,523	2,412	2,353	2,353	2,359	2,353	2,359
Acute Patient Days	382,504	391,458	369,825	345,308	375,651	104,833	94,071	312,134	279,785
Acute Discharges	91,274	94,456	89,371	81,539	82,755	20,110	20,497	62,032	61,117
Observations	36,092	37,656	34,605	30,716	23,766	3,822	5,446	11,931	18,213
Patients in a Bed	127,366	132,112	123,976	112,255	106,521	23,932	25,943	73,963	79,330
Acute Average Daily Census including Observations	1,147	1,176	1,108	1,027	1,094	1,207	1,106	1,183	1,088
Acute Occupancy Rate including Observations (licensed)	45%	47%	46%	44%	47%	51%	47%	50%	46%
Acute Average Length of Stay (Days)	4.19	4.14	4.14	4.23	4.54	5.21	4.59	5.03	4.58
ER Visits	442,025	449,412	432,394	375,049	335,906	86,482	79,143	278,741	243,337
Surgical Cases	70,399	73,953	72,588	58,482	50,259	12,588	11,501	36,631	36,582
Births	6,422	6,588	6,621	6,425	6,278	1,505	1,519	4,703	4,728
Newborn Days	12,016	12,207	11,941	12,353	11,330	3,072	2,862	9,641	8,577
Physician Outpatient Visits (includes Urgent Care & Telehealth Visits)	1,536,620	1,696,592	1,730,184	1,579,395	1,481,401	364,272	374,885	1,114,268	1,102,996
Urgent Care (included in above)	243,734	258,374	254,254	234,624	186,967	52,933	45,793	183,010	133,926

Payor Mix %	Fiscal Year Ended June 30					Quarter 3		9 Months Ended	
	2017	2018	2019	2020	2021	Mar 2022	Mar 2021	Mar 2022	Mar 2021
	Medicare	28.2	27.0	26.0	24.6	23.3	21.4	22.4	21.5
Medicare Managed Care	24.3	25.9	27.5	29.2	32.0	34.2	32.9	33.1	31.7
Medicaid & Managed Medicaid	14.3	13.6	13.4	14.6	14.4	15.4	14.6	15.5	14.4
Managed Care/Other	27.6	27.6	27.1	26.5	24.8	24.5	24.7	25.0	24.7
Self-Pay and Charity	5.6	5.9	6.0	5.1	5.5	4.5	5.4	4.9	5.6
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Financial Ratios	Fiscal Year Ended June 30					9 Months Ended	
	2017	2018	2019	2020	2021	Mar 2022	Mar 2021
	Days Cash on Hand						
Cash and Cash Equivalents (000s)	\$ 165,984	\$ 86,844	\$ 122,563	\$ 427,598	\$ 421,139	\$ 188,960	\$ 370,756
Unrestricted Investments (000s)	1,139,009	1,203,943	1,273,010	1,253,934	1,498,854	1,322,365	1,430,238
Unrestricted Cash & Investments (000s)	\$ 1,304,993	\$ 1,290,787	\$ 1,395,573	\$ 1,681,531	\$ 1,919,993	\$ 1,511,325	\$ 1,800,994
Days Cash on Hand	267	244	265	324	354	261	334
Total Direct Debt Excluding Security for Johnston Memorial Debt (000s)	N/A	N/A	N/A	N/A	N/A	1,317,667	N/A
Total Direct Debt (000s)	1,397,756	1,355,766	1,344,279	1,374,613	1,345,635	1,486,330	1,344,085
Cash to Direct Debt Excluding Security for Johnston Memorial Debt (000s)	N/A	N/A	N/A	N/A	N/A	115%	N/A
Cash to Direct Debt	93%	95%	104%	122%	143%	102%	134%
Annual Debt Service Coverage							
Net Income Available for Debt Service	\$ 323,046	\$ 248,619	\$ 281,389	\$ 262,285	\$ 295,799	\$ 72,580	\$ 321,376
Maximum Annual Debt Service	85,500	67,208	61,624	57,331	53,770	\$ 68,871	55,582
Maximum Annual Debt Service Coverage ¹ (MADS)	3.8	3.7 ¹	4.6 ¹	4.6 ¹	5.5 ¹	1.1	5.8
<small>¹Effective June 6, 2018, a new Master Trust Indenture (MTI) was adopted by Ballad Health. Due to the MTI change, the calculation of maximum annual debt service and MADS is not consistent with previous years.</small>							
Quarterly Debt Service Coverage							
Pro Forma Net Income Available for Debt Service (Based on Quarter to Date Net Income)						1.1	5.8
Pro Forma Net Income Available for Debt Service (Based on Rolling 12 month Net Income)						6.0	4.7