



Unaudited Quarterly Disclosure
For the Period Ended September 30, 2021

Investor Relations Contact:

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Introduction

Quarterly Disclosure - September 30, 2021

This Quarterly Disclosure Report presents the unaudited results of operations and financial position of ProMedica Health System, Inc. and its subsidiaries (collectively “ProMedica”) for the three and nine month period ended September 30, 2021. This report should be read in conjunction with the audited ProMedica Health System and Subsidiaries Consolidated Financial Report for the year ended December 31, 2020.

Obligated Group

ProMedica has established an “Obligated Group” structure wherein ProMedica Health System, Inc. is either the sole member or exercises control over the sole member of each Obligated Group member. ProMedica Health System, Inc. is not a member of the Obligated Group. Only those entities defined as Obligated Group members are obligated to make payments under the Master Trust Indenture. Refer to *Organizational Structure* for further details. The following disclosure report includes the unaudited results of operations and financial position of the Obligated Group, but unless otherwise indicated, all discussion and analysis that follows is based on ProMedica Health System’s consolidated results. The Obligated Group accounted for approximately 28% of total operating revenue for the nine month period ended September 30, 2021.

Outstanding Bond CUSIPS

Bond Series	CUSIP
2011A	549310UD0 549310UE8
2011D	549310UW8
2011E	52601PBN7 52601PBP2

Bond Series	CUSIP
2015A	889184AA5
2015B	549310VIL1
2018A	549310WD8 549310WE6
2018B	889184AC1 889184AD9 889184AE7

Financial Statements

Balance Sheets

(\$ in thousands, unaudited)

	September 30, 2021		December 31, 2020	
	Obligated Group	Consolidated ProMedica	Obligated Group	Consolidated ProMedica
Assets				
Current Assets				
Cash and cash equivalents	\$ 164,360	\$ 654,857	\$ 266,295	\$ 944,675
Marketable securities	6,631	262,473	6,615	248,672
Assets limited as to use or restricted	-	14,833	-	16,995
Accounts receivable, net	256,374	618,036	223,843	529,216
Estimated third-party payor receivable	-	19,647	1,802	17,404
Supplies	30,140	45,954	29,119	43,766
Assets held for sale	5,796	8,916	28,000	40,300
Other current assets	6,012	226,620	216,263	204,654
Total Current Assets	469,313	1,851,336	771,937	2,045,682
Noncurrent Assets Limited as to Use or Restricted				
Restricted funds	2,627	159,374	2,340	150,349
Professional liability and workers' compensation funds	-	76,537	-	66,094
Internally designated for capital acquisition	1,041,428	1,047,756	970,187	974,362
Other segregated investments	12,694	297,017	12,816	290,609
Total noncurrent assets limited as to use or restricted	1,056,749	1,580,684	985,343	1,481,414
Property and equipment, net	1,141,769	1,612,927	1,189,061	1,655,090
Right-of-use operating lease assets	21,100	2,125,834	14,025	2,077,875
Other Assets				
Goodwill	1,040,555	1,098,543	1,040,555	1,098,769
Intangible assets	112,933	159,821	117,443	166,413
Pension	-	48,599	-	41,928
Investments in affiliated companies	542,889	674,515	500,812	620,950
Other	538	64,049	557	64,919
Total Other Assets	1,696,915	2,045,527	1,659,367	1,992,979
Total Assets	\$ 4,385,846	\$ 9,216,308	\$ 4,619,733	\$ 9,253,040

Balance Sheets (continued)

(\$ in thousands, unaudited)

	September 30, 2021		December 31, 2020	
	Obligated Group	Consolidated ProMedica	Obligated Group	Consolidated ProMedica
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	\$ 109,201	\$ 685,176	\$ 125,349	\$ 600,746
Contractual current installments of long-term debt	16,544	17,155	16,545	17,425
Contingent current installments of long-term debt	419,011	433,427	418,841	433,247
Estimated third-party payor settlements	25,024	74,226	27,276	59,026
Current portion of lease liabilities - Financing	2,639	3,914	686	4,056
Current portion of lease liabilities - Operating	4,667	130,112	4,775	115,193
Accrued liabilities and other:				
Compensation and benefits	65,460	350,832	53,448	336,110
Professional liability and workers' compensation	-	97,752	-	103,367
Claims expense	-	133,469	-	143,033
Other current liabilities	543,978	256,241	453,756	381,762
Total Current Liabilities	1,186,524	2,182,304	1,100,676	2,193,965
Long-term debt, less current installments	1,856,776	1,864,548	1,858,406	1,866,446
Lease Liabilities - Financing	8,065	24,089	3,720	27,411
Lease Liabilities - Operating	15,760	2,119,867	9,372	2,045,218
Other Liabilities				
Accrued professional liabilities and workers' compensation, less current portion	-	266,242	-	260,187
Deferred compensation	4,319	50,188	4,319	50,188
Pension	235	606	276	713
Other	28,807	93,541	35,667	93,177
Total Other Liabilities	33,361	410,577	40,262	404,265
Total Liabilities	3,100,486	6,601,385	3,012,436	6,537,305
Net Assets				
Without donor restrictions:				
Controlling interest	1,282,367	2,441,085	1,604,957	2,552,671
Noncontrolling interest	-	14,464	-	12,715
Total without donor restrictions	1,282,367	2,455,549	1,604,957	2,565,386
With donor restrictions	2,993	159,374	2,340	150,349
Total Net Assets	1,285,360	2,614,923	1,607,297	2,715,735
Total Liabilities and Net Assets	\$ 4,385,846	\$ 9,216,308	\$ 4,619,733	\$ 9,253,040

Statements of Operations

(\$ in thousands, unaudited)

	Three Months Ended September 30, 2021		Three Months Ended September 30, 2020	
	Obligated Group	Consolidated ProMedica	Obligated Group	Consolidated ProMedica
Unrestricted revenue, gains, and other support:				
Net patient service revenue	\$ 460,671	\$ 1,176,101	\$ 417,658	\$ 1,089,040
Premium revenue	-	483,261	-	480,889
Other	17,613	78,037	16,055	44,924
Net assets released for use in operations	553	1,128	1,410	2,789
Total unrestricted revenue, gains, and other support	478,837	1,738,527	435,123	1,617,642
Expenses:				
Salaries, wages, and employee benefits	155,341	730,788	137,596	705,466
Food and drugs	34,592	86,009	34,449	80,908
Medical expenses	1	347,532	-	317,957
Contracted fees	53,518	235,623	44,590	170,279
Supplies	51,267	84,573	42,284	73,345
Insurance	2,345	20,536	2,295	22,492
Utilities	4,732	23,268	4,697	24,262
Other	87,687	188,589	119,404	196,793
Total expenses	389,483	1,716,918	385,315	1,591,502
Operating income before depreciation, amortization, and impairment expense	89,354	21,609	49,808	26,140
Depreciation, amortization, and impairment	26,494	45,088	27,108	47,960
Operating income (loss)	62,860	(23,479)	22,700	(21,820)
Other (loss) income:				
Interest expense	(27,220)	(29,323)	(26,598)	(28,371)
Investment income	1,264	3,828	35,711	61,047
Income tax (expense) credit	-	(236)	-	(2,167)
Other	2,497	954	937	(872)
Total other (loss) income, net	(23,459)	(24,777)	10,050	29,637
Excess of revenue over (under) expenses before unusual items	39,401	(48,256)	32,750	7,817
Restructuring, severance, and acquisition costs	-	-	-	-
Excess of revenue over (under) expenses	\$ 39,401	\$ (48,256)	\$ 32,750	\$ 7,817

Statements of Operations

(\$ in thousands, unaudited)

	Nine Months Ended September 30, 2021		Nine Months Ended September 30, 2020	
	Obligated Group	Consolidated ProMedica	Obligated Group	Consolidated ProMedica
Unrestricted revenue, gains, and other support:				
Net patient service revenue	\$ 1,357,373	\$ 3,452,487	\$ 1,120,042	\$ 3,252,827
Premium revenue	-	1,482,072	-	1,488,273
Other	49,471	167,052	126,039	342,842
Net assets released for use in operations	2,713	7,869	4,236	9,088
Total unrestricted revenue, gains, and other support	1,409,557	5,109,480	1,250,317	5,093,030
Expenses:				
Salaries, wages, and employee benefits	465,967	2,194,329	402,629	2,137,536
Food and drugs	100,947	245,017	97,195	237,962
Medical expenses	1	1,020,107	-	994,822
Contracted fees	164,021	683,331	130,205	498,716
Supplies	140,263	238,421	111,324	212,552
Insurance	7,122	62,754	6,884	67,577
Utilities	12,970	69,813	12,627	68,734
Other	280,705	555,505	316,674	562,290
Total expenses	1,171,996	5,069,277	1,077,538	4,780,189
Operating income before depreciation, amortization, and impairment expense	237,561	40,203	172,779	312,841
Depreciation, amortization, and impairment	82,322	141,574	83,039	144,669
Operating income (loss)	155,239	(101,371)	89,740	168,172
Other (loss) income:				
Interest expense	(81,878)	(88,256)	(79,230)	(85,339)
Investment income	50,018	80,868	41,871	60,276
Income tax (expense) credit	-	(3,808)	-	(7,960)
Other	5,951	3,075	2,263	(314)
Total other (loss) income, net	(25,909)	(8,121)	(35,096)	(33,337)
Excess of revenue over (under) expenses before unusual items	129,330	(109,492)	54,644	134,835
Restructuring, severance, and acquisition costs	-	-	-	(1,307)
Excess of revenue over (under) expenses	\$ 129,330	\$ (109,492)	\$ 54,644	\$ 133,528

Statements of Changes in Net Assets

(\$ in thousands, unaudited)

	Three Months Ended September 30, 2021		Three Months Ended September 30, 2020	
	Obligated Group	Consolidated ProMedica	Obligated Group	Consolidated ProMedica
Net Assets without Donor Restrictions				
Excess of revenue over (under) expenses	\$ 39,401	\$ (48,256)	\$ 32,750	\$ 7,817
Net assets released from restrictions	106	194	678	693
Capital contributions (to) from non-obligated group affiliates, net	(265,499)	7	149,455	-
Distributions paid to non-controlling interests	-	-	-	(110)
Loss from discontinued operations	-	(20)	-	(761)
(Decrease) increase in Net Assets without Donor Restrictions	(225,992)	(48,075)	182,883	7,639
Net Assets with Donor Restrictions				
Contributions	367	2,739	1,099	3,387
Investment return	-	124	-	3,520
Net assets released from restriction	(77)	(1,165)	(914)	(3,867)
Increase in Net Assets with Donor Restrictions	290	1,698	185	3,040
(Decrease) increase in Net Assets	\$ (225,702)	\$ (46,377)	\$ 183,068	\$ 10,679
Net Assets at beginning of period	1,511,062	2,661,300	1,491,621	2,718,928
Net Assets at end of period	\$ 1,285,360	\$ 2,614,923	\$ 1,674,689	\$ 2,729,607

Statements of Changes in Net Assets

(\$ in thousands, unaudited)

	Nine Months Ended September 30, 2021		Nine Months Ended September 30, 2020	
	Obligated Group	Consolidated ProMedica	Obligated Group	Consolidated ProMedica
Net Assets without Donor Restrictions				
Excess of revenue over (under) expenses	\$ 129,330	\$ (109,492)	\$ 54,644	\$ 133,528
Net assets released from restrictions	758	783	3,564	2,013
Capital contributions (to) from non-obligated group affiliates, net	(452,678)	7	209,688	-
Distributions paid to non-controlling interests	-	(933)	-	(854)
Pension and other post-retirement adjustments	-	66	-	-
Loss from discontinued operations	-	(268)	-	(441)
(Decrease) increase in Net Assets without Donor Restrictions	(322,590)	(109,837)	267,896	134,246
Net Assets with Donor Restrictions				
Contributions	2,149	13,032	2,230	9,392
Investment return	-	4,488	-	2,964
Net assets released from restriction	(1,496)	(8,495)	(2,072)	(10,976)
Increase in Net Assets with Donor Restrictions	653	9,025	158	1,380
(Decrease) increase in Net Assets	\$ (321,937)	\$ (100,812)	\$ 268,054	\$ 135,626
Net Assets at beginning of period	1,607,297	2,715,735	1,406,635	2,593,981
Net Assets at end of period	\$ 1,285,360	\$ 2,614,923	\$ 1,674,689	\$ 2,729,607

ProMedica Overview

ProMedica is a mission-based, not-for-profit integrated healthcare organization headquartered in Toledo, Ohio, serving communities in 28 states, and employing over 44,000 people. ProMedica operates a health plan, a physician group, 11 hospitals (and one joint venture hospital), and nearly 330 senior care locations including assisted living and memory care facilities, skilled nursing and rehabilitation centers, and hospice and home health care agencies.

Driven by its Mission to improve your health and well-being, ProMedica has been nationally recognized for its advocacy programs and efforts to address social determinants of health. ProMedica also has numerous joint ventures, co-management agreements and other affiliations, including a long-term academic affiliation with The University of Toledo College of Medicine and Life Sciences.

Since its inception in 1986, ProMedica has maintained a steadfast commitment to operating as a fully integrated health system. ProMedica's legacy hospital, ProMedica Toledo Hospital, opened in 1874 and serves as the System's tertiary care facility and academic medical center. In 1988, ProMedica formed Paramount, its health insurance company; in 1992, ProMedica Physicians. In 2018, ProMedica acquired HCR ManorCare, now known as ProMedica Senior Care, a national network of skilled nursing and rehabilitation centers, assisted living communities, and hospice and home health agencies. ProMedica is a nationally recognized organization that operates the region's largest health system and the nation's largest not-for-profit senior care organization.

Who ProMedica is

Proven Integrated Delivery System with a leading Senior Care Division

<i>as of 9/30/2021</i>	Total
Staff	44,000
Locations	500
States with Operations	28
Hospitals	11
Physicians & Providers (employed and affiliated)	2,650
Skilled Nursing Facilities	157
Assisted Living Facilities	57
Hospice / Home Health Locations	113
Paramount Health Members	345,000
Paramount Dental Members	302,000

MISSION

Our Mission is to improve your health and well-being.

Values

Compassion – We treat our patients and each other with respect, integrity and dignity.

Innovation – We continually search to find a better way forward.

Teamwork – We collaborate with others because we are better together than apart.

Excellence – We strive to be the best in all we do.

Learning – We continuously pursue knowledge and education to enhance our organizational and personal capabilities.



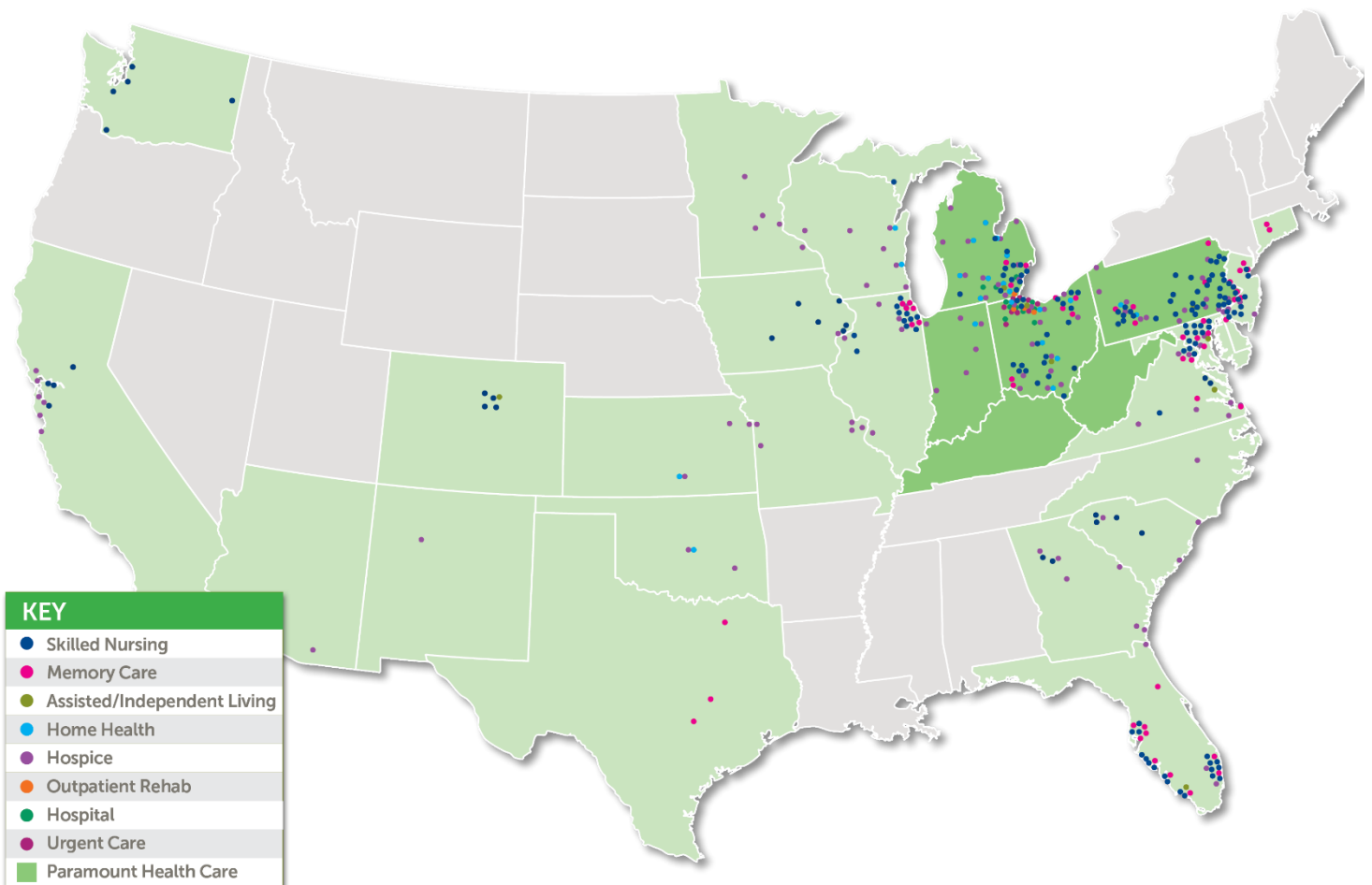
Community Benefit

In 2019, ProMedica contributed \$308.6 million in community benefit through community benefit expenditures, financial assistance and government-sponsored, means-tested health care (income and capital “means” are below specified limits). These expenditures significantly exceed the estimated taxes ProMedica would pay as a taxable organization. Even as a tax exempt organization, ProMedica paid nearly \$40.0 million in federal, state and local taxes in 2019. These numbers not only indicate ProMedica’s long-standing commitment to the community, but also fulfill our not-for-profit status and Mission to improve the health and well-being of the residents in the communities we serve. As a leading advocate for the health and well-being of others, ProMedica provides and promotes community wellness, collaborating with approximately 300 local nonprofit agencies and organizations in 2019.

ProMedica goes beyond industry standards in meeting the goal of providing care to everyone, regardless of their ability to pay. ProMedica hospitals provide free and discounted services in support of their mission and in compliance with 501(r) regulations set forth as part of the Affordable Care Act. Medically necessary services are provided at no cost to patients living at or below 200% of federal poverty levels. Medically necessary services are provided at discounted rates based on a sliding scale depending on income level and insurance status.

Service Area and Operating Divisions

ProMedica is headquartered in Toledo, Ohio and serves communities in 28 states through its three primary operating divisions: Provider, Senior Care, and Paramount (Insurance).

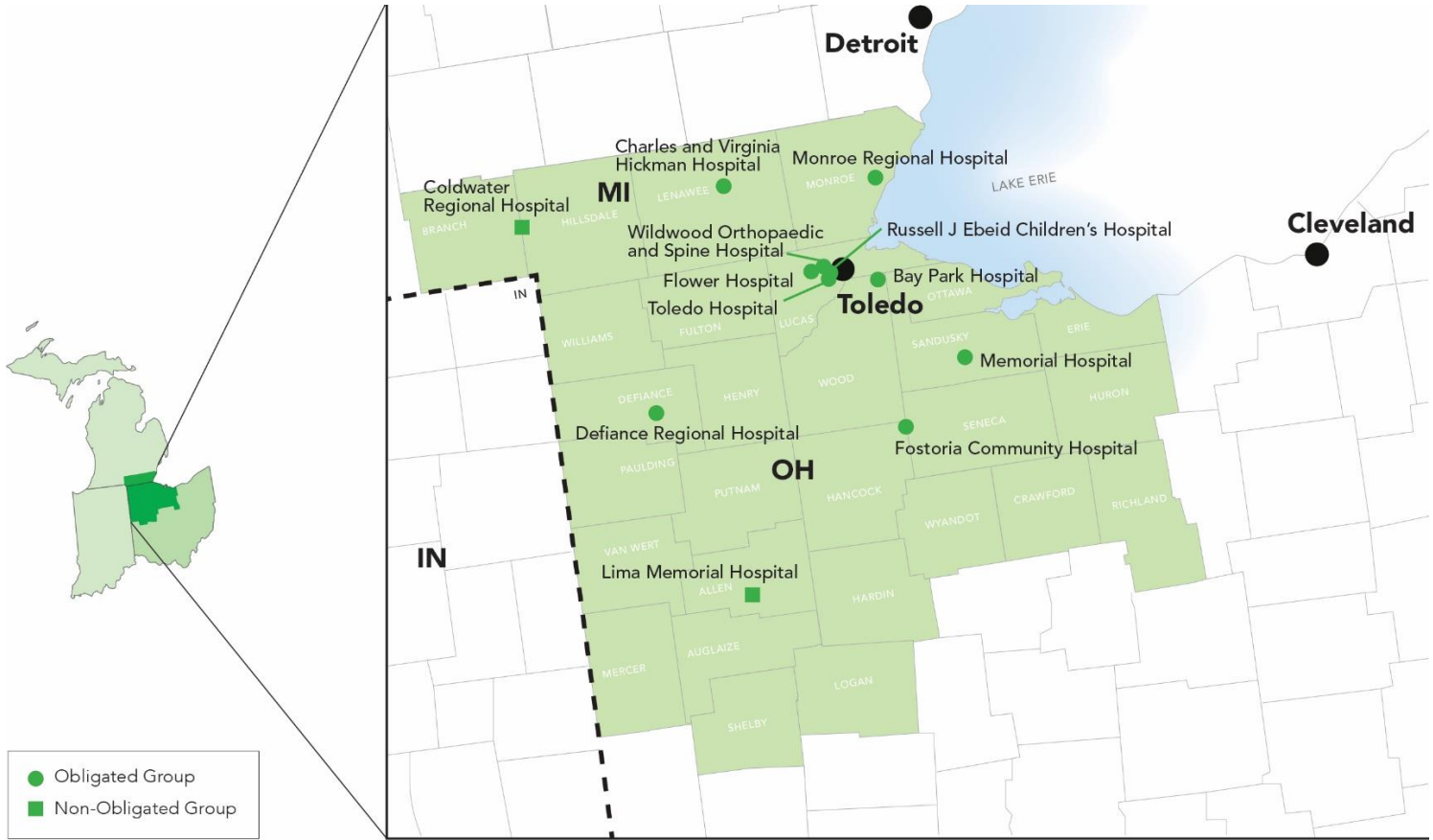


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Provider

Acute and ambulatory care facilities and providers serve a 28-county area in northwest Ohio and southeast Michigan and includes 11 owned hospitals and one affiliated hospital (Lima).




ProMedica Physician Group, Inc. and its subsidiary limited liability companies (collectively, “PPG”) is a comprehensive provider network consisting of 1,189 employed providers, including 612 primary care and specialty physicians, as well as 577 advanced practice providers. PPG handled approximately 1,667,000 patient encounters through September 2021. PPG is not a member of the Obligated Group.

PPG providers are engaged in achieving quality outcomes by targeting preventative healthcare, with special emphasis on cardiovascular diseases and cancer. Members of the physician network provide leadership to ProMedica through participation on boards, councils and membership in co-management companies.

Senior Care

The Senior Care division of ProMedica is a leading provider of short-term, post-hospital services and long-term care with decades of experience helping patients, residents, and their families. Quality care is provided through a network of nearly 330 skilled nursing and rehabilitation centers, assisted living facilities, and hospice and home health care agencies in 26 states.



The division provides services at 157 Medicare and Medicaid-certified skilled nursing and rehabilitation centers, hospice care in 113 markets, and more than 50 memory care communities. These locations have primarily operated under the names of Heartland, ManorCare Health Services, and Arden Courts. The organization is in the process of rebranding the Senior Care facilities to ProMedica Skilled Nursing and Rehabilitation, ProMedica Home Health and Hospice, and Arden Courts ProMedica Memory Care Community.

ProMedica Senior Care works closely with nearly 2,000 hospitals and nearly 300 managed care plans across the nation. These referral sources look to our facilities to help lead the way in providing quality care for complex patients, reducing length of stay and minimizing re-hospitalization in a cost-effective setting.

Paramount

Paramount's insurance subsidiaries provide products that cover approximately 647,000 unique members in Ohio, Michigan, Indiana, Kentucky, Pennsylvania and West Virginia. Paramount's key product lines include:

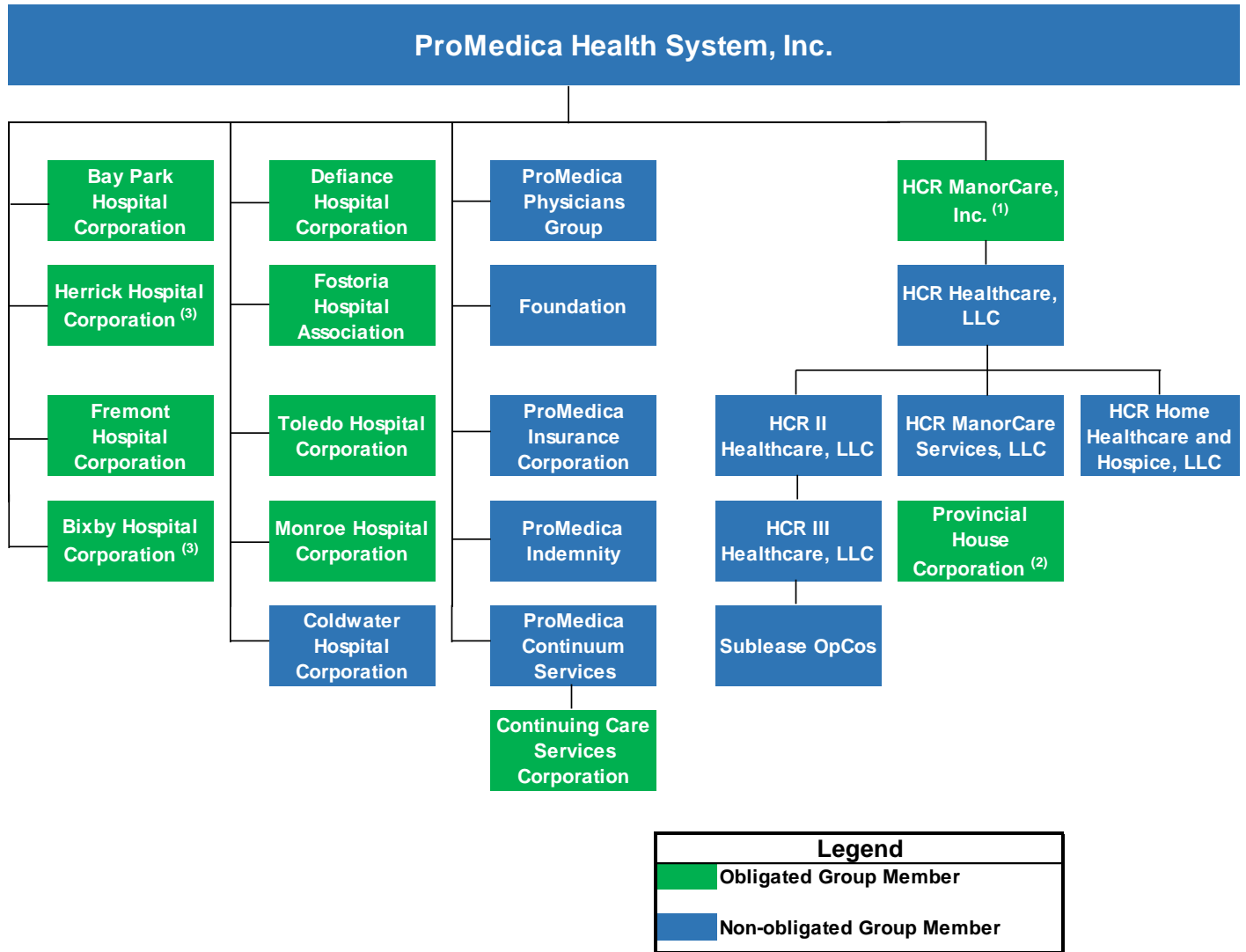
- **Commercial: Paramount** - Established in 1988. Offers health insurance products for employers of any size in northwest Ohio and southeast Michigan. It serves approximately 74,000 members.
- **Medicaid: Paramount Advantage** - Established in 1993. Provides managed care plans to approximately 254,000 low-income residents within the state of Ohio. Members include families and children, adult and pediatric aged, blind and disabled, and adult expansion members.
- **Medicare: Paramount Elite** - Established in 1994. Offers eligible adults, including those age 65 and older, a wide range of Medicare plan options for any budget or health need. Its approximately 15,000 members live in 32 counties in Ohio, Michigan, and Indiana.
- **Workers' Compensation** - Works with more than 23,000 employers in Michigan, Ohio, Pennsylvania and West Virginia, and has assisted employers with vocational rehabilitation, life-care planning, absence management, and managed care and third-party administration for workers' compensation since 1997.
- **Health Insurance Marketplace** - Individuals and families can purchase their own health insurance directly from Paramount. Paramount joined the marketplace in 2015 and has approximately 2,000 members.
- **Dental: Paramount Dental** – Provides dental plans for employer groups and their employees and Paramount Medicare members. It has approximately 302,000 members in Indiana, Kentucky, Michigan and Ohio.

As of September 30, 2021, there were approximately 345,000 health plan members included in the various health plans and services offered by Paramount and its subsidiaries, with the largest segment in Medicaid (Paramount Advantage). The overall health plan mix of Paramount product offerings is approximately 78% enrollment in government sector products.



Organizational Structure

The chart below summarizes ProMedica’s current structure. Certain members may control one or more non-obligated group members that are not listed in the chart.



Legend	
	Obligated Group Member
	Non-obligated Group Member

- (1) HCR ManorCare, Inc. is a holding company with no operations. Through a transfer agreement with HCR and its subsidiaries, consolidated cash on hand in excess of 14 days of operating expenses is transferred monthly to the Obligated Group.
- (2) Indirect subsidiary of HCR Healthcare, LLC.
- (3) In September 2020, the ProMedica Charles and Virginia Hickman hospital opened, serving as a replacement to the former Herrick and Bixby hospitals.



Executive Leadership and Governance

Executive Leadership

The Executive System Team listed below plans and administers the strategic plans of ProMedica and its subsidiaries, subject to the policies and authority of the ProMedica Board of Trustees.

Name	Title	Years with ProMedica *	Years in Healthcare
Randy Oostra	President & Chief Executive Officer	24	43
Arturo Polizzi	Chief Operating Officer	21	23
Steve Cavanaugh	Chief Financial Officer	29	29
Jeff Kuhn	Chief Legal Officer	29	37
Gary Cates	Chief Philanthropy Officer	25	25
Angela Brandt	President, ProMedica Senior Care	8	24
Lori Johnston	President, ProMedica Insurance Corp	25	38
Karen Strauss	Chief Administrative Officer	9	9
Leslie Thompson	Chief Human Resource Officer	3	3
Robin Whitney	Chief Strategic Planning, Business Development & Real Estate Officer	7	7
Steve Sadowski	General Counsel	9	21
John Pigott, MD	Chief Innovations Officer	32	37
Dawn Buskey	President, Acute Care	29	33
Kent Bishop, MD	Chief Medical Officer, President, ProMedica Physicians	27	32

* Includes years with HCR ManorCare

Governance

ProMedica has 313 volunteer board members serving on 25 boards, committees, councils and foundations.

The ProMedica Board of Trustees, listed below, is comprised of 15 members, three of which are chairs of the various Subsidiary Boards, five are chairs of ProMedica's standing committees, one is the President & CEO and the remainder are at-large members.

Members on the ProMedica Board of Trustees serve for one-year terms. Each Board member may serve up to ten terms. In addition, the ProMedica Board has established standing committees. Members appointed to these committees serve one-year terms for up to ten years.

The Subsidiary Boards exercise the powers delegated to them in their respective Code of Regulations or Bylaws and granted to them by statutory authority. The ProMedica Board appoints or approves all members to the Subsidiary Boards.

ProMedica Committees

- Audit & Compliance
- Compensation & Leadership
- Finance
- Enterprise Risk
- Innovation & New Ventures



ProMedica Board of Trustees

Name	Professional Affiliation
Kurt Darrow	Retired, former Chairman, President & CEO / La-Z-Boy Incorporated
Lisa Hawker	President, Employee Benefits / Hylant
Jim Hoffman	Market President, Michigan & Northwest Ohio / KeyBank
Maurice Jones	CEO / OneTen
Robert LaClair	Retired, former President & CEO / Fifth Third Bank Northwestern Ohio
Lisa McDuffie	President & CEO / YWCA of Northwest Ohio
Shankh Mitra	CEO & Chief Investment Officer / Welltower, Inc.
Randy Oostra	President & CEO / ProMedica
Kevin Sauder	President & CEO / Sauder Woodworking Company
Stephen Staelin	Senior Partner (Retired) / Ernst & Young
James F. White, Jr.	Counsel / Shumaker, Loop & Kendrick, LLP
Thomas Winston	President & CEO / Toledo-Lucas County Port Authority
Maryjane Wurth	Retired, former COO / American Hospital Association
Ravi Narra, MD	ProMedica Physicians Group
Ann Rhee, MD	ProMedica Physicians Group

Officers:

Chairman - Robert LaClair; Treasurer - Steve Cavanaugh; Secretary - Jeff Kuhn

Management Discussion and Analysis

Operational Performance

Three Months Ended September 30

System Consolidated

ProMedica generated an operating loss of \$23.5 million for the three months ended September 30, 2021 compared with an operating loss of \$21.8 million in the prior year.

Total operating revenue of \$1.74 billion for the third quarter increased by \$120.9 million (7.5%) compared with the prior year. Net patient service revenue for the third quarter of 2021 increased by \$87.1 million, or 8.0%, compared with the prior year. Provider division volumes have nearly returned to normal levels and Senior Care volumes are beginning to rise. However, expenses increased by \$125.4 million, or 7.9%, over prior year driven by continued increases in agency and staffing costs. ProMedica received and recorded \$21.4 million of CARES Act and other government stimulus income in other revenue during the third quarter, but it was insufficient to offset the \$26.0 million of COVID-19 related costs incurred during the quarter.

Provider

For the third quarter of 2021, the Provider division generated operating income of \$26.1 million which increased by \$38.0 million compared with the prior year quarter. As patient volumes returned to more normal levels in 2021, net patient service revenue increased by \$59.0 million, or 11.2%, compared with the prior year. Provider operating income continued to be impacted by costs related to the pandemic. The Provider division

Key Operating Metrics

Three Months Ended September 30, 2021

	Senior			
	Provider	Care	Paramount	System
EBITDAR				
Margin	8.7%	0.3%	4.4%	3.9%
EBITDA				
Margin	8.7%	-6.2%	4.4%	1.2%
Operating				
Income				
Margin	4.3%	-7.6%	4.0%	-1.4%

Refer to Appendix A4 for a reconciliation and discussion of the non-GAAP measures referenced above.

recorded \$0.2 million of CARES Act and other government stimulus funding as other revenue during the quarter.

Senior Care

The Senior Care division generated an operating loss of \$53.4 million for the third quarter compared with an operating loss of \$11.9 million in the prior year. Senior Care net patient service revenue of \$664.6 million increased by \$22.6 million, or 3.5%, compared with the prior year due to the 11 newly acquired facilities and increased volumes in the core business. Expenses remained elevated due to higher than usual agency and infection control costs. The Senior Care division recorded \$21.3 million of CARES Act and other government stimulus funding as other revenue during the third quarter of 2021, but also incurred COVID-related costs of approximately \$25.9 million.

Paramount

Third quarter operating income of \$20.4 million decreased by \$8.7 million compared with the prior year quarter, driven by higher medical expenses with a return to more normal claims volumes in 2021. Membership revenue growth during the quarter, primarily in the Paramount Advantage product, was offset by higher drug costs which contributed to the decrease in operating income compared with the prior year. Prior year medical expenses were lower than normal as a result of reduced claims during the COVID-19 pandemic.

Nine Months Ended September 30

System Consolidated

ProMedica reported an operating loss of \$101.4 million for the nine months ended September 30, 2021 compared with operating income of \$168.2 million in the prior year. Prior year results benefited from the \$257.5 million of CARES Act stimulus relief funds recorded in other revenue.

Total operating revenue of \$5.11 billion for the first nine months of 2021 was comparable with the prior year even though there was reduced stimulus relief funding in 2021. Net patient service revenue for the first nine months of 2021 increased by \$199.7 million, or 6.1%, compared with the prior year, with revenue increases in the Provider division more than offsetting the decreases in Senior Care. While Provider division volumes have returned to normal levels, industry-wide COVID-related admission volume declines continued to adversely impact the Senior Care division. ProMedica recorded \$55.5 million of CARES Act and other government stimulus income in other revenue during the first nine months of 2021, but it was insufficient to offset \$106.0 million of COVID-19 related costs.

Provider

For the first nine months of 2021, the Provider division generated operating income of \$57.5 million compared with a prior year operating loss of \$30.5 million. Net patient service revenue increased by \$311.2 million, or 22.0%, compared with the prior year as patient volumes returned to more normal levels from the depressed volumes early in the pandemic and payment rates improved. Improvements in labor and benefits costs were offset by higher agency costs for the first nine months of 2021. The Provider division recorded \$11.8 million of CARES Act and other government stimulus funding as other revenue during the first nine months of 2021 compared with \$89.8 million in the prior year.

Key Operating Metrics

Nine Months Ended September 30, 2021

	Senior			
	Provider	Care	Paramount	System
EBITDAR				
Margin	7.9%	-0.5%	4.5%	3.5%
EBITDA				
Margin	7.9%	-7.4%	4.5%	0.8%
Operating				
Income				
Margin	3.2%	-8.9%	4.2%	-2.0%

Refer to Appendix A5 for a reconciliation and discussion of the non-GAAP measures referenced above.

Senior Care

The Senior Care division generated an operating loss of \$182.2 million for the first nine months compared with operating income of \$84.4 million in the prior year. The prior year operating income included \$167.7 million of stimulus revenue compared with only \$43.7 million in 2021 as well as a profitable first quarter prior to the onset of the pandemic. Senior Care patient service revenue for the first nine months continued to be significantly impacted by reduced volume related to the pandemic, as net patient service revenue of \$1.98 billion was \$70.9 million, or 3.5%, lower than the first nine months of prior year. The Senior Care division recorded \$43.7 million of CARES Act and other government stimulus funding as other revenue during the first nine months, but also incurred COVID-related costs of approximately \$105.1 million.

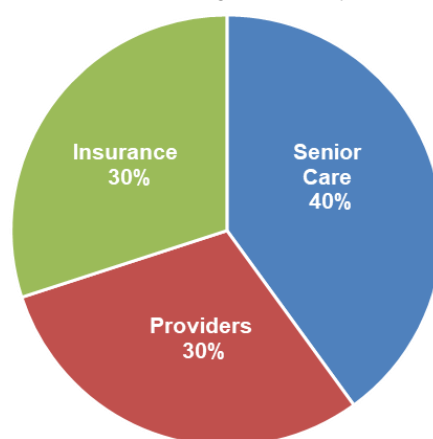
Paramount

Year-to-date September operating income of \$63.3 million decreased by \$54.4 million compared with the prior year, driven by higher medical expenses as the business returned to more normal claims volumes in 2021. Although membership in the Paramount Advantage product increased over prior year, membership revenue for the first nine months of 2021 was comparable with the prior year. Increased drug costs also contributed to the decrease in operating income compared with prior year. Claims costs were below normal levels in 2020 due to the lower claims volumes experienced during the pandemic.

Sources of Revenue

For the nine months ended September 30, 2021, 40% of total System operating revenue was provided by the Senior Care division, 30% by the Insurance division, and 30% by the Provider division.

ProMedica by Operating Division
Year-to-Date September 30, 2021



Uncompensated Care

(\$ in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Charity care	\$ 15,958	\$ 12,827	\$ 41,954	\$ 41,278
Bad debt	34,551	35,764	97,487	103,092
Total uncompensated care	\$ 50,509	\$ 48,591	\$ 139,441	\$ 144,370
% of Total operating revenue	2.9%	3.0%	2.7%	2.8%

Non-operating Income

Interest expense was \$88.3 million for the nine months ended September 30, 2021, which increased by \$2.9 million compared with the prior year. Total investment income was \$80.9 million for the first nine months of 2021 compared with \$60.3 million in the prior year and included unrealized gains of \$32.1 million and \$46.4 million, respectively.

Liquidity

Cash and Investments

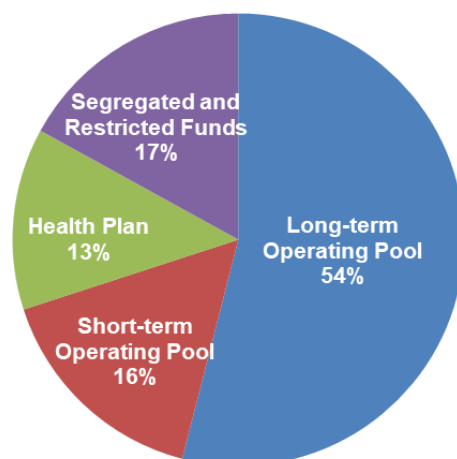
As of September 30, 2021, ProMedica had \$2.2 billion of unrestricted cash and investments to fund operational and capital expenditures. This equates to 117.3 days cash on hand as of September 30, 2021, as compared with 133.2 days at December 31, 2020. ProMedica repaid \$126.1 million of Medicare advance payments during the second and third quarters of 2021. At September 30, 2021, Medicare advance payments of \$204.2 million and deferred payroll taxes of \$46.5 million remain recorded on the balance sheet in other current liabilities with \$46.4 million of deferred payroll taxes recorded in other long-term liabilities.

Total unrestricted cash and investments for ProMedica were as follows:

(\$ in thousands)	September 30,		December 31,	
	2021		2020	
Cash and cash equivalents	\$ 654,857	30%	\$ 944,675	39%
Marketable securities	262,473	12%	248,672	11%
Unrestricted long-term investments	1,290,949	58%	1,208,611	50%
Total unrestricted cash and investments	\$ 2,208,279	100%	\$ 2,401,958	100%

ProMedica centralizes the management of cash and investments. ProMedica's investments are primarily pooled in a master trust arrangement with custody provided by BNY Mellon. Investments held outside of the pooled trusts are done so due to regulatory requirements or other purposes. Governance of all investments is provided by the ProMedica Investment Subcommittee. The Investment Subcommittee is a subcommittee of the ProMedica Finance Committee, which is one of the five committees of the ProMedica Board of Trustees.

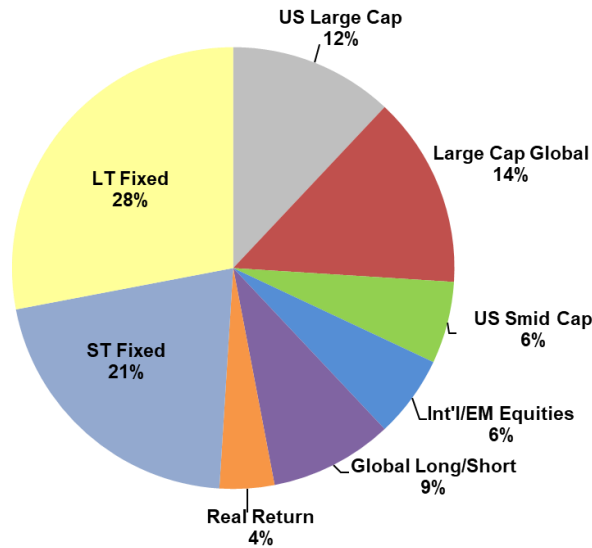
A summary of the investment portfolios is as follows:



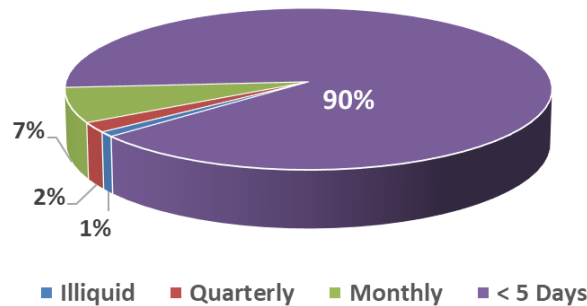


ProMedica’s investment program is structured to maintain adequate liquidity levels, while maximizing long-term growth. ProMedica utilizes ongoing cash forecasting to ensure proper allocations between operating, short-term, and long-term funds. Portfolios are monitored quarterly to ensure compliance with the investment policy as part of detailed portfolio reviews.

Operating Pool assets of \$1.4 billion as of September 30, 2021 were invested as follows:



ProMedica maintains a high level of liquidity within the investment portfolio. Approximately \$73.5 million or 3% of investments have liquidity provisions that may restrict their ability to be liquidated in 30 days or less and approximately \$10.2 million, or less than 1% of investments, have liquidity provisions greater than one year.



Valuations

ProMedica’s investment portfolio is primarily composed of level-I and level-II securities with limited exposure to level-III investments. The value of level-III investments as of September 30, 2021 was \$43.2 million, or 2% of the portfolio, which was comprised of land and buildings held for investment, the foundation’s beneficial interests in funded perpetuities, and a nominal allocation to private capital.

Capital Expenditures

ProMedica capital expenditures were \$11.6 million and \$77.3 million for the three and nine months ended September 30, 2021, respectively, compared with \$78.7 million and \$108.5 million for the same periods in the prior year.

Debt

Total debt, including finance leases, was \$2.3 billion and \$2.4 billion at September 30, 2021 and December 31, 2020, respectively. The total debt-to-capitalization ratio was 49% and 48% at September 30, 2021 and December 31, 2020, respectively. As of September 30, 2021, the total outstanding debt was 96% fixed and 4% variable.

On August 17, 2021, ProMedica refunded \$80 million in 2011D tax-exempt fixed rate bonds (Ohio) via bank direct placements with a fixed rate of 2.5%.

ProMedica's outstanding debt, net of unamortized bond discount, premium, and debt issuance costs, as of September 30, 2021, is summarized below (\$ in thousands):

Series	Par Outstanding	Product	Final Maturity	Average Coupon	Tax Status
Series 2011A	\$ 1,797	Fixed Rate	11/15/2021	5.00%	Tax-Exempt
Series 2011D	7,205	Fixed Rate	11/15/2021	5.06%	Tax-Exempt
Series 2011E	583	Fixed Rate	11/15/2021	3.63%	Tax-Exempt
Series 2015A	270,734	Fixed Rate	11/15/2045	4.98%	Taxable
Series 2015B	45,379	Fixed Rate	11/15/2045	4.00%	Tax-Exempt
Series 2015C	4,958	Direct Loan	11/15/2021	Variable	Taxable
Series 2015D	4,993	Direct Loan	11/15/2025	Variable	Taxable
Series 2015E	29,119	Direct Loan	11/15/2025	Variable	Taxable
Series 2017A	54,704	Direct Loan	11/15/2040	3.36%	Tax-Exempt
Series 2017B	120,004	Direct Loan	11/15/2041	3.36%	Tax-Exempt
Series 2017C	84,974	Direct Loan	11/15/2041	3.29%	Tax-Exempt
Series 2017D	39,731	Direct Loan	11/15/2029	3.29%	Tax-Exempt
Series 2017F	62,495	Direct Loan	11/15/2034	Variable	Tax-Exempt
Series 2017E	24,939	Direct Loan	11/15/2035	3.12%	Tax-Exempt
Series 2018A	249,720	Fixed Rate	11/15/2048	5.16%	Tax-Exempt
Series 2018B	1,204,143	Fixed Rate	11/15/2048	5.84%	Taxable
Series 2021A,B,C	79,333	Fixed Rate	11/15/2029	2.50%	Tax-Exempt
Coldwater 2012A	4,335	Fixed Rate	9/1/2031	3.57%	Tax-Exempt
Jobs Ohio Revitalization Loan	3,196	Fixed Rate	6/1/2033	1.00%	Tax-Exempt
Qualified Low-Income Community Investment Loans	14,416	Direct Loan	12/15/2045	1.00%-2.58%	Tax-Exempt
Other notes and loans	8,373				
Total debt	\$ 2,315,131				
Finance lease obligations	28,002				
Total debt and finance leases	\$ 2,343,133				

Current Debt Ratings and Recent Updates

	S&P	Moody's	Fitch
Current Rating	BBB	Baa3	BBB-
Outlook	Negative	Stable	Stable

On June 3, 2021 Fitch affirmed its BBB- rating with a stable outlook on the ProMedica Healthcare Obligated Group.

On April 23, 2021 S&P Global Ratings affirmed its BBB rating with a negative outlook on the ProMedica Healthcare Obligated Group.

On November 16, 2020 Moody's affirmed its Baa3 rating on the ProMedica Healthcare Obligated Group and revised its outlook from negative to stable.



Contractual Obligations

Master Lease

In 2018, ProMedica and Welltower (NYSE: WELL) agreed to a triple-net master lease with an initial term of 15 years. The lease may be renewed at the option of the tenant for two five-year terms and a four-year, 11-month term. The lease applies to essentially all the System's skilled nursing and assisted living facilities. ProMedica has guaranteed the payment obligations under the lease. The base rent payable includes annual escalators of 2.75%. Base rent for the renewal periods is to be reset to the then-current market value taking into consideration specific factors set forth in the lease. The lease is accounted for as an operating lease, with rent expense recognized on a straight-line basis over each year of the initial lease term. There is also a right-of-use asset and lease liability on the balance sheet representing the present value of minimum lease payments, which was approximately \$2.2 billion as of September 30, 2021. Rent expense related to the lease was \$57.5 million and \$53.0 million for the three months ended September 30, 2021 and 2020, respectively, and is recorded in Other operating expenses in the Statements of Operations. Rent expense for the first nine months of 2021 and 2020 was \$168.7 million and \$159.6 million, respectively, which includes rent increases related to the addition of nine new skilled nursing facilities and two new assisted living facilities to the master lease during 2021, net of rent decreases related to the completed divestitures.

Joint Venture with Welltower

ProMedica owns a 20% share of a joint venture with Welltower that holds the real estate of the skilled nursing and assisted living facilities subject to the master lease. ProMedica accounts for this joint venture using the equity method. The Welltower joint venture income was \$12.2 million and \$7.5 million for the three months ended September 30, 2021 and 2020, respectively, and is recorded in Other revenue in the Statements of Operations. Joint venture income for the first nine months of 2021 and 2020 was \$30.3 million and \$32.1 million, respectively. Joint venture income in both years was impacted by additional net gains from the skilled nursing divestiture activity.

Pension Obligations


ProMedica Health System provides retirement plans covering a large portion of its employees. The System contributes to the plans annually based upon actuarially determined funding guidelines. The net pension asset for the combined plans was \$48.0 million at September 30, 2021 and \$41.2 million at December 31, 2020.

Recent Significant Developments

COVID-19 Pandemic

The COVID-19 pandemic that began near the end of the first quarter of 2020 has continued to adversely impact the System's revenue and operating results into the first nine months of 2021. Patient volumes in the Provider division have nearly recovered, but expenditures remain elevated. The Senior Care division's recovery is ongoing and is expected to take longer due to industry-wide COVID-related admission volume declines coupled with elevated expense levels and reduced levels of government stimulus funds available in 2021. While it is not possible to estimate the duration or full financial impact of the pandemic, management expects some adverse effects on operations to continue throughout 2021 and potentially into 2022.

The System has adapted its business practices to address the new operating environment and has taken steps to conserve cash and maximize liquidity. These steps, primarily taken in 2020, included: applying for and receiving Medicare advance payments from our fiscal intermediaries, deferring the payment of the employer portion of federal payroll taxes (FICA) due in 2020, freezing all non-essential hiring and spending, and temporarily furloughing some employees. In the first quarter of 2021, the System began efforts to vaccinate its



frontline caregivers, employees, residents, and patients for COVID-19, which will be key to a return to more normal operations in 2021.

CARES Act and Other Relief Funding

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) made \$100 billion in Federal reimbursement available to hospitals and other health care providers for COVID-19 related expenses and lost revenue. These funds are administered by the U.S. Department of Health and Human Services (HHS) and distributed by the Health Resources and Services Administration (HRSA) under the CARES Act Provider Relief Fund program. Other federal agencies and various state governments have also provided stimulus and relief funding, with the majority being received during the third quarter of 2020. The stimulus funding received during 2021 has been limited in comparison to amounts received in 2020 and was primarily related to the Senior Care division. During the first nine months of 2021, ProMedica received new funding of \$60 million, compared with approximately \$323 million in the same period in 2020.

The CARES Act also provided additional one-time relief funding in the form of Medicare advance payments, which are required to be repaid at various dates through 2022. Medicare advance payments of \$204.2 million and \$330.3 million were recorded in other current liabilities at September 30, 2021 and December 31, 2020, respectively. These funds can be repaid at any time, or through scheduled reductions of future Medicare payments (25% for the first 11 months and 50% for the next 6 months) beginning one year after receipt of the advance payments. ProMedica started repaying these funds in April 2021 and has repaid \$126.1 million through the first nine months of 2021. The repayment period is expected to run until September 2022 for most entities.

Under the CARES Act, employers were also eligible to defer payment of FICA taxes owed from March 27 through December 31, 2020. Repayment of 50% is required by December 31, 2021 with the remaining 50% due by December 31, 2022. Deferred FICA taxes of \$92.9 million were recorded as a liability at both September 30, 2021 and December 31, 2020.


Medicare fee-for-service payments have been subject to a 2% sequestration reduction since the Sequestration Transparency Act was passed by congress in 2012 to address the debt ceiling crisis. The CARES Act originally suspended the Medicare sequestration payment adjustment for claims effective May 1, 2020 through December 31, 2020. In December, the Consolidated Appropriations Act, 2021 extended the suspension period to March 31, 2021, and with the passage of H.R. 1868 in April 2021, the suspension period was extended through December 31, 2021. The estimated revenue benefit related to the suspension of sequestration was \$25.9 million and \$13.6 million for the nine months ended September 30, 2021 and 2020, respectively.

Senior Care - Skilled Nursing Facility Acquisition

During the second quarter of 2021, ProMedica assumed operations of nine high-quality skilled nursing facilities owned by Welltower and previously operated by another operator. ProMedica also purchased a 20% interest in the joint venture entity that owns the real estate. The terms of the new joint venture agreement are substantially the same as ProMedica's existing joint venture agreement with Welltower, and the existing Master Lease with Welltower was amended to include the nine new properties effective April 1, 2021. ProMedica is currently managing all nine properties, with full operating and licensure transfers pending final regulatory approvals for some locations.

Senior Care - Skilled Nursing Facility Divestiture

During the first quarter of 2021, ProMedica, Welltower, and a third-party operator agreed to terms for the divestiture of a portfolio of skilled nursing facilities currently owned by Welltower and leased to ProMedica. ProMedica will receive a portion of the sale proceeds from the joint venture and a rent reduction in exchange for the transfer of operating rights. The existing Master Lease with Welltower will be amended as the sales



close. The divesture portfolio has generated operating losses of approximately \$29.0 million for the nine month period ended September 30, 2021. During the second and third quarters of 2021, 19 sales have closed with four more expected to close at the end of the fourth quarter or during the first quarter of 2022. This transaction remains subject to usual and customary closing conditions, including regulatory approvals.

Debt

On November 1, 2021, ProMedica redeemed all of the \$24,945,000 in aggregate original principal amount of County of Lenawee Hospital Finance Authority Hospital Refunding Revenue Bonds, Series 2017H.

Paramount Advantage

On November 19, 2020, Paramount Advantage submitted an application to the Ohio Department of Medicaid to continue participating in the Ohio Medicaid Managed Care Program beginning in 2022 (the “2022 Procurement”). Paramount Advantage has continuously served Ohio Medicaid beneficiaries since 1993. On April 9, 2021, Paramount Advantage received formal notice from the Ohio Department of Medicaid that it had not been selected as a future Managed Care Plan for Ohioans for the 2022 Procurement. On April 23, 2021, Paramount Advantage filed a formal protest with the Ohio Department of Medicaid. On June 16, 2021, the Ohio Department of Medicaid denied Paramount Advantage’s protest. On July 13, 2021, Paramount Advantage filed a lawsuit, including a motion for temporary restraining order and preliminary injunction, in Franklin County (Ohio) Common Pleas Court against the Ohio Department of Medicaid seeking to have the initial decision reversed and enjoin the Ohio Department of Medicaid from implementing the 2022 Procurement. At a hearing on July 15, 2021, the court denied Paramount Advantage’s motion for temporary restraining order. A preliminary injunction hearing and trial on the merits began on October 12 and 13, 2021. On November 8, 2021, the trial resumed and on November 9, 2021 the court granted the Ohio Department of Medicaid’s motion to dismiss Paramount Advantage’s lawsuit seeking to overturn the procurement process. In light of this decision, Paramount is currently evaluating its various legal and strategic options related to this matter.

Leadership Changes

ProMedica announced the following change to the Executive System Team during the third quarter of 2021:

- Angela Brandt, previously President of ProMedica Physicians, has transitioned to the role of President, ProMedica Senior Care effective July 5, 2021, replacing former President, David Parker. Ms. Brandt has over 24 years of healthcare experience, the last 8 years at ProMedica in a variety of executive and operational leadership roles.

Selected Statistics

Provider

Facilities and Beds

	as of: <u>9/30/2021</u>	<u>9/30/2020</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
<u>Facilities</u>				
Hospitals *	11	11	11	12
<u>Beds</u>				
Hospitals *	1,759	1,724	1,759	1,871

* Includes Coldwater hospital (87 beds), which is not a member of the Obligated Group. Excludes Lima affiliation.

	Year-to-Date September 30,		Year-to-Date December 31,	
	<u>2021</u>	<u>2020</u>	<u>2020</u>	<u>2019</u>
Utilization				
Acute discharges	40,072	37,949	51,644	57,506
Newborn discharges	4,571	4,740	6,288	6,621
Outpatient surgeries	32,089	26,508	37,805	43,718
Emergency room visits	194,320	168,971	226,575	286,827
ALOS - acute	5.3	5.1	5.2	4.8
% of staffed beds (acute care)	73%	68%	69%	72%

Provider Payor Mix

Medicare ⁽¹⁾	44.4%	45.2%	45.4%	45.2%
Medicaid ⁽¹⁾	19.9%	20.1%	19.9%	19.7%
Other	34.4%	33.4%	33.4%	33.7%
Self-pay	1.3%	1.3%	1.3%	1.4%

(1) Includes Medicare and Medicaid HMOs.

Senior Care

Facilities and Beds

	as of: <u>9/30/2021</u>	<u>9/30/2020</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
<u>Senior Care Facilities</u>				
Skilled nursing facilities	157	168	167	171
Assisted living facilities	57	55	55	55
Hospice and home health offices	113	110	111	113
Outpatient therapy clinics	-	-	-	51
	<u>327</u>	<u>333</u>	<u>333</u>	<u>390</u>
<u>Senior Care Beds</u>				
Skilled nursing facilities	21,636	23,636	23,532	24,362
Assisted living facilities	3,593	3,425	3,425	3,426
	<u>25,229</u>	<u>27,061</u>	<u>26,957</u>	<u>27,788</u>



Senior Care Census and Revenue Statistics

	Year-to-Date September 30,		Year-to-Date December 31,	
	2021	2020	2020	2019
<u>Skilled Nursing:</u>				
Occupancy	70%	75%	73%	85%
<u>Average Daily Census (ADC):</u>				
Medicare	1,847	1,961	1,898	2,644
Managed Care	2,201	1,877	1,827	2,556
Medicaid	10,012	11,283	11,047	12,234
Private/Other	1,879	2,117	2,052	2,314
	15,939	17,238	16,824	19,748
<u>Patient Revenue Allocation:</u>				
Quality Mix	54%	51%	51%	56%
Post-acute Mix	44%	41%	41%	45%
Medicaid	46%	49%	49%	44%
<u>Per Diems:</u>				
Medicare	\$ 585.60	\$ 569.21	\$ 574.88	\$ 543.19
Managed Care	469.99	470.13	473.27	446.69
Medicaid	225.41	217.72	218.86	208.57
Private/Other	251.97	237.74	237.99	243.65
<u>Patient Revenues (in thousands):</u>				
Medicare	\$ 301,866	\$ 317,580	\$ 414,494	\$ 541,831
Managed Care	282,458	241,829	316,434	416,660
Medicaid	616,115	673,057	884,887	931,308
Private/Other	135,002	143,131	184,995	219,548
Total	\$ 1,335,441	\$1,375,597	\$1,800,810	\$2,109,347
<u>Assisted Living:</u>				
Occupancy	63%	73%	71%	81%
Private/Other ADC	2,179	2,467	2,403	2,712
Private/Other Per Diem	\$ 216.26	\$ 208.25	\$ 207.80	\$ 205.17
Private/Other Patient Revenues	\$ 131,450	\$ 143,068	\$ 187,044	\$ 208,119
<u>Hospice and Home Health:</u>				
Hospice average daily census (w/ IPU)	10,078	10,913	10,836	10,868
Home health admissions	15,074	15,336	20,788	25,116
Home care visits	270,571	275,593	375,801	445,637



Appendix



Debt Covenant Calculations

ProMedica Health Care Obligated Group

(\$ in thousands)

Debt Service Coverage Ratio	September 30, 2021	December 31, 2020
Excess of revenue over expenses	\$ 208,673	\$ 133,987
ADJUSTED BY:		
Provision for depreciation, amortization, and impairment	110,412	111,129
Interest	108,970	106,322
Transfers pursuant to contribution agreement	-	122,229
Loss (gain) on sale of equipment	195	(2,414)
Capitalized Interest	127	3,348
Unrealized (gains) losses on investments	<u>(69,712)</u>	<u>(77,600)</u>
Net income available for debt service	\$ 358,665	\$ 397,001
Actual principal and interest	\$ 153,993	\$ 151,554
Debt Service Coverage Ratio	2.33	2.62
Requirement	1.10	1.10

ProMedica Health System

(\$ in thousands)

Days Cash on Hand	September 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 654,857	\$ 944,675
Marketable securities	262,473	248,672
Unrestricted long-term investments	<u>1,290,949</u>	<u>1,208,611</u>
Total unrestricted cash and investments	\$ 2,208,279	\$ 2,401,958
Total expenses (excluding depreciation and amortization)	\$ 6,869,431	\$ 6,580,343
Days Cash on Hand	117.3	133.2
Requirement - Greater than	45.0	45.0

Supplemental Schedule

PROMEDICA CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES BY BUSINESS LINE (\$ in thousands, unaudited)

	Provider		Senior Care		Paramount		Other		ProMedica Consolidated	
	Three Months Ended September 30,		Three Months Ended September 30,		Three Months Ended September 30,		Three Months Ended September 30,		Three Months Ended September 30,	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Unrestricted Revenue, Gains and Other Support										
Net patient service revenue	\$ 587,700	\$ 528,726	\$ 664,551	\$ 641,907	\$ -	\$ -	\$ (76,106)	\$ (81,593)	\$ 1,176,145	\$ 1,089,040
Premium revenue	-	-	-	-	484,621	482,327	(1,404)	(1,438)	483,217	480,889
Welltower JV income	-	-	12,269	7,580	-	-	-	-	12,269	7,580
Other	17,006	23,556	27,075	11,443	20,524	1,620	1,163	725	65,768	37,344
Net assets released for use in operations	552	1,551	90	79	-	-	486	1,159	1,128	2,789
Total unrestricted revenue, gains and other support	605,258	553,833	703,985	661,009	505,145	483,947	(75,861)	(81,147)	1,738,527	1,617,642
Expenses										
Salaries, wages and employee benefits	280,737	246,243	399,664	410,395	16,497	15,959	33,890	32,869	730,788	705,466
Food and drugs	55,816	52,721	30,573	28,162	-	-	(380)	25	86,009	80,908
Medical expenses	7	-	-	-	407,872	383,311	(60,347)	(65,354)	347,532	317,957
Contracted fees	64,599	57,084	117,501	67,095	20,952	19,227	32,571	26,873	235,623	170,279
Supplies	61,435	53,362	23,238	19,758	32	238	(132)	(13)	84,573	73,345
Insurance	4,847	4,659	18,190	18,045	-	2	(2,501)	(214)	20,536	22,492
Utilities	5,346	5,295	15,442	16,586	57	61	2,423	2,320	23,268	24,262
Welltower rent expense	-	-	57,517	53,039	-	-	-	-	57,517	53,039
Other	79,565	118,338	85,841	74,134	37,699	34,939	(72,033)	(83,657)	131,072	143,754
Total Expenses	552,352	537,702	747,966	687,214	483,109	453,737	(66,509)	(87,151)	1,716,918	1,591,502
Operating Income before Depreciation, Amortization and Impairment Expense (EBITDA)	52,906	16,131	(43,981)	(26,205)	22,036	30,210	(9,352)	6,004	21,609	26,140
Depreciation, Amortization and Impairment Expense	26,765	28,032	9,383	10,994	1,595	1,072	7,345	7,862	45,088	47,960
Operating Income (EBIT)	26,141	(11,901)	(53,364)	(37,199)	20,441	29,138	(16,697)	(1,858)	(23,479)	(21,820)
Other (Loss) Income										
Interest	(10,352)	(9,733)	(17,361)	(17,144)	-	-	(1,610)	(1,494)	(29,323)	(28,371)
Investment income (loss)	958	35,559	986	985	435	2,816	1,449	21,687	3,828	61,047
Income tax expense	(315)	-	357	-	(278)	(2,167)	-	-	(236)	(2,167)
Inherent contribution	-	-	-	-	-	-	-	-	-	-
Loss on extinguishment of Debt	-	-	-	-	-	-	-	-	-	-
Other	2,821	968	(313)	(1)	(62)	-	(1,492)	(1,839)	954	(872)
Total other income (loss) - Net	(6,888)	26,794	(16,331)	(16,160)	95	649	(1,653)	18,354	(24,777)	29,637
Excess of Revenue Over (Under) Expenses before Unusual Items	19,253	14,893	(69,695)	(53,359)	20,536	29,787	(18,350)	16,496	(48,256)	7,817
Restructuring, Severance and Acquisition Costs	-	-	-	-	-	-	-	-	-	-
Excess of Revenue Over (Under) Expenses	\$ 19,253	\$ 14,893	\$ (69,695)	\$ (53,359)	\$ 20,536	\$ 29,787	\$ (18,350)	\$ 16,496	\$ (48,256)	\$ 7,817
Contributions and other										
Net assets released from restrictions for fixed assets	194	693	-	-	-	-	-	-	194	693
Net asset transfers	(262,500)	129,063	500	34,071	-	-	262,007	(163,134)	7	-
Income (Loss) on discontinued operations	-	-	(20)	(761)	-	-	-	-	(20)	(761)
Other Non-Operating Income	-	(300)	-	-	-	-	-	190	-	(110)
Total other non-operating (loss) income	(262,306)	129,456	480	33,310	-	-	262,007	(162,944)	181	(178)
Increase (decrease) in net assets	\$ (243,053)	\$ 144,349	\$ (69,215)	\$ (20,049)	\$ 20,536	\$ 29,787	\$ 243,657	\$ (146,448)	\$ (48,075)	\$ 7,639

Supplemental Schedule

PROMEDICA
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES
BY BUSINESS LINE
(\$ in thousands, unaudited)

	Provider		Senior Care		Paramount		Other		ProMedica Consolidated	
	Nine Months Ended September 30,		Nine Months Ended September 30,		Nine Months Ended September 30,		Nine Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Unrestricted Revenue, Gains and Other Support										
Net patient service revenue	\$ 1,728,366	\$ 1,417,188	\$ 1,976,618	\$ 2,047,550	\$ -	\$ -	\$ (252,453)	\$ (211,911)	\$ 3,452,531	\$ 3,252,827
Premium revenue	-	-	-	-	1,486,254	1,492,596	(4,226)	(4,323)	1,482,028	1,488,273
Welltower JV income	-	-	30,327	32,147	-	-	-	-	30,327	32,147
Other	60,685	136,058	49,590	167,801	24,319	4,435	2,131	2,401	136,725	310,695
Net assets released for use in operations	2,860	4,485	234	193	-	-	4,775	4,410	7,869	9,088
Total unrestricted revenue, gains and other support	1,791,911	1,557,731	2,056,769	2,247,691	1,510,573	1,497,031	(249,773)	(209,423)	5,109,480	5,093,030
Expenses										
Salaries, wages and employee benefits	833,375	721,353	1,221,755	1,274,953	50,377	48,767	88,822	92,463	2,194,329	2,137,536
Food and drugs	159,390	147,287	86,117	90,625	-	-	(490)	50	245,017	237,962
Medical expenses	7	-	-	-	1,222,734	1,162,329	(202,634)	(167,507)	1,020,107	994,822
Contracted fees	200,128	162,283	323,406	197,512	69,019	62,985	90,778	75,936	683,331	498,716
Supplies	170,898	139,559	67,122	72,669	513	456	(112)	(132)	238,421	212,552
Insurance	14,724	13,888	48,770	54,327	3	11	(743)	(649)	62,754	67,577
Utilities	14,697	14,347	47,981	48,492	149	167	6,986	5,728	69,813	68,734
Welltower rent expense	-	-	168,649	159,615	-	-	-	-	168,649	159,615
Other	258,116	305,563	244,658	232,898	100,535	101,106	(216,453)	(236,892)	386,856	402,675
Total Expenses	1,651,335	1,504,280	2,208,458	2,131,091	1,443,330	1,375,821	(233,846)	(231,003)	5,069,277	4,780,189
Operating Income before Depreciation, Amortization and Impairment Expense (EBITDA)	140,576	53,451	(151,689)	116,600	67,243	121,210	(15,927)	21,580	40,203	312,841
Depreciation, Amortization and Impairment Expense	83,053	83,930	30,502	32,174	3,982	3,577	24,037	24,988	141,574	144,669
Operating Income (EBIT)	57,523	(30,479)	(182,191)	84,426	63,261	117,633	(39,964)	(3,408)	(101,371)	168,172
Other (Loss) Income										
Interest	(31,240)	(28,640)	(52,123)	(51,981)	-	-	(4,893)	(4,718)	(88,256)	(85,339)
Investment income (loss)	49,676	35,739	2,809	3,807	1,809	8,249	26,574	12,481	80,868	60,276
Income tax expense	(315)	-	357	-	(3,850)	(7,960)	-	-	(3,808)	(7,960)
Inherent contribution	-	-	-	-	-	-	-	-	-	-
Loss on extinguishment of Debt	-	-	-	-	-	-	-	-	-	-
Other	6,115	2,400	1	138	61	73	(3,102)	(2,925)	3,075	(314)
Total other income (loss) - Net	24,236	9,499	(48,956)	(48,036)	(1,980)	362	18,579	4,838	(8,121)	(33,337)
Excess of Revenue Over (Under) Expenses before Unusual Items	81,759	(20,980)	(231,147)	36,390	61,281	117,995	(21,385)	1,430	(109,492)	134,835
Restructuring, Severance and Acquisition Costs	-	-	-	-	-	(272)	-	(1,035)	-	(1,307)
Excess of Revenue Over (Under) Expenses	\$ 81,759	\$ (20,980)	\$ (231,147)	\$ 36,390	\$ 61,281	\$ 117,723	\$ (21,385)	\$ 395	\$ (109,492)	\$ 133,528
Contributions and other										
Net assets released from restrictions	881	3,579	-	-	-	-	(98)	(1,566)	783	2,013
Net asset transfers	(415,028)	250,909	157,856	(361,762)	-	-	257,179	110,853	7	-
Loss on discontinued operations	-	-	(268)	(441)	-	-	-	-	(268)	(441)
Other Non-Operating Income	(835)	(1,059)	66	-	-	-	(98)	205	(867)	(854)
Total other non-operating (loss) income	(414,982)	253,429	157,654	(362,203)	-	-	256,983	109,492	(345)	718
Increase (decrease) in net assets	\$ (333,223)	\$ 232,449	\$ (73,493)	\$ (325,813)	\$ 61,281	\$ 117,723	\$ 235,598	\$ 109,887	\$ (109,837)	\$ 134,246

Non-GAAP Measures

ProMedica's management utilizes certain additional non-GAAP measures in its regular analysis of financial performance. These measures are defined as follows:

- **EBITDAR** – Earnings before Interest, Taxes, Depreciation, Amortization, and Rent, where Rent is defined as only the Welltower base Rent expense, net of the related Welltower JV income. The Senior Care division leases, rather than owns, essentially all its operating entities. Therefore, management believes this is a key operating metric for the Senior Care division and the overall System.
- **EBITDA** – Earnings before Interest, Taxes, Depreciation, and Amortization (or “Operating income before depreciation, amortization, and impairment expense” from the Statements of Operations on page 4).
- **EBIT** – Earnings before Interest, and Taxes (or “Operating income (loss)” from the Statements of Operations on page 4). This operating income measure has historically been a key metric used by the System.
- **Margin %** - Calculated as operating metric (EBITDAR, etc.) divided by “Total unrestricted revenue, gains, and other support.”

The following tables reconcile EBITDAR to “Excess of revenue over (under) expenses” in the Statements of Operations found on pages 4 and 5 and on the Supplemental Schedules on A2 and A3:

	Three Months Ended September 30, 2021		Three Months Ended September 30, 2020	
	Senior Care	Consolidated ProMedica	Senior Care	Consolidated ProMedica
Excess of revenue over (under) expenses	\$ (69,695)	\$ (48,256)	\$ (53,359)	\$ 7,817
Restructuring, severance, acquisition costs	-	-	-	-
Total other loss (income), net	16,331	24,777	16,160	(29,637)
EBIT	(53,364)	(23,479)	(37,199)	(21,820)
Margin %	-7.6%	-1.4%	-5.6%	-1.3%
Depreciation, amortization, impairment	9,383	45,088	10,994	47,960
EBITDA	(43,981)	21,609	(26,205)	26,140
Margin %	-6.2%	1.2%	-4.0%	1.6%
Plus Welltower rent expense	57,517	57,517	53,039	53,039
Less Welltower JV income	(12,269)	(12,269)	(7,580)	(7,580)
Plus CVS JV income *	906	906	985	985
EBITDAR	<u>\$ 2,173</u>	<u>\$ 67,763</u>	<u>\$ 20,239</u>	<u>\$ 72,584</u>
Margin %	0.3%	3.9%	3.1%	4.5%

* Recorded in investment income (loss)

	Nine Months Ended September 30, 2021		Nine Months Ended September 30, 2020	
	Senior Care	Consolidated ProMedica	Senior Care	Consolidated ProMedica
Excess of revenue over (under) expenses	\$ (231,147)	\$ (109,492)	\$ 36,390	\$ 133,528
Restructuring, severance, acquisition costs	-	-	-	1,307
Total other loss (income), net	48,956	8,121	48,036	33,337
EBIT	(182,191)	(101,371)	84,426	168,172
Margin %	-8.9%	-2.0%	3.8%	3.3%
Depreciation, amortization, impairment	30,502	141,574	32,174	144,669
EBITDA	(151,689)	40,203	116,600	312,841
Margin %	-7.4%	0.8%	5.2%	6.1%
Plus Welltower rent expense	168,649	168,649	159,615	159,615
Less Welltower JV income	(30,327)	(30,327)	(32,147)	(32,147)
Plus CVS JV income *	2,442	2,442	2,643	2,643
EBITDAR	\$ (10,925)	\$ 180,967	\$246,711	\$ 442,952
Margin %	-0.5%	3.5%	11.0%	8.7%

* Recorded in investment income (loss)



ProMedica Acute Care Hospitals



- **ProMedica Bay Park Hospital**
- **Oregon, Ohio**
- Licensed Beds: 91
- Year Established: 2001



- **ProMedica Memorial Hospital**
- **Fremont, Ohio**
- Licensed Beds: 43
- Year Affiliated: 2014



- **ProMedica Defiance Regional Hospital**
- **Defiance, Ohio**
- Licensed Beds: 51
- Year Affiliated: 1999



- **ProMedica Monroe Regional Hospital**
- **Monroe, Michigan**
- Licensed Beds: 238
- Year Affiliated: 2015



- **ProMedica Flower Hospital (a division of ProMedica Toledo Hospital)**
- **Sylvania, Ohio**
- Licensed Beds: 315
- Year Affiliated: 1996



- **ProMedica Toledo Hospital**
- **Toledo, Ohio**
- Licensed Beds: 640
- Year Affiliated: Legacy



- **ProMedica Fostoria Hospital**
- **Fostoria, Ohio**
- Licensed Beds: 25
- Year Affiliated: 2000



- **ProMedica Russell J. Ebeid Children's Hospital (a division of ProMedica Toledo Hospital)**
- **Toledo, Ohio**
- Licensed Beds: 169
- Year Established: 1994



- **ProMedica Charles and Virginia Hickman Hospital**
- **Adrian, Michigan**
- Licensed Beds: 58
- Year Established: 2020



- **ProMedica Wildwood Orthopaedic & Spine (a division of ProMedica Toledo Hospital)**
- **Toledo, Ohio**
- Licensed Beds: 42
- Year Established: 2011



- **ProMedica Coldwater Regional Hospital**
- **Coldwater, MI**
- Licensed Beds: 87
- Year Acquired: 2018