



**IOWA HEALTH SYSTEM AND SUBSIDIARIES
D/B/A UNITYPOINT HEALTH**

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

DISCLAIMER

This document is marked with a dated date and speaks only as of that dated date. Readers are cautioned not to assume that any information has been updated beyond the dated date except as to any portion of the document that expressly states that it constitutes an update concerning specific recent events speaks only as of its date. UnityPoint Health expressly disclaims any duty to provide an update of any information contained in this document.

The information contained in this document may include “forward-looking statements” by using forward-looking words such as “may”, “will”, “should”, “expects”, “believes”, “anticipates”, “estimates”, or others. You are cautioned that forward-looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include general economic and business conditions, receipt of funding grants, and various other factors that are beyond our control.

Because we cannot predict all factors that may affect future decisions, actions, events, or financial circumstances, what actually happens may be different from what we include in forward-looking statements.

**IOWA HEALTH SYSTEM AND SUBSIDIARIES
D/B/A UNITYPOINT HEALTH**

**CONTINUING DISCLOSURE STATEMENT
FOR THE
QUARTER ENDED SEPTEMBER 30, 2022**

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SECTION 1

OVERVIEW OF UNITYPOINT HEALTH

GENERAL

Initially formed in 1994, Iowa Health System (“IHS”), an Iowa not-for profit corporation, controls, directly or indirectly, a regional health care delivery system that includes, as of September 30, 2022, fourteen Hospitals (including Blank Children’s Hospital) in twelve Iowa cities, five hospitals in four Illinois cities, one hospital in Madison, Wisconsin, and approximately 2,000 patient service provider full time equivalents practicing in 110 communities (collectively, the “System”).

IHS publicly operates as UnityPoint Health. The legal name of the parent remains Iowa Health System, with the UnityPoint Health name reflecting a doing business as (d/b/a). This “d/b/a” name reflects the transformation of clinical processes underway within the System and the adaptation to better address the health care needs of communities, including building a model of delivering health care that coordinates care around the patient while focusing on improving the quality of care and reducing costs. UnityPoint Health is a federally registered trademark and is intended to be the predominant name. UnityPoint Health will be referred to as the System for purposes of this document.

The System entities employ around 27,800 employees (on a full time equivalent basis) System-wide, including being one of the largest not-for profit workforce in the combined State of Iowa and Western Illinois area, and work toward innovative advancements to achieve the vision of delivering the Best Outcome for Every Patient Every Time. The System also provides a multitude of community benefit programs and services to improve the health of people in its communities.

The primary operations of the System are conducted through an array of not-for profit and for-profit subsidiaries controlled, directly or indirectly, by UnityPoint Health. The affiliates include Central Iowa Health System d/b/a UnityPoint Health – Des Moines, Methodist Health Services Corporation (“MHSC”), Trinity Regional Health System, Meriter Health Services, Inc. (“MHS”), St. Luke’s Healthcare, Allen Health Systems, Inc., St. Luke’s Health System, Inc., Trinity Health Systems, Inc., Finley Tri-States Health Group, Inc., Iowa Physicians Clinic Medical Foundation d/b/a UnityPoint Clinic, and UnityPoint at Home.

Corporations that own and operate hospitals are referred to as “Hospitals”. The Hospitals include Central Iowa Hospital Corporation (“CIHC”), which operates Iowa Methodist Medical Center in Des Moines, Iowa, including Blank Children’s Hospital, Iowa Lutheran Hospital in Des Moines and Methodist West Hospital in West Des Moines; Grinnell Regional Medical Center in Grinnell, Iowa; The Methodist Medical Center of Illinois and Proctor Hospital, both in Peoria, Illinois; Pekin Hospital in Pekin, Illinois; Trinity Medical Center, which operates Trinity Rock Island in Rock Island, Illinois, Trinity Moline in Moline, Illinois and Trinity Bettendorf in Bettendorf, Iowa; Unity HealthCare, which operates as Trinity Muscatine in Muscatine, Iowa; Meriter Hospital in Madison, Wisconsin; St. Luke’s Methodist Hospital in Cedar Rapids, Iowa; St. Luke’s/Jones Regional Medical Center in Anamosa, Iowa; Allen Memorial Hospital Corporation in Waterloo, Iowa; UnityPoint Health - Marshalltown in Marshalltown, Iowa; Northwest Iowa Hospital Corporation, which operates St. Luke’s Regional Medical Center of Sioux City, Iowa; Trinity Regional Medical Center in Fort Dodge, Iowa; and The Finley Hospital in Dubuque, Iowa.

UnityPoint Health is also the sole corporate member of Iowa Physicians Clinic Medical Foundation, d/b/a UnityPoint Clinic, a group practice which employs approximately 850 patient service provider full time equivalents in several markets in which the System operates Hospitals. UnityPoint Health has been the sole corporate member of UnityPoint Clinic since 1993, however, as a part of the consolidation of the System's employed physicians into UnityPoint Clinic and as a part of UnityPoint Health becoming a physician driven organization, UnityPoint Clinic is also recognized as an affiliate. Other employed physician groups in the System may use the name UnityPoint Clinic if they follow agreed upon standards and terms of trademark usage.

UnityPoint Health is the sole corporate member of UnityPoint at Home, which provides adult and pediatric home care services, nursing care, rehabilitation therapy, infusion therapy, specialty pharmacy, palliative care, hospice, and home medical equipment services in communities across Iowa and Illinois. UnityPoint at Home works together with its affiliated UnityPoint Health physicians and hospitals to coordinate the services, support, and education necessary for patients to continue their care at home. Home care services in the System which are not a part of UnityPoint at Home may use the name UnityPoint at Home if they follow agreed upon standards and terms of trademark usage.

MISSION AND PHILOSOPHY OF THE SYSTEM

The System's mission is to improve the health of the people and communities it serves, and its vision is to provide 'the best outcome for every patient every time.' The System was originally designed by the Board of Directors and management of UnityPoint Health to become an integrated health care delivery system whose hospital and physician providers would benefit from services provided jointly by and through the System. By providing a balance of hospitals, physicians and other providers, the System provides a health care delivery model for the region that is designed to match the best and most appropriate level of service to the needs of the patient.

1. PHILOSOPHY REGARDING GROWTH

The Board of Directors and senior management of UnityPoint Health believe that the System is currently of adequate size to achieve the benefits, efficiencies and quality improvements associated with the integration of several key, common functions. With the changing landscape of the healthcare delivery model and reimbursement, the Board of Directors and senior management of UnityPoint Health believe that there is value in pursuing opportunities for growth in a strategic fashion. UnityPoint Health's philosophy regarding additional acquisitions, affiliations or dispositions is to only pursue such transactions whenever, in the judgment of the Board of Directors and senior management of UnityPoint Health, the particular transaction under review would produce operating efficiencies, permit cost reductions or reductions in the rate of cost increases, improve delivery and quality of health services, extend its operations into areas not currently being served by the System, meet strategic or mission objectives of the System, or improve the overall efficiency or credit strength of the System. As part of its strategic growth plan, UnityPoint Health has discussed opportunities for affiliation or alignment with several independent physician groups and health systems.

Effective February 28, 2021, the System and Keokuk Health Systems, Inc. terminated their affiliation agreement.



On December 13th, 2021 the UnityPoint Health – Central Illinois region announced it had signed a non-binding letter of intent with Urbana, Illinois-based Carle Health to explore the integration of Methodist, Proctor and Pekin hospitals and clinics, Methodist College and other healthcare services into the Carle Health organization. In addition, UnityPoint Health (as a whole) and Carle Health signed a separate non-binding letter of intent to evaluate system-to-system opportunities for collaboration and efficiency. If all approvals are obtained, a closing date is anticipated on April 1, 2023.

2. PHILOSOPHY REGARDING PHYSICIAN ALIGNMENT

The Board of Directors and senior management of the System believe that physician alignment is paramount to the System's ability to provide quality care in the communities served. The System has implemented several key initiatives to ensure alignment with both its employed physician base as well as the independent physicians that provide care in the System's facilities.

The Physician Leadership Academy was established to provide education to practicing physicians as to how to become effective leaders. These physicians develop leadership skills during the academic program and are then asked to participate in various initiatives throughout the System to utilize the skills they have learned. Many of these initiatives have centered around quality or the shift from fee-for-service reimbursement to the management of the health of a population.

The System has organized the majority of its employed physician base under a single existing corporate structure (UnityPoint Clinic). This single reporting structure allows for better coordination and alignment of priorities in the clinical quality area. Talks continue with several other groups within the System that are not currently organized under this structure with the intention of more joining the System-wide group in the future. Physicians employed by the organization who are not a part of UnityPoint Clinic may use the UnityPoint Clinic name if they follow agreed upon standards and terms of trademark usage.

In December 2021 the System sold its noncontrolling interest in Quincy Physicians & Surgeons Clinic, S.C. d/b/a Quincy Medical Group ("QMG") of Quincy, Illinois. QMG is a multi-specialty physician practice group and is also part of the System's accountable care organization.

3. VALUE BASED CONTRACTING

The System is a participant in multiple Accountable Care Organizations (ACOs) that seek to increase quality, value, accountability, and coordination of care across the health care continuum. The System is one of the largest participants in the country in the Medicare Next Generation ACO Model Program. This program is for ACOs that are experienced in coordinating care for populations of patients and allows groups to assume higher levels of risk and reward than are available under the original Medicare Pioneer Model and Shared Savings Programs. The goal of the Model is to test whether strong financial incentives for ACOs, coupled with tools to support better patient engagement and care management, can improve health outcomes and lower expenditures for Medicare beneficiaries.

In total, the ACO agreements the System is a participant in cover approximately 364,000 lives and include provisions for incentive dollars to be earned based on maintaining costs below target levels or achieving certain metrics of quality for the attributed patient population. Costs above target levels for these contracts, covering approximately 317,000 lives, carry a risk of loss.

4. INSURANCE DEVELOPMENT

The System is a 50% owner of HealthPartners UnityPoint Health, Inc. (“HPUPH”), a health insurance corporation equally owned by the System and HealthPartners, Inc., a Minnesota not-for-profit corporation based in Minneapolis, Minnesota. HPUPH is a licensed health insurer in Iowa and Illinois that offers large group commercial plans in Iowa as well as Medicare Advantage products in Iowa and Illinois. Management of HPUPH is the responsibility of a joint management committee, having equal members from both owner organizations.

5. ORGANIZATIONAL STRUCTURE

UnityPoint Health provides a number of centralized support services to other members of the System, including strategic direction; operating and capital budget coordination and approval; payor contracting, negotiation and support; compliance; coding, billing and collecting; executive recruiting; finance and decision support; analytics and data science; human resource; information technology; quality and performance improvement; internal audit; legal services; physician practice management; marketing and communications; government and external affairs; physician credentialing; reimbursement; supply chain contracting and procurement; clinical asset management; system development; tax and treasury services. The design and operation of the System allows System-wide planning and centralized decision-making on topics which advantage the System as a whole while preserving adequate local control in the delivery of health care services to advantage the local markets.

6. CORPORATE GOVERNANCE

The Board of Directors of UnityPoint Health meets at least five times per year and provides overall strategy and direction for the System. The Board of Directors can establish directives relating to:

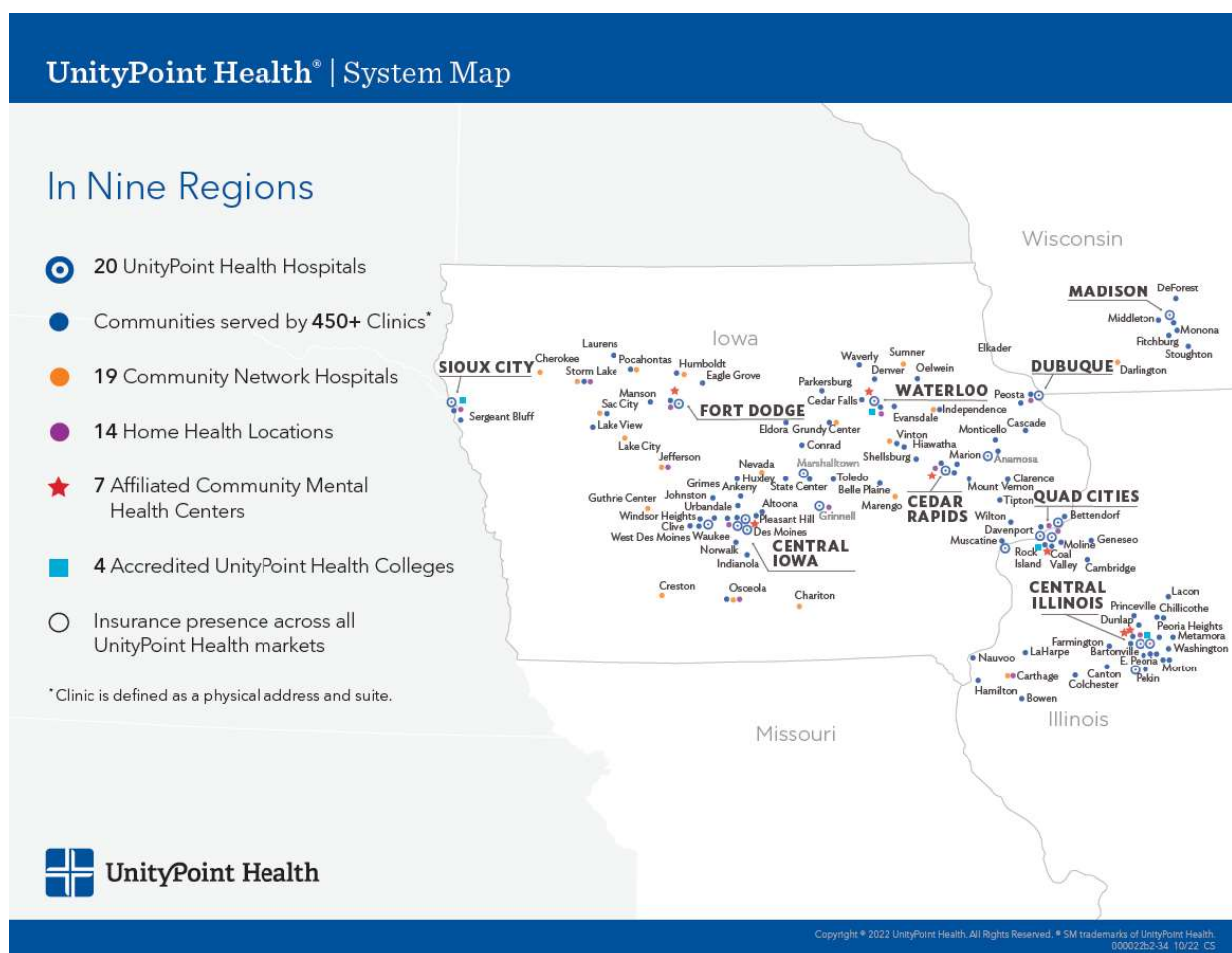
- Strategic planning
- Operating budgets
- Capital budgets
- Incurrence of indebtedness
- Managed care strategies of the System
- Transfers of assets between affiliates and other affiliates, other affiliates of UnityPoint Health, or UnityPoint Health (except to for-profit or other entities unrelated to UnityPoint Health)
- Business plans

Each affiliate is required to comply with such directives and to cause the Hospitals it controls to also comply with such directives if so directed by the Board of Directors of UnityPoint Health.

In September 2003, the System's Board adopted a variety of comprehensive governance and corporate responsibility best practices. The changes include adoption of governance effectiveness guidelines on Board qualifications and fitness, guidelines for independence, outside Board service, Board roles and responsibilities, the business judgment rule, fiduciary duties, including the duties of loyalty, care, confidentiality and oversight of management, and management's access to and meetings with the Board. Board committee charters, supplementing and expanding the bylaws' descriptions of the committee's responsibilities, were adopted. Annual disclosures regarding conflicts of interest are also required under the policy. The System has continued to monitor not-for-profit reform initiatives.

7. GEOGRAPHIC LOCATIONS

The following map indicates the location of various facilities of the System.



SECTION 2

CONSOLIDATED FINANCIAL STATEMENTS

UNITYPOINT HEALTH
Consolidated Balance Sheets
(in thousands)

	September 30, 2022	December 31, 2021
	(unaudited)	(audited)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 207,497	\$ 450,884
Short-term investments	286,438	202,128
Assets limited as to use - required for current liabilities	30,189	29,772
Patient accounts receivable, net	559,633	563,585
Other receivables	147,678	188,455
Inventories	111,314	107,151
Prepaid expenses	57,909	60,568
Total current assets	<u>1,400,658</u>	<u>1,602,543</u>
Assets Limited As to Use, Noncurrent		
Held by trustee under bond indenture agreements	1,114	304
Internally designated for capital improvements	1,401,530	1,564,005
Internally designated for insurance reserve	11,903	20,163
Total assets limited as to use, noncurrent	<u>1,414,547</u>	<u>1,584,472</u>
Property, Plant and Equipment, net	1,838,319	1,834,850
Operating Lease Right Of Use Assets	173,255	177,516
Other Long-term Investments	1,380,130	1,769,384
Investments in Joint Ventures and Other Investments	154,031	136,776
Contributions Receivable, net	116,419	131,482
Other	74,798	80,724
Total assets	<u><u>\$ 6,552,157</u></u>	<u><u>\$ 7,317,747</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current maturities of long-term debt	\$ 241,100	\$ 58,692
Current portion of operating lease liabilities	30,425	31,347
Accounts payable	243,730	253,281
Accrued payroll	248,579	320,938
Accrued interest	5,999	11,486
Estimated settlements due to third-party payers	86,040	114,602
Other current liabilities	144,541	320,043
Total current liabilities	<u>1,000,414</u>	<u>1,110,389</u>
Long-term Debt, net	1,079,407	1,186,443
Long-term Operating Lease Liabilities	147,687	152,191
Other Long-term Liabilities	315,194	388,532
Total liabilities	<u>2,542,702</u>	<u>2,837,555</u>
Net Assets		
Without donor restrictions		
Attributable to UnityPoint Health	3,727,326	4,170,025
Attributable to noncontrolling interest	33,264	32,769
Total without donor restrictions	<u>3,760,590</u>	<u>4,202,794</u>
With donor restrictions		
Attributable to UnityPoint Health	248,238	276,727
Attributable to noncontrolling interest	627	671
Total with donor restrictions	<u>248,865</u>	<u>277,398</u>
Total net assets	4,009,455	4,480,192
Total liabilities and net assets	<u><u>\$ 6,552,157</u></u>	<u><u>\$ 7,317,747</u></u>

See accompanying notes to consolidated financial statements

UNITYPOINT HEALTH
Consolidated Statement of Operations
(in thousands)

Three Months Ended September 30,			Nine Months Ended September 30,	
2022	2021		2022	2021
		Unrestricted Revenues		
\$ 1,101,987	\$ 1,122,210	Net patient service revenue	\$ 3,276,634	\$ 3,222,095
110,928	111,137	Other operating revenue	434,362	327,395
4,119	3,173	Net assets released from restrictions used for operations	12,855	10,164
1,217,034	1,236,520	Total unrestricted revenues	3,723,851	3,559,654
		Expenses		
489,040	424,395	Salaries and wages	1,537,735	1,254,547
193,469	179,126	Provider compensation and services	567,365	539,667
114,077	108,072	Employee benefits	337,406	323,422
238,129	232,410	Supplies	704,825	655,128
194,472	184,601	Other expenses	564,131	536,898
44,761	46,407	Depreciation and amortization	135,779	138,393
10,065	8,518	Interest	27,140	25,792
267	125	Provision for uncollectible accounts	533	(78)
1,284,280	1,183,654	Total expenses	3,874,914	3,473,769
(67,246)	52,866	Operating Income (Loss)	(151,063)	85,885
		Nonoperating Gains (Losses)		
(92,332)	29,618	Investment income (loss)	(327,306)	207,809
3	2	Contributions received in affiliations, net of disaffiliations	1	(5,328)
11,719	2,442	Other, net	37,045	13,845
(80,610)	32,062	Total nonoperating gains (losses), net	(290,260)	216,326
(147,856)	84,928	Excess of Revenues Over Expenses	(441,323)	302,211
(1,302)	(1,766)	Less Noncontrolling Interest	(4,111)	(4,389)
\$ (149,158)	\$ 83,162	Excess of Revenues Over Expenses Attributable to UnityPoint Health	\$ (445,434)	\$ 297,822

See accompanying notes to consolidated financial statements

UNITYPOINT HEALTH
Consolidated Statement of Changes in Net Assets
(in thousands)

Three Months Ended September 30,			Nine Months Ended September 30,	
2022	2021		2022	2021
		Net Assets Without Donor Restrictions		
\$ (149,158)	\$ 83,162	Excess (deficiency) of revenues over expenses	\$ (445,434)	\$ 297,822
340	339	Amortization of previously hedged interest swaps fair value	1,020	1,020
506	2,500	Net assets released from restrictions used for capital expenditures	5,140	5,502
1	-	Contributions of or for acquisition of property and equipment	8	-
(1,642)	(1,897)	Other, net	(3,433)	(452)
(149,953)	84,104	Increase (decrease) in net assets without donor restrictions, UnityPoint Health	(442,699)	303,892
1,259	201	Net assets without donor restrictions, noncontrolling interest:		
(934)	(186)	Excess of revenues over expenses	3,992	2,710
15	15	Distributions of capital	(3,666)	(3,981)
-	(32)	Net assets released from restrictions used for capital expenditures	44	44
		Other	-	(33)
465	(2)	Increase (decrease) in net assets without donor restrictions, noncontrolling interests	495	(1,260)
6,504	5,782	Net Assets With Donor Restrictions		
-	(1)	Contributions	16,265	14,492
820	364	Contributions received in affiliations, net of disaffiliations	-	862
-	-	Investment income	1,825	1,803
(4,119)	(3,173)	Government grants	(44)	(22)
(506)	(2,500)	Net assets released from restrictions used for operations	(12,855)	(10,164)
(5,240)	684	Net assets released from restrictions used for capital expenditures	(5,140)	(5,502)
(2,717)	929	Change in net unrealized gains on investments	(18,558)	7,809
1,801	(2,955)	Change in beneficial interest in net assets of affiliate	(9,667)	3,578
(3,457)	(870)	Other, net	(315)	(1,761)
(15)	(15)	Increase (decrease) in net assets with donor restrictions, UnityPoint Health	(28,489)	11,095
(15)	(15)	Net assets with donor restrictions, noncontrolling interest:		
(152,960)	83,217	Net assets released from restrictions used for capital expenditures	(44)	(44)
4,162,415	4,288,969	Decrease in net assets with donor restrictions, noncontrolling interests	(44)	(44)
\$ 4,009,455	\$ 4,372,186	Increase (Decrease) in Net Assets	(470,737)	313,683
		Net Assets, Beginning of Period	4,480,192	4,058,503
		Net Assets, End of Period	\$ 4,009,455	\$ 4,372,186

See accompanying notes to consolidated financial statements

UNITYPOINT HEALTH
Consolidated Statements of Cash Flows
(in thousands)

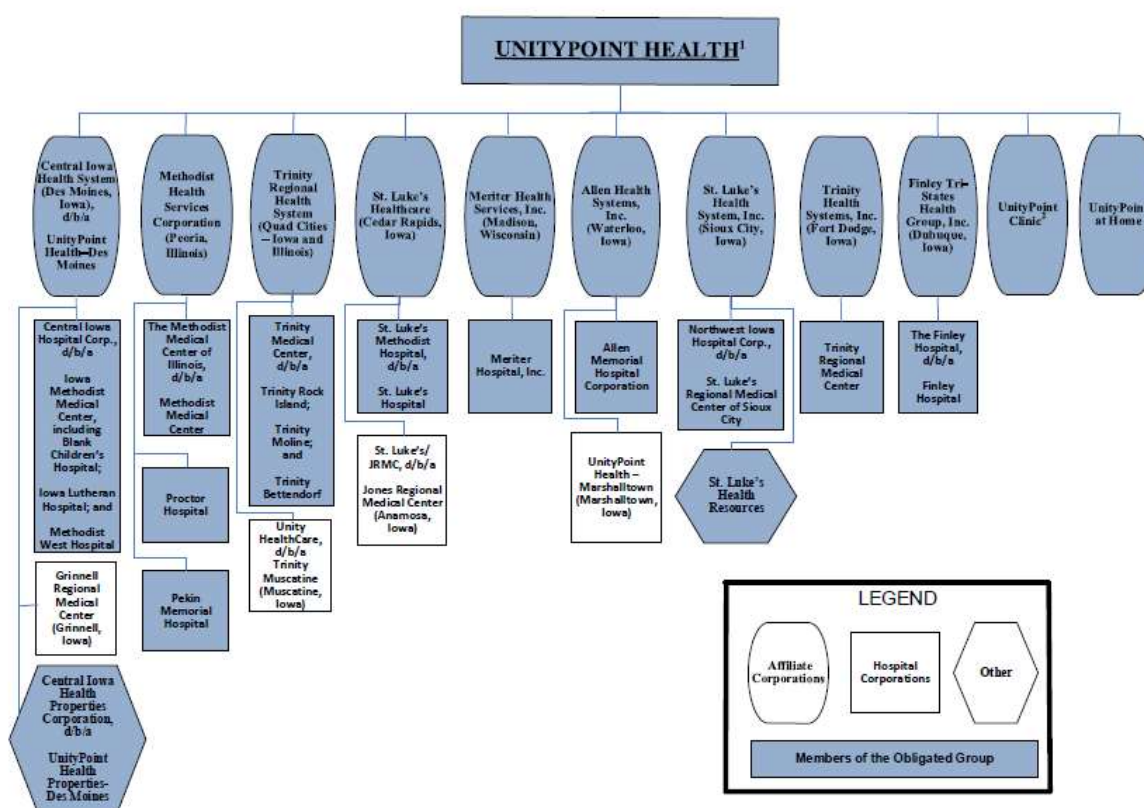
Three Months Ended September 30,			Nine Months Ended September 30,		
2022	2021		2022	2021	
Operating Activities					
\$ (152,962)	\$ 83,217	Increase (decrease) in net assets	\$ (470,737)	\$ 313,683	
		Items not requiring (providing) operating cash			
101,688	(18,338)	Net loss (gain) on investments	363,105	(188,434)	
(10,722)	(4,180)	Net unrealized (gain) loss on swaps	(35,749)	(17,015)	
		Restricted contributions, investment income and government grants received	(5,191)	(6,109)	
(3,205)	(2,973)				
44,761	46,407	Depreciation and amortization	135,779	138,393	
-	-	Contributions received in affiliations, net of disaffiliations	-	600	
126	(619)	Amortization of bond premium and debt issuance costs, net	377	(1,859)	
89	(297)	Loss (gain) on disposition of assets	(1,426)	(816)	
(41)	-	Loss on financing transactions	(49)	-	
(1,058)	(9,285)	Equity in earnings of joint ventures	(16,346)	(24,837)	
2,717	(929)	Change in beneficial interest in net assets of affiliates	9,667	(3,578)	
267	125	Provision for uncollectible accounts	533	(78)	
		Changes in			
28,554	(39,573)	Receivables	44,196	(72,552)	
3,877	3,555	Inventories, prepaid expenses and other assets	13,047	26,309	
(158,276)	(54,988)	Accounts payable, accrued liabilities and other liabilities	(304,417)	(170,728)	
6,543	10,351	Due to third-party payers	(28,562)	8,680	
(137,642)	12,473	Net cash (used) provided by operating activities	(295,773)	1,659	
Investing Activities					
(53,101)	(39,594)	Capital expenditures	(136,915)	(111,214)	
1,027	399	Proceeds from sale of assets	4,597	2,311	
(1,437)	(5,271)	Increase (decrease) in assets limited as to use, net	(253)	(23,327)	
-	-	Cash acquired in affiliations, net of disaffiliations	-	(600)	
738	12,618	Decrease (increase) in short-term investments	(84,310)	(51,789)	
43,733	49,855	Decrease (increase) in other long-term investments	187,663	(50,783)	
(11,039)	(7,000)	Investments in joint ventures	(13,859)	(7,000)	
5,715	7,999	Distributions received from joint ventures	18,868	19,148	
-	4	Divestitures of joint ventures	-	4	
(14,364)	19,010	Net cash (used) provided in investing activities	(24,209)	(223,254)	
Financing Activities					
75,000	-	Proceeds from issuance of long-term debt	100,000	760	
(7,358)	(5,721)	Payments of debt	(28,587)	(24,616)	
-	-	Payments on early extinguishment of debt	(9)	-	
		Proceeds from restricted contributions, investment income and government grants	5,191	6,109	
3,205	2,973				
70,847	(2,748)	Net cash provided (used) by financing activities	76,595	(17,747)	
(81,159)	28,735	Increase (Decrease) in Cash and Cash Equivalents	(243,387)	(239,342)	
288,656	366,704	Cash and Cash Equivalents, Beginning of Period	450,884	634,781	
\$ 207,497	\$ 395,439	Cash and Cash Equivalents, End of Period	\$ 207,497	\$ 395,439	

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (*Unaudited*) (Dollars in Thousands)

1. ORGANIZATION

The System provides inpatient and outpatient care and physician services from its hospital facilities and various ambulatory service and clinic locations in Iowa, Illinois, and Wisconsin. Primary, secondary and tertiary care services are provided to residents of these states and adjacent states. Members of the System, as well as designation of those that are part of the Obligated Group, are shown below:



¹UnityPoint Health and logo is a registered trademark of Iowa Health System, d/b/a UnityPoint Health.

²UnityPoint Clinic is a d/b/a of Iowa Physicians Clinic Medical Foundation, an Iowa nonprofit corporation and a Tax Exempt Organization.

This chart reflects the primary entities which provide, directly or indirectly, patient care or services. All are controlled by UnityPoint Health. This chart does not reflect all UnityPoint Health controlled entities, including those providing insurance services.

2. BASIS OF PRESENTATION

The consolidated financial statements include the accounts of UnityPoint Health and its subsidiaries listed below:

- Central Iowa Health System and subsidiaries (d/b/a UnityPoint Health - Des Moines) (Des Moines)
- Methodist Health Services Corporation and subsidiaries (Peoria)
- Trinity Regional Health System and subsidiaries (Rock Island)
- Meriter Health Services, Inc. and subsidiaries (Madison)
- St. Luke's Healthcare and subsidiaries (Cedar Rapids)
- Allen Health Systems, Inc. and subsidiaries (Waterloo)
- St. Luke's Health System, Inc. and subsidiaries (Sioux City)
- Trinity Health Systems, Inc. and subsidiaries (Fort Dodge)
- Finley Tri-States Health Group, Inc. and subsidiaries (Dubuque)
- Keokuk Health Systems, Inc. and subsidiaries (Keokuk; unaffiliated as of February 28, 2021)
- Iowa Physicians Clinic Medical Foundation (d/b/a UnityPoint Clinic)
- UnityPoint at Home

3. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES

Excess (deficiency) of revenues over expense transactions affecting net assets without donor restrictions are reflected in the consolidated statements of operations. Consistent with industry practice, the effective portion of derivative instruments qualifying for hedge accounting and carried at fair value, changes in defined benefit plans, and contributions of long-lived assets (including assets acquired with donor-restricted cash contributions) are excluded from determination of the excess of revenues over expenses. Transactions with donor restrictions are recorded as additions or deductions to net assets and reflected in the consolidated statements of changes in net assets.

5. INVESTMENTS AND INVESTMENT RETURN

The System engages an investment advisor to manage the majority of investments in a pooled portfolio. The advisor utilizes a manager-of-managers approach through the use of proprietary registered mutual funds. Investments consist primarily of interests in registered mutual funds, which in turn invest in marketable securities. Additionally, the System holds ownership interest in various alternative investment vehicles, which consist of both alternative funds and private equity funds. There is no public market for shares in these alternative investment vehicles. The value of the investments in the funds is determined based on the fair values of the underlying securities.

All investments are included in either assets limited as to use or other long-term investments in the consolidated balance sheets. The investment strategy of the alternative investment vehicles vary, but center around providing low return volatility through tactical investment strategies while earning a total rate of return in excess of rates achieved from a standard index.

Assets limited as to use include amounts held by trustees under bond indenture agreements and related documents, assets internally designated by the Board of Directors for identified purposes and over which the Board of Directors retains control and may, at its discretion, subsequently use for other purposes and assets held in custody by government agencies under statutory reserve. Amounts required to meet current liabilities are classified as current assets.

Investments in marketable securities with readily determinable fair values and all investments in fixed income securities are measured at fair value in the consolidated balance sheets. The fair values are based on quoted market prices or dealer quotes.

Investments in joint ventures and other affiliates, which are more than 20% but not more than 50% owned, are recorded using the equity method. Other investments are reported at cost, as adjusted for permanent impairment in value, if any.

Investment return includes interest and dividend income, realized and unrealized investment gains and losses, and earnings from investments accounted for under the equity method. Investment return, except any portion earned as a function of operations, is reported as non-operating gains (losses) and is included in revenues over expenses, unless investment return is restricted by donor or law.

7. INVESTMENT ALLOCATION

The System operates a Capital Pool Investment Program (the “Program”) to manage, on a centralized basis, certain excess operating funds of the System. The Investment Committee of the System oversees the Program and establishes investment policies and guidelines that address asset allocation, diversification requirements, credit rating requirements and prohibited transactions and securities.

The Program is managed by professional investments managers, subject to the performance standards and asset allocation guidelines established in the Program. Under these guidelines, funds are invested primarily in registered mutual funds, which in turn invest in marketable securities, six alternative funds and four private equity funds.

At September 30, 2022 and December 31, 2021, 31% and 23%, respectively, of the System's investments were invested in alternative investment vehicles. Substantially all of the remainder are invested in registered mutual funds. Due to the nature of the alternative investments and the need for the fund managers to execute on long-term strategies, many of the vehicles contain specific lock-up periods, restricted redemption timing, as well as advanced notice of redemption requests.

8. PATIENT SERVICE REVENUE AND ACCOUNTS RECEIVABLE

Patient service revenue is reported in the amount that reflects the consideration the System expects to receive from patients and third-party payers in exchange for services provided, including retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period in which the related services are provided and adjusted in future periods as final settlements are determined. The system recognizes patient service revenue in the period the services are provided on the basis of contractual or standard rates for services provided. Where implicit price concessions exist, revenue is recognized net of any concession based on the variable consideration expected to be received.

Patient accounts receivable are stated at net realizable value. The receivables are netted down for allowances based on contractually due amounts and any other explicit or implicit price concession provided. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the provision for uncollectible accounts. Changes in the estimated amount of implicit price concessions that are not the result of contract modification or credit events are recorded as an adjustment to revenue at the point in time determination is made.

Patient service revenues at established rates less third-party payer contractual adjustments, recognized for the nine months ended September 30th, were approximately:

	<u>2022</u>	<u>2021</u>
Medicare	35%	37%
Medicaid	17%	16%
Wellmark/Blue Cross	23%	21%
Commercial and other	24%	25%
Self-Pay	1%	1%
	<u>100%</u>	<u>100%</u>

Patient accounts receivable at established rates, less contractual allowances by payer class, at September 30, 2022, and December 31, 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Medicare	32%	30%
Medicaid	17%	15%
Wellmark/Blue Cross	20%	23%
Commercial and other	31%	32%
Self-Pay	0%	0%
	<u>100%</u>	<u>100%</u>

9. UNCOMPENSATED CARE

The System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. The policy provides a percentage discount to the patient that decreases at gradually higher income levels or higher levels of household net assets. The benchmark upon which the income level is compared to is the Federal Poverty Income Guideline and is updated annually. Patients who are already receiving benefits from certain identified government programs qualify for presumptive eligibility.

The availability of charity care is widely communicated to all patients and patients are notified prior to receiving services if their treatment does not fall within the guidelines of the policy. Amounts charged for care that is provided to individuals eligible for charity may not be more than the amounts generally billed to individuals who have insurance covering such care. Amounts billed are based on either the best, or an average of the three best, negotiated commercial rates, or Medicare rates.

Accounts that are classified by the System as charity care are not reported as net patient service revenue. For the nine months ended September 30, 2022 and 2021, the System's charity care provided was \$53,010 and \$64,910 respectively. In some cases, the charity care is subsidized by contributions from volunteer organizations or other donors.

Uncompensated care is also provided through reduced price services and free programs offered throughout the year. The System provides an array of uncompensated activities and services intended to meet community health needs. These activities include wellness programs, community education programs, and various health screening programs. The cost of providing these community benefit services is reported on Schedule H of the System's IRS Form 990.

10. THIRD-PARTY REIMBURSEMENT

As a provider of health care services, the System generally grants credit to patients without requiring collateral or other security. The System routinely obtains assignments of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans or policies. These health insurance programs or providers are commonly referred to as third-party payers and include the Medicare and Medicaid programs, Wellmark and various health maintenance and preferred provider organizations.

A major portion of the System's revenues are derived from these third-party payers. Significant changes have been made, and may be made, in certain of these programs, which could have a material, adverse impact on the financial condition of the System. These changes include federal and state laws and regulations, particularly those pertaining to Medicare and Medicaid.

The System has agreements with certain third-party payers that provide for payment of services at amounts different from established rates. Third-party payer payment rates vary by payer and include established charges; contracted rates less than established charges; prospectively determined rates per discharge, per procedure, or per diem; and retroactively determined cost-based rates.

11. MEDICAID STATE PLANS

The System has operations within states that have enacted a Medicaid State Plan. Under each of these plans, a tax assessment is levied on certain hospital providers in order to provide funding for Medicaid to obtain federal matching funds. A portion of these additional federal funds are then redistributed to participating hospitals through increased Medicaid payments in order to help bring Medicaid reimbursement closer to the cost of providing care. The allocation of these funds to specific health care providers is based primarily on the amount of care provided to Medicaid recipients.

The System's aggregate tax assessment during 2022 and 2021 was \$44,032 and \$47,126, respectively, and is included in operating expenses in the consolidated statements of operations. Additional Medicaid reimbursement in the same periods was approximately \$101,501 and \$91,746, respectively, and is included in net patient service revenue in the consolidated statements of operations. The net increase in operating income resulting from these plans was \$57,469 and \$44,620 for 2022 and 2021, respectively.

12. CONTRIBUTIONS AND INTEREST IN NET ASSETS

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor-imposed restrictions are considered fulfilled as soon as the stipulated time has expired, or the qualifying expenditure has been made. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

Contributions not expected to be collected within a year are recorded at the present value of expected future cash flows using a risk-free interest rate over the term of the contribution. Contributions of property are recorded at fair value when received.

Interest in charitable trusts and perpetual trusts is carried at the present value of expected future cash flows. The System's interest in the net assets (the "Interest") of certain foundations that raise and hold assets on behalf of the System is accounted for in a manner similar to the equity method. The Interest is stated at fair value, and changes in the Interest are included in the change in net assets. Transfers of assets between these foundations and the System are recognized as increases or decreases in the Interest.

13. ESTIMATED MALPRACTICE COSTS, HEALTH INSURANCE AND WORKERS' COMPENSATION

An annual estimated provision is accrued for the self-insured portion of medical malpractice, health insurance and workers' compensation claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported.

14. RISK MANAGEMENT

The System's Hospitals are primarily self-insured for professional and general liability for amounts of \$5,000 per claim and \$30,000 in the aggregate annually. Other entities of the System maintain their professional and general liability coverage on a claims-made basis with no significant deductibles.

The System is primarily self-insured for workers' compensation and employee health care claims. Workers' compensation claims individually and in the aggregate that exceed certain amounts are covered by insurance.

Property insurance is maintained with at least 90% replacement value coverage and minimal deductibles. Network security and information privacy insurance as well as business interruption insurance coverage is also maintained by the System.

The System has accrued as other liabilities \$198,776 and \$187,386 for self-insured losses at September 30 2022 and December 31, 2021, respectively. These liabilities are presented on a gross basis and any expected offsetting insurance recoveries are reported as a receivable. The accrued liabilities are based on management's evaluation of the merits of various claims, historical experience and consultation with external insurance consultants and actuaries and include estimates for incurred but not reported claims. There can be no assurance that the accrued liabilities will be sufficient for the ultimate amounts that will be paid for claims and settlements. Also, in the ordinary course of business, the System is involved in other litigation and claims, none of which management believes will ultimately result in losses that will adversely affect the System's consolidated net assets or results of operations to a material degree.

Cash and investments have been internally designated to be held for payments of claims, if any, which may result from the self-insured or uninsured portion of liability insurance and workers' compensation claims. At September 30, 2022 and December 31, 2021, the cash and investments amounted to \$42,091 and \$49,935, respectively.

15. LONG-TERM DEBT

Long-term debt at September 30, 2022 and December 31, 2021 is summarized as follows:

	Payable Through	Issuance Type (1)	Interest Rate (2)	2022	2021
Hospital Facility Revenue Bonds					
Series 2020	2050	Fixed	3.67%	\$ 319,635	\$ 319,635
Series 2018A	2035	Variable	1.12%	68,270	72,670
Series 2018B	2048	Fixed	5.00%	55,435	63,175
Series 2018C	2041	Variable	0.57%	53,840	53,840
Series 2018D	2041	Variable	0.54%	53,830	53,830
Series 2018E	2041	Variable	0.40%	52,940	53,920
Series 2018F	2041	Variable	0.45%	52,875	53,875
Series 2017A	2027	Fixed	3.15%	17,585	17,917
Series 2016D	2046	Fixed	4.00% - 5.00%	34,180	36,360
Series 2016E	2046	Fixed	4.00% - 5.00%	151,200	154,750
Series 2014A (WHEFA)	2029	Fixed	5.00%	56,360	56,360
Series 2014C	2035	Fixed	4.47% - 5.00%	69,145	69,145
Series 2013B	2039	VRDB	0.43%	70,055	71,330
Series 2012A	2024	Fixed	2.16%	4,650	4,650
Series 2012C	2037	Fixed	2.43%	16,170	16,170
Series 2005	2031	Fixed	1.45% - 4.00%	2,085	2,265
Series 1992A	2022	Fixed	6.00%	1,055	1,055
Total hospital facility revenue bonds				1,079,310	1,100,947
Capital lease obligations	2026	Fixed	0% - 9.05%	13,323	14,032
Revolving lines of credit	2022	Variable	Various	100,000	-
Other notes and mortgages	Various	Fixed	1.00% - 8.00%	106,202	106,679
				1,298,835	1,221,658
Current maturities				(241,100)	(58,692)
Unamortized bond issuance costs				(6,591)	(6,919)
Unamortized bond premium				28,263	30,396
Long-term portion				<u>\$ 1,079,407</u>	<u>\$ 1,186,443</u>

Aggregate remaining maturities of long-term debt are as follows:

				Scheduled Maturities Based on Loan Agreements
October	2022	-	September	2023 \$ 241,100
October	2023	-	September	2024 35,109
October	2024	-	September	2025 35,239
October	2025	-	September	2026 36,337
October	2026	-	September	2027 28,068
Thereafter				922,982
				<u>\$ 1,298,835</u>

The Series 2016 Bonds are obligations of one of the System's subsidiaries that were issued prior to their affiliation with the System, and thus they were the sole obligor under the bond indenture. The debt agreement for the bonds contains loan covenants which require maintaining certain measures of financial performance as long as the bonds are outstanding.

On October 20, 2017, the System issued \$19,500 of direct note obligations, Series 2017A, to retire existing taxable debt, pay costs for renovations and expansion projects in Pekin, Illinois, and pay costs of issuance of the bond.

On March 20, 2018, the System issued \$82,330 of Iowa Finance Authority Revenue Bonds, Series 2018A, to refund the Series 2016A bonds, which were direct note obligations

On November 20, 2018, the System issued \$72,980 of Iowa Finance Authority Revenue Bonds, Series 2018B, which included refinancing a portion of the Series 2005A bonds as well as new money to finance various capital projects. A portion of the Series 2005A bonds were cash-defeased as a part of this transaction.

On November 20, 2018, the System also issued \$229,660 of Iowa Finance Authority Revenue Bonds, Series 2018C, 2018D, 2018E, and 2018F to refund the series 2009D, 2009E, 2016B, 2016C, 2016F, and 2016G bonds. The purpose of this deal was to enter into more favorable interest rate terms and refinance the Series 2009D and 2009E bonds.

On May 13, 2020, the System issued \$319,635 taxable bonds, Series 2020, which included refinancing the 2013A bonds, and issued new money to finance general corporate purposes.

The Series 2020, 2018B, 2018C, 2018D, 2018E, 2018F, 2016D, 2016E, 2014A, 2014C, 2013B, and 1992A Bonds (collectively "the Bonds") and the Series 2018A, 2017A, 2012A, and 2012C direct note obligations (collectively "the Notes") are general obligations of the System and its affiliates. The System is required to meet certain operating and financial ratios contained in the master bond trust indenture, bond insurance agreements and bank letter of credit agreements (related to the variable rate demand bonds). The Bonds and Notes are subject to the provisions of amended and restated master trust indentures, which generally require monthly or quarterly deposits for principal and interest payments be made, and certain funds be maintained by the trustee for interest payment and bond retirement purposes. The Bonds and Notes are secured by the System's revenue.

The variable interest rates on substantially all of the bonds are adjusted daily or weekly by remarketing agents. The bonds may be tendered by the bond holders each interest rate period. The System maintains a letter of credit that can be drawn on should the Series 2013B, 2013C, 2018D, 2018E, or 2018F variable rate demand bonds not be remarketed. The letters of credit for the Series 2018C and 2018E bonds have an expiration date in 2023, and thus the related debt is shown as current debt in the System's consolidated financial statements. The remaining letters of credit have varying expiration dates and are renewable, subject to approval and at the option of the

providers, through the term of the bonds. Outstanding amounts under the letters of credit are due at the earlier of expiration of the agreement or over a period of three years, commencing after an initial outstanding period of 366 days or more.

On December 1, 2014, the System established a \$200,000 taxable commercial paper program. The System did not have any commercial paper outstanding drawn on it as of September 30, 2022 and December 31, 2021. The System's commercial paper program is sold in tranches, with varying maturities of one to 270 days, so that no more than \$25,000 will mature in any 5-business-day period.

On June 4, 2020, the System entered into a term loan agreement with an aggregate principle amount of \$100,000 and a maturity date in 2023.

The System maintains four separate revolving line-of-credit facilities, three facilities that provide for revolving credit in an aggregate principal amount of up to \$50,000 each and one facility that provides revolving credit in an aggregate principle amount of \$100,000. The interest rates applicable to loans under the credit agreements are based on short term rates plus certain margins, as defined in the agreements. Additionally, the facilities carry a commitment fee, which is charged on the average daily undrawn portion of the facilities. These agreements contain various financial covenants that mirror those in the System's master bond trust indenture.

16. INTEREST RATE SWAP AGREEMENTS

The System has entered into various interest rate Swap Agreements (the "Swaps" or "Swap Agreements") to reduce the effect of changes in cash flows primarily related to interest rate fluctuations on the System's various variable rate debt.

None of these Swaps are currently designated as hedging instruments and all changes in fair values is recorded as a component of nonoperating gains (losses) in excess of revenues over expenses.

The Swaps are recognized in the consolidated balance sheets at fair value. The net cash payments or receipts under the Swaps are recorded as an increase or decrease to other nonoperating income (loss).

The aggregate fair value of the Swap Agreements at September 30, 2022 are recorded as a long-term liability of (\$20,001) and at December 31, 2021 as a long-term investment of \$1,047 and a long-term liability of (\$58,105).

Maturity Date	Current Notional Amount	System Pays	System Receives	Counterparty	Accounting Treatment	Fair Value	
						9/30/2022	12/31/2021
2030	60,000	100% of SIFMA	68.0% of 10Y LIBOR + 14.3 bps	Morgan Stanley	Non-Hedge	(1,282)	1,047
2035	82,890	3.5%	62.4% of 3m LIBOR + 29 bps	JP Morgan	Non-Hedge	(3,591)	(13,551)
2037	116,300	3.8%	61.9% of 1m LIBOR + 31 bps	Morgan Stanley/Union	Non-Hedge	(12,123)	(32,117)
2023	27,700	3.5%	61.9% of 1m LIBOR + 31 bps	Morgan Stanley/U.S. Bank	Non-Hedge	(89)	(1,151)
2035	41,445	3.3%	62.4% of 1m LIBOR + 29 bps	U.S. Bank	Non-Hedge	(1,544)	(6,332)
2026	10,325	3.5%	63.0% of 1m LIBOR + 30 bps	Morgan Stanley/Piper Jaffray	Non-Hedge	(127)	(773)
2024	4,650	3.5%	63.0% of 1m LIBOR + 30 bps	Morgan Stanley/Piper Jaffray	Non-Hedge	(20)	(235)
2032	20,800	3.5%	67.0% of 1m LIBOR	U.S. Bank	Non-Hedge	(1,225)	(3,946)
						<u>\$ (20,001)</u>	<u>\$ (57,058)</u>

17. COMMITMENTS AND CONTINGENCIES

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Government activity has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties as well as significant repayments of previously billed and collected revenues for patient services. The System has a corporate compliance plan intended to meet federal guidelines. As a part of this plan, the System performs periodic internal and external reviews of its compliance with laws and regulations. As part of the System's compliance efforts, the System investigates and attempts to resolve and remedy all reported or suspected incidents of material noncompliance with applicable laws, regulations or policies on a timely basis. The System believes that these compliance programs and procedures lead to substantial compliance with current laws and regulations.

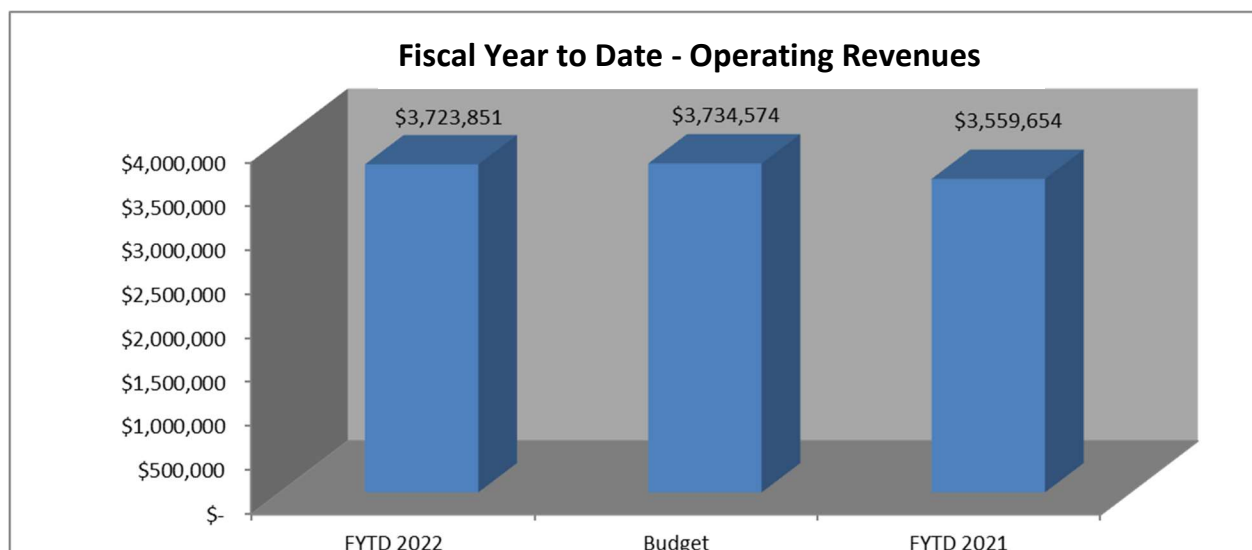
The System is in various stages of responding to inquiries and investigations. These various inquiries and investigations could result in fines and/or financial penalties. At this time, the System is unable to estimate the possible liability, if any, that may be incurred as a result of these inquiries and investigations, but the System does not believe it would materially affect the financial position of the System.

SECTION 3

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

**MANAGEMENT'S DISCUSSION OF FINANCIAL RESULTS
FOR THE PERIOD ENDING SEPTEMBER 30, 2022**
(in thousands) (unaudited)

1. Revenues

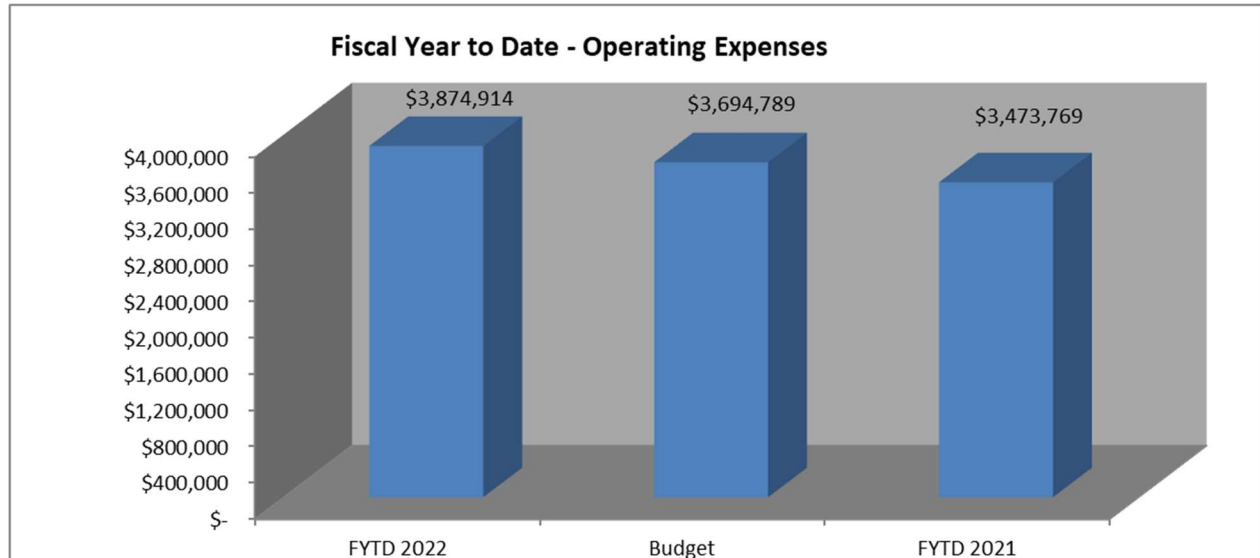


Total operating revenues have increased by 4.6% for the nine months ended September 30, 2022 compared to the same period in 2021. Actual operating revenues were unfavorable to budget by 0.3% for the nine months ended September 30, 2022.

The System is continuing to recover from decreased patient volume related to the COVID-19 pandemic. Inpatient volumes have come in 11.2% under budget and 3.5% below 2021 levels, while outpatient volumes have come in 1.9% under budget and 1.9% below 2021 levels. Net patient service revenue for 2022 is 3.5% under budget, but 1.7% ahead of 2021.

**MANAGEMENT'S DISCUSSION OF FINANCIAL RESULTS
FOR THE PERIOD ENDING SEPTEMBER 30, 2022**
(in thousands) (unaudited)

2. Expenses

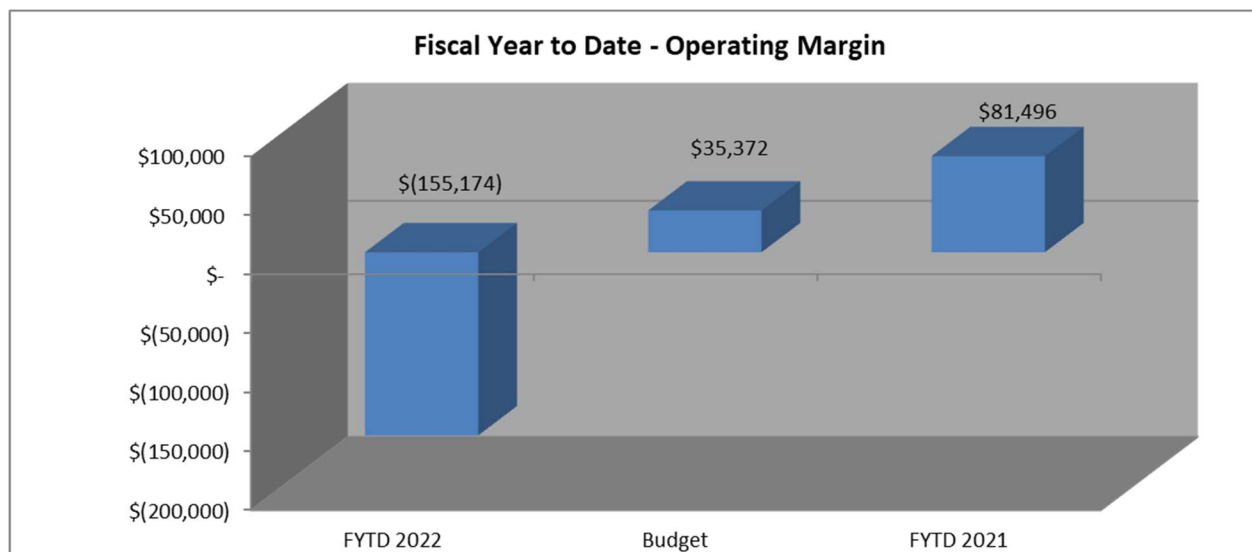


Total operating expenses have increased by 11.5% for the nine months ended September 30, 2022 compared to the same period in 2021. Actual operating expenses were unfavorable to budget by 4.9% for the nine months ended September 30, 2022.

The System remains on a path of increasing focus on expense management and operational improvement. Lower than expected patient volumes have not led to an offsetting decrease in expenses, with labor and supplies expenses both over budget for the year. The system is continuing to navigate supply chain challenges around basic key supplies. A significant portion of the expenses increase when compared to budget was related to contract staffing, primarily in nursing and other direct patient care services.

**MANAGEMENT'S DISCUSSION OF FINANCIAL RESULTS
FOR THE PERIOD ENDING SEPTEMBER 30, 2022**
(in thousands) (unaudited)

3. Operating Margin



Prior to the reduction for noncontrolling interest, the System had an operating loss of \$151.0 million, reflecting an operating margin of negative 4.1%. Management considers Income (Loss) Attributable to UnityPoint Health to be a better performance metric than operating income due to the former representing only the portion of income or loss belonging to UnityPoint Health under consolidated ownership principals. The loss attributable to UnityPoint Health was \$155.2 million, representing an operating margin of negative 4.2%, for the nine months ended September 30, 2022 compared to prior year of positive 2.3% and budget of positive 0.9%.

4. Nonoperating Activity and Other Changes in Net Assets

The System had a nonoperating loss of \$290.3 million for the nine months ended September 30, 2022 compared to gain of \$216.3 million during the same period in 2021. The main driver was capital market fluctuation, which generated the losses and gains on the System's portfolio during the periods.

**MANAGEMENT'S DISCUSSION OF FINANCIAL RESULTS
FOR THE PERIOD ENDING SEPTEMBER 30, 2022
(unaudited)**

5. Key Ratios and Operational Statistics

KEY FINANCIAL RATIOS		
	9/30/2022	12/31/2021
Days cash on hand (debt covenant)	231.77	304.01
Debt to capitalization	28.50%	25.37%
Cash to debt	212.81%	272.42%
Net days in accounts receivable	46.72	43.92

KEY OPERATING STATISTICS - HOSPITAL ONLY		
	9/30/2022	9/30/2021
Discharges (excluding newborns)	88,381	91,586
Patient Days (excluding newborns)	457,758	459,830
Adjusted Discharges (excluding newborns)	229,412	231,535
Average Length of Stay (excluding newborns)	5.22	5.01

Days cash on hand (calculated per debt covenant definitions under the System's master trust indenture) has decreased 72.2 days from December 31, 2021 to September 30, 2022. The primary drivers of this decrease has been the recoupment of Medicare advanced payments and operating losses.

Inpatient discharges, excluding newborns, decreased by 3.5% for the nine months ended September 30, 2022 compared to the same period in 2021. Adjusted discharges decreased by 0.9% over the same comparable period. The System is continuing to recover from decreased patient volume related to the COVID-19 pandemic.