

THE STAMFORD HOSPITAL
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2022

This document is dated February 6, 2023

SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS. Certain of the discussions included in the following document may include certain “forward-looking statements” which involve known and unknown risks and uncertainties inherent in the operation of health care facilities. Actual actions or results may differ materially from those discussed below. Specific factors that might cause such differences include competition from other health care facilities in the service areas of Stamford Health, Inc. facilities, federal and state regulation of health care providers, and reimbursement policies of the state and federal governments and managed care organizations. In particular, statements preceded by, followed by or that include the words “believes,” “estimates,” “expects,” “anticipates,” “plans,” “intends,” “scheduled” or other similar expressions are or may constitute forward looking statements.

QUARTERLY REPORT

Concerning
THE STAMFORD HOSPITAL
The information in this report
has been provided by
THE STAMFORD HOSPITAL

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BASIS OF PRESENTATION

The following financial information represents information of The Stamford Hospital (the “Hospital”), its parent corporation, Stamford Health, Inc. (the “Parent”), and its affiliates (collectively, the “System”). Because the Hospital including affiliate Stamford Health Medical Group, Inc. (the “SHMG”) and the Parent represented approximately 99.8% of the consolidated unrestricted revenue of the System and 95.0% of the consolidated assets of the System in fiscal year 2022, the following information is presented for the System as a whole and includes some information pertaining to the following affiliates of the System: HealthStar Indemnity, LLC, and Stamford Health Resources, Inc., (collectively, the “Non-Obligated Affiliates”). **NONE OF THE ASSETS OR REVENUES OF THE NON-OBLIGATED AFFILIATES ARE AVAILABLE TO PAY DEBT SERVICE ON THE BONDS OR ARE PLEDGED TO SECURE THE BONDS.**

Stamford Health, Inc.
Consolidated Balance Sheets*
(In Thousands)

	Unaudited 12/31/22	Audited 9/30/22
Assets		
Current assets:		
Cash and cash equivalents	\$ 121,179	\$ 147,213
Assets limited as to use	11,768	398
Short term investments	32	35
Patient Accounts Receivable, net	125,433	117,369
Other Receivables	21,408	20,991
Pledges Receivable	4,051	3,157
Other current assets	39,380	34,509
Total current assets	<u>323,251</u>	<u>323,672</u>
Assets limited to use:		
Long-term investments - endowments	5,719	5,719
Beneficial interest in a perpetual trust	58,581	56,235
	<u>64,300</u>	<u>61,954</u>
Long-term investments	244,883	228,950
Property, plant and equipment, net	583,752	591,424
Right-of-use assets	74,301	74,587
Pledges receivable, net	14,984	7,590
Other assets	37,106	37,714
Total assets	<u>\$ 1,342,577</u>	<u>\$ 1,325,891</u>
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	\$ 11,851	\$ 11,903
Operating lease liabilities, current portion	9,517	9,488
Accounts payable and accrued expenses	94,392	105,667
Salaries, wages and fees payable	18,325	19,080
Accrued vacation liability	28,521	28,530
Estimated third-party payor settlements, current	1,000	1,000
Estimated professional liabilities, current	20,182	19,680
Total current liabilities	<u>183,788</u>	<u>195,348</u>
Pension liabilities	10,787	10,762
Estimated third-party payor settlements, net of current portion	1,000	1,000
Long-term debt, net of current portion	421,949	423,001
Operating lease liabilities, net of current portion	76,059	76,372
Estimated professional liabilities, net of current portion	43,925	43,912
Total liabilities	<u>737,508</u>	<u>750,395</u>
Net assets:		
Net assets without donor restrictions	489,509	473,859
Net assets with donor restrictions	115,560	101,637
Total net assets	<u>605,069</u>	<u>575,496</u>
Total liabilities and net assets	<u>\$ 1,342,577</u>	<u>\$ 1,325,891</u>

* Includes Non-Obligated affiliates. See note 1.

Stamford Health, Inc.
Consolidated Statements of Operations*
(In Thousands)

	(Unaudited)	
	Three Months Ended	
	December 31	
	2022	2021
	<u>2022</u>	<u>2021</u>
Unrestricted revenue, gains and other support:		
Net patient service revenue	\$ 211,346	\$ 202,398
Other revenue	12,964	7,966
Net assets released from restrictions for operations	231	417
Total unrestricted revenue, gains and other support	<u>224,541</u>	<u>210,781</u>
Expenses:		
Salaries	96,194	90,746
Employee benefits	17,915	16,651
Supplies and other expenses	94,783	82,353
Depreciation and amortization	10,851	11,064
Interest expense	2,873	4,208
Total expenses	<u>222,616</u>	<u>205,022</u>
Income from operations	1,925	5,759
Nonoperating gains and losses:		
Pension cost other than service cost, net	(892)	(233)
Investment returns	6,418	6,620
Change in net unrealized gains and losses	7,982	(1,375)
Total nonoperating gains and losses	<u>13,508</u>	<u>5,012</u>
Excess of revenue over expenses	15,433	10,771
Net assets released from restrictions used for purchases of property and equipment	217	28
Increase in net assets without donor restrictions	<u>\$ 15,650</u>	<u>\$ 10,799</u>

* Includes Non-Obligated affiliates. See note 1.

Stamford Health, Inc.
Consolidated Statements of Changes in Net Assets*
(In Thousands)

	(Unaudited)				
	Net Assets with Donor Restrictions				
	Net assets Without Donor Restrictions	Purpose and Time Restrictions	Permanent Endowment	Total Net Assets with Donor Restrictions	Total
Balance at September 30, 2021	\$ 484,385	\$ 34,289	\$ 76,218	\$ 110,507	\$ 594,892
Excess of revenue over expenses	10,771	-	-	-	10,771
Contributions	-	3,456	-	3,456	3,456
Change in net unrealized gains and losses	-	(139)	-	(139)	(139)
Investment returns	-	595	-	595	595
Gains or losses (realized/unrealized) - beneficial interest in a perpetual trust	-	-	1,083	1,083	1,083
Net assets released from restrictions for operations	-	(417)	-	(417)	(417)
Net assets released from restrictions used for purchases of property and equipment	28	(28)	-	(28)	-
Increase in net assets	10,799	3,467	1,083	4,550	15,349
Balance at December 31, 2021	\$ 495,184	\$ 37,756	\$ 77,301	\$ 115,057	\$ 610,241
Balance at September 30, 2022	\$ 473,859	\$ 39,683	\$ 61,954	\$ 101,637	\$ 575,496
Deficiency of revenue over expenses	15,433				15,433
Contributions		10,756		10,756	10,756
Change in net unrealized gains and losses		837		837	837
Investment returns		433		433	433
Gains or losses (realized/unrealized) - beneficial interest in a perpetual trust			2,345	2,345	2,345
Net assets released from restrictions for operations		(231)		(231)	(231)
Net assets released from restrictions used for purchases of property and equipment	217	(217)		(217)	-
Increase in net assets	15,650	11,578	2,345	13,923	29,573
Balance at December 31, 2022	\$ 489,509	\$ 51,261	\$ 64,299	\$ 115,560	\$ 605,069

* Includes Non-Obligated affiliates. See note 1.

Stamford Health, Inc.
Consolidated Statements of Cash Flows*
(In Thousands)

	(Unaudited) Three Months Ended December 31	
	2022	2021
Operating activities		
Change in net assets	\$ 29,573	\$ 15,349
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized gains and losses and change in net unrealized gains and losses	(13,154)	(3,706)
Restricted contributions	(10,756)	(3,456)
Restricted investment returns	(3,614)	(1,539)
Depreciation and amortization	10,850	11,064
Amortization of deferred financing costs	58	54
Net amortization of bond premium	(1,166)	(573)
Change in:		
Patient accounts receivable	(8,064)	(7,050)
Accounts payable and accrued expenses	(11,271)	8,299
Estimated third-party payor settlements	(565)	(8,122)
Estimated professional liabilities	515	2,210
Change in all other operating assets and liabilities	(13,141)	(19,179)
Net cash (used in) provided by operating activities	<u>(20,735)</u>	<u>(6,649)</u>
Investing activities		
Capital expenditures, net	(3,177)	(2,614)
Net cash invested in assets limited as to use and investments	(5,076)	(3,855)
Net cash (used in) investing activities	<u>(8,253)</u>	<u>(6,469)</u>
Financing activities		
Principal payments on long-term debt	-	-
Restricted investment returns	3,614	1,539
Restricted contributions	10,756	3,456
Net cash provided by financing activities	<u>14,370</u>	<u>4,995</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	(14,618)	(8,123)
Cash, cash equivalents and restricted cash, beginning of year	157,306	220,557
Cash, cash equivalents and restricted cash, end of year	<u>\$ 142,688</u>	<u>\$ 212,434</u>
Reconciliation of cash, cash equivalents and restricted cash at end of year to the consolidated balance sheets		
Cash and cash equivalents	\$ 121,179	\$ 186,788
Assets limited or restricted as to use: cash and cash equivalents	11,914	13,764
Investments: cash and cash equivalents	9,595	11,882
Total cash, cash equivalents and restricted cash	<u>\$ 142,688</u>	<u>\$ 212,434</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>

* Includes Non-Obligated affiliates. See note 1.

Stamford Health, Inc.
Notes to Interim Consolidated Financial Statements
(In Thousands)

1. Consolidated Financial Statements

All significant intercompany transactions and accounts have been eliminated in consolidation.

The System presumes that users of this interim unaudited consolidated financial information have read or have access to the System's consolidated audited financial statements which include certain additional disclosures required by generally accepted accounting principles. The audited consolidated financial statements of the System for the years ended September 30, 2022 and 2021 are on file with the Connecticut Office of Health Care Access, pursuant to Connecticut General Statutes (C.G.S.) 19a-644. Accordingly, footnotes and other disclosures that would substantially duplicate the disclosures contained in the System's most recent audited consolidated financial statements have been omitted. In the opinion of management, all adjustments considered necessary for a fair presentation of the results for the interim periods have been included in the accompanying unaudited interim consolidated financial statements. All such adjustments are considered by management to be of a normal, recurring nature.

Patient volumes and net operating revenues are subject to seasonal variations caused by a number of factors, including, but not necessarily limited to, climate and weather conditions, vacation patterns of hospital patients and admitting physicians and other factors relating to the timing of elective hospital procedures. Year-to-date operating results are not necessarily representative of operations for a full year for various reasons, including levels of occupancy and other patient volumes, interest rates, unusual or non-recurring items and other seasonal fluctuations.

**THE STAMFORD HOSPITAL
OPERATING DATA
FOR THE THREE MONTHS ENDED DECEMBER 31, 2022**

HOSPITAL UTILIZATION

The following table summarizes selected statistical data of the Hospital for the three months ended December 31, 2022 and 2021:

	Three Months Ended	
	December 31,	
	2021	2020
Licensed Beds	305	305
Licensed Beds (including newborn bassinets)	330	330
Available Beds	305	305
Available Beds (including newborn bassinets)	330	330
Discharges:		
Acute	3,327	3,259
Newborn	576	595
Total Discharges	<u>3,903</u>	<u>3,854</u>
Observation Discharges	1,351	1,061
Total Acute and Observation Discharges	4,678	4,320
Total Inpatient Days (excludes Observation Discharges)	19,842	20,071
Occupancy Rate (based on Available Beds)	70.71%	71.53%
Average Inpatient Length of Stay (days)	5.08	5.21
Emergency Visits	23,916	23,646
Surgery (Cases):		
Inpatient	675	663
Outpatient	2,872	2,975
Total Surgery	<u>3,547</u>	<u>3,638</u>
Radiology Procedures	63,492	59,974
Medicare Case Mix Index	1.800	1.897

SOURCES OF PATIENT SERVICE REVENUE

The following table shows the distribution of net patient service revenue for the Hospital and discharges by payor source for the three months ended December 31, 2022 compared to the three months ended December 31, 2021.

	Net Patient Service Revenue		Discharges	
	3 Months	3 Months	3 Months	3 Months
	12/31/22	12/31/21	12/31/22	12/31/21
Medicare	17.5%	18.2%	1,050	1,020
Medicaid & Pending Medicaid	7.6%	7.2%	871	938
Managed Care - Medicare	7.8%	6.7%	435	409
Commercial	61.7%	58.2%	1,388	1,347
Other (including self-pay)	5.4%	9.7%	159	140
Totals	100.0%	100.0%	3,903	3,854

Stamford Health, Inc.
Summary of Historical Revenues and Expenses*
(In Thousands)

	(Unaudited)	
	Three Months Ended	
	December 31	
	2022	2021
Revenues:		
Net patient service revenue	\$ 211,346	\$ 202,398
Other revenue	12,964	7,966
Net assets released from restrictions	231	417
Total unrestricted revenue	224,541	210,781
Expenses:		
Salaries and benefits	114,109	107,397
Supplies and other expenses	94,783	82,353
Depreciation and amortization	10,851	11,064
Interest expense	2,873	4,208
Total expenses	222,616	205,022
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Change in net unrealized gains and losses	7,982	(1,375)
Total nonoperating gains and losses	13,508	5,012
Excess of revenue over expenses	\$ 15,433	\$ 10,771

* Includes Non-Obligated affiliates. See note 1.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RECENT FINANCIAL PERFORMANCE

Results for the Three Months Ended December 31, 2022 and 2021

The following discussion refers to the results from operations of the System on a consolidated basis and therefore, includes results for Non-Obligated Affiliates. For the fiscal year ended September 30, 2022, Non-Obligated Affiliates represented approximately .2% of the consolidated unrestricted revenue of the System and 5.0% of the consolidated assets of the System.

The System generated income from operations of \$1.9 million and \$5.8 million for the three months ended December 31, 2022 and 2021, respectively. Unrestricted revenue increased by 6.5%, from \$210.8 million for the three months ended December 31, 2021 to \$224.5 million for the same period in 2022. Management attributes this growth primarily to higher outpatient revenues (radiology and emergency room), higher inpatient revenues and increased other revenues (primarily pharmacy sales). Total expenses for the System increased 8.6% from \$205.0 million for the three months ended December 31, 2021 to \$222.6 million for the same period in 2022. Of the \$17.6 million increase, \$6.7 million was attributed to increased salaries and benefits, \$12.4 million was attributed to supplies and other expenses offset by lower interest expense.

Salaries and benefits expenses for the three months ended December 31, 2022 increased by \$6.7 million, or approximately 6.2%, to \$114.1 million as compared to the three months ended December 31, 2021. The increase was primarily attributable to increased Hospital and SHMG staffing as well as wage adjustments made over the past calendar year 2022, to keep pace with market forces.

Supplies and other expenses for the System increased by \$12.4 million or 15.1% for the three months ended December 31, 2022 compared to the three months ended December 31, 2021. The primary expense drivers for the increase as compared to the prior period were temporary employee fees related to agency nursing, physician fees and pharmaceutical expenses. The increase in pharmaceutical spend is the result of increased pharmaceutical revenues generated by our Specialty Pharmacy.

Investment returns included in nonoperating gains and losses totaled \$6.4 million and \$6.6 million for the three months ended December 31, 2022 and 2021, respectively. For the three months ended December 31, 2022 and 2021, changes in net unrealized gains and losses totaled \$8.0 million and (\$1.4) million, respectively.

