



February 27, 2023

US Bank, N.A.  
One Federal Street - 3rd Floor  
Boston, MA 02110

RE: Officers Certificate for Dartmouth-Hitchcock Obligated Group (D-HOG) relating to the quarterly filing for December 31, 2022.

Issues Including:

Cheshire Medical Center Series 2012  
Mary Hitchcock Memorial Hospital Series 2014A/B  
Mary Hitchcock Memorial Hospital Series 2016B  
Dartmouth-Hitchcock Health Series 2017A/B  
Dartmouth-Hitchcock Health Series 2018A/B  
Alice Peck Day Memorial Hospital Series 2018C  
Dartmouth-Hitchcock Health Series 2019A  
Dartmouth-Hitchcock Health Series 2020A

Taxable Notes Payable

Dartmouth-Hitchcock Health TD Bank, National Association

I hereby certify that the Obligated Group's quarterly report for the quarter ended December 31, 2022 constitutes the quarterly financial information required by the Continuing Disclosure Agreement. I further certify that the information complies with the Continuing Disclosure Agreements relating to the above-referenced issues. US Bank shall be entitled to rely on this certificate.

If you have further questions about this matter please do not hesitate to call.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel P. Jantzen".

Daniel P. Jantzen  
Chief Financial Officer  
Dartmouth-Hitchcock Health

**Dartmouth-Hitchcock Health  
Management’s Discussion and Analysis  
For the Six Months Ended December 31, 2022**

The following management discussion and analysis was prepared for Dartmouth-Hitchcock Health’s (the “System” or “D-HH”) Consolidated Balance Sheets and Statements of Operations and Changes in Net Assets without Donor Restrictions, which include the activity of all members that are part of the System. As of December 31, 2022, the System comprises the following entities: Dartmouth-Hitchcock Health and Subsidiaries (“Parent”), Dartmouth-Hitchcock Clinic and Subsidiaries (“DHC”), Mary Hitchcock Memorial Hospital and Subsidiaries (“MHMH”), (DHC and MHMH together are referred to as “D-H”), The New London Hospital Association (“NLH”), Windsor Hospital Corporation (d/b/a Mt. Ascutney Hospital and Health Center) and Subsidiaries (“MAHHC”), The Cheshire Medical Center and Subsidiaries (“Cheshire”), Alice Peck Day Memorial Hospital and Subsidiary (“APD”), and the Visiting Nurse Association and Hospice of Vermont and New Hampshire Inc. and Subsidiaries (“VNH”).

***ATTENTION***

*This document is dated as of December 31, 2022, and reflects financial statements as of that date. Readers are cautioned not to assume that any information has been updated beyond the dated date unless expressly so stated. Any information referencing events after the dated date is effective only as of the date stated. We expressly disclaim any duty to provide an update of any information contained in this document. The information contained in this document includes certain information provided on a voluntary basis by the System. The System may, in its sole discretion, omit such information provided herein on a voluntary basis from its future continuing disclosure filings. The System does not hereby undertake to provide any such voluntary information in the future or to update any such voluntary information in the future.*

*The information contained in this document may include “forward looking statements” by using forward looking words such as “may,” “will,” “should,” “expect(s),” “believe(s),” “anticipate(s),” “estimate(s),” 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, which 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.*

*For the Six Months Ending December 31, 2022 Compared to the Same Period of the Prior Year*

As described more fully below, D-HH incurred a \$78.0 million (5.3%) operating loss for the six months ending December 31, 2022, as the System continued to be impacted by external financial pressures and challenges stemming from the highly complex national health care environment in which it is operating. In the midst of this environment, D-HH is focused on two critically important issues.

First and foremost, is the ongoing challenge of staffing clinical operations to the fullest extent possible in order to fulfill the organization's mission and to continue to provide the high quality, high value care our patients need and expect. Given the national labor shortage, particularly in the health care sector, this has resulted in significant labor premiums as the organization has reverted to high cost travelers to ensure adequate staffing. The financial impact of this challenge has been further exacerbated by a lack of available post-acute care beds in the region, largely driven by skilled nursing and inpatient rehab facilities who are grappling with their own workforce shortages. Reduced post-acute bed availability has resulted in increased lengths of stay in member hospitals due to an inability to discharge patients in a timely manner thereby adding pressure to an already capacity constrained inpatient system.

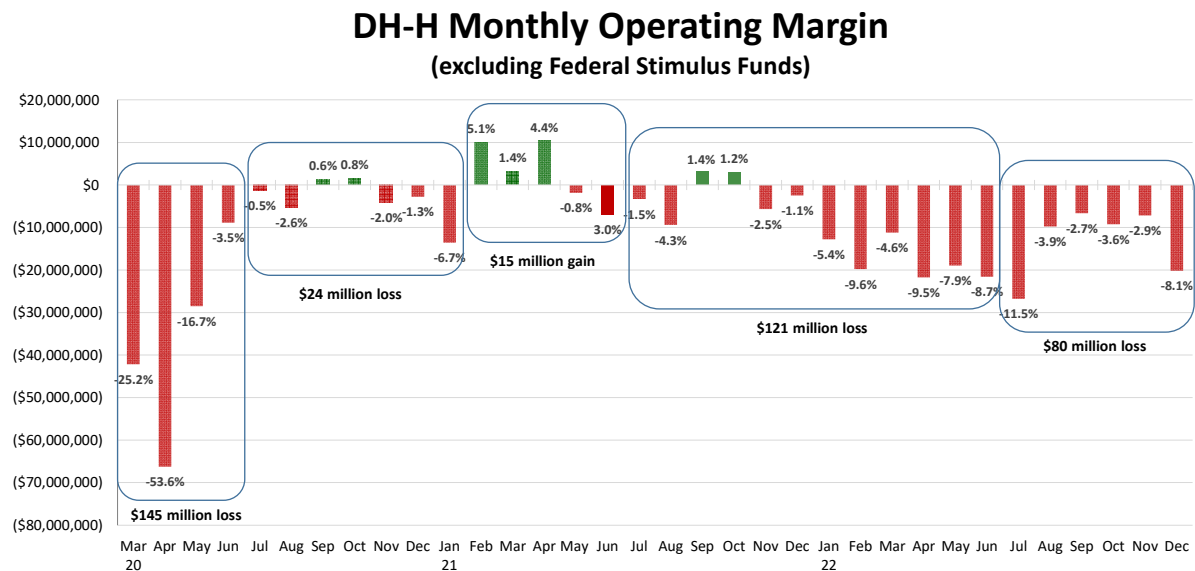
In the midst of this backdrop, D-HH is focused on improving its financial performance to ensure that it can continue to meet the needs of the communities it serves and to maintain the financial profile that has allowed it to be successful. To that end, in November 2022, D-HH initiated a formal Performance Improvement Plan with a goal of achieving break-even monthly performance during FY24. All levels of the organization are keenly focused on this objective and we expect that the improvement will come from a combination of initiatives that increase volumes and revenues and decrease expenses, as well as from additional inpatient capacity being constructed on the Dartmouth Hitchcock Medical Center (DHMC) campus as described below. D-HH has engaged two nationally recognized consulting firms to assist with this work.

D-HH will be in a stronger position to meet excess patient demand when it opens its newly constructed Patient Pavilion at DHMC in May 2023. The opening of the Pavilion will bring 64 new, state-of-the-art patient beds to the System's flagship academic campus in Lebanon. At the same time, 36 existing patient beds will be closed for renovation, resulting in a net initial increase of 28 beds. Over time, the remaining beds will open as renovations are completed. As a reminder, funding

of the \$150 million Pavilion was secured with the issuance of D-HH’s Series 2020A bonds in January of 2020. The project is expected to be completed on time and within budget.

COVID-19 has clearly presented D-HH with ongoing financial challenges. While we have faced and overcome financial challenges in the past and have confidence in our ability to do so again, we must acknowledge the difficult and national nature of this unique situation. The scale and macroeconomic effects of some of these issues is unprecedented. At the same time the Performance Improvement Plan is further developed and executed, D-HH continues to actively take action to mitigate the financial impact of COVID-19 and its lingering aftereffects. We continue to actively reevaluate, adapt, and add to these mitigating tactics as the situation on the ground changes. Recruitment and retention of high-quality staff remains one of the organization’s highest priorities. Additionally, we are curtailing capital spending as much as possible to improve liquidity. We are committed to achieving sustainable financial results, but cannot predict how the lingering aftereffects of the pandemic will effect operations or economic conditions in the future.

As can be seen from the chart below, all of these factors have put significant pressure on D-HH’s operating margin.



Fortunately, the majority of the \$299 million in cumulative operating losses incurred from March 1, 2020, through June 30, 2022, have been offset by \$250.5 million in cumulative stimulus funds.





### ***Operating Results***

For the six months ending December 31, 2022, the D-HH System incurred a \$78.0 million (5.3%) consolidated Operating Loss, an amount that was \$65.0 million greater than the Operating Loss incurred for the same period of the prior year when stimulus funds are excluded. D-HH received \$1.8 million and \$70.4 million of stimulus funds for the six months ending December 31, 2022 and 2021, respectively.

### ***Revenue***

D-HH generated \$1.48 billion of Total Operating Revenue and Other Support (excluding stimulus funds) for the six months ending December 31, 2022, an increase of \$113.1 million (8.2%) when compared to the same period of the prior year. Net Patient Service Revenue (excluding NH Disproportionate Share Hospital revenue commonly referred to as DSH) increased by \$36.7 million (3.4%) due to year over year volume growth and increases in contracted payment rates. Other Operating Revenue (excluding stimulus funds) increased by \$71.1 million (33.8%) as compared to the prior year due to growth driven by the ongoing successful expansion of D-HH's Contract and Specialty Pharmacy businesses.

During the six months ending December 31, 2022, System surgical cases grew by 8.0% over the prior year while discharges and ambulatory appointments increased by 1.5% and 0.7%, respectively. As previously noted, the System continues to grapple with inpatient capacity constraints as well as staff vacancies that have been partially mitigated by the use of high cost travelers.

### ***Update on Disproportionate Share Hospital Revenue ("DSH")***

There are four D-HH hospital members in New Hampshire that are eligible to receive disproportionate share hospital ("DSH") payments based on the large number of Medicaid and uninsured patients to whom those D-HH members provide health care services. Pursuant to a settlement agreement with the State of New Hampshire, D-HH hospital members in New Hampshire recognized \$38.0 million and \$33.8 million in DSH revenue for the six months ending December 31, 2022 and 2021, respectively. DSH revenue is accrued and included in revenue on a pro rata basis throughout the year.

### ***Expenses***

D-HH's consolidated operating expenses for the six months ending December 31, 2022, were \$1.56 billion, \$178.1 million (12.8%) higher than for the same period of the prior fiscal year. Consistent with previous quarters, the primary drivers of expense growth were in the categories of compensation, medications and purchased services and other. Due to the relative size of D-H, it was the primary source of many of the System's expense increases. D-H's total workforce costs (salaries and employee benefits) were \$75.7 million (11.6%) higher than the same period of the prior fiscal



year, driven by increased rates of pay year-over-year, including premium pay associated with high cost travelers. D-H's medication and medical supply costs grew by \$42.2 million (15.1%) over the same period of the prior fiscal year, a result of expanded pharmacy services and higher acuity procedural volumes (with higher associated supply costs). Higher than planned medication and medical supply costs were appropriately matched by increased revenue and margin. Medical supply expense also included purchases related to growth in COVID testing.

### ***Changes in Unrestricted Cash and Investments / Liquidity Update***

Operating losses, an increased expense base, and working capital changes for the six months ending December 31, 2022, combined to lower D-HH's Days Cash on Hand by 25 days, from 149 days to 124 days, excluding the impact of temporary CARES Act funds. This represents a 2 day decrease from the 126 Days Cash on Hand level at the end of the previous quarter, September 30, 2022.

D-HH unrestricted cash and investments totaled \$1.05 billion as of December 31, 2022. This amount no longer includes any CMS prepayment advances or payroll tax deferrals as they have all been repaid (the final \$72.7 million of these temporary funds received under the CARES Act were repaid during the six months ending December 31, 2022). Excluding all temporary CARES Act funds, D-HH's unrestricted cash and investments have decreased by \$96.9 million during the last six months. Operating margin losses (\$78.0 million) are the key driver of the decline, partially offset by improved investment performance during the last quarter, which brought investment income slightly positive for the fiscal year at \$5.7 million. The remaining \$24.6 million decline is made up primarily of working capital changes and capital spend.

As we have noted previously, in February 2019, D-HH transferred \$132.0 million from cash and invested into a high quality and short duration fixed income portfolio, which we refer to as the Intermediate Fund. The purpose of this fund is to provide D-HH with a contingent source of liquidity from high quality fixed income investments. As of December 31, 2022, the Intermediate Fund has a market value of \$126.7 million and is included on the Balance Sheet under "Assets limited as to use."

As of December 31, 2022, D-HH had short-term liquidity of \$279.7 million in immediately available cash and short-term, high quality fixed-income investments, as follows:

Cash and cash equivalents	\$102.0 million
D-HH Intermediate Fund:	\$126.7 million
<u>Line of Credit Availability:</u>	<u>\$51.0 million</u>
Total short-term liquidity:	\$279.7 million

Subsequent to the end of the quarter, D-HH increased its Line of Credit capacity from \$75 million to \$100 million.

***Annual Debt Service Coverage Ratio for the Six Months Ended December 31, 2022***

The presentation of the annual debt service coverage ratio for the six months ended December 31, 2022, is included in this filing. As of December 31, 2022, D-HH’s annual debt service coverage ratio was -1.71x, primarily resulting from the operating losses recognized for the fiscal year to date. We are reviewing every option available and taking all necessary steps in order to improve our financial performance and achieve an annual debt service coverage ratio over 1.1x. As mentioned above, D-HH has engaged two nationally recognized consulting firms to assist us with our Performance Improvement Plan, with the goal to improve annual operating margin results.

***D-HH Major Capital Projects***

**DHMC Patient Pavilion – Lebanon, NH (\$150M budget):**

The DHMC Patient Pavilion project is on budget and on schedule to open in early May 2023. There are no critical building materials, furniture and medical equipment availability issues at this time. Only final construction finishes, building system commissioning and punch list items remain to be completed.



It is anticipated that the certificate of occupancy will be issued in early March 2023 allowing staff to fully occupy the new Pavilion for final clinical equipment installations. Staff training and patient simulation are well underway to ensure a smooth opening for patients and staff.

# DARTMOUTH-HITCHCOCK OBLIGATED GROUP

## QUARTERLY REPORT

**For the Period Ended December 31, 2022**

*Unaudited*

**In accordance with the Master Trust Indenture and Continuing Disclosure Agreements, Dartmouth-Hitchcock Obligated Group (D-HOG) presents the financial results of Dartmouth-Hitchcock Health and Subsidiaries ("D-HH") for the quarter and year to date periods ended December 31, 2022 and 2021, and the Consolidated Balance Sheets as of December 31, 2022 and the fiscal year ended June 30, 2022.**

**D-HH is comprised of the following entities:** Dartmouth-Hitchcock Health, Dartmouth-Hitchcock Clinic and Subsidiaries, Mary Hitchcock Memorial Hospital and Subsidiaries, The New London Hospital Association, Windsor Hospital Corporation (d/b/a Mt. Ascutney Hospital and Health Center) and Subsidiaries, The Cheshire Medical Center and Subsidiaries, Alice Peck Day Memorial Hospital and Subsidiary, and the Visiting Nurse and Hospice of Vermont and New Hampshire, Inc. and Subsidiaries.

**D-HOG members include:** Dartmouth-Hitchcock Health, Dartmouth-Hitchcock Clinic, Mary Hitchcock Memorial Hospital, The New London Hospital Association, Windsor Hospital Corporation (d/b/a Mt. Ascutney Hospital and Health Center), The Cheshire Medical Center, and Alice Peck Day Memorial Hospital.



**Dartmouth-Hitchcock Obligated Group**  
**Quarterly Report**  
**December 31, 2022**  
*Unaudited*

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**Dartmouth-Hitchcock Health and Subsidiaries**  
**Consolidated Balance Sheets**  
*(000's Omitted)*

	<b>December 31, 2022</b>	<b>June 30, 2022</b>
	<i>Unaudited</i>	<i>Audited</i>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 101,980	\$ 191,929
Patient accounts receivable, net	241,010	251,250
Prepaid expenses and other current assets	217,863	169,133
Total current assets	<u>560,853</u>	<u>612,312</u>
Assets limited as to use	1,048,421	1,181,094
Other investments for restricted activities	174,761	175,116
Property, plant and equipment, net	783,416	764,840
Right of use assets, net	57,745	58,925
Other assets	170,527	172,163
	<u>1,048,421</u>	<u>1,181,094</u>
Total assets	<u>\$ 2,795,723</u>	<u>\$ 2,964,450</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Current portion of long-term debt	\$ 15,237	\$ 6,596
Current portion of right-of-use obligations	11,608	11,319
Line of credit	24,000	-
Current portion of liability for other post-retirement plan benefits	3,500	3,500
Accounts payable and accrued expenses	151,426	156,572
Accrued compensation and related benefits	140,710	190,560
Estimated third-party settlements	82,387	134,898
Total current liabilities	<u>428,868</u>	<u>503,445</u>
Long-term debt, excluding current portion	1,100,427	1,117,288
Long-term right-of-use obligations, excluding current portion	47,453	48,824
Insurance deposits and related liabilities	78,422	78,391
Liability for pension and other		
post-retirement plan benefits, excluding current portion	235,957	228,606
Other liabilities	153,709	154,096
Total liabilities	<u>2,044,836</u>	<u>2,130,650</u>
Net assets		
Net assets without donor restrictions	548,402	634,297
Net assets with donor restrictions	202,485	199,503
Total net assets	<u>750,887</u>	<u>833,800</u>
	<u>750,887</u>	<u>833,800</u>
Total liabilities and net assets	<u>\$ 2,795,723</u>	<u>\$ 2,964,450</u>

**Dartmouth-Hitchcock Health and Subsidiaries**  
**Consolidated Statements of Operations and Changes**  
**in Net Assets without Donor Restrictions**  
**For the Quarters Ended December 31, 2022 and 2021**  
*(000's Omitted)*

	Quarter-to-date	
	December 31, 2022	December 31, 2021
	<i>Unaudited</i>	<i>Unaudited</i>
<b>Operating revenue and other support</b>		
Net patient service revenue	\$ 585,601	\$ 565,574
Contracted revenue	20,422	18,892
Other operating revenue	148,161	178,952
Net assets released from restrictions	3,400	4,197
Total operating revenue and other support	<u>757,584</u>	<u>767,615</u>
<b>Operating expenses</b>		
Salaries	358,381	316,950
Employee benefits	86,834	83,466
Medical supplies and medications	176,178	156,159
Purchased services and other	120,285	95,887
Medicaid enhancement tax	21,169	20,457
Depreciation and amortization	23,220	21,678
Interest	8,137	7,952
Total operating expenses	<u>794,204</u>	<u>702,549</u>
Operating (loss) margin	<u>(36,620)</u>	<u>65,066</u>
<b>Non-operating gains</b>		
Investment gains	39,721	39,171
Other, net	(7,547)	490
Total non-operating gains, net	<u>32,174</u>	<u>39,661</u>
(Deficiency) excess of revenue over expenses	(4,446)	104,727
<b>Net assets without donor restrictions</b>		
Net assets released from restrictions	54	747
Change in funded status of pension and other post-retirement benefits	114	30
Other changes in net assets	-	(23)
(Decrease) increase in net assets without donor restrictions	<u>\$ (4,278)</u>	<u>\$ 105,481</u>

**Dartmouth-Hitchcock Health and Subsidiaries**  
**Consolidated Statements of Operations and Changes**  
**in Net Assets without Donor Restrictions**  
**For the Six Months Ended December 31, 2022 and 2021**  
*(000's Omitted)*

	Year-to-Date	
	December 31, 2022	December 31, 2021
	<i>Unaudited</i>	<i>Unaudited</i>
<b>Operating revenue and other support</b>		
Net patient service revenue	\$ 1,155,429	\$ 1,114,608
Contracted revenue	39,648	38,052
Other operating revenue	283,269	280,733
Net assets released from restrictions	7,881	8,300
Total operating revenue and other support	<u>1,486,227</u>	<u>1,441,693</u>
<b>Operating expenses</b>		
Salaries	708,401	621,452
Employee benefits	166,155	162,038
Medical supplies and medications	360,901	315,074
Purchased services and other	225,863	187,801
Medicaid enhancement tax	42,337	40,696
Depreciation and amortization	44,403	42,968
Interest	16,203	16,143
Total operating expenses	<u>1,564,263</u>	<u>1,386,172</u>
Operating (loss) margin	<u>(78,036)</u>	<u>55,521</u>
<b>Non-operating (losses) gains</b>		
Investment gains	5,684	45,575
Other, net	(14,125)	2,909
Total non-operating (losses) gains, net	<u>(8,441)</u>	<u>48,484</u>
(Deficiency) excess of revenue over expenses	(86,477)	104,005
<b>Net assets without donor restrictions</b>		
Net assets released from restrictions	468	1,713
Change in funded status of pension and other post-retirement benefits	114	30
Other changes in net assets	-	(23)
(Decrease) increase in net assets without donor restrictions	<u>\$ (85,895)</u>	<u>\$ 105,725</u>



**Dartmouth-Hitchcock Health and Subsidiaries**  
**Consolidated Summary Statement of Unrestricted Liquidity**  
**For the Six Months Ended December 31, 2022 and 2021 and the Year Ended June 30, 2022**  
*(000's Omitted)*

	<b>December 31, 2022</b>	<b>June 30, 2022</b>	<b>December 31, 2021</b>
	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
Cash and cash equivalents (1)	\$ 77,980	\$ 191,929	\$ 281,086
Assets whose use is limited by Board designation (2)	944,560	1,024,175	1,194,712
Total unrestricted cash and investments	<u>\$ 1,022,540</u>	<u>\$ 1,216,104</u>	<u>\$ 1,475,798</u>
Days cash on hand *	<u>124</u>	<u>158</u>	<u>202</u>

\* Unrestricted Days Cash on Hand excluding the Medicare Advanced Payments and Payroll Tax Relief in June 2022 and December 2021 would be 149 and 180, respectively. As of December 2022 all relief payments were repaid, in full.

(1) Reconciliation of Cash and cash equivalents to Consolidated Balance Sheet:

	December 31, 2022	June 30, 2022	December 31, 2021
Cash and cash equivalents (as presented on the Consolidated Balance Sheet)	\$ 101,980	\$ 191,929	\$ 281,086
Less: Line of credit	(24,000)	-	-
Cash and cash equivalents included in the Consolidated Statement of Unrestricted Liquidity	<u>\$ 77,980</u>	<u>\$ 191,929</u>	<u>\$ 281,086</u>

(2) Reconciliation of Assets whose use is limited to Consolidated Balance Sheet:

	December 31, 2022	June 30, 2022	December 31, 2021
Assets limited as to use (as presented on the Consolidated Balance Sheet)	\$ 1,048,421	\$ 1,181,094	\$ 1,388,953
Less: Held by trustee under bond indenture agreement	(46,339)	(99,397)	(137,002)
Less: Held by captive insurance company	(57,522)	(57,522)	(57,239)
Assets whose use is limited included in the Consolidated Statement of Unrestricted Liquidity	<u>\$ 944,560</u>	<u>\$ 1,024,175</u>	<u>\$ 1,194,712</u>

**Dartmouth-Hitchcock Health and Subsidiaries**  
**Consolidated Summary Annual Debt Service Coverage Ratio**  
**For the Period Ended December 31, 2022**  
**(000's Omitted)**  
*Unaudited*

**Debt Service Coverage Ratio** *(Covenant >1.10x)*

Deficiency of revenues over expenses	\$	(86,477)
Subtract: net unrealized gains on investments		(2,590)
Excluded from expenses:		
Depreciation and amortization		44,403
Interest expense on long-term indebtedness included in operating expenses		16,203
Interest expense on long-term indebtedness included in non-operating gains		1,857
		_____
Aggregate Income Available for Debt Service	\$	(26,604)
Debt Service	\$	15,550
Coverage of Debt Service		-1.71

This information is subject to change without notice, may be affected by future events and actions that may be outside the control of D-HH, and D-HH does not undertake to supplement this filing for future events or circumstances.

**Dartmouth-Hitchcock Health and Subsidiaries**  
**Consolidated Utilization Statistics**  
**For the Six Months Ended December 31, 2022 and 2021**

<b>Statistics</b>	<b>December 31, 2022</b> <i>Unaudited</i>	<b>December 31, 2021</b> <i>Unaudited</i>	<b>% of Prior Year</b>
Licensed Beds	650	650	100.0%
Total Discharges	18,544	18,278	101.5%
Total Patient Days	94,702	89,991	105.2%
Occupancy (as a percentage of staffed beds)	86.0%	81.5%	105.5%
Average Length of Stay (days)	5.1	4.9	104.1%
Total Appointments	805,926	800,386	100.7%