UnityPoint Health

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

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

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 MARCH 31, 2023

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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 March 31, 2023, 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 27,900 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.

On December 10th, 2021, the System signed a nonbinding letter of intent to transition Methodist Health Services Corporation and Subsidiaries (Central Illinois) to The Carle

Foundation, d/b/a Carle Health (Carle Health). Accordingly, on October 28, 2022, the System and Carle Health signed a strategic affiliation agreement, to transition Central Illinois to Carle Health. The transition was effective April 1, 2023 with the System and Central Illinois signing a mutual agreement to terminate its affiliation agreement. Under the terms of the strategic affiliation agreement, Carle Health paid $242,729 in cash on April 1, 2023 for Central Illinois' assets and assumed all related liabilities ($75,000 one-time fee and $167,729 for net intercompany liabilities).

Disposals that represent a strategic shift that should have or will have a major effect on the System's operations and financial results qualify as discontinued operations. The results of discontinued operations are reported in discontinued operations in the consolidated statements of operations and changes in net assets for current and prior periods commencing in the period in which the business meets the criteria of a discontinued operation, and include any gain or loss recognized on closing or adjustment of the carrying amount to fair value less cost to sell.

On March 31, 2023, the System entered into a definitive agreement with Presbyterian Healthcare Services ("Presbyterian") to form a new healthcare organization, which will become the sole member of the System and Presbyterian. The newly created company will be a growth partnership and combine the non-patient facing activities to provide them at a lower cost to both organizations. Legacy brands/values will be retained, and the organizations will not be merging medical groups or fully integrating. If all approvals are obtained, a closing date is anticipated in mid-to-late 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.

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

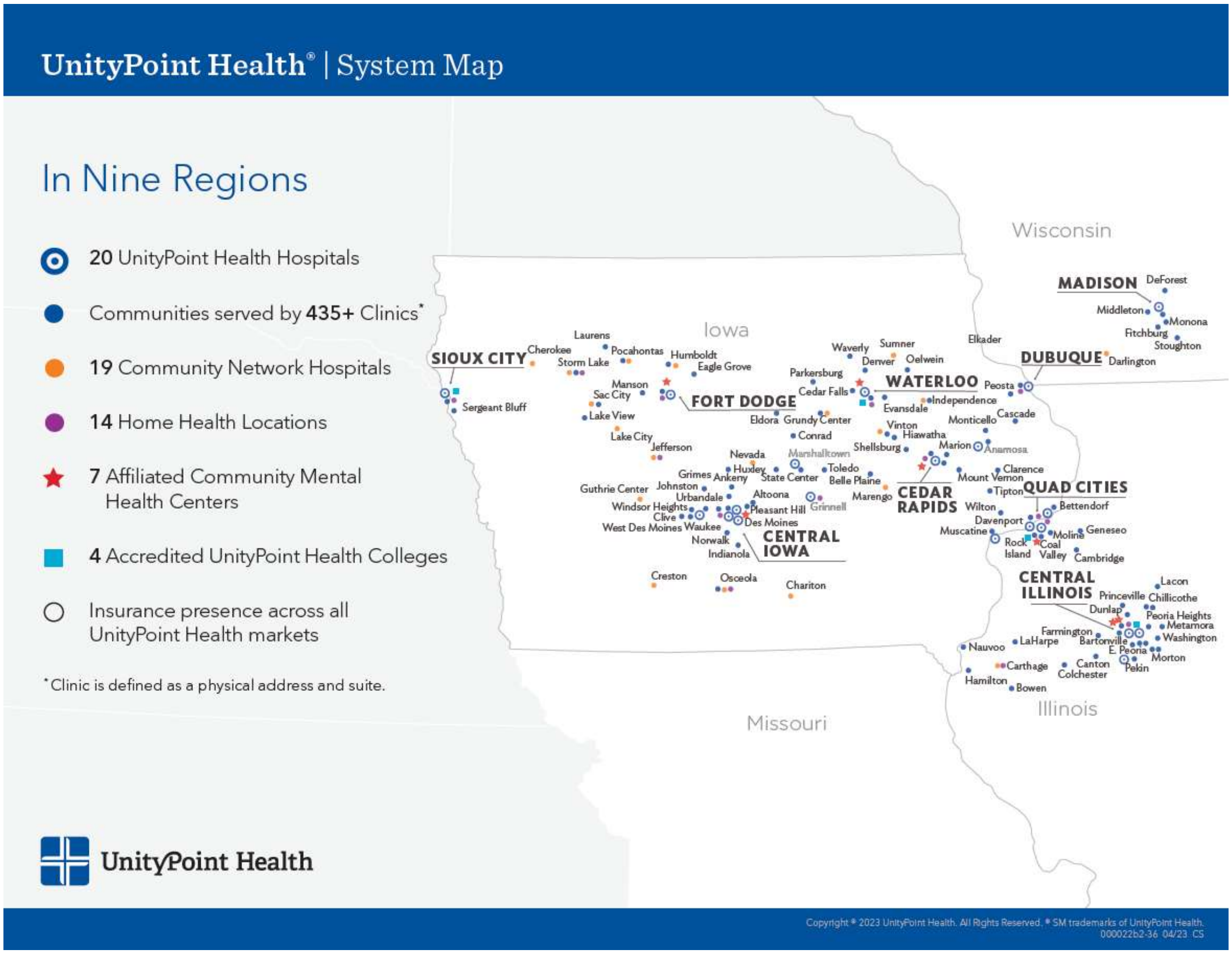
- Operating budgets
- Capital budgets
- Incurrence of indebtedness
- Managed care strategies of the System
- Transfers of assets between affiliates and other affiliates, other affiliates of UnityPoint Health, or UnityPoint Health (except to for-profit or other entities unrelated to UnityPoint Health)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

	March 31, 2023	December 31, 2022
ASSETS	(unaudited)	(audited)
Current Assets		
Cash and cash equivalents	$ 313,842	$ 294,746
Short-term investments	164,948	216,670
Assets limited as to use - required for current liabilities	27,601	24,004
Patient accounts receivable	481,582	498,694
Other receivables	126,481	162,319
Inventories	97,128	97,788
Prepaid expenses	57,171	58,189
Assets held for sale	394,673	412,230
Total current assets	1,663,426	1,764,640
Assets Limited As to Use, Noncurrent		
Held by trustee under bond indenture agreements	-	221
Internally designated for capital improvements	1,415,156	1,425,801
Internally designated for insurance reserve	371	2,980
Total assets limited as to use, noncurrent	1,415,527	1,429,002
Property, Plant and Equipment, net	1,529,150	1,543,084
Operating Lease Right Of Use Assets	166,708	174,639
Other Long-term Investments	1,207,291	1,138,491
Investments in Joint Ventures and Other Investments	149,749	150,840
Contributions Receivable and Other Assets Held in Trust	85,238	85,798
Other	92,870	91,886
Total assets	$ 6,309,959	$ 6,378,380
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current maturities of long-term debt	$ 428,991	$ 344,830
Current portion of operating lease liabilities	30,396	31,402
Accounts payable	203,800	249,677
Accrued payroll	179,671	243,507
Accrued interest	5,744	11,828
Estimated settlements due to third-party payors	89,686	125,209
Other current liabilities	106,228	106,704
Liabilities held for sale	154,022	186,437
Total current liabilities	1,198,538	1,299,594
Long-term Debt, net	945,205	963,538
Long-term Operating Lease Liabilities	142,178	149,241
Other Long-term Liabilities	246,858	263,539
Total liabilities	2,532,779	2,675,912
Net Assets		
Without donor restrictions		
Attributable to UnityPoint Health	3,478,148	3,407,404
Attributable to noncontrolling interests	35,981	35,896
Total without donor restrictions	3,514,129	3,443,300
With donor restrictions		
Attributable to UnityPoint Health	262,453	258,555
Attributable to noncontrolling interests	598	613
Total with donor restrictions	263,051	259,168
Total net assets	3,777,180	3,702,468
Total liabilities and net assets	6,309,959	6,378,380

See accompanying notes to consolidated financial statements

UNITYPOINT HEALTH
Consolidated Statement of Operations
(in thousands)

Three Months Ended March 31, 2023	Three Months Ended March 31, 2022		Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
		Operating Revenues		
$ 995,020	$ 920,963	Patient service revenue	$ 995,020	$ 920,963
92,737	131,578	Other operating revenue	92,737	131,578
2,857	3,558	Net assets released from restrictions used for operations	2,857	3,558
1,090,614	1,056,099	Total operating revenues	1,090,614	1,056,099
		Operating Expenses		
436,044	463,455	Salaries and wages	436,044	463,455
169,916	157,937	Provider compensation and services	169,916	157,937
103,207	101,071	Employee benefits	103,207	101,071
221,635	200,764	Supplies	221,635	200,764
139,314	138,502	Other expenses	139,314	138,502
39,210	39,402	Depreciation and amortization	39,210	39,402
10,413	6,901	Interest	10,413	6,901
(97)	234	Provision for uncollectible accounts	(97)	234
1,119,642	1,108,266	Total operating expenses	1,119,642	1,108,266
(29,028)	(52,167)	**Operating (Loss) Income**	(29,028)	(52,167)
		Nonoperating Gains (Losses)		
96,311	(83,839)	Investment income (losses)	96,311	(83,839)
(4,839)	13,236	Other, net	(4,839)	13,236
91,472	(70,603)	Total nonoperating gains (losses), net	91,472	(70,603)
62,444	(122,770)	**Excess (Deficiency) of Revenues Over Expenses from Continuing Operations**	62,444	(122,770)
9,126	(16,518)	Discontinued operations income (losses)	9,126	(16,518)
71,570	(139,288)	**Excess (Deficiency) of Revenues Over Expenses**	71,570	(139,288)
(1,663)	(1,159)	Less Noncontrolling Interest	(1,663)	(1,159)
$ 69,907	$ (140,447)	**Excess (Deficiency) of Revenues Over Expenses Attributable to UnityPoint Health**	$ 69,907	$ (140,447)

See accompanying notes to consolidated financial statements

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

Three Months Ended March 31, 2023	Three Months Ended March 31, 2022		Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
		Net Assets Without Donor Restrictions		
$ 69,907	$ (140,447)	Excess (deficiency) of revenues over expenses	69,907	$ (140,447)
340	340	Amortization of previously hedged interest rate swaps fair value	340	340
1,820	2,486	Net assets released from restrictions used for capital expenditures	1,820	2,486
		Change in defined benefit pension plan (losses) gains and prior		
(1,369)	66	Other, net	(1,369)	66
		Change in defined benefit pension plan gains and prior		
46	(591)	costs and credits used for discontinued operations	46	(591)
70,744	(138,146)	Increase (Decrease)in net assets without donor restrictions, UnityPoint Health	70,744	(138,146)
		Net assets without donor restrictions, noncontrolling interest:		
1,409	1,011	Excess of revenues over expenses	1,409	1,011
(1,338)	(1,764)	Distributions of capital	(1,338)	(1,764)
14	15	Net assets released from restrictions used for capital expenditures	14	15
85	(738)	Increase (decrease) in net assets without donor restrictions, noncontrolling interests	85	(738)
		Net assets with donor restrictions		
3,498	3,286	Contributions	3,498	3,286
175	384	Investment income	175	384
(2,857)	(3,558)	Net assets released from restrictions used for operations	(2,857)	(3,558)
(1,820)	(2,486)	Net assets released from restrictions used for capital expenditures	(1,820)	(2,486)
2,571	(2,643)	Change in net unrealized gains (losses) on investments	2,571	(2,643)
212	232	Change in beneficial interest in net assets of affiliates	212	232
1,229	(837)	Other, net	1,229	(837)
890	209	Change in net unrealized gains on investments and net assets released from restrictions used for discontinued operations	890	209
3,898	(5,413)	Increase (decrease) in net assets with donor restrictions, UnityPoint Health	3,898	(5,413)
		Net assets with donor restrictions, noncontrolling interest:		
(15)	(15)	Net assets released from restrictions used for capital expenditures	(15)	(15)
(15)	(15)	Decrease in net assets with donor restrictions, noncontrolling interests	(15)	(15)
74,712	(144,312)	**Increase (Decrease) in Net Assets**	74,712	(144,312)
3,702,468	4,480,192	**Net Assets, Beginning of Period**	3,702,468	4,480,192
$ 3,777,180	$ 4,335,880	**Net Assets, End of Period**	3,777,180	$ 4,335,880

See accompanying notes to consolidated financial statements

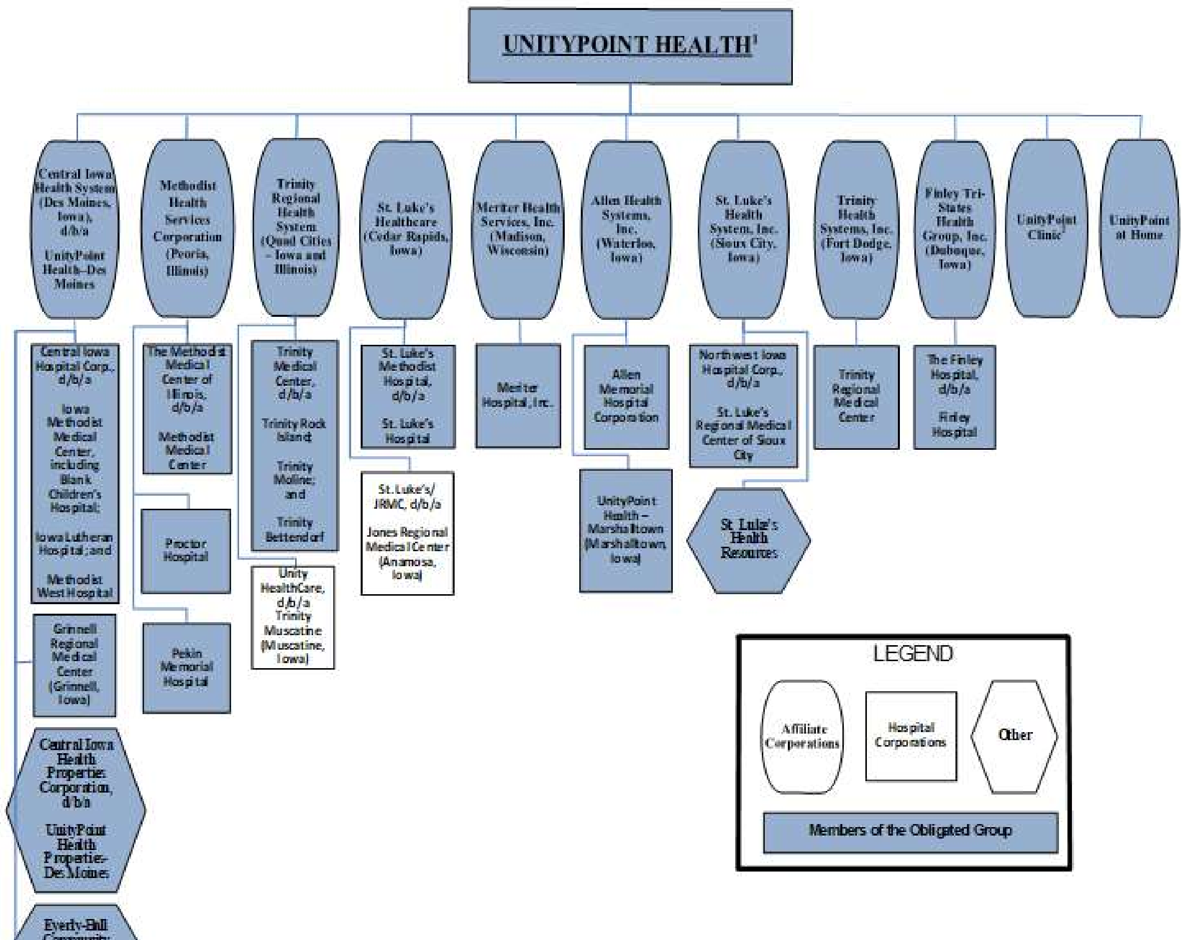
UNITYPOINT HEALTH
Consolidated Statements of Cash Flows
(in thousands)

Three Months Ended March 31, 2023	Three Months Ended March 31, 2022		Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
		Operating Activities		
$ 74,712	$ (144,312)	Increase (decrease) in net assets	$ 74,712	$ (144,312)
		Items not requiring (providing) operating cash		
(30,670)	103,247	Net (gain) loss on investments	(30,670)	103,247
(2,749)	(11,906)	Net unrealized (gain) loss on swaps	(2,749)	(11,906)
1,004	(1,426)	Restricted contributions, investment income and government grants received	1,004	(1,426)
		Contributions of or for acquisition of property and equipment		
38,655	45,544	Depreciation and amortization	38,655	45,544
121	126	Amortization of bond premium and debt issuance costs, net	121	126
753	(1,599)	Loss (gain) on disposition of assets	753	(1,599)
(8,785)	(6,380)	Equity in earnings of joint ventures	(8,785)	(6,380)
(212)	(31)	Change in beneficial interest in net assets of affiliates	(212)	(31)
(97)	226	Provision for uncollectible accounts	(97)	226
		Changes in		
53,365	26,582	Receivables	53,365	26,582
9,769	1,719	Inventories, prepaid expenses and other assets	9,769	1,719
(163,603)	(83,034)	Accounts payable, accrued liabilities and other liabilities	(163,603)	(83,034)
(42,010)	(20,607)	Due to third-party payers	(42,010)	(20,607)
(69,747)	(91,851)	Net cash (used) by operating activities	(69,747)	(91,851)
		Investing Activities		
(20,894)	(34,318)	Capital expenditures	(20,894)	(34,318)
370	3,123	Proceeds from sale of assets	370	3,123
23,598	(2,014)	Decrease in assets limited as to use, net	23,598	(2,014)
57,780	(52,260)	Increase in short-term investments	57,780	(52,260)
(48,405)	68,711	(Increase) Decrease in other long-term investments	(48,405)	68,711
(698)	(83)	Investments in joint ventures	(698)	(83)
3,529	5,471	Distributions received from joint ventures	3,529	5,471
89	4	Divestitures of joint ventures	89	4
15,369	(11,366)	Net cash provided (used) in investing activities	15,369	(11,366)
		Financing Activities		
285,350	-	Proceeds from issuance of long-term debt	285,350	-
(221,391)	(19,013)	Payments of debt	(221,391)	(19,013)
-	(11)	Payments on early extinguishment of debt	-	(11)
(1,004)	1,426	Proceeds from restricted contributions, investment income and government grants	(1,004)	1,426
62,955	(17,598)	Net cash provided (used) by financing activities	62,955	(17,598)
8,576	(120,815)	**Increase (Decrease) in Cash and Cash Equivalents**	8,576	(120,815)
312,830	450,884	**Cash and Cash Equivalents, Beginning of Period**	312,830	450,884
321,406	330,069	**Cash and Cash Equivalents, End of Period**	321,406	330,069
7,564	26,998	**Less Cash and Cash Equivalents of Discontinued Operations, End of Period**	7,564	26,998
$ 313,842	$ 303,071	**Cash and Cash Equivalents of Continuing Operations, End of Period**	$ 313,842	$ 303,071

See accompanying notes to consolidated financial statements

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:



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

[1] UnityPoint Health and logo is a registered trademark of Iowa Health System, d/b/a UnityPoint Health.
[2] UnityPoint Clinic is a d/b/a of Iowa Physicians Clinic Medical Foundation, an Iowa nonprofit corporation and a Tax Exempt Organization.

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)
- 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 March 31, 2023 and December 31, 2022, 31% and 26%, 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 three months ended March 31st, were approximately:

	2023	2022
Medicare	35%	35%
Medicaid	18%	17%
Wellmark/Blue Cross	22%	23%
Commercial and other	24%	24%
Self-Pay	1%	1%
	100%	100%

Patient accounts receivable at established rates, less contractual allowances by payer class, at March 31, 2023, and December 31, 2022 were as follows:

	2023	2022
Medicare	31%	32%
Medicaid	15%	14%
Wellmark/Blue Cross	21%	21%
Commercial and other	27%	29%
Self-Pay	6%	4%
	100%	100%

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 three months ended March 31, 2023 and 2022, the System's charity care provided was $19,413 and $12,603 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 2023 and 2022 was $9,664 and $6,976, respectively, and is included in operating expenses in the consolidated statements of operations. Additional Medicaid reimbursement in the same periods was approximately $23,563 and $18,482 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 $13,899 and $11,506 for 2023 and 2022, 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 $186,498 and $193,419 for self-insured losses at March 31, 2023 and December 31, 2022, 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 March 31, 2023 and December 31, 2022, the cash and investments amounted to $27,972 and $26,984, respectively.

15. LONG-TERM DEBT

Long-term debt at March 31, 2023 and December 31, 2022 is summarized as follows:

	Payable Through	Issuance Type (1)	Interest Rate (2)	2023	2022
Hospital Facility Revenue Bonds					
Series 2020	2050	Variable	3.67%	$ 319,635	$ 319,635
Series 2018A	2035	Variable	1.12%	63,680	68,270
Series 2018B	2048	Fixed	5.00%	47,380	55,435
Series 2018C	2041	Variable	0.57%	52,825	52,825
Series 2018D	2041	Variable	0.54%	52,815	52,815
Series 2018E	2041	Variable	0.40%	51,960	52,940
Series 2018F	2041	Variable	0.45%	52,875	52,875
Series 2017A	2027	Fixed	3.15%	17,356	17,472
Series 2016D	2046	Fixed	4.00% - 5.00%	31,890	34,180
Series 2016E	2046	Fixed	4.00% - 5.00%	151,200	151,200
Series 2014A	2029	Fixed	5.00%	51,500	51,500
Series 2014C	2035	Fixed	4.47% - 5.00%	69,145	69,145
Series 2013B	2039	VRDB	0.43%	68,725	70,055
Series 2012A	2024	Fixed	2.16%	3,100	3,100
Series 2012C	2037	Fixed	2.43%	15,725	15,725
Series 2005	2031	Fixed	1.45% - 4.00%	1,900	2,085
Total hospital facility revenue bonds				1,051,711	1,069,257
Finance lease obligations, net book	2026	Fixed	0% - 9.05%	12,989	13,857
Commercial paper	Various	Variable	Various	85,000	-
Line of credit	2024	Variable	Various	100,000	100,000
Other notes and mortgages	Various	Fixed	1.00% - 8.00%	103,951	104,168
				1,353,651	1,287,282
Current maturities				(428,991)	(344,830)
Unamortized bond issuance costs				(6,348)	(6,465)
Unamortized bond premium				26,893	27,551
Long-term portion				$ 945,205	$ 963,538

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

					Scheduled Maturities Based on Loan Agreements
April	2023	-	March	2024	$ 428,991
April	2024	-	March	2025	36,572
April	2025	-	March	2026	34,117
April	2026	-	March	2027	27,793
April	2027	-	March	2028	33,384
Thereafter					792,794
					$ 1,353,651

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 the 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 letters of credit that can be drawn on should the Series 2013B, 2018C, 2018D, 2018E, or 2018F variable rate demand bonds not be remarketed. The letter of credit for the Series 2018C and 2018E bonds will expire in 2023, and thus the related debt is shown as current debt in the System's consolidated financial statements as of March 31, 2023. 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 had $85,000 and $0 outstanding of commercial paper at March 31, 2023 and December 31, 2022, respectively. The System's commercial paper program is sold in tranches, with varying maturities of 1 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 principal amount of $100,000 and a maturity date in 2023, thus the debt is shown as current in the System's consolidated financial statements as of March 31, 2023.

The System maintains three separate revolving line-of-credit facilities that provide for revolving credit in an aggregate principal amount of up to $50,000 for one and two facilities that provides for revolving credit in an aggregate principal amount of $100,000. The interest rates applicable to loans under the credit agreements are based on SOFR 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. The System had $100,000 outstanding on line-of-credits at March 31, 2023 and December 31, 2022, respectively. The line-of-credit facilities will expire during 2024, however, the System plans to repay the outstanding balance during 2023. Thus, the line-of-credit balance is shown as current debt in the System's consolidated financial statements as of March 31, 2023.

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 unhedged Swap Agreements is recorded as other long-term liabilities of ($21,931) and ($18,710) at March 31, 2023 and December 31, 2022, respectively.

Trade Date	Maturity Date	Notional Amount	System Pays	System Receives	Fair Value 3/31/2023	Fair Value 12/31/2022
2005	2035	82,890	3.5%	62.4% of 3m LIBOR + 29 bps	$ (4,510)	$ (3,698)
2006	2037	116,300	3.8%	61.9% of 1m LIBOR + 31 bps	(13,860)	(12,042)
2006	2023	27,700	3.5%	61.9% of 1m LIBOR + 31 bps	14	(21)
2005	2035	41,445	3.3%	62.4% of 1m LIBOR + 29 bps	(1,987)	(1,590)
2008	2026	8,400	3.5%	63.0% of 1m LIBOR + 30 bps	(108)	(97)
2008	2024	3,100	3.5%	63.0% of 1m LIBOR + 30 bps	(5)	(5)
2005	2032	20,250	3.5%	67.0% of 1m LIBOR	(1,475)	(1,257)
					$ (21,931)	$ (18,710)

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.

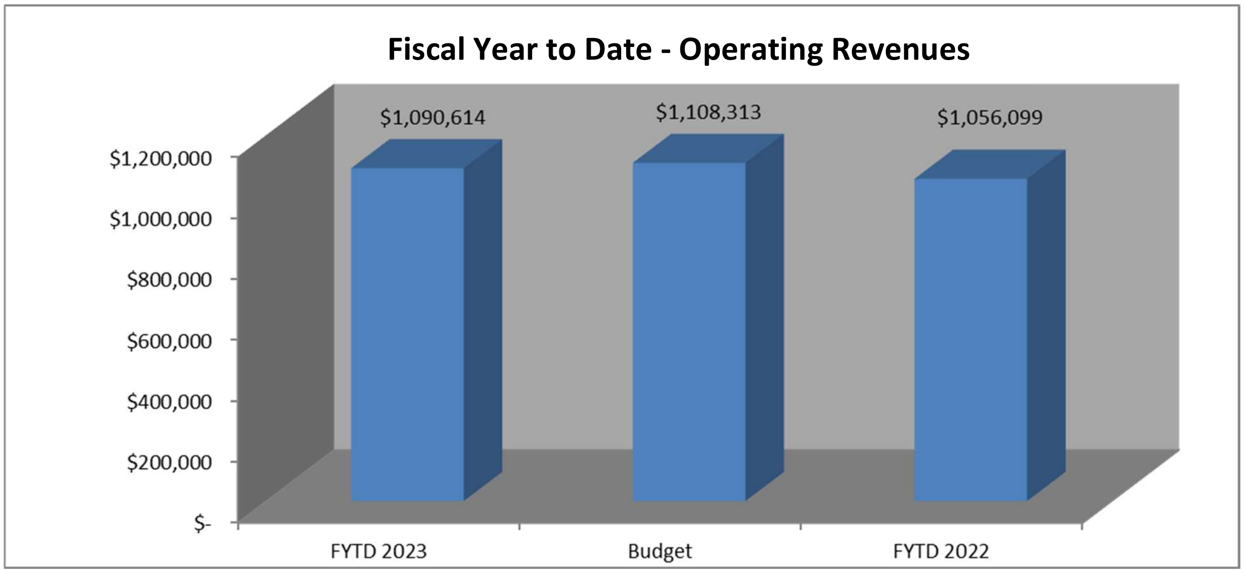
The System is in various stages of responding to inquiries and investigations. These various inquiries and investigations could result in fines and/or financial penalties. At this time, the System is unable to estimate the possible liability, if any, that may be incurred as a result of these inquiries 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 FOR CONTINUING OPERATIONS

MANAGEMENT'S DISCUSSION OF FINANCIAL RESULTS
FOR THE PERIOD ENDING MARCH 31, 2023
***(in thousands)* (unaudited)**

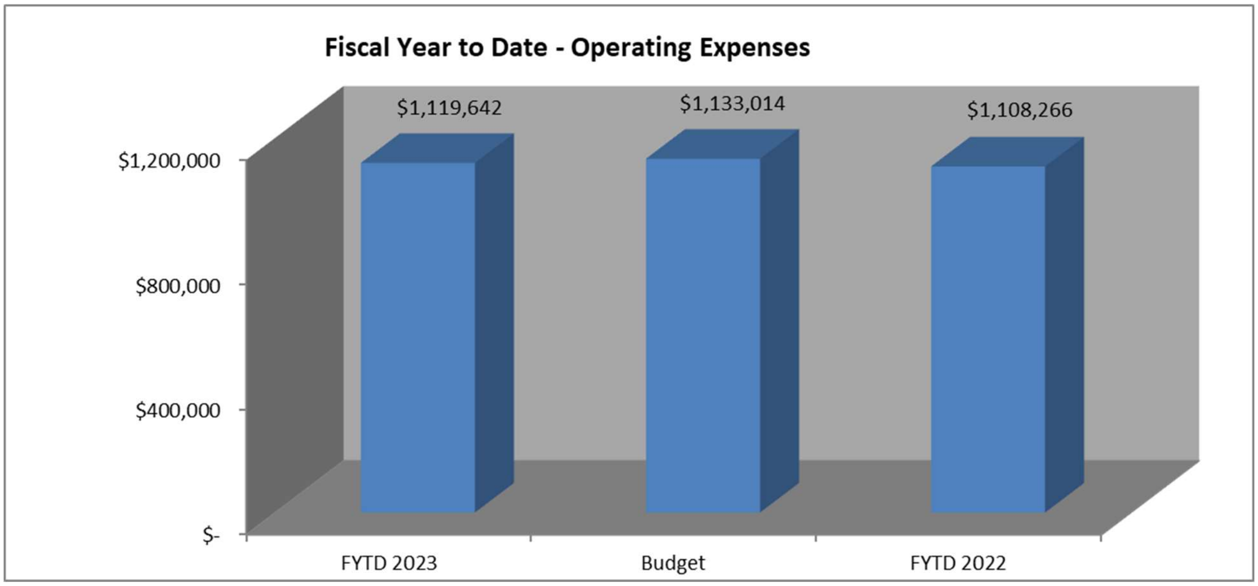
1. Revenues



Total operating revenues have increased by 3.3% for the three months ended March 31, 2023 compared to the same period in 2022. Actual operating revenues were unfavorable to budget by 1.6% for the three months ended March 31, 2023.

The System is continuing to recover from decreased patient volume related to the COVID-19 pandemic. Inpatient and outpatient volumes ended the quarter below or near budget. Outpatient volumes were 0.3% above budget and are 4.2% greater than 2022 levels, inpatient volumes were 6.0% below budget, and 7.0% above 2022 levels.

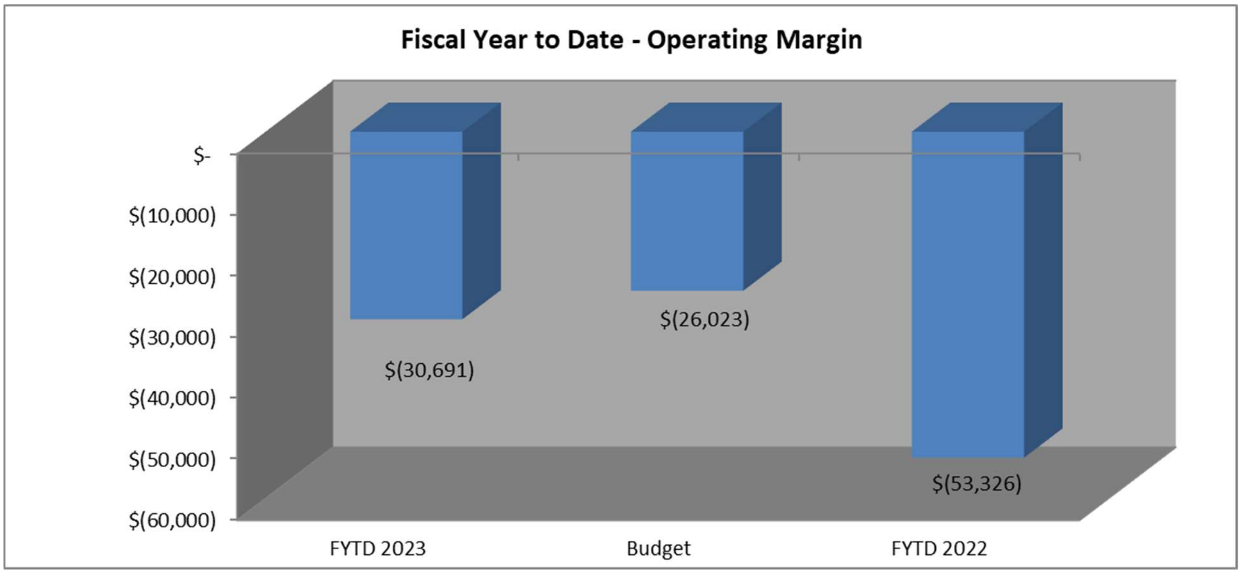
2. Expenses



Total operating expenses have increased by 1.0% for the quarter ended March 31, 2023 compared to the same period in 2022. Actual operating expenses were favorable to budget by 1.2% for the quarter ended March 31, 2023.

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. 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.

3. Operating Margin



Prior to the reduction for noncontrolling interest, the System had an operating loss of $29.0 million, reflecting an operating margin of negative 2.7%. 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 $30.7 million, representing an operating margin of negative 2.8%, for the quarter ended March 31, 2023 compared to prior year of negative 5.0% and budget of negative 2.3%.

4. Nonoperating Activity and Other Changes in Net Assets

The System had a nonoperating gain of $91.5 million for the quarter ended March 31, 2023 compared to loss of $70.6 million during the same period in 2022. The main driver of the increase was activity in the capital markets throughout 2023 which generated income on the System's portfolio.

The System incurred $9.1 million from discontinued operations related to Central Illinois for the quarter ended March 31, 2023.

5. Key Ratios and Operational Statistics

KEY FINANCIAL RATIOS

	3/31/2023	12/31/2022
Days cash on hand (debt covenant)	251.88	248.20
Debt to capitalization	29.19%	28.62%
Cash to debt	209.58%	217.73%
Net days in accounts receivable	40.01	41.91

KEY OPERATING STATISTICS - HOSPITAL ONLY

	3/31/2023	3/31/2022
Discharges (excluding newborns)	26,517	24,791
Patient Days (excluding newborns)	130,829	133,545
Adjusted Discharges (excluding newborns)	67,737	61,178
Average Length of Stay (excluding newborns)	4.98	5.50

Days cash on hand (calculated per debt covenant definitions under the System's master trust indenture) has increased 3.7 days from December 31, 2022 to March 31, 2023. The primary driver of this increase is the cash provided from financing activities.

Inpatient discharges, excluding newborns, increase by 7.0% for the quarter ended March 31, 2023 compared to the same period in 2022. Adjusted discharges increased by 10.7% over the same comparable period. The System is continuing to recover from decreased patient volume related to the COVID-19 pandemic.