

# For the Period Ended March 31, 2021

## Unaudited Quarterly Disclosure



## Tower Health Overview

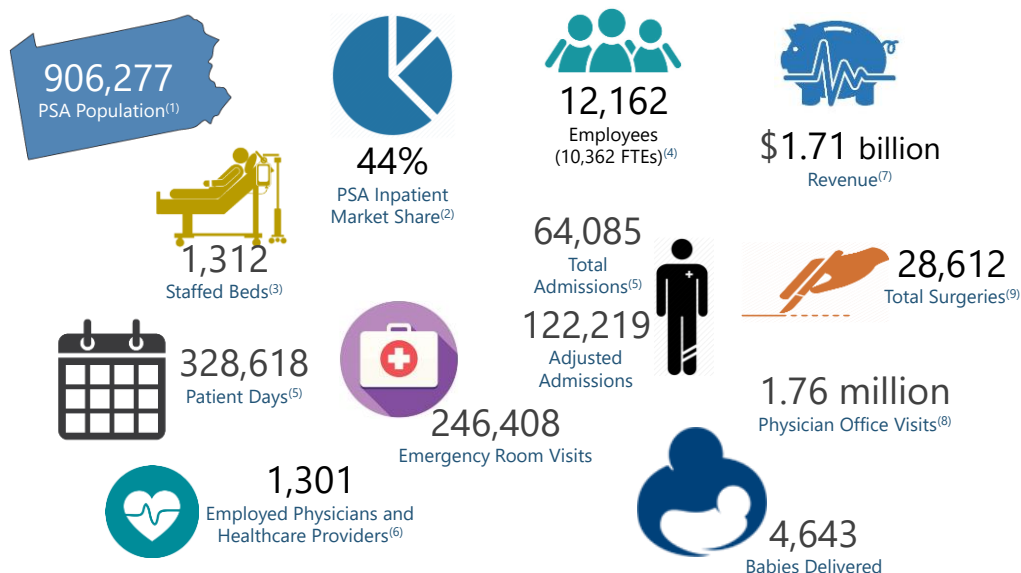
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Tower Health (“Tower Health” or the “System”) is a Pennsylvania nonprofit corporation that serves as the parent organization of seven acute care hospitals, an inpatient behavioral health facility, and related facilities that have formed an integrated healthcare system located in the Counties of Berks, Chester and Montgomery, Pennsylvania and the City of Philadelphia, Pennsylvania.

- Brandywine Hospital in Coatesville (171 licensed beds);
- Chestnut Hill Hospital in Philadelphia (148 licensed beds);
- Jennersville Hospital in West Grove (63 licensed beds);
- Phoenixville Hospital in Phoenixville (144 licensed beds\*);
- Pottstown Hospital in Pottstown (232 licensed beds\*);
- Reading Hospital, a teaching hospital in West Reading (737 licensed beds\*, including 62 beds at a dedicated rehabilitation hospital); and
- St. Christopher’s Hospital for Children, in partnership with Drexel University (188 licensed beds)
- On July 14, 2020, Tower Behavioral Health, a 144-bed inpatient facility and ambulatory campus opened under a joint venture with Acadia Healthcare.
- Tower Health Medical Group, a network of more than 128 primary care and specialty care practices, that includes 890 physicians and 411 Advanced Practice Providers.
- Tower Health Urgent Care - Tower Health acquired 19 urgent care locations from Premier Urgent Care in 2018 and has added 6 new locations, making Tower Health the largest operator of urgent care centers in the metropolitan Philadelphia area according to the Philadelphia Business Journal
- Tower Health at Home, a regional home health and hospice organizations
- Tower Health Partners, a clinically integrated physician network with more than 3,100 providers
- Tower Health – UPMC Health Plan, a joint venture with UPMC Health Plan that offers affordable health insurance coverage and access to high quality care in nine counties, with over 50,000 member lives in all lines of business including Medicare Advantage, Administrative Services Only (ASO) for self-insured employers, Individual (Exchange), as well as Commercial Group, Special Needs Plans (SNP), Managed Medical Assistance, and Children’s Health Insurance Program (CHIP).
- Drexel University College of Medicine at Tower Health – 120,000 square feet of new Medical School located ½ mile from Reading Hospital that will educate 200 enrolled medical students annually – starting July 2021
- Medical Education Expansion to 600-700 Residents and Fellows.

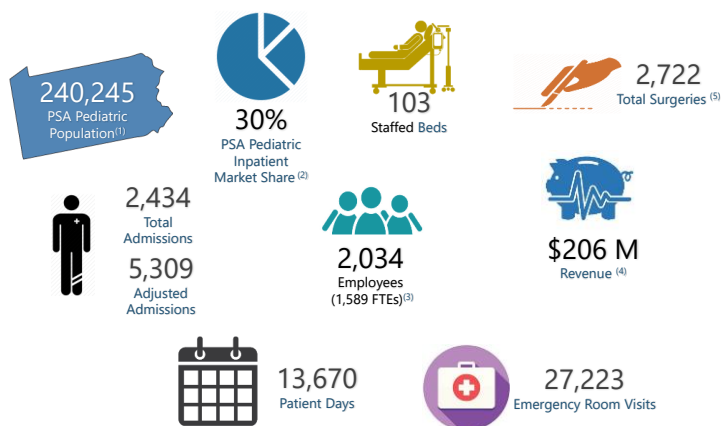
*\*Number of licensed beds, excludes nursery*

## Tower Health at a Glance *(excluding St. Christopher's)*



- 1) 2020 Environics Analytics Estimate based on Tower Health combined PSA
  - 2) FY2020 market share based on Tower Health combined PSA
  - 3) Excludes nursery beds and Observation; Includes 62 beds at Reading Hospital Rehabilitation at Wyomissing
  - 4) Current as of June 30, 2020; includes THMG, THP, THUC, THAH, TowerDirect and all hospitals except St. Christopher's
  - 5) Excludes normal newborns
  - 6) Includes residents; 890 physicians and 411 APPs; source THMG as of June 30, 2020
  - 7) Includes THMG, THP, THUC, THAH, Clinics, Foundation, and all hospitals except St. Christopher's
  - 8) Actual THMG primary and specialty care visits
  - 9) Includes 12,185 inpatient and 16,427 outpatient surgeries; Excludes endoscopies
- \* All data is FY2020 unless otherwise noted

## St. Christopher's Hospital for Children At-A-Glance (Dec 2019 - June 2020)



- (1) 2020 Environics Analytics Estimate
  - (2) FY2020 PHC4 inpatient data; Patients age 0-17
  - (3) Current as of June 30, 2020
  - (4) Includes St. Christopher's Hospital for Children only
  - (5) Includes 476 inpatient and 2,246 outpatient surgeries; Excludes endoscopies
- \* All data is Dec 15, 2019-June 30, 2020 unless otherwise noted

# Management Discussion and Analysis

## YTD Consolidated Statement of Operations for the 9-Months Ended March 31, 2021 and 2020

(dollars in thousands)

	Tower Health		Obligated Group	
	9 Months ended Mar 31		9 Months ended Mar 31	
	FY21	FY20	FY21	FY20
Unrestricted revenues and other support:				
Net patient revenue	1,489,862	1,510,776	1,120,535	1,237,542
Other revenue	139,513	62,480	82,478	44,894
Total revenues and other support	1,629,375	1,573,256	1,203,013	1,282,437
Expenses:				
Salaries and benefits	1,000,927	940,242	557,883	605,945
Supplies	258,251	242,950	221,758	220,722
Interest	44,877	35,196	43,238	34,683
Depreciation	79,354	72,888	74,128	68,012
Total Purchased Services	249,937	215,825	150,301	146,140
Repairs and maintenance	63,067	59,103	55,859	55,225
Other	132,159	111,918	58,212	73,030
Transaction related expenses	29,193	27,088	27,897	18,733
Total expenses	1,857,765	1,705,208	1,189,276	1,222,491
Income (loss) from operations	(228,390)	(131,952)	13,736	59,946
Nonoperating gains:				
Investment income	71,214	(24,405)	71,190	(24,523)
Other (losses) gains	(3,608)	9,875	(4,122)	(5,333)
Nonoperating gains, net	67,606	(14,529)	67,069	(29,856)
Excess of revenues, gains and other support over expenses Before Non-Controlling Interest	(160,784)	(146,482)	80,805	30,090
Non-Controlling Interest	29,191	4,358		
Attributable to Tower Health and Subsidiaries	(131,593)	(142,124)	80,805	30,090
Operating margin	-14.0%	-8.4%	1.1%	4.7%
Operating cash flow*	(74,965)	3,219	158,999	181,374
Operating cash flow margin**	-4.6%	0.2%	13.2%	14.1%

\*Operating cash flow = Income (loss) from operations + interest + depreciation + transaction related expenses

\*\*Operating cash flow margin = Operating cash flow / total revenues and other support

**Long-Term Debt Service Ratio for Tower Health Obligated Group for the nine months ended March 31, 2021 was 2.00x.**

Note: \$50 million of CARES Act funds are included in revenue for the nine months ended March 31, 2021.

# Management Discussion and Analysis (cont'd)

## Subsequent Events Since March 31, 2021

### THMG Restructuring

On May 10, 2021, Tower Health announced a restructuring of Tower Health Medical Group (THMG), our employed physician group. This action is expected to result in approximately \$30M in financial performance improvement by June 30, 2021, with another \$40M in improvements in FY 22. These changes are projected to impact up to 95 providers and 100 support staff.

As part of this system-wide reconfiguration of THMG, Tower Health will:

1. Consolidate practices to reduce expenses for office space leasing and equipment
2. Close some practice locations with consistently high net operating loss
3. Transition a number of providers from THMG employment to new agreements with other provider organizations or into independent practice.
4. Maintain an adjustment to physician and Advanced Practice Provider (APP) incentive compensation for the Fiscal Year 2021 and Calendar Year 2021 to align with what was implemented the previous year. Specifically, incentives will be paid at 60 percent of eligible dollars for all participants in these plans.

## Operational Performance Quarter and 9-Months Ended March 31, 2021 vs March 31, 2020 and December 31, 2020

Tower Health ("Tower" or "System") operating performance for the quarter ended March 31, 2021 (Q3 FY2021) reflects a significant improvement over the quarter ended December 31, 2020 (Q2 2021). Operating income in Q3 FY2021 was negative \$70.4 million compared to Q2 FY2021 operating income of negative \$101.4 million. In Q3 FY2021, total revenue increased by 1.8% over Q2 FY2021, and the System generated a negative operating margin of 13.2% in Q3 FY 2021 in comparison to a Q2 FY2021 operating margin of negative 19.3%. Last quarter includes CARES Act grant funds received from the federal government. In Q3 FY2021 Tower received \$4.7 million for the Medical Group whereas no funds were received in Q2 FY2021. All CARES Act grant funds received were recognized and recorded in other operating revenue.

Nine months operating performance through March 31, 2021 compared to nine months through March 31, 2020 reflects a decline, particularly with the five Chester/Montgomery/Philadelphia ("CMP") hospitals. In the nine-month period ended March 31, 2021, although total revenue increased by 0.37% compared with the nine-month period ended March 31, 2020, the System generated an operating margin of negative 15.6% in comparison to operating margin of negative 7.6%, respectively.

Nine months ended March 31, 2021 includes \$29.2million of one-time, non-recurring expenses. Of the \$29.2 million, there was an \$18 million Education grant provided to Drexel University and \$5.1 million was related to EPIC implementation costs at the Urgent Care and the St. Christopher Hospital for Children project, with the remainder related to other one-time transaction costs. Excluding the \$29.2 million in one-time, non-recurring expenses, the System's operating income in the nine month period ended March 31, 2021 was negative \$170.5 million, resulting in an operating margin of negative 10.8%, compared with negative 6.1% in the nine month period ended March 31, 2020.

*\*as defined on the prior pages*

## Management Discussion and Analysis (cont'd)

Excluding \$29.2 million in one-time, non-recurring expenses, the System's operating cash flow margin\* for the nine-month period ended March 31, 2021 was negative 3.1%, compared with positive 0.7% in for the nine-month period ended March 31, 2020.

Across the system Tower has seen volumes decline due to multiple snowstorms in February, for Q3 2021 from Q2 FY 2021. Admissions are down 3.2%, ER inpatient visits are down 3.2% and outpatient ER visits are down 8.8%. Inpatient surgeries are down 5.2% while outpatient surgeries are down 4.0%. OP registrations are down 1.4%.

In the month of March volumes across the organization were either at or near a twelve-month high for Admissions, surgeries, OP registrations, Physician visits and Home Health visits. Total gross revenues were \$61.6 million over budget while OP revenues were \$35 million over budget versus the two previous months being \$53 million under budget. Operating EBIDA was \$10.6 million and Net operating income was negative \$3.1 million in March.

Reading Hospital continued to generate significant operating income. Reading Hospital produced \$98.3 million in operating income (12.13% op. margin) for the nine-month period ended March 31, 2021 compared with 13.4% in the nine-month period ended March 31, 2020. And Reading Hospital's operating cash flow margin\* was 20.81%, compared with 20.89%, respectively.

Total revenue for the CMP hospitals for the nine months ending March 31, 2021 decreased 19.4% as compared with the prior year, while total expenses (including interest, depreciation, and amortization) decreased by 6.1%. The CMP hospitals' results declined in the nine month period ending March 31, 2021 as compared to the prior year, generating an operating income of negative \$113.8 million, for an operating margin of negative 29.1%, compared with the nine-month period ending March 31, 2020, which had an operating loss of \$52.6 million and an operating margin of negative 10.84%. The CMP hospitals generated operating cash flow\* of negative \$61.8 million and operating cash flow margin\* of negative 15.81% for the nine-month period ending March 31, 2021 compared to negative \$12.2 million and negative 2.5% for the nine month period ending March 31, 2020.

### Guidehouse Recommendations

Guidehouse's assessment identified \$140 million in potential improvement to Operations and \$18 million in Cash Acceleration / Balance Sheet improvement opportunities, incremental to performance improvement initiatives already underway at Tower Health. The assessment opportunities were categorized into the following areas, with Revenue Cycle and the Physician Enterprise making up half of the improvement opportunity:

- Enterprise-wide Revenue Cycle
- Physician Services
- Pharmacy – 340b
- Supply Chain
- System Laboratory
- Corporate Overhead
- Workforce Productivity

Since the end of the assessment, Tower Health and Guidehouse have developed a comprehensive set of solutions to begin rapidly implementing initiatives to improve the systems bond ratings and credit quality, while still supporting Tower's mission of providing safe and high quality care to its communities. Tower Health and Guidehouse have formed 'SWAT' implementation teams to rapidly implement opportunities identified from the assessment.

*\*as defined on the prior pages*

## Management Discussion and Analysis (cont'd)

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As of the end of March 2021, Tower Health has implemented \$42M in realized Net Revenue and Cost Reduction initiatives. Realized improvements includes \$13.5M in one-time savings and \$28.9M in recurring benefits (estimated \$120M in recurring annualized benefit to the health system). Tower recently announced restructuring plans for Tower Health Medical Group, which is an incremental benefit to Guidehouse's original assessment.

### Strategic Process Lead by H2C

In April, Tower received multiple Indications of Interest in response to an RFP issued on behalf of Tower Health. These covered several permutations and combinations of transactions and assets. Tower's Board has authorized H2C to continue to pursue strategic options, which may result in more than one transaction. The Tower Board has set mid-July as our goal for completing the review of these Indications of Interest and working with the interested parties.

### Impact of Changes in Accounting Methodologies on the Statement of Operations

As part of a mid-year review of our accounting procedures it was determined that in order to more accurately reflect the valuation of the accounts receivable, we changed our methodology to be more conservative. The methodology was changed in December 2020 to reflect this updated valuation, which resulted in a total adjustment for the six months ended December 31, 2020 of approximately \$25 million for Reading and the CMP hospitals.

### Unrestricted Cash and Investments

Total balance sheet unrestricted cash and board-designated investment funds for capital improvements was \$729 million at March 31, 2021. This represents a decrease of \$35 million from December 31, 2020. Total days cash on hand for the System was 112 at March 31, 2021, representing a decrease of 4 days from December 31, 2020. Net assets were \$157 million at March 31, 2021. This represents a decrease of \$66 million from December 31, 2020.

Included in unrestricted cash and investments above is approximately \$166 million of CMS Advance Payments received during FY2020, which equates to approximately 25 days cash on hand. This amount is expected to start to be repaid using an amortized schedule beginning April 2021.

### CARES Act Relief Funds

As of March 31, 2021, Tower Health has received a total \$148 million in grants from several phases of the CARES Act stimulus bill, which have been recognized as other operating revenue.

**Tower Health System**  
**YTD Consolidating Income Statement w/CARES \$**

	Mar-21										
	Reading Hospital	Brandywine	Chestnut Hill	Jennersville	Phoenixville	Pottstown	THMG	Parent	STC	Other	Consolidated
Inpatient Revenues	\$ 1,481,810,271	\$ 270,637,008	\$ 458,589,264	\$ 67,554,175	\$ 353,577,410	\$ 388,888,268	\$ -	\$ -	\$ 445,625,395	\$ -	\$ 3,466,681,790
Outpatient Revenues	1,307,811,459	126,390,931	293,528,517	68,092,715	333,648,271	329,577,890	603,539,495	-	642,093,438	51,516,603	3,756,199,319
<b>Total Revenues</b>	2,789,621,729	397,027,939	752,117,781	135,646,891	687,225,681	718,466,157	603,539,495	-	1,087,718,833	51,516,603	7,222,881,109
Contractual Adjustments	1,952,753,716	327,163,896	653,141,849	101,287,031	567,492,084	592,837,235	413,833,055	-	922,836,630	47,634,096	5,578,979,592
Uncompensated Care	69,482,097	9,496,796	19,546,199	5,524,542	13,288,797	15,722,067	15,897,570	-	4,349,519	732,031	154,039,617
<b>Net Revenue</b>	\$ 767,385,917	\$ 60,367,247	\$ 79,429,732	\$ 28,835,318	\$ 106,444,800	\$ 109,906,856	\$ 173,808,870	\$ -	\$ 160,532,685	\$ 3,150,476	\$ 1,489,861,900
Interest Income	-	-	-	-	-	-	-	-	-	-	-
Other Operating Income	58,580,566	1,419,039	12,607,802	2,932,230	10,238,510	763,135	12,751,495	1,045,805	38,320,393	853,972	139,512,947
<b>Total Other Operating Revenues</b>	58,580,566	1,419,039	12,607,802	2,932,230	10,238,510	763,135	12,751,495	1,045,805	38,320,393	853,972	139,512,947
Assets Released from Restriction	-	-	-	-	-	-	-	-	-	-	-
<b>Net Revenues</b>	825,966,483	61,786,287	92,037,534	31,767,548	116,683,310	110,669,991	186,560,365	1,045,805	198,853,078	4,004,448	1,629,374,847
<b>Expenses</b>											
Salaries and Wages	232,988,161	28,296,044	36,247,177	13,035,033	38,758,595	38,189,929	238,100,675	-	111,116,937	99,842,222	836,574,772
Benefits	67,668,587	7,155,325	7,956,545	3,269,675	9,121,470	12,431,119	35,529,186	-	22,181,958	(13,696,448)	151,617,418
Contract Labor	8,588,530	2,051,527	207,850	115,313	436,653	896,833	56,446	-	69,897	312,018	12,735,068
Physician Fees	21,864,697	6,296,473	6,285,163	3,204,759	4,822,892	6,867,805	12,997,090	-	30,862,054	441,621	93,642,555
Professional Fees	3,856,353	1,512	14,003	-	3,447	-	13,997,590	250,898	11,828,163	23,345,485	53,297,451
Purchased Services	24,266,590	5,422,573	8,695,155	2,523,872	8,601,628	10,585,866	2,524,901	50,653	24,596,976	15,728,434	102,996,648
Billable Medical Supplies	39,682,785	5,224,641	4,993,040	2,182,583	14,141,148	11,635,300	1,130,282	-	8,462,074	306,582	87,758,435
Non Billable Medical Supplies	25,890,684	3,180,672	3,660,576	1,553,506	5,329,060	5,414,265	1,060,807	-	6,246,780	632,323	52,968,672
Other Supplies	6,919,423	27,130	988,119	484,333	850,920	530,966	1,033,294	-	734,347	1,455,182	13,023,714
Drugs	58,121,807	2,279,269	2,511,695	1,177,406	13,015,484	10,641,415	7,321,966	-	9,135,759	295,063	104,499,864
Repairs/Maintenance	11,752,210	3,288,817	2,951,178	1,284,026	3,277,651	4,076,964	473,408	-	5,714,581	30,247,785	63,066,620
Rental/Leases	3,860,392	1,305,693	961,934	408,510	4,030,339	1,423,444	13,221,544	-	8,495,589	8,144,996	41,852,443
Utilities	6,555,052	1,167,262	1,457,633	421,484	1,341,126	1,087,736	885,889	18,000	2,469,923	3,029,662	18,433,768
Taxes Licenses and Permits	2,470,343	258,377	277,134	10,228	254,587	38,619	346,272	-	337,785	341,861	4,335,207
Insurance	(2,277,004)	-	-	463	-	-	8,674,436	-	7,364,299	9,885,032	23,647,226
Other Expenses	14,717,860	854,622	912,208	499,914	774,921	727,634	8,182,472	-	2,347,891	14,870,416	43,887,937
Corporate Allocation	86,516,241	11,787,560	14,428,596	4,772,890	18,112,412	19,452,242	11,640,709	9,339,608	-	(176,047,758)	2,500
Transaction and Integration Costs	27,897,076	-	-	-	-	-	251,271	-	1,044,515	-	29,192,862
<b>Total Expenses</b>	641,339,787	78,597,495	92,548,009	34,943,996	122,872,333	124,000,137	357,428,238	9,659,158	253,009,530	19,134,477	1,733,533,161
EBIDA	184,626,695	(16,811,209)	(510,475)	(3,176,448)	(6,189,023)	(13,330,147)	(170,867,873)	(8,613,354)	(54,156,452)	(15,130,029)	(104,158,314)
Interest Expense	22,506,030	5,681,794	8,713,810	777,305	1,882,254	8,570,097	-	-	1,305,833	(4,559,636)	44,877,487
Depreciation	47,742,957	4,756,882	7,304,913	1,447,153	5,414,236	7,462,043	1,454,009	-	3,033,118	739,168	79,354,478
<b>Operating Income/(Loss)</b>	114,377,709	(27,249,884)	(16,529,198)	(5,400,906)	(13,485,514)	(29,362,286)	(172,321,882)	(8,613,354)	(58,495,403)	(11,309,561)	(228,390,279)
Contributions	87,497	-	9,500	-	(5,242)	150,806	90,321	-	23,838	308,742	665,462
Investment Income	46,254	-	-	-	-	-	-	71,144,223	-	23,520	71,213,997
Other Non Oper (Income)/Expense	(4,089,397)	-	-	-	7,771	-	-	(282,808)	90,000	1,669	(4,272,765)
<b>Total Income / (Loss) Before Non-Controlling Interest</b>	\$ 110,422,063	\$ (27,249,884)	\$ (16,519,698)	\$ (5,400,906)	\$ (13,482,985)	\$ (29,211,480)	\$ (172,231,562)	\$ 62,248,062	\$ (58,381,565)	\$ (10,975,630)	\$ (160,783,585)
Non-Controlling Interest									29,190,783		29,190,783
Attributable to Tower Health and Subsidiaries w/CARES Act \$	\$ 110,422,063	\$ (27,249,884)	\$ (16,519,698)	\$ (5,400,906)	\$ (13,482,985)	\$ (29,211,480)	\$ (172,231,562)	\$ 62,248,062	\$ (29,190,783)	\$ (10,975,630)	\$ (131,592,802)



**Tower Health System**  
**Consolidating Balance Sheet**  
**Mar-21**

	Reading Hospital	CMP Hospitals	THMG	STC	Parent	Other	Consolidated
<b>Current Assets</b>							
Cash & Cash Equivalents	\$ (11,891,466)	\$ 31,465	\$ 32,516	\$ 17,079,474	\$ 111,881,499	\$ 1,405,843	\$ 118,539,331
Patient Accounts Receivable Net	123,306,928	53,726,382	23,398,674	31,759,610	-	7,616,525	239,808,118
Other Receivables	1,843,574	2,484,306	5,513,316	4,624,067	1,869,406	370,776	16,705,445
Affiliates Recv / (Payable)	235,179,903	(294,285,855)	(171,749,259)	(4,340,564)	325,168,039	(83,558,598)	6,413,667
Estimated Third Party Receivables	15,917,161	6,394,409	-	15,064,131	-	-	37,375,701
Inventory of Supplies	51,749,841	20,995,472	-	4,957,254	-	27,449	77,730,017
Prepaid Expenses & Other Assets	26,325,342	11,551,888	2,165,411	6,641,805	7,090,895	836,468	54,611,808
Self Insurance Fund Current	7,482,000	-	-	-	-	-	7,482,000
Bond Indenture Debt Service Current	-	-	-	-	6	-	6
Board Capital Improvements	-	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>449,913,282</b>	<b>(199,101,932)</b>	<b>(140,639,342)</b>	<b>75,785,778</b>	<b>446,009,845</b>	<b>(73,301,537)</b>	<b>558,666,093</b>
<b>Assets Limited Use</b>							
Self Insurance Fund	21,476,744	-	-	(1,762,021)	11,551,642	-	31,266,365
Swap Collateral Requirement	-	-	-	-	-	-	-
Regulatory Restricted Funds	-	-	-	2,000,000	2,000,000	-	4,000,000
Board Restricted	-	-	-	-	609,929,323	429,216	610,358,540
<b>Total Assets Limited Use</b>	<b>21,476,744</b>	<b>-</b>	<b>-</b>	<b>237,979</b>	<b>623,480,965</b>	<b>429,216</b>	<b>645,624,905</b>
<b>Property, Plant &amp; Equipment Net</b>	<b>629,880,429</b>	<b>373,989,305</b>	<b>14,633,771</b>	<b>8,982,529</b>	<b>35,995,607</b>	<b>60,693,882</b>	<b>1,124,175,522</b>
<b>Operating Lease Right of Use Asset</b>	<b>56,857,120</b>	<b>31,579,843</b>	<b>25,293,286</b>	<b>99,117,752</b>	<b>-</b>	<b>19,572,200</b>	<b>232,420,202</b>
<b>Other Assets</b>							
Permanently Restricted Funds	-	-	-	-	-	21,129,883	21,129,883
Temporarily Restricted Funds	-	-	-	-	-	25,048,335	25,048,335
Long Term Recv Affiliate	-	-	-	-	400,257,413	(400,257,413)	-
Deferred Financing Costs	-	-	-	-	-	-	-
Deferred Compensation	325,739	-	-	-	-	-	325,739
Investments in Joint Ventures	53,655	-	-	-	3,358,065	1,062,477	4,474,196
Other Assets	8,010,372	130,458,131	233,043	51,132,288	26,417,512	27,668,126	243,919,471
<b>Total Other Assets</b>	<b>8,389,765</b>	<b>130,458,131</b>	<b>233,043</b>	<b>51,132,288</b>	<b>430,032,989</b>	<b>(325,348,591)</b>	<b>294,897,624</b>
<b>Total Assets</b>	<b>\$ 1,166,517,340</b>	<b>\$ 336,925,347</b>	<b>\$ (100,479,243)</b>	<b>\$ 235,256,325</b>	<b>\$ 1,535,519,406</b>	<b>\$ (317,954,830)</b>	<b>\$ 2,855,784,345</b>
<b>Current Liabilities</b>							
Accounts Payable	\$ 71,164,762	\$ 36,515,968	\$ 10,683,557	\$ 15,485,192	\$ -	\$ 2,611,207	\$ 136,460,687
Accrued Expenses	26,842,959	11,925,190	35,074,754	12,520,934	18,518,195	2,107,502	106,789,534
Accrued Vacation	24,351,634	11,027,408	22,020,146	8,494,335	-	2,630,936	68,524,459
Current Portion of Self Insurance Liability	9,916,021	-	-	-	-	(8,048)	9,907,973
Operating Lease ROU Current Liability	5,687,120	4,591,696	8,243,035	6,391,706	-	3,038,378	27,951,935
Due to Third Parties	8,664,678	4,434,762	-	1,767,377	-	-	14,866,816
Capital Lease Obligations - Short Term	-	1,845,455	-	936,796	-	(26,783)	2,755,468
Other Current Liabilities	72,197,055	4,995,020	1,640,341	9,982,063	-	3,980,238	92,794,717
Current Portion Bonds Payable Affiliates	-	-	-	-	3,995,000	(3,995,000)	-
Current Portion of Notes and Bonds Payable	3,995,000	-	-	-	-	-	3,995,000
<b>Total Current Liabilities</b>	<b>222,619,228</b>	<b>75,335,500</b>	<b>77,661,833</b>	<b>55,578,402</b>	<b>22,513,195</b>	<b>10,338,431</b>	<b>464,046,589</b>
Operating Lease Obligation LT	55,697,726	26,988,147	17,050,251	92,726,046	-	16,533,822	208,995,992
Long Term Affiliate Payable	362,757,413	-	-	75,000,000	-	(400,257,413)	37,500,000
Long Term Debt	-	-	-	-	1,293,717,814	-	1,293,717,814
Capital Lease Obligations - Long Term	(9,641)	16,543,816	(7,693)	1,260,438	-	(46,319)	17,740,601
Accrued Post Retirement Liabilities	271,568,656	-	-	-	-	-	271,568,656
Self Insurance Liability	17,297,979	-	-	4,046,168	14,438,090	-	35,782,237
Gift Annuities	-	-	-	-	-	14,241	14,241
Deferred Compensation Liability	830,472	369,240	47,211	-	-	53,267	1,300,190
Deferred Revenue	93,617,351	70,984,607	10,840,715	372,224	-	907,275	176,722,172
Asset Monetization	-	-	-	-	191,587,911	-	191,587,911
<b>Total Liabilities</b>	<b>1,024,379,184</b>	<b>190,221,310</b>	<b>105,592,317</b>	<b>228,983,278</b>	<b>1,522,257,010</b>	<b>(372,456,695)</b>	<b>2,698,976,403</b>
Unrestricted Fund Balance	141,897,033	146,667,750	(206,071,560)	6,273,047	13,262,397	8,915,318	110,943,985
Temporarily Restricted	241,123	36,287	-	-	-	24,263,814	24,541,224
Permanently Restricted Donor Funds	-	-	-	-	-	21,322,732	21,322,732
<b>Total Net Assets</b>	<b>142,138,157</b>	<b>146,704,036</b>	<b>(206,071,560)</b>	<b>-</b>	<b>13,262,397</b>	<b>54,501,865</b>	<b>156,807,942</b>
<b>Net Assets W/O Donor Restrictions</b>							
Total Health and Subsidiaries	141,897,033	146,667,750	(206,071,560)	3,136,523	13,262,397	8,915,318	107,807,462
Non-Controlling Interest	-	-	-	3,136,523	-	-	3,136,523
<b>Net Assets W/ Donor Restrictions</b>	<b>241,123</b>	<b>36,287</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,586,547</b>	<b>45,863,957</b>
<b>Total Net Assets</b>	<b>142,138,157</b>	<b>146,704,036</b>	<b>(206,071,560)</b>	<b>6,273,047</b>	<b>13,262,397</b>	<b>54,501,865</b>	<b>156,807,942</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 1,166,517,340</b>	<b>\$ 336,925,347</b>	<b>\$ (100,479,243)</b>	<b>\$ 235,256,325</b>	<b>\$ 1,535,519,406</b>	<b>\$ (317,954,830)</b>	<b>\$ 2,855,784,345</b>

# Tower Health

## Consolidated Statement of Cash Flow

### For The Nine Month Period Ending March 31, 2021

Cash flows from operating activities and gains:	
Change in net assets	(151,985,000)
Adjustments to reconcile change in net assets to net cash provided by operating activities and gains:	
Change in unrealized gain on investments	(66,471,000)
Change in fair value of interest rate swaps	-
Change in pension liability	(18,206,000)
Change in deferred revenue	4,032,000
Amortization of bond discount	387,000
Amortization of bond premium	(5,075,000)
Depreciation	79,354,000
Realized gains on investments	(12,774,000)
Equity in (income) loss of affiliate	14,310,000
HHS Stimulus	-
Restricted contributions	(2,440,000)
Receivables from patients and others	43,535,000
Inventories	(11,657,000)
Prepaid expenses and other current assets	(6,144,000)
Deferred Compensation	(341,000)
Goodwill	(119,000)
Other assets	(6,014,000)
Long term debt	1,000
Third-party settlements	(3,365,000)
Accounts payable and other liabilities	23,296,000
Accrued vacation	1,739,000
Self-insurance cost	4,311,000
<b>Net cash provided (used) by operating activities and gains</b>	<b>\$ (113,626,000)</b>
Cash flows from investing activities:	
Acquisition of property, plant and equipment	(54,528,000)
Contribution restricted for capital purchase	-
Distribution to/from equity investees	1,101,000
Investment in equity investees	(362,000)
Sales from assets whose use is limited	34,835,000
Purchases from assets whose use is limited	(50,578,000)
<b>Net cash provided (used) by investing activities</b>	<b>\$ (69,532,000)</b>
Cash flows from financing activities:	
Restricted contributions and investment income received	2,440,000
Finance Lease Issuance	2,604,000
Payments of long-term debt (including current portion)	(3,750,000)
Proceeds from line of credit	7,500,000
Repayments of line of credit	(62,500,000)
Payments of finance leases	(1,489,000)
<b>Net cash provided (used) in financing activities</b>	<b>\$ (55,195,000)</b>
Net change in cash and cash equivalents	\$ (238,353,000)
<b>Cash and cash equivalents at beginning of year</b>	<b>\$ 356,892,000</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 118,539,000</b>

**TOWER HEALTH AND SUBSIDIARIES**  
Consolidated Statement of Changes in Net Assets  
Period Ending March 31, 2021  
(Dollars in thousands)

	Without donor restrictions	With donor restrictions	Total net assets
<b>Net assets at June 30, 2020</b>	<b>\$ 272,614</b>	<b>36,178</b>	<b>308,792</b>
Changes in net assets:			
Deficiency of revenues, gains, and other support over expenses	(160,794)	-	(160,794)
Net change in unrealized gains (losses) on investments	(139)	1,667	1,528
Net change in realized gains on investments	-	2,459	2,459
Change in pension liability	-	-	-
Restricted contributions	-	2,440	2,440
Net assets released from restrictions	(646)	(850)	(1,496)
Change in beneficial interest in trusts	-	3,215	3,215
Non-Controlling Interest	-	-	-
Other	(92)	755	663
Change in net assets	(161,671)	9,686	(151,985)
<b>Net assets at March 31, 2021</b>	<b>\$ 110,943</b>	<b>45,864</b>	<b>156,807</b>

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**Tower Health**  
**Historical Utilization of Services**  
**For the Years Ended 2019 through 2021 YTD**

**Year to Date March 31, 2021**

	2019	2020	FY2021 YTD Consolidated
<b>Beds in Service:</b>			
Adults & Critical Care	1,109	1,010	991
Obstetrics/Gynecology	60	91	72
NICU	30	34	34
Pediatrics	19	19	19
Skilled Nursing	50	50	50
Acute Rehab	76	76	73
Observation	-	-	29
Psych	152	152	103
Subtotal	1,496	1,432	1,371
Newborn	73	73	52
Total	1,569	1,505	1,423
<b>Admissions:</b>			
Medical/Surgical	51,879	51,939	39,783
Obstetrics/Gynecology	4,910	4,993	3,443
NICU	417	282	180
Pediatrics	1,368	1,379	895
Skilled Nursing	1,197	1,075	906
Acute Rehab	1,548	1,554	1,149
Psych	3,652	2,867	1,600
Subtotal	64,971	64,089	47,956
Newborn	4,200	4,319	2,935
Total	69,171	68,408	50,891
<b>Patient Days:</b>			
Medical/Surgical	224,775	233,151	195,041
Obstetrics/Gynecology	12,875	12,696	8,591
NICU	9,111	8,889	5,910
Pediatrics	2,569	2,578	1,723
Skilled Nursing	16,711	16,917	13,662
Acute Rehab	20,931	22,021	18,226
Psych	42,582	32,366	21,602
Subtotal	329,554	328,618	264,755
Newborn	8,752	8,710	5,668
Total	338,306	337,328	270,423
<b>Acuity:</b>			
Case Mix Index	1.43	1.43	1.49
*Prior to FY20, the CMP Hospitals did not segregate beds among Med/Surg, OBGYN and NICU, updated in FY20. Medical/Surgical includes Adult and Critical Care			
<b>Length of Stay:</b>			
Medical/Surgical	4.33	4.49	4.90
Obstetrics/Gynecology	2.62	2.54	2.50
NICU	21.85	31.52	32.83
Pediatrics	1.88	1.87	1.93
Skilled Nursing	13.96	15.74	15.08
Acute Rehab	13.52	14.17	15.86
Psych	11.66	11.29	13.50
Total	5.07	5.13	5.52
Newborn	2.08	2.02	1.93
<b>Occupancy Rates:</b>			
Medical/Surgical	55.5%	63.1%	71.8%
Obstetrics/Gynecology	58.8%	38.1%	43.5%
NICU	83.2%	71.4%	63.4%
Pediatrics	37.0%	37.1%	33.1%
Skilled Nursing	91.6%	92.4%	99.7%
Acute Rehab	75.5%	79.2%	91.1%
Psych	76.8%	58.2%	76.5%
Total	60.4%	62.7%	70.5%
Newborn	32.8%	32.6%	39.8%

**Tower Health**  
**Historical Utilization of Services**

<b>Year to Date March 31, 2021</b>	<b>2019</b>	<b>2020</b>	<b>FY2021 YTD Consolidated</b>
Surgeries:			as of 03/31/21
IP	14,306	12,616	9,790
OP	23,595	18,542	16,979
Total	37,901	31,158	26,769
Emergency Visits:			
IP	48,736	50,602	38,995
OP	229,031	236,667	145,920
Total	277,767	287,269	184,915
OP Registrations	1,304,467	1,388,777	471,028
Physician Vists:	1,728,810	1,871,449	1,953,251
Urgent Care Visits	108,072	159,947	178,476
Telehealth	N/A	16,757	70,452
		<i>June only</i>	

**Tower Health**  
**Historical Utilization of Services**  
**For the Years Ended 2019 through 2021 YTD**

**Year to Date March 31, 2021**

	<b>Admissions</b>				<b>Q2 FY2021 vs</b>
	<b><u>Q4 2020</u></b>	<b><u>Q1 2021</u></b>	<b><u>Q2 2021</u></b>	<b><u>Q3 2021</u></b>	<b><u>Q3 FY2021</u></b>
Reading	7,828	9,500	9,462	9,017	
Brandywine	1,240	1,403	1,393	1,385	
Chestnut Hill	1,498	1,645	1,850	1,778	
Jennersville	514	593	669	564	
Phoenixville	1,612	1,756	1,899	1,923	
Pottstown	1,793	2,018	2,007	1,982	
St Christopher's	682	974	971	1,014	
Total	15,167	17,889	18,251	17,663	-3.2%

	<b>IP Surg</b>				
	<b><u>Q4 2020</u></b>	<b><u>Q1 2021</u></b>	<b><u>Q2 2021</u></b>	<b><u>Q3 2021</u></b>	
Reading	1,281	1,837	1,735	1,635	
Brandywine	154	179	160	164	
Chestnut Hill	204	331	288	299	
Jennersville	110	133	140	96	
Phoenixville	244	301	298	311	
Pottstown	257	376	373	337	
St Christopher's	187	319	247	232	
Total	2,437	3,476	3,241	3,074	-5.2%

	<b>OP Surg</b>				
	<b><u>Q4 2020</u></b>	<b><u>Q1 2021</u></b>	<b><u>Q2 2021</u></b>	<b><u>Q3 2021</u></b>	
Reading	846	1,477	1,491	1,408	
Brandywine	183	293	290	259	
Chestnut Hill	216	363	369	445	
Jennersville	230	350	359	327	
Phoenixville	618	1,278	1,323	1,223	
Pottstown	340	654	851	761	
St Christopher's	702	1,122	1,156	1,180	
Total	3,135	5,537	5,839	5,603	-4.0%

	<b>IP ER</b>				
	<b><u>Q4 2020</u></b>	<b><u>Q1 2021</u></b>	<b><u>Q2 2021</u></b>	<b><u>Q3 2021</u></b>	
Reading	5,024	6,002	6,239	6,108	
Brandywine	1,080	1,198	1,220	1,160	
Chestnut Hill	1,404	1,421	1,701	1,610	
Jennersville	498	553	627	543	
Phoenixville	1,062	1,098	1,200	1,191	
Pottstown	1,491	1,721	1,834	1,824	
St Christopher's	409	565	610	570	
Total	10,559	12,558	13,431	13,006	-3.2%

	<b>OP ER</b>				
	<b><u>Q4 2020</u></b>	<b><u>Q1 2021</u></b>	<b><u>Q2 2021</u></b>	<b><u>Q3 2021</u></b>	
Reading	14,294	19,543	16,780	16,122	
Brandywine	3,373	4,351	4,119	3,700	
Chestnut Hill	5,112	6,845	7,500	6,373	
Jennersville	2,241	2,741	2,487	2,292	
Phoenixville	2,646	3,811	4,174	3,565	
Pottstown	4,659	6,218	6,115	5,732	
St Christopher's	5,106	7,929	8,228	7,295	
Total	37,431	51,438	49,403	45,079	-8.8%

	<b>OP Registrations</b>				
	<b><u>Q4 2020</u></b>	<b><u>Q1 2021</u></b>	<b><u>Q2 2021</u></b>	<b><u>Q3 2021</u></b>	
Reading	54,027	82,004	83,154	82,838	
Brandywine	6,041	9,091	9,014	8,913	
Chestnut Hill	6,059	13,506	15,240	14,786	
Jennersville	3,224	5,844	6,028	6,058	
Phoenixville	8,768	16,149	16,672	16,292	
Pottstown	9,295	15,189	15,149	14,691	
St Christopher's	6,514	12,725	14,152	13,533	
Total	93,928	154,508	159,409	157,111	-1.4%

**TOWER HEALTH**  
**NET REVENUE BY PAYOR CATEGORY**

Reading & CMP Hospitals (Excluding St. Chris)	3Q - March <u>FY 2021</u>	March- YTD <u>FY 2021</u>	Annual <u>FY2020</u>	Annual <u>FY2019</u>
<b>Category</b>				
Medicare Including Mgd MCR	37%	35%	34%	30%
Medicaid Including Mgd MCD	10%	10%	15%	12%
Blue Cross	27%	28%	26%	33%
Non-Blue Commercial	21%	22%	18%	19%
Other & Self Pay	5%	5%	7%	6%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\* Reading and CMP Hospitals only Excluding St. Christopher's