



Continuing Disclosure
Quarterly Financial Report
Three Months Ended March 31, 2020
(Unaudited)

TEXAS HEALTH RESOURCES
System Revenue Bonds, Series 2019 (Taxable), 2017A, 2017B, 2016A, 2015 (Taxable), 2015A,
2012A (Taxable), 2012B, 2008A, 2008B, and 2008C
Continuing Disclosure Undertaking

SYSTEM REVENUE BONDS						
Series	Taxable or Tax-Exempt	Issuer	Bond Type	Final Maturity	Principal Amount	Interest Rate
2019	Taxable	TCCEFFC ¹	Term	11/15/2051	\$ 200,000,000	3.269%
2017A	Tax-Exempt	TCCEFFC ¹	VRDB ²	11/15/2051	\$ 66,735,000	Variable
2017B	Tax-Exempt	TCCEFFC ¹	VRDB ²	11/15/2051	\$ 66,735,000	Variable
2016A	Tax-Exempt	TCCEFFC ¹	Term	2/15/2047	\$ 631,105,000	Multiple Fixed Rate
2015	Taxable	THR	Term	11/15/2055	\$ 300,000,000	4.330%
2015A	Tax-Exempt	TCCEFFC ¹	Term	11/15/2052	\$ 40,000,000	4.250%
2015A	Tax-Exempt	TCCEFFC ¹	Term	11/15/2052	\$ 20,000,000	5.000%
2012A	Taxable	TCCEFFC ¹	Term	11/15/2047	\$ 100,000,000	4.366%
2012B	Tax-Exempt	TCCEFFC ¹	VRDB ²	11/15/2047	\$ 50,000,000	Variable
2008A	Tax-Exempt	TCCEFFC ¹	VRDB ²	11/15/2033	\$ 55,110,000	Variable
2008B	Tax-Exempt	TCCEFFC ¹	VRDB ²	11/15/2033	\$ 42,635,000	Variable
2008C	Tax-Exempt	TCCEFFC ¹	VRDB ²	11/15/2033	\$ 51,435,000	Variable

¹ Tarrant County Cultural Education Facilities Finance Corporation

² Variable Rate Demand Bond

TEXAS HEALTH RESOURCES
System Revenue Bonds, Series 2019 (Taxable), 2017A, 2017B, 2016A, 2015 (Taxable), 2015A,
2012A (Taxable), 2012B, 2008A, 2008B, and 2008C
Continuing Disclosure Undertaking

SYSTEM BANK LOANS AND LINES OF CREDIT (LOC)					
Taxable or Tax-Exempt	Bank	Loan Type	Final Maturity	Principal Amount	Interest Rate
Tax-Exempt	UMB ¹	Loan	9/1/2035	\$66,090,000	Variable
Tax-Exempt	Northern ²	Loan	12/1/2033	\$67,500,000	Variable
Tax-Exempt	Chase ^{3,6}	LOC	3/31/2023	\$67,500,000	Variable
Tax-Exempt	Northern ^{2,6}	LOC	3/31/2023	\$45,000,000	Variable
Tax-Exempt	Wells Fargo ^{4,6}	LOC	3/31/2023	\$37,500,000	Variable
Tax-Exempt	U.S. Bank ^{5,6}	LOC	12/31/2020	\$75,000,000	Variable

¹ *Kansas City Financial Corporation, an affiliate of UMB Bank, N.A.*

² *The Northern Trust Company*

³ *JPMorgan Chase Bank, National Association*

⁴ *Wells Fargo Bank, National Association*

⁵ *U.S. Bank National Association*

⁶ *See "Historical Capitalization – Debt to Capitalization Ratio" for discussion on lines of credit drawn down subsequent to March 31, 2020 (page 9).*

**TEXAS HEALTH RESOURCES
SYSTEM REVENUE BONDS**

WARNING

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 occurring after the dated date of the document. Any information contained in the portion of the document indicated to concern recent events speaks only as of its date. Texas Health Resources (THR) 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 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 THR includes in forward-looking statements.

THR is obligated to provide certain updated financial information and operating data quarterly as specified in the Master Indenture. This document is designed to fulfill that obligation. It does not represent a complete set of financial statements as stipulated by U.S. generally accepted accounting principles.

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TEXAS HEALTH RESOURCES
QUARTERLY CONSOLIDATED CONDENSED FINANCIAL INFORMATION
(Dollars in Thousands)

	Mar 31	Jun 30	Sep 30	Dec 31	Total Year
<u>Fiscal Year 2020</u>					
(Unaudited)					
Patient service revenue	\$ 1,072,911	\$ —	\$ —	\$ —	\$ 1,072,911
Other operating revenue	34,741	—	—	—	34,741
Total operating revenue	1,107,652	—	—	—	1,107,652
Operating expenses	1,121,465	—	—	—	1,121,465
Operating loss	(13,813)	—	—	—	(13,813)
Nonoperating losses, net	(783,629)	—	—	—	(783,629)
Revenue and gains less than expenses and losses before income taxes	(797,442)	—	—	—	(797,442)
Less: Income tax expense	1,538	—	—	—	1,538
Revenue and gains less than expenses and losses	(798,980)	—	—	—	(798,980)
Less: Revenue and gains in excess of expenses and losses attributable to non-controlling interest	3,943	—	—	—	3,943
Revenue and gains less than expenses and losses from continuing operations attributable to Texas Health Resources	<u>\$ (802,923)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (802,923)</u>
<u>Fiscal Year 2019</u>					
(Unaudited)					
Patient service revenue	\$ 1,104,089	\$ 1,126,241	\$ 1,156,856	\$ 1,240,200	\$ 4,627,386
Other operating revenue	44,687	58,043	86,157	71,626	260,513
Total operating revenue	1,148,776	1,184,284	1,243,013	1,311,826	4,887,899
Operating expenses	1,106,278	1,117,831	1,163,533	1,176,432	4,564,074
Operating income	42,498	66,453	79,480	135,394	323,825
Nonoperating gains (losses), net	440,478	196,180	(8,487)	310,821	938,992
Revenue and gains in excess of expenses and losses before income taxes	482,976	262,633	70,993	446,215	1,262,817
Less: Income tax expense	1,376	1,540	1,012	1,762	5,690
Revenue and gains in excess of expenses and losses	481,600	261,093	69,981	444,453	1,257,127
Less: Revenue and gains in excess of expenses and losses attributable to non-controlling interest	18,297	21,045	21,420	25,329	86,091
Revenue and gains in excess of expenses and losses from continuing operations attributable to Texas Health Resources	<u>\$ 463,303</u>	<u>\$ 240,048</u>	<u>\$ 48,561</u>	<u>\$ 419,124</u>	<u>\$ 1,171,036</u>

TEXAS HEALTH RESOURCES
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

	March 31, 2020	December 31, 2019
	(Unaudited)	(Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 640,114	\$ 619,977
Short-term investments	7,736	7,805
Patient accounts receivable	514,591	564,292
Other receivables, net	112,264	153,089
Assets limited as to use	420,184	439,682
Other current assets	155,552	142,526
Total current assets	<u>1,850,441</u>	<u>1,927,371</u>
Assets limited as to use	4,542,478	5,341,342
Property and equipment, net	2,288,166	2,269,513
Investments in unconsolidated affiliates	523,474	532,817
Goodwill and intangible assets, net	136,610	137,794
Operating lease assets	178,816	151,754
Long-term fund restricted	65,037	67,631
Other assets, net	69,500	70,387
Total assets	<u>\$ 9,654,522</u>	<u>\$ 10,498,609</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt	\$ 344,650	\$ 345,060
Accounts payable	240,874	277,123
Estimated third-party payor settlements	18,824	16,699
Accrued salaries, wages, and employee benefits	255,855	235,712
Current portion of operating lease liabilities	38,125	38,548
Other accrued liabilities	252,229	303,898
Total current liabilities	<u>1,150,557</u>	<u>1,217,040</u>
Long-term debt, net of current portion	1,674,788	1,658,313
Operating lease liabilities, net of current portion	145,799	117,705
Other noncurrent liabilities	68,001	58,768
Total liabilities	<u>3,039,145</u>	<u>3,051,826</u>
Net assets:		
Net assets of Texas Health Resources:		
Without donor restrictions	6,225,453	7,025,899
With donor restrictions	170,818	184,592
Total net assets of Texas Health Resources	<u>6,396,271</u>	<u>7,210,491</u>
Noncontrolling ownership interest in equity of consolidated affiliates	219,106	236,292
Total net assets	<u>6,615,377</u>	<u>7,446,783</u>
Total liabilities and net assets	<u>\$ 9,654,522</u>	<u>\$ 10,498,609</u>

TEXAS HEALTH RESOURCES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
(Dollars in Thousands)

	Three Months Ended March 31,	
	2020	2019
	(Unaudited)	(Unaudited)
Operating revenue:		
Patient service revenue	\$ 1,072,911	\$ 1,104,089
Equity in earnings of unconsolidated affiliates	4,769	12,939
Other operating revenue	29,972	31,748
	<u>1,107,652</u>	<u>1,148,776</u>
Total operating revenue	<u>1,107,652</u>	<u>1,148,776</u>
Operating expenses:		
Salaries, wages, and employee benefits	622,167	620,223
Supplies	185,672	191,213
Depreciation and amortization	64,488	59,145
Interest expense	15,747	23,303
Other operating expenses	233,391	212,394
	<u>1,121,465</u>	<u>1,106,278</u>
Total operating expenses	<u>1,121,465</u>	<u>1,106,278</u>
Operating (loss) income	<u>(13,813)</u>	<u>42,498</u>
Nonoperating (losses) gains, net:		
Net realized investment income and gains	50,305	57,128
Net unrealized (losses) gains on investments	(831,368)	382,409
Equity in (losses) earnings of unconsolidated affiliates, nonoperating	(1,881)	1,156
Other, net	(685)	(215)
	<u>(783,629)</u>	<u>440,478</u>
Total nonoperating (losses) gains, net	<u>(783,629)</u>	<u>440,478</u>
Revenue and gains (less than) in excess of expenses and losses before income taxes	(797,442)	482,976
Less: Income tax expense	1,538	1,376
Revenue and gains (less than) in excess of expenses and losses	(798,980)	481,600
Less: Revenue and gains in excess of expenses and losses attributable to non-controlling interest	3,943	18,297
Revenue and gains (less than) in excess of expenses and losses from continuing operations attributable to Texas Health Resources	(802,923)	463,303

(Continued)

TEXAS HEALTH RESOURCES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS, Continued
(Dollars in Thousands)

	Three Months Ended March 31,	
	2020	2019
	(Unaudited)	(Unaudited)
Other changes in net assets without donor restrictions:		
Net unrealized gains on investments, other than trading securities	\$ 3,641	\$ 1,432
Net assets released from restrictions used for purchase of property and equipment	144	57
Change in fair value of interest rate swap agreements	(135)	(82)
Other changes, net	<u>(1,173)</u>	<u>(1,076)</u>
(Decrease) increase in net assets without donor restrictions	<u>(800,446)</u>	<u>463,634</u>
Changes in net assets with donor restrictions:		
Contributions received for purchase of property and equipment	61	2,962
Contributions received for operations	1,335	934
Net realized investment income and gains	743	941
Net unrealized (losses) gains on investments	(14,721)	7,499
Change in value of split-interest agreements	(247)	100
Net assets released from restrictions	<u>(945)</u>	<u>(1,487)</u>
(Decrease) increase in net assets with donor restrictions	<u>(13,774)</u>	<u>10,949</u>
(Decrease) increase in net assets of Texas Health Resources	(814,220)	474,583
Net assets of Texas Health Resources, beginning of period	<u>7,210,491</u>	<u>6,015,424</u>
Net assets of Texas Health Resources, end of period	<u><u>\$ 6,396,271</u></u>	<u><u>\$ 6,490,007</u></u>

TEXAS HEALTH RESOURCES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	Three Months Ended March 31,	
	2020	2019
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
(Decrease) increase in net assets of Texas Health Resources	\$ (814,220)	\$ 474,583
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net unrealized losses (gains) on investments	845,042	(391,340)
Net realized gains on investments	(30,363)	(37,416)
Change in value of split-interest agreements	247	(100)
Provision for bad debts	54	220
Restricted contributions received for purchase of property and equipment	(61)	(2,962)
Depreciation and amortization	64,488	59,145
Amortization of bond premiums/discounts and debt issuance costs, net	(712)	(663)
Net loss on impairment and disposal of property and equipment	711	74
Equity in losses of unconsolidated affiliates	(4,769)	(12,939)
Distributions from unconsolidated affiliates	27,472	21,567
Equity in earnings (losses) of unconsolidated affiliates, nonoperating	1,881	(1,156)
Change in fair value of interest rate swap agreements	135	82
Revenue and gains in excess of expenses and losses attributable to non-controlling interest	3,943	18,297
Change in operating assets and liabilities:		
Patient accounts receivable	49,701	(321)
Other receivables, net	40,771	40,642
Other assets, net	(12,385)	(3,263)
Accounts payable	(36,249)	(49,627)
Estimated third-party payor settlements	2,125	511
Accrued salaries, wages, and employee benefits	20,143	25,940
Other accrued liabilities	(51,669)	(18,274)
Operating lease assets and liabilities, net	609	(705)
Other noncurrent liabilities	9,233	(3,503)
Net cash provided by operating activities	<u>116,127</u>	<u>118,792</u>
Cash flows from investing activities:		
Purchases of property and equipment, net	(81,729)	(77,073)
Proceeds from disposal of property and equipment	25	42
Cash used to acquire physician practices and other consolidated affiliates	(359)	(508)
Investments in unconsolidated affiliates, net	(15,241)	(14,884)
Sales (purchases) of short-term investments and assets limited as to use, net	<u>6,099</u>	<u>(6,727)</u>
Net cash used in investing activities	<u>(91,205)</u>	<u>(99,150)</u>

(Continued)

TEXAS HEALTH RESOURCES
CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued
(Dollars in Thousands)

	Three Months Ended March 31,	
	2020	2019
	(Unaudited)	(Unaudited)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	\$ 19,600	\$ 3,257
Debt issuance costs	(95)	—
Principal payments on finance lease obligations	(520)	(277)
Principal payments on long-term debt	(2,820)	(5,253)
Contributions from non-controlling interest holders	4,205	513
Distributions to non-controlling interest holders	(25,216)	(18,620)
Proceeds from restricted contributions received for purchase of property and equipment	61	2,962
Net cash used in financing activities	<u>(4,785)</u>	<u>(17,418)</u>
Net increase in cash and cash equivalents and restricted cash	20,137	2,224
Cash and cash equivalents, beginning of period	<u>619,977</u>	<u>442,765</u>
Cash and cash equivalents, end of period	<u>\$ 640,114</u>	<u>\$ 444,989</u>
Supplemental information:		
Cash paid for interest	\$ 26,114	\$ 26,323
Cash paid for income taxes	\$ 238	\$ 633
Leased assets acquired through finance lease obligations	\$ 612	\$ 386
Leased assets acquired through operating lease obligations	\$ 9,124	\$ —

**TEXAS HEALTH RESOURCES
OPERATING AND FINANCIAL DATA**

UTILIZATION OF SYSTEM FACILITIES

Statistic	Three Months Ended March 31,	
	2020	2019
Licensed Beds (at month-end)	4,116	4,054
Operated Beds in Service (at month-end)	3,462	3,423
Patient Days (inpatient) ¹	182,980	187,542
Discharges (inpatient) ¹	41,417	41,013
Observations	9,661	12,657
Average Length of Stay (days)	4.4	4.6
Average Daily Census ²	2,011	2,084
Percent Occupancy	58.1%	60.9%
Outpatient Visits ^{1,3}	367,200	387,951
Physician Visits Outpatient	400,406	428,300
Total Surgeries	22,555	24,257
Total Births	6,152	6,298
Emergency Room Visits	172,225	180,621
Outpatient Gross Patient Service Revenue to Total Gross Patient Service Revenue ⁴	44.2%	45.9%

¹ Based on the implementation of new financial reporting systems, effective January 1, 2020, the System has elected to change its methodology for counting selected utilization statistics. For comparison purposes, prior year statistics have been restated to reflect the revised methodology.

² Average Daily Census is calculated using 91 days and 90 days for the three months ended March 31, 2020 and 2019, respectively.

³ Includes hospital based outpatient clinic visits and other outpatient facilities' visits. Excludes physician office visits.

⁴ Excludes physician activities, which represent 8.8% and 9.4% of THR's consolidated net patient service revenue for the three months ended March 31, 2020 and 2019, respectively.

**SOURCES OF COMBINED GROSS PATIENT SERVICE REVENUES
(excludes physician activities)**

Payor Type	Three Months Ended March 31, 2020	Fiscal Years Ended December 31,	
		2019	2018
Managed care and other commercial	35.2%	36.9%	37.6%
Medicare	25.2%	25.6%	26.2%
Medicare managed	22.0%	20.4%	19.6%
Medicaid	1.2%	1.9%	1.9%
Medicaid managed	6.3%	6.4%	6.4%
Uninsured	10.1%	8.8%	8.3%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

**TEXAS HEALTH RESOURCES
OPERATING AND FINANCIAL DATA**

HISTORICAL LIQUIDITY – DAYS CASH ON HAND

	March 31, 2020	December 31, 2019	December 31, 2018
	(Dollars in Thousands)		
Cash and cash equivalents	\$ 640,114	\$ 619,977	\$ 442,765
Short-term investments	7,736	7,805	7,275
Assets limited as to use - internally designated	<u>4,668,611</u>	<u>5,447,222</u>	<u>4,508,169</u>
Total Available Cash ¹	<u>\$ 5,316,461</u>	<u>\$ 6,075,004</u>	<u>\$ 4,958,209</u>
Total operating expenses	\$ 1,121,465	\$ 4,564,074	\$ 4,488,937
Plus - Income tax expense	1,538	5,690	5,123
Less - Depreciation and amortization	<u>(64,488)</u>	<u>(238,054)</u>	<u>(238,575)</u>
Adjusted Total Operating Expenses	<u>\$ 1,058,515</u>	<u>\$ 4,331,710</u>	<u>\$ 4,255,485</u>
Average Daily Operating Expense ²	<u>\$ 11,632</u>	<u>\$ 11,868</u>	<u>\$ 11,659</u>
Days Cash Ratio (days) ³	<u>457.1</u>	<u>511.9</u>	<u>425.3</u>

¹ THR maintains a combination of unrestricted cash, cash equivalents, and high grade fixed income securities that may be sold for same day settlement in an amount (value at market) sufficient to purchase the entire principal amount of the Series 2019, Series 2017 A&B Bonds, Series 2012B Bonds, and Series 2008A, B & C Bonds, if all tendered for purchase and not remarketed. Additionally, at March 31, 2019, THR has undrawn Credit Agreements (as defined herein) totaling \$225,000,000 available as a credit facility. See "Historical Capitalization – Debt to Capitalization Ratio" for further discussion of lines of credit on page 9.

² Average Daily Operating Expense is calculated using 91 days for the three months ended March 31, 2020, and 365 days for the fiscal years ended December 31, 2019 and 2018.

³ Total Available Cash divided by Average Daily Operating Expense.

**TEXAS HEALTH RESOURCES
OPERATING AND FINANCIAL DATA**

HISTORICAL CAPITALIZATION – DEBT TO CAPITALIZATION RATIO

	Fixed or Variable	March 31, 2020	December 31, 2019	December 31, 2018
(Dollars in Thousands)				
Debt:				
Series 2019 Taxable Bonds ¹	Fixed	\$ 197,942	\$ 198,027	\$ -
Series 2017A & B Bonds ²	Variable	133,470	133,470	133,470
Series 2016A Bonds ¹	Fixed	693,571	694,331	697,319
Series 2015 Taxable Bonds ¹	Fixed	296,904	296,895	296,857
Series 2015A Bonds ¹	Fixed	59,984	59,983	59,983
Series 2012A (Taxable) Bonds ¹	Fixed	98,944	98,937	98,914
Series 2012B Bonds ²	Variable	50,000	50,000	50,000
Series 2010 Bonds ^{1,3}	Fixed	-	-	151,469
Bank Loans ^{1,4}	Variable	133,216	133,209	133,563
Series 2008A, B & C Bonds ²	Variable	149,180	149,180	149,180
FMHP Term and Revolving Loans ^{1,5}	Combination	63,945	65,484	71,638
RRH Term and Revolving Loans ^{1,6}	Combination	61,827	42,218	29,624
HIP Term and Revolving Loans ^{1,7}	Combination	8,364	8,896	3,665
ACL Term and Revolving Loans ^{1,8}	Combination	14,614	14,932	16,460
Other Non-Obligated Group Debt ⁹	Combination	57,477	57,811	43,852
Total Debt		<u>\$ 2,019,438</u>	<u>\$ 2,003,373</u>	<u>\$ 1,935,994</u>
Net assets of THR without donor restrictions		<u>\$ 6,225,453</u>	<u>\$ 7,025,899</u>	<u>\$ 5,848,915</u>
Debt to Capitalization Ratio ¹⁰		<u>24.5%</u>	<u>22.2%</u>	<u>24.9%</u>

¹ Net of premium/discounts and (or) cost of issuance.

² Series 2017 A & B, Series 2012B Bonds, and Series 2008A, B & C Bonds are demand securities supported by self-liquidity provisions. On October 17, 2017, \$9,890,000, \$7,650,000, and \$9,355,000 of the Series A, B, & C Bonds, respectively, were redeemed by THR with available cash.

³ Series 2010 Bonds were redeemed on September 18, 2019 with a portion of the proceeds from the Series 2019 Bonds.

⁴ The Bank Loans have either a mandatory or optional tender exercisable by the respective banks that may trigger the unpaid principal balance of the Bank Loans due at the end of each respective ten and fifteen-year term. The Bank Loans bear interest at variable rates calculated as a percentage of LIBOR plus a spread.

⁵ FMHP is Flower Mound Hospital Partners, LLC (d/b/a Texas Health Presbyterian Hospital Flower Mound).

⁶ RRH is Rockwall Regional Hospital, LLC (d/b/a Texas Health Presbyterian Hospital Rockwall).

⁷ HIP is Health Imaging Partners, LLC.

⁸ ACL is AMH Cath Labs, LLC (d/b/a Texas Health Heart & Vascular Hospital Arlington).

⁹ Represents loans, notes payable, and capitalized leases of other consolidated joint ventures.

¹⁰ Total Debt divided by Total Debt plus Net Assets Without Donor Restrictions of THR.

THR maintains credit agreements for general corporate purposes with U.S. Bank for a line of credit of \$75,000,000 and a syndicated revolving line of credit (Syndicated Revolver) with Chase as the lead bank of \$150,000,000 on March 30, 2020 (the Credit Agreements). Under the Credit Agreements, outstanding balances under the lines of credit generally bear interest at variable rates calculated as a percentage of LIBOR plus a spread. At March 31, 2020, there were no outstanding balances under these Credit Agreements; however, THR drew down on both lines of credit totaling \$225,000,000 on April 3, 2020. The U.S. Bank and Syndicated Revolver Credit Agreements will expire on December 31, 2020 and March 31, 2023, respectively. THR intends to maintain its level of commitment for these lines of credit.

**TEXAS HEALTH RESOURCES
OPERATING AND FINANCIAL DATA**

COMPOSITION OF ASSETS LIMITED AS TO USE

	March 31, 2020	December 31, 2019	December 31, 2018
Internally designated:			
Cash equivalents	\$ 240,306	\$ 143,449	\$ 112,779
Fixed income securities	1,815,764	1,870,730	1,722,051
Equity securities	2,556,394	3,382,635	2,646,245
Mutual funds	6,299	6,390	5,494
Other alternative investments	49,831	44,018	21,600
Donor-restricted special purpose and endowment funds:			
Cash equivalents	1,346	993	1,608
Fixed income securities	52,011	46,753	45,764
Equity securities	85,726	101,211	85,696
Mineral interests	1,851	1,851	2,357
Real estate	18	18	18
Beneficial interest in perpetual trust, held in charitable remainder unitrusts, and held in charitable gift annuities:			
Cash equivalents	489	703	498
Fixed income securities	1,143	1,119	1,055
Equity securities	13,333	14,058	12,125
Mineral interests	476	476	615
Real estate	872	872	876
Other provisions:			
Cash equivalents	1,923	3,864	28,199
Fixed income securities	33,559	37,543	30,434
Equity securities	6,453	8,801	9,734
	4,867,794	5,665,484	4,727,148
Less: Assets limited as to use required for current liabilities	(420,184)	(439,682)	(471,438)
	<u>\$ 4,447,610</u>	<u>\$ 5,225,802</u>	<u>\$ 4,255,710</u>

Excluded from the above table are funds held for use related to local health care provider participation program (LPPF) mandatory payments of \$79,888,000, \$97,595,000 and \$104,903,000 at March 31, 2020, December 31, 2019 and 2018, respectively, and promises to give of \$14,980,000, \$17,945,000 and \$17,137,000 at March 31, 2020, December 31, 2019 and 2018, respectively. Both the funds held for use related to LPPF mandatory payments and the promises to give are included in assets limited as to use on the accompanying consolidated balance sheets.

TEXAS HEALTH RESOURCES SUPPLEMENTAL INFORMATION

STRATEGIC PLANS AND RECENT DEVELOPMENTS

The outbreak of a novel strain of the coronavirus disease 2019 (COVID-19) continues to grow both in the United States (U.S.) and globally. It is currently not possible to predict the effect and ultimate impact of the COVID-19 pandemic as the situation is rapidly evolving. The System is following the guidance of state and local governments and the Centers for Disease Control and Prevention (CDC). For inpatient facilities, the State of Texas initially mandated rescheduling elective surgeries and shifting inpatient diagnostic and surgical procedures to outpatient settings, when feasible; limiting visitors; and identifying additional space for patient care. Effective April 22, 2020, the State of Texas has lifted its mandate on elective procedures and provided specific limitations and guidelines to ensure hospitals can care for COVID-19 patients. It is anticipated that the limitations on elective procedures will continue until it appears that the spread of COVID-19 in the System's service area is being sufficiently managed so that health care resources can be redirected back to their usual functions. As of the date of this report, the System cannot reliably project the impact COVID-19 will have on its overall operational and financial performance. Financial markets have experienced significant volatility in the last several weeks, attributable to the potential impact of COVID-19 on U.S. and world economies. This may affect the returns on the System's investments and therefore it is possible that the System will experience lower returns than the returns reflected in its recent financial statements. The System will continue to monitor the situation and continues to develop and operationalize plans in the event a large number of the residents within the communities it serves test positive for COVID-19 and require hospitalization. Through the date of this report, the System has received distributions of \$93,017,286 under the Coronavirus Aid, Relief and Economic Securities (CARES) Act Provider Relief Fund. This funding will be used to support healthcare related expenses or lost revenue attributable to COVID-19 and to ensure uninsured individuals can get testing and treatment for COVID-19. Providers must sign an attestation confirming receipt of funds and agreeing to the terms and conditions of payments within 45 days of receiving funds, which has been completed as of the date of this filing.

LITIGATION AND REGULATORY MATTERS

In March 2015, the System made a disclosure to the Office of Inspector General (OIG) regarding Texas Health Physician Group (THPG) billing of certain Positron Emission Tomography (PET) scan tests and nuclear stress tests that did not meet Medicare medical necessity requirements. To date, the OIG has not responded. Management does not anticipate a material financial impact due to this incident.

On July 13, 2018, the OIG notified THR and initiated a Hospital Medicare Compliance Review at Texas Health Presbyterian Hospital Dallas to determine whether the hospital complied with Medicare requirements for billing certain inpatient and outpatient services on selected claims from January 1, 2016 through December 31, 2017. The OIG issued a draft report on June 11, 2019, which stated that the OIG found the hospital complied with Medicare billing requirements for 59 of the 100 inpatient and outpatient claims reviewed, and 41 claims had billing errors resulting in net overpayments of \$500,000 for the audit period. The OIG extrapolated these net overpayments and estimates that the hospital received net overpayments of at least \$10,597,000. In its written response provided to the OIG on July 11, 2019, THR generally disagreed with many of the findings and recommendations set forth in the draft report. THR specifically disagreed with the OIG's recommendation to refund to the Medicare contractor \$10,597,000 in estimated overpayments. The amount of the proposed refund represents the extrapolation of many payments that are still in dispute. OIG issued their final report to THR on December 10, 2019. OIG disagreed with THR's response and finalized their findings as specified in their draft report. THR has begun the appeal process on denied claims and intends to exercise all of its existing appeal rights in this matter. Management believes it is too early to predict with certainty the outcome of this matter; however, management has established a reserve for the extrapolated amount and does not anticipate any further financial impact.

On August 23, 2019, THR learned that, during an upgrade to its information systems completed in July 2019, a software coding error caused patient information to be mismatched with incorrect guarantors. This misconfiguration caused incorrect patient information to be sent by certain physician/billing companies to incorrect guarantors. On October 22, 2019, THR made all legally required notifications of the incident, including notification to the OCR, letters to the patients involved and specific media notices. On February 20, 2020, THR received a letter from the OCR with questions regarding the incident as part of its standard investigation process. THR, with assistance from outside counsel, submitted the response to the OCR on March 9, 2020. Management believes it is too early to predict the outcome of this matter; however, management does not anticipate a material financial impact.

THR's Corporate Compliance Department investigates all compliance matters reported through its compliance program. As of the date of this disclosure, there was no additional pending or, to the knowledge of management, threatened litigation, including professional liability claims, or reported compliance issues which in the opinion of management involves any substantial risk of material liability, and where applicable, in excess of available reserves and insurance coverages.