

***The Charlotte-Mecklenburg Hospital Authority
d/b/a Atrium Health***

Annual Financial Information Statement

For the Year Ended December 31, 2019
in connection with Series 2005 B, C, and D, Series 2007 B, C, D, E, F, G, and H,
Series 2011 A, Series 2012 A, Series 2013 A, Series 2016 A, Series 2018 A, B, C, D, E, F, G,
and H Revenue Bonds.

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The date of this Annual Financial Information Statement is
May 29, 2020

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INTRODUCTORY STATEMENT

This Information Statement is issued to provide certain financial and utilization information for The Charlotte-Mecklenburg Hospital Authority, doing business as Atrium Health (previously Carolinas HealthCare System), and Members of the Combined Group (the “Combined Group”). This Information Statement, in conjunction with audited financial statements for the year ended December 31, 2019, is intended to comply with the Securities and Exchange Commission Rule 15c2-12, as well as satisfy the Continuing Disclosure requirements of the following Charlotte-Mecklenburg Hospital Authority bond Series Resolutions, as amended: (i) Section 1512 of the Series Resolutions authorizing and securing the Series 2005 B, C, and D Variable Rate Health Care Refunding Revenue Bonds, adopted October 24, 2005; (ii) Section 1112 of the Series Resolution authorizing and securing the Series 2007 A Health Care Revenue and Refunding Revenue Bonds, adopted July 26, 2007; (iii) Section 1512 of the Series Resolutions authorizing and securing the Series 2007 B and C Variable Rate Health Care Refunding Revenue Bonds, adopted July 26, 2007; (iv) Section 1512 of the Series Resolutions authorizing and securing the Series 2007 D, E, and F Variable Rate Health Care Revenue Bonds, adopted July 26, 2007; (v) Section 1512 of the Series Resolutions authorizing and securing the Series 2007 G and H Variable Rate Health Care Revenue Bonds, adopted July 26, 2007; (vi) Section 1112 of the Series Resolution authorizing and securing the Series 2009 A Health Care Refunding Revenue Bonds, adopted July 21, 2009; (vii) Section 1112 of the Series Resolution authorizing and securing the Series 2011 A Health Care Revenue Bonds, adopted May 2, 2011; (viii) Section 1112 of the Series Resolution authorizing and securing the Series 2012 A Health Care Revenue and Refunding Revenue Bonds, adopted April 20, 2012; (ix) Section 1112 of the Series Resolution authorizing and securing the Series 2013 A Health Care Revenue and Refunding Revenue Bonds, adopted April 25, 2013; (x) Section 1112 authorizing and securing the Series 2016 A Health Care Refunding Revenue Bonds, adopted August 31, 2016; (xi) Section 1112 of the Series Resolution authorizing and securing the Series 2018 A Health Care Refunding Revenue Bonds, adopted October 1, 2018; (xii) Section 1512 of the Series Resolutions authorizing and securing the Series 2018 B and C Variable Rate Health Care Revenue Bonds, adopted October 1, 2018; (xiii) Section 1512 of the Series Resolutions authorizing and securing the Series 2018 D and E Variable Rate Health Care Revenue Bonds, adopted October 1, 2018; (xiv) Section 1512 of the Series Resolution authorizing and securing the Series 2018 F Variable Rate Health Care Revenue Bonds, adopted October 1, 2018; and (xv) Section 1512 of the Series Resolutions authorizing and securing the Series 2018 G and H Variable Rate Health Care Revenue Bonds, adopted October 1, 2018.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY

The Charlotte-Mecklenburg Hospital Authority (the “Authority”) was organized in 1943 under the North Carolina Hospital Authorities Act. The Authority has its headquarters in Charlotte, Mecklenburg County, North Carolina. The Authority is a public body and a body corporate and politic which is authorized to construct and operate health care and hospital facilities, borrow money through the issuance of bonds, and secure such bonds by a pledge of its revenues.

Its mission is to improve health, elevate hope and advance healing – for all. These five simple but powerful words are the Authority’s promise to patients. The Authority’s vision is to be the first and best choice for care. The Authority also recognize that employees are its most valuable asset and have identified four core values it holds in the highest regard: caring, commitment, integrity and teamwork.

ATRIUM HEALTH

The Authority, directly and through its affiliates, does business as Atrium Health (“Atrium Health”), one of the nation’s leading and most innovative healthcare organizations, which provides a full spectrum of healthcare and wellness programs in the Southeast region. Its diverse network of care locations includes academic medical centers, hospitals, freestanding emergency departments, physician practices, surgical and rehabilitation centers, home health agencies, nursing homes and behavioral health centers, as well as hospice and palliative care services. Atrium Health works to enhance the overall health and wellbeing of its communities through high quality patient care, education and research programs, and numerous collaborative partnerships.

For financial reporting purposes, Atrium Health is divided into the “Primary Enterprise,” “Discrete Component Units,” and “Fiduciary Activities.” The Primary Enterprise consists of the Authority and all affiliates whose assets and income the Authority controls without limitation. Discrete Component Units include Central Georgia PET, LLC, a joint venture which operates an outpatient radiology imaging center, Cowles Clinic Realty, LLC, a real estate joint venture which holds and leases medical office property and Atrium Health Foundation, which raises and holds economic resources for the direct benefit of the Authority. Although Atrium Health includes certain healthcare facilities and physician groups in the Carolinas managed by the Authority or its affiliates pursuant to management agreements (the

“Managed Affiliates”), only the management and contracted services fees earned by Atrium Health, not the financial position or results of operations of those facilities, are reflected in the combined financial statements of Atrium Health.

THE COMBINED GROUP

The Authority’s Second Amended and Restated Bond Order adopted as of September 9, 1997, as amended by a First Amendment thereto dated as of November 1, 2001, a Second Amendment thereto dated as of June 1, 2002, a Third Amendment thereto dated as of September 11, 2007, and a Fourth Amendment thereto dated as of September 13, 2016 (as amended, the “Bond Order”), authorizes the creation of a Combined Group, which consists of the Obligated Group and Designated Affiliates. Only the Combined Group has a direct or indirect obligation to pay amounts due with respect to the Bonds described below.

As of December 31, 2019, the primary members of the Obligated Group, in addition to the Authority, are Mercy Hospital, Inc., Carolinas Physicians Network, Inc., Managed Health Resources, Inc., Carolinas-Anson Healthcare, Inc., Carolinas Medical Center at Home, LLC, Carolinas Palliative Care and Hospice Network, Inc., Hospice of Cabarrus County, Inc., Atrium Health Foundation, Cleveland Ambulatory Services, LLC, Union Health Services, LLC, and Carolinas Ambulatory Surgery, Inc.¹ The members of the Obligated Group are substantially all of the members of the Primary Enterprise, with the exception of Navicent Health and its affiliates (“Navicent”), and Atrium Health Foundation. There are some affiliates of the Primary Enterprise, including Navicent (a Component Unit that is blended with the Primary Enterprise), which are not part of the Obligated Group. The affiliates that are part of the Primary Enterprise, but not part of the Obligated Group, made up approximately 12.9% of the total revenue and approximately 13.6% of the total assets of the Primary Enterprise for the year ended December 31, 2019.

Because none of the members of the Obligated Group have Designated Affiliates at this time, the only members of the Combined Group are the members of the Obligated Group.

Except for Atrium Health Foundation, the Authority controls, directly or indirectly, each of the members of the Obligated Group, including the members identified in the footnote below. The income of each of the members of the Combined Group is exempt from federal and State of North Carolina income taxation.

Because certain affiliates of the Authority that are included in the Primary Enterprise are not members of the Combined Group and an affiliate of the Authority that is a member of the Combined Group is a Component Unit and therefore not included in the Primary Enterprise, the financial position and results of operations of the Combined Group differ from those of the Primary Enterprise. (See “**FINANCIAL AND UTILIZATION INFORMATION OF THE COMBINED GROUP—Summary of Historical Revenues and Expenses**” herein.) The Combined Group does not include any of these affiliates or the Managed Affiliates facilities and, therefore, they are not required to comply with the provisions of the Bond Order and are not directly or indirectly obligated to pay amounts due with respect to the Bonds described below.

OUTSTANDING BONDS

Bonds Subject to Continuing Disclosure:

On December 14, 2005, Atrium Health issued Series 2005 B, C, and D Variable Rate Refunding Revenue Bonds in the amount of \$93,905,000 which, together with \$2,855,000 of Atrium Health funds, currently refunded \$96,760,000 of Series 1996 A Revenue Bonds.

On August 28, 2007, Atrium Health issued Series 2007 B and C Variable Rate Health Care Refunding Revenue Bonds in the amount of \$177,835,000 which advance refunded all \$71,015,000 of Series 2003 A Revenue Bonds and all \$100,000,000 of Series 2005 A Revenue Bonds.

On September 19, 2007, Atrium Health issued Series 2007 D, E, and F Variable Rate Health Care Revenue Bonds in the amount of \$201,415,000. Proceeds from the Series 2007 D, E, and F Revenue Bonds have been used to

¹ As of December 31, 2019, the other members of the Obligated Group are: Carolinas College of Health Sciences, Carolinas HealthCare Information Exchange, LLC, Carolinas Health Network, Inc., Carolinas Hospital Network, Inc., CHS Anesthesia Services Group, Inc., CHS Pharmacy Services, Inc., Mercy Equipment Corporation, Mercy Health Services, Inc., Pineville Radiation Therapy Center, LLC, Union Medical Office Building, LLC, Union Medical Services, LLC, University Radiation Therapy Center, LLC and West Stanly Imaging, L.L.C. None of these entities are shown in the Summary of Atrium Health Facilities on page 4 hereof because their function and operation are not critical to describing and understanding the Combined Group or Atrium Health.

finance a portion of constructing, renovating, expanding, and equipping the hospitals and other health care facilities of the Combined Group.

On September 19, 2007, Atrium Health issued Series 2007 G, and H Variable Rate Health Care Revenue Bonds in the amount of \$279,875,000. Proceeds from the Series 2007 H Revenue Bonds were used to repay \$159,930,000 of outstanding tax-exempt bonds issued by the North Carolina Medical Care Commission for the benefit of NorthEast Medical Center. Proceeds from the Series 2007 G Revenue Bonds have been used to finance a portion of constructing, renovating, expanding, and equipping the hospitals and other health care facilities of the Combined Group.

On May 19, 2011, Atrium Health issued Series 2011 A Health Care Revenue Bonds in the amount of \$149,995,000. Proceeds from the Series 2011 A Revenue Bonds have been used to finance a portion of constructing, renovating, expanding, and equipping the hospitals and other health care facilities of the Combined Group.

On May 17, 2012, Atrium Health issued Series 2012 A Health Care Revenue and Refunding Revenue Bonds in the amount of \$155,060,000, which currently refunded all \$88,535,000 of Series 2001 A Revenue Bonds and \$32,185,000 of outstanding tax-exempt bonds issued by the North Carolina Medical Care Commission for CMC-Union's benefit. Remaining proceeds have been used to finance a portion of constructing, renovating, expanding, and equipping the hospitals and other health care facilities of the Combined Group.

On May 23, 2013, Atrium Health issued Series 2013 A Health Care Revenue and Refunding Revenue Bonds in the amount of \$127,260,000, which advance refunded \$4,815,000 of the outstanding Series 2009 A Health Care Refunding Revenue Bonds and \$73,250,000 of outstanding revenue bonds issued by the North Carolina Medical Care Commission for the benefit of Cleveland County HealthCare System. Remaining proceeds have been used to finance a portion of constructing, renovating, expanding, and equipping the hospitals and other health care facilities of the Combined Group.

On November 22, 2016, Atrium Health issued Series 2016 A Health Care Refunding Revenue Bonds which currently refunded \$121,240,000 of the outstanding Series 2007 A Revenue and Refunding Revenue Bonds and advance refunded \$300,255,000 of the outstanding Series 2008 A Refunding Revenue Bonds.

On November 13, 2018, Atrium Health issued Series 2018 A Health Care Refunding Revenue Bonds in the amount of \$164,030,000 which, together with \$4,641,813 of Atrium Health funds, currently refunded \$178,425,000 of the outstanding Series 2009 A Refunding Revenue Bonds.

On November 13, 2018, Atrium Health issued Series 2018 B, C, D, and E Variable Rate Health Care Revenue Bonds in the amount of \$200,000,000. Proceeds from the Series 2018 B, C, D, and E Revenue Bonds have been and will be used to finance a portion of constructing, renovating, expanding, and equipping the hospitals and other health care facilities of the Combined Group.

On November 20, 2018, Atrium Health issued Series 2018 F Variable Rate Health Care Revenue Bonds in the amount of \$100,000,000. Proceeds from the Series 2018 F Revenue Bonds have been and will be used to finance a portion of constructing, renovating, expanding, and equipping the hospitals and other health care facilities of the Combined Group.

On December 6, 2018, Atrium Health issued Series 2018 G and H Variable Rate Health Care Revenue Bonds in the amount of \$100,000,000. Proceeds from the Series 2018 G and H Revenue Bonds have been and will be used to finance a portion of constructing, renovating, expanding, and equipping the hospitals and other health care facilities of the Combined Group.

Bonds Not Subject to Continuing Disclosure:

On January 7, 2015, Atrium Health issued Series 2015 A Taxable Health Care Refunding Revenue Bonds in the amount of \$13,125,000 which, together with funds held by Stanly in Debt Service Reserve Funds, currently refunded all \$16,030,000 of outstanding tax-exempt bonds issued by the North Carolina Medical Care Commission for Stanly's benefit.

On October 7, 2015, Atrium Health authorized the issuance of Series 2015 B Taxable Commercial Paper Revenue Bonds not to exceed an aggregate amount of \$200,000,000 outstanding at any time. On November 13, 2018, the maximum aggregate amount was increased from \$200,000,000 to \$400,000,000. Proceeds from the Series 2015 B Bonds may be used to: (i) pay the costs of operating health care facilities or of additional health care facilities, including general operating costs, routine capital expenditures and the acquisition and installation of health care equipment; and (ii) refinance previously issued bonds.

ATRIUM HEALTH COMPONENTS

Summary of Atrium Health Facilities

The following table describes the number of licensed beds, beds in service, level of care and location of Atrium Health's medical group division, principal inpatient facilities, home health operations and palliative and hospice care operations as of December 31, 2019, except as otherwise noted:

	Licensed Beds	Beds In Service	Level of Care	Location
Combined Group:				
Medical Group Division ⁽¹⁾	--	--	Primary and Specialty Physician Care	Throughout the Region
Carolinas Medical Center ⁽²⁾	721	721	Quaternary/Tertiary	Charlotte, NC
Levine Children's Hospital ⁽³⁾	231	231	Quaternary/Tertiary	Charlotte, NC
Atrium Health Behavioral Health – Charlotte	66	66	Mental Health	Charlotte, NC
Atrium Health Behavioral Health - Davidson	66	66	Mental Health	Charlotte, NC
Atrium Health Mercy ⁽⁴⁾	207	207	Tertiary/Acute	Charlotte, NC
Atrium Health Cabarrus	457	455	Tertiary/Acute	Concord, NC
Atrium Health Pineville	250	250	Tertiary/Acute	Pineville, NC
Atrium Health Cleveland	241	177	Acute	Shelby, NC
Atrium Health Union	182	155	Acute	Monroe, NC
Atrium Health University City	100	100	Acute	Charlotte, NC
Atrium Health Kings Mountain	39	25	Acute/Swing	Kings Mountain, NC
	20	20	Mental Health	Kings Mountain, NC
	8	8	Chemical Dependency	Kings Mountain, NC
Atrium Health Lincoln	101	101	Acute	Lincolnton, NC
Atrium Health Stanly	97	82	Acute	Albemarle, NC
	12	12	Mental Health	Albemarle, NC
Atrium Health Anson	15	15	Acute/Swing	Wadesboro, NC
Carolinas Rehabilitation – Charlotte	70	70	Rehabilitative	Charlotte, NC
Carolinas Rehabilitation – Mount Holly	40	40	Rehabilitative	Mount Holly, NC
Carolinas Rehabilitation – NorthEast	40	40	Rehabilitative	Concord, NC
Huntersville Oaks	168	168	Long-Term	Huntersville, NC
Sardis Oaks	124	119	Long-Term	Charlotte, NC
Cleveland Pines	120	120	Long-Term	Shelby, NC
Jesse Helms Nursing Center	70	70	Long-Term	Monroe, NC
Stanly Manor	90	90	Long-Term	Albemarle, NC
	10	7	Assisted Living	Albemarle, NC
Carolinas Palliative Care and Hospice Network	50	36	Palliative Care and Hospice Services	Throughout the Region
Healthy@Home	--	--	Home Health	Throughout the Region
Subtotals	3,595	3,451		

	Licensed Beds	Beds In Service	Level of Care	Location
Component Unit (blended):				
Navicent Health Physician Group	--	--	Primary and Specialty Physician Care	Seven GA Counties
Medical Center Navicent Health	637	586	Tertiary/Acute	Macon, GA
Beverly Knight Olson Children's Hospital	100	100	Tertiary/Acute	Macon, GA
Medical Center of Peach County Navicent Health	25	25	Critical Access	Byron, GA
Navicent Health Baldwin	125	86	Acute	Milledgeville, GA
	15	15	Long-Term	Milledgeville, GA
Rehabilitation Hospital Navicent Health	58	58	Rehabilitative	Macon, GA
Carlyle Place Navicent Health	95	95	Long-Term Assisted Living	Macon, GA
Subtotals	1,055	965		

	<u>Licensed Beds</u>	<u>Beds In Service</u>	<u>Level of Care</u>	<u>Location</u>
Managed Affiliates Facilities:				
<i>Blue Ridge HealthCare System</i>				
Blue Ridge HeathCare Medical Group	--	--	Primary/Specialty Physician Care	Three NC counties
	22	22	Mental Health	Morganton, NC
Grace Ridge Retirement Community	25	25	Long-Term	Morganton, NC
	35	35	Assisted Living	Morganton, NC
	12	12	Special Care (dementia)	Morganton, NC
Blue Ridge HealthCare Hospitals	293	134	Acute	Morganton, NC And Valdese, NC
Columbus Regional Healthcare System	154	100	Acute	Whiteville, NC
New Hanover Regional Medical Center Physicians Group	--	--	Primary and Specialty Physician Care	Wilmington, NC
<i>Scotland HealthCare System</i>				
Scotland Memorial Hospital	97	97	Acute	Laurinburg, NC
	7	7	Rehabilitative	Laurinburg, NC
Hospice of Scotland County	12	12	Hospice	Laurinburg, NC
St. Luke's Hospital	25	25	Acute	Columbus, NC
	10	10	Special Care	Columbus, NC
Subtotals	<u>692</u>	<u>479</u>		
TOTALS	<u>5,342</u>	<u>4,895</u>		

Summary of Atrium Health Facilities Footnotes:

- (1) Includes physician practices of Carolinas Physicians Network, NorthEast Physicians Network, and Faculty Physicians Network.
- (2) Because of high census, the number of licensed beds and beds in service for Carolinas Medical Center had been temporarily increased to 721 as of December 31, 2019. This temporary increase expired on April 15, 2020.
- (3) Because of high census, the number of licensed beds and beds in service for Levine Children's Hospital had been temporarily increased to 231 as of December 31, 2019. This temporary increase expired on April 15, 2020.
- (4) Atrium Health Mercy is a facility of Carolinas Medical Center.

FINANCIAL AND UTILIZATION INFORMATION OF THE COMBINED GROUP

Summary of Historical Utilization Information

The following table summarizes certain information and shows recent utilization trends of the Combined Group's medical group division and principal inpatient facilities during the years ended December 31, 2017, 2018 and 2019.

Total patient service volume increased at the Combined Group's principal inpatient facilities, as measured by adjusted discharges (which measures inpatient and outpatient volumes), over the years ended December 31, 2017, 2018 and 2019.

Combined Group Facilities Summary Utilization Information

	Years Ended December 31,		
	2017	2018	2019
Medical Group Division ⁽¹⁾⁽²⁾			
Practice locations	507	506	506
Total Physicians	1,784	1,801	1,825
Patient visits (including faculty)	5,999,946	5,929,143	5,969,335
Total Acute Care Facilities			
Adjusted patient days (excluding newborn) ⁽³⁾	1,452,684	1,505,213	1,576,317
Adjusted discharges (excluding newborn) ⁽³⁾	312,651	316,623	323,256
Surgical Procedures ^{(8) (9) (11)}	98,518	97,506	97,113
Carolinas Medical Center and Levine Children's Hospital			
Licensed beds ⁽⁴⁾	907	918	952
Beds in service ⁽⁴⁾	907	918	952
Average daily census	745.9	750.2	785.1
Percentage occupancy of licensed beds ⁽⁴⁾	82.2%	81.7%	82.5%
Percentage occupancy of beds in service ⁽⁴⁾	82.2%	81.7%	82.5%
Patient days (excluding newborn)	272,244	273,825	286,562
Adjusted patient days (excluding newborn) ⁽³⁾	543,506	547,267	566,889
Average length of stay (days)	6.0	6.2	6.4
Discharges (excluding newborn)	45,040	44,412	44,903
Adjusted discharges (excluding newborn) ⁽³⁾	89,918	88,762	88,829
Emergency room visits	128,131	123,608	124,115
Surgical procedures	34,104	33,156	32,573
Newborn deliveries	7,142	6,823	6,215
Atrium Health Mercy ⁽⁵⁾			
Licensed beds	207	207	207
Beds in service	207	207	207
Average daily census	122.6	131.9	136.0
Percentage occupancy of licensed beds	59.2%	63.7%	65.7%
Percentage occupancy of beds in service	59.2%	63.7%	65.7%
Patient days	44,765	48,146	49,630
Adjusted patient days (excluding newborn)	81,300	88,109	91,191
Average length of stay (days)	3.7	3.9	4.0
Discharges (excluding newborn)	11,985	12,292	12,271
Adjusted discharges (excluding newborn)	21,766	22,495	22,547
Emergency room visits	36,593	35,156	35,906
Surgical procedures	11,379	11,442	11,716

**Combined Group Facilities
Summary Utilization Information**

	Years Ended December 31,		
	2017	2018	2019
Atrium Health Cabarrus			
Licensed beds	457	457	457
Beds in service	455	455	455
Average daily census	283.7	305.3	320.0
Percentage occupancy of licensed beds	62.1%	66.8%	70.0%
Percentage occupancy of beds in service	62.3%	67.1%	70.3%
Patient days (excluding newborn)	103,541	111,419	116,786
Adjusted patient days (excluding newborn) ⁽³⁾	225,827	233,701	245,158
Average length of stay (days)	4.6	4.8	4.8
Discharges (excluding newborn)	22,524	23,409	24,418
Adjusted discharges (excluding newborn) ⁽³⁾	49,126	49,100	51,258
Emergency room visits	121,448	120,300	122,918
Surgical procedures	11,906	11,669	11,679
Newborn deliveries	2,874	2,785	2,754
Atrium Health Pineville ⁽⁶⁾			
Licensed beds ⁽⁷⁾	235	238	250
Beds in service ⁽⁷⁾	235	238	250
Average daily census	203.6	212.7	225.6
Percentage occupancy of licensed beds ⁽⁷⁾	86.6%	89.4%	90.2%
Percentage occupancy of beds in service ⁽⁷⁾	86.6%	89.4%	90.2%
Patient days (excluding newborn)	74,322	77,642	82,350
Adjusted patient days (excluding newborn) ⁽³⁾	157,234	163,872	169,860
Average length of stay (days)	4.3	4.4	4.6
Discharges (excluding newborn)	17,221	17,605	18,014
Adjusted discharges (excluding newborn) ⁽³⁾	36,432	37,157	37,157
Emergency room visits	99,132	95,799	98,124
Surgical procedures ⁽⁸⁾	11,077	10,900	10,361
Newborn deliveries	2,311	2,356	2,246
Atrium Health Cleveland			
Licensed beds	241	241	241
Beds in service	161	163	177
Average daily census	80.2	93.3	107.4
Percentage occupancy of licensed beds	33.3%	38.7%	44.5%
Percentage occupancy of beds in service	49.8%	57.2%	60.7%
Patient days (excluding newborn)	29,270	34,050	39,184
Adjusted patient days (excluding newborn)	87,868	96,096	106,402
Average length of stay (days)	4.0	3.9	4.0
Discharges (excluding newborn)	7,274	8,647	9,691
Adjusted discharges (excluding newborn)	21,836	24,404	26,315
Emergency room visits	68,272	65,874	65,706
Surgical procedures ⁽⁹⁾	6,866	6,904	7,102
Newborn deliveries	1,011	1,099	1,421
Atrium Health Union			
Licensed beds ⁽¹⁰⁾	180	182	182
Beds in service ⁽¹⁰⁾	161	161	155
Average daily census	89.5	93.6	103.1
Percentage occupancy of licensed beds ⁽¹⁰⁾	49.7%	51.4%	56.6%
Percentage occupancy of beds in service ⁽¹⁰⁾	55.6%	58.1%	66.5%
Patient days (excluding newborn)	32,680	34,160	37,632
Adjusted patient days (excluding newborn) ⁽³⁾	98,387	104,057	110,839
Average length of stay (days)	3.7	3.8	4.1
Discharges (excluding newborn)	8,834	8,954	9,223
Adjusted discharges (excluding newborn) ⁽³⁾	26,596	27,275	27,165
Emergency room visits	79,351	79,825	80,455
Surgical procedures ⁽¹¹⁾	9,063	8,898	9,229
Newborn deliveries	1,097	997	968

**Combined Group Facilities
Summary Utilization Information**

	Years Ended December 31,		
	2017	2018	2019
Atrium Health University City			
Licensed beds	100	100	100
Beds in service	100	100	100
Average daily census	67.9	75.0	76.4
Percentage occupancy of licensed beds	67.9%	75.0%	76.4%
Percentage occupancy of beds in service	67.9%	75.0%	76.4%
Patient days (excluding newborn)	24,788	27,360	27,887
Adjusted patient days (excluding newborn) ⁽³⁾	95,700	102,145	106,215
Average length of stay (days)	3.8	3.9	4.0
Discharges (excluding newborn)	6,557	6,968	7,011
Adjusted discharges (excluding newborn) ⁽³⁾	25,315	26,014	26,703
Emergency room visits	95,720	96,285	97,049
Surgical procedures	8,240	8,693	8,576
Newborn deliveries	1,461	1,550	1,493
Atrium Health Kings Mountain			
Licensed beds	67	67	67
Beds in service	59	54	53
Average daily census	35.3	33.7	28.8
Percentage occupancy of licensed beds	52.7%	50.3%	42.9%
Percentage occupancy of beds in service	59.9%	62.4%	54.3%
Patient days (excluding newborn)	12,891	12,294	10,501
Adjusted patient days (excluding newborn)	44,994	45,399	47,892
Average length of stay (days)	4.8	4.7	5.0
Discharges (excluding newborn)	2,707	2,592	2,099
Adjusted discharges (excluding newborn)	9,448	9,572	9,573
Emergency room visits	34,987	32,815	31,652
Surgical procedures	792	936	880
Atrium Health Lincoln			
Licensed beds	101	101	101
Beds in service	101	101	101
Average daily census	45.5	52.7	53.0
Percentage occupancy of licensed beds	45.1%	52.1%	52.4%
Percentage occupancy of beds in service	45.1%	52.1%	52.4%
Patient days (excluding newborn)	16,620	19,219	19,332
Adjusted patient days (excluding newborn)	55,815	63,492	66,857
Average length of stay (days)	3.8	4.2	4.0
Discharges (excluding newborn)	4,375	4,571	4,804
Adjusted discharges (excluding newborn)	14,693	15,101	16,614
Emergency room visits	45,787	44,705	44,512
Surgical procedures	2,815	2,690	2,704
Newborn deliveries	440	464	534
Atrium Health Stanly			
Licensed beds	109	109	109
Beds in service	94	94	94
Average daily census	43.5	42.8	46.3
Percentage occupancy of licensed beds	39.9%	39.2%	42.5%
Percentage occupancy of beds in service	46.3%	45.5%	49.2%
Patient days (excluding newborn)	15,876	15,609	16,892
Adjusted patient days (excluding newborn)	52,374	51,239	53,299
Average length of stay (days)	3.9	4.1	4.2
Discharges (excluding newborn)	4,030	3,770	4,039
Adjusted discharges (excluding newborn)	13,295	12,376	12,744
Emergency room visits	31,892	32,324	33,080
Surgical procedures	2,240	2,179	2,266
Newborn deliveries	521	452	436

**Combined Group Facilities
Summary Utilization Information**

	Years Ended December 31,		
	2017	2018	2019
Atrium Health Anson			
Licensed beds	15	15	15
Beds in service	15	15	15
Average daily census	1.2	2.1	3.1
Percentage occupancy of licensed beds	7.8%	14.0%	20.5%
Percentage occupancy of beds in service	7.8%	14.0%	20.5%
Patient days (excluding newborn)	426	768	1,120
Adjusted patient days (excluding newborn)	9,679	9,836	11,715
Average length of stay (days)	2.3	2.3	2.7
Discharges (excluding newborn)	186	341	416
Adjusted discharges (excluding newborn)	4,226	4,367	4,351
Emergency room visits	15,094	15,195	15,101
Surgical procedures	36	39	27
Carolinas Rehabilitation -			
Charlotte, Mount Holly, and NorthEast ⁽¹²⁾			
Licensed beds ⁽¹³⁾	152	150	150
Beds in service ⁽¹³⁾	152	150	150
Average daily census	116.1	117.7	116.5
Percentage occupancy of licensed beds ⁽¹³⁾	76.4%	78.5%	77.7%
Percentage occupancy of beds in service ⁽¹³⁾	76.4%	78.5%	77.7%
Patient days	42,365	42,967	42,528
Adjusted patient days	54,362	55,026	55,192
Average length of stay (days)	15.2	15.9	15.3
Discharges	2,786	2,696	2,772
Atrium Health Behavioral Health ⁽¹⁴⁾			
Licensed beds ⁽¹⁵⁾	134	132	132
Beds in service ⁽¹⁵⁾	130	131	129
Average daily census	122.3	125.1	122.2
Percentage occupancy of licensed beds ⁽¹⁵⁾	91.0%	94.7%	92.6%
Percentage occupancy of beds in service ⁽¹⁵⁾	94.3%	95.8%	94.8%
Patient days	44,642	45,650	44,609
Adjusted patient days	77,215	75,744	78,623
Average length of stay (days)	8.9	9.1	8.7
Discharges	5,008	5,022	5,149
Nursing Centers ⁽¹⁶⁾			
Licensed beds	582	582	582
Average daily census	513.5	485.3	481.0
Percentage occupancy of licensed beds	88.2%	83.4%	82.7%
Patient days	187,444	177,143	175,585

Summary of Historical Utilization Information Footnotes:

- (1) Includes physician practices that are owned, managed or staffed by the Medical Group Division.
- (2) Certain statistics for the year ended December 31, 2017 have been restated to be comparable with statistics for the years ended December 31, 2018 and 2019.
- (3) Adjusted patient days and adjusted discharges for the acute care facilities includes utilization in joint ventures in which the Obligated Group has an ownership interest, based on the percentage of ownership in such joint venture.
- (4) Licensed beds and beds in service for Carolinas Medical Center for the years ended December 31, 2017, 2018, and 2019 reflect the weighted average of a temporary increase of 80 licensed beds due to high census effective August 30, 2010, that expired on April 15, 2020. Additionally, licensed beds and beds in service for Carolinas Medical Center for the year ended December 31, 2019 reflect the weighted average of a permanent increase of 45 licensed beds effective October 11, 2018.
- (5) Atrium Health Mercy is a facility of Carolinas Medical Center.
- (6) Includes 29-bed CHS Rehabilitation, a facility of Atrium Health Pineville.
- (7) Licensed beds and beds in service for Atrium Health Pineville for the year ended December 31, 2019 reflect the weighted average of a permanent increase of 15 licensed beds effective October 23, 2018.
- (8) Includes surgeries at Carolina Orthopedic Surgery Associates.
- (9) Includes surgeries at Cleveland Ambulatory Services.
- (10) Licensed beds and beds in service for Atrium Health Union for the years ended December 31, 2017, 2018 and 2019 reflect the weighted average of a permanent increase of 7 licensed beds effective May 1, 2017.
- (11) Includes surgeries at Union West Surgery Center.
- (12) Includes Carolinas Rehabilitation – Charlotte, Carolinas Rehabilitation – Mount Holly, and Carolinas Rehabilitation – NorthEast.
- (13) Licensed beds and beds in service for Carolinas Rehabilitation for the years ended December 31, 2017, 2018 and 2019 reflect the weighted average of a temporary increase of 7 licensed beds at Carolinas Rehabilitation - Charlotte effective December 11, 2013, which expired January 27, 2016, was reinstated on December 1, 2016, and expired March 31, 2017.
- (14) Includes Atrium Health Behavioral Health - Charlotte and Atrium Health Behavioral Health - Davidson, both facilities of Carolinas Medical Center. Separate utilization information for these facilities is available upon request.
- (15) Licensed beds and beds in service for Behavioral Health Centers for the years ended December 31, 2017, 2018, and 2019 reflect the weighted average of a permanent reduction of 4 licensed beds at First Step Behavioral Health, which was operated as part of Carolinas HealthCare System Union, effective July 24, 2017.
- (16) Includes Huntersville Oaks, Sardis Oaks, Cleveland Pines, Jesse Helms Nursing Center, and Stanly Manor. Separate utilization information for these facilities is available upon request.

Summary of Historical Revenues and Expenses

The following summary of historical revenues and expenses of the Combined Group⁽¹⁾ for the three years ended December 31, 2017, 2018 and 2019 has been derived from the audited financial statements of Atrium Health. For the two years ended 2017 and 2018, the Combined Group contributed substantially all of the total revenue of the Primary Enterprise and, for the year ended 2019, the Combined Group contributed approximately 87% of the total revenue of the Primary Enterprise. The summary financial information presented herein represents the financial performance of the Combined Group in all material respects for the periods presented and should be read in conjunction with the unaudited balance sheet and the unaudited statement of revenues, expenses and changes in net position of the Combined Group for the year ended December 31, 2019 presented on pages 12 and 13.

Combined Group ⁽¹⁾
Summary Financial Information
(Dollars in thousands)
Year Ended December 31,

	2017	2018	2019
Net patient service revenue	\$ 5,402,741	\$ 5,600,035	\$ 5,875,970
Other revenue	557,338	618,453	665,808
Total operating revenue	<u>5,960,079</u>	<u>6,218,488</u>	<u>6,541,778</u>
Operating expenses:			
Personnel Costs	3,464,397	3,509,304	3,670,058
Other expenses	1,879,603	2,074,266	2,174,283
Depreciation and amortization	310,923	326,565	327,486
Total operating expenses	<u>5,654,923</u>	<u>5,910,135</u>	<u>6,171,827</u>
Operating income	305,156	308,353	369,951
Non-operating income (loss):			
Interest expense	(77,954)	(77,454)	(78,961)
Interest and dividend income	58,366	88,647	102,920
Net increase (decrease) in the fair value of investments	536,683	(427,617)	758,504
Other, net	(4,101)	140	(33,626)
Total non-operating income (loss), net	<u>512,994</u>	<u>(416,284)</u>	<u>748,837</u>
Revenue over (under) expenses of the Combined Group before contributions	<u>818,150</u>	<u>(107,931)</u>	<u>1,118,788</u>
Adjustment to exclude net (revenue) expenses of affiliates that are members of the Combined Group but not part of the Primary Enterprise	(31,392)	30,298	(36,944)
Adjustment to include net revenue (expenses) of affiliates that are not members of the Combined Group but part of the Primary Enterprise	<u>-</u>	<u>-</u>	<u>79,382</u>
Revenue over (under) expenses of the Primary Enterprise before contributions	<u>\$ 786,758</u>	<u>\$ (77,633)</u>	<u>\$ 1,161,226</u>

- (1) The financial information set forth in this table for the years ended December 2017 and 2018, and management's discussion of the summary of historical revenues and expenses for the same includes certain affiliates of the Authority that are included in the Primary Enterprise, but that are not members of the Combined Group. Such affiliates represented less than 1% of the total revenue and less than 1% of the total assets of the Primary Enterprise for each of the years ended December 31, 2017 and 2018. In addition, interest expense was previously reflected as an operating expense for the years ended December 31, 2017 and 2018 but is now reported as part of non-operating income (loss) to be consistent with reporting for the year ended December 31, 2019.

Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

The following unaudited balance sheet and unaudited statement of revenues, expenses and changes in net position of the Combined Group for the year ended December 31, 2019 have been derived from the audited financial statements of Atrium Health and represent the financial position, revenues and expenses and changes in net position of the Combined Group in all material respects for the period presented. Such financial information presented herein should be read in conjunction with the summary of historical revenues and expenses of the Combined Group for the three years ended December 31, 2017, 2018 and 2019 presented on page 11.

COMBINED GROUP ⁽¹⁾
Balance Sheet (Unaudited)
December 31, 2019
(Dollars in thousands)

**Assets and Deferred Outflows
of Resources**

Current assets:	
Cash and cash equivalents	\$ 306,526
Short-term investments	9,301
Patient accounts receivable, net	754,922
Other accounts receivable	103,674
Assets limited as to use - investments	43,215
Inventories	65,389
Prepaid expenses	78,963
Total current assets	<u>1,361,990</u>
Capital assets	6,553,941
Accumulated depreciation	<u>(3,283,824)</u>
Total capital assets, net	<u>3,270,117</u>
Other noncurrent assets:	
Assets limited as to use:	
Bond proceeds held by trustee	133,701
Investments designated for capital improvements	5,248,371
Other long-term investments	302,070
Other assets limited as to use - investments	95,363
Other assets	<u>179,613</u>
Total other noncurrent assets	<u>5,959,118</u>
Deferred outflows of resources	<u>336,957</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 10,928,182</u></u>

**Liabilities, Deferred Inflows of
Resources and Net Position**

Current liabilities:	
Accounts payable	\$ 302,851
Salaries and benefits payable	434,020
Other liabilities and accruals	233,841
Estimated third party payer settlements	255,382
Current portion of long-term debt	<u>217,607</u>
Total current liabilities	1,443,701
Long-term debt, less current portion	1,947,801
Interest rate swap liability	262,489
Pension liability	352,817
Other liabilities	<u>374,341</u>
Total liabilities	<u>4,381,149</u>
Deferred inflows of resources	51,976
Net Position:	
Net investment in capital assets	1,253,528
Restricted - by donor	375,818
Unrestricted	<u>4,865,711</u>
Total net position	<u>6,495,057</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 10,928,182</u></u>

(1) The financial information set forth in management's discussion of the balance sheets for the years ended December 31, 2017 and 2018 on page 14 includes certain affiliates of the Authority that are included in the Primary Enterprise, but that are not members of the Combined Group. Such affiliates represent less than 1% of the total revenue and less than 1% of the total assets of the Primary Enterprise for the years ended December 31, 2017 and 2018.

COMBINED GROUP ⁽¹⁾
Statement of Revenues, Expenses and Changes in Net Position (Unaudited)
Year Ended December 31, 2019
(Dollars in thousands)

Net patient service revenue	\$ 5,875,970
Other revenue	<u>665,808</u>
Total revenue	<u>6,541,778</u>
Operating expenses:	
Personnel costs	3,670,058
Supplies	1,225,953
Purchased Services	476,094
Other expenses	472,236
Depreciation and amortization	<u>327,486</u>
Total operating expenses	<u>6,171,827</u>
Operating income	369,951
Non-operating income:	
Interest Expense	(78,961)
Interest and dividend income	102,920
Net decrease in the fair value of investments	758,504
Other, net	<u>(33,626)</u>
Total non-operating income, net	<u>748,837</u>
Revenue over expenses before contributions	1,118,788
Capital contributions	9,863
Other contributions	<u>3,588</u>
Increase in net position	1,132,239
Net Position:	
Beginning of year	5,362,818
End of year	<u><u>\$ 6,495,057</u></u>

- (1) The financial information set forth in management's discussion of the summary of historical revenues and expenses for the years ended December 31, 2017 and 2018 on page 14 includes certain affiliates of the Authority that are included in the Primary Enterprise, but that are not members of the Combined Group. Such affiliates represent less than 1% of the total revenue and less than 1% of the total assets of the Primary Enterprise for the year ended December 31, 2017 and 2018.

Management's Discussion of the Summary of Historical Revenues and Expenses and Balance Sheets

All amounts shown below are in thousands of dollars.

Year Ended December 31, 2019 Compared with Year Ended December 31, 2018:

For the year ended December 31, 2019, revenue exceeded expenses by \$1,118,788, which resulted in a \$1,226,719 increase in excess revenues from the prior year, primarily as a result of favorable investment returns in 2019. Operating income for the Combined Group was \$369,951 in 2019, an increase of \$61,598 from the prior year. The increase was primarily due to revenue growth from higher patient volumes at the acute care facilities and growth at the Medical Group Division. The Combined Group's earnings before interest, taxes, depreciation and amortization (EBITDA) percentage (defined as the sum of operating income, taxes, depreciation and amortization, divided by total operating revenue) was 10.7% in 2019. Net non-operating income for 2019 was \$748,837 compared to a net non-operating loss of \$416,284 in 2018. The increase was a result of favorable investment returns in 2019 compared to 2018.

Total operating revenue increased 5.2% to \$6,541,778 largely due to increases in hospital patient volumes and Medical Group physician visits, and growth of other operating revenues. Acute and tertiary care hospitals experienced an increase in inpatient volumes, as well as outpatient volume growth in the emergency room, cardiology, radiology, endoscopy, and oncology procedures over the prior year. Medical Group Division visits increased 6.5% from 2018. Other operating revenue increased 7.7% to \$665,808 due to the growth in retail sales of specialty pharmaceuticals.

Total operating expenses increased 4.4% to \$6,171,827. Personnel costs increased 4.6% to \$3,670,058, due to volume growth at the acute care facilities, increases in Medical Group Division providers and staffing support and the effects of annual wage and market adjustments. Other expenses, consisting primarily of pharmaceutical and supply costs, professional fees, rent and purchased services, increased to \$2,174,283 primarily due to growth in patient volumes and other operating revenues, and inflationary cost increases, including the cost of new technologies. Depreciation and amortization increased by \$921 due to new capital projects placed into service over the previous 12 months.

Unrestricted cash and investments for the Combined Group increased from \$4,650,834 at December 31, 2018 to \$5,866,268 at December 31, 2019 driven primarily by a strong operating performance for the year and favorable investment returns. Day's cash on hand (calculated using unrestricted and internally designated cash plus investments as the numerator and total operating expenses minus depreciation and amortization divided by the number of days in the period as the denominator) was 362 days at December 31, 2019. Debt-to-capitalization ratio (calculated using the outstanding principal amount of long-term debt (including current portion) as the numerator and the outstanding principal amount of long-term debt (including current portion) plus total unrestricted net position, defined as unrestricted plus invested in capital net assets, as the denominator) declined to 26.1% at December 31, 2019 as total unrestricted net position increased to \$6,119,239. Net days in accounts receivable (calculated as patient accounts receivable, net as the numerator and a rolling three months of net patient service revenue divided by the number of days in the period as the denominator) increased to 49.1 days as of December 31, 2019, compared to 48.1 days as of December 31, 2018.

Year Ended December 31, 2018 Compared with Year Ended December 31, 2017:

For the year ended December 31, 2018, expenses exceeded revenue by \$107,931, which resulted in a \$926,081 decrease in excess revenues from the prior year, primarily as a result of less favorable investment returns in 2018. Operating income for the Combined Group was \$308,353 in 2018, an increase of \$3,197 from the prior year. The increase was primarily due to revenue growth as a result of higher patient volumes at the acute care facilities. The Combined Group's earnings before interest, taxes, depreciation and amortization (EBITDA) percentage was 10.2% in 2018. Net non-operating loss for 2018 was \$416,284 compared to net non-operating income of \$512,994 in 2017. The decrease was a result of less favorable investment returns in 2018 compared to 2017.

Total operating revenue increased 4.3% to \$6,218,288 largely due to net reimbursement increases, government payer settlements, and growth in patient volumes. Acute and tertiary care hospitals experienced an increase in inpatient volumes, as well as outpatient volume growth in surgeries, endoscopy procedures, radiology procedures, cardiology procedures and oncology procedures over the prior year. Other operating revenue increased 11.0% to \$618,453 due to the growth in retail sales of specialty pharmaceuticals.

Total operating expenses increased 4.5% to \$5,910,135. Personnel costs increased 1.3% to \$3,509,304, due to the effects of annual wage and market adjustments and Medical Group Division provider growth and compensation increases. Other expenses, consisting primarily of pharmaceutical and supply costs, professional fees, rent and purchased services, increased to \$2,074,266 primarily due to inflationary cost increases and growth in certain patient

and specialty pharmacy volumes. Depreciation and amortization increased by \$15,642 due to new capital projects placed into service over the previous 12 months.

Unrestricted cash and investments for the Combined Group increased from \$4,638,894 at December 31, 2017 to \$4,650,834 at December 31, 2018 as cash earned from operating performance, net of capital expenditures and debt service was offset by unfavorable investment performance. Day's cash on hand (calculated using unrestricted and internally designated cash plus investments as the numerator and total operating expenses minus depreciation and amortization divided by the number of days in the period as the denominator) was 300 days at December 31, 2018. Debt-to-capitalization ratio (calculated using the outstanding principal amount of long-term debt (including current portion) as the numerator and the outstanding principal amount of long-term debt (including current portion) plus total unrestricted net position, defined as unrestricted plus invested in capital net assets, as the denominator) declined to 30.6% at December 31, 2018 as total unrestricted net position decreased to \$5,078,494. Net days in accounts receivable (calculated as patient accounts receivable, net as the numerator and a rolling three months of net patient service revenue divided by the number of days in the period as the denominator) improved to 48.1 days as of December 31, 2018, compared to 51.2 days as of December 31, 2017.

Third Party Reimbursement and Sources of Payment

The sources of the Combined Group's gross patient revenue by type of payor, expressed as percentages of total gross patient revenue, for the three years ended December 31, 2017, 2018 and 2019 were as follows:

	Year Ended December 31,		
	2017	2018	2019
Medicare	39.2%	39.9%	40.7%
Commercial Insurance	34.6	33.9	32.4
Medicaid	16.7	16.1	16.4
Direct from Patient/Other	9.5	10.1	10.5
TOTAL	100.0%	100.0%	100.0%

Historic Debt Service Coverage

The following table presents the Combined Group's Historic Long-Term Debt Service Coverage Ratio (as such term is defined in the Bond Order) for the year ended December 31, 2019. The debt service coverage ratio presented below measures how many times the Combined Group's Income Available for Debt Service (as such term is defined in the Bond Order) would have covered the Long-Term Debt Service Requirement (as such term is defined in the Bond Order) on all Bonds outstanding under the Bond Order during the year ended December 31, 2019.

Historic Long-Term Debt Service Coverage Ratio for Combined Group (Dollars in thousands)

	Year Ended December 31, 2019
Excess revenue over (under) expenses	\$ 1,118,788
Add (exclude):	
Depreciation and amortization	327,486
Interest expense	78,961
Unrealized net losses on investments and other assets	(575,880)
Income Available for Debt Service	\$ 949,355
Long-Term Debt Service Requirement	\$ 99,392
Historic Long-Term Debt Service Coverage Ratio	9.55