

Mass General Brigham Reports Third Quarter 2020 Financial Results

Operating Loss of \$373 million as a Result of COVID Pandemic

Over the course of the past several months, Mass General Brigham has directed nearly every resource available to combat the COVID-19 pandemic and meet the unprecedented needs of patients, communities, its employees and health care workers across the region. Since the pandemic began, Mass General Brigham clinicians have encountered or tested more than 18,000 COVID patients, of which more than 6,900 received care in our hospitals. Mass General Brigham also restructured operations to make more than 800 intensive care unit beds available to meet the unknown need of the pandemic. In addition, Mass General Brigham launched efforts in the hardest hit communities including Lynn, Lawrence, Jamaica Plain, Chelsea and Hyde Park delivering more than 100,000 care kits and nearly 700,000 masks to families in need. Mass General Brigham brought cutting-edge technology to the area to help extend the life of personal protective equipment for health care workers across the region, and took on a leadership role in constructing *Boston Hope* and delivering post-acute clinical care for more than 700 patients from the area. These actions and countless others associated with COVID-19 have had a significant impact on financial results, detailed below.

“This has been a very challenging time for all of us, every day, every week and every month,” said **Anne Klibanski, MD, President and CEO of Mass General Brigham**. “I want to extend my deepest thanks to each and every one of our 78,000 colleagues who cared for our patients, provided aid to communities in need, and are working tirelessly to find the diagnostics, treatments and cures that can end this pandemic.”

Mass General Brigham today reported an operating loss of \$373 million (negative 12.0% operating margin) in the third quarter of fiscal year 2020, which ended on June 30. For the nine months ended June 30, 2020, the operating loss was \$506 million (negative 5.0% operating margin). In 2019, Mass General Brigham reported income from operations of \$156 million (4.4% operating margin) for the June quarter and \$377 million (3.6% operating margin) for the comparable nine-month period.

Patient activity across most services was significantly impacted during the 2020 third quarter due to federal and state policies, including declarations in March of a state of emergency by the governors of Massachusetts and New Hampshire, that were implemented to contain the spread of COVID-19. From March 18, 2020 to May 18, 2020, Mass General Brigham’s Massachusetts facilities were prohibited from performing non-essential elective invasive procedures.

On May 18, 2020, Massachusetts implemented a four-phase gradual business reopening plan. In the first phase of the plan, hospitals were permitted to provide high priority preventative care, pediatric care and treatment for high risk patients and conditions. On June 8, 2020, Massachusetts entered phase two of the reopening plan, which permits hospitals and ambulatory sites to provide in-person care for certain routine services. As of June 30, 2020, Massachusetts remained in the second phase of its reopening plan.

Despite a gradual improvement in patient activity over the latter part of May and through June, the impact of COVID-19 and related governmental actions resulted in a \$745 million (-29%) decline in net patient service revenue in the June 2020 quarter relative to the comparable 2019 quarter, including a decline of \$345 million (-41%) in April 2020.

Based on the pace of recovery through July and assuming the prevalence of COVID-19 cases remains relatively constant, management anticipates operating at approximately 90-95% pre-COVID patient volume levels by the end of September. However, patient revenue loss in FY20 related to COVID is expected to be between \$1 and \$1.5 billion. Future financial performance will depend on many factors, including the ability to perform elective procedures, the effect of the economic downturn on demand for services and payer mix, the extent of federal and state advances and grants and the health care industry's ability to continue to convince patients that it is safe to return for non-COVID care.

Management has taken various actions to date to enhance its financial flexibility, including reducing FY20 planned capital expenditures by approximately 50% (roughly \$550 million), implementing an administrative hiring freeze, reducing executive compensation, suspending merit increases and the employer-funded portion of retirement plans, and redeeming approximately \$1.5 billion (15%) of long-term investments and procuring \$525 million short term debt to enhance liquidity. In addition, Mass General Brigham received approximately \$1.0 billion in accelerated Medicare payments (which will be recouped over roughly 6 months beginning in August 2020) during the June 2020 quarter.

Mass General Brigham also recorded grants provided in the Coronavirus Aid, Relief, and Economic Security (CARES) Act of approximately \$334 million during the June quarter and \$140 million subsequent to June 30, 2020.

"Like health care providers everywhere across the nation, the events of the past months have presented us with challenges of every kind – clinical challenges, workforce challenges, and unprecedented financial challenges," said **Peter K. Markell, Chief Financial Officer and Treasurer at Mass General Brigham**. "The people that make up our health system continue to meet those challenges that face our patients and our communities. We are working hard to welcome our patients back to a safe environment and we are seeing our doctor's offices, operating rooms and labs return to a new normal, which has started to put us on a path toward fiscal recovery. However, COVID-19 has not gone away, so while we continue to work with our partners in the community to do everything we can to combat the pandemic, future costs -- economically and socially -- remain uncertain."

Mass General Brigham reported an overall gain of \$338 million in the 2020 third quarter. This includes non-operating gains of \$711 million due to favorable investment performance and reflects partial recovery of the \$1.1 billion investment losses absorbed during the March 2020 quarter. Non-operating activity can vary significantly quarter to quarter due to volatility in the financial markets and philanthropic activity. In the 2019 third quarter, Mass General Brigham reported an overall gain of \$354 million, including a nonoperating gain of \$198 million.

Health Care Provider & Other Activity (Provider Activity)

Provider activity generated an operating loss of \$371 million (-12.5% operating margin) in the 2020 third quarter, a decline of \$532 million from operating income of \$161 million (4.7% operating margin) in the 2019 third quarter.

Revenue for provider activity decreased \$453 million (-13%) to \$3.0 billion in 2020. Net patient service revenue decreased \$747 million (-29%) to \$1.9 billion, reflecting extraordinary legal limitations on the provision of care to non-COVID patients that were imposed upon Massachusetts providers during the June quarter. This contributed to a decline in system-wide discharges (-21%) and most outpatient services, despite the gradual resumption of activity in the latter half of the June quarter. Research revenue declined \$31 million (-6%) to \$497 million in the 2020 third quarter. Other operating revenue of \$587 million includes \$334 million in CARES Act grants. Excluding the CARES Act grants, other revenue decreased \$8 million (-3%) to \$253 million.

Operating expenses attributable to provider activity increased \$79 million (2%) to \$3.3 billion in the 2020 third quarter. Employee compensation and benefits increased \$34 million (2%) to \$1.8 billion, reflecting increases in wages (\$54 million, 4%) and pension expense (\$20 million, 17%, due to the impact of lower discount rates) and decreases in health benefits (\$29 million, -18%, due to lower utilization of services). Supplies and other expenses increased \$26 million (3%) to \$862 million, reflecting increased spending of approximately \$100 million to procure sufficient supplies of personal protective equipment to safely perform clinical services, partially offset by a reduction in spending on routine clinical supplies due to the curtailment of non-COVID clinical services. Depreciation and interest expense increased \$36 million (17%) to \$251 million due to accelerated amortization of certain intangible assets.

Insurance Activity

Insurance activity resulted in an operating loss of \$2 million (-1.2% operating margin) in the 2020 third quarter compared with an operating loss of \$5 million (-2.1% operating margin) in the comparable 2019 quarter.

Premium revenue decreased \$10 million (-5%) to \$202 million reflecting the impact of COVID-19 on cost-share reduction reimbursement and risk adjusted premium, despite a modest increase in fully insured membership (3%). Medical claims expense decreased \$17 million (-9%) to \$175 million reflecting lower utilization of services due to COVID-19, partially offset by increased pharmaceutical and behavioral health costs. The impact of utilization reductions was significantly dampened by capitation arrangements with providers. Other costs included removing member cost sharing for COVID-

19 treatment, telemedicine visits and testing. The medical loss ratio (the percentage of insurance premiums that are used to pay medical claims) was 86.8% in the 2020 quarter and 90.7% in the 2019 quarter. As of June 30, 2020, approximately 48% of AllWays Health Partners' 248,150 members were in fully-insured plans and 52% were in self-insured plans (including approximately 100,000 Mass General Brigham employees and family members).

General and administrative costs increased \$5 million (16%) to \$36 million in the 2020 quarter. The administrative expense ratio (the percentage of insurance premiums that are used to pay general and administrative expenses) increased to 14.3% from 11.5% in 2019, reflecting the re-imposition in 2020 of the health insurance provider fee, which was adopted pursuant to the Accountable Care Act but was suspended in 2019 and increased administrative costs associated with self-insured plans. AllWays Health Partners' premiums continue to reflect a normative administrative expense ratio that is in line with the market and seeks to grow membership to reduce the administrative expense ratio.

Year-to-Date Consolidated Results

Mass General Brigham reported a loss from operations of \$506 million (-5.0% operating margin) for the nine months ended June 30, 2020. Provider activity generated an operating loss of \$481 million (-5.0% operating margin) and insurance activity generated an operating loss of \$25 million (-3.9% operating margin). In the comparable prior year period, Mass General Brigham reported income from operations of \$377 million (3.6% operating margin), including income of \$391 million (3.9% operating margin) from provider activity and a loss of \$14 million (-2.2% operating margin) from insurance activity. These results reflect the implementation of new pension accounting rules, including the restatement of 2019 results to conform to the new presentation format.

Total operating revenue decreased \$248 million (-2%) to \$10.1 billion for the nine months ended June 30, 2020. This reflects a decrease in net patient service revenue of \$656 million (-9%) to \$6.9 billion and an increase in other operating revenue of \$397 million (57%) to \$1.1 billion, of which \$334 million was received under the CARES Act.

Total operating expenses increased \$636 million (6%) to \$10.7 billion, reflecting increases in wages (\$255 million, 6%) and benefits (\$103 million, 9%), supplies and other expenses (\$206 million, 8%), medical claims (\$11 million, 3%) and depreciation and interest (\$57 million, 9%).

For the nine months ended June 30, 2020, Mass General Brigham absorbed \$1.4 billion in Medicare, Medicaid, and Health Safety Net shortfalls due to government reimbursements that failed to pay the full cost of providing care to Medicare, low-income, and uninsured patients, an increase of \$288 million (26%) compared to the shortfall absorbed in the same 2019 quarter.

Mass General Brigham reported an overall loss of \$698 million for the nine months ended June 30, 2020, including a nonoperating loss of \$192 million. In the comparable 2019 nine-month period Mass General Brigham reported an

overall gain of \$514 million, including a nonoperating gain of \$137 million. The 2019 period reflects the impact of new accounting rules which require all investments to be measured at market value.

COVID-19 Efforts in the Community

In Boston and the Greater Boston area, reports show that Latino, African American and vulnerable communities have been disproportionately impacted by the COVID-19 pandemic. “Hot spot” locations include Chelsea, Lynn, Revere, Brockton, Hyde Park, Mattapan and East Boston. To help address this issue Mass General Brigham has launched a Community Health COVID-19 strategy. The main goals of this strategy include:

- Expanding testing to better identify COVID-19 positive individuals in these communities
- Mitigating the spread of COVID-19 with community distribution of multilingual information and “care kits” with masks and other key items
- Creating routine channels of communication with community members, using care managers and community health workers, to focus on COVID-19 positive individuals and those at-risk to assess ability to isolate, symptoms and the need for additional service

Mass General Brigham Leads the Way in COVID-19 Research Efforts

Since the start of the pandemic, Mass General Brigham researchers have worked around the clock to develop and assess new tests and treatments to combat COVID-19 and bring much needed hope to patients everywhere. Mass General Brigham clinicians and scientists have helped launch over 500 new studies and more than 40 clinical trials aimed at finding new tests, treatments (such as Remdesivir) and a cure for COVID-19.

Mass General Brigham created a COVID Innovation Center to invent new and novel devices, repurpose existing resources and harness the power of our data to meet the new and unprecedented challenges presented by the pandemic. To date, Mass General Brigham efforts in this area have led to the invention of more than a dozen new products including new types of personal protective equipment and testing methods, and the creation of libraries of biosample, genetic and clinical data to enable research for internal investigators and collaborators.

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Forward-Looking Statements

This press release contains certain “forward-looking statements” concerning financial and operating plans and results which involve known and unknown risks and uncertainties. In particular, statements preceded or followed by, or that include the words, “projects,” “believes,” “expects,” “estimates,” “anticipates,” “plans,” “intends,” “scheduled,” or similar expressions are forward-looking statements. Various factors could cause Mass General Brigham’ actual results to differ materially including, but not limited to the impact of the COVID-19 pandemic, federal and state regulation of healthcare providers, changes in reimbursement policies of state and federal government and managed care organizations, competition in the healthcare industry in our market, general economic and capital market conditions, and changes in our labor and supply costs and in our ability to retain personnel. For more information on these and other risk factors, please refer to our most recent bond official statement or annual disclosure statement filed on the Electronic Municipal Market Access (EMMA) website maintained by the Municipal Securities Rulemaking Board. We undertake no responsibility to update any such forward-looking statements except as expressly required by law.

About Mass General Brigham

Mass General Brigham is an integrated academic healthcare system, uniting great minds in medicine to make life-changing impact for patients in our communities and people around the world. Mass General Brigham connects a full continuum of care across a system of academic medical centers, community and specialty hospitals, a health insurance plan, physician networks, community health centers, home care, and long-term care services. Mass General Brigham is a non-profit organization that is committed to patient care, research, teaching, and service to the community. In addition, Mass General Brigham is one of the nation’s leading biomedical research organizations and a principal teaching affiliate of Harvard Medical School. For more information, please visit massgeneralbrigham.org.

Mass General Brigham and Affiliates
Consolidated Balance Sheets
(In Thousands)

	<u>June 30, 2020</u> (unaudited)	<u>September 30, 2019</u> (audited)
ASSETS		
Current assets		
Cash and equivalents	\$ 1,943,355	\$ 283,807
Investments	1,125,718	2,791,502
Current portion of investments limited as to use	4,187,040	2,235,171
Patient accounts receivable	915,150	1,129,594
Research grants receivable	150,834	136,557
Other current assets	620,084	673,745
Total current assets	8,942,181	7,250,376
Investments limited as to use, less current portion	4,768,689	4,498,716
Long-term investments	1,991,455	1,997,617
Property and equipment, net	6,502,167	6,557,206
Right-of-use operating lease assets	1,032,509	-
Other assets	765,494	928,458
Total assets	\$ 24,002,495	\$ 21,232,373
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term obligations	\$ 694,851	\$ 455,165
Accounts payable and accrued expenses	1,871,269	866,107
Accrued medical claims and related expenses	67,958	57,550
Accrued employee compensation and benefits	988,199	932,870
Current portion of operating lease obligations	193,158	-
Unexpended funds on research grants	346,986	262,017
Total current liabilities	4,162,421	2,573,709
Other liabilities		
Accrued professional liability	552,008	542,136
Accrued employee benefits	2,279,754	2,410,974
Interest rate swaps liability	771,401	510,579
Accrued other	199,253	187,060
Operating lease obligations, less current portion	839,527	-
Long-term obligations, less current portion	6,131,519	5,260,196
Total liabilities	14,935,883	11,484,654
Net assets		
Unrestricted	6,744,934	7,358,335
Donor restricted	2,321,678	2,389,384
Total net assets	9,066,612	9,747,719
Total liabilities and net assets	\$ 24,002,495	\$ 21,232,373

Mass General Brigham and Affiliates
Consolidated Statements of Operations
(In Thousands)

	Third Quarter Ended June 30,		Nine Months Ended June 30,	
	2020	2019	2020	2019
Operating revenues				
Net patient service revenue	\$ 1,836,996	\$ 2,582,167	\$ 6,906,013	\$ 7,561,877
Premium revenue	200,912	211,086	609,148	605,255
Direct academic and research revenue	387,887	406,284	1,189,595	1,186,126
Indirect academic and research revenue	108,879	121,914	348,786	344,987
Other revenue	588,459	262,552	1,091,571	694,507
Total operating revenues	3,123,133	3,584,003	10,145,113	10,392,752
Operating expenses				
Employee compensation and benefit expenses	1,841,728	1,807,043	5,670,277	5,312,284
Supplies and other expenses	880,466	849,771	2,657,313	2,451,761
Medical claims and related expenses	135,074	150,053	432,418	421,139
Direct academic and research expenses	387,887	406,284	1,189,595	1,186,126
Depreciation and amortization expenses	205,529	169,511	558,879	509,053
Interest expense	45,687	45,253	142,613	135,051
Total operating expenses	3,496,371	3,427,915	10,651,095	10,015,414
Income (loss) from operations	(373,238)	156,088	(505,982)	377,338
Nonoperating gains (expenses)				
Income (loss) from investments	712,797	223,688	(31,631)	200,780
Change in fair value of interest rate swaps	1,546	(80,128)	(260,822)	(200,136)
Other nonoperating income (expenses)	18,354	(21,718)	(56,530)	(96,734)
Academic and research gifts, net of expenses	(36,288)	51,682	113,601	159,934
Non-service related pension income	14,384	24,231	43,151	72,693
Total nonoperating gains (expenses), net	710,793	197,755	(192,231)	136,537
Excess (deficit) of revenues over expenses	337,555	353,843	(698,213)	513,875
Other changes in net assets				
Funds utilized for property and equipment	15,941	9,266	67,897	102,423
Other changes in net assets	11,439	(849)	16,915	2,524
Cumulative effect of accounting change	-	-	-	1,100,081
Increase (decrease) in unrestricted net assets	\$ 364,935	\$ 362,260	\$ (613,401)	\$ 1,718,903

See Notes to Consolidated Financial Statements (unaudited)

Mass General Brigham and Affiliates
Consolidated Statements of Cash Flows
(In Thousands)

	Nine Months Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (681,107)	\$ 2,183,687
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on refunding of debt	24,817	836
Change in fair value of interest rate swaps	260,822	200,136
Depreciation and amortization	558,879	509,053
Amortization of bond discount, premium and issuance costs	(8,742)	(8,010)
Gain on disposal of property	(1,445)	-
Change in right-of-use operating lease assets	39,363	-
Net realized and change in unrealized appreciation on investments	(67,483)	(359,037)
Restricted contributions and investment income	(76,338)	(79,070)
Cash premium upon issuance of bonds	79,262	-
Increases (decreases) in cash resulting from a change in		
Patient accounts receivable	214,444	(69,282)
Other assets	120,154	(37,678)
Accounts payable and accrued expenses	42,059	(50,694)
Accrued medical claims and related expenses	10,408	4,221
Operating lease obligations	(39,187)	-
Settlements with third-party payers	1,044,139	(412)
Net cash provided by operating activities	1,520,045	2,293,750
Cash flows from investing activities:		
Purchases of property and equipment	(473,253)	(660,448)
Proceeds from sale of property	3,159	-
Net (purchases) sales of investments	(482,413)	(2,064,714)
Net cash used for investing activities	(952,507)	(2,725,162)
Cash flows from financing activities:		
Borrowing under line of credit	375,000	-
Repayments under line of credit	-	(52,848)
Payments on long-term obligations	(22,511)	(109,271)
Proceeds from long-term obligations, net of financing costs	1,463,860	559,238
Decrease in auction rate securities holdings	(29,985)	-
Deposits into refunding trusts	(770,692)	-
Restricted contributions and investment income	76,338	79,070
Net cash provided by financing activities	1,092,010	476,189
Net decrease in cash and equivalents	1,659,548	44,777
Cash and equivalents at beginning of period	283,807	398,413
Cash and equivalents at end of period	\$ 1,943,355	\$ 443,190

Notes to Consolidated Financial Statements
(In Thousands)

1. Effective May 1, 2020, Partners HealthCare System, Inc. and Affiliates changed its name to Mass General Brigham Incorporated (Mass General Brigham). The Corporation refers to the corporate parent entity. The Corporation, together with all its affiliates, is referred to as "Mass General Brigham." Certain references to Partners HealthCare have been maintained as the equivalent to Mass General Brigham.

The accompanying consolidated quarterly financial statements have been prepared on the accrual basis of accounting and include the accounts of Mass General Brigham. The financial statements do not include all the information and footnote disclosures required by generally accepted accounting principles. These statements should be read in conjunction with Partners HealthCare's audited consolidated financial statements for the fiscal year ended September 30, 2019.

The consolidated quarterly financial statements are unaudited. These statements include all adjustments (consisting of normal recurring accruals) considered necessary by management to present a fair statement of the results of operations, financial position and cash flows. The results reported in these consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

2. The following new Accounting Standards Updates (ASU) were adopted in 2020: *Compensation - Retirement Benefits, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (Pension Standard) and *Leases* (Leases Standard).

The Pension Standard requires that the service cost be presented in the same line item(s) as other employee compensation costs and that non-service cost related income (expense) be presented within nonoperating results. Upon adoption of this standard, amounts related to non-service cost components of pension and postretirement expenses for 2019 were reclassified from employee compensation and benefit expenses to nonoperating gains (expenses) as the Pension Standard required retrospective adoption.

The Leases Standard requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its balance sheet. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The adoption of the Leases Standard had a material impact on the consolidated balance sheet with approximately \$1,072,000 of lease assets and liabilities as of October 1, 2019. Prior year comparative financial statements have not been restated to reflect the adoption of this guidance.

The following Accounting Standards Updates (ASU) were adopted in 2019: *Revenue From Contracts with Customers* (Revenue Standard); *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* (Financial Instruments Standard); *Presentation of Financial Statements for Not-for-Profit Entities* (Not-For-Profit Standard); and *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Contributions Standard).

The Revenue Standard implements a single framework for recognition of all revenue earned from customers in exchange contracts. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Revenue Standard was adopted on October 1, 2018 using the modified retrospective transition method. The adoption of this standard did not have a significant impact on operations and applicable disclosure have been included.

The Financial Instruments Standard made changes to the recognition of and measurement of financial assets. Marketable investments are recorded at fair value with changes in fair value recognized as nonoperating investment income. The Financial Instruments Standard was adopted on October 1, 2018 with prospective application and a cumulative effect adjustment at the date of adoption. The impact of adopting this new accounting guidance resulted in a cumulative effect of accounting change of \$1,100,081 to unrestricted net assets and \$197,183 to donor restricted net assets.

The Not-For-Profit Standard makes targeted changes to the not-for-profit financial reporting model. The primary change under the new guidance is the presentation of two net asset classes versus the previously required three. The guidance also requires new disclosures about information useful for assessing liquidity and availability of resources. The Not-For-Profit Standard was adopted on October 1, 2018 using the retrospective transition method. The adoption of this standard did not have a significant impact on operations.

The Contributions Standard clarifies the definition of an exchange and non-exchange transaction and provides guidance on determining whether a nonexchange transaction (contribution) is conditional or unconditional. The Contributions Standard was adopted on October 1, 2018 using the modified prospective transition method. The adoption of this standard did not have a significant impact on operations.

Notes to Consolidated Financial Statements
(In Thousands)

3. Income from investments (including realized gains and losses, unrealized change in value of investments, interest, dividends and endowment income distributions) is included in excess of revenues over expenses unless the income or loss is restricted by donor or law. Income from investments is reported net of investment-related expenses. Prior to adoption of the Financial Instruments Standard, the change in net unrealized appreciation on certain marketable investments was excluded from excess of revenues over expenses.
4. Changes in third party payer settlements and other estimates are recorded in the year of the change in estimate. For the three months ended June 30, 2020 and 2019, adjustments to prior year estimates resulted in an increase (decrease) to operations of (\$1,473) and \$4,505, respectively. For the nine months ended June 30, 2020 and 2019, adjustments to prior year estimates resulted in an increase of \$4,820 and \$26,672, respectively.
5. Risk-based capital (RBC) is a methodology adopted by the National Association of Insurance Commissioners (NAIC) and the Massachusetts Division of Insurance (DOI) for determining the minimum level of capital and surplus deemed necessary for an insurer based upon the types of assets held and business written. Pursuant to a guaranty entered into by the Corporation when it acquired AllWays Health Partners Inc. (AllWays Health) in 2012 (the RBC Guaranty), the Corporation has committed to maintain AllWays Health's capital and surplus at a specified minimum level, measured quarterly in accordance with an RBC methodology permitted by DOI. The RBC Guaranty may be enforced by the DOI. For the nine months ended June 30, 2020 and 2019, AllWays Health returned capital of \$50,000 and \$100,000, respectively.
6. The current portion of long-term obligations includes payments scheduled to be made over the next twelve months of \$426,531, bonds supported by Mass General Brigham liquidity that can be tendered prior to June 30, 2021 of \$165,195 and bonds supported by bank facilities with financial institutions (standby bond purchase agreements or letters of credit) that expire prior to June 30, 2021 of \$103,125. The bonds supported by Mass General Brigham liquidity provide the bondholder with an option to tender the bonds to Mass General Brigham. Accordingly, these bonds are classified as a current liability. The bonds supported by bank facilities provide the bondholder with an option to tender the bonds to the liquidity provider. Generally accepted accounting principles require bonds backed by bank facilities expiring within one year of the balance sheet date as well as potential principal amortization under bank facilities' term out provisions due within one year of the balance sheet date to be classified as a current liability.
7. Mass General Brigham maintains a \$250,000 Credit Agreement (the Credit Agreement) that provides access to same day funds. Advances under the Credit Agreement bear a variable rate of interest based on the London Interbank Offered Rate (LIBOR). As of March 31, 2020, \$250,000 was outstanding under the Credit Agreement. The Credit Agreement expires in June 2023.

In June 2020, Mass General Brigham executed a \$125,000 Line of Credit (the LOC) that provides access to same day funds. Advances under the LOC bear a variable rate of interest based on LIBOR. As of June 30, 2020, \$125,000 was outstanding under the LOC. The LOC expires in June 2021.

In May 2020, Mass General Brigham executed a \$150,000 Term Loan with a fixed interest rate of 2.42% and final maturity in May 2022.

8. During the three months ended June 30, 2020, Mass General Brigham repurchased a portion of its auction rate securities (ARS). As of June 30, 2020, Mass General Brigham was holding \$29,985 of the Series F and Series G Revenue Bonds issued as ARS. Although not legally extinguished, the bonds held by Mass General Brigham have been reflected as extinguished under generally accepted accounting principles.
9. In December 2018 and January 2019, PHS issued \$350,000 and \$50,000, respectively, of Partners HealthCare System Taxable 2018 Senior Notes. Proceeds from the notes were used to finance certain capital projects.

In January 2019, PHS issued \$158,250 of Partners HealthCare System Series 2019 T Revenue Bonds. The bond proceeds were used to refund Massachusetts Eye and Ear Infirmary Series D Bonds (\$55,402), refund Series M-2 Bonds (\$50,000) and repay the borrowing under the Credit Agreement (\$52,848).

In January 2020, PHS issued \$304,885 of Mass General Brigham Series 2020 A Revenue Bonds, plus bond premium of \$79,262. The bond proceeds, net of issuance costs of \$1,511, were used to refund portions of Series J Bonds (\$38,765), Series M Bonds (\$50,000) and Series O Bonds (\$50,000), and to finance certain capital projects (\$243,871).

In January 2020, PHS issued \$1,017,135 of Mass General Brigham Series 2020 Taxable Bonds. The bond proceeds, net of issuance of \$6,649, were used to refund portions of Series L Bonds (\$57,313), Series M Bonds (\$241,104) and Series O Bonds (\$68,559), to refund Series 2011 Taxable Bonds (\$250,000), and to finance certain capital projects (\$393,510).

Notes to Consolidated Financial Statements
(In Thousands)

10. Upon adoption of the Leases Standard, leases with a term greater than twelve months have been recognized on the balance sheet. Mass General Brigham elected the package of practical expedients and did not reassess expired agreements for lease identification or classification as a finance or operating lease, or for the reassessment of initial direct costs.

Some lease agreements require payment of variable costs including property taxes, insurance, maintenance and repairs. Variable costs are excluded from the right-of-use assets and liability. Lease and non-lease components of agreements are not separated. Some leases contain rental escalation clauses and renew options that are included in lease payment calculations when appropriate. The estimated incremental borrowing rate is used to discount the lease payment amounts. All operating and finance leases have a weighted discount rate of 4.17%.

Mass General Brigham performed a preliminary assessment of lease expense, lease related assets and liabilities and commitments related to noncancelable operating and finance leases for the next five years and thereafter, and as a result, the balances below are subject to change.

The components of lease expense consist of the following for the six months ended June 30, 2020:

	2020
Operating lease expense	158,107
Finance lease expense:	
Amortization of lease assets	433
Interest on lease liabilities	49

Lease related assets and liabilities are as follows at:

	Balance Sheet Classification	June 30, 2020
Operating lease assets	Right-of-use operation lease assets	1,032,506
Finance lease assets	Property and equipment, net	1,560
Total lease assets, net		<u>\$ 1,034,066</u>
Current operating lease liability	Current portion of operating lease obligations	193,158
Current finance lease liability	Accounts payable and accrued expenses	608
Noncurrent operating lease liability	Operating lease obligations, less current portion	839,527
Noncurrent finance lease liability	Accrued other	724
Total lease liability, net		<u>\$ 1,034,017</u>

Commitments related to noncancelable operating and finance leases for each of the next five years and thereafter are as follows:

	Operating Leases	Finance Leases
2021	\$ 185,347	\$ 597
2022	161,625	597
2023	145,336	281
2024	117,339	51
2025	102,248	
Thereafter	443,401	
Total minimum future payments	<u>\$ 1,155,296</u>	<u>\$ 1,526</u>

Notes to Consolidated Financial Statements
(In Thousands)

11. COVID-19 Pandemic and Government Funding

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. Patient activity across Mass General Brigham was significantly impacted during the 2020 third quarter due to federal and state policies, including declarations of a state of emergency by the governors of Massachusetts and New Hampshire on March 10 and March 27, respectively, to help contain the spread of COVID-19. From March 18, 2020, Mass General Brigham's Massachusetts facilities were prohibited from performing non-essential elective invasive procedures. On May 18, 2020, Massachusetts implemented a four-phase gradual business reopening plan. In the first phase of the plan, hospitals were permitted to provide high priority preventative care, pediatric care and treatment for high risk patients and conditions. On June 8, 2020, Massachusetts entered phase two of the reopening plan, which permits hospitals and ambulatory sites to provide in-person care for certain routine services. These extraordinary events and government actions have negatively impacted Mass General Brigham's operating results. While patient activity increased gradually over the latter half of the June quarter, management is unable to estimate the duration and overall impact of COVID-19 on its operations and financial condition.

Through June 30, 2020, Mass General Brigham received approximately \$1,000,000 in accelerated Medicare payments (which will be recouped over roughly 6 months beginning in August 2020) and recognized approximately \$334,000 in permanent funds provided in the Coronavirus Aid Relief, and Economic Security (CARES) Act. Subsequent to June 30, 2020, Mass General Brigham received \$140,000 in additional grants via the CARES Act.

MASS GENERAL BRIGHAM: ACUTE CARE SECTOR ⁽¹⁾
UTILIZATION STATISTICS

	Third Quarter Ended June 30,		Nine Months Ended June 30,	
	2020	2019	2020	2019
INPATIENT:				
Discharges	33,824	42,665	117,181	126,320
% Change	-20.7%		-7.2%	
Discharge Days	199,989	225,675	651,436	679,506
% Change	-11.4%		-4.1%	
Average Length of Stay (Days)	5.91	5.29	5.56	5.38
% Change	11.7%		3.3%	
Patient Days	190,928	211,249	618,378	641,409
% Change	-9.6%		-3.6%	
Births	4,380	4,423	12,748	12,462
% Change	-1.0%		2.3%	
OUTPATIENT:				
ATO's	3,662	7,495	14,996	20,300
% Change	-51.1%		-26.1%	
ED Observations	2,598	2,367	10,043	6,716
% Change	9.8%		49.5%	
Day Surgery	10,183	26,227	58,149	75,427
% Change	-61.2%		-22.9%	
Ambulatory visits	336,146	519,240	1,285,649	1,477,379
% Change	-35.3%		-13.0%	
ER Visits	68,878	112,165	279,973	325,313
% Change	-38.6%		-13.9%	
Procedures	199,252	449,596	1,003,146	1,272,303
% Change	-55.7%		-21.2%	
Major Imaging	62,767	118,020	280,969	326,024
% Change	-46.8%		-13.8%	
Minor Imaging	120,895	319,701	698,408	902,380
% Change	-62.2%		-22.6%	
Treatments	206,724	263,661	725,528	751,378
% Change	-21.6%		-3.4%	
Therapies	113,635	333,910	713,106	979,103
% Change	-66.0%		-27.2%	
Lab Services	1,348,666	2,797,368	6,481,861	7,851,732
% Change	-51.8%		-17.4%	
CASE MIX INDEX (CMI) ⁽²⁾:				
Combined Academic (The General & BWH)	2.20	2.00	2.09	2.01
	10.0%		4.0%	
Combined Community (BWFH, NSMC & NWH)	1.35	1.20	1.26	1.21
	12.5%		4.1%	

⁽¹⁾ Includes data from The General, BWH, BWFH, NSMC, NWH, Cooley Dickinson, Nantucket, Martha's Vineyard, Wentworth-Douglass and Mass Eye and Ear.

⁽²⁾ CMI based on APR-DRG version 30, NY weight

**MASS GENERAL BRIGHAM:
REHABILITATION & PSYCHIATRIC CARE SECTORS
UTILIZATION STATISTICS**

	Third Quarter Ended June 30,		Nine Months Ended June 30,	
	2020	2019	2020	2019
REHABILITATION				
Inpatient:				
Discharges	1,081	1,087	3,192	3,203
% Change	-0.6%		-0.3%	
Discharge Days	25,722	24,796	74,324	75,659
% Change	3.7%		-1.8%	
Average Length of Stay (Days)	23.79	22.81	23.28	23.62
% Change	4.3%		-1.4%	
Patient Days	24,580	24,495	74,856	74,923
% Change	0.3%		-0.1%	
Outpatient:				
Home Health	104,644	140,802	361,373	410,608
% Change	-25.7%		-12.0%	
Therapies	72,365	279,390	556,508	818,756
% Change	-74.1%		-32.0%	

Note: Rehabilitation sector includes Spaulding Boston, Spaulding Cambridge, Spaulding Cape Cod and Partners HealthCare at Home

PSYCHIATRIC

Inpatient:				
Discharges	1,105	1,527	3,964	4,482
% Change	-27.6%		-11.6%	
Discharge Days	15,763	19,499	51,129	55,123
% Change	-19.2%		-7.2%	
Average Length of Stay (Days)	14.27	12.77	12.90	12.30
% Change	11.7%		4.9%	
Patient Days	15,049	18,014	51,183	54,325
% Change	-16.5%		-5.8%	
Outpatient:				
Psychiatric Services	27,499	34,440	92,221	99,868
% Change	-20.2%		-7.7%	

**MASS GENERAL BRIGHAM: INSURANCE SECTOR
STATISTICS**

	Third Quarter Ended June 30,		Nine Months Ended June 30,	
	2020	2019	2020	2019
Medical loss ratio ⁽¹⁾	86.8%	90.7%	90.2%	89.1%
% Change	-3.9%		1.1%	
Administrative expense ratio	14.3%	11.5%	13.9%	13.1%
% Change	2.8%		0.8%	
Total members	248,150	243,124	248,150	243,124
% Change	2.1%		2.1%	

⁽¹⁾ Excludes impact of premium deficiency reserve charge.

Statistic	Definition
Discharges	The total number of patients discharged from a hospital bed in a given time period
Discharge Days	The total number of days each discharged patient occupied a bed during the duration of their hospital stay
Average Length of Stay	Patient days divided by the number of patient discharges
Patient Days	Total number of days a patient occupied a hospital bed in a given time period
ATO's	Patients admitted under observation status and generally discharged within 24 hours
ED Observations	Patients admitted under observation status in the ER (at GH and BWH) and generally discharged within 24 hours
Day Surgery	Surgical procedures performed on an outpatient basis
Ambulatory visits	Includes office/outpatient services, consults, preventive medicine and psychiatric visit - clinic O/P
ER Visits	Emergency room visits
Procedures	Includes integumentary, musculoskeletal, oral & maxillofacial surg, respiratory, cardiovascular, hemic/lymphatic, mediastinum/diaphragm, digestive, urinary, female/male genital, endocrine, nervous system, eye/ocular adnexa and auditory
Major Imaging	Includes MRI, CT Scan, nuclear medicine and PET Scan
Minor Imaging	Includes radiology diagnostic, ultrasound, breast imaging and 3D reconstruction
Treatments	Includes chemotherapy, radiation therapy, non chemo infusions, dialysis, electroconvulsive therapy and dental
Therapies	Includes respiratory/pulmonary therapy, physical therapy, occupational therapy, speech language pathology, cardiac rehabilitation and nutrition
Lab Services	Lab services
Home Health	Nurse visits, aide visits, physical therapy, occupational therapy, speech-language pathology, registered dietician, medical social work, telemedicine and private duty converted hours
Psychiatric Services	Includes partial days, ART days, individual therapy, group therapy, family therapy, child and adolescent days and other therapies
Case Mix Index	The average diagnosis-related-group weight for all of a hospital's inpatient volume
Medical Loss Ratio	Medical expense as a percentage of premium revenue

MASS GENERAL BRIGHAM: INVESTMENT LIQUIDITY & DEBT BACKED BY SELF LIQUIDITY
as of June 30, 2020
(In Thousands)

INVESTMENT LIQUIDITY⁽¹⁾

Investment Pool	Funds Available						Total
	Same Day	1 Week	1 Month	3 Months	1 Year	>1 Year	
Money Market	\$1,984,849	-	\$29,985	-	-	-	\$2,014,834
Aggregate Bond	546,690	72,465	-	-	-	-	619,155
Long Term	2,078,884	480,408	1,382,125	1,601,470	1,483,096	3,196,109	10,222,092
Total	\$4,610,424	\$552,873	\$1,412,110	\$1,601,470	\$1,483,096	\$3,196,109	\$12,856,081
Cumulative Total	\$4,610,424	\$5,163,297	\$6,575,407	\$8,176,877	\$9,659,973	\$12,856,081	

DEBT BACKED BY SELF LIQUIDITY

Debt Mode	Funds Required						Total
	Same Day	1 Week	1 Month	3 Months	1 Year	>1 Year	
Flexible Rate ⁽²⁾	-	-	\$51,375	\$113,820	-	-	\$165,195
Index Floating Rate	-	-	-	-	-	388,400	388,400
Term Rate	-	-	-	-	-	207,205	207,205
Total	-	-	\$51,375	\$113,820	-	\$595,605	\$760,800
Cumulative Total	-	-	\$51,375	\$165,195	\$165,195	\$760,800	

⁽¹⁾ Excludes ERISA.

⁽²⁾ Mass General Brigham limits daily maturities on its flexible rate bonds to \$20 million.

Money Market Pool

6/30/2020

Portfolio Manager
Benchmark

Various
iMoneyNet Money Market Fund Average/All Taxable

	Portfolio	Benchmark
Market Value (\$000)	\$ 2,014,834	n/a
Avg Rating	AAA	A1/P1
Avg Maturity (Days)	113.3	n/a
Avg Life (Days)	1.0	n/a
Avg Yield	0.14%	n/a

Net Asset Value	1.0
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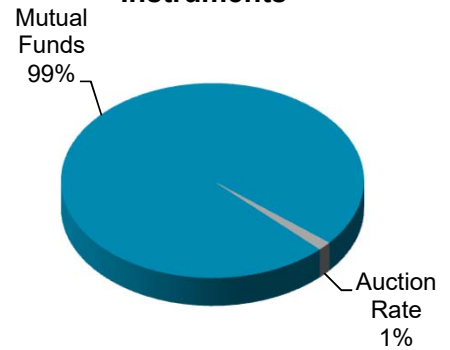
Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	0.01%	0.00%	+ 0.01%
Quarter	0.08%	0.05%	+ 0.02%
FYTD	0.86%	0.66%	+ 0.20%
CYTD	0.41%	0.31%	+ 0.10%
1 Year	1.53%	1.13%	+ 0.40%
2 Year	1.89%	1.52%	+ 0.38%
3 Year	1.67%	1.33%	+ 0.34%
5 Year	1.13%	0.86%	+ 0.27%
Inception (12/31/94)	2.61%	2.17%	+ 0.44%

Annualized Performance Measures since Inception (01/05)			
StDev	0.63%	0.61%	-
Sharpe Ratio	0.33	(0.39)	+
Tracking Error	0.07%	n/a	
Info Ratio	6.48	n/a	
Monthly Alpha	0.04%	0.00%	+
Beta	0.89	1.00	+
BM Correl	1.00	1.00	

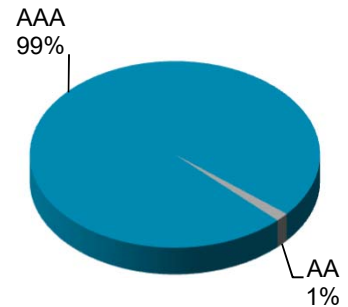
Relative Performance		# Months	Average
Up Months	Above BM	292	0.038%
	Below BM	14	
Down Months	Above BM	0	
	Below BM	0	

* computed outperformance may not match portfolio/benchmark returns due to rounding.

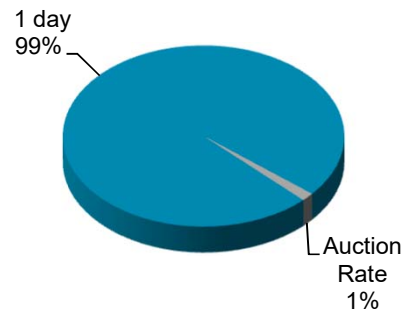
Instruments



S&P Quality Breakdown



Maturity Breakdown



Congress Short Term Treasuries

6/30/2020

Portfolio Manager
Benchmark

Jeff Porter since April 2014
BC US Treas 1-5 yr

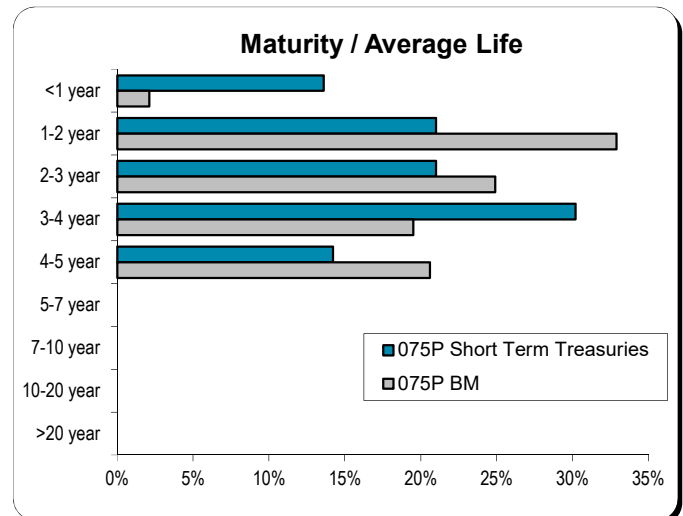
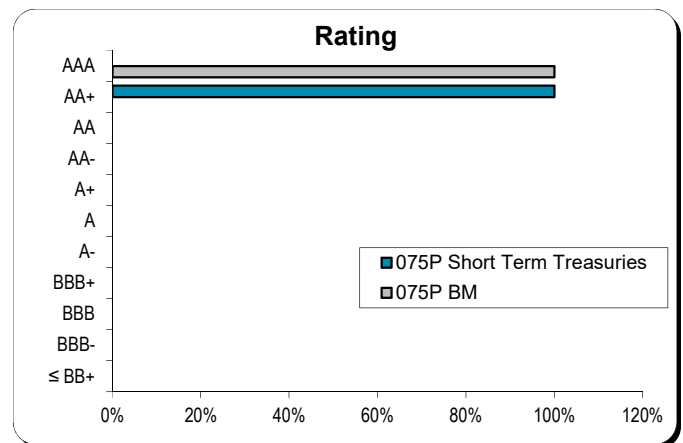
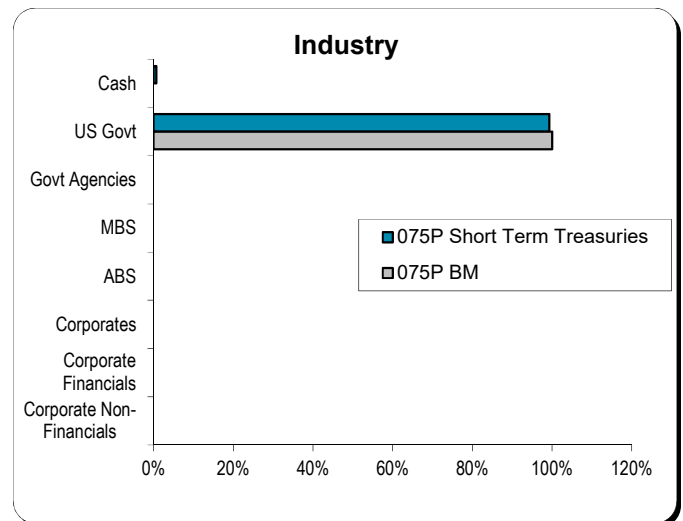
	Portfolio	Benchmark
Market Value (\$000)	\$ 196,046	n/a
# Issues	14	151
Avg Coupon	2.20%	1.85%
Avg Rating	AAA	AAA
Avg Maturity	2.68	2.83
Avg Yield	0.20%	0.20%
Avg Mod. Duration	2.59	2.75
Avg. Convexity	0.10	0.10

Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	0.06%	0.07%	- 0.01%
Quarter	1.24%	0.40%	+ 0.84%
FYTD	5.46%	4.58%	+ 0.88%
CYTD	5.12%	4.23%	+ 0.89%
1 Year	6.24%	5.38%	+ 0.86%
2 Year	5.54%	5.17%	+ 0.37%
3 Year	3.49%	3.28%	n/a
5 Year	2.42%	2.33%	n/a
Inception (4/1/14)	2.22%	2.16%	+ 0.07%

Annualized Performance Measures since Inception (4/14)			
StDev	1.65%	1.61%	-
Sharpe Ratio	(0.11)	(0.15)	+
Tracking Error	0.05%	n/a	
Info Ratio	1.27	n/a	
Monthly Alpha	-0.01%	n/a	-
Beta	1.00	1.00	-
BM Correl	1.00	1.00	

Relative Performance		# Months	Average
Up Months	Above BM	12	0.09%
	Below BM	33	-0.01%
Down Months	Above BM	10	0.00%
	Below BM	20	-0.01%

* computed outperformance may not match portfolio/benchmark returns due to rounding.



Congress Intermediate Domestic Fixed Income

6/30/2020

Portfolio Manager **Jeff Porter** since June 2002
Benchmark BC Intermediate US Govt/Credit

	Portfolio	Benchmark
Market Value (\$000)	\$ 289,297	n/a
# Issues	34	5,133
Avg Coupon	2.77%	2.49%
Avg Rating	AA-	AA/AA-
Avg Maturity	4.39	4.46
Avg Yield	0.69%	0.74%
Avg Mod. Duration	4.07	4.09
Avg. Convexity	0.24	0.21

Annualized Returns	Portfolio	Benchmark	Outperform. *
Month	0.39%	0.62%	- 0.23%
Quarter	2.07%	2.81%	- 0.74%
FYTD	5.90%	5.67%	+ 0.23%
CYTD	5.62%	5.28%	+ 0.35%
1 Year	7.29%	7.12%	+ 0.18%
2 Year	7.19%	7.02%	+ 0.17%
3 Year	4.50%	4.43%	+ 0.08%
5 Year	3.44%	3.46%	- 0.02%
Inception (5/31/02)	4.51%	4.07%	+ 0.44%

Annualized Performance Measures since Inception (06/02)			
StDev	3.03%	2.89%	-
Sharpe Ratio	0.69	0.58	+
Tracking Error	1.04%	n/a	
Info Ratio	0.42	n/a	
Monthly Alpha	0.04%	n/a	-
Beta	0.99	1.00	+
BM Correl	0.94	1.00	

Relative Performance		# Months	Average
Up Months	Above BM	74	0.17%
	Below BM	70	-0.12%
Down Months	Above BM	35	0.21%
	Below BM	38	-0.10%

* computed outperformance may not match portfolio/benchmark returns due to rounding.

