



## Unaudited Quarterly Disclosure

*For the Period Ended June 30, 2020*

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# Introduction

## Quarterly Disclosure - June 30, 2020

The following Quarterly Disclosure Report presents the unaudited results of operations and financial position of ProMedica Health System, Inc. and its subsidiaries (collectively “ProMedica”) for the three and six month period ended June 30, 2020. This report should be read in conjunction with the audited ProMedica Health System and Subsidiaries Consolidated Financial Report for the year ended December 31, 2019.

## Obligated Group

ProMedica has established an “Obligated Group” structure wherein ProMedica Health System, Inc. is either the sole member or exercises control over the sole member of each Obligated Group member. ProMedica Health System, Inc. is not a member of the Obligated Group. Only those entities defined as Obligated Group members are obligated to make payments under the Master Trust Indenture. Refer to *Organizational Structure* for further details. The following disclosure report includes the unaudited results of operations and financial position of the Obligated Group, but unless otherwise indicated, all discussion and analysis that follows is based on ProMedica Health System’s consolidated results. The Obligated Group accounted for approximately 23% of total operating revenue for the six month period ended June 30, 2020.

## Outstanding Bond CUSIPS

Bond Series	CUSIP
2011A	549310UD0 549310UE8

2011D	549310UV0	549310VG2
	549310UW8	549310VY3
	549310UX6	549310VH0
	549310VV9	549310WA4
	549310VE7	549310WB2
	549310VW7	549310VZ0
	549310VF4	549310VD9
	549310VX5	

2011E	52601PBN7 52601PBP2
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Bond Series	CUSIP
2015A	889184AA5

2015B	549310VIL1
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2018A	549310WD8 549310WE6
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2018B	889184AC1 889184AD9 889184AE7
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# Financial Statements

## Balance Sheets

(\$ in thousands, unaudited)

	June 30, 2020		December 31, 2019	
	Obligated Group	Consolidated ProMedica	Obligated Group	Consolidated ProMedica
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 272,921	\$ 925,612	\$ 70,276	\$ 379,698
Marketable securities	6,546	264,901	6,432	260,616
Assets limited as to use or restricted	-	15,101	-	11,501
Accounts receivable, net	39,131	385,057	229,398	617,347
Estimated third-party payor receivable	(87)	9,641	3,781	43,850
Supplies	19,507	31,331	19,387	32,150
Other current assets	144,142	174,527	199,358	148,812
Total Current Assets	482,160	1,806,170	528,632	1,493,974
<b>Noncurrent Assets Limited as to Use or Restricted</b>				
Restricted funds	2,106	143,502	2,132	145,160
Professional liability and workers' compensation funds	-	56,633	-	56,005
Internally designated for capital acquisition	823,237	833,196	573,118	618,420
Other segregated investments	4,943	237,619	129,006	367,201
Total noncurrent assets limited as to use or restricted	830,286	1,270,950	704,256	1,186,786
Property and equipment, net	1,203,851	1,675,349	1,208,189	1,672,508
Right-of-use operating lease assets	12,249	2,139,235	14,319	2,077,311
<b>Other Assets</b>				
Goodwill	1,065,111	1,148,145	1,068,821	1,149,383
Intangible assets	125,469	175,993	129,185	181,406
Pension	-	12,823	-	7,936
Investments in affiliated companies	503,855	608,958	511,381	640,460
Other	569	64,599	557	85,592
Total Other Assets	1,695,004	2,010,518	1,709,944	2,064,777
<b>Total Assets</b>	<b>\$ 4,223,550</b>	<b>\$ 8,902,222</b>	<b>\$ 4,165,340</b>	<b>\$ 8,495,356</b>

## Balance Sheets (continued)

(\$ in thousands, unaudited)

	June 30, 2020		December 31, 2019	
	Obligated Group	Consolidated ProMedica	Obligated Group	Consolidated ProMedica
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	\$ 103,560	\$ 434,219	\$ 82,868	\$ 439,841
Contractual current installments of long-term debt	14,775	15,685	14,774	15,810
Contingent current installments of long-term debt	425,627	440,026	425,507	439,900
Estimated third-party payor settlements	20,127	224,222	28,404	58,561
Current portion of lease liabilities - Financing	796	4,710	1,357	3,109
Current portion of lease liabilities - Operating	4,224	111,555	5,345	95,442
Accrued liabilities and other:				
Compensation and benefits	62,885	333,173	55,479	319,638
Professional liability and workers' compensation	-	108,601	-	109,846
Claims expense	-	138,616	-	119,295
Other current liabilities	190,856	8,282	247,309	5,534
Total Current Liabilities	822,850	1,819,089	861,043	1,606,976
Long-term debt, less current installments	1,860,296	1,868,621	1,860,053	1,868,563
Lease Liabilities - Financing	4,054	28,460	4,406	23,489
Lease Liabilities - Operating	8,142	2,095,670	9,107	2,033,162
<b>Other Liabilities</b>				
Accrued professional liabilities and workers' compensation, less current portion	-	254,179	-	276,734
Deferred compensation	4,066	44,010	4,066	44,010
Pension	256	698	314	745
Other	32,265	72,567	19,716	47,696
Total Other Liabilities	36,587	371,454	24,096	369,185
Total Liabilities	2,731,929	6,183,294	2,758,705	5,901,375
<b>Net Assets</b>				
Without donor restrictions:				
Controlling interest	1,489,515	2,529,212	1,404,502	2,400,056
Noncontrolling interest	-	46,214	-	48,763
Total without donor restrictions	1,489,515	2,575,426	1,404,502	2,448,819
With donor restrictions	2,106	143,502	2,133	145,162
Total Net Assets	1,491,621	2,718,928	1,406,635	2,593,981
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,223,550</b>	<b>\$ 8,902,222</b>	<b>\$ 4,165,340</b>	<b>\$ 8,495,356</b>

# Statements of Operations

(\$ in thousands, unaudited)

	Three Months Ended June 30, 2020		Three Months Ended June 30, 2019	
	Obligated Group	Consolidated ProMedica	Obligated Group	Consolidated ProMedica
<b>Unrestricted revenue, gains, and other support:</b>				
Net patient service revenue	\$319,134	\$ 986,714	\$409,781	\$ 1,200,501
Premium revenue	-	500,794	-	487,160
Other	86,056	262,347	24,851	27,439
Net assets released for use in operations	1,446	3,356	1,694	2,099
Total unrestricted revenue, gains, and other support	406,636	1,753,211	436,326	1,717,199
<b>Expenses:</b>				
Salaries, wages, and employee benefits	126,049	688,003	142,094	742,469
Food and drugs	28,613	70,727	34,791	85,773
Medical expenses	-	303,374	-	412,639
Contracted fees	41,914	162,851	36,042	149,879
Supplies	28,558	65,963	41,890	72,636
Insurance	2,300	22,630	2,599	22,078
Utilities	4,009	21,213	4,378	23,403
Other	97,485	180,111	102,766	184,607
Total expenses	328,928	1,514,872	364,560	1,693,484
<b>Operating income before depreciation, amortization, and impairment expense</b>	<b>77,708</b>	<b>238,339</b>	<b>71,766</b>	<b>23,715</b>
Depreciation, amortization, and impairment	28,264	48,931	22,125	41,786
<b>Operating income (loss)</b>	<b>49,444</b>	<b>189,408</b>	<b>49,641</b>	<b>(18,071)</b>
<b>Other income (loss):</b>				
Interest expense	(26,206)	(28,592)	(40,009)	(25,483)
Investment income (loss)	51,352	79,981	12,423	22,384
Income tax (expense) credit	-	(4,334)	-	(456)
Other	635	(757)	235	(690)
Total other income (loss), net	25,781	46,298	(27,351)	(4,245)
Excess of revenue over (under) expenses before unusual items	75,225	235,706	22,290	(22,316)
Restructuring, severance, and acquisition costs	-	(1,036)	-	(21)
<b>Excess of revenue over (under) expenses</b>	<b>\$ 75,225</b>	<b>\$ 234,670</b>	<b>\$ 22,290</b>	<b>\$ (22,337)</b>

## Statements of Operations (continued)

(\$ in thousands, unaudited)

	Six Months Ended June 30, 2020		Six Months Ended June 30, 2019	
	Obligated Group	Consolidated ProMedica	Obligated Group	Consolidated ProMedica
<b>Unrestricted revenue, gains, and other support:</b>				
Net patient service revenue	\$ 702,385	\$ 2,163,787	\$ 801,732	\$ 2,384,979
Premium revenue	-	1,007,384	-	938,005
Other	109,983	297,918	32,500	54,082
Net assets released for use in operations	2,826	6,299	3,155	3,967
Total unrestricted revenue, gains, and other support	815,194	3,475,388	837,387	3,381,033
<b>Expenses:</b>				
Salaries, wages, and employee benefits	265,033	1,432,070	281,869	1,497,921
Food and drugs	62,746	157,054	67,139	171,849
Medical expenses	-	676,865	-	767,647
Contracted fees	85,615	328,437	72,110	294,054
Supplies	69,040	139,207	81,777	142,113
Insurance	4,589	45,085	5,204	39,679
Utilities	7,930	44,472	8,620	48,052
Other	197,270	365,497	197,545	363,927
Total expenses	692,223	3,188,687	714,264	3,325,242
<b>Operating income before depreciation, amortization, and impairment expense</b>	<b>122,971</b>	<b>286,701</b>	<b>123,123</b>	<b>55,791</b>
Depreciation, amortization, and impairment	55,931	96,709	44,488	83,654
<b>Operating income (loss)</b>	<b>67,040</b>	<b>189,992</b>	<b>78,635</b>	<b>(27,863)</b>
<b>Other (loss) income:</b>				
Interest expense	(52,632)	(56,968)	(45,742)	(50,236)
Investment income (loss)	6,160	(771)	47,404	96,554
Income tax (expense) credit	-	(5,793)	-	823
Other	1,326	558	706	(928)
Total other (loss) income, net	(45,146)	(62,974)	2,368	46,213
Excess of revenue over expenses before unusual items	21,894	127,018	81,003	18,350
Restructuring, severance, and acquisition costs	-	(1,307)	-	(667)
<b>Excess of revenue over expenses</b>	<b>\$ 21,894</b>	<b>\$ 125,711</b>	<b>\$ 81,003</b>	<b>\$ 17,683</b>

# Statements of Changes in Net Assets

(\$ in thousands, unaudited)

	Three Months Ended June 30, 2020		Three Months Ended June 30, 2019	
	Obligated Group	Consolidated ProMedica	Obligated Group	Consolidated ProMedica
<b>Net Assets without Donor Restrictions</b>				
Excess of revenue over (under) expenses	\$ 75,225	\$ 234,670	\$ 22,290	\$ (22,337)
Net assets released from restrictions	1,738	172	1,501	230
Capital contributions from (to)				
non-obligated group affiliates, net	75,540	-	1,691,456	-
Income (loss) from discontinued operations	-	466	-	(3,247)
Other	-	(60)	-	(262)
Increase (decrease) in Net Assets	152,503	235,248	1,715,247	(25,616)
without Donor Restrictions				
<b>Net Assets with Donor Restrictions</b>				
Contributions	581	2,319	482	4,308
Investment return	-	5,094	-	1,305
Net assets released from restriction	(650)	(3,443)	(326)	(2,201)
(Decrease) increase in Net Assets	(69)	3,970	156	3,412
with Donor Restrictions				
Increase (decrease) in Net Assets	\$ 152,434	\$ 239,218	\$ 1,715,403	\$ (22,204)
Net Assets at beginning of period	1,339,187	2,479,710	(354,721)	2,535,416
<b>Net Assets at end of period</b>	<b>\$ 1,491,621</b>	<b>\$ 2,718,928</b>	<b>\$ 1,360,682</b>	<b>\$ 2,513,212</b>



## Statements of Changes in Net Assets (continued)

(\$ in thousands, unaudited)

	Six Months Ended June 30, 2020		Six Months Ended June 30, 2019	
	Obligated Group	Consolidated ProMedica	Obligated Group	Consolidated ProMedica
<b>Net Assets without Donor Restrictions</b>				
Excess of revenue over expenses	\$ 21,894	\$ 125,711	\$ 81,003	\$ 17,683
Net assets released from restrictions	2,886	1,320	1,855	517
Capital contributions from (to) non-obligated group affiliates, net	60,233	-	1,600,589	
Income (loss) from discontinued operations	-	320	-	(10,697)
Other	-	(744)	-	(772)
Increase in Net Assets without Donor Restrictions	85,013	126,607	1,683,447	6,731
<b>Net Assets with Donor Restrictions</b>				
Contributions	1,131	6,005	1,542	7,618
Investment return		(556)		5,424
Net assets released from restriction	(1,158)	(7,109)	(1,273)	(4,555)
(Decrease) increase in Net Assets with Donor Restrictions	(27)	(1,660)	269	8,487
Increase in Net Assets	\$ 84,986	\$ 124,947	\$ 1,683,716	\$ 15,218
Net Assets at beginning of period	1,406,635	2,593,981	(323,034)	2,497,994
<b>Net Assets at end of period</b>	<b>\$ 1,491,621</b>	<b>\$ 2,718,928</b>	<b>\$ 1,360,682</b>	<b>\$ 2,513,212</b>

# ProMedica Overview

**ProMedica** is a mission-based, not-for-profit integrated healthcare organization headquartered in Toledo, Ohio. It serves communities in 28 states. The organization has more than 49,000 employees, 12 owned hospitals plus 1 joint venture hospital, over 2,500 physicians and advanced practice providers with privileges, more than 1,000 healthcare providers employed by ProMedica Physicians, a health plan, and over 330 senior care locations including assisted living facilities, skilled nursing and rehabilitation centers, memory care communities, and hospice and home health care agencies. Driven by its Mission to improve your health and well-being, ProMedica has been nationally recognized for its advocacy programs and efforts to address social determinants of health. ProMedica also has numerous joint ventures, co-management agreements and other affiliations, including a long-term academic affiliation with The University of Toledo College of Medicine and Life Sciences.

Since its inception in 1986, ProMedica has maintained a steadfast commitment to operating as a fully integrated health system. Its legacy hospital, ProMedica Toledo Hospital, opened in 1874 and serves as the health system's tertiary care facility and academic medical center. In 1988, ProMedica formed Paramount, its health insurance company; in 1992, ProMedica Physicians; and, in 1993, ProMedica Toledo Children's Hospital, recently renamed ProMedica Russell J. Ebeid Children's Hospital. The nationally recognized organization has grown to be the region's largest health system with 12 owned hospitals and one affiliated (Lima Memorial). In 2018 ProMedica acquired HCR ManorCare, a multi-state network of skilled nursing and rehabilitation centers, assisted living communities, and hospice and home health agencies.

## Who ProMedica is

### *Proven Integrated Delivery System – now with a leading Senior Care Division*

as of 6/30/2020	Total
Staff	49,000 +
Locations	500 +
States with Operations	28
Hospitals	13
Physicians & Providers (employed and affiliated)	2,500 +
Skilled Nursing	168
Assisted Living	55
Hospice / Home Health	113
Paramount Health Members	308,000
Paramount Dental Members	310,000

## MISSION

Our Mission is to  
improve your health and  
well-being.

## Values

**Compassion** – We treat our patients and each other with respect, integrity and dignity.

**Innovation** – We continually search to find a better way forward.

**Teamwork** – We collaborate with others because we are better together than apart.

**Excellence** – We strive to be the best in all we do.

**Learning** – We continuously pursue knowledge and education to enhance our organizational and personal capabilities.

## Community Benefit

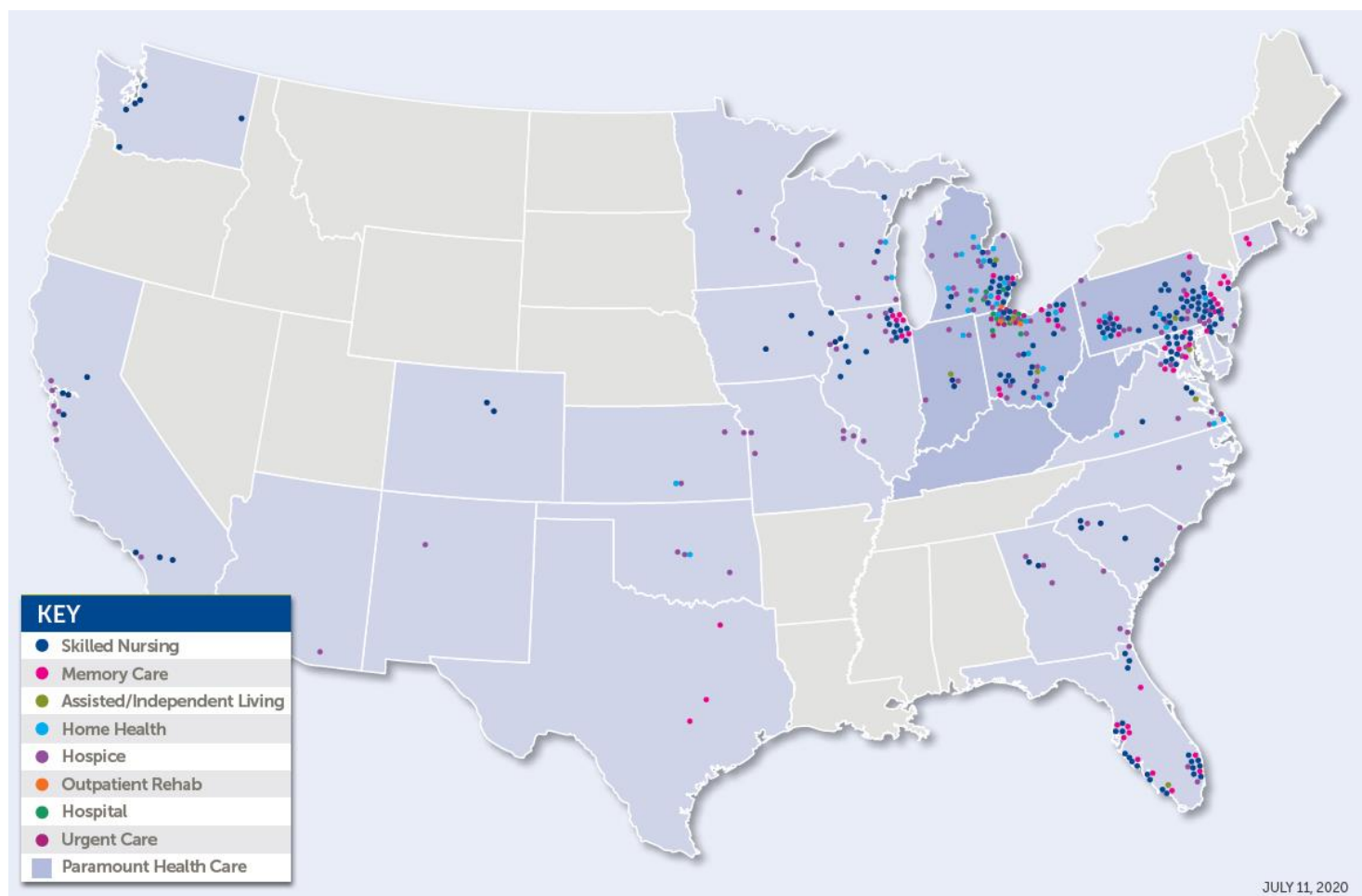
ProMedica is a not-for-profit, Mission based organization working to create a stronger, more cohesive approach to delivering care at the right place, the right time, and the right cost.

In 2018, ProMedica contributed \$266.4 million in community benefit through community benefit expenditures, financial assistance and government-sponsored, means-tested health care (income and capital “means” are below specified limits). These numbers not only indicate ProMedica’s long-standing commitment to the community, but also fulfill our not-for-profit status and Mission to improve the health and well-being of the residents in the communities we serve. ProMedica also collaborated with more than 300 local nonprofit agencies and organizations in 2018 to provide and promote community wellness.

ProMedica goes beyond industry standards in meeting the goal of providing care to everyone, regardless of their ability to pay. ProMedica hospitals provide free and discounted services in support of their mission and in compliance with 501(r) regulations set forth as part of the Affordable Care Act. Medically Necessary services are provided at no cost to patients living at or below 200% of Federal Poverty Levels. Medically Necessary services are provided at discounted rates based on a sliding scale depending on income level and insurance status.

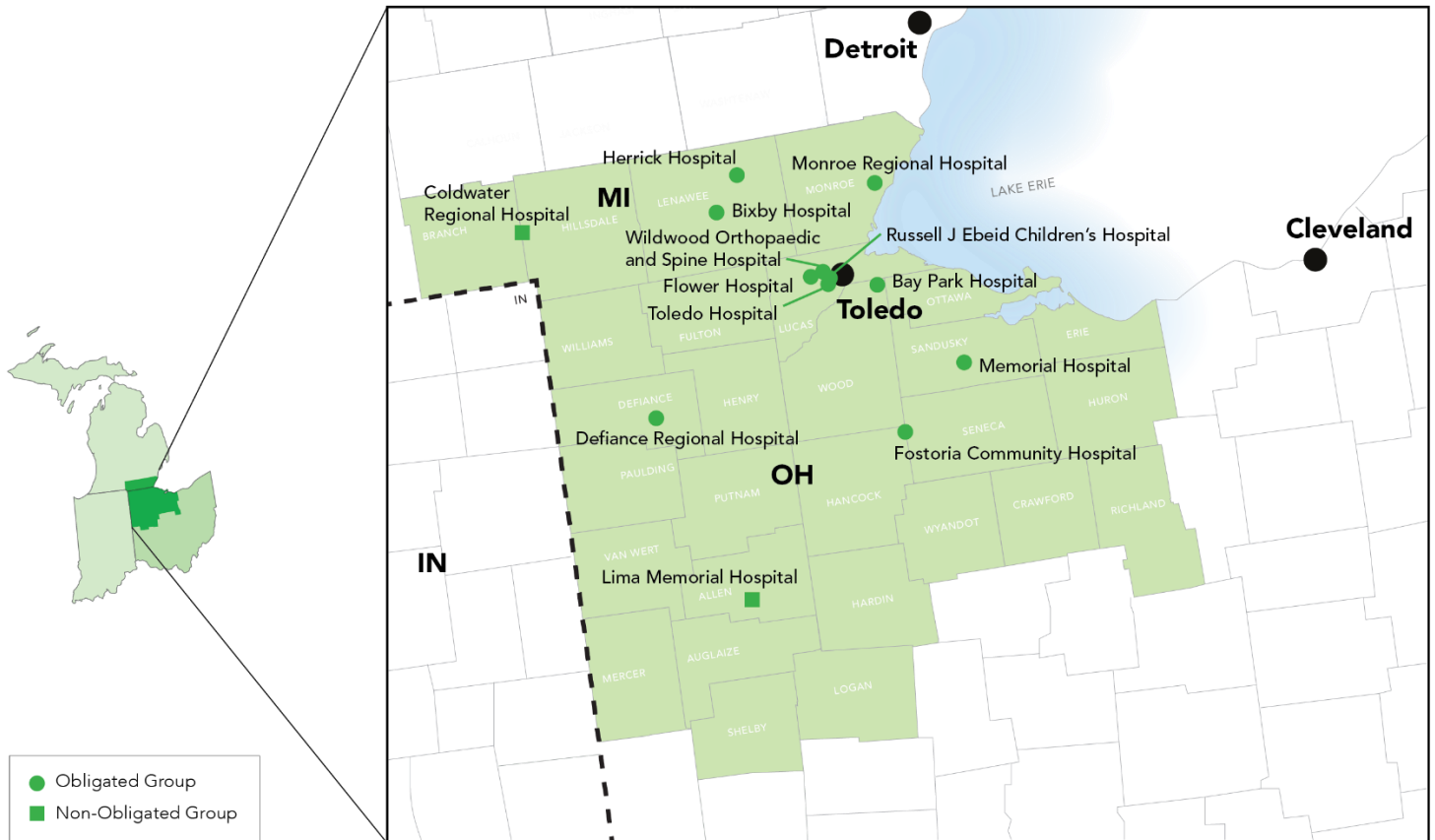
## Service Area and Operating Divisions

ProMedica is headquartered in Toledo, Ohio and serves communities in 28 states through its three primary operating divisions: Provider, Senior Care, and Paramount (Insurance).



## Provider

Acute and ambulatory care facilities and providers serve a 28-county area in northwest Ohio and southeast Michigan and includes 12 owned hospitals and one affiliated hospital.




ProMedica Physician Group, Inc. and its subsidiary limited liability companies (collectively, “PPG”) is a comprehensive provider network consisting of 1,053 employed providers, including 552 primary care and specialty physicians, as well as 501 advanced practice providers. PPG handled approximately 843,000 patient encounters through June of 2020. PPG is not a member of the Obligated Group.

PPG providers are engaged in achieving quality outcomes by targeting preventative healthcare, with special emphasis on cardiovascular diseases and cancer. Members of the physician network provide leadership to ProMedica through participation on boards, councils and membership in co-management companies.

## Senior Care

The Senior Care division of ProMedica (formerly HCR ManorCare) is a leading provider of short-term, post-hospital services and long-term care with decades of experience helping patients, residents, and their families. Quality care is provided through a network of over 330 skilled nursing and rehabilitation centers, assisted living facilities, and hospice and home health care agencies in 26 states.



The division provides services at 168 Medicare and Medicaid-certified skilled nursing and rehabilitation centers, hospice care in over 110 markets, and more than 50 centers providing Alzheimer's and related dementia care. These locations operate primarily under the respected names of Heartland, ManorCare Health Services, and Arden Courts.

ProMedica Senior Care works closely with nearly 2,000 hospital systems and nearly 300 managed care plans across the nation. These referral sources look to our facilities to help lead the way in providing quality care for complex patients, reducing length of stay and minimizing re-hospitalization in a cost-effective setting.

## Paramount

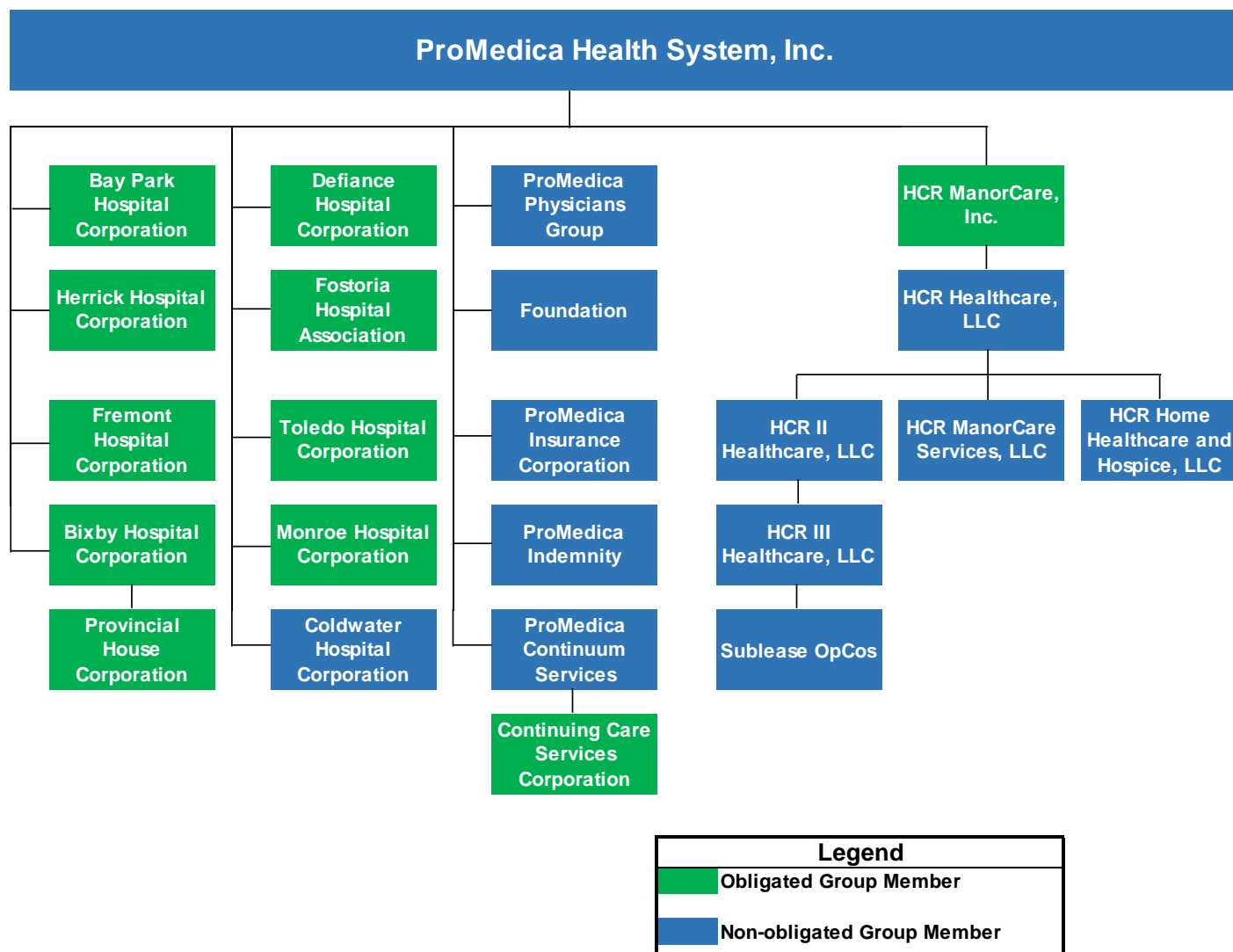
Paramount's insurance subsidiaries provide products that cover approximately 618,000 unique members in Indiana, Kentucky, Michigan, Ohio, Pennsylvania and West Virginia. Paramount's key product lines include:

- **Commercial: Paramount** - Established in 1988. Offers health insurance products for employers of any size in northwest Ohio and southeast Michigan. It serves approximately 76,000 members.
- **Medicaid: Paramount Advantage** - Established in 1993. Provides managed care plans to approximately 213,000 low-income residents within the state of Ohio. Members include families and children, adult and pediatric aged, blind and disabled, and adult expansion members.
- **Medicare: Paramount Elite** - Established in 1994. Offers eligible adults, including those age 65 and older, a wide range of Medicare plan options for any budget or health need. Its 16,000+ members live in 25 counties in Ohio and southeast Michigan.
- **Workers' Compensation** - Works with more than 23,000 employers in Michigan, Ohio, Pennsylvania and West Virginia, and has assisted employers with vocational rehabilitation, life-care planning, absence management, and managed care and third-party administration for workers' comp since 1997.
- **Health Insurance Marketplace** - Individuals and families can purchase their own health insurance directly from Paramount. Paramount joined the marketplace in 2015 and has 2,600+ members.
- **Dental: Paramount Dental** – Provides dental plans for Paramount Medicare members and employer groups purchasing for their employees. It has approximately 310,000 members in Indiana, Kentucky, Michigan and Ohio.

As of June 30, 2020, there were approximately 308,000 members included in the various health plans and services offered by Paramount and its subsidiaries, with the largest segment in Medicaid, Paramount Advantage. The overall health plan mix of Paramount product offerings is approximately 74% enrollment in government sector products as of June 30, 2020.

# Organizational Structure

The chart below summarizes ProMedica's current structure. Certain members may control one or more other members that are not listed in the chart. However, none of the excluded members are Obligated Group members.



\* HCR ManorCare, Inc. is a holding company with no operations. However, through a transfer agreement with HCR and its subsidiaries, consolidated cash on hand in excess of 14 days of operating expenses is transferred monthly to the Obligated Group.

# Executive Leadership and Governance

## Executive Leadership

The 12-member Executive System Team listed below plans and administers the strategic plans of ProMedica and its subsidiary entities, subject to the policies and authority of the ProMedica Board of Trustees.

Name	Title	Years with ProMedica *	Years in Healthcare
Randy Oostra	President & Chief Executive Officer	23	42
Karen Strauss	Chief Operating Officer	8	8
Steve Cavanaugh	Chief Financial Officer	27	27
Jeff Kuhn	Chief Legal Officer	28	36
Lee Hammerling, MD	Chief Academic Affairs Officer & President New Ventures	25	42
Gary Cates	Chief Philanthropy Officer	24	24
David Parker	President, HCR ManorCare	25	32
Lori Johnston	President, ProMedica Insurance Corp	24	37
Leslie Thompson	Chief Human Resource Officer	1	1
Kevin Webb	President, Providers, Acute & Ambulatory Care	20	38
Robin Whitney	Chief Strategic Planning, Business Development & Real Estate Officer	6	6
Steve Sadowski	General Counsel	7	20

\* Includes years with HCR ManorCare

## Governance

ProMedica has 313 volunteer board members serving on 25 boards, committees, councils and foundations.

In response to its acquisition of HCR ManorCare, ProMedica implemented a new governance structure in January of 2019 to better support its' new operating model. Major changes included a decrease in the number of parent board members, a decrease in the number of standing committees and the mirroring of all the hospital subsidiary operating and foundation boards. These changes allow for all ProMedica boards to better support the newly expanded organization and work in a more efficient and effective manner.

The ProMedica Board of Trustees, listed below, is comprised of 13 members, four of which are chairs of the various Subsidiary Boards, three are chairs of ProMedica's standing committees, one is the President & CEO and the remainder are at-large members

Most members on the ProMedica Board of Trustees serve for two three-year terms. Each Board member may serve up to two terms. In addition, the ProMedica Board has established standing committees. Members appointed to these committees may serve for a term of up to six years, except for the Investment Committee, which requires specific expertise.

The Subsidiary Boards exercise the powers delegated to them in their respective Code of Regulations or Bylaws and granted to them by statutory authority. The ProMedica Board appoints or approves all members to the Subsidiary Boards.

### ProMedica Committees

- Audit & Compliance
- Compensation & Leadership
- Finance
- Enterprise Risk
- Innovation & New Ventures



## ProMedica Board of Trustees

Name	Professional Affiliation	
Kurt Darrow	Chairman, President & CEO / La-Z-Boy Incorporated	
Lisa Hawker	President, Employee Benefits / Hylant	
Jim Hoffman	Market President, Michigan & Northwest Ohio / KeyBank	
Robert LaClair	President & CEO / Fifth Third Bank Northwestern Ohio	Chairman
Lisa McDuffie	President & CEO / YWCA of Northwest Ohio	at large
Shankh Mitra	Chief Operating Officer & Chief Investment Officer / Welltower, Inc.	at large
Randy Oostra	President & CEO / ProMedica	
Kevin Sauder	President & CEO / Sauder Woodworking Company	
Stephen Staelin	Senior Partner (Retired) / Ernst & Young	
James F. White, Jr.	Counsel / Shumaker, Loop & Kendrick, LLP	
Thomas Winston	President & CEO / Toledo-Lucas County Port Authority	

### Officers:

Chairman - Robert LaClair; Treasurer - Steve Cavanaugh; Secretary - Jeff Kuhn

# Management Discussion and Analysis

## Operational Performance

### Three Months Ended June 30

#### System Consolidated

ProMedica's operating income of \$189.4 million for the three months ended June 30, 2020 increased by \$207.5 million compared with the prior year. Most of the increase for the quarter over prior year related to improvements in the Paramount division, but each operating division provided positive operating income and increased over prior year as CARES Act stimulus funds helped offset the increased costs and lost revenue that resulted from the COVID-19 pandemic.

Total operating revenue of \$1.75 billion for the second quarter increased by \$36.0 million, or 2.1%, compared with the prior year. Due to the reduced volumes resulting from the COVID-19 pandemic, net patient service revenue for the second quarter of 2020 decreased by \$221.0 million compared with the prior year. ProMedica received approximately \$240.0 million of CARES Act stimulus funding during the second quarter, \$238.0 million of which was recorded as other revenue and helped offset the lost patient service revenue during the quarter. The remaining portion was recorded as a liability and will either be returned or recognized as income when management determines ProMedica has met all applicable conditions and restrictions of the grants.

The temporary suspension of all non-essential surgeries, procedures, and patient visits adversely impacted revenue during the quarter. ProMedica also incurred additional costs to ramp up for an expected surge of COVID-19 patients and to provide necessary personal protective equipment (PPE) to all locations. In addition to receiving the CARES Act stimulus and advanced funds provided through the Medicare Program, the System has been working with suppliers, redeploying workforce, and taking steps to reduce expenses and preserve liquidity.

### Key Operating Metrics

#### Three Months Ended June 30, 2020

	Senior			
	Provider	Care	Paramount	System
EBITDAR Margin	9.1%	18.7%	16.0%	16.2%
EBITDA Margin	9.1%	13.0%	16.0%	13.6%
Operating Income Margin	3.4%	11.6%	15.8%	10.8%

Refer to Appendix A4, for a reconciliation and discussion of the non-GAAP measures referenced above.



### **Provider**

For the second quarter of 2020, the Provider division generated \$16.9 million of operating income, which increased by \$9.1 million compared with the prior year. Provider operating income was significantly impacted by reduced volumes and increased costs incurred in response to the challenges of the COVID-19 pandemic. The Provider division received approximately \$84.0 million of stimulus funding during the quarter which helped offset the negative impact of COVID-19.

### **Senior Care**

Senior Care patient service revenue for the second quarter was also significantly impacted by reduced census and increased costs related to the COVID-19 pandemic. Senior Care operating income of \$94.2 million for the quarter increased by \$71.6 million compared with the prior year. The CARES Act stimulus funding of approximately \$156.0 million recorded during the quarter helped offset the negative impact of COVID-19.

### **Paramount**

Paramount second quarter operating income of \$79.5 million increased by \$129.2 million from the prior year, primarily related to decreased Medical expenses as a result of reduced claims during the COVID-19 pandemic. The performance of the Medicaid Advantage product and dental membership increases in 2020 were also significant contributors to the increase.

## **Six Months Ended June 30**

### **System Consolidated**

ProMedica's operating income of \$190.0 million for the six months ended June 30, 2020 increased by \$217.9 million compared with the prior year. The Senior Care and Provider divisions received and recorded approximately \$240.0 million of CARES Act stimulus funds in the first half of 2020, which helped offset the reduced patient service volumes and decline in occupancy rates in those divisions. Paramount operating income also increased over prior year due to a decrease in claims.

Total operating revenue of \$3.48 billion for the first half of 2020 increased by \$94.4 million, or 2.8%, compared with the prior year. The resetting of Ohio Medicaid rates in the Paramount division helped generate premium revenue growth of \$69.4 million. However, net patient service revenue decreased by \$221.2 million compared with the prior year as a result of decreases in patient volumes related to the COVID-19 pandemic.

### **Provider**

The Provider division generated an operating loss of \$18.6 million for the first half of 2020, which decreased by \$28.1 million compared with the first half of the prior year. Net patient service revenue decreased by \$112.4 million from the prior year related to significant declines in volumes from the COVID-19 pandemic. The division experienced year-over-year decreases of 25% in surgery patients, 22% in emergency visits, 22% in physician encounters, and 13% in patient discharges. The negative impact of COVID-19 was partially offset by the receipt of CARES Act stimulus funds.

### **Key Operating Metrics**

#### **Six Months Ended June 30, 2020**

	<b>Provider</b>	<b>Senior Care</b>	<b>Paramount</b>	<b>System</b>
EBITDAR Margin	3.7%	14.3%	9.0%	<b>10.7%</b>
EBITDA Margin	3.7%	9.0%	9.0%	<b>8.2%</b>
Operating Income Margin	-1.9%	7.7%	8.7%	<b>5.5%</b>

Refer to Appendix A4, for a reconciliation and discussion of the non-GAAP measures referenced above.

### Senior Care

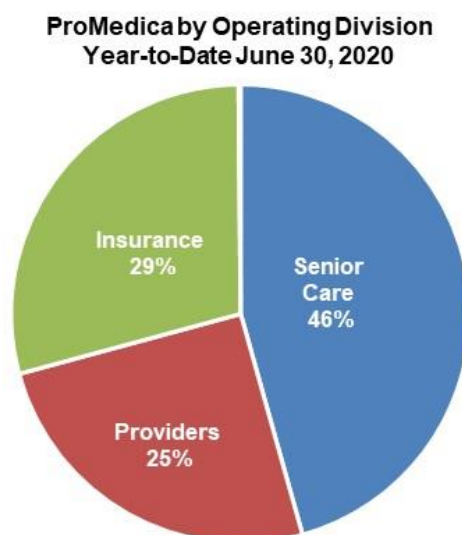
Senior Care operating income of \$121.6 million for the first half of 2020 increased by \$81.0 million from the prior year. Year-to-date net patient service revenue decreased by \$135.7 million from the prior year related to significant declines in occupancy resulting from the COVID-19 pandemic. The CARES Act stimulus funding helped offset the negative impact of lost patient service revenue.

### Paramount

Paramount first half operating income of \$88.5 million increased by \$166.6 million from the prior year. The current year performance of the Medicaid Advantage product contributed to positive results. Claims costs decreased by \$114.3 million compared with the prior year, primarily due to the lower volumes experienced as a result of COVID-19.

## Sources of Revenue

For the six months ended June 30, 2020, 46% of total System operating revenue was provided by the Senior Care division, 29% by the Insurance division, and 25% by the Provider division. Senior Care and Provider patient service revenue was supplemented by the stimulus funding recorded during the second quarter.



## Uncompensated Care

The decrease in total uncompensated care when compared with the prior year specifically related to the declines in patient volumes.

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Charity care	\$ 12,984	\$ 16,283	\$ 28,451	\$ 32,975
Bad debt	26,219	45,065	67,328	90,206
Total uncompensated care	\$ 39,203	\$ 61,348	\$ 95,779	\$ 123,181
% of Total operating revenue	2.2%	3.6%	2.8%	3.6%

## Non-operating Income

Interest expense for the three and six month period ended June 30 increased over prior year by \$3.1 million and \$6.7 million, respectively. Total investment income of \$80.0 million for second quarter was driven by unrealized gains of \$79.2 million, which nearly offset the investment losses from the first quarter. Unrealized gains of \$2.6 million for the six months ended June 30, 2020 were down from prior year unrealized gains of \$70.7 million.

## Liquidity

### Cash and Investments

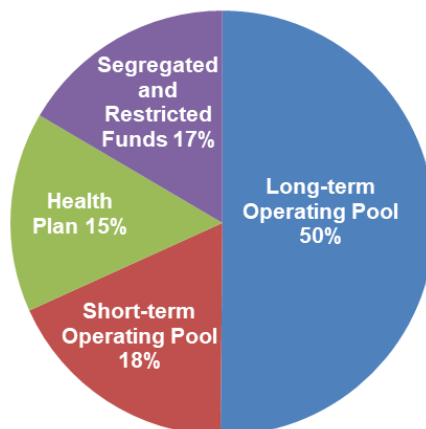
As of June 30, 2020, ProMedica had \$2.2 billion of unrestricted cash and investments to fund operations and capital expenditures. This equates to 124.7 days cash on hand as of June 30, 2020, as compared with 86.9 days at December 31, 2019. The advance payments and stimulus funds received during the second quarter of 2020 contributed to the increase.

Total unrestricted cash and investments for ProMedica were as follows:

(\$ in thousands)	June 30, 2020		December 31, 2019	
Cash and cash equivalents	\$ 925,612	42%	\$ 379,698	24%
Marketable securities	264,901	12%	260,616	16%
Unrestricted long-term investments	1,032,146	46%	945,161	60%
Total unrestricted cash and investments	\$ 2,222,659	100%	\$ 1,585,475	100%

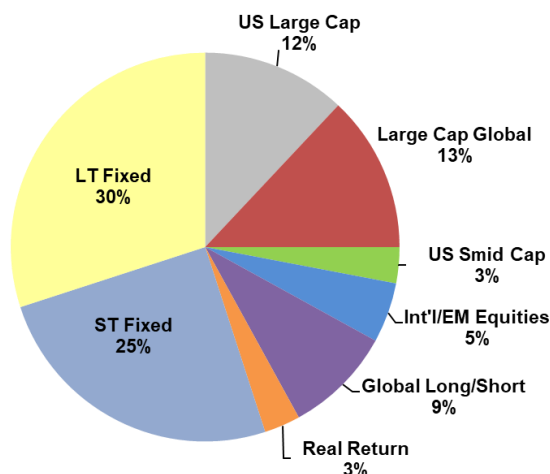
ProMedica centralizes the management of cash and investments maximizing flexibility and allowing for efficiencies in managing liquidity. ProMedica's investments are primarily pooled in a master trust arrangement with custody provided by BNY Mellon. Investments held outside of the pooled trusts are done so due to regulatory requirements or other purposes. Governance of all investments is provided by the ProMedica Investment Subcommittee. The Investment Subcommittee is a subcommittee of the ProMedica Finance Committee.

A summary of the investment portfolios is as follows:

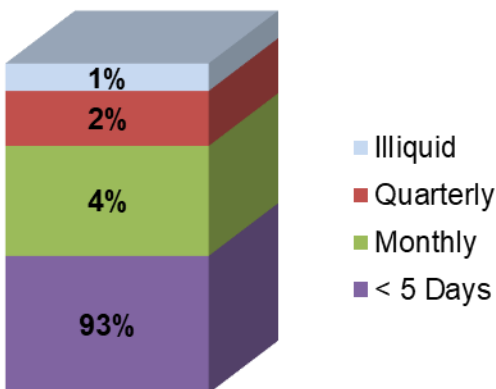


ProMedica's investment program is structured to maintain adequate liquidity levels, while maximizing long-term growth. ProMedica utilizes ongoing cash forecasting to ensure proper allocations between operating, short-term, and long-term funds. Portfolios are monitored quarterly to ensure compliance against the policy along with detailed portfolio reviews.

Operating Pool assets of \$1.15 billion as of June 30, 2020 were invested as follows:



ProMedica maintains a high level of liquidity within the investment portfolio. Approximately \$72.4 million or 3% of investments have liquidity provisions that may restrict their ability to be liquidated in 30 days or less and approximately \$17.6 million or 1% of investments have liquidity provisions greater than one year.



## Valuations

ProMedica's investment portfolio is primarily composed of level-I and level-II securities with limited exposure to level-III investments. The value of level-III investments as of June 30, 2020, was \$51.3 million or 3% of the portfolio, which was comprised of land and buildings held for investment, the foundation's beneficial interests in funded perpetuities, and a nominal allocation to private capital.

## Capital Expenditures

ProMedica capital expenditures were \$108.5 million for the six months ended June 30, 2020 compared with \$119.2 million for the prior year. The higher expenditures in the prior year were primarily related the Toledo Hospital Generations Tower project, which was completed in 2019.

## Debt

Total debt was \$2.36 billion and \$2.35 billion at June 30, 2020 and December 31, 2019, respectively. The total debt-to-capitalization ratio was 48% at June 30, 2020 and 49% at December 31, 2019. As of June 30, 2020, the total outstanding debt was 95% fixed and 5% variable.

ProMedica's outstanding debt, net of unamortized bond discount, premium, and debt issuance costs, as of June 30, 2020, is summarized below (\$ in thousands):

Series	Par Outstanding	Product	Final Maturity	Average Coupon	Tax Status
Series 2011A	\$ 3,242	Fixed Rate	11/15/2021	5.00%	Tax-Exempt
Series 2011D	94,722	Fixed Rate	11/15/2030	5.04%	Tax-Exempt
Series 2011E	1,136	Fixed Rate	11/15/2021	3.59%	Tax-Exempt
Series 2015A	270,623	Fixed Rate	11/15/2045	4.98%	Taxable
Series 2015B	45,308	Fixed Rate	11/15/2045	4.00%	Tax-Exempt
Series 2015C	9,789	Direct Loan	11/15/2021	Variable	Taxable
Series 2015D	4,991	Direct Loan	11/15/2025	Variable	Taxable
Series 2015E	31,050	Direct Loan	11/15/2025	Variable	Taxable
Series 2017A	54,655	Direct Loan	11/15/2040	3.26%	Tax-Exempt
Series 2017B	119,956	Direct Loan	11/15/2041	3.26%	Tax-Exempt
Series 2017C	84,926	Direct Loan	11/15/2041	3.19%	Tax-Exempt
Series 2017D	39,703	Direct Loan	11/15/2029	3.19%	Tax-Exempt
Series 2017F	62,459	Direct Loan	11/15/2034	Variable	Tax-Exempt
Series 2017H	24,893	Direct Loan	11/15/2035	3.12%	Tax-Exempt
Series 2018A	249,952	Fixed Rate	11/15/2048	5.16%	Tax-Exempt
Series 2018B	1,203,294	Fixed Rate	11/15/2048	5.83%	Taxable
Coldwater 2012A	5,035	Fixed Rate	9/1/2031	3.52%	Tax-Exempt
Jobs Ohio Revitalization Loan	3,509	Fixed Rate	6/1/2033	1.00%	Tax-Exempt
Qualified Low-Income Community Investment Loans	14,399	Direct Loan	12/15/2045	1.00%-2.58%	Tax-Exempt
Sub Total	\$ 2,323,642				
Other*	33,860				
	<u>\$ 2,357,502</u>				

\* Other debt includes finance lease obligations and other miscellaneous notes and loans

### Current Debt Ratings and Recent Updates

	S&P	Moody's	Fitch
Current Rating	BBB	Baa3	BBB-
Outlook	Negative	Negative	Stable

On July 16, 2020 Fitch's rating on the ProMedica Healthcare Obligated Group was downgraded to BBB- with a stable outlook from BBB with a negative outlook.

On December 24, 2019 S&P Global Ratings affirmed its BBB rating on the ProMedica Healthcare Obligated Group but lowered its outlook to negative from stable.

On October 22, 2019 Moody's rating on the ProMedica Healthcare Obligated Group was downgraded to Baa3 with a negative outlook from Baa1 with a negative outlook.



## Contractual Obligations

### Master Lease

On July 27, 2018, ProMedica's HCR subsidiary agreed to an Amended and Restated Master Lease with a subsidiary of Welltower (NYSE: WELL), which is a triple-net master lease with an initial term of 15 years. The lease may be renewed at the option of the tenant for two five-year terms and a four-year, 11-month term. The lease applies to essentially all skilled nursing and assisted living facilities operated by HCR. ProMedica has guaranteed the payment obligations under the lease. The current base rent payable under the lease is approximately \$181.5 million per year with an annual escalator of 2.75%. Base rent for the renewal periods is to be reset to the then-current market value taking into consideration specific factors set forth in the lease. The lease is accounted for as an operating lease, with rent expense recognized on a straight-line basis over each year of the initial lease term. There is also a right-of-use asset and lease liability on the balance sheet representing the present value of minimum lease payments, which was approximately \$2.1 billion as of June 30, 2020. Rent expense related to the lease was \$53.0 million and \$53.8 million for the three months ended June 30, 2020 and 2019, respectively, and is recorded in Other operating expenses in the Statements of Operations. Rent expense for the first half of 2020 and 2019 was \$106.6 million and \$107.6 million, respectively.

### Joint Venture with Welltower

In connection with the HCR acquisition, ProMedica also paid \$512.7 million to Welltower in exchange for a 20% share of a new joint venture with Welltower, which it subsequently contributed to its HCR subsidiary. ProMedica accounts for this joint venture using the equity method. The joint venture was formed to hold the skilled nursing and assisted living facilities that were formerly owned by Quality Care Properties (NYSE: QCP) and leased to HCR. Those properties continue to be operated by HCR under an Amended and Restated Master Lease agreement with the Welltower joint venture. The Welltower joint venture income was \$7.5 million and \$7.7 million for the three months ended June 30, 2020 and 2019, respectively, and is recorded in Other revenue in the Statements of Operations. Joint venture income for the first half of 2020 and 2019 was \$24.6 million and \$15.3 million, respectively. The increase in 2020 was due to the joint venture's one-time gain on the sale of three Maryland skilled nursing facilities during the first quarter.

### Pension Obligations


ProMedica Health System provides retirement plans covering a large portion of its employees. The Plans were frozen in prior years for benefit accruals to all active plan participants. The System contributes to the plans annually based upon actuarially determined funding guidelines. The combined plans had a net pension asset of \$12.1 million at June 30, 2020 and \$7.2 million at December 31, 2019. The change was due to distribution of settlements to eligible participants.

## Recent Significant Developments

### *COVID-19 Pandemic*

The COVID-19 pandemic has adversely impacted the System's revenue and operating results for the three and six month period ended June 30, 2020. While it is not possible to estimate the length or full financial impact of the pandemic, management expects adverse effects on operations to continue beyond the end of the second quarter.

The System has adapted its business practices to address the new operating environment and has taken steps to conserve cash and maximize liquidity. These steps included: applying for and receiving Medicare advance payments from our fiscal intermediaries, deferring the payment of federal payroll taxes due for our employees



in 2020, freezing all non-essential hiring and spending, and temporarily furloughing employees from our acute operations that were shut down in response to the COVID-19 outbreak.

### ***CARES Act***

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) made \$100 billion in Federal reimbursements available to hospitals and other health care providers for COVID-19 related expenses and lost revenue. During the second quarter of 2020, ProMedica received stimulus funding of approximately \$240 million related to provisions of the CARES Act, which was primarily recorded as other revenue within the Senior Care (\$156 million) and Provider (\$84 million) divisions. The CARES Act also provided additional one-time relief funding of approximately \$355 million in combined advanced Medicare payments and delayed FICA funding, which are recorded on the balance sheet and are required to be repaid.

Medicare fee-for-service payments have been subject to a 2% sequestration reduction since the Sequestration Transparency Act was passed by congress in 2012 to address the debt ceiling crisis. The CARES Act suspended the Medicare sequestration payment adjustment for claims effective May 1, 2020 through December 31, 2020. The estimated revenue benefit related to the suspension of sequestration was approximately \$5.3 million for the three and six month period ended June 30, 2020.

### ***Bank Debt Extension and Amendments***

ProMedica has negotiated with the providers of our bank direct placements to amend and extend existing agreements. For all 2017 agreements, except for the 2017H (outstanding par \$24.9M), maturities were extended to March 31, 2025. For all 2015 and 2017 agreements, except for the 2017H bonds, the following changes were also made:

- Removal of the investment-grade ratings default trigger
- Collateral posting requirements mirror the provisions in the Welltower lease
- Hard default does not occur until one rating falls below BB-
- Must maintain ratings from at least two agencies

### ***Ohio Medicaid Managed Care Program***

Paramount made the decision to withdraw from the central/southeast region of the Ohio Medicaid Managed Care Program, effective June 1, 2020. Paramount worked closely with the Ohio Department of Medicaid (ODM) to ensure that members in the central/southeast region experienced a seamless transition to one of the other four Ohio Medicaid managed care plans. Paramount's Medicaid product (Paramount Medicaid Advantage) will continue to serve members in the west and northeast regions of the state. Membership growth in the remaining regions has largely offset the loss in membership from the central/southeast region.

### ***Coldwater Regional Hospital***

In January 2020, ProMedica announced that it has engaged a third-party to explore the possibility of locating a viable buyer for ProMedica Coldwater Regional Hospital. This financially stable and profitable hospital is in position to add value to a health system that is geographically closer to their service area and benefit their community even more with a closer health system partner. Although there are interested parties, there is no guarantee that a transaction will be consummated in the future.



# Selected Statistics

## Provider

### Facilities and Beds

	as of: 6/30/2020	6/30/2019	12/31/2019	12/31/2018
<b><u>Facilities</u></b>				
Hospitals *	12	12	12	12
<b><u>Beds</u></b>				
Hospitals *	1,871	1,812	1,871	1,812

\* Includes Coldwater hospital (87 beds), which is not a member of the Obligated Group. Excludes Lima affiliation.

	Year-to-Date June 30,		Year-to-Date December 31,	
	2020	2019	2019	2018
<b>Utilization</b>				
Acute discharges	24,643	28,563	57,506	58,893
Newborn discharges	3,152	3,108	6,621	6,692
Outpatient surgeries	15,801	21,571	43,718	43,563
Emergency room visits	110,462	141,599	286,827	294,959
ALOS - acute	5.2	4.8	4.8	4.7
% of Staffed beds (acute care)	66%	72%	72%	71%

### Provider Payor Mix

Medicare <sup>(1)</sup>	44.8%	45.0%	45.2%	44.4%
Medicaid <sup>(1)</sup>	20.2%	19.9%	19.7%	20.0%
Other	33.7%	33.6%	33.7%	34.2%
Self-Pay	1.3%	1.4%	1.4%	1.4%

<sup>(1)</sup> Includes Medicare and Medicaid HMOs.

## Senior Care

### Facilities and Beds

	as of: 6/30/2020	6/30/2019	12/31/2019	12/31/2018
<b><u>Senior Care Facilities</u></b>				
Skilled nursing facilities	168	171	171	171
Assisted living facilities	55	55	55	55
Hospice and home health offices	113	112	113	114
Outpatient therapy clinics	-	51	51	51
	<u>336</u>	<u>389</u>	<u>390</u>	<u>391</u>

### Senior Care Beds

Skilled nursing facilities	23,636	24,096	24,362	24,096
Assisted living facilities	3,426	3,426	3,426	3,426
	<u>27,062</u>	<u>27,522</u>	<u>27,788</u>	<u>27,522</u>

Prior periods have been re-stated to include combined legacy PHS and legacy HCR facilities and beds statistics.



# Senior Care Census and Revenue Statistics

Unless otherwise noted, the information presented below represents historical HCR operations with 2018 presented pro-forma for a full year.

	Year-to-Date June 30,		Year-to-Date December 31,	
	2020	2019	2019	2018
<b><u>Skilled Nursing:</u></b>				
Occupancy	78%	86%	85%	84%
<b><u>Average Daily Census (ADC):</u></b>				
Medicare	2,113	2,865	2,644	3,057
Managed Care	2,024	2,695	2,556	2,573
Medicaid	11,625	12,083	12,234	11,789
Private/Other	2,201	2,266	2,314	2,232
	17,963	19,909	19,748	19,651
<b><u>Revenue Allocation: *</u></b>				
Quality Mix	52%	57%	56%	58%
Post-acute Mix	42%	47%	45%	48%
Medicaid	48%	43%	44%	42%
<b><u>Per Diems:</u></b>				
Medicare	\$ 565.53	\$ 538.09	\$ 543.19	\$ 538.23
Managed Care	469.02	441.51	446.69	446.47
Medicaid	217.05	207.27	208.57	208.13
Private/Other	237.82	244.09	243.65	248.61
<b><u>Revenues (in thousands):</u></b>				
Medicare	\$ 225,454	\$ 287,617	\$ 541,831	\$ 620,367
Managed Care	172,786	215,346	416,660	419,263
Medicaid	459,235	453,311	931,308	895,580
Private/Other *	98,103	104,106	219,548	211,902
Total *	\$ 955,578	\$1,060,380	\$2,109,347	\$2,147,112
<b><u>Assisted Living:</u></b>				
Occupancy	76%	80%	81%	79%
Private/Other ADC	2,550	2,684	2,712	2,647
Private/Other Per Diem	\$ 209.66	\$ 206.98	\$ 205.17	\$ 204.51
Private/Other Revenues	\$ 98,755	\$ 103,111	\$ 208,119	\$ 201,890
<b><u>Hospice and Home Health ** :</u></b>				
Hospice average daily census (w/ IPU)	10,986	10,691	10,868	10,334
Home health admissions	9,900	13,184	25,116	29,042
Home care visits	173,650	226,223	445,637	524,979

\* Amounts for 2020 exclude approximately \$114 million of "other" SNF stimulus revenues that are not recorded as patient revenue.

\*\* Prior periods have been re-stated to include combined legacy PHS and legacy HCR Hospice and Home Health statistics.



# Appendix

# Debt Covenant Calculations

## ProMedica Health Care Obligated Group

(\$ in thousands)

Debt Service Coverage Ratio	June 30, 2020	December 31, 2019
Excess of revenue over (under) expenses	\$ 41,737	\$ 100,846
ADJUSTED BY:		
Provision for depreciation, amortization, and impairment	115,102	103,659
Interest	108,018	101,128
Transfers pursuant to contribution agreement	75,462	77,191
Loss (gain) on sale of equipment	(2,039)	(495)
Capitalized Interest	2,388	10,677
Unrealized (gain) losses on investments	(11,583)	(46,170)
Net income available for debt service	\$ 329,085	\$ 346,836
Actual principal and interest	\$ 154,736	\$ 154,562
<b>Debt Service Coverage Ratio</b>	<b>2.13</b>	<b>2.24</b>
<b>Requirement</b>	<b>1.10</b>	<b>1.10</b>

## ProMedica Health System

(\$ in thousands)

Days Cash on Hand	June 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 925,612	\$ 379,698
Marketable securities	264,901	260,616
Unrestricted long-term investments	1,032,146	945,161
Total unrestricted cash and investments	\$ 2,222,659	\$ 1,585,475
Total expenses (excluding depreciation and amortization)	\$ 6,524,119	\$ 6,660,674
<b>Days Cash on Hand</b>	<b>124.7</b>	<b>86.9</b>
<b>Requirement - Greater than</b>	<b>45.0</b>	<b>45.0</b>

# Supplemental Schedules

## PROMEDICA CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES BY BUSINESS LINE (\$ in thousands, unaudited)

	Provider		Senior Care		Paramount		Other		ProMedica Consolidated	
	Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Unrestricted Revenue, Gains and Other Support</b>										
Net patient service revenue	\$ 400,100	\$ 512,104	\$ 644,539	\$ 767,508	\$ -	\$ -	\$ (57,925)	\$ (79,111)	\$ 986,714	\$ 1,200,501
Premium revenue	-	-	-	-	502,263	488,597	(1,469)	(1,437)	500,794	487,160
Welltower JV income	-	-	7,509	7,661	-	-	-	-	7,509	7,661
Other	96,296	16,637	156,331	660	1,442	1,307	769	1,174	254,838	19,778
Net assets released for use in operations	1,480	1,621	110	44	-	-	1,766	434	3,356	2,099
Total unrestricted revenue, gains and other support	497,876	530,362	808,489	775,873	503,705	489,904	(56,859)	(78,940)	1,753,211	1,717,199
<b>Expenses</b>										
Salaries, wages and employee benefits	222,357	238,242	418,043	461,623	15,920	14,550	31,683	28,054	688,003	742,469
Food and drugs	44,396	50,053	26,319	35,645	-	-	12	75	70,727	85,773
Medical expenses	-	-	-	-	350,833	475,399	(47,459)	(62,760)	303,374	412,639
Contracted fees	51,010	49,505	65,673	60,868	21,600	16,341	24,568	23,165	162,851	149,879
Supplies	35,390	51,483	30,409	21,029	194	158	(30)	(34)	65,963	72,636
Insurance	4,594	4,903	18,245	17,461	7	1	(216)	(287)	22,630	22,078
Utilities	4,542	4,948	15,076	15,427	54	58	1,541	2,970	21,213	23,403
Welltower rent expense	-	-	53,040	53,783	-	-	-	-	53,040	53,783
Other	90,465	99,936	76,709	80,326	34,320	31,654	(74,423)	(81,092)	127,071	130,824
Total Expenses	452,754	499,070	703,514	746,162	422,928	538,161	(64,324)	(89,909)	1,514,872	1,693,484
<b>Operating Income before Depreciation, Amortization and Impairment Expense (EBITDA)</b>	45,122	31,292	104,975	29,711	80,777	(48,257)	7,465	10,969	238,339	23,715
Depreciation, Amortization and Impairment Expense	28,251	23,548	10,817	7,147	1,253	1,386	8,610	9,705	48,931	41,786
<b>Operating Income (EBIT)</b>	16,871	7,744	94,158	22,564	79,524	(49,643)	(1,145)	1,264	189,408	(18,071)
<b>Other (Loss) Income</b>										
Interest	(9,341)	(6,224)	(17,505)	(17,497)	-	-	(1,746)	(1,762)	(28,592)	(25,483)
Investment income (loss)	51,253	12,996	833	1,805	9,889	5,337	18,006	2,246	79,981	22,384
Income tax expense	-	-	-	309	(4,334)	(765)	-	-	(4,334)	(456)
Inherent contribution	-	-	-	-	-	-	-	-	-	-
Loss on extinguishment of Debt	-	-	-	-	-	-	-	-	-	-
Other	742	243	(614)	(74)	-	53	(885)	(912)	(757)	(690)
Total other income (loss) - Net	42,654	7,015	(17,286)	(15,457)	5,555	4,625	15,375	(428)	46,298	(4,245)
<b>Excess of Revenue Over (Under) Expenses before Unusual Items</b>	59,525	14,759	76,872	7,107	85,079	(45,018)	14,230	836	235,706	(22,316)
<b>Restructuring, Severance and Acquisition Costs</b>	-	-	-	-	(1)	-	(1,035)	(21)	(1,036)	(21)
<b>Excess of Revenue Over (Under) Expenses</b>	\$ 59,525	\$ 14,759	\$ 76,872	\$ 7,107	\$ 85,078	\$ (45,018)	\$ 13,195	\$ 815	\$ 234,670	\$ (22,337)
<b>Contributions and other</b>										
Net assets released from restrictions for fixed assets	1,738	1,590	-	-	-	-	(1,566)	(1,360)	172	230
Transfers Between Entities	112,790	17,128	(376,566)	(38,724)	-	-	263,776	21,596	-	-
Loss on discontinued operations	-	-	466	(3,247)	-	-	-	-	466	(3,247)
Other Non-Operating Income	(250)	(202)	-	-	-	-	190	(60)	(60)	(262)
Total other non-operating (loss) income	114,278	18,516	(376,100)	(41,971)	-	-	262,400	20,176	578	(3,279)
<b>Increase (decrease) in net assets</b>	\$ 173,803	\$ 33,275	\$ (299,228)	\$ (34,864)	\$ 85,078	\$ (45,018)	\$ 275,595	\$ 20,991	\$ 235,248	\$ (25,616)

# Supplemental Schedules (continued)

**PROMEDICA**  
**CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES**  
**BY BUSINESS LINE**  
(\$ in thousands, unaudited)

	<b>Provider</b>		<b>Senior Care</b>		<b>Paramount</b>		<b>Other</b>		<b>ProMedica Consolidated</b>	
	Six Months Ended June 30,		Six Months Ended June 30,		Six Months Ended June 30,		Six Months Ended June 30,		Six Months Ended June 30,	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Unrestricted Revenue, Gains and Other Support</b>										
Net patient service revenue	\$ 888,462	\$ 1,000,834	\$ 1,405,643	\$ 1,541,311	\$ -	\$ -	\$ (130,318)	\$ (157,166)	\$ 2,163,787	\$ 2,384,979
Premium revenue	-	-	-	-	1,010,269	940,895	(2,885)	(2,890)	1,007,384	938,005
Welltower JV income	-	-	24,567	15,359	-	-	-	-	24,567	15,359
Other	112,502	33,495	156,358	851	2,815	2,782	1,676	1,595	273,351	38,723
Net assets released for use in operations	2,934	3,146	114	50	-	-	3,251	771	6,299	3,967
Total unrestricted revenue, gains and other support	1,003,898	1,037,475	1,586,682	1,557,571	1,013,084	943,677	(128,276)	(157,690)	3,475,388	3,381,033
<b>Expenses</b>										
Salaries, wages and employee benefits	475,110	476,064	864,558	935,719	32,808	29,743	59,594	56,395	1,432,070	1,497,921
Food and drugs	94,566	97,649	62,463	74,031	-	-	25	169	157,054	171,849
Medical expenses	-	-	-	-	779,018	893,323	(102,153)	(125,676)	676,865	767,647
Contracted fees	105,199	97,518	130,417	120,679	43,758	32,779	49,063	43,078	328,437	294,054
Supplies	86,197	99,897	52,911	41,904	218	273	(119)	39	139,207	142,113
Insurance	9,229	9,826	36,282	30,428	9	3	(435)	(578)	45,085	39,679
Utilities	9,052	9,742	31,906	33,337	106	124	3,408	4,849	44,472	48,052
Welltower rent expense	-	-	106,576	107,567	-	-	-	-	106,576	107,567
Other	187,225	190,173	158,764	158,762	66,167	62,788	(153,235)	(155,363)	258,921	256,360
Total Expenses	966,578	980,869	1,443,877	1,502,427	922,084	1,019,033	(143,852)	(177,087)	3,188,687	3,325,242
<b>Operating Income before Depreciation, Amortization and Impairment Expense (EBITDA)</b>	37,320	56,606	142,805	55,144	91,000	(75,356)	15,576	19,397	286,701	55,791
Depreciation, Amortization and Impairment Expense	55,898	47,109	21,180	14,569	2,505	2,775	17,126	19,201	96,709	83,654
<b>Operating Income (EBIT)</b>	(18,578)	9,497	121,625	40,575	88,495	(78,131)	(1,550)	196	189,992	(27,863)
<b>Other (Loss) Income</b>										
Interest	(18,907)	(11,991)	(34,837)	(35,018)	-	-	(3,224)	(3,227)	(56,968)	(50,236)
Investment income (loss)	180	47,368	2,822	5,355	5,433	16,551	(9,206)	27,280	(771)	96,554
Income tax expense	-	-	-	3,605	(5,793)	(2,782)	-	-	(5,793)	823
Inherent contribution	-	-	-	-	-	-	-	-	-	-
Loss on extinguishment of Debt	-	-	-	-	-	-	-	-	-	-
Other	1,432	753	139	(74)	73	106	(1,086)	(1,713)	558	(928)
Total other income (loss) - Net	(17,295)	36,130	(31,876)	(26,132)	(287)	13,875	(13,516)	22,340	(62,974)	46,213
<b>Excess of Revenue Over (Under) Expenses before Unusual Items</b>	(35,873)	45,627	89,749	14,443	88,208	(64,256)	(15,066)	22,536	127,018	18,350
<b>Restructuring, Severance and Acquisition Costs</b>	-	-	-	-	(272)	-	(1,035)	(667)	(1,307)	(667)
<b>Excess of Revenue Over (Under) Expenses</b>	\$ (35,873)	\$ 45,627	\$ 89,749	\$ 14,443	\$ 87,936	\$ (64,256)	\$ (16,101)	\$ 21,869	\$ 125,711	\$ 17,683
<b>Contributions and other</b>										
Net assets released from restrictions for fixed assets	2,886	1,944	-	-	-	-	(1,566)	(1,427)	1,320	517
Transfers Between Entities	121,846	(3,491)	(395,833)	(10,940)	-	-	273,987	14,431	-	-
Loss on discontinued operations	-	-	320	(10,697)	-	-	-	-	320	(10,697)
Other Non-Operating Income	(759)	(614)	-	-	-	-	15	(158)	(744)	(772)
Total other non-operating (loss) income	123,973	(2,161)	(395,513)	(21,637)	-	-	272,436	12,846	896	(10,952)
<b>Increase (decrease) in net assets</b>	\$ 88,100	\$ 43,466	\$ (305,764)	\$ (7,194)	\$ 87,936	\$ (64,256)	\$ 256,335	\$ 34,715	\$ 126,607	\$ 6,731

# Non-GAAP Measures

ProMedica's management utilizes certain additional non-GAAP measures in its regular analysis of financial performance. These measures are defined as follows:

- **EBITDAR** – Earnings before Interest, Taxes, Depreciation, Amortization, and Rent, where Rent is defined as only the Welltower base Rent expense, net of the related Welltower JV income. The Senior Care division leases, rather than owns, essentially all its operating entities. Therefore, management believes this is a key operating metric for the Senior Care division and the overall System subsequent to the acquisition of HCR and its new Master Lease.
- **EBITDA** – Earnings before Interest, Taxes, Depreciation, and Amortization (or “Operating income before depreciation, amortization, and impairment expense” from the Statements of Operations on page 4).
- **EBIT** – Earnings before Interest, and Taxes (or “Operating income (loss)” from the Statements of Operations on page 4). This operating income measure has historically been a key metric used by the System.
- **Margin %** - Calculated as operating metric (EBITDAR, etc.) divided by “Total unrestricted revenue, gains, and other support.”

The following tables reconcile EBITDAR to “Excess of revenue over (under) expenses” in the Statements of Operations found on pages 4 and 5 and on the Supplemental Schedules on A2 and A3:

	Three Months Ended June 30, 2020		Three Months Ended June 30, 2019	
	Senior Care	Consolidated ProMedica	Senior Care	Consolidated ProMedica
Excess of revenue over (under) expenses	\$ 76,872	\$ 234,670	\$ 7,107	\$ (22,337)
Restructuring, severance, acquisition costs	-	1,036	-	21
Total other loss (income), net	17,286	(46,298)	15,457	4,245
EBIT	94,158	189,408	22,564	(18,071)
Margin %	11.6%	10.8%	2.9%	-1.1%
Depreciation, amortization, impairment	10,817	48,931	7,147	41,786
EBITDA	104,975	238,339	29,711	23,715
Margin %	13.0%	13.6%	3.8%	1.4%
Plus Welltower rent expense	53,040	53,040	53,783	53,783
Less Welltower JV income	(7,509)	(7,509)	(7,661)	(7,661)
Plus CVS JV income *	686	686	969	969
EBITDAR	\$ 151,192	\$ 284,556	\$ 76,802	\$ 70,806
Margin %	18.7%	16.2%	9.9%	4.1%

\* Recorded in investment income (loss)

## Non-GAAP Measures (continued)

	Six Months Ended June 30, 2020		Six Months Ended June 30, 2019	
	Senior Care	Consolidated ProMedica	Senior Care	Consolidated ProMedica
Excess of revenue over expenses	\$ 89,749	\$ 125,711	\$ 14,443	\$ 17,683
Restructuring, severance, acquisition costs	-	1,307	-	667
Total other loss (income), net	31,876	62,974	26,132	(46,213)
EBIT	121,625	189,992	40,575	(27,863)
Margin %	7.7%	5.5%	2.6%	-0.8%
Depreciation, amortization, impairment	21,180	96,709	14,569	83,654
EBITDA	142,805	286,701	55,144	55,791
Margin %	9.0%	8.2%	3.5%	1.7%
Plus Welltower rent expense	106,576	106,576	107,567	107,567
Less Welltower JV income	(24,567)	(24,567)	(15,359)	(15,359)
Plus CVS JV income *	1,703	1,703	2,166	2,166
EBITDAR	\$ 226,517	\$ 370,413	\$ 149,518	\$ 150,165
Margin %	14.3%	10.7%	9.6%	4.4%

\* Recorded in investment income (loss)



# ProMedica Acute Care Hospitals



- **ProMedica Bay Park Hospital**
- **Oregon, Ohio**
- Licensed Beds: 91
- Year Established: 2001



- **ProMedica Memorial Hospital**
- **Fremont, Ohio**
- Licensed Beds: 100
- Year Affiliated: 2014



- **ProMedica Bixby Hospital**
- **Adrian, Michigan**
- Licensed Beds: 88
- Year Affiliated: 1999



- **ProMedica Monroe Regional Hospital**
- **Monroe, Michigan**
- Licensed Beds: 238
- Year Affiliated: 2015



- **ProMedica Defiance Regional Hospital**
- **Defiance, Ohio**
- Licensed Beds: 31
- Year Affiliated: 1999



- **ProMedica Toledo Hospital**
- **Toledo, Ohio**
- Licensed Beds: 658
- Year Affiliated: Legacy



- **ProMedica Flower Hospital**  
(a division of ProMedica Toledo Hospital)
- **Sylvania, Ohio**
- Licensed Beds: 315
- Year Affiliated: 1996



- **ProMedica Russell J. Ebeid Children's Hospital** (a division of ProMedica Toledo Hospital)
- **Toledo, Ohio**
- Licensed Beds: 151
- Year Established: 1994



- **ProMedica Fostoria Hospital**
- **Fostoria, Ohio**
- Licensed Beds: 25
- Year Affiliated: 2000



- **ProMedica Wildwood Orthopaedic & Spine** (a division of ProMedica Toledo Hospital)
- **Toledo, Ohio**
- Licensed Beds: 42
- Year Established: 2011



- **ProMedica Herrick Hospital**
- **Tecumseh, Michigan**
- Licensed Beds: 25
- Year Affiliated: 1999

*ProMedica Coldwater Regional Hospital, located in Coldwater, MI, is an 87-bed facility acquired in 2018, and is not a member of the Obligated Group.*