



For the Period Ended December 31, 2018  
Unaudited Quarterly Disclosure



## Quarterly Disclosure Report for December 31, 2018

The following discussion and analysis provides a narrative explanation of the results of operations and financial position of ProMedica Health System Inc. and its subsidiaries (collectively "ProMedica") for the twelve months ended December 31, 2018. The analysis should be read in conjunction with ProMedica Health System and ProMedica Healthcare Obligated Group's financial statements for the twelve month periods ending December 31, 2018, and December 31, 2017. The discussion and analysis is made with respect to consolidated ProMedica Health System and does not include a separate discussion or presentation of the results of operations and financial position for the members of the Obligated Group except in those instances where management of ProMedica believes that discussion of the results of the members of the Obligated Group is relevant to understanding the discussion and analysis. The Obligated Group accounted for approximately 32% of total operating revenues for the twelve months ending December 31, 2018.

### Bond Cusips

Bond Series	CUSIP		
2011A		2015A	
	549310UC2	889184AA5	
	549310UD0		
	549310UE8	2015B	
		549310VIL1	
2011B	52601PBD9	2018A	
2011D		549310WC0	
		549310WD8	
	549310UU2	549310VF4	549310WE6
	549310UV0	549310VG2	2018B
	549310UW8	549310VY3	889184AC1
	549310UX6	549310VH0	889184AD9
	549310VV9	549310WA4	889184AE7
	549310VE7	549310WB2	
	549310VW7	549310VZ0	
		549310VD9	
2011E	52601PBM9		
	52601PBN7		
	52601PBP2		



# TABLE OF CONTENTS

<b>PROMEDICA OVERVIEW</b> .....	<b>1</b>
Acute Care Service Area .....	2
Community Benefit .....	3
2018 Awards and Accreditations .....	3
<b>ORGANIZATIONAL OVERVIEW</b> .....	<b>7</b>
Structure .....	7
Non-Obligated Group Members .....	9
Executive Leadership & Governance .....	10
<b>RECENT SIGNIFICANT DEVELOPMENTS</b> .....	<b>13</b>
Recent Significant Developments .....	13
<b>MANAGEMENT DISCUSSION AND ANALYSIS</b> .....	<b>15</b>
Operational Performance .....	15
Income Statement .....	15
Sources of Revenue .....	16
Payor Mix .....	17
Non-Operating Income .....	17
Balance Sheet .....	17
Balance Sheet and Cash Flow .....	17
Debt .....	18
Recent Debt Activity .....	19
Ratings .....	19
Investments .....	19
Valuations .....	20
Liquidity .....	21
ProMedica Health System Financial Indicators .....	21
Profitability .....	21
Liquidity/Leverage .....	21
Utilization statistics – System .....	22
Historical Operations – Skilled Nursing & Assisted Living .....	23
<b>FINANCIAL STATEMENTS</b> .....	<b>24</b>
<b>DEBT COVENANT CALCULATIONS</b> .....	<b>34</b>
<b>SUPPLEMENTAL SCHEDULE</b> .....	<b>35</b>

# PROMEDICA OVERVIEW

**ProMedica** is a mission-based, not-for-profit integrated healthcare organization headquartered in Toledo, Ohio. It serves communities in 30 states. The organization offers acute and ambulatory care, an insurance company with a dental plan, and post-acute and academic business lines. The organization has more than 58,000 employees, 13 hospitals, 2,600 physicians and advanced practice providers with privileges, 960+ healthcare providers employed by ProMedica Physicians, a health plan, and more than 400+ assisted living facilities, skilled nursing and rehabilitation centers, memory care communities, outpatient rehabilitation clinics, 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 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 now serves as the health system's tertiary care facility. In 1988, ProMedica formed Paramount, its health insurance company; in 1992, ProMedica Physicians; and, in 1993, ProMedica Toledo Children's Hospital. The nationally recognized organization has grown to be the region's largest health system with 12-owned and one affiliated health system (Lima Memorial). In 2018 ProMedica acquired HCR ManorCare, a network of skilled nursing, assisted living, and hospice, home health and rehabilitation operations and programs in 27 states.

## 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.

## Who ProMedica is

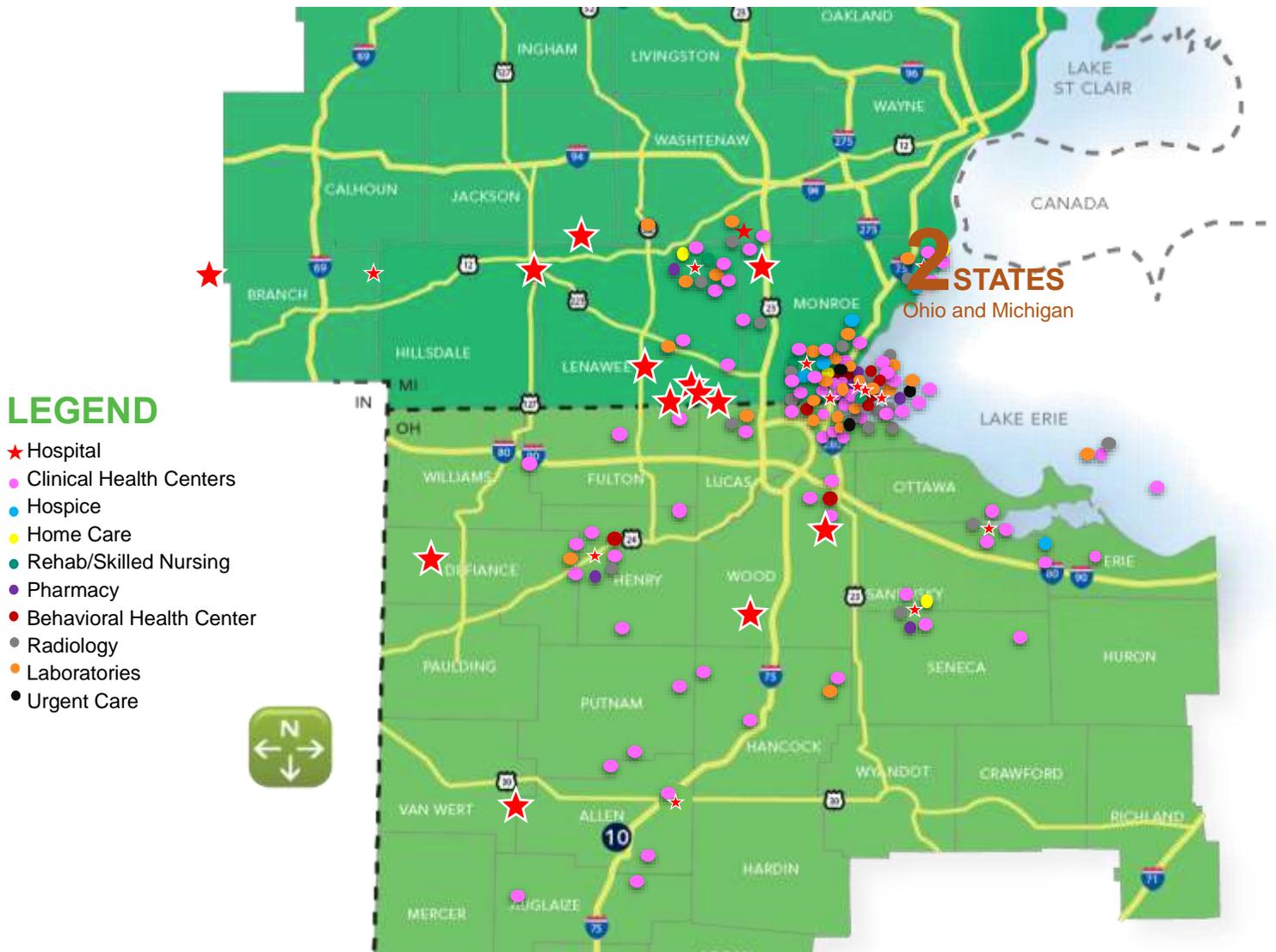
**Proven Integrated Delivery System – now with a leading Post-Acute Care Division**

	<i>HCR ManorCare</i>	<i>Legacy ProMedica</i>	<b>TOTAL</b>
<b>Revenue</b>	\$3.0 Bn	\$3.2 Bn	~\$6.1 Bn
<b>Staff</b>	39,000	19,000	58,000
<b>Locations</b>	400	200	600
<b>States with Operations</b>	27	3	27
<b>Skilled Nursing</b>	170	2	172
<b>Assisted Living</b>	55	1	56
<b>Hospice / Home Health</b>	120	11	131
<b>Hospitals</b>	-	13	13
<b>Physicians &amp; Providers (employed and affiliated)</b>	-	2,600	2,600
<b>Paramount</b>	-	334K Lives	334K Lives
<b>Health Resources, Inc.</b>	-	260K Lives	260K Lives



### Acute Care Service Area

ProMedica is headquartered in Toledo, Ohio, and serves a 28-county area in northwest Ohio and southeast Michigan. The graph below denotes the location of ProMedica facilities across the acute care service area:



### Paramount: Health Plan Options across the Region

Paramount health plan products serve more than 334,000 members throughout Ohio and several southern counties of Michigan, and is the largest provider-sponsored health plan in Ohio. Paramount, through its Paramount Advantage subsidiary, is one of five Medicaid insurers in Ohio to provide statewide-managed care services, and is offered in all 88 Ohio counties. At the beginning of 2018, Paramount purchased Dental Health Options by Health Resources, Inc (HRI). This subsidiary offers commercial dental insurance in Indiana and Kentucky; and has over 260,000 members and over 3,600 employer groups. Paramount's worker's compensation product (HMS) is offered throughout Ohio and in regions located in West Virginia, Pennsylvania, and Kentucky. Paramount also offers commercial (Paramount Care) and Medicare (Paramount Elite) products in various counties in Ohio and Michigan as well as individual coverage through the federally facilitated marketplace



## Community Benefit

As an anchor institution with a vision for healthy individuals and communities, ProMedica is committed to the long-term welfare of the City of Toledo and surrounding region. We go beyond our clinical walls to achieve clinical excellence, address social determinants of health, advance education, and drive economic development and innovation.

In 2017, ProMedica contributed \$191.7 million in community benefit through community benefit expenditures, financial assistance and government-sponsored, means-tested health care. These numbers represent ProMedica's long-standing commitment to the community, fulfilling our not-for-profit status and Mission to improve the health and well-being of the residents in the communities we serve.

ProMedica goes beyond industry standards in meeting the goal of providing care to everyone, regardless of their ability to pay. We provide hospital care free of charge to all families without insurance with incomes at or below 200% of the federal poverty level. Additionally, ProMedica hospitals provide significant discounts to families with incomes of up to 400% of the federal poverty level. As a leading advocate for the health and well-being of others, ProMedica provides and promotes community wellness, collaborating with local nonprofit agencies and organizations.

## 2018 Awards and Accreditations

- American Institute of Steel Construction IDEAS<sup>2</sup> Presidential Award of Excellence for Adaptive Reuse – ProMedica Corporate Headquarters
- *Becker's* 50 Experts Leading the Field of Patient Safety – Brian Kaminski, DO, vice president quality and patient safety, ProMedica
- *Becker's* 52 Great Health Systems to Know – ProMedica
- *Becker's* 100 Great Community Hospitals – ProMedica Flower Hospital
- *Becker's* 100 Great Leaders in Healthcare – Randy Oostra, ProMedica President and CEO
- *Becker's* 100 Hospital and Health System CMOs to Know – Lee Hammerling
- *Becker's* 150 Hospitals and Health System CFOs to know – Michael Browning, ProMedica CFO
- *Becker's* 150 Top Places to Work in Healthcare – ProMedica
- *Becker's* 90 Rising healthcare Stars under 40 – Kate Sommerfeld, president, ProMedica Social Determinants of Health
- *Becker's* 66 Hospitals and Health Systems with Innovations Programs
- Bureau of Workers Compensation Fostoria Area Safety Council's Group Award for lowest incident rate, Achievement Award for 25% reduction in incident rate, 100% Award for zero injuries/illnesses in a day or more away from work – ProMedica Fostoria Community Hospital
- *Modern Healthcare* IBM Watson Health Top Health Systems for 2018, top quintile for medium-sized health systems – ProMedica
- The Partnership for Excellence 2018 Platinum Governor's Award for Excellence – ProMedica Memorial Hospital
- The Partnership for Excellence 2018 Gold Governor's Award of Excellence – ProMedica
- United Way Employee Achievement Award – ProMedica Memorial Hospital
- RL Solutions National Trailblazer Award – one of three finalists - Laura Mattimore, ProMedica quality and safety
- Ohio Hospital Association *Albert E. Dyckes Health Care Worker of the Year* award – one of the top five finalists – Amy Preble, RN, ProMedica Fostoria Hospital
- Ohio Hospital Association *Albert E. Dyckes Health Care Worker of the Year* award – nominee– Christina Ford, RN, Lima Memorial Hospital
- Quality of Life Award, Defiance Area Chamber of Commerce – Gary Cates, Chief Philanthropic Officer
- The Ohio Academy of Family Physicians 2018 Family Physician of the Year – Johnathan Diller, MD, ProMedica Physician, ProMedica Memorial Hospital

## 2018 HEALTH GRADES CLINICAL ACHIEVEMENTS

- Toledo Hospital – 47 awards including:

- America's 50 Best Hospitals (2018)
- America's 100 Best Hospitals for Cardiac Care™ (2013 – 2018)
- America's 100 Best Hospitals for Joint Replacement™ (2016 – 2018)
- America's 100 Best Hospitals for Orthopaedic Surgery™ in 2018
- America's 100 Best Hospitals for Stroke Care™ (2014 – 2018)
- America's 100 Best Hospitals for Pulmonary Care™ (2015 – 2018)
- America's 100 Best Hospitals for Gastrointestinal Care™ (2014 – 2018)
- Bay Park Hospital – 7 awards including
  - Five-Star Recipient for Total Hip Replacement (2017 – 2018)
  - Five-Star Recipient for Hip Fracture Treatment (2017 – 2018)
  - Five-Star Recipient for Treatment of Stroke (2016 – 2018)
- Flower Hospital – 24 awards including:
  - America's 100 Best Hospitals for Stroke Care™ (2014 – 2018)
  - America's 100 Best Hospitals for Pulmonary Care™ (2014 – 2018)
  - America's 100 Best Hospitals for Gastrointestinal Care™ (2016 – 2018)
- Monroe Regional Hospital – 32 awards including:
  - America's 100 Best Hospitals for Stroke Care™ (2018)
  - America's 100 Best Hospitals for Pulmonary Care™ (2018)
  - America's 100 Best Hospitals for Gastrointestinal Care (2018)
  - America's 100 Best Hospitals for General Surgery (2018)

#### OTHERS OF NOTE

- Toledo Hospital
  - American Heart Association Get with the Guidelines® Gold Plus – Stroke
  - American Heart Association Mission: Lifeline Silver Quality Achievement Award – STEMI
  - Becker's Hospital Review "Top 100 Hospitals with Great Heart Programs" – ProMedica Toledo Hospital
  - CMS 5-Star Rating
  - Comprehensive Stroke Center, The Joint Commission and American Heart Association/American Stroke Association
  - Get with The Guidelines® – Stroke Gold Plus, American Heart Association/American Stroke Association
  - Health Grades America's 50 Best Hospitals – ProMedica Toledo Hospital
  - ISO 15189 re-accreditation – ProMedica Toledo Hospital laboratory
  - Metabolic and Bariatric Surgery Accreditations and Quality Improvement Program, re-certified
  - Cardiac Cath Lab accreditation for percutaneous coronary intervention (PCI) from American College of Cardiology
  - Ohio First Steps for Healthy Babies – Four Star Rating
- Bay Park Hospital
  - American Academy of Sleep Medicine Accreditation
  - Leapfrog Group of Hospital Safety Grade A
  - Ohio Society for Respiratory Care Center of Excellence Award
  - Joint Commission and American Heart Association/American Stroke Association, Primary Stroke Center
  - U.S. Environmental Protection Agency's (EPA) ENERGY STAR® Certification for Superior Energy Efficiency
- Bixby Hospital
  - American Heart Association Get with the Guidelines® Gold Plus – Stroke
  - CMS 3-Star Rating
  - Healthcare Facilities Accreditation Program Primary Stroke Center Certification
  - Joint Commission and American Heart Association/American Stroke Association, Primary Stroke Center
  - Leapfrog Group of Hospital Safety Grade B

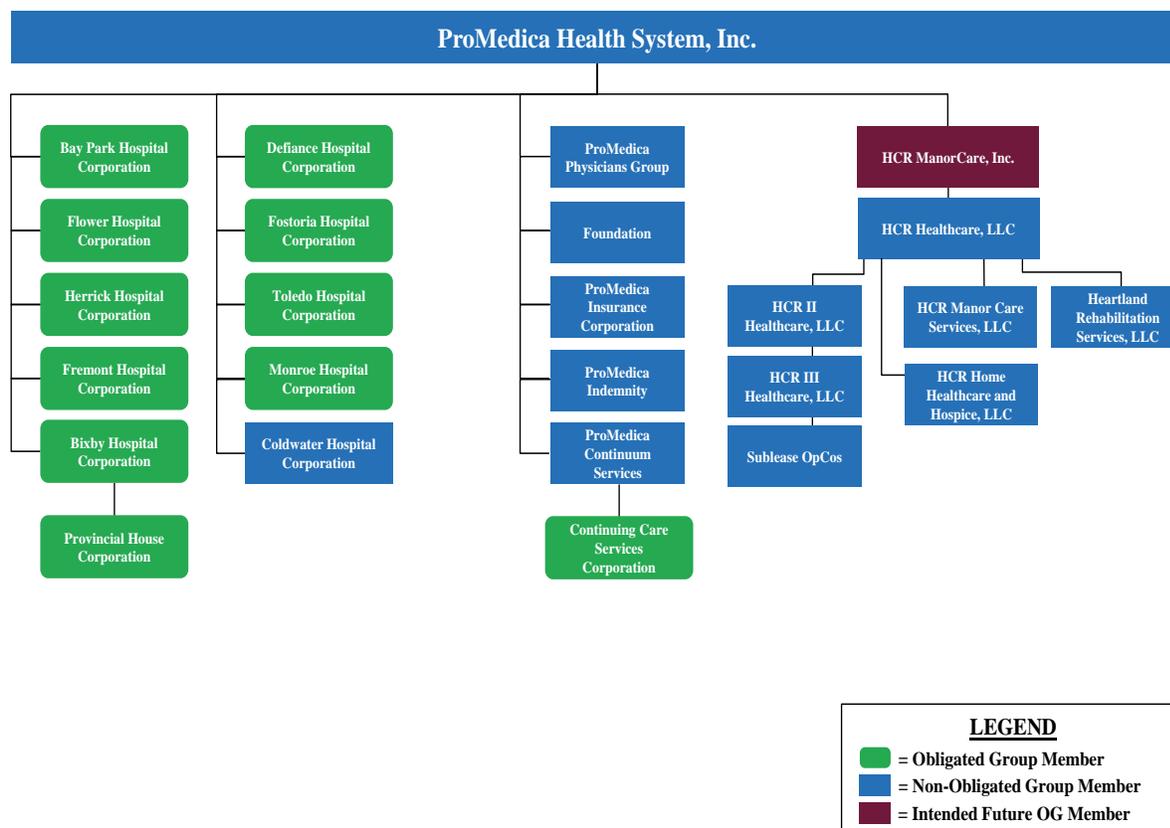
- Defiance Hospital
  - CMS 4-Star Rating
  - Press Ganey Guardian of Excellence Award for physician engagement
  - *Becker's* 66 Critical Access Hospitals to Know
  - Chartis Center for Rural Health/iVantage Health Analytics and the National Organization of State Office of Rural Health top quartile for overall excellence in quality and outcomes among rural hospitals
  - Ohio First Steps for Healthy Babies – Four Star Rating
  
- Flower Hospital
  - American Heart Association Get with the Guidelines® Gold Plus – Stroke
  - *Becker's Hospital Review* 100 Great Community Hospitals
  - CMS 4-Star Rating
  - Heart Failure Certification
  - Joint Commission and American Heart Association/American Stroke Association, Primary Stroke Center
  - Leapfrog Group of Hospital Safety Grade A
  
- Fostoria Community Hospital
  - American Academy of Sleep Medicine Accreditation
  - Chartis Center for Rural Health/iVantage Health Analytics and National Organization of State Office of Rural Health top quartile of performance among all rural hospital in the nation
  - CMS 3-Star Rating
  - American College of Radiology – MRI accreditation
  
- Herrick Hospital
  - American Heart Association Get with the Guidelines® Silver Plus – Stroke
  - CMS 3-Star Rating
  - Healthcare Facilities Accreditation Program Primary Stroke Center Certification
  - Joint Commission and American Heart Association/American Stroke Association, Primary Stroke Center
  
- Memorial Hospital
  - American Academy of Sleep Medicine Accreditation
  - Chartis Center for Rural Health/iVantage Health Analytics and the National Organization of State Office of Rural Health top quartile for overall excellence in quality and outcomes among rural hospitals
  - CMS 5-Star Rating
  - Joint Commission and American Heart Association/American Stroke Association Acute Stroke Ready Certification
  - Leapfrog Group of Hospital Safety Grade A
  - Ohio Hospital Association and Ohio Department of Health recognition from Ohio First Steps for Healthy Babies Review Committee
  - Partnership for Gold Achievement of Excellence Award
  - American College of Radiology – Mammography accreditation
  
- Monroe Regional Hospital
  - CMS 3-Star Rating
  - Joint Commission and American Heart Association/American Stroke Association, Primary Stroke Center
  - Leapfrog Group of Hospital Safety Grade A
  
- Toledo Children's Hospital
  - Joint Commission dual disease-specific care for both inpatient and outpatient pediatric asthma care certification
  - Solutions for Patient Safety Sharing Hospital's Innovations for Network Engagement (SHINE) – top 10% of the network

- 
- Wildwood Orthopaedic And Spine Hospital
    - Joint Commission Certified Total Hip Surgery
    - Joint Commission Certified Total Knee Surgery
    - Press Ganey Guardian of Excellence Award for patient engagement
  - ProMedica
    - American College of Radiology Accreditation, ProMedica Cancer Institute
    - American College of Surgeons' Commission on Cancer accreditation with commendation and the Outstanding Achievement Award – ProMedica Cancer Institute
    - *Becker's Hospital Review* 58 Hospitals with Innovation Programs – ProMedica Innovations
    - *Becker's Hospital Review* 100 Hospital & Health System CMOs to Know – Lee Hammerling, chief physician executive and chief medical officer
    - CMS Four Star Rating for Paramount's Medicare product (Paramount Elite)
    - *Modern Healthcare* 100 Most Influential People in Healthcare – Randy Oostra, President and CEO
    - National Accreditation Program for Breast Centers Accreditation – ProMedica Cancer Institute
    - Radiation Therapy Oncology Group certified – ProMedica Cancer Institute
    - Quality Assurance Review Center certified – ProMedica Cancer Institute
    - Engineering News-Record 2018 Best Project - ProMedica Downtown Headquarters

# ORGANIZATIONAL OVERVIEW

## Structure

ProMedica has established an “Obligated Group” structure. The entities included in the Obligated Group are highlighted in green in the chart below. ProMedica is the sole member or exercises control over the sole member of each of the members of the Obligated Group. However, ProMedica 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.



1. Some of the Obligated Group Members and Non-Obligated Group Members included in the chart above control one or more subsidiary organizations. Those subsidiary organizations, none of which is an Obligated Group Member, are excluded from the above chart.
2. If and when a favorable determination letter is received from the Service recognizing its exempt status, ProMedica Corporation expects to cause HCR Successor to become a member of the Obligated Group. No assurance can be given, however, that HCR Successor will receive a favorable determination letter, as to the timing of any such determination by the Service, or the timing of its admission to the Obligated Group if a favorable determination letter is received.



**ProMedica Obligated Group Members**

ProMedica's Obligated Group facilities operate solely within the ambulatory, acute and continuum care business lines. It is comprised of 11 acute care facilities (1,725 licensed beds) and several long-term, skilled nursing and hospice business lines. A summary of the members of the Obligated Group **Acute Care Hospitals** as of December 31, 2018, is as follows:



- 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: 51
- Year Affiliated: 1999



- ProMedica Toledo Hospital
- Toledo, Ohio
- Licensed Beds: 609
- Year Affiliated: Legacy



- ProMedica Flower Hospital
- Sylvania, Ohio
- Licensed Beds: 315
- Year Affiliated: 1996



- ProMedica Toledo Children's Hospital (a division of the Toledo Hospital)
- Toledo, Ohio
- Licensed Beds: 141
- Year Established: 1994



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



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



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

Corporation	Licensed Beds	Location
<b>Long-Term Care/Assisted Living/Other</b>		
Goerlich Center for Alzheimer's Care	60	Sylvania, Ohio
Ebeid Hospice	12	Sylvania, Ohio
Caring Home Health Services	*	Sylvania, Ohio
Provincial House of Adrian	117	Adrian, Michigan
Charlotte Stephenson Manor	60	Adrian, Michigan
Monroe Skilled Nursing and Rehab	89	Monroe, Michigan
<b>Total Long-Term Care Beds</b>	<b>338</b>	

\*223,841 Home Health Visits in 2018

## Non-Obligated Group Members

### Paramount Insurance

Paramount is key to the integrated delivery system of ProMedica and is a wholly owned subsidiary.



As the largest provider-sponsored health plan in Ohio, Paramount provides ProMedica almost 30 years of experience in managing risk and population health. Neither Paramount, nor any of its subsidiaries, are Members of the Obligated Group. Paramount and its subsidiaries offer the following insurance products and other services in Ohio and Michigan:

- **Commercial (Paramount Care):** Our commercial products include fully funded insurance products (Ohio and Michigan) and self-funded administrative services-only (“ASO”) plans. It also offers gold, silver, bronze plans in the health insurance marketplace. Paramount serves approximately 81,000 commercial members including 5,000 marketplace consumers.
- **Medicaid (Paramount Advantage):** Paramount Advantage has been contracted with the Ohio Department of Medicaid since 1993 and provides coverage for covered families and children, adult and pediatric aged, blind, and disabled, and adult extension members. The contract with ODM does not have a specific termination date. Paramount Advantage serves over 237,000 Medicaid members.
- **Medicare (Paramount Elite):** Paramount’s Medicare product is offered in 14 counties in Ohio and 2 counties in Michigan. Paramount Elite has been contracted with the Centers for Medicare/Medicaid Services (CMS) since 1995 and has over 16,000 members.
- **Managed Care Workers Compensation (HMS):** This Ohio statewide product is the fifth (out of 12) largest workers’ compensation managed care organizations in Ohio.
- **Employer Services (PPS):** This multi-state entity provides workers’ compensation third-party administration services, life care planning, and expert witness testimony services.
- **Dental (HRI Dental Health Options):** Offers commercial dental insurance products in Indiana and Kentucky.

As of December 31, 2018, there were approximately 334,000 members included in the various health plans and services offered by Paramount and its subsidiaries, with the largest segment in Paramount Advantage. The overall health plan mix of Paramount product offerings is approximately 76% enrollment in government sector products as of December 31, 2018. HRI Dental Health Options has more than 260,000 commercial dental members.

### ProMedica Physician Group

ProMedica Physician Group, Inc. and its subsidiary limited liability companies (collectively, “PPG”) is a comprehensive provider network consisting of 965 employed providers, including 525 primary care and specialty physicians, as well as 440 advanced practice providers. PPG handled approximately 1.9 million patient encounters in 2018. An additional 152 providers have been recruited in 2018 as part of ProMedica’s continued focus on expanding patient access within its provider network.

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.

### ProMedica Continuum Services

ProMedica Continuum Services (formerly known as ProMedica Physicians and Continuum Services, or “PCS”) is an Ohio nonprofit corporation that includes ProMedica Continuing Care Services Corporation,

an Ohio nonprofit corporation that provides and manages specialty pharmacy, durable medical equipment, home health, palliative care, hospice, and inpatient and outpatient rehabilitation services.

### ProMedica Coldwater Regional Hospital

ProMedica managed Coldwater Hospital Corporation's 87-bed acute care hospital facility in Coldwater, Michigan, 100 miles northwest of Toledo, since February 2016 and became the sole member of Coldwater Hospital Corporation on January 1, 2018. Coldwater Hospital Corporation is not a member of the Obligated Group and ProMedica Corporation does not expect to add Coldwater Hospital Corporation to the Obligated Group at this time.

### HCR ManorCare

HCR ManorCare is a leading provider of short-term, post-acute services and long-term care with a network of more than 400 assisted living facilities, skilled nursing and rehabilitation centers, memory care communities, outpatient rehabilitation clinics, and hospice and home health care agencies. HCR ManorCare employs approximately 39,000 employees and operates in 27 states.

## Executive Leadership & Governance

### Executive Leadership

The 9-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 Health Care
Randy Oostr	President & Chief Executive Officer	21	39
Michael Browning	Chief Financial Officer	2	27
Steve Cavanaugh	President HCR ManorCare	<1	25
Lee Hammerling, MD	Chief Academic Affairs Officer & President New Ventures	23	38
Lori Johnston	President, ProMedica Insurance Corp	22	35
Gary Cates	Chief Philanthropy Officer	21	21
Jeff Kuhn	Chief Legal Officer/General Counsel	26	33
Karen Strauss	Chief Administration Officer	5	5
Kevin Webb	President, Providers, Acute & Ambulatory Care	18	36
Robin Whitney	Chief Strategic Planning, Business Development & Real Estate Officer	5	5

### Governance

ProMedica has 338 volunteer board members serving on 34 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 is now comprised of 13 members, three 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.

### ProMedica Committees

- Audit/Compliance
- Compensation/Retirement
- Finance/Investment
- Risk



A majority of the 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.

# SYSTEM STRATEGIC PLAN | 2019 – 2021



OUR MISSION IS TO IMPROVE YOUR HEALTH AND WELL-BEING

OUR VALUES: COMPASSION | INNOVATION | TEAMWORK | EXCELLENCE | LEARNING



## INTEGRATED HEALTH AND WELL-BEING ORGANIZATION

Assume role as leader in redesign of healthcare delivery nationally | Lead healthcare advocacy efforts nationally and in our communities  
Anchor Institution | Partner in community projects that promote the health and economic vitality of our communities

### OPERATIONAL IMPERATIVES



#### Operational Excellence

- Uphold and advance clinical excellence
- Ingrain a culture of safety
- Instill a consumer-driven mindset
- Cultivate a workplace of choice
- Advance efficiencies in work processes and ensure operational right sizing
- Improve access to providers
- Create a highly reliable patient/customer/member experience



#### Stewardship

- Grow enterprise, both organically and through disciplined M&A
- Achieve margin growth, improve cash flow, and strengthen balance sheet
- Optimize expense reduction opportunities
- Build strategic donor pathways
- Bolster ProMedica Innovations
- Accelerate HCR integration efforts
- Reinforce community partnerships

### STRATEGIC IMPERATIVES

#### National Leader in Social Determinants of Health

- Develop SDOH Healthy Aging initiatives
- Increase SDOH Screenings and interventions; connection of social and clinical care plans
- Develop SDOH support for our employee groups
- Increase healthcare industry advocacy and support for SDOH
- Elevate focus on SDOH, learning, education and research across the organization

#### National Leader in Healthy Aging

- Develop and promote telemedicine solutions between acute/post-acute/home health
- Expand research efforts to geriatric medicine
- Increase healthcare industry advocacy and support for healthy aging
- Implement innovative payment models between Paramount and HCR
- Create new clinical models between providers/post-acute



#### Research and Education

- Elevate focus on learning, education and research across the organization
- Become a top-quartile Academic Medical Center
- Evaluate/implement new clinical programs and research opportunities to support the transformation to an academic healthcare delivery system
- Foster relationships with education institutions to develop the next generation of healthcare workers

HOSPITALS | PHYSICIANS | AMBULATORY SERVICES | SKILLED NURSING FACILITIES | ASSISTED LIVING FACILITIES  
HOSPICE | HOME CARE | HEALTH/MEDICAL/DENTAL INSURANCE | ACADEMIC MEDICAL CENTER | INTERNATIONAL

# RECENT SIGNIFICANT DEVELOPMENTS

## Recent Significant Developments

### **Master Trust Indenture**

On October 25, 2018, the ProMedica HealthCare Obligated Group executed and delivered the Second Amended and Restated Master Trust Indenture dated as of October 1, 2018 (the “*Restated Master Indenture*”) with The Bank of New York Mellon Trust Company, N.A., as Master Trustee (the “*Master Trustee*”). The Restated Master Indenture amended and restated in its entirety the Amended and Restated Master Trust Indenture dated as of June 1, 1996, as restated by the Restated Master Trust Indenture dated as of June 15, 2011, as supplemented and amended (the “*Prior Master Indenture*”), between the ProMedica Health System Obligated Group and the Master Trustee. The Restated Master Indenture includes a pledge of the Gross Revenues of each Obligated Group Member under the Restated Master Indenture and has added a mortgage and security interest in and assignment of rents from ProMedica Toledo Hospital and ProMedica Flower Hospital granted by The Toledo Hospital and Flower Hospital, respectively, to the Master Trustee pursuant to Open-end Mortgage and Security Agreements, each dated as of October 1, 2018 (collectively, the “*Mortgages*”). A summary of certain provisions of the Restated Master Indenture and the Mortgages can be reviewed in APPENDIX C to the Official Statement dated October 18, 2018 relating to the \$253,315,000 County of Lucas, Ohio Hospital Revenue Bonds, Series 2018A (ProMedica Healthcare Obligated Group) (CUSIPs: 549310WC0, 549310WD8 and 549310WE6) posted on the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board (<http://emma.msrb.org>). Copies of the Restated Master Indenture, as executed and delivered, may be examined at the designated corporate trust office of the Master Trustee.

### **ProMedica Memorial Hospital Celebrated 100 Years of Service**

A Gala celebration was held for employees and the Fremont, Ohio, community. The event featured remarks from Pam Jensen, president, Memorial Hospital, a presentation from County Commissioner Kay E. Reiter, and the presentation of a resolution from the Office of the Governor of Ohio by Kevin Webb, president, provider, acute and ambulatory care for ProMedica.

### **ProMedica Flower Hospital Becomes Legal Division of ProMedica Toledo Hospital**

Effective December 2, ProMedica Flower Hospital became a legal division of ProMedica Toledo Hospital to help further maximize efficiencies and provide consistent, high quality care and patient experience. The hospital will now be listed as ProMedica Flower Hospital, a Division of ProMedica Toledo Hospital.

### **Topping off Ceremony for ProMedica Charles and Virginia Hickman Hospital**

The highest beam of the new ProMedica Charles and Virginia Hickman Hospital was lifted into place in December with a “topping off” ceremony. The new Lenawee County hospital will house a 58-bed acute care facility, with a 28-bed emergency center, including four beds dedicated to mental health patients.

**ProMedica Fostoria Community Hospital Opened** a new pharmacist managed diabetes clinic (PMDC). The PMDC was created to provide an enhanced level of care for patients with diabetes who are considered high risk.

**Annual ProMedica Innovations Summit** attracted more than 500 participants, including ProMedica employees, community members, government officials, and regional business owners. The summit featured topics such as using venture capital to drive regional innovation, healthcare innovations, and creating breakthrough products through innovation. Breakout sessions included a question and answer session with ProMedica President and CEO, Randy Oostra, and HCR ManorCare President Steve Cavanaugh.



**The One Bold Vision** microsite launched to help HCR ManorCare employees feel more connected to ProMedica. It provides current information about integration efforts as well as service line and employee news from both ProMedica and HCR ManorCare.

**ProMedica Toledo and Toledo Children's Hospitals Generations of Care** campaign received a \$2.5 million donation from Touchstone Wealth Partners. The sizable gift is the capstone for the fundraising campaign that set forth to raise \$30 million for the construction of the Generations Tower.

**ProMedica Social Determinants of Health (SDOH) Institute** offered its first conference focused on research and solutions to health disparities. The conference, titled Improving Health Outcomes and Reducing Costs, included both regional and national speakers who discussed how social determinants of health are improving community health.

**ProMedica Monroe Regional Hospital participated in National Drug Take Back Day**, serving as a drop-off location for community members wishing to safely dispose of unwanted medications. Monroe employees volunteered to help with the event.

**ProMedica announced it is collaborating with Sylvania Schools** to support health and wellness at the school system's new health and wellness strength facility. Additionally, ProMedica is helping to expand STEMM education – science, technology, engineering, math and medicine – to better prepare students for jobs of the future.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Operational Performance

ProMedica's operating performance for the twelve months ending December 31, 2018 improved over 2017 due to income recognized from the acquisition of HCR ManorCare, Inc. Net Unrestricted Assets decreased in 2018 due to the unfavorable market performance of invested assets.

## Income Statement

(Detailed Financial Statements are presented in the Appendix)

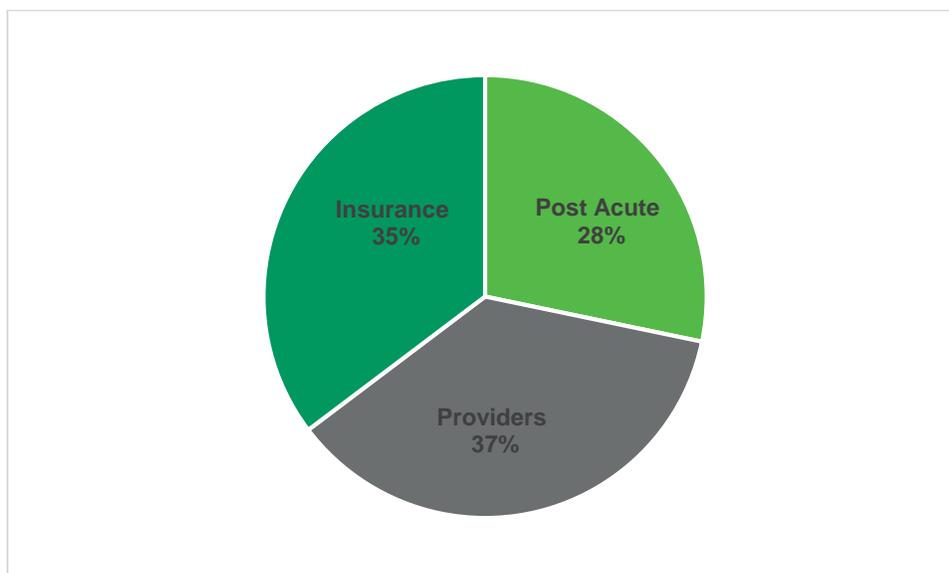
(\$000's omitted)	ProMedica Health System Twelve Months Ended December 31		Obligated Group Twelve Months Ended December 31	
	2018	2017	2018	2017
<b>Revenues</b>				
Net patient service revenue	\$2,991,905	\$1,559,225	\$1,557,630	\$1,508,067
Member revenue	1,802,508	1,515,145	-	-
Other	136,659	76,110	39,004	43,290
Total operating revenue	4,931,072	3,150,480	1,596,634	1,551,357
<b>Expenses</b>				
Salaries and benefits	1,952,211	1,068,022	570,679	563,630
Supplies	241,227	198,138	173,379	177,299
Contracted fees	429,467	303,748	150,891	141,650
Other	2,119,565	1,442,046	517,633	507,355
Total operating expenses	4,742,470	3,011,954	1,412,582	1,389,934
<b>Operating income before depreciation and amortization</b>	188,602	138,526	184,052	161,423
Depreciation and amortization	147,732	130,897	89,351	90,445
<b>Net income from operations</b>	40,870	7,629	94,701	70,978
<b>Other income (loss)</b>	(80,652)	141,981	(38,969)	90,111
<b>Excess (deficiency) of revenue over expenses before unusual items</b>	(39,782)	149,610	55,732	161,089
<b>Unusual items – restructuring and severance costs</b>	(30,237)	(15,085)	-	-
Excess (deficiency) of revenue over expenses	(\$70,019)	\$134,525	\$55,732	\$161,089

For the twelve months ended December 31, 2018, ProMedica's total operating revenue increased \$1.8 billion over 2017. The acquisition of HCR ManorCare, Inc. contributed \$1.3 billion to the increase. ProMedica Insurance Company membership revenue increased by \$288 million related to the addition of a dental insurance product, increases in the Medicaid product offering to include behavioral health and the Health Insurance Exchange. Provider revenue increased \$148 million related to the acquisition of a ProMedica Coldwater Regional Hospital and organic growth of the Toledo Metro revenue. Total operating expenses increased by \$1.7 billion, with nearly \$1.3 billion related to acquisitions of HCR ManorCare and a rural hospital. Provider expenses increased \$53 million related to higher staffing costs, including contracted labor.

For the twelve months ended December 31, 2018, operating income was \$40.9 million, \$33.2 greater than the same period ended 2017. The increase is due to the operating income related to the acquisition of HCR ManorCare, Inc. of \$43.8 million, improvements in operating results related to the Providers of \$30.5 million offset by decreases in the ProMedica Insurance Company results of \$37.2 million.

### Sources of Revenue

The Insurance division accounted for approximately 35% of System operating revenue for the year with the Provider division accounting for 37% and the Post-Acute division was at 28%. The post-acute revenue incorporated only five months of HCR ManorCare, Inc. revenue, the post-acute division of total operating revenue is expected to continue increasing up to approximately 50% of total annual System revenue.



### Uncompensated Care

Bad debt and charity care, as a percentage of operating revenue for the twelve months ending December 31, 2018, is comparable to the prior period.

#### ProMedica Health System

(000's omitted)

	Twelve Months Ended December 31, 2018	Twelve Months Ended December 31, 2017
Charity care	\$61,340	\$59,944
Bad debt	154,581	102,179
<b>Total uncompensated care</b>	<b>\$215,922</b>	<b>\$162,123</b>
<b>% of Total operating revenue</b>	<b>4.4%</b>	<b>5.1%</b>

## Payor Mix

	PROMEDICA LEGACY Year-to-Date December 31,		HCR		COMBINED	
	2018	2017	2018 <sup>(2)</sup>	2017	2018	2017
Medicare (1)	44.4%	43.5%	49.7%	N/A	45.2%	43.5%
Medicaid (1)	20.0%	20.8%	31.5%	N/A	21.8%	20.8%
Other	34.2%	34.5%	7.7%	N/A	30.2%	34.5%
Self-Pay	1.4%	1.2%	11.1%	N/A	2.8%	1.2%
Totals	100%	100%	100%	N/A	100.0%	100.0%

(1) Includes Medicare and Medicaid HMOs.

(2) September to December 2018

## Non-Operating Income

Total investment income loss the twelve-month period ended December 31, 2018 was (\$32.0) million. This amount was comprised of realized gains of \$161.9 million offset by unrealized losses of \$194.0 million. Losses from discontinued operations of \$20.9 million was included in the 2018 non-operating subtotal. Non-operating activity for 2018 also includes \$14.6 of inherent contribution associated with the acquisition of ProMedica Coldwater Regional Hospital.

## Balance Sheet

(Detailed Financial Statements are presented in the Appendix)

(\$000's omitted)	ProMedica Health System As of		Obligated Group As of	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>Assets</b>				
*Unrestricted cash & investments	\$1,440,683	\$1,883,284	\$656,535	\$1,227,202
Accounts receivable, net	642,307	255,472	228,746	267,633
Other current assets	179,477	131,651	108,155	53,598
Property, plant and equipment, net	1,608,895	1,345,046	1,149,416	1,017,055
Other assets	2,445,547	601,690	152,181	80,224
Total assets	6,316,909	4,217,143	2,295,033	2,645,712
<b>Liabilities &amp; Net Assets</b>				
Current liabilities	1,463,269	1,020,849	720,897	766,483
Long-term debt	1,902,158	429,012	1,873,286	425,532
Other liabilities	457,026	178,838	23,890	62,643
Net assets	2,494,456	2,588,444	(323,040)	1,391,054
Total liabilities & net assets	\$6,316,909	\$4,217,143	\$2,295,033	\$2,645,712

\*Includes unrestricted foundation cash

## Balance Sheet and Cash Flow

As of December 31, 2018, ProMedica \$1.4 billion of unrestricted cash and investments to fund operations and capital expenditures. This equates to 111 days cash on hand as of December 31, 2018, as compared with 226 days at December 31, 2017.

Total debt was \$2.37 billion at December 31, 2018, and \$990 million at December 31, 2017. The increase relates to the acquisition of HCR ManorCare, Inc. during the third quarter of 2018. The total debt-to-capitalization ratio as of December 31, 2018 was 50.1% as compared to 28.6% as of December 31, 2017. The total cash-to-debt ratio for ProMedica was .61 as of December 31, 2018, as compared to 1.9 as of December 31, 2017.

ProMedica capital expenditures were \$274 million for the year ended December 31, 2018, compared to \$335 million for the year ended December 31, 2017. Net cash used by operating activities was \$.6 million for the year ended December 31, 2018, compared to \$70 million provided by operating activities for the year ended December 31, 2017.

## Debt

ProMedica's outstanding debt, net of unamortized bond discount, premium, and debt issuance costs, as of December 31, 2018, is summarized below:

Series	Par Outstanding	Product	Final Maturity	Average Coupon	Tax Status
Series 2011A	\$3,963,000	Fixed Rate	11/15/2021	4.94%	Tax-Exempt
Series 2011B	92,000	Fixed Rate	11/15/2019	4.38%	Tax-Exempt
Series 2011D	96,089,000	Fixed Rate	11/15/2030	5.03%	Tax-Exempt
Series 2011E	1,666,000	Fixed Rate	11/15/2021	3.53%	Tax-Exempt
Series 2015A	270,483,000	Fixed Rate	11/15/2045	4.98%	Taxable
Series 2015B	45,222,000	Fixed Rate	11/15/2045	4.00%	Tax-Exempt
Series 2015C	14,506,000	Direct Loan	11/15/2051	Variable	Taxable
Series 2015D	4,989,000	Direct Loan	11/15/2025	Variable	Taxable
Series 2015E	32,978,000	Direct Loan	11/15/2025	Variable	Taxable
Series 2017A	54,594,000	Direct Loan	11/15/2040	3.12%	Tax-Exempt
Series 2017B	119,897,000	Direct Loan	11/15/2041	3.12%	Tax-Exempt
Series 2017C	84,867,000	Direct Loan	11/15/2041	2.90%	Tax-Exempt
Series 2017D	39,670,000	Direct Loan	11/15/2029	3.12%	Tax-Exempt
Series 2017F	62,413,000	Direct Loan	11/15/2034	Variable	Tax-Exempt
Series 2017H	24,837,000	Direct Loan	11/15/2035	3.02%	Tax-Exempt
Series 2018A	259,055,000	Fixed Rate	11/15/2048	5.15%	Tax-Exempt
Series 2018B	1,202,276,000	Fixed Rate	11/15/2048	5.82%	Taxable
Coldwater 2012A	5,370,000	Fixed Rate	09/01/2031	3.49%	Tax-Exempt
Jobs Ohio Revitalization Loan	3,878,000	Fixed Rate	06/01/2033	1.00%	Tax-Exempt
Qualified Low-Income Community Investment Loans	14,379,000	Direct Loan	12/15/2045	1.00%-2.58%	Tax-Exempt
Sub Total	2,341,224,000				
Other*	30,581,000				
	<u>\$2,371,805,000</u>				

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

## Fixed/Variable Debt Mix (in millions)

Currently approximately 5% of outstanding debt is variable and 95% is fixed. Total outstanding debt as of December 31, 2018, was \$2.37 billion.

## Recent Debt Activity

In October 2018 The ProMedica Healthcare Obligated Group issued \$253,315,000 of tax-exempt fixed rate bonds, Series 2018A and \$1,219,845,000 of fixed rate taxable bonds Series 2018B. The proceeds from the Series 2018A tax-exempt bonds were used to refinance the Series 2017G and the 2011C direct loans with the remaining amount to be used for projects costs relating to the Toledo Hospital Generations of Care project. The proceeds from the 2018B bonds were used to refinance the \$1,150,000,000 bridge loan that partially financed the HCR ManorCare acquisition and real estate joint venture with Welltower. The remaining proceeds from the 2018B bonds will be used to partially finance a new hospital in Michigan that will replace the existing Bixby and Herrick facilities and pay other costs associated with the debt issuance.

## Ratings

On October 2, 2018 Fitch initiated a rating of BBB+ with a stable outlook on the ProMedica Healthcare Obligated Group 2018A and 2018B taxable bonds and on October 25, 2018 initiated ratings of BBB+ with a stable outlook on the Series 2011A, 2011B, 2011E, 2015A and 2015B bonds.

On August 14, 2018 S&P Global Ratings lowered its long-term rating on the ProMedica Healthcare Obligated Group debt obligations from A+ to BBB with a stable outlook. On October 11, 2018 S&P affirmed its BBB long-term rating on various ProMedica debt obligations and assigned its rating of BBB to the Series 2018A tax-exempt and 2018B taxable bonds.

On August 20, 2018 Moody's rating on the ProMedica Healthcare Obligated Group rating of A1 was downgraded to Baa1 with a negative outlook. On October 15, 2018 Moody's assigned Baa1 ratings to the 2018A tax-exempt and 2018B taxable bonds.

## Investments

Total unrestricted cash and investments for ProMedica as of December 31, 2018, and December 31, 2017, were as follows:

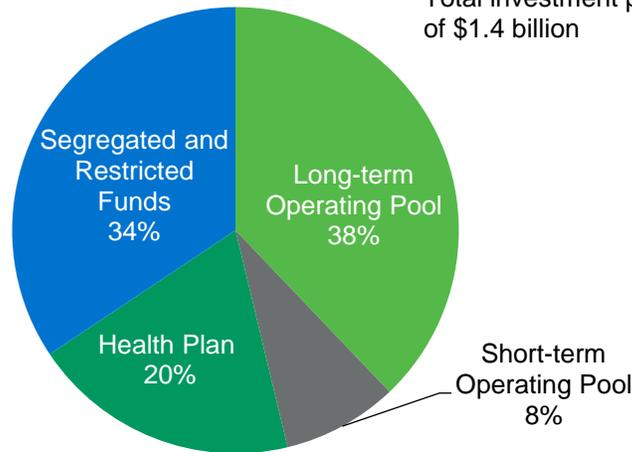
Unrestricted Cash and Investments (\$000s)	December 31, 2018		December 31, 2017	
Cash and cash equivalents	\$317,725	22%	\$294,030	15%
Marketable securities	315,034	22%	295,433	16%
Internally designated investments for capital acquisitions*	807,924	56%	1,293,821	69%
<b>Total unrestricted cash and investments</b>	<b>\$1,440,683</b>		<b>\$1,883,284</b>	

\*includes unrestricted foundation cash

ProMedica centralizes the management of cash and investments maximizing flexibility and allowing for efficiencies in managing liquidity. The majority of ProMedica's investments are 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 Committee, who annually approves the investment policies. A summary of the investment portfolios is as follows:



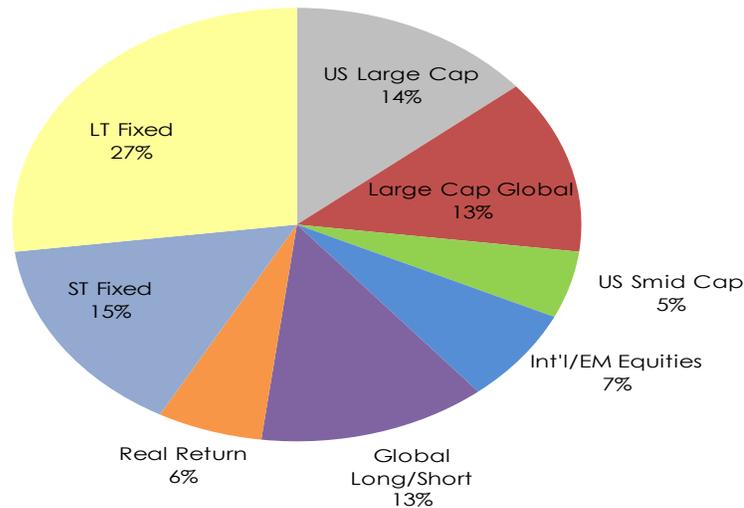
Total investment pools as of December 31, 2018, of \$1.4 billion



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 Pools Asset Allocation

Total Assets of \$818 million as of December 31, 2018

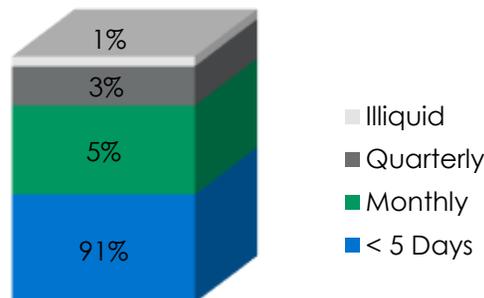


### Valuations

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 December 31, 2018, is \$60.7 million or 4% of the portfolio. It is comprised of land held for investment, the foundation's beneficial interests in funded perpetuities and a nominal allocation to private capital.

## Liquidity

ProMedica maintains a high level of liquidity within the investment portfolio. Approximately \$80.3 million or 5% of investments have liquidity provisions that may restrict their ability to be liquidated in 30 days or less and approximately \$15.6 million or 1% has liquidity provisions greater than one year.



## Pension Plans

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.

Effective December 31, 2018, the Retirement Plan for Employees of Mercy Memorial Hospital Corporation (Monroe Regional Hospital Plan) merged into the Cash Balance Retirement Plan.

As of December 31, 2018, the combined plans had a pension liability of \$23.5 million and as of December 31, 2017, a pension asset of \$4.7 million, respectively.

## ProMedica Health System Financial Indicators

### Profitability

	Year-to-Date December 31, 2018	Year-to-Date December 31, 2017
Operating margin	0.8%	0.2%
Operating cash flow margin	3.8%	4.4%

### Leverage

	DEBT-TO- CAPITALIZATION			
	ProMedica Health System		Obligated Group	
	As of December 31,		As of December 31,	
	2018	2017	2018	2017
Current installments of long-term debt	469,647	553,759	452,346	538,224
Long-term debt, less current portion	1,902,158	429,012	1,873,286	425,532
Total Debt	2,371,805	982,771	2,325,632	963,756
Unrestricted Net Assets	2,366,049	2,453,434	(325,582)	1,388,985
Debt to Unrestricted Capitalization	50.1%	28.6%	N/A	41.0%

## Utilization statistics – System

The following table provides details on historical data on patient volumes and long-term care occupancy rates along with current and prior year comparisons:

	Year-to-Date December 31		Calendar Year	
	2018	2017 <sup>(1)</sup>	2017 <sup>(1)</sup>	2016 <sup>(2)</sup>
Acute discharges	55,943	59,739	59,739	66,234
Newborn discharges	6,478	6,646	6,646	7,268
Outpatient surgeries	39,813	38,327	38,327	40,286
Emergency room visits	273,321	286,408	286,408	317,795
ALOS - acute	4.70	4.55	4.55	4.55
% of Staffed beds (acute care)	66%	54%	54%	55%
Home health admissions	12,977	12,863	12,863	12,929
Home care visits	223,841	233,203	233,203	219,973
LTC patient/resident days	99,584	102,548	102,548	104,927
Inpatient hospice days	3,591	3,416	3,416	3,258

Occupancy rates as a percentage of beds:

ProMedica Goerlich Center	93.4%	92.8%	92.8%	93.1%
ProMedica Provincial House	93.0%	93.4%	93.4%	91.9%
ProMedica Charlotte Stephenson Manor	66.4%	81.9%	81.9%	94.6%
ProMedica Herrick Manor <sup>(1)</sup>	0.0%	0.0%	0.0%	64.6%
ProMedica Monroe Skilled Nursing Rehab	82.0%	77.3%	77.3%	87.6%

(1) Herrick Manor ceased operation in January 2017

\*includes St. Luke's for all annual periods and through the second quarter of 2016

\*\*does not include HCR ManorCare



## Historical Operations – Skilled Nursing & Assisted Living

The following table sets forth selected statistics with respect to the historical operations of the Skilled Nursing and Assisted Living lines of business for the years ended December 31, 2018, 2017 & 2016

### Historical Operations – Skilled Nursing and Assisted Living (unaudited) <sup>(1)</sup>

	Year-to-Date December 31,		Calendar Year	
	2018	2017	2017	2016
<b>Number of Facilities:</b>				
Skilled nursing facilities	168	168	168	168
Assisted living facilities	54	54	54	54
	<u>222</u>	<u>222</u>	<u>222</u>	<u>222</u>
<b>Number of Beds:</b>				
Skilled nursing facilities	23,830	23,830	23,830	23,830
Assisted living facilities	3,366	3,366	3,366	3,366
	<u>27,196</u>	<u>27,196</u>	<u>27,196</u>	<u>27,196</u>
<b>Skilled Nursing:</b>				
Occupancy	84%	84%	84%	85%
<b>Revenue Allocation:</b>				
Quality Mix	58%	61%	61%	62%
Post-acute Mix	48%	51%	51%	52%
Medicaid	42%	39%	39%	38%
<b>Average Daily Census:</b>				
Medicare	3,057	3,424	3,424	3,803
Managed Care	2,573	2,618	2,618	2,603
Medicaid	11,789	11,348	11,348	10,972
Private/Other	2,232	2,296	2,296	2,346
	<u>19,650</u>	<u>19,686</u>	<u>19,686</u>	<u>19,725</u>
<b>Per Diems:</b>				
Medicare	\$538.23	\$535.72	\$535.72	\$528.31
Managed Care	446.47	439.21	439.21	432.55
Medicaid	208.13	208.84	208.84	208.37
Private/Other	248.61	253.88	253.88	250.51
<b>Revenues (in thousands):</b>				
Medicare	\$620,367	\$690,034	\$690,034	\$755,344
Managed Care	419,263	419,652	419,652	412,150
Medicaid	895,580	865,039	865,039	836,810
Private/Other	211,902	215,835	215,835	220,384
Total	<u>\$2,147,112</u>	<u>\$2,190,560</u>	<u>\$2,190,560</u>	<u>\$2,224,688</u>
<b>Assisted Living:</b>				
Occupancy	79%	82%	82%	85%
<b>Revenue Allocation:</b>				
Quality Mix	100%	100%	100%	100%
<b>Average Daily Census:</b>				
Private/Other	2,647	2,726	2,726	2,843
<b>Per Diems:</b>				
Private/Other	\$204.51	\$203.66	\$203.66	\$198.13
<b>Revenues (in thousands):</b>				
Private/Other	\$201,890	\$207,376	\$207,376	\$210,952
<b>Other Statistics</b>				
Outpatient therapy clinics	51	52	52	50
Hospice and home health offices	108	109	109	109
Hospice average daily census	10,089	9,444	9,444	8,836

(1) All periods exclude divested facilities

# FINANCIAL STATEMENTS

## PROMEDICA HEALTH SYSTEM

### Consolidating Balance Sheet

(Unaudited and \$000s omitted)

	As of December 31, 2018			As of December 31, 2017		
	Obligated Group	Other ProMedica Entities Including Eliminations	ProMedica	Obligated Group	Other ProMedica Entities Including Eliminations	ProMedica
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$64,711	\$253,014	\$317,725	\$137,916	\$156,114	\$294,030
Marketable securities	6,394	308,640	315,034	6,514	288,919	295,433
Accounts receivable, net	\$228,746	413,561	642,307	267,633	(12,161)	255,472
Assets limited as to use or restricted		12,887	12,887	-	4,335	4,335
Inventories	21,016	10,796	31,812	18,921	7,326	26,247
Other current assets	108,155	71,322	179,477	53,598	78,053	131,651
<b>TOTAL CURRENT ASSETS</b>	<b>429,022</b>	<b>1,070,220</b>	<b>1,499,242</b>	<b>484,582</b>	<b>522,586</b>	<b>1,007,168</b>
<b>ASSETS WHOSE USE IS LIMITED</b>						
Restricted funds	2,542	125,865	128,407	2,069	132,941	135,010
Bond indenture agreement funds	62,278	-	62,278	12	-	12
Internally designated for capital acquisition	585,430	48,296	633,726	1,082,772	28,377	1,111,149
Other segregated investments	40,349	272,545	312,894	31,643	288,303	319,946
<b>TOTAL ASSETS WHOSE USE IS LIMITED</b>	<b>690,599</b>	<b>446,706</b>	<b>1,137,305</b>	<b>1,116,496</b>	<b>449,621</b>	<b>1,566,117</b>
Property, plant and equipment, net	1,149,416	459,479	1,608,895	1,017,055	327,991	1,345,046
<b>OTHER ASSETS</b>						
Pension	-	-	-	-	25,326	25,326
Goodwill	18,240	1,049,751	1,067,991	18,019	52,058	70,077
Other intangible assets	1,546	271,003	272,549	1,255	53,826	55,081
Investments in affiliated companies	5,628	629,983	635,611	7,748	77,681	85,429
Other assets	582	94,734	95,316	557	62,342	62,899
<b>TOTAL OTHER ASSETS</b>	<b>25,996</b>	<b>2,045,471</b>	<b>2,071,467</b>	<b>27,579</b>	<b>271,233</b>	<b>298,812</b>
<b>TOTAL ASSETS</b>	<b>\$2,295,033</b>	<b>\$4,021,876</b>	<b>\$6,316,909</b>	<b>\$2,645,712</b>	<b>\$1,571,431</b>	<b>\$4,217,143</b>



	As of December 31, 2018			As of December 31, 2017		
	Obligated Group	Other ProMedica Entities Including Eliminations	ProMedica	Obligated Group	Other ProMedica Entities Including Eliminations	ProMedica
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable and accrued liabilities	\$92,604	\$331,826	\$424,430	\$102,072	\$105,431	\$207,503
Accrued compensation and benefits	54,359	251,917	306,276	49,790	88,834	138,624
Current installments of long-term debt	20,281	2,922	23,203	95,180	1,170	96,350
Contingent current installments of long-term debt	432,065	14,379	446,444	443,044	14,365	457,409
Estimated third-party payor settlements	27,623	6,811	34,434	28,204	319	28,523
Professional liability and workers' compensation	-	111,535	111,535	353	7,000	7,353
Accrued post-retirement health care benefits	122	-	122	163	-	163
Other	93,843	22,982	116,825	47,677	37,247	84,924
<b>TOTAL CURRENT LIABILITIES</b>	<b>720,897</b>	<b>742,372</b>	<b>1,463,269</b>	<b>766,483</b>	<b>254,366</b>	<b>1,020,849</b>
<b>OTHER LIABILITIES</b>						
Accrued professional liabilities and workers' compensation, less current portion	-	312,822	312,822	502	48,642	49,144
Deferred compensation	4,034	34,586	38,620	4,278	37,291	41,569
Pension	292	24,170	24,462	20,938	-	20,938
Accrued post-retirement health care benefits, less current portion	724	-	724	1,014	-	1,014
Other	18,840	61,558	80,398	35,911	30,262	66,173
<b>TOTAL OTHER LIABILITIES</b>	<b>23,890</b>	<b>433,136</b>	<b>457,026</b>	<b>62,643</b>	<b>116,195</b>	<b>178,838</b>
Long-term debt, net of current installments	1,873,286	28,872	1,902,158	425,532	3,480	429,012
<b>TOTAL LIABILITIES</b>	<b>2,618,073</b>	<b>1,204,380</b>	<b>3,822,453</b>	<b>1,254,658</b>	<b>374,041</b>	<b>1,628,699</b>
<b>NET ASSETS</b>						
Net assets without donor restrictions	(325,582)	2,691,631	2,366,049	1,388,985	1,064,449	2,453,434
Net assets with donor restrictions	2,542	125,865	128,407	2,069	132,941	135,010
<b>TOTAL NET ASSETS</b>	<b>(323,040)</b>	<b>2,817,496</b>	<b>2,494,456</b>	<b>1,391,054</b>	<b>1,197,390</b>	<b>2,588,444</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$2,295,033</b>	<b>\$4,021,876</b>	<b>\$6,316,909</b>	<b>\$2,645,712</b>	<b>\$1,571,431</b>	<b>\$4,217,143</b>

**PROMEDICA HEALTH SYSTEM**  
**Consolidating Statement of Operations**  
(Unaudited and \$000s omitted)

	Twelve Months Ended December 31, 2018			Twelve Months Ended December 31, 2017		
	Obligated Group	Other ProMedica Entities Including Eliminations	ProMedica	Obligated Group	Other ProMedica Entities Including Eliminations	ProMedica
<b>Unrestricted revenues, gains, and other support:</b>						
<b>Net patient service revenue less bad debts</b>	\$1,557,630	\$1,434,275	\$2,991,505	\$1,508,067	\$51,158	\$1,559,225
Premiums earned	-	1,802,508	1,802,508	-	1,515,145	1,515,145
Net assets released	9,418	4,293	13,711	9,053	2,240	11,293
Other	29,586	93,362	122,948	34,237	30,580	64,817
<b>Total revenues, gains, and other support</b>	<b>1,596,634</b>	<b>3,334,438</b>	<b>4,931,072</b>	<b>1,551,357</b>	<b>1,559,123</b>	<b>3,150,480</b>
<b>Expenses:</b>						
Salaries, wages, and employee benefits	570,679	1,381,532	1,952,211	563,630	504,392	1,068,022
Food	6,440	19,169	25,609	8,299	454	8,753
Drugs	121,553	104,796	226,349	122,244	59,727	181,971
Medical expense	-	1,317,512	1,317,512	-	1,004,059	1,004,059
Contracted fees	150,891	278,576	429,467	141,650	162,098	303,748
Supplies	173,379	67,848	241,227	177,299	20,839	198,138
Insurance	8,885	28,034	36,919	13,268	2,575	15,843
Utilities	17,612	39,949	57,561	17,113	8,903	26,016
Other	363,143	92,472	455,615	346,431	(141,027)	205,404
<b>Total expenses</b>	<b>1,412,582</b>	<b>3,329,888</b>	<b>4,742,470</b>	<b>1,389,934</b>	<b>1,622,020</b>	<b>3,011,954</b>
<b>Operating income (loss) before depreciation and amortization</b>	<b>184,052</b>	<b>4,550</b>	<b>188,602</b>	<b>161,423</b>	<b>(22,897)</b>	<b>138,526</b>
Depreciation and amortization	89,351	58,381	147,732	90,445	40,452	130,897
<b>Net income from operations</b>	<b>94,701</b>	<b>(53,831)</b>	<b>40,870</b>	<b>70,978</b>	<b>(63,349)</b>	<b>7,629</b>
<b>Other income:</b>						
Interest	(19,975)	(28,349)	(48,324)	(28,672)	(5,751)	(34,423)
Investment in subsidiaries	850	587	1,437	1,223	5,073	6,296
Change in fair value of interest rate swap	-	(1)	(1)	(121)	-	(121)
Investment income	110,705	51,236	161,941	147,628	39,848	187,476
Net unrealized gains (losses)	(126,889)	(67,066)	(193,955)	8,064	15,368	23,432
Income tax (expense)/credit	-	(8,539)	(8,539)	-	(4,502)	(4,502)
Inherent contribution of acquired assets	-	14,639	14,639	-	-	-
Loss on extinguishment of debt	(87)	-	(87)	(39,365)	-	(39,365)
Other	(3,573)	(4,190)	(7,763)	1,354	1,834	3,188
<b>Excess (deficiency) of revenues over expenses before unusual items</b>	<b>55,732</b>	<b>(95,514)</b>	<b>(39,782)</b>	<b>161,089</b>	<b>(11,479)</b>	<b>149,610</b>
<b>Unusual Items:</b>						
Debt financed acquisition costs	-	(13,423)	(13,423)	-	-	-
Restructuring and severance costs	-	(16,814)	(16,814)	-	(15,085)	(15,085)
<b>Total unusual items</b>	<b>-</b>	<b>(30,237)</b>	<b>(30,237)</b>	<b>-</b>	<b>(15,085)</b>	<b>(15,085)</b>
<b>Excess (deficiency) of revenues over expenses before discontinued operations</b>	<b>55,732</b>	<b>(125,751)</b>	<b>(70,019)</b>	<b>161,089</b>	<b>(26,564)</b>	<b>134,525</b>
Loss on discontinued operations	-	(21,935)	(21,935)	-	-	-
<b>Excess (deficiency) of revenues over expenses after discontinued operations</b>	<b>55,732</b>	<b>(147,686)</b>	<b>(91,954)</b>	<b>161,089</b>	<b>(26,564)</b>	<b>134,525</b>
<b>Contributions and other:</b>						
Net assets released from restrictions	3,784	(377)	3,407	12,122	(4,405)	7,717
Transfers (to) from affiliated entities	(1,774,030)	1,774,030	-	(212,478)	212,478	-
Other non-operating income	(53)	(33,766)	(33,819)	(885)	25,127	24,242
<b>Increase (decrease) in unrestricted net assets</b>	<b>(\$1,714,567)</b>	<b>\$1,592,201</b>	<b>(\$122,366)</b>	<b>(\$40,152)</b>	<b>\$206,636</b>	<b>\$166,484</b>

## PROMEDICA HEALTH SYSTEM

### Statement of Change in Net Assets

(Unaudited and  
\$000s omitted)

	Twelve Months Ended December 31, 2018			Twelve Months Ended December 31, 2017		
	Obligated Group	Other ProMedica Entities Including Eliminations	ProMedica	Obligated Group	Other ProMedica Entities Including Eliminations	ProMedica
<b>Net Assets without Donor Restrictions</b>						
Excess of revenues over expenses	\$55,732	(\$147,686)	(\$91,954)	\$161,089	(\$26,564)	\$134,525
Net assets released from restrictions	3,784	(377)	3,407	12,122	(4,405)	7,717
Capital Contributions from (to) non-obligated group affiliates, net	(1,774,030)	1,774,030	-	(212,478)	212,478	-
Change in accounting principle	-	534	534	-	-	-
Other	(53)	681	628	(885)	25,127	24,242
Increase (decrease) in unrestricted net assets	(1,714,567)	1,627,182	(87,385)	(40,152)	206,636	166,484
<b>Net Assets with Donor Restrictions</b>						
Contributions	4,170	10,477	14,647	3,312	28,991	32,303
Investment return	-	(6,543)	(6,543)	20	11,081	11,101
Net assets released from restriction	(3,714)	(12,559)	(16,273)	(4,215)	(14,598)	(18,813)
Change in accounting principle	-	(534)	(534)	-	-	-
Other	17	2,083	2,100	1	(1)	-
Increase (decrease) in temporarily restricted net assets	473	(7,076)	(6,603)	(882)	25,473	24,591
Increase (decrease) in net assets	(1,714,094)	1,620,106	(93,988)	(41,034)	232,109	191,075
Net asset at beginning of period	1,391,054	1,197,390	2,588,444	1,432,088	965,281	2,397,369
Net asset at end of period	(\$323,040)	\$2,817,496	\$2,494,456	\$1,391,054	\$1,197,390	\$2,588,444

**PROMEDICA HEALTH SYSTEM**  
**Unaudited Consolidated Statements of Cash Flows**  
**For the Period Ended December 31, 2018**

(\$000s omitted)

	Year-to-Date December 31, 2018	Year-to-Date December 31, 2017
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	(\$93,988)	\$191,075
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Inherent contribution	(16,736)	-
Depreciation and amortization	147,732	130,897
Loss on extinguishment of debt	87	39,365
Provision for bad debts	154,581	96,233
Loss on deconsolidation of subsidiary	-	-
Net assets released from restrictions	(3,407)	(7,717)
Change in net unrealized (gains) losses on investments	193,955	(23,432)
Realized (gains) losses on investments	(118,663)	(156,227)
Increase (decrease) in:		
Accounts receivable	(127,005)	(115,332)
Supplies and other current assets	(22,279)	(26,512)
Other assets	(32,232)	(23,600)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(77,959)	(26,864)
Estimated third-party payor settlements	(4,685)	(7,879)
Net cash provided by operating activities	(599)	70,007
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment, net of disposals	(274,300)	(335,128)
Less amounts released from restrictions	3,407	7,717
Subtotal cash outflows for property and equipment	(270,893)	(327,411)
Increase (decrease) in:		
Payment of business combination-net of cash acquired	(1,522,913)	(69,861)
Marketable securities and total assets limited as to use	454,646	344,151
Net cash provided (used) by investing activities	(1,339,160)	(53,121)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of long term debt	1,379,916	466,945
Repayment of long term debt	(16,462)	(67,544)
Extinguishment of long term debt	-	(344,930)
Net cash provided (used) by financing activities	1,363,454	54,471
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>23,695</b>	<b>71,357</b>
Cash and cash equivalents at beginning of period	294,030	222,673
Cash and cash equivalents at end of period	\$317,725	\$294,030

## PROMEDICA HEALTHCARE OBLIGATED GROUP

### Unaudited Balance Sheet

(\$000s omitted)

	As of December 31, 2018	As of December 31, 2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$64,711	\$137,916
Marketable securities	6,394	6,514
Accounts receivable, net	228,746	267,633
Inventories	21,016	18,921
Other current assets	108,155	53,598
<b>TOTAL CURRENT ASSETS</b>	<b>429,022</b>	<b>484,582</b>
<b>ASSETS WHOSE USE IS LIMITED</b>		
Restricted funds	2,542	2,069
Bond indenture agreement funds	62,278	12
Internally designated for capital acquisition	585,430	1,082,772
Other segregated investments	40,349	31,643
<b>TOTAL ASSETS WHOSE USE IS LIMITED</b>	<b>690,599</b>	<b>1,116,496</b>
	1,149,416	
Property, plant and equipment, net		1,017,055
<b>OTHER ASSETS</b>		
Goodwill	18,240	18,019
Other intangible assets	1,546	1,255
Investments in affiliated companies	5,628	7,748
Other assets	582	557
<b>TOTAL OTHER ASSETS</b>	<b>25,996</b>	<b>27,579</b>
<b>TOTAL ASSETS</b>	<b>\$2,295,033</b>	<b>\$2,645,712</b>



	As of December 31, 2018	As of December 31, 2017
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$92,604	\$102,072
Accrued compensation and benefits	54,359	49,790
Current installments of long-term debt	20,281	95,180
Contingent current installments of long-term debt	432,065	443,044
Estimated third-party payor settlements	27,623	28,204
Professional liability and workers' compensation	-	353
Accrued post-retirement health care benefits	122	163
Other	93,843	47,677
<b>TOTAL CURRENT LIABILITIES</b>	<b>720,897</b>	<b>766,483</b>
<b>OTHER LIABILITIES</b>		
Accrued professional liabilities and workers' compensation, less current portion	-	502
Deferred compensation	4,034	4,278
Pension	292	20,938
Accrued post-retirement health care benefits, less current portion	724	1,014
Other	18,840	35,911
<b>TOTAL OTHER LIABILITIES</b>	<b>23,890</b>	<b>62,643</b>
Long-term debt, net of current installments	1,873,286	425,532
<b>TOTAL LIABILITIES</b>	<b>2,618,073</b>	<b>1,254,658</b>
<b>NET ASSETS</b>		
Net assets without donor restrictions	(325,582)	1,388,985
Net assets with donor restrictions	2,542	2,069
<b>TOTAL NET ASSETS</b>	<b>(323,040)</b>	<b>1,391,054</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$2,295,033</b>	<b>\$2,645,712</b>

## PROMEDICA HEALTHCARE OBLIGATED GROUP

### Statement of Operations

(Unaudited and \$000s omitted)

	Twelve Months Ended	
	December 31, 2018	December 31, 2017
<b>Unrestricted revenues, gains, and other support:</b>		
Net patient service revenue less bad debts	\$1,557,630	\$1,508,067
Net assets released	9,418	9,053
Other	29,586	34,237
<b>Total revenues, gains, and other support</b>	<b>1,596,634</b>	<b>1,551,357</b>
<b>Expenses:</b>		
Salaries, wages, and employee benefits	570,679	563,630
Food	6,440	8,299
Drugs	121,553	122,244
Utilities	17,612	17,113
Contracted fees	150,891	141,650
Insurance	8,885	13,268
Supplies	173,379	177,299
Other	363,143	346,431
<b>Total expenses</b>	<b>1,412,582</b>	<b>1,389,934</b>
Operating income before depreciation and amortization	184,052	161,423
Depreciation and amortization	89,351	90,445
<b>Net income from operations</b>	<b>94,701</b>	<b>70,978</b>
<b>Other income:</b>		
Interest	(19,975)	(28,672)
Investment in subsidiaries	850	1,223
Change in fair value of interest rate swap	-	(121)
Investment Income	110,705	147,628
Net unrealized gains (losses)	(126,889)	8,064
Loss on extinguishment of debt	(87)	(39,365)
Other	(3,573)	1,354
<b>Excess (deficiency) of revenues over expenses</b>	<b>55,732</b>	<b>161,089</b>
<b>Contributions and other</b>		
Net assets released from restrictions	3,784	12,122
Transfers to affiliated entities	(1,774,030)	(212,478)
Other non-operating income	(53)	(885)
<b>Increase (decrease) in unrestricted net assets</b>	<b>(\$1,714,567)</b>	<b>(\$40,152)</b>

## PROMEDICA HEALTHCARE OBLIGATED GROUP

### Statement of Changes in Net Assets for the twelve months ended December 31, 2018

(Unaudited and \$000s omitted)

	Twelve Months Ended	
	December 31, 2018	December 31, 2017
<b>Net Assets without Donor Restrictions</b>		
Excess of revenues over expenses	\$55,732	\$161,089
Net assets released from restrictions	3,784	12,122
Capital contributions from (to) non-obligated group affiliates, net	(1,774,030)	(212,478)
Other	(53)	(885)
Increase (decrease) in unrestricted net assets	(1,714,567)	(40,152)
<b>Net Assets with Donor Restrictions</b>		
Contributions	4,170	3,312
Investment return	-	20
Net assets released from restriction	(3,714)	(4,215)
Other	17	1
Increase (decrease) in temporarily restricted net assets	473	(882)
Increase (decrease) in net assets	(1,714,094)	(41,034)
Net asset at beginning of period	1,391,054	1,432,088
Net asset at end of period	(\$323,040)	\$1,391,054

**PROMEDICA HEALTHCARE OBLIGATED GROUP**  
**Unaudited Consolidated Statements of Cash Flows- Obligated Group**  
**For the Period Ended December 31, 2018**  
(\$000s omitted)

	Year-to-Date December 31, 2018	Year-to-Date December 31, 2017
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	(\$1,714,094)	(\$41,034)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	89,351	90,445
Loss on extinguishment of debt	87	39,365
Provision for bad debts	112,334	81,510
Net assets released from restrictions	(3,784)	(12,122)
Change in net unrealized (gains) losses on investments	126,889	(8,064)
Realized (gains) losses on investments	(87,175)	(128,143)
Increase (decrease) in, net of acquisition:		
Accounts receivable	(73,447)	(112,690)
Supplies and other current assets	(56,652)	4,753
Other assets	1,494	203
Increase (decrease) in, net of acquisition:		
Accounts payable and accrued liabilities	2,120	13,659
Estimated third-party payor settlements	(581)	(7,957)
Net cash used by operating activities	(1,603,458)	(80,075)
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment, net of disposals	(222,388)	(239,624)
Less amounts released from restrictions	3,785	12,122
Subtotal cash outflows for property and equipment	(218,603)	(227,502)
<b>(Increase) decrease in:</b>		
Payment of business combination-net of cash acquired	-	-
Marketable securities and total assets limited as to use	387,067	336,722
Net cash provided by investing activities	168,464	109,220
<b>Cash flows from financing activities</b>		
Proceeds from issuance of long term deb	1,375,916	466,945
Repayment of long term debt	(14,127)	(67,388)
Extinguishment of long term debt	-	(344,930)
Net cash used by financing activities	1,361,789	54,627
Net increase decrease in cash and cash equivalents	(73,205)	83,772
Cash and cash equivalents at beginning of period	137,916	54,144
Cash and cash equivalents at end of period	\$64,711	\$137,916

# DEBT COVENANT CALCULATIONS

## ProMedica Health Care Obligated Group

(\$000s omitted)

<b>Debt Service Coverage Ratio</b>	
<b>December 31, 2018</b>	
Excess of revenue over expenses	\$55,732
ADJUSTED BY:	
Provision for depreciation and amortization	89,351
Interest	19,975
Transfers pursuant to contribution agreement	39,567
Loss on extinguishment of debt	87
Loss (gain) on sale of equipment	1,550
Capitalized Interest	9,907
Unrealized (gain) losses on investments	126,889
Net income available for debt service	\$343,058
Actual principal and interest	\$157,107
<b>Debt Service Coverage Ratio</b>	<b>2.18</b>
<b>Requirement</b>	<b>1.10</b>

## ProMedica Health System

(\$000s omitted)

<b>Days Cash on Hand</b>	
Cash and cash equivalents	\$317,725
Marketable securities	315,034
Internally designated for capital acquisition	633,726
Unrestricted foundation funds	174,198
Total unrestricted cash and investments	\$1,440,683
Total expenses (excluding depreciation and amortization)	\$4,742,470
<b>Days Cash on Hand</b>	<b>110.9</b>
<b>Requirement - Greater than</b>	<b>45</b>

# SUPPLEMENTAL SCHEDULE

**PROMEDICA**  
**CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES**  
**BY BUSINESS LINE**  
**Twelve Months Ending December 31, 2018**  
(in thousands of dollars)

	POST ACUTE		PROVIDERS		INSURANCE CORPORATION		OTHER		PROMEDICA HEALTH SYSTEM CONSOLIDATED	
	12 Months Ended 12/31/2018	12 Months Ended 12/31/2017	12 Months Ended 12/31/2018	12 Months Ended 12/31/2017	12 Months Ended 12/31/2018	12 Months Ended 12/31/2017	12 Months Ended 12/31/2018	12 Months Ended 12/31/2017	12 Months Ended 12/31/2018	12 Months Ended 12/31/2017
<b>REVENUE</b>										
Net Patient Service Revenue	\$1,421,257	\$135,774	\$1,862,272	\$1,713,827	\$0	\$0	(\$291,624)	(\$290,376)	\$2,991,905	\$1,559,225
Membership Revenue	0	0	0	0	1,808,140	1,520,382	(5,632)	(5,237)	\$1,802,508	\$1,515,145
Net Asset Released for use in Operations	176	844	9,606	8,322	0	0	3,929	2,127	\$13,711	\$11,293
Other Revenue	31,373	2,132	48,587	49,244	5,427	5,277	37,561	8,164	\$122,948	\$64,817
<b>TOTAL REVENUE</b>	<b>1,452,806</b>	<b>138,750</b>	<b>1,920,465</b>	<b>1,771,393</b>	<b>1,813,567</b>	<b>1,525,659</b>	<b>(255,766)</b>	<b>(285,322)</b>	<b>\$4,931,072</b>	<b>3,150,480</b>
<b>EXPENSES</b>										
Payroll & Benefits	855,686	64,053	924,423	849,734	60,423	51,318	111,679	102,917	1,952,211	1,068,022
Food	18,968	672	6,288	7,852	1	0	352	229	25,609	8,753
Drugs	85,961	48,273	140,412	133,697	0	0	(24)	1	226,349	181,971
Utilities	30,106	950	19,165	17,334	290	276	8,000	7,456	57,561	26,016
Contracted Fees	110,483	8,566	186,322	161,537	44,095	40,946	88,567	92,699	429,467	303,748
Insurance	24,119	427	15,004	20,021	8	0	(2,212)	(4,605)	36,919	15,843
General Supplies	44,695	10,580	195,016	186,437	1,117	757	399	364	241,227	198,138
Medical Expenses	0	0	0	0	1,555,418	1,245,265	(237,906)	(241,206)	1,317,512	1,004,059
Other Expenses	236,725	14,799	335,540	328,158	139,550	140,694	(256,200)	(278,247)	455,615	205,404
<b>TOTAL EXPENSES</b>	<b>1,406,743</b>	<b>148,320</b>	<b>1,822,170</b>	<b>1,704,770</b>	<b>1,800,902</b>	<b>1,479,256</b>	<b>(287,345)</b>	<b>(320,392)</b>	<b>4,742,470</b>	<b>3,011,954</b>
<b>CASH FLOW FROM OPERATIONS</b>	<b>46,063</b>	<b>(9,570)</b>	<b>98,295</b>	<b>66,623</b>	<b>12,665</b>	<b>46,403</b>	<b>31,579</b>	<b>35,070</b>	<b>188,602</b>	<b>138,526</b>
Depreciation & Amortization	11,458	2,103	94,317	93,199	5,250	1,749	36,707	33,846	147,732	130,897
<b>OPERATING INCOME (LOSS)</b>	<b>34,605</b>	<b>(11,673)</b>	<b>3,978</b>	<b>(26,576)</b>	<b>7,415</b>	<b>44,654</b>	<b>(5,128)</b>	<b>1,224</b>	<b>40,870</b>	<b>7,629</b>
<b>OTHER INCOME (LOSS)</b>										
Interest	(13,620)	(260)	(20,077)	(28,441)	(4)	(6)	(14,623)	(5,716)	(48,324)	(34,423)
Investment in Subsidiaries	2,934	26	3,409	218	0	0	(4,906)	6,052	1,437	6,296
Change in Fair Value of Interest Rate Swap	0	0	(1)	(121)	0	0	0	0	(1)	(121)
Investment Income	3,072	2,258	108,934	145,030	8,031	6,397	41,904	33,791	161,941	187,476
Net Unrealized Gains & Losses	(3,340)	253	(125,790)	7,973	(9,148)	10,586	(55,677)	4,620	(193,955)	23,432
Income Tax (Expense)/Credit	237	(4)	56	(38)	(8,832)	(4,460)	0	0	(8,539)	(4,502)
Inherent Contribution of Acquired Assets	0	0	0	0	0	0	14,639	0	14,639	0
Loss on Extinguishment of Debt	0	(610)	(87)	(38,755)	0	0	0	0	(87)	(39,365)
Other	0	4,005	(3,248)	1,068	0	0	(4,515)	(1,885)	(7,763)	3,188
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE UNUSUAL ITEMS</b>	<b>23,888</b>	<b>(6,005)</b>	<b>(32,826)</b>	<b>60,358</b>	<b>(2,538)</b>	<b>57,171</b>	<b>(28,306)</b>	<b>38,086</b>	<b>(39,782)</b>	<b>149,610</b>
Debt Financed Acquisition costs							(13,423)		(13,423)	0
Restructuring and Severance Costs	0	0	0	0	0	0	(16,814)	(15,085)	(16,814)	(15,085)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE DISCONTINUED OPERATIONS</b>	<b>23,888</b>	<b>(6,005)</b>	<b>(32,826)</b>	<b>60,358</b>	<b>(2,538)</b>	<b>57,171</b>	<b>(58,543)</b>	<b>23,001</b>	<b>(70,019)</b>	<b>134,525</b>
Loss on discontinued operations	(21,935)	0	0	0	0	0	0	0	(21,935)	0
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES AFTER DISCONTINUED OPERATIONS</b>	<b>1,953</b>	<b>(6,005)</b>	<b>(32,826)</b>	<b>60,358</b>	<b>(2,538)</b>	<b>57,171</b>	<b>(58,543)</b>	<b>23,001</b>	<b>(91,954)</b>	<b>134,525</b>
Net Assets Released From Restrictions	22	11	3,810	12,111	0	0	(425)	(4,405)	3,407	7,717
Transfers Between Entities	521,753	40,291	(1,668,526)	(151,807)	(25,174)	(20,000)	1,171,947	131,516	0	0
Other Non-Operating Income	(26)	0	(1,159)	(1,813)	0	0	(32,634)	26,055	(33,819)	24,242
Cumulative Effect of Change in Accounting Principles	0	0	0	0	0	0	0	0	0	0
<b>TOTAL NON-OPERATING INCOME (LOSS)</b>	<b>521,749</b>	<b>40,302</b>	<b>(1,665,875)</b>	<b>(141,509)</b>	<b>(25,174)</b>	<b>(20,000)</b>	<b>1,138,888</b>	<b>153,166</b>	<b>(30,412)</b>	<b>31,959</b>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>\$523,702</b>	<b>\$34,297</b>	<b>(\$1,698,701)</b>	<b>(\$81,151)</b>	<b>(\$27,712)</b>	<b>\$37,171</b>	<b>\$1,080,345</b>	<b>\$176,167</b>	<b>(\$122,366)</b>	<b>\$166,484</b>