

DARTMOUTH-HITCHCOCK OBLIGATED GROUP

QUARTERLY REPORT

For the Period Ended September 30, 2019

Unaudited

In accordance with the Master Trust Indenture and Continuing Disclosure Agreement, Dartmouth-Hitchcock Obligated Group (D-HOG) presents the financial results of Dartmouth-Hitchcock Health and Subsidiaries ("D-HH") for the quarter and year to date periods ended September 30, 2019 and 2018, and the Consolidated Balance Sheet for the year ended June 30, 2019.

D-HH is comprised of the following entities: Dartmouth-Hitchcock Health and Subsidiaries, Dartmouth-Hitchcock Clinic and Subsidiaries, Mary Hitchcock Memorial Hospital and Subsidiaries, The New London Hospital Association, Inc. and Subsidiaries, Windsor Hospital Corporation (d/b/a MT. Ascutney Hospital and Health Center) and Subsidiaries, The Cheshire Medical Center and Subsidiaries, Alice Peck Day Memorial Hospital and Subsidiary, and the Visiting Nurse and Hospice of NH and VT and Subsidiaries.

D-HOG members include: Dartmouth-Hitchcock Health, Dartmouth-Hitchcock (Mary Hitchcock Memorial Hospital and Dartmouth-Hitchcock Clinic), The New London Hospital Association, Inc., Windsor Hospital Corporation (d/b/a MT. Ascutney Hospital and Health Center), The Cheshire Medical Center, and Alice Peck Day Memorial Hospital.

Note: In July 2019, D-HH adopted Financial Accounting Standards Board ASU 2016-02, *Leases* ("ASC 842"), which requires companies to recognize assets and liabilities for most leases. D-HH elected to adopt the standard using the transition option that does not require application to prior comparative periods.

Dartmouth-Hitchcock Obligated Group
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Dartmouth-Hitchcock Health and Subsidiaries
Consolidated Balance Sheets
(000's Omitted)

	September 30, 2019 <i>Unaudited</i>	June 30, 2019 <i>Audited</i>
Assets		
Current assets		
Cash and cash equivalents	\$ 68,316	\$ 143,587
Patient accounts receivable, net	236,055	221,125
Prepaid expenses and other current assets	125,887	95,495
Total current assets	<u>430,258</u>	<u>460,207</u>
Assets limited as to use	880,730	876,249
Other investments for restricted activities	137,670	134,119
Property, plant and equipment, net	605,105	621,256
Right of use assets, net	55,707	-
Other assets	125,981	124,471
Total assets	<u>\$ 2,235,451</u>	<u>\$ 2,216,302</u>
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	\$ 10,758	\$ 10,914
Current portion of liability for other postretirement plan benefits	3,468	3,468
Accounts payable and accrued expenses	108,684	113,817
Accrued compensation and related benefits	113,009	128,408
Estimated third-party settlements	35,142	41,570
Total current liabilities	<u>271,061</u>	<u>298,177</u>
Long-term debt, excluding current portion	726,394	752,180
Long-term lease obligations	55,684	-
Insurance deposits and related liabilities	58,387	58,407
Liability for pension and other postretirement plan benefits, excluding current portion	271,719	281,009
Other liabilities	124,670	124,136
Total liabilities	<u>1,507,915</u>	<u>1,513,909</u>
Net assets		
Without donor restrictions	581,673	559,933
With donor restrictions	145,863	142,460
Total net assets	<u>727,536</u>	<u>702,393</u>
Total liabilities and net assets	<u>\$ 2,235,451</u>	<u>\$ 2,216,302</u>

Dartmouth-Hitchcock Health and Subsidiaries
Consolidated Statements of Operations and Changes
in Unrestricted Net Assets
For the Quarters Ended September 30, 2019 and 2018
(000's Omitted)

	Quarter-to-date	
	September 30, 2019	September 30, 2018
	<i>Unaudited</i>	<i>Unaudited</i>
Operating revenue and other support		
Net patient service revenue	\$ 510,216	\$ 483,662
Contracted revenue	21,543	17,552
Other operating revenue	61,183	42,861
Net assets released from restrictions	3,125	3,134
Total operating revenue and other support	<u>596,067</u>	<u>547,209</u>
Operating expenses		
Salaries	275,153	252,269
Employee benefits	69,349	59,583
Medical supplies and medications	105,983	90,227
Purchased services and other	83,384	78,256
Medicaid enhancement tax	18,957	17,330
Depreciation and amortization	22,791	22,290
Interest	6,270	6,346
Total operating expenses	<u>581,887</u>	<u>526,301</u>
Operating margin	<u>14,180</u>	<u>20,908</u>
Nonoperating gains (losses)		
Investment gains	5,598	13,395
Other, net	1,611	254
Loss on early extinguishment of debt	-	(87)
Total nonoperating gains, net	<u>7,209</u>	<u>13,562</u>
Excess of revenue over expenses	21,389	34,470
Net assets without donor restrictions		
Net assets released from restrictions	351	537
Change in funded status of pension and other postretirement benefits	-	682
Increase in net assets without donor restrictions	<u>\$ 21,740</u>	<u>\$ 35,689</u>

Dartmouth-Hitchcock Health and Subsidiaries
Consolidated Statements of Operations and Changes
in Unrestricted Net Assets
For the Three Months Ended September 30, 2019 and 2018
(000's Omitted)

	Year-to-Date	
	September 30, 2019	September 30, 2018
	<u>Unaudited</u>	<u>Unaudited</u>
Operating revenue and other support		
Net patient service revenue	510,216	483,662
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Change in funded status of pension and other postretirement benefits	-	682
Increase in net assets without donor restrictions	<u>\$ 21,740</u>	<u>\$ 35,689</u>

Dartmouth-Hitchcock Health and Subsidiaries
Consolidated Summary Statement of Unrestricted Liquidity
For the Three Months Ended September 30, 2019 and 2018 and the Year Ended June 30, 2019
(000's Omitted)

	September 30, 2019	June 30, 2019	September 30, 2018
	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
Cash and cash equivalents (1)	\$ 68,316	\$ 143,587	\$ 200,458
Assets whose use is limited by Board designation (2)	814,018	809,537	660,300
Total unrestricted cash and investments	<u>\$ 882,334</u>	<u>\$ 953,124</u>	<u>\$ 860,758</u>
Days cash on hand	<u>145</u>	<u>162</u>	<u>157</u>

(1) Reconciliation of Cash and cash equivalents to Consolidated Balance Sheet:

	September 30, 2019	June 30, 2019	September 30, 2018
Cash and cash equivalents (as presented on the Consolidated Balance Sheet)	\$ 68,316	\$ 143,587	\$ 200,458
Less: Line of credit	-	-	-
Cash and cash equivalents included in the Consolidated Statement of Unrestricted Liquidity	<u>\$ 68,316</u>	<u>\$ 143,587</u>	<u>\$ 200,458</u>

(2) Reconciliation of Assets whose use is limited to Consolidated Balance Sheet:

	September 30, 2019	June 30, 2019	September 30, 2018
Assets limited as to use (as presented on the Consolidated Balance Sheet)	\$ 880,730	\$ 876,249	\$ 729,323
Less: Held by trustee under bond indenture agreement	(630)	(630)	(1,085)
Less: Held by captive insurance company	(66,082)	(66,082)	(67,938)
Assets whose use is limited included in the Consolidated Statement of Unrestricted Liquidity	<u>\$ 814,018</u>	<u>\$ 809,537</u>	<u>\$ 660,300</u>

Dartmouth-Hitchcock Health and Subsidiaries
Consolidated Summary Annual Debt Service Coverage Ratio
For the Period Ended September 30, 2019
(000's Omitted)
Unaudited

Debt Service Coverage Ratio *(Covenant >1.10x)*

Excess of revenues over expenses	\$	21,389
Less: net unrealized gains on investments		(1,581)
Excluded from expenses:		
Depreciation and amortization		22,806
Interest expense on long-term indebtedness - operating expense		6,270
Interest expense on long-term indebtedness - non-operating revenue		945
		<hr/>
Aggregate Income Available for Debt Service	\$	<u>49,829</u>
Debt Service	\$	<u>9,902</u>
Coverage of Debt Service		<u>5.03</u>

Dartmouth-Hitchcock Health and Subsidiaries
Consolidated Utilization Statistics
For the Three Months Ended September 30, 2019 and 2018

	September 30, 2019 <i>Unaudited</i>	September 30, 2018 <i>Unaudited</i>
	<hr/>	<hr/>
Licensed Beds	650	650
Total Discharges	10,021	8,953
Total Patient Days	44,622	43,714
Occupancy (as a percentage of staffed beds)	76.7%	80.4%
Average Length of Stay (days)	4.5	4.9
Total Appointments	397,967	374,281