



Continuing Disclosure
Quarterly Filing Requirement
General Authority of Southcentral Pennsylvania
Hospital Revenue Bonds, Series of 2013
Hospital Revenue Bonds, Series of 2015
(Hanover Hospital, Inc.)

Quarter Ending December 31, 2016

Hanover Hospital, Inc
Continuing Disclosure
Quarterly Requirement - Quarter Ending 12/31/16

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UTILIZATION

The following table identifies the Hospital's selected inpatient and outpatient utilization statistics for the fiscal years ended June 30, 2014, 2015 and 2016, as well as for the three-month periods ending December 31, 2015 and December 31, 2016.

	Fiscal Year Ended June 30,			2nd Quarter Ending		Fiscal Year Ending	
	2014	2015	2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016
Patient Admissions* ^	5,242	5,701	5,822	1,496	1,351	2,930	2,722
Patient Days* ^	23,127	22,745	22,919	5,954	5,145	11,608	10,242
Average Length of Stay* ^	4.40	4.00	3.93	4.02	3.85	3.96	3.78
Observation Cases	1,869	2,004	2,110	454	692	939	1,448
Occupancy % *^	61.96%	67.01%	67.33%	69.59%	60.13%	67.84%	59.85%
Licensed Beds *^	93	93	93	93	93	93	93
Full Time Equivalents ^	980	960	995	991	1,015	976	1,011
FTE's per Adjusted Day ^	5.30	5.42	5.59	5.66	6.18	5.55	6.01
Births	577	551	591	131	146	299	315
Outpatient Visits	183,415	184,355	188,101	47,207	43,046	95,334	88,025
Cardiac: Heart Catheterizations Diagnostic	298	686	605	157	132	311	281
Cardiac: Heart Catheterizations Interventional	-	273	236	73	61	124	130
Gastroenterology Procedures	7,677	8,608	9,199	2,346	1,959	4,684	3,981
Operating Room Visits	4,543	4,663	4,748	1,205	1,085	2,459	2,213
Emergency Room Visits	28,893	29,403	29,880	7,055	7,502	14,532	15,862
Lab Tests	558,118	565,905	593,043	147,205	143,513	293,922	290,330
Radiology Exams	56,026	54,991	57,924	14,918	10,001	28,812	25,223
Physical Therapy Treatments	91,715	85,909	82,098	21,172	19,369	41,547	39,674
Medicare Case Mix Index	1.4528	1.4344	1.3877	1.4308	1.4734	1.4221	1.4361

* Excludes Nursery

^ Includes Inpatient Rehab Unit through closure date of February 21, 2014

The following table identifies the Hospital's Inpatient Rehab Unit utilization statistics for the fiscal years ended June 30, 2014, 2015 and 2016, as well as for the three-month periods ending December 31, 2015 and December 31, 2016. These statistics are also included in the above statistics.

	Fiscal Year Ended June 30,			2nd Quarter Ending		Fiscal Year Ending	
	2014	2015	2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016
Patient Admissions ^	124	-	-	-	-	-	-
Patient Days ^	1,449	-	-	-	-	-	-
Average Length of Stay ^	11.69	-	-	-	-	-	-
Occupancy % ^	41.11%	-	-	-	-	-	-
Licensed Beds ^	0	-	-	-	-	-	-
Full Time Equivalents ^	23	-	-	-	-	-	-
FTE's per Adjusted Day ^	3.73	-	-	-	-	-	-

FINANCIAL PERFORMANCE

Below is a summary statement of operations and selected balance sheet information for the Hospital for each of the fiscal years in the three-year period ended June 30, 2016. The following summaries should be read in conjunction with the Hospital's audited financial statements, related notes and supplementary information for fiscal years ended June 30, 2014, 2015 and 2016. The three-month period ending of December 31, 2015 and December 31, 2016 was derived from unaudited financial statements prepared by the management of the Hospital. The unaudited statements include all adjustments, consisting of normal recurring accruals, which management considers necessary for a fair presentation of the results of operations for that period. These unaudited statements are incomplete in that they omit statements of cash flows and all footnotes required under the accounting principles generally accepted in the United States of America.

The Hospital will be the only corporation obligated to make payments on the Bonds and the other outstanding parity debt. However, the Guarantor is providing its guaranty for the Bonds and certain other outstanding parity debt of the Hospital.

During fiscal year June 30, 2016, the Hospital accounted for approximately 85.3% of the total unrestricted revenues for Hanover Healthcare Plus, Inc. and Subsidiaries. As of the fiscal year ended June 30, 2016, the Hospital accounted for approximately 89.1% of the total assets of Hanover Healthcare Plus, Inc. and Subsidiaries. At the end of the three month period December 31, 2016, the Hospital accounted for approximately 83.4% of the total unrestricted revenues for Hanover Healthcare Plus, Inc. and Subsidiaries.

Hanover Hospital - Summary Statement of Operations

Dollars in Thousands	Fiscal Year Ended June 30,			Second Quarter Ending December 31,		Fiscal Year Ending December 31,	
	2014	2015	2016	2015	2016	2015	2016
Unrestricted Revenues							
Net patient service revenues	\$149,940	\$166,105	\$172,156	\$44,052	\$40,700	\$86,317	\$82,358
Provision for doubtful collections	(6,885)	(8,585)	(8,256)	(2,130)	(1,649)	(4,270)	(3,838)
Net patient service revenues, less provision for doubtful collections	143,055	157,520	163,900	41,922	39,051	82,047	78,520
Other operating revenues	1,464	2,722	2,784	358	542	746	965
Total Unrestricted Revenues	144,519	160,242	166,684	42,280	39,593	82,793	79,485
Expenses							
Salaries and wages	53,343	54,776	58,955	14,355	14,894	29,091	29,630
Supplies and expenses	50,138	54,863	62,064	15,242	16,625	30,141	32,574
Employee benefits	15,227	15,901	17,092	4,363	4,728	8,529	9,074
Depreciation and amortization	10,471	10,893	11,053	2,789	2,666	5,545	5,376
Interest	2,403	2,398	2,288	850	407	1,427	827
Impairment loss	0	0	0	0	0	0	0
(Gain) loss on disposal of property	33	324	251	86	72	78	211
Total Expenses	131,615	139,155	151,703	37,685	39,392	74,811	77,692
Operating Income	12,904	21,087	14,981	4,595	201	7,982	1,793
Other Income							
Investment income	4,447	569	1,816	1,691	156	(894)	1,142
Other income, net	357	427	(671)	(14)	109	22	105
Contributions	57	48	33	8	57	14	79
Total Other Income	4,861	1,044	1,178	1,685	322	(858)	1,326
Excess of Revenue over Expenses	17,765	22,131	16,159	6,280	523	7,124	3,119
Net Assets Released from Restriction for Purchase of Property	437	398	349	0	0	0	0
Transfers to Affiliates	(6,522)	(7,210)	(7,835)	(2,745)	(1,785)	(4,385)	(3,485)
(Decrease) Increase in Unrestricted Net Assets	\$11,680	\$15,319	\$8,673	\$3,535	(\$1,262)	\$2,739	(\$366)

FINANCIAL PERFORMANCE
Hanover Hospital - Summary Balance Sheets

Dollars in Thousands

	Fiscal Year Ended			Second Quarter	
	June 30,			Ending December 31,	
	2014	2015	2016	2015	2016
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 5,722	\$ 12,221	\$ 9,262	\$ 19,270	\$ 4,399
Assets whose use is limited	1,715	1,790	1,685	1,685	1,760
Patient receivables, net of allowances	15,754	16,440	14,512	14,655	14,397
Pledges receivable, short term	250	205	49	189	24
Other receivables	1,545	584	1,278	524	632
Inventories	3,135	3,343	3,576	3,501	3,755
Prepaid expenses	2,950	3,030	3,162	3,714	3,821
Malpractice claims insurance receivable	539	976	563	976	563
	<u>31,610</u>	<u>38,589</u>	<u>34,087</u>	<u>44,514</u>	<u>29,351</u>
ASSETS WHOSE USE IS LIMITED:					
By Board for future capital improvements	45,235	52,893	61,781	52,033	61,226
Under trust indenture, held by trustee	3,560	3,522	1,291	455	374
Under deferred compensation agreements	573	621	709	621	709
PROPERTY AND EQUIPMENT, net	88,701	87,261	90,366	88,226	92,438
Other assets, net	2,965	2,629	1,336	2,243	1,251
Pledges Receivable, long-term	206	37	13	6	-
Deferred Financing Costs, net	1,290	1,160	678	740	623
	<u>142,530</u>	<u>148,123</u>	<u>156,174</u>	<u>144,324</u>	<u>156,621</u>
Total Assets	<u>\$ 174,140</u>	<u>\$ 186,712</u>	<u>\$ 190,261</u>	<u>\$ 188,838</u>	<u>\$ 185,972</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable, trade	\$ 2,609	\$ 2,971	\$ 3,872	\$ 4,072	\$ 2,554
Accrued expenses	8,822	10,193	10,836	11,183	11,139
Current Maturities of:					
Hospital revenue bonds	1,715	1,790	1,685	1,685	1,760
Obligations under capital lease	1,344	1,517	1,307	1,504	1,074
Notes payable	692	765	826	1,098	951
Advances from third-party payors	521	521	521	521	521
Estimated third party settlements	230	300	325	333	519
Estimated medical malpractice claims	1,538	2,074	1,252	2,074	1,252
	<u>17,471</u>	<u>20,131</u>	<u>20,624</u>	<u>22,470</u>	<u>19,770</u>
LONG TERM DEBT					
Hospital revenue bonds, net	45,551	43,475	39,109	39,355	37,118
Obligations under capital lease	4,123	3,027	1,720	2,285	1,211
Notes Payable	6,599	4,348	2,482	4,038	1,966
Deferred Compensation	573	621	709	621	709
Other Liabilities	-	122	2,123	2,255	1,991
Total Liabilities	<u>74,317</u>	<u>71,724</u>	<u>66,767</u>	<u>71,024</u>	<u>62,765</u>
NET ASSETS					
Unrestricted	99,106	114,425	123,098	117,164	122,732
Temporarily Restricted	579	430	272	521	363
Permanently Restricted	138	133	124	129	112
Total Net Assets	<u>99,823</u>	<u>114,988</u>	<u>123,494</u>	<u>117,814</u>	<u>123,207</u>
Total Liabilities and Net Assets	<u>\$ 174,140</u>	<u>\$ 186,712</u>	<u>\$ 190,261</u>	<u>\$ 188,838</u>	<u>\$ 185,972</u>

FINANCIAL PERFORMANCE

SOURCES OF REVENUE

Payments to the Hospital are made on behalf of certain patients by third-party payors including federal, and state governments under Medicare and Medicaid programs, commercial indemnity insurance providers, and managed care providers.

The percentage distribution of the Hospital's total gross patient service revenue by source of payment for each fiscal year ended June 30, 2014, 2015 and 2016 as well as for three-months period ending December 31, 2015 and December 31, 2016 is set forth in the following table:

Percentage of Total Gross Revenue by Payor Categories

Payors, including managed care	Fiscal Year Ended June 30,			Second Quarter Ending December 31,	
	2014	2015	2016	2015	2016
Medicare	49%	50%	51%	51%	53%
Medicaid	7%	8%	9%	8%	8%
Blue Shield	17%	17%	16%	17%	14%
Blue Cross	7%	6%	7%	6%	7%
Commercial	12%	12%	11%	12%	11%
Self-Pay	3%	3%	2%	2%	2%
Other	<u>5%</u>	<u>4%</u>	<u>4%</u>	<u>4%</u>	<u>5%</u>
	100%	100%	100%	100%	100%

Reimbursement from Third Parties

The Hospital maintains contracts with all major insurers and managed care companies in the service area including Highmark Blue Shield, Capital Blue Cross, Cigna, Aetna and United Health Care, as well as the federal and state insurers, Medicare and Medicaid. Highmark is the dominant non-governmental insurer in central Pennsylvania. The major health service products offered by Highmark are Highmark Simply Blue, Advance Blue, Direct Blue, PPO Blue and Short Term Blue. Highmark's inpatient reimbursement relationships with the Hospital are diagnosis-related (DRG)-based. Outpatient reimbursement is based upon either APCs or Fee Schedules. Other managed care companies reimburse the Hospital for inpatient services primarily on either a DRG, per case or Per Diem basis, while most outpatient services are reimbursed according to negotiated fee schedules or percentage of charges.