

Subject: Continuing Disclosure Filing for MidMichigan Health  
Period Ended: Nine-month Period Ended March 31, 2017  
Filed by: Francine M. Padgett, SVP and CFO  
Dated: April 21, 2017

Enclosed please find the consolidated financial and statistical report for MidMichigan Health, which includes the MidMichigan Obligated Group for the third quarter, ended March 31, 2017.

**Third Quarter: Jan. 1, 2017 – Mar. 31, 2017 compared to Jan. 1, 2016 – Mar. 31, 2016**

*ACTIVITY:* Total admissions for the system were up 36.0% or 1,624 admissions driven by the acquisition of Alpena on April 1, 2016 and an increase in volume at the other medical centers. Total hospital outpatient visits increased by approximately 31.4%, driven by the acquisition of Alpena. Excluding Alpena, admissions increased 12.3% and outpatient visits decreased by 2.3% compared to the same period last year. In addition, physician visits increased 20.1%, and total urgent care visits increased 13.3%. Excluding Alpena, physician visits increased 10.2%.

*TOTAL OPERATING REVENUE:* Net patient service revenue increased 27.7%, or \$42.0 million, driven primarily by the addition of Alpena. Excluding Alpena, net patient service revenue increased 6.0% consistent with activity.

*EXPENSE MANAGEMENT:* Expenses increased by 26.1%; the increase resulted from an increase in salaries, benefits, supplies, purchased services, fees, and depreciation. As expected, the overall increase in expenses is primarily due to the Alpena acquisition. On a comparable basis (excluding Alpena), expenses are up 4.3% compared to the prior year due to increased activity.

*FINANCIAL RESULTS:* The operating performance increased over the prior year but remained below the budgeted performance for the quarter. The income from operations for the quarter at \$6.4 million increased compared to the prior year income of \$1.8 million. Excluding Alpena, operating income increased approximately \$4.7 million, resulting from increased revenue and controlled expenses. Revenue also includes a \$2.8 million RAC (Recovery Audit Contractors) settlement, which has now been approved. The MidMichigan Health Finance Committee approved taking the one time settlement given the prolonged delays and costs associated with appealing the 705 claims.

*NONOPERATING ITEMS:* MidMichigan Health's investment income of \$3.0 million increased slightly compared to \$2.7 million a year ago.

**Year-To-Date: March 31, 2017 compared to the Annual Financial Plan (Budget)**

*ACTIVITY:* Total admissions for the system were up 2.9% or 506 admissions driven by increases at two of the five hospitals. Total outpatient visits decreased 1.8%. Decreased visits in outpatient surgery and other outpatient visits, were partially offset by increases in observations and emergency room visits. We've seen significant increases in observations this fiscal year, and formed a rapid response team to determine the most cost-effective method of delivering care. During March some of the hospitals started to see a slight shift from observation to inpatient. Physician visits were 5.5% below budget as a result of fewer providers than budgeted. Decreases were seen in all areas except family practice. Urgent Care visits increased 2.9% compared to budget or approximately 2,200 visits.

Continuing Disclosure MidMichigan Health  
Nine-Month Period Ended March 31, 2017

**TOTAL OPERATING REVENUE:** As expected given the activity levels and RAC settlement, net patient service revenue increased from Plan. Other operating revenue decreased \$4.3 million primarily driven by the timing of expenditures that will be offset by restricted funds. As a result, total operating revenue decreased \$2.0 million from budget.

**EXPENSE MANAGEMENT:** Expenses are up by \$4.4 million. The increases resulted primarily from salaries, benefits, and purchased services, partially offset by a decrease in supplies and depreciation. The increase in salaries is primarily driven by the increased inpatient and observation volumes. The decrease in supplies is due to lower than expected pharmaceutical costs. The decrease in depreciation is due to timing of capital projects going into service. Purchased services have increased over budget for the nine-month period due to locum usage (providers) and agency (nursing and technical staff).

**FINANCIAL RESULTS:** These factors resulted in income from operations of \$18.6 million compared to the budgeted operating income of \$25.0 million. The operating margin of 3.1% remains below the budgeted margin of 4.2%. Although expense controls remain in place, given the implementation of our new electronic medical record, we will not make up the entire shortfall.

**Year-To-Date: Nine-Month Period Ended March 31, 2017 compared to March 31, 2016**

**ACTIVITY:** Total admissions for the system were up 29.7% or 4,075 admissions driven primarily by the acquisition of Alpena on April 1, 2016. Both Medicare and total case mix increased for the year, reflecting more acute patients. Total hospital outpatient visits increased by approximately 27.1%, driven by the acquisition of Alpena. Excluding Alpena, admissions increased 4.3% and outpatient visits decreased by 2.5% compared to the same period last year. In addition, physician visits increased 16.1%, and total urgent care visits decreased 3.9%. Excluding Alpena, physician visits increased 5.3%.

**TOTAL OPERATING REVENUE:** Net patient service revenue increased 25.2%, or \$116.0 million, driven primarily by the addition of Alpena. Excluding Alpena, net patient service revenue increased 3.1%.

**EXPENSE MANAGEMENT:** Expenses increased by 23.3%; the increase resulted from an increase in salaries, benefits, supplies, purchased services, fees, and depreciation. As expected, the overall increase in expenses is primarily due to the Alpena acquisition. On a comparable basis (excluding Alpena), expenses increased approximately 1.2%.

**FINANCIAL RESULTS:** The operating performance increased over the prior year but remained below the budgeted performance for the nine-month period. The income from operations for the nine-month period at \$18.6 million increased compared to the prior year income of \$6.9 million. Excluding Alpena, operating income increased approximately \$10.3 million. Although below the budgeted performance, MidMichigan Health continues to significantly improve performance on a year over year basis.

**NONOPERATING ITEMS:** MidMichigan Health's investment income of \$12.6 million increased slightly compared to \$11.1 million a year ago.

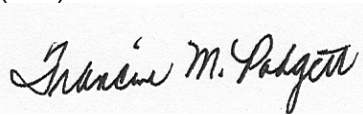
Continuing Disclosure MidMichigan Health  
Nine-Month Period Ended March 31, 2017

**Forward-Looking:**

MidMichigan Health has continued to focus on its operating margin and run rate and remains committed to achieving its budgeted operating margin of 3.6% for the year from recurring operations. The primary challenges remain reducing costs related to observations, reducing locum usage in the physician enterprise and reducing contract labor in our acute medical centers (i.e. nursing and technical staff). Additional challenges include the following:

- The opening of a medical center (freestanding emergency department, short-stay unit and ambulatory surgery center in Isabella County (February 2017));
- Going live with our One Person, One Record electronic health record (EPIC) on April 1, 2017 at four of our five hospitals (fifth scheduled for September 30, 2017) and our physician enterprise, including a single business office platform; and
- Continuing to integrate Alpena (acquired 4/1/2016) and realize the expected synergies.

If you have any questions on any of this information, please do not hesitate to contact me at (989) 839-3181.



Enclosures: Consolidated Financial and Statistical Report



## CONSOLIDATED FINANCIAL AND STATISTICAL REPORT

March 31, 2017

QUARTERLY BOND STATEMENTS

**CONSOLIDATED STATISTICAL REPORT**  
For the Period Ended March 31, 2017

Current Quarter				
Actual	Budget	% Change	Prior Year	% Change

5,563	5,099	9.1%	4,085	36.2%
123	139	-11.5%	111	10.8%
<u>447</u>	<u>552</u>	-19.0%	<u>313</u>	42.8%
<b>6,133</b>	<b>5,790</b>	<b>5.9%</b>	<b>4,509</b>	<b>36.0%</b>
19,275	17,728	8.7%	14,465	33.3%
1,522	1,660	-8.3%	1,295	17.5%
<u>3,284</u>	<u>4,152</u>	-20.9%	<u>2,153</u>	52.5%
<b>24,081</b>	<b>23,540</b>	<b>2.3%</b>	<b>17,913</b>	<b>34.4%</b>
3.5	3.5	-0.3%	3.5	-2.2%
12.4	11.9	3.6%	11.7	6.1%
<u>7.3</u>	<u>7.5</u>	-2.3%	<u>6.9</u>	6.8%
<b>3.9</b>	<b>4.1</b>	<b>-3.4%</b>	<b>4.0</b>	<b>-1.2%</b>
<b>1.86</b>	<b>1.85</b>	<b>0.7%</b>	<b>1.95</b>	<b>-4.4%</b>
<b>1.41</b>	<b>1.36</b>	<b>3.4%</b>	<b>1.37</b>	<b>2.8%</b>
<b>1.69</b>	<b>1.65</b>	<b>2.6%</b>	<b>1.74</b>	<b>-2.7%</b>
<b>1.29</b>	<b>1.17</b>	<b>9.8%</b>	<b>1.24</b>	<b>3.6%</b>

53.4%	50.8%	5.1%	50.6%	5.5%
15.2%	17.4%	-12.7%	17.6%	-13.6%
14.6%	14.9%	-1.9%	16.0%	-8.8%
16.8%	16.8%	0.2%	15.8%	6.4%

**INPATIENT - HOSPITALS**

Admissions - Acute	16,085	15,365	4.7%	12,478	28.9%
Admissions - Rehabilitation	393	413	-4.8%	321	22.4%
Admissions - Mental Health	<u>1,335</u>	<u>1,529</u>	-12.7%	<u>939</u>	42.2%
<b>Total Admissions</b>	<b>17,813</b>	<b>17,307</b>	<b>2.9%</b>	<b>13,738</b>	<b>29.7%</b>
Patient Days - Acute	55,187	53,524	3.1%	42,958	28.5%
Patient Days - Rehabilitation	4,604	4,947	-6.9%	3,852	19.5%
Patient Days - Mental Health	<u>9,414</u>	<u>11,096</u>	-15.2%	<u>6,521</u>	44.4%
<b>Total Patient Days</b>	<b>69,205</b>	<b>69,567</b>	<b>-0.5%</b>	<b>53,331</b>	<b>29.8%</b>
Length of Stay - Acute	3.4	3.5	-1.5%	3.4	-0.3%
Length of Stay - Rehabilitation	11.7	12.0	-2.2%	12.0	-2.4%
Length of Stay - Mental Health	<u>7.1</u>	<u>7.3</u>	-2.8%	<u>6.9</u>	1.5%
<b>Total Length of Stay</b>	<b>3.9</b>	<b>4.0</b>	<b>-3.3%</b>	<b>3.9</b>	<b>0.1%</b>
Midland Casemix - Medicare	1.91	1.85	3.2%	1.85	3.2%
Alpena, Gratiot, Clare, Gladwin Casemix - Medicare	1.36	1.36	-0.3%	1.34	1.4%
Midland Casemix - Total	1.71	1.65	3.8%	1.66	3.2%
Alpena, Gratiot, Clare, Gladwin Casemix - Total	1.27	1.20	5.7%	1.23	3.3%

**System Payor Mix (% Revenue)**

Medicare	53.6%	50.8%	5.5%	50.8%	5.6%
Blue Cross	16.4%	17.4%	-5.7%	17.5%	-6.1%
Medicaid	13.4%	14.9%	-9.8%	15.3%	-12.1%
Other	16.6%	16.8%	-1.4%	16.5%	0.5%

**OUTPATIENT**

Emergency Room Visits	25,127	22,895	9.7%	17,835	40.9%
Outpatient Surgery Visits	11,743	11,989	-2.1%	10,577	11.0%
Observations	1,624	1,380	17.7%	1,209	34.3%
Other Outpatient Visits	<u>144,150</u>	<u>144,230</u>	-0.1%	<u>109,327</u>	31.9%
<b>Total Hospital Outpatient Visits</b>	<b>182,644</b>	<b>180,494</b>	<b>1.2%</b>	<b>138,948</b>	<b>31.4%</b>
<b>Total Physician Visits</b>	<b>161,578</b>	<b>166,461</b>	<b>-2.9%</b>	<b>134,489</b>	<b>20.1%</b>
<b>Total Urgent Care Visits</b>	<b>29,794</b>	<b>25,136</b>	<b>18.5%</b>	<b>26,302</b>	<b>13.3%</b>
<b>Total Home Care Visits</b>	<b>23,714</b>	<b>29,270</b>	<b>-19.0%</b>	<b>20,473</b>	<b>15.8%</b>

**FTEs**

<b>Total Worked FTE's</b>	<u>4,454.0</u>	<u>4,369.3</u>	1.9%	<u>3,291.9</u>	35.3%
<b>Total Paid FTE's</b>	<u>4,838.0</u>	<u>4,917.6</u>	-1.6%	<u>3,602.9</u>	34.3%

Year-to-Date				
Actual	Budget	% Change	Prior Year	% Change

16,085	15,365	4.7%	12,478	28.9%
393	413	-4.8%	321	22.4%
<u>1,335</u>	<u>1,529</u>	-12.7%	<u>939</u>	42.2%
<b>17,813</b>	<b>17,307</b>	<b>2.9%</b>	<b>13,738</b>	<b>29.7%</b>
55,187	53,524	3.1%	42,958	28.5%
4,604	4,947	-6.9%	3,852	19.5%
<u>9,414</u>	<u>11,096</u>	-15.2%	<u>6,521</u>	44.4%
<b>69,205</b>	<b>69,567</b>	<b>-0.5%</b>	<b>53,331</b>	<b>29.8%</b>
3.4	3.5	-1.5%	3.4	-0.3%
11.7	12.0	-2.2%	12.0	-2.4%
<u>7.1</u>	<u>7.3</u>	-2.8%	<u>6.9</u>	1.5%
<b>3.9</b>	<b>4.0</b>	<b>-3.3%</b>	<b>3.9</b>	<b>0.1%</b>
1.91	1.85	3.2%	1.85	3.2%
1.36	1.36	-0.3%	1.34	1.4%
1.71	1.65	3.8%	1.66	3.2%
1.27	1.20	5.7%	1.23	3.3%

**NET INCOME - ACTUAL VS BUDGET (000s)**  
For the Period Ended March 31, 2017

Current Quarter				
Actual	Budget	% Change	Prior Year	% Change

OPERATING REVENUE:

Routine Care  
Inpatient Ancillary  
Outpatient Ancillary  
Physician Office

Total Patient Service Revenue

Provision for Contractual Adjustments  
Provision for Uncompensated Services  
Net Patient Service Revenue

Other Operating Revenue

**TOTAL OPERATING REVENUE**

OPERATING EXPENSES:

Salaries  
Benefits  
Supplies  
Purchased Services and Other  
Fees  
Depreciation & Amortization  
Interest  
Utilities  
Insurance

**TOTAL OPERATING EXPENSES**

**INCOME (LOSS) FROM OPERATIONS**

NONOPERATING ITEMS:

Nonoperating Investment Income  
Total Nonoperating Items

**EXCESS OF REVENUE OVER EXPENSES**

Unrealized Investment Return

**INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS**

Operating Margin

Year-to-Date				
Actual	Budget	% Change	Prior Year	% Change

\$127,283 \$122,627 3.8% \$99,785 27.6%  
299,637 279,562 7.2% 227,919 31.5%  
827,509 822,616 0.6% 632,733 30.8%  
140,526 150,420 -6.6% 118,929 18.2%

1,394,955 1,375,225 1.4% 1,079,366 29.2%

(791,454) (781,027) -1.3% (601,359) -31.6%

(27,914) (20,943) -33.3% (18,449) -51.3%

575,587 573,255 0.4% 459,558 25.2%

23,559 27,869 -15.5% 18,045 30.6%

**599,146 601,124 -0.3% 477,603 25.4%**

250,337 246,472 1.6% 206,890 21.0%

66,266 63,189 4.9% 53,559 23.7%

105,780 109,491 -3.4% 79,336 33.3%

59,132 56,034 5.5% 46,204 28.0%

46,868 45,675 2.6% 36,864 27.1%

34,253 36,700 -6.7% 29,382 16.6%

5,583 6,110 -8.6% 6,171 -9.5%

7,631 8,877 -14.0% 7,413 2.9%

4,676 3,559 31.4% 4,846 -3.5%

**580,526 576,107 0.8% 470,665 23.3%**

**18,620 25,017 -25.6% 6,938 168.4%**

12,614 11,338 11.3% 11,134 13.3%

12,614 11,338 11.3% 11,134 13.3%

**31,234 36,355 -14.1% 18,072 72.8%**

29,710 0 0.0% (19,764) 250.3%

**\$60,944 \$36,355 67.6% (\$1,692) -**

3.1% 4.2% 1.5%

- >1000%

Note: The total investment return is shown in the financial statements in two segments: (1) investment income which consists of the real return; earned income and realized gain (loss), unrealized gain (loss) for fair value investments, and the unrealized gain (loss) for alternative investments held in the MidMichigan Health portfolio, and (2) unrealized investment return, which consists of the unrealized gain (loss) on investments not considered to be alternative investments.

**BALANCE SHEET (000s)**

	March 31, <u>2017</u>	December 31, <u>2016</u>	June 30, <u>2016</u>		March 31, <u>2017</u>	December 31, <u>2016</u>	June 30, <u>2016</u>
<b>ASSETS</b>				<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT ASSETS:</b>				<b>CURRENT LIABILITIES:</b>			
Cash and short-term investments	\$18,951	\$31,053	\$23,465	Accounts payable & accrued expenses	\$33,288	\$35,358	\$32,310
Trading securities	10,778	11,537	11,819	Accrued salaries, wages, & benefits	32,842	39,442	43,569
Patient accounts receivable	219,553	202,575	176,164	Current portion of long-term debt	5,664	5,774	3,890
Less: Allowance for contractual adjustments	<u>(120,328)</u>	<u>(113,859)</u>	<u>(88,567)</u>	Amount due to third-party payors	13,460	14,517	21,672
	99,225	88,716	87,597	Current portion of self-insurance & other	2,477	2,377	2,623
Less: Allowance for doubtful accounts	<u>(24,015)</u>	<u>(14,240)</u>	<u>(13,732)</u>				
Net accounts receivable	75,210	74,476	73,865				
				Total current liabilities	<u>87,731</u>	<u>97,468</u>	<u>104,064</u>
Amount due from third-party payors	10,737	8,972	7,874				
Inventories	7,265	9,452	9,131				
Prepaid expenses and other	8,987	10,559	9,183				
Current portion of assets whose use is limited	<u>11,845</u>	<u>15,848</u>	<u>11,581</u>				
Total current assets	<u>143,773</u>	<u>161,897</u>	<u>146,918</u>				
				<b>DEFERRED COMPENSATION, SELF-INSURANCE AND OTHER ACCRUED LIABILITIES</b>			
<b>INVESTMENTS</b>	158,398	163,385	183,195		70,882	70,216	67,480
				<b>PENSION OBLIGATION</b>			
<b>INVESTMENTS WHOSE USE IS LIMITED BY:</b>					231,836	238,780	251,662
Board-designated investments for:				<b>LONG-TERM DEBT OBLIGATIONS</b>			
Replacement and improvement of property and equipment	446,024	425,355	410,362		<u>205,387</u>	<u>205,962</u>	<u>188,809</u>
Deferred compensation, self-insurance and other	43,048	41,092	39,282				
Donor Restricted for:				Total Liabilities	<u>595,836</u>	<u>612,426</u>	<u>612,015</u>
Specific purposes	23,942	27,163	25,711				
Permanent endowment funds	<u>14,592</u>	<u>14,469</u>	<u>14,256</u>				
Total assets whose use is limited/restricted	<u>527,606</u>	<u>508,079</u>	<u>489,611</u>				
				<b>NET ASSETS:</b>			
<b>INVESTMENT IN JOINT VENTURES</b>	8,510	9,247	10,220	Unrestricted	662,537	631,513	600,891
				Temporarily restricted by donors	23,942	27,163	25,711
<b>PROPERTY AND EQUIPMENT, NET</b>	331,590	326,764	321,572	Permanently restricted endowment funds	<u>14,592</u>	<u>14,469</u>	<u>14,256</u>
<b>RENTAL BUILDINGS, NET</b>	47,825	42,552	27,804				
				Total net assets	<u>701,071</u>	<u>673,145</u>	<u>640,858</u>
<b>GOODWILL</b>	60,440	56,215	56,215				
<b>DEFERRED CHARGES, DEBT ISSUE COSTS &amp; OTHER</b>	<u>18,765</u>	<u>17,432</u>	<u>17,338</u>				
<b>TOTAL</b>	<u>\$1,296,907</u>	<u>\$1,285,571</u>	<u>\$1,252,873</u>	<b>TOTAL</b>	<u>\$1,296,907</u>	<u>\$1,285,571</u>	<u>\$1,252,873</u>



**STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS\* (000s)**  
For the Period Ended March 31, 2017

	Current Quarter	Year-to-Date
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net unrestricted assets	\$31,024	\$61,646
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	11,181	34,253
Retirement of property, plant and equipment		
Restricted contributions and investments received	3,098	1,433
Equity earning in joint ventures, net of dividends	736	1,709
Changes in:		
Patient Accounts Receivable	(734)	(1,345)
Estimated third-party payor settlements	(2,820)	(11,074)
Prepaid expenses and other	7,760	1,798
Accounts payable and accrued expenses	(8,671)	(9,749)
Liability for self-insurance, deferred compensation and other accrued liabilities	<u>(7,375)</u>	<u>(19,297)</u>
Net cash provided by (used in) operating activities	34,199	59,374
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property and Equipment Additions	(21,399)	(65,086)
Goodwill	<u>(4,224)</u>	<u>(4,224)</u>
Net cash used in investing activities	(25,623)	(69,310)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Debt issuance	0	20,550
Payment of long-term debt	(458)	(1,530)
Proceeds from restricted contributions	(3,098)	(1,433)
Debt retirement, premiums, debt issuance costs and other **	<u>(1,440)</u>	<u>(1,301)</u>
Net cash provided by (used in) financing activities	(4,996)	16,286
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	3,580	6,350
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of period	<u>619,793</u>	<u>617,023</u>
End of period	<u>\$623,373</u>	<u>\$623,373</u>
 *Cash and short-term investments		\$18,951
Investments		158,398
Board-designated investments for:		
Replacement and improvement of property and equipment at cost		<u>446,024</u>
End of Period Cash and Cash Equivalents		<u>\$623,373</u>

\*\* Other is primarily post retirement and long term receivables



**SUPPLEMENTAL INFORMATION FOR RATIO ANALYSIS (000s)**  
For the Period Ended March 31, 2017

	Current Year	Prior Year
	<u>YTD</u>	<u>YTD</u>
<b>Total Investment Return</b>		
Interest and Dividends - net	\$3,266	\$9,583
Realized Gains	7,585	2,174
Unrealized gains (losses) from investments accounted for using the fair value option and the equity method	2,057	(802)
Unrealized investment return	<u>29,711</u>	<u>(19,764)</u>
<b>Total Investment return</b>	<b><u>\$42,619</u></b>	<b><u>(\$8,809)</u></b>
Reported as:		
Other revenue	\$295	(\$179)
Nonoperating income	12,614	11,134
Change in unrealized	<u>29,710</u>	<u>(19,764)</u>
<b>Total Investment return</b>	<b><u>\$42,619</u></b>	<b><u>(\$8,809)</u></b>

	March 31, <u>2017</u>	June 30, <u>2016</u>
<b>Unrestricted Net Assets</b>		
Beginning balance July 1	\$600,891	\$628,924
Net increase in unrestricted net assets	60,944	10,587
Net assets released from restriction for capital purchases	702	5,713
Minimum pension and other postretirement adjustments	<u>0</u>	<u>(44,333)</u>
Ending balance	<u>\$662,537</u>	<u>\$600,891</u>

	March 31, <u>2017</u>	June 30, <u>2016</u>
<b>Ratios</b>		
Cash and short-term investments	\$18,951	\$23,465
Investments	158,398	183,195
Board designated investments for:		
Replacements and improvement of property and equipment	446,024	410,362
Less: Current portion of long-term debt obligations	<u>(5,664)</u>	<u>(3,890)</u>
<b>Total Cash on Hand</b>	<b><u>\$617,708</u></b>	<b><u>\$613,133</u></b>
Operating expenses year-to-date	\$580,526	\$665,038
Less: depreciation and amortization	<u>(34,253)</u>	<u>(41,624)</u>
<b>Total Operating Expenses</b>	<b><u>\$546,273</u></b>	<b><u>\$623,415</u></b>
Number of Days in Period	<u>274</u>	<u>365</u>
<b>DAYS CASH ON HAND</b> (including Market Valuation)	<b><u>310</u></b>	<b><u>359</u></b>
Maximum Annual Debt Service	<u>\$16,333</u>	<u>\$15,535</u>
<b>CUSHION RATIO</b>	<b><u>37.8</u></b>	<b><u>39.5</u></b>
Excess of revenue over expenses	\$31,234	\$25,633
Increases:		
Depreciation and amortization	34,253	41,624
Interest	5,583	8,220
Pension settlement loss	-	6,646
Decreases:		
Change in unrealized values for investments accounted for using the equity method and fair value option, including impairment	(2,057)	(2,346)
Gain on sale of long-term care	<u>0</u>	<u>(3,498)</u>
Income available for debt service	<u>69,013</u>	<u>76,279</u>
Income available for debt service (Annualized for Current Year YTD)	<u>\$91,933</u>	<u>\$76,279</u>
<b>DEBT SERVICE COVERAGE RATIO</b>	<b><u>5.6</u></b>	<b><u>4.9</u></b>



**3rd Quarter FY 2017	<u>MidMichigan Health*</u>	<u>Prior Year</u>	<u>Change</u>	<u>Change %</u>	<u>FY 2017 Alpena</u>	<u>FY 2017 Reported</u>
<b><u>Activity:</u></b>						
Admissions	5,063	4,509	554	12.3%	1,070	6,133
Outpatient Visits	135,706	138,948	(3,242)	-2.3%	46,938	182,644
Physician Visits	148,155	134,489	13,666	10.2%	13,423	161,578
<b><u>Financial Results (000s):</u></b>						
Net Patient Service Revenue	\$161,081	\$151,971	\$9,110	6.0%	\$32,918	\$193,999
Total Operating Revenue	170,083	158,551	11,532	7.3%	34,008	204,091
Total Operating Expenses	163,565	156,773	6,792	4.3%	34,153	197,718
Operating Income	\$6,519	\$1,778	\$4,741	266.6%	(\$146)	\$6,373
<b>*Excludes Alpena</b>						