

Premier Health Partners and Affiliates

Combined Balance Sheets  
(Unaudited)

	June 30, 2017	December 31, 2016
	<i>(Dollars in Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 93,699	\$ 117,478
Net accounts receivable	280,806	289,452
Inventories	17,125	16,593
Prepaid expenses	22,551	24,221
Estimated receivable from third-parties	8,198	13,758
Other current assets	24,118	25,162
Total current assets	446,497	486,664
Assets limited as to use:		
Board-designated investments	1,147,072	1,090,715
Other investments	147,218	137,886
Total assets limited as to use	1,294,290	1,228,601
Property and equipment, net	1,055,316	1,089,537
Intangible assets, net	17,803	18,022
Other assets	141,537	113,927
Total assets	<u>\$ 2,955,443</u>	<u>\$ 2,936,751</u>

Premier Health Partners and Affiliates

Combined Balance Sheets (continued)  
(Unaudited)

	June 30, 2017	December 31, 2016
	<i>(Dollars in Thousands)</i>	
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 51,472	\$ 55,114
Accrued expenses	59,184	82,592
Reserve for medical claims	30,382	33,504
Current portion of long-term debt	31,145	32,507
Estimated payable to third-parties	2,245	3,584
Other current liabilities	48,527	40,391
Total current liabilities	222,955	247,692
Long-term debt, less current portion	913,402	916,884
Reserve for professional liability	39,835	39,516
Pension obligation	61,818	54,548
Interest rate swap liability	44,780	45,601
Other liabilities	101,435	98,310
Total liabilities	1,384,225	1,402,551
Net assets:		
Unrestricted	1,511,212	1,477,750
Temporarily restricted	28,400	26,561
Permanently restricted	31,606	29,889
Total net assets	1,571,218	1,534,200
Total liabilities and net assets	<u>\$ 2,955,443</u>	<u>\$ 2,936,751</u>

Premier Health Partners and Affiliates

Combined Statements of Operations and Changes in Net Assets  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	<i>(Dollars in Thousands)</i>			
<b>Operating revenue</b>				
Net patient service revenue	\$ 415,614	\$ 438,287	\$ 862,392	\$ 880,153
Provision for uncollectible accounts	9,182	8,847	17,779	16,634
Net patient service revenue less provision for uncollectible accounts	406,432	429,440	844,613	863,519
Net premium revenue	29,120	27,029	59,425	52,447
Other operating revenue	23,466	25,967	48,179	52,024
Joint venture profits	467	1,169	876	2,456
Total operating revenue	459,485	483,605	953,093	970,446
<b>Operating expenses</b>				
Salaries and wages	216,763	218,774	427,324	432,647
Employee benefits	41,179	49,831	85,790	102,778
Supplies	76,734	78,325	154,684	157,035
Purchased services, insurance and other	94,527	83,146	189,539	178,293
Medical claim and other related expenses	14,598	11,134	29,540	23,613
Hospital franchise tax	6,038	6,173	12,076	12,346
Depreciation and amortization	36,082	36,139	72,783	72,354
Interest	7,014	5,407	14,079	10,610
Total operating expenses	492,935	488,929	985,815	989,676
Loss from operations before asset impairment and other	(33,450)	(5,324)	(32,722)	(19,230)
Asset impairment and other	(322)	—	(391)	—
Loss from operations	(33,772)	(5,324)	(33,113)	(19,230)
Pension settlement	—	(1,671)	—	(20,671)
Non-operating gains (losses), net	26,466	7,594	68,080	(21,651)
(Deficiency) excess of revenue over expenses	\$ (7,306)	\$ 599	34,967	(61,552)
Change in plan assets and benefit obligations of pension plans			—	21,434
Net gains on temporarily restricted and permanently restricted net assets, and other			2,051	1,779
Increase (decrease) in net assets			37,018	(38,339)
Net assets at beginning of period			1,534,200	1,545,185
Net assets at end of period			\$ 1,571,218	\$ 1,506,846

Premier Health Partners and Affiliates

Combined Statements of Cash Flows  
(Unaudited)

	Six Months Ended June 30,	
	2017	2016
	<i>(Dollars in Thousands)</i>	
<b>Operating activities</b>		
Increase (decrease) in net assets	\$ 37,018	\$ (38,339)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	72,783	72,354
Provision for uncollectable accounts	17,779	16,634
Change in the valuation of swap agreements	(853)	27,942
Change in plan assets and benefit obligations of pension plans	—	(21,434)
Change in unrealized gains on assets limited as to use	(52,967)	(4,143)
Losses (gains) on disposal of assets	78	(8,529)
Net change in assets and liabilities:		
Accounts receivable	(9,133)	(5,624)
Assets limited as to use	(12,722)	(21,530)
Other assets	(24,164)	9,624
Accounts payable and other accruals	(25,375)	25,279
Estimated receivable/payable with third-parties	4,221	10,484
Pension plan liability	7,270	38,316
Other liabilities	11,503	(10,618)
Net cash provided by operating activities	25,438	90,416
<b>Investing activities</b>		
Proceeds from the sale of assets	296	15,981
Purchases of property and equipment	(42,768)	(48,055)
Net cash used in investing activities	(42,472)	(32,074)
<b>Financing activities</b>		
Interest rate swap collateral	(1,750)	(5,130)
Repayment of long-term debt and capital leases	(4,995)	(7,119)
Net cash used in financing activities	(6,745)	(12,249)
(Decrease) increase in cash and cash equivalents	(23,779)	46,093
Cash and cash equivalents at beginning of period	117,478	116,842
Cash and cash equivalents at end of period	\$ 93,699	\$ 162,935

Premier Health Obligated Group

Combined Balance Sheets  
(Unaudited)

	June 30, 2017	December 31, 2016
	<i>(Dollars in Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 44,180	\$ 63,931
Net accounts receivable	195,490	206,750
Inventories	9,114	8,745
Prepaid expenses	12,590	13,600
Estimated receivable from third-parties	6,869	11,952
Other current assets	14,468	32,497
Total current assets	282,711	337,475
Assets limited as to use:		
Board-designated investments	867,060	832,384
Other investments	52,639	51,108
Total assets limited as to use	919,699	883,492
Property and equipment, net	829,979	858,078
Intangible assets, net	12,320	12,483
Other assets	35,513	20,844
Total assets	<u>\$ 2,080,222</u>	<u>\$ 2,112,372</u>

Premier Health Obligated Group

Combined Balance Sheets (continued)  
(Unaudited)

	June 30, 2017	December 31, 2016
	<i>(Dollars in Thousands)</i>	
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 34,409	\$ 33,740
Accrued expenses	34,454	46,049
Current portion of long-term debt	30,772	32,139
Estimated payable to third-parties	1,346	2,589
Other current liabilities	28,178	50,499
Total current liabilities	129,159	165,016
Long-term debt, less current portion	895,000	898,439
Reserve for professional liability	30,764	30,854
Pension obligation	58,282	53,433
Interest rate swap liability	44,780	45,601
Other liabilities	22,039	22,374
Total liabilities	1,180,024	1,215,717
Net assets:		
Unrestricted	900,067	896,524
Temporarily restricted	131	131
Total net assets	900,198	896,655
Total liabilities and net assets	<u>\$ 2,080,222</u>	<u>\$ 2,112,372</u>

Premier Health Obligated Group

Combined Statements of Operations and Changes in Net Assets  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	<i>(Dollars in Thousands)</i>			
<b>Operating revenue</b>				
Net patient service revenue	\$ 281,370	\$ 296,975	\$ 583,683	\$ 595,832
Provision for uncollectible accounts	5,580	5,028	11,012	9,763
Net patient service revenue less provision for uncollectible accounts	275,790	291,947	572,671	586,069
Other operating revenue	14,718	16,335	29,884	32,996
Total operating revenue	290,508	308,282	602,555	619,065
<b>Operating expenses</b>				
Salaries and wages	113,497	116,639	222,657	231,976
Employee benefits	22,948	30,738	47,071	62,510
Supplies	49,241	49,224	99,696	98,997
Purchased services, insurance and other	63,464	55,161	127,652	119,403
Hospital franchise tax	4,705	4,812	9,410	9,623
Depreciation and amortization	26,835	26,761	54,189	53,494
Interest	7,006	4,348	14,064	8,470
Total operating expenses	287,696	287,683	574,739	584,473
Income from operations	2,812	20,599	27,816	34,592
Expense allocation relating to the Joint Operating Agreement	(947)	(2,024)	(7,349)	(7,321)
Non-operating gains (losses), net	21,122	3,211	54,543	(23,239)
Excess of revenue over expenses	\$ 22,987	\$ 21,786	75,010	4,032
Transfer to affiliates			(71,709)	(43,964)
Other			242	640
Increase (decrease) in net assets			3,543	(39,292)
Net assets at beginning of year			896,655	880,896
Net assets at end of year			\$ 900,198	\$ 841,604

# Premier Health Obligated Group

## Combined Statements of Cash Flows (Unaudited)

	Six Months Ended June 30,	
	2017	2016
	<i>(Dollars in Thousands)</i>	
<b>Operating activities</b>		
Increase (decrease) in net assets	\$ 3,543	\$ (39,292)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	54,189	53,494
Provision for uncollectable accounts	11,012	9,763
Change in the valuation of swap agreements	(853)	27,942
Change in unrealized gains on assets limited as to use	(38,301)	(3,202)
(Gains) losses on disposal of assets	12	(8,478)
Net change in assets and liabilities:		
Accounts receivable	248	1,802
Assets limited as to use	2,094	(20,312)
Other assets	5,751	18,106
Accounts payable and other accruals	(6,578)	12,661
Estimated payable with third-parties	3,840	6,977
Pension plan liability	4,849	14,543
Other liabilities	(22,835)	(10,129)
Net cash provided by operating activities	16,971	63,875
<b>Investing activities</b>		
Proceeds from the sale of assets	201	15,593
Purchases of property and equipment	(30,296)	(35,197)
Net cash used in investing activities	(30,095)	(19,604)
<b>Financing activities</b>		
Interest rate swap collateral	(1,750)	(5,130)
Repayment of long-term debt and capital leases	(4,877)	(3,309)
Net cash used in financing activities	(6,627)	(8,439)
(Decrease) increase in cash and cash equivalents	(19,751)	35,832
Cash and cash equivalents at beginning of period	63,931	62,522
Cash and cash equivalents at end of period	\$ 44,180	\$ 98,354

PREMIER HEALTH OBLIGATED GROUP  
CALCULATIONS OF FINANCIAL COVENANTS  
AS OF JUNE 30, 2017  
(Dollars in Thousands)

		<u>Actual Results</u>	<u>Requirements</u>
<b>DEBT SERVICE COVERAGE</b>			
	Actual 12 Months as of <u>June 30, 2017</u>		
Excess of Revenue over Expense	\$ 122,110		
Additions:			
Interest on Funded Indebtedness	26,680		
Depreciation and amortization	110,080		
Unrealized loss (gain) resulting from changes in the values of investment securities	(52,605)		
Lease terminations, voluntary retirements and other	21,400		
Loss (gain) on interest rate agreements	(30,658)		
Loss on the extinguishment of debt	315		
Loss (gain) on sale of assets other than in the ordinary course of business	23		
Income Available for Debt Service	<u>\$ 197,345</u>		
Historical Debt Service Requirements	<u>\$ 48,041</u>		
<b>HISTORICAL DEBT SERVICE COVERAGE RATIO</b>		<b>4.11 Times</b>	<b>&gt; 1.10 Times the Historical Debt Service Payment</b>
Maximum Annual Debt Service Requirements	<u>\$ 55,014</u>		
<b>MAXIMUM ANNUAL DEBT SERVICE COVERAGE RATIO</b>		<b>3.59 Times</b>	<b>&gt; 1.10 Times the Maximum Annual Debt Service Payment</b>
<b>DAYS CASH ON HAND</b>			
	As of <u>June 30, 2017</u>		
Liquid Assets			
Cash and Short-Term Investments	\$ 44,180		
Assets Whose Use is Limited			
For Capital and Non-Capital Expenditures (Excluding Professional Liability Trust, Assets held by Trustee under Bond Indenture, and Restricted Assets)	867,060		
Cash and Investments	<u>\$ 911,240</u>		
Operating Expenses (Excluding Depreciation and Amortization)	\$ 520,550		
<b>DAYS CASH ON HAND</b>		<b>317 Days</b>	<b>&gt; 90 Days</b>
<b>DEBT TO CAPITALIZATION RATIO</b>			
	As of <u>June 30, 2017</u>		
Current Portion of Long Term Debt	\$ 30,772		
Long Term Debt	895,000		
Debt	<u>\$ 925,772</u>		
Current Portion of Long Term Debt	\$ 30,772		
Long Term Debt	895,000		
Unrestricted Fund Balance	900,067		
Capital	<u>\$ 1,825,839</u>		
<b>DEBT TO CAPITALIZATION RATIO</b>		<b>50.7 %</b>	<b>&lt; 65 % of Capitalization</b>
<b>AGENCY RATINGS</b>			
Moody's Investor Service		A2	Baa1
Fitch Ratings		A+	BBB+

## Premier Health Partners and Affiliates

### Operating Data

#### UTILIZATION STATISTICS:

		Three Months Ended June 30,		Six Months Ended June 30,	
		2017	2016	2017	2016
Licensed Beds		1,971	1,982	1,971	1,982
Beds in Service		1,604	1,604	1,604	1,604
Admissions	(1)	16,939	17,340	35,205	34,662
Patient Days	(1)	68,990	71,927	145,562	146,155
Average Length of Stay (in Days)	(1)	4.07	4.15	4.18	4.26
Average Occupancy	(1) (2) (3)	56.7%	60.1%	59.6%	61.1%
Observation Days		13,736	15,802	27,484	32,095
Outpatient Encounters (excludes Emergency Visits)		156,465	171,831	322,235	339,565
Emergency Visits		61,827	63,146	126,444	124,907
Air Ambulance Patient Transports		342	381	639	643
Inpatient Surgeries		3,470	3,587	7,219	7,132
Outpatient Surgeries		7,680	8,529	15,662	17,082
Case Mix Index - Medicare		1.77	1.83	1.73	1.82
Case Mix Index - All Payors		1.53	1.56	1.53	1.55

(1) Includes Newborns & Behavioral Health

(2) Percentage of Occupancy is based on percentage of beds in service.

(3) Includes Observations.

#### NET PATIENT REVENUE PAYOR MIX:

		Three Months Ended June 30,		Six Months Ended June 30,	
		2017	2016	2017	2016
Medicare		35.5%	33.4%	34.3%	33.3%
Medicaid		12.6%	14.1%	15.3%	14.3%
Commercial/PPO		51.6%	52.4%	50.2%	52.3%
Self-Pay		0.3%	0.1%	0.2%	0.1%
Total		100.0%	100.0%	100.0%	100.0%

## Premier Health Obligated Group

### Operating Data

#### UTILIZATION STATISTICS:

		Three Months Ended June 30,		Six Months Ended June 30,	
		2017	2016	2017	2016
Licensed Beds		1,480	1,491	1,480	1,491
Beds in Service		1,301	1,301	1,301	1,301
Admissions	(1)	13,334	13,809	27,627	27,627
Patient Days	(1)	54,713	57,044	114,836	116,326
Average Length of Stay (in Days)	(1)	4.10	4.13	4.16	4.21
Average Occupancy	(1) (2) (3)	54.6%	57.8%	57.2%	58.9%
Observation Days		9,963	11,349	19,818	23,105
Outpatient Encounters (excludes Emergency Visits)		114,288	120,958	233,181	239,121
Emergency Visits		46,094	47,890	95,102	95,043
Air Ambulance Patient Transports		342	381	639	643
Inpatient Surgeries		2,721	2,813	5,681	5,555
Outpatient Surgeries		5,595	6,320	11,398	12,627

(1) Includes Newborns & Behavioral Health

(2) Percentage of Occupancy is based on percentage of beds in service.

(3) Includes Observations.