



**Dartmouth-Hitchcock**  
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Dartmouth-hitchcock.org

August 11th, 2017

Re: Dartmouth-Hitchcock Obligated Group – Report for the Quarter Ended June 30th, 2017

Dear Investor and/or Interested Party:

In accordance with Section 5.11 of the various Loan Agreements and the various Continuing Disclosure Agreements relating to the members of the Dartmouth-Hitchcock Obligated Group: Dartmouth-Hitchcock Clinic, Mary Hitchcock Memorial Hospital, Cheshire Medical Center, New London Hospital and Mt. Ascutney Hospital and Health Center this is to advise the interim financial statements including utilization statistics and payor mix information for the nine months ended June 30<sup>th</sup>, 2017, are now available to you through the DAC website.

If you have any questions or would like further detail, please do not hesitate to call Bruce Adams (603-653-1152) or me (603-650-5634).

Very truly yours,

A handwritten signature in black ink, appearing to read "Daniel P. Jantzen".

Daniel P. Jantzen  
Chief Financial Officer

DPJ/ALO  
Enclosures

cc: Tina E. Naimie

**DARTMOUTH-HITCHCOCK OBLIGATED GROUP**

**QUARTERLY REPORT FOR**

**the Quarter Ended June 30, 2017**

*Unaudited*

**Dartmouth-Hitchcock Obligated Group**  
**Quarterly Report**  
**June 30, 2017**  
*Unaudited*

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Effective July 1, 2016, Cheshire Medical Center (Cheshire), New London Hospital (NLH) and Mt. Ascutney Hospital and Health Center (MAHHC) became members of the Dartmouth-Hitchcock Obligated Group. Prior year information is for Dartmouth-Hitchcock (D-H) (Mary Hitchcock Memorial Hospital and Dartmouth-Hitchcock Clinic) only.

**Dartmouth-Hitchcock Obligated Group**  
**Consolidated Balance Sheet**  
*(000's Omitted)*

	<b>June 30, 2017</b>	<b>June 30, 2016</b>
	<b><i>Unaudited</i></b>	<b><i>Audited</i></b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 52,967	1,535
Patient accounts receivable, net	224,366	220,173
Prepaid expenses and other current assets	96,835	95,158
<b>Total current assets</b>	<b>374,168</b>	<b>316,866</b>
<b>Assets limited as to use</b>		
Internally designated by board	548,870	474,067
Held by captive insurance company	76,993	76,993
Under bond indenture agreement - held by trustee	2,008	664
<b>Total assets limited as to use</b>	<b>627,871</b>	<b>551,724</b>
<b>Other investments for temporarily and permanently restricted activities</b>	101,702	91,879
<b>Property, plant and equipment, net</b>	574,080	454,894
<b>Other assets</b>	92,264	68,752
<b>Total assets</b>	<b>\$ 1,770,085</b>	<b>1,484,115</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Current portion of long-term debt	\$ 17,604	15,638
Current portion of liability for other postretirement plan benefits	3,176	3,176
Line of credit	-	35,000
Accounts payable and accrued expenses	84,263	87,373
Accrued compensation and related benefits	110,729	86,997
Estimated third-party settlements	36,150	21,434
<b>Total current liabilities</b>	<b>251,922</b>	<b>249,618</b>
<b>Long-term debt, excluding current portion</b>	601,455	553,229
<b>Insurance deposits and related liabilities</b>	52,887	56,887
<b>Interest rate swaps</b>	20,916	24,148
<b>Liability for pension and other postretirement plan benefits, excluding current portion</b>	281,893	246,816
<b>Other liabilities</b>	71,250	54,218
<b>Total liabilities</b>	<b>1,280,323</b>	<b>1,184,916</b>
<b>Net assets</b>		
Unrestricted	386,903	217,033
Temporarily restricted	61,581	51,173
Permanently restricted	41,278	30,993
<b>Total net assets</b>	<b>489,762</b>	<b>299,199</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,770,085</b>	<b>1,484,115</b>

**Consolidated Statement of Operations and Changes  
in Unrestricted Net assets  
For the Period Ended June 30, 2017  
(000's Omitted)  
Unaudited**

	<u>Qtr-to-Date</u>	<u>Year-to-Date</u>
<b>Unrestricted revenue and other support</b>		
Net patient service revenue	\$ 440,213	1,709,478
Contracted revenue	14,246	48,710
Other operating revenue	30,392	111,447
Net assets released from restrictions	4,046	10,407
<b>Total unrestricted revenue and other support</b>	<u>488,897</u>	<u>1,880,042</u>
<b>Operating expenses</b>		
Salaries, contracted services and related employee benefits	280,978	1,135,910
Materials, supplies and other	143,049	548,211
Medicaid enhancement tax	15,438	62,461
Depreciation and amortization	20,583	82,351
Interest	4,997	19,547
<b>Total operating expenses before Restructuring costs</b>	<u>465,045</u>	<u>1,848,480</u>
<b>Operating margin before Restructuring costs</b>	23,852	31,562
<b>Restructuring costs (Note 1)</b>	-	17,657
<b>Operating margin</b>	<u>23,852</u>	<u>13,905</u>
<b>Nonoperating gains</b>	<u>14,883</u>	<u>50,331</u>
<b>Excess of revenues over expenses</b>	38,735	64,236
<b>Net assets released from restrictions for capital acquisition</b>	5,884	14,798
<b>Change in funded status of pension and other postretirement benefits</b>	-	(321)
<b>Net assets transferred from affiliate</b>	(3,293)	(16,350)
<b>Increase due to addition of new members</b>	-	99,705
<b>Unrealized (loss) gain on interest rate swaps</b>	(662)	7,802
<b>Increase in unrestricted net assets</b>	<u>\$ 40,664</u>	<u>169,870</u>

Note (1) D-H developed and began implementing a financial Performance Improvement Plan in July of 2016 in response to its negative operating margin incurred in fiscal year 2016. The Plan was designed to produce an operating margin for fiscal year 2017 that is break-even or better, before investment income. The overall goal of the Improvement Plan is to create sustainable long-term improvement in operating results. For the year ended June 30, 2017, D-H posted an operating margin of \$36,383,000, before the impact of the Restructuring Costs (see D-H operating margin before restructuring costs, page 7). The year-to-date positive operating margin was due in large part to continued growth in patient services as compared to the prior year, including surgical cases, inpatient discharges, case mix index, patient appointments and a variety of cost management initiatives.

**Dartmouth-Hitchcock Obligated Group  
Consolidated Utilization Statistics  
For the Years Ended June 30, 2017 and 2016**

	<b>June 30, 2017 <i>Unaudited</i></b>	<b>June 30, 2016 <i>Audited</i></b>
Licensed Beds, excluding all bassinets (as of this date)	625	396
Staffed Beds, including ICN bassinets (as of this date)*	566	417
Total Discharges - excludes newborn**	33,250	26,194
Total Patient Days - includes ICN**	159,483	127,416
Occupancy (as a percentage of staffed beds)	77.2%	83.7%
Average Length of Stay (days)	4.8	4.9
Surgical Cases	30,142	21,478
Emergency Room Visits	66,189	30,929
Total Appointments	1,703,811	1,334,411

\* Staffed beds includes ICN bassinets whereas licensed beds do not

\*\* Includes Acute Care, Rehab, Swing, Sub-Acute and ICF

**Sources of Revenue:**

The following table categorizes payors into five groups and their respective percentages of gross patient service revenue.

<b>Payor</b>		
Medicare	43%	40%
Blue Cross	19%	20%
Commercial Insurance	21%	19%
Medicaid	13%	15%
Other	4%	6%
	<b>100%</b>	<b>100%</b>

**Dartmouth-Hitchcock Obligated Group**  
**Consolidated Summary Statement of Unrestricted Liquidity**  
**June 30, 2017**  
**(000's Omitted)**  
*Unaudited*

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

Excess of revenues over expenses	\$	64,236
Change in unrealized effectiveness on hedge		(124)
Less: net unrealized gains on investments		(35,065)
Add: loss on advance refunding		381
Excluded from expenses:		
Depreciation and amortization		82,585
Interest expense on long-term indebtedness - operating expense		19,547
Interest expense on long-term indebtedness - non-operating revenue		3,135
		<hr/>
Aggregate Income Available for Debt Service	\$	134,695
		<hr/>
Annual Debt Service (four quarters)	\$	33,975
		<hr/>
Coverage of Annual Debt Service (x)		3.96
		<hr/>

**Days Cash on Hand** *(Covenant > 75)*

	<u>Qtr - to - Date</u>	<u>Year - to - Date</u>
Cash and cash equivalents per MTI	\$ 52,967	52,967
Less: restricted cash held in operating account	(4,086)	(4,086)
Assets whose use is limited by Board Designation	548,870	548,870
	<hr/>	<hr/>
Total Unrestricted Cash	\$ 597,751	597,751
	<hr/>	<hr/>
Days Cash on Hand	122	122
	<hr/>	<hr/>

**Dartmouth-Hitchcock Obligated Group**  
**Consolidating Balance Sheet**  
**For the Period Ended June 30, 2017**  
*(000's Omitted)*  
*Unaudited*

	D-H	Cheshire	NLH	MAHHC	ELIM	D-HOG
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 27,691	10,645	7,797	6,834	-	52,967
Patient accounts receivable, net	193,431	17,737	8,539	4,659	-	224,366
Prepaid expenses and other current assets	96,057	11,693	4,238	1,351	(16,504)	96,835
<b>Total current assets</b>	<b>317,179</b>	<b>40,075</b>	<b>20,574</b>	<b>12,844</b>	<b>(16,504)</b>	<b>374,168</b>
<b>Assets limited as to use</b>						
Internally designated by board	510,408	17,804	11,773	8,885	-	548,870
Held by captive insurance company	76,993	-	-	-	-	76,993
Under bond indenture agreement - held by trustee	708	1,300	-	-	-	2,008
	<b>588,109</b>	<b>19,104</b>	<b>11,773</b>	<b>8,885</b>	<b>-</b>	<b>627,871</b>
<b>Other investments for temporarily and permanently restricted activities</b>	<b>86,398</b>	<b>4,764</b>	<b>2,843</b>	<b>7,697</b>	<b>-</b>	<b>101,702</b>
<b>Property, plant and equipment, net</b>	<b>448,743</b>	<b>64,904</b>	<b>43,265</b>	<b>17,168</b>	<b>-</b>	<b>574,080</b>
<b>Other assets</b>	<b>92,718</b>	<b>2,816</b>	<b>5,641</b>	<b>2,609</b>	<b>(11,520)</b>	<b>92,264</b>
<b>Total assets</b>	<b>\$ 1,533,147</b>	<b>131,663</b>	<b>84,096</b>	<b>49,203</b>	<b>(28,024)</b>	<b>1,770,085</b>
<b>Liabilities and Net Assets</b>						
<b>Current liabilities</b>						
Current portion of long-term debt	\$ 16,034	753	737	80	-	17,604
Current portion of liability for other postretirement plan benefits	3,176	-	-	-	-	3,176
Line of credit	-	-	-	550	(550)	-
Accounts payable and accrued expenses	72,909	19,609	5,396	2,853	(16,504)	84,263
Accrued compensation and related benefits	99,638	5,308	2,335	3,448	-	110,729
Estimated third-party settlements	22,222	4,748	7,265	1,915	-	36,150
<b>Total current liabilities</b>	<b>213,979</b>	<b>30,418</b>	<b>15,733</b>	<b>8,846</b>	<b>(17,054)</b>	<b>251,922</b>
<b>Long-term debt, excluding current portion</b>	<b>548,167</b>	<b>26,483</b>	<b>26,666</b>	<b>11,109</b>	<b>(10,970)</b>	<b>601,455</b>
<b>Insurance deposits and related liabilities</b>	<b>52,887</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,887</b>
<b>Interest rate swaps</b>	<b>17,606</b>	<b>-</b>	<b>3,310</b>	<b>-</b>	<b>-</b>	<b>20,916</b>
<b>Liability for pension and other postretirement plan benefits, excluding current portion</b>	<b>262,137</b>	<b>12,955</b>	<b>-</b>	<b>6,801</b>	<b>-</b>	<b>281,893</b>
<b>Other liabilities</b>	<b>66,722</b>	<b>3,102</b>	<b>1,426</b>	<b>-</b>	<b>-</b>	<b>71,250</b>
<b>Total liabilities</b>	<b>1,161,498</b>	<b>72,958</b>	<b>47,135</b>	<b>26,756</b>	<b>(28,024)</b>	<b>1,280,323</b>
<b>Net assets</b>						
Unrestricted	285,251	53,941	32,464	15,247	-	386,903
Temporarily restricted	55,109	4,764	345	1,363	-	61,581
Permanently restricted	31,289	-	4,152	5,837	-	41,278
<b>Total net assets</b>	<b>371,649</b>	<b>58,705</b>	<b>36,961</b>	<b>22,447</b>	<b>-</b>	<b>489,762</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,533,147</b>	<b>131,663</b>	<b>84,096</b>	<b>49,203</b>	<b>(28,024)</b>	<b>1,770,085</b>



**Dartmouth-Hitchcock Obligated Group**  
**Consolidating Statement of Operations and Changes in Unrestricted Net Assets**  
**For the Quarter Ended June 30, 2017**  
*(000's Omitted)*  
*Unaudited*

	<b>D-H</b>	<b>Cheshire</b>	<b>NLH</b>	<b>MAHHC</b>	<b>ELIM</b>	<b>D-HOG</b>
<b>Unrestricted revenue and other support</b>						
Net patient service revenue	\$ 364,882	49,029	14,269	12,033	-	440,213
Contracted revenue	23,488	-	-	1,861	(11,103)	14,246
Other operating revenue	30,594	(59)	1,130	(997)	(276)	30,392
Net assets released from restrictions	3,287	680	67	12	-	4,046
<b>Total unrestricted revenue and other support</b>	<b>422,251</b>	<b>49,650</b>	<b>15,466</b>	<b>12,909</b>	<b>(11,379)</b>	<b>488,897</b>
<b>Operating expenses</b>						
Salaries, contracted services and related employee benefits	241,168	31,066	9,402	6,620	(7,278)	280,978
Materials, supplies and other	120,867	16,675	4,879	4,942	(4,314)	143,049
Medicaid enhancement tax	11,897	2,446	711	384	-	15,438
Depreciation and amortization	17,623	1,956	481	523	-	20,583
Interest	4,458	282	203	54	-	4,997
<b>Total operating expenses before Restructuring costs</b>	<b>396,013</b>	<b>52,425</b>	<b>15,676</b>	<b>12,523</b>	<b>(11,592)</b>	<b>465,045</b>
<b>Operating margin (loss) before Restructuring costs</b>	<b>26,238</b>	<b>(2,775)</b>	<b>(210)</b>	<b>386</b>	<b>213</b>	<b>23,852</b>
<b>Restructuring costs (Note 1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating margin (loss)</b>	<b>26,238</b>	<b>(2,775)</b>	<b>(210)</b>	<b>386</b>	<b>213</b>	<b>23,852</b>
<b>Nonoperating gains</b>	<b>12,787</b>	<b>1,079</b>	<b>663</b>	<b>567</b>	<b>(213)</b>	<b>14,883</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>39,025</b>	<b>(1,696)</b>	<b>453</b>	<b>953</b>	<b>-</b>	<b>38,735</b>
<b>Unrestricted net assets</b>						
Net assets released from restrictions for capital acquisition	6,027	-	-	(143)	-	5,884
Net assets transferred from affiliate	(3,293)	-	-	-	-	(3,293)
Unrealized loss on interest rate swaps	(614)	-	(48)	-	-	(662)
<b>Increase (decrease) in unrestricted net assets</b>	<b>\$ 41,145</b>	<b>(1,696)</b>	<b>405</b>	<b>810</b>	<b>-</b>	<b>40,664</b>

Note (1) D-H developed and began implementing a financial Performance Improvement Plan in July of 2016 in response to its negative operating margin incurred in fiscal year 2016. The Plan was designed to produce an operating margin for fiscal year 2017 that is break-even or better, before investment income. The overall goal of the Improvement Plan is to create sustainable long-term improvement in operating results. For the year ended June 30, 2017, D-H posted an operating margin of \$36,383,000, before the impact of the Restructuring Costs (see D-H operating margin before restructuring costs, page 7). The year-to-date positive operating margin was due in large part to continued growth in patient services as compared to the prior year, including surgical cases, inpatient discharges, case mix index, patient appointments and a variety of cost management initiatives.

**Dartmouth-Hitchcock Obligated Group**  
**Consolidating Statement of Operations and Changes in Unrestricted Net Assets**  
**For the Fiscal Year Ended June 30, 2017**  
*(000's Omitted)*  
*Unaudited*

	<b>D-H</b>	<b>Cheshire</b>	<b>NLH</b>	<b>MAHHC</b>	<b>ELIM</b>	<b>D-HOG</b>
<b>Unrestricted revenue and other support</b>						
Net patient service revenue	\$ 1,405,057	200,155	57,918	46,367	(19)	1,709,478
Contracted revenue	88,620	-	-	1,861	(41,771)	48,710
Other operating revenue	104,611	2,297	4,096	1,591	(1,148)	111,447
Net assets released from restrictions	9,550	680	116	61	-	10,407
<b>Total unrestricted revenue and other support</b>	<b>1,607,838</b>	<b>203,132</b>	<b>62,130</b>	<b>49,880</b>	<b>(42,938)</b>	<b>1,880,042</b>
<b>Operating expenses</b>						
Salaries, contracted services and related employee benefits	972,147	124,416	37,382	29,071	(27,106)	1,135,910
Materials, supplies and other	465,771	63,737	19,235	16,129	(16,661)	548,211
Medicaid enhancement tax	50,118	7,800	2,923	1,620	-	62,461
Depreciation and amortization	66,067	10,265	3,881	2,138	-	82,351
Interest	17,352	1,127	819	249	-	19,547
<b>Total operating expenses before Restructuring costs</b>	<b>1,571,455</b>	<b>207,345</b>	<b>64,240</b>	<b>49,207</b>	<b>(43,767)</b>	<b>1,848,480</b>
<b>Operating margin (loss) before Restructuring costs</b>	<b>36,383</b>	<b>(4,213)</b>	<b>(2,110)</b>	<b>673</b>	<b>829</b>	<b>31,562</b>
<b>Restructuring costs (Note 1)</b>	<b>17,657</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,657</b>
<b>Operating margin (loss)</b>	<b>18,726</b>	<b>(4,213)</b>	<b>(2,110)</b>	<b>673</b>	<b>829</b>	<b>13,905</b>
<b>Nonoperating gains</b>	<b>47,106</b>	<b>1,809</b>	<b>691</b>	<b>1,554</b>	<b>(829)</b>	<b>50,331</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>65,832</b>	<b>(2,404)</b>	<b>(1,419)</b>	<b>2,227</b>	<b>-</b>	<b>64,236</b>
<b>Unrestricted net assets</b>						
Net assets released from restrictions for capital acquisition	14,347	-	9	442	-	14,798
Change in funded status of pension and other postretirement benefits	-	-	-	(321)	-	(321)
Net assets transferred (from) to affiliate	(18,379)	900	143	986	-	(16,350)
Increase due to addition of new members	-	55,444	32,394	11,867	-	99,705
Unrealized gain on interest rate swaps	6,418	-	1,337	47	-	7,802
<b>Increase in unrestricted net assets</b>	<b>\$ 68,218</b>	<b>53,940</b>	<b>32,464</b>	<b>15,248</b>	<b>-</b>	<b>169,870</b>

Note (1) D-H developed and began implementing a financial Performance Improvement Plan in July of 2016 in response to its negative operating margin incurred in fiscal year 2016. The Plan was designed to produce an operating margin for fiscal year 2017 that is break-even or better, before investment income. The overall goal of the Improvement Plan is to create sustainable long-term improvement in operating results. For the year ended June 30, 2017, D-H posted an operating margin of \$36,383,000, before the impact of the Restructuring Costs (see D-H operating margin before restructuring costs, page 7). The year-to-date positive operating margin was due in large part to continued growth in patient services as compared to the prior year, including surgical cases, inpatient discharges, case mix index, patient appointments and a variety of cost management initiatives.

**Dartmouth-Hitchcock Obligated Group  
Utilization Statistics  
For the Year Ended June 30, 2017**

	<u>D-H</u>	<u>Cheshire</u>	<u>NLH</u>	<u>MAHHC</u>	<u>D-HOG</u>
Licensed Beds, excluding all bassinets (as of this date)	396	169	25	35	625
Staffed Beds, including ICN bassinets (as of this date)*	422	90	19	35	566
Total Discharges - excludes newborn**	26,599	4,545	1,088	1,018	33,250
Total Patient Days - includes ICN**	124,767	19,147	5,481	10,088	159,483
Occupancy (as a percentage of staffed beds)	81.0%	58.3%	79.0%	79.0%	77.2%
Average Length of Stay (days)	4.7	4.2	5.0	9.9	4.8
Surgical Cases	22,300	4,600	1,693	1,549	30,142
Emergency Room Visits	31,389	22,964	7,075	4,761	66,189
Total Appointments	1,139,549	441,789	72,154	50,319	1,703,811

\* Staffed beds includes ICN bassinets whereas licensed beds do not

\*\* Includes Acute Care, Rehab, Swing, Sub-Acute and ICF

**Sources of Revenue:**

The following table categorizes payors into five groups and their respective percentages of gross patient service revenue.

<u>Payor</u>					
Medicare	41%	50%	53%	55%	43%
Blue Cross	19%	11%	17%	18%	19%
Commercial Insurance	21%	25%	21%	15%	21%
Medicaid	14%	10%	6%	11%	13%
Other	5%	4%	3%	1%	4%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>