

NOTICE

FAILURE TO FILE CERTAIN REQUIRED SUPPLEMENTARY FINANCIAL INFORMATION

MOUNT NITTANY MEDICAL CENTER OBLIGATED GROUP

Obligated Persons

Mount Nittany Medical Center
Mount Nittany Medical Center Health Services, Inc. d/b/a Mount Nittany Physician Group

List of Bond Issues Affected:

- (1) Centre County Hospital Authority, Hospital Revenue Bonds, Series 2011 (Mount Nittany Medical Center Project)
- (2) Centre County Hospital Authority, Hospital Revenue Bonds, Series 2012A (Mount Nittany Medical Center Project)
- (3) Centre County Hospital Authority, Hospital Revenue Bonds, Series 2012B (Mount Nittany Medical Center Project)
- (4) Centre County Hospital Authority, Hospital Revenue Bonds, Series 2016A (Mount Nittany Medical Center Project)
- (5) Centre County Hospital Authority, Hospital Revenue Bonds, Series 2016B (Mount Nittany Medical Center Project)

Notice:

Pursuant to certain written undertakings, Mount Nittany Medical Center (the “Medical Center”) and Mount Nittany Medical Center Health Services, Inc. d/b/a Mount Nittany Physician Group (the “Physician Group” and, together with the Medical Center, the “Obligated Group Members”) were required to file certain supplementary financial information on a quarterly and annual basis. The Members of the Obligated Group hereby provide notice that (i) quarterly and annual filings over the past five-year period did not include a table presenting the Obligated Group’s payor mix, and (ii) quarterly and annual filings for the periods since June 30, 2016 did not include a table titled “Consolidated Key Financial Ratios,” though the underlying financial data from which such ratios would have been derived was provided on a timely basis.

The information described above has been attached hereto as Exhibit A (Payor Mix tables) and Exhibit B (Consolidated Key Financial Ratios).

**MOUNT NITTANY MEDICAL CENTER, as
Obligated Group Agent**

Date: February 19, 2018

EXHIBIT A – PAYOR MIX

Gross Revenue Payor Mix

<u>Gross Revenue Payor Mix</u>					
<u>9 months ended March 31,</u>					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Medicare	24.93%	24.36%	23.87%	24.63%	24.75%
Medicare Advantage	18.90%	20.33%	21.67%	21.40%	21.61%
Total Medicare	43.83%	44.70%	45.54%	46.03%	46.36%
Medicaid	6.66%	7.15%	7.72%	9.19%	9.23%
Highmark Blue Cross Blue Shield	*	*	*	*	19.39%
Capital Blue Cross	27.80%	26.12%	24.61%	24.47%	3.97%
Aetna / HealthAmerica	2.13%	2.50%	3.22%	2.27%	2.14%
Commercial	6.53%	7.27%	7.79%	7.84%	8.87%
Geisinger Health Plan	5.04%	5.19%	5.37%	4.79%	4.44%
Self-Pay	2.35%	2.08%	1.77%	1.29%	1.52%
Other	5.65%	5.00%	3.99%	4.11%	4.07%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

* Prior to Fiscal Year ending June 30, 2016, Highmark Blue Cross Blue Shield data was combined with Capital Blue Cross.

<u>Gross Revenue Payor Mix</u>					
<u>Fiscal Year ended June 30,</u>					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Medicare	25.00%	24.41%	23.99%	24.60%	24.96%
Medicare Advantage	19.23%	20.56%	21.87%	21.48%	21.75%
Total Medicare	44.22%	44.97%	45.86%	46.09%	46.71%
Medicaid	6.94%	7.16%	8.03%	9.10%	9.18%
Highmark Blue Cross Blue Shield	*	*	*	23.70%	19.12%
Capital Blue Cross	27.54%	25.86%	24.44%	0.66%	3.97%
Aetna / HealthAmerica	2.07%	2.66%	3.13%	2.15%	2.48%
Commercial	6.27%	7.33%	7.60%	7.97%	8.76%
Geisinger Health Plan	5.05%	5.24%	5.20%	4.79%	4.30%
Self-Pay	2.20%	2.01%	1.67%	1.34%	1.43%
Other	5.71%	4.78%	4.07%	4.19%	4.06%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

* Prior to Fiscal Year ending June 30, 2016, Highmark Blue Cross Blue Shield data was combined with Capital Blue Cross.

<u>Gross Revenue Payor Mix</u>					
<u>3 months ended September 30,</u>					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Medicare	25.87%	25.24%	24.97%	24.43%	24.91%
Medicare Advantage	18.58%	19.92%	21.68%	22.21%	21.92%
Total Medicare	44.45%	45.16%	46.65%	46.64%	46.83%
Medicaid	6.84%	6.60%	7.04%	8.90%	9.08%
Highmark Blue Cross Blue Shield	*	*	*	*	20.02%
Capital Blue Cross	27.36%	25.93%	24.00%	23.82%	3.87%
Aetna / HealthAmerica	2.28%	1.92%	3.26%	2.47%	1.86%
Commercial	8.04%	7.32%	7.55%	7.40%	7.81%
Geisinger Health Plan	4.82%	4.97%	5.25%	4.94%	4.48%
Self-Pay	2.88%	2.87%	2.48%	1.73%	1.93%
Other	3.33%	5.23%	3.76%	4.09%	4.13%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

* Prior to Fiscal Year ending June 30, 2016, Highmark Blue Cross Blue Shield data was combined with Capital Blue Cross.

<u>Gross Revenue Pavor Mix</u>					
<u>6 months ended December 31,</u>					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Medicare	25.16%	24.32%	24.23%	24.37%	24.65%
Medicare Advantage	18.46%	20.18%	21.39%	22.07%	21.57%
Total Medicare	43.62%	44.50%	45.62%	46.44%	46.21%
Medicaid	6.60%	6.90%	7.37%	8.92%	9.38%
Highmark Blue Cross Blue Shield	*	*	*	*	20.03%
Capital Blue Cross	28.03%	26.64%	24.75%	24.45%	3.84%
Aetna / HealthAmerica	2.25%	1.99%	3.24%	2.37%	1.86%
Commercial	6.46%	7.28%	7.75%	7.61%	8.35%
Geisinger Health Plan	4.83%	5.19%	5.28%	4.71%	4.63%
Self-Pay	2.54%	2.21%	2.09%	1.49%	1.63%
Other	5.68%	5.29%	3.90%	4.02%	4.07%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

* Prior to Fiscal Year ending June 30, 2016, Highmark Blue Cross Blue Shield data was combined with Capital Blue Cross.

Net Revenue Pavor Mix

<u>Net Revenue Pavor Mix</u>					
<u>9 months ended March 31,</u>					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Medicare	16.22%	14.44%	13.63%	15.01%	15.54%
Medicare Advantage	11.70%	12.94%	13.90%	12.94%	12.60%
Total Medicare	27.91%	27.38%	27.54%	27.96%	28.14%
Medicaid	2.92%	3.50%	3.47%	3.50%	3.29%
Highmark Blue Cross Blue Shield	*	*	*	*	31.72%
Capital Blue Cross	43.92%	41.76%	40.83%	41.65%	6.74%
Aetna / HealthAmerica	2.24%	2.91%	4.63%	3.22%	3.23%
Commercial	7.72%	9.12%	12.21%	12.31%	13.92%
Geisinger Health Plan	6.66%	7.11%	7.98%	6.89%	6.53%
Self-Pay	3.51%	3.60%	-0.37%	0.94%	2.80%
Other	5.11%	4.62%	3.71%	3.52%	3.63%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

* Prior to Fiscal Year ending June 30, 2016, Highmark Blue Cross Blue Shield data was combined with Capital Blue Cross.

<u>Net Revenue Pavor Mix</u>					
<u>Fiscal Year ended June 30,</u>					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Medicare	16.61%	15.70%	15.17%	15.00%	16.08%
Medicare Advantage	12.23%	12.96%	13.83%	12.79%	12.58%
Total Medicare	28.84%	28.66%	29.00%	27.79%	28.66%
Medicaid	3.10%	3.47%	3.40%	3.39%	3.33%
Highmark Blue Cross Blue Shield	*	*	*	39.51%	31.03%
Capital Blue Cross	43.55%	40.61%	38.39%	1.04%	6.67%
Aetna / HealthAmerica	2.22%	3.70%	4.22%	3.00%	3.84%
Commercial	7.49%	9.46%	11.04%	12.29%	13.75%
Geisinger Health Plan	6.72%	6.52%	7.17%	6.82%	6.36%
Self-Pay	3.11%	3.30%	3.06%	2.57%	2.74%
Other	4.97%	4.28%	3.73%	3.58%	3.62%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

* Prior to Fiscal Year ending June 30, 2016, Highmark Blue Cross Blue Shield data was combined with Capital Blue Cross.

<u>Net Revenue Payor Mix</u>					
<u>3 months ended September 30,</u>					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Medicare	15.40%	14.65%	14.85%	15.27%	15.16%
Medicare Advantage	10.82%	12.80%	12.33%	13.94%	12.94%
Total Medicare	26.22%	27.45%	27.18%	29.22%	28.09%
Medicaid	3.45%	3.36%	3.14%	3.60%	3.40%
Highmark Blue Cross Blue Shield	*	*	*	*	33.34%
Capital Blue Cross	43.35%	42.33%	36.38%	39.58%	6.65%
Aetna / HealthAmerica	2.51%	2.21%	4.25%	3.70%	2.68%
Commercial	8.21%	7.09%	11.01%	11.90%	12.30%
Geisinger Health Plan	6.42%	6.89%	7.20%	7.26%	6.66%
Self-Pay	5.76%	5.96%	4.63%	1.19%	2.98%
Other	4.07%	4.70%	6.22%	3.57%	3.89%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

* Prior to Fiscal Year ending June 30, 2016, Highmark Blue Cross Blue Shield data was combined with Capital Blue Cross.

<u>Net Revenue Payor Mix</u>					
<u>6 months ended December 31,</u>					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Medicare	16.48%	14.33%	12.79%	14.80%	15.27%
Medicare Advantage	11.20%	12.92%	13.01%	13.50%	12.55%
Total Medicare	27.67%	27.25%	25.79%	28.31%	27.82%
Medicaid	2.99%	3.33%	3.37%	3.42%	3.43%
Highmark Blue Cross Blue Shield	*	*	*	*	32.95%
Capital Blue Cross	44.31%	42.65%	39.49%	41.90%	6.54%
Aetna / HealthAmerica	2.40%	2.22%	4.39%	3.38%	2.63%
Commercial	7.00%	8.57%	11.80%	11.85%	13.09%
Geisinger Health Plan	6.38%	7.05%	7.52%	6.69%	6.80%
Self-Pay	4.07%	4.12%	4.08%	1.05%	3.12%
Other	5.18%	4.81%	3.56%	3.41%	3.62%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

* Prior to Fiscal Year ending June 30, 2016, Highmark Blue Cross Blue Shield data was combined with Capital Blue Cross.

Note – Small deviations between the Payor Mix information presented herein and the information presented in the Official Statement dated April 6, 2016, may exist due to, among other things, (i) the treatment of the revenues attributable to Mount Nittany Surgical Center, Inc., a controlled affiliate of Mount Nittany Medical Center that was merged into Mount Nittany Medical Center effective January 1, 2015, (ii) the treatment of claims payable through workers' compensation insurance, and (iii) differences between unaudited data and final, audited results.

EXHIBIT B – CONSOLIDATED KEY FINANCIAL RATIOS

	Fiscal Year Ended June 30,		3 Months Ended Sept. 30,		6 Months Ended Dec. 31,		9 Months Ended Mar. 31,	
	2016	2017	2016	2017	2016	2017	2016	2017
Operating Revenue	\$411,503	\$428,994	\$101,613	\$108,031	\$210,363	\$218,798	\$305,243	\$321,133
Operating Income	\$42,622	\$37,994	\$6,970	\$10,049	\$17,403	\$21,366	\$29,127	\$29,944
Operating Margin	10.36%	8.86%	6.86%	9.30%	8.27%	9.77%	9.54%	9.32%
Revenue in Excess of Expenses	\$32,979	\$60,584	\$15,100	\$17,588	\$23,416	\$35,470	\$30,273	\$44,920
Loss on Refinancing	\$17,385	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Depreciation, Amortization & Interest	\$29,369	\$29,879	\$7,158	\$7,784	\$14,428	\$15,623	\$21,117	\$21,959
EBIDA	\$79,733	\$90,463	\$22,258	\$25,372	\$37,844	\$51,093	\$51,390	\$66,879
EBIDA Margin	19.4%	21.1%	21.9%	23.5%	18.0%	23.4%	16.8%	20.8%
Operating EBIDA	\$71,991	\$67,873	\$14,128	\$17,833	\$31,831	\$36,989	\$50,244	\$51,903
EBIDA Operating Margin	17.5%	15.8%	13.9%	16.5%	15.1%	16.9%	16.5%	16.2%

Operating Income = Total operating revenue – total operating expense

Operating Margin = (Operating income/total operating revenue) x 100

EBIDA = Revenues in Excess of Expense and Loss on Refinancing + depreciation and amortization expenses + interest expense

EBIDA Margin= (EBIDA/total revenue) x 100

Operating EBIDA= Operating income + depreciation and amortization + interest expense

EBIDA Operating Margin= (Operating income + depreciation and amortization + interest expense)/total operating revenue x 100