

CONTINUING DISCLOSURE REPORT

Meritus Medical Center Obligated Group For the Three Months Ended September 30, 2022

Name, Address, and Telephone Number of Obligated Person:

Meritus Medical Center Obligated Group
c/o Meritus Medical Center
11116 Medical Campus Road
Hagerstown, MD 21742
301-790-9351
Contact person: Joshua Repac, CFO

Bonds to Which Report Relates:

\$257,300,000
Maryland Health and Higher Education Facility Authorities
Series 2015

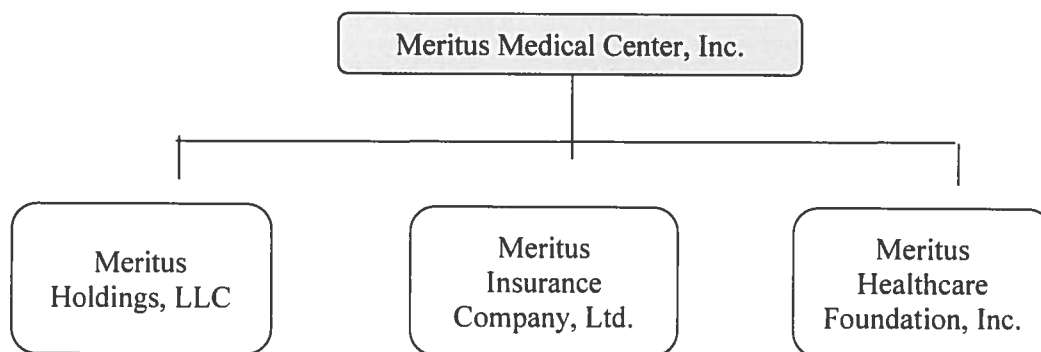
<u>MATURITY</u>	<u>CUSIP NO.</u>
2016	574218XD0
2017	574218XE8
2018	574218XF5
2019	574218XG3
2020	574218XH1
2021	574218XJ7
2022	574218XK4
2023	574218XL2
2024	574218XM0
2025	574218XN8
2026	574218XP3
2027	574218XQ1
2028	574218XR9
2029	574218XS7
2030	574218XT5
2031	574218XU2
2032	574218XV0
2033	574218XW8
2034	574218XX6
2035	574218XY4
2040	574218XZ1
2045	574218YA5

Period to which Report Relates:

Three Months Ended September 30, 2022.

Corporate Structure / The Obligated Group

Meritus Medical Center, Inc. (“MMC”) (formerly known as Washington County Hospital Association), owns and operates a healthcare delivery system through a series of subsidiaries shown in the chart below and described further below. MMC is the sole member and parent corporation of three direct wholly-owned subsidiaries, Meritus Holdings, LLC (“Holdings”), Meritus Insurance Company, Ltd. (“MICL”), and Meritus Healthcare Foundation, Inc. (“Foundation”). In addition, MMC owns a partial interest in several joint ventures. The only Obligated Group Member as of the date of issuance (July 9, 2015) of the Series 2015 Bonds is MMC, as indicated by the shaded box below, but its interests in the wholly-owned subsidiaries are not assets of the Obligated Group.



The Obligated Group consists of the organizations listed on **Exhibit A-1** attached hereto. As such, this Continuing Disclosure Report (this “Report”) is provided on behalf of the Meritus Medical Center Obligated Group (the “Obligated Group”) by Meritus Medical Center (“MMC”), as Obligated Group Agent. MMC organizations excluded from the Obligated Group are listed on **Exhibit A-2**. The organizations that are directly or indirectly controlled by MMC (including those within the Obligated Group) are referred to as “Controlled Organizations,” and MMC and all of its Controlled Organizations are referred to collectively as the “Consolidated Group.” *Organizations that are not members of the Obligated Group have no obligation with respect to the Bonds or under the Master Indenture, and none of the assets or revenues of such organizations are available to make payments of principal or interest on the Bonds or the Notes.*

This Report is being filed with approved Nationally Recognized Municipal Securities Information Repositories (“Repositories”) pursuant to Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (the “Rule”) and is pursuant to the Continuing Disclosure Agreement pertaining to certain Bonds which were issued concurrently with the formation of the Obligated Group.

THIS REPORT IS INTENDED SOLELY TO PROVIDE CERTAIN LIMITED FINANCIAL AND OPERATING DATA IN ACCORDANCE WITH UNDERTAKINGS OF MMC AND THE OBLIGATED GROUP UNDER THE RULE (THE “UNDERTAKING”) AND DOES NOT CONSTITUTE A REISSUANCE OF ANY OFFICIAL STATEMENT RELATING TO THE BONDS OR A SUPPLEMENT OR AMENDMENT TO ANY SUCH OFFICIAL STATEMENT.

THIS REPORT CONTAINS CERTAIN UNAUDITED FINANCIAL, OPERATING, AND OTHER DATA. MMC AND THE OBLIGATED GROUP HAVE UNDERTAKEN NO RESPONSIBILITY TO UPDATE THIS REPORT SINCE THAT DATE AND DISCLAIM ANY OBLIGATION TO UPDATE THIS REPORT OR TO FILE ANY REPORTS OR OTHER INFORMATION WITH THE REPOSITORIES OR ANY OTHER PERSON EXCEPT AS SPECIFICALLY REQUIRED BY THE UNDERTAKING.

This report may contain certain “forward-looking statements,” which involve known and unknown risks and uncertainties inherent in the operation of healthcare facilities. All statements other than statements of historical information provided herein may be forward-looking statements. Without limiting the foregoing, the words “believes,” “estimates,” “anticipates,” “plans,” “intends,” “scheduled,” “expects” and similar expressions are intended to identify forward-looking statements. Factors that could cause actual results to differ materially from those reflected in the forward-looking statements include, but are not limited to, competition from other healthcare facilities, federal and state regulation of healthcare providers, and reimbursement policies of state and federal governments and managed care organizations. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management’s analysis, judgment, belief or expectation only as of the date hereof. Meritus Medical Center, Inc. as sole member of the obligated group, undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof.

Corporate Changes

MSOM, Inc. (“Meritus School of Osteopathic Medicine”) was established to operate a proposed school of osteopathic medicine. Medical school enrollment trends indicate an ample supply of qualified applicants to support the proposed class size of 180 students. Construction of the school will begin in the fall of 2022 and the first class is planned to begin August 2025. The Meritus Board of Directors has approved financial commitments totaling \$160M, including a reserve obligation of \$50M. Meritus will fund the project through current cash and investment holdings.

COVID-19 Federal Emergency Management Agency & HRSA Provider Relief Fund

Meritus filed two claims to the Federal Emergency Management Agency (FEMA) for additional expenses incurred but not covered by governmental relief funding related to the pandemic. Meritus received a letter of final determination from FEMA in the amount of \$3.8M on March 17, 2022, which Meritus recognized the entire amount in other revenue for the year ended June 30, 2022. Funds were received in July 2022. On August 9, 2022, Meritus received another letter of final determination from FEMA in the amount of \$10.4M, which was recognized in other revenue.

Meritus received \$5.5M in PHSSEF Phase 3 payments from the HRSA Provider Relief Fund in August 2022, the funds were recognized in other revenue as of September 30, 2022.

Taxable Bond

On March 9, 2022, Meritus Medical Center, Inc. (“MMC”) issued a taxable bond in the amount of \$60.35M to (i) finance certain past and future capital expenditures, and (ii) pay for the cost of issuance. Maryland Health and Higher Educational Facilities Authority (“MHHEFA”) and MMC amended the Master Loan Agreement dated as of July 1, 2015 to recognize the 2022 Note as a parity debt by executing the First Supplemental Master Loan Agreement dated as of March 1, 2022. The bond is in the form of 2022 Note made by Bank of America, N.A. (“BOFA”) with various annual principal repayments from July 1, 2023 through 2037, and bears a fixed interest at 2.59% due monthly. The loan has a feature to be converted from taxable to tax exempt status through MHHEFA with a locked-in tax exempt rate of 2.13% to be initiated at the sole discretion of MMC on or before December 31, 2022, or any later date during the term of the loan as approved by MMC, MHHEFA and BOFA.

SUMMARY UNAUDITED FINANCIAL INFORMATION

Summary Unaudited Statement of Operations and Unaudited Balance Sheet of the Obligated Group

Attached hereto as **Exhibit B**, is a Summary Unaudited Statement of Operations of the Obligated Group for the three months ended September 30, 2022 and 2021, which were derived by management from unaudited financial statements. In addition, attached hereto as **Exhibit C**, is an Unaudited Balance Sheet of the Obligated Group as of September 30, 2022, which were derived by management from unaudited financial statements, and June 30, 2022, which were derived by management from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which MMC considers necessary for a fair presentation of the results of operations for these periods. The Summary Unaudited Statement of Operations and Unaudited Balance Sheets should be read in conjunction with the Consolidated Financial Statements of the Consolidated Group for the three months ended September 30, 2022.

Management's Discussion of Recent Financial Performance of Obligated Group
(\$ in thousands)

The Obligated Group had an operating income of \$16,499 (representing 14.8% of total revenue) for the fiscal year ended June 30, 2022, as compared to an operating income of \$3,294 (representing 3.6% of total revenue) for the same period in 2021.

(\$ in thousands)	Three Months Ended September 30,	
	2022	2021
Unrestricted revenue, gains and other support		
Net patient service revenue	91,273	90,021
Other revenue	19,844	1,531
Net assets released from restrictions for operations	17	382
Total	111,134	91,934
Expenses		
Salaries and wages	44,131	39,232
Employee benefits	7,962	9,539
Professional fees	6,014	4,690
Supplies and other expenses	27,018	26,444
Interest expense	3,013	2,668
Depreciation and amortization	6,497	6,067
Total	94,635	88,640
Operating income	16,499	3,294
Non-operating gains, net		
Equity earnings in affiliates	0	1,966
Investment returns, net	(11,915)	1,515
Other, net	(668)	740
Income tax (expense)	(12)	(8)
Total	(12,595)	4,213
Excess of revenue over expenses	3,904	7,507

Net patient service revenue of the Obligated Group for the three months ended September 30, 2022 has increased 1.4% over net patient service revenue for the same period in 2021. MMC total regulated rate increase was approximately 1.23% effective July 1, 2022 (excluding \$4.2 million undercharge carryover in FY22 and \$3.5 million undercharge carryover in FY23).

The total revenue of the Obligated Group for the three months ended September 30, 2022, was \$111,134, an increase of 20.9% over the same period in 2021. Other revenue for the three months ended September 30, 2022, has increased \$18,313 over the same period. Other revenue included FEMA funding of \$10,498 and Provider Relief Funding of \$5,492.

Total expenses for the three months ended September 30, 2022, were \$94,635, which increased by \$5,995 (6.8%) as compared to same period in 2021.

Salaries and wages are 48.4% of net patient service revenue as compared to 43.6% for the same period in 2021. Total salaries and wages expenses increased \$4,899 or (12.5%) for the three months ended September 30, 2022, compared to the same period in 2021. Contract labor increased \$2,342 over the same period in 2021.

Employee Benefits for the three months decreased \$1,577 or (16.5%) as compared to the same period in 2021 due to lower health insurance expense from prior period.

Professional fees for the three months ended September 30, 2022, increased \$1,324 or 28.2%, as compared to the same period in 2021.

Supplies and Other expenses for the three months ended September 30, 2022, increased by \$574 or 2.2%, compared to the same period in 2021 and were 29.6% and 29.4% of net patient service for the three months ended September 30, 2022, and 2021.

The net non-operating loss was (\$12,595) for the three months ended September 30, 2022, as compared to a net gain of \$4,213 for the same period in 2021. This is primarily attributable to volatile and underperforming capital market. Equity earnings in affiliates decreased by (\$1,966) in the three months ended September 30, 2022, as compared to the same period in 2021.

Non-Operating Gains, Net – Obligated Group		
(\$ in thousands)	Three Months Ended September 30,	
	2022	2021
Equity earnings in Affiliates	0	1,966
Investment income	846	691
Realized gains	129	1,015
Unrealized (losses) gains, net	(12,890)	(191)
Other, net	(668)	740
Income tax (expenses)	(12)	(8)
Total	(12,595)	4,213

In summary, excess of revenue over expenses was \$3,904 for the three months ended September 30, 2022, compared to the excess of revenue over expenses of \$7,507 for the same period in 2021.

Unrestricted day's cash on hand decreased by 24.3% from 469.2 days as of September 30, 2021, to 355.3 days as of September 30, 2022, which exceeds the Series 2015 debt covenant of 50 days. Decrease in days cash on hand was due to issuance of \$60.35M of bond offset by increase in average daily cash expenditures and recoupment of Medicare advance. No capital funds were held by the trustee as of September 30, 2022.

Debt service coverage for the Obligated Group, including the debt related to the Series 2015 bonds, was 5.15x as of September 30, 2022, which exceeds the 1.10x as required in the Series 2015 debt covenant.

Debt to capitalization for the Obligated Group increased to 45.3% on September 30, 2022, from 35.2% on September 30, 2021. The increase was primarily due to debt issuance of \$60.35M in March 2022 offset by scheduled debt repayments (\$5M) and equity transfer between related entities of (\$62.5M) in June 2022.

Management’s Discussion of Recent Unaudited Financial Performance of Consolidated Group

The Consolidated Group includes several organizations that are not members of the Obligated Group (such organizations that are members of the Consolidated Group but not members of the Obligated Group are referred to as “Non-Obligated Group Members”). The Non-Obligated Group Members have no obligation with respect to the Bonds or under the Master Indenture and none of the assets or revenues of the Non-Obligated Group Members are pledged to support debt service on the Bonds or the Notes.

Net patient service revenue of the Consolidated Group for the three months ended September 30, 2022, increased by \$3,763 and 3.4% over net patient service revenue for the three months ended September 30, 2021. Total revenue of the Consolidated Group for the three months ended September 30, 2022, was \$134,577 representing an increase of \$21,841 and 19.4% compared to three months ended September 30, 2021. The increase in total revenue was primarily due increased net patient service revenue. Total expenses for the three months ended September 30, 2022, were \$124,125, representing an increase of \$14,873 and 13.6% from the three months ended September 30, 2021. The Consolidated Group had an operating gain of \$10,452 representing 7.8% of total revenue for the three months ended September 30, 2022, as compared to an operating gain of \$3,484 representing 3.1% of total revenue for the three months ended September 30, 2021.

Income from Operations – Consolidated		
(\$ in thousands)	Three Months Ended September 30,	
	2022	2021
Total revenue	134,577	112,736
Total expense	124,125	109,252
Operating income	10,452	3,484

Non-operating loss for the three months ended September, 2022, was (\$12,553) compared to a gain of \$4,193 for the three months ended September, 2021. The decrease was attributable to lower investment returns for the three months ended September 30, 2022.

Included within the Consolidated Group, is a wholly-owned insurance captive that provides primary limits of insurance of \$1 million per occurrence/\$3 million aggregate for professional and general liability. The professional liability coverage is provided on a claims-made basis. In addition, the insurance captive purchased reinsurance, providing additional layers of coverage totaling \$30 million (\$25 million prior to September 1, 2021) for any potential liabilities above the \$1 million/\$3 million primary limits. The reserves, including retrospective premium credits, were \$8.8 million and \$13.4 million as of September 30, 2022, and 2021, respectively.

Attached hereto as **Exhibit D**, is a comparison of the unaudited financial performance of the Consolidated Group to the Obligated Group for the three months ended September 30, 2022, and 2021, which was derived by management from the unaudited financial statements.

Investment Policy and Liquidity

All investments are governed by an investment policy that was developed and is overseen by the Finance and Capital Committee of the MMC's Board of Directors. This committee is comprised of several Board members who are community leaders with banking and business experience. The committee meets with its investment consultants periodically to review the investments of the Consolidated Group and their performance and to ensure compliance with any applicable asset allocation guidelines. MMC, in coordination with its investment consultants, tracks its investment portfolio maintains by its investment custodian every month. The table attached hereto as **Exhibit E** is the composition of the various investment portfolios of the Obligated Group on September 30, 2022.

The Consolidated Group has retained various professional investment managers to manage its long-term board-designated fund investments in different classes of securities according to asset allocation targets that are set in conjunction with the Consolidated Group's overall strategic and financial plan. These professional investment managers are chosen by a selected investment advisory firm, who is given discretionary investment authority subject to certain management control. The investment advisory firm coordinates with MMC finance team to review and update investment policy statement on a periodic basis. And the Finance and Capital Committee reviews and approves the investment policy statement each time it is revised.

The various fixed income and equity portfolios have investment guidelines for style, objectives, concentration limitations, credit quality, performance benchmarks, and allowable/non-allowable investment. Assets allocation as of September 30, 2022, was within target range of respective investment security class as established in the investment policy statement. The investment advisory firm, within its discretionary investment authority, re-balances the portfolio as they see appropriate.

Historical Utilization of Services

The table attached hereto as **Exhibit F** summarizes the unaudited utilization of services at the Obligated Group's acute care hospital (Meritus Medical Center) for the three months ended September 30, 2022, and 2021. For the three months ended September 30, 2022, Meritus Medical Center average adult daily census decreased by 8.2% to 166.79, the average adult length of stay decreased by 4.5% to 4.31, and outpatient visits increased by 3,594 and 8.7% to 44,697 visits compared to the same prior-year period.

Third Party Payers

The table attached hereto as **Exhibit G** summarizes the unaudited third-party payer percentage of net patient service revenue of the Obligated Group's acute hospital (Meritus Medical Center) for the three months ended September 30, 2022, and 2021.

Additional Information

Attached hereto as **Exhibit H**, is the Consolidated Group unaudited balance sheets as of September 30, 2022 and September 30, 2021.

Attached hereto as **Exhibit I** is the Consolidated Group unaudited statements of operations for the three months ended September 30, 2022 and September 30, 2021.

Attached hereto as **Exhibit J**, is the Consolidated Group unaudited changes in net assets for the three months ended September 30, 2022 and September 30, 2021.

Date: 11/4/22

MERITUS MEDICAL CENTER

By: Maulik Joshi
Maulik S. Joshi, President and CEO

By: Joshua Repac
Joshua Repac, CFO

Members of the Obligated Group

The Obligated Group consists of MMC:

Meritus Medical Center, Inc. ("MMC")

Members Excluded From the Obligated Group

MMC organizations excluded from the Obligated Group consist of the following organizations, each of which is directly or indirectly controlled by MMC:

Meritus Holdings, LLC (“Holdings”)
Meritus Enterprises, Inc. (“MEI”)
Meritus Healthcare Foundation (“Foundation”)
Meritus Health ACO, LLC (“ACO”)
Meritus Insurance Company, LTD (“MICL”)

Meritus Medical Center Obligated Group
SUMMARY UNAUDITED STATEMENT OF OPERATIONS
For the Three-Month Period Ended September 30, 2022 and 2021

(\$ in thousands)	Three Months Ended September 30,	
	2022	2021
Unrestricted revenue, gains and other support		
Net patient service revenue	91,273	90,021
Other revenue	19,844	1,531
Net assets released from restrictions for operations	17	382
Total	111,134	91,934
Expenses		
Salaries and wages	44,131	39,232
Employee benefits	7,962	9,539
Professional fees	6,014	4,690
Supplies and other expenses	27,018	26,444
Interest expense	3,013	2,668
Depreciation and amortization	6,497	6,067
Total	94,635	88,640
Operating income	16,499	3,294
Non-operating gains, net		
Equity earnings in affiliates	-	1,966
Investment returns, net	(11,915)	1,515
Other, net	(668)	740
Income tax (expense)	(12)	(8)
Total	(12,595)	4,213
Excess of revenue over expenses	3,904	7,507

Meritus Medical Center
UNAUDITED OBLIGATED GROUP BALANCE SHEET

(\$ in thousands)		
	9/30/2022	6/30/2022
Assets		
Current assets:		
Unrestricted Cash and cash equivalents	18,237	20,047
Short-term investments	87,295	93,406
Current portion of assets whose use is limited	0	10,917
Accounts receivable, net	33,958	33,191
Supplies	7,518	7,381
Prepaid and other current assets	36,768	21,869
Total current assets	183,776	186,811
Equity investments in affiliates	50,863	50,863
Assets whose use is limited	249,694	260,431
Property, plant and equipment, net	231,857	234,259
Other assets	18,996	19,383
Total other assets	250,853	253,642
Total assets	735,186	751,747
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	19,459	22,774
Accrued salaries, wages, and withholdings	14,108	13,427
Accrued compensation benefit	10,450	11,421
Advances from third-party payors	17,380	25,894
Accrued interest payable	2,727	5,587
Current portion of long-term debt	5,961	5,841
Total current liabilities	70,085	84,944
Long-term debt, net of current portion	288,803	294,396
Accrued retirement benefits	3,725	3,569
Other long-term liabilities	14,624	14,952
Total liabilities	377,237	397,861
Net assets		
Unrestricted net assets	356,920	351,867
Restricted net assets	1,029	2,019
Total net assets	357,949	353,886
Total liabilities and net assets	735,186	751,747

Meritus Medical Center
SUMMARY UNAUDITED FINANCIAL INFORMATION
For the Three-Month Period Ended September 30, 2022 and 2021

(\$ in thousands)	Consolidated Group		Obligated Group	
	Fiscal Year-to-Date		Fiscal Year-to-Date	
	2022	2021	2022	2021
Income Statement				
Net patient service revenue	114,998	111,235	91,273	90,021
Total revenue	134,577	112,736	111,134	91,934
Total expense	124,125	109,252	94,635	88,640
Operating income before other items	10,452	3,484	16,499	3,294
Non-operating (losses) gains	(12,493)	4,234	(12,583)	4,221
Income tax (expense)	(60)	(41)	(12)	(8)
(Loss) excess of revenue over expenses	(2,101)	7,677	3,904	7,507
Interest expense	3,013	2,668	3,013	2,668
Depreciation and amortization	7,282	6,379	6,497	6,067
Debt Services				
Excess available for debt service (EBITDA)	8,194	16,724	13,414	16,242
Balance Sheet				
Unrestricted cash and investments	364,023	416,525	356,920	405,980
Total assets	780,440	815,565	735,186	825,236
Current portion of long-term debt	5,978	7,073	5,961	5,731
Long-term debt	288,803	234,738	288,803	234,733
Unrestricted net assets	364,023	405,067	356,920	443,520
Profitability				
Operating margin	7.8%	3.1%	14.8%	3.6%
Excess margin	-1.7%	6.6%	4.0%	7.8%
Excess margin (excl. unrealized gains/losses)	8.2%	6.8%	15.0%	14.3%
Liquidity				
Days cash on hand unrestricted	286.4	387.7	355.3	469.2
Leverage				
Debt service coverage	4.18	3.90	5.15	3.79
Debt to capitalization	44.7%	37.4%	45.3%	35.2%

Bond Covenants Per Master Loan Agreement		
	Obligated Group	Required
Rate covenant: debt service coverage ratio	5.15	1.10
Liquidity covenant: days cash on hand	355.3	50

Meritus Medical Center Obligated Group
INVESTMENTS AND LIQUIDITY
For the Three-Month Period Ended September 30, 2022 and 2021

	Balance as of 6/30/22					
	(\$ in thousands)	Cash	Fixed Income Bonds	REIT	Other Assets	Equities
Cash and cash equivalents	18,237	100%	N/A	N/A	N/A	N/A
Short-term investments	87,295	1%	82%	N/A	9%	8%
Board-designated funds	<u>244,913</u>	1%	39%	N/A	13%	47%
Unrestricted Cash and Investments	350,445					
Supplemental retirement benefit investment	3,636	N/A	51%	N/A	10%	39%
Restricted Donor Funds	<u>1,146</u>	100%	N/A	N/A	N/A	N/A
Restricted Funds	4,782					

(\$ in thousands)	As of and Year-to-Date September 30,	
	2022	2021
Cash and cash equivalents	18,237	19,152
Short-term investments	87,295	159,830
Board-designated funds	<u>244,913</u>	<u>226,998</u>
Unrestricted cash and investments	350,445	405,980
Operating expenses	94,635	88,658
Less: Depreciation and amortization	<u>6,497</u>	<u>6,067</u>
Adjusted operating expenses	88,138	82,591
Days in period	92	92
Daily Cash Expenses	958	898
Days Cash on Hand *	366	452
*equals unrestricted cash and investments divided by year to date daily cash expenses rounded to the nearest day		

Meritus Medical Center Obligated Group
UNAUDITED HOSPITAL UTILIZATION STATISTICS
For the Three-Month Period Ended September 30, 2022 and 2021

	Three Months Ended June 30,	
	2022	2021
Meritus Medical Center – Hospital Utilization		
Licensed Beds (excludes nursery)	288	277
Adult Admissions (includes Peds)	3,558	3,702
Adult Patient Days (includes Peds)	15,345	16,712
Adult Average Length of Stay	4.31	4.51
Adult Average Daily Census	166.79	181.65
Adult Percentage of Occupancy	57.9%	65.6%
Equivalent Inpatient Admissions	8,326	7,475
Emergency Department Visits	15,924	15,116
Observation Cases	813	903
Outpatient Visits	44,697	41,103
Newborn Admissions	505	485
Newborn Patient Days	1,364	1,335
Newborn Average Length of Stay	2.70	2.75
Meritus Medical Center - Licensed Bed Capacity		
Licensed Categories		
Medical/Surgical	191	180
Critical Care	14	14
Intermediate Care	24	24
Subtotal	229	218
Pediatrics	4	4
Obstetrics	17	17
Psychiatric	18	18
Total Acute Care	268	257
Medical Rehabilitation	20	20
Total Beds	288	277
Nursery Bassinets	41	41

**Meritus Medical Center Obligated Group
 UNAUDITED THIRD-PARTY PAYER INFORMATION
 For the Three-Month Period Ended September 30, 2022 and 2021**

	Three Months Ended September 30,	
	2022	2021
Meritus Health (As a % of Gross Revenue)		
Medicare	37%	39%
Medicare MCO	11%	8%
Medicaid	3%	2%
Medicaid MCO	16%	17%
Blue Cross	12%	13%
Commercial	18%	17%
HMO	0%	0%
Workers Comp	1%	1%
Self-Pay	2%	3%
Total	100%	100%

Meritus Medical Center
UNAUDITED CONSOLIDATED BALANCE SHEET

(\$ in thousands)			
		9/30/2022	6/30/2022
Assets			
Current assets:			
Unrestricted Cash and cash equivalents		19,029	20,859
Short-term investments		87,295	93,406
Current portion of assets whose use is limited		0	10,917
Accounts receivable, net		41,713	42,073
Supplies		8,516	8,373
Prepaid and other current assets		24,263	15,485
Total current assets		180,816	191,113
Equity investments in affiliates		51,017	50,885
Assets whose use is limited		272,089	283,096
Property, plant, and equipment, net		238,929	239,885
Other assets		37,589	38,517
Total other assets		276,518	278,402
Total assets		780,440	803,496
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses		27,232	30,928
Accrued salaries, wages, and withholdings		15,374	14,816
Accrued compensation benefit		13,220	14,265
Advances from third-party payors		21,057	29,335
Accrued interest payable		2,727	5,587
Current portion of long-term debt		5,978	5,841
Total current liabilities		85,588	100,772
Long-term debt, net of current portion		288,803	294,396
Accrued retirement benefits		5,731	5,622
Other long-term liabilities		31,856	32,355
Total liabilities		411,978	433,145
Net assets			
Unrestricted net assets		364,023	365,963
Restricted net assets		4,439	4,388
Total net assets		368,462	370,351
Total liabilities and net assets		780,440	803,496

Meritus Medical Center
UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS
For the Three-Month Period Ended September 30, 2022 and 2021

(\$ in thousands)	Three Months Ended June 30,	
	2022	2021
Unrestricted revenue, gains and other support		
Net patient service revenue	114,998	111,235
Other revenue	19,561	1,119
Net assets released from restrictions for operations	18	382
Total	134,577	112,736
Expenses		
Salaries and wages	58,091	51,623
Employee benefits	10,516	11,434
Professional fees	10,673	5,385
Supplies and other	34,550	31,763
Interest	3,013	2,668
Depreciation and amortization	7,282	6,379
Total	124,125	109,252
Operating income	10,452	3,484
Non-operating gains, net		
Equity earnings in affiliates	131	2,161
Investment returns, net	(11,922)	1,580
Other, net	(702)	493
Income tax (expense)	(60)	(41)
Total	(12,553)	4,193
(Loss) excess of revenue over expenses	(2,101)	7,677

Meritus Medical Center
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(\$ in thousands)	Fiscal Year-to-Date	
	9/30/2022	6/30/2022
Unrestricted net assets		
(Loss) excess of revenue over expenses	(2,101)	(32,986)
Other	161	1,999
(Decrease) increase in unrestricted net assets	(1,940)	(30,987)
Restricted Net Assets		
Contributions	172	536
Other	(103)	(1,185)
Net assets released from restrictions for operations	(18)	(999)
(Decrease) increase in restricted net assets	51	(1,648)
(Decrease) increase in net assets	(1,889)	(32,635)
Net assets		
Beginning of year	370,351	402,986
End of year	368,462	370,351