



Louisville/Jefferson County Metro Government, Kentucky, Hospital Revenue Bonds (UofL Health Project), Series 2022A, \$204,145,000, Dated: April 5, 2022

Louisville/Jefferson County Metro Government, Kentucky, Hospital Revenue Bonds (UofL Health Project), Series 2022B, \$206,860,000, Dated: April 5, 2022

I hereby certify that the Quarterly Report filed on May 4, 2023 constitutes the quarterly financial information required by the Continuing Disclosure Agreement. I further certify that the information complies with the Continuing Disclosure Agreement and the Rule as required. DAC shall be entitled to rely on this certificate.



Kirk W. Strack
Assistant Chief Financial Officer

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following tables provide a summary of the consolidated financial information for UofL Health, Inc. The consolidated balance sheet as of June 30, 2022 is derived from UofL Health, Inc.'s audited consolidated financial statements and the consolidated balance sheet as of March 31, 2023 is derived from UofL Health, Inc.'s compiled consolidated internal unaudited financial statements. The consolidated statements of operations and changes in net assets and the consolidated statements of cash flows for the nine month periods ended March 31, 2023 and 2022 are derived from UofL Health, Inc.'s compiled consolidated internal unaudited financial statements.

UofL Health, Inc.
CONSOLIDATED BALANCE SHEETS

	Unaudited March 31, 2023	Audited June 30, 2022
Current assets		
Cash and cash equivalents	\$ 8,746,821	\$ 57,365,306
Restricted cash	100,267,340	161,834,767
Investments	259,540,961	335,991,379
Patient accounts receivable	337,742,825	301,355,550
Current portion of contribution receivable	7,500,000	10,000,000
Related party receivable	1,602,904	8,619,423
Other accounts receivable	24,722,256	11,676,463
Prepaid expenses and other	23,886,804	21,445,238
Inventories	56,100,768	54,119,752
Estimated third-party payor settlements	162,254,553	130,163,271
Total current assets	982,365,232	1,092,571,149
Assets whose use is limited	119,364,261	85,369,538
Property and equipment, net	326,290,178	298,346,072
Right-of-use assets under operating leases	550,332,693	534,266,919
Other Assets		
Investment in KMRRRG	45,561,197	45,561,197
Long-term contribution receivable, net of current portion	-	4,926,108
Other assets	3,440,322	2,896,334
Total other assets	49,001,519	53,383,639
Total noncurrent assets	1,044,988,651	971,366,168
Total assets	\$ 2,027,353,883	\$ 2,063,937,317
 Current liabilities		
Accounts payable and accrued expenses	\$ 225,167,251	\$ 171,050,047
Accrued compensation and related accruals	74,922,372	103,929,664
Estimated third-party payor payable - DSH	2,636,354	2,317,519
Related party payable	24,165,432	39,157,078
Current portion of long-term debt	8,750,000	8,750,000
Current portion of finance lease liabilities	2,953,158	3,673,046
Current portion of operating lease liabilities	33,173,582	31,554,892
Current portion of refundable advances	-	45,003,812
Current portion of accrued University distributions (Dean's Tax)	813,552	2,698,892
Other current liabilities	6,026,163	2,841,651
Total current liabilities	378,607,864	410,976,601
Long-term debt, net of current portion	443,400,223	444,335,533
Finance lease liabilities, net of current portion	663,655	2,900,304
Operating lease liabilities, net of current portion	522,851,788	509,239,618
Other liabilities		
Long-term portion of accrued University distributions (Dean's Tax), net of current portion	949,122	1,559,286
Self-insurance reserve and other long-term liabilities	851,805	851,805
Related party payable	8,107,712	25,983,929
Total other liabilities	9,908,639	28,395,020
Total liabilities	1,355,432,169	1,395,847,076
 Net Assets		
Without donor restrictions	664,421,714	653,064,133
With donor restrictions	7,500,000	15,026,108
Total net assets	671,921,714	668,090,241
Total liabilities and net assets	\$ 2,027,353,883	\$ 2,063,937,317

UofL Health, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND CHANGES IN NET ASSETS

	Unaudited	Unaudited
	Nine Months Ended	Nine Months Ended
	March 31, 2023	March 31, 2022
	<u> </u>	<u> </u>
Operating revenue		
Patient care service revenue	\$ 1,604,455,456	\$ 1,469,250,997
Federal grants	13,189,372	19,749,237
Retail and 340b pharmacy revenue	74,567,937	54,029,081
Other operating revenue	51,553,742	51,738,611
Net assets released from restrictions used for operations	7,600,000	5,000,000
Total operating revenues	<u>1,751,366,507</u>	<u>1,599,767,926</u>
 Operating expenses		
Salaries and wages	643,950,542	577,647,898
Employee benefits	136,820,553	115,036,676
Operating supplies	400,835,124	349,880,202
Professional services	165,573,961	113,576,703
Purchased services	155,219,732	129,224,051
Depreciation and amortization	32,823,313	31,271,469
Rental and maintenance	85,672,295	90,876,171
Utilities	20,416,383	18,060,997
Provider tax	15,730,287	15,747,242
Other operating expense	74,307,451	67,493,458
Total operating expenses	<u>1,731,349,641</u>	<u>1,508,814,867</u>
 Operating Income	 20,016,866	 90,953,059
 Non-operating income (expenses)		
Investment income (loss), net	10,567,715	(329,369)
Interest expense	(13,570,943)	(757,773)
Equity in earnings of affiliates	-	-
University of Louisville mission support and other	(5,625,000)	(5,625,000)
Other income (expense)	(31,057)	4,375,000
Total non-operating income (expenses)	<u>(8,659,285)</u>	<u>(2,337,142)</u>
 Change in net assets without donor restrictions	 <u>11,357,581</u>	 <u>88,615,917</u>
 Net assets with donor restrictions		
Contributions	73,892	294,475
Net assets released from restrictions	(7,600,000)	(5,000,000)
Change in net assets with donor restrictions	<u>(7,526,108)</u>	<u>(4,705,525)</u>
 Change in net assets	 3,831,473	 83,910,392
 Net assets - beginning of period	 <u>668,090,241</u>	 <u>567,713,289</u>
 Net assets - end of period	 <u>\$ 671,921,714</u>	 <u>\$ 651,623,681</u>

UofL Health, Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	Unaudited
	Nine Months Ended	Nine Months Ended
	March 31, 2023	March 31, 2022
Cash flows from operating activities		
Change in net assets	\$ 3,831,473	\$ 83,910,393
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	32,823,313	31,271,469
Net realized and unrealized loss on investments	(8,797,002)	329,369
Amortization of bond premium	(1,186,747)	-
Amortization of debt issuance costs	251,438	-
Forgiveness of long-term debt	-	(4,375,000)
Forgiveness of third-party payor payable - DSH	-	(51,045,565)
Contributions to joint ventures	(543,988)	-
Donor restricted contributions	(73,892)	(294,475)
Changes in operating assets and liabilities:		
Patient accounts receivable	(36,387,275)	45,837,982
Related party receivable - due from UofL	2,541,924	(761,367)
Other accounts receivable	(8,571,199)	(14,621,889)
Prepaid expenses and other	(2,441,565)	(8,305,066)
Inventories	(1,981,015)	(7,138,375)
Other assets	(16,065,774)	(3,000)
Accounts payable and accrued expenses	54,117,205	11,673,275
Accrued compensation and related accruals	(29,007,293)	(17,685,031)
Estimated third-party payor payable - DSH	(32,091,282)	(39,724,809)
Related party payable	(32,867,863)	(10,660,717)
Refundable advances	(45,003,812)	(56,962,574)
Accrued University distributions (Dean's Tax)	(2,495,504)	(605,051)
Other Liabilities	18,415,372	5,850,218
Estimated third-party payor settlements	318,835	(22,416,414)
Net cash from operating activities	(105,214,653)	(55,726,626)
Cash flows from investing activities		
Net purchases and sales on investments	51,252,697	41,260,863
Purchases of property and equipment	(60,767,419)	(29,684,238)
Net cash from investing activities	(9,514,722)	11,576,625
Cash flows from financing activities		
Proceeds from contributions	7,500,000	5,000,000
Payments of long-term debt	-	(4,375,000)
Payments of finance lease obligations	(2,956,537)	(2,661,595)
Net cash from financing activities	4,543,463	(2,036,595)
Net change in cash, cash equivalents, and restricted cash	(110,185,912)	(46,186,596)
Cash, cash equivalents, and restricted cash		
Beginning of period	219,200,073	175,748,382
End of period	\$ 109,014,161	\$ 129,561,786
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 11,841,036	\$ 757,773
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 42,084,135	\$ 41,380,910
Operating cash flows from finance leases	\$ 489,318	\$ 293,876
Financing cash flows from finance leases	\$ 3,152,044	\$ 2,635,906
Right-of-use assets obtained in exchange for operating lease obligations	\$ 42,147,140	\$ 4,830,183
Right-of-use assets obtained in exchange for finance lease obligations	\$ -	\$ -

UTILIZATION AND PAYOR MIX

Utilization

The following table presents selected inpatient, outpatient and ancillary service utilization and other data for UofL Health, Inc. for the nine month periods ended March 31, 2023 and 2022.

Statistic	Nine Months Ended March 31, 2023	Nine Months Ended March 31, 2022
Total discharges	33,200	31,181
Total acute discharges ⁽¹⁾	25,683	23,539
Total patient days	261,540	244,319
Observation days	19,089	16,780
Acute case mix index ("CMI") ⁽¹⁾	2.33	2.28
Acute average length of stay ("ALOS") ⁽¹⁾	6.84	6.86
CMI adjusted acute ALOS ⁽¹⁾	2.94	3.01
Deliveries	1,275	1,262
Licensed beds	1,765	1,765
Staffed beds	1,127	1,181
Occupancy	90.9%	80.7%
Inpatient surgeries	10,529	8,851
Outpatient surgeries	20,236	18,629
Total ED visits	152,927	145,874

⁽¹⁾ Excludes newborns, neonatal intensive care, behavioral health, and rehabilitation

Source: UofL Health internal records.

Payor Mix

Payments on behalf of certain patients are made to UofL Health, Inc. by the federal government under the Medicare program, by the Commonwealth of Kentucky, by commercial insurance carriers, by managed care entities such as health maintenance organizations and preferred provider organizations and through private payment. The following is a summary of gross patient service revenue by payor source for UofL Health, Inc.

Payor	Nine Months Ended <u>March 31, 2023</u>	Nine Months Ended <u>March 31, 2022</u>
Medicare	22.2%	23.5%
Medicare Managed Care	18.7%	16.1%
Medicaid	2.1%	2.0%
Medicaid Managed Care	25.3%	25.0%
Managed Care & Commercial	24.7%	25.4%
Other	5.1%	6.0%
Self-Pay	1.9%	2.0%
Total	100.0%	100.0%

Essentially all Medicaid recipients in the Commonwealth are enrolled in Medicaid managed care. There is a supplemental funding program through the Medicaid Managed Care Organizations ("MCOs") as described below. Managed care contracts are mainly with Anthem, Humana, United, Cigna and Aetna. For the nine months ended March 31, 2023 and 2022, Anthem is UofL Health, Inc.'s largest commercial payor. Anthem agreements have automatic renewals with annual negotiated payment updates.