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Vaccination Trends
Source: CDC, as of April 21, 2021

Total Doses Distributed

278MM

Total Doses Administered

215MM

Number of People Fully Vaccinated

88MM

Key Trends

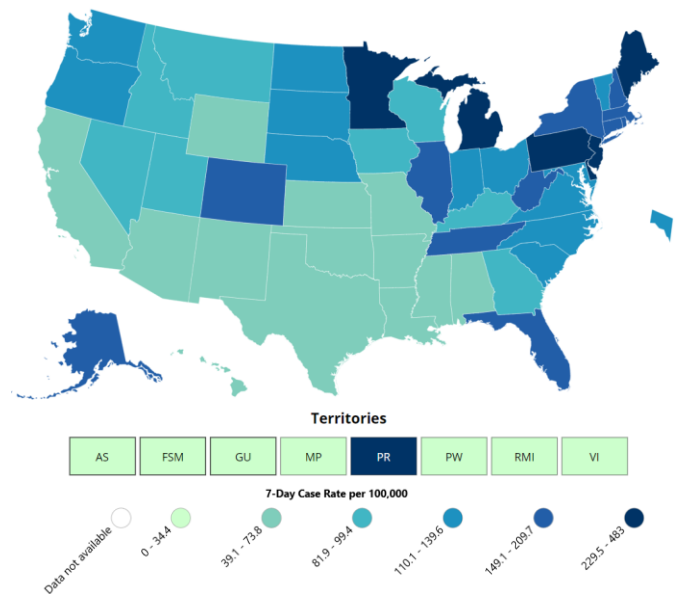
- The steady roll out of vaccinations is being met with resistance by COVID-19 variants
- Moody's preliminary medians show the negative effects on financial operations and the help provided by government aid
- Electronic health record providers are looking to be a part of post-pandemic telehealth potential

Vaccinations steam ahead while COVID-19 variants lead to apprehension

The vaccination effort in the U.S. has ramped up quickly and efficiently. As of April 21st, roughly a quarter of the eligible population is fully vaccinated and half of the population has received at least one dose. Despite the efforts, setbacks including vaccine hesitancies and distribution challenges remain. On April 13, the Centers for Disease Control (“CDC”) recommended “pausing” the use of the single-shot Johnson & Johnson vaccine due to concern for severe blood clots. While the CDC wants to investigate further there is additional concern that this publicity will compound the vaccine hesitancy issues. While vaccinations continue to march forward at a strong pace, the virus is making every effort to survive. Following the dramatic drop after the holidays, cases are beginning to rise again. Michigan appears to be a new hotspot with cases per million being four times higher in April than they were in February. The B.1.1.7 variant - otherwise known as the U.K. variant - appears to be the primary reason for the rise in cases. The current fear is that Michigan may be a precursor for the rest of the country. While the new surge is taking its toll on Michigan hospitals, the longevity of the virus continues to depress hospital operations across the country. Emergency department visits are still down and it appears consumers are still reluctant to pursue outpatient services. A recent report published by Kaufman Hall shows that U.S. hospitals showed slim to negative operating margins in February, with a median margin of negative 0.5 percent (when federal funding is excluded).

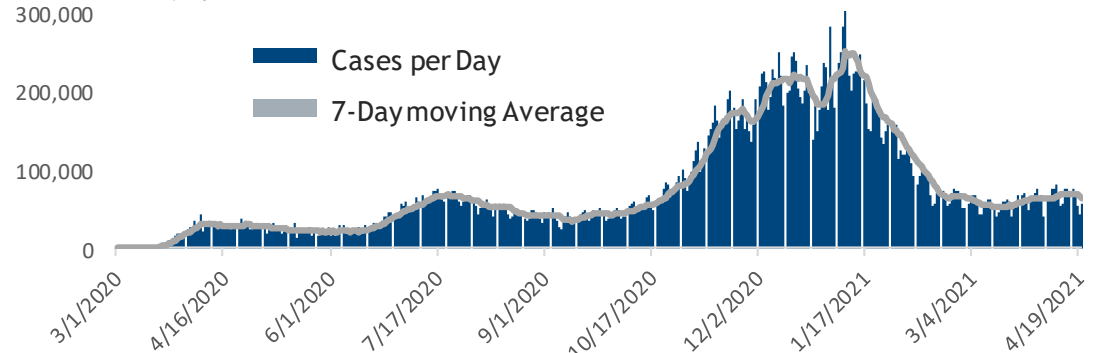
U.S. COVID-19 7-Day Case Rate per 100,000

Source: CDC, as of April 21, 2021



New COVID-19 Cases by Day in the United States

Source: CDC, as of April 20, 2021



Moody's preliminary medians confirm financial effects of COVID-19

The release of Moody's preliminary medians confirmed the negative effects on hospital and health system's operations while simultaneously showing the positive effects that government aid have had on liquidity. Median operating margins were down to 0.5 percent, a 2.4 percent decrease from 2019 (see top right chart). At the same time, due to government programs, liquidity metrics such as days cash on hand have increased. In 2020, the median days cash on hand increased by 44 days to roughly 250 days and unrestricted cash and investments shot up almost \$200 million over the prior year (see middle right chart).

Expenses continue to outpace revenue as health systems look for efficiencies

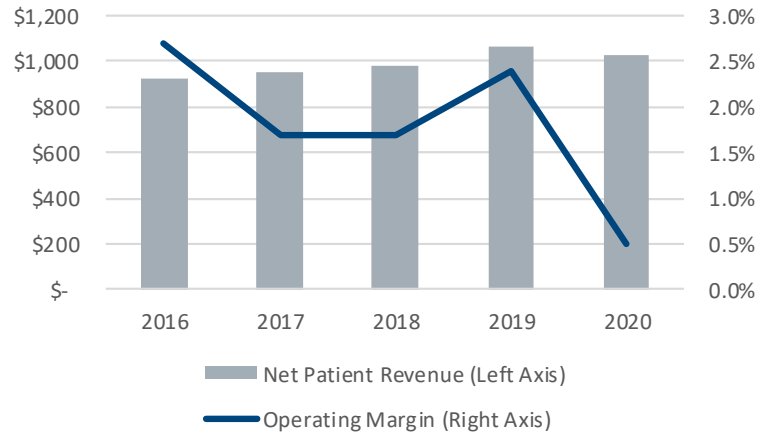
Despite a reduction in overall expense growth from the previous year (4.7 percent in 2020 versus 5.7 percent growth in 2019), expense growth continued the trend of the past several years by outpacing revenue growth (3.0 percent in 2020). Expense management is nothing new for hospitals but the increased price of staffing, primarily due to nursing shortages, and the increased need for PPE crippled their efforts in 2020. With operating growth continuing to be a struggle in 2021, health systems will look to again rein in expenses to meet their goals.

Electronic Health Record interoperability to help drive future care

It should come as no shock to most that EPIC and Cerner hold the first and second positions in EHR market share. EPIC is poised to grow even larger after announcing a partnership with Microsoft in late 2020. The partnership will allow EPIC to be the first EHR to integrate with Microsoft Teams for the purpose of telehealth visits. This partnership could prove to be vital as more patients have become comfortable with receiving healthcare via a digital platform. Despite the growing numbers in telehealth visits throughout the pandemic, health systems will look for telehealth visits to enhance, not replace, in person care.

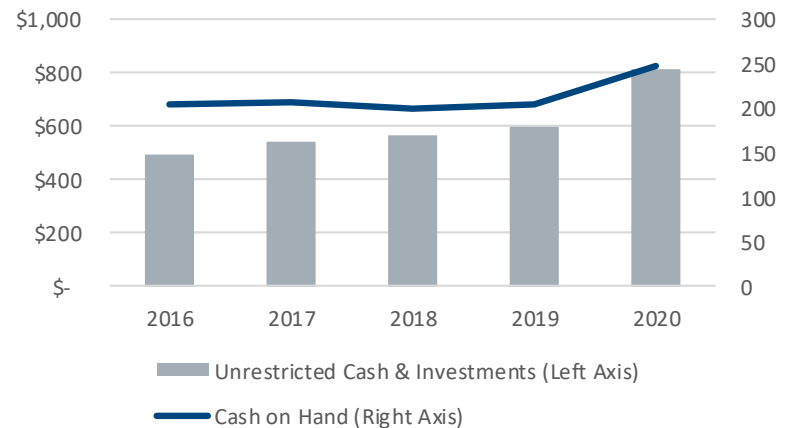
Changes in Net Patient Revenue and Operating Margin

Source: Moody's Investor Services, March 24, 2021



Change in Days Cash on Hand & Unrestricted Cash

Source: Moody's Investor Services, March 24, 2021



EHR Market Share

Source: KLAS Research, May 2020

