

## Mayo Clinic

### Voluntary Disclosure Related to the Impact of the COVID-19 Pandemic

On March 11, 2020 the World Health Organization (WHO) declared COVID-19 a pandemic. The Center for Disease Control (CDC) confirmed its spread to the United States. On March 13, it was declared a national public health emergency, followed by several state emergency declarations, and the Centers for Medicare and Medicaid Services issued guidance regarding elective procedures. Several national and international travel restrictions have also been put in place. On March 19, Minnesota Governor Tim Walz and Arizona Governor Douglas Ducey issued executive orders postponing all non-essential or elective surgeries. On March 20, Florida Governor Ron DeSantis issued a similar order.

In response to the spread of COVID-19 to the United States, Mayo Clinic assembled a team to undertake a review of the readiness of facilities, personnel, capacity, supply availability, and community transmission. On March 17, Mayo Clinic announced its decision to defer all elective care that could be deferred for at least eight weeks. The deferment included elective surgeries, procedures, and office visits at all Mayo Clinic locations nationwide, effective March 23, 2020, to ensure the safest possible environment for patients and staff and to preserve valuable resources that may be needed to assist with the COVID-19 pandemic response. Mayo Clinic has taken further steps to protect patients and staff, including limiting the number of visitors on its campuses.

Mayo Clinic enters the COVID-19 pandemic in a strong financial position. Mayo Clinic had a record performance year in 2019, with total revenue of \$13.82 billion and a net operating income of \$1.06 billion and began 2020 with significant liquidity reserves. As of March 31, 2020, Mayo Clinic had approximately \$10.6 billion of cash and investments, of which \$8.5 billion was unrestricted or temporarily restricted.

As of March 31, 2020, Mayo's cash and investment position included approximately \$1.5 billion of cash and high-quality short-term investments that are held in segregated accounts and serve as institutional liquidity reserves. Since March 31, 2020, Mayo Clinic has improved its liquidity by receiving approximately \$150 million in CARES Act Federal funding from the Public Health and Social Service Emergency Fund and approximately \$900 million in advance Medicare payments. Mayo Clinic also privately secured and closed on a \$100 million taxable loan on April 1, 2020, and plans to close on an additional \$300 million in loans in May 2020 with already agreed upon terms. To further expand available liquidity, Mayo Clinic has also increased its lines of credit by \$200 million to a total of \$300 million.

To support its staff and employees, Mayo Clinic guaranteed employee salaries through April 28, 2020. On April 10, Mayo Clinic announced several measures to mitigate revenue shortfalls and lower volumes to conserve cash. These include temporary salary reductions of 7% to 20% for executive, physician and senior administrators, extended furloughs, temporary benefit reductions, and a hiring freeze. Mayo Clinic has also eliminated most contracted services, halted various projects, and cancelled or delayed a significant portion of its planned 2020 capital expenditures.

In addition to announced cost saving measures, Mayo is also implementing strategies to restore patient volumes while operating in a COVID-19 environment. In preparation for future operations and to protect patients and employees, Mayo Clinic Occupational Health Services has established a system to

immediately identify staff that have been exposed to patients with COVID-19 and assess their risk of contraction. Implementing this streamlined process complete with electronic tools and contact tracing will help with the goal of alerting potentially exposed staff before they report to work. All employees working on campus are required to take precautions, including mandatory masking and checking their temperature twice a day.

The COVID-19 situation and response is rapidly evolving and it is not possible to project with any certainty the financial impact of the COVID-19 pandemic on Mayo Clinic's financial performance. The Clinic does expect the deferral of elective surgeries, procedures, and office visits, combined with restrictions on national and international travel, as well as other changes in response to the COVID-19 pandemic, to have a significant impact on operations in the current quarter and possibly for the remainder of the year. Mayo Clinic is currently operating well below normal capacity leading to initial estimates of up to \$3 billion in 2020 revenue losses. As Mayo's clinical practice has adapted to a COVID-19 environment and social distancing has lowered projected case volumes, those estimates have moderated. Mayo Clinic's recently announced mitigation efforts are currently projected to contribute up to \$1.2 billion in 2020 savings. Projections are subject to revision as discussed below. In addition, as described above, Mayo has also benefitted from the receipt of CARES Act relief funds.

Mayo Clinic has been instrumental in the national response to fighting COVID-19. On March 12, Mayo Clinic began implementing testing that can detect the Severe Acute Respiratory Syndrome Coronavirus-2 (SARS-CoV-2) virus, which causes COVID-19, and return results within 24 hours. The CDC's guidelines allow healthcare providers to send tests directly to Mayo Clinic Laboratories, which by March 19 could process as many as 4,000 tests daily. Further, on April 3, the Food and Drug Administration (FDA) named Mayo Clinic as the lead institution providing coordinated access to investigational convalescent plasma for either hospitalized patients with severe symptoms of COVID-19 or individuals at high-risk for contracting severe or life-threatening symptoms. The initiative includes 40 healthcare institutions nationally who have self-organized to establish a national convalescent plasma program.

On April 13, Mayo Clinic announced a new serology test that can identify the presence of an immune response to the SARS-CoV-2 virus, and determine whether patients have developed antibodies. Currently, Mayo Clinic Laboratories has capacity of 20,000 serology tests per day and 10,000 molecular tests per day. Mayo Clinic clinicians and researchers continue to focus on developing additional analyses, tests, and data to help inform and aid the international response to COVID-19 as well as to assist in reopening.

The foregoing contains forward-looking statements regarding revenue and expenses based upon management projections as of the date hereof. The length of the pandemic, both in Mayo Clinic's locations of operations and globally; the timing, source and rate of reimbursement for COVID-19-related patient care; investment performance and capital markets access; extent and timing of federal and state grants, reimbursements and other contributions, if any, to compensate for revenue losses and increased expenses is as yet unknown, as is the length of delay and level of attrition in elective procedures, expense increases and acceleration, impact of changes in payor mix, and potential rise in uninsured patients and need for charity care and effect of the economic downturn on demand for elective procedures and billing cycle. Actual results may vary materially from those anticipated. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements. Mayo Clinic expects to post the interim financials for the quarter ended March 31, 2020, by the end of May as planned. Mayo Clinic undertakes no obligation to update this voluntary disclosure.