

BOK FINANCIAL REMAINS COMMITTED TO HEALTHCARE INDUSTRY

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Commentary from Executive Director of Healthcare Banking, Brad Vincent

Brad Vincent is Executive Director of Healthcare Banking at BOK Financial. He has 38 years of experience in the banking industry, with the last 23 years spent leading BOK Financial's Healthcare Banking division. The team's expertise in the space is evident with a portfolio that has grown at nearly 16 percent per year over the past five years while boasting one of the most favorable asset quality performances in the company. Vincent offers his insights into the current state of the Healthcare industry, and where it goes from here.

How has COVID-19 impacted the Healthcare portfolio for BOK Financial?

Clearly, the COVID-19 pandemic is a global issue and has had an impact on virtually every aspect of daily life. While BOK Financial's Healthcare portfolio has been through several cycles, the world hasn't seen anything like this since the Spanish Flu in the early 1900s.

The BOK Financial Healthcare Banking portfolio is well-diversified. That diversification includes not only different segments of the industry but also geography, relationship size, and borrower repayment sources.

Let me be more specific about the BOK Financial Healthcare Banking portfolio:

- Approximately 65 percent of the total \$2.8 billion of outstandings is in a broad category of Senior Housing and Care. This category includes primarily skilled nursing, but also private pay categories such as assisted living and memory care. The properties we finance are located in more than 35 states across the country and are typically owned by multi-property operators.
- As of March 31, Hospital/Health System relationships accounted for 16 percent of our total Healthcare Banking commitments. The vast majority of these relationships are with investment-grade hospital systems located in our primary footprint.
- The remaining 19 percent of the portfolio is Service Medical. Relationships in the Service Medical category include dialysis, blood labs, physician practices and insurance companies.

Each of these segments has faced challenges related to the pandemic. Virtually every aspect of the Healthcare spectrum has seen increased costs associated with infection control and been negatively impacted by the suspension of elective medical procedures. Both the Senior Housing and Service Medical segments are facing challenges related to decreasing occupancy—mainly as a by-product of infection control measures.

What do these impacts mean for the short and long-term?

The events of the past six months have proven that having a healthy population isn't just a box to check. It is a national priority that has far-reaching implications. The importance of quality Healthcare, and the value assigned to it by the country, is evident in the following partial list of programs put in place at the national and state levels since the pandemic originated:

- Access to Paycheck Protection Program and Main Street Lending Program created by the CARES Act
- Increase in FMAP funding to states by 6.2 percent through "the end of the public emergency" (\$35 billion of estimated Federal funding)
- Creation of a \$175 billion Healthcare provider relief (grant) fund (\$75 billion unreleased)
- Suspension of 2 percent Medicare sequestration reduction
- Creation of a 20 percent Medicare add-on payment for hospital inpatient stays involving COVID-19 patients through the "duration of the emergency period"
- Expansion of the Medicare Accelerated and Advanced Payment program (\$100 billion in interim funding)

The long-term impact on the Healthcare industry will depend on the duration of the pandemic. The programs outlined above, however, demonstrate Washington's commitment to ensure the ongoing viability of our Healthcare components. In the meantime, ample funding has and will be provided to enable quality operators to focus on care issues.

What makes BOK Financial uniquely positioned to grow in this new environment?

Though the pandemic challenges will impact the short-term, the growth of Healthcare as a percentage of the US economy has been significant over the past several years. Those who monitor the percentages estimate that Healthcare today represents 18 percent of GDP.

COVID-19 has proven the importance of a robust Healthcare and provider system in the United States and BOK Financial has spent many years developing a team dedicated to understanding the industry. This leaves us well-positioned to continue to support the growth of the sector, and, true to our long-term view, we haven't shied away from the space during the pandemic. We continue to seek new business opportunities with outstanding customers and prospects in the Healthcare industry.