Providence

CONTINUING DISCLOSURE ANNUAL REPORT

Information Concerning

PROVIDENCE ST. JOSEPH HEALTH
AND THE OBLIGATED GROUP

The Continuing Disclosure Annual Report (the Annual Report) is intended solely to provide certain limited financial and operating data in accordance with undertakings of Providence and the Members of the Obligated Group under Rule 15c2-12 (the Undertaking) and does not constitute a reissuance of any Official Statement relating to the bonds referenced above or a supplement or amendment to such Official Statement.

The Annual Report contains certain financial and operating data for the quarter ended December 31, 2020. Providence has undertaken no responsibility to update such data since December 31, 2020, except as set forth herein. This Annual Report may be affected by actions taken or omitted or events occurring after the date hereof. Providence has not undertaken to determine, or to inform any person, whether any such actions are taken or omitted, or events do occur. Providence disclaims any obligation to update this Annual Report, or to file any reports or other information with repositories, or any other person except as specifically required by the Undertaking.

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About Providence

Our Organization

Providence St. Joseph Health (Providence) is a national, not-for-profit Catholic health system comprising a diverse family of organizations driven by a belief that health is a human right. With 51 hospitals, nearly 1,000 clinics, and many other health and educational services, our health system employs more than 120,000 caregivers serving patients in communities across seven Western states – Alaska, California, Montana, New Mexico, Oregon, Texas, and Washington. Our caregivers provide quality, compassionate care to all those we serve, regardless of coverage or ability to pay.

Continuing an enduring commitment to world-class care and serving all, especially those who are poor and vulnerable, Providence uses scale to create Health for a Better World, one community at a time. We have been pioneering health care for hundreds of years and have a history of responding with compassion and innovation during challenging health care environments, including the current pandemic. Together, we are reimagining the future of health care delivery in our communities for all ages and populations. Our strategies to diversify and modernize are enabling high-quality care at affordable prices, including through networks of same-day clinics and online care and services.

We are privileged to serve in dynamic, contiguous markets with growing populations, which has led to consistent increases in service utilization. We offer a comprehensive range of industry-leading services, including an integrated delivery system of acute and ambulatory care for inpatient and outpatient services, 29 long-term care facilities, 16 supportive housing facilities, over 8,000 directly employed providers and more than 25,000 affiliated providers, a health plan, senior care, financial assistance programs, community health investments, and educational ministries that include a high school and university.

Providence, with headquarters in Renton, Washington, and Irvine, California, is governed by a sponsorship council comprising members of its two sponsoring ministries, Providence Ministries and St. Joseph Health Ministry. We are dedicated to ensuring the continued vibrancy of not-for-profit, Catholic health care in the United States. As one of the largest health systems in the United States, our Mission and values call us to serve each person with love, dignity, and compassion, reflecting the legacy of the Sisters of St. Joseph and the Sisters of Providence.

The Mission

As expressions of God's healing love, witnessed
through the ministry of Jesus, we are steadfast in serving all,
especially those who are poor and vulnerable ®

Our Values

Compassion | *Dignity* | *Justice* | *Excellence* | *Integrity*

Our Vision

Health for a Better World

Our Promise

"*Know me, care for me, ease my way.*"

COVID-19: From Response to Vaccinations and Beyond

In early 2020, Providence admitted the first known patient with COVID-19 in the United States. Due to strategies put in place before the pandemic, Providence was uniquely prepared to respond to the ongoing rise in infections that would persist throughout the year. The health and safety of patients and caregivers remains our number one priority as we respond to the continual flow of COVID-19 cases while also meeting the other health care needs in our communities. Providence continues to pursue a three-part plan to keep caregivers and patients safe; serve those in need; and accelerate the transformation of health care. Providence's plan is comprised of these key strategies:

Respond. In the early days of the crisis, Providence developed comprehensive response plans based on predictive analytics. We made significant investments in new and innovative ways to deliver care inside and outside the hospital setting, including digitally, in the clinic and outpatient setting, and in the home. This important work prepared us for surges in our communities throughout 2020. Providence ensures the safety of our patients and caregivers by rapidly replenishing inventory of personal protective equipment (PPE) and other supplies; working with lab partners to improve access to testing with rapid turnaround times; improving the availability of promising treatments and medications and maintaining a healthy workforce ready to care for patients.

Recover. The ability to continue meeting the health needs of patients is critical. State mandates to suspend non-emergent procedures in response to the crisis meant thousands of patients had to delay care, increasing the risk of potential complications. The reduction in services also resulted in significant operating losses for Providence. In coordination with state authorities, we reopened services and saw volumes and profitability rebound variably across markets, but not to the levels we experienced prior to the pandemic. We ended the year on a surge with a combination of state mandated and voluntarily deferred procedures as we approached capacity in several ministries. Delivering these services safely is of paramount importance. A more affordable delivery model will be necessary in responding to multiple revenue pressures from economic payer shifts.

Renew. Our vision – Health for a Better World – is a roadmap for health care transformation. The investments we made in innovation prior to COVID-19 have made it possible for us to respond to the pandemic quickly and nimbly throughout 2020, including developing an artificial intelligence chat bot to triage patients virtually, scaling telehealth visits and implementing home monitoring through existing intensive care unit telemedicine services. In December 2020, the U.S. Food and Drug Administration (FDA) approved emergency use of the COVID-19 vaccines by Pfizer and Moderna. In addition to caring for high volumes of COVID-19 patients, Providence has also geared up to support mass vaccination efforts, which began with our highest- risk, front-line caregivers. We have since added mobile vaccine clinics in some states, when supply is available.

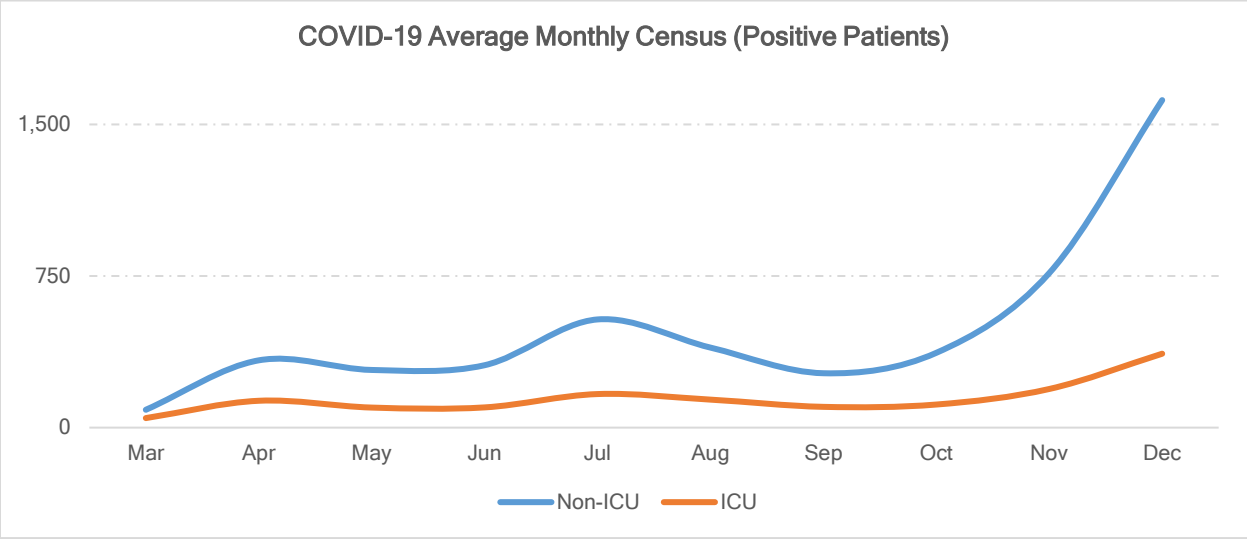
Some of the highlights of Providence's response include:

- Updating COVID-19 screening protocols in Epic across our seven states, 51 hospitals and nearly 1,000 clinics within 24 hours of admitting the first COVID-19 patient in the country.
- Dramatically accelerating our telehealth primary care services, going from an average of 50 visits a day to a peak of more than 12,000 per day, totaling more than 1.7 million virtual visits in 2020.
- Expanding our electronic intensive care unit capabilities to remotely monitor patients on home quarantine.
- Operating some of the largest clinical trials in the country for drug therapies, including Remdesivir, and antibody testing. Providence is also conducting genomics research to understand why the virus affects some people more than others.
- Launching the 100 Million Mask Challenge to spur domestic manufacturing of personal protective equipment; the campaign eventually transitioned to the American Hospital Association.
- Leveraging technology to deliver a coronavirus consumer awareness hub, assessment, and triage chatbot, urgent virtual visit platform, live testing locations, and remote patient monitoring for COVID-19 patients.
- Launching COVIDReady, an end-to-end suite of services from Ayin Solutions that assists employers in safe business reopening. This includes employee health population management for the returning

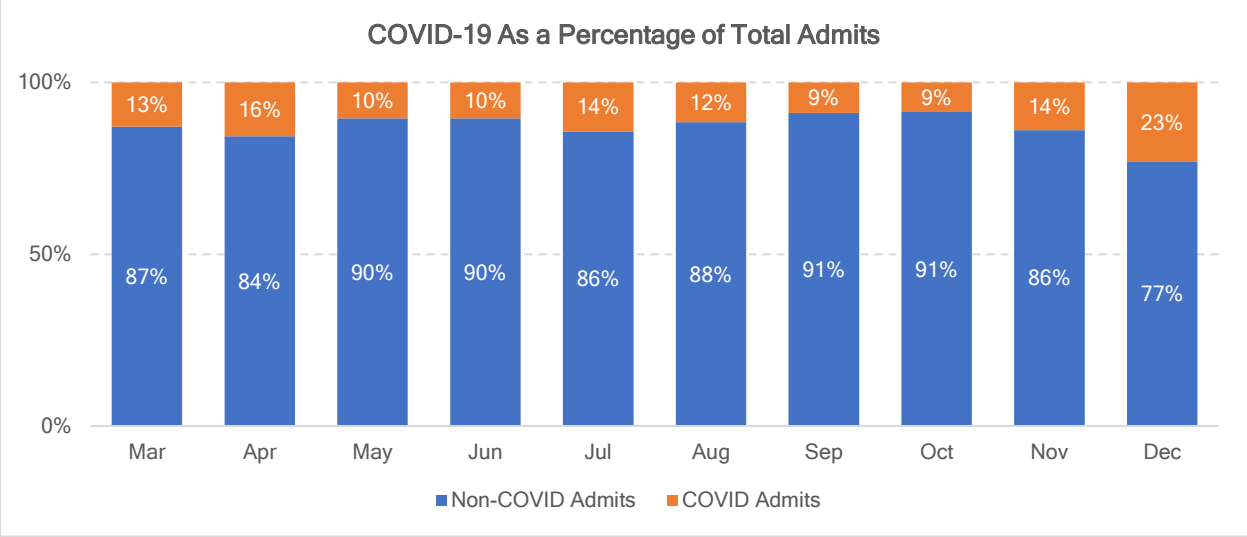
workforce, ongoing employee health assessment, COVID-19 testing, employee care coordination, technology-enabled workplace prevention monitoring, and contact tracing.

- Developing the Validate and Verify online tool to prioritize caregivers according to risk-level and facilitate vaccination scheduling for more than 200,000 Providence caregivers and affiliated providers.
- Building the COVID-19 Detection Map, using artificial intelligence and natural language processing, to visually display the current state of the pandemic by community.

Pursuant to guidance from state authorities and federal agencies including the Centers for Medicare & Medicaid Services (CMS), Providence began rescheduling non-emergent surgeries the week of March 16th, which resulted in significant declines in daily volumes. This resulted in a 40 percent decline in gross revenue by the end of the first quarter of 2020. Volumes began to stabilize through the first week of April and previously suspended non-emergent services reopened in May in coordination with state authorities. The System experienced a second peak in COVID-19 cases in the second half of July that declined in August and stabilized to 50 percent of the July peak through the end of the quarter. However, a third peak in cases began in October and continued through December. We continue to manage increases in COVID-19 cases, while maintaining access to other comprehensive care in a safe manner for both caregivers and patients. The System's average monthly COVID-19 positive patients are presented through fiscal year 2020:



The System's COVID-19 positive patients as a percentage of total admissions are presented through fiscal year 2020:



We expanded our short-term revolver capacity by $700 million and accessed private lines of credit in response to the initial increased liquidity risk arising from the crisis. Providence has received relief in the form of grants and loans from the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. As of December 31, 2020, Providence received $1.6 billion in advance payments from Medicare under the CMS Advance Payment Program and $1.1 billion in total grants from the federal CARES Act, of which $957 million was recognized as revenue during the year ended December 31, 2020. The advance payments from CMS will be offset by services provided by Providence in future quarters.

Each of our regions and lines of business have developed detailed recovery plans for how to safely deliver much-needed care to patients whose procedures were delayed by the state mandates. We have taken steps to preserve our operating performance and liquidity, including reassessing current and new capital projects outside of those focused on patient and caregiver safety and COVID-19. We have also reduced discretionary spending including travel, use of third-party contractors, purchased services, and professional services. As cases continue to come online and as demand returns to pre-pandemic levels, we will balance our labor and supply costs to allow us to efficiently and safely provide the services required by our patients.

Our Mission has endured thanks to the extraordinary efforts of our caregivers. We will continue to respond to the times and be of service to our communities for many decades to come.

Our Integrated Strategic & Financial Plan

Guided by our Mission and values, Providence has developed and adopted an Integrated Strategic & Financial Plan that serves as our roadmap for accelerating progress toward our vision of Health for a Better World. Supported by three areas of strategic focus, our plan ensures integration between our strategic aspirations and financial capacity:

Strengthen the core. We are focused on delivering outstanding, affordable health care, housing, education and other essential services to our patients and communities by:

- Creating a diverse workforce reflecting the communities we serve and a caregiver experience where all caregivers are included, developed, and inspired to carry on the Mission
- Delivering safe, compassionate, high-value quality health care
- Making Providence the provider partner of choice in all our communities
- Stewarding our resources to improve operational earnings
- Fostering community commitment to our Mission via philanthropy

Be our communities' health partner. We are focused on being our communities' health partner, aiming for physical, spiritual, and emotional well-being of all. We seek to ease the way of our communities by:

- Transforming care, improving population health outcomes, and reducing health disparities, especially for poor and vulnerable populations
- Leading the way in improving our nation's mental and emotional well-being
- Extending our commitment to whole person care for people at every age and stage of life
- Engaging with partners in ensuring health equity for all by addressing systemic racism and the social determinants of health, with a focus on education, housing, and the environment
- Being the preferred health partner for those we serve

Transform our future. We are focused on responding to the signs of the times, pursuing new opportunities that transform our services. We seek to expand and sustain our Mission by:

- Diversifying sources of earnings to ensure sustainability of the ministry
- Digitally enabling, simplifying, and personalizing the health experience
- Creating an integrated scientific wellness, clinical research and genomics program that is nationally recognized for breakthrough advances
- Utilizing insights and value from data to drive strategic transformation

- Activating the voice and presence of Providence locally and nationally to improve health for all

Strategic affiliations. As part of our overall strategic planning and development process, Providence regularly evaluates and, if deemed beneficial, selectively pursues opportunities to affiliate with other service providers and invest in new facilities, programs, or other health care related entities. Likewise, we are frequently presented with opportunities from, and conduct discussions with, third parties regarding potential affiliations, partnerships, mergers, acquisitions, joint operating arrangements, or other forms of collaboration, including some that could affect the Obligated Group Members. It is common for several such discussions to be in process concurrently. System management pursues arrangements when there is a perceived strategic or operational benefit that is expected to enhance our ability to achieve the Mission and/or deliver on our strategic objectives. As a result, it is possible that the current organization and assets of the Obligated Group may change.

Providence will continue to evaluate opportunities for strategic growth. Providence does not typically disclose such discussions unless and until it appears likely that an agreement will be reached, and any required regulatory approvals will be forthcoming.

Technology Services and Solutions

Helping health care organizations drive quality and affordability while easing the way of patients and caregivers. In recent years, Providence has developed or acquired technology platforms, processes, best practices, and expertise that have improved the way the health system delivers patient care and operates administrative services. Providence launched Tegria, a new company designed to provide next generation technologies and services to the health care sector. Tegria combines select Providence investments and acquisitions into a comprehensive portfolio of solutions to accelerate technological, clinical, and operational advances in health care. Based in Seattle with offices and teams throughout the United States and Canada, Tegria combines nine operating companies into a comprehensive suite of offerings for organizations across the health care sector. Tegria is comprised of more than 2,800 strategists, technologists, service providers and scientists who currently serve more than 500 organizations across North America. Tegria will initially focus on three key initiatives–healthcare consulting and technology services, revenue cycle management solutions, and software technology and platforms.

Ambulatory Care Network

Creating best in class, lower cost health and wellness services for consumers. The Ambulatory Care Network continues to deliver on commitments to build a network of optimized, connected, lower cost ambulatory services across Providence. Currently, our Ambulatory Care Network provides more than two million visits in 330 sites across seven states, and consists of ambulatory surgery centers, imaging centers, urgent care centers, retail clinics and active wellness sites. We believe ambulatory care networks offer advantages to patients and physicians, including greater affordability, predictability, flexibility, and convenience, while offering a seamless connection to our full continuum of care. We are expanding our ambulatory care network through strategic partnerships that improve patient access and reduce costs for consumers and employers, including increased same-day access through our retail and urgent care clinics.

Population Health Management

Making a transformational shift from health care to health. Population Health models and initiatives form a vital pillar in achieving our strategic plan of transforming care, delivering value-based care, and creating healthier communities together. Our goal is to maximize the health outcomes of the people in our defined populations and communities through the design, delivery and coordination of affordable quality health care and services. We integrate solutions to improve social determinants of health, identify health disparities, and provide care management for complex patients. We are building community partnerships to increase access to health services, transportation, housing, education, food banks, mental health services, and support needed by vulnerable communities to achieve health equity.

Our Population Health Management division is composed of a family of services, including Population Health Informatics, Value-Based Care, Payer Contracting, Risk Sharing & Payments Models,

Care Management, Mental Health Improvement, and Health Equity that support our Providence regional care delivery systems; and two businesses: Providence Health Plans and Ayin Health Solutions.

Providence Health Plan ("PHP"), a 501(c)(4) Oregon non-profit health care service contractor, and Providence Health Assurance ("PHA"), a wholly owned subsidiary of PHP, are collectively referred to as the Health Plans. Providence Plan Partners ("PPP") is a 501(c)(4) Washington non-profit corporation.

The Health Plans provide services to a wide range of clients, including self-funded employers, and insurance coverage for large group employers, small group employers, individual and family coverage under the Affordable Care Act, Medicare Commercial, Medicare Advantage, Managed Medicaid risk administration, pharmacy benefits management, workers compensation services, and network access services under preferred plans. Providence Health Plan members reside in 49 states nationwide.

Ayin Health Solutions is our population health management company that provides a comprehensive suite of services to employer, payer, provider, and government clients. Ayin is a for-profit, non-risk bearing entity providing administrative and clinical services in multiple states and incorporated in Delaware.

Home & Community Care

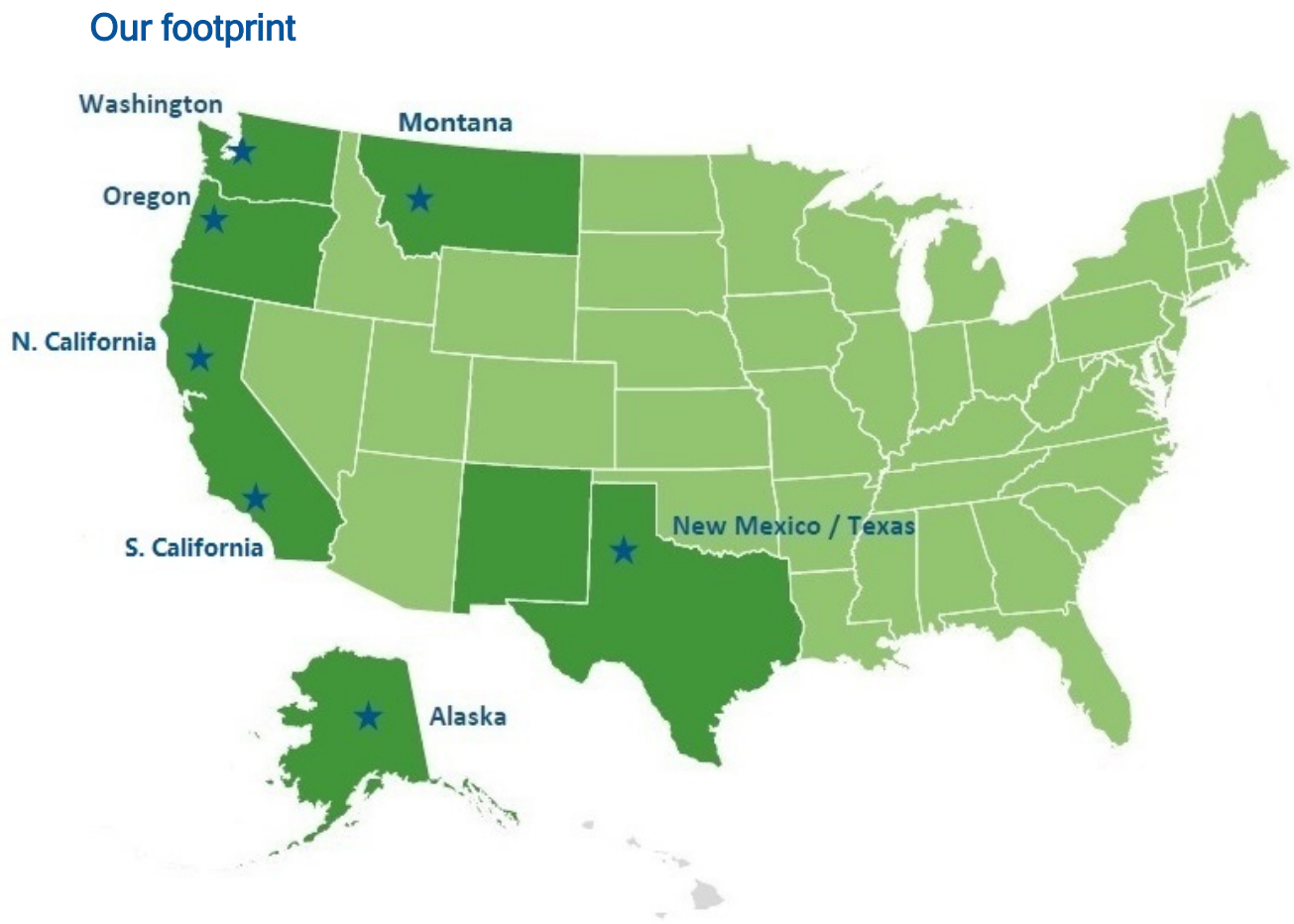
Bringing excellent medical care to the home setting. As a trusted partner for individuals and families, our community-based care and services are geared to help in times of need, aging and illness, and at the end of life. We provide a full range of post-acute services, including assisted living, skilled nursing and rehabilitation, home health, home infusion and pharmacy services, home medical equipment, hospice and palliative care, Program of All-Inclusive Care for the Elderly (PACE) locations, supportive housing, and personal home care services. As our Mission calls us to serve the most vulnerable and poor members of our community, we provide a full range of services and support more to than 30,000 patients, participants, and residents each day. The demand for these services continues to increase in the markets we serve, creating opportunities for continued growth, innovation, and investment.

Physician Enterprises

Providence's Physician Enterprise creates health for a better world by serving patients across the Western United States with quality, compassionate, coordinated care. Collectively, our medical groups and affiliate practices make up the third largest group in the country. This includes: Providence Medical Group, serving Alaska, Washington, Montana, and Oregon; Swedish Medical Group, with staffed clinics throughout Washington's greater Puget Sound area; Pacific Medical Centers in western Washington; Kadlec, serving southeast Washington; Providence St. John's Medical Foundation in Southern California; Providence Medical Institute ("PMI") in Southern California; Facey Medical Foundation ("Facey") in Southern California; St. Joseph Heritage Healthcare in Northern and Southern California; and Covenant Medical Group, and Covenant Health Partners in west Texas and eastern New Mexico.

The System is organized into the geographic regions spanning seven states across the western United States shown in the graphic below.

EXHIBIT 1.1



Region Information

The System's operating revenue share by geographic region is presented for the fiscal years ended December 31:

	Fiscal Year Ended	
EXHIBIT 1.2 - REGIONAL OPERATING REVENUE SHARE	12-31-2019	12-31-2020
Alaska	4%	4%
Swedish	11%	10%
Washington and Montana	20%	19%
Oregon	21%	19%
Northern California [1]	6%	6%
Southern California [1]	31%	32%
West Texas and Eastern New Mexico	5%	5%
Other (including Home & Community Care) [2]	2%	5%

[1] Includes recognition of revenue from California provider fee program of $754 million in 2020 and $633 million in 2019.

[2] Includes Home & Community Care entities in 2020 that previously were reported under the Oregon region and Tegria, our new technology services and solutions company launched in 2020.

Alaska

In the Alaska region, the System includes five hospitals and 22 clinics with a 31 percent inpatient market share statewide in 2019, as reported by the Alaska Health Facilities Data Reporting Program. The System's Alaska facilities are in the greater Anchorage area, with 53 percent inpatient market share, and in the remote communities of Kodiak, Seward, and Valdez, as reported by the Alaska Health Facilities Data Reporting Program. Providence Alaska Medical Center is a 401-bed acute care facility located in Anchorage and the only comprehensive tertiary referral center in the state. St. Elias Specialty Hospital, a 56-bed long term acute care hospital (the only one in the state) is also located in the Anchorage area. Three critical access hospitals are in Kodiak, Seward, and Valdez, all co-located with skilled nursing facilities.

Swedish

In the greater Puget Sound area of Washington, Swedish Health Services operates five hospital campuses: First Hill, Cherry Hill, Ballard, Edmonds, and Issaquah which are in King and Snohomish counties. The inpatient market share for Swedish was 25 percent in 2019, as reported by the Comprehensive Hospital Abstract Reporting System. Swedish also has ambulatory care centers in Redmond and Mill Creek, and a network of more than 100 primary care and specialty clinics throughout the Seattle area.

Washington and Montana

In the Washington-Montana region, the System includes 12 hospitals, with a 45 percent inpatient market share in their service areas in 2019, as reported by the Comprehensive Hospital Abstract Reporting System. The region is composed of five geographic markets: Northwest Washington, Southwest Washington, Eastern Washington, Southeast Washington, and Western Montana, with medical groups in the region employing nearly 2,500 providers. The region provides a variety of services, including home health and hospice care, primary and immediate care services, inpatient rehabilitation, skilled nursing and transitional care, and general acute care services.

Oregon

The Oregon region includes eight hospitals in Portland, Hood River, Medford, Milwaukie, Newberg, Seaside and Oregon City, with a total inpatient market share of 29 percent in their service areas in 2019, as reported by Apprise Health Insights. Providence St. Vincent Medical Center and Providence Portland Medical Center provide tertiary care to the Portland metropolitan market. The region also provides nearly 200 primary care, specialty and immediate care clinics, home health care, and housing. The Health Plans are based in Oregon, and the majority of its nearly 700,000 members live in the region.

Northern California

In Northern California region, the System serves the North Coast, Humboldt, Napa, and Sonoma communities with five hospitals, ambulatory surgery centers, urgent care centers, wellness centers, physician offices, home health, hospice, and rehabilitation sites. The acute care hospitals in Northern California had 37 percent inpatient market share in their service areas in 2019, as reported by the Office of Statewide Health Planning and Development. St. Joseph Heritage Healthcare, a medical foundation, operates clinics in the region with its contracted physician partners.

Southern California

The Southern California region includes 13 acute care hospitals in Los Angeles, Orange and San Bernardino counties, and the High Desert, with a total inpatient market share of 24 percent in their service areas in 2019, as reported by the Office of Statewide Health Planning and Development. In Los Angeles County, the System includes six acute care facilities. Our largest hospital, Providence St. Joseph Medical Center, is in Burbank. The System also includes hospitals in Mission Hills, San Pedro, Torrance, and Santa Monica. Providence Medical Foundation operates over 50 practice locations in the market, including the Facey, PMI, and Providence St. John's medical foundations. In addition, the System includes seven acute care facilities within Orange and San Bernardino counties: Apple Valley, Fullerton, Mission Viejo, Laguna Beach, Newport Beach, Irvine, and Orange. Mission Hospital is located on two campuses in Mission Viejo and Laguna Beach, and maintains the region's level II trauma center, as well as a women's center. Hoag Hospital, which also is composed of two campuses, in Newport Beach and Irvine, also includes Hoag Orthopedic Institute. St. Joseph Heritage Healthcare, a medical foundation, operates clinics in the region with its contracted physician partners.

West Texas and Eastern New Mexico

The West Texas-Eastern New Mexico region includes Covenant Health System and Covenant Medical Group. Covenant Health System and its related Texas affiliates is the market's largest health system with seven licensed hospitals; the inpatient market share was 33 percent in their service areas in 2019, as reported by Texas Health Care Information Collection. Covenant Health System operates Covenant Medical Center, Covenant Children's Hospital, Covenant Health Plainview, and Covenant Health Levelland, and Covenant Specialty Hospital, a long-term acute care facility, in addition to Grace Health System, which includes Grace Clinic and Grace Medical Center. CHS also operates Covenant Medical Group, a medical foundation physician network of employed and aligned physicians, a joint venture acute rehabilitation facility, and Hospice of Lubbock. In December 2020, Covenant Health System opened Grace Surgical Hospital, a short-stay surgical hospital that specializes in elective procedures for patients in Lubbock and the surrounding area.

Financial Information

The summary audited combined financial information as of and for the fiscal years ended December 31, 2020 and 2019, respectively, are presented below. The financial information should be read in conjunction with the audited combined financial statements of the System, including the notes thereto, and the report of KPMG LLP, independent auditors.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions, estimates and judgments that affect the amounts reported in the combined financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. System management considers critical accounting policies to be those that require the more significant judgments and estimates in the preparation of its combined financial statements, including the following: recognition of net patient service revenues, which includes contractual allowances; impairment of long-lived assets; valuation of investments; accounting for expenses in connection with restructuring activities; and reserves for losses and expenses related to health care professional and general liability risks. Management relies on historical experience and on other assumptions believed to be reasonable under the circumstances in making its judgments and estimates. Actual results could differ materially from those estimates.

Summary Audited Combined Statements of Operations

EXHIBIT 2.1 - COMBINED STATEMENTS OF OPERATIONS $ PRESENTED IN MILLIONS	Fiscal Year Ended 12-31-2019	 12-31-2020
Net Patient Service Revenues	$19,883	$18,964
Premium Revenues	2,376	2,424
Capitation Revenues	1,514	1,732
Other Revenues [1]	1,252	2,555
Total Operating Revenues	**25,025**	**25,675**
Salaries and Benefits	12,172	12,646
Supplies	3,698	3,821
Purchased Healthcare Services	2,049	1,989
Interest, Depreciation, and Amortization	1,345	1,375
Purchased Services, Professional Fees, and Other	5,388	6,150
Total Operating Expenses Before Restructuring Costs	**24,652**	**25,981**
Excess (Deficit) of Revenues Over Expenses from Operations Before Restructuring Costs	**373**	**(306)**
Restructuring Costs	159	-
Excess (Deficit) of Revenues Over Expenses from Operations	**214**	**(306)**
Total Net Non-Operating Gains	1,144	1,046
Excess of Revenues Over Expenses	**$1,358**	**$740**
Operating EBIDA [2]	**$1,559**	**$1,121**
Pro Forma Operating EBIDA [3]	**$1,718**	**$1,121**

(1) Includes $957 million in grants recognized in revenue from the federal CARES Act in 2020.
(2) Includes $53 million in amortization of software as a service asset included on the balance sheet in 2020.
(3) Pro forma Operating EBIDA normalizes for restructuring costs in 2019.

Summary Audited Combined Balance Sheets

EXHIBIT 2.2 - COMBINED BALANCE SHEET $ PRESENTED IN MILLIONS	As of 12-31-2019	 12-31-2020
Current Assets:		
Cash and Cash Equivalents [1], [2]	$1,316	$3,230
Accounts Receivable, Net	2,400	2,365
Supplies Inventory	283	361
Other Current Assets	1,233	1,480
Current Portion of Assets Whose Use is Limited	702	1,228
Total Current Assets	**5,934**	**8,664**
Assets Whose Use is Limited:	10,855	11,506
Property, Plant & Equipment	10,978	11,033
Other Assets	2,785	3,451
Total Assets	**$30,552**	**34,654**
Current Liabilities:		
Current Portion of Long-Term Debt	$85	$127
Master Trust Debt Classified as Short-Term [2]	205	934
Accounts Payable	1,035	1,155
Accrued Compensation	1,145	1,453
Other Current Liabilities [1]	2,428	3,020
Total Current Liabilities	**4,898**	**6,689**
Long-Term Debt, Net of Current Portion [2]	6,393	6,061
Pension Benefit Obligation	1,094	1,203
Other Liabilities	2,292	3,985
Total Liabilities	**$14,677**	**$17,938**
Net Assets:		
Controlling Interests	14,344	14,857
Noncontrolling Interest	150	309
Net Assets without Donor Restrictions	**14,494**	**15,166**
Net Assets with Donor Restrictions	**1,381**	**1,550**
Total Net Assets	**15,875**	**16,716**
Total Liabilities and Net Assets	**$30,552**	**$34,654**

(1) Includes $1.6 billion from the CMS Advanced Payment Program in 2020.
(2) Includes $250 million in borrowings in response to the COVID-19 pandemic in 2020.

Management's Discussion and Analysis: Fiscal Year Ended December 31, 2020

Management's discussion and analysis provides additional narrative explanation of the financial condition, operational results, and cash flow of the System to assist in increasing understanding of the combined financial statements. The summary audited combined financial information as of and for the fiscal years ended December 31, 2020 and 2019, respectively, are presented below.

Results of Operations

Operations Summary

Operating earnings before interest, depreciation, and amortization ("EBIDA") were $1.1 billion for the fiscal year ended December 31, 2020, or 4.4 percent of operating revenues, compared with $1.6 billion and 6.2 percent in 2019. Deficit of revenues over expenses from operations was $306 million for the fiscal year ended December 31, 2020, compared with excess of revenues over expenses from operations of $214 million in 2019. The results include the net recognition of reimbursements from provider fee programs of $329 million (revenue of $1.1 billion and expense of $753 million) for the fiscal year ended December 31, 2020, compared with $345 million (revenue of $942 million and expense of $597 million) in 2019, primarily attributable to services performed in 2020. Volumes declined 9 percent year-over-year for the fiscal year ended December 31, 2020, driving a 5 percent decline in net patient service revenues. Net patient service revenues were $19.0 billion for the fiscal year ended December 31, 2020, compared to $19.9 billion in 2019.

The System's operating results were significantly impacted by the unprecedented decrease in patient volumes due to the COVID-19 pandemic and related service reductions during most of 2020. The impact included a significant reduction in revenue, coupled with an increase in costs incurred for PPE and pharmaceuticals, and increases in labor costs for staffing to serve those impacted by the virus, including prevention, testing, and treatment. We continued to maintain access and capacity for non-COVID-19 care despite the continued flow of COVID-19 cases, including the resurgence during the fourth quarter of 2020, where COVID-19 case levels exceeded those experienced in early 2020. Operational recovery continues to be variable and market specific as the pandemic continues across our footprint. Results also include the impact of increased staffing costs due to a work stoppage at some Swedish facilities in early 2020. The System's key financial indicators are presented for the fiscal years ended December 31:

	Fiscal Year Ended			
	AS REPORTED		PRO FORMA [1]	
EXHIBIT 3.1 - OPERATIONS SUMMARY $ PRESENTED IN MILLIONS	12-31-2019	12-31-2020	12-31-2019	12-31-2020
Operating Revenues	$25,025	$25,675	$25,025	$25,675
Operating Expenses	24,811	25,981	24,652	25,981
Excess (Deficit) of Revenues Over Expenses from Operations	214	(306)	373	(306)
Operating Margin %	0.9	(1.2)	1.5	(1.2)
Operating EBIDA	1,559	1,121	1,718	1,121
Operating EBIDA Margin %	6.2	4.4	6.9	4.4
Premium and Capitation Revenues	3,890	4,156	3,890	4,156
Net Service Revenue/Case Mix Adjusted Admits	12,099	12,922	12,099	12,922
Net Expense/Case Mix Adjusted Admits	11,980	13,110	11,892	13,110
Total Community Benefit	$1,515	1,750	$1,515	1,750
Full-Time Equivalents (thousands)	105	103	105	103

(1) Pro forma normalizes for restructuring costs in 2019.

COVID-19: Variable results over the quarters of fiscal year 2020. Operating EBIDA was $304 million for the three months ended December 31, 2020, or 4.5 percent of operating revenues, compared with $347 million and 5.5 percent for the same period in 2019. Deficit of revenues over expenses from operations was $93 million for the three months ended December 31, 2020, compared with excess of revenues over expenses from operations of $16 million for the same period in 2019. Volumes declined 7 percent quarter-over-quarter for the three months ended December 31, 2020, while net patient service revenues remained flat compared to the prior year. Net patient service revenues were $5.0 billion for both the three months ended December 31, 2020 and the same period in 2019. Among the key statistics, the three months ended December 31, 2020 showed acute patient days up 2 percent, acute admissions down 10 percent, surgeries down 10 percent, procedures down 12 percent, and emergency room visits down 21 percent from the prior year period, reflecting the continued impact of the pandemic on operations.

Volumes

Case mix adjusted admissions (CMAA) declined 9 percent for the fiscal year ended December 31, 2020, compared with the prior year driven by the events noted above. The System's key volume indicators are presented for the fiscal years ended December 31:

	Fiscal Year Ended	
EXHIBIT 3.2 - SYSTEM UTILIZATION DATA PRESENTED IN THOUSANDS UNLESS NOTED	12-31-2019	12-31-2020
Inpatient Admissions	507	447
Acute Adjusted Admissions	1,041	913
Acute Patient Days	2,464	2,340
Long-Term Patient Days	402	340
Outpatient Visits (incl. Physicians)	27,302	25,126
Emergency Room Visits	2,125	1,720
Surgeries and Procedures	699	589
Acute Average Daily Census (Actual)	6,752	6,393
Providence Health Plan Members	649	699

Operating Revenues

Operating revenues were $25.7 billion, an increase of 3 percent for the fiscal year ended December 31, 2020, compared with prior year. Operating revenues increased, despite the 5 percent decline in net patient service revenues due to premium/capitation and diversified revenue growth. The recognition of $957 million in grants from the federal CARES Act, partially but not entirely offset lower revenues from the decline in volumes.

The System's operating revenues by state are presented for the fiscal years ended December 31 (footnotes appear beneath last table):

	Fiscal Year Ended	
EXHIBIT 3.3 - OPERATING REVENUES BY STATE $ PRESENTED IN MILLIONS	12-31-2019	12-31-2020
Alaska	$877	$830
Washington	7,036	6,543
Montana	450	427
Oregon	5,207	5,137
California	9,083	9,151
Texas	1,120	1,032
Total Revenues from Contracts with Customers	23,773	23,120
Other Revenues [(2)]	1,252	2,555
Total Operating Revenues	$25,025	$25,675

The System's operating revenues by line of business are presented for the fiscal years ended December 31:

EXHIBIT 3.4 – OPERATING REVENUES BY LINE OF BUSINESS $ PRESENTED IN MILLIONS	Fiscal Year Ended 12-31-2019	 12-31-2020
Hospitals	$16,805	$16,145
Health Plans and Accountable Care	2,553	2,739
Physician and Outpatient Activities	2,865	2,728
Long-term Care, Home Care, and Hospice	1,198	1,268
Other Services	352	240
Total Revenues from Contracts with Customers	23,773	23,120
Other Revenues [2]	1,252	2,555
Total Operating Revenues	$25,025	$25,675

The System's operating revenues by payor are presented for the fiscal years ended December 31:

EXHIBIT 3.5 – OPERATING REVENUES BY PAYOR [1] $ PRESENTED IN MILLIONS	Fiscal Year Ended 12-31-2019	 12-31-2020
Commercial	$11,918	$11,331
Medicare	8,017	8,021
Medicaid	3,441	3,517
Self-pay and Other	397	251
Total Revenues from Contracts with Customers	23,773	23,120
Other Revenues [2]	1,252	2,555
Total Operating Revenues	$25,025	25,675

(1) Represents total payor net patient service revenues received, including premium and capitation revenues in accordance with ASC 606, Revenue from Contracts with Customers. Refer to Exhibit 7.3 within Exhibit 7 attached hereto for supplementary information on net patient service revenue payor mix driven by patient utilization.

(2) Includes $957 million in grants recognized in revenue from the federal CARES Act in 2020.

Operating Expenses

Operating expenses were $26.0 billion, an increase of 5 percent for the fiscal year ended December 31, 2020, compared with the same period in 2019, driven by the impacts of costs related to our response to COVID-19. Despite the System experiencing unprecedented declines in volumes as noted above, significant costs were incurred to support caregivers and to serve existing patients, including labor costs and increased PPE and pharmaceutical spend. Overall, salaries and benefits expenses increased 4 percent for the fiscal year ended December 31, 2020, compared with the prior year. Labor productivity decreased 5 percent on an adjusted occupied bed volumes basis, and medical supply costs per CMAA were higher by 10 percent, compared with the prior year. Supplies expense increased by 3 percent compared to the prior year, driven by a 9 percent increase in pharmaceutical spend and COVID-19 related expenses, and offset by a 1 percent decrease in medical and non-medical supply costs.

Non-Operating Activity

Non-operating gains totaled $1.0 billion for the fiscal year ended December 31, 2020, compared with $1.1 billion in 2019, offsetting the deficit of revenues over expenses from operations. The decrease was driven by relatively lower investment gains of $1.1 billion for the fiscal year ended December 31, 2020, compared with $1.3 billion in 2019.

Liquidity and Capital Resources; Outstanding Indebtedness

Unrestricted Cash and Investments

Unrestricted cash and investments totaled approximately $15.3 billion as of December 31, 2020, compared to $12.3 billion as of December 31, 2019. As of December 31, 2020, Providence received approximately $1.6 billion in advance payments from Medicare under the CMS Advance Payment Program and $1.1 billion in grants from the federal CARES Act, of which $957 million was recognized as revenue. The advance payments from CMS will be offset by services provided by Providence in future quarters. In response to increased liquidity risk arising from the crisis, the System expanded its short-term revolver capacity as noted above, in addition to placing a $250 million short-term bridge loan in place. Debt balances as of December 31, 2020 also reflect a $95 million draw on our revolver to fund the CHFFA 2016-B put maturity occurring October 1, 2020 and a $110 million draw to fund the CHFFA 2013-D put maturity occurring October 14, 2020. The System's liquidity is presented for the fiscal years ended December 31:

	As of	
EXHIBIT 4.1 - INVESTMENTS BY DURATION $ PRESENTED IN MILLIONS	12-31-2019	12-31-2020
Cash and Cash Equivalents [1], [2]	$1,316	$3,230
Short-Term Investments	549	1,082
Long-Term Investments	10,404	10,950
Total Unrestricted Cash and Investments	$12,269	$15,262

(1) Includes $1.6 billion from the CMS Advanced Payment Program in 2020.
(2) Includes $250 million remaining in borrowings to offset operational pressures during the COVID-19 pandemic in 2020.

The System maintains a long-term investment portfolio comprised of operating and foundation investment assets. The System's target asset allocation for the long-term portfolio, by general asset class, is presented for the fiscal years ended December 31:

	As of	
EXHIBIT 4.2 - INVESTMENTS BY TYPE	12-31-2019	12-31-2020
Cash and Cash Equivalents	2%	2%
Domestic and International Equities	45%	45%
Debt Securities	38%	38%
Other Securities	15%	15%

Financial Ratios

The System's financial ratios presented for the fiscal years ended December 31:

	As of	
EXHIBIT 4.3 - SUMMARY OF KEY RATIOS	12-31-2019	12-31-2020
Total Debt to Capitalization %	31.3	31.6
Cash to Debt Ratio %	185.9	218.2
Days Cash on Hand [1]	191	226
Maximum Annual Debt Service [2]	390	395
Cash to Net Assets Ratio	0.85	1.01

(1) Days Cash on Hand, a measure of cash in relation to monthly operating expenses, is calculated as follows: (unrestricted cash & investments) / (total operating expenses - depreciation and amortization expenses)/days outstanding during the periods).
(2) Excludes borrowings secured in response to COVID-19 as they are classified as short-term indebtedness.

System Capitalization

The System's capitalization is presented for the fiscal years ended December 31:

EXHIBIT 4.4 – SYSTEM CAPITALIZATION $ PRESENTED IN MILLIONS UNLESS NOTED	As of 12-31-2019	 12-31-2020
Long-Term Indebtedness	$6,478	$6,188
Less: Current Portion of Long-Term Debt	85	127
Net Long-Term Debt	6,393	6,061
Net Assets – Unrestricted	14,494	15,166
Total Capitalization	$20,887	$21,227
Long-term Debt to Capitalization %	30.6	28.6

System Debt Service Coverage

The System's coverage of Maximum Annual Debt Service ("MADS") on indebtedness is presented for the fiscal years ended December 31:

EXHIBIT 4.5 – SYSTEM DEBT SERVICE COVERAGE $ PRESENTED IN MILLIONS UNLESS NOTED	As of 12-31-2019	 12-31-2020
Income Available for Debt Service:		
Excess of Revenues Over Expenses	$1,358	$740
Less: Unrealized (Gains) on Trading Securities	(978)	(692)
Plus: Loss on Extinguishment of Debt	14	-
Plus: Loss on Pension Settlement Costs and Other	26	19
Plus: Depreciation	1,077	1,097
Plus: Interest and Amortization	268	278
Total	$1,765	$1,442
Debt Service Requirements: [1]		
MADS [2]	$390	$395
Coverage of Debt Service Requirements [1]	4.5x	3.7x

[1] Debt Service Requirements has the meaning assigned to such term in the Master Indenture.
[2] Excludes borrowings secured in response to COVID-19 as they are classified as short-term indebtedness.

System Governance and Management

Corporate Governance

Providence serves as the parent and corporate member of PH&S and SJHS. Providence was created in connection with the combination of the multi-state health care systems of PH&S and the SJHS, which was effective on July 1, 2016 (the "Combination"). Providence has been determined to be an organization that is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Prior to the Combination, the sole corporate member of PH&S was Providence Ministries, which acted through its sponsors, who are five individuals appointed by the Provincial Superior of the Sisters of Providence, Mother Joseph Province. Similarly, the sole corporate member of SJHS was St. Joseph Health Ministry, a California non-profit public benefit corporation. Providence Ministries and St. Joseph Health Ministry are each a public juridic person under Canon law, responsible for assuring the Catholic identity and fidelity to the Mission of their respective systems. Pursuant to the Combination, Providence Ministries and St. Joseph Health Ministry have entered into an agreement that establishes a sponsorship model through contractual obligations exercised by the parties' sponsors collectively (the "Sponsors Council"). The Sponsors Council retains certain reserved rights with respect to Providence. Among the powers reserved to the Sponsors Council are the following powers over the affairs of Providence (excluding certain affiliates, such as: Providence – Western Washington, Western HealthConnect, Swedish, Swedish Edmonds, PacMed, Kadlec, and Hoag Hospital): to amend or repeal the articles of incorporation or bylaws of Providence; the appointment and

removal, with or without cause, of the directors of Providence; the appointment and removal, with or without cause, of the President and Chief Executive Officer of Providence; the approval of the acquisition of assets, incurrence of debt, encumbering of assets and sale of certain property; the approval of operating and capital budgets, upon recommendation of the Providence Board of Directors; and the approval of dissolution, consolidation or merger. Providence has reserved rights over PH&S and SJHS, which powers may be exercised by the Board of Providence. Given the complexity of the System's governance structure, Providence routinely evaluates and considers alternative governance models to best meet the System's governance needs.

The following table lists the current members of the Board of Directors of Providence and the Sponsors Council.

Board of Directors	Term Expires (December 31)	Sponsors Council	Term Expires (December 31)
David Olsen, Chair †	2021	Ned Dolejsi	2021
Richard Blair †	2022	Jeff Flocken	2025
Isiaah Crawford, PhD ‡	2022	Barbara Savage	2021
Lucille Dean, SP †	2021	Bill Cox	2021
Diane Hejna, CSJ, RN. ‡	2022	Russell Danielson	2027
Phyllis Hughes, RSM, PhD. ‡	2022	Sr. Sharon Becker, CSJ	2027
Mary Lyons, PhD. ‡	2022	Mark Koenig	2027
Charles W. Sorenson, M.D. Δ	2021	Sr. Margaret Pastro, SP	2028
Michael Murphy Δ	2022	Sr. Mary Therese Sweeney, CSJ	2028
Katharin S. Dyer Δ	2022		
Sr. Carol Pacini, LCM Δ	2023		
Rod Hochman, M.D.	Ex-officio		

† Not eligible for an additional term.
‡ Eligible for one additional three-year term.
Δ Eligible for up to two.

Executive Leadership Team

The following are key members of Providence's executive leadership team.

Name	Title
Rod Hochman, M.D.	President and CEO
John Whipple	Interim Executive Vice President and Chief Legal Officer
Greg Hoffman	Executive Vice President and CFO

In August 2020, Providence announced that Venkat Bhamidipati, Executive Vice President and Chief Financial Officer of the System, had submitted his resignation effective September 1, 2020. In January 2021, Greg Hoffman was named Chief Financial Officer for the System.

In September 2020, Mike Butler, President of Operations and Strategy announced his retirement. In January 2021, Mike's responsibilities were assumed by Rhonda Medows, M.D., President of Population Health and Chief Executive of Ayin Health Solutions, Amy Compton-Phillips, M.D., President of Clinical Care, Erik Wexler, President of Operations and Strategy, and Lisa Vance, President of Operations and Strategy.

In February 2021, Verona Dorch, Executive Vice President and Chief Legal Officer, passed away in Seattle. Verona joined Providence in June 2020 and onboarded in the midst of the COVID-19 pandemic. For the immediate future, Verona's responsibilities will be assumed by other leadership team members as we determine next steps. John Whipple will lead the department of legal affairs as the interim Chief Legal Officer and Deb Canales will temporarily assume responsibilities for governance.

Support Services

Corporate officers and supporting staff oversee the management activities performed on a day-to-day basis by the management staff of each region. Each regional Chief Executive oversees their management with emphasis on the service area's achievements in responding to unmet health care needs

in the community, especially the unmet needs of the poor and vulnerable, productivity, developing integrated delivery systems, meeting financial guidelines, and maintaining or increasing market share. The Chief Financial Officer of Providence and Finance staff coordinate the annual budget and multi-year forecasts of the service areas and manage the capital acquisition and management activities of the Obligated Group. Other areas in which the corporate staff provides centralized services or coordinates the activities of the service areas include legal affairs, insurance and risk management, treasury services, real estate strategy and operations, marketing, supplies management, technical support, fund-raising, quality of care, medical ethics, pastoral services, mission effectiveness, human resources, planning and policy development, and public affairs.

Obligated Group

Providence and the other entities so designated in the Glossary are currently Obligated Group Members under the Master Indenture.

Providence is the Obligated Group Agent under the Master Indenture. Under the Master Indenture, debt incurred or secured through the issuance of Obligations under the Master Indenture are the responsibility, jointly and severally, of the Obligated Group Members. Pursuant to the Master Indenture, Obligated Group Members may be added to and withdrawn from the Obligated Group under certain conditions described in the Master Indenture. Indebtedness evidenced or secured by obligations issued under the Master Indenture is solely the obligation of the Obligated Group, and such obligations are not guaranteed by, or the liabilities of, Sisters of Providence, Mother Joseph Province, any other Province of the Sisters of Providence, Sisters of St. Joseph of Orange, the Roman Catholic Church, or any affiliate of the System that is not an Obligated Group Member.

Obligated Group Utilization

The Obligated Group's key volume indicators are presented for the fiscal years ended December 31:

	Fiscal Year Ended	
EXHIBIT 5.1 - OBLIGATED GROUP UTILIZATION DATA PRESENTED IN THOUSANDS UNLESS NOTED	12-31-2019	12-31-2020
Obligated Group		
Inpatient Admissions	497	429
Acute Adjusted Admissions	982	843
Acute Patient Days	2,413	2,254
Long-Term Patient Days	392	330
Outpatient Visits (incl. Physicians)	21,402	19,410
Emergency Room Visits	2,097	1,664
Surgeries and Procedures	568	469
Acute Average Daily Census (Actual)	6,611	6,158

Obligated Group Capitalization

The Obligated Group's capitalization is presented for the fiscal years ended December 31:

	As of	
EXHIBIT 5.2 - OBLIGATED GROUP CAPITALIZATION $ PRESENTED IN MILLIONS UNLESS NOTED	12-31-2019	12-31-2020
Obligated Group		
Long-Term Indebtedness	$6,362	$5,809
Less: Current Portion of Long-Term Debt	81	110
Net Long-Term Debt	6,281	5,699
Net Assets - Unrestricted	12,911	12,741
Total Capitalization	$19,192	$18,440
Long-Term Debt to Capitalization %	32.7	30.9

Obligated Group Debt Service Coverage

The Obligated Group's coverage of MADS on indebtedness is presented for the fiscal years ended December 31:

EXHIBIT 5.3 - OBLIGATED GROUP DEBT SERVICE COVERAGE $ PRESENTED IN MILLIONS UNLESS NOTED	As of 12-31-2019	 12-31-2020
Obligated Group		
Income Available for Debt Service:		
Excess of Revenues Over Expenses	$1,805	$1,140
Less: Unrealized (Gains) on Trading Securities	(834)	(561)
Plus: Loss on Extinguishment of Debt	14	-
Plus: Loss on Pension Settlement Costs and Other	26	19
Plus: Depreciation	999	1,001
Plus: Interest and Amortization	254	257
Total	$2,264	1,856
Debt Service Requirements: (1)		
MADS (2)	$390	$395
Coverage of Debt Service Requirements (1)	5.8x	4.7x

(1) Debt Service Requirements has the meaning assigned to such term in the Master Indenture.
(2) Excludes borrowings secured in response to COVID-19 as they are classified as short-term indebtedness.

For the fiscal year ended December 31, 2020, the audited combined operating revenues, and total assets attributable to the Obligated Group Members were approximately 81 percent and 83 percent, respectively, of the System totals. For the fiscal year ended December 31, 2019, the audited combined operating revenues, and total assets attributable to the Obligated Group Members were approximately 84 percent and 87 percent, respectively, of the System totals. Refer to Exhibit 7 for supplementary information on the Obligated Group Members.

Control of Certain Obligated Group Members

General

Providence is the sole corporate member of PH&S and SJHS. PH&S is the sole corporate member, directly or indirectly, of each of Providence - Washington, Providence - Southern California, LCMASC, Providence - St. John's, Providence - SJMC Montana, Providence - Montana, Providence - Oregon, Swedish, Swedish Edmonds, Pac Med, Western Health Connect and Kadlec, and co-corporate member of Providence - Western Washington.

SJHS is the sole corporate member of SJHNC and, as more fully described hereinafter, a corporate member of St. Joseph Orange, St. Jude, Mission Hospital, St. Mary and CHS.

Northern California Region

SJHS is the sole member of St. Joseph Health Northern California, LLC, which operates the hospital facilities known as Santa Rosa Memorial Hospital, Queen of the Valley Medical Center, St. Joseph Hospital of Eureka, and Redwood Memorial Hospital. The corporate entities of Santa Rosa Memorial Hospital, Queen of the Valley Medical Center, St. Joseph Hospital of Eureka, and Redwood Memorial Hospital, each a California nonprofit public benefit corporation (collectively, the "Hospitals") transferred their assets to SJHNC effective as of April 1, 2018. Effective December 31, 2019 the remaining corporate entities in connection with this reorganization were dissolved.

Southern California Region

In connection with the March 2013 affiliation of SJHS and Hoag Hospital, a new entity known as Covenant Health Network, Inc. ("CHN"), a California nonprofit public benefit corporation, was created. CHN

is a corporate member of Hoag Hospital and St. Joseph Orange, St. Jude, Mission Hospital and St. Mary (the "SJHS Southern California Hospitals"). CHN, The George Hoag Family Foundation (Hoag Family Foundation) and the constituent churches of the Los Ranchos Presbytery of the Presbyterian Church (USA), as represented by the Association of Presbyterian Ministers (APM), are the corporate members of Hoag Hospital. None of CHN, Hoag Family Foundation or APM is an Obligated Group Member or is obligated for payment with respect to the Bonds.

SJHS, CHN, Hoag Hospital, and the SJHS Southern California Hospitals entered into an affiliation pursuant to the terms of an Affiliation Agreement dated as of October 15, 2012 (the "CHN Affiliation Agreement"). The CHN Affiliation Agreement, which became effective as of March 1, 2013, is designed to allow SJHS and each of the SJHS Southern California Hospitals on the one hand, and Hoag Hospital on the other hand, to preserve their respective Catholic and Presbyterian heritages and identities while creating an integrated community health care delivery system. The Affiliation Agreement was amended as of June 1, 2017 and Providence became a party to the arrangement. In addition, a Supplemental Agreement and two amendments were also entered into between the parties in 2017.

CHN does not have any corporate members, and neither Providence, SJHS, its affiliates, nor Hoag Hospital have any ownership interest in CHN. CHN's governing board consists of seven members, four of whom are designated by Providence in its sole discretion from persons who are members of the governing boards of SJHS, SJHS Southern California Hospitals, St. Joseph Health Ministry and/or Sisters of St Joseph of Orange, and/or members of Providence or SJHS management. The remaining three members are designated by Hoag Family Foundation and APM, acting jointly, in their sole discretion from members of the governing board of Hoag Hospital. The CHN board provides strategic planning leadership and oversight for the Southern California region.

CHN and SJHS have certain reserved powers with respect to the governance, management, and operation of each of the SJHS Southern California Hospitals and Hoag Hospital. Some of these powers may be exercised only by a supermajority vote of the CHN Board of Directors, meaning the affirmative vote of at least three of the four members designated by Providence, and of at least two of the three members designated by Hoag Family Foundation and APM. Such reserved powers and powers that require a supermajority vote may be reviewed and revised from time to time. These reserved powers include, among others, certain actions relating to: (i) changes in articles and bylaws, (ii) certain board member and management appointments and removals; and (iii) certain hospital mergers, acquisitions, joint ventures, asset sales, cash transfers and financings. Hoag Family Foundation and APM also have reserved powers with respect to certain management and operating matters and transactions involving Hoag Hospital.

West Texas/Eastern New Mexico Region

SJHS and Lubbock Methodist Hospital System ("LMHS") are the corporate members of CHS. CHS is the sole corporate member of CMC, Covenant Levelland and Covenant Plainview. LMHS is not an Obligated Group Member and is not obligated for payment with respect to the Bonds.

CHS was formed in 1998 pursuant to an affiliation between SJHS and LMHS and its affiliates, pursuant to which CHS became the sole corporate member of certain entities previously affiliated with LMHS and, together with certain of such entities, joined the obligated group to which SJHS and its affiliates were party.

CHS is governed by a 19-member board of directors. LMHS and SJHS each appoint eight directors. SJHS also appoints the Chief Executive Officer of CHS, who is an ex-officio voting director. The CMC Chief of Staff and Covenant Children's Hospital Chief of Staff also serve as ex-officio voting directors. SJHS has extensive authority with respect to the financial affairs of CHS and its subsidiaries, including, but not limited to, the approval of budgets of CHS and its subsidiaries and selection and retention of auditors.

As part of the affiliation, SJHS, CHS and LMHS entered into an agreement that significantly restricts the ability of SJHS to sever its relationship with CHS and the entities formerly affiliated with LMHS. Under certain circumstances, it also restricts CHS and SJHS from a wide variety of transactions (the "Covered Transactions"), including: (i) certain management agreements, leases, joint ventures and other transactions that might have the effect of transferring control of Covenant Medical Center or all assets of CHS and its subsidiaries to an unrelated third party, or in a manner that voids or reduces LMHS's right, as a member, to

appoint directors; (ii) a sale, transfer or conveyance of all or substantially all of CHS' assets (including all of CHS' affiliates, taken in the aggregate); (iii) an affiliation, management agreement, lease or joint venture under which a third party acquires the right to control CHS, as a whole; or (iv) any other transaction in which the ability to appoint and remove more than 50 percent of the directors of CHS is transferred to a third party.

In the event SJHS or CHS undertakes a Covered Transaction, they are obligated to provide notice and information to LMHS and to make a "reciprocal offer" to LMHS, including an offer to purchase LMHS's membership rights in CHS and a simultaneous obligation to offer CHS' membership rights to LMHS at the same purchase price, adjusted upward by a formula that reflects the dissolution percentages Pursuant to the terms of the affiliation, the dissolution percentages are SJHS – 57 percent; LMHS – 43 percent.

Other Information

Non-Obligated Group System Affiliates

In addition to the Obligated Group Members, the System includes: health plans; a provider network; numerous fundraising foundations; Providence Ventures, Inc., a Washington corporation that invests in health care activities; Tegria, a company that provides technologies and services to the health care sector, various not-for-profit corporations that own and operate assisted living facilities and low-income housing projects, including housing facilities for the elderly; and the University of Providence formerly known as University of Great Falls, located in Great Falls, Montana. The System also includes multiple operations involving or supporting home health, outpatient surgery, imaging services and other professional services provided through for-profit and non-profit entities that are not part of the Obligated Group. These entities are organized as subsidiaries of the System, partnerships, or joint ventures with other entities. Obligated Group Members also may engage in informal alliances and/or contract-based physician relationships. Affiliates that are not Obligated Group Members are referred to in this Annual Report as the Non-Obligated Group System Affiliates. Certain Non-Obligated Group System Affiliates that are of significant operational or strategic importance and other Non-Obligated Group System Affiliates are discussed elsewhere in this Annual Report only to the extent they are viewed by System management to be of particular operational or strategic importance.

Outstanding Master Trust Indenture Obligations

As of December 31, 2020, the System had Obligations outstanding under the Master Indenture totaling $6,282,000,000. This excludes Obligations that secure interest rate or other swap transactions, bank liquidity or credit facilities. The Obligations outstanding under the Master Indenture relating to tax-exempt and taxable bond/note indebtedness are described further in the Note 8 to the Combined Audited Financial Statements for the fiscal year ended December 31, 2020.

Certain of the outstanding Obligations secure tax-exempt bonds previously issued for the benefit of one or more Obligated Group Members (collectively, the "Direct Placement Bonds") that were purchased directly by commercial banks. Certain other of the outstanding Obligations secure taxable loans and lines of credit previously incurred on behalf of the Obligated Group (the "Taxable Loans") from one or more commercial banks or a syndicate of banks. Certain other of the outstanding Obligations secure payment obligations relating to bank liquidity or letter of credit facilities (the "Credit Facilities") issued by credit banks to secure the payment of principal of, interest on and purchase price for certain tax-exempt and taxable bonds issued for the benefit of, or by, certain Obligated Group Members. The financial covenants relating to the Direct Placement Bonds, the Taxable Loans and the Credit Facilities are substantially consistent with the covenants in the Master Indenture. In addition to financial covenants, the Direct Placement Bonds, the Taxable Loans and the Credit Facilities include events of default that may cause an acceleration of the Obligations secured thereby, and, in turn, all Obligations secured by the Master Indenture. Certain documents relating to the Direct Placement Bonds, the Taxable Loans and the Credit Facilities containing these financial covenants and events of default are available for review on EMMA (http://emma.msrb.org).

Interest Rate Swap Arrangements

The System and/or certain of its affiliates may enter into interest rate swap contracts from time to time to increase or decrease variable rate debt exposure, to achieve a targeted mix of fixed and floating rate indebtedness and for other purposes.

At December 31, 2020, SJHS was party to seven interest rate swap agreements with a current notional amount totaling approximately $418 million and with varying expiration dates. The swap agreements require SJHS to make fixed rate payments in exchange for variable rate payments made by the counterparties. SJHS's payment obligations under such swap agreements are secured by Obligations issued under the Master Indenture.

Below is a summary of those swap agreements, including the fair value of the swaps as of December 31, 2020. Fair values are based on independent valuations obtained and are determined by calculating the value of the discounted cash flows of the differences between the fixed interest rate of the interest rate swaps and the counterparty's forward London Interbank Offered Rate curve, which is the input used in the valuation, also taking into account any nonperformance risk. Changes in the fair value of the interest rate swaps are included within non-operating gains and losses. See also the discussion under "Other Information - Interest Rate Swap Agreements" and Note 8 to the Combined Audited Financial Statements for the fiscal year ended December 31, 2020.

DESCRIPTION	NOTIONAL	TERM	COUNTERPARTY	RECEIVE	PAY	FAIR VALUE
Fixed Payor	$6,900,000	Jul-21	Morgan Stanley	68% of 3 Month LIBOR	3.305%	($110,000)
Fixed Payor	$170,635,000	Jul-47	MUFG Union	68% of 3 Month LIBOR	3.529%	($72,501,000)
Fixed Payor	$45,305,000	Jul-47	Wells Fargo	68% of 3 Month LIBOR	3.520%	($18,689,000)
Fixed Payor	$62,800,000	Dec-40	Wells Fargo	55.70% of 1 Month LIBOR + 0.23%	3.229%	($16,206,000)
Fixed Payor	$62,850,000	Dec-40	Wells Fargo	55.70% of 1 Month LIBOR + 0.23%	3.229%	($16,187,000)
Fixed Payor	$69,390,000	Dec-40	Wells Fargo	55.70% of 1 Month LIBOR + 0.23%	3.229%	($17,910,000)

Entering into derivative agreements including those described above creates a variety of risks to the System. Pursuant to certain of these agreements, both SJHS and the counterparty are required to deliver collateral in certain circumstances in order to secure their respective obligations under the agreements. As of December 31, 2020, SJHS posted collateral in the amount of approximately $39,866,000. The amount of collateral delivered by SJHS over the term of the agreements could increase or decrease based upon SJHS' credit ratings and movements of United States dollar swap rates and could be substantial. Under certain circumstances, the derivative agreements are subject to termination prior to their scheduled termination date and prior to the maturity of the related revenue bonds. Payments due upon early termination may be substantial. In the event of an early termination of an agreement, there can be no assurance that (i) SJHS or any other Obligated Group Member will receive any termination payment payable to it by the provider, (ii) SJHS or any other Obligated Group Member will have sufficient amounts to pay a termination payment payable by it to the provider, or (iii) SJHS or the other Obligated Group Members will be able to obtain a replacement agreement with comparable terms. For financial reporting purposes, the System has generally not treated its swap agreements as effective hedges against the interest cost of underlying debt. To the extent that swaps are not treated as effective hedges, the System must recognize any changes in the fair market value of the swaps agreements and the related debt as non-operating gains or losses. See Note 8 to the Combined Audited Financial Statements for the fiscal year ended December 31, 2020.

Litigation

Certain material litigation may result in an adverse outcome to the Obligated Group. Obligated Group Members are involved in litigation and regulatory investigations arising in the course of doing business. After consultation with legal counsel, except as described below, management estimates that these matters will be resolved without material adverse effect on the Obligated Group's future consolidated financial position or results of operations.

In 2019, the U.S. Department of Justice served Swedish Health Services with a Civil Investigative Demand requesting documents pertaining to certain arrangements and joint ventures and physician organizations. Swedish is cooperating with the Department and compiling the responsive documents.

Several civil actions are pending or threatened against certain affiliates, including Obligated Group Members, alleging medical malpractice. In the opinion of management of Providence, based upon the advice of legal counsel and risk management personnel, the currently estimated costs and related expenses of defense will be within applicable insurance limits or will not materially adversely affect the financial condition or operations of the System.

In early May 2020, Hoag Family Foundation and APM, two of the three corporate members of Hoag Hospital, filed a complaint under a California Corporations Code statute seeking to involuntarily dissolve CHN, the third corporate member. The complaint seeks to remove Hoag Hospital as an Obligated Group Member. There has been no allegation that the Affiliation Agreement creating CHN has been breached, and there is no provision in the agreement for its termination or dissolution. The System believes that the complaint is without merit and believes the legal process will vindicate this position. Hoag accounts for less than 6 percent of the Obligated Group's audited total operating revenues for the fiscal year ended December 31, 2020 and less than 6 percent of the System's audited total operating revenues for the fiscal year ended December 31, 2020.

Employees

As of December 31, 2020, the System included approximately 120,000 employed caregivers (excluding Hoag), representing 103,036 FTEs. Of the total employees in the System, approximately 32 percent are represented by 19 different labor unions.

Providence management strives to provide market-competitive salaries and benefits to all employees in all markets. Management of Providence believes the salary levels and benefits packages for its employees are competitive in all the respective markets. At the same time, management understands that the health care industry is rapidly evolving. The leadership of each of the separate employers within the System is working to ensure the compensation and benefits are modern and reflect competitive market practices. This will require continued negotiations at the various employers within the System throughout 2021. In the past two years, the System has experienced strikes at different facilities, as a result of contract negotiations. In each situation, the facility operated with qualified replacement employees and experienced limited disruption to hospital operations or patient service. Management is also aware of ongoing organizing efforts by labor unions within the health care industry, including in markets where the separate employers within the System operate.

The separate employers across the System have implemented new programs and procedures for all employees, including temporary supplemental pay programs, accelerated hiring processes and procedures that support employee redeployment to ensure continued patient care during the COVID-19 pandemic, and will revisit as appropriate. In December 2020, after the Pfizer and Moderna COVID-19 vaccines received emergency use authorization from the FDA, Providence began a campaign to vaccinate its caregivers. Providence also rolled out pay programs to support caregivers who must receive their vaccine dose(s) on their days off and those who experience adverse vaccine side effects which keep them from work.

In 2020, Providence management established a social responsibility platform that includes a stronger commitment to diversity, equity, and inclusion, and has begun accelerating this important work. We updated our Integrated Strategic & Financial Plan to more clearly express our commitment to address racial disparities in health care and the social determinants of health.

Community Benefit

Informed by our community health needs assessments, we make strategic proactive investments in community-focused health and social service programs, health professions education, and research directly responding to unmet needs. In addition, we provide free and discounted care for the uninsured and underinsured to ensure vital access. We also cover the unpaid cost of Medicaid in the communities we serve.

Building on our commitment to care for those who are poor and vulnerable, we have invested $1.8 billion in community benefit in the fiscal year ended December 31, 2020, compared with $1.5 billion in 2019. Because we served more people covered by Medicaid who needed higher acuity and more complex care in 2020, our unpaid costs of Medicaid totaled $1.1 billion for the fiscal year ended December 31, 2020, compared with $816 million in 2019.

Insurance

Providence has developed insurance programs that provide coverage for various insurable risks. The program uses benchmarking and insurance analytics to guide its decisions regarding both the type of coverage it purchases and the limits of that insurance. The analytics use claims and historical data to estimate the cost and likelihood of certain events occurring such as an earthquake. The premium for an additional limit can then be compared to the probability of the event to pinpoint when the purchase of an additional insurance limit no longer provides a value to the System. The insurance team and brokers negotiate all types of insurance to obtain the most favorable terms of coverage possible. Insurers must have an A rating or better from A.M. Best to be on the System program. Management meets with its key underwriters at least once a year to obtain updates on any changes in business strategy or capacity. Providence currently self-insures a portion of its professional and general liability. Such claims are paid either through a trust arrangement or captive insurance company funded to a 75 percent confidence level based on projections from outside independent actuaries. The major lines of insurance that are renewed yearly include property, directors and officers, employment practices, auto, fiduciary, cyber liability/information security, workers' compensation, crime, and reinsurance for professional and general liability.

Retirement Plans

As described more completely under the caption "Retirement Plans" in Note 9 to the combined audited financial statements included in Exhibit 7, the System currently sponsors defined benefit and contribution plans. Although the System had certain defined benefit plans in place prior to January 1, 2010, in April 2009, the PH&S Board of Directors approved a freeze of the existing defined benefit plans, a cap on the ongoing cash balance interest credit formula, and the implementation of new defined contribution plans referenced within Note 9, all effective December 31, 2009.

The System's remaining unfunded liability with respect to the defined benefit plans decreased from approximately 61 percent at December 31, 2019 to 60 percent at December 31, 2020. The decrease in the unfunded liability occurred primarily due to a change in the valuation discount rate. The System's contribution to the defined benefit plans was approximately $113 million and $100 million at December 31, 2020 and 2019, respectively.

The System sponsors various defined contribution retirement plans that cover substantially all employees. The plans provide for employer matching contributions in an amount equal to a percentage of employee pretax contributions, up to a maximum amount. In addition, the System makes contributions to eligible employees based on years of service. Retirement expense related to these plans was $545 million and $500 million in December 31, 2020 and 2019, respectively, and is reflected in salaries and benefit expense in the accompanying combined statements of operations.

Accreditation and Memberships

The System's acute care hospital facilities are appropriately licensed by applicable state licensing agencies, certified for Medicare and Medicaid/Medi-Cal reimbursement, and (except Covenant Levelland, Providence Seward Medical Center, and Providence Valdez Medical Center) accredited by The Joint Commission. The System's five hospitals operated by Swedish Health Services are accredited by DNV. Each long-term care facility or unit is licensed by applicable state licensing agencies and is appropriately certified for Medicare and Medicaid/Medi-Cal reimbursement.

Glossary of Terms

Credit Group:	Obligated Group Members, Designated Affiliates, and Limited Credit Group Participants, and Unlimited Credit Group Participants, collectively.
Obligated Group or Obligated Group Members:	Obligated Group Members under the Master Indenture and currently: Providence PH&S Providence – Washington Providence – Southern California LCMASC Providence – Saint John's Providence – SJMC Montana Providence – Montana Providence – Oregon Providence – Western Washington Swedish Swedish Edmonds PacMed Western HealthConnect Kadlec SJHS St. Joseph Orange St. Jude Mission Hospital St. Mary Hoag Hospital SJHNC Queen of the Valley Santa Rosa Memorial St. Joseph Eureka Redwood Memorial CHS CMC Covenant Children's Covenant Levelland Covenant Plainview
Designated Affiliates:	Designated Affiliates under the Master Indenture. There are currently no Designated Affiliates.
Limited Credit Group Participants:	Limited Credit Group Participants under the Master Indenture. There are currently no Limited Credit Group Participants.
Unlimited Credit Group Participants:	Unlimited Credit Group Participants under the Master Indenture. There are currently no Unlimited Credit Group Participants.

CHS:	Covenant Health System, a Texas nonprofit corporation and currently an Obligated Group Member.
CMC:	Covenant Medical Center, a Texas nonprofit corporation and currently an Obligated Group Member.
Covenant Children's:	Methodist Children's Hospital, a Texas nonprofit corporation and currently an Obligated Group Member, doing business as Covenant Children's Hospital.
Covenant Levelland:	Methodist Hospital Levelland, a Texas nonprofit corporation and currently an Obligated Group Member, doing business as Covenant Lovelland Hospital.
Covenant Plainview:	Methodist Hospital Plainview, a Texas nonprofit corporation and currently an Obligated Group Member, doing business as Covenant Plainview Hospital.
Hoag Hospital:	Hoag Memorial Hospital Presbyterian, a California nonprofit public benefit corporation and currently an Obligated Group Member.
Kadlec:	Kadlec Regional Medical Center, a Washington nonprofit corporation and currently an Obligated Group Member.
LCMASC:	Little Company of Mary Ancillary Services Corporation, a California nonprofit public benefit corporation and currently an Obligated Group Member.
Mission Hospital:	Mission Hospital Regional Medical Center, a California nonprofit public benefit corporation and currently an Obligated Group Member.
PacMed:	PacMed Clinics, a Washington nonprofit corporation and currently an Obligated Group Member.
PH&S:	Providence Health & Services, a Washington nonprofit corporation and currently an Obligated Group Member.

Providence – Montana:	Providence Health & Services – Montana, a Montana nonprofit corporation and currently an Obligated Group Member.
Providence – Oregon:	Providence Health & Services – Oregon, an Oregon nonprofit corporation and currently an Obligated Group Member.
Providence – Saint John's:	Providence Saint John's Health Center, a California nonprofit religious corporation and currently an Obligated Group Member.
Providence – SJMC Montana:	Providence St. Joseph Medical Center, a Montana nonprofit corporation and currently an Obligated Group Member.
Providence – Southern California:	Providence Health System – Southern California, a California nonprofit religious corporation and currently an Obligated Group Member.
Providence – Washington:	Providence Health & Services – Washington, a Washington nonprofit corporation and currently an Obligated Group Member.
Providence – Western Washington:	Providence Health & Services – Western Washington, a Washington nonprofit corporation and currently an Obligated Group Member.
Providence St. Joseph Health, Providence, we, us, our:	Providence St. Joseph Health, a Washington nonprofit corporation and currently an Obligated Group Member and the Obligated Group Agent.
Queen of the Valley:	Queen of the Valley Medical Center, a California nonprofit public benefit corporation and currently an Obligated Group Member.
Redwood Memorial:	Redwood Memorial Hospital of Fortuna, a California nonprofit public benefit corporation and currently an Obligated Group Member.
Santa Rosa Memorial:	Santa Rosa Memorial Hospital, a California nonprofit public benefit corporation and currently an Obligated Group Member.
SJHNC:	St. Joseph Health Northern California, LLC, a California limited liability company and currently an Obligated Group Member.
SJHS:	St. Joseph Health System, a California nonprofit public benefit corporation and currently an Obligated Group Member.
St. Joseph Eureka:	St. Joseph Hospital of Eureka, a California nonprofit public benefit corporation and currently an Obligated Group Member.
St. Joseph Orange:	St. Joseph Hospital of Orange, a California nonprofit public benefit corporation and currently an Obligated Group Member.
St. Jude:	St. Jude Hospital, Inc., a California nonprofit public benefit corporation and currently an Obligated Group Member, doing business as St. Jude Medical Center.
St. Mary:	St. Mary Medical Center, a California nonprofit public benefit corporation and currently an Obligated Group Member.
Swedish:	Swedish Health Services, a Washington nonprofit corporation and currently an Obligated Group Member.
Swedish Edmonds:	Swedish Edmonds, a Washington nonprofit corporation and currently an Obligated Group Member.
System:	Providence and all entities that are included within the combined financial statements of Providence.
Western HealthConnect:	Western HealthConnect, a Washington nonprofit corporation and currently an Obligated Group Member.

Exhibit 6 – Obligated Group Facilities

Exhibit 6.1
Acute Care Facilities by Region

A list of the System's acute care facilities in each region as of December 31, 2020, each of which is owned, operated, or managed by an Obligated Group Member:

Region	Obligated Group Member	Facility	Location(s)	Licensed Acute Care Beds*
Alaska				
	Providence Health & Services-Washington	Providence Alaska Medical Center	Anchorage	401
		Providence Kodiak Island Medical Center [1]	Kodiak	25
		Providence Seward Medical and Care Center [2]	Seward	6
		Providence Valdez Medical Center [2]	Valdez	11
Swedish				
	Swedish Edmonds	Swedish Edmonds [1]	Edmonds	217
		Swedish Medical Center Campuses [3]:		
	Swedish Health Services	Swedish Ballard	Ballard	133
		Swedish Issaquah	Issaquah	175
		Swedish Cherry Hill	Seattle	349
		Swedish First Hill	Seattle	697
Washington and Montana				
	Providence Health & Services-Washington	Providence Centralia Hospital	Centralia	128
		Providence Regional Medical Center Everett	Everett	571
		Providence St. Peter Hospital [4]	Olympia	372
	Providence Health & Services-Washington	Providence St. Joseph's Hospital	Chewelah	65
		Providence Mount Carmel Hospital	Colville	55
		Providence Sacred Heart Medical Center and Children's Hospital	Spokane	691
		Providence Holy Family Hospital	Spokane	197
		Providence St. Mary Medical Center	Walla Walla	142
	Kadlec Regional Medical Center	Kadlec Regional Medical Center	Richland	337
	Providence Health & Services-Montana	St. Patrick Hospital	Missoula (MT)	253
	Providence St. Joseph Medical Center	Providence St. Joseph Medical Center	Polson (MT)	22
Oregon				
	Providence Health & Services-Oregon	Providence Hood River Memorial Hospital	Hood River	25
		Providence Medford Medical Center	Medford	168
		Providence Milwaukie Hospital	Milwaukie	77
		Providence Newberg Medical Center	Newberg	40
		Providence Willamette Falls Medical Center	Oregon City	143
		Providence St. Vincent Medical Center	Portland	523
		Providence Portland Medical Center	Portland	483
		Providence Seaside Hospital [1]	Seaside	25

Region	Obligated Group Member	Facility	Location(s)	Licensed Acute Care Beds*
Northern California				
	St. Joseph Health Northern California, LLC.	St. Joseph Hospital	Eureka	153
		Redwood Memorial Hospital	Fortuna	35
		Queen of the Valley Medical Center	Napa	200
		Santa Rosa Memorial Hospital	Santa Rosa	298
		Petaluma Valley Hospital [2]	Petaluma	80
Southern California				
	Providence Health System-Southern California	Providence St. Joseph Medical Center	Burbank	392
		Providence Holy Cross Medical Center	Mission Hills	329
		Providence Little Company of Mary Medical Center San Pedro	San Pedro	183
		Providence Tarzana Medical Center [2]	Tarzana	249
		Providence Little Company of Mary Medical Center Torrance	Torrance	327
	Providence Saint John's Health Center	Providence Saint John's Health Center	Santa Monica	266
	St. Mary Medical Center	St. Mary Medical Center	Apple Valley	213
	St. Jude Medical Hospital, Inc.	St. Jude Medical Center	Fullerton	320
		Mission Hospital Regional Medical Center Campuses [5]:		504
	Mission Hospital Regional Medical Center	Mission Hospital Regional Medical Center	Mission Viejo	
		Mission Hospital Laguna Beach	Laguna Beach	
		Hoag Memorial Hospital Presbyterian Campuses [6]:		518
	Hoag Memorial Hospital Presbyterian	Hoag Memorial Hospital Presbyterian	Newport Beach	
		Hoag Hospital Irvine	Irvine	
	St. Joseph Hospital of Orange	St. Joseph Hospital of Orange [7]	Orange	463
Texas				
	Methodist Hospital Levelland	Covenant Hospital Levelland	Levelland	48
		CHS Campuses:		381
	Covenant Health System	Covenant Medical Center	Lubbock	
		Covenant Medical Center - Lakeside	Lubbock	
		Grace Medical Center	Lubbock	155
	Methodist Children's Hospital	Covenant Children's Hospital	Lubbock	275
	Methodist Hospital Plainview	Covenant Hospital Plainview	Plainview	68
TOTAL				**11,788**

* Includes all acute care licensure categories except for normal newborn bassinettes and partial hospitalization psychiatric beds
[1] Leased by an obligated group member
[2] Managed by an obligated group member, however not a member of the obligated group
[3] Four campuses with three licenses
[4] Includes a 50-bed chemical dependency center
[5] Two campuses on one license, including 36 acute care psychiatric beds in Laguna Beach
[6] Two campuses on one license
[7] Includes 37 acute care psychiatric beds

Exhibit 6.2
Long-Term Care Facilities by Region

The System's principal owned or leased long-term care facilities as of December 31, 2020, each of which is owned, operated, or managed by an Obligated Group Member:

Region	Obligated Group Member	Facility	Location(s)	Licensed Long-Term Care Beds
Alaska				
	Providence Health & Services-Washington	Providence Kodiak Island Medical Center [1]	Kodiak	22
		Providence Seward Medical and Care Center [1]	Seward	40
		Providence Valdez Medical Center [2]	Valdez	10
		Providence Extended Care	Anchorage	96
		Providence Transitional Care Center	Anchorage	50
Washington and Montana				
	Providence Health & Services-Washington	Providence Marionwood	Issaquah	117
		Providence Mother Joseph Care Center	Olympia	152
		Providence Mount St. Vincent	Seattle	215
	Providence Health & Services-Washington	Providence St. Joseph Care Center	Spokane	113
Oregon				
	Providence Health & Services-Oregon	Providence Benedictine Nursing Center	Mt. Angel	98
		Providence Child Center	Portland	58
Northern California				
	St. Joseph Health Northern California, LLC.	Santa Rosa Memorial Hospital	Santa Rosa	31
Southern California				
	Providence Health System-Southern California	Providence Holy Cross Medical Center	Mission Hills	48
		Providence Little Company of Mary Subacute Care Center San Pedro	San Pedro	125
		Providence Little Company of Mary Transitional Care Center	Torrance	115
		Providence St. Elizabeth Care Center	North Hollywood	52
Texas				
	Covenant Health System	Covenant Long-term Acute Care [2]	Lubbock	56
TOTAL				**1,398**

[1] Lease by an obligated group member
[2] Managed or owned by an obligated group member, however not a member of the obligated group

Exhibit 7 – Supplementary Information

[ATTACHED]

Providence

EXHIBIT 7.1 - SUMMARY AUDITED COMBINED STATEMENTS OF OPERATIONS

	Ended December 31, 2020 (in 000's of dollars)		Ended December 31, 2019 (in 000's of dollars)	
	Consolidated	Obligated	Consolidated	Obligated
Operating Revenues:				
Net Patient Service Revenues	$ 18,964,084	17,761,749	19,882,771	18,942,163
Premium Revenues	2,423,924	280,738	2,375,699	218,721
Capitation Revenues	1,732,072	767,954	1,514,449	682,235
Other Revenues	2,554,510	2,078,110	1,252,498	1,131,482
Total Operating Revenues	25,674,590	20,888,551	25,025,417	20,974,601
Operating Expenses:				
Salaries and Benefits	12,646,320	11,001,078	12,172,125	10,867,963
Supplies	3,821,427	3,515,553	3,697,745	3,422,267
Purchased Healthcare Services	1,988,983	408,792	2,049,290	390,689
Interest, Depreciation, and Amortization	1,374,618	1,257,945	1,344,735	1,253,021
Purchased Services, Professional Fees, and Other	6,149,563	4,442,402	5,388,494	4,049,638
Total Operating Expenses Before Restructuring Costs	25,980,911	20,625,770	24,652,389	19,983,578
(Deficit) Excess of Revenues Over Expenses from Operations Before Restructuring Costs	(306,321)	262,781	373,028	991,023
Restructuring Costs	-	-	158,729	158,729
(Deficit) Excess of Revenues Over Expenses From Operations	(306,321)	262,781	214,299	832,294
Total Net Non-Operating (Losses) Gains	1,045,857	877,050	1,144,047	972,747
Excess of Revenues Over Expenses	$ 739,536	1,139,831	1,358,346	1,805,041

EXHIBIT 7.2 - SUMMARY AUDITED COMBINED STATEMENTS OF CASH FLOWS

	Ended December 31, 2020 (in 000's of dollars)		Ended December 31, 2019 (in 000's of dollars)	
	Consolidated	Obligated	Consolidated	Obligated
Net Cash Provided by Operating Activities	$ 3,148,727	3,525,593	963,361	2,457,092
Net Cash Used in Investing Activities	(1,741,794)	(1,129,877)	(1,474,810)	(2,325,152)
Net Cash Provided by (Used in) Financing Activities	507,062	(748,447)	230,261	(525,550)
Increase (Decrease) in Cash and Cash Equivalents	1,913,995	1,647,269	(281,188)	(393,610)
Cash and Cash Equivalents, Beginning of Period	1,316,209	633,478	1,597,397	1,027,088
Cash and Cash Equivalents, End of Period	$ 3,230,204	2,280,747	1,316,209	633,478

EXHIBIT 7.3 - SUMMARY AUDITED NET PATIENT SERVICE REVENUE PAYOR MIX

	Ended December 31, 2020 (in 000's of dollars)		Ended December 31, 2019 (in 000's of dollars)	
	Consolidated	Obligated	Consolidated	Obligated
Commercial	49%	48%	50%	49%
Medicare	32%	32%	32%	32%
Medicaid	16%	17%	15%	16%
Self-pay and Other	3%	3%	3%	3%

Providence

EXHIBIT 7.4 - SUMMARY AUDITED COMBINED BALANCE SHEETS

	As of December 31, 2020 (in 000's of dollars)		As of December 31, 2019 (in 000's of dollars)	
	Consolidated	Obligated	Consolidated	Obligated
Current Assets:				
Cash and Cash Equivalents	$ 3,230,204	2,280,747	1,316,209	633,478
Accounts Receivable, Net	2,365,360	2,183,641	2,400,037	2,255,555
Supplies Inventory	361,272	343,909	283,256	271,513
Other Current Assets	1,479,535	1,283,925	1,232,738	1,168,026
Current Portion of Assets Whose Use is Limited	1,227,531	885,284	701,720	341,065
Total Current Assets	8,663,902	6,977,506	5,933,960	4,669,637
Assets Whose Use is Limited	11,505,848	8,308,067	10,854,956	8,183,847
Property, Plant, and Equipment, Net	11,033,440	9,866,197	10,977,989	10,435,875
Other Assets	3,451,231	3,687,795	2,785,088	3,177,694
Total Assets	$ 34,654,421	28,839,565	30,551,993	26,467,053
Current Liabilities:				
Current Portion of Long-Term Debt	$ 127,107	110,353	85,111	80,924
Master Trust Debt Classified as Short-Term	933,860	933,860	205,240	205,240
Accounts Payable	1,155,330	978,443	1,034,992	909,251
Accrued Compensation	1,452,606	1,321,568	1,145,308	1,057,534
Other Current Liabilities	3,020,050	2,106,505	2,427,583	1,780,475
Total Current Liabilities	6,688,953	5,450,729	4,898,234	4,033,424
Long-Term Debt, Net of Current Portion	6,061,327	5,698,916	6,393,194	6,280,796
Pension Benefit Obligation	1,202,762	1,202,862	1,093,830	1,093,830
Other Liabilities	3,985,353	2,739,486	2,291,687	1,223,193
Total Liabilities	17,938,395	15,091,993	14,676,945	12,631,243
Net Assets:				
Controlling Interests	14,857,133	12,741,287	14,344,233	12,911,678
Noncontrolling Interests	308,509	(533)	149,783	(475)
Net Assets Without Donor Restrictions	15,165,642	12,740,754	14,494,016	12,911,203
Net Assets With Donor Restrictions	1,550,384	1,006,818	1,381,032	924,607
Total Net Assets	16,716,026	13,747,572	15,875,048	13,835,810
Total Liabilities and Net Assets	$ 34,654,421	28,839,565	30,551,993	26,467,053

Providence

EXHIBIT 7.5 - KEY PERFORMANCE METRICS

	Ended December 31, 2020		Ended December 31, 2019	
	Consolidated	Obligated	Consolidated	Obligated
Inpatient Admissions	446,966	429,199	506,581	496,847
Acute Patient Days	2,339,728	2,254,003	2,464,462	2,413,118
Acute Outpatient Visits	11,671,846	10,938,450	12,862,964	12,099,750
Primary Care Visits	12,303,694	7,740,634	13,071,341	8,418,009
Inpatient Surgeries	186,823	179,387	219,945	213,959
Outpatient Surgeries	402,611	290,006	479,339	353,617
Long-Term Care Admissions	5,742	5,324	8,056	7,664
Long-Term Care Patient Days	340,396	329,871	401,925	391,803
Long-Term Care Average Daily Census	224	195	238	210
Home Health Visits	1,150,386	730,649	1,367,849	884,553
Hospice Days	1,074,947	616,459	1,027,037	605,087
Housing and Assisted Living Days	600,757	221,764	619,485	241,802
Health Plan Members	699,076	n/a	648,865	n/a
Acute Average Daily Census	6,393	6,158	6,752	6,611
Acute Licensed Beds	11,817	11,287	11,908	11,576
FTEs	103,036	89,643	104,780	92,318
Historical Debt Service Coverage Ratio	3.92	5.04	5.11	6.56

Providence

EXHIBIT 7.6 - SUMMARY AUDITED COMBINING STATEMENTS OF OPERATIONS BY REGION

	Ended December 31, 2020 (in 000's of dollars)								
	Alaska	Swedish	Washington/ Montana	Oregon	Northern California	Southern California	West Texas/ Eastern New Mexico	Other/ Eliminations	Consolidated
Operating Revenues:									
Net Patient Service Revenues	$ 827,835	2,328,859	4,393,093	2,239,258	1,371,838	6,022,678	1,051,944	728,579	18,964,084
Premium Revenues	-	-	-	2,155,497	-	45	-	268,382	2,423,924
Capitation Revenues	-	-	164,833	13,897	84,880	1,467,515	-	947	1,732,072
Other Revenues	78,556	340,226	431,195	495,335	114,620	638,588	124,459	331,531	2,554,510
Total Operating Revenues	906,391	2,669,085	4,989,121	4,903,987	1,571,338	8,128,826	1,176,403	1,329,439	25,674,590
Operating Expenses:									
Salaries and Benefits	363,942	1,332,786	2,291,425	1,631,128	602,322	2,832,538	476,983	3,115,196	12,646,320
Supplies	116,823	435,031	790,085	458,934	211,773	1,125,854	222,496	460,431	3,821,427
Purchased Healthcare Services	-	1,575	98,513	1,199,513	46,147	532,284	-	110,951	1,988,983
Interest, Depreciation, and Amortization	60,591	136,387	173,151	119,149	63,670	365,351	71,034	385,285	1,374,618
Purchased Services, Professional Fees, and Other	290,545	908,395	1,632,631	1,300,061	641,321	3,337,784	388,058	(2,349,232)	6,149,563
Total Operating Expenses Before Restructuring Costs	831,901	2,814,174	4,985,805	4,708,785	1,565,233	8,193,811	1,158,571	1,722,631	25,980,911
(Deficit) Excess of Revenues Over Expenses from Operations Before Restructuring Costs	74,490	(145,089)	3,316	195,202	6,105	(64,985)	17,832	(393,192)	(306,321)
Restructuring Costs	-	-	-	-	-	-	-	-	-
(Deficit) Excess of Revenues Over Expenses From Operations	74,490	(145,089)	3,316	195,202	6,105	(64,985)	17,832	(393,192)	(306,321)
Total Net Non-Operating Losses	110,658	62,241	113,527	205,157	43,514	361,512	26,584	122,664	1,045,857
(Deficit) Excess of Revenues Over Expenses	$ 185,148	(82,848)	116,843	400,359	49,619	296,527	44,416	(270,528)	739,536

Providence

EXHIBIT 7.7 - SUMMARY AUDITED COMBINING BALANCE SHEETS BY REGION

	As of December 31, 2020 (in 000's of dollars)								
	Alaska	Swedish	Washington/ Montana	Oregon	Northern California	Southern California	West Texas/ Eastern New Mexico	Other/ Eliminations	Consolidated
Current Assets:									
Cash and Cash Equivalents	$ 653,274	160,306	309,764	1,317,164	147,256	(397,364)	294,938	744,866	3,230,204
Accounts Receivable, Net	123,317	297,498	500,866	211,061	157,683	824,262	159,870	90,803	2,365,360
Supplies Inventory	15,199	39,716	66,111	47,022	22,764	86,719	18,461	65,280	361,272
Other Current Assets	18,859	40,605	110,632	197,661	164,805	681,853	(4,296)	269,416	1,479,535
Current Portion of Assets Whose Use is Limited	-	-	-	-	2,326	520,753	-	704,452	1,227,531
Total Current Assets	810,649	538,125	987,373	1,772,908	494,834	1,716,223	468,973	1,874,817	8,663,902
Assets Whose Use is Limited	1,083,273	664,763	1,046,602	2,442,501	475,133	3,264,531	288,346	2,240,699	11,505,848
Property, Plant, and Equipment, Net	445,055	1,248,970	1,572,152	1,034,192	702,399	3,977,408	711,826	1,341,438	11,033,440
Other Assets	66,812	399,090	318,966	146,295	28,570	1,212,024	110,071	1,169,403	3,451,231
Total Assets	$ 2,405,789	2,850,948	3,925,093	5,395,896	1,700,936	10,170,186	1,579,216	6,626,357	34,654,421
Current Liabilities:									
Current Portion of Long-Term Debt	3,978	15,362	880	(1,154)	42,581	55,233	9,342	885	127,107
Master Trust Debt Classified as Short-Term	-	-	-	-	-	85,397	-	848,463	933,860
Accounts Payable	21,705	88,339	129,388	77,547	44,203	380,683	36,028	377,437	1,155,330
Accrued Compensation	40,763	118,183	218,920	174,861	50,813	349,476	57,158	442,432	1,452,606
Other Current Liabilities	43,632	145,657	471,536	546,595	158,649	834,317	117,367	702,297	3,020,050
Total Current Liabilities	110,078	367,541	820,724	797,849	296,246	1,705,106	219,895	2,371,514	6,688,953
Long-Term Debt, Net of Current Portion	265,274	996,932	1,109,068	133,239	306,014	1,972,710	470,489	807,601	6,061,327
Pension Benefit Obligation	-	424,361	-	9,060	-	-	-	769,341	1,202,762
Other Liabilities	95,863	426,522	387,116	255,489	141,730	898,149	137,889	1,642,595	3,985,353
Total Liabilities	$ 471,215	2,215,356	2,316,908	1,195,637	743,990	4,575,965	828,273	5,591,051	17,938,395
Net Assets:									
Controlling Interests	1,904,802	518,120	1,529,010	3,940,327	880,745	4,477,801	683,149	923,179	14,857,133
Noncontrolling Interests	382	2,023	-	(90)	-	256,324	24,142	25,728	308,509
Net Assets Without Donor Restrictions	1,905,184	520,143	1,529,010	3,940,237	880,745	4,734,125	707,291	948,907	15,165,642
Net Assets With Donor Restrictions	29,390	115,449	79,175	260,022	76,201	860,096	43,652	86,399	1,550,384
Total Net Assets	1,934,574	635,592	1,608,185	4,200,259	956,946	5,594,221	750,943	1,035,306	16,716,026
Total Liabilities and Net Assets	$ 2,405,789	2,850,948	3,925,093	5,395,896	1,700,936	10,170,186	1,579,216	6,626,357	34,654,421

Providence

EXHIBIT 7.8 - KEY PERFORMANCE METRICS BY REGION

	As of December 31, 2020							
	Alaska	Swedish	Washington/ Montana	Oregon	Northern California	Southern California	West Texas/ Eastern New Mexico	Consolidated
Inpatient Admissions	15,100	48,236	115,136	56,480	25,399	164,346	22,269	446,966
Acute Patient Days	110,608	271,215	643,325	302,765	138,152	748,858	124,805	2,339,728
Acute Outpatient Visits	397,038	845,909	2,933,319	3,187,522	662,322	2,999,176	646,560	11,671,846
Primary Care Visits	83,498	1,612,262	3,676,146	2,257,242	620,349	3,266,821	539,180	12,303,694
Inpatient Surgeries	7,846	22,548	53,812	25,857	7,483	62,838	6,439	186,823
Outpatient Surgeries	10,511	47,408	105,605	109,210	13,826	94,607	21,445	402,611
Long-Term Care Admissions	218	n/a	n/a	75	n/a	2,645	418	5,742
Long-Term Care Patient Days	54,439	n/a	n/a	10,507	n/a	73,039	10,525	340,396
Long-Term Care Average Daily Census	115	n/a	n/a	29	n/a	n/a	29	224
Home Health Visits	15,604	n/a	5,468	n/a	63,153	n/a	n/a	1,150,386
Hospice Days	22,505	n/a	n/a	n/a	125,452	531	67,412	1,074,947
Housing and Assisted Living Days	28,931	n/a	11,526	46,610	n/a	n/a	n/a	600,757
Health Plan Members	n/a	n/a	n/a	699,076	n/a	n/a	n/a	699,076
Average Daily Census	302	741	1,758	827	377	2,046	341	6,393
Acute Licensed Beds	482	1,571	2,833	1,484	686	3,834	927	11,817
FTEs	3,638	10,282	21,246	15,097	4,827	25,752	5,303	103,036

PROVIDENCE ST. JOSEPH HEALTH

Combined Financial Statements

December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

The Board of Directors
Providence St. Joseph Health:

We have audited the accompanying combined financial statements of Providence St. Joseph Health, which comprise the combined balance sheets as of December 31, 2020 and 2019, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Providence St. Joseph Health as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Obligated Group Combining Balance Sheets and Statements of Operations Information included on pages 36 and 37 is presented for purposes of additional analysis and is not a required part of the combined

financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

KPMG LLP

Seattle, Washington
March 8, 2021

PROVIDENCE ST. JOSEPH HEALTH

Combined Balance Sheets

December 31, 2020 and 2019

(In millions of dollars)

Assets		2020	2019
Current assets:			
Cash and cash equivalents	$	3,230	1,316
Accounts receivable		2,365	2,400
Supplies inventory		361	283
Other current assets		1,480	1,233
Current portion of assets whose use is limited		1,228	702
Total current assets		8,664	5,934
Assets whose use is limited		11,506	10,855
Property, plant, and equipment, net		11,033	10,978
Operating lease right-of-use assets		1,219	1,240
Other assets		2,232	1,545
Total assets	$	34,654	30,552
Liabilities and Net Assets			
Current liabilities:			
Current portion of long-term debt	$	127	85
Master trust debt classified as short-term		934	205
Accounts payable		1,155	1,035
Accrued compensation		1,453	1,145
Current portion of operating lease right-of-use liabilities		262	267
Other current liabilities		2,758	2,161
Total current liabilities		6,689	4,898
Long-term debt, net of current portion		6,061	6,393
Pension benefit obligation		1,203	1,094
Long-term operating lease right-of-use liabilities, net of current portion		1,145	1,167
Other liabilities		2,840	1,125
Total liabilities		17,938	14,677
Net assets:			
Controlling interests		14,857	14,344
Noncontrolling interests		309	150
Net assets without donor restrictions		15,166	14,494
Net assets with donor restrictions		1,550	1,381
Total net assets		16,716	15,875
Total liabilities and net assets	$	34,654	30,552

See accompanying notes to combined financial statements.

PROVIDENCE ST. JOSEPH HEALTH

Combined Statements of Operations

Years ended December 31, 2020 and 2019

(In millions of dollars)

	2020	2019
Operating revenues:		
Net patient service revenues	$ 18,964	19,883
Premium revenues	2,424	2,376
Capitation revenues	1,732	1,514
Other revenues	2,555	1,252
Total operating revenues	25,675	25,025
Operating expenses:		
Salaries and benefits	12,646	12,172
Supplies	3,821	3,698
Purchased healthcare services	1,989	2,049
Interest, depreciation, and amortization	1,375	1,345
Purchased services, professional fees, and other	6,150	5,388
Total operating expenses before restructuring costs	25,981	24,652
(Deficit) excess of revenue over expenses from operations before restructuring costs	(306)	373
Restructuring costs	—	159
(Deficit) excess of revenue over expenses from operations	(306)	214
Net nonoperating gains (losses):		
Loss on extinguishment of debt	—	(14)
Investment income, net	1,106	1,285
Other	(60)	(127)
Total net nonoperating gains	1,046	1,144
Excess of revenues over expenses	$ 740	1,358

See accompanying notes to combined financial statements.

PROVIDENCE ST. JOSEPH HEALTH

Combined Statements of Changes in Net Assets

Years ended December 31, 2020 and 2019

(In millions of dollars)

	Without donor restrictions			
	Controlling interests	Noncontrolling interests	With donor restrictions	Total net assets
Balance, December 31, 2018	$ 12,988	168	1,235	14,391
Excess of revenues over expenses	1,313	45	—	1,358
Contributions, grants, and other	32	(63)	256	225
Net assets released from restriction	56	—	(110)	(54)
Pension related changes	(45)	—	—	(45)
Increase (decrease) in net assets	1,356	(18)	146	1,484
Balance, December 31, 2019	14,344	150	1,381	15,875
Excess of revenues over expenses	688	52	—	740
Contributions, grants, and other	(80)	107	287	314
Net assets released from restriction	53	—	(118)	(65)
Pension related changes	(148)	—	—	(148)
Increase in net assets	513	159	169	841
Balance, December 31, 2020	$ 14,857	309	1,550	16,716

See accompanying notes to combined financial statements.

PROVIDENCE ST. JOSEPH HEALTH

Combined Statements of Cash Flows

Years ended December 31, 2020 and 2019

(In millions of dollars)

		2020	2019
Cash flows from operating activities:			
Increase in net assets	$	841	1,484
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation and amortization		1,110	1,076
Loss on extinguishment of debt		—	14
Restricted contributions and investment income received		(287)	(256)
Net realized and unrealized gains on investments		(973)	(1,139)
Changes in certain current assets and liabilities		1,038	(54)
Change in certain long-term assets and liabilities		1,420	(162)
Net cash provided by operating activities		3,149	963
Cash flows from investing activities:			
Property, plant, and equipment additions, net of disposals		(978)	(1,188)
Purchases of securities, net of sales		(491)	(389)
Purchases of alternative investments and commingled funds		(653)	(604)
Proceeds from sales of alternative investments and commingled funds		680	848
Cash paid through affiliation and divestiture activities, net		(189)	(93)
Other investing activities		(111)	(49)
Net cash used in investing activities		(1,742)	(1,475)
Cash flows from financing activities:			
Proceeds from restricted contributions and restricted income		287	256
Debt borrowings		1,106	1,497
Debt payments		(850)	(1,453)
Other financing activities		(36)	(69)
Net cash provided by financing activities		507	231
Increase (decrease) in cash and cash equivalents		1,914	(281)
Cash and cash equivalents, beginning of year		1,316	1,597
Cash and cash equivalents, end of year	$	3,230	1,316
Supplemental disclosure of cash flow information:			
Cash paid for interest, net of amounts capitalized	$	267	276

See accompanying notes to combined financial statements.

(1) Basis of Presentation and Significant Accounting Policies

(a) Reporting Entity

Providence St. Joseph Health (the Health System), a Washington nonprofit corporation, is the sole corporate member of Providence Health & Services (PHS) and the St. Joseph Health System (SJHS). PHS, a Washington nonprofit corporation, is a Catholic healthcare system sponsored by the public juridic person, Providence Ministries. SJHS, a California nonprofit public benefit corporation, is a Catholic healthcare system sponsored by the public juridic person, St. Joseph Health Ministry.

The Health System seeks to improve the health of the communities it serves, especially the poor and vulnerable. The Health System operations include 51 hospitals and a comprehensive range of services provided across Alaska, California, Montana, New Mexico, Oregon, Texas, and Washington. The Health System also provides population health management through various affiliated licensed insurers and other risk-bearing entities.

The Health System has been recognized as exempt from federal income taxes, except on unrelated business income, under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3) and further described as a public charitable organization under Section 509(a)(3). PHS, SJHS, and substantially all of the various corporations within the Health System have been granted exemptions from federal income tax under Section 501(a) of the Internal Revenue Code as charitable organizations described in Section 501(c)(3). During 2020 and 2019, the Health System did not record any liability for unrecognized tax benefits.

(b) Basis of Presentation

The accompanying combined financial statements of the Health System were prepared in accordance with U.S. generally accepted accounting principles and include the assets, liabilities, revenues, and expenses of all wholly owned affiliates, majority-owned affiliates over which the Health System exercises control, and, when applicable, entities in which the Health System has a controlling financial interest. Intercompany balances and transactions have been eliminated in combination.

(c) Performance Indicator

The performance indicator is the excess of revenues over expenses. Changes in unrestricted net assets that are excluded from the performance indicator include net assets released from restriction for the purchase of property, plant, and equipment, certain changes in funded status of pension and other postretirement benefit plans, restricted contributions from affiliations, net changes in noncontrolling interests in combined joint ventures, and certain other activities.

(d) Operating and Nonoperating Activities

The Health System's primary mission is to meet the healthcare needs in its market areas through a broad range of general and specialized healthcare services, including inpatient acute care, outpatient services, physician services, long-term care, population health management, and other healthcare and health insurance services. Activities directly associated with the furtherance of this mission are considered to be operating activities. Other activities that result in gains or losses peripheral to the Health System's primary mission are considered to be nonoperating. Nonoperating activities include investment earnings, gains or losses from debt extinguishment, certain pension related costs, gains or losses on interest rate swaps, and certain other activities.

(e) Restructuring Costs

Restructuring costs were recorded during the year ended December 31, 2019. The amounts were comprised of severance, consulting expenses and asset impairment related to restructuring initiatives. There were no restructuring costs recorded during the year ended December 31, 2020.

(f) Use of Estimates and Assumptions

The preparation of the combined financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting periods. Significant estimates and assumptions are used for, but not limited to: (1) allowance for contractual revenue adjustments; (2) fair value of acquired assets and assumed liabilities in business combinations; (3) fair value of investments; (4) reserves for self-insured healthcare plans; and (5) reserves for professional, workers' compensation and general insurance liability risks.

The accounting estimates used in the preparation of the combined financial statements will change as new events occur, additional information is obtained or the operating environment changes. Assumptions and the related estimates are updated on an ongoing basis and external experts may be employed to assist in the evaluation, as considered necessary. Actual results could materially differ from those estimates.

(g) Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original or remaining maturity of three months or less when acquired.

(h) Supplies Inventory

Supplies inventory is stated at the lower of cost (first-in, first-out) or market.

(i) Investments Including Assets Whose Use Is Limited

The Health System has classified all of its investments as trading securities. These investments are reported on the combined balance sheets at fair value on a trade-date basis.

(In millions of dollars)

Assets whose use is limited primarily include assets held by trustees under indenture agreements, self-insurance funds, funds held for the payment of health plan medical claims and other statutory reserve requirements, assets held by related foundations, and designated assets set aside by management of the Health System for future capital improvements and other purposes, over which management retains control.

(j) Liquidity

Cash and cash equivalents and accounts receivable are the primary liquid resources used by the Health System to meet expected expenditure needs within the next year. The Health System has credit facility programs, as described in Note 7, available to meet unanticipated liquidity needs. Although intended to satisfy long-term obligations, management estimates that approximately 67% and 68% of noncurrent investments, as stated at December 31, 2020 and 2019, respectively could be utilized within the next year if needed.

(k) Derivative Instruments

The Health System allows certain investment managers to use derivative financial instruments (futures and forward currency contracts) to manage interest rate risk related to the Health System's fixed-income holdings. Also, the Health System uses derivative financial instruments (interest rate swaps) to manage its interest rate exposure and overall cost of borrowing. The interest rate swap agreements do not meet the criteria for hedge accounting and all changes in the valuation are recognized as a component of net nonoperating gains (losses) in the accompanying combined statements of operations.

(l) Net Assets

Net assets without donor restrictions are those that are not subject to donor-imposed stipulations. Amounts related to the Health System's noncontrolling interests in certain joint ventures are included in net assets without donor restrictions.

Net assets with donor restrictions are those whose use by the Health System has been limited by donors to a specific time period, in perpetuity, and/or purpose.

Net assets with donor restrictions are available for the following purposes as of December 31:

		2020	2019
Program support	$	1,242	1,046
Capital acquisition		208	228
Low-income housing and other		100	107
Total net assets with donor restrictions	$	1,550	1,381

(m) Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Health System are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are

reported at fair value at the date the promise to give is no longer conditional. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When the terms of a donor restriction are met, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported as other operating revenues in the combined statements of operations or as net assets released from restriction in the combined statements of changes in net assets.

(n) Charity Care and Community Benefit

The Health System provides community benefit activities that address significant health priorities within its geographic service areas. These activities include Medicaid and Medicare shortfalls, community health services, education and research, and free and low-cost care (charity care).

Charity care is reported at cost and is determined by multiplying the charges incurred at established rates for services rendered by the Health System's cost-to-charge ratio. The cost of charity care provided by the Health System for the years ended December 31, 2020 and 2019 was $276 and $303, respectively.

(o) Subsequent Events

The Health System has performed an evaluation of subsequent events through March 8, 2021, the date the accompanying combined financial statements were issued.

(p) New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a lease liability and a right-of-use (ROU) asset for all lease obligations with exception to short-term leases. The lease liability represents the lessee's obligation to make lease payments arising from the lease measured on a discounted basis and the ROU asset represents the lessee's right to use or control the use of a specified asset for a lease term. The lease guidance also simplifies accounting for sale-leaseback transactions. ASU No. 2016-02 was effective for the Health System beginning on January 1, 2019. In 2019, the FASB updated its guidance allowing entities to adopt the provisions of the standard prospectively without adjusting comparative periods. The Health System elected this option. The Health System elected to apply the packages of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification, and initial direct costs. Additionally, the Health System elected to apply the hindsight practical expedient, which allows entities to use hindsight in determining the lease term and in assessing impairment.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash,* which requires the amounts generally described as restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Health System adopted ASU 2016-18 in 2019 and the provisions of the standard did not have an impact on the combined financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) Changes to the Disclosure Requirements for Fair Value Measurement,* which modifies the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*. The Health System adopted ASU 2018-13 effective January 1, 2020, and the provisions of the standard did not have a material impact on the combined financial statements.

In August 2018, the FASB issued ASU 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract,* which requires implementation costs incurred by customers in cloud computing arrangements to be deferred and recognized over the term of the arrangement, if those costs would be capitalized in a software licensing arrangement under internal-use software guidance in Accounting Standards Codification (ASC) Subtopic 350-40, *Intangibles – Goodwill and Other-Internal-Use Software.* The Health System adopted ASU 2018-15 in 2019, and the provisions of the standard did not have a material impact on the combined financial statements.

In May 2019, the FASB issued ASU 2019-06, *Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit entities,* which provides optional alternatives to goodwill and certain intangible assets acquired in a business combination. The alternatives are intended to (1) reduce the frequency of impairment tests; (2) simplify the impairment test when it is required; and (3) result in recognition of fewer intangible assets in future business combinations. The ASU also provides an alternative to amortize goodwill over ten years, or less than ten years if a shorter useful life is more appropriate. The Health System will adopt the alternatives under the ASU as of January 1, 2021 and begin to amortize goodwill over a ten-year period. The Health System does not expect the standard to have a material impact on the combined financial statements.

(q) Reclassifications

Certain reclassifications, which have no impact on net assets or changes in net assets, have been made to prior year amounts to conform to the current year presentation.

(2) Covid-19 Pandemic and CARES Act Funding

Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted on March 27, 2020, authorized $100,000 in funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (the Fund). Payments from the Fund are intended to compensate healthcare providers for lost revenues and incremental expenses incurred in response to the COVID-19 pandemic and are not required to be repaid provided the recipients attest to and comply with certain terms and conditions, including limitations on balance billing and not using this funding to reimburse expenses or losses that other sources are obligated to reimburse. The U.S. Department of Health and Human Services (HHS) initially distributed $30,000 of this funding based on each provider's share of total Medicare fee-for-service reimbursement in 2019 but announced that $50,000 in CARES Act funding (including the $30,000 already distributed) would be allocated proportional to providers' share of 2018 patient service revenue. HHS indicated that distributions of the remaining $50,000 were targeted primarily to hospitals in COVID-19 high impact areas, to rural providers, and to reimburse providers for COVID-19 related treatment of uninsured patients. The Health System received payments of approximately $1,072

from the Fund in 2020, and $957 was recognized as other operating revenue during the year ended December 31, 2020.

As a way to increase cash flow to Medicare providers impacted by the COVID-19 pandemic, the CARES Act expanded the Medicare Accelerated and Advance Payment Program. Inpatient acute care hospitals may request accelerated payments of up to 100% of the Medicare payment amount for a six-month period (not including Medicare Advantage payments), although CMS is now reevaluating pending and new applications in light of direct payments made available through the Fund. CMS based payment amounts for inpatient acute care hospitals on the provider's Medicare fee-for-service reimbursements in the last six months of 2019. Such accelerated payments are interest free for inpatient acute care hospitals and our ambulatory providers for up to 29 months, and the program currently requires CMS to start recouping the payments beginning 12 months after receipt by the provider by withholding future Medicare fee-for-service payments for claims until the full accelerated payment has been recouped. The recoupment will start at 25% for the first 11 months, and then increase to 50% for the succeeding six months. The program currently requires any outstanding balance remaining after 29 months to be repaid by the provider or be subject to an interest rate currently set at 4%. The payments are made for services a healthcare entity will provide to its Medicare patients who are the healthcare entity's customers. Therefore, they are accounted for as revenue once the services are provided to the patients. In April 2020, the Health System received approximately $1,630 of accelerated payments which have been accrued on the combined balance sheets as of December 31, 2020 in other current and other long-term liabilities. These liabilities will be reduced as payment for services recognized for claims submitted for services provided after the one-year period. As of December 31, 2020, $996 is recorded in other long-term liabilities on the combined balance sheets.

The CARES Act also provided for deferred payment of the employer portion of social security taxes between March 27, 2020 and December 31, 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. The Health System began deferring the employer portion of social security taxes in mid-April 2020. As of December 31, 2020, the Health System deferred $365 in social security taxes which are included in accrued compensation and other long-term liabilities in the accompanying combined balance sheets.

Under accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect reported amounts. Accordingly, the impact of COVID-19 has increased the uncertainty associated with several of the assumptions underlying management's estimates. COVID-19's overall impact on the Health System will be driven primarily by the severity and duration of the pandemic; the pandemic's impact on the United States economy and the timing, scope, and effectiveness of federal, state, and local governmental responses to the pandemic. Those primary drivers are uncertain and beyond management's control and may adversely impact the Health System's revenue growth, supply chain, investments, and workforce, among other aspects of the Health System's business. The actual impact of COVID-19 on the Health System's combined financial statements may differ significantly from the judgments and estimates made as of the year ended December 31, 2020.

(3) Revenue Recognition

(a) Net Patient Service Revenues

The Health System has agreements with governmental and other third-party payors that provide for payments to the Health System at amounts different from established charges. Payment arrangements for major third-party payors may be based on prospectively determined rates, reimbursed cost, discounted charges, per diem payments, or other methods.

Net patient service revenues are recognized at the time services are provided to patients. Revenue is recorded in the amount which the Health System expects to collect, which may include variable components. Variable consideration is included in the transaction price to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Adjustments from finalization of prior years' cost reports and other third-party settlement estimates resulted in an increase in net patient service revenues of $20 and $26 for the years ended December 31, 2020 and 2019, respectively.

Various states in which the Health System operates have instituted a provider tax on certain patient service revenues at qualifying hospitals to increase funding from other sources and obtain additional Federal funds to support increased payments to providers of Medicaid services. The taxes are included in purchased services, professional fees, and other expenses in the accompanying combined statements of operations and were $753 and $597 for the years ended December 31, 2020 and 2019, respectively. These programs resulted in enhanced payments from these states in the way of lump-sum payments and per claim increases. These enhanced payments are included in net patient service revenues in the accompanying combined statements of operations and were $1,082 and $942 for the years ended December 31, 2020 and 2019, respectively.

(b) Premium and Capitation Revenues

Premium and capitation revenues are received on a prepaid basis and are recognized as revenue ratably over the period for which the enrolled member is entitled to healthcare services. The timing of the Health System's performance may differ from the timing of the payment received, which may result in the recognition of a contract asset or a contract liability. The balance of contract liabilities was $30 and $24 as of December 31, 2020 and 2019, respectively and is included in other current liabilities in the combined balance sheets. The Health System has no material contract assets.

(c) Disaggregation of Revenue

The Health System earns the majority of its revenues from contracts with customers. Revenues and adjustments not related to contracts with customers are included in other revenue.

(In millions of dollars)

Operating revenues from contracts with customers by state are as follows for the years ended December 31:

		2020	2019
Alaska	$	830	877
Washington		6,543	7,036
Montana		427	450
Oregon		5,137	5,207
California		9,151	9,083
Texas		1,032	1,120
Total revenues from contracts with customers		23,120	23,773
Other revenues		2,555	1,252
Total operating revenues	$	25,675	25,025

Operating revenues from contracts with customers by line of business are as follows for the years ended December 31:

		2020	2019
Hospitals	$	16,145	16,805
Health plans and accountable care		2,739	2,553
Physician and outpatient activities		2,728	2,865
Long-term care, home care, and hospice		1,268	1,198
Other		240	352
Total revenues from contracts with customers		23,120	23,773
Other revenues		2,555	1,252
Total operating revenues	$	25,675	25,025

(Continued)

(In millions of dollars)

Operating revenues from contracts with customers by payor are as follows for the years ended December 31:

		2020	2019
Commercial	$	11,331	11,918
Medicare		8,021	8,017
Medicaid		3,517	3,441
Self-pay and other		251	397
Total revenues from contracts with customers		23,120	23,773
Other revenues		2,555	1,252
Total operating revenues	$	25,675	25,025

(4) Fair Value Measurements

ASC Topic 820, *Fair Value Measurements*, requires a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs include quoted prices (unadjusted) in active markets for identical assets or liabilities that the Health System has the ability to access at the measurement date.
- Level 2 inputs include inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

(a) Assets Whose Use Is Limited

The fair value of assets whose use is limited, other than those investments measured using net asset value per share (NAV) as a practical expedient for fair value, is estimated using quoted market prices or other observable inputs when quoted market prices are unavailable.

(Continued)

(In millions of dollars)

The composition of assets whose use is limited is set forth in the following tables:

	December 31, 2020	Fair value measurements at reporting date using Level 1	Level 2	Level 3
Management-designated cash and investments:				
Cash and cash equivalents	$ 940	940	—	—
Equity securities:				
Domestic	1,274	1,274	—	—
Foreign	491	491	—	—
Mutual funds	1,645	1,645	—	—
Domestic debt securities:				
State and federal government	1,613	1,104	509	—
Corporate	1,159	—	1,159	—
Other	851	—	851	—
Foreign debt securities	466	—	466	—
Commingled funds	132	132	—	—
Other	7	4	3	—
Investments measured using NAV	3,455			
Total management-designated cash and investments	12,033			
Gift annuities, trusts, and other	264	53	12	199
Funds held by trustee:				
Cash and cash equivalents	178	178	—	—
Domestic debt securities	232	86	146	—
Foreign debt securities	27	—	27	—
Total funds held by trustee	437			
Total assets whose use is limited	$ 12,734			

(Continued)

(In millions of dollars)

	December 31, 2019	Fair value measurements at reporting date using Level 1	Level 2	Level 3
Management-designated cash and investments:				
Cash and cash equivalents	$ 295	295	—	—
Equity securities:				
Domestic	1,193	1,193	—	—
Foreign	398	398	—	—
Mutual funds	1,421	1,421	—	—
Domestic debt securities:				
State and federal government	1,914	1,077	837	—
Corporate	867	—	867	—
Other	759	—	759	—
Foreign debt securities	344	—	344	—
Commingled funds	102	102	—	—
Other	33	2	31	—
Investments measured using NAV	3,628			
Total management-designated cash and investments	10,954			
Gift annuities, trusts, and other	207	53	11	143
Funds held by trustee:				
Cash and cash equivalents	156	156	—	—
Domestic debt securities	210	106	104	—
Foreign debt securities	30	—	30	—
Total funds held by trustee	396			
Total assets whose use is limited	$ 11,557			

The Health System participates in various funds that are not actively marketed on an open exchange. These investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Due to the nature of these funds, the NAV per share, or its equivalent, reported by each fund manager is used as a practical expedient to estimate the fair value of the Health System's interest therein. Management believes that the carrying amounts of these financial instruments, provided by the fund managers, are reasonable estimates of fair value.

(Continued)

(In millions of dollars)

The following table presents information, including unfunded commitments for investments where the NAV was used to estimate the value of the investments as of December 31:

	Fair value		Unfunded	Redemption	Redemption
	2020	2019	commitments	frequency	notice period
Hedge funds:					
Long/short equity	$ 598	743	—	Monthly, quarterly, semi-annually, or annually	30–120 days
Credit	272	364	—	Quarterly or annually	45–150 days
Relative value	178	201	—	Quarterly	60–90 days
Global macros	112	169	—	Monthly or quarterly	2–90 days
Fund of hedge funds	18	9	—	Quarterly	90 days
Private equity	797	579	667	Not applicable	Not applicable
Private real estate	250	185	222	Not applicable	Not applicable
Real assets	113	136	69	Monthly or quarterly	10–60 days
Commingled	1,117	1,242	—	Monthly, quarterly, or semi-annually	6–90 days
Total	$ 3,455	3,628	958		

The following is a summary of the nature of these investments and their associated risks:

Hedge funds are portfolios of investments that use advanced investment strategies, such as long/short equity, credit, relative value, global macro, and fund of hedge funds positions in both domestic and international markets, with the goal of diversifying portfolio risk and generating return. The Health System's investments in hedge funds include certain funds with provisions that limit the Health System's ability to access assets invested. These provisions include lockup terms that range up to three years from the subscription date or are continuous and determined as a percent of total assets invested. The Health System is in various stages of the lockup periods dependent on hedge fund and period of initial investments.

Private equity and private real estate funds make opportunistic investments that are primarily private in nature. These investments cannot be redeemed by the Health System; rather the Health System has committed an amount to invest in the private funds over the respective commitment periods. After the commitment period has ended, the nature of the investments in this category is that the distributions are received through the liquidation of the underlying assets.

Real asset strategies invest in securities backed by tangible real assets, with the objective of achieving attractive diversified total returns over the long term, while maximizing the potential for real returns in periods of rising inflation. Real asset investments should provide a return in excess of inflation, and their performance should be sensitive to changes in inflation or expectations for future levels of inflation. The real asset category is made up of many different underlying sectors inclusive of agriculture, commodities, gold, infrastructure, private energy, MLPs (Master Limited Partnerships), real estate, REITs (Real Estate Investment Trusts), timberland, and TIPS (Treasury Inflation Protected Securities). Each of these sectors tends to have a high degree of sensitivity to inflation and be less correlated with traditional equities and fixed income.

(Continued)

(In millions of dollars)

Commingled describes a type of fund structure. Commingled funds consist of assets from several accounts that are blended together. Investors in commingled fund investments benefit from economies of scale, which allow for lower trading costs per dollar of investment.

(b) Unsettled Transactions

Investment sales and purchases initiated prior to and settled subsequent to the combined balance sheet date result in amounts due from and to brokers. As of December 31, 2020, the Health System recorded a receivable of $35 for investments sold but not settled and a payable of $68 for investments purchased but not settled in other current assets and other current liabilities, respectively, in the accompanying combined balance sheets. As of December 31, 2019, the Health System recorded a receivable of $300 for investments sold but not settled and a payable of $558 for investments purchased but not settled in other current assets and other current liabilities, respectively, in the accompanying combined balance sheets.

(c) Derivative Instruments

The investment managers have executed master netting arrangements with the counterparties of the futures and forward currency purchase and sale contracts whereby the financial instruments held by the same counterparty are legally offset as the instruments are settled. The following table presents gross investment derivative assets and liabilities reported on a net basis at fair value included in assets whose use is limited in the combined balance sheets as of December 31:

		2020	2019
Derivative assets:			
Futures contracts	$	762	681
Foreign currency forwards and other contracts		180	135
Total derivative assets	$	942	816
Derivative liabilities:			
Futures contracts	$	(762)	(681)
Foreign currency forwards and other contracts		(179)	(140)
Total derivative liabilities	$	(941)	(821)

The Health System also uses short-term forward purchase and sale commitments of mortgage-backed assets. The total notional derivative amount of mortgage contracts purchased and sold was $843 and $386, respectively, as of December 31, 2020. These meet the definition of a derivative instrument in cases where physical delivery of the assets is not taken at the earliest available delivery date.

(Continued)

(In millions of dollars)

(d) Investment Income, Net

		2020	2019
Interest and dividend income	$	133	146
Net realized gains on sale of trading securities		281	161
Change in net unrealized gains on trading securities		692	978
Investment income, net	$	1,106	1,285

(e) Assets Measured Using Significant Unobservable Inputs

Level 3 assets include charitable remainder trusts, real property, and equity investments in healthcare technology start-ups through the Health System's innovation venture capital fund. Fair values of real property were estimated using a market approach. Fair values of charitable remainder trusts were estimated using an income approach. Fair value of equity investments in healthcare technology start-ups were estimated using a combination of income and market approach.

The Health System had Level 3 purchases of $56 and $36 in 2020 and 2019, respectively. The Health System had Level 3 sales of $56 and $15 in 2020 and 2019, respectively. There were no transfers in or out of Level 3 in 2020 or 2019.

(5) Property, Plant, and Equipment, Net

Property, plant, and equipment are stated at cost. Improvements and replacements of plant and equipment are capitalized, and maintenance and repairs are expensed. The provision for depreciation is determined by the straight-line method, which allocates the cost of tangible property equally over its estimated useful life or lease term. Impairment of property, plant, and equipment is assessed when there is evidence that events or changes in circumstances have made recovery of the net carrying value of assets unlikely.

Interest capitalized on amounts expended during construction is a component of the cost of additions to be allocated to future periods through the provision for depreciation. Capitalization of interest ceases when the addition is substantially complete and ready for its intended use.

(In millions of dollars)

Property, plant, and equipment and the total accumulated depreciation are as follows as of December 31:

	Approximate useful life (years)	2020	2019
Land	—	$ 1,515	1,476
Buildings and improvements	5–60	10,914	10,229
Equipment:			
Fixed	5–25	1,364	1,305
Major movable and minor	3–20	6,673	6,249
Construction in progress	—	1,380	1,497
		21,846	20,756
Less accumulated depreciation		(10,813)	(9,778)
Property, plant, and equipment, net		$ 11,033	10,978

Construction in progress primarily represents renewal and replacement of various facilities in the Health System's operating divisions, as well as costs capitalized for software development.

(6) Other Assets

Other assets are summarized as follows as of December 31:

	2020	2019
Investment in nonconsolidated joint ventures	$ 341	330
Intangible assets	289	258
Goodwill	417	307
Beneficial interest in noncontrolled foundations	277	228
Other	908	422
Total other assets	$ 2,232	1,545

Goodwill is recorded as the excess of cost over fair value of the acquired net assets. Indefinite-lived intangible assets are recorded at fair value using various methods depending on the nature of the intangible asset. Both goodwill and indefinite-lived intangible assets are tested annually for impairment. Definite-lived intangible assets are amortized using the straight-line method over the estimated useful lives of the assets.

The Health System recorded no goodwill impairment for the years ended December 31, 2020 and 2019.

(Continued)

(In millions of dollars)

(7) Leases

The Health System enters into operating and finance leases primarily for buildings and equipment. For leases with terms greater than 12 months, the Health System records the related ROU asset and liability at the present value of the lease payments over the contract term using the Health System's incremental borrowing rate. Building lease agreements generally require the Health System to pay maintenance, repairs, and property taxes, which are variable based on actual costs incurred during each applicable period. Such costs are not included in the determination of the ROU asset or lease liability. Variable lease costs also include escalating rent payments that are not fixed at lease commencement but are based on an index that is determined in future periods over the lease term based on changes in the Consumer Price Index or other measure of cost inflation. Most leases include one or more options to renew the lease at the initial term, with renewal terms that generally extend the lease at the then market rate of rental payment. Certain lease also include an option to buy the underlying asset at or a short time prior to the termination of the lease. All such options are at the Health System's discretion and are evaluated at the lease commencement, with only those that are reasonably certain of exercise included in determining the appropriate lease term.

The components of lease cost are as follows for the year ended December 31:

		2020	2019
Operating lease cost:			
Fixed lease expense	$	282	293
Short-term lease expense		11	39
Variable lease expense		147	95
Total operating lease cost	$	440	427
Finance lease cost:			
Amortization of ROU assets	$	30	23
Interest on finance lease liabilities		22	21
	$	52	44

(Continued)

(In millions of dollars)

Supplemental cash flow and other information related to leases as of and for the year ended December 31 are as follows:

	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 282	280
Operating cash flows from finance leases	23	19
Financing cash flows from finance leases	23	14
Additions to ROU assets obtained from operating leases	189	110
Additions to ROU assets obtained from finance leases	222	7
Weighted-average remaining lease term (in years):		
Operating leases	10	9
Finance leases	18	15
Weighted-average discount rate:		
Operating leases	3.6 %	3.6 %
Finance leases	6.0 %	7.5 %

Commitments related to noncancellable operating and finance leases for each of the next five years and thereafter as of December 31, 2020 are as follows:

	Operating	Finance
2021	$ 265	38
2022	243	53
2023	225	48
2024	165	44
2025	142	44
Thereafter	622	555
	1,662	782
Less: Imputed interest	255	312
Total lease liabilities	1,407	470
Less: Current portion	262	38
Long-term portion	$ 1,145	432

(Continued)

(In millions of dollars)

Lease assets and lease liabilities as of December 31 were as follows:

	Classification		2020	2019
Assets:				
Operating	Operating leases ROU assets	$	1,219	1,240
Finance	Property, plant, and equipment, net		436	222
Liabilities:				
Current:				
Operating	Current portion of operating lease ROU liabilities		262	267
Finance	Current portion of long-term debt		38	31
Long-term:				
Operating	Long-term operating lease ROU liabilities, net of current portion		1,145	1,167
Finance	Long-term debt, net of current portion		432	211

(8) Debt

(a) Short-Term and Long-Term Debt

The Health System has borrowed master trust debt issued through the following:

- California Health Facilities Financing Authority (CHFFA)
- Alaska Industrial Development and Export Authority (AIDEA)
- Washington Health Care Facilities Authority (WHCFA)
- Montana Facility Finance Authority (MFFA)
- Lubbock Health Facilities Development Corp (LHFDC)
- Oregon Facilities Authority (OFA)

(Continued)

(In millions of dollars)

Short-term and long-term unpaid principal consists of the following at December 31:

	Maturing through	Coupon rates	Unpaid principal 2020	Unpaid principal 2019
Master trust debt:				
Fixed rate:				
Series 2005, Direct Obligation Notes	2030	5.30–5.39%	$ 33	36
Series 2008B, LHFDC Revenue Bonds	2023	4.00–5.00	5	15
Series 2009C, CHFFA Revenue Bonds	2034	5.00	91	91
Series 2009D, CHFFA Revenue Bonds	2034	1.70	40	40
Series 2011A, AIDEA Revenue Bonds	2041	5.00–5.50	123	123
Series 2011B, WHCFA Revenue Bonds	2021	3.50–5.00	11	22
Series 2011C, OFA Revenue Bonds	2026	3.50–5.00	8	11
Series 2012A, WHCFA Revenue Bonds	2042	3.00–5.00	452	462
Series 2012B, WHCFA Revenue Bonds	2042	4.00–5.00	100	100
Series 2013A, OFA Revenue Bonds	2024	5.00	33	41
Series 2013A, CHFFA Revenue Bonds	2037	4.00–5.00	325	325
Series 2013D, Direct Obligation Notes	2023	4.38	252	252
Series 2013D, CHFFA Revenue Bonds	2043	5.00	—	110
Series 2014A, CHFFA Revenue Bonds	2038	4.00–5.00	180	191
Series 2014B, CHFFA Revenue Bonds	2044	4.25–5.00	119	119
Series 2014C, WHCFA Revenue Bonds	2044	4.00–5.00	92	92
Series 2014D, WHCFA Revenue Bonds	2041	5.00	177	177
Series 2015A, WHCFA Revenue Bonds	2045	4.00	78	78
Series 2015C, OFA Revenue Bonds	2045	4.00–5.00	71	71
Series 2016A, CHFFA Revenue Bonds	2047	2.50–5.00	448	448
Series 2016B, CHFFA Revenue Bonds	2036	1.25–4.00	190	286
Series 2016H, Direct Obligation Bonds	2036	2.75	300	300
Series 2016I, Direct Obligation Bonds	2047	3.74	400	400
Series 2018A, Direct Obligation Bonds	2048	4.00	350	350
Series 2018B, WHCFA Revenue Bonds	2033	5.00	142	142
Series 2019A, Direct Obligation Bonds	2029	2.53	650	650
Series 2019B, CHFFA Revenue Bonds	2039	5.00	118	118
Series 2019C, CHFFA Revenue Bonds	2039	5.00	323	323
Total fixed rate			5,111	5,373

(Continued)

(In millions of dollars)

Variable rate:	Maturing through	Effective interest rate (1) 2020	Effective interest rate (1) 2019	Unpaid principal 2020	Unpaid principal 2019
Series 2012C, WHCFA Revenue Bonds	2042	0.58 %	1.46 %	$ 80	80
Series 2012D, WHCFA Revenue Bonds	2042	0.58	1.46	80	80
Series 2012E, Direct Obligation Notes	2042	0.85	2.28	221	224
Series 2016C, LHFDC Revenue Bonds	2030	0.92	2.09	31	33
Series 2016D, WHCFA Revenue Bonds	2036	1.01	2.11	86	89
Series 2016E, WHCFA Revenue Bonds	2036	0.94	2.03	86	89
Series 2016F, MFFA Revenue Bonds	2026	0.92	2.04	32	37
Series 2016G, Direct Obligation Notes	2047	0.73	2.24	100	100
Total variable rate				716	732
Wells Fargo Credit Facility	2021	2.92	2.92	205	—
Wells Fargo Credit Facility	2021	1.52	—	250	—
Unpaid principal, master trust debt				6,282	6,105
Premiums, discounts, and unamortized financing costs, net				202	231
Master trust debt, including premiums and discounts, net				6,484	6,336
Other long-term debt				638	347
Total debt				$ 7,122	6,683

(1) Variable rate debt and credit facilities carry floating interest rates attached to indexes, which are subject to change based on market conditions.

During 2019, the Health System issued $1,091 of Series 2019A, 2019B, and 2019C revenue bonds and direct obligations notes. The intended uses of funds included refinancing legacy SJHS and PHS master trust debt and repayment of outstanding lines of credit. In connection with the Series 2019A-C issuance, the Health System recorded losses due to extinguishment of debt for the amount $14 during the year ended December 31, 2019. The losses were recorded in net nonoperating gains (losses) in the accompanying combined statements of operations.

Short-term master trust debt includes debt issued with final maturity or mandatory redemption within one year of December 31, 2020 and 2019. In March 2020, the Health System placed a $250 short-term bridge loan from Wells Fargo Bank, NA with a final maturity of March 2021 and in October 2020 drew $205 from its syndicated revolver, administered by Wells Fargo Bank, with an agreement maturity of September 2021. The Health System also has $377 of debt with remarketing provisions supported by syndicated credit facilities, administered by US Bank, NA which mature in July 2021 and a mandatory redemption of $100 occurring in October 2021. The Health System intends to extend or renew the syndicated revolver arrangement.

(In millions of dollars)

The following table reflects classification of long-term debt obligations in the accompanying combined balance sheets as of December 31:

		2020	2019
Current portion of long-term debt	$	127	85
Master trust debt classified as short-term		934	205
Long-term debt, classified as a long-term liability		6,061	6,393
Total debt	$	7,122	6,683

(b) Other Long-Term Debt

Other long-term debt consists of the following as of December 31:

		2020	2019
Finance leases	$	470	242
Notes payable		164	100
Bonds not under master trust indenture and other		4	5
Total other long-term debt	$	638	347

(c) Debt Service

Scheduled principal payments of long-term debt, considering all obligations under the master trust indenture as due according to their long-term amortization schedule, for the next five years and thereafter are as follows:

		Master trust	Other	Total
2021	$	1,012	49	1,061
2022		183	44	227
2023		335	44	379
2024		184	41	225
2025		500	24	524
Thereafter		4,068	436	4,504
Scheduled principal payments of long-term debt	$	6,282	638	6,920

(Continued)

(In millions of dollars)

(d) Derivative Instruments

The Health System uses interest rate swap agreements to manage interest rate risk associated with its outstanding debt. As of December 31, 2020 and 2019, the Health System had interest rate swap contracts with a total current notional amount totaling $418 and $436, respectively, with varying expiration dates. The interest rate swap agreements do not meet the criteria for hedge accounting and all changes in the valuation are recognized as a component of net nonoperating gains (losses) in the accompanying combined statements of operations. Settlements related to these agreements are classified as a component of interest, depreciation, and amortization expense in the accompanying combined statements of operations. For the years ended December 31, 2020 and 2019, the change in valuation was a loss of $25 and $33, respectively, and settlements recognized as a component of interest expense were $12 and $8, respectively.

Derivative financial instruments are recorded at fair value taking into consideration the Health System's and the counterparties' nonperformance risk. The fair value of the interest rate swaps is based on independent valuations obtained and are determined by calculating the value of the discounted cash flows of the differences between the fixed interest rate of the interest rate swaps and the counterparty's forward London Interbank Offered Rate curve, which is the input used in the valuation, taking also into account any nonperformance risk. Collateral posted for the interest rate swaps consist of cash and U.S. government securities, which are both categorized as Level 1 financial instruments.

As of December 31, 2020 and 2019, the fair value of outstanding interest rate swaps was in a net liability position of $142 and $117, respectively, and is included in other liabilities in the accompanying combined balance sheets. Collateral posted in connection with the outstanding swap agreements as of December 31, 2020 and 2019 was $40 and $15, respectively. These amounts were included in other assets in the accompanying combined balance sheets.

The following tables present the fair value of swaps:

	December 31, 2020	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
Liabilities under interest rate swaps	$ 142	—	142	—

	December 31, 2019	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
Liabilities under interest rate swaps	$ 117	—	117	—

(Continued)

(In millions of dollars)

(9) Retirement Plans

(a) Defined Benefit Plans

The Health System sponsors various frozen defined benefit retirement plans. The measurement dates for the defined benefit plans are December 31. A rollforward of the change in projected benefit obligation and change in the fair value of plan assets for the defined benefit plans is as follows:

		2020	2019
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$	2,794	2,535
Service cost		16	23
Interest cost		95	113
Actuarial loss		311	292
Benefits paid and other		(179)	(169)
Projected benefit obligation at end of year		3,037	2,794
Change in fair value of plan assets:			
Fair value of plan assets at beginning of year		1,699	1,469
Actual return on plan assets		200	299
Employer contributions		113	100
Benefits paid and other		(179)	(169)
Fair value of plan assets at end of year		1,833	1,699
Funded status		(1,204)	(1,095)
Unrecognized net actuarial loss		720	572
Net amount recognized	$	(484)	(523)
Amounts recognized in the combined balance sheets consist of:			
Current liabilities	$	(1)	(1)
Noncurrent liabilities		(1,203)	(1,094)
Unrestricted net assets		720	572
Net amount recognized	$	(484)	(523)
Weighted average assumptions:			
Discount rate		2.70 %	3.50 %
Rate of increase in compensation levels		3.00	3.50
Long-term rate of return on assets		6.25	6.50

(Continued)

(In millions of dollars)

Net periodic pension cost for the defined benefit plans includes the following components:

		2020	2019
Components of net periodic pension cost:			
Service cost	$	16	23
Interest cost		95	113
Expected return on plan assets		(98)	(96)
Amortization of prior service cost		—	1
Recognized net actuarial loss		38	24
Net periodic pension cost	$	51	65
Special recognition – settlement expense	$	22	19

Certain plans sponsored by the Health System allow participants to receive their benefit through a lump-sum distribution upon election. When lump-sum distributions exceed the combined total of service cost and interest cost during a reporting period settlement expense is recognized. Settlement expense represents the proportional recognition of unrecognized actuarial loss and prior service cost. Settlement expense for the years ended December 31, 2020 and 2019 is included in net nonoperating gains (losses) in the accompanying combined statements of operations.

The accumulated benefit obligation was $2,983 and $2,739 at December 31, 2020 and 2019, respectively.

The following pension benefit payments reflect expected future service. Payments expected to be paid over the next 10 years are as follows:

2021	$	193
2022		190
2023		187
2024		185
2025–2030		1,041
	$	1,796

The Health System expects to contribute approximately $110 to the defined benefit plans in 2021.

The expected long-term rate of return on plan assets is the expected average rate of return on the funds invested currently and on funds to be invested in the future in order to provide for the benefits included in the projected benefit obligation. The Health System used 6.25% and 6.50% in calculating the 2020 and 2019 expense amounts, respectively. This assumption is based on capital market assumptions and the plan's target asset allocation.

(Continued)

(In millions of dollars)

The Health System continues to monitor the expected long-term rate of return. If changes in those parameters cause 6.25% to be outside of a reasonable range of expected returns, or if actual plan returns over an extended period of time, suggest that general market assumptions are not representative of expected plan results, the Health System may revise this estimate prospectively.

The target asset allocation and expected long-term rate of return on assets (ELTRA) were as follows at December 31:

	2020 Target	2020 ELTRA	2019 Target	2019 ELTRA
Cash and cash equivalents	2 %	2.0 %	2 %	3%
Equity securities	45	8%–9%	45	7%–9%
Debt securities	33	2%–3%	33	3%–4%
Other securities	20	5%–9%	20	5%–11%
Total	100 %	6.25 %	100 %	6.50 %

The following table presents the Health System's defined benefit plan assets measured at fair value:

	December 31, 2020	Fair value measurements at reporting date using Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 76	76	—	—
Equity securities:				
Domestic	348	348	—	—
Foreign	134	134	—	—
Mutual funds	215	215	—	—
Domestic debt securities:				
State and government	409	362	47	—
Corporate	158	—	158	—
Other	18	—	18	—
Foreign debt securities	48	—	48	—
Commingled funds	143	143	—	—
Investments measured using NAV	492			
Transactions pending settlement, net	(208)			
Total	$ 1,833			

(Continued)

(In millions of dollars)

The following table presents the Health System's defined benefit plan assets measured at fair value:

	December 31, 2019	Fair value measurements at reporting date using Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 73	73	—	—
Equity securities:				
Domestic	293	293	—	—
Foreign	77	77	—	—
Mutual funds	128	128	—	—
Domestic debt securities:				
State and government	400	310	90	—
Corporate	129	—	129	—
Other	15	—	15	—
Foreign debt securities	49	—	49	—
Commingled funds	144	144	—	—
Investments measured using NAV	582			
Transactions pending settlement, net	(191)			
Total	$ 1,699			

The Health System's defined benefit plans participate in various funds that are not actively marketed on an open exchange. These investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Due to the nature of these funds the NAV per share, or its equivalent, reported by each fund manager is used as a practical expedient to estimate the fair value of the Health System's interest therein. Management believes that the carrying amounts of these financial instruments provided by the fund managers are reasonable estimates of fair value.

(Continued)

(In millions of dollars)

The following table presents information for investments where either the NAV per share or its equivalent was used to value the investments as of December 31:

	Fair value		Redemption frequency	Redemption notice period
	2020	2019		
Hedge funds:				
Long/short equity	$ 55	54	Monthly or quarterly	30–65 days
Credit and other	61	64	Monthly or quarterly	90 days
Real assets	1	61	Monthly	30 days
Risk parity	140	135	Monthly	5–15 days
Commingled	235	268	Monthly	6–30 days
Total	$ 492	582		

The Health System's defined benefit plans also allow certain investment managers to use derivative financial instruments (futures and forward currency contracts) to manage interest rate risk related to the plans' fixed-income holdings. The investment managers have executed master netting arrangements with the counterparties of the futures and forward currency purchase and sale contracts whereby the financial instruments held by the same counterparty are legally offset as the instruments are settled. The following table presents gross investment derivative assets and liabilities reported on a net basis at fair value included in the plans' assets as of December 31:

	2020	2019
Derivative assets:		
Futures contracts	$ 160	128
Foreign currency forwards and other contracts	3	2
Total derivative assets	$ 163	130
Derivative liabilities:		
Futures contracts	$ (160)	(128)
Foreign currency forwards and other contracts	(2)	(3)
Total derivative liabilities	$ (162)	(131)

(b) Defined Contribution Plans

The Health System sponsors various defined contribution retirement plans that cover substantially all employees. The plans provide for employer matching contributions in an amount equal to a percentage of employee pretax contributions, up to a maximum amount. In addition, the Health System makes contributions to eligible employees based on years of service. Retirement expense related to these plans was $545 and $500 in 2020 and 2019, respectively, and is reflected in salaries and benefit expense in the accompanying combined statements of operations.

(Continued)

(10) Self-Insurance Liabilities

The Health System has established self-insurance programs for professional and general liability and workers' compensation insurance coverage. These programs provide insurance coverage for healthcare institutions associated with the Health System. The Health System also operates insurance captives, Providence Assurance, Inc. and American Unity Group, Ltd., to self-insure or reinsure certain layers of professional and general liability risk.

The Health System accrues estimated self-insured professional and general liability and workers' compensation insurance claims based on management's estimate of the ultimate costs for both reported claims and actuarially determined estimates of claims incurred but not reported. Insurance coverage in excess of the per occurrence self-insured retention has been secured with insurers or reinsurers for specified amounts for professional, general, and workers' compensation liabilities. Decisions relating to the limit and scope of the self-insured layer and the amounts of excess insurance purchased are reviewed each year, subject to management's analysis of actuarial loss projections and the price and availability of acceptable commercial insurance.

At December 31, 2020 and 2019, the estimated liability for future costs of professional and general liability claims was $507 and $455, respectively. At December 31, 2020 and 2019, the estimated workers' compensation obligation was $399 and $367, respectively. Both are recorded in other current liabilities and other liabilities in the accompanying combined balance sheets.

(11) Commitments and Contingencies

(a) Commitments

Firm purchase commitments at December 31, 2020, primarily related to construction and equipment and software acquisition, are approximately $417.

(b) Litigation

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. Government monitoring and enforcement activity continues with respect to investigations and allegations concerning possible violations by healthcare providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of patient services previously billed. Institutions within the Health System are subject to similar regulatory reviews.

Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Health System's combined financial statements.

(Continued)

(In millions of dollars)

(12) Functional Expenses

Operating expenses classified by their natural classification on the combined statements of operations are presented by their functional classifications as follows for the years ended December 31:

	2020								
	Program Activities					Supporting Activities			
	Hospitals	Health plans and accountable care	Physician and outpatient	Long-term care, home care, and hospice	Total programs	General and administrative	Other	Total supporting	Total operating expenses
Salaries and benefits	$ 7,049	141	2,458	687	10,335	2,042	269	2,311	12,646
Supplies	3,055	2	282	172	3,511	—	310	310	3,821
Purchased healthcare services	204	1,490	163	132	1,989	—	—	—	1,989
Interest, depreciation, and amortization	788	8	76	20	892	464	19	483	1,375
Purchased services, professional fees and other	3,122	261	1,212	134	4,729	1,268	153	1,421	6,150
Total operating expenses	$ 14,218	1,902	4,191	1,145	21,456	3,774	751	4,525	25,981

	2019								
	Program Activities					Supporting Activities			
	Hospitals	Health plans and accountable care	Physician and outpatient	Long-term care, home care, and hospice	Total programs	General and administrative	Other	Total supporting	Total operating expenses
Salaries and benefits	$ 6,932	125	2,364	695	10,116	1,924	132	2,056	12,172
Supplies	2,992	2	302	138	3,434	—	264	264	3,698
Purchased healthcare services	219	1,501	219	110	2,049	—	—	—	2,049
Interest, depreciation, and amortization	803	8	79	21	911	427	7	434	1,345
Purchased services, professional fees and other	2,784	200	1,148	152	4,284	980	124	1,104	5,388
Restructuring costs	—	—	—	—	—	159	—	159	159
Total operating expenses	$ 13,730	1,836	4,112	1,116	20,794	3,490	527	4,017	24,811

Supporting activities include costs that are not controllable by operational leadership. Health System leadership drives these costs, which benefit the entire Health System. Costs that are controllable by operational leadership are allocated to the respective program activities.

PROVIDENCE ST. JOSEPH HEALTH

Supplemental Schedule – Obligated Group Combining Balance Sheets Information

December 31, 2020 and 2019

(In millions of dollars)

	2020			2019		
Assets	**Obligated Group**	**Nonobligated, Eliminations, Other**	**Total Combined**	**Obligated Group**	**Nonobligated, Eliminations, Other**	**Total Combined**
Current assets:						
Cash and cash equivalents	$ 2,281	949	3,230	633	683	1,316
Accounts receivable	2,184	181	2,365	2,255	145	2,400
Supplies inventory	344	17	361	272	11	283
Other current assets	1,284	196	1,480	1,169	64	1,233
Current portion of assets whose use is limited	885	343	1,228	341	361	702
Total current assets	6,978	1,686	8,664	4,670	1,264	5,934
Assets whose use is limited	8,308	3,198	11,506	8,184	2,671	10,855
Property, plant, and equipment, net	9,866	1,167	11,033	10,436	542	10,978
Operating lease right-of-use assets	928	291	1,219	970	270	1,240
Other assets	2,760	(528)	2,232	2,207	(662)	1,545
Total assets	$ 28,840	5,814	34,654	26,467	4,085	30,552
Liabilities and Net Assets						
Current liabilities:						
Current portion of long-term debt	$ 110	17	127	81	4	85
Master trust debt classified as short-term	934	—	934	205	—	205
Accounts payable	978	177	1,155	909	126	1,035
Accrued compensation	1,322	131	1,453	1,057	88	1,145
Current portion of operating lease right-of-use liabilities	211	51	262	219	48	267
Other current liabilities	1,896	862	2,758	1,562	599	2,161
Total current liabilities	5,451	1,238	6,689	4,033	865	4,898
Long-term debt, net of current portion	5,699	362	6,061	6,281	112	6,393
Pension benefit obligation	1,203	—	1,203	1,094	—	1,094
Long-term operating lease right-of-use liabilities, net of current portion	858	287	1,145	898	269	1,167
Other liabilities	1,881	959	2,840	325	800	1,125
Total liabilities	15,092	2,846	17,938	12,631	2,046	14,677
Net assets:						
Net assets without donor restrictions	12,741	2,425	15,166	12,911	1,583	14,494
Net assets with donor restrictions	1,007	543	1,550	925	456	1,381
Total net assets	13,748	2,968	16,716	13,836	2,039	15,875
Total liabilities and net assets	$ 28,840	5,814	34,654	26,467	4,085	30,552

See accompanying independent auditors' report

PROVIDENCE ST. JOSEPH HEALTH

Supplemental Schedule – Obligated Group Combining Statements of Operations Information

Years ended December 31, 2020 and 2019

(In millions of dollars)

	2020			2019		
	Obligated Group	Nonobligated, Eliminations, Other	Total Combined	Obligated Group	Nonobligated, Eliminations, Other	Total Combined
Operating revenues:						
Net patient service revenues	$ 17,762	1,202	18,964	18,942	941	19,883
Other revenues	3,127	3,584	6,711	2,033	3,109	5,142
Total operating revenues	20,889	4,786	25,675	20,975	4,050	25,025
Operating expenses:						
Salaries and benefits	11,001	1,645	12,646	10,868	1,304	12,172
Supplies	3,516	305	3,821	3,422	276	3,698
Interest, depreciation, and amortization	1,258	117	1,375	1,253	92	1,345
Purchased healthcare and other services, professional fees, and other	4,851	3,288	8,139	4,441	2,996	7,437
Total operating expenses before restructuring costs	20,626	5,355	25,981	19,984	4,668	24,652
(Deficit) excess of revenue over expenses from operations before restructuring costs	263	(569)	(306)	991	(618)	373
Restructuring costs	—	—	—	159	—	159
(Deficit) excess of revenues over expenses from operations	263	(569)	(306)	832	(618)	214
Net nonoperating gains (losses):						
Loss on extinguishment of debt	—	—	—	(14)	—	(14)
Investment income, net	871	235	1,106	1,054	231	1,285
Other	6	(66)	(60)	(67)	(60)	(127)
Total net nonoperating gains	877	169	1,046	973	171	1,144
Excess (deficit) of revenues over expenses	$ 1,140	(400)	740	1,805	(447)	1,358

See accompanying independent auditors' report.