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 fiscal year ended December 31, 2023. Providence has undertaken no responsibility to update such data since December 31, 2023, 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, over 1,000 clinics, and many other health and educational services, our health System employs more than 122,000 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 more than 160 years and have a history of responding with compassion and innovation during challenging health care environments, including the recent pandemic. 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, affordable care, including through networks of same-day clinics and online care and services.

We are privileged to serve in dynamic markets with growing populations. 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, 18 supportive housing facilities, over 8,000 directly employed providers, and approximately 26,000 affiliated providers, a health plan, senior care, financial assistance programs, community health investments, and educational ministries that include a high school and university.

Providence maintains headquarters in Renton, Washington, and Irvine, California, and is governed by a sponsorship council comprised of 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 compassion, dignity, justice, excellence and integrity reflecting the legacy of the Sisters of Providence and the Sisters of St. Joseph.

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.*"

Our Integrated Strategic & Financial Plan

Guided by our Mission, values, vision, and promise, Providence has developed and adopted an Integrated Strategic & Financial Plan called Destination Health 2025 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. Providence is focused on delivering a compassionate and simplified experience for patients and consumers by:

- Cultivating an inspiring caregiver experience where everyone feels included and can grow their career
- Providing safe, effective, person-centered care with world-class outcomes
- Delivering a simplified consumer and patient journey

Be our Communities' Health Partner. Providence is focused on improving health outcomes in the communities we serve by:

- Advancing health equity, reducing disparities, and exceling in value-based care via payor and provider partnerships
- Partnering with physicians and providers to broaden access to integrated networks of care
- Strengthening our voice and community investment to activate stakeholders in advocacy, health, and social justice

Transform our Future. Through research, data, and technology, decreasing variability, and modern support services, Providence is focused on transforming care delivery by:

- Growing our innovative health organization, extending the Mission through investments in core, diversified and adjacent businesses
- Optimizing care delivery to ensure a full continuum of affordable, digitally enabled, and innovative models and places of care
- Transforming our workforce to support new models of care

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. Providence also routinely assesses existing partnerships and arrangements with third parties and adjusts as appropriate to best meet community needs. 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. Providence's 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.

Our Vision: Health for a Better World

Providence continues to invest in Destination Health 2025 to pave the way for our Vision of Health for a Better World through deconstruction, digitization, and diversification of our operating model. Providence launched a series of Recover and Renew initiatives to address those challenges en route to our strategic plan for Destination Health 2025.

Focusing on core operations. Management is deploying multiple recovery programs to address the current challenges:

- Surgical volumes: Efforts are underway to address pent-up demand for surgical and other chronic care in our communities. AI-powered tools are helping to more accurately predict and schedule operating usage, creating more access to needed surgical care. We continue to meet the need for higher acuity services through our clinical institutes.
- Workforce: With current labor shortages, the use of premium labor, including the number and wage rate of agency nurses, continues to be significantly higher than in previous years. Several initiatives are underway to reduce those expenses in combination with increasing core productivity.
- Patient progression: We continue to manage length of stay to ensure patients receive the care they need by addressing challenges to discharge patients due to staffing shortages in the post-acute care setting. We are making strides to address the issue through a variety of community partnerships, multidisciplinary discharge planning, patient progression, and capacity improvement programs.
- Cash acceleration: Accounts receivable have been negatively impacted by labor shortages, reimbursement delays from insurers, technology transitions, and other macroeconomic factors. Several initiatives are underway to reduce payment friction in payments with the broader payor community. In addition, with large portions of our support services moving to hybrid or virtual work environments, management is evaluating options for underutilized administrative real estate.
- Discretionary spend management: We continue to take steps to improve our operating performance and liquidity, including reassessing current and new capital projects outside of those focused on patient and caregiver safety. We have also reduced discretionary spending including travel, use of third-party contractors, purchased services, and professional services. As demand returns, we are flexing our labor and supply resources to allow us to efficiently and safely provide the services required by our patients.

Portfolio and organizational restructuring. In parallel, management is actively deploying a restructuring and renewal plan to address structural issues medium-term while positioning Providence's core assets for performance across multiple industry scenarios in the years ahead. The System has launched a set of restructuring efforts to renew our operating model and ensure near-term sustainability while delivering on our longer-term Destination Health 2025 strategy. There are four focus areas as part of this effort:

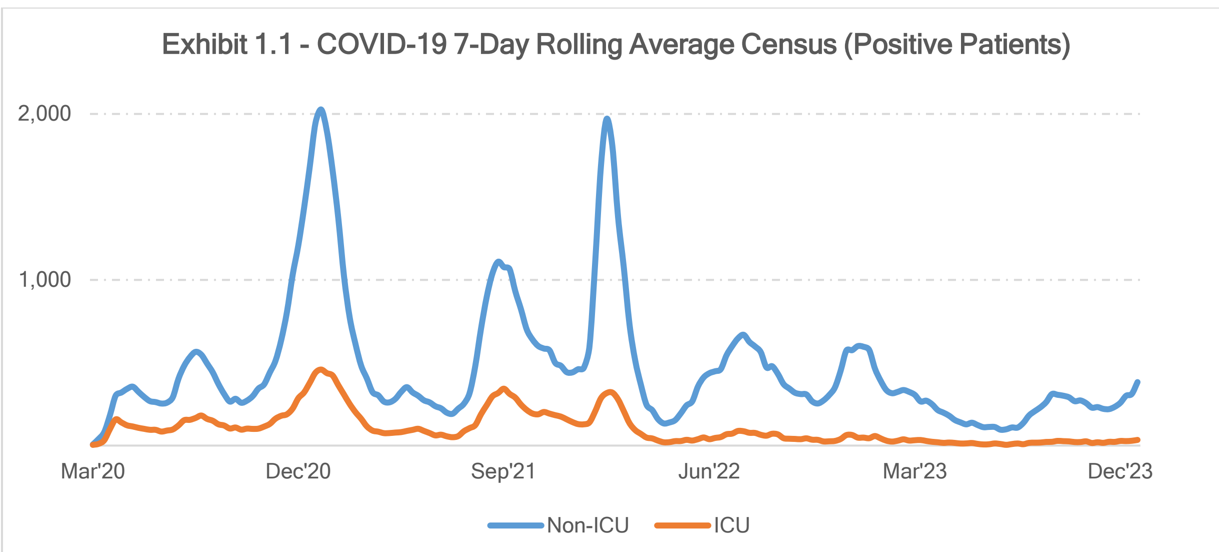
- Simplified operational and clinical structure: Management consolidated administrative leadership from seven regions to three divisions, along with a consolidation of our clinical operations with the intent to steer resource to the bedside and direct patient care and simplify decision-making.
- Streamlined support services: Management is implementing plans to streamline support services by aligning to the new divisional model, evaluating, and optimizing service delivery levels, unlocking efficiencies from technology investment like the transition to a single Enterprise Resource Planning solution and continuing to evolve care delivery and workforce models leveraging virtual capabilities and delivery.
- Program portfolio management: The impacts of the pandemic have influenced many economic factors in care delivery, from accelerating technical advancements (virtual and outpatient care) to significant macroeconomic pressures associated with workforce shortages and inflation. Management is reassessing the services we perform across our ministries over the coming quarters, within the context of the current and expected future economic factors, in order to serve our communities in the most effective and affordable way possible.
- Reimbursement: As inflationary factors impact our labor and supply expenses, Providence is working with the payor community to increase reimbursement across several payment models including value-based care.

Deconstruct and diversify healthcare. Our Deconstruct and Diversify Healthcare initiatives continue to gain momentum as we look to unlock the value embedded within the Providence platform, including non-acute care, technology platforms, Information Technology ("IT") services, and other investments. We are currently focused on growing our Value-Based care platforms including leveraging our capabilities in Medicare Advantage. In addition, efforts are under way to grow our value-based care initiatives with other payers, particularly in California. We are also working to increase capacity to meet growing needs across many of our non-acute service lines (Ambulatory, Home and Community Care) and are continuing to evaluate optimal growth and capitalization opportunities.

Our diversification efforts continue to deliver success from our early investments in Truveta, Civica Rx, and Providence Ventures. In addition, our Tegria Holdings LLC ("Tegria") and Ayin Health Holdings, Inc. ("Ayin") divisions continued to drive appreciable revenue growth while creating scalable platforms across IT and population health services, and products for clients and future partnerships. This includes our 10-year partnership with R1 RCM Inc. ("R1") for comprehensive revenue cycle services that included the sale of Acclara and Advata, two of our Tegria companies. This partnership will improve Providence's ability to optimize revenue cycle performance, invest in new technology, and respond to future healthcare changes. We continue to monetize investments to support the long-term growth and sustainability of the Providence Mission.

COVID-19 Shifts from Pandemic to Endemic Phase

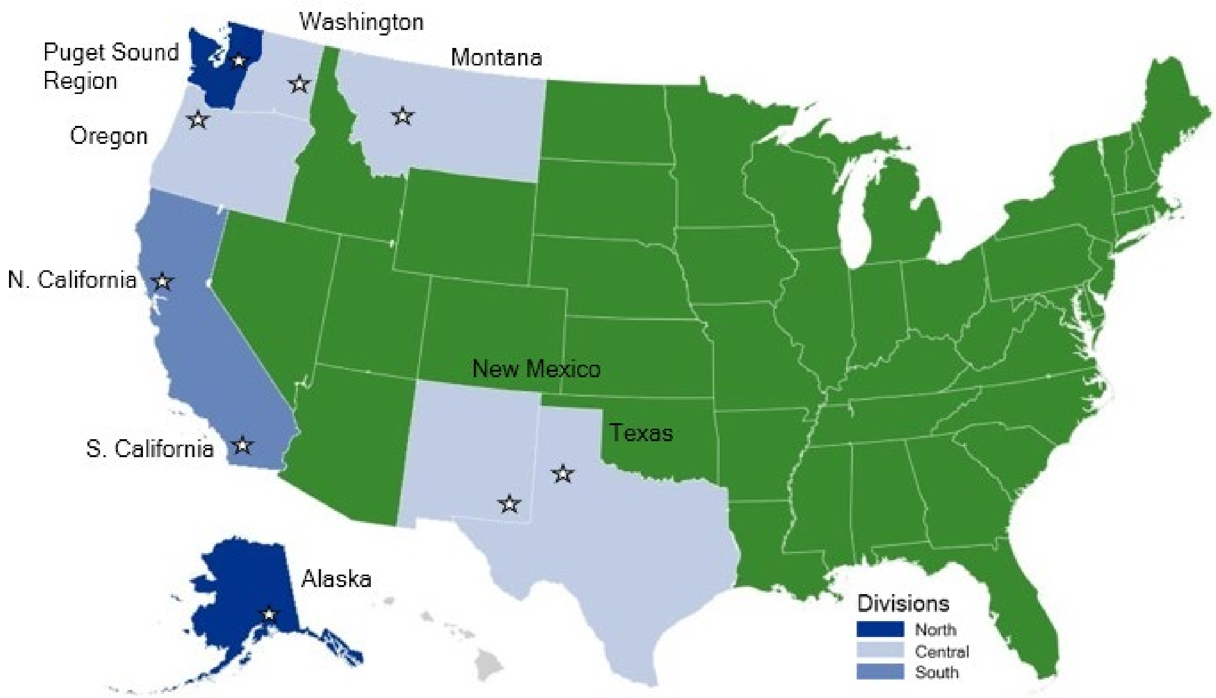
COVID-19 volumes continue to remain below peak pandemic levels since the federal public health emergency ended in May 2023. Though the virus persists in local communities, access to vaccines, treatments, and testing remain available in the communities we serve. We continue to manage ongoing fluctuations in COVID-19 cases while providing access to other comprehensive care in a safe manner for both caregivers and patients. The chart below shows Providence's 7-day rolling average census for COVID-19 positive patients through December 2023.



Geographic Information

Providence spans seven states across the Western United States shown in the graphic below and is managed through three divisional structures: North (Puget Sound, Alaska), Central (Eastern Washington/Western Montana, Oregon, and West Texas/Eastern New Mexico), and South (Southern California and Northern California).

Exhibit 1.2 - Areas We Serve



Providence's operating revenue share by geographic region, within each of the three divisions, is presented for the periods indicated:

	Fiscal Year Ended	
EXHIBIT 1.3 - REVENUE SHARE BY GEOGRAPHIC REGION	12-31-2022 [1]	12-31-2023
North Division		
Puget Sound Region	19%	19%
Alaska	4%	4%
Central Division		
Eastern Washington and Western Montana	12%	12%
Oregon [2]	21%	22%
West Texas and Eastern New Mexico	4%	4%
South Division		
Southern California	26%	26%
Northern California	6%	6%
Other [3]	8%	7%

(1) Includes adjustments to reflect system eliminations by region that were previously classified in Other and prior year reclassifications to align with divisional operating structure.

(2) Includes Providence Health Plan ("PHP") by geographic location based in the state of Oregon. PHP is classified as Other on a system consolidated basis.

(3) Includes Tegria Holdings LLC, Providence Assurance LLC, and support services.

North Division

Puget Sound Region

The Puget Sound region includes three service areas: North Puget Sound, Central Puget Sound, and South Puget Sound, with a total inpatient market share of 27 percent in their service areas in 2022, as reported by the Comprehensive Hospital Abstract Reporting System. In the greater Puget Sound area of Washington, Providence Swedish operates 8 hospitals in King, Snohomish, Lewis and Thurston Counties, and a network of over 200 primary care and specialty clinics throughout the Puget Sound area.

Alaska

The Alaska region includes 5 hospitals and 29 clinics with a 30 percent inpatient market share statewide in 2022, as reported by the Alaska Health Facilities Data Reporting Program. The Alaska facilities are primarily located in the greater Anchorage area, with 49 percent inpatient market share, as reported by the Alaska Health Facilities Data Reporting Program. The Alaska region also has facilities located in the remote communities of Kodiak, Seward, and Valdez. Providence Alaska Medical Center is an acute care facility located in Anchorage and the only comprehensive tertiary referral center in the state. St. Elias Specialty Hospital, a 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.

Central Division

Eastern Washington and Western Montana

The Eastern Washington-Western Montana region includes 9 hospitals, with a 42 percent inpatient market share in their service areas in 2022, as reported by the Comprehensive Hospital Abstract Reporting System. The region is composed of two geographic markets: Eastern Washington and Western Montana. 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 8 hospitals in Portland, Hood River, Medford, Milwaukie, Newberg, Seaside and Oregon City, with a total inpatient market share of 30 percent in their service areas in 2022, 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.

Providence Health Plan ("PHP") and Providence Health Assurance ("PHA"), collectively the Health Plans are geographically based in the state of Oregon, and the majority of their approximately 700,000 members live in the region.

In August 2023, Providence Oregon closed an agreement for Labcorp to acquire Providence Oregon's outreach laboratory services and select assets. Providence Oregon will maintain operation and ownership of certain anatomic pathology and genomics outreach testing and its hospital laboratories in the region. The organizations have an implementation and transition plan that maintains continuity of services for patients, hospitals, clinicians, and clients.

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 are the market's largest health system, with 7 licensed hospitals. The inpatient market share was 33 percent in their service areas in 2022, 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, which are Obligated Group Members. Covenant Health System also operates Covenant Specialty Hospital, a long-term acute care facility, in addition to Grace Health System, which includes Grace Clinic and Grace Surgical Hospital. Covenant Health System 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 New Mexico, Covenant Health System operates Hobbs Hospital, an acute care facility serving Hobbs and the surrounding area.

South Division

Southern California

The Southern California region includes 11 acute care hospitals in Los Angeles, Orange, and San Bernardino counties, with a total inpatient market share of 20 percent in their service areas in 2022, as reported by the Office of Statewide Health Planning and Development. In Los Angeles County, Providence includes six acute care facilities. Our largest hospital, Providence St. Joseph Medical Center, is in Burbank, with additional hospitals in Mission Hills, San Pedro, Torrance, and Santa Monica. Providence Medical Foundation operates more than 50 practice locations in the market, including Providence Facey Medical Foundation (“Facey”), Providence Medical Institute, and Providence St. John’s medical foundations. In addition, Providence has 5 acute care facilities within Orange and San Bernardino counties: Apple Valley, Fullerton, Mission Viejo, Laguna Beach, 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.

In June 2021, Providence announced that Providence St. Mary Medical Center and Kaiser Permanente planned to open a new hospital facility with 260 beds in Victorville to replace the existing Providence St. Mary Medical Center facility, with an anticipated opening date of 2027 for the new facility. Providence St. Mary Medical Center and Kaiser Permanente had intended to enter into a joint venture for the ownership and operation of the new hospital facility once opened. In January 2022, Kaiser Permanente and Providence St. Mary Medical Center announced that this project is unable to proceed as planned due to regulatory constraints placed by the California Attorney General’s office. Although no assurance can be given as to when or if such project will move forward, the parties remain committed to serving the needs of the High Desert community.

In January 2022, officials from Providence and Hoag reached an agreement to end the affiliation established in 2012 by January 31, 2022. The two organizations agreed to disaffiliate, with Hoag becoming independent from Providence and Covenant Health Network, the structure that governed the affiliation.

In October 2023, Providence and Cedars-Sinai jointly opened a new patient-care tower, Providence Cedars-Sinai Tarzana Medical Center (“PCSTMC”), owned and operated by both organizations through joint venture. PCSTMC operates as a not-for-profit hospital and offers an array of services including heart, vascular, orthopedic, cancer, and women’s services, and maintain the region’s largest Level III Neonatal Intensive Care Unit.

Northern California

The Northern California region includes 6 hospitals in the North Coast, Humboldt, Napa, and Sonoma communities with a total inpatient market share of 31 percent in their service areas in 2022, as reported by the Office of Statewide Health Planning and Development. The acute care hospitals in Northern California include Providence Queen of the Valley Medical Center in Napa, Providence Santa Rosa Memorial Hospital, Petaluma Valley Hospital, Providence St. Joseph Hospital in Eureka, Providence Redwood Memorial Hospital in Fortuna, and Healdsburg Hospital. Providence Medical Foundation operates clinics in the region with its contracted physician partners.

Other

Other includes support services and other entities. Support services is a support function that includes human resources, finance, information technology, and other services. Other entities include Tegria Holdings LLC and Providence Assurance LLC.

In December 2023, Tegria Holdings LLC entered into a definitive agreement to sell its Acclara and Advata subsidiaries to R1 for $675 million. As a result of their ownership percentage, Providence received $575 million in cash upon closing, net of fees and expenses and other customary closing conditions, and a warrant to purchase up to 12.2 million shares of R1 stock at an exercise price of $10.52, subject to a three-year lock-up period. At the closing of the divestiture, Acclara and Providence entered into a 10-year agreement for comprehensive revenue cycle services, leveraging the integrated technology and services capabilities of R1 to serve Providence. The transaction was completed in January 2024.

Financial Information

The summary audited, combined financial information as of and for the fiscal years ended December 31, 2023, and 2022, presented below, has been derived by the management of Providence from audited combined financial information of the System. 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

	Fiscal Year Ended	
EXHIBIT 2.1 - COMBINED STATEMENTS OF OPERATIONS $ PRESENTED IN MILLIONS	12-31-2022	12-31-2023
Net Patient Service Revenues	$20,100	$21,876
Premium Revenues	2,507	2,744
Capitation Revenues	1,897	1,947
Other Revenues	1,930	2,178
Total Operating Revenues	**26,434**	**28,745**
Salaries and Benefits	14,332	15,238
Supplies	4,129	4,521
Purchased Healthcare Services	2,226	2,462
Interest, Depreciation, and Amortization	1,282	1,460
Purchased Services, Professional Fees, and Other	5,917	6,235
Total Operating Expenses	**27,886**	**29,916**
Deficit of Revenues Over Expenses from Operations Before Restructuring Costs and Other	**(1,452)**	**(1,171)**
Restructuring Costs and Other (1)	247	-
Deficit of Revenues Over Expenses from Operations	**(1,699)**	**(1,171)**
Non-Operating Gains (Losses)	(1,015)	575
Deficit of Revenues Over Expenses Before Disaffiliation	**(2,714)**	**(596)**
Loss from Disaffiliation (2)	(3,408)	-
Deficit of Revenues Over Expenses	**$(6,122)**	**$(596)**
Operating EBIDA (3)	**$(253)**	**$502**
Pro Forma Operating EBIDA (4)	**$(6)**	**$502**

(1) Includes restructuring charges primarily comprised of costs related to asset rationalization, employee reductions, and other items.

(2) Represents the impact of the removal of Hoag's net assets from the System's combined balance sheet as a result of the disaffiliation.

(3) Excludes $213 million for the fiscal year ended December 31, 2023 and $165 million for the fiscal year ended December 31, 2022 in amortization of software as a service asset.

(4) Pro forma operating earnings before interest, depreciation, and amortization ("EBIDA") excludes restructuring costs in 2022.

Summary Audited Combined Balance Sheets

EXHIBIT 2.2 - COMBINED BALANCE SHEET $ PRESENTED IN MILLIONS	As of 12-31-2022	As of 12-31-2023
Current Assets:		
Cash and Cash Equivalents [(1)]	$1,063	$1,468
Short-Term Investments [(1)]	515	597
Accounts Receivable, Net	2,841	3,045
Supplies Inventory	359	373
Other Current Assets	1,752	2,430
Current Portion of Assets Whose Use is Limited	141	104
Total Current Assets	**6,671**	**8,017**
Management Designated Cash and Investments [(1)]	7,904	6,351
Assets Whose Use is Limited	608	671
Property, Plant & Equipment, Net	10,217	9,187
Operating Lease Right-of-Use Assets	1,265	1,172
Other Assets	2,243	2,906
Total Assets	**$28,908**	**$28,304**
Current Liabilities:		
Current Portion of Long-Term Debt	166	160
Master Trust Debt Classified as Short-Term	452	138
Accounts Payable	1,915	1,438
Accrued Compensation	1,496	1,527
Current Portion of Operating Lease Right-of-Use	191	204
Other Current Liabilities	2,154	2,393
Total Current Liabilities	**6,374**	**5,860**
Long-Term Debt, Net of Current Portion	655	630
Master Trust Debt Classified as Long-Term	6,951	7,434
Pension Benefit Obligation	678	660
Long-Term Operating Lease Right-of-Use, net of Current Portion	1,251	1,107
Other Liabilities	1,408	1,624
Total Liabilities	**$17,317**	**$17,315**
Net Assets:		
Controlling Interests	9,818	9,340
Noncontrolling Interests	386	145
Net Assets without Donor Restrictions	10,204	9,485
Net Assets with Donor Restrictions	1,387	1,504
Total Net Assets	**11,591**	**10,989**
Total Liabilities and Net Assets	**$28,908**	**$28,304**

(1) Unrestricted Cash and Investments were $8.4 billion as of December 31, 2023, and $9.5 billion as of December 31, 2022.

Management's Discussion and Analysis: Fiscal Year Ended December 31, 2023

Management's discussion and analysis provides additional narrative explanation of Providence's financial condition, operational results, and cash flow to assist in increasing understanding of the combined financial statements. The summary audited, combined financial information as of and for fiscal years ended December 31, 2023, and 2022, respectively, are presented below.

Results of Operations

Operations Summary

Operating results for the fiscal year ended December 31, 2023 improved due to higher post-pandemic demand for patient services and decreases in length of stay as patient access to post-acute care improved through the second half of 2023. Net patient service revenue increased 9 percent for the fiscal year ended December 31, 2023, compared to the same period in 2022 driven primarily by higher patient volumes and increased rates. The System's higher patient volumes drove corresponding increases in operating expense, particularly labor and supply costs, partially offset by lower agency contract labor compared to the same period in 2022.

Operating EBIDA was $502 million and the deficit of revenues over expenses from operations was $1.2 billion for the fiscal year ended December 31, 2023, representing $755 million and $528 million improvements to prior year.

The results include the net recognition of reimbursements from provider fee programs of $255 million (revenue of $889 million and expense of $634 million) for the fiscal year ended December 31, 2023, compared with $239 million (revenue of $799 million and expense of $560 million) for the fiscal year ended December 31, 2022.

Providence's key financial indicators are presented for the periods indicated:

	Fiscal Year Ended	
EXHIBIT 3.1 - OPERATIONS SUMMARY $ PRESENTED IN MILLIONS UNLESS NOTED	12-31-2022	12-31-2023
Operating Revenues	$26,434	$28,745
Operating Expenses	27,886	29,916
Deficit of Revenues Over Expenses from Operations (1)	(1,699)	(1,171)
Operating Margin %	(6.4)	(4.1)
Non-Operating Gains (Losses) (2)	(4,423)	575
Operating EBIDA (1)	(253)	502
Operating EBIDA Margin %	(1.0)	1.7
Premium and Capitation Revenues	4,404	4,691
Net Service Revenue/Case Mix Adjusted Admits	12,029	12,502
Net Expense/Case Mix Adjusted Admits	14,201	14,445
Total Community Benefit	$2,057	$2,051
Full-Time Equivalents ("FTEs") (thousands)	107	109

(1) Includes $247 million in restructuring costs in 2022.
(2) Includes $3.4 billion loss from disaffiliation.

Operating EBIDA was $164 million and the deficit of revenues over expenses from operations was $314 million for the three months ended December 31, 2023, representing an increase of $389 million and $287 million from prior year. Operating revenues increased 10 percent compared to the prior year, driven mainly by higher patient volumes and include recognition of the 340B-Discount Drug remedy payment. Operating expenses increased 9 percent compared to prior year, driven by wage increases, higher supply costs, and higher cost to serve patient volumes. Salaries and benefits increased 8 percent for the three months ended December 31, 2023, compared to the same period in 2022. Supplies expense increased by 9 percent compared to the prior year, driven by a 16 percent increase in pharmaceutical expense.

Providence's key financial indicators are presented for the periods indicated:

EXHIBIT 3.2 - OPERATIONS SUMMARY $ PRESENTED IN MILLIONS UNLESS NOTED	Three Months Ended 12-31-2022	 12-31-2023
Operating Revenues	$6,860	$7,547
Operating Expenses	7,214	7,861
Deficit of Revenues Over Expenses from Operations [1]	(601)	(314)
Operating Margin %	(8.8)	(4.2)
Operating EBIDA [1]	(225)	164
Operating EBIDA Margin %	(3.3)	2.2
Premium and Capitation Revenues	1,112	1,194

(1) Includes $247 million in restructuring costs in 2022.

Volumes

Providence experienced higher volumes during the fiscal year ended December 31, 2023, compared with the same period in 2022. Acute adjusted admissions increased 4 percent and case mix adjusted admissions increased 5 percent compared to prior year. Length of stay decreased 3 percent from prior year as access to post-acute care improved. For the fourth quarter of 2023, acute adjusted admissions increased 2 percent and case mix adjusted admissions increased 3 percent compared to prior year. Non-acute volumes grew 2 percent for the fiscal year ended December 31, 2023, compared with the same period in 2022, primarily driven by an 11 percent increase in outpatient surgeries and procedures, a 6 percent increase in home health visits, and a 3 percent increase in physician visits. For the fourth quarter of 2023, home health visits increased 8 percent, physician visits increased 7 percent, and outpatient surgeries and procedures increased 7 percent compared to the prior year.

Providence's key volume indicators are presented for the periods indicated:

EXHIBIT 3.3 - SYSTEM UTILIZATION DATA PRESENTED IN THOUSANDS UNLESS NOTED	Fiscal Year Ended 12-31-2022	 12-31-2023
Inpatient Admissions	425	427
Acute Adjusted Admissions	912	944
Case Mix Adjusted Admissions	1,671	1,750
Acute Patient Days	2,430	2,362
Long-Term Care Patient Days	313	334
Outpatient Visits (incl. Physicians)	26,776	27,657
Virtual Visits (incl. Telehealth)	1,372	1,151
Emergency Room Visits	1,905	1,943
Surgeries and Procedures	635	690
Acute Average Daily Census (Actual)	6,659	6,470
Providence Health Plan Members	680	707

Operating Revenues

Operating revenues of $29 billion for the fiscal year ended December 31, 2023 grew 9 percent compared to the same period in 2022. Net patient service revenues were $22 billion for the fiscal year ended December 31, 2023, growing 9 percent compared to the same period in 2022, driven by higher volumes and improving rates. The System experienced growth in all areas as Hospital revenues grew 8 percent; Health Plans and Accountable Care revenues grew 7 percent; Physician and Outpatient revenues grew 6 percent, and diversified revenues grew 9 percent compared to the same period in prior year. In addition, capitation and premium revenues, representing 16 percent of total operating revenues, grew 7 percent during the fiscal year ended December 31, 2023, compared with the same period in 2022.

Operating revenues for the three months ended December 31, 2023 were $8 billion, an increase of 10 percent, compared with the same period in 2022. Net patient service revenues were $6 billion for the three months ended December 31, 2023, an increase of 10 percent compared with the same period in 2022.

Providence's operating revenues by state are presented for the periods indicated (footnotes appear beneath last table):

EXHIBIT 3.4 - OPERATING REVENUES BY STATE $ PRESENTED IN MILLIONS	Fiscal Year Ended 12-31-2022	12-31-2023
Alaska	$946	$1,026
Washington	7,604	8,167
Montana	488	532
Oregon	5,660	6,260
California	8,617	9,274
Texas/New Mexico	1,189	1,308
Total Revenues from Contracts with Customers (1)	24,504	26,567
Other Revenues (2)	1,930	2,178
Total Operating Revenues	$26,434	$28,745

Providence's operating revenues by line of business are presented for the periods indicated:

EXHIBIT 3.5 - OPERATING REVENUES BY LINE OF BUSINESS $ PRESENTED IN MILLIONS	Fiscal Year Ended 12-31-2022	12-31-2023
Hospitals (1)	$16,633	$18,008
Health Plans and Accountable Care	2,827	3,035
Physician and Outpatient Activities	3,164	3,340
Long-Term Care, Home Care, and Hospice	1,380	1,522
Other Services	500	662
Total Revenues from Contracts with Customers	24,504	26,567
Other Revenues (2)	1,930	2,178
Total Operating Revenues	$26,434	$28,745

Providence's operating revenues by payor are presented for the periods indicated:

EXHIBIT 3.6 - OPERATING REVENUES BY PAYOR (3) $ PRESENTED IN MILLIONS	Fiscal Year Ended 12-31-2022	12-31-2023
Commercial	$11,134	$12,102
Medicare	8,998	9,794
Medicaid (1)	3,590	3,897
Self-pay and Other	782	774
Total Revenues from Contracts with Customers	24,504	26,567
Other Revenues (2)	1,930	2,178
Total Operating Revenues	$26,434	$28,745

(1) Includes revenue recognition of reimbursements from state provider fee programs of $889 million for the fiscal year ended December 31, 2023, compared with $799 million in the same period in 2022.

(2) Excludes premium and capitation revenues as they are categorized among the line items that comprise Total Revenues from Contacts with Customers. Refer to Exhibit 2.1 for the components of Total Operating Revenues.

(3) Refer to Exhibit 8.3 for supplementary information on net patient service revenue payor mix driven by patient utilization.

Operating Expenses

Operating expenses increased 7 percent for the fiscal year ended December 31, 2023, compared to prior year, driven by labor inflation and costs associated with serving higher patient volumes. Salaries and benefits expenses increased 6 percent for the fiscal year ended December 31, 2023, compared with the same period in 2022, as wage increases were offset by lower, albeit still elevated, premium labor expenses. Agency contract labor decreased 15 percent for the fiscal year ended December 31, 2023, compared to the same period in 2022. Supplies expense increased by 9 percent compared with the prior year, driven by a 14 percent increase in pharmaceutical expense and a 7 percent increase in medical supply costs.

Operating expenses increased 9 percent for the three months ended December 31, 2023, compared to prior year, driven by costs to serve higher patient volumes. Salaries and benefits increased 8 percent for the three months ended December 31, 2023, due to wage increases, partially offset by lower agency contract labor.

Supplies expense increased by 9 percent compared with the prior year, driven by a 16 percent increase in pharmaceutical spend and a 5 percent increase in medical supply expense, partially offset by decrease in non-medical supplies.

Non-Operating Activity

Non-operating gains were $575 million for the fiscal year ended December 31, 2023, compared with non-operating losses of $1 billion for the same period in 2022. The increase was driven by investment gains of $652 million for the fiscal year ended December 31, 2023, compared with investment losses of $1 billion in the prior year.

Liquidity and Capital Resources; Outstanding Indebtedness

Unrestricted Cash and Investments

Unrestricted cash and investments totaled approximately $8.4 billion as of December 31, 2023, compared with $9.5 billion as of December 31, 2022. Accounts receivable, while improved relative to revenue growth remains elevated compared to historic trends. Net days in accounts receivable were 47.7 days at December 31, 2023, compared with 50.0 days at December 31, 2022. Action plans focusing on the reduction of billing and appeal backlogs, and the implementation of an escalation process targeting excessive payer processing delays contributed to improved performance.

In February 2023, Providence issued the Series 2023A, B & C private placement notes totaling $383 million, the proceeds of which were used to reduce balances held on the revolver, pay financing costs, and add approximately $30 million in net new debt. In May 2023, Providence closed on its Series 2023 taxable fixed rate refunding bonds totaling $585 million. The proceeds were used primarily to refund the taxable Series 2005 and 2013 bonds as well as refund an existing term loan and debt services due in 2023.

Providence's liquidity is presented for the periods indicated:

	As of	
EXHIBIT 4.1 - INVESTMENTS BY DURATION $ PRESENTED IN MILLIONS	12-31-2022	12-31-2023
Cash and Cash Equivalents	$1,063	$1,468
Short-Term Investments	515	597
Long-Term Investments	7,904	6,351
Total Unrestricted Cash and Investments	$9,482	$8,416

Providence maintains a long-term investment portfolio comprised of operating and foundation investment assets. Providence's target asset allocation for the long-term portfolio, by general asset class, is presented for the periods indicated:

	As of	
EXHIBIT 4.2 - INVESTMENTS BY TYPE	12-31-2022	12-31-2023
Cash and Cash Equivalents	0%	0%
Domestic and International Equities	42%	38%
Debt Securities	38%	33%
Other Securities	20%	29%

Financial Ratios

Providence's financial ratios are presented for the periods indicated:

EXHIBIT 4.3 - SUMMARY OF KEY RATIOS	As of 12-31-2022	As of 12-31-2023
Total Debt to Capitalization %	44.1	46.4
Cash to Debt Ratio %	117.7	102.6
Days Cash on Hand (1), (2)	129	107
Maximum Annual Debt Service (Smoothed)	493	541
Cash to Net Assets Ratio	0.93	0.89

(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) The 340B-Discount Drug remedy payment recognized in the fourth quarter of 2023 and proceeds Providence received from the sale of Tegria's Acclara and Advata subsidiaries would have added approximately 10 days cash on hand if received in 2023.

System Capitalization

Providence's capitalization is presented for the periods indicated:

EXHIBIT 4.4 - SYSTEM CAPITALIZATION $ PRESENTED IN MILLIONS UNLESS NOTED	As of 12-31-2022	As of 12-31-2023
Long-Term Indebtedness	$7,117	$7,594
Plus: Leases	655	630
Less: Current Portion of Long-Term Debt	166	160
Net Long-Term Debt	7,606	8,064
Net Assets - Without Donor Restrictions	10,204	9,485
Total Capitalization	$17,810	$17,549
Long-Term Debt to Capitalization %	42.7	46.0

Providence's coverage of Maximum Annual Debt Service ("MADS") on indebtedness is not a defined concept under the Master Indenture, nor Providence's other credit documents. MADS coverage is presented for the periods indicated:

EXHIBIT 4.5 - SYSTEM MADS COVERAGE $ PRESENTED IN MILLIONS UNLESS NOTED	Fiscal Year Ended 12-31-2022	Fiscal Year Ended 12-31-2023
Income Available for Debt Service:		
Deficit of Revenues Over Expenses	$(6,122)	$(596)
Less: Unrealized Loss (Gain) on Trading Securities	1,204	(327)
Plus: (Gain) Loss on Extinguishment of Debt	(20)	2
Plus: Loss on Pension Settlement Costs and Other	18	22
Plus: Loss from Disaffiliation	3,408	-
Plus: Restructuring Costs and Other	247	-
Plus: Depreciation	929	1,053
Plus: Interest and Amortization	352	408
Total	$16	$562
MADS (Smoothed)	$493	$541
MADS Coverage	0.03x	1.04x

Interest Rate Swap Arrangements

During the fourth quarter of 2023, Providence terminated interest rate swap agreements with MUFG Bank, Ltd. and Wells Fargo. The final termination costs netted to approximately $21 million. As of December 31, 2023, Providence has no outstanding interest rate swap agreements.

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, and Kadlec): 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 Providence's governance structure, Providence routinely evaluates and considers alternative governance models to best meet Providence'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)
Michael Murphy, Chair ‡	2025	Sr. Mary Therese Sweeney, CSJ, Chair	2028
Richard Blair †	2025	Sr. Sharon Becker, CSJ	2027
Isiaah Crawford, PhD. †	2025	Bill Cox	2024
Sr. Diane Hejna, CSJ, RN. †	2025	Shannon Dwyer	2025
Sr. Phyllis Hughes, RSM, PhD. †	2025	Jeff Flocken	2025
Mary Beth Kingston, PhD., RN. Δ	2024	Mark Koenig	2027
Mary Lyons, PhD. †	2025	Sr. Cecilia Magladry, CSJ	2024
Sr. Donna Markham, OP, PhD. Δ	2026	Sr. Margaret Pastro, SP	2028
Marvin O'Quinn Δ	2026	Barbara Savage	2024
Sr. Carol Pacini, LCM Δ	2023	Mary Anne Sladich-Lantz	2032
Charles W. Sorenson, M.D. ‡	2024		
Eric Sprunk Δ	2024		
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 additional terms.

Executive Leadership Team

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

Name	Title
Rod Hochman, M.D.	President and CEO
Erik Wexler	President and COO
Greg Hoffman	Executive Vice President and CFO
Anna Newsom	Executive Vice President and Chief Legal Officer

Environmental, Social, and Governance Standards

Providence continues to execute on our integrated strategic and financial plan, which clearly expresses our commitment and acceleration of the important work to address social, racial, and economic disparities and reduce our carbon footprint in the communities we serve. Providence advances progress on our carbon negative goal and in 2023 we estimated that we decreased emissions by over 12 percent compared to our 2019 baseline. In addition, our efforts led to the introduction of the Green Hospitals Act, legislation modeled after Providence that would provide critical federal funding to weatherize and modernize health care facilities. Providence completed a comprehensive climate resilience plan in alignment with our commitment to the US Department of Health and Human Services Climate pledge. We continue to reduce greenhouse gas emissions with a focus on LED lighting upgrades, water conservation, more efficient delivery of nitrous oxide gas during anesthesia, and advancing our waste optimization work across all hospitals and clinics.

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. The Chief Financial Officer of Providence and Finance staff oversee the annual budget and multi-year planning activities of the organization, including capital allocation. Other areas in which the corporate staff provides centralized services or coordinates the activities of the service areas include legal affairs, information services, 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, among others.

Obligated Group

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

For the fiscal year ended December 31, 2023, the audited combined operating revenues, and total assets attributable to the Obligated Group Members were approximately 81 percent and 85 percent, respectively, of Providence's totals. For the fiscal year ended December 31, 2022, the audited combined operating revenues, and total assets attributable to the Obligated Group Members were approximately 81 percent and 81 percent, respectively, of Providence's totals. Refer to Exhibit 8 for supplementary information on the Obligated Group Members.

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 are 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 Providence that is not an Obligated Group Member.

Obligated Group Utilization

The Obligated Group's key volume indicators are presented for the periods indicated:

EXHIBIT 5.1 - OBLIGATED GROUP UTILIZATION DATA PRESENTED IN THOUSANDS UNLESS NOTED	Fiscal Year Ended 12-31-2022	12-31-2023
Obligated Group		
Inpatient Admissions	406	413
Acute Adjusted Admissions	834	872
Acute Patient Days	2,338	2,284
Long-Term Care Patient Days	305	328
Outpatient Visits (incl. Physicians)	21,636	21,756
Emergency Room Visits	1,809	1,856
Surgeries and Procedures	506	542
Acute Average Daily Census (Actual)	6,405	6,257

Obligated Group Capitalization

The Obligated Group's capitalization is presented for the periods indicated:

EXHIBIT 5.2 - OBLIGATED GROUP CAPITALIZATION $ PRESENTED IN MILLIONS UNLESS NOTED	As of 12-31-2022	12-31-2023
Obligated Group		
Long-Term Indebtedness	$7,093	$7,579
Plus: Leases	384	381
Less: Current Portion of Long-Term Debt	156	145
Net Long-Term Debt	7,321	7,815
Net Assets - Without Donor Restrictions	7,986	7,808
Total Capitalization	$15,307	$15,623
Long-Term Debt to Capitalization %	47.8	50.0

Historical Debt Service Coverage

Providence is compliant with the Historical Debt Service Coverage Ratio covenant for the Obligated Group pursuant to the terms of the Master Indenture. Providence's historical debt service coverage ratio is presented for the periods indicated:

EXHIBIT 5.3 - HISTORICAL DEBT SERVICE COVERAGE $ PRESENTED IN MILLIONS UNLESS NOTED	Fiscal Year Ended 12-31-2022	12-31-2023
Obligated Group		
Income Available for Debt Service	$553	$734
Debt Service Requirements on Funded Indebtedness:		
Scheduled Principal Payments	46	-
Interest Expense	258	335
Debt Service Requirements [1]	$304	$335
Historical Debt Service Coverage Ratio	1.8x	2.2x

[1] Debt Service Requirements has the meaning assigned to such term in the Master Indenture.

Outstanding Master Trust Indenture Obligations

As of December 31, 2023, Providence had Obligations outstanding under the Master Indenture totaling $7.5 billion. This excludes Obligations that secure interest rate or other swap transactions, 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, 2023.

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 a letter of credit facility (the "Credit Facility") issued by a credit bank 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 Facility 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 Facility 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 Facility containing these financial covenants and events of default are available for review on EMMA (http://emma.msrb.org).

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 of Providence – Washington, Providence – Southern California, Providence – Montana, and Providence – Oregon. Providence – Southern California, in turn, is the sole corporate member of LCMASC and Providence – Saint John's. Providence – Montana is the sole corporate member of Providence – SJMC Montana. Providence Ministries is the co-corporate member, alongside Western HealthConnect of Providence – Western Washington. Western HealthConnect is the sole corporate member of Swedish, Swedish Edmonds, Pac Med, and Kadlec.

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 Providence Santa Rosa Memorial Hospital, Providence Queen of the Valley Medical Center, Providence St. Joseph Hospital, and Providence Redwood Memorial Hospital. The corporate entities of Providence Santa Rosa Memorial Hospital, Providence Queen of the Valley Medical Center, Providence St. Joseph Hospital, and Providence 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, those four remaining corporate entities in connection with this reorganization were dissolved.

Southern California Region

Effective January 19, 2022, Hoag Hospital withdrew as an Obligated Group Member under the Master Trust Indenture dated as of May 1, 2003. Providence's disaffiliation of Hoag also includes the dissolution of CHN, a third-party member.

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, Providence includes: health plans; a provider network; numerous fundraising foundations; Tegria Holdings LLC, a for-profit entity 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. Providence 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 Providence, 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 management to be of operational or strategic importance.

Providence Clinical Network

The Providence Clinical Network ("PCN") is transforming clinical care across the continuum by creating a personalized and connected delivery system serving patients across the Western United States. PCN includes our medical groups, same-day care services including urgent care, ExpressCare, ambulatory surgery and imaging; and four system Clinical Institutes: Heart, Neuroscience, Women's and Children, Cancer and Digestive Health. Our medical groups include: Providence Medical Group, serving Alaska, Washington, Montana, and Oregon; Swedish Medical Group, and Pacific Medical Centers, each with staffed clinics throughout Washington's greater Puget Sound area; Kadlec, serving southeast Washington; Providence St. John's Medical Foundation, Providence Medical Institute, and Providence Facey Medical Foundation in Southern California; Providence Medical Foundation in Northern and Southern California; and Covenant Medical Group, and Covenant Health Partners in West Texas and Eastern New Mexico.

Population Health Management

Population Health Management forms 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 provide products, tools, and services to maximize value-based reimbursement and increase quality outcomes. We integrate solutions to address social determinants of health and eliminate health inequities. We build community partnerships to increase access to health services, and support needed by vulnerable communities.

Population Health Management focuses on a family of services, including Value-Based Care, Risk Sharing & Payments Models, and Government programs (Medicaid and Medicare) that support our Providence divisional care delivery systems.

Providence Health Plan

Providence Health Plan is a 501(c)(4) Oregon non-profit health care service contractor, and Providence Health Assurance is a wholly owned subsidiary of PHP. Providence Plan Partners 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

Ayin Health Holdings, Inc. 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

Home & Community Care is 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 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 to more 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.

Tegria

Tegria Holdings LLC is a Providence-owned global healthcare consulting and services company that partners with provider and payer organizations to transform healthcare. From strategic advisory and operations consulting to managed services, Tegria offers end-to-end solutions to drive transformation in the following areas: revenue cycle and experience, care operations, enterprise systems and services, infrastructure and cloud, data and analytics. By helping its clients drive growth, enhance experiences, and foster collaboration, Tegria is supporting the creation of more accessible, efficient, and integrated healthcare system. Tegria's team of more than 1,500 professionals delivers outcomes for more than 500 clients across the United States and internationally.

Litigation

Certain material litigation may result in adverse outcomes 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.

On February 3, 2022, the Washington State Attorney General's Office filed a complaint against Providence Health & Services - Washington, Swedish Health Services, Swedish Edmonds, and Kadlec Regional Medical Center, seeking injunctive relief and civil penalties for alleged violations of the Washington State Consumer Protection Act related to the administration of the financial assistance program. After ongoing discovery and settlement negotiations, the parties reached a settlement agreement on February 1, 2024. The settlement includes the following actions to be taken by Providence: (1) payment plus interest to identified patients who may have qualified for financial assistance, but had not completed the financial assistance application process; (2) write off of any outstanding balances for these individuals; (3) payment to the Washington State Attorney General's office; and (4) implementation of a streamlined process to provide all patients with information about financial assistance and how to apply using simple language aligned to our organizational values.

On April 11, 2022, the U.S. Department of Justice, the Washington Office of the Attorney General and Providence Health & Services – Washington entered into a Settlement Agreement and Corporate Integrity Agreement to resolve allegations raised by a relator regarding the False Claims Act arising out of the actions of two physicians at one Providence hospital in the southeast region of Washington State. These physicians are no longer practicing at any Providence hospital. Providence agreed to settle the litigation, without admitting fault, to resolve these matters expeditiously, which Providence believes is in the best interest of our caregivers and patients. Providence cooperated fully with the government throughout the investigation.

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 Providence.

Employees

As of December 31, 2023, Providence employed more than 122,000 caregivers. Of Providence's total employees, approximately 33 percent are represented by 20 different labor unions.

Providence strives to provide employees market-competitive salaries and benefits. Management believes the salary levels and benefits packages for its employees are competitive in all the respective markets. Leadership of each of the separate employers within Providence is working to ensure the compensation and benefits are modern and reflect competitive market practices. This will require continued negotiations with unions representing employees in some markets throughout 2024. Providence experienced five strikes at different facilities because of ongoing 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 Providence operate.

Community Benefit

Our community benefit program is a vital part of our vision. It includes free or low-cost care (charity care) and the costs of uncompensated care for Medicaid and other government-funded programs, along with proactive investments such as subsidized health services, education, and community health improvement. Each year, we take a holistic approach to community building by identifying unmet needs and responding with tailored community benefit investments designed to improve health and well-being.

Building on our commitment to care for those who are poor and vulnerable, we invested $2.1 billion in community benefit in the fiscal year ended December 31, 2023 and in the same period in 2022. Our unpaid costs of Medicaid totaled $1.4 billion for the fiscal year ended December 31, 2023 and for the same period in 2022.

Providence's community benefit by category presented for the periods indicated:

	Fiscal Year Ended	
EXHIBIT 6.1 – COMMUNITY BENEFIT BY CATEGORY $ PRESENTED IN MILLIONS UNLESS NOTED	12-31-2022	12-31-2023
Charity Care Provided	$289	$240
Unpaid Costs of Medicaid	1,380	1,393
Education & Research Programs	175	186
Other Community Benefit	212	232
Total Community Benefit	$2,056	$2,051

Providence Information Security Program

Providence's information security program consists of over 200 full-time employees. The information security team's global reach enables 24/7 coverage of IT risks and real-time defense of Providence's information ecosystem. Providence's cybersecurity program has adopted the National Institute of Standards and Technology Cyber Security Framework as the foundational model for organizing the team's strategy, with policies and standards aligned to a controls-based framework based on NIST 800-53. Standardizing the program on this framework and rooting the program in controls-based policies allows the system to measure cybersecurity maturity and update controls as the IT risk landscape evolves. IT risk is quantified and tracked in the Cyber Balance Sheet operational tool, which combines real-time telemetry from enterprise IT and cybersecurity tools with risk-weighted measurements. This approach allows for risk-informed decision-making within the IT organization and the Providence Board of Directors.

Insurance

Providence has developed insurance programs that provide coverage for various insurable risks utilizing commercial products and self-insurance using a captive insurance company with reinsurance domiciled in Arizona. The program uses benchmarking and insurance, actuarial and finance analytics to guide decisions regarding the types of coverage purchased, the limits or amounts of insurance, and quality of coverage terms. The quality of insurance products is maintained in part by requiring commercial insurers to have an A rating or better from A.M. Best to be on Providence's program. Management reviews strategy at least annually with input from brokers, actuaries, and consultants. Funding of captive insurers conforms to regulatory requirements of the domicile. Furthermore, the captive pays the required Washington State premium tax that went into effect in 2021. The major lines of insurance maintained include property, professional and general liability, directors' and officers' liability, employment practices liability, auto liability, fiduciary liability, cyber liability, workers' compensation and employers' liability, and crime.

Retirement Plans

As described more completely under the caption "Retirement Plans" in Note 9 to the combined audited financial statements included in Exhibit 8, the System currently sponsors defined benefit and defined 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 on the Providence Core Plan (excluding plans for Swedish and Willamette Falls), a cap on the ongoing cash balance interest credit formula, and the implementation of a new defined contribution plan referenced within Note 9, all effective December 31, 2009.

The System's remaining unfunded liability with respect to the defined benefit plans increased from approximately 69 percent at December 31, 2022 to 71 percent at December 31, 2023. The increase 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 $72 million and $111 million at December 31, 2023 and 2022, 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 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 $606 million and $488 million for the fiscal years ended December 31, 2023, and 2022, respectively, and is reflected in salaries and benefit expense in the accompanying combined statements of operations.

Accreditation and Memberships

Providence'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. Providence'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 Certain Terms

Credit Group:	Obligated Group Members, Designated Affiliates, 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 SJHNC 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 Levelland Hospital.
Covenant Plainview:	Methodist Hospital Plainview, a Texas nonprofit corporation and currently an Obligated Group Member, doing business as Covenant Plainview Hospital.
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.
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 Orange:	St. Joseph Hospital of Orange, a California nonprofit public benefit corporation and currently an Obligated Group Member.
St. Jude:	St. Jude Hospital, 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 7 – Obligated Group Facilities

Exhibit 7.1
Acute Care Facilities by Region

A list of Providence's acute care facilities in each region as of December 31, 2023, 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
Puget Sound Region				
	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
	Providence Health & Services-Washington	Providence Centralia Hospital	Centralia	128
		Providence Regional Medical Center Everett	Everett	595
		Providence St. Peter Hospital (4)	Olympia	372
Eastern Washington and Western Montana				
	Providence Health & Services-Washington	Providence St. Joseph's Hospital	Chewelah	25
		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	120
		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	539
		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.	Providence St. Joseph Hospital	Eureka	153
		Providence Redwood Memorial Hospital	Fortuna	35
		Providence Queen of the Valley Medical Center	Napa	198
		Providence Santa Rosa Memorial Hospital	Santa Rosa	298
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 Cedars-Sinai 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	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	
	St. Joseph Hospital of Orange	St. Joseph Hospital of Orange (6)	Orange	463
West Texas and Eastern New Mexico				
	Methodist Hospital Levelland	Covenant Hospital Levelland (7)	Levelland	48
		CHS Campuses:		381
	Covenant Health System	Covenant Medical Center	Lubbock	
		Covenant Medical Center - Lakeside	Lubbock	
	Methodist Children's Hospital	Covenant Children's Hospital	Lubbock	227
	Methodist Hospital Plainview	Covenant Hospital Plainview (7)	Plainview	68
TOTAL				**10,937**

* 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, but not a member of the Obligated Group. Effective October 1, 2023, Providence Tarzana Medical Center became Providence Cedars-Sinai Tarzana Medical Center as part of a joint venture with Cedars-Sinai.
(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) Includes 37 acute care psychiatric beds
(7) Leased facility and Obligated Group Member

Exhibit 7.2
Long-Term Care Facilities by Region

Providence's principal owned or leased long-term care facilities as of December 31, 2023, 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
Puget Sound Region				
	Providence Health & Services-Washington	Providence Marionwood	Issaquah	117
		Providence Mother Joseph Care Center	Olympia	152
		Providence Mount St. Vincent	Seattle	215
Eastern Washington and Western Montana				
	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.	Providence 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
West Texas and Eastern New Mexico				
	Covenant Health System	Covenant Long-term Acute Care [2]	Lubbock	56
TOTAL				**1,398**

[1] Leased by an Obligated Group Member
[2] Managed or owned by an Obligated Group Member, but not a member of the Obligated Group

Exhibit 8 – Supplementary Information

[ATTACHED]

Providence

EXHIBIT 8.1 - SUMMARY AUDITED COMBINED STATEMENTS OF OPERATIONS

	Ended December 31, 2023 (in 000's of dollars)		Ended December 31, 2022 (in 000's of dollars)	
	Consolidated	Obligated	Consolidated	Obligated
Operating Revenues:				
Net Patient Service Revenues	$ 21,876,422	20,740,514	20,099,558	19,018,444
Premium Revenues	2,743,546	393,119	2,506,989	339,152
Capitation Revenues	1,946,597	781,049	1,896,790	727,527
Other Revenues	2,178,480	1,405,161	1,930,347	1,194,765
Total Operating Revenues	28,745,045	23,319,843	26,433,684	21,279,888
Operating Expenses:				
Salaries and Benefits	15,237,875	13,202,850	14,331,663	12,235,886
Supplies	4,520,739	4,194,036	4,128,979	3,807,605
Purchased Healthcare Services	2,462,300	518,955	2,225,708	459,129
Interest, Depreciation, and Amortization	1,460,354	1,305,335	1,281,657	1,110,886
Purchased Services, Professional Fees, and Other	6,235,076	4,849,437	5,918,139	4,357,886
Total Operating Expenses	29,916,344	24,070,613	27,886,146	21,971,392
Deficit of Revenues Over Expenses From Operations Before Restructuring Costs and Other	(1,171,299)	(750,770)	(1,452,462)	(691,504)
Restructuring Costs and Other	-	-	246,636	246,636
Deficit of Revenues Over Expenses From Operations	(1,171,299)	(750,770)	(1,699,098)	(938,140)
Non-Operating Gains (Losses)	575,607	359,577	(1,014,570)	(777,858)
Deficit of Revenues Over Expenses Before Disaffiliation	(595,692)	(391,193)	(2,713,668)	(1,715,998)
Loss from Disaffiliation	-	-	(3,407,917)	(3,407,917)
Deficit of Revenues Over Expenses	$ (595,692)	(391,193)	(6,121,585)	(5,123,915)

EXHIBIT 8.2 - SUMMARY AUDITED COMBINED STATEMENTS OF CASH FLOWS

	Ended December 31, 2023 (in 000's of dollars)		Ended December 31, 2022 (in 000's of dollars)	
	Consolidated	Obligated	Consolidated	Obligated
Net Cash Used in Operating Activities	$ (1,115,663)	(506,783)	(1,342,273)	(880,521)
Net Cash Provided (Used in) Investing Activities	1,347,957	1,358,749	(279,300)	(392,058)
Net Cash Provided by Financing Activities	172,650	64,686	1,541,388	1,487,027
Increase (Decrease) in Cash and Cash Equivalents	404,944	916,652	(80,185)	214,448
Cash and Cash Equivalents, Beginning of Period	1,063,024	458,154	1,143,209	243,706
Cash and Cash Equivalents, End of Period	$ 1,467,968	1,374,806	1,063,024	458,154

EXHIBIT 8.3 - SUMMARY AUDITED NET PATIENT SERVICE REVENUE PAYOR MIX

	Ended December 31, 2023		Ended December 31, 2022	
	Consolidated	Obligated	Consolidated	Obligated
Commercial	47%	48%	47%	48%
Medicare	35%	35%	35%	34%
Medicaid	15%	16%	16%	16%
Self-pay and Other	3%	1%	2%	2%

Providence

EXHIBIT 8.4 - SUMMARY AUDITED COMBINED BALANCE SHEETS

	As of December 31, 2023 (in 000's of dollars)		As of December 31, 2022 (in 000's of dollars)	
	Consolidated	Obligated	Consolidated	Obligated
Current Assets:				
Cash and Cash Equivalents	$ 1,467,968	1,374,806	1,063,024	458,154
Short-Term Investments	597,096	483,365	514,852	414,541
Accounts Receivable, Net	3,044,719	2,827,074	2,841,205	2,634,923
Supplies Inventory	373,148	352,768	358,925	336,549
Other Current Assets	2,430,530	1,889,216	1,751,704	1,567,084
Current Portion of Assets Whose Use is Limited	103,588	103,588	141,393	2,266
Total Current Assets	8,017,049	7,030,817	6,671,103	5,413,517
Management Designated Cash and Investments	6,351,086	3,450,398	7,903,614	5,295,537
Assets Whose Use is Limited	670,853	573,592	608,085	316,365
Property, Plant, and Equipment, Net	9,186,673	8,472,402	10,217,246	8,826,817
Operating Lease Right-of-Use Assets	1,171,879	763,212	1,264,717	842,400
Other Assets	2,906,434	3,692,330	2,242,895	2,835,290
Total Assets	$ 28,303,974	23,982,751	28,907,660	23,529,926
Current Liabilities:				
Current Portion of Long-Term Debt	160,316	144,664	166,210	156,496
Master Trust Debt Classified as Short-Term	137,705	137,705	452,285	452,285
Accounts Payable	1,438,152	1,281,641	1,914,960	1,681,286
Accrued Compensation	1,527,192	1,387,539	1,495,523	1,287,485
Current Portion of Operating Lease Right-of-Use	203,703	138,050	190,794	128,745
Other Current Liabilities	2,393,083	1,523,957	2,153,959	1,220,863
Total Current Liabilities	5,860,151	4,613,556	6,373,731	4,927,160
Long-Term Debt, Net of Current Portion	630,180	380,516	655,280	383,925
Master Trust Debt Classified as Long-Term	7,434,249	7,434,249	6,950,925	6,936,922
Pension Benefit Obligation	659,883	659,883	677,849	677,849
Long-Term Operating Lease Right-of-Use, net of Current Portion	1,107,017	731,288	1,250,515	853,429
Other Liabilities	1,623,512	1,116,029	1,408,217	615,605
Total Liabilities	$ 17,314,992	14,935,521	17,316,517	14,394,890
Net Assets:				
Controlling Interests	9,339,785	7,808,096	9,817,521	7,985,899
Noncontrolling Interests	144,979	232	386,172	(243)
Net Assets Without Donor Restrictions	9,484,764	7,808,328	10,203,693	7,985,656
Net Assets With Donor Restrictions	1,504,218	1,238,902	1,387,450	1,149,380
Total Net Assets	10,988,982	9,047,230	11,591,143	9,135,036
Total Liabilities and Net Assets	$ 28,303,974	23,982,751	28,907,660	23,529,926

Providence

EXHIBIT 8.5 - KEY PERFORMANCE METRICS

	Ended December 31, 2023		Ended December 31, 2022	
	Consolidated	Obligated	Consolidated	Obligated
Inpatient Admissions	427,221	412,779	424,810	406,011
Acute Patient Days	2,361,613	2,283,987	2,430,473	2,337,661
Acute Outpatient Visits	13,426,921	12,561,084	13,189,998	12,459,264
Primary Care Visits	14,250,634	8,404,408	13,888,476	8,428,565
Inpatient Surgeries and Procedures	186,988	182,632	181,858	176,022
Outpatient Surgeries and Procedures	503,120	359,818	452,989	330,141
Long-Term Care Admissions	3,832	3,600	3,796	3,573
Long-Term Care Patient Days	334,173	328,407	313,252	304,801
Home Health Visits	1,130,752	790,655	1,069,605	748,216
Hospice Days	1,060,604	608,496	1,080,321	635,421
Housing and Assisted Living Days	454,028	282,982	576,762	186,821
Acute Average Daily Census	6,470	6,257	6,659	6,405
Acute Licensed Beds	11,293	10,671	11,293	10,671
FTEs	108,967	93,907	107,100	90,936
Historical Debt Service Coverage Ratio	n/a	2.19	n/a	1.82

EXHIBIT 8.6 - SUMMARY AUDITED COMBINING STATEMENTS OF OPERATIONS BY REGION

Ended December 31, 2023

(in 000's of dollars)

	Alaska	Puget Sound Region	Eastern Washington/ Western Montana	Oregon	Northern California	Southern California	West Texas/ Eastern New Mexico	Other/ Eliminations	Consolidated
Operating Revenues:									
Net Patient Service Revenues	$ 1,025,666	5,307,781	3,326,732	4,393,840	1,748,451	5,785,390	1,308,417	(1,019,855)	21,876,422
Premium Revenues	-	148,858	-	249,336	1,099	10,267	-	2,333,986	2,743,546
Capitation Revenues	-	177,990	1,345	48,659	80,351	1,638,253	-	(1)	1,946,597
Other Revenues	83,162	354,086	242,394	623,943	72,238	367,241	71,913	363,503	2,178,480
Total Operating Revenues	1,108,828	5,988,715	3,570,471	5,315,778	1,902,139	7,801,151	1,380,330	1,677,633	28,745,045
Operating Expenses:									
Salaries and Benefits	455,380	3,049,266	1,758,731	2,299,441	763,929	2,890,643	568,573	3,451,912	15,237,875
Supplies	147,434	968,253	613,578	1,211,649	256,085	1,070,701	249,494	3,545	4,520,739
Purchased Healthcare Services	(1)	200,536	394	105,757	52,363	775,183	20	1,328,048	2,462,300
Interest, Depreciation, and Amortization	50,692	221,815	107,239	116,719	67,409	274,202	93,339	528,939	1,460,354
Purchased Services, Professional Fees, and Other	367,999	1,959,975	1,273,255	1,546,914	826,366	3,200,008	543,117	(3,482,558)	6,235,076
Total Operating Expenses	1,021,504	6,399,845	3,753,197	5,280,480	1,966,152	8,210,737	1,454,543	1,829,886	29,916,344
Excess (Deficit) of Revenues Over Expenses From Operations	87,324	(411,130)	(182,726)	35,298	(64,013)	(409,586)	(74,213)	(152,253)	(1,171,299)
Non-Operating Gains	84,623	21,033	60,950	100,188	25,819	99,225	20,012	163,757	575,607
Excess (Deficit) of Revenues Over Expenses	$ 171,947	(390,097)	(121,776)	135,486	(38,194)	(310,361)	(54,201)	11,504	(595,692)

EXHIBIT 8.7 - SUMMARY AUDITED COMBINING BALANCE SHEETS BY REGION

As of December 31, 2023

(in 000's of dollars)

	Alaska	Puget Sound Region	Eastern Washington/ Western Montana	Oregon	Northern California	Southern California	West Texas/ Eastern New Mexico	Other/ Eliminations	Consolidated
Current Assets:									
Cash and Cash Equivalents	$ 680,044	64,168	966,463	1,382,866	(68,096)	(2,481,039)	385,945	537,617	1,467,968
Short-Term Investments	25,028	-	-	-	21,605	19,232	29,674	501,557	597,096
Accounts Receivable, Net	181,162	856,889	419,718	483,721	307,247	785,792	212,149	(201,959)	3,044,719
Supplies Inventory	13,823	74,767	37,819	84,848	23,143	86,919	25,622	26,207	373,148
Other Current Assets	31,560	140,682	112,798	183,323	272,260	827,938	56,083	805,886	2,430,530
Current Portion of Assets Whose Use is Limited	-	-	-	-	-	-	-	103,588	103,588
Total Current Assets	931,617	1,136,506	1,536,798	2,134,758	556,159	(761,158)	709,473	1,772,896	8,017,049
Management Designated Cash and Investments	1,154,716	384,712	593,510	1,272,012	237,856	1,055,687	291,210	1,361,383	6,351,086
Assets Whose Use is Limited	194	21,717	3,328	29,860	9,652	21,602	4,277	580,223	670,853
Property, Plant, and Equipment, Net	396,991	1,968,743	839,769	967,568	696,850	2,429,604	843,078	1,044,070	9,186,673
Operating Lease Right-of-Use Assets	24,748	338,434	100,513	125,880	32,449	435,933	69,407	44,515	1,171,879
Other Assets	37,996	230,236	229,755	71,555	14,928	1,078,298	78,168	1,165,498	2,906,434
Total Assets	$ 2,546,262	4,080,348	3,303,673	4,601,633	1,547,894	4,259,966	1,995,613	5,968,585	28,303,974
Current Liabilities:									
Current Portion of Long-Term Debt	3,334	31,016	9,607	15,048	5,214	30,055	6,590	59,452	160,316
Master Trust Debt Classified as Short-Term	-	14,397	28,063	-	41,206	41,273	-	12,766	137,705
Accounts Payable	52,881	225,512	105,529	183,570	86,746	358,619	30,053	395,242	1,438,152
Accrued Compensation	21,263	137,028	103,162	94,904	46,476	156,512	32,143	935,704	1,527,192
Current Portion of Operating Lease Right-of-Use	4,368	53,375	20,881	16,941	11,209	73,695	7,639	15,595	203,703
Other Current Liabilities	11,095	60,966	30,175	94,155	108,129	568,486	262,737	1,257,340	2,393,083
Total Current Liabilities	92,941	522,294	297,417	404,618	298,980	1,228,640	339,162	2,676,099	5,860,151
Long-Term Debt, Net of Current Portion	43,693	194,697	44,641	12,137	2,605	81,057	227,019	24,331	630,180
Master Trust Debt Classified as Long-Term	163,382	1,269,537	530,946	86,730	282,111	1,283,604	630,011	3,187,928	7,434,249
Pension Benefit Obligation	-	138,822	-	107	-	-	-	520,954	659,883
Long-Term Operating Lease Right-of-Use, net of Current Portion	20,507	340,770	82,054	129,178	22,308	419,048	58,214	34,938	1,107,017
Other Liabilities	28,274	99,692	33,412	10,970	10,914	85,943	56,633	1,297,674	1,623,512
Total Liabilities	$ 348,797	2,565,812	988,470	643,740	616,918	3,098,292	1,311,039	7,741,924	17,314,992
Net Assets:									
Controlling Interests	2,150,295	1,317,499	2,238,759	3,619,109	831,871	370,597	613,017	(1,801,362)	9,339,785
Noncontrolling Interests	14,326	3,921	4,648	261	-	69,849	28,983	22,991	144,979
Net Assets Without Donor Restrictions	2,164,621	1,321,420	2,243,407	3,619,370	831,871	440,446	642,000	(1,778,371)	9,484,764
Net Assets With Donor Restrictions	32,844	193,116	71,796	338,523	99,105	721,228	42,574	5,032	1,504,218
Total Net Assets	2,197,465	1,514,536	2,315,203	3,957,893	930,976	1,161,674	684,574	(1,773,339)	10,988,982
Total Liabilities and Net Assets	$ 2,546,262	4,080,348	3,303,673	4,601,633	1,547,894	4,259,966	1,995,613	5,968,585	28,303,974

Providence

EXHIBIT 8.8 - KEY PERFORMANCE METRICS BY REGION

	Ended December 31, 2023							
	Alaska	Puget Sound Region	Eastern Washington/ Western Montana	Oregon	Northern California	Southern California	West Texas/ Eastern New Mexico	Consolidated
Inpatient Admissions	16,312	96,111	63,773	62,012	27,026	139,861	22,126	427,221
Acute Patient Days	126,009	596,890	375,668	350,705	136,167	658,321	117,853	2,361,613
Acute Outpatient Visits	426,150	2,561,266	1,877,554	2,940,366	1,041,949	3,578,595	1,001,042	13,426,921
Primary Care Visits	163,711	3,334,157	2,681,506	2,309,512	967,268	4,132,705	499,010	14,250,634
Inpatient Surgeries and Procedures	8,680	43,056	31,200	24,988	11,179	57,758	10,127	186,988
Outpatient Surgeries and Procedures	11,327	88,389	81,271	143,667	28,720	122,596	27,150	503,120
Long-Term Care Admissions	n/a	1,474	580	430	17	1,116	215	3,832
Long-Term Care Patient Days	51,050	123,384	31,112	35,329	508	87,532	5,258	334,173
Home Health Visits	20,960	341,127	4,034	308,725	54,794	401,112	n/a	1,130,752
Hospice Days	30,451	376,678	n/a	200,051	126,196	253,785	73,443	1,060,604
Housing and Assisted Living Days	31,261	182,021	50,646	159,379	10,491	20,230	n/a	454,028
Average Daily Census	345	1,635	1,029	961	373	1,804	323	6,470
Acute Licensed Beds	482	2,666	1,824	1,452	807	3,246	816	11,293
FTEs	3,974	21,913	14,250	18,532	5,194	23,439	5,669	108,967

PROVIDENCE ST. JOSEPH HEALTH

Combined Financial Statements

December 31, 2023 and 2022

(With Independent Auditors’ Report Thereon)

KPMG LLP
Suite 2800
401 Union Street
Seattle, WA 98101

Independent Auditors' Report

The Board of Directors
Providence St. Joseph Health:

Opinion

We have audited the combined financial statements of Providence St. Joseph Health (the Health System), which comprise the combined balance sheets as of December 31, 2023 and 2022, 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.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Health System as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Health System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Health System's ability to continue as a going concern for one year after the date that the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Health System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Health System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

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 GAAS. 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 6, 2024

PROVIDENCE ST. JOSEPH HEALTH

Combined Balance Sheets

December 31, 2023 and 2022

(In millions of dollars)

Assets		**2023**	**2022**
Current assets:			
Cash and cash equivalents	$	1,468	1,063
Accounts receivable		3,045	2,841
Supplies inventory		373	359
Other current assets		2,430	1,752
Current portion of assets whose use is limited		701	656
Total current assets		8,017	6,671
Assets whose use is limited		7,022	8,512
Property, plant, and equipment, net		9,187	10,217
Operating lease right-of-use assets		1,172	1,265
Other assets		2,906	2,243
Total assets	$	28,304	28,908
Liabilities and Net Assets			
Current liabilities:			
Current portion of long-term debt	$	160	166
Master trust debt classified as short-term		138	452
Accounts payable		1,438	1,915
Accrued compensation		1,527	1,496
Current portion of operating lease liabilities		204	191
Other current liabilities		2,393	2,154
Total current liabilities		5,860	6,374
Long-term debt, net of current portion		8,064	7,606
Pension benefit obligation		660	678
Long-term operating lease liabilities, net of current portion		1,107	1,251
Other liabilities		1,624	1,408
Total liabilities		17,315	17,317
Net assets:			
Controlling interests		9,340	9,818
Noncontrolling interests		145	386
Net assets without donor restrictions		9,485	10,204
Net assets with donor restrictions		1,504	1,387
Total net assets		10,989	11,591
Total liabilities and net assets	$	28,304	28,908

See accompanying notes to combined financial statements.

PROVIDENCE ST. JOSEPH HEALTH

Combined Statements of Operations

Years ended December 31, 2023 and 2022

(In millions of dollars)

		2023	2022
Operating revenues:			
Net patient service revenues	$	21,876	20,100
Premium revenues		2,744	2,507
Capitation revenues		1,947	1,897
Other revenues		2,178	1,930
Total operating revenues		28,745	26,434
Operating expenses:			
Salaries and benefits		15,238	14,332
Supplies		4,521	4,129
Purchased healthcare services		2,462	2,226
Interest, depreciation, and amortization		1,460	1,282
Purchased services, professional fees, and other		6,235	5,917
Total operating expenses		29,916	27,886
Deficit of revenue over expenses from operations before restructuring costs and other		(1,171)	(1,452)
Restructuring costs and other		—	247
Deficit of revenue over expenses from operations		(1,171)	(1,699)
Net nonoperating gains (losses):			
Investment income (loss), net		652	(1,027)
Loss from disaffiliation		—	(3,408)
Other		(77)	12
Total net nonoperating gains (losses)		575	(4,423)
Deficit of revenues over expenses	$	(596)	(6,122)

See accompanying notes to combined financial statements.

PROVIDENCE ST. JOSEPH HEALTH

Combined Statements of Changes in Net Assets

Years ended December 31, 2023 and 2022

(In millions of dollars)

	Without donor restrictions			
	Controlling interests	Noncontrolling interests	With donor restrictions	Total net assets
Balance, December 31, 2021	$ 15,507	404	1,761	17,672
Deficit of revenues over expenses	(6,033)	(89)	—	(6,122)
Restricted assets related to disaffiliation	—	—	(422)	(422)
Contributions, grants, and other	111	71	127	309
Net assets released from restriction	—	—	(79)	(79)
Pension related changes	233	—	—	233
Change in net assets	(5,689)	(18)	(374)	(6,081)
Balance, December 31, 2022	9,818	386	1,387	11,591
(Deficit) excess of revenues over expenses	(619)	23	—	(596)
Contributions, grants, and other	112	(264)	224	72
Net assets released from restriction	—	—	(107)	(107)
Pension related changes	29	—	—	29
Change in net assets	(478)	(241)	117	(602)
Balance, December 31, 2023	$ 9,340	145	1,504	10,989

See accompanying notes to combined financial statements.

PROVIDENCE ST. JOSEPH HEALTH

Combined Statements of Cash Flows

Years ended December 31, 2023 and 2022

(In millions of dollars)

		2023	2022
Cash flows from operating activities:			
Decrease in net assets	$	(602)	(6,081)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:			
Depreciation and amortization		1,113	1,017
(Gain) loss on disaffiliation activities		(103)	3,830
Change in non-controlling interest due to joint venture activities		264	—
Restricted contributions and investment income received		(224)	(127)
Net realized and unrealized gains on investments		(462)	1,165
Changes in certain current assets and liabilities		(1,027)	(316)
Change in certain long-term assets and liabilities		(75)	(830)
Net cash used in operating activities		(1,116)	(1,342)
Cash flows from investing activities:			
Property, plant, and equipment additions		(527)	(767)
Purchases of alternative investments, commingled funds, and trading securities		(9,499)	(10,356)
Proceeds from sales of alternative investments, commingled funds, and trading securities		11,351	11,181
Net cash received (paid) through affiliation and divestiture activities		110	(315)
Other investing activities		(87)	(22)
Net cash provided by (used in) investing activities		1,348	(279)
Cash flows from financing activities:			
Proceeds from restricted contributions and restricted income		224	127
Debt borrowings		1,342	2,203
Debt payments		(1,336)	(777)
Other financing activities		(57)	(12)
Net cash provided by financing activities		173	1,541
Increase (decrease) in cash and cash equivalents		405	(80)
Cash and cash equivalents, beginning of year		1,063	1,143
Cash and cash equivalents, end of year	$	1,468	1,063
Supplemental disclosure of cash flow information:			
Cash paid for interest, net of amounts capitalized	$	337	271

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 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).

(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 deficit of revenues over expenses. Changes in net assets without restrictions 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 (disaffiliations), 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, loss from disaffiliation, certain pension related costs, gains or losses on interest rate swaps, and certain other activities.

(e) 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) patient revenue recognition; (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.

(f) Restructuring and Other

Restructuring costs were recorded during the year ended December 31, 2022. The amounts were comprised primarily of severance, contract termination, asset impairment, and other items related to restructuring initiatives.

(g) Disaffiliation

In January 2022, Hoag and the Health System reached an agreement to amicably end their affiliation. As part of the disaffiliation, $272 of the series 2013A Bonds and $152 of the 2019C bonds were defeased. In addition, the line of credit was repaid by $91 million. The Health System recorded the nonoperating loss on the disaffiliation of $3,408 in the first quarter of 2022 reflecting the impact of removing Hoag's assets, liabilities, and net assets from the Health System's combined balance sheet. The Health System retains its ownership interest in two joint ventures that are majority owned by Hoag: Hoag Orthopedic Institute and Hoag Orthopedic Institute ASC Holdings. Hoag and the Health System collaborated to implement the Electronic Health Record platform at Hoag.

(In millions of dollars)

As of December 31, 2021, Hoag represented the following amounts in the combined balance sheets:

Cash and cash equivalents	$	307
Account receivable		243
Asset whose use is limited		2,648
Property, plan and equipment, net		1,268
Other current and long-term assets		468
Total assets	$	4,934
Account payable	$	83
Accrued compensation		113
Current and long-term debt		548
Other current and long-term liabilities		263
Total liabilities	$	1,007

(h) Joint Venture

In October 2023, the Health System and Cedars-Sinai Medical Center jointly opened a new patient-care tower, Providence Cedars-Sinai Tarzana Medical Center ("PCSTMC"), owned and operated by both organizations through joint venture. As a result of the joint venture, the Health System's property, plant, and equipment decreased by $690, noncontrolling net assets decreased by $264, and controlling assets decreased by $412. Furthermore, the Health System's other assets increased by $527 as a result of the new investment in joint venture.

(i) Assets Held for Sale

The Health System completed the sale of its Acclara and Advata subsidiaries to R1 RCM ("R1") effective January 17, 2024 for cash of $575 and a warrant to purchase up to 12.2 million shares of R1 stock at an exercise price of $10.52, subject to a three-year lock-up period. The Health System expects to record a gain of approximately $350 to $360, subject to final closing adjustments.

The subsidiaries were deemed to be held for sale at December 31, 2023. The total carrying amount of the assets and liabilities of the subsidiaries as of December 31, 2023 are as follows:

Current assets	$	139
Long-term assets		255
Total assets	$	394
Current liabilities	$	76
Long-term liabilities		62
Total liabilities	$	138

(j) 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. The Health System maintains cash balances above Federal Deposit Insurance Corporation limits.

(k) Supplies Inventory

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

(l) 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.

Assets whose use is limited primarily include assets held by trustees under indenture agreements and designated assets set aside by management of the Health System for future capital improvements and other purposes, over which management retains control. Assets whose use is limited also include funds held for self-insurance purposes, health plan medical claims payments and other statutory reserve requirements, as well as, assets held by related foundations. Temporary cash held by fund managers is considered investing activity for cash flow purposes.

(m) 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 8, available to meet unanticipated liquidity needs. Although intended to satisfy long-term obligations, management estimates that approximately 45% and 60% of noncurrent investments, as stated at December 31, 2023 and 2022, respectively, could be utilized within the next year, if needed.

(n) Derivative Instruments

The Health System allows certain investment managers to use derivative financial instruments (futures and forward currency contracts) to manage market risk related to the Health System’s equity, fixed-income, and commodities 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.

(o) 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.

(Continued)

(In millions of dollars)

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

		2023	2022
Program support	$	1,274	1,104
Capital acquisition		133	201
Low-income housing and other		97	82
Total net assets with donor restrictions	$	1,504	1,387

(p) 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.

(q) 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 estimated 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, 2023 and 2022 was $240 and $289, respectively.

(r) Subsequent Events

The Health System has performed an evaluation of subsequent events through March 6, 2024, the date the accompanying combined financial statements were issued. See Note 1(i) for a subsequent event related to sales of subsidiaries.

(s) New Accounting Pronouncements

In June 2016, FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses; Measurement of Credit Losses on Financial Instruments*, which changed the ACL accounting model by requiring immediate recognition of management’s estimates of current expected credit losses on financial instruments that are not accounted for at fair value. The Health System adopted ASU 2016-13 effective January 1, 2023, and the provisions of the standard did not have a material impact on the combined financial statements.

(t) 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

The Health System received relief in the form of grants and advance payments from the Coronavirus Aid Relief and Economic Security ("CARES") Act. The Health System received cumulative payments of approximately $1,391 in total grants from the CARES Act, including $0 and $91 received during the years ended December 31, 2023 and 2022, respectively. Substantially all of these amounts have been recognized as other operating revenue, including $0 and $120 recognized during the years ended December 31, 2023 and 2022, respectively.

(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 that 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 $282 and $18 for the years ended December 31, 2023 and 2022, respectively. Included in the increase in 2023 revenue was $200 that was due to the 340b settlement with Medicare.

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 $635 and $560 for the years ended December 31, 2023 and 2022, 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 $889 and $799 for the years ended December 31, 2023 and 2022, 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

(Continued)

(In millions of dollars)

in the recognition of a contract asset or a contract liability. The balance of contract liabilities was $28 and $26 as of December 31, 2023 and 2022, 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.

Other revenues are comprised primarily of point of sale for retail pharmacy, cafeteria, and grant revenue and are recognized in accordance with contract terms.

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

		2023	2022
Alaska	$	1,026	946
Washington		8,167	7,604
Montana		532	488
Oregon		6,260	5,660
California		9,274	8,617
Texas/New Mexico		1,308	1,189
Total revenues from contracts with customers		26,567	24,504
Other revenues		2,178	1,930
Total operating revenues	$	28,745	26,434

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

		2023	2022
Hospitals	$	18,008	16,633
Health plans and accountable care		3,035	2,827
Physician and outpatient activities		3,340	3,164
Long-term care, home care, and hospice		1,522	1,380
Other		662	500
Total revenues from contracts with customers		26,567	24,504
Other revenues		2,178	1,930
Total operating revenues	$	28,745	26,434

(In millions of dollars)

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

		2023	2022
Commercial	$	12,102	11,134
Medicare		9,794	8,998
Medicaid		3,897	3,590
Self-pay and other		774	782
Total revenues from contracts with customers		26,567	24,504
Other revenues		2,178	1,930
Total operating revenues	$	28,745	26,434

(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.

(In millions of dollars)

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

	December 31, 2023	Fair value measurements at reporting date using Level 1	Level 2	Level 3
Management-designated cash and investments:				
Cash and cash equivalents	$ 852	852	—	—
Equity securities:				
Domestic	1,010	1,010	—	—
Foreign	378	378	—	—
Domestic debt securities:				
State and federal government	1,323	631	692	—
Corporate	508	1	507	—
Other	574	259	315	—
Foreign debt securities	221	2	219	—
Other	59	56	3	—
Investments measured using NAV	1,984			
Total management-designated cash and investments	6,909			
Gift annuities, trusts, and other	421	59	10	352
Funds held by trustee:				
Cash and cash equivalents	40	40	—	—
Domestic debt securities	320	174	146	—
Foreign debt securities	33	—	33	—
Total funds held by trustee	393			
Total assets whose use is limited	$ 7,723			

(In millions of dollars)

	December 31, 2022	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
Management-designated cash and investments:				
Cash and cash equivalents	$ 363	363	—	—
Equity securities:				
Domestic	1,422	1,422	—	—
Foreign	612	612	—	—
Domestic debt securities:				
State and federal government	1,813	1,269	544	—
Corporate	773	6	767	—
Other	651	197	454	—
Foreign debt securities	338	—	338	—
Other	39	25	14	
Investments measured using NAV	2,408			
Total management-designated cash and investments	8,419			
Gift annuities, trusts, and other	389	61	17	311
Funds held by trustee:				
Cash and cash equivalents	29	29	—	—
Domestic debt securities	305	180	125	—
Foreign debt securities	26	—	26	—
Total funds held by trustee	360			
Total assets whose use is limited	$ 9,168			

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.

(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 2023	Fair value 2022	Unfunded commitments	Redemption frequency	Redemption notice period
Hedge funds:					
Long/short equity	$ 150	190	2	Monthly, quarterly, semi-annually, or annually	30–120 days
Credit	130	97	21	Monthly or quarterly	45–150 days
Relative value	119	218	—	Quarterly	45–90 days
Global macro	157	241	—	Monthly or quarterly	5–90 days
Fund of hedge funds	8	20	—	Quarterly	90 days
Private equity	1,026	925	342	Not applicable	Not applicable
Private real estate	251	262	152	Not applicable	Not applicable
Real assets	46	26	43	Not applicable	Not applicable
Commingled	97	429	—	Weekly, monthly, quarterly, semi-annually, or annually	3–30 days
Total	$ 1,984	2,408	560		

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 lock-up 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 lock-up 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

(In millions of dollars)

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.

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, 2023, the Health System recorded a receivable of $61 for investments sold but not settled and a payable of $45 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, 2022, the Health System recorded a receivable of $19 for investments sold but not settled and a payable of $59 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:

		2023	2022
Derivative assets:			
Futures contracts	$	1,057	868
Foreign currency forwards and other contracts		205	182
Total derivative assets	$	1,262	1,050
Derivative liabilities:			
Futures contracts	$	(1,057)	(868)
Foreign currency forwards and other contracts		(205)	(182)
Total derivative liabilities	$	(1,262)	(1,050)

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 $202 and $74, respectively, as of December 31, 2023. The total notional derivative amount of mortgage contracts purchased and sold was $247 and $33, respectively, as of December 31, 2022. 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 (Loss), Net

		2023	2022
Interest and dividend income	$	190	138
Net realized gains on sale of trading securities		134	39
Change in net unrealized gains (losses) on trading securities		328	(1,204)
Investment income (loss), net	$	652	(1,027)

(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.

(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)		2023	2022
Land	—	$	1,114	1,183
Buildings and improvements	5–60		10,844	10,655
Equipment:				
Fixed	5–25		1,382	1,370
Major movable and minor	3–20		7,921	7,128
Construction in progress	—		1,208	2,205
			22,469	22,541
Less accumulated depreciation			(13,282)	(12,324)
Property, plant, and equipment, net		$	9,187	10,217

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:

		2023	2022
Investment in nonconsolidated joint ventures	$	926	418
Goodwill, net of accumulated amortization		340	341
Intangible assets, net of accumulated amortization		177	246
Beneficial interest in noncontrolled foundations		329	322
Other		1,134	916
Total other assets	$	2,906	2,243

Goodwill is recorded as the excess of cost over fair value of the acquired net assets. Goodwill is amortized over a ten-year period. Goodwill is tested for impairment when a triggering event occurs that indicates that it is more likely than not that the fair value of the reporting unit is below its carrying value. The Health System recorded no goodwill impairment for the years ended December 31, 2023 and 2022.

Indefinite-lived intangible assets are recorded at fair value using various methods depending on the nature of the intangible asset and are tested annually for impairment. Definite-lived intangible assets are amortized using the straight-line method over the estimated useful lives of the assets.

(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 right-of-use (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 leases 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 years ended December 31:

		2023	2022
Operating lease cost:			
Fixed lease expense	$	249	250
Short-term lease expense		3	18
Variable lease expense		179	152
Total operating lease cost	$	431	420
Finance lease cost:			
Amortization of ROU assets	$	102	57
Interest on finance lease liabilities		12	23
Total finance lease cost	$	114	80

(In millions of dollars)

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

		2023	2022
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$	249	315
Operating cash flows from finance leases		12	23
Financing cash flows from finance leases		73	44
Additions to ROU assets obtained from operating leases		295	429
Additions to ROU assets obtained from finance leases		196	285
Weighted-average remaining lease term (in years):			
Operating leases		9	9
Finance leases		12	14
Weighted-average discount rate:			
Operating leases		3.3 %	3.2 %
Finance leases		3.0	2.9

Commitments related to noncancellable operating and finance leases for each of the next five years and thereafter as of December 31, 2023 are as follows:

		Operating	Finance
2024	$	243	113
2025		215	95
2026		196	74
2027		164	60
2028		128	55
Thereafter		535	499
		1,481	896
Less imputed interest		(170)	(206)
Total lease liabilities		1,311	690
Less current portion		(204)	(88)
Long-term portion	$	1,107	602

(In millions of dollars)

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

	Classification		2023	2022
Assets:				
Operating	Operating leases ROU assets	$	1,172	1,265
Finance	Property, plant, and equipment, net		635	655
Liabilities:				
Current:				
Operating	Current portion of operating lease liabilities		204	191
Finance	Current portion of long-term debt		88	58
Long-term:				
Operating	Long-term operating lease liabilities, net of current portion		1,107	1,251
Finance	Long-term debt, net of current portion		602	579

(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)
- Wisconsin Public Finance Authority (WPFA)

(In millions of dollars)

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

	Maturing through	Coupon rates	Unpaid principal 2023	Unpaid principal 2022
Master trust debt:				
Fixed rate:				
Series 2005, Direct Obligation Notes	2030	5.30–5.39%	$ —	28
Series 2009C, CHFFA Revenue Bonds	2034	5.00	35	62
Series 2009D, CHFFA Revenue Bonds	2034	1.70	36	36
Series 2011C, OFA Revenue Bonds	2026	3.50–5.00	2	3
Series 2012A, WHCFA Revenue Bonds	2042	3.00–5.00	416	430
Series 2013A, OFA Revenue Bonds	2024	5.00	9	17
Series 2013A, CHFFA Revenue Bonds	2037	4.00–5.00	47	49
Series 2013D, Direct Obligation Notes	2023	4.38	—	252
Series 2014A, CHFFA Revenue Bonds	2038	4.00–5.00	146	158
Series 2014B, CHFFA Revenue Bonds	2044	4.25–5.00	119	119
Series 2014C, WHCFA Revenue Bonds	2044	4.00–5.00	80	80
Series 2014D, WHCFA Revenue Bonds	2041	5.00	176	176
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	437	446
Series 2016B, CHFFA Revenue Bonds	2036	1.25–4.00	190	190
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	171	171
Series 2021A, Direct Obligation Bonds	2051	2.70	775	775
Series 2021B, WHCFA Revenue Bonds	2042	4.00	178	178
Series 2021C, PFA Revenue Bonds	2041	4.00	102	102
Series 2023A, Direct Obligation Notes	2028	5.42	110	—
Series 2023B, Direct Obligation Notes	2033	5.45	85	—
Series 2023C, Direct Obligation Notes	2043	5.71	188	—
Series 2023, Direct Obligation Bonds	2033	5.40	585	—
Total fixed rate			5,996	5,381

(In millions of dollars)

	Maturing through	Effective interest rate (1) 2023	Effective interest rate (1) 2022	Unpaid principal 2023	Unpaid principal 2022
Variable rate:					
Series 2016D, WHCFA Revenue Bonds	2036	4.04	1.86	63	74
Series 2016E, WHCFA Revenue Bonds	2036	3.90	1.78	42	54
Total variable rate				105	128
Wells Fargo Credit Facility	2026	5.83	3.00	760	990
Wells Fargo	2026	6.10	3.60	300	300
PNC Bank	2025	5.73	3.50	200	200
PNC Bank	2027	5.89	3.65	127	127
Morgan Stanley Bank	2023	5.61	4.04	—	200
Unpaid principal, master trust debt				7,488	7,326
Premiums, discounts, and unamortized financing costs, net				151	181
Master trust debt, including premiums and discounts, net				7,639	7,507
Other long-term debt				723	717
Total debt				$ 8,362	8,224

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

Short-term master trust debt includes debt issued with final maturity or mandatory redemption within one year of December 31, 2023 and 2022.

During 2022, the Health System placed several new credit facilities totaling $827 million to address liquidity.

In February 2023, the Health System issued the Series 2023A, B & C private placement notes totaling $383 million. In May 2023, the Health System closed on its Series 2023 taxable fixed rate refunding bonds totaling $585 million. The intended uses of funds included refinancing legacy SJHS and PHS master trust debt and refunding an existing term loan and debt services due in 2023.

(In millions of dollars)

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

		2023	2022
Current portion of long-term debt	$	160	166
Master trust debt classified as short-term		138	452
Long-term debt, classified as a long-term liability		8,064	7,606
Total debt	$	8,362	8,224

(b) Other Long-Term Debt

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

		2023	2022
Finance leases	$	690	637
Notes payable and other		33	80
Total other long-term debt	$	723	717

(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
2024	$	206	92	298
2025		579	77	656
2026		1,421	89	1,510
2027		301	37	338
2028		162	34	196
Thereafter		4,819	394	5,213
Scheduled principal payments of long-term debt	$	7,488	723	8,211

(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, 2023 and 2022, the Health System had interest rate swap contracts with a total current notional amount totaling $0 and $395, 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, 2023 and 2022, the change in valuation was a gain of $17 and $78, 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, 2023 and 2022, the fair value of outstanding interest rate swaps was in a net liability position of $0 and $37, respectively, and is included in other liabilities in the accompanying combined balance sheets. These liabilities are valued using Level 2 fair value measurements. There was no collateral posted in connection with the outstanding swap agreements as of December 31, 2023 and 2022.

During the fourth quarter of 2023, Providence has terminated interest rate swap agreements with MUFG Bank, Ltd. and Wells Fargo. The final termination costs netted to approximately $21 million.

(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:

		2023	2022
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$	2,171	2,896
Service cost		10	15
Interest cost		117	84
Actuarial loss (gain)		57	(621)
Benefits paid and other		(169)	(203)
Projected benefit obligation at end of year		2,186	2,171
Change in fair value of plan assets:			
Fair value of plan assets at beginning of year		1,492	1,919
Actual return on plan assets		163	(335)
Employer contributions		72	111
Benefits paid and other		(169)	(203)
Fair value of plan assets at end of year		1,558	1,492
Funded status		(628)	(679)
Unrecognized net actuarial loss		271	300
Unrecognized prior service cost		2	2
Net amount recognized	$	(355)	(377)
Amounts recognized in the combined balance sheets consist of:			
Noncurrent assets	$	33	—
Current liabilities		(1)	(1)
Noncurrent liabilities		(660)	(678)
Net assets without donor restrictions		273	302
Net amount recognized	$	(355)	(377)
Weighted average assumptions (projected benefit obligation):			
Discount rate		5.30 %	5.60 %
Rate of increase in compensation levels		4.00	6.00

(In millions of dollars)

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

		2023	2022
Components of net periodic pension cost:			
Service cost	$	10	15
Interest cost		117	84
Expected return on plan assets		(90)	(105)
Recognized net actuarial loss		3	38
Net periodic pension cost	$	40	32
Special recognition – settlement expense	$	9	15
Weighted Average Assumptions (net periodic pension cost):			
Discount rate		5.60 %	3.00 %
Rate of increase in compensation levels		6.00	4.00
Long-term rate of return on assets		4.75 - 6.75	6.25

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, 2023 and 2022 is included in net nonoperating gains (losses) in the accompanying combined statements of operations.

The accumulated benefit obligation was $2,155 and $2,130 at December 31, 2023 and 2022, respectively.

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

2024	$	180
2025		180
2026		179
2027		176
2028		175
2029–2033		816
	$	1,706

The Health System expects to contribute approximately $82 to the defined benefit plans in 2024.

(In millions of dollars)

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% in calculating the 2022 expense amounts. The Health System used a range of 4.75% to 6.75% in calculating the 2023 expense amounts. This assumption is based on capital market assumptions and the plan's target asset allocation.

The Health System continues to monitor the expected long-term rate of return. If changes in those parameters cause the expected rate of return 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:

	2023 Target	2023 ELTRA	2022 Target	2022 ELTRA
Cash and cash equivalents	5 %	3 %	2 %	3 %
Equity securities	45	7%–8%	45	8%–9%
Debt securities	35	5%–6%	33	5%–6%
Other securities	15	6%–8%	20	6%–9%
Total	100 %	4.75% – 6.75%	100 %	4.75% – 6.75%

(In millions of dollars)

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

	December 31, 2023	Fair value measurements at reporting date using Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 132	132	—	—
Equity securities:				
Domestic	401	401	—	—
Foreign	153	153	—	—
Domestic debt securities:				
State and government	231	194	37	—
Corporate	98	—	98	—
Other	166	151	15	—
Foreign debt securities	33	—	33	—
Investments measured using NAV	406			
Transactions pending settlement, net	(62)			
Total	$ 1,558			

(In millions of dollars)

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

	December 31, 2022	Fair value measurements at reporting date using Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 165	165	—	—
Equity securities:				
Domestic	309	309	—	—
Foreign	127	127	—	—
Domestic debt securities:				
State and government	244	198	46	—
Corporate	113	—	113	—
Other	75	54	21	—
Foreign debt securities	40	—	40	—
Investments measured using NAV	488			
Transactions pending settlement, net	(69)			
Total	$ 1,492			

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.

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 2023	Fair value 2022	Redemption frequency	Redemption notice period
Hedge funds:				
Long/short equity	$ 36	52	Monthly or quarterly	30–120 days
Credit and other	174	222	Monthly or quarterly	5-90 days
Commingled	196	214	Bi-weekly or monthly	3–30 days
Total	$ 406	488		

(In millions of dollars)

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:

		2023	2022
Derivative assets:			
Futures contracts	$	278	322
Foreign currency forwards and other contracts		3	3
Total derivative assets	$	281	325
Derivative liabilities:			
Futures contracts	$	(278)	(322)
Foreign currency forwards and other contracts		(3)	(3)
Total derivative liabilities	$	(281)	(325)

(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 $606 and $488 in 2023 and 2022, respectively, and is reflected in salaries and benefit expense in the accompanying combined statements of operations.

(c) Other Plans

The Health System recorded amounts totaling $648 and $529 as of December 31, 2023 and 2022, respectively, based on the fair value of various 457 (b) plans' assets. These other plan assets are investments in mutual funds valued using Level 1 fair value measurements and are included in other assets in the accompanying combined balance sheets. The corresponding liability is included in other long term liabilities in the accompanying combined balance sheets.

(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., 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, 2023 and 2022, the estimated liability for future costs of professional and general liability claims was $774 and $646, respectively. At December 31, 2023 and 2022, the estimated workers' compensation obligation was $307 and $337, 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, 2023, primarily related to construction and equipment and software acquisition, are approximately $208.

(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.

(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:

	2023								
	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	$ 8,252	168	2,962	793	12,175	2,930	133	3,063	15,238
Supplies	3,371	2	307	244	3,924	—	597	597	4,521
Purchased healthcare services	237	1,381	610	214	2,442	—	20	20	2,462
Interest, depreciation, and amortization	736	7	60	19	822	629	9	638	1,460
Purchased services, professional fees and other	3,224	443	924	149	4,740	1,479	16	1,495	6,235
Total operating expenses	$ 15,820	2,001	4,863	1,419	24,103	5,038	775	5,813	29,916

	2022								
	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	$ 7,750	148	2,740	724	11,362	2,858	112	2,970	14,332
Supplies	3,106	2	307	216	3,631	17	481	498	4,129
Purchased healthcare services	189	1,245	585	185	2,204	—	22	22	2,226
Interest, depreciation, and amortization	676	7	57	19	759	514	9	523	1,282
Purchased services, professional fees and other	2,865	371	1,010	132	4,378	1,505	34	1,539	5,917
Restructuring costs and other	—	—	—	—	—	247	—	247	247
Total operating expenses	$ 14,586	1,773	4,699	1,276	22,334	5,141	658	5,799	28,133

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, 2023 and 2022

(In millions of dollars)

	2023			2022		
Assets	**Obligated Group**	**Nonobligated, Eliminations, and Other**	**Total combined**	**Obligated Group**	**Nonobligated, Eliminations, and Other**	**Total combined**
Current assets:						
Cash and cash equivalents	$ 1,375	93	1,468	458	605	1,063
Accounts receivable	2,827	218	3,045	2,635	206	2,841
Supplies inventory	353	20	373	337	22	359
Other current assets	1,889	541	2,430	1,567	185	1,752
Current portion of assets whose use is limited	587	114	701	417	239	656
Total current assets	7,031	986	8,017	5,414	1,257	6,671
Assets whose use is limited	4,024	2,998	7,022	5,612	2,900	8,512
Property, plant, and equipment, net	8,472	715	9,187	8,827	1,390	10,217
Operating lease right-of-use assets	763	409	1,172	842	423	1,265
Other assets	3,693	(787)	2,906	2,835	(592)	2,243
Total assets	$ 23,983	4,321	28,304	23,530	5,378	28,908
Liabilities and Net Assets						
Current liabilities:						
Current portion of long-term debt	$ 145	15	160	156	10	166
Master trust debt classified as short-term	138	—	138	452	—	452
Accounts payable	1,282	156	1,438	1,681	234	1,915
Accrued compensation	1,388	139	1,527	1,287	209	1,496
Current portion of operating lease liabilities	138	66	204	129	62	191
Other current liabilities	1,523	870	2,393	1,222	932	2,154
Total current liabilities	4,614	1,246	5,860	4,927	1,447	6,374
Long-term debt, net of current portion	7,815	249	8,064	7,321	285	7,606
Pension benefit obligation	660	—	660	678	—	678
Long-term operating lease liabilities, net of current portion	731	376	1,107	853	398	1,251
Other liabilities	1,116	508	1,624	616	792	1,408
Total liabilities	14,936	2,379	17,315	14,395	2,922	17,317
Net assets:						
Net assets without donor restrictions	7,808	1,677	9,485	7,986	2,218	10,204
Net assets with donor restrictions	1,239	265	1,504	1,149	238	1,387
Total net assets	9,047	1,942	10,989	9,135	2,456	11,591
Total liabilities and net assets	$ 23,983	4,321	28,304	23,530	5,378	28,908

See accompanying independent auditors' report.

PROVIDENCE ST. JOSEPH HEALTH

Supplemental Schedule – Obligated Group Combining Statements of Operations Information

Years ended December 31, 2023 and 2022

(In millions of dollars)

	2023			2022		
	Obligated Group	Nonobligated, Eliminations, and Other	Total combined	Obligated Group	Nonobligated, Eliminations, and Other	Total combined
Operating revenues:						
Net patient service revenues	$ 20,741	1,135	21,876	19,018	1,082	20,100
Other revenues	2,579	4,290	6,869	2,262	4,072	6,334
Total operating revenues	23,320	5,425	28,745	21,280	5,154	26,434
Operating expenses:						
Salaries and benefits	13,203	2,035	15,238	12,236	2,096	14,332
Supplies	4,194	327	4,521	3,808	321	4,129
Interest, depreciation, and amortization	1,305	155	1,460	1,111	171	1,282
Purchased services, professional fees, and other	5,369	3,328	8,697	4,816	3,327	8,143
Total operating expenses	24,071	5,845	29,916	21,971	5,915	27,886
Deficit of revenues over expenses from operations before restructuring costs and other	(751)	(420)	(1,171)	(691)	(761)	(1,452)
Restructuring costs and other	—	—	—	247	—	247
Deficit of revenues over expenses from operations	(751)	(420)	(1,171)	(938)	(761)	(1,699)
Net nonoperating gains (losses):						
Investment income (loss), net	420	232	652	(714)	(313)	(1,027)
Loss from disaffiliation	—	—	—	(3,408)	—	(3,408)
Other	(60)	(17)	(77)	(64)	76	12
Total net nonoperating gains (losses)	360	215	575	(4,186)	(237)	(4,423)
Deficit of revenues over expenses	$ (391)	(205)	(596)	(5,124)	(998)	(6,122)

See accompanying independent auditors' report.