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, 2021. Providence has undertaken no responsibility to update such data since December 31, 2021, 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.

TABLE OF CONTENTS

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 52 hospitals, over 900 clinics, and many other health and educational services, our health system employs nearly 120,000 caregivers serving patients in communities across seven Western states – Alaska, California, Montana, New Mexico, Oregon, Texas, and Washington. Our caregivers provide quality, compassionate care to all those we serve, regardless of coverage or ability to pay.

Continuing an enduring commitment to world-class care and serving all, especially those who are poor and vulnerable, Providence uses scale to create Health for a Better World, one community at a time. We have been pioneering health care for more than 160 years and have a history of responding with compassion and innovation during challenging health care environments, including the current 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 care at affordable prices, including through networks of same-day clinics and online care and services.

We are privileged to serve in dynamic markets with growing populations, which has led to consistent increases in service utilization. We offer a comprehensive range of industry-leading services, including an integrated delivery system of acute and ambulatory care for inpatient and outpatient services, 29 long-term care facilities, 17 supportive housing facilities, over 8,000 directly employed providers and approximately 25,000 affiliated providers, a health plan, senior care, financial assistance programs, community health investments, and educational ministries that include a high school and university.

Providence 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 love, dignity, and compassion, 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.*"

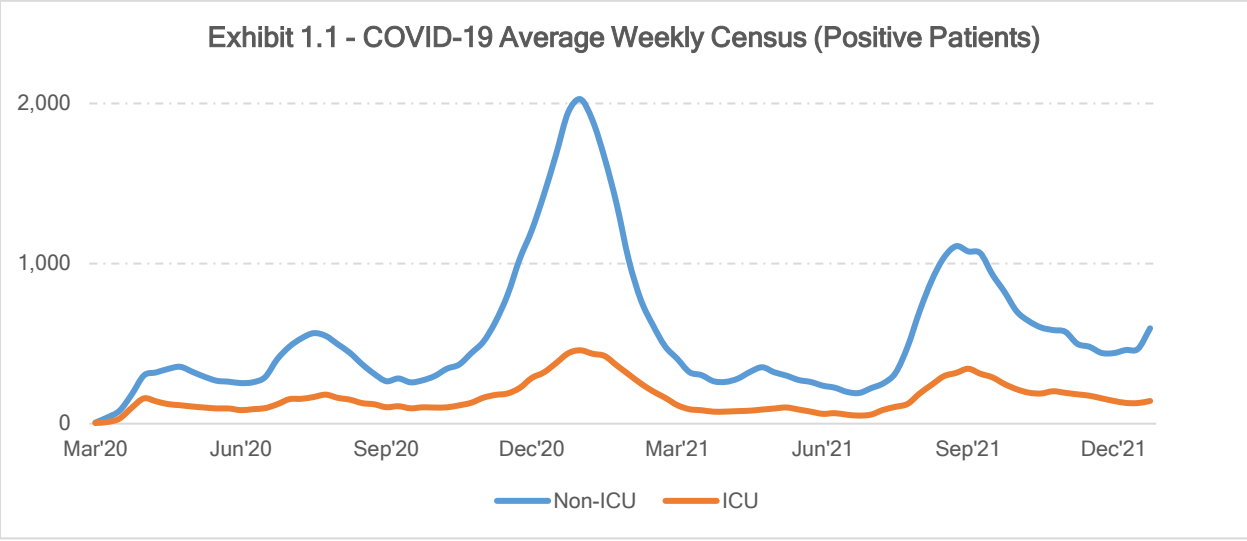
COVID-19: Providence Continues to Respond to Meet Community Needs

Providence continued to meet the health care needs of its communities in 2021. The second year of the pandemic brought additional surges with several Providence service areas hitting their highest COVID census to date. Providence was able to continue serving those in need across the family of organizations despite health care labor shortages. Providence has responded with investments in programs to retain caregivers, rapidly fill open positions, and support the mental health and well-being of caregivers.

Since Providence admitted the first known U.S. patient with COVID-19 in January 2020, the System has taken a number of key steps in response to COVID-19, which include:

- Investing $220 million into the workforce over several months to reward, retain and recruit top talent. Key components include recognition bonuses for caregivers; sign-on and referral bonuses to accelerate hiring; and increases in base pay for lower paid positions.
- Prioritizing caregiver mental health and well-being. In 2021, Providence launched new programs and resources to check in with every caregiver, quickly and confidentially to identify those in crisis and connect them to appropriate resources.
- Ensuring compliance with vaccination mandates to keep caregivers and patients safe. In its five states with COVID-19 vaccine mandates, Providence reported a compliance rate of 99 percent, meaning 99 percent of caregivers in those states received either the vaccine or a medical or religious exemption.
- Facilitating volunteer hours from both our clinical and administrative caregivers to support hospitals and vaccination sites in our communities. By summer 2021, Providence had administered over 900,000 doses of the vaccine to caregivers, patients, and members of the communities we serve.
- Promoting health equity in the prevention, testing and treatment of COVID-19 by proactively partnering with underserved communities. Results include 738 community-based or mobile testing and vaccine events; more than 41,000 tests, over 61,000 COVID-19 vaccines and approximately 164,000 kits with PPE and other resources provided to those at high risk and in disproportionately impacted communities.
- Accelerating telehealth services, which increased from an average of 50 visits a day to a peak of more than 12,000 per day. From April 2020 to December 2021, Providence provided 3.2 million telehealth visits.
- Expanding our electronic intensive care unit capabilities to remotely monitor patients on home quarantine.
- Leveraging technology to deliver a COVID-19 consumer awareness hub, a triage chatbot, urgent virtual visit platform, live testing locations, and remote patient monitoring for COVID-19 patients.

We continue to manage ongoing trends 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 average weekly COVID-19 positive patients through December 2021.



Providence has received relief in the form of grants and advance payments from the Coronavirus Aid Relief and Economic Security ("CARES") Act. We received $1.3 billion in total grants from the CARES Act,

including $228 million received during the fiscal year ended December 31, 2021. We have recognized substantially all of that amount as revenue, with $313 million being recorded during fiscal year 2021. In the second quarter of 2020, CMS distributed $1.6 billion of COVID-19 Accelerated and Advance Payments ("CAAPs") to Providence in response to the COVID-19 Public Health Emergency which would be repaid to CMS through the offsetting of future payments. A total of $621 million in CAAPs payments has been repaid in fiscal year 2021. The advance payments from CMS will continue to be offset from claim payments in future quarters.

The CARES Act delayed the timing of required federal employment tax deposits for certain employer social security taxes incurred from March 27, 2020, through December 31, 2020. The CARES Act treats these amounts as timely paid if 50 percent of the deferred amount is paid by December 31, 2021, and the remainder by December 31, 2022. Providence deferred $365 million in social security taxes incurred during the pandemic and $183 million of the balance was paid in December 2021. The remaining balance will be paid by December 2022.

We continue to take steps to preserve our operating performance and liquidity, including reassessing current and new capital projects outside of those focused on patient and caregiver safety and COVID-19. We have also reduced discretionary spending including travel, use of third-party contractors, purchased services, and professional services. As demand returns to pre-pandemic levels, we are flexing our labor and supply resources to allow us to efficiently and safely provide the services required by our patients.

Our Integrated Strategic & Financial Plan

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

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

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

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

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

Transform our future. We are focused on responding to the evolving needs of the communities we serve, pursuing new opportunities that transform our services. We seek to expand and sustain our Mission by:

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

Strategic affiliations. As part of our overall strategic planning and development process, Providence regularly evaluates and, if deemed beneficial, selectively pursues opportunities to affiliate with other service providers and invest in new facilities, programs, or other health care related entities. 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.

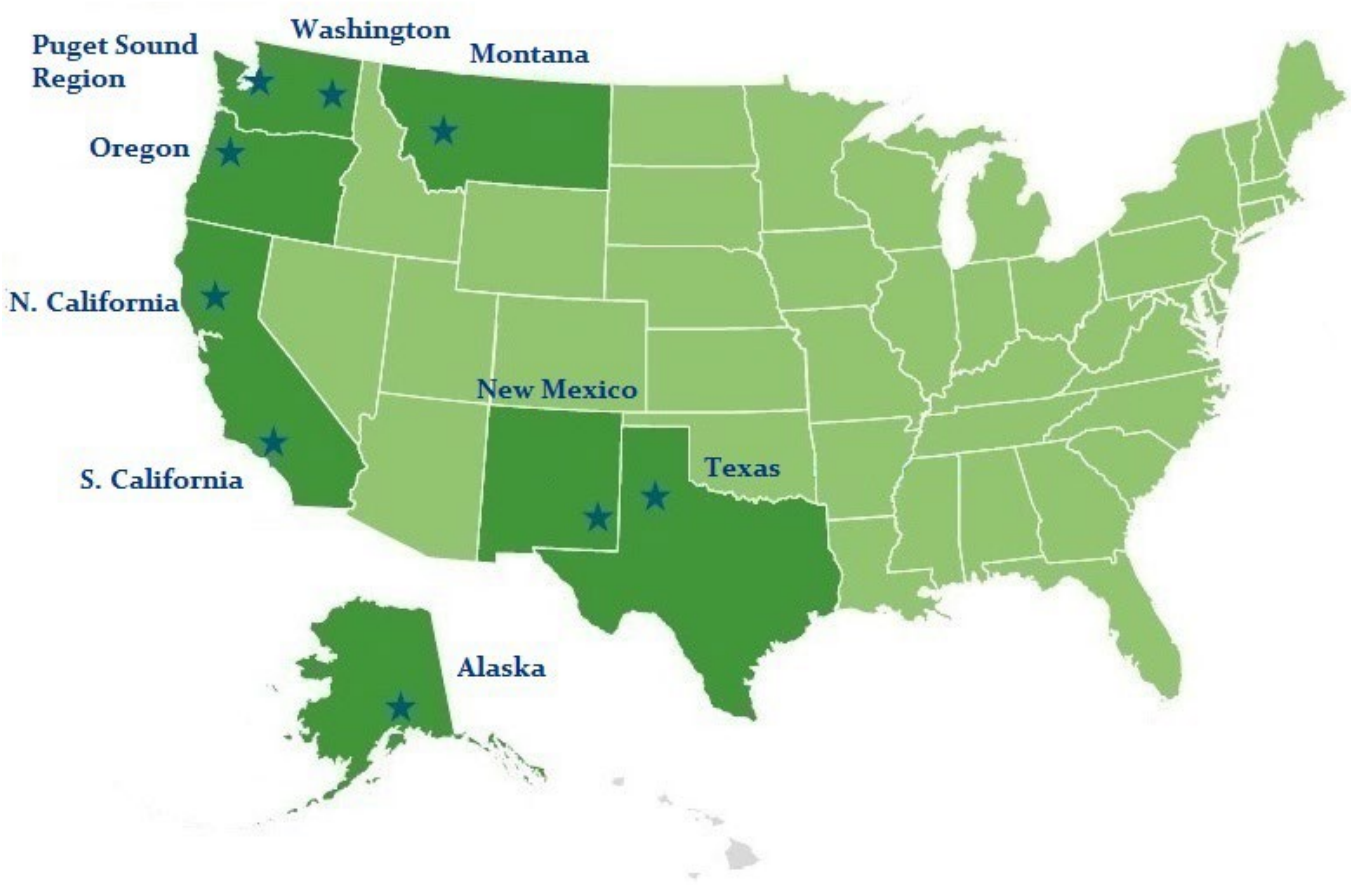
Providence will continue to evaluate opportunities for strategic growth. Providence does not typically disclose such discussions unless and until it appears likely that an agreement will be reached, and any required regulatory approvals will be forthcoming.

Region Information

Aligning our Puget Sound strategies and operations. In the fourth quarter of 2021, Providence realigned its service areas into the Puget Sound region to fully coordinate our operations in the western part of Washington State. With this contiguous market growth and operational alignment strategy, our ministries and facilities will be better positioned to meet the health needs of this region and connect our communities through seamless access to care.

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

Exhibit 1.2 - Areas We Serve



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

	Fiscal Year Ended	
EXHIBIT 1.3 - REGIONAL OPERATING REVENUE SHARE	12-31-2020	12-31-2021
Alaska	3.5%	3.7%
Puget Sound Region [1]	17.1%	17.2%
Washington and Montana [1]	12.8%	12.8%
Oregon	19.1%	18.1%
Northern California [2]	5.9%	5.8%
Southern California [2]	31.7%	31.2%
West Texas and Eastern New Mexico	4.6%	4.7%
Other (including Home & Community Care) [1], [3]	5.3%	6.5%

(1) Includes 2020 restatement to align the new Puget Sound Region created in the fourth quarter of 2021.
(2) Includes recognition of revenue from California provider fee program of $517 million in 2021 and $754 million in 2020.
(3) Increase driven primarily by diversified revenue growth of 71 percent among Tegria entities compared to the prior year.

Alaska

The Alaska region includes five hospitals and 23 clinics with a 30 percent inpatient market share statewide in 2020, as reported by the Alaska Health Facilities Data Reporting Program. The Alaska facilities are located in the greater Anchorage area, with 50 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.

Puget Sound Region

The Puget Sound region includes Northwest Washington, Southwest Washington, and Swedish with a total inpatient market share of 28 percent in their service areas in 2020, as reported by the Comprehensive Hospital Abstract Reporting System. In the greater Puget Sound area of Washington, Swedish Health Services operates five hospital campuses: First Hill, Cherry Hill, Ballard, Edmonds, and Issaquah, which are in King and Snohomish counties. Swedish also has ambulatory care centers in Redmond and Mill Creek, and a network of more than 100 primary care and specialty clinics throughout the Seattle area. The Puget Sound region's realignment noted above includes Providence Regional Medical Center in Everett, Providence St. Peter Hospital in Olympia, and Providence Centralia Hospital, all previously included under the Washington and Montana region.

Washington and Montana

The Washington-Montana region includes 9 hospitals, with a 42 percent inpatient market share in their service areas in 2020, 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 eight hospitals in Portland, Hood River, Medford, Milwaukie, Newberg, Seaside and Oregon City, with a total inpatient market share of 29 percent in their service areas in 2020, as reported by Apprise Health Insights. Providence St. Vincent Medical Center and Providence Portland Medical Center provide tertiary care to the Portland metropolitan market. The region also provides nearly 200 primary care, specialty and immediate care clinics, home health care, and housing. The Health Plans are based in Oregon, and the majority of its nearly 670,000 members live in the region.

Northern California

The Northern California region includes six hospitals in the North Coast, Humboldt, Napa, and Sonoma communities with a total inpatient market share of 38 percent in their service areas in 2020, as reported by the Office of Statewide Health Planning and Development. The acute care hospitals in Northern California include Queen of the Valley Medical Center in Napa, 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. In January 2021, Providence acquired Healdsburg District Hospital, an acute care facility serving Healdsburg and surrounding areas in Sonoma County.

Southern California

The Southern California region includes 13 acute care hospitals in Los Angeles, Orange, and San Bernardino counties, with a total inpatient market share of 24 percent in their service areas in 2020, 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 over 50 practice locations in the market, including the Facey, PMI, and Providence St. John's medical

foundations. In addition, Providence has seven acute care facilities within Orange and San Bernardino counties: Apple Valley, Fullerton, Mission Viejo, Laguna Beach, Newport Beach, Irvine, and Orange. Mission Hospital is located on two campuses in Mission Viejo and Laguna Beach, and maintains the region's level II trauma center, as well as a women's center. Hoag Hospital, which also is composed of two campuses, in Newport Beach and Irvine, also includes Hoag Orthopedic Institute.

In June 2021, Providence announced that Providence St. Mary Medical Center and Kaiser Permanente plan 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 will enter into a Joint Venture for the ownership and operation of the new hospital facility once opened. The existing Providence St. Mary Medical Center facility will permanently close once the new facility is operational. This project is currently pending regulatory approvals in the state of California.

In January 2022, officials from Providence and Hoag announced an agreement to end the affiliation established in 2012 by January 31, 2022. The two organizations have agreed to disaffiliate, with Hoag becoming independent from Providence and Covenant Health Network, the structure that governs the affiliation. Excluding Hoag, the Southern California region had a total inpatient market share of 19 percent in their service areas in 2020. Refer to the Litigation section below for additional details.

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 seven licensed hospitals. The inpatient market share was 40 percent in their service areas in 2020, as reported by Texas Health Care Information Collection. Covenant Health System operates Covenant Medical Center, Covenant Children's Hospital, Covenant Health Plainview, and Covenant Health Levelland, and Covenant Specialty Hospital, a long-term acute care facility, in addition to Grace Health System, which includes Grace Clinic and Grace Surgical Hospital. CHS also operates Covenant Medical Group, a medical foundation physician network of employed and aligned physicians, a joint venture acute rehabilitation facility, and Hospice of Lubbock. In January 2021, Covenant Health System acquired Lea Regional Medical Center an acute care facility located in eastern New Mexico serving Hobbs and the surrounding area. Subsequent to the acquisition, the hospital was renamed Hobbs Hospital.

Financial Information

The summary audited combined financial information as of and for the fiscal years ended December 31, 2021, and 2020, respectively, are presented below. The financial information should be read in conjunction with the audited combined financial statements of the System, including the notes thereto, and the report of KPMG LLP, independent auditors.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions, estimates and judgments that affect the amounts reported in the combined financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. System management considers critical accounting policies to be those that require the more significant judgments and estimates in the preparation of its combined financial statements, including the following: recognition of net patient service revenues, which includes contractual allowances; impairment of long-lived assets; valuation of investments; 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	12-31-2020	12-31-2021
Net Patient Service Revenues	$18,964	$20,908
Premium Revenues	2,424	2,320
Capitation Revenues	1,732	1,870
Other Revenues	2,555	2,230
Total Operating Revenues	**25,675**	**27,328**
Salaries and Benefits	12,646	13,966
Supplies	3,821	4,168
Purchased Healthcare Services	1,989	2,129
Interest, Depreciation, and Amortization	1,375	1,406
Purchased Services, Professional Fees, and Other	6,150	6,373
Total Operating Expenses	**25,981**	**28,042**
Deficit of Revenues Over Expenses from Operations	**(306)**	**(714)**
Total Net Non-Operating Gains	1,046	1,232
Excess of Revenues Over Expenses	**$740**	**$518**
Operating EBIDA [(1)]	**$1,121**	**$812**

(1) Excludes $120 million in 2021 and $53 million in 2020 in amortization of software as a service asset.

Summary Audited Combined Balance Sheets

EXHIBIT 2.2 - COMBINED BALANCE SHEET $ PRESENTED IN MILLIONS	As of 12-31-2020	 12-31-2021
Current Assets:		
Cash and Cash Equivalents [1]	$3,230	$1,143
Short-Term Investments [1], [2]	1,082	1,322
Accounts Receivable, Net	2,365	3,158
Supplies Inventory	361	402
Other Current Assets	1,480	1,649
Current Portion of Assets Whose Use is Limited	146	169
Total Current Assets	**8,664**	**7,843**
Management Designated Cash and Investments [1], [2]	10,950	11,629
Assets Whose Use is Limited	556	661
Property, Plant & Equipment, Net	11,033	11,329
Other Assets	3,451	3,413
Total Assets	**$34,654**	**$34,875**
Current Liabilities:		
Current Portion of Long-Term Debt	127	81
Master Trust Debt Classified as Short-Term	934	189
Accounts Payable	1,155	1,432
Accrued Compensation	1,453	1,627
Other Current Liabilities [2]	3,020	3,253
Total Current Liabilities	**6,689**	**6,582**
Long-Term Debt, Net of Current Portion	6,061	6,834
Pension Benefit Obligation	1,203	977
Other Liabilities [2]	3,985	2,810
Total Liabilities	**$17,938**	**$17,203**
Net Assets:		
Controlling Interests	14,857	15,507
Noncontrolling Interests	309	404
Net Assets without Donor Restrictions	15,166	15,911
Net Assets with Donor Restrictions	1,550	1,761
Total Net Assets	**16,716**	**17,672**
Total Liabilities and Net Assets	**$34,654**	**$34,875**

[1] Unrestricted Cash and Investments were $14.1 billion in 2021 and $15.3 billion in 2020.

[2] Includes $1.6 billion from the Centers for Medicare & Medicaid Services (“CMS”) Advanced Payment Program in 2020 of which $621 million was repaid as of December 31, 2021.

Management's Discussion and Analysis: Fiscal Year Ended December 31, 2021

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 the fiscal years ended December 31, 2021, and 2020, respectively, are presented below.

Results of Operations

Operations Summary

Operating earnings before interest, depreciation, and amortization ("EBIDA") were $812 million for the fiscal year ended December 31, 2021, or 3.0 percent of operating revenues, compared with $1.1 billion and 4.4 percent in the same period in 2020. The deficit of revenues over expenses from operations was $714 million for the fiscal year ended December 31, 2021, compared with deficit of revenues over expenses from operations of $306 million in the same period in 2020. The increase in the current year deficit was primarily driven by lower CARES Act funding recognized of $313 million in 2021, compared with $957 million in the prior year, amid ongoing COVID-19 surges across our markets.

Operating results for the fiscal year ended December 31, 2021 continued to be impacted by COVID-19 surges throughout the year, due to the Alpha, Delta, and Omicron variants, which peaked in the first and third quarters for Alpha and Delta, and began to rapidly increase in the fourth quarter for Omicron. Despite the continued impact from COVID-19, the System saw an overall increase in volumes as compared to the prior year which included several periods of volume disruptions including the deferral of non-emergent procedures in the first and second quarters of 2020. As a result, net patient service revenues increased 10 percent in the fiscal year ended December 31, 2021, compared with the same period in 2020. The increase came primarily from higher outpatient volumes and emergency room visits. Along with the increase in volumes, the System saw an overall increase in the acuity of the patients as demonstrated in the 7 percent increase in case mix adjusted admissions ("CMAA") over the prior year. Payor mix remained relatively flat versus the prior year. The increased volumes and acuity, coupled with the labor shortages experienced system-wide, resulted in higher labor costs and increased usage of agency staffing and overtime. In response to the labor shortages, Providence initiated payroll incentives to improve retention, particularly among our frontline caregivers.

The results include the net recognition of reimbursements from state provider fee programs of $239 million (revenue of $863 million and expense of $624 million) for the fiscal year ended December 31, 2021, compared with $329 million (revenue of $1.1 billion and expense of $753 million) in comparable period of the prior year. The current year amount is based on ratable recognition of provider fee programs versus the prior year amount which included $93 million related to prior reporting periods.

As noted above, the disaffiliation with Hoag will include the following impacts to Providence's system consolidated results. Hoag represented 7 percent of Providence's audited total operating revenues for fiscal year ended December 31, 2021. Hoag's operating EBIDA was $303 million for the fiscal year ended December 31, 2021. Hoag accounted for 17 percent of Providence's unrestricted cash and investment, net of debt financing relating to Hoag assets, as of December 31, 2021. The underlying Hoag debt and finance lease obligations also accounted for 8 percent, or $573 million of total system debt. Hoag's net assets were 22 percent of system net assets as of December 31, 2021. Refer to the Litigation section below for additional details.

Providence's key financial indicators are presented for the fiscal years ended December 31:

EXHIBIT 3.1 - OPERATIONS SUMMARY $ PRESENTED IN MILLIONS	Fiscal Year Ended 12-31-2020	 12-31-2021
Operating Revenues	$25,675	$27,328
Operating Expenses	25,981	28,042
Deficit of Revenues Over Expenses from Operations	(306)	(714)
Operating Margin %	(1.2)	(2.6)
Operating EBIDA	1,121	812
Operating EBIDA Margin %	4.4	3.0
Premium and Capitation Revenues	4,156	4,190
CARES Act Grants Recognized	957	313
Net Service Revenue/Case Mix Adjusted Admits	12,922	13,069
Net Expense/Case Mix Adjusted Admits	13,110	13,476
Total Community Benefit	$1,750	$1,881
Full-Time Equivalents ("FTEs") (thousands)	103	105

For the three months ended December 31, 2021, operating EBIDA was $88 million, or 1.2 percent of operating revenues, compared with $304 million and 4.5 percent in the same period in 2020. Deficit of revenues over expenses from operations was $309 million for the three months ended December 31, 2021, compared with deficit of revenues over expenses from operations of $93 million in the same period in 2020, and includes $142 million from the CARES Act recognized, compared with $275 million in the prior year. During the three months ended December 31, 2021, we continued to see staffing shortages leading to increased usage of agency staffing and overtime, and in some ministries, the staffing shortages required us to defer surgeries and other procedures.

Volumes increased 6 percent for the three months ended December 31, 2021, compared with the same period in 2020. The System experienced significant increases across our key volume indicators as emergency room visits increased 15 percent, acute admissions increased 5 percent, and outpatient visits increased 4 percent compared with the same period in 2020. Operating revenues were $7.1 billion, an increase of 4 percent for the three months ended December 31, 2021, compared with the same period in 2020, driven by net patient service revenues growth of 8 percent. The increase in volumes led to an 11 percent increase in salaries and benefits due to continued wage pressures and retention efforts, greater usage of agency staffing and increased overtime. Supplies expense increased by 3 percent, both compared with the prior year, driven by a 7 percent increase in pharmaceutical spend and a 2 percent increase in medical supply expense.

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

EXHIBIT 3.2 - OPERATIONS SUMMARY $ PRESENTED IN MILLIONS	Three Months Ended 12-31-2020	 12-31-2021
Operating Revenues	$6,825	$7,128
Operating Expenses	6,918	7,437
Deficit of Revenues Over Expenses from Operations	(93)	(309)
Operating Margin %	(1.4)	(4.3)
Operating EBIDA	304	88
Operating EBIDA Margin %	4.5	1.2
Premium and Capitation Revenues	1,086	1,063
CARES Act Grants Recognized	275	142

Volumes

The System experienced an increase in both volumes and the acuity of the patients served, which yielded a 7 percent increase in CMAA for the fiscal year ended December 31, 2021, compared with the same period in 2020. Volumes increases were driven by higher outpatient and admission volumes and increases in emergency room visits compared with the prior year.

Providence's key volume indicators are presented for the fiscal years ended December 31:

EXHIBIT 3.3 - SYSTEM UTILIZATION DATA PRESENTED IN THOUSANDS UNLESS NOTED	Fiscal Year Ended 12-31-2020	 12-31-2021
Inpatient Admissions	447	458
Acute Adjusted Admissions	913	967
Acute Patient Days	2,340	2,532
Long-Term Care Patient Days	340	317
Outpatient Visits (incl. Physicians)	23,472	26,040
Virtual Visits (incl. Telehealth)	1,654	1,578
Emergency Room Visits	1,720	1,874
Surgeries and Procedures	589	674
Acute Average Daily Census (Actual)	6,393	6,936
Providence Health Plan Members	699	668

Operating Revenues

Operating revenues increased 6 percent to $27.3 billion, for the fiscal year ended December 31, 2021, compared with $25.7 billion in the prior year. The increases were driven by net patient service revenues growth of 10 percent, and growth in our diversified revenues of 45 percent. Net patient service revenues were $20.9 billion for the fiscal year ended December 31, 2021, compared to $19.0 billion in 2020, driven by higher patient volumes.

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

EXHIBIT 3.4 - OPERATING REVENUES BY STATE $ PRESENTED IN MILLIONS	Fiscal Year Ended 12-31-2020	 12-31-2021
Alaska	$830	$912
Washington	6,543	7,358
Montana	427	475
Oregon	5,137	5,344
California	9,151	9,855
Texas	1,032	1,154
Total Revenues from Contracts with Customers	23,120	25,098
Other Revenues	2,555	2,230
Total Operating Revenues	$25,675	$27,328

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

EXHIBIT 3.5 - OPERATING REVENUES BY LINE OF BUSINESS $ PRESENTED IN MILLIONS	Fiscal Year Ended 12-31-2020	 12-31-2021
Hospitals	$16,145	$17,614
Health Plans and Accountable Care	2,739	2,580
Physician and Outpatient Activities	2,728	3,234
Long-term Care, Home Care, and Hospice	1,268	1,315
Other Services	240	355
Total Revenues from Contracts with Customers	23,120	25,098
Other Revenues	2,555	2,230
Total Operating Revenues	$25,675	$27,328

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

EXHIBIT 3.6 - OPERATING REVENUES BY PAYOR [1] $ PRESENTED IN MILLIONS	Fiscal Year Ended 12-31-2020	12-31-2021
Commercial	$11,331	$12,350
Medicare	8,021	8,722
Medicaid	3,517	3,645
Self-pay and Other	251	381
Total Revenues from Contracts with Customers	23,120	25,098
Other Revenues	2,555	2,230
Total Operating Revenues	$25,675	$27,328

[1] Refer to Exhibit 7.3 for supplementary information on net patient service revenue payor mix driven by patient utilization.

Operating Expenses

Operating expenses were $28.0 billion, an increase of 8 percent for the fiscal year ended December 31, 2021, compared with the same period in 2020. The increase was driven by costs to serve increased volumes of patients, including labor costs and increased PPE, and pharmaceutical spend. Overall, salaries and benefits expenses increased 10 percent for the fiscal year ended December 31, 2021, compared with the same period in 2020, due to increased agency spend, overtime, and wages, including actions taken by the System to improve retention. Despite these increases, labor productivity increased by 9 percent on an adjusted occupied bed volumes basis compared to the same period in 2020, due to the higher volumes and the continued labor shortages experienced across the System. Medical supply costs per CMAA were higher by 2 percent, compared with the prior year. Supplies expense increased by 9 percent compared to the prior year, driven by an 11 percent increase in pharmaceutical spend and a 10 percent increase in medical supply expense.

Non-Operating Activity

Non-operating gains, driven by investment portfolio performance, totaled $1.2 billion for the fiscal year ended December 31, 2021, compared with non-operating gains of $1.0 billion for the same period in 2020.

Liquidity and Capital Resources; Outstanding Indebtedness

Unrestricted Cash and Investments

Unrestricted cash and investments totaled approximately $14.1 billion as of December 31, 2021, compared to $15.3 billion as of December 31, 2020, driven by the overall impacts of the pandemic, offset by investment performance. The System also experienced an increase in accounts receivable of $793 million due primarily to protracted payment cycles from payers, in addition to delayed claims billing from electronic health record implementations in our California markets. The System repaid $250 million on a one-year bridge loan that matured in March 2021. Further impacting cash was $621 million of prepayments from 2020 that were recouped by CMS, through lower payments on current services being provided in the fiscal year ended December 31, 2021. The above were offset by $228 million in grants received from the CARES Act in the fiscal year ended December 31, 2021.

In July 2021, Providence placed a $1.25 billion syndicated revolving credit facility (eight participating banks) with a 2026 maturity, replacing the $550 million credit facility that was scheduled to mature September 2021. At December 31, 2021, $205 million was drawn on the new facility.

In the fourth quarter of 2021, Providence completed the Series 2021 Plan of Finance that included the issuance of $1.1 billion of Series 2021A, 2021B, and 2021C revenue bonds and direct obligation notes, $742 million of which was used to refinance prior debt obligations. The intended uses of funds included refinancing master trust debt and repayment of outstanding lines of credit.

Providence's liquidity is presented for the fiscal years ended December 31:

EXHIBIT 4.1 – INVESTMENTS BY DURATION $ PRESENTED IN MILLIONS	As of 12-31-2020	 12-31-2021
Cash and Cash Equivalents [1]	$3,230	$1,143
Short-Term Investments	1,082	1,322
Long-Term Investments	10,950	11,629
Total Unrestricted Cash and Investments	$15,262	$14,094

[1] Includes $1.6 billion from the CMS Advanced Payment Program in 2020, of which $1.0 billion remains outstanding as of December 31, 2021.

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 fiscal years ended December 31:

EXHIBIT 4.2 – INVESTMENTS BY TYPE	As of 12-31-2020	 12-31-2021
Cash and Cash Equivalents	2%	0%
Domestic and International Equities	45%	45%
Debt Securities	38%	40%
Other Securities	15%	15%

Financial Ratios

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

EXHIBIT 4.3 – SUMMARY OF KEY RATIOS	As of 12-31-2020	 12-31-2021
Total Debt to Capitalization %	31.6	30.6
Cash to Debt Ratio %	218.2	200.7
Days Cash on Hand [1]	226	191
Maximum Annual Debt Service	395	414
Cash to Net Assets Ratio	1.01	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)

System Capitalization

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

EXHIBIT 4.4 – SYSTEM CAPITALIZATION $ PRESENTED IN MILLIONS UNLESS NOTED	As of 12-31-2020	 12-31-2021
Long-Term Indebtedness	$6,188	$6,915
Less: Current Portion of Long-Term Debt	127	81
Net Long-Term Debt	6,061	6,834
Net Assets – Without Donor Restrictions	15,166	15,911
Total Capitalization	$21,227	$22,745
Long-Term Debt to Capitalization %	28.6	30.0

System Debt Service Coverage

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

EXHIBIT 4.5 - SYSTEM DEBT SERVICE COVERAGE $ PRESENTED IN MILLIONS UNLESS NOTED	As of 12-31-2020	 12-31-2021
Income Available for Debt Service:		
Excess of Revenues Over Expenses	$740	$518
Less: Unrealized (Gains) on Trading Securities	(692)	(601)
Plus: Loss on Extinguishment of Debt	-	3
Plus: Loss on Pension Settlement Costs and Other	19	19
Plus: Depreciation	1,097	1,094
Plus: Interest and Amortization	278	312
Total	$1,442	$1,345
Debt Service Requirements: (1)		
MADS	$395	$414
Coverage of Debt Service Requirements (1)	3.7x	3.2x

(1) Debt Service Requirements has the meaning assigned to such term in the Master Indenture.

System Governance and Management

Corporate Governance

Providence serves as the parent and corporate member of PH&S and SJHS. Providence was created in connection with the combination of the multi-state health care systems of PH&S and the SJHS, which was effective on July 1, 2016 (the "Combination"). Providence has been determined to be an organization that is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Prior to the Combination, the sole corporate member of PH&S was Providence Ministries, which acted through its sponsors, who are five individuals appointed by the Provincial Superior of the Sisters of Providence, Mother Joseph Province. Similarly, the sole corporate member of SJHS was St. Joseph Health Ministry, a California non-profit public benefit corporation. Providence Ministries and St. Joseph Health Ministry are each a public juridic person under Canon law, responsible for assuring the Catholic identity and fidelity to the Mission of their respective systems. Pursuant to the Combination, Providence Ministries and St. Joseph Health Ministry have entered into an agreement that establishes a sponsorship model through contractual obligations exercised by the parties' sponsors collectively (the "Sponsors Council"). The Sponsors Council retains certain reserved rights with respect to Providence. Among the powers reserved to the Sponsors Council are the following powers over the affairs of Providence (excluding certain affiliates, such as: Providence - Western Washington, Western HealthConnect, Swedish, Swedish Edmonds, PacMed, Kadlec, and Hoag Hospital): to amend or repeal the articles of incorporation or bylaws of Providence; the appointment and removal, with or without cause, of the directors of Providence; the appointment and removal, with or without cause, of the President and Chief Executive Officer of Providence; the approval of the acquisition of assets, incurrence of debt, encumbering of assets and sale of certain property; the approval of operating and capital budgets, upon recommendation of the Providence Board of Directors; and the approval of dissolution, consolidation or merger. Providence has reserved rights over PH&S and SJHS, which powers may be exercised by the Board of Providence. Given the complexity of 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)
Mary Lyons, PhD., Chair ‡	2022	Ned Dolejsi	2022
Richard Blair †	2022	Jeff Flocken	2025
Isiaah Crawford, PhD. ‡	2022	Barbara Savage	2022
Sr. Diane Hejna, CSJ, RN. ‡	2022	Bill Cox	2022
Sr. Phyllis Hughes, RSM, PhD. ‡	2022	Russell Danielson	2027
Charles W. Sorenson, M.D. ‡	2024	Sr. Sharon Becker, CSJ	2027
Michael Murphy Δ	2022	Mark Koenig	2027
Sr. Carol Pacini, LCM Δ	2023	Sr. Margaret Pastro, SP	2028
Christina Fisher Δ	2025	Sr. Mary Therese Sweeney, CSJ	2028
Eric Sprunk Δ	2025	Sr. Cecilia Magladry, CSJ	2025
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
Greg Hoffman	Executive Vice President and CFO
John Whipple	Senior Vice President and Interim Chief Legal Officer

Support Services

The leadership structure operates under six councils that work collaboratively to achieve a streamlined set of strategic priorities across Providence and its family of organizations. Chartered by the Executive Leadership Committee, the councils are inclusive of the regions, lines of business, and other key functional areas. 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, insurance and risk management, treasury services, real estate strategy and operations, marketing, supplies management, technical support, fund-raising, quality of care, medical ethics, pastoral services, mission effectiveness, human resources, planning and policy development, and public affairs.

Obligated Group

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

For the fiscal year ended December 31, 2021, the audited combined operating revenues, and total assets attributable to the Obligated Group Members were approximately 81 percent and 82 percent, respectively, of Providence's totals. For the fiscal year ended December 31, 2020, the audited combined operating revenues, and total assets attributable to the Obligated Group Members were approximately 81 percent and 83 percent, respectively, of Providence's totals. Refer to Exhibit 7 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 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 fiscal years ended December 31:

EXHIBIT 5.1 – OBLIGATED GROUP UTILIZATION DATA PRESENTED IN THOUSANDS UNLESS NOTED	Fiscal Year Ended 12-31-2020	 12-31-2021
Obligated Group		
Inpatient Admissions	429	438
Acute Adjusted Admissions	843	884
Acute Patient Days	2,254	2,433
Long-Term Care Patient Days	330	303
Outpatient Visits (incl. Physicians)	19,410	21,669
Emergency Room Visits	1,664	1,792
Surgeries and Procedures	469	506
Acute Average Daily Census (Actual)	6,158	6,665

Obligated Group Capitalization

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

EXHIBIT 5.2 – OBLIGATED GROUP CAPITALIZATION $ PRESENTED IN MILLIONS UNLESS NOTED	As of 12-31-2020	 12-31-2021
Obligated Group		
Long-Term Indebtedness	$5,809	$6,603
Less: Current Portion of Long-Term Debt	110	70
Net Long-Term Debt	5,699	6,533
Net Assets – Without Donor Restrictions	12,741	13,133
Total Capitalization	$18,440	$19,666
Long-Term Debt to Capitalization %	30.9	33.2

Obligated Group Debt Service Coverage

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

EXHIBIT 5.3 – OBLIGATED GROUP DEBT SERVICE COVERAGE $ PRESENTED IN MILLIONS UNLESS NOTED	As of 12-31-2020	 12-31-2021
Obligated Group		
Income Available for Debt Service:		
Excess of Revenues Over Expenses	$1,140	$995
Less: Unrealized (Gains) on Trading Securities	(561)	(542)
Plus: Loss on Extinguishment of Debt	-	3
Plus: Loss on Pension Settlement Costs and Other	19	19
Plus: Depreciation	1,001	984
Plus: Interest and Amortization	257	259
Total	$1,856	$1,718
Debt Service Requirements: [1]		
MADS	$395	$414
Coverage of Debt Service Requirements [1]	4.7x	4.1x

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

Outstanding Master Trust Indenture Obligations

As of December 31, 2021, Providence had Obligations outstanding under the Master Indenture totaling $6 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, 2021.

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, LCMASC, Providence – St. John's, Providence – SJMC Montana, Providence – Montana, and Providence – Oregon. Providence Ministries is the co-corporate member, alongside Western Health Connect 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

In connection with the March 2013 affiliation of SJHS and Hoag Hospital, a new entity known as Covenant Health Network, Inc. ("CHN"), a California nonprofit public benefit corporation, was created. CHN is a corporate member of Hoag Hospital and St. Joseph Orange, St. Jude, Mission Hospital and St. Mary (the "SJHS Southern California Hospitals"). CHN, The George Hoag Family Foundation ("Hoag Family Foundation") and the constituent churches of the Los Ranchos Presbytery of the Presbyterian Church (USA), as represented by the Association of Presbyterian Ministers ("APM"), are the corporate members of Hoag Hospital. None of CHN, Hoag Family Foundation or APM is an Obligated Group Member or is obligated for payment with respect to the Bonds.

SJHS, CHN, Hoag Hospital, and the SJHS Southern California Hospitals entered into an affiliation pursuant to the terms of an Affiliation Agreement dated as of October 15, 2012 (the "CHN Affiliation

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

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

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

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 with Hoag also includes the dissolution of CHN, a third-party member. Refer to the Litigation section below for additional details.

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; Providence Ventures, Inc., a Washington corporation that invests in health care activities; Tegria, a company that provides technologies and services to the health care sector; various not-for-profit corporations that own and operate assisted living facilities and low-income housing projects, including housing facilities for the elderly; and the University of Providence formerly known as University of Great Falls, located in Great Falls, Montana. 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.

Ambulatory Care Network

The Providence Ambulatory Care Network (“ACN") partners in the well-being of all people by creating personalized, convenient, affordable health solutions. In 2021, the ACN provided over 3.1 million visits in 375 access points across seven states. The ACN consists of ambulatory surgery centers, imaging centers, urgent care centers, retail clinics and active wellness sites. By expanding our ambulatory care network through strategic partnerships and multiple growth projects at scale, the ACN improves patient access and reduces costs for consumers and employers. The ACN offers advantages to consumers and physicians, including greater affordability, predictability, flexibility, and convenience, while offering a seamless connection to Providence full continuum of care.

Population Health Management

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

Our Population Health Management division is composed of a family of services, including Population Health Informatics, Value-Based Care, Payer Contracting, Risk Sharing & Payments Models, Care Management, Mental Health Improvement, and Health Equity that support our Providence regional care delivery systems; and three businesses: Providence Health Plans, Ayin Health Solutions, and Home & Community Care.

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

The Health Plans provide services to a wide range of clients, including self-funded employers, and insurance coverage for large group employers, small group employers, individual and family coverage under the Affordable Care Act, Medicare Commercial, Medicare Advantage, Managed Medicaid risk administration,

pharmacy benefits management, workers compensation services, and network access services under preferred plans. Providence Health Plan members reside in 49 states nationwide.

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

Home & Community Care 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.

Physician Enterprise

Providence's Physician Enterprise creates health for a better world by serving patients across the Western United States with quality, compassionate, coordinated care. Collectively, our medical groups and affiliate practices are the third largest group in the country with over 11,000 providers. This includes: Providence Medical Group, serving Alaska, Washington, Montana, and Oregon; Swedish Medical Group, with staffed clinics throughout Washington's greater Puget Sound area; Pacific Medical Centers in western Washington; Kadlec, serving southeast Washington; Providence St. John's Medical Foundation in Southern California; Providence Medical Institute ("PMI") in Southern California; Providence Facey Medical Foundation ("Facey") 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.

Tegria

Tegria is a Providence-owned technology and solutions company that combines select Providence investments and acquisitions into a comprehensive portfolio of solutions to accelerate technological, clinical, and operational advances in health care. Tegria focuses on three key initiatives: healthcare consulting and technology services, revenue cycle management solutions, and software technology and platforms. Tegria is comprised of more than 3,500 strategists, technologists, service providers and scientists who currently serve more than 500 organizations across North America.

Interest Rate Swap Arrangements

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

At December 31, 2021, SJHS was party to five interest rate swap agreements with a current notional amount totaling approximately $401 million and with varying expiration dates. The swap agreements require SJHS to make fixed rate payments in exchange for variable rate payments made by the counterparties. SJHS's payment obligations under such swap agreements are secured by Obligations issued under the Master Indenture.

Below is a summary of those swap agreements, including the fair value of the swaps as of December 31, 2021. Fair values are based on independent valuations obtained and are determined by calculating the value of the discounted cash flows of the differences between the fixed interest rate of the interest rate swaps and the counterparty's forward London Interbank Offered Rate curve, which is the input used in the valuation, also taking into account any nonperformance risk. Changes in the fair value of the interest rate swaps are included within non-operating gains and losses. See also the discussion under "Other Information - Interest Rate Swap Arrangements" and Note 8 to the Combined Audited Financial Statements for the fiscal year ended December 31, 2021.

INTEREST RATE SWAPS $ PRESENTED IN MILLIONS	NOTIONAL	TERM	COUNTERPARTY	RECEIVE	PAY	FAIR VALUE
Fixed Payor	167.9	Jul-47	MUFG Union	68% of 3 Month LIBOR	3.529%	(59.5)
Fixed Payor	44.6	Jul-47	Wells Fargo	68% of 3 Month LIBOR	3.520%	(15.5)
Fixed Payor	60.8	Dec-40	Wells Fargo	55.70% of 1 Month LIBOR + 0.23%	3.229%	(12.9)
Fixed Payor	60.8	Dec-40	Wells Fargo	55.70% of 1 Month LIBOR + 0.23%	3.229%	(12.9)
Fixed Payor	67.2	Dec-40	Wells Fargo	55.70% of 1 Month LIBOR + 0.23%	3.229%	(14.3)

Entering into derivative agreements, including those described above, creates a variety of risks to Providence. Pursuant to certain of these agreements, both SJHS and the counterparty are required to deliver collateral in certain circumstances in order to secure their respective obligations under the agreements. As of December 31, 2021, SJHS posted collateral in the amount of $17 million. The amount of collateral delivered by SJHS over the term of the agreements could increase or decrease based upon SJHS' credit ratings and movements of United States dollar swap rates and could be substantial. Under certain circumstances, the derivative agreements are subject to termination prior to their scheduled termination date and prior to the maturity of the related revenue bonds. Payments due upon early termination may be substantial. In the event of an early termination of an agreement, there can be no assurance that (i) SJHS or any other Obligated Group Member will receive any termination payment payable to it by the provider, (ii) SJHS or any other Obligated Group Member will have sufficient amounts to pay a termination payment payable by it to the provider, or (iii) SJHS or the other Obligated Group Members will be able to obtain a replacement agreement with comparable terms. For financial reporting purposes, Providence has generally not treated its swap agreements as effective hedges against the interest cost of underlying debt. To the extent that swaps are not treated as effective hedges, Providence must recognize any changes in the fair market value of the swap agreements and the related debt as non-operating gains or losses. See Note 8 to the Combined Audited Financial Statements for the fiscal year ended December 31, 2021.

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.

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

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 damages for alleged violations of the Washington State Consumer Protection Act. The litigation is in the early stages. At this time, no determination can be made as to whether such litigation will have a material adverse effect on Providence, financial or otherwise.

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.

In early May 2020, Hoag Family Foundation and APM, two of the three corporate members of Hoag Hospital, filed a complaint under a California Corporations Code statute seeking to involuntarily dissolve CHN, the third corporate member. The complaint sought to remove Hoag Hospital as an Obligated Group Member through this involuntary dissolution claim. A trial date was set for April 2022. In January 2022, Hoag and Providence reached agreement to amicably end the affiliation, and Hoag exited from the Obligated Group on January 19, 2022. In accordance with this agreement, the complaint was dismissed with prejudice as to all claims, and the dismissal was entered by the Court on January 10, 2022. Hoag accounted for 7 percent of the

Obligated Group's audited total operating revenues for the fiscal year ended December 31, 2021, and 7 percent of Providence's audited total operating revenues for the fiscal year ended December 31, 2021. Hoag accounted for 17 percent of Providence's unrestricted cash and investments, net of debt financing relating to Hoag assets, as of December 31, 2021.

Employees

As of December 31, 2021, Providence employed approximately 120,000 caregivers (excluding Hoag), representing 105,117 FTEs. Of Providence's total employees, approximately 32 percent are represented by 19 different labor unions.

Providence management strives to provide market-competitive salaries and benefits to all employees. Management of Providence believes the salary levels and benefits packages for its employees are competitive in all the respective markets. At the same time, management understands that the health care industry is rapidly evolving. 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 at the various employers within Providence throughout 2022. In the past two years, Providence has experienced strikes at different facilities as a result of contract negotiations. In each situation, the facility operated with qualified replacement employees and experienced limited disruption to hospital operations or patient service. Management is also aware of ongoing organizing efforts by labor unions within the health care industry, including in markets where the separate employers within Providence operate.

The separate employers across the System are committed to ensuring they have enough employees to continue providing high-quality services throughout the pandemic. Leadership at the different facilities have implemented vaccination policies consistent with local, state, and federal mandates to protect employees and patients. To retain existing employees and ease workload pressures, the different facilities contract with staffing agencies for supplemental staffing, offer incentives to work extra shifts, and provide paid leave for those who experience adverse vaccine side effects or require isolation for a work related COVID-19 exposure.

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 $1.9 billion in community benefit in the fiscal year ended December 31, 2021, compared with $1.8 billion in the same period in 2020. Because more of our patients covered by Medicaid needed higher acuity and more complex care in 2021, our unpaid costs of Medicaid totaled $1.2 billion for the fiscal year ended December 31, 2021, compared with $1.1 billion for the same period in 2020.

Environmental, Social, and Governance Standards

Over the last two years, Providence advanced a social responsibility framework that includes a stronger commitment to diversity, equity, inclusion, and environmental stewardship. We updated our Integrated Strategic & Financial Plan to more clearly express our commitment and acceleration of this important work to address social, racial, and economic disparities in the communities we serve. Providence's social responsibility framework aims to deploy the assets of our system to support community health improvement, strengthen local economies and reduce our carbon footprint. In 2021, our sustainable and inclusive purchasing program committed to increase our spend with women and minority owned business enterprises by over $300 million across the next five years. We also deploy an investing portfolio which includes shareholder advocacy, impact investing, and socially conscious portfolio screens. In 2021, Providence made progress towards its climate commitment to become carbon negative by 2030. We are implementing an environmental stewardship system strategy that encourages waste reductions, efficient energy and water use, local agriculture partnerships, less toxic and fewer chemical use, and a reduction in carbon from travel.

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 information technology ("IT") risks and real-time defense of Providence's information ecosystem. Providence's cybersecurity program has adopted the National Institute of Standards and Technology ("NIST") Cyber Security Framework ("CSF") 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 ("CBS") 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 two captive insurance companies domiciled in Arizona and Bermuda with reinsurance. 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. 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, technology errors and omissions, 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 7, the System currently sponsors defined benefit and contribution plans. Although the System had certain defined benefit plans in place prior to January 1, 2010, in April 2009, the PH&S Board of Directors approved a freeze of the existing defined benefit plans, a cap on the ongoing cash balance interest credit formula, and the implementation of new defined contribution plans referenced within Note 9, all effective December 31, 2009.

The System's remaining unfunded liability with respect to the defined benefit plans increased from approximately 60 percent at December 31, 2020 to 66 percent at December 31, 2021. 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 $111 million and $113 million at December 31, 2021 and 2020, respectively.

The System sponsors various defined contribution retirement plans that cover substantially all employees. The plans provide for employer matching contributions in an amount equal to a percentage of employee pretax contributions, up to a maximum amount. In addition, the System makes contributions to eligible employees based on years of service. Retirement expense related to these plans was $557 million and $545 million for the fiscal years ended December 31, 2021, and 2020, 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	Kadlec
PH&S	SJHS
Providence – Washington	St. Joseph Orange
Providence – Southern California	St. Jude
LCMASC	Mission Hospital
Providence – Saint John's	St. Mary
Providence – SJMC Montana	Hoag Hospital
Providence – Montana	SJHNC
Providence – Oregon	CHS
Providence – Western Washington	CMC
Swedish	Covenant Children's
Swedish Edmonds	Covenant Levelland
PacMed	Covenant Plainview
Western HealthConnect	

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.

Hoag Hospital: Hoag Memorial Hospital Presbyterian, a California nonprofit public benefit corporation and currently an Obligated Group Member.

Kadlec: Kadlec Regional Medical Center, a Washington nonprofit corporation and currently an Obligated Group Member.

LCMASC: Little Company of Mary Ancillary Services Corporation, a California nonprofit public benefit corporation and currently an Obligated Group Member.

Mission Hospital: Mission Hospital Regional Medical Center, a California nonprofit public benefit corporation and currently an Obligated Group Member.

PacMed: PacMed Clinics, a Washington nonprofit corporation and currently an Obligated Group Member.

PH&S: Providence Health & Services, a Washington nonprofit corporation and currently an Obligated Group Member.

Providence – Montana: Providence Health & Services – Montana, a Montana nonprofit corporation and currently an Obligated Group Member.

Providence – Oregon:	Providence Health & Services – Oregon, an Oregon nonprofit corporation and currently an Obligated Group Member.
Providence – Saint John's:	Providence Saint John's Health Center, a California nonprofit religious corporation and currently an Obligated Group Member.
Providence – SJMC Montana:	Providence St. Joseph Medical Center, a Montana nonprofit corporation and currently an Obligated Group Member.
Providence – Southern California:	Providence Health System – Southern California, a California nonprofit religious corporation and currently an Obligated Group Member.
Providence – Washington:	Providence Health & Services – Washington, a Washington nonprofit corporation and currently an Obligated Group Member.
Providence – Western Washington:	Providence Health & Services – Western Washington, a Washington nonprofit corporation and currently an Obligated Group Member.
Providence St. Joseph Health, Providence, we, us, our:	Providence St. Joseph Health, a Washington nonprofit corporation and currently an Obligated Group Member and the Obligated Group Agent.
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 6 – Obligated Group Facilities

Exhibit 6.1
Acute Care Facilities by Region

A list of Providence's acute care facilities in each region as of December 31, 2021, 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
Washington and 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	168
		Providence Milwaukie Hospital	Milwaukie	77
		Providence Newberg Medical Center	Newberg	40
		Providence Willamette Falls Medical Center	Oregon City	143
		Providence St. Vincent Medical Center	Portland	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	200
		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 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	
		Hoag Memorial Hospital Presbyterian Campuses [6]:		530
	Hoag Memorial Hospital Presbyterian	Hoag Memorial Hospital Presbyterian	Newport Beach	
		Hoag Hospital Irvine	Irvine	
	St. Joseph Hospital of Orange	St. Joseph Hospital of Orange [7]	Orange	463
West Texas and Eastern New Mexico				
	Methodist Hospital Levelland	Covenant Hospital Levelland [8]	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 [8]	Plainview	68
TOTAL				**11,517**

* 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
[3] Four campuses with three licenses
[4] Includes a 50-bed chemical dependency center
[5] Two campuses on one license, including 36 acute care psychiatric beds in Laguna Beach
[6] Two campuses on one license
[7] Includes 37 acute care psychiatric beds
[8] Leased facility and Obligated Group Member

Exhibit 6.2
Long-Term Care Facilities by Region

Providence's principal owned or leased long-term care facilities as of December 31, 2021, 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
Washington and 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 7 – Supplementary Information

[ATTACHED]

Providence

EXHIBIT 7.1 - SUMMARY AUDITED COMBINED STATEMENTS OF OPERATIONS

	Ended December 31, 2021 (in 000's of dollars)		Ended December 31, 2020 (in 000's of dollars)	
	Consolidated	Obligated	Consolidated	Obligated
Operating Revenues:				
Net Patient Service Revenues	$ 20,908,081	19,404,119	18,964,084	17,761,749
Premium Revenues	2,319,654	306,794	2,423,924	280,738
Capitation Revenues	1,870,284	815,937	1,732,072	767,954
Other Revenues	2,230,060	1,603,604	2,554,510	2,078,110
Total Operating Revenues	27,328,079	22,130,454	25,674,590	20,888,551
Operating Expenses:				
Salaries and Benefits	13,965,710	11,979,653	12,646,320	11,001,078
Supplies	4,168,341	3,812,102	3,821,427	3,515,553
Purchased Healthcare Services	2,128,660	463,856	1,988,983	408,792
Interest, Depreciation, and Amortization	1,406,121	1,242,720	1,374,618	1,257,945
Purchased Services, Professional Fees, and Other	6,373,235	4,693,800	6,149,563	4,442,402
Total Operating Expenses	28,042,067	22,192,131	25,980,911	20,625,770
Excess (Deficit) of Revenues Over Expenses From Operations	(713,988)	(61,677)	(306,321)	262,781
Total Net Non-Operating Gains	1,231,826	1,057,033	1,045,857	877,050
Excess of Revenues Over Expenses	$ 517,838	995,356	739,536	1,139,831

EXHIBIT 7.2 - SUMMARY AUDITED COMBINED STATEMENTS OF CASH FLOWS

	Ended December 31, 2021 (in 000's of dollars)		Ended December 31, 2020 (in 000's of dollars)	
	Consolidated	Obligated	Consolidated	Obligated
Net Cash Provided by (Used in) Operating Activities	$ (940,586)	(578,177)	3,148,727	3,525,593
Net Cash Used in Investing Activities	(1,513,393)	(757,713)	(1,741,794)	(1,129,877)
Net Cash Provided by (Used in) Financing Activities	366,984	(701,151)	507,062	(748,447)
Increase (Decrease) in Cash and Cash Equivalents	(2,086,995)	(2,037,041)	1,913,995	1,647,269
Cash and Cash Equivalents, Beginning of Period	3,230,204	2,280,747	1,316,209	633,478
Cash and Cash Equivalents, End of Period	$ 1,143,209	243,706	3,230,204	2,280,747

EXHIBIT 7.3 - SUMMARY AUDITED NET PATIENT SERVICE REVENUE PAYOR MIX

	Ended December 31, 2021		Ended December 31, 2020	
	Consolidated	Obligated	Consolidated	Obligated
Commercial	50%	48%	49%	48%
Medicare	33%	33%	32%	32%
Medicaid	15%	16%	16%	17%
Self-pay and Other	2%	3%	3%	3%

Providence

EXHIBIT 7.4 - SUMMARY AUDITED COMBINED BALANCE SHEETS

	As of December 31, 2021 (in 000's of dollars)		As of December 31, 2020 (in 000's of dollars)	
	Consolidated	Obligated	Consolidated	Obligated
Current Assets:				
Cash and Cash Equivalents	$ 1,143,209	243,706	3,230,204	2,280,747
Short-Term Investments	1,322,076	1,154,049	1,082,438	885,093
Accounts Receivable, Net	3,157,401	2,823,304	2,365,360	2,183,641
Supplies Inventory	402,474	379,191	361,272	343,909
Other Current Assets	1,648,443	1,560,936	1,479,535	1,283,925
Current Portion of Assets Whose Use is Limited	169,368	30,092	145,093	191
Total Current Assets	7,842,971	6,191,278	8,663,902	6,977,506
Management Designated Cash and Investments	11,629,401	8,509,298	10,950,114	8,115,473
Assets Whose Use is Limited	660,204	295,207	555,734	192,594
Property, Plant, and Equipment, Net	11,329,182	10,020,003	11,033,440	9,866,197
Other Assets	3,413,203	3,669,521	3,451,231	3,687,795
Total Assets	$ 34,874,961	28,685,307	34,654,421	28,839,565
Current Liabilities:				
Current Portion of Long-Term Debt	81,163	70,238	127,107	110,353
Master Trust Debt Classified as Short-Term	188,715	188,715	933,860	933,860
Accounts Payable	1,431,703	1,222,449	1,155,330	978,443
Accrued Compensation	1,627,464	1,468,365	1,452,606	1,321,568
Other Current Liabilities	3,252,489	2,440,493	3,020,050	2,106,505
Total Current Liabilities	6,581,534	5,390,260	6,688,953	5,450,729
Long-Term Debt, Net of Current Portion	6,833,712	6,532,720	6,061,327	5,698,916
Pension Benefit Obligation	976,899	976,899	1,202,762	1,202,862
Other Liabilities	2,810,500	1,554,958	3,985,353	2,739,486
Total Liabilities	$ 17,202,645	14,454,837	17,938,395	15,091,993
Net Assets:				
Controlling Interests	15,506,686	13,133,773	14,857,133	12,741,287
Noncontrolling Interests	405,073	(533)	308,509	(533)
Net Assets Without Donor Restrictions	15,911,759	13,133,240	15,165,642	12,740,754
Net Assets With Donor Restrictions	1,760,557	1,097,230	1,550,384	1,006,818
Total Net Assets	17,672,316	14,230,470	16,716,026	13,747,572
Total Liabilities and Net Assets	$ 34,874,961	28,685,307	34,654,421	28,839,565

Providence

EXHIBIT 7.5 - KEY PERFORMANCE METRICS

	Ended December 31, 2021		Ended December 31, 2020	
	Consolidated	Obligated	Consolidated	Obligated
Inpatient Admissions	457,839	437,547	446,966	429,199
Acute Patient Days	2,531,775	2,432,772	2,339,728	2,254,003
Acute Outpatient Visits	13,157,877	12,343,202	11,671,846	10,938,450
Primary Care Visits	13,371,271	8,568,033	12,303,694	7,740,634
Inpatient Surgeries and Procedures	187,959	180,274	186,823	179,387
Outpatient Surgeries and Procedures	486,303	325,656	402,611	290,006
Long-Term Care Admissions	4,444	4,123	5,742	5,324
Long-Term Care Patient Days	317,096	303,083	340,396	329,871
Long-Term Care Average Daily Census	226	188	224	195
Home Health Visits	1,088,713	758,040	1,150,386	730,649
Hospice Days	1,115,010	659,695	1,074,947	616,459
Housing and Assisted Living Days	442,140	190,185	600,757	221,764
Health Plan Members	668,189	n/a	699,076	n/a
Acute Average Daily Census	6,936	6,665	6,393	6,158
Acute Licensed Beds	12,001	11,251	11,817	11,287
FTEs	105,117	91,269	103,036	89,643
Historical Debt Service Coverage Ratio	4.25	5.42	3.92	5.04

Providence

EXHIBIT 7.6 - SUMMARY AUDITED COMBINING STATEMENTS OF OPERATIONS BY REGION

Ended December 31, 2021

(in 000's of dollars)

	Alaska	Puget Sound Region	Washington/ Montana	Oregon	Northern California	Southern California	West Texas/ Eastern New Mexico	Other/ Eliminations	Consolidated
Operating Revenues:									
Net Patient Service Revenues	$ 909,352	4,388,098	3,018,269	2,488,560	1,436,764	6,527,274	1,171,335	968,429	20,908,081
Premium Revenues	-	-	-	2,038,002	-	-	-	281,652	2,319,654
Capitation Revenues	-	-	174,521	35,311	90,839	1,563,981	-	5,632	1,870,284
Other Revenues	91,697	309,072	307,177	397,931	65,889	443,882	116,617	497,795	2,230,060
Total Operating Revenues	1,001,049	4,697,170	3,499,967	4,959,804	1,593,492	8,535,137	1,287,952	1,753,508	27,328,079
Operating Expenses:									
Salaries and Benefits	388,346	2,287,609	1,542,842	1,743,076	656,652	3,110,084	521,568	3,715,533	13,965,710
Supplies	133,370	741,684	563,608	488,430	226,443	1,217,650	245,136	552,020	4,168,341
Purchased Healthcare Services	1	1,293	101,929	1,156,683	54,400	678,396	-	135,958	2,128,660
Interest, Depreciation, and Amortization	56,115	200,686	108,533	116,009	70,512	379,887	77,459	396,920	1,406,121
Purchased Services, Professional Fees, and Other	348,624	1,685,624	1,187,281	1,386,475	674,058	3,495,163	453,181	(2,857,171)	6,373,235
Total Operating Expenses	926,456	4,916,896	3,504,193	4,890,673	1,682,065	8,881,180	1,297,344	1,943,260	28,042,067
Excess (Deficit) of Revenues Over Expenses From Operations	74,593	(219,726)	(4,226)	69,131	(88,573)	(346,043)	(9,392)	(189,752)	(713,988)
Total Net Non-Operating Gains	110,522	84,781	93,384	169,074	77,987	448,725	50,165	197,188	1,231,826
Excess (Deficit) of Revenues Over Expenses	$ 185,115	(134,945)	89,158	238,205	(10,586)	102,682	40,773	7,436	517,838

Providence

EXHIBIT 7.7 - SUMMARY AUDITED COMBINING BALANCE SHEETS BY REGION

As of December 31, 2021

(in 000's of dollars)

	Alaska	Puget Sound Region	Washington/ Montana	Oregon	Northern California	Southern California	West Texas/ Eastern New Mexico	Other/ Eliminations	Consolidated
Current Assets:									
Cash and Cash Equivalents	$ 730,221	(168,848)	253,196	1,580,808	31,200	(1,141,288)	227,905	(369,985)	1,143,209
Short-Term Investments	-	-	-	-	167	743,130	29,108	549,671	1,322,076
Accounts Receivable, Net	153,660	588,666	335,524	260,840	221,812	1,195,225	181,875	219,799	3,157,401
Supplies Inventory	13,454	65,240	39,577	49,107	23,561	98,593	19,020	93,922	402,474
Other Current Assets	39,839	148,797	133,981	246,072	178,639	732,659	(35,002)	203,458	1,648,443
Current Portion of Assets Whose Use is Limited	-	-	-	-	-	-	-	169,368	169,368
Total Current Assets	937,174	633,855	762,278	2,136,827	455,379	1,628,319	422,906	866,233	7,842,971
Management Designated Cash and Investments	1,197,960	859,760	1,011,869	2,567,034	526,265	3,378,708	308,873	1,778,932	11,629,401
Assets Whose Use is Limited	(346,674)	19,962	4,095	49,620	9,249	46,356	4,815	872,781	660,204
Property, Plant, and Equipment, Net	421,519	1,774,490	970,997	974,800	736,473	4,233,366	754,650	1,462,887	11,329,182
Other Assets	412,826	460,419	266,500	153,697	25,902	1,254,238	111,436	728,185	3,413,203
Total Assets	$ 2,622,805	3,748,486	3,015,739	5,881,978	1,753,268	10,540,987	1,602,680	5,709,018	34,874,961
Current Liabilities:									
Current Portion of Long-Term Debt	2,249	17,222	(422)	(2,720)	74,495	147,636	41,308	(198,605)	81,163
Master Trust Debt Classified as Short-Term	-	-	-	-	-	1,535	-	187,180	188,715
Accounts Payable	38,057	150,104	81,702	92,362	51,929	456,819	39,231	521,499	1,431,703
Accrued Compensation	41,623	194,166	162,383	186,216	48,695	353,273	61,617	579,491	1,627,464
Other Current Liabilities	97,236	501,803	311,552	708,127	189,796	1,022,956	120,792	300,227	3,252,489
Total Current Liabilities	179,165	863,295	555,215	983,985	364,915	1,982,219	262,948	1,389,792	6,581,534
Long-Term Debt, Net of Current Portion	256,861	1,302,653	636,204	122,474	273,357	1,928,926	433,748	1,879,489	6,833,712
Pension Benefit Obligation	-	291,697	-	3,160	-	-	-	682,042	976,899
Other Liabilities	43,531	326,222	92,008	114,095	31,165	600,738	75,244	1,527,497	2,810,500
Total Liabilities	$ 479,557	2,783,867	1,283,427	1,223,714	669,437	4,511,883	771,940	5,478,820	17,202,645
Net Assets:									
Controlling Interests	2,096,785	802,599	1,687,733	4,361,983	988,605	4,695,858	770,059	103,064	15,506,686
Noncontrolling Interests	16,787	6,859	-	2,270	-	334,351	16,700	28,106	405,073
Net Assets Without Donor Restrictions	2,113,572	809,458	1,687,733	4,364,253	988,605	5,030,209	786,759	131,170	15,911,759
Net Assets With Donor Restrictions	29,676	155,161	44,579	294,011	95,226	998,895	43,981	99,028	1,760,557
Total Net Assets	2,143,248	964,619	1,732,312	4,658,264	1,083,831	6,029,104	830,740	230,198	17,672,316
Total Liabilities and Net Assets	$ 2,622,805	3,748,486	3,015,739	5,881,978	1,753,268	10,540,987	1,602,680	5,709,018	34,874,961

Providence

EXHIBIT 7.8 - KEY PERFORMANCE METRICS BY REGION

	Ended December 31, 2021							
	Alaska	Puget Sound Region	Washington/ Montana	Oregon	Northern California	Southern California	West Texas/ Eastern New Mexico	Consolidated
Inpatient Admissions	15,789	98,729	66,405	56,417	26,729	171,817	21,953	457,839
Acute Patient Days	125,561	592,756	396,948	335,803	149,883	801,906	128,918	2,531,775
Acute Outpatient Visits	478,726	2,221,071	1,988,418	3,592,030	749,391	3,354,130	761,581	13,157,877
Primary Care Visits	119,072	2,698,294	2,719,281	2,239,543	737,085	3,401,506	616,737	13,371,271
Inpatient Surgeries and Procedures	8,490	42,818	32,405	24,879	7,430	65,715	6,222	187,959
Outpatient Surgeries and Procedures	11,658	91,357	69,405	130,758	17,251	133,062	20,281	486,303
Long-Term Care Admissions	200	n/a	n/a	66	14	1,691	307	4,444
Long-Term Care Patient Days	52,815	n/a	n/a	9,350	5,694	70,563	8,319	317,096
Long-Term Care Average Daily Census	113	n/a	n/a	26	16	n/a	23	226
Home Health Visits	14,084	n/a	4,916	n/a	n/a	n/a	n/a	1,088,713
Hospice Days	24,364	n/a	n/a	n/a	n/a	5,294	68,885	1,115,010
Housing and Assisted Living Days	28,461	n/a	966	42,176	n/a	n/a	n/a	442,140
Health Plan Members	n/a	n/a	n/a	668,189	n/a	n/a	n/a	668,189
Average Daily Census	344	1,624	1,088	920	411	2,197	353	6,936
Acute Licensed Beds	482	2,666	1,824	1,500	809	3,846	874	12,001
FTEs	3,702	18,059	13,641	15,240	4,724	26,297	5,521	105,117

PROVIDENCE ST. JOSEPH HEALTH

Combined Financial Statements

December 31, 2021 and 2020

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

The Board of Directors
Providence St. Joseph Health:

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, 2021 and 2020, 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, 2021 and 2020, and the results of their operations and their 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.

Other 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 35 and 36 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

KPMG LLP

Seattle, Washington
March 8, 2022

PROVIDENCE ST. JOSEPH HEALTH

Combined Balance Sheets

December 31, 2021 and 2020

(In millions of dollars)

Assets		2021	2020
Current assets:			
Cash and cash equivalents	$	1,143	3,230
Accounts receivable		3,158	2,365
Supplies inventory		402	361
Other current assets		1,649	1,480
Current portion of assets whose use is limited		1,491	1,228
Total current assets		7,843	8,664
Assets whose use is limited		12,290	11,506
Property, plant, and equipment, net		11,329	11,033
Operating lease right-of-use assets		1,012	1,219
Other assets		2,401	2,232
Total assets	$	34,875	34,654
Liabilities and Net Assets			
Current liabilities:			
Current portion of long-term debt	$	81	127
Master trust debt classified as short-term		189	934
Accounts payable		1,432	1,155
Accrued compensation		1,627	1,453
Current portion of operating lease right-of-use liabilities		197	262
Other current liabilities		3,056	2,758
Total current liabilities		6,582	6,689
Long-term debt, net of current portion		6,834	6,061
Pension benefit obligation		977	1,203
Long-term operating lease right-of-use liabilities, net of current portion		992	1,145
Other liabilities		1,818	2,840
Total liabilities		17,203	17,938
Net assets:			
Controlling interests		15,507	14,857
Noncontrolling interests		404	309
Net assets without donor restrictions		15,911	15,166
Net assets with donor restrictions		1,761	1,550
Total net assets		17,672	16,716
Total liabilities and net assets	$	34,875	34,654

See accompanying notes to combined financial statements.

PROVIDENCE ST. JOSEPH HEALTH

Combined Statements of Operations

Years ended December 31, 2021 and 2020

(In millions of dollars)

	2021	2020
Operating revenues:		
Net patient service revenues	$ 20,908	18,964
Premium revenues	2,320	2,424
Capitation revenues	1,870	1,732
Other revenues	2,230	2,555
Total operating revenues	27,328	25,675
Operating expenses:		
Salaries and benefits	13,966	12,646
Supplies	4,168	3,821
Purchased healthcare services	2,129	1,989
Interest, depreciation, and amortization	1,406	1,375
Purchased services, professional fees, and other	6,373	6,150
Total operating expenses	28,042	25,981
Deficit of revenue over expenses from operations	(714)	(306)
Net nonoperating gains (losses):		
Loss on extinguishment of debt	(3)	—
Investment income, net	1,245	1,106
Other	(10)	(60)
Total net nonoperating gains	1,232	1,046
Excess of revenues over expenses	$ 518	740

See accompanying notes to combined financial statements.

PROVIDENCE ST. JOSEPH HEALTH

Combined Statements of Changes in Net Assets

Years ended December 31, 2021 and 2020

(In millions of dollars)

	Without donor restrictions			
	Controlling interests	Noncontrolling interests	With donor restrictions	Total net assets
Balance, December 31, 2019	$ 14,344	150	1,381	15,875
Excess of revenues over expenses	688	52	—	740
Contributions, grants, and other	(80)	107	287	314
Net assets released from restriction	53	—	(118)	(65)
Pension related changes	(148)	—	—	(148)
Increase in net assets	513	159	169	841
Balance, December 31, 2020	14,857	309	1,550	16,716
Excess of revenues over expenses	443	75	—	518
Contributions, grants, and other	(53)	20	385	352
Net assets released from restriction	74	—	(174)	(100)
Pension related changes	186	—	—	186
Increase in net assets	650	95	211	956
Balance, December 31, 2021	$ 15,507	404	1,761	17,672

See accompanying notes to combined financial statements.

PROVIDENCE ST. JOSEPH HEALTH

Combined Statements of Cash Flows

Years ended December 31, 2021 and 2020

(In millions of dollars)

	2021	2020
Cash flows from operating activities:		
Increase in net assets	$ 956	841
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,154	1,110
Loss on extinguishment of debt	3	—
Gain on affiliation activities	(52)	—
Restricted contributions and investment income received	(385)	(287)
Net realized and unrealized gains on investments	(1,107)	(973)
Changes in certain current assets and liabilities	(286)	1,038
Change in certain long-term assets and liabilities	(1,224)	1,420
Net cash (used in) provided by operating activities	(941)	3,149
Cash flows from investing activities:		
Property, plant, and equipment additions, net of disposals	(1,295)	(978)
Purchases of alternative investments, commingled funds, and trading securities	(13,545)	(9,389)
Proceeds from sales of alternative investments, commingled funds, and trading securities	13,570	8,925
Cash paid through affiliation and divestiture activities, net of cash received	(152)	(189)
Other investing activities	(91)	(111)
Net cash used in investing activities	(1,513)	(1,742)
Cash flows from financing activities:		
Proceeds from restricted contributions and restricted income	385	287
Debt borrowings	1,337	1,106
Debt payments	(1,335)	(850)
Other financing activities	(20)	(36)
Net cash provided by financing activities	367	507
(Decrease) increase in cash and cash equivalents	(2,087)	1,914
Cash and cash equivalents, beginning of year	3,230	1,316
Cash and cash equivalents, end of year	$ 1,143	3,230
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	$ 247	267

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 52 hospitals and a comprehensive range of services provided across Alaska, California, Montana, New Mexico, Oregon, Texas, and Washington. The Health System also provides population health management through various affiliated licensed insurers and other risk-bearing entities.

The Health System has been recognized as exempt from federal income taxes, except on unrelated business income, under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3) and further described as a public charitable organization under Section 509(a)(3). PHS, SJHS, and substantially all of the various corporations within the Health System have been granted exemptions from federal income tax under Section 501(a) of the Internal Revenue Code as charitable organizations described in Section 501(c)(3). During 2021 and 2020, the Health System did not record any liability for unrecognized tax benefits.

(b) Basis of Presentation

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

(c) Performance Indicator

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

(d) Operating and Nonoperating Activities

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

(Continued)

investment earnings, gains or losses from debt extinguishment, 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) allowance for contractual revenue adjustments; (2) fair value of acquired assets and assumed liabilities in business combinations; (3) fair value of investments; (4) reserves for self-insured healthcare plans; and (5) reserves for professional, workers' compensation, and general insurance liability risks.

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

(f) 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.

(g) Supplies Inventory

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

(h) 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.

(i) 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 64% and 67% of noncurrent investments, as stated at December 31, 2021 and 2020, respectively, could be utilized within the next year if needed.

(In millions of dollars)

(j) 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.

(k) Net Assets

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

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

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

		2021	2020
Program support	$	1,421	1,242
Capital acquisition		235	208
Low-income housing and other		105	100
Total net assets with donor restrictions	$	1,761	1,550

(l) 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.

(m) Charity Care and Community Benefit

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

Charity care is reported at cost and is determined by multiplying the charges incurred at established rates for services rendered by the Health System's cost-to-charge ratio. The cost of charity care

provided by the Health System for the years ended December 31, 2021 and 2020 was $271 and $276, respectively.

(n) Subsequent Events

The Health System has performed an evaluation of subsequent events through March 8, 2022, the date the accompanying combined financial statements were issued.

In May 2020 two of the three corporate members of Hoag Hospital, Hoag Family Foundation and the Association of Presbyterian Members of Hoag, filed a complaint under a California Corporations Code statute seeking to involuntarily dissolve Covenant Health Network, the third corporate member. The complaint included removing Hoag Hospital as an Obligated Group Member through this involuntary dissolution claim. In January 2022, Hoag and the Health System reached an agreement to amicably end the affiliation, and Hoag exited from the Obligated Group on January 19, 2022. In accordance with this agreement, the complaint was dismissed with prejudice as to all claims, and the dismissal was entered by the Court on January 10, 2022. Hoag accounts for 7 percent of the Obligated Group's audited total operating revenues for the year ended December 31, 2021, and 7 percent of the Health System's audited total operating revenues for the year ended December 31, 2021. Hoag accounts for 17 percent of the Health System's unrestricted cash and investments, net of debt financing relating to Hoag assets, as of December 31, 2021. The Health System will record the disaffiliation transaction during the first quarter of 2022 and expects a nonoperating charge of approximately $3,300 pending further adjustments.

(o) New Accounting Pronouncements

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

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

(p) Reclassifications

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

(2) COVID-19 Pandemic and CARES Act Funding

Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted on March 27, 2020, authorized $100,000 in funding to hospitals and other healthcare providers that was distributed through the Public Health and Social Services Emergency Fund (the Fund). Payments from the Fund were intended to compensate healthcare providers for lost revenues and incremental expenses incurred in response to the COVID-19 pandemic and were not required to be repaid, provided the recipients attest to and comply with certain terms and conditions, including limitations on balance billing and not using this funding to reimburse expenses or losses that other sources are obligated to reimburse. The U.S. Department of Health and Human Services (HHS) initially distributed $30,000 of this funding based on each provider's share of total Medicare fee-for-service reimbursement in 2019 but announced that $50,000 in CARES Act funding (including the $30,000 already distributed) would be allocated proportional to providers' share of 2018 patient service revenue. HHS indicated that distributions of the remaining $50,000 were targeted primarily to hospitals in COVID-19 high impact areas, to rural providers, and to reimburse providers for COVID-19 related treatment of uninsured patients. The Health System received payments of approximately $1,072 from the Fund in 2020, and $957 was recognized as other operating revenue during the year ended December 31, 2020. The Health System received payments of approximately $228 from the Fund in 2021, and $313 was recognized as other operating revenue during the year ended December 31, 2021.

As a way to increase cash flow to Medicare providers impacted by the COVID-19 pandemic, the CARES Act expanded the Medicare Accelerated and Advance Payment Program. Inpatient acute care hospitals may request accelerated payments of up to 100% of the Medicare payment amount for a six-month period (not including Medicare Advantage payments), although CMS is now reevaluating pending and new applications in light of direct payments made available through the Fund. Under this program, CMS based payment amounts for inpatient acute care hospitals on the provider's Medicare fee-for-service reimbursements in the last six months of 2019. Such accelerated payments were interest free for inpatient acute care hospitals and the Health System's ambulatory providers for up to 29 months. The program required CMS to start recouping the payments beginning 12 months after receipt by the provider by withholding future Medicare fee-for-service payments for claims until the full accelerated payment has been recouped. The recoupment started at 25% for the first 11 months, and then increased to 50% for the succeeding six months. The program required any outstanding balance remaining after 29 months to be repaid by the provider or be subject to an interest rate currently set at 4%. The payments were made for services a healthcare entity provided to its Medicare patients who are the healthcare entity's customers. These payments have no impact on recognition of revenue, which is recognized at the time services are provided to the patients. In April 2020, the Health System received approximately $1,630 of accelerated payments, which were accrued on the combined balance sheets as of December 31, 2020 in other current and other long-term liabilities. These liabilities were reduced as claims submitted for services provided were recognized beginning after the one-year period. As of December 31, 2020, $996 was recorded in other long-term liabilities on the combined balance sheets. As of December 31, 2021, $1,009 was recorded in other current liabilities on the combined balance sheets.

The CARES Act also provided for deferred payment of the employer portion of social security taxes between March 27, 2020 and December 31, 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. The Health System began deferring the employer portion of social security taxes in mid-April 2020. As of December 31, 2020, the Health System deferred

$365 in social security taxes, which are included in accrued compensation and other long-term liabilities in the accompanying combined balance sheets. As of December 31, 2021, $183 in social security taxes are included in accrued compensation in the accompanying combined balance sheets.

Under accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect reported amounts. Accordingly, the impact of COVID-19 has increased the uncertainty associated with several of the assumptions underlying management's estimates. COVID-19's overall impact on the Health System will be driven primarily by the severity and duration of the pandemic; the pandemic's impact on the United States economy and the timing, scope, and effectiveness of federal, state, and local governmental responses to the pandemic. Those primary drivers are uncertain and beyond management's control and may adversely impact the Health System's revenue growth, supply chain, investments, and workforce, among other aspects of the Health System's business. The actual impact of COVID-19 on the Health System's combined financial statements may differ significantly from the judgments and estimates made as of the year ended December 31, 2021.

(3) Revenue Recognition

(a) Net Patient Service Revenues

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

Net patient service revenues are recognized at the time services are provided to patients. Revenue is recorded in the amount which the Health System expects to collect, which may include variable components. Variable consideration is included in the transaction price to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Adjustments from finalization of prior years' cost reports and other third-party settlement estimates resulted in an increase in net patient service revenues of $48 and $20 for the years ended December 31, 2021 and 2020, respectively.

Various states in which the Health System operates have instituted a provider tax on certain patient service revenues at qualifying hospitals to increase funding from other sources and obtain additional Federal funds to support increased payments to providers of Medicaid services. The taxes are included in purchased services, professional fees, and other expenses in the accompanying combined statements of operations and were $624 and $753 for the years ended December 31, 2021 and 2020, 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 $863 and $1,082 for the years ended December 31, 2021 and 2020, 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

(In millions of dollars)

the Health System's performance may differ from the timing of the payment received, which may result in the recognition of a contract asset or a contract liability. The balance of contract liabilities was $23 and $30 as of December 31, 2021 and 2020, 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.

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

		2021	2020
Alaska	$	912	830
Washington		7,358	6,543
Montana		475	427
Oregon		5,344	5,137
California		9,855	9,151
Texas		1,154	1,032
Total revenues from contracts with customers		25,098	23,120
Other revenues		2,230	2,555
Total operating revenues	$	27,328	25,675

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

		2021	2020
Hospitals	$	17,614	16,145
Health plans and accountable care		2,580	2,739
Physician and outpatient activities		3,234	2,728
Long-term care, home care, and hospice		1,315	1,268
Other		355	240
Total revenues from contracts with customers		25,098	23,120
Other revenues		2,230	2,555
Total operating revenues	$	27,328	25,675

(Continued)

(In millions of dollars)

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

		2021	2020
Commercial	$	12,350	11,331
Medicare		8,722	8,021
Medicaid		3,645	3,517
Self-pay and other		381	251
Total revenues from contracts with customers		25,098	23,120
Other revenues		2,230	2,555
Total operating revenues	$	27,328	25,675

(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, 2021	Fair value measurements at reporting date using Level 1	Level 2	Level 3
Management-designated cash and investments:				
Cash and cash equivalents	$ 697	697	—	—
Equity securities:				
Domestic	1,256	1,256	—	—
Foreign	467	467	—	—
Mutual funds	2,218	2,218	—	—
Domestic debt securities:				
State and federal government	2,048	1,672	376	—
Corporate	980	—	980	—
Other	554	—	554	—
Foreign debt securities	315	—	315	—
Commingled funds	110	110	—	—
Other	24	12	12	—
Investments measured using NAV	4,282			
Total management-designated cash and investments	12,951			
Gift annuities, trusts, and other	370	80	14	276
Funds held by trustee:				
Cash and cash equivalents	96	96	—	—
Domestic debt securities	332	204	128	—
Foreign debt securities	32	—	32	—
Total funds held by trustee	460			
Total assets whose use is limited	$ 13,781			

(Continued)

(In millions of dollars)

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

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

(Continued)

(In millions of dollars)

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

	Fair value		Unfunded	Redemption	Redemption
	2021	2020	commitments	frequency	notice period
Hedge funds:					
Long/short equity	$ 866	598	—	Monthly, quarterly, semi-annually, or annually	30–120 days
Credit	290	272	9	Quarterly or annually	45–150 days
Relative value	172	178	—	Quarterly	60–90 days
Global macro	173	112	30	Monthly or quarterly	2–90 days
Fund of hedge funds	19	18	—	Quarterly	90 days
Private equity	1,210	797	591	Not applicable	Not applicable
Private real estate	294	250	185	Not applicable	Not applicable
Real assets	159	113	75	Monthly or quarterly	10–60 days
Commingled	1,099	1,117	—	Monthly, quarterly, semi-annually, or annually	6–90 days
Total	$ 4,282	3,455	890		

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

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

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

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

(Continued)

(In millions of dollars)

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

(b) Unsettled Transactions

Investment sales and purchases initiated prior to and settled subsequent to the combined balance sheet date result in amounts due from and to brokers. As of December 31, 2021, the Health System recorded a receivable of $28 for investments sold but not settled and a payable of $43 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, 2020, the Health System recorded a receivable of $35 for investments sold but not settled and a payable of $68 for investments purchased but not settled in other current assets and other current liabilities, respectively, in the accompanying combined balance sheets.

(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:

		2021	2020
Derivative assets:			
Futures contracts	$	922	762
Foreign currency forwards and other contracts		94	180
Total derivative assets	$	1,016	942
Derivative liabilities:			
Futures contracts	$	(922)	(762)
Foreign currency forwards and other contracts		(95)	(179)
Total derivative liabilities	$	(1,017)	(941)

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 $893 and $437, respectively, as of December 31, 2021. The total notional derivative amount of mortgage contracts purchased and sold was $843 and $386, respectively, as of December 31, 2020. These meet the definition of a derivative instrument in cases where physical delivery of the assets is not taken at the earliest available delivery date.

(Continued)

(In millions of dollars)

(d) Investment Income, Net

		2021	2020
Interest and dividend income	$	138	133
Net realized gains on sale of trading securities		506	281
Change in net unrealized gains on trading securities		601	692
Investment income, net	$	1,245	1,106

(e) Assets Measured Using Significant Unobservable Inputs

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

The Health System had Level 3 purchases of $45 and $56 in 2021 and 2020, respectively. The Health System had Level 3 sales of $41 and $56 in 2021 and 2020, respectively. There were $4 transfers out of Level 3 in 2021. There were no transfers in or out of Level 3 in 2020.

(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.

(Continued)

(In millions of dollars)

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

	Approximate useful life (years)	2021	2020
Land	—	$ 1,530	1,515
Buildings and improvements	5–60	11,406	10,914
Equipment:			
Fixed	5–25	1,373	1,364
Major movable and minor	3–20	7,003	6,673
Construction in progress	—	1,820	1,380
		23,132	21,846
Less accumulated depreciation		(11,803)	(10,813)
Property, plant, and equipment, net		$ 11,329	11,033

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:

	2021	2020
Investment in nonconsolidated joint ventures	$ 399	341
Goodwill, net of accumulated amortization	441	417
Intangible assets, net of accumulated amortization	242	289
Beneficial interest in noncontrolled foundations	320	277
Other	999	908
Total other assets	$ 2,401	2,232

Goodwill is recorded as the excess of cost over fair value of the acquired net assets. Beginning in 2021 with the adoption of ASU 2019-06, 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, 2021 and 2020.

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.

(Continued)

(In millions of dollars)

(7) Leases

The Health System enters into operating and finance leases primarily for buildings and equipment. For leases with terms greater than 12 months, the Health System records the related 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 year ended December 31:

		2021	2020
Operating lease cost:			
Fixed lease expense	$	257	282
Short-term lease expense		32	11
Variable lease expense		159	147
Total operating lease cost	$	448	440
Finance lease cost:			
Amortization of ROU assets	$	35	30
Interest on finance lease liabilities		26	22
Total finance lease cost	$	61	52

(Continued)

(In millions of dollars)

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

	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 254	282
Operating cash flows from finance leases	27	23
Financing cash flows from finance leases	26	23
Additions to ROU assets obtained from operating leases	34	189
Additions to ROU assets obtained from finance leases	5	222
Weighted-average remaining lease term (in years):		
Operating leases	9	10
Finance leases	17	18
Weighted-average discount rate:		
Operating leases	3.6 %	3.6 %
Finance leases	6.0 %	6.0 %

Commitments related to noncancellable operating and finance leases for each of the next five years and thereafter as of December 31, 2021 are as follows:

	Operating	Finance
2022	$ 233	53
2023	215	49
2024	163	47
2025	146	44
2026	130	43
Thereafter	506	493
	1,393	729
Less imputed interest	204	286
Total lease liabilities	1,189	443
Less current portion	197	34
Long-term portion	$ 992	409

(Continued)

(In millions of dollars)

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

	Classification	2021	2020
Assets:			
Operating	Operating leases ROU assets	$ 1,012	1,219
Finance	Property, plant, and equipment, net	412	436
Liabilities:			
Current:			
Operating	Current portion of operating lease ROU liabilities	197	262
Finance	Current portion of long-term debt	34	38
Long-term:			
Operating	Long-term operating lease ROU liabilities, net of current portion	992	1,145
Finance	Long-term debt, net of current portion	409	432

(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)

(Continued)

(In millions of dollars)

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

	Maturing through	Coupon rates	Unpaid principal 2021	Unpaid principal 2020
Master trust debt:				
Fixed rate:				
Series 2005, Direct Obligation Notes	2030	5.30–5.39%	$ 31	33
Series 2008B, LHFDC Revenue Bonds	2023	4.00–5.00	4	5
Series 2009C, CHFFA Revenue Bonds	2034	5.00	91	91
Series 2009D, CHFFA Revenue Bonds	2034	1.70	40	40
Series 2011A, AIDEA Revenue Bonds	2041	5.00–5.50	—	123
Series 2011B, WHCFA Revenue Bonds	2021	3.50–5.00	—	11
Series 2011C, OFA Revenue Bonds	2026	3.50–5.00	6	8
Series 2012A, WHCFA Revenue Bonds	2042	3.00–5.00	441	452
Series 2012B, WHCFA Revenue Bonds	2042	4.00–5.00	—	100
Series 2013A, OFA Revenue Bonds	2024	5.00	25	33
Series 2013A, CHFFA Revenue Bonds	2037	4.00–5.00	324	325
Series 2013D, Direct Obligation Notes	2023	4.38	252	252
Series 2014A, CHFFA Revenue Bonds	2038	4.00–5.00	170	180
Series 2014B, CHFFA Revenue Bonds	2044	4.25–5.00	119	119
Series 2014C, WHCFA Revenue Bonds	2044	4.00–5.00	80	92
Series 2014D, WHCFA Revenue Bonds	2041	5.00	177	177
Series 2015A, WHCFA Revenue Bonds	2045	4.00	78	78
Series 2015C, OFA Revenue Bonds	2045	4.00–5.00	71	71
Series 2016A, CHFFA Revenue Bonds	2047	2.50–5.00	448	448
Series 2016B, CHFFA Revenue Bonds	2036	1.25–4.00	190	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	323	323
Series 2021A, Direct Obligation Bonds	2051	2.70	775	—
Series 2021B, WHCFA Revenue Bonds	2042	4.00	178	—
Series 2021C, PFA Revenue Bonds	2041	4.00	102	—
Total fixed rate			5,885	5,111

(Continued)

(In millions of dollars)

	Maturing through	Effective interest rate (1)		Unpaid principal	
		2021	2020	2021	2020
Variable rate:					
Series 2012C, WHCFA Revenue Bonds	2042	0.03 %	0.58 %	$ —	80
Series 2012D, WHCFA Revenue Bonds	2042	0.03	0.58	—	80
Series 2012E, Direct Obligation Notes	2042	0.07	0.85	—	221
Series 2016C, LHFDC Revenue Bonds	2030	0.57	0.92	29	31
Series 2016D, WHCFA Revenue Bonds	2036	0.67	1.01	75	86
Series 2016E, WHCFA Revenue Bonds	2036	0.59	0.94	55	86
Series 2016F, MFFA Revenue Bonds	2026	0.57	0.92	27	32
Series 2016G, Direct Obligation Notes	2047	0.08	0.73	—	100
Total variable rate				186	716
Wells Fargo Credit Facility	2021	Not applicable	2.92	—	205
Wells Fargo Credit Facility	2021	Not applicable	1.52	—	250
Wells Fargo Credit Facility	2026	0.65 %	Not applicable	205	—
Unpaid principal, master trust debt				6,276	6,282
Premiums, discounts, and unamortized financing costs, net				225	202
Master trust debt, including premiums and discounts, net				6,501	6,484
Other long-term debt				603	638
Total debt				$ 7,104	7,122

(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, 2021 and 2020. In March 2020, the Health System placed a $250 short-term bridge loan from Wells Fargo Bank, NA with a final maturity of March 2021. In October 2020, the Health System drew $205 from its syndicated revolver, administered by Wells Fargo Bank, with an agreement maturity of September 2021. At December 31, 2020, the Health System also had $377 of debt with remarketing provisions supported by syndicated credit facilities, administered by US Bank, NA, which matured in July 2021 and a mandatory redemption of $100 that occurred in October 2021.

During 2021, the Health System issued $1,112 of Series 2021A, 2021B, and 2021C revenue bonds and direct obligation bonds. The intended uses of funds included refinancing legacy SJHS and PHS master trust debt and repayment of outstanding lines of credit. The Health System recorded nonoperating losses of $3 due to extinguishment of debt during the year ended December 31, 2021.

(Continued)

(In millions of dollars)

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

		2021	2020
Current portion of long-term debt	$	81	127
Master trust debt classified as short-term		189	934
Long-term debt, classified as a long-term liability		6,834	6,061
Total debt	$	7,104	7,122

(b) Other Long-Term Debt

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

		2021	2020
Finance leases	$	443	470
Notes payable		157	164
Bonds not under master trust indenture and other		3	4
Total other long-term debt	$	603	638

(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
2022	$	231	39	270
2023		327	33	360
2024		176	29	205
2025		492	30	522
2026		580	60	640
Thereafter		4,470	412	4,882
Scheduled principal payments of long-term debt	$	6,276	603	6,879

(Continued)

(In millions of dollars)

(d) Derivative Instruments

The Health System uses interest rate swap agreements to manage interest rate risk associated with its outstanding debt. As of December 31, 2021 and 2020, the Health System had interest rate swap contracts with a total current notional amount totaling $401 and $418, 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, 2021 and 2020, the change in valuation was a gain of $27 and a loss of $25, respectively, and settlements recognized as a component of interest expense were $13 and $12, 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, 2021 and 2020, the fair value of outstanding interest rate swaps was in a net liability position of $115 and $142, respectively, and is included in other liabilities in the accompanying combined balance sheets. Collateral posted in connection with the outstanding swap agreements as of December 31, 2021 and 2020 was $17 and $40, respectively. These amounts were included in other assets in the accompanying combined balance sheets.

The following tables present the fair value of swaps:

	December 31, 2021	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
Liabilities under interest rate swaps	$ 115	—	115	—

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

(Continued)

(In millions of dollars)

(9) Retirement Plans

(a) Defined Benefit Plans

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

		2021	2020
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$	3,037	2,794
Service cost		17	16
Interest cost		79	95
Plan amendments		2	—
Actuarial (gain) loss		(56)	311
Benefits paid and other		(183)	(179)
Projected benefit obligation at end of year		2,896	3,037
Change in fair value of plan assets:			
Fair value of plan assets at beginning of year		1,833	1,699
Actual return on plan assets		158	200
Employer contributions		111	113
Benefits paid and other		(183)	(179)
Fair value of plan assets at end of year		1,919	1,833
Funded status		(977)	(1,204)
Unrecognized net actuarial loss		534	720
Unrecognized prior service cost		2	—
Net amount recognized	$	(441)	(484)
Amounts recognized in the combined balance sheets consist of:			
Current liabilities	$	(1)	(1)
Noncurrent liabilities		(974)	(1,203)
Unrestricted net assets		534	720
Net amount recognized	$	(441)	(484)
Weighted average assumptions:			
Discount rate		3.00 %	2.70 %
Rate of increase in compensation levels		4.00	3.00
Long-term rate of return on assets		6.25	6.25

(Continued)

(In millions of dollars)

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

		2021	2020
Components of net periodic pension cost:			
Service cost	$	17	16
Interest cost		79	95
Expected return on plan assets		(101)	(98)
Recognized net actuarial loss		57	38
Net periodic pension cost	$	52	51
Special recognition – settlement expense	$	18	22

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, 2021 and 2020 is included in net nonoperating gains (losses) in the accompanying combined statements of operations.

The accumulated benefit obligation was $2,845 and $2,983 at December 31, 2021 and 2020, respectively.

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

2022	$	190
2023		187
2024		185
2025		182
2026–2031		1,021
	$	1,765

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

The expected long-term rate of return on plan assets is the expected average rate of return on the funds invested currently and on funds to be invested in the future in order to provide for the benefits included in the projected benefit obligation. The Health System used 6.25% in calculating the 2021 and 2020 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 6.25% to be outside of a reasonable range of expected returns, or if actual plan

(Continued)

(In millions of dollars)

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:

	2021 Target	2021 ELTRA	2020 Target	2020 ELTRA
Cash and cash equivalents	2 %	2.0 %	2 %	2.0 %
Equity securities	45	8%–9%	45	8%–9%
Debt securities	33	3%–4%	33	2%–3%
Other securities	20	5%–8%	20	5%–9%
Total	100 %	6.25 %	100 %	6.25 %

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

	December 31, 2021	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 161	161	—	—
Equity securities:				
Domestic	308	308	—	—
Foreign	119	119	—	—
Mutual funds	276	276	—	—
Domestic debt securities:				
State and government	271	239	32	—
Corporate	151	—	151	—
Other	26	—	26	—
Foreign debt securities	56	—	56	—
Commingled funds	138	138	—	—
Investments measured using NAV	502			
Transactions pending settlement, net	(89)			
Total	$ 1,919			

(Continued)

(In millions of dollars)

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

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

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 2021	Fair value 2020	Redemption frequency	Redemption notice period
Hedge funds:				
Long/short equity	$ 45	55	Monthly or quarterly	30–65 days
Credit and other	165	61	Monthly or quarterly	90 days
Real assets	—	1	NA	NA
Risk parity	—	140	NA	NA
Commingled	292	235	Monthly	6–30 days
Total	$ 502	492		

(Continued)

(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:

		2021	2020
Derivative assets:			
Futures contracts	$	233	160
Foreign currency forwards and other contracts		2	3
Total derivative assets	$	235	163
Derivative liabilities:			
Futures contracts	$	(233)	(160)
Foreign currency forwards and other contracts		(1)	(2)
Total derivative liabilities	$	(234)	(162)

(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 $557 and $545 in 2021 and 2020, 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 $613 and $523 as of December 31, 2021 and 2020, 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.

(10) Self-Insurance Liabilities

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

The Health System accrues estimated self-insured professional and general liability and workers' compensation insurance claims based on management's estimate of the ultimate costs for both reported

(Continued)

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, 2021 and 2020, the estimated liability for future costs of professional and general liability claims was $635 and $507, respectively. At December 31, 2021 and 2020, the estimated workers' compensation obligation was $387 and $399, 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, 2021, primarily related to construction and equipment and software acquisition, are approximately $445.

(b) Litigation

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

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

(Continued)

(In millions of dollars)

(12) Functional Expenses

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

	2021								
	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	$ 7,668	146	2,694	721	11,229	2,267	470	2,737	13,966
Supplies	3,312	2	316	199	3,829	—	339	339	4,168
Purchased healthcare services	229	1,442	302	156	2,129	—	—	—	2,129
Interest, depreciation, and amortization	798	8	89	20	915	442	49	491	1,406
Purchased services, professional fees and other	2,988	211	1,245	128	4,572	1,576	225	1,801	6,373
Total operating expenses	$ 14,995	1,809	4,646	1,224	22,674	4,285	1,083	5,368	28,042

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

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, 2021 and 2020

(In millions of dollars)

	2021			2020		
Assets	**Obligated Group**	**Nonobligated, Eliminations, and Other**	**Total combined**	**Obligated Group**	**Nonobligated, Eliminations, and Other**	**Total combined**
Current assets:						
Cash and cash equivalents	$ 244	899	1,143	2,281	949	3,230
Accounts receivable, net	2,823	335	3,158	2,184	181	2,365
Supplies inventory	379	23	402	344	17	361
Other current assets	1,561	88	1,649	1,284	196	1,480
Current portion of assets whose use is limited	1,184	307	1,491	885	343	1,228
Total current assets	6,191	1,652	7,843	6,978	1,686	8,664
Assets whose use is limited	8,805	3,485	12,290	8,308	3,198	11,506
Property, plant, and equipment, net	10,020	1,309	11,329	9,866	1,167	11,033
Operating lease right-of-use assets	743	269	1,012	928	291	1,219
Other assets	2,926	(525)	2,401	2,760	(528)	2,232
Total assets	$ 28,685	6,190	34,875	28,840	5,814	34,654
Liabilities and Net Assets						
Current liabilities:						
Current portion of long-term debt	$ 70	11	81	110	17	127
Master trust debt classified as short-term	189	—	189	934	—	934
Accounts payable	1,222	210	1,432	978	177	1,155
Accrued compensation	1,468	159	1,627	1,322	131	1,453
Current portion of operating lease right-of-use liabilities	156	41	197	211	51	262
Other current liabilities	2,285	771	3,056	1,896	862	2,758
Total current liabilities	5,390	1,192	6,582	5,451	1,238	6,689
Long-term debt, net of current portion	6,533	301	6,834	5,699	362	6,061
Pension benefit obligation	977	—	977	1,203	—	1,203
Long-term operating lease right-of-use liabilities, net of current portion	720	272	992	858	287	1,145
Other liabilities	835	983	1,818	1,881	959	2,840
Total liabilities	14,455	2,748	17,203	15,092	2,846	17,938
Net assets:						
Net assets without donor restrictions	13,133	2,778	15,911	12,741	2,425	15,166
Net assets with donor restrictions	1,097	664	1,761	1,007	543	1,550
Total net assets	14,230	3,442	17,672	13,748	2,968	16,716
Total liabilities and net assets	$ 28,685	6,190	34,875	28,840	5,814	34,654

See accompanying independent auditors' report

PROVIDENCE ST. JOSEPH HEALTH

Supplemental Schedule – Obligated Group Combining Statements of Operations Information

Years ended December 31, 2021 and 2020

(In millions of dollars)

	2021			2020		
	Obligated Group	Nonobligated, Eliminations, and Other	Total combined	Obligated Group	Nonobligated, Eliminations, and Other	Total combined
Operating revenues:						
Net patient service revenues	$ 19,404	1,504	20,908	17,762	1,202	18,964
Other revenues	2,726	3,694	6,420	3,127	3,584	6,711
Total operating revenues	22,130	5,198	27,328	20,889	4,786	25,675
Operating expenses:						
Salaries and benefits	11,980	1,986	13,966	11,001	1,645	12,646
Supplies	3,812	356	4,168	3,516	305	3,821
Interest, depreciation, and amortization	1,243	163	1,406	1,258	117	1,375
Purchased services, professional fees, and other	5,157	3,345	8,502	4,851	3,288	8,139
Total operating expenses	22,192	5,850	28,042	20,626	5,355	25,981
(Deficit) excess of revenues over expenses from operations	(62)	(652)	(714)	263	(569)	(306)
Net nonoperating gains (losses):						
Loss on extinguishment of debt	(3)	—	(3)	—	—	—
Investment income, net	1,078	167	1,245	871	235	1,106
Other	(18)	8	(10)	6	(66)	(60)
Total net nonoperating gains	1,057	175	1,232	877	169	1,046
Excess (deficit) of revenues over expenses	$ 995	(477)	518	1,140	(400)	740

See accompanying independent auditors' report.