
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 twelve months ended December 31, 2022. Providence has undertaken no responsibility to update such data since December 31, 2022, 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

	Page
About Providence.....	1
Our Organization.....	1
Our Integrated Strategic & Financial Plan.....	2
Providence Continues Focus on Recovery and Renewal.....	3
COVID-19: Responding to Meet Community Needs	4
Geographic Information.....	5
Northern Division.....	5
Puget Sound Region	5
Alaska	6
Central Division.....	6
Eastern Washington and Western Montana.....	6
Oregon.....	6
West Texas and Eastern New Mexico	6
Southern Division.....	6
Southern California.....	6
Northern California.....	7
Financial Information.....	8
Management's Discussion and Analysis: Fiscal Year Ended December 31, 2022	11
Results of Operations.....	11
Operations Summary.....	11
Volumes.....	12
Operating Revenues	13
Operating Expenses.....	14
Non-Operating Activity.....	14
Liquidity and Capital Resources; Outstanding Indebtedness	15
Unrestricted Cash and Investments.....	15
Financial Ratios.....	16
System Capitalization.....	16
System Governance and Management.....	17
Corporate Governance.....	17
Executive Leadership Team.....	17
Environmental, Social, and Governance Standards.....	18
Support Services.....	18
Obligated Group.....	18
Obligated Group Utilization.....	19
Obligated Group Capitalization.....	19
Historical Debt Service Coverage.....	19
Outstanding Master Trust Indenture Obligations.....	20
Control of Certain Obligated Group Members.....	20
General.....	20
Northern California Region	20
Southern California Region.....	20
West Texas/Eastern New Mexico Region.....	20
Other Information	21
Non-Obligated Group System Affiliates	21
Providence Clinical Network.....	21
Population Health Management	22
Tegria.....	22
Interest Rate Swap Arrangements.....	22
Litigation.....	23
Employees	24
Community Benefit.....	24
Providence Information Security Program.....	24
Insurance	25
Retirement Plans.....	25
Accreditation and Memberships.....	25
Glossary of Certain Terms	26
Exhibit 6 - Obligated Group Facilities	28
Acute Care Facilities by Region.....	28
Long-Term Care Facilities by Region.....	30
Exhibit 7 - Supplementary Information.....	31

About Providence

Our Organization

Providence St. Joseph Health (“Providence”) is a national, not-for-profit Catholic health system comprising a diverse family of organizations driven by a belief that health is a human right. With 51 hospitals, over 1,000 clinics, and many other health and educational services, our health system employs more than 117,000 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 more 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 26,000 affiliated providers, a health plan, senior care, financial assistance programs, community health investments, and educational ministries that include a high school and university.

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

Our Integrated Strategic & Financial Plan

Guided by our Mission, values, vision, and promise, Providence has developed and adopted an Integrated Strategic & Financial Plan called Destination Health 2025 that serves as our roadmap for accelerating progress toward our vision of Health for a Better World. Supported by three areas of strategic focus, our plan ensures integration between our strategic aspirations and financial capacity.

Strengthen the core. Providence will focus on delivering a compassionate and simplified experience for patients and consumers by:

- Cultivating an inspiring caregiver experience of inclusion and growth
- Providing safe, effective, person-centered care
- Delivering a simplified consumer and patient journey

Be our communities' health partner. Providence will focus on improving health outcomes in the communities we serve by:

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

Transform our future. Through research, data, and technology, decreasing variability, and modern support services, Providence will transform care delivery by:

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

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

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

Providence Continues Focus on Recovery and Renewal

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

Recover: Focusing on core operations. Management and the system responded and mobilized in 2022 to deploy multiple Recover programs to address the current challenges:

- Surgical volumes: As surgical volumes remain below pre-pandemic levels, efforts are underway to address pent-up demand for surgical and other chronic care in our communities while also continuing to meet the need for higher acuity services through our clinical institutes.
- Workforce: With current labor shortages, the use of premium labor, including the number and wage rate of agency nurses, continues to be significantly higher than previous years. Several initiatives are underway to reduce that spend in combination with increasing core productivity.
- Patient progression: Length of stay remains significantly challenged as Providence continues to care for many in our communities who are unable to be discharged to more appropriate care settings, based on limited availability. Providence is addressing this through a variety of community partnerships, patient progression, and capacity improvement programs.
- Cash acceleration: Accounts receivable have been negatively impacted by COVID-19, labor shortages, technology transitions, and other macroeconomic factors. Several initiatives are underway to reduce payment friction in payments with the broader payor community. In addition, with large portions of our support services moving to hybrid or virtual work environments, management is evaluating options for underutilized administrative real estate.
- Discretionary spend management: We continue to take steps to preserve our operating performance and liquidity, including reassessing current and new capital projects outside of those focused on patient and caregiver safety. We have also reduced discretionary spending including travel, use of third-party contractors, purchased services, and professional services. As demand returns, we are flexing our labor and supply resources to allow us to efficiently and safely provide the services required by our patients.

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

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

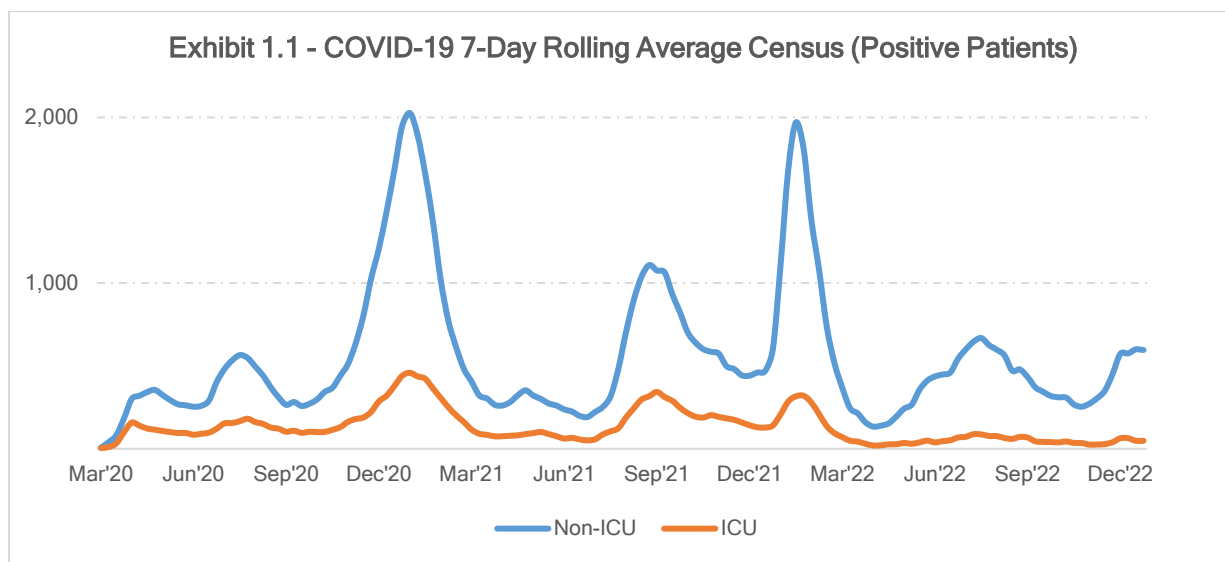
Deconstruct and diversify healthcare. In addition, our Deconstruct and Diversify Healthcare initiatives continue to gain momentum. We are currently focused on growing our Health Plan beyond Oregon including leveraging our capabilities in Medicare Advantage. In addition, we continue to grow our value-based care

initiatives with other payers, particularly in California. We continue to increase capacity to meet growing needs across many of our non-acute service lines (Ambulatory, Home and Community Care) and are continuing to evaluate optimal growth and capitalization opportunities.

Our diversification efforts continue to deliver success from our early investments in Truveta, Civica Rx, and Providence Ventures. In addition, our Tegria and Ayin divisions continue to drive appreciable revenue growth while creating scalable platforms across revenue cycle, IT and population health services, and products for clients and future partnerships.

COVID-19: Responding to Meet Community Needs

We continue to manage ongoing fluctuations in COVID-19 cases while providing access to other comprehensive care in a safe manner for both caregivers and patients. The chart below shows Providence’s 7-day rolling average census for COVID-19 positive patients through December 2022.



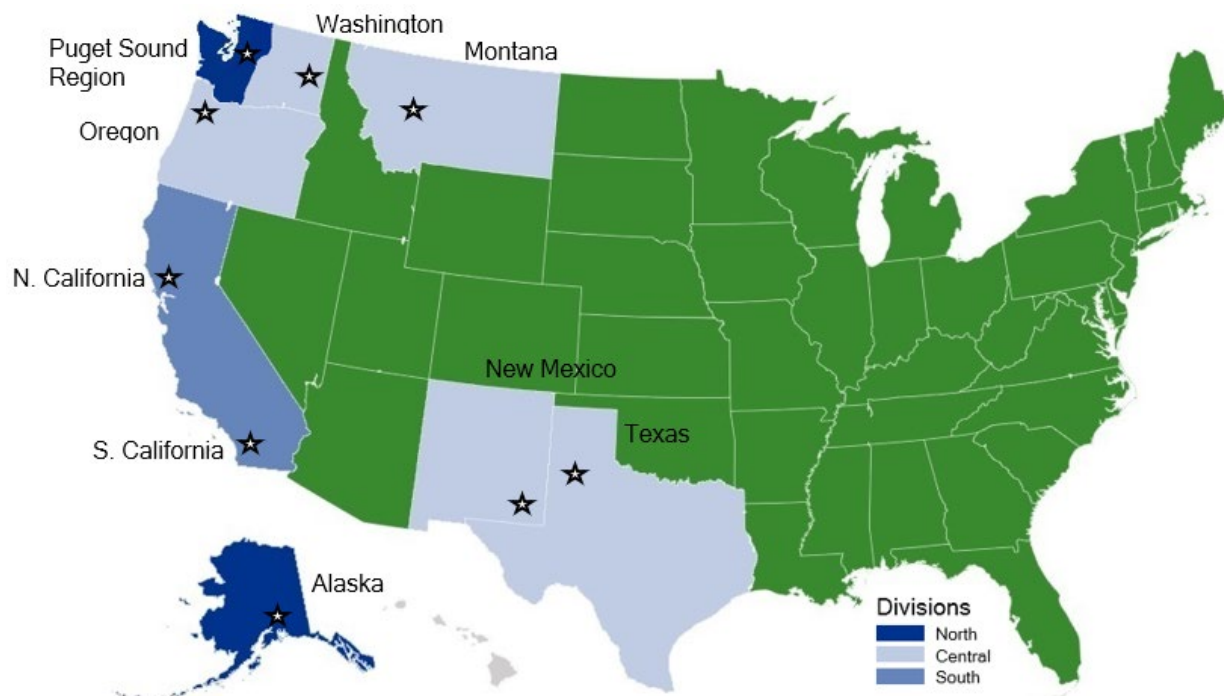
Providence has received relief in the form of grants and advance payments from the Coronavirus Aid Relief and Economic Security (“CARES”) Act. We have received \$1.4 billion in total grants from the CARES Act, including \$91 million received during the fiscal year ended December 31, 2022. Substantially all of these amounts have been recognized as revenue, including \$120 million recognized as revenue during the fiscal year 2022. In 2020, the Centers for Medicare & Medicaid Services (“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 were repaid to CMS through the offsetting of payments. The 29-month recoupment period ended in the fourth quarter of 2022 and all remaining balances were paid in October 2022.

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. 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 was paid in December 2022.

Geographic Information

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

Exhibit 1.2 - Areas We Serve



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

EXHIBIT 1.3 - OPERATING REVENUE SHARE BY GEOGRAPHIC REGION	Fiscal Year Ended	
	PRO FORMA 12-31-2021 ⁽¹⁾	12-31-2022
<u>Northern Division</u>		
Puget Sound Region	21.7%	21.1%
Alaska	4.0%	3.8%
<u>Central Division</u>		
Eastern Washington and Western Montana	12.9%	12.3%
Oregon	17.6%	17.8%
West Texas and Eastern New Mexico	5.1%	4.9%
<u>Southern Division</u>		
Southern California	26.7%	27.4%
Northern California	6.5%	6.4%
Other ⁽²⁾	5.5%	6.3%

⁽¹⁾ Excludes the operations of Hoag for the fiscal year ended December 31, 2021.

⁽²⁾ Includes Providence Health Plan, Tegria Holdings LLC, Home & Community Care, and Shared Services.

Northern Division

Puget Sound Region

The Puget Sound region includes three service areas: North Puget Sound, Central Puget Sound, and South Puget Sound, with a total inpatient market share of 27 percent in their service areas in 2021, as reported by the Comprehensive Hospital Abstract Reporting System. In the greater Puget Sound area of Washington,

Providence Swedish operates 8 hospitals in King, Snohomish, Lewis and Thurston Counties, and a network of over 200 primary care and specialty clinics throughout the Puget Sound area.

Alaska

The Alaska region includes 5 hospitals and 26 clinics with a 30 percent inpatient market share statewide in 2021, as reported by the Alaska Health Facilities Data Reporting Program. The Alaska facilities are primarily located in the greater Anchorage area, with 49 percent inpatient market share, as reported by the Alaska Health Facilities Data Reporting Program. The Alaska region also has facilities located in the remote communities of Kodiak, Seward, and Valdez. Providence Alaska Medical Center is an acute care facility located in Anchorage and the only comprehensive tertiary referral center in the state. St. Elias Specialty Hospital, a long-term acute care hospital (the only one in the state), is also located in the Anchorage area. Three critical access hospitals are in Kodiak, Seward, and Valdez, all co-located with skilled nursing facilities.

Central Division

Eastern Washington and Western Montana

The Eastern Washington-Western Montana region includes 9 hospitals, with a 42 percent inpatient market share in their service areas in 2021, as reported by the Comprehensive Hospital Abstract Reporting System. The region is composed of two geographic markets: Eastern Washington and Western Montana. The region provides a variety of services, including home health and hospice care, primary and immediate care services, inpatient rehabilitation, skilled nursing and transitional care, and general acute care services.

Oregon

The Oregon region includes 8 hospitals in Portland, Hood River, Medford, Milwaukie, Newberg, Seaside and Oregon City, with a total inpatient market share of 29 percent in their service areas in 2021, 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 more than 680,000 members live in the region.

West Texas and Eastern New Mexico

The West Texas-Eastern New Mexico region includes Covenant Health System and Covenant Medical Group. Covenant Health System and its related Texas affiliates are the market's largest health system, with 7 licensed hospitals. The inpatient market share was 37 percent in their service areas in 2021, 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 and began caring for patients in September 2022.

Southern Division

Southern California

The Southern California region includes 11 acute care hospitals in Los Angeles, Orange, and San Bernardino counties, with a total inpatient market share of 19 percent in their service areas in 2021, as reported by the Office of Statewide Health Planning and Development. In Los Angeles County, Providence includes six acute care facilities. Our largest hospital, Providence St. Joseph Medical Center, is in Burbank, with additional hospitals in Mission Hills, San Pedro, Torrance, and Santa Monica. Providence Medical Foundation operates more than 50 practice locations in the market, including Providence Facey Medical Foundation ("Facey"), Providence Medical Institute ("PMI"), and Providence St. John's medical foundations. In addition, Providence has 5 acute care facilities within Orange and San Bernardino counties: Apple Valley, Fullerton, Mission Viejo,

Laguna Beach, and Orange. Mission Hospital is located on two campuses in Mission Viejo and Laguna Beach, and maintains the region's level II trauma center, as well as a women's center.

In June 2021, Providence announced that Providence St. Mary Medical Center and Kaiser Permanente planned to open a new hospital facility with 260 beds in Victorville to replace the existing Providence St. Mary Medical Center facility, with an anticipated opening date of 2027 for the new facility. Providence St. Mary Medical Center and Kaiser Permanente had intended to enter into a joint venture for the ownership and operation of the new hospital facility once opened. On January 25, 2022, Kaiser Permanente and Providence St. Mary Medical Center announced that this project is unable to proceed as planned due to regulatory constraints placed by the California Attorney General's office. The parties are hopeful they will be able to find a path forward to serve the needs of the High Desert community.

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

Northern California

The Northern California region includes 6 hospitals in the North Coast, Humboldt, Napa, and Sonoma communities with a total inpatient market share of 30 percent in their service areas in 2021, as reported by the Office of Statewide Health Planning and Development. The acute care hospitals in Northern California include Providence Queen of the Valley Medical Center in Napa, Providence Santa Rosa Memorial Hospital, Petaluma Valley Hospital, Providence St. Joseph Hospital in Eureka, Providence Redwood Memorial Hospital in Fortuna, and Healdsburg Hospital. Providence Medical Foundation operates clinics in the region with its contracted physician partners.

Financial Information

The summary audited, as reported combined financial information as of and for the fiscal years ended December 31, 2022, and 2021, respectively, are presented below. The audited, as reported columns for the fiscal year ended December 31, 2021, represent the previously reported periods, and include the results of the Hoag entities. The unaudited, pro forma financial information below removes the operations of Hoag from Providence's consolidated results for the fiscal year ended December 31, 2021. The summary audited, as reported combined financial information as of and for the fiscal year ended December 31, 2021, presented below, has been derived by the management of Providence from audited combined financial information of the System. The financial information should be read in conjunction with the audited combined financial statements of the System, including the notes thereto, and the report of KPMG LLP, independent auditors.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions, estimates, and judgments that affect the amounts reported in the combined financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. System management considers critical accounting policies to be those that require the more significant judgments and estimates in the preparation of its combined financial statements, including the following: recognition of net patient service revenues, which includes contractual allowances; impairment of long-lived assets; valuation of investments; 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.

During the third quarter of 2022, we went live on a new Enterprise Resource Planning ("ERP") system. The new ERP system is intended to provide enhanced transactional processing and management tools compared to the legacy systems. As part of this implementation, we standardized the calculation of certain metrics, including acute adjusted admissions, case mix adjusted admissions ("CMAA"), and surgeries. Acute adjusted admissions and CMAAs had de minimus impacts, and surgeries had a varying impact by region, with an overall system impact of less than 1 percent lower growth rate compared to prior methodologies. Financial results are unaffected.

Summary Audited, As Reported and Unaudited Pro Forma Combined Statements of Operations

Fiscal Year Ended

EXHIBIT 2.1 - AS REPORTED AND PRO FORMA COMBINED STATEMENTS OF OPERATIONS \$ PRESENTED IN MILLIONS	AS REPORTED		PRO FORMA ⁽¹⁾	
	12-31-2021	12-31-2022	12-31-2021	12-31-2022
Net Patient Service Revenues	\$20,908	\$20,100	\$19,341	\$20,100
Premium Revenues	2,320	2,507	2,320	2,507
Capitation Revenues	1,870	1,897	1,697	1,897
Other Revenues	2,230	1,930	2,054	1,930
Total Operating Revenues	27,328	26,434	25,412	26,434
Salaries and Benefits	13,966	14,332	13,222	14,332
Supplies	4,168	4,129	3,877	4,129
Purchased Healthcare Services	2,129	2,226	2,037	2,226
Interest, Depreciation, and Amortization	1,406	1,282	1,272	1,282
Purchased Services, Professional Fees, and Other	6,373	5,917	5,887	5,917
Total Operating Expenses	28,042	27,886	26,295	27,886
Deficit of Revenues Over Expenses from Operations Before Restructuring Costs and Other	(714)	(1,452)	(883)	(1,452)
Restructuring Costs and Other ⁽²⁾	-	247	-	247
Deficit of Revenues Over Expenses from Operations	(714)	(1,699)	(883)	(1,699)
Non-Operating Gains (Losses)	1,232	(1,015)	936	(1,015)
Excess (Deficit) of Revenues Over Expenses Before Disaffiliation	518	(2,714)	53	(2,714)
Loss from Disaffiliation ⁽³⁾	-	(3,408)	-	(3,408)
Excess (Deficit) of Revenues Over Expenses	\$518	\$(6,122)	\$53	\$(6,122)
Operating EBIDA ^{(4), (5)}	\$812	\$(253)	\$509	\$(6)

⁽¹⁾ As noted above, unaudited pro forma results exclude the operations of Hoag for the fiscal year ended December 31, 2021.

⁽²⁾ Includes restructuring charges primarily comprised of costs related to asset rationalization, employee reductions, and other items.

⁽³⁾ Represents the impact of the removal of Hoag's net assets from the System's combined balance sheet as a result of the disaffiliation.

⁽⁴⁾ Excludes \$165 million for the fiscal year ended December 31, 2022 and \$120 million for the fiscal year ended December 31, 2021 in amortization of software as a service asset.

⁽⁵⁾ Pro forma operating earnings before interest, depreciation, and amortization ("EBIDA") excludes restructuring costs in 2022.

Summary Audited, As Reported and Unaudited Pro Forma Combined Balance Sheets

EXHIBIT 2.2 - AS REPORTED AND PRO FORMA COMBINED BALANCE SHEET \$ PRESENTED IN MILLIONS	As of			
	AS REPORTED		PRO FORMA ⁽¹⁾	
	12-31-2021	12-31-2022	12-31-2021	12-31-2022
Current Assets:				
Cash and Cash Equivalents ⁽²⁾	\$1,143	\$1,063	\$836	\$1,063
Short-Term Investments ⁽²⁾	1,322	515	598	515
Accounts Receivable, Net	3,158	2,841	2,915	2,841
Supplies Inventory	402	359	382	359
Other Current Assets	1,649	1,752	1,531	1,752
Current Portion of Assets Whose Use is Limited	169	141	169	141
Total Current Assets	7,843	6,671	6,431	6,671
Management Designated Cash and Investments ⁽²⁾	11,629	7,904	9,728	7,904
Assets Whose Use is Limited	661	608	638	608
Property, Plant & Equipment, Net	11,329	10,217	10,167	10,217
Other Assets	3,413	3,508	3,083	3,508
Total Assets	\$34,875	\$28,908	\$30,047	\$28,908
Current Liabilities:				
Current Portion of Long-Term Debt	81	166	79	166
Master Trust Debt Classified as Short-Term	189	452	187	452
Accounts Payable	1,432	1,915	1,349	1,915
Accrued Compensation	1,627	1,496	1,514	1,496
Other Current Liabilities	3,253	2,345	3,124	2,345
Total Current Liabilities	6,582	6,374	6,253	6,374
Long-Term Debt, Net of Current Portion	6,834	7,606	6,289	7,606
Pension Benefit Obligation	977	678	977	678
Other Liabilities	2,810	2,659	2,677	2,659
Total Liabilities	\$17,203	\$17,317	\$16,196	\$17,317
Net Assets:				
Controlling Interests	15,507	9,818	12,202	9,818
Noncontrolling Interests	404	386	310	386
Net Assets without Donor Restrictions	15,911	10,204	12,512	10,204
Net Assets with Donor Restrictions	1,761	1,387	1,339	1,387
Total Net Assets	17,672	11,591	13,851	11,591
Total Liabilities and Net Assets	\$34,875	\$28,908	\$30,047	\$28,908

⁽¹⁾ As noted above, as reported results were audited as of December 31, 2021. Unaudited pro forma results exclude the balances attributable to Hoag as of December 31, 2021. Audited pro forma results as of December 31, 2022, remain unchanged compared with audited as reported results for the same period.

⁽²⁾ Unrestricted Cash and Investments were \$9.5 billion as of December 31, 2022, and \$14.1 billion (as reported) as of December 31, 2021. The decrease was driven primarily by the disaffiliation of Hoag in January 2022.

Management's Discussion and Analysis: Fiscal Year Ended December 31, 2022

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, as reported and unaudited pro forma combined financial information as of and for the fiscal year ended December 31, 2022, and 2021, respectively, are presented below.

Results of Operations

As noted above, Providence and Hoag agreed to disaffiliate in January 2022, with Hoag becoming independent from Providence and Covenant Health Network, the structure that governed the affiliation. The as reported columns for the fiscal year ended December 31, 2021, represent the previously reported periods, and include the results of the Hoag entities. The pro forma columns below remove the operations of Hoag from Providence's consolidated results for the fiscal year ended December 31, 2021. The pro forma columns for the fiscal year ended December 31, 2022, remain unchanged compared with as reported results for the same period. Management believes this pro forma presentation is most useful for evaluating operations.

Operations Summary

Operating results through the fiscal year ended December 31, 2022 were impacted by economic pressures from inflation, increased workforce expenses, particularly premium labor, elevated length of stay due to lack of patient access to post-acute care, and COVID-19 surges in 2022. As depicted in Exhibit 1.1, the System experienced three peaks in COVID-19 census during the fiscal year of 2022. The larger peak occurred in the first quarter of 2022, followed by subsequent peaks through the second half of 2022. Pro forma net patient service revenues increased 4 percent in the fiscal year ended December 31, 2022, compared with the same period in 2021, driven by increased rates and overall volumes. The System's overall results continue to be challenged by higher costs to serve patients, including higher operating expenses, driven by an increase in agency and overtime expenses of \$547 million compared with the same period in 2021.

The results include the net recognition of reimbursements from California provider fee programs of \$190 million (revenue of \$451 million and expense of \$261 million) for the fiscal year ended December 31, 2022, compared with \$194 million (revenue of \$517 million and expense of \$323 million) in the prior year. For the fiscal year ended December 31, 2022, \$120 million was recognized in CARES Act funding, compared with \$313 million in the same period in 2021.

The reported deficit of revenues over expenses from operations was \$1.7 billion for the fiscal year ended December 31, 2022. To improve future operating performance, the System recorded \$247 million in restructuring costs related to asset rationalization, employee reductions, and other items. Pro forma operating EBIDA and deficit of revenues over expenses from operations excluding for restructuring costs resulted in losses of \$6 million and \$1.4 billion, respectively, for the fiscal year ended December 31, 2022. Pro forma operating EBIDA and deficit of revenues over expenses from operations excluding the impact of the Hoag disaffiliation in 2021 were \$509 million and \$883 million, respectively, for the fiscal year ended December 31, 2021.

Providence's key financial indicators are presented on an as reported and pro forma basis for the periods indicated, excluding the impact of Hoag, reflecting the disaffiliation:

EXHIBIT 3.1 - AS REPORTED AND PRO FORMA OPERATIONS SUMMARY \$ PRESENTED IN MILLIONS UNLESS NOTED	Fiscal Year Ended			
	AS REPORTED		PRO FORMA ⁽¹⁾	
	12-31-2021	12-31-2022	12-31-2021	12-31-2022
Operating Revenues	\$27,328	\$26,434	\$25,412	\$26,434
Operating Expenses	28,042	27,886	26,295	27,886
Deficit of Revenues Over Expenses from Operations	(714)	(1,699)	(883)	(1,452)
Operating Margin %	(2.6)	(6.4)	(3.5)	(5.5)
Non-Operating Gains (Losses)	1,232	(4,423)	936	(1,015)
Operating EBIDA	812	(253)	509	(6)
Operating EBIDA Margin %	3.0	(1.0)	2.0	(0.02)
Premium and Capitation Revenues	4,190	4,404	4,017	4,404
Net Service Revenue/Case Mix Adjusted Admits ⁽²⁾	11,766	12,029	11,799	12,029
Net Expense/Case Mix Adjusted Admits ⁽²⁾	13,328	14,201	13,546	14,201
Total Community Benefit	\$1,881	\$2,057	\$1,817	\$2,057
Full-Time Equivalents ("FTEs") (thousands)	105	107	100	107

⁽¹⁾ Excludes restructuring costs in 2022.

⁽²⁾ Includes standardization of metrics from implementation of system-wide ERP system in July 2022.

The results for the three months ended December 31, 2022 continued to reflect the inflationary and workforce pressures experienced in 2022. Operating EBIDA resulted in a loss of \$225 million for the three months ended December 31, 2022. The deficit of revenues over expenses from operations was \$601 million for the three months ended December 31, 2022. The results include the net recognition of reimbursements from California provider fee programs of \$45 million (revenue of \$112 million and expense of \$67 million) for the three months ended December 31, 2022, compared with \$49 million (revenue of \$130 million and expense of \$81 million) in comparable period of the prior year. Pro forma operating EBIDA excluding restructuring charges in 2022 was \$22 million for the three months ended December 31, 2022. Pro forma deficit of revenues over expenses from operations excluding restructuring charges in 2022 was \$354 million for the three months ended December 31, 2022. Pro forma operating EBIDA and deficit of revenues over expenses from operations excluding the impact of the Hoag disaffiliation in 2021 were \$13 million and \$344 million, respectively, for the three months ended December 31, 2021.

Providence's key financial indicators are presented on an as reported and pro forma basis for the periods indicated:

EXHIBIT 3.2 - AS REPORTED AND PRO FORMA OPERATIONS SUMMARY \$ PRESENTED IN MILLIONS UNLESS NOTED	Three Months Ended			
	AS REPORTED		PRO FORMA ⁽¹⁾	
	12-31-2021	12-31-2022	12-31-2021	12-31-2022
Operating Revenues	\$7,128	\$6,860	\$6,624	\$6,860
Operating Expenses	7,437	7,214	6,968	7,214
Deficit of Revenues Over Expenses from Operations	(309)	(601)	(344)	(354)
Operating Margin %	(4.3)	(8.8)	(5.2)	(5.2)
Operating EBIDA	88	(225)	13	22
Operating EBIDA Margin %	1.2	(3.3)	0.2	0.3
Premium and Capitation Revenues	1,063	1,112	1,019	1,112

⁽¹⁾ Excludes restructuring costs in 2022.

Volumes

On a pro forma basis, for the fiscal year ended December 31, 2022, Providence's acute volume metrics remained flat to slightly higher compared to the same period in 2021. Acute patient days were up 1.8 percent, acute adjusted admissions were up 1.8 percent, case mix adjusted admissions were up 2 percent, and inpatient admissions were flat compared to the prior year. For the fourth quarter of 2022, acute patient days remained flat, acute adjusted admissions were up 3.3 percent, case mix adjusted admissions were up 3.5 percent, and inpatient admissions were up 2.9 percent compared to prior year. In the non-acute setting, Providence's volumes

increased 4.3 percent for the fiscal year of 2022 and increased 17 percent for the quarter, compared to the same periods in 2021.

Providence's key volume indicators are presented on an as reported and pro forma basis for the periods indicated:

EXHIBIT 3.3 - AS REPORTED AND PRO FORMA SYSTEM UTILIZATION DATA PRESENTED IN THOUSANDS UNLESS NOTED	Fiscal Year Ended			
	AS REPORTED		PRO FORMA	
	12-31-2021	12-31-2022	12-31-2021	12-31-2022
Inpatient Admissions	458	425	423	425
Acute Adjusted Admissions ⁽¹⁾	978	912	896	912
Case Mix Adjusted Admissions ⁽¹⁾	1,777	1,671	1,639	1,671
Acute Patient Days	2,532	2,430	2,388	2,430
Long-Term Care Patient Days	317	313	317	313
Outpatient Visits (incl. Physicians)	26,040	26,776	25,423	26,776
Virtual Visits (incl. Telehealth)	1,578	1,372	1,569	1,372
Emergency Room Visits	1,874	1,905	1,755	1,905
Surgeries and Procedures ⁽¹⁾	674	635	607	635
Acute Average Daily Census (Actual)	6,936	6,659	6,544	6,659
Providence Health Plan Members	668	680	668	680

⁽¹⁾ Includes standardization of metrics from implementation of system-wide ERP system in July 2022.

Operating Revenues

On a pro forma basis, operating revenues increased 4 percent for the fiscal year ended December 31, 2022, compared to the same period in 2021. Net patient service revenues (pro forma) were \$20.1 billion for the fiscal year ended December 31, 2022, compared to \$19.3 billion in 2021. Hospital revenues grew 3 percent compared to prior year, and Health Plans and Accountable Care revenues grew 10 percent, Physician and outpatient revenues grew 6 percent, and diversified revenues grew 20 percent compared to the prior year.

Providence's operating revenues by state are presented on an as reported and pro forma basis for the periods indicated (footnotes appear beneath last table):

EXHIBIT 3.4 - AS REPORTED AND PRO FORMA OPERATING REVENUES BY STATE \$ PRESENTED IN MILLIONS	Fiscal Year Ended			
	AS REPORTED		PRO FORMA	
	12-31-2021	12-31-2022	12-31-2021	12-31-2022
Alaska	\$912	\$946	\$912	\$946
Washington	7,358	7,604	7,358	7,604
Montana	475	488	475	488
Oregon	5,344	5,660	5,344	5,660
California ⁽¹⁾	9,855	8,617	8,115	8,617
Texas/New Mexico	1,154	1,189	1,154	1,189
Total Revenues from Contracts with Customers	25,098	24,504	23,358	24,504
Other Revenues ⁽²⁾	2,230	1,930	2,054	1,930
Total Operating Revenues	\$27,328	\$26,434	\$25,412	\$26,434

Providence's operating revenues by line of business are presented on an as reported and pro forma basis for the periods indicated:

EXHIBIT 3.5 - AS REPORTED AND PRO FORMA OPERATING REVENUES BY LINE OF BUSINESS \$ PRESENTED IN MILLIONS	Fiscal Year Ended			
	AS REPORTED		PRO FORMA	
	12-31-2021	12-31-2022	12-31-2021	12-31-2022
Hospitals ^{(1), (3)}	\$17,614	\$16,633	\$16,195	\$16,633
Health Plans and Accountable Care	2,580	2,827	2,580	2,827
Physician and Outpatient Activities	3,234	3,164	2,975	3,164
Long-Term Care, Home Care, and Hospice	1,315	1,380	1,301	1,380
Other Services	355	500	307	500
Total Revenues from Contracts with Customers	25,098	24,504	23,358	24,504
Other Revenues ⁽²⁾	2,230	1,930	2,054	1,930
Total Operating Revenues	\$27,328	\$26,434	\$25,412	\$26,434

Providence's operating revenues by payor are presented on an as reported and pro forma basis for the periods indicated:

EXHIBIT 3.6 - AS REPORTED AND PRO FORMA OPERATING REVENUES BY PAYOR ⁽⁴⁾ \$ PRESENTED IN MILLIONS	Fiscal Year Ended			
	AS REPORTED		PRO FORMA	
	12-31-2021	12-31-2022	12-31-2021	12-31-2022
Commercial	\$12,350	\$11,134	\$10,719	\$11,134
Medicare	8,722	8,998	8,382	8,998
Medicaid ⁽¹⁾	3,645	3,590	3,566	3,590
Self-pay and Other	381	782	691	782
Total Revenues from Contracts with Customers	25,098	24,504	23,358	24,504
Other Revenues ⁽²⁾	2,230	1,930	2,054	1,930
Total Operating Revenues	\$27,328	\$26,434	\$25,412	\$26,434

⁽¹⁾ Includes revenue recognition of reimbursements from state provider fee programs of \$799 million for the fiscal year ended December 31, 2022, compared with \$863 million in the same period in 2021.

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

⁽³⁾ Includes revenue recognized from the CARES Act of \$120 million for the fiscal year ended December 31, 2022, and \$313 million for the same period in 2021.

⁽⁴⁾ Refer to Exhibit 7.3 for supplementary information on net patient service revenue payor mix driven by patient utilization.

Operating Expenses

On a pro forma basis, operating expenses increased 6 percent for the fiscal year ended December 31, 2022, compared with the same period in 2021, driven by higher labor costs, pharmaceutical expense, and restructuring costs. In an effort to improve future operating performance, the System recorded \$247 million in restructuring costs related to asset rationalization, employee reductions, and other items. Overall, salaries and benefits expenses (pro forma) increased 8 percent for the fiscal year ended December 31, 2022, compared with the same period in 2021, primarily due to increased agency expense, and overtime. Labor productivity (pro forma) decreased 4 percent on an adjusted occupied bed volumes basis, compared to the same period in 2021. Medical supply costs per CMAA (pro forma) increased 2 percent, compared with the prior year. Supplies expense (pro forma) increased by 7 percent compared with the prior year, driven by an 8 percent increase in pharmaceutical expense.

Non-Operating Activity

Adjusted non-operating losses were \$1 billion for the fiscal year ended December 31, 2022, compared with non-operating gains (pro forma) of \$936 million for the same period in 2021. The decrease was impacted by investment losses of \$1 billion for the fiscal year ended December 31, 2022, compared with investment gains (pro forma) of \$946 million in the prior year. As reported non-operating losses totaled \$4.4 billion for the fiscal year ended December 31, 2022 and include a \$3.4 billion non-operating loss reflecting the impact of the removal of Hoag's net assets from the System's combined balance sheet.

Liquidity and Capital Resources; Outstanding Indebtedness

Unrestricted Cash and Investments

Unrestricted cash and investments totaled approximately \$9.5 billion as of December 31, 2022, compared with \$11.2 billion (pro forma) as of December 31, 2021. This decrease was driven primarily by operating and investment losses, and CMS recoupments. Accounts receivable, while slightly improved, remains elevated compared to historic trends due primarily to protracted payment cycles from payers. Protracted cycles are driven in part by, labor shortages at the payer, increases in denials, and payment recoupments often occurring more than one year after service. Further impacting cash was \$1 billion of prepayments that were recouped by CMS, through lower payments on current services being provided in 2022.

In July 2021, Providence placed a \$1.25 billion syndicated revolving credit facility with a 2026 maturity, replacing the prior credit facility. On December 31, 2022, the drawn amount under that facility was \$988 million. Between June and September of 2022, Providence placed several term loans totaling \$700 million with various maturities between 1 and 3 years.

In December 2022, Providence closed on the sale of its Renton, Washington campus that primarily consisted of vacant space from prior restructuring efforts and move to virtual or hybrid work environments. In total, the System's asset rationalization efforts yielded \$84 million in gross proceeds.

Providence's liquidity is presented on an as reported and pro forma basis for the periods indicated:

EXHIBIT 4.1 - AS REPORTED AND PRO FORMA INVESTMENTS BY DURATION \$ PRESENTED IN MILLIONS	As of			
	AS REPORTED		PRO FORMA	
	12-31-2021	12-31-2022	12-31-2021	12-31-2022
Cash and Cash Equivalents ⁽¹⁾	\$1,143	\$1,063	\$836	\$1,063
Short-Term Investments	1,322	515	598	515
Long-Term Investments	11,629	7,904	9,728	7,904
Total Unrestricted Cash and Investments	\$14,094	\$9,482	\$11,162	\$9,482

⁽¹⁾ As of December 31, 2022, there were no remaining CMS advanced payments outstanding, compared with \$1.0 billion 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 periods indicated:

EXHIBIT 4.2 - INVESTMENTS BY TYPE	As of	
	12-31-2021	12-31-2022
Cash and Cash Equivalents	0%	0%
Domestic and International Equities	45%	42%
Debt Securities	40%	38%
Other Securities	15%	20%

Financial Ratios

Providence's financial ratios are presented on an as reported and pro forma basis for the periods indicated:

EXHIBIT 4.3 - AS REPORTED AND PRO FORMA SUMMARY OF KEY RATIOS	As of			
	AS REPORTED		PRO FORMA	
	12-31-2021	12-31-2022	12-31-2021	12-31-2022
Total Debt to Capitalization %	30.6	44.1	34.1	44.1
Cash to Debt Ratio %	200.7	117.7	172.4	117.7
Days Cash on Hand ⁽¹⁾	191	129	161	129
Maximum Annual Debt Service	414	493	386	493
Cash to Net Assets Ratio	0.89	0.93	0.89	0.93

⁽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 on an as reported and pro forma basis for the periods indicated:

EXHIBIT 4.4 - AS REPORTED AND PRO FORMA SYSTEM CAPITALIZATION \$ PRESENTED IN MILLIONS UNLESS NOTED	As of			
	AS REPORTED		PRO FORMA	
	12-31-2021	12-31-2022	12-31-2021	12-31-2022
Long-Term Indebtedness	\$6,915	\$7,772	\$6,368	\$7,772
Less: Current Portion of Long-Term Debt	81	166	79	166
Net Long-Term Debt	6,834	7,606	6,289	7,606
Net Assets - Without Donor Restrictions	15,911	10,204	12,512	10,204
Total Capitalization	\$22,745	\$17,810	\$18,801	\$17,810
Long-Term Debt to Capitalization %	30.0	42.7	33.5	42.7

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

EXHIBIT 4.5 - AS REPORTED AND PRO FORMA SYSTEM MADS COVERAGE \$ PRESENTED IN MILLIONS UNLESS NOTED	As of			
	AS REPORTED		PRO FORMA	
	12-31-2021	12-31-2022	12-31-2021	12-31-2022
Income Available for Debt Service:				
Excess (Deficit) of Revenues Over Expenses	\$518	\$(6,122)	\$53	\$(6,122)
Less: Unrealized (Gain) Loss on Trading Securities	(601)	1,204	(315)	1,204
Plus: Loss (Gain) on Extinguishment of Debt	3	(20)	3	(20)
Plus: Loss on Pension Settlement Costs and Other	19	18	19	18
Plus: Loss on Disaffiliation	-	3,408	-	3,408
Plus: Restructuring Costs and Other	-	247	-	247
Plus: Depreciation	1,094	929	987	929
Plus: Interest and Amortization	312	352	285	352
Total	\$1,345	\$16	\$1,032	\$16
MADS	\$414	\$493	\$386	\$493
MADS Coverage	3.25x	0.03x	2.67x	0.03x

System Governance and Management

Corporate Governance

Providence serves as the parent and corporate member of PH&S and SJHS. Providence was created in connection with the combination of the multi-state health care systems of PH&S and the SJHS, which was effective on July 1, 2016 (the “Combination”). Providence has been determined to be an organization that is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Prior to the Combination, the sole corporate member of PH&S was Providence Ministries, which acted through its sponsors, who are five individuals appointed by the Provincial Superior of the Sisters of Providence, Mother Joseph Province. Similarly, the sole corporate member of SJHS was St. Joseph Health Ministry, a California non-profit public benefit corporation. Providence Ministries and St. Joseph Health Ministry are each a public juridic person under Canon law, responsible for assuring the Catholic identity and fidelity to the Mission of their respective systems. Pursuant to the Combination, Providence Ministries and St. Joseph Health Ministry have entered into an agreement that establishes a sponsorship model through contractual obligations exercised by the parties’ sponsors collectively (the “Sponsors Council”).

The Sponsors Council retains certain reserved rights with respect to Providence. Among the powers reserved to the Sponsors Council are the following powers over the affairs of Providence (excluding certain affiliates, such as: Providence - Western Washington, Western HealthConnect, Swedish, Swedish Edmonds, PacMed, and Kadlec): to amend or repeal the articles of incorporation or bylaws of Providence; the appointment and removal, with or without cause, of the directors of Providence; the appointment and removal, with or without cause, of the President and Chief Executive Officer of Providence; the approval of the acquisition of assets, incurrence of debt, encumbering of assets and sale of certain property; the approval of operating and capital budgets, upon recommendation of the Providence Board of Directors; and the approval of dissolution, consolidation or merger. Providence has reserved rights over PH&S and SJHS, which powers may be exercised by the Board of Providence. Given the complexity of Providence’s governance structure, Providence routinely evaluates and considers alternative governance models to best meet Providence’s governance needs.

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

Board of Directors	Term Expires (December 31)	Sponsors Council	Term Expires (December 31)
Mary Lyons, PhD., Chair †	2025	Sr. Sharon Becker, CSJ	2027
Richard Blair †	2023	Bill Cox	2023
Isiaah Crawford, PhD. †	2025	Russell Danielson	2027
Sr. Diane Hejna, CSJ, RN. †	2025	Shannon Dwyer	2025
Sr. Phyllis Hughes, RSM, PhD. †	2025	Jeff Flocken	2025
Mary Beth Kingston, PhD., RN. Δ	2024	Mark Koenig	2027
Michael Murphy ‡	2025	Sr. Cecilia Magladry, CSJ	2024
Sr. Carol Pacini, LCM Δ	2023	Sr. Margaret Pastro, SP	2028
Charles W. Sorenson, M.D. ‡	2024	Barbara Savage	2023
Eric Sprunk Δ	2024	Sr. Mary Therese Sweeney, CSJ	2028
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
Eric Wexler	President and COO
Greg Hoffman	Executive Vice President and CFO
Anna Newsom	Executive Vice President and Chief Legal Officer

Environmental, Social, and Governance Standards

Providence continues to advance a social responsibility framework that includes a stronger commitment to diversity, equity, inclusion (“DEI”), and environmental stewardship. In 2022, we elevated the work of DEI, by restructuring resources with plans to align and scale DEI strategies across the Providence family of organizations. We continue to execute on our Integrated Strategic & Financial Plan which clearly expresses 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. We have implemented an environmental stewardship system strategy that encourages waste reductions, efficient energy and water usage, local agriculture partnerships, less toxic and fewer chemical use, and a reduction in carbon from travel. We have also held environmental stewardship as one of the top priorities for our leadership incentive program to ensure alignment and momentum continues. In April 2022, Providence published its first environmental stewardship report, in which we reported 12 percent reduction in carbon emissions in seven key categories in our acute care facilities since our 2019 baseline. As of September 30, 2022, (the most recent data available), we have increased that reduction to 13 percent.

Support Services

Corporate officers and supporting staff oversee the management activities performed on a day-to-day basis by the management staff of each region. The Chief Financial Officer of Providence and Finance staff oversee the annual budget and multi-year planning activities of the organization, including capital allocation. Other areas in which the corporate staff provides centralized services or coordinates the activities of the service areas include legal affairs, information services, insurance and risk management, treasury services, real estate strategy and operations, marketing, supplies management, technical support, fund-raising, quality of care, medical ethics, pastoral services, mission effectiveness, human resources, planning and policy development, and public affairs among others.

Obligated Group

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

For the fiscal year ended December 31, 2022, the audited combined operating revenues, and total assets attributable to the Obligated Group Members were approximately 81 percent and 81 percent, respectively, of Providence’s totals. 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. 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 are the liabilities of, Sisters of Providence, Mother Joseph Province, any other Province of the Sisters of Providence, Sisters of St. Joseph of Orange, the Roman Catholic Church, or any affiliate of Providence that is not an Obligated Group Member.

Obligated Group Utilization

The Obligated Group's key volume indicators are presented on an as reported and pro forma basis for the periods indicated:

EXHIBIT 5.1 - AS REPORTED AND PRO FORMA OBLIGATED GROUP UTILIZATION DATA PRESENTED IN THOUSANDS UNLESS NOTED	Fiscal Year Ended			
	AS REPORTED		PRO FORMA	
	12-31-2021	12-31-2022	12-31-2021	12-31-2022
<u>Obligated Group</u>				
Inpatient Admissions	438	406	405	406
Acute Adjusted Admissions ⁽¹⁾	890	834	823	834
Acute Patient Days	2,433	2,338	2,294	2,338
Long-Term Care Patient Days	303	305	303	305
Outpatient Visits (incl. Physicians)	21,669	21,636	21,118	21,636
Emergency Room Visits	1,792	1,809	1,674	1,809
Surgeries and Procedures ⁽¹⁾	506	506	491	506
Acute Average Daily Census (Actual)	6,665	6,405	6,285	6,405

⁽¹⁾ Includes standardization of metrics from implementation of system-wide ERP system in July 2022.

Obligated Group Capitalization

The Obligated Group's capitalization is presented on an as reported and pro forma basis for the periods indicated:

EXHIBIT 5.2 - AS REPORTED AND PRO FORMA OBLIGATED GROUP CAPITALIZATION \$ PRESENTED IN MILLIONS UNLESS NOTED	As of			
	AS REPORTED		PRO FORMA	
	12-31-2021	12-31-2022	12-31-2021	12-31-2022
<u>Obligated Group</u>				
Long-Term Indebtedness	\$6,603	\$7,477	\$6,094	\$7,477
Less: Current Portion of Long-Term Debt	70	156	68	156
Net Long-Term Debt	6,533	7,321	6,026	7,321
Net Assets - Without Donor Restrictions	13,133	7,986	10,137	7,986
Total Capitalization	\$19,666	\$15,307	\$16,163	\$15,307
Long-Term Debt to Capitalization %	33.2	47.8	37.3	47.8

Historical Debt Service Coverage

Providence is compliant with the Historical Debt Service Coverage covenant for the Obligated Group pursuant to the terms of the Master Indenture. Providence's historical debt service coverage ratio is presented on an as reported and pro forma basis for the periods indicated:

EXHIBIT 5.3 - AS REPORTED AND PRO FORMA HISTORICAL DEBT SERVICE COVERAGE \$ PRESENTED IN MILLIONS UNLESS NOTED	As of			
	AS REPORTED		PRO FORMA	
	12-31-2021	12-31-2022	12-31-2021	12-31-2022
<u>Obligated Group</u>				
Income Available for Debt Service Before Restructuring Costs	\$1,718	\$553	\$1,492	\$553
Debt Service Requirements for Outstanding Funded Indebtedness:				
Scheduled Principal Payments	70	46	68	46
Interest Expense	247	258	225	258
Total Debt Service Requirements ⁽¹⁾	\$317	\$304	\$293	\$304
Historical Debt Service Coverage Ratio	5.4x	1.8x	5.1x	1.8x

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

Outstanding Master Trust Indenture Obligations

As of December 31, 2022, Providence had Obligations outstanding under the Master Indenture totaling \$7 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, 2022.

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

Effective January 19, 2022, Hoag Hospital withdrew as an Obligated Group Member under the Master Trust Indenture dated as of May 1, 2003. Providence’s disaffiliation of Hoag also includes the dissolution of CHN, a third-party member. 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 Health Care Ventures, Inc., as Washington corporation that invests in health care activities; Tegria Holdings LLC, 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 Quarterly 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 Quarterly Report only to the extent they are viewed by management to be of operational or strategic importance.

Providence Clinical Network

The Providence family of organizations are working toward creating a more sustainable model of health care that makes safe, high-quality care accessible and affordable for everyone. This includes recent changes to our leadership and structure, including the alignment of Physician Enterprise (medical groups), the Ambulatory Care Network (same day care including urgent care, ExpressCare, ambulatory surgery and imaging, and partnerships), and the Clinical Institutes under one division called the Providence Clinical Network ("PCN"). The division creates health for a better world by improving patient access and making care more affordable for consumers and employers and by serving patients across the Western United States with quality, compassionate, coordinated care. Our medical groups include: Providence Medical Group, serving Alaska, Washington, Montana, and Oregon; Swedish Medical Group, and Pacific Medical Centers, each with staffed clinics throughout Washington's greater Puget Sound area; Kadlec, serving southeast Washington; Providence St. John's Medical Foundation, Providence Medical Institute, and Providence Facey Medical Foundation in

Southern California; Providence Medical Foundation in Northern and Southern California; and Covenant Medical Group, and Covenant Health Partners in west Texas and eastern New Mexico.

Population Health Management

Population Health 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.

Tegria

Tegria Holdings LLC (“Tegria”) is a Providence-owned technology, consulting and services 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 4,000 strategists, technologists, service providers and scientists who currently serve more than 500 organizations across the United States and internationally.

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, 2022, SJHS was party to five interest rate swap agreements with a current notional amount totaling approximately \$395 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, 2022. 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, 2022.

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	3.519%	(18.7)
Fixed Payor	44.6	Jul-47	Wells Fargo	68% of 3 Month LIBOR	3.520%	(4.8)
Fixed Payor	58.7	Dec-40	Wells Fargo	55.70% of 1 Month LIBOR + 0.23%	3.229%	(4.3)
Fixed Payor	58.7	Dec-40	Wells Fargo	55.70% of 1 Month LIBOR + 0.23%	3.229%	(4.3)
Fixed Payor	64.9	Dec-40	Wells Fargo	55.70% of 1 Month LIBOR + 0.23%	3.229%	(4.8)

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, 2022, SJHS posted no collateral. 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, 2022.

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 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 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.

On February 3, 2022, the Washington State Attorney General's Office filed a complaint against Providence Health & Services - Washington, Swedish Health Services, Swedish Edmonds, and Kadlec Regional

Medical Center, seeking injunctive relief and civil penalties for alleged violations of the Washington State Consumer Protection Act. On January 27, 2023, the court denied the Washington State Attorney General's Office motion for Partial Summary Judgment arguing that Providence has violated the Washington State Consumer Protection Act. The Washington State Attorney General has stated that it still intends to move forward with their suit to trial. At this time, no determination can be made as to whether such litigation will have a material adverse effect on Providence, financial or otherwise.

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

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

Employees

As of December 31, 2022, Providence employed approximately 117,000 caregivers, representing 107,000 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. In past 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.

In July 2022, Providence implemented a system-wide ERP system to modernize administrative functions and services across its family of organizations. With deployment of the new system, Providence experienced employee payroll errors related to process variations when legacy Providence ERP systems were integrated. Providence has corrected known pay errors and taken steps to ensure payroll programming is accurate.

Community Benefit

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

Building on our commitment to care for those who are poor and vulnerable, we invested \$2.1 billion in community benefit in the fiscal year ended December 31, 2022, compared with \$1.8 billion (pro forma) in the same period in 2021. Our unpaid costs of Medicaid totaled \$1.4 billion for the fiscal year ended December 31, 2022, compared with \$1.1 billion (pro forma) for the same period in 2021.

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 a captive insurance company domiciled in Arizona 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 defined contribution plans. Although the System had certain defined benefit plans in place prior to January 1, 2010, in April 2009, the PH&S Board of Directors approved a freeze on the Providence Core Plan (excluding plans for Swedish and Willamette Falls), a cap on the ongoing cash balance interest credit formula, and the implementation of 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 66 percent at December 31, 2021 to 69 percent at December 31, 2022. 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 \$111 million at December 31, 2022 and 2021, respectively.

The System sponsors various defined contribution retirement plans that cover substantially all employees. The plans provide for employer matching contributions in an amount equal to a percentage of employee contributions, up to a maximum amount. In addition, the System makes contributions to eligible employees based on years of service. Retirement expense related to these plans was \$488 million and \$557 million for the fiscal years ended December 31, 2022, and 2021, 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	Western HealthConnect
PH&S	Kadlec
Providence - Washington	SJHS
Providence - Southern California	St. Joseph Orange
LCMASC	St. Jude
Providence - Saint John's	Mission Hospital
Providence - SJMC Montana	St. Mary
Providence - Montana	SJHNC
Providence - Oregon	CHS
Providence - Western Washington	CMC
Swedish	Covenant Children's
Swedish Edmonds	Covenant Levelland
PacMed	Covenant Plainview

Designated Affiliates: Designated Affiliates under the Master Indenture. There are currently no Designated Affiliates.

Limited Credit Group Participants: Limited Credit Group Participants under the Master Indenture. There are currently no Limited Credit Group Participants.

Unlimited Credit Group Participants: Unlimited Credit Group Participants under the Master Indenture. There are currently no Unlimited Credit Group Participants.

CHS: Covenant Health System, a Texas nonprofit corporation and currently an Obligated Group Member.

CMC: Covenant Medical Center, a Texas nonprofit corporation and currently an Obligated Group Member.

Covenant Children's: Methodist Children's Hospital, a Texas nonprofit corporation and currently an Obligated Group Member, doing business as Covenant Children's Hospital.

Covenant Levelland: Methodist Hospital Levelland, a Texas nonprofit corporation and currently an Obligated Group Member, doing business as Covenant Levelland Hospital.

Covenant Plainview: Methodist Hospital Plainview, a Texas nonprofit corporation and currently an Obligated Group Member, doing business as Covenant Plainview Hospital.

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

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

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

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

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

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

Providence - Oregon: Providence Health & Services - Oregon, an Oregon nonprofit corporation and currently an Obligated Group Member.

Providence - Saint John's: Providence Saint John's Health Center, a California nonprofit religious corporation and currently an Obligated Group Member.

Providence - SJMC Montana:	Providence St. Joseph Medical Center, a Montana nonprofit corporation and currently an Obligated Group Member.
Providence - Southern California:	Providence Health System - Southern California, a California nonprofit religious corporation and currently an Obligated Group Member.
Providence - Washington:	Providence Health & Services - Washington, a Washington nonprofit corporation and currently an Obligated Group Member.
Providence - Western Washington:	Providence Health & Services - Western Washington, a Washington nonprofit corporation and currently an Obligated Group Member.
Providence St. Joseph Health, Providence, we, us, our:	Providence St. Joseph Health, a Washington nonprofit corporation and currently an Obligated Group Member and the Obligated Group Agent.
SJHNC:	St. Joseph Health Northern California, LLC, a California limited liability company and currently an Obligated Group Member.
SJHS:	St. Joseph Health System, a California nonprofit public benefit corporation and currently an Obligated Group Member.
St. Joseph Orange:	St. Joseph Hospital of Orange, a California nonprofit public benefit corporation and currently an Obligated Group Member.
St. Jude:	St. Jude Hospital, a California nonprofit public benefit corporation and currently an Obligated Group Member, doing business as St. Jude Medical Center.
St. Mary:	St. Mary Medical Center, a California nonprofit public benefit corporation and currently an Obligated Group Member.
Swedish:	Swedish Health Services, a Washington nonprofit corporation and currently an Obligated Group Member.
Swedish Edmonds:	Swedish Edmonds, a Washington nonprofit corporation and currently an Obligated Group Member.
System:	Providence and all entities that are included within the combined financial statements of Providence.
Western HealthConnect:	Western HealthConnect, a Washington nonprofit corporation and currently an Obligated Group Member.

Exhibit 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, 2022, 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	
	Providence Health & Services-Washington	Swedish First Hill	Seattle	697	
		Providence Centralia Hospital	Centralia	128	
		Providence Regional Medical Center Everett	Everett	595	
		Providence St. Peter Hospital ⁽⁴⁾	Olympia	372	
Eastern Washington and Western Montana	Providence Health & Services-Washington	Providence St. Joseph's Hospital	Chewelah	25	
		Providence Mount Carmel Hospital	Colville	55	
		Providence Sacred Heart Medical Center and Children's Hospital	Spokane	691	
		Providence Holy Family Hospital	Spokane	197	
			Providence St. Mary Medical Center	Walla Walla	142
			Kadlec Regional Medical Center	Richland	337
			St. Patrick Hospital	Missoula (MT)	253
	Providence Health & Services-Montana	Providence St. Joseph Medical Center	Providence St. Joseph Medical Center	Polson (MT)	22
	Oregon	Providence Health & Services-Oregon	Providence Hood River Memorial Hospital	Hood River	25
Providence Medford Medical Center			Medford	120	
Providence Milwaukie Hospital			Milwaukie	77	
Providence Newberg Medical Center			Newberg	40	
Providence Willamette Falls Medical Center			Oregon City	143	
Providence St. Vincent Medical Center			Portland	539	
Providence Portland Medical Center			Portland	483	
Providence Seaside Hospital ⁽¹⁾			Seaside	25	

Region	Obligated Group Member	Facility	Location(s)	Licensed Acute Care Beds*	
Northern California					
	St. Joseph Health Northern California, LLC.	Providence St. Joseph Hospital	Eureka	153	
		Providence Redwood Memorial Hospital	Fortuna	35	
		Providence Queen of the Valley Medical Center	Napa	198	
		Providence Santa Rosa Memorial Hospital	Santa Rosa	298	
Southern California					
	Providence Health System-Southern California	Providence St. Joseph Medical Center	Burbank	392	
		Providence Holy Cross Medical Center	Mission Hills	329	
		Providence Little Company of Mary Medical Center San Pedro	San Pedro	183	
		Providence Tarzana Medical Center ⁽²⁾	Tarzana	249	
		Providence Little Company of Mary Medical Center Torrance	Torrance	327	
		Providence Saint John's Health Center	Santa Monica	266	
		St. Mary Medical Center	Apple Valley	213	
		St. Jude Medical Hospital	Fullerton	320	
		Mission Hospital Regional Medical Center	Mission Hospital Regional Medical Center Campuses ⁽⁵⁾ : Mission Hospital Regional Medical Center	Mission Viejo	504
		St. Joseph Hospital of Orange	Mission Hospital Laguna Beach St. Joseph Hospital of Orange ⁽⁶⁾	Laguna Beach Orange	463
West Texas and Eastern New Mexico					
	Methodist Hospital Levelland	Covenant Hospital Levelland ⁽⁷⁾	Levelland	48	
	Covenant Health System	CHS Campuses:		381	
		Covenant Medical Center	Lubbock		
	Methodist Children's Hospital Methodist Hospital Plainview	Covenant Medical Center - Lakeside	Lubbock		
		Covenant Children's Hospital	Lubbock	227	
		Covenant Hospital Plainview ⁽⁷⁾	Plainview	68	
TOTAL				10,937	

* Includes all acute care licensure categories except for normal newborn bassinets 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⁾ Includes 37 acute care psychiatric beds

⁽⁷⁾ 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, 2022, each of which is owned, operated, or managed by an Obligated Group Member:

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



EXHIBIT 7.1 - SUMMARY AUDITED COMBINED STATEMENTS OF OPERATIONS

	Ended December 31, 2022		Ended December 31, 2021	
	(in 000's of dollars)		(in 000's of dollars)	
	Consolidated	Obligated	Consolidated	Obligated
Operating Revenues:				
Net Patient Service Revenues	\$ 20,099,558	19,018,444	20,908,081	19,404,119
Premium Revenues	2,506,989	339,152	2,319,654	306,794
Capitation Revenues	1,896,790	727,527	1,870,284	815,937
Other Revenues	1,930,347	1,194,765	2,230,060	1,603,604
Total Operating Revenues	26,433,684	21,279,888	27,328,079	22,130,454
Operating Expenses:				
Salaries and Benefits	14,331,663	12,235,886	13,965,710	11,979,653
Supplies	4,128,979	3,807,605	4,168,341	3,812,102
Purchased Healthcare Services	2,225,708	459,129	2,128,660	463,856
Interest, Depreciation, and Amortization	1,281,657	1,110,886	1,406,121	1,242,720
Purchased Services, Professional Fees, and Other	5,918,139	4,357,886	6,373,235	4,693,800
Total Operating Expenses	27,886,146	21,971,392	28,042,067	22,192,131
Deficit of Revenues Over Expenses From Operations Before Restructuring Costs and Other	(1,452,462)	(691,504)	(713,988)	(61,677)
Restructuring Costs and Other	246,636	246,636	-	-
Deficit of Revenues Over Expenses From Operations	(1,699,098)	(938,140)	(713,988)	(61,677)
Non-Operating (Losses) Gains	(1,014,570)	(777,858)	1,231,826	1,057,033
(Deficit) Excess of Revenues Over Expenses Before Disaffiliation	(2,713,668)	(1,715,998)	517,838	995,356
Loss from Disaffiliation	(3,407,917)	(3,407,917)	-	-
(Deficit) Excess of Revenues Over Expenses	\$ (6,121,585)	(5,123,915)	517,838	995,356

EXHIBIT 7.2 - SUMMARY AUDITED COMBINED STATEMENTS OF CASH FLOWS

	Ended December 31, 2022		Ended December 31, 2021	
	(in 000's of dollars)		(in 000's of dollars)	
	Consolidated	Obligated	Consolidated	Obligated
Net Cash Used in Operating Activities	\$ (1,342,273)	(880,521)	(940,586)	(578,177)
Net Cash Used in Investing Activities	(279,300)	(392,058)	(1,513,393)	(757,713)
Net Cash Provided by (Used in) Financing Activities	1,541,388	1,487,027	366,984	(701,151)
(Decrease) Increase in Cash and Cash Equivalents	(80,185)	214,448	(2,086,995)	(2,037,041)
Cash and Cash Equivalents, Beginning of Period	1,143,209	243,706	3,230,204	2,280,747
Cash and Cash Equivalents, End of Period	\$ 1,063,024	458,154	1,143,209	243,706

EXHIBIT 7.3 - SUMMARY AUDITED NET PATIENT SERVICE REVENUE PAYOR MIX

	Ended December 31, 2022		Ended December 31, 2021	
	Consolidated	Obligated	Consolidated	Obligated
Commercial	47%	48%	50%	48%
Medicare	35%	34%	33%	33%
Medicaid	16%	16%	15%	16%
Self-pay and Other	2%	2%	2%	3%



EXHIBIT 7.4 - SUMMARY AUDITED COMBINED BALANCE SHEETS

	As of December 31, 2022		As of December 31, 2021	
	(in 000's of dollars)		(in 000's of dollars)	
	Consolidated	Obligated	Consolidated	Obligated
Current Assets:				
Cash and Cash Equivalents	\$ 1,063,024	458,154	1,143,209	243,706
Short-Term Investments	514,852	414,541	1,322,076	1,154,049
Accounts Receivable, Net	2,841,205	2,634,923	3,157,401	2,823,304
Supplies Inventory	358,925	336,549	402,474	379,191
Other Current Assets	1,751,704	1,567,084	1,648,443	1,560,936
Current Portion of Assets Whose Use is Limited	141,393	2,266	169,368	30,092
Total Current Assets	6,671,103	5,413,517	7,842,971	6,191,278
Management Designated Cash and Investments	7,903,614	5,295,537	11,629,401	8,509,298
Assets Whose Use is Limited	608,085	316,365	660,204	295,207
Property, Plant, and Equipment, Net	10,217,246	8,826,817	11,329,182	10,020,003
Other Assets	3,507,612	3,677,690	3,413,203	3,669,521
Total Assets	\$ 28,907,660	23,529,926	34,874,961	28,685,307
Current Liabilities:				
Current Portion of Long-Term Debt	166,210	156,496	81,163	70,238
Master Trust Debt Classified as Short-Term	452,285	452,285	188,715	188,715
Accounts Payable	1,914,960	1,681,286	1,431,703	1,222,449
Accrued Compensation	1,495,523	1,287,485	1,627,464	1,468,365
Other Current Liabilities	2,344,753	1,349,608	3,252,489	2,440,493
Total Current Liabilities	6,373,731	4,927,160	6,581,534	5,390,260
Long-Term Debt, Net of Current Portion	7,606,205	7,320,847	6,833,712	6,532,720
Pension Benefit Obligation	677,849	677,849	976,899	976,899
Other Liabilities	2,658,732	1,469,034	2,810,500	1,554,958
Total Liabilities	\$ 17,316,517	14,394,890	17,202,645	14,454,837
Net Assets:				
Controlling Interests	9,817,521	7,985,899	15,506,686	13,133,773
Noncontrolling Interests	386,172	(243)	405,073	(533)
Net Assets Without Donor Restrictions	10,203,693	7,985,656	15,911,759	13,133,240
Net Assets With Donor Restrictions	1,387,450	1,149,380	1,760,557	1,097,230
Total Net Assets	11,591,143	9,135,036	17,672,316	14,230,470
Total Liabilities and Net Assets	\$ 28,907,660	23,529,926	34,874,961	28,685,307



EXHIBIT 7.5 - KEY PERFORMANCE METRICS

	Ended December 31, 2022		Ended December 31, 2021	
	Consolidated	Obligated	Consolidated	Obligated
Inpatient Admissions	424,810	406,011	457,839	437,547
Acute Patient Days	2,430,473	2,337,661	2,531,775	2,432,772
Acute Outpatient Visits	13,189,998	12,459,264	13,157,877	12,343,202
Primary Care Visits	13,888,476	8,428,565	13,371,271	8,568,033
Inpatient Surgeries and Procedures ⁽¹⁾	181,858	176,022	187,959	180,274
Outpatient Surgeries and Procedures ⁽¹⁾	452,989	330,141	486,303	325,656
Long-Term Care Admissions	3,796	3,573	4,444	4,123
Long-Term Care Patient Days	313,252	304,801	317,096	303,083
Home Health Visits	1,069,605	748,216	1,088,713	758,040
Hospice Days	1,080,321	635,421	1,115,010	659,695
Housing and Assisted Living Days	576,762	186,821	442,140	190,185
Acute Average Daily Census	6,659	6,405	6,936	6,665
Acute Licensed Beds	11,293	10,671	12,001	11,251
FTEs	107,100	90,936	105,117	91,269
Historical Debt Service Coverage Ratio	-	1.82	-	5.42

⁽¹⁾ The Enterprise Resource Planning ("ERP") system standardization of statistics now calculates surgical cases versus surgical procedures, which may adjust reported results versus prior methodologies, thus affecting calculated growth rates when comparing to prior methodologies. Financial metrics are unaffected.



EXHIBIT 7.6 - SUMMARY AUDITED COMBINING STATEMENTS OF OPERATIONS BY REGION

	Ended December 31, 2022								
	(in 000's of dollars)								
	Alaska	Puget Sound Region	Eastern Washington/ Western Montana	Oregon	Northern California	Southern California	West Texas/ Eastern New Mexico	Other/ Eliminations	Consolidated
Operating Revenues:									
Net Patient Service Revenues	\$ 946,331	4,964,563	3,030,399	3,951,290	1,564,075	5,363,710	1,189,420	(910,230)	20,099,558
Premium Revenues	-	121,909	-	211,424	143	1,132	-	2,172,381	2,506,989
Capitation Revenues	-	177,294	434	42,363	76,521	1,598,190	-	1,988	1,896,790
Other Revenues	71,123	313,975	229,940	492,789	61,754	277,473	105,777	377,516	1,930,347
Total Operating Revenues	1,017,454	5,577,741	3,260,773	4,697,866	1,702,493	7,240,505	1,295,197	1,641,655	26,433,684
Operating Expenses:									
Salaries and Benefits	437,329	2,801,707	1,621,811	2,066,400	772,649	2,728,602	535,704	3,367,461	14,331,663
Supplies	133,931	886,380	577,597	1,042,149	237,531	995,928	229,090	26,373	4,128,979
Purchased Healthcare Services	-	181,392	268	96,980	37,949	729,457	6	1,179,656	2,225,708
Interest, Depreciation, and Amortization	50,764	204,768	108,119	106,657	62,238	258,031	76,013	415,067	1,281,657
Purchased Services, Professional Fees, and Other	368,125	1,953,942	1,226,348	1,483,152	777,714	3,096,675	477,495	(3,465,312)	5,918,139
Total Operating Expenses	990,149	6,028,189	3,534,143	4,795,338	1,888,081	7,808,693	1,318,308	1,523,245	27,886,146
Excess (Deficit) of Revenues Over Expenses From Operations Before Restructuring Costs and Other	27,305	(450,448)	(273,370)	(97,472)	(185,588)	(568,188)	(23,111)	118,410	(1,452,462)
Restructuring Costs and Other	-	-	-	-	-	-	-	246,636	246,636
Excess (Deficit) of Revenues Over Expenses From Operations	27,305	(450,448)	(273,370)	(97,472)	(185,588)	(568,188)	(23,111)	(128,226)	(1,699,098)
Non-Operating Losses	(126,961)	(93,140)	(102,778)	(162,090)	(53,290)	(151,788)	(27,180)	(297,343)	(1,014,570)
Deficit of Revenues Over Expenses Before Disaffiliation	(99,656)	(543,588)	(376,148)	(259,562)	(238,878)	(719,976)	(50,291)	(425,569)	(2,713,668)
Loss from Disaffiliation	-	-	-	-	-	-	-	(3,407,917)	(3,407,917)
Deficit of Revenues Over Expenses	\$ (99,656)	(543,588)	(376,148)	(259,562)	(238,878)	(719,976)	(50,291)	(3,833,486)	(6,121,585)



EXHIBIT 7.7 - SUMMARY AUDITED COMBINING BALANCE SHEETS BY REGION

As of December 31, 2022

(in 000's of dollars)

	Alaska	Puget Sound Region	Eastern Washington/ Western Montana	Oregon	Northern California	Southern California	West Texas/ Eastern New Mexico	Other/ Eliminations	Consolidated
Current Assets:									
Cash and Cash Equivalents	\$ 635,869	(54,400)	517,106	978,327	(295,411)	(2,087,535)	514,772	854,296	1,063,024
Short-Term Investments	13	-	-	-	14,398	19,141	28,166	453,134	514,852
Accounts Receivable, Net	160,121	740,606	366,903	508,294	276,922	813,343	159,053	(184,037)	2,841,205
Supplies Inventory	14,321	69,279	39,405	69,939	23,605	85,623	22,420	34,333	358,925
Other Current Assets	19,577	126,720	63,206	212,547	222,477	620,379	(17,731)	504,529	1,751,704
Current Portion of Assets Whose Use is Limited	-	-	-	-	-	559	-	140,834	141,393
Total Current Assets	829,901	882,205	986,620	1,769,107	241,991	(548,490)	706,680	1,803,089	6,671,103
Management Designated Cash and Investments	1,068,911	610,821	865,263	1,485,033	435,823	1,312,736	274,351	1,850,676	7,903,614
Assets Whose Use is Limited	147	20,128	446	29,700	11,071	23,994	4,571	518,028	608,085
Property, Plant, and Equipment, Net	404,513	2,024,492	873,224	985,553	720,548	3,133,296	835,196	1,240,424	10,217,246
Other Assets	77,640	658,321	298,373	216,813	24,616	1,032,119	131,548	1,068,182	3,507,612
Total Assets	\$ 2,381,112	4,195,967	3,023,926	4,486,206	1,434,049	4,953,655	1,952,346	6,480,399	28,907,660
Current Liabilities:									
Current Portion of Long-Term Debt	3,713	39,816	18,166	13,424	9,563	46,092	6,712	28,724	166,210
Master Trust Debt Classified as Short-Term	-	-	-	-	-	-	-	452,285	452,285
Accounts Payable	36,469	274,402	112,658	209,215	100,667	481,834	57,404	642,311	1,914,960
Accrued Compensation	36,833	227,728	242,718	156,713	63,614	273,778	33,013	461,126	1,495,523
Other Current Liabilities	10,884	129,722	71,902	85,493	71,803	557,794	152,094	1,265,061	2,344,753
Total Current Liabilities	87,899	671,668	445,444	464,845	245,647	1,359,498	249,223	2,849,507	6,373,731
Long-Term Debt, Net of Current Portion	243,979	1,505,283	614,541	109,039	290,972	1,411,741	863,749	2,566,901	7,606,205
Pension Benefit Obligation	-	155,795	-	3,095	-	-	-	518,959	677,849
Other Liabilities	62,789	519,699	125,094	161,172	21,186	517,675	85,785	1,165,332	2,658,732
Total Liabilities	\$ 394,667	2,852,445	1,185,079	738,151	557,805	3,288,914	1,198,757	7,100,699	17,316,517
Net Assets:									
Controlling Interests	1,946,453	1,151,282	1,774,784	3,434,573	774,994	694,280	694,493	(653,338)	9,817,521
Noncontrolling Interests	14,356	3,814	-	1,297	-	319,640	21,009	26,056	386,172
Net Assets Without Donor Restrictions	1,960,809	1,155,096	1,774,784	3,435,870	774,994	1,013,920	715,502	(627,282)	10,203,693
Net Assets With Donor Restrictions	25,636	188,426	64,063	312,185	101,250	650,821	38,087	6,982	1,387,450
Total Net Assets	1,986,445	1,343,522	1,838,847	3,748,055	876,244	1,664,741	753,589	(620,300)	11,591,143
Total Liabilities and Net Assets	\$ 2,381,112	4,195,967	3,023,926	4,486,206	1,434,049	4,953,655	1,952,346	6,480,399	28,907,660



EXHIBIT 7.8 - KEY PERFORMANCE METRICS BY REGION

Ended December 31, 2022

	Alaska	Puget Sound Region	Eastern Washington/ Western Montana	Oregon	Northern California	Southern California	West Texas/ Eastern New Mexico	Consolidated
Inpatient Admissions	15,817	95,851	63,526	57,045	27,682	145,084	19,805	424,810
Acute Patient Days	124,506	609,748	394,526	346,853	147,807	676,555	108,625	2,430,473
Acute Outpatient Visits	451,306	2,346,848	1,942,850	3,463,064	854,880	3,207,340	916,991	13,189,998
Primary Care Visits	168,993	3,135,790	2,380,900	2,259,284	842,284	3,855,952	559,554	13,888,476
Inpatient Surgeries and Procedures ⁽¹⁾	8,427	41,516	31,500	23,708	10,008	59,045	7,654	181,858
Outpatient Surgeries and Procedures ⁽¹⁾	11,236	85,107	67,912	137,027	22,931	98,957	23,343	452,989
Long-Term Care Admissions	110	858	483	862	8	1,260	215	3,796
Long-Term Care Patient Days	54,267	112,878	27,358	32,995	2,610	77,303	5,841	313,252
Home Health Visits	16,759	328,965	6,953	300,211	56,869	359,848	n/a	1,069,605
Hospice Days	24,447	417,184	n/a	193,168	125,274	246,729	73,519	1,080,321
Housing and Assisted Living Days	29,224	336,327	40,698	149,758	n/a	20,755	n/a	576,762
Average Daily Census	341	1,671	1,081	950	405	1,854	298	6,659
Acute Licensed Beds	482	2,666	1,824	1,452	807	3,246	816	11,293
FTEs	3,889	21,482	13,595	17,449	5,402	23,117	5,465	107,100

⁽¹⁾ The ERP system standardization of statistics now calculates surgical cases versus surgical procedures, which may adjust reported results versus prior methodologies, thus affecting calculated growth rates when comparing to prior methodologies. Financial metrics are unaffected.



PROVIDENCE ST. JOSEPH HEALTH

Combined Financial Statements

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 2800
401 Union Street
Seattle, WA 98101

Independent Auditors' Report

The Board of Directors
Providence St. Joseph Health:

Opinion

We have audited the combined financial statements of Providence St. Joseph Health (the Health System), which comprise the combined balance sheets as of December 31, 2022 and 2021, 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, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Combined Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Combined Financial Statements

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



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Health System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Health System's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Obligated Group Combining Balance Sheets and Statements of Operations Information included on pages 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

KPMG LLP

Seattle, Washington
March 9, 2023

PROVIDENCE ST. JOSEPH HEALTH

Combined Balance Sheets

December 31, 2022 and 2021

(In millions of dollars)

Assets	2022	2021
Current assets:		
Cash and cash equivalents	\$ 1,063	1,143
Accounts receivable	2,841	3,158
Supplies inventory	359	402
Other current assets	1,752	1,649
Current portion of assets whose use is limited	656	1,491
Total current assets	6,671	7,843
Assets whose use is limited	8,512	12,290
Property, plant, and equipment, net	10,217	11,329
Operating lease right-of-use assets	1,265	1,012
Other assets	2,243	2,401
Total assets	\$ 28,908	34,875
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt	\$ 166	81
Master trust debt classified as short-term	452	189
Accounts payable	1,915	1,432
Accrued compensation	1,496	1,627
Current portion of operating lease right-of-use liabilities	191	197
Other current liabilities	2,154	3,056
Total current liabilities	6,374	6,582
Long-term debt, net of current portion	7,606	6,834
Pension benefit obligation	678	977
Long-term operating lease right-of-use liabilities, net of current portion	1,251	992
Other liabilities	1,408	1,818
Total liabilities	17,317	17,203
Net assets:		
Controlling interests	9,818	15,507
Noncontrolling interests	386	404
Net assets without donor restrictions	10,204	15,911
Net assets with donor restrictions	1,387	1,761
Total net assets	11,591	17,672
Total liabilities and net assets	\$ 28,908	34,875

See accompanying notes to combined financial statements.

PROVIDENCE ST. JOSEPH HEALTH
 Combined Statements of Operations
 Years ended December 31, 2022 and 2021
 (In millions of dollars)

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Net patient service revenues	\$ 20,100	20,908
Premium revenues	2,507	2,320
Capitation revenues	1,897	1,870
Other revenues	1,930	2,230
	<u>26,434</u>	<u>27,328</u>
Operating expenses:		
Salaries and benefits	14,332	13,966
Supplies	4,129	4,168
Purchased healthcare services	2,226	2,129
Interest, depreciation, and amortization	1,282	1,406
Purchased services, professional fees, and other	5,917	6,373
	<u>27,886</u>	<u>28,042</u>
Deficit of revenue over expenses from operations before restructuring costs and other	(1,452)	(714)
Restructuring costs and other	247	—
	<u>(1,699)</u>	<u>(714)</u>
Deficit of revenue over expenses from operations		
Net nonoperating gains (losses):		
Investment (loss) income, net	(1,027)	1,245
Loss from disaffiliation	(3,408)	—
Other	12	(13)
	<u>(4,423)</u>	<u>1,232</u>
Total net nonoperating (losses) gains		
(Deficit) excess of revenues over expenses	<u>\$ (6,122)</u>	<u>518</u>

See accompanying notes to combined financial statements.

PROVIDENCE ST. JOSEPH HEALTH

Combined Statements of Changes in Net Assets

Years ended December 31, 2022 and 2021

(In millions of dollars)

	Without donor restrictions		With donor restrictions	Total net assets
	Controlling interests	Noncontrolling interests		
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
Change in net assets	650	95	211	956
Balance, December 31, 2021	15,507	404	1,761	17,672
Deficit of revenues over expenses	(6,033)	(89)	—	(6,122)
Restricted assets related to disaffiliation	—	—	(422)	(422)
Contributions, grants, and other	111	71	127	309
Net assets released from restriction	—	—	(79)	(79)
Pension related changes	233	—	—	233
Change in net assets	(5,689)	(18)	(374)	(6,081)
Balance, December 31, 2022	\$ 9,818	386	1,387	11,591

See accompanying notes to combined financial statements.

PROVIDENCE ST. JOSEPH HEALTH

Combined Statements of Cash Flows

Years ended December 31, 2022 and 2021

(In millions of dollars)

	2022	2021
Cash flows from operating activities:		
(Decrease) Increase in net assets	\$ (6,081)	956
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation and amortization	1,017	1,154
Loss on disaffiliation activities	3,830	—
Gain on affiliation activities	—	(52)
Restricted contributions and investment income received	(127)	(385)
Net realized and unrealized gains on investments	1,165	(1,107)
Changes in certain current assets and liabilities	(316)	(283)
Change in certain long-term assets and liabilities	(830)	(1,224)
Net cash used in by operating activities	(1,342)	(941)
Cash flows from investing activities:		
Property, plant, and equipment additions, net of disposals	(767)	(1,295)
Purchases of alternative investments, commingled funds, and trading securities	(10,356)	(13,545)
Proceeds from sales of alternative investments, commingled funds, and trading securities	11,181	13,570
Cash paid through affiliation and divestiture activities, net of cash received	(315)	(152)
Other investing activities	(22)	(91)
Net cash used in investing activities	(279)	(1,513)
Cash flows from financing activities:		
Proceeds from restricted contributions and restricted income	127	385
Debt borrowings	2,203	1,337
Debt payments	(777)	(1,335)
Other financing activities	(12)	(20)
Net cash provided by financing activities	1,541	367
Decrease in cash and cash equivalents	(80)	(2,087)
Cash and cash equivalents, beginning of year	1,143	3,230
Cash and cash equivalents, end of year	\$ 1,063	1,143
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 271	247

See accompanying notes to combined financial statements.

PROVIDENCE ST. JOSEPH HEALTH

Notes to Combined Financial Statements

December 31, 2022 and 2021

(In millions of dollars)

(1) Basis of Presentation and Significant Accounting Policies

(a) Reporting Entity

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

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

The Health System has been recognized as exempt from federal income taxes, except on unrelated business income, under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3) and further described as a public charitable organization under Section 509(a)(3). PHS, SJHS, and substantially all of the corporations within the Health System have been granted exemptions from federal income tax under Section 501(a) of the Internal Revenue Code as charitable organizations described in Section 501(c)(3).

(b) Basis of Presentation

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

(c) Performance Indicator

The performance indicator is the (deficit) excess of revenues over expenses. Changes in net assets without restrictions that are excluded from the performance indicator include net assets released from restriction for the purchase of property, plant, and equipment, certain changes in funded status of pension and other postretirement benefit plans, restricted contributions from affiliations (disaffiliations), net changes in noncontrolling interests in combined joint ventures, and certain other activities.

(d) Operating and Nonoperating Activities

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

PROVIDENCE ST. JOSEPH HEALTH

Notes to Combined Financial Statements

December 31, 2022 and 2021

(In millions of dollars)

investment earnings, gains or losses from debt extinguishment, loss on disaffiliation, certain pension related costs, gains or losses on interest rate swaps, and certain other activities.

(e) Use of Estimates and Assumptions

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

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

(f) Restructuring and Other

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

(g) Disaffiliation

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

PROVIDENCE ST. JOSEPH HEALTH
Notes to Combined Financial Statements
December 31, 2022 and 2021
(In millions of dollars)

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

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

(h) 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.

(i) Supplies Inventory

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

(j) Investments Including Assets Whose Use Is Limited

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

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

(k) 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 60% and 64% of noncurrent investments, as stated at December 31, 2022 and 2021, respectively, could be utilized within the next year if needed.

PROVIDENCE ST. JOSEPH HEALTH

Notes to Combined Financial Statements

December 31, 2022 and 2021

(In millions of dollars)

(l) 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 (losses) gains in the accompanying combined statements of operations.

(m) 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:

	<u>2022</u>	<u>2021</u>
Program support	\$ 1,104	1,421
Capital acquisition	201	235
Low-income housing and other	<u>82</u>	<u>105</u>
Total net assets with donor restrictions	<u>\$ 1,387</u>	<u>1,761</u>

(n) 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.

(o) 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).

PROVIDENCE ST. JOSEPH HEALTH

Notes to Combined Financial Statements

December 31, 2022 and 2021

(In millions of dollars)

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, 2022 and 2021 was \$289 and \$271, respectively.

(p) Subsequent Events

The Health System has performed an evaluation of subsequent events through March 9, 2023, the date the accompanying combined financial statements were issued.

(q) New Accounting Pronouncements

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.

(r) Reclassifications

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

(2) COVID-19 Pandemic and CARES Act Funding

The Health System has received relief in the form of grants and advance payments from the Coronavirus Aid Relief and Economic Security ("CARES") Act. The Health System received cumulative payments of approximately \$1,391 in total grants from the CARES Act, including \$91 and \$228 received during the years ended December 31, 2022 and 2021, respectively. Substantially all of these amounts have been recognized as other operating revenue, including \$120 and \$313 recognized during the years ended December 31, 2022 and 2021.

In 2020, the Centers for Medicare & Medicaid Services ("CMS") distributed \$1,630 of COVID-19 Accelerated and Advance Payments ("CAAPs") to the Health System in response to the COVID-19 Public Health Emergency, which were repaid to CMS through the offsetting of payments. The 29-month recoupment period ended in the fourth quarter of 2022 and all remaining balances were paid in October 2022. As of December 31, 2021, \$1,009 was recorded in other current liabilities on the combined balance sheets.

PROVIDENCE ST. JOSEPH HEALTH

Notes to Combined Financial Statements

December 31, 2022 and 2021

(In millions of dollars)

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 deferred \$365 million in social security taxes incurred in 2020. As of December 31, 2021, \$183 in social security taxes was included in accrued compensation in the accompanying combined balance sheets. The remaining balance was paid in December 2022.

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, 2022.

(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 \$18 and \$48 for the years ended December 31, 2022 and 2021, 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 \$560 and \$624 for the years ended December 31, 2022 and 2021, 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 \$799 and \$863 for the years ended December 31, 2022 and 2021, respectively.

PROVIDENCE ST. JOSEPH HEALTH
Notes to Combined Financial Statements
December 31, 2022 and 2021
(In millions of dollars)

(b) Premium and Capitation Revenues

Premium and capitation revenues are received on a prepaid basis and are recognized as revenue ratably over the period for which the enrolled member is entitled to healthcare services. The timing of the Health System's performance may differ from the timing of the payment received, which may result in the recognition of a contract asset or a contract liability. The balance of contract liabilities was \$26 and \$23 as of December 31, 2022 and 2021, respectively, and is included in other current liabilities in the combined balance sheets. The Health System has no material contract assets.

(c) Disaggregation of Revenue

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

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

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

	<u>2022</u>	<u>2021</u>
Alaska	\$ 946	912
Washington	7,604	7,358
Montana	488	475
Oregon	5,660	5,344
California	8,617	9,855
Texas/New Mexico	<u>1,189</u>	<u>1,154</u>
Total revenues from contracts with customers	24,504	25,098
Other revenues	<u>1,930</u>	<u>2,230</u>
Total operating revenues	<u>\$ 26,434</u>	<u>27,328</u>

PROVIDENCE ST. JOSEPH HEALTH
Notes to Combined Financial Statements
December 31, 2022 and 2021
(In millions of dollars)

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

	<u>2022</u>	<u>2021</u>
Hospitals	\$ 16,633	17,614
Health plans and accountable care	2,827	2,580
Physician and outpatient activities	3,164	3,234
Long-term care, home care, and hospice	1,380	1,315
Other	500	355
	<hr/>	<hr/>
Total revenues from contracts with customers	24,504	25,098
Other revenues	1,930	2,230
	<hr/>	<hr/>
Total operating revenues	\$ <u>26,434</u>	<u>27,328</u>

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

	<u>2022</u>	<u>2021</u>
Commercial	\$ 11,134	12,350
Medicare	8,998	8,722
Medicaid	3,590	3,645
Self-pay and other	782	381
	<hr/>	<hr/>
Total revenues from contracts with customers	24,504	25,098
Other revenues	1,930	2,230
	<hr/>	<hr/>
Total operating revenues	\$ <u>26,434</u>	<u>27,328</u>

(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.

PROVIDENCE ST. JOSEPH HEALTH

Notes to Combined Financial Statements

December 31, 2022 and 2021

(In millions of dollars)

- 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.

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

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

PROVIDENCE ST. JOSEPH HEALTH
Notes to Combined Financial Statements
December 31, 2022 and 2021
(In millions of dollars)

	December 31,	Fair value measurements at reporting date using		
	2021	Level 1	Level 2	Level 3
Management-designated cash and investments:				
Cash and cash equivalents	\$ 697	697	—	—
Equity securities:				
Domestic	2,590	2,590	—	—
Foreign	856	856	—	—
Domestic debt securities:				
State and federal government	2,048	1,672	376	—
Corporate	980	—	980	—
Other	1,159	605	554	—
Foreign debt securities	315	—	315	—
Other	24	12	12	—
Investments measured using NAV	<u>4,282</u>			
Total management-designated cash and investments	<u>12,951</u>			
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	<u>32</u>	—	32	—
Total funds held by trustee	<u>460</u>			
Total assets whose use is limited	<u>\$ 13,781</u>			

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.

PROVIDENCE ST. JOSEPH HEALTH

Notes to Combined Financial Statements

December 31, 2022 and 2021

(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:

	<u>Fair value</u>		<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
	<u>2022</u>	<u>2021</u>			
Hedge funds:					
Long/short equity	\$ 190	866	—	Monthly, quarterly, semi-annually, or annually	30–120 days
Credit	97	290	38	Quarterly or annually	45–150 days
Relative value	218	172	—	Quarterly	60–90 days
Global macro	241	173	—	Monthly or quarterly	2–90 days
Fund of hedge funds	20	19	—	Quarterly	90 days
Private equity	925	1,210	443	Not applicable	Not applicable
Private real estate	262	294	145	Not applicable	Not applicable
Real assets	26	159	54	Monthly or quarterly	10–60 days
Commingled	429	1,099	—	Weekly, Monthly, quarterly, semi-annually, or annually	6–90 days
Total	<u>\$ 2,408</u>	<u>4,282</u>	<u>680</u>		

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

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

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

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

PROVIDENCE ST. JOSEPH HEALTH

Notes to Combined Financial Statements

December 31, 2022 and 2021

(In millions of dollars)

Securities). Each of these sectors tends to have a high degree of sensitivity to inflation and be less correlated with traditional equities and fixed income.

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

(b) Unsettled Transactions

Investment sales and purchases initiated prior to and settled subsequent to the combined balance sheet date result in amounts due from and to brokers. As of December 31, 2022, the Health System recorded a receivable of \$19 for investments sold but not settled and a payable of \$59 for investments purchased but not settled in other current assets and other current liabilities, respectively, in the accompanying combined balance sheets. 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.

(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:

	2022	2021
Derivative assets:		
Futures contracts	\$ 868	922
Foreign currency forwards and other contracts	182	94
Total derivative assets	\$ 1,050	1,016
Derivative liabilities:		
Futures contracts	\$ (868)	(922)
Foreign currency forwards and other contracts	(182)	(95)
Total derivative liabilities	\$ (1,050)	(1,017)

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 \$247 and \$33, respectively, as of December 31, 2022. The total notional derivative amount of mortgage contracts purchased and sold was \$893 and \$437, respectively, as of December 31, 2021. 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.

PROVIDENCE ST. JOSEPH HEALTH
Notes to Combined Financial Statements
December 31, 2022 and 2021
(In millions of dollars)

(d) Investment (Loss) Income, Net

	2022	2021
Interest and dividend income	\$ 138	138
Net realized gains on sale of trading securities	39	506
Change in net unrealized (losses) gains on trading securities	(1,204)	601
Investment (loss) income, net	\$ (1,027)	1,245

(e) Assets Measured Using Significant Unobservable Inputs

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

(5) Property, Plant, and Equipment, Net

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

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

PROVIDENCE ST. JOSEPH HEALTH
Notes to Combined Financial Statements
December 31, 2022 and 2021
(In millions of dollars)

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

	Approximate useful life (years)	2022	2021
Land	—	\$ 1,183	1,530
Buildings and improvements	5–60	10,655	11,406
Equipment:			
Fixed	5–25	1,370	1,373
Major movable and minor	3–20	7,128	7,003
Construction in progress	—	2,205	1,820
		<u>22,541</u>	<u>23,132</u>
Less accumulated depreciation		<u>(12,324)</u>	<u>(11,803)</u>
Property, plant, and equipment, net		<u>\$ 10,217</u>	<u>11,329</u>

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:

	2022	2021
Investment in nonconsolidated joint ventures	\$ 418	399
Goodwill, net of accumulated amortization	341	441
Intangible assets, net of accumulated amortization	246	242
Beneficial interest in noncontrolled foundations	322	320
Other	916	999
Total other assets	<u>\$ 2,243</u>	<u>2,401</u>

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, 2022 and 2021.

PROVIDENCE ST. JOSEPH HEALTH

Notes to Combined Financial Statements

December 31, 2022 and 2021

(In millions of dollars)

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.

(7) Leases

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

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

	<u>2022</u>	<u>2021</u>
Operating lease cost:		
Fixed lease expense	\$ 316	257
Short-term lease expense	18	32
Variable lease expense	<u>86</u>	<u>159</u>
Total operating lease cost	<u>\$ 420</u>	<u>448</u>
Finance lease cost:		
Amortization of ROU assets	\$ 57	35
Interest on finance lease liabilities	<u>23</u>	<u>26</u>
Total finance lease cost	<u>\$ 80</u>	<u>61</u>

PROVIDENCE ST. JOSEPH HEALTH
Notes to Combined Financial Statements
December 31, 2022 and 2021
(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:

	<u>2022</u>	<u>2021</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 315	254
Operating cash flows from finance leases	23	27
Financing cash flows from finance leases	44	26
Additions to ROU assets obtained from operating leases	429	34
Additions to ROU assets obtained from finance leases	285	5
Weighted-average remaining lease term (in years):		
Operating leases	9	9
Finance leases	14	17
Weighted-average discount rate:		
Operating leases	3.2 %	3.6 %
Finance leases	2.9	6.0

Commitments related to noncancellable operating and finance leases for each of the next five years and thereafter as of December 31, 2022 are as follows:

	<u>Operating</u>	<u>Finance</u>
2023	\$ 237	72
2024	214	68
2025	182	59
2026	162	49
2027	129	44
Thereafter	555	498
	1,479	790
Less imputed interest	(37)	(153)
Total lease liabilities	1,442	637
Less current portion	(191)	(58)
Long-term portion	\$ <u>1,251</u>	<u>579</u>

PROVIDENCE ST. JOSEPH HEALTH
Notes to Combined Financial Statements
December 31, 2022 and 2021
(In millions of dollars)

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

	<u>Classification</u>	<u>2022</u>	<u>2021</u>
Assets:			
Operating	Operating leases ROU assets	\$ 1,265	1,012
Finance	Property, plant, and equipment, net	655	412
Liabilities:			
Current:			
Operating	Current portion of operating lease ROU liabilities	191	197
Finance	Current portion of long-term debt	58	34
Long-term:			
Operating	Long-term operating lease ROU liabilities, net of current portion	1,251	992
Finance	Long-term debt, net of current portion	579	409

(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)

PROVIDENCE ST. JOSEPH HEALTH
Notes to Combined Financial Statements
December 31, 2022 and 2021
(In millions of dollars)

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

	Maturing through	Coupon rates	Unpaid principal	
			2022	2021
Master trust debt:				
Fixed rate:				
Series 2005, Direct Obligation Notes	2030	5.30–5.39%	\$ 28	31
Series 2008B, LHFDC Revenue Bonds	2023	4.00–5.00	—	4
Series 2009C, CHFFA Revenue Bonds	2034	5.00	62	91
Series 2009D, CHFFA Revenue Bonds	2034	1.70	36	40
Series 2011C, OFA Revenue Bonds	2026	3.50–5.00	3	6
Series 2012A, WHCFA Revenue Bonds	2042	3.00–5.00	430	441
Series 2013A, OFA Revenue Bonds	2024	5.00	17	25
Series 2013A, CHFFA Revenue Bonds	2037	4.00–5.00	49	324
Series 2013D, Direct Obligation Notes	2023	4.38	252	252
Series 2014A, CHFFA Revenue Bonds	2038	4.00–5.00	158	170
Series 2014B, CHFFA Revenue Bonds	2044	4.25–5.00	119	119
Series 2014C, WHCFA Revenue Bonds	2044	4.00–5.00	80	80
Series 2014D, WHCFA Revenue Bonds	2041	5.00	176	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	446	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	171	323
Series 2021A, Direct Obligation Bonds	2051	2.70	775	775
Series 2021B, WHCFA Revenue Bonds	2042	4.00	178	178
Series 2021C, PFA Revenue Bonds	2041	4.00	102	102
			5,381	5,885
Total fixed rate				

PROVIDENCE ST. JOSEPH HEALTH
Notes to Combined Financial Statements
December 31, 2022 and 2021
(In millions of dollars)

	Maturing through	Effective interest rate (1)		Unpaid principal	
		2022	2021	2022	2021
Variable rate:					
Series 2016C, LHFDC Revenue Bonds	2030	Not applicable	0.57 %	\$ —	29
Series 2016D, WHCFA Revenue Bonds	2036	1.86	0.67	74	75
Series 2016E, WHCFA Revenue Bonds	2036	1.78	0.59	54	55
Series 2016F, MFFA Revenue Bonds	2026	Not applicable	0.57	—	27
Total variable rate				128	186
Wells Fargo Credit Facility	2026	3.00	0.65	990	205
Wells Fargo	2024	3.60	Not applicable	300	—
PNC Bank	2025	3.50	Not applicable	200	—
PNC Bank	2027	3.65	Not applicable	127	—
Morgan Stanley Bank	2023	4.04	Not applicable	200	—
Unpaid principal, master trust debt				7,326	6,276
Premiums, discounts, and unamortized financing costs, net				181	225
Master trust debt, including premiums and discounts, net				7,507	6,501
Other long-term debt				717	603
Total debt				\$ 8,224	7,104

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

PROVIDENCE ST. JOSEPH HEALTH
Notes to Combined Financial Statements
December 31, 2022 and 2021
(In millions of dollars)

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

	<u>2022</u>	<u>2021</u>
Current portion of long-term debt	\$ 166	81
Master trust debt classified as short-term	452	189
Long-term debt, classified as a long-term liability	<u>7,606</u>	<u>6,834</u>
Total debt	<u>\$ 8,224</u>	<u>7,104</u>

(b) Other Long-Term Debt

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

	<u>2022</u>	<u>2021</u>
Finance leases	\$ 637	443
Notes payable	80	157
Bonds not under master trust indenture and other	<u>—</u>	<u>3</u>
Total other long-term debt	<u>\$ 717</u>	<u>603</u>

(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:

	<u>Master trust</u>	<u>Other</u>	<u>Total</u>
2023	\$ 557	61	618
2024	476	59	535
2025	547	53	600
2026	1,365	73	1,438
2027	319	33	352
Thereafter	<u>4,062</u>	<u>438</u>	<u>4,500</u>
Scheduled principal payments of long-term debt	<u>\$ 7,326</u>	<u>717</u>	<u>8,043</u>

PROVIDENCE ST. JOSEPH HEALTH

Notes to Combined Financial Statements

December 31, 2022 and 2021

(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, 2022 and 2021, the Health System had interest rate swap contracts with a total current notional amount totaling \$395 and \$401, 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, 2022 and 2021, the change in valuation was a gain of \$78 and a loss of \$27, respectively, and settlements recognized as a component of interest expense were \$9 and \$13, 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, 2022 and 2021, the fair value of outstanding interest rate swaps was in a net liability position of \$37 and \$115, respectively, and is included in other liabilities in the accompanying combined balance sheets. These liabilities are valued using Level 2 fair value measurements. Collateral posted in connection with the outstanding swap agreements as of December 31, 2022 and 2021 was \$0 and \$17, respectively. These amounts were included in other assets in the accompanying combined balance sheets.

PROVIDENCE ST. JOSEPH HEALTH
Notes to Combined Financial Statements
December 31, 2022 and 2021
(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:

	2022	2021
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 2,896	3,037
Service cost	15	17
Interest cost	84	79
Plan amendments	—	2
Actuarial gain	(621)	(56)
Benefits paid and other	(203)	(183)
Projected benefit obligation at end of year	2,171	2,896
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	1,919	1,833
Actual return on plan assets	(335)	158
Employer contributions	111	111
Benefits paid and other	(203)	(183)
Fair value of plan assets at end of year	1,492	1,919
Funded status	(679)	(977)
Unrecognized net actuarial loss	300	534
Unrecognized prior service cost	2	2
Net amount recognized	\$ (377)	(441)
Amounts recognized in the combined balance sheets consist of:		
Current liabilities	\$ (1)	(1)
Noncurrent liabilities	(678)	(974)
Net assets without donor restrictions	302	534
Net amount recognized	\$ (377)	(441)
Weighted average assumptions (projected benefit obligation):		
Discount rate	5.60 %	3.00 %
Rate of increase in compensation levels	6.00	4.00

PROVIDENCE ST. JOSEPH HEALTH

Notes to Combined Financial Statements

December 31, 2022 and 2021

(In millions of dollars)

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

	2022	2021
Components of net periodic pension cost:		
Service cost	\$ 15	17
Interest cost	84	79
Expected return on plan assets	(105)	(101)
Recognized net actuarial loss	38	57
Net periodic pension cost	\$ 32	52
Special recognition – settlement expense	\$ 15	18
Weighted Average Assumptions (net periodic pension cost):		
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

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, 2022 and 2021 is included in net nonoperating gains (losses) in the accompanying combined statements of operations.

The accumulated benefit obligation was \$2,130 and \$2,845 at December 31, 2022 and 2021, respectively.

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

2023	\$ 179
2024	177
2025	176
2026	175
2027–2032	1,004
	\$ 1,711

The Health System expects to contribute approximately \$110 to the defined benefit plans in 2023.

The expected long-term rate of return on plan assets is the expected average rate of return on the funds invested currently and on funds to be invested in the future in order to provide for the benefits included in the projected benefit obligation. The Health System used 6.25% in calculating the 2022 and

PROVIDENCE ST. JOSEPH HEALTH

Notes to Combined Financial Statements

December 31, 2022 and 2021

(In millions of dollars)

2021 expense amounts. This assumption is based on capital market assumptions and the plan's target asset allocation.

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

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

	<u>2022 Target</u>	<u>2022 ELTRA</u>	<u>2021 Target</u>	<u>2021 ELTRA</u>
Cash and cash equivalents	2 %	3.0 %	2 %	2.0 %
Equity securities	45	8%–9%	45	8%–9%
Debt securities	33	5%–6%	33	3%–4%
Other securities	20	6%–9%	20	5%–8%
Total	<u>100 %</u>	<u>4.75% – 6.75%</u>	<u>100 %</u>	<u>6.25 %</u>

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

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

PROVIDENCE ST. JOSEPH HEALTH

Notes to Combined Financial Statements

December 31, 2022 and 2021

(In millions of dollars)

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	545	545	—	—
Foreign	158	158	—	—
Domestic debt securities:				
State and government	271	239	32	—
Corporate	151	—	151	—
Other	164	138	26	—
Foreign debt securities	56	—	56	—
Investments measured using NAV	502			
Transactions pending settlement, net	(89)			
Total	\$ 1,919			

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		Redemption frequency	Redemption notice period
	2022	2021		
Hedge funds:				
Long/short equity \$	52	45	Monthly or quarterly	30–12 days
Credit and other	222	165	Monthly or quarterly	5-90 days
Commingled	214	292	Bi-weekly or monthly	3–30 days
Total	\$ 488	502		

PROVIDENCE ST. JOSEPH HEALTH

Notes to Combined Financial Statements

December 31, 2022 and 2021

(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:

	2022	2021
Derivative assets:		
Futures contracts	\$ 322	233
Foreign currency forwards and other contracts	3	2
Total derivative assets	\$ 325	235
Derivative liabilities:		
Futures contracts	\$ (322)	(233)
Foreign currency forwards and other contracts	(3)	(1)
Total derivative liabilities	\$ (325)	(234)

(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 \$488 and \$557 in 2022 and 2021, 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 \$529 and \$613 as of December 31, 2022 and 2021, respectively, based on the fair value of various 457 (b) plans' assets. These other plan assets are investments in mutual funds valued using Level 1 fair value measurements and are included in other assets in the accompanying combined balance sheets. The corresponding liability is included in other long term liabilities in the accompanying combined balance sheets.

(10) Self-Insurance Liabilities

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

PROVIDENCE ST. JOSEPH HEALTH

Notes to Combined Financial Statements

December 31, 2022 and 2021

(In millions of dollars)

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

At December 31, 2022 and 2021, the estimated liability for future costs of professional and general liability claims was \$646 and \$635, respectively. At December 31, 2022 and 2021, the estimated workers' compensation obligation was \$337 and \$387, 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, 2022, primarily related to construction and equipment and software acquisition, are approximately \$190.

(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.

PROVIDENCE ST. JOSEPH HEALTH
Notes to Combined Financial Statements
December 31, 2022 and 2021
(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:

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

	2021								Total operating expenses
	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	
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

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, 2022 and 2021

(In millions of dollars)

Assets	2022			2021		
	Obligated Group	Nonobligated, Eliminations, and Other	Total combined	Obligated Group	Nonobligated, Eliminations, and Other	Total combined
Current assets:						
Cash and cash equivalents	\$ 458	605	1,063	244	899	1,143
Accounts receivable	2,635	206	2,841	2,823	335	3,158
Supplies inventory	337	22	359	379	23	402
Other current assets	1,567	185	1,752	1,561	88	1,649
Current portion of assets whose use is limited	417	239	656	1,184	307	1,491
Total current assets	5,414	1,257	6,671	6,191	1,652	7,843
Assets whose use is limited	5,612	2,900	8,512	8,805	3,485	12,290
Property, plant, and equipment, net	8,827	1,390	10,217	10,020	1,309	11,329
Operating lease right-of-use assets	842	423	1,265	743	269	1,012
Other assets	2,835	(592)	2,243	2,926	(525)	2,401
Total assets	\$ 23,530	5,378	28,908	28,685	6,190	34,875
Liabilities and Net Assets						
Current liabilities:						
Current portion of long-term debt	\$ 156	10	166	70	11	81
Master trust debt classified as short-term	452	—	452	189	—	189
Accounts payable	1,681	234	1,915	1,222	210	1,432
Accrued compensation	1,287	209	1,496	1,468	159	1,627
Current portion of operating lease right-of-use liabilities	129	62	191	156	41	197
Other current liabilities	1,222	932	2,154	2,285	771	3,056
Total current liabilities	4,927	1,447	6,374	5,390	1,192	6,582
Long-term debt, net of current portion	7,321	285	7,606	6,533	301	6,834
Pension benefit obligation	678	—	678	977	—	977
Long-term operating lease right-of-use liabilities, net of current portion	853	398	1,251	720	272	992
Other liabilities	616	792	1,408	835	983	1,818
Total liabilities	14,395	2,922	17,317	14,455	2,748	17,203
Net assets:						
Net assets without donor restrictions	7,986	2,218	10,204	13,133	2,778	15,911
Net assets with donor restrictions	1,149	238	1,387	1,097	664	1,761
Total net assets	9,135	2,456	11,591	14,230	3,442	17,672
Total liabilities and net assets	\$ 23,530	5,378	28,908	28,685	6,190	34,875

See accompanying independent auditors' report.

PROVIDENCE ST. JOSEPH HEALTH

Supplemental Schedule – Obligated Group Combining Statements of Operations Information

Years ended December 31, 2022 and 2021

(In millions of dollars)

	2022			2021		
	Obligated Group	Nonobligated, Eliminations, and Other	Total combined	Obligated Group	Nonobligated, Eliminations, and Other	Total combined
Operating revenues:						
Net patient service revenues	\$ 19,018	1,082	20,100	19,404	1,504	20,908
Other revenues	2,262	4,072	6,334	2,726	3,694	6,420
Total operating revenues	21,280	5,154	26,434	22,130	5,198	27,328
Operating expenses:						
Salaries and benefits	12,236	2,096	14,332	11,980	1,986	13,966
Supplies	3,808	321	4,129	3,812	356	4,168
Interest, depreciation, and amortization	1,111	171	1,282	1,243	163	1,406
Purchased services, professional fees, and other	4,816	3,327	8,143	5,157	3,345	8,502
Total operating expenses	21,971	5,915	27,886	22,192	5,850	28,042
Deficit of revenues over expenses from operations before restructuring costs and other	(691)	(761)	(1,452)	(62)	(652)	(714)
Restructuring costs and other	247	—	247	—	—	—
Deficit of revenues over expenses from operations	(938)	(761)	(1,699)	(62)	(652)	(714)
Net nonoperating gains (losses):						
Investment (loss) income, net	(714)	(313)	(1,027)	1,078	167	1,245
Loss from disaffiliation	(3,408)	—	(3,408)	—	—	—
Other	(64)	76	12	(21)	8	(13)
Total net nonoperating (losses) gains	(4,186)	(237)	(4,423)	1,057	175	1,232
(Deficit) excess of revenues over expenses	\$ (5,124)	(998)	(6,122)	995	(477)	518

See accompanying independent auditors' report.