
**CONTINUING DISCLOSURE QUARTERLY REPORT
(Filed pursuant to Rule 15c2-12(b)(5))**

**PROVIDENCE ST. JOSEPH HEALTH
AND THE OBLIGATED GROUP**

Name, Address and Telephone Number of Obligor:

Providence St. Joseph Health
1801 Lind Ave SW
Renton, WA 98057
Attention: Venkat Bhamidipati,
Executive Vice President and Chief Financial Officer

Title of Bonds to Which Report Relates:

See Exhibit 5 attached hereto

Fiscal Year to Which Report Relates:

Quarter Ended June 30, 2019

Including Management's Discussion and Analysis and Results of Operations

About Providence St. Joseph Health

Our Organization

Providence St. Joseph Health (the System) has been a strong and stable force for more than 160 years. As one of the largest health systems in the United States, our Mission, as set forth below, calls us to serve the most vulnerable and poor members of our community with dignity and respect, reflecting the legacy of the Sisters of St. Joseph and the Sisters of Providence. The sisters began their works of charity in 1856, creating the structure for the current network of health care services.



Our vision, Health for a Better World, is driven by a fundamental belief that health is a human right. We deliver care in our communities and through our varied care settings for all populations-whether people are uninsured, or enrolled in commercial plans, Medicare or Medicaid. We strive to increase access to health care and our dedicated caregivers provide quality, compassionate care to all those we serve, regardless of coverage or ability to pay. We are privileged to serve in vibrant markets in the western United States with growing populations, which has led to consistent increases in service utilization in these markets. We offer a comprehensive range of industry-leading services, including an integrated care delivery system for inpatient and outpatient services, 51 acute care hospitals, 29 long-term care facilities, 16 supportive housing facilities, over 1,000 clinics, over 7,650 directly employed providers and over 25,000 affiliated providers, a health plan, senior care, financial assistance programs, and educational ministries that include a high school and university.

The Continuing Disclosure Quarterly Report (the Quarterly Report) is intended solely to provide certain limited financial and operating data in accordance with undertakings of the System 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 Quarterly Report contains certain financial and operating data for the quarter ended June 30, 2019. The System has undertaken no responsibility to update such data since June 30, 2019, except as set forth herein. This Quarterly Report may be affected by actions taken or omitted or events occurring after the date hereof. The System has not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur. The System disclaims any obligation to update this Quarterly Report, or to file any reports or other information with repositories, or any other person except as specifically required by the Undertaking.

The System, headquartered in Renton, Washington, is governed by a sponsorship council made up of members of its two sponsoring ministries, Providence Ministries and St. Joseph Health Ministry. The System operates hundreds of programs and services across seven states. We are a diverse family of organizations striving to create Health for a Better World, one community at a time, while ensuring the continued vibrancy of not-for-profit, Catholic health care in the United States. Together, we are bringing quality care and services to all, with a special emphasis on those most in need.

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 Strategic Plan

Innovating new approaches to strengthen the Mission and continuously improve. Guided by the Mission and our values, we are executing a strategic plan that will accelerate our progress toward achieving our vision of Health for a Better World. This far-reaching vision includes continuing to deliver high-quality, patient-centered care; ensuring patients are digitally-enabled through appropriate technology; and our ministries serve as a partner in health for the patients and communities we serve. We intend to achieve this by focusing on the core areas of revenue growth, capital efficiency and process modernization. Our integrated strategic and financial plan is supported by three key principles:

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

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

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

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

Transform our future. We respond to the evolving health care landscape, pursuing new opportunities that transform our services, in a strategic and effective manner. We seek to expand our share of lives and health spend, and further sustain our Mission by:

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

Strategic affiliations. As part of our overall strategic planning and development process, the System regularly evaluates and, if deemed beneficial, selectively pursues opportunities to affiliate with other service providers and invest in new facilities, programs, or other health care related entities. Likewise, we are frequently presented with opportunities from, and conduct discussions with, third parties regarding potential affiliations, partnerships, mergers, acquisitions, joint operating arrangements or other forms of collaboration, including some that could affect the Obligated Group Members. It is common for several such discussions to be in process concurrently. System management pursues such 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. At this time, all such discussions are preliminary in nature and do not necessarily indicate

Leadership in the Health Care Industry

We announced the selection of **Joseph Walker**, as Corporate Treasurer, overseeing cash management, debt, and investments activities.

an intention to expand or contract the System, through partnership, affiliation, merger or acquisition, or to add or withdraw Members of the Obligated Group.

The System will continue to evaluate opportunities for strategic growth. The System 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

Key Initiatives

Providing an optimized and connected ambulatory experience for those we serve as we take care towards the home. We are transforming our care delivery assets to augment acute care and medical groups with a greater ambulatory presence to provide patients access to an optimized, lower cost, consumer-centric, connected ambulatory care network. Our ambulatory care network currently provides three million visits in almost 210 access points across seven states, and consists of 43 ambulatory surgery centers, 46 imaging centers, 73 urgent care centers, 47 retail clinics, and 13 behavioral health centers. We believe ambulatory care networks offer advantages to patients and physicians, including greater affordability, predictability, flexibility, and convenience, while offering a seamless connection to our full continuum of care. We are expanding our ambulatory care network in 2019 through strategic partnerships that improve patient access and reduce costs for consumers and employers, including increased same-day access through our retail and urgent care clinics.

Diversifying revenue to support patient care. In July 2019, we acquired Bluetree, an Epic consulting and strategy company that helps health care providers maximize their use of technology. The acquisition is part of a strategy to diversify revenue to support patient care and our Mission. In joining our system, Bluetree will extend its customer reach of more than 140 health system clients nationwide and pursue additional growth and innovation opportunities. As one of the largest Epic customers in the world, we have extensive experience maximizing Epic, both within our own seven-state system and for other independent hospitals and medical groups. By acquiring Bluetree, we will expand our current offerings to increase the value we deliver to other health systems across the country. With the addition of Bluetree, we now have two of the top electronic health record solutions companies in the country. We also own Engage, which has grown to become one of the largest MEDITECH solutions companies in the United States.

“Bluetree is on a trajectory for continued growth and success, and we look forward to partnering with them on this journey.”
-Mike Butler, President of Operations and Strategy

Modernizing and simplifying our revenue cycle through blockchain, artificial intelligence and automation technology. We are using our scale to integrate best-in-class technologies to reduce administrative burden for providers and payers. Our acquisition of Lumedic, a next-generation revenue cycle management platform that uses blockchain as a foundation, is enabling us to build a collaborative information-sharing platform. We are the first integrated provider-payer system to design a scalable platform to transform claims processing and enhance interoperability between providers and payers. We are engaged in efforts to reinvent revenue cycle to lower overall costs, improve caregiver focus, and provide greater transparency. The revenue cycle management system can also be commercialized for a diversified revenue stream to better support our Mission.

Making a transformational shift from health care to health. Our Population Health Management division is composed of a family of services, including Population Health Informatics, Payer & Provider Contracting, Value-Based Care, Care Management, Pacific Medical Centers and US Family Health Plan, Providence Health Plans, and Ayin Health Solutions.

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 and provide care management for complex patients. We are building community partnerships to increase access to health services, transportation, housing, education, food banks, and mental health services.

Providence Health Plan (PHP) is 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. These three combined entities generated total revenues exceeding two billion and services to over one million lives in 2018.

Providence Health Plan provides 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 Providence Preferred plans.

Easing the way for consumers through digital innovation. We work to bring health care into the digital and consumer age through a persistent focus on patient and consumer value. We utilize digital tools to meet and engage patients where they live, deliver care on their terms, and establish a long-term dialogue about their health outside the walls of the exam room. We create technology to deliver personalized patient care that is accessible, convenient and connected. We believe this strategy will lower the cost of care, generate new digital revenue streams, and unlock population health management capabilities and risk arrangements that help entire communities stay healthy.

Funding the future of health care through technology innovations. We founded Providence Ventures in 2014 to manage a \$150 million venture capital fund designed to achieve venture class returns through direct investments in innovative health care companies that improve quality and convenience, lower cost and improve health outcomes. We offer investment capital, combined with health system expertise, to companies addressing existing and emerging pain points in health care. We partner with our portfolio companies to refine existing solutions, while expanding their adoption within and beyond our health system. We launched a second \$150 million fund, Providence Ventures II, to target early and growth-stage health care companies that specialize in health care information technology, technology-enabled services, medical devices, and health care services.

Physician Enterprises

The System's physician enterprise consists of employed and foundation physicians, providers and their supporting care teams, including employed medical group providers, as well as hospital-based employed physicians. Our Employed Provider Network (the Provider Network) is composed of eight provider service organizations.

Medical groups and medical foundations within the Provider Network include: Providence Medical Group, a network serving Alaska, Washington and Montana, and Oregon; Swedish Medical Group, with staffed clinics throughout Washington's greater Puget Sound area; Providence Medical Institute (PMI), in Southern California; Pacific Medical Centers, in western Washington; Kadlec Regional Medical Center (Kadlec), serving communities in southeast Washington; Providence St. John's Medical Foundation, in Southern California; Facey Medical Foundation (Facey), in Southern California; St. Joseph Heritage Healthcare, in Northern and Southern California; and Covenant Medical Group operating in West Texas and Eastern New Mexico.

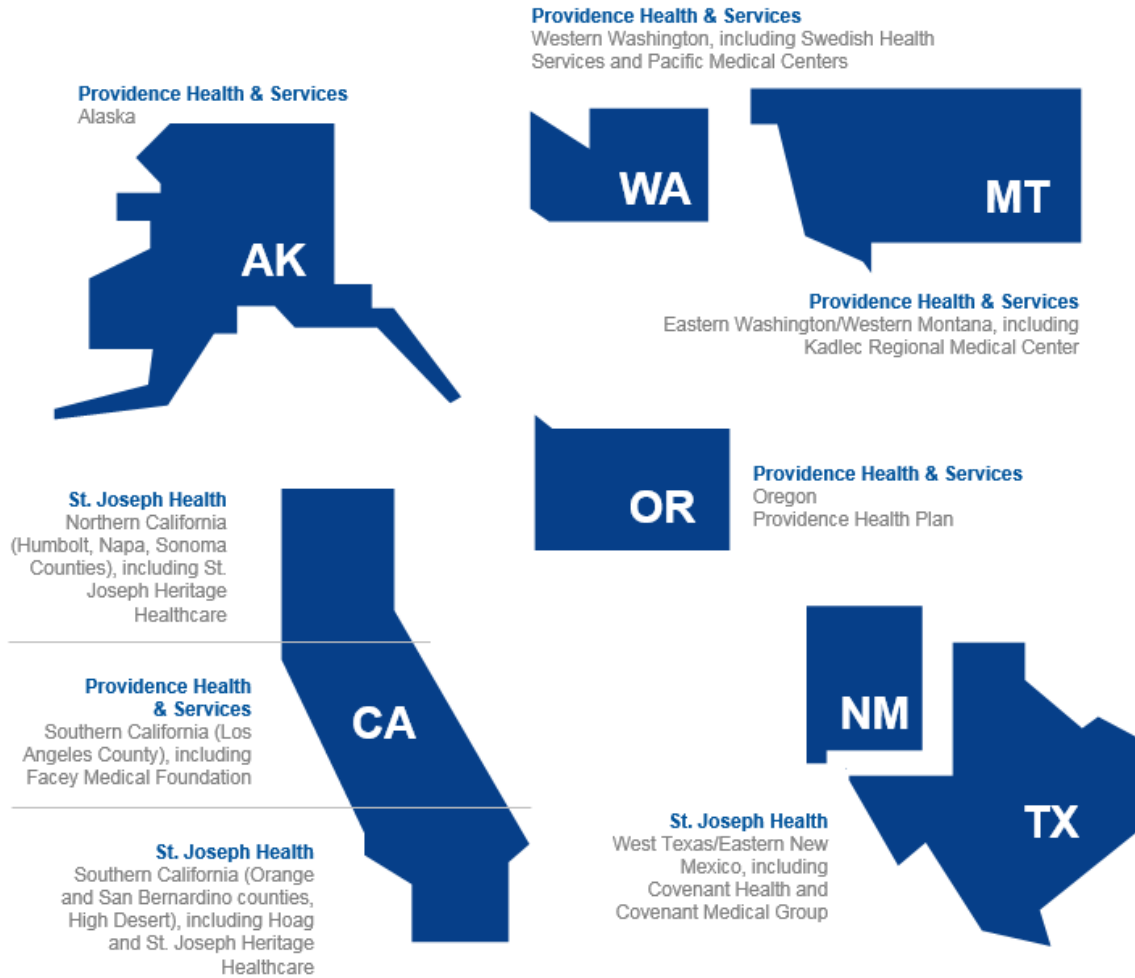
Health Care Facilities

We currently own, manage or operate hospitals, surgery centers, urgent care facilities, imaging centers, physician practices, pharmacies, home health services, rehabilitation facilities, a university and a high school, and various other acute and long-term care facilities shown in Exhibit 6. We have contracted the servicing of certain facilities to allow us to continue our focus on areas that are central to serving our communities, while improving the quality of property management.

The System is organized into the geographic regions spanning seven states across the western United States shown in the graphic below in Exhibit 1.1.

Exhibit 1.1

Providence St. Joseph Health Our footprint



Region Information

The System's operating revenue share by geographic region is presented for the periods indicated:

| EXHIBIT 1.2 - REGIONAL OPERATING REVENUE SHARE | 6-30-2019 | 6-30-2018 |
|--|-----------|-----------|
| Alaska | 4% | 4% |
| Swedish | 11% | 11% |
| Washington and Montana | 19% | 20% |
| Oregon | 21% | 21% |
| Northern California | 6% | 6% |
| Southern California ⁽¹⁾ | 30% | 28% |
| West Texas and Eastern New Mexico ⁽²⁾ | 5% | 7% |
| Other (including Home and Community Care) ⁽¹⁾ | 4% | 3% |

⁽¹⁾ Includes recognition of \$303 million in reimbursement from the California provider tax program that had been deferred until the revenue recognition criteria had been met in 2019 and reclassification of Home and Community Care entities to Other in 2018.

⁽²⁾ As reported, the West Texas/Eastern New Mexico regional share decreased due to the divestment of revenue related to the sale of Texas-based FirstCare Health Plans on January 1, 2019, including eliminations related to claims activity in 2018.

Alaska

As the largest health system in Alaska, the System operates 17 facilities throughout the state, with a 35 percent inpatient market share statewide in 2017, as reported by the Alaska Health Facilities Data Reporting Program. Providence Alaska Medical Center (PAMC) is the largest hospital in the state. The System's 17 Alaska facilities are located in the greater Anchorage area, with 60 percent inpatient market share, and in the remote communities of Kodiak, Seward and Valdez, as reported by the Alaska Health Facilities Data Reporting Program. PAMC is a 401-bed acute care facility and the only comprehensive tertiary referral center in the state. St. Elias Specialty Hospital, a 59-bed long term acute hospital (the only one in the state) is also located in the Anchorage area. Three critical access hospitals are located in Kodiak, Seward and Valdez, all co-located with skilled nursing facilities.

Swedish

In the greater Puget Sound area of Washington, Swedish Health Services operates five hospital campuses: First Hill, Cherry Hill, Ballard, Edmonds and Issaquah located in King and Snohomish counties. The inpatient market share for Swedish was 27 percent in 2017, as reported by the Comprehensive Hospital Abstract Reporting System. Swedish also has ambulatory care centers in Redmond and Mill Creek, and a network of more than 100 primary care and specialty clinics throughout the Seattle metropolitan corridor.

Washington and Montana

In the Washington-Montana region, the System operates 12 hospitals, with a 44 percent inpatient market share in 2017, as reported by the Comprehensive Hospital Abstract Reporting System. The region is composed of five geographic markets: Northwest Washington, Southwest Washington, Eastern Washington, Southeast Washington and Western Montana, with medical groups in the region employing over 2,000 providers. The region provides a variety of services, including home health care, primary and immediate care services, inpatient rehabilitation, and general acute care services.

Oregon

The Oregon region includes eight hospitals in Portland, Hood River, Medford, Milwaukie, Newberg, Seaside and Oregon City, with a total inpatient market share of 30 percent in 2017, as reported by Aprise Health Insights. Providence St. Vincent Medical Center provides tertiary care to the Portland metropolitan market. The region also provides more than 100 primary care, specialty and immediate care clinics, home health care, and housing. The Health Plans are based in Oregon, and a majority of its members (over 600,000) live in the region.

Northern California

The System's ministries in Northern California serve the North Coast, Humboldt, Napa and Sonoma communities with five hospitals, ambulatory surgery centers, urgent care centers, wellness centers, physician offices, home health, hospice, and rehabilitation sites. The acute care hospitals in Northern

California had 36 percent inpatient market share in 2017, as reported by the Office of Statewide Health Planning and Development. St. Joseph Heritage Healthcare, a medical foundation, operates clinics in the region with its contracted physician partners.

Southern California

The Southern California region includes 13 acute care hospitals in Los Angeles, Orange and San Bernardino counties, and the High Desert, with a total inpatient market share of 24 percent in 2017, as reported by the Office of Statewide Health Planning and Development. In Los Angeles County, the System operates six acute care facilities. Our largest hospital, Providence St. Joseph Medical Center, is located in Burbank. The System also operates hospitals in Mission Hills, San Pedro, Tarzana, Torrance and Santa Monica. Providence Medical Foundation (PMF) operates 63 practice locations in the market, offering more than 20 types of specialty care. PMF includes the Facey, PMI and Providence St. John's medical foundations. In addition, the System operates seven acute care facilities within Orange and San Bernardino counties: Apple Valley, Fullerton, Mission Viejo, Laguna Beach, Newport Beach, Irvine and Orange. Mission Hospital is located on two campuses in Mission Viejo and Laguna Beach, and maintains the region's level II trauma center, as well as a women's center. Hoag Hospital, which is also composed of two campuses, in Newport Beach and Irvine, also includes Hoag Orthopedic Institute, part of St. Joseph Hoag Health alliance described below. St. Joseph Heritage Healthcare, a medical foundation, operates clinics in the region with its contracted physician partners.

West Texas and Eastern New Mexico

The West Texas-Eastern New Mexico region includes Covenant Health System and Covenant Medical Group. Covenant Health System and its related Texas affiliates is the market's largest health system with seven licensed hospitals; the inpatient market share was 38 percent in 2017, as reported by Texas Health Care Information Collection. Covenant Health System also operates Grace Health System, which includes Grace Clinic and Grace Medical Center, and Covenant Medical Group, a medical foundation physician network of employed and aligned physicians. Covenant Health Partners, a physician-hospital cooperative organization based in Lubbock, Texas, operates two acute care community hospitals in the region: Covenant Health Plainview and Covenant Health Levelland. Finally, Covenant Health System also operates: Specialty Hospital, a long-term acute care facility; manages a joint ventured acute rehabilitation facility; and operates Hospice of Lubbock.

Obligated Group

The System including the other entities listed in the following table (collectively, the Obligated Group) are currently members of the Obligated Group under the Master Trust Indenture (Amended and Restated), dated as of May 1, 2003 (as supplemented and amended, the Master Indenture) as shown below.

List of Obligated Group Members

| <u>Obligated Group Member</u> | <u>Incorporation</u> | <u>Reference</u> |
|---|--------------------------------------|----------------------------------|
| Providence St. Joseph Health | Washington nonprofit | System |
| Providence Health & Services | Washington nonprofit | PH&S |
| Providence Health & Services - Washington | Washington nonprofit | Providence - Washington |
| Providence Health System - Southern California | California nonprofit religious | Providence - Southern California |
| Little Company of Mary Ancillary Services Corporation | California nonprofit public benefit | LCMASC |
| Providence Saint John's Health Center | California nonprofit religious | Providence - Saint John's |
| Providence St. Joseph Medical Center | Montana nonprofit | Providence - SJMC Montana |
| Providence Health & Services - Montana | Montana nonprofit | Providence - Montana |
| Providence Health & Services - Oregon | Oregon nonprofit | Providence - Oregon |
| Providence Health & Services - Western Washington | Washington nonprofit | Providence - Western Washington |
| Swedish Health Services | Washington nonprofit | Swedish |
| Swedish Edmonds | Washington nonprofit | Swedish Edmonds |
| PacMed Clinics | Washington nonprofit | PacMed |
| Western HealthConnect | Washington nonprofit | Western HealthConnect |
| Kadlec Regional Medical Center | Washington nonprofit | Kadlec |
| St. Joseph Health System | California nonprofit public benefit | SJHS |
| St. Joseph Hospital of Orange | California nonprofit public benefit | St. Joseph Orange |
| St. Jude Hospital, Inc. ⁽¹⁾ | California nonprofit public benefit | St. Jude |
| Mission Hospital Regional Medical Center | California nonprofit public benefit | Mission Hospital |
| St. Mary Medical Center | California nonprofit public benefit | St. Mary |
| Hoag Memorial Hospital Presbyterian | California nonprofit public benefit | Hoag Hospital |
| St. Joseph Health Northern California, LLC | California limited liability company | SJHNC |
| Queen of the Valley Medical Center | California nonprofit public benefit | Queen of the Valley |
| Santa Rosa Memorial Hospital | California nonprofit public benefit | Santa Rosa Memorial |
| St. Joseph Hospital of Eureka | California nonprofit public benefit | St. Joseph Eureka |
| Redwood Memorial Hospital of Fortuna | California nonprofit public benefit | Redwood Memorial |
| Covenant Health System | Texas nonprofit | CHS |
| Covenant Medical Center | Texas nonprofit | CMC |
| Methodist Children's Hospital ⁽²⁾ | Texas nonprofit | Covenant Children's |
| Methodist Hospital Levelland ⁽³⁾ | Texas nonprofit | Covenant Levelland |
| Methodist Hospital Plainview ⁽⁴⁾ | Texas nonprofit | Covenant Plainview |

⁽¹⁾ Doing business as St. Jude Medical Center

⁽²⁾ Doing business as Covenant Children's Hospital

⁽³⁾ Doing business as Covenant Hospital Levelland

⁽⁴⁾ Doing business as Covenant Hospital Plainview

The System is the Obligated Group Agent under the Master Indenture. Under the Master Indenture, debt incurred or secured through the issuance of Obligations under the Master Indenture are the responsibility, jointly and severally, of the Obligated Group Members. Pursuant to the Master Indenture, Obligated Group Members may be added to and withdrawn from the Obligated Group under certain conditions described in the Master Indenture. INDEBTEDNESS EVIDENCED OR SECURED BY OBLIGATIONS ISSUED UNDER THE MASTER INDENTURE IS SOLELY THE OBLIGATION OF THE OBLIGATED GROUP, AND SUCH OBLIGATIONS ARE NOT GUARANTEED BY, OR THE LIABILITIES OF, SISTERS OF PROVIDENCE, MOTHER JOSEPH PROVINCE, ANY OTHER PROVINCE OF THE SISTERS OF PROVIDENCE MONTREAL CONGREGATION, THE LITTLE COMPANY OF MARY SISTERS, AMERICAN PROVINCE, SISTERS OF ST. JOSEPH OF ORANGE, THE ROMAN CATHOLIC CHURCH, OR ANY AFFILIATE OF THE SYSTEM THAT IS NOT AN OBLIGATED GROUP MEMBER.

System Utilization

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

| EXHIBIT 2.1 - DATA PRESENTED YEAR TO DATE; PRESENTED IN THOUSANDS UNLESS NOTED | 6-30-2019 | 6-30-2018 |
|---|------------------|------------------|
| Inpatient Admissions | 257 | 259 |
| Acute Adjusted Admissions | 520 | 510 |
| Acute Patient Days | 1,252 | 1,234 |
| Long-term Care Patient Days | 205 | 204 |
| Outpatient Visits (incl. Physicians) | 13,445 | 13,473 |
| Emergency Room Visits | 1,063 | 1,067 |
| Surgeries and Procedures | 346 | 311 |
| Acute Average Daily Census (actual) | 6,918 | 6,819 |
| Providence Health Plan Members | 657 | 659 |

Obligated Group Utilization

A summary of certain acute care utilization data for the Obligated Group is presented for the periods indicated:

| EXHIBIT 2.2 - DATA PRESENTED YEAR TO DATE; PRESENTED IN THOUSANDS UNLESS NOTED | 6-30-2019 | 6-30-2018 |
|---|------------------|------------------|
| <u>Obligated Group</u> | | |
| Inpatient Admissions | 252 | 254 |
| Acute Adjusted Admissions | 492 | 486 |
| Acute Patient Days | 1,226 | 1,214 |
| Long-term Patient Days | 200 | 198 |
| Outpatient Visits (incl. Physicians) | 10,458 | 10,814 |
| Emergency Room Visits | 1,049 | 1,058 |
| Surgeries and Procedures | 281 | 279 |
| Acute Average Daily Census (actual) | 6,776 | 6,705 |

Financial Information

The summary unaudited combined financial information as of and for the six months ended June 30, 2019 and 2018, respectively, are presented below. The summary audited combined financial information as of December 31, 2018, presented below, has been derived by the System's management from audited financial information of the System. The summary unaudited combined financial information as of and for the six-month periods ended June 30, 2019 and 2018, presented below, has been derived by the System's management from the internal unaudited financial information of the System. The financial information as of and for the six-month periods ended June 30, 2019 and 2018 is unaudited, but includes all adjustments the System's management considers necessary for a fair presentation of the results for such period. 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.

For the six months ended June 30, 2019, the unaudited combined net operating revenue and total assets attributable to the Obligated Group Members were approximately 84 percent and 87 percent, respectively, of the System totals. For the six months ended June 30, 2018, the unaudited combined net operating revenues and total assets attributable to the Obligated Group members were approximately 82 percent and 87 percent, respectively, of the Systems totals. Refer to Exhibit 7 for supplementary information on the Obligated Group Members.

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 financial statements, including the following: recognition of net operating revenues, which includes contractual allowances; impairment of long-lived assets; valuation of investments; accounting for expenses in connection with restructuring activities; provisions for bad debt; and reserves for losses and expenses related to health care professional and general liability risks. Management relies on historical experience and on other assumptions believed to be reasonable under the circumstances in making its judgments and estimates. Actual results could differ materially from those estimates.

Summary Unaudited Combined Statements of Operations

| EXHIBIT 3.1 - DATA PRESENTED YEAR TO DATE; PRESENTED IN MILLIONS | 6-30-2019 | 6-30-2018 |
|--|---------------|---------------|
| Net Patient Service Revenues | 10,102 | 9,315 |
| Premium Revenues | 1,211 | 1,480 |
| Capitation Revenues | 754 | 691 |
| Other Revenues | 566 | 519 |
| Total Operating Revenues | 12,633 | 12,005 |
| Salaries and Benefits | 6,057 | 5,870 |
| Supplies | 1,818 | 1,765 |
| Purchased Healthcare Services | 1,045 | 1,246 |
| Interest, Depreciation, and Amortization | 674 | 661 |
| Purchased Services, Professional fees, and Other | 2,748 | 2,412 |
| Total Operating Expenses Before Restructuring Costs | 12,342 | 11,954 |
| Excess of Revenues Over Expenses from Operations Before Restructuring Costs | 291 | 51 |
| Restructuring Costs | 41 | 21 |
| Excess of Revenues Over Expenses from Operations | 250 | 30 |
| Net Non-operating Gains | 735 | 9 |
| Excess of Revenues Over Expenses | 985 | 39 |
| Operating EBIDA | 924 | 691 |
| Pro Forma Operating EBIDA ⁽¹⁾ | 965 | 712 |

(1) Pro forma operating EBIDA normalizes for restructuring costs

Summary Unaudited Combined Balance Sheets

| EXHIBIT 3.2 - PRESENTED IN MILLIONS | 6-30-2019 | 12-31-2018 |
|--|---------------|---------------|
| <u>Current Assets:</u> | | |
| Cash and Cash Equivalents | 1,283 | 1,597 |
| Accounts Receivable, Net | 2,471 | 2,257 |
| Supplies Inventory | 277 | 293 |
| Other Current Assets | 1,295 | 858 |
| Current Portion of Assets Whose Use is Limited | 417 | 654 |
| Total Current Assets | 5,743 | 5,659 |
| Assets Whose Use Is Limited | 10,534 | 9,599 |
| Property, Plant and Equipment, Net | 10,743 | 10,871 |
| Other Assets ⁽¹⁾ | 2,747 | 1,300 |
| Total Assets | 29,767 | 27,429 |
| <u>Current Liabilities:</u> | | |
| Current Portion of Long-term Debt | 299 | 300 |
| Master Trust Debt classified as Short-term | 110 | 110 |
| Accounts Payable | 813 | 1,098 |
| Accrued Compensation | 1,071 | 1,202 |
| Other Current Liabilities ⁽¹⁾ | 2,379 | 1,835 |
| Total Current Liabilities | 4,672 | 4,545 |
| Long-term Debt, Net of Current Portion | 6,211 | 6,258 |
| Pension Benefit Obligation | 1,071 | 1,065 |
| Other Liabilities ⁽¹⁾ | 2,357 | 1,170 |
| Total Liabilities | 14,311 | 13,038 |
| <u>Net Assets:</u> | | |
| Controlling Interests | 14,007 | 12,988 |
| Noncontrolling Interests | 131 | 168 |
| Net Assets without Donor Restrictions | 14,138 | 13,156 |
| Net Assets with Donor Restrictions | 1,318 | 1,235 |
| Total Net Assets | 15,456 | 14,391 |
| Total Liabilities and Net Assets | 29,767 | 27,429 |

⁽¹⁾ On January 1, 2019, the System adopted ASC 842, Leases, in accordance with U.S. GAAP and recognizes right-of-use assets and lease liabilities on the balance sheet for all leases with a term longer than 12 months.

Introduction to Management's Discussion and Analysis

Management's discussion and analysis provides additional narrative explanation of the financial condition, operational results and cash flow of the System to assist in increasing understanding of the combined financial statements. The summary unaudited combined financial information as of and for the six-month period ended June 30, 2019 and 2018, respectively, are presented below. The following document is incorporated herein by reference and available for review on the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board (MSRB): Providence St. Joseph Health, Continuing Disclosure Quarterly Report, including Management's Discussion and Analysis and Results of Operations, Quarter Ended June 30, 2019.

Results of Operations

Operations Summary

Operating earnings before interest, depreciation and amortization (EBIDA) and operating income were \$924 million and \$250 million, respectively, for the six months ended June 30, 2019, compared with \$691 million and \$30 million, respectively, for the same period in 2018. Pro forma operating EBIDA normalized for restructuring costs increased \$253 million for the six months ended June 30, 2019, compared with the same period in 2018, driven by core operating improvements led by expense reduction initiatives and higher labor productivity, in addition to the recognition of \$136 million of net operating income related to the California provider tax program that had been deferred for several reporting periods until the revenue recognition criteria had been met. The System's key financial indicators are presented for the periods indicated:

| EXHIBIT 3.3 - DATA PRESENTED YEAR TO DATE; \$ FIGURES PRESENTED IN MILLIONS | AS REPORTED | | PRO FORMA ⁽¹⁾ | |
|--|-------------|-----------|--------------------------|-----------|
| | 6-30-2019 | 6-30-2018 | 6-30-2019 | 6-30-2018 |
| Operating Income | 250 | 30 | 295 | 51 |
| Operating Margin % | 2.0 | 0.2 | 2.3 | 0.4 |
| Operating EBIDA | 924 | 691 | 965 | 712 |
| Operating EBIDA Margin % | 7.3 | 5.8 | 7.7 | 5.9 |
| Net Service Revenue/Case Mix Adjusted Admits | 12,318 | 11,887 | 12,318 | 11,887 |
| Net Expense/Case Mix Adjusted Admits | 12,038 | 11,852 | 11,992 | 11,827 |
| Total Community Benefit (millions) | 753 | 789 | 753 | 789 |
| Full-time Equivalents (thousands) | 105 | 105 | 105 | 105 |

⁽¹⁾ Pro forma normalizes operating expenses, operating income, and operating EBIDA for restructuring costs of \$41 million in 2019 and \$21 million in 2018, respectively, comprised of expenses as part of a system-wide effort to streamline operations and improve productivity.

Volumes

The System experienced four percent higher volumes per case mix adjusted admissions (CMAA) the six months ended June 30, 2019, compared with the same period in 2018. Surgeries and procedures increased by 11 percent for the six months ended June 30, 2019, compared with the same period in 2018, driven by an 18 percent increase in the outpatient setting, as we expand care delivery to lower-cost settings, including non-consolidated equity joint ventures. Acute patient days and acute average daily census both increased by one percent, respectively, for the six months ended June 30, 2019, compared with the same period in 2018. Total outpatient visits were relatively flat for the six months ended June 30, 2019, compared with the same period in 2018, due to a two percent decline in physician visits affected by severe weather and a low-severity flu season during the first quarter of 2019.

Operating Revenues

Operating revenues for the six months ended June 30, 2019 were \$13 billion, an increase of five percent, compared with the same period in 2018, mainly driven by the recognition of \$303 million accrued reimbursement from the California provider tax program that had been deferred until the revenue recognition criteria had been met. Excluding the recognition of these provider tax amounts, operating revenues also increased by three percent, compared with the prior year, driven by higher surgeries and procedures, higher

acuity levels, and a high growth rate in Home and Community Care. Net patient revenues per CMAA increased by four percent for the six months ended June 30, 2019, compared with the same period in 2018.

The System's operating revenues by state are presented for the periods indicated:

| EXHIBIT 3.4 - OPERATING REVENUES BY STATE; PRESENTED IN MILLIONS | 6-30-2019 | 6-30-2018 |
|---|-----------|-----------|
| Alaska | 440 | 421 |
| Washington | 3,732 | 3,500 |
| Montana | 223 | 213 |
| Oregon | 2,615 | 2,534 |
| California ⁽¹⁾ | 4,484 | 4,037 |
| Texas ⁽²⁾ | 573 | 781 |
| Total Revenues from Contracts with Customers | 12,067 | 11,486 |
| Other Revenues | 566 | 519 |
| Total Operating Revenues | 12,633 | 12,005 |

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

| EXHIBIT 3.5 - OPERATING REVENUES BY LINE OF BUSINESS; PRESENTED IN MILLIONS | 6-30-2019 | 6-30-2018 |
|--|-----------|-----------|
| Hospitals ⁽¹⁾ | 8,383 | 7,601 |
| Health Plans and Accountable Care ⁽²⁾ | 1,299 | 1,787 |
| Physician and Outpatient Activities | 1,402 | 1,342 |
| Long-term Care, Home Care, and Hospice | 549 | 471 |
| Other Services | 434 | 285 |
| Total Revenues from Contracts with Customers | 12,067 | 11,486 |
| Other Revenues | 566 | 519 |
| Total Operating Revenues | 12,633 | 12,005 |

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

| EXHIBIT 3.6 - OPERATING REVENUES BY PAYOR ⁽³⁾ ; PRESENTED IN MILLIONS | 6-30-2019 | 6-30-2018 |
|---|-----------|-----------|
| Commercial | 5,853 | 5,755 |
| Medicare | 4,038 | 3,795 |
| Medicaid ⁽¹⁾ | 1,952 | 1,742 |
| Self-pay and Other | 224 | 194 |
| Total Revenues from Contracts with Customers | 12,067 | 11,486 |
| Other Revenues | 566 | 519 |
| Total Operating Revenues | 12,633 | 12,005 |

⁽¹⁾ Includes recognition of \$303 million in prior period fees from California provider tax program

⁽²⁾ Decrease due to the divestment of revenue related to the sale of Texas-based FirstCare Health Plans on January 1, 2019.

⁽³⁾ Represents total payor net patient revenues received, including premium and capitation revenue per the adoption of ASC 606, Revenue from Contracts with Customers. Refer to exhibit 7.3 for supplementary information on net patient revenue payor mix driven by patient utilization.

Operating Expenses

Operating expenses for the six months ended June 30, 2019 were \$12 billion, an increase of three percent, compared with the same period in 2018, driven by the recognition of \$167 million in prior period expense from the California provider tax program that had been deferred until the related reimbursement had met the revenue recognition criteria. Excluding the recognition of these provider tax expense amounts, improved productivity and efficiencies moderated expense growth, as labor productivity improved four percent on an adjusted occupied bed volumes basis and medical supply costs per CMAA were lower by four percent, compared with the prior year. Overall salaries and benefits expenses increased three percent for

the six months ended June 30, 2019, compared with the same period in 2018. Supplies expense increased by three percent for the six months ended June 30, 2019, driven primarily by an eight percent increase in pharmaceutical spend, and offset by clinical variation and other medical supply initiatives.

Non-Operating Activity

Non-operating gains totaled \$735 million for the six months ended June 30, 2019, compared with non-operating gains of \$9 million for the same period in 2018. The increase was primarily driven by strong market performance for the six months ended June 30, 2019, compared with the same period in 2018.

Liquidity and Capital Resources

Unrestricted Cash and Investments

Unrestricted cash and investments totaled approximately \$11.6 billion as of June 30, 2019, compared to \$11.2 billion as of December 31, 2018, and includes cash generated from operations, debt service costs, capital spending and investment activity. The System's liquidity is presented for the periods indicated:

| EXHIBIT 4.1 - DATA PRESENTED YEAR TO DATE; PRESENTED IN MILLIONS | 6-30-2019 | 12-31-2018 |
|---|-----------|------------|
| Cash and Cash Equivalents | 1,283 | 1,597 |
| Short-term Investments | 275 | 511 |
| Long-term Investments | 10,015 | 9,135 |
| Total Unrestricted Cash and Investments | 11,573 | 11,243 |

Financial Ratios

The System's financial ratios are presented for the periods indicated:

| EXHIBIT 4.2 - DATA PRESENTED YEAR TO DATE | 6-30-2019 | 12-31-2018 |
|---|-----------|------------|
| Total Debt to Capitalization % | 30.9 | 32.6 |
| Comprehensive Debt to Capitalization % ⁽¹⁾ | 38.5 | 41.9 |
| Cash to Debt Ratio % | 183.1 | 176.6 |
| Cash to Comprehensive Debt % ⁽¹⁾ | 131.0 | 118.4 |
| Current Debt Service Coverage | 3.5 | 4.4 |
| Days Cash on Hand ⁽³⁾ | 182 | 178 |
| Debt to Operating Cash Flow ⁽²⁾ | 4.0 | 5.0 |
| Cushion Ratio | 30 | 29 |
| Cash to Net Assets Ratio | 0.82 | 0.85 |

⁽¹⁾ Comprehensive Debt uses actuals for 2019 due to the adoption of ASC 842, Leases, with \$1.5 million in operating lease liabilities recognized on-balance sheet effective January 1, 2019. Best estimates were used pre-adoption for 2018.

⁽²⁾ Debt to Operating Cash Flow, a measure of total debt to cash flow from operations, is calculated based on a rolling 12-months of EBIDA for the current period.

⁽³⁾ 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).

Capitalization

The System's capitalization is presented for the periods indicated:

| EXHIBIT 4.3 - DATA PRESENTED YEAR TO DATE; PRESENTED IN MILLIONS | 6-30-2019 | 12-31-2018 |
|---|-----------|------------|
| Long-term Indebtedness | 6,510 | 6,558 |
| Less: Current Portion of Long-term Debt | 299 | 300 |
| Net Long-term Debt | 6,211 | 6,258 |
| Net Assets - Unrestricted | 14,138 | 13,156 |
| Total Capitalization | 20,349 | 19,414 |
| Long-term Debt to Capitalization % | 30.5 | 32.2 |

The System's coverage of Maximum Annual Debt Service (MADS) on indebtedness is presented for the periods indicated:

| EXHIBIT 4.4 - DATA PRESENTED YEAR TO DATE; \$ FIGURES PRESENTED IN MILLIONS | Rolling 12-Months 6-30-2019 ⁽²⁾ | 12-31-2018 |
|--|---|------------|
| Income Available for Debt Service: | | |
| (Deficit) Excess of Revenues Over Expenses | 502 | (445) |
| Plus: Unrealized Losses/Less: Unrealized (Gains) Losses on Trading Securities | (66) | 652 |
| Plus: Loss on Extinguishment of Debt | 1 | 6 |
| Plus: Loss on Pension Settlement Costs and Other | 13 | 26 |
| Plus: Depreciation | 1,094 | 1,082 |
| Plus: Interest and Amortization | 278 | 278 |
| Total | 1,822 | 1,599 |
| Debt Service Requirements ⁽¹⁾ : | | |
| MADS | 390 | 390 |
| Coverage of Debt Service Requirements | 4.7x | 4.1x |

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

(2) Represents 12 consecutive months of financial results for an annualized disclosure for interim periods

Outstanding Master Trust Indenture Obligations

As of June 30, 2019, the System had Obligations outstanding under the Master Indenture totaling \$6,126,000,000. This excludes obligations that secure interest rate or other swap transactions, bank liquidity or credit facilities. The obligations outstanding under the Master Indenture relating to tax-exempt and taxable bond/note indebtedness and swap transactions are described further in the Notes to the Combined Audited Financial Statements for the twelve-month period ended December 31, 2018.

System Governance and Management

Corporate Governance

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

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

| <u>Board of Directors</u> | <u>Term Expires (December 31)</u> | <u>Sponsors Council</u> | <u>Term Expires (December 31)</u> |
|----------------------------------|--|--------------------------------|--|
| Richard Blair, Chair † | 2020 | Eleanor Brewer | 2020 |
| David Olsen, Vice Chair ‡ | 2019 | Ned Dolejsi | 2019 |
| Dick Allen ‡ | 2019 | Jeff Flocken | 2019 |
| Isiaah Crawford, PhD Δ | 2019 | Barbara Savage | 2020 |
| Lucille Dean, SP † | 2020 | Bill Cox | 2022 |
| Diane Hejna, CSJ, RN. Δ | 2019 | Russell Danielson | 2021 |
| Michael Holcomb ‡ | 2019 | Sr. Sharon Becker, CSJ | 2021 |
| Phyllis Hughes, RSM, PhD. Δ | 2019 | Sr. Barbara Schamber, SP | 2019 |
| Sallye Liner, MSN, RN † | 2019 | Sr. Katherine Gray, CSJ | 2019 |
| Mary Lyons, PhD. Δ | 2019 | Mark Koenig | 2021 |
| Walter "Bill" Noce, Jr. † | 2019 | | |
| Carolina Reyes, M.D. Δ | 2019 | | |
| Phoebe Yang Δ | 2019 | | |
| Charles W. Sorenson, M.D. Δ | 2021 | | |
| Lydia M. Marshall Δ | 2021 | | |
| Rod Hochman, M.D. | Ex-officio | | |

† Not eligible for an additional term.

‡ Eligible for one additional three-year term.

Δ Eligible for up to two.

Executive Leadership Team

The following leaders are members of our executive leadership team, reporting to the CEO of the System.

| <u>Name</u> | <u>Title</u> |
|--------------------|--------------------------------------|
| Rod Hochman, M.D. | President and CEO |
| Mike Butler | President of Operations and Strategy |
| Venkat Bhamidipati | EVP and CFO |
| JoAnn Escasa-Haigh | EVP and CFO of Operations |
| Cindy Strauss | EVP and Chief Legal Officer |

Support Services

Corporate officers and supporting staff oversee the management activities carried on, on a day-to-day basis, by the management staff of each region. Each regional Chief Executive reports to the President of Operations, who oversees their management with emphasis on the service area's achievements in responding to unmet health care needs in the community, especially the unmet needs of the poor and vulnerable, productivity, developing integrated delivery systems, meeting financial guidelines, and maintaining or increasing market share. The Chief Financial Officer of the System and Finance staff coordinate the annual budget and multi-year forecasts of the service areas, and manage the capital

acquisition and management activities of the Obligated Group. Other areas in which the corporate staff provides centralized services or coordinates the activities of the service areas include: legal affairs, insurance and risk management, treasury services, materials management, technical support, fund raising, quality of care, medical ethics, pastoral services, mission effectiveness, human resources, planning and policy development, and public affairs.

Non-obligated group system affiliates

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

Control of Certain Obligated Group Members

General

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

SJHS is the sole corporate member of Redwood Memorial, St. Joseph Eureka, Santa Rosa Memorial and Queen of the Valley and, as more fully described hereinafter, a corporate member of St. Joseph Orange, St. Jude, Mission Hospital and St. Mary.

Northern California Region

SJHS is the sole member of St. Joseph Health Northern California, LLC, which operates the hospital facilities known as Santa Rosa Memorial Hospital, Queen of the Valley Medical Center, St. Joseph Hospital of Eureka, and Redwood Memorial Hospital. The corporate entities of Santa Rosa Memorial Hospital, Queen of the Valley Medical Center, St. Joseph Hospital of Eureka and Redwood Memorial Hospital, each a California nonprofit public benefit corporation (collectively, the "Hospital") transferred their assets to SJHNC effective as of April 1, 2018. While the Hospitals currently remain in existence, the System expects that those entities will be dissolved. St. Joseph Health Northern California, LLC, is also the sole member of SRM Alliance Hospital Services, which operates Petaluma Valley Hospital.

Southern California Region

In connection with the March 2013 affiliation of SJHS and Hoag Hospital, a new entity known as Covenant Health Network, Inc. (CHN), a California nonprofit public benefit corporation, was created. CHN is a corporate member of Hoag Hospital and St. Joseph Orange, St. Jude, Mission Hospital and St. Mary (the SJHS Southern California Hospitals). CHN, The George Hoag Family Foundation (Hoag Family Foundation) and the constituent churches of the Los Ranchos Presbytery of the Presbyterian Church (USA), as represented by the Association of Presbyterian Ministers (APM), are the corporate members of Hoag Hospital. None of CHN, Hoag Family Foundation or APM is an Obligated Group Member or is obligated for payment on the Series 2018 Bonds.

SJHS, CHN, Hoag Hospital and the SJHS Southern California Hospitals entered into an affiliation pursuant to the terms of an Affiliation Agreement dated as of October 15, 2012 (the "CHN Affiliation Agreement"). The CHN Affiliation Agreement, which became effective as of March 1, 2013, is designed to

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

CHN does not have any corporate members, and neither the System, SJHS, its affiliates, nor Hoag Hospital have any ownership interest in CHN. CHN's governing board consists of seven members, four of whom are designated by the System. The remaining three members are designated by Hoag Family Foundation and APM, acting collaboratively. In accordance with the CHN Affiliation Agreement and its amendments and supplements, the System shall at all times have the right to designate at least a majority of the CHN board members. The CHN board is principally responsible for providing strategic planning leadership and oversight for each of Hoag Hospital, the SJHS Southern California Hospitals.

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

West Texas/Eastern New Mexico Region

SJHS and Lubbock Methodist Hospital System (LMHS) are the corporate members of CHS. CHS is the sole corporate member of CMC, Covenant Levelland and Covenant Plainview. LMHS is not an Obligated Group Member and is not obligated for payment on the Series 2018 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

Employees

As of June 30, 2019, the System employed approximately 116,000 caregivers (excluding Hoag), which represents 104,995 FTEs. Of the total employees in the System, approximately 32 percent are represented by 19 different labor unions.

Management of the System believes the salary levels and benefits packages for its employees are competitive in all of the respective markets. At the same time, management of the System knows that the health care market is rapidly evolving. As a result, the leadership of each of the separate employers within the System is working to ensure the compensation and benefits are modern and reflect competitive market practices, which will require negotiations at various employers within the System throughout 2019. In the past two years, the System has experienced strikes at different facilities, as a result of contract negotiations. In each situation, the facility operated with qualified replacement employees and did not experience any disruption to hospital operations or patient service, and ultimately settled the contracts. Management is also aware of ongoing organizing efforts by labor unions in health care generally, particularly in the markets where the System operates, and at both separate employers within the System and other employers in certain markets in the System.

Insurance

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

Community Benefit

Through programs and donations, health education, free care, medical research and more, our community benefit investments fulfill unmet needs in communities we serve across seven states.

Building on our commitment to care for those who are poor and vulnerable, we have invested \$753 million in community benefit in the six months ended June 30, 2019, compared with \$789 million in the same period in 2018, demonstrating our commitment to the communities we serve. Community benefit spending related to the unpaid costs of Medicaid was \$466 million for the six months ended June 30, 2019, compared with \$524 million for the same period in 2018.

Interest Rate Swap Arrangements

The System and/or certain of its affiliates 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 June 30, 2019, SJHS was party to seven interest rate swap agreements with a current notional amount totaling approximately \$445 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. The market risk exposure of these agreements occurs when the fixed rate paid is greater than the variable rate received. At June 30, 2019, the total fair value of the combined interest rate swaps of approximately \$112 million represents the estimated amount SJHS would have paid upon termination of these agreements as of that date. 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. As of June 30, 2019, SJHS has restricted approximately \$12.5 million in collateral held for swaps with one or more counterparties as required by the swap agreements.

Litigation

Certain material litigation may result in an adverse outcome to the System. The System is 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 System's future consolidated financial position or results of operations. On July 22, 2019, the U.S. Department of Justice served Swedish Health Services with a Civil Investigative Demand requesting documents pertaining to certain arrangements and joint ventures and physician organizations. Swedish is cooperating with the Department and compiling the responsive documents.

A number of civil actions are pending or threatened against certain Affiliates, including Obligated Group Members, alleging medical malpractice. In the opinion of management of the System, based upon the advice of legal counsel and risk management personnel, the probable recoveries in these proceedings and the estimated costs and expenses of defense will be within applicable insurance limits or will not materially adversely affect the business or properties of the System.

Accreditation and Memberships

The System's acute care hospital facilities are appropriately licensed by applicable state licensing agencies, certified for Medicare and Medicaid/Medi-Cal reimbursement, and (except Covenant Levelland, Providence Seward Medical Center, Providence Valdez Medical Center and Swedish Issaquah) accredited by The Joint Commission. 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.

EXHIBIT 5
LIST OF BONDS TO WHICH REPORT RELATES

Alaska Industrial Development and Export Authority Revenue Bonds (Providence Health & Services) Series 2011A, issued in the original principal amount of \$122,720,000;

California Health Facilities Financing Authority Revenue Bonds (St. Joseph Health System) Series 2009 A and B, issued in the original principal amount of \$254,410,000;

California Health Facilities Financing Authority Revenue Bonds (Providence Health & Services) Series 2009B, issued in the original principal amount of \$150,000,000;

California Health Facilities Financing Authority Variable Rate Refunding Revenue Bonds (St. Joseph Health System) Series 2009 C and D, issued in the original principal amount of \$166,690,000;

California Health Facilities Financing Authority Revenue Bonds (St. Joseph Health System) Series 2013 A, B, C, and D, issued in the original principal amount of \$654,840,000;

California Health Facilities Financing Authority Revenue Bonds (Providence Health & Services) Series 2014A, issued in the original principal amount of \$275,850,000;

California Health Facilities Financing Authority Revenue Bonds (Providence Health & Services) Series 2014B, issued in the original principal amount of \$118,740,000;

California Health Facilities Financing Authority Revenue Bonds (Providence St. Joseph Health) Series 2016A, issued in the original principal amount of \$448,165,000;

California Health Facilities Financing Authority Revenue Bonds (Providence St. Joseph Health) Series 2016B1, issued in the original principal amount of \$95,240,000;

California Health Facilities Financing Authority Revenue Bonds (Providence St. Joseph Health) Series 2016B2, issued in the original principal amount of \$95,245,000;

California Health Facilities Financing Authority Revenue Bonds (Providence St. Joseph Health) Series 2016B3, issued in the original principal amount of \$95,245,000;

Lubbock Health Facilities Development Corporation Variable Rate Refunding Revenue Bonds (St. Joseph Health System), Series 2008B, issued in the original principal amount of \$105,385,000;

Lubbock Health Facilities Development Corporation Revenue Bonds Direct Obligation Notes (Providence St. Joseph Health) Series 2016C, issued in the original principal amount of \$39,215,000;

Montana Facility Finance Authority Direct Obligation Bonds (Providence St. Joseph Health) Series 2016F, issued in the original Principal amount of \$50,810,000;

Oregon Facilities Authority Revenue Bonds (Providence Health & Services) Series 2011C, issued in the original principal amount of \$22,355,000;

Oregon Facilities Authority Revenue Bonds (Providence Health & Services) Series 2013A, issued in the original principal amount of \$78,190,000;

Oregon Facilities Authority Revenue Bonds (Providence Health & Services) Series 2015C, issued in the original principal amount of \$71,070,000;

Washington Health Care Facilities Authority Revenue Bonds (Providence Health & Services) Series 2010A, issued in the original principal amount of \$174,240,000;

Washington Health Care Facilities Authority Revenue Bonds (Providence Health & Services) Series 2011B, issued in the original principal amount of \$91,170,000;

Washington Health Care Facilities Authority Revenue Bonds (Providence Health & Services) Series 2012A, issued in the original principal amount of \$511,370,000;

Washington Health Care Facilities Authority Revenue Bonds (Providence Health & Services) Series 2012B, issued in the original principal amount of \$100,000,000;

Washington Health Care Facilities Authority Revenue Bonds (Providence Health & Services) Series 2012C, issued in the original principal amount of \$80,000,000;

Washington Health Care Facilities Authority Revenue Bonds (Providence Health & Services) Series 2012D, issued in the original principal amount of \$80,000,000;

Washington Health Care Facilities Authority Revenue Bonds (Providence Health & Services) Series 2014C, issued in the original principal amount of \$92,245,000;

Washington Health Care Facilities Authority Revenue Bonds (Providence Health & Services) Series 2014D, issued in the original principal amount of \$178,770,000;

Washington Health Care Facilities Authority Revenue Bonds (Providence Health & Services) Series 2015A, issued in the original principal amount of \$77,635,000;

Washington Health Care Facilities Authority Revenue Bonds Direct Obligation Notes (Providence St. Joseph Health) Series 2016D, issued in the original principal amount of \$105,430,000;

Washington Health Care Facilities Authority Revenue Bonds Direct Obligation Notes (Providence St. Joseph Health) Series 2016E, issued in the original principal amount of \$105,430,000;

Washington Health Care Facilities Authority Revenue Bonds (Providence St. Joseph Health) Series 2018B, issued in the original principal amount of \$141,690,000;

Taxable Bonds Direct Obligation Notes (Providence Health & Services) Series 2005, issued in the original principal amount of \$60,000,000;

Taxable Bonds Direct Obligation Notes (Providence Health & Services) Series 2009A, issued in the original principal amount of \$250,000,000;

Taxable Bonds Direct Obligation Notes (Providence Health & Services) Series 2012E, issued in the original principal amount of \$239,760,000;

Taxable Bonds Direct Obligation Notes (Providence Health & Services) Series 2013D, issued in the original principal amount of \$252,285,000;

Taxable Bonds Direct Obligation Notes (Providence St. Joseph Health) Series 2016G, issued in the original principal amount of \$100,000,000;

Taxable Bonds Direct Obligation Notes (Providence St. Joseph Health) Series 2016H, issued in the original principal amount of \$300,000,000;

Taxable Bonds Direct Obligation Notes (Providence St. Joseph Health) Series 2016I, issued in the original principal amount of \$400,000,000;

Taxable Bonds Direct Obligation Notes (Providence St. Joseph Health) Series 2018A, issued in the original principal amount of \$350,000,000

**EXHIBIT 6
OBLIGATED GROUP**

A list of the System's acute care facilities in each region as of June 30, 2019, each of which is owned or operated by an Obligated Group Member, is provided in Exhibit 6.1 below.

EXHIBIT 6.1 - List of Acute Care Facilities by Region

| 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 ⁽¹⁾ | Seward | 6 | |
| | | Providence Valdez Medical Center ⁽¹⁾ | Valdez | 11 | |
| Swedish | Swedish Edmonds | Swedish Edmonds ⁽²⁾ Swedish Medical Center Campuses ⁽³⁾ : | Edmonds | 217 | |
| | Swedish Health Services | Swedish Ballard | Ballard | 133 | |
| | | Swedish Issaquah | Issaquah | 175 | |
| | | Swedish Cherry Hill Swedish First Hill | Seattle Seattle | 385 697 | |
| Washington and Montana | Providence Health & Services-Washington | Providence Centralia Hospital | Centralia | 128 | |
| | | Providence Regional Medical Center Everett | Everett | 530 | |
| | | Providence St. Peter Hospital ⁽⁴⁾ | Olympia | 390 | |
| | Providence Health & Services-Washington | Providence St. Joseph's Hospital | Chewelah | 65 | |
| | | Providence Mount Carmel Hospital | Colville | 55 | |
| | | Providence Sacred Heart Medical Center and Children's Hospital | Spokane | 691 | |
| | | Providence Holy Family Hospital | Spokane | 197 | |
| | Kadlec Regional Medical Center | Providence Health & Services-Montana Providence St. Joseph Medical Center | Providence St. Mary Medical Center | Walla Walla | 142 |
| | | | Kadlec Regional Medical Center | Richland | 270 |
| | | | St. Patrick Hospital | Missoula (MT) | 253 |
| | | | Providence St. Joseph Medical Center | Polson (MT) | 22 |
| Oregon | Providence Health & Services-Oregon | Providence Hood River Memorial Hospital | Hood River | 25 | |
| | | Providence Medford Medical Center | Medford | 168 | |
| | | Providence Milwaukie Hospital | Milwaukie | 77 | |
| | | Providence Newberg Medical Center | Newberg | 40 | |
| | | Providence Willamette Falls Medical Center | Oregon City | 143 | |
| | | Providence St. Vincent Medical Center | Portland | 523 | |
| | | Providence Portland Medical Center | Portland | 483 | |

| Region | Obligated Group Member | Facility | Location(s) | Licensed Acute Care Beds* |
|----------------------------|--|--|---------------|---------------------------|
| | | Providence Seaside Hospital ⁽⁵⁾ | Seaside | 25 |
| Northern California | | | | |
| | St. Joseph Health Northern California, LLC. | St. Joseph Hospital | Eureka | 153 |
| | | Redwood Memorial Hospital | Fortuna | 35 |
| | | Queen of the Valley Medical Center | Napa | 208 |
| | | 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 | Tarzana | 249 |
| | | Providence Little Company of Mary Medical Center Torrance | Torrance | 327 |
| | Providence Saint John's Health Center | Providence Saint John's Health Center | Santa Monica | 266 |
| | St. Mary Medical Center | St. Mary Medical Center | Apple Valley | 212 |
| | St. Jude Medical Hospital, Inc. | St. Jude Medical Center | Fullerton | 320 |
| | | Mission Hospital Regional Medical Center Campuses ⁽⁶⁾ : | | 523 |
| | Mission Hospital Regional Medical Center | Mission Hospital Regional Medical Center | Mission Viejo | |
| | | Mission Hospital Laguna Beach | Laguna Beach | |
| | | Hoag Memorial Hospital Presbyterian Campuses ⁽⁷⁾ : | | 518 |
| | Hoag Memorial Hospital Presbyterian | Hoag Memorial Hospital Presbyterian | Newport Beach | |
| | | Hoag Hospital Irvine | Irvine | |
| | St. Joseph Hospital of Orange | St. Joseph Hospital of Orange ⁽⁸⁾ | Orange | 463 |
| Texas | | | | |
| | Methodist Hospital Levelland | Covenant Hospital Levelland | Levelland | 48 |
| | | CHS Campuses: | | 381 |
| | Covenant Health System | Covenant Medical Center | Lubbock | |
| | | Covenant Medical Center - Lakeside | Lubbock | |
| | Methodist Children's Hospital | Covenant Children's Hospital | Lubbock | 275 |
| | Methodist Hospital Plainview | Covenant Hospital Plainview | Plainview | 68 |
| TOTAL | | | | 11,525 |

* Includes all acute care licensure categories except for normal newborn bassinets and partial hospitalization psychiatric beds

(1) Leased and/or managed by Providence - Washington

(2) The legal entity Swedish Edmonds operates the hospital under a lease with Public Hospital District No. 2 of Snohomish County

(3) Four campuses with three licenses

(4) Includes a 50-bed chemical dependency center

(5) Leased to and managed by Providence - Oregon

(6) Two campuses on one license, including 36 acute care psychiatric beds in Laguna Beach

(7) Two campuses on one license

(8) Includes 37 acute care psychiatric beds

The System's principal owned or leased long-term care facilities as of June 30, 2019 is shown in Exhibit 6.2 is the table below.

EXHIBIT 6.2 - List of Long-Term Care Facilities by Region

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

(1) Leased and/or managed by Providence - Washington

(2) Also includes 15 adult foster care units

EXHIBIT 7
Providence St. Joseph Health
Supplementary Information



EXHIBIT 7.1 - SUMMARY UNAUDITED COMBINED STATEMENTS OF OPERATIONS

| | Ended June 30, 2019 | | Ended June 30, 2018 | |
|---|-----------------------|------------|-----------------------|-----------|
| | (in 000's of dollars) | | (in 000's of dollars) | |
| | Consolidated | Obligated | Consolidated | Obligated |
| Operating Revenues: | | | | |
| Net Patient Service Revenues | \$ 10,102,318 | 9,670,110 | 9,314,685 | 9,001,360 |
| Premium Revenues | 1,210,534 | 105,563 | 1,479,670 | 90,389 |
| Capitation Revenues | 754,480 | 341,114 | 691,032 | 284,801 |
| Other Revenues | 565,887 | 536,081 | 519,866 | 484,362 |
| Total Operating Revenues | 12,633,219 | 10,652,868 | 12,005,253 | 9,860,912 |
| Operating Expenses: | | | | |
| Salaries and Benefits | 6,057,182 | 5,419,463 | 5,870,171 | 5,265,038 |
| Supplies | 1,817,501 | 1,686,733 | 1,764,979 | 1,650,037 |
| Purchased Healthcare Services | 1,044,899 | 198,961 | 1,246,019 | 111,859 |
| Interest, Depreciation, and Amortization | 674,557 | 629,747 | 661,930 | 620,499 |
| Purchased Services, Professional Fees, and Other | 2,747,347 | 2,115,261 | 2,410,987 | 1,859,838 |
| Total Operating Expenses Before Restructuring Costs | 12,341,486 | 10,050,165 | 11,954,086 | 9,507,271 |
| Excess of Revenues Over Expenses from Operations Before Restructuring Costs | 291,733 | 602,703 | 51,167 | 353,641 |
| Restructuring Costs | 41,470 | 41,470 | 21,388 | 21,388 |
| (Deficit) Excess of Revenues Over Expenses From Operations | 250,263 | 561,233 | 29,779 | 332,253 |
| Net Non-operating (Losses) Gains | 734,852 | 609,116 | 9,182 | 25,364 |
| (Deficit) Excess of Revenues Over Expenses | \$ 985,115 | 1,170,349 | 38,961 | 357,618 |

EXHIBIT 7.2 - SUMMARY UNAUDITED AND AUDITED COMBINED STATEMENTS OF CASH FLOWS

| | Ended June 30, 2019 | | Ended December 31, 2018 | |
|---|-----------------------|-------------|-------------------------|-----------|
| | (in 000's of dollars) | | (in 000's of dollars) | |
| | Consolidated | Obligated | Consolidated | Obligated |
| Net Cash Provided by Operating Activities | \$ 1,361,070 | 1,464,052 | 1,348,012 | 1,834,510 |
| Net Cash Used in Investing Activities | (1,727,733) | (1,418,017) | (1,233,858) | (884,078) |
| Net Cash Provided by (Used in) Financing Activities | 52,126 | (307,933) | 112,054 | (710,270) |
| (Decrease) Increase in Cash and Cash Equivalents | (314,537) | (261,898) | 226,208 | 240,162 |
| Cash and Cash Equivalents, Beginning of Period | 1,597,397 | 1,027,088 | 1,371,189 | 786,926 |
| Cash and Cash Equivalents, End of Period | \$ 1,282,860 | 765,190 | 1,597,397 | 1,027,088 |

EXHIBIT 7.3 - SUMMARY UNAUDITED NET PATIENT REVENUE PAYOR MIX

| | Ended June 30, 2019 | | Ended June 30, 2018 | |
|--------------------|-----------------------|-----------|-----------------------|-----------|
| | (in 000's of dollars) | | (in 000's of dollars) | |
| | Consolidated | Obligated | Consolidated | Obligated |
| Commercial | 49% | 48% | 49% | 50% |
| Medicare | 32% | 32% | 32% | 32% |
| Medicaid | 17% | 18% | 16% | 16% |
| Self-pay and Other | 2% | 2% | 3% | 2% |

EXHIBIT 7.4 - SUMMARY UNAUDITED AND AUDITED COMBINED BALANCE SHEETS

| | As of June 30, 2019 | | As of December 31, 2018 | |
|--|-----------------------|------------|-------------------------|------------|
| | (in 000's of dollars) | | (in 000's of dollars) | |
| | Consolidated | Obligated | Consolidated | Obligated |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 1,282,860 | 765,190 | 1,597,397 | 1,027,088 |
| Accounts Receivable, Net | 2,470,645 | 2,335,615 | 2,256,807 | 2,126,654 |
| Supplies Inventory | 277,021 | 265,733 | 293,259 | 281,923 |
| Other Current Assets | 1,295,047 | 1,147,845 | 857,596 | 789,070 |
| Current Portion of Assets Whose Use is Limited | 417,677 | 90,607 | 653,722 | 338,778 |
| Total Current Assets | 5,743,250 | 4,604,990 | 5,658,781 | 4,563,513 |
| Assets Whose Use is Limited | 10,533,706 | 7,823,417 | 9,599,278 | 7,144,631 |
| Property, Plant, and Equipment, Net | 10,743,498 | 10,195,665 | 10,870,578 | 10,286,917 |
| Other Assets | 2,746,973 | 3,114,922 | 1,300,183 | 1,932,833 |
| Total Assets | \$ 29,767,427 | 25,738,994 | 27,428,820 | 23,927,894 |
| Current Liabilities: | | | | |
| Current Portion of Long-Term Debt | \$ 298,523 | 294,537 | 300,096 | 296,115 |
| Master Trust Debt Classified as Short-Term | 110,000 | 110,000 | 110,000 | 110,000 |
| Accounts Payable | 813,567 | 722,577 | 1,097,689 | 983,562 |
| Accrued Compensation | 1,070,750 | 994,946 | 1,202,269 | 1,109,270 |
| Other Current Liabilities | 2,379,113 | 1,627,874 | 1,835,023 | 1,187,849 |
| Total Current Liabilities | 4,671,953 | 3,749,934 | 4,545,077 | 3,686,796 |
| Long-Term Debt, Net of Current Portion | 6,211,208 | 6,096,455 | 6,257,868 | 6,125,953 |
| Pension Benefit Obligation | 1,071,029 | 1,071,029 | 1,065,098 | 1,065,098 |
| Other Liabilities | 2,357,295 | 1,330,396 | 1,169,817 | 484,017 |
| Total Liabilities | 14,311,485 | 12,247,814 | 13,037,860 | 11,361,864 |
| Net Assets: | | | | |
| Controlling Interests | 14,007,045 | 12,615,608 | 12,988,247 | 11,739,238 |
| Noncontrolling Interests | 130,475 | (475) | 167,908 | - |
| Net Assets Without Donor Restrictions | 14,137,520 | 12,615,133 | 13,156,155 | 11,739,238 |
| Net Assets With Donor Restrictions | 1,318,422 | 876,047 | 1,234,805 | 826,792 |
| Total Net Assets | 15,455,942 | 13,491,180 | 14,390,960 | 12,566,030 |
| Total Liabilities and Net Assets | \$ 29,767,427 | 25,738,994 | 27,428,820 | 23,927,894 |



EXHIBIT 7.5 - KEY PERFORMANCE METRICS

| | Ended June 30, 2019 | | Ended June 30, 2018 | |
|----------------------------------|---------------------|-----------|---------------------|-----------|
| | Consolidated | Obligated | Consolidated | Obligated |
| Inpatient Admissions | 256,589 | 251,716 | 259,019 | 254,472 |
| Acute Patient Days | 1,252,178 | 1,226,387 | 1,234,241 | 1,213,589 |
| Acute Outpatient Visits | 6,273,814 | 5,884,021 | 6,233,842 | 5,892,141 |
| Primary Care Visits | 6,487,478 | 4,134,372 | 6,609,535 | 4,495,370 |
| Inpatient Surgeries | 109,930 | 106,985 | 111,287 | 108,376 |
| Outpatient Surgeries | 235,879 | 174,244 | 199,257 | 170,501 |
| Long-Term Care Patient Days | 204,743 | 199,538 | 204,441 | 198,294 |
| Home Health Visits | 684,091 | 440,076 | 629,176 | 426,542 |
| Hospice Days | 499,865 | 298,445 | 444,921 | 289,550 |
| Housing and Assisted Living Days | 306,893 | 120,994 | 308,227 | 122,451 |
| Health Plan Members | 656,671 | n/a | 658,944 | n/a |
| Acute Average Daily Census | 6,918 | 6,776 | 6,819 | 6,705 |
| Acute Licensed Beds | 11,959 | 11,627 | 11,906 | 11,633 |
| FTEs | 104,995 | 92,257 | 104,768 | 93,871 |



EXHIBIT 7.6 - SUMMARY UNAUDITED COMBINING STATEMENTS OF OPERATIONS BY REGION

| | Ended June 30, 2019 | | | | | | | | |
|---|-----------------------|-----------|------------------------|-----------|---------------------|------------------------|-----------------------------------|------------------------|--------------|
| | (in 000's of dollars) | | | | | | | | |
| | Alaska | Swedish | Washington/ Montana | Oregon | Northern California | Southern California | West Texas/ Eastern New Mexico | Other/ Eliminations | Consolidated |
| Operating Revenues: | | | | | | | | | |
| Net Patient Service Revenues | \$ 439,661 | 1,313,708 | 2,236,431 | 1,303,864 | 656,190 | 2,784,403 | 573,483 | 794,578 | 10,102,318 |
| Premium Revenues | - | - | - | 1,178,766 | - | - | - | 31,768 | 1,210,534 |
| Capitation Revenues | - | - | 77,516 | 7,141 | 36,780 | 632,796 | - | 247 | 754,480 |
| Other Revenues | 29,579 | 67,572 | 121,948 | 141,958 | 21,615 | 147,195 | 28,823 | 7,197 | 565,887 |
| Total Operating Revenues | 469,240 | 1,381,280 | 2,435,895 | 2,631,729 | 714,585 | 3,564,394 | 602,306 | 833,790 | 12,633,219 |
| Operating Expenses: | | | | | | | | | |
| Salaries and Benefits | 176,461 | 646,448 | 1,104,837 | 861,071 | 298,769 | 1,375,293 | 256,045 | 1,338,258 | 6,057,182 |
| Supplies | 55,345 | 222,099 | 393,858 | 257,664 | 102,963 | 523,998 | 110,785 | 150,789 | 1,817,501 |
| Purchased Healthcare Services | - | 1,338 | 51,918 | 689,635 | 24,087 | 276,622 | - | 1,299 | 1,044,899 |
| Interest, Depreciation, and Amortization | 29,107 | 76,064 | 91,494 | 59,082 | 33,642 | 189,482 | 30,300 | 165,386 | 674,557 |
| Purchased Services, Professional Fees, and Other | 143,427 | 424,499 | 789,573 | 669,610 | 252,831 | 1,307,504 | 174,212 | (1,014,309) | 2,747,347 |
| Total Operating Expenses Before Restructuring Costs | 404,340 | 1,370,448 | 2,431,680 | 2,537,062 | 712,292 | 3,672,899 | 571,342 | 641,423 | 12,341,486 |
| Excess of Revenues Over Expenses from Operations Before Restructuring Costs | 64,900 | 10,832 | 4,215 | 94,667 | 2,293 | (108,505) | 30,964 | 192,367 | 291,733 |
| Restructuring Costs | - | - | - | - | - | - | - | 41,470 | 41,470 |
| (Deficit) Excess of Revenues Over Expenses From Operations | 64,900 | 10,832 | 4,215 | 94,667 | 2,293 | (108,505) | 30,964 | 150,897 | 250,263 |
| Net Non-operating (Losses) Gains | 68,843 | 47,783 | 81,234 | 149,555 | 38,645 | 216,301 | 12,189 | 120,302 | 734,852 |
| (Deficit) Excess of Revenues Over Expenses | \$ 133,743 | 58,615 | 85,449 | 244,222 | 40,938 | 107,796 | 43,153 | 271,199 | 985,115 |



EXHIBIT 7.7 - SUMMARY UNAUDITED COMBINING BALANCE SHEETS BY REGION

| | As of June 30, 2019 | | | | | | | | |
|--|-----------------------|------------------|------------------------|------------------|---------------------|------------------------|-----------------------------------|------------------------|-------------------|
| | (in 000's of dollars) | | | | | | | | |
| | Alaska | Swedish | Washington/ Montana | Oregon | Northern California | Southern California | West Texas/ Eastern New Mexico | Other/ Eliminations | Consolidated |
| Current Assets: | | | | | | | | | |
| Cash and Cash Equivalents | \$ 549,732 | 126,071 | 103,039 | 608,508 | 33,114 | (659,714) | 159,947 | 362,163 | 1,282,860 |
| Accounts Receivable, Net | 144,356 | 346,941 | 577,599 | 292,113 | 171,593 | 781,309 | 158,311 | (1,577) | 2,470,645 |
| Supplies Inventory | 14,708 | 40,660 | 61,187 | 44,772 | 21,646 | 69,732 | 14,344 | 9,972 | 277,021 |
| Other Current Assets | 41,488 | 169,355 | 354,989 | 228,868 | 24,163 | 233,047 | 9,057 | 234,080 | 1,295,047 |
| Current Portion of Assets Whose Use is Limited | - | - | - | - | 738 | 18,232 | - | 398,707 | 417,677 |
| Total Current Assets | 750,284 | 683,027 | 1,096,814 | 1,174,261 | 251,254 | 442,606 | 341,659 | 1,003,345 | 5,743,250 |
| Assets Whose Use is Limited | 764,882 | 562,221 | 913,616 | 2,253,212 | 420,332 | 3,068,177 | 156,933 | 2,394,333 | 10,533,706 |
| Property, Plant, and Equipment, Net | 442,848 | 1,250,060 | 1,606,511 | 1,066,940 | 676,974 | 3,854,354 | 515,359 | 1,330,452 | 10,743,498 |
| Other Assets | 79,061 | 447,633 | 356,863 | 171,079 | 33,415 | 1,074,274 | 112,037 | 472,611 | 2,746,973 |
| Total Assets | \$ 2,037,075 | 2,942,941 | 3,973,804 | 4,665,492 | 1,381,975 | 8,439,411 | 1,125,988 | 5,200,741 | 29,767,427 |
| Current Liabilities: | | | | | | | | | |
| Current Portion of Long-Term Debt | 101 | 4,348 | 1,023 | 196 | 3,872 | 106,596 | 15,035 | 167,352 | 298,523 |
| Master Trust Debt Classified as Short-Term | - | - | - | - | 1,605 | 91,347 | - | 17,048 | 110,000 |
| Accounts Payable | 22,286 | 85,610 | 126,976 | 91,282 | 39,445 | 261,751 | 31,417 | 154,800 | 813,567 |
| Accrued Compensation | 27,277 | 94,016 | 175,839 | 130,262 | 39,764 | 260,347 | 42,304 | 300,941 | 1,070,750 |
| Other Current Liabilities | 44,224 | 221,927 | 337,015 | 595,005 | 61,678 | 563,235 | 61,659 | 494,370 | 2,379,113 |
| Total Current Liabilities | 93,888 | 405,901 | 640,853 | 816,745 | 146,364 | 1,283,276 | 150,415 | 1,134,511 | 4,671,953 |
| Long-Term Debt, Net of Current Portion | 251,536 | 1,003,108 | 1,135,467 | 144,935 | 350,908 | 1,919,746 | 243,550 | 1,161,958 | 6,211,208 |
| Pension Benefit Obligation | - | 353,892 | - | 11,118 | - | - | - | 706,019 | 1,071,029 |
| Other Liabilities | 53,986 | 342,079 | 147,177 | 141,825 | 24,914 | 609,013 | 62,159 | 976,142 | 2,357,295 |
| Total Liabilities | \$ 399,410 | 2,104,980 | 1,923,497 | 1,114,623 | 522,186 | 3,812,035 | 456,124 | 3,978,630 | 14,311,485 |
| Net Assets: | | | | | | | | | |
| Controlling Interests | 1,616,298 | 738,169 | 1,991,487 | 3,324,132 | 795,725 | 3,804,089 | 598,044 | 1,139,101 | 14,007,045 |
| Noncontrolling Interests | 298 | 2,308 | (0) | 467 | - | 96,810 | 25,747 | 4,845 | 130,475 |
| Net Assets Without Donor Restrictions | 1,616,596 | 740,477 | 1,991,487 | 3,324,599 | 795,725 | 3,900,899 | 623,791 | 1,143,946 | 14,137,520 |
| Net Assets With Donor Restrictions | 21,069 | 97,484 | 58,820 | 226,270 | 64,064 | 726,477 | 46,073 | 78,165 | 1,318,422 |
| Total Net Assets | 1,637,665 | 837,961 | 2,050,307 | 3,550,869 | 859,789 | 4,627,376 | 669,864 | 1,222,111 | 15,455,942 |
| Total Liabilities and Net Assets | \$ 2,037,075 | 2,942,941 | 3,973,804 | 4,665,492 | 1,381,975 | 8,439,411 | 1,125,988 | 5,200,741 | 29,767,427 |



EXHIBIT 7.8 - KEY PERFORMANCE METRICS BY REGION

As of June 30, 2019

| | Alaska | Swedish | Washington/ Montana | Oregon | Northern California | Southern California | West Texas/ Eastern New Mexico | Consolidated |
|----------------------------------|---------|---------|------------------------|-----------|---------------------|------------------------|-----------------------------------|--------------|
| Inpatient Admissions | 8,158 | 31,130 | 64,411 | 31,200 | 15,039 | 93,428 | 13,223 | 256,589 |
| Acute Patient Days | 59,309 | 149,457 | 334,490 | 159,922 | 78,327 | 401,914 | 68,759 | 1,252,178 |
| Acute Outpatient Visits | 233,553 | 355,665 | 1,546,417 | 1,628,217 | 373,924 | 1,789,423 | 346,615 | 6,273,814 |
| Primary Care Visits | 61,460 | 893,640 | 1,895,919 | 1,161,855 | 284,509 | 1,828,307 | 302,219 | 6,487,478 |
| Inpatient Surgeries | 4,168 | 14,585 | 29,899 | 15,035 | 4,188 | 37,915 | 4,140 | 109,930 |
| Outpatient Surgeries | 5,570 | 27,095 | 60,222 | 64,250 | 8,275 | 58,080 | 12,387 | 235,879 |
| Long-Term Care Patient Days | 29,430 | n/a | 4,765 | 23,146 | n/a | 41,375 | 5,205 | 204,743 |
| Home Health Visits | 6,993 | n/a | 2,917 | 160,798 | 27,203 | n/a | n/a | 684,091 |
| Hospice Days | 10,864 | n/a | n/a | 101,883 | 55,508 | 169 | 31,279 | 499,865 |
| Housing and Assisted Living Days | 14,083 | n/a | 13,112 | 70,572 | n/a | n/a | n/a | 306,893 |
| Health Plan Members | n/a | n/a | n/a | 656,671 | n/a | n/a | n/a | 656,671 |
| Average Daily Census | 328 | 826 | 1,848 | 884 | 433 | 2,221 | 380 | 6,918 |
| Acute Licensed Beds | 485 | 1,607 | 2,743 | 1,484 | 774 | 3,852 | 1,014 | 11,959 |
| FTEs | 3,748 | 10,694 | 21,281 | 16,805 | 4,889 | 26,549 | 5,636 | 104,995 |