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PROVIDENCE REPORTS CONTINUED RECOVERY IN THIRD QUARTER
Daily volumes return as the health system pursues three-part plan for serving those in need amid pandemic

RENTON, WASH. Nov. 6, 2020 – Having admitted the first known U.S. patient with COVID-19 in January, Providence, one of the largest health systems in the country, continues to respond to the pandemic and serve patients in need through the first nine months of the year.

The health system reported a rebound in daily volumes across most of its operations in the third quarter of 2020 following the government-ordered shut down of non-emergent procedures and other services earlier in the year. However, volumes continue to remain below 2019 levels.

Encouragingly, Providence’s three-part plan for navigating the pandemic supported the health system through a COVID-19 surge in July while helping ensure the organization is prepared for future spikes in cases. The protocols and learnings quickly developed by Providence have also allowed the health system to maintain access and availability to non-COVID care even amid surges.

“Our plan consists of three pillars: respond, recover, renew. The first pillar, respond, is about putting the health and safety of our caregivers and patients first by ensuring we have the supplies, tests and treatments needed to safely and effectively respond to the virus. The second pillar, recover, focuses on continuing to meet the ongoing health needs of our communities in a safe environment,” said President and CEO Rod Hochman, M.D.

“But with the third pillar, renew, we are accelerating innovation so that we can rapidly improve the way we respond to COVID-19 while transforming for the future. We’ve dramatically ramped up virtual care and are on track to log 1.4 million video visits by the end of the year. In addition, our clinicians have been on the leading edge of clinical research into the virus. For example, we were the first in the world to use Remdesivir to treat COVID-19,” Dr. Hochman said.

Year-to-date volumes as measured by case mix adjusted admissions were 10 percent lower than the same period last year. Operating revenues were $18.9 billion for the first nine months of the year. At the same time, operating expenses were $19.1 billion, an increase of 4 percent compared to the same period last year. The increased expenses were largely driven by the higher cost of labor, supplies and pharmaceuticals needed to safely and effectively respond to COVID-19.

Even with $682 million in recognized grants from the federal CARES Act, Providence reported a net operating loss of $214 million for the first nine months of the year. The resulting operating EBIDA (earnings before interest, depreciation and amortization) was $0.8 billion, or 4.3 percent of net operating revenues, compared with $1.2 billion for the same period in 2019. Operating EBIDA margin for the third quarter finished at 5.8 percent representing continued recovery of volumes and management actions to flex resources and discretionary expense measures.
In other highlights, market improvements in the third quarter resulted in year-to-date non-operating income of $263 million compared to $772 million for the same period in 2019. Non-operating income helps to recoup reimbursement shortfalls from Medicaid and Medicare coverage, allowing us to serve vulnerable populations while balancing our financial standing.

Providence remained steadfast in its commitment to serving those who are poor and vulnerable. Community benefit contributions increased to $1.2 billion for the first nine months of the year, compared with $1.1 billion for the same period last year. This includes an increase in the unpaid costs of Medicaid, which was $765 million for the first nine months of the year, compared with $707 million for the same period in 2019.

As the country confronts the realities of racial disparities, Providence has reflected deeply about its own role in improving the health of all. In July, the health system announced a commitment of $50 million over five years to address racial disparities in health care.

Also in the third quarter, Providence announced that it will make many of its services and solutions available to other health care organizations. Several of Providence’s recent acquisitions, as well as services it has developed internally, will be part of a new company called Tegria.

“As I look back on the first nine months of the year, I am incredibly proud of how the caregivers of Providence have stepped up to meet the challenges in front of us. We have many more months of COVID-19 ahead, and we are committed to continue navigating the pandemic and ensuring the health and safety of our caregivers and those we serve,” Dr. Hochman said.

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**About Providence**

Providence is a national, not-for-profit Catholic health system comprising a diverse family of organizations and driven by a belief that health is a human right. With 51 hospitals, nearly 1,000 physician clinics, senior services, supportive housing and many other health and educational services, the health system and its partners serve communities across seven states, Alaska, California, Montana, New Mexico, Oregon, Texas and Washington with system offices in Renton, Wash., and Irvine, Calif.