



Sutter Health

Presentation to Investors

April 2021



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Sutter Health Meeting Participants

- **Brian Dean**, Senior Vice President and Chief Financial Officer
- **Jonathan Ma**, Vice President-Finance and Treasurer
- **Colette Boudreau**, Vice President-Enterprise Finance and Controller
- **David Prah**, Deputy General Counsel

Sutter Health's Mission:

We enhance the well-being of people in the communities we serve through a not-for-profit commitment to compassion and excellence in healthcare services

Overview

Since We Last Spoke in September

- Additional surge of COVID-19 patients in December and January
- Vaccine rollout continues across Northern California amid evolving government guidance and supplies
- State of California continues to reopen
- Pivoting from pandemic response to recovery and long-term objectives

Financial Notes

- Sutter Health ended FY20:
 - \$321 million operating loss inclusive of CARES grants (or \$1.1 billion operating loss exclusive of CARES grants)
- Expense growth related to Paid Time Off in FY20—additional state-mandated program (AB-1867)
- \$645 million in investment income and changes in net unrealized gains and losses on investments
- Recent Days Cash on Hand remain over 200, bolstered by interim funding

Today's Agenda

- **Ongoing COVID-19 Response**
- **Operational and Financial Results**
- **Recovery and Resiliency**

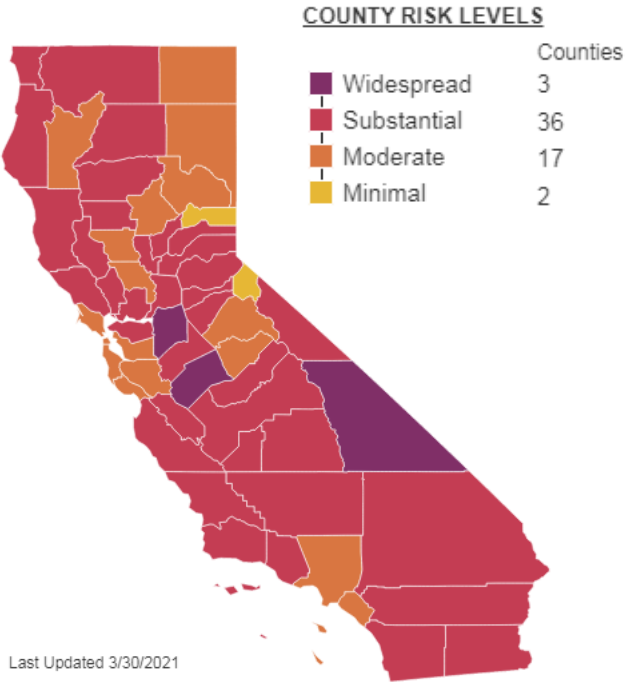
Ongoing COVID-19 Response



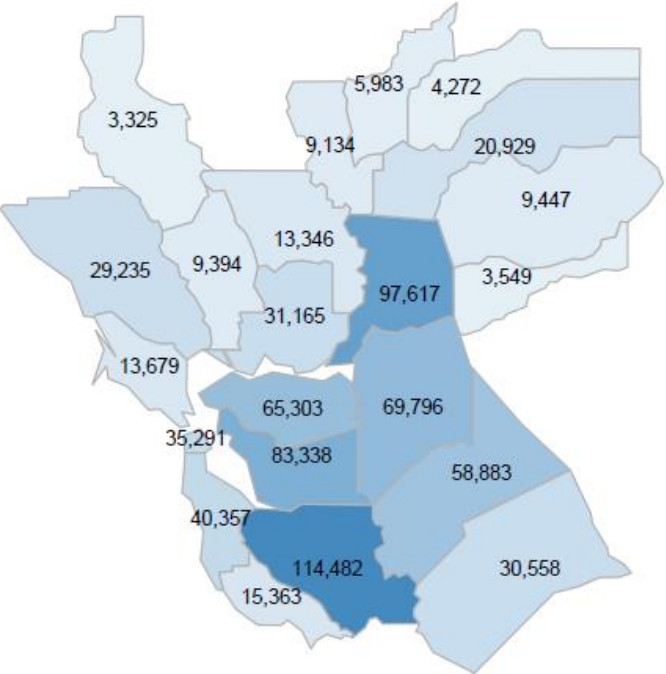
State of California Backdrop

Statistics and Updates

- Over 3.5 million confirmed cases
- Approximately 2,200 new cases daily as of March 31, 2021
- Over 58,000 total fatalities
- Over 20 million vaccines administered
- Every county in California is assigned to a tier based on its positivity rate, adjusted case rate, and health equity metric
- Vaccination progress, guidance, and supplies continue to evolve



Total Confirmed Sutter Footprint - By County



© 2021 Mapbox © OpenStreetMap

Sutter Health Cases Update

- Sutter Health responded to the “surge” of COVID-19 cases that occurred during December and January across California and the United States
- While Sutter Health today continues to treat COVID-19 patients in both inpatient and outpatient settings, the number of confirmed cases has dropped significantly over the past couple of months
- Sutter Health carefully managed bed capacity throughout the pandemic, and also treated patients from outside of our immediate footprint—such as Southern California
- Many counties and communities in Sutter Health’s footprint continue to reopen



Response Efforts

PPE / Supplies

- Over \$120 million spent on equipment and technology to respond adequately to the COVID-19 pandemic
- State of California legislation (AB-2537) requires 3-month inventory of certain PPE categories starting April 1

Vaccinations

- Mid-December: Available to frontline healthcare workers
 - To date, administered over 550,000 doses
- California DPH and county guidance continues to evolve
- Vaccine supply can change
- Sponsoring large-scale sites across the entire system footprint in both the Bay and Valley

Procedures/Staffing

- After the onset of the pandemic, non-urgent procedures resumed in early May 2020
- Periodic mandates to suspend non-urgent procedures over the past year have varied by location
- System continues to prioritize staffing for patient care amid many unknowns

Observations and Lessons Learned



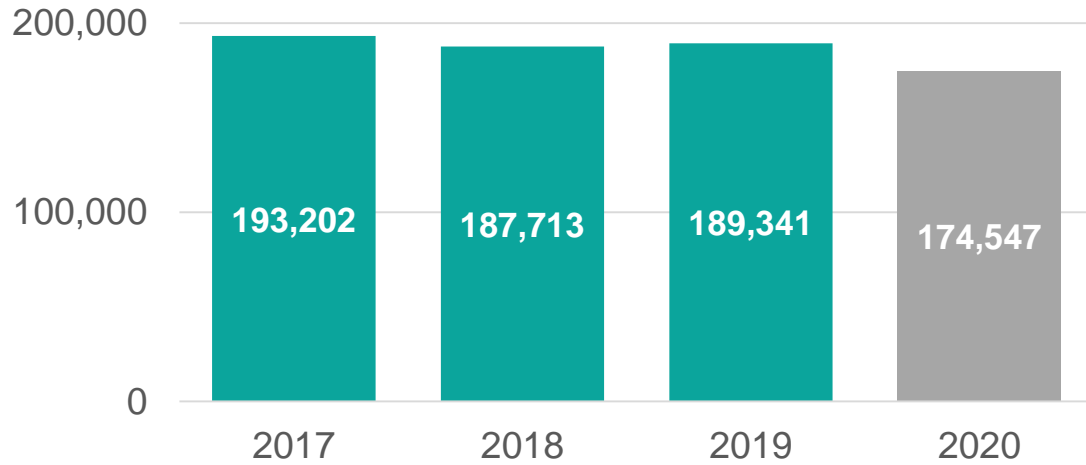
- 1 million telehealth visits scheduled
- Expansion of laboratory and pharmacy capabilities
- Increased collaboration with government officials
- Maintained focus on safety and quality
- Coordinating a response to COVID-19 continues to be a costly and difficult endeavor for the system
- Integrated care delivery remains crucial to the pandemic response in Northern California

Operational and Financial Results

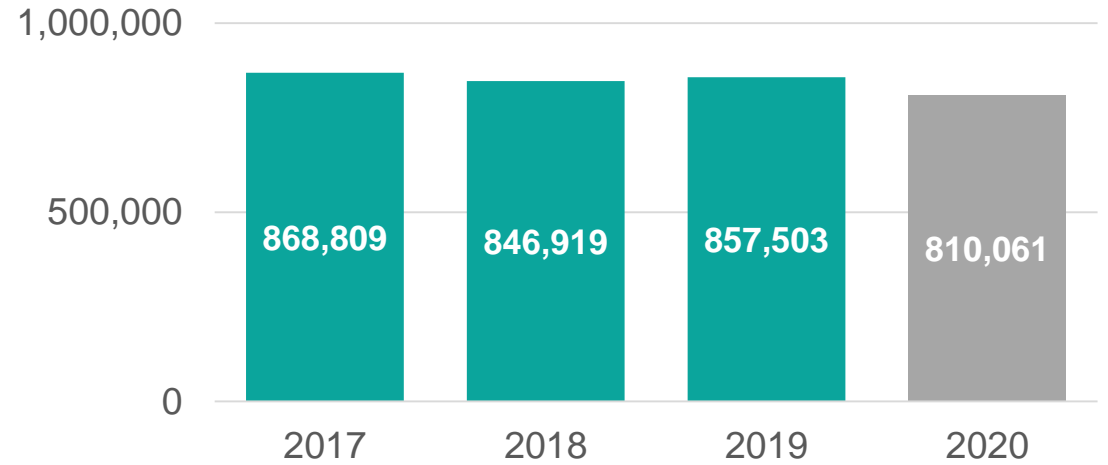


Obligated Group Utilization Data

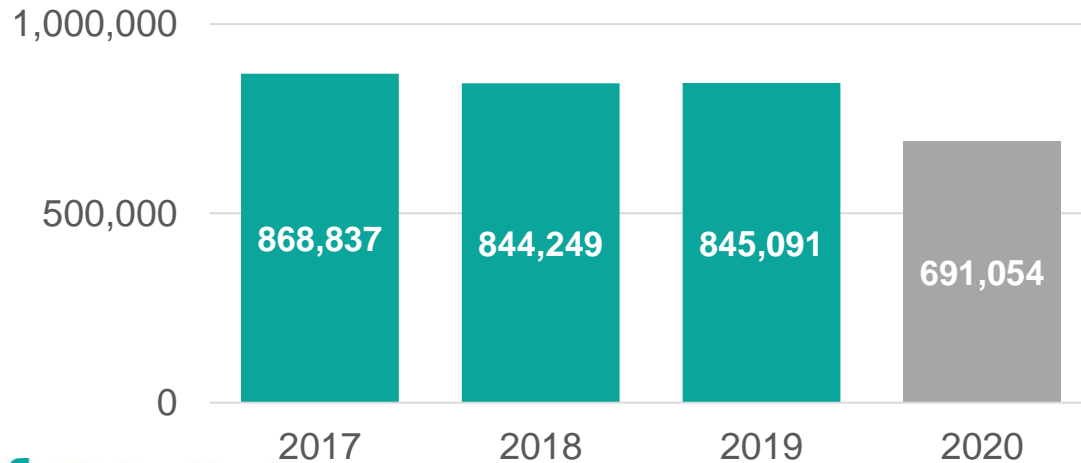
Acute Care Admissions



Patient Days

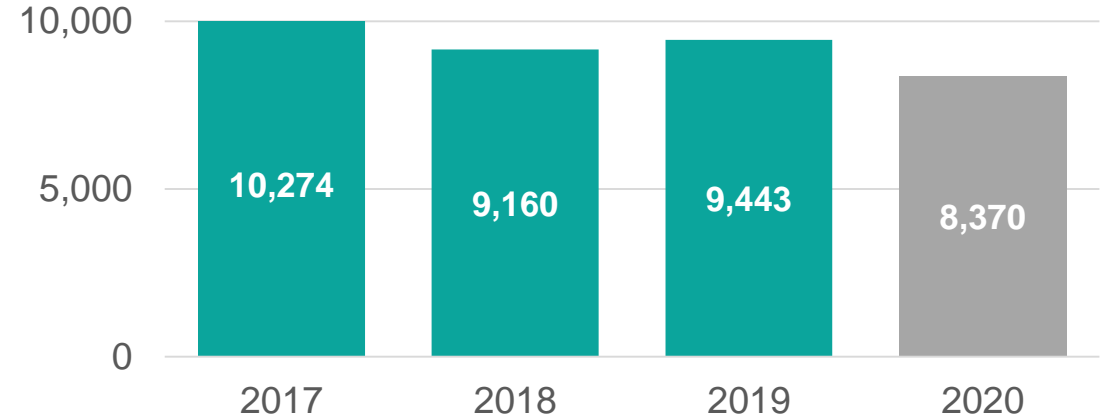


Emergency Room Visits



Medical Foundations Outpatient Visits

(000s)



Utilization Discussion

- Emergency room visits remain one area that has not returned to pre-pandemic levels
- Active management of Average Length of Stay
- Payor mix remains relatively steady
- Management is adjusting the system footprint to meet patient demand:
 - NICU at Sutter Delta
 - Labor & Delivery at Sutter Solano
 - Menlo Park Surgical Hospital (16 licensed beds)
- Management is closely monitoring trends and shifts within the regional service area
 - Outmigration from San Francisco and Silicon Valley
 - In-migration to Sacramento and the Central Valley
 - Remote work arrangements
 - State of California cost of living

Operating Income/Margin Details

(\$MM)	FY18	FY19	FY20
Bay Hospitals	9	(172)	(345)
Bay Foundations	48	24	(65)
Bay Other	--	--	<u>1</u>
<i>Sutter Health Bay Area Operating Income</i>	57	(148)	(409)
<i>Sutter Health Bay Area Operating Margin</i>	0.0%	(2.0%)	(5.7%)
Valley Hospitals	239	214	112
Valley Foundations	1	8	(4)
Valley Other	<u>5</u>	<u>1</u>	<u>1</u>
<i>Sutter Health Valley Area Operating Income</i>	245	223	109
<i>Sutter Health Valley Area Operating Margin</i>	5.1%	4.4%	2.1%
<i>Freestanding and Other, including Eliminations</i>	<u>(101)</u>	<u>(623)</u>	<u>(21)</u>
<i>System Operating Income</i>	201	(548)	(321)
<i>System Operating Margin</i>	1.6%	(4.1%)	(2.4%)

Other Updates

FY20 and FY21 initiatives

- Voluntary Enhanced Severance Program
- Employee redeployments
- Administrative closures
- Additional programs and interventions

Capital expenditures

- Significant reduction in capital spend during FY20
- Capital spending will continue to be metered based on cashflow generation
- Management is actively reviewing planned capital needs and projects

Labor

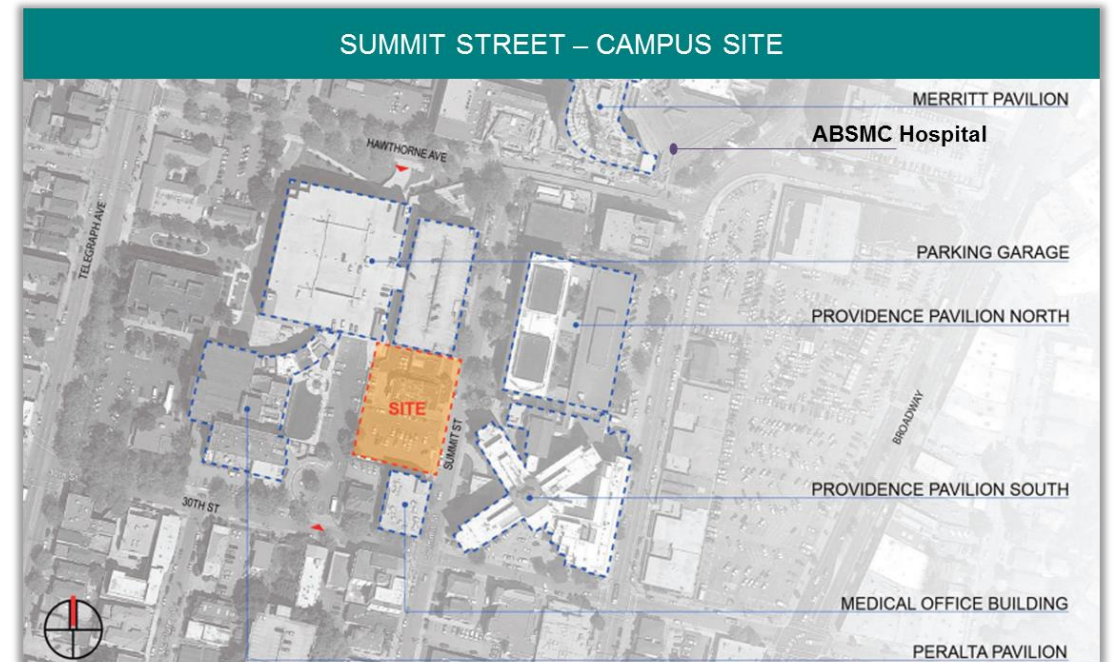
- Approximately 25% of Sutter Health employees are represented by over 50 collective bargaining units
- Over 40 bargaining units are or will be in negotiations during 2021

Legal updates

- UFCW & Employers Benefit Trust v. Sutter Health
- Sidibe v. Sutter Health

Sutter Health and Stanford Health Care

- Co-brand sends a powerful message of clinical excellence
- Cancer Center Collaborative JV formalized in February
- Proposed cancer center site is on the Oakland campus of Alta Bates Summit Medical Center, on land owned by Sutter Health
- Building could be completed as early as 2024, pending approvals
- Shared commitment to health equity
- Additional areas for partnership and collaboration actively under way



Cash and Investments Review

Medicare Accelerated and Advance Program

- Received approximately \$1 billion in FY20
- To be reconciled and repaid before end of FY22

CARES Act Grants

- Received approximately \$800 million in FY20

Lines of Credit

- \$400 million proceeds repaid February 2021
- No amounts presently drawn on \$900 million line

Unrestricted Cash and Investments

- Core balance sheet assets returned over 10%

Sutter Health Retirement Plan (SHRP)

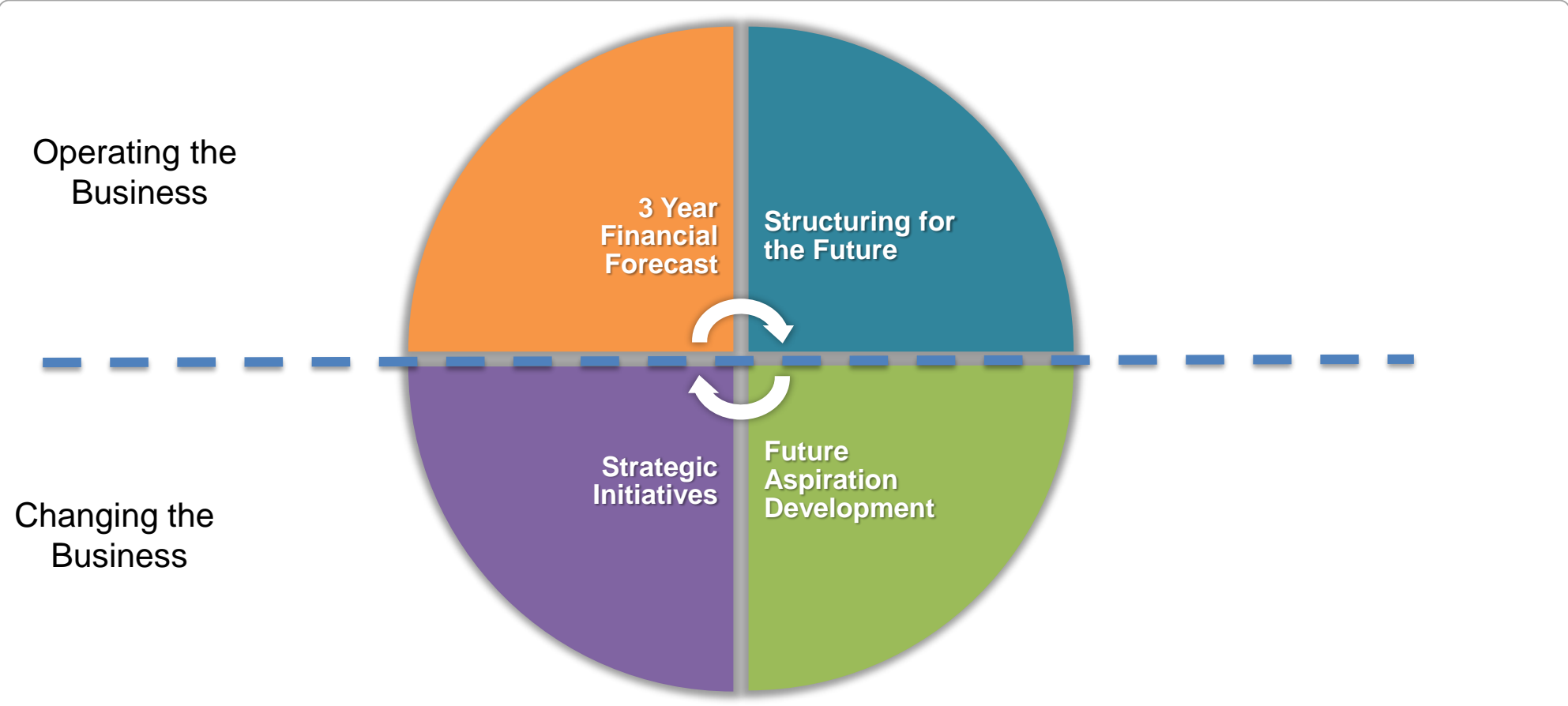
- Contributed \$325 million in FY20, 90% PBO funded at FY20
- \$5.9 billion of assets

	FY19	FY20 (w/\$800mm CARES Grants)
Unrestricted Cash (\$Bn)	\$6.0	\$8.0
Days Cash on Hand	167	229
Less Medicare Advances		(29)
Less Payroll Tax Deferrals	--	(6)
Less Line of Credit		(11)
Net Days Cash on Hand	167	183

Recovery and Resiliency



Our Organizational Viability Work



In order to continue to be able to fulfill our Mission, we have launched a set of initiatives to stabilize performance and position us for long term viability. Aspiration Development is occurring in parallel with the 3 Year Forecast and Structuring for the Future – which will all inform 2022 budget development

Conclusions



Overview

- Sutter Health is undertaking a review of operations and finances
- COVID-19 pandemic has further accelerated changes
- Responding to unique circumstances of the Northern California footprint
- Operational and financial recovery is under way
- Long-term commitment to our mission
- Set of initiatives have been launched to:
 - Improve performance
 - Position for long-term viability
- Multiple work streams directed toward how best to run the business, and to change the business

Questions and Answers