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Enclosed please find the following documents for the quarter ended September 30, 2020 required pursuant to certain documents relating to certain Sutter Health System obligations.

- Unaudited financial statements of the Sutter Health System and Obligated Group
- Management Discussion and Analysis
- Continuing Disclosure Quarterly Report
- Cash and Investments
- Supplemental Information

Sutter Health and Affiliates

Unaudited Interim Consolidated Financial Statements
and
Supplementary Information

Nine months ended September 30, 2020 and 2019 and the year ended December 31, 2019

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Supplementary Information

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The Unaudited Interim Consolidated Financial Statements of Sutter Health and Affiliates are presented as of September 30, 2020, September 30, 2019, and for the year ended December 31, 2019. Information contained herein is being filed by Sutter Health and Affiliates in connection with Sutter Health’s undertakings under the related continuing disclosure agreements entered in connection with the issuance of bonds issued on behalf of or by Sutter Health.

Sutter Health and Affiliates

Consolidated Balance Sheets

(Unaudited)

(Dollars in millions)

	September 30,		December 31,
	2020	2019	2019
Assets			
Current assets:			
Cash and cash equivalents	\$ 795	\$ 361	\$ 505
Short-term investments	6,029	5,114	5,272
Patient accounts receivable	1,214	1,263	1,244
Other receivables	917	723	848
Inventories	148	130	131
Other	236	215	186
Total current assets	9,339	7,806	8,186
Non-current investments	1,171	1,136	1,082
Property, plant and equipment, net	8,092	8,360	8,345
Other non-current assets	896	908	914
	\$ 19,498	\$ 18,210	\$ 18,527
Liabilities and net assets			
Current liabilities:			
Short-term borrowings	\$ 400	\$ -	\$ -
Accounts payable	672	499	709
Accrued salaries and related benefits	893	618	668
Other accrued expenses	2,477	1,502	1,360
Current portion of long-term obligations	17	160	157
Total current liabilities	4,459	2,779	2,894
Non-current liabilities:			
Long-term obligations, less current portion	4,442	4,532	4,520
Other	1,800	1,856	1,773
Net assets:			
Without donor restrictions:			
Controlling	8,157	8,434	8,705
Noncontrolling	109	111	109
With donor restrictions	531	498	526
Total net assets	8,797	9,043	9,340
	\$ 19,498	\$ 18,210	\$ 18,527

Sutter Health and Affiliates

Consolidated Statements of Operations and Changes in Net Assets (Unaudited)

(Dollars in millions)

	Three months ended		Nine months ended		Year ended
	September 30, 2020	2019	September 30, 2020	2019	December 31, 2019
Net assets without donor restrictions:					
Operating revenues:					
Patient service revenues	\$ 2,854	\$ 2,765	\$ 7,722	\$ 8,443	\$ 11,407
Premium revenues	399	379	1,155	1,136	1,509
Contributions	67	7	398	16	29
Other	85	96	242	273	359
Total operating revenues	<u>3,405</u>	<u>3,247</u>	<u>9,517</u>	<u>9,868</u>	<u>13,304</u>
Operating expenses:					
Salaries and employee benefits	1,701	1,579	4,965	4,642	6,252
Purchased services	817	879	2,523	2,623	3,455
Supplies	426	403	1,160	1,187	1,613
Depreciation and amortization	189	188	553	543	738
Rentals and leases	47	45	137	136	182
Interest	41	44	121	119	157
Insurance	8	6	22	16	21
Other	221	716	638	1,141	1,434
Total operating expenses	<u>3,450</u>	<u>3,860</u>	<u>10,119</u>	<u>10,407</u>	<u>13,852</u>
(Loss) from operations	(45)	(613)	(602)	(539)	(548)
Investment income	89	32	77	184	246
Change in net unrealized gains and losses on investments	204	(71)	(100)	249	491
Other components of net periodic postretirement cost	20	1	62	1	-
Income (loss)	<u>268</u>	<u>(651)</u>	<u>(563)</u>	<u>(105)</u>	<u>189</u>
Less income attributable to noncontrolling interests	(18)	(18)	(44)	(57)	(75)
Income (loss) attributable to Sutter Health	<u>250</u>	<u>(669)</u>	<u>(607)</u>	<u>(162)</u>	<u>114</u>

Sutter Health and Affiliates

Consolidated Statements of Operations and Changes in Net Assets (continued) (Unaudited)

(Dollars in millions)

	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>		<u>Year ended</u> <u>December 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
Net assets without donor restrictions (continued):					
Controlling:					
Income (loss) attributable to Sutter Health	\$ 250	\$ (669)	\$ (607)	\$ (162)	\$ 114
Change in net unrealized gains and losses on investments classified as other-than-trading	(2)	(11)	1	9	5
Net assets released from restriction for equipment acquisition	2	2	7	8	13
Postretirement-related changes other than net periodic postretirement cost	15	18	45	53	50
Other	(1)	(2)	6	(4)	(7)
Increase (decrease) in controlling	<u>264</u>	<u>(662)</u>	<u>(548)</u>	<u>(96)</u>	<u>175</u>
Noncontrolling:					
Income attributable to noncontrolling interests	18	18	44	57	75
Distributions	(14)	(19)	(43)	(57)	(75)
Other	(2)	1	(1)	(1)	(3)
Increase (decrease) in noncontrolling	<u>2</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(3)</u>
Net assets with donor restrictions:					
Contributions	9	15	26	33	58
Investment income	2	1	7	10	14
Change in net unrealized gains and losses on investments	13	(2)	(6)	9	19
Net assets released from restriction	(7)	(8)	(21)	(23)	(34)
Other	(1)	-	(1)	-	-
Increase in net assets with donor restrictions	<u>16</u>	<u>6</u>	<u>5</u>	<u>29</u>	<u>57</u>
Increase (decrease) in net assets	282	(656)	(543)	(68)	229
Net assets, beginning of period	8,515	9,699	9,340	9,111	9,111
Net assets, end of period	<u>\$ 8,797</u>	<u>\$ 9,043</u>	<u>\$ 8,797</u>	<u>\$ 9,043</u>	<u>\$ 9,340</u>

Sutter Health and Affiliates

Consolidated Statements of Cash Flows

(Unaudited)

(Dollars in millions)

	Nine months ended September 30,		Year ended December 31,
	2020	2019	2019
Operating activities			
(Decrease) increase in net assets	\$ (543)	\$ (68)	\$ 229
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:			
Depreciation and amortization	544	543	725
Amortization of bond issuance costs, (premium) and discount, net	(31)	(31)	(41)
Net realized gains and losses and change in net unrealized gains and losses on investments	65	(399)	(693)
Restricted contributions and investment income	(33)	(43)	(72)
Distributions to noncontrolling interests	43	57	75
Change in net postretirement benefits	33	154	36
Net changes in operating assets and liabilities:			
Patient accounts receivable and other receivables	(39)	83	(23)
Inventories, property, plant and equipment and other assets	(46)	(41)	(22)
Accounts payable and accrued expenses	1,267	228	380
Other non-current liabilities	(6)	(7)	28
Net cash provided by operating activities	1,254	476	622
Investing activities			
Purchases of property, plant and equipment	(267)	(452)	(662)
Proceeds from disposal of property, plant and equipment	3	10	10
Purchases of investments	(4,431)	(2,389)	(3,038)
Proceeds from sales of investments	3,520	2,521	3,360
Other	4	(6)	6
Net cash used in investing activities	(1,171)	(316)	(324)

Sutter Health and Affiliates

Consolidated Statements of Cash Flows (continued) (Unaudited) (Dollars in millions)

	Nine months ended September 30,		Year ended December 31,
	2020	2019	2019
Financing activities			
Proceeds from borrowings on line of credit	\$ 400	\$ –	\$ –
Payments of long-term obligations	(185)	(151)	(159)
Proceeds from issuance of long-term obligations	2	4	7
Restricted contributions and investment income	33	43	72
Distributions to noncontrolling interests	(43)	(57)	(75)
Net cash provided by (used in) financing activities	207	(161)	(155)
Net increase (decrease) in cash and cash equivalents	290	(1)	143
Cash and cash equivalents at beginning of year	505	362	362
Cash and cash equivalents at end of period	\$ 795	\$ 361	\$ 505

Sutter Health and Affiliates

Notes to Unaudited Interim Consolidated Financial Statements

(Dollars in millions)

ORGANIZATION

Sutter Health is the not-for-profit parent of a California multi-provider integrated healthcare delivery system headquartered in Sacramento, California. This integrated healthcare delivery system includes a centralized support group and various healthcare-related businesses operating primarily in Northern California. Sutter Health and its affiliates and subsidiaries provide healthcare, education, research and administrative services.

Sutter Health's integrated healthcare delivery system includes acute care, medical foundations, fundraising foundations and a variety of other specialized healthcare services. These entities are commonly referred to as the affiliates. Most acute care hospitals provide a full range of medical services (e.g., surgical, intensive care, emergency room, and obstetrics). All emergency rooms provide emergency care, regardless of a patient's ability to pay. Sutter Health and its affiliates also serve their communities with various services and programs, such as health education, health libraries, school-based clinics, home healthcare, hospice care, adult day care, prenatal clinics, community clinics, immunization services, and health professions education.

ACCOUNTING POLICIES

Basis of Consolidation: The Unaudited Interim Consolidated Financial Statements for Sutter Health and its controlled affiliates and subsidiaries (Sutter) have been prepared in accordance with generally accepted accounting principles in the United States and should be read in conjunction with Sutter's 2019 Audited Financial Statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

Certain amounts in Sutter's September 30, 2019 Unaudited Interim Consolidated Financial Statements – Consolidated Statements of Cash Flows have been adjusted to conform with the presentation of its 2019 Audited Financial Statements and its September 30, 2020 Unaudited Interim Consolidated Financial Statements.

The Unaudited Interim Consolidated Financial Statements include all normal and recurring adjustments that are considered necessary in the opinion of management for the fair presentation of the financial position and operating results for the periods reported. Certain estimates and assumptions are made to prepare these Unaudited Interim Consolidated Financial Statements. Interim results of operations are not necessarily indicative of the results that may be expected for any future period or for a full year.

Sutter Health and Affiliates

Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

SIGNIFICANT EVENTS – COVID-19

COVID-19, a respiratory disease caused by a novel strain of coronavirus, has spread around the world, including in Northern California in which Sutter does business. Since the Centers for Disease Control and Prevention confirmed the spread of the disease to the United States in February 2020 and the World Health Organization declared COVID-19 a pandemic in March 2020, the federal government and the State of California have declared, and remain in, a state of emergency. The State of California was one of the first states in the United States with a confirmed case of COVID-19 on January 26, 2020, and California Governor Gavin Newsom was the first governor to issue a community shelter-in-place order on March 19, 2020.

The need for Sutter to adjust its entire integrated network to respond to COVID-19 has been, and continues to be, a costly and difficult endeavor. On May 14, 2020, Sutter Health provided to Electronic Municipal Market Access a voluntary notice of event related to COVID-19 for informational purposes only. The notice only speaks as of its date. These financial statements include the impact of COVID-19 on the information provided herein as of and for the quarter ended September 30, 2020, including the effects of restrictions on providing non-emergency healthcare services and the impact of shelter-in-place restrictions in many communities, which began in mid-March 2020. Given the evolving nature of the COVID-19 crisis and the uncertainty of its duration and severity, Sutter Health cannot fully determine the cumulative impact of the crisis on its financial condition and operations.

From April 2020 through September 2020, Sutter received approximately \$392 in COVID-19 Relief Funds from the Department of Health & Human Services recording \$379 as Contributions for the nine months ended September 30, 2020. Additionally Sutter received approximately \$999 from the Centers for Medicare and Medicaid Services (CMS) as part of the Accelerated and Advance Payment Program, pursuant to which providers receive advance Medicare disbursements. These accelerated and advance payments are recorded in liabilities as Other accrued expenses and are a loan that providers have to pay back. Originally, CMS announced that it will begin to offset the payments by future Medicare reimbursements up to 210 days after disbursement, depending on whether a facility is an acute or non-acute facility. On October 1, 2020, a continuing resolution was signed, which included an extension to delay repayments to one year from receipt of these accelerated and advance disbursements. Sutter expects the full amount of the \$999 received under the Accelerated and Advance Payment Program to be reconciled and repaid by the Summer of 2022.

Sutter Health and Affiliates

Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

FAIR VALUE MEASUREMENTS

Sutter accounts for certain assets at fair value. A fair value hierarchy for valuation inputs has been established to prioritize the valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels, which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1: Quoted prices are available in active markets for identical assets as of the measurement date.

Level 2: Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Pricing inputs are generally unobservable for the assets and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets. The fair values are therefore determined using factors that involve judgment and interpretations, including, but not limited to, private and public comparables, third-party appraisals, discounted cash flow models, fund manager estimates and net asset valuations provided by the underlying private investment companies and/or their administrators. Sutter held no Level 3 financial instruments as of September 30, 2020 and 2019, and December 31, 2019.

Sutter Health and Affiliates

Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

FAIR VALUE MEASUREMENTS (continued)

The fair value of Sutter's assets measured on a recurring basis consists of the following:

	September 30, 2020		
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Liquid investments			
Cash equivalents	\$ 287	\$ –	\$ 287
Equity securities			
U.S. equity	1,223	–	1,223
Foreign equity	455	–	455
Fixed income securities			
U.S. government	559	–	559
U.S. government agencies	–	14	14
U.S. state and local government	–	63	63
U.S. federal agency mortgage-backed	–	303	303
Foreign government	–	177	177
U.S. corporate	59	1,257	1,316
Foreign corporate	7	255	262
	\$ 2,590	\$ 2,069	\$ 4,659
Investments measured at net asset value			2,541
			\$ 7,200

Sutter Health and Affiliates

Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

FAIR VALUE MEASUREMENTS (continued)

	December 31, 2019		
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Liquid investments			
Cash equivalents	\$ 199	\$ –	\$ 199
Equity securities			
U.S. equity	1,162	–	1,162
Foreign equity	513	–	513
Fixed income securities			
U.S. government	427	–	427
U.S. government agencies	–	1	1
U.S. state and local government	–	74	74
U.S. federal agency mortgage-backed	–	273	273
Foreign government	–	200	200
U.S. corporate	58	481	539
Foreign corporate	8	153	161
	\$ 2,367	\$ 1,182	\$ 3,549
Investments measured at net asset value			2,805
			\$ 6,354

As of September 30, 2020 and December 31, 2019, the Level 2 instruments listed in the fair value hierarchy tables above use the following valuation techniques and inputs:

U.S. government agencies securities: The fair value of investments in U.S. government agencies securities classified as Level 2 is primarily determined using consensus pricing methods of observable market-based data. Significant observable inputs include quotes, spreads, and data points for yield curves.

U.S. state and local government securities: The fair value of U.S. state and local government securities classified as Level 2 is determined using a market approach. The inputs include yield benchmark curves, prepayment speeds, and observable market data, such as institutional bids, dealer quotes, and two-sided markets.

Sutter Health and Affiliates

Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

FAIR VALUE MEASUREMENTS (continued)

U.S. federal agency mortgage-backed securities: The fair value of U.S. federal agency mortgage-backed securities classified as Level 2 is primarily determined using matrices. These matrices utilize observable market data of bonds with similar features, prepayment speeds, credit ratings, and discounted cash flows. Additionally, observed market movements, tranche cash flows and benchmark yields are incorporated in the pricing models.

Foreign government and corporate securities: The fair value of investments in foreign government and corporate securities classified as Level 2 is primarily determined using consensus pricing methods of observable market-based data. Significant observable inputs include quotes, bid and ask yields, and issue-specific factors.

U.S. corporate securities: The fair value of investments in U.S. corporate securities classified as Level 2 is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include reported trades, dealer quotes, security-specific characteristics, and multiple sources of spread data points in developing yield curves.

Investments measured at net asset value (NAV): Certain investments that are measured using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The NAV amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

Sutter Health and Affiliates

Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

FAIR VALUE MEASUREMENTS (continued)

Certain of the investments are reported using a calculated NAV per share (or its equivalent). These investments are not expected to be sold at amounts that are different from NAV. The following table and explanations identify attributes relating to the nature and risk of such investments:

	September 30, 2020			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled funds – U.S. equity securities	\$ 180	\$ –	Daily	1 day
Commingled funds – foreign equity securities	450	–	Monthly	5–30 days
Commingled funds – debt securities	115	–	Daily	1–7 days
Commodity-linked funds	119	–	Daily	None
Hedge funds	1,051	–	Monthly, Quarterly, Annually	10–120 days
Private equity funds	365	302	None	None
Private equity real estate funds	261	309	None	None
Total	\$ 2,541	\$ 611		

	December 31, 2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled funds – U.S. equity securities	\$ 91	\$ –	Daily	1 day
Commingled funds – foreign equity securities	476	–	Monthly	5–30 days
Commingled funds – debt securities	315	–	Daily, Monthly	1–15 days
Commodity-linked funds	138	–	Daily	None
Hedge funds	1,251	–	Monthly, Quarterly, Annually	10–120 days
Private equity funds	313	290	None	None
Private equity real estate funds	221	242	None	None
Total	\$ 2,805	\$ 532		

Sutter Health and Affiliates

Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

FAIR VALUE MEASUREMENTS (continued)

Commingled funds – U.S. and foreign equity securities: This class includes investments in commingled funds that invest primarily in U.S. or foreign equity securities and attempt to match the returns of specific equity indices. As of September 30, 2020, approximately 29% of this class is redeemable daily with a 1-day notice period. The remaining 71% of this class is redeemable monthly with a notice period of 5 to 30 days.

Commingled funds – debt securities: This class includes investments in commingled funds that invest primarily in foreign debt, of which the majority are traded in over-the-counter markets. As of September 30, 2020, these fund are redeemable daily with a notice period of 1 to 7 days.

Commodity-linked funds: This class includes commodity-linked funds that pursue long-only fully collateralized commodity futures strategies to provide diversification and inflation protection. As of September 30, 2020, these funds are redeemable daily with no notice period.

Hedge funds: This class includes investments in hedge funds that expand the universe of potential investment approaches available by employing a variety of strategies and techniques within and across various asset classes. The primary objective for these funds is to balance returns while limiting volatility by allocating capital to external portfolio managers selected for expertise in one or more investment strategies which may include, but are not limited to, equity long/short, event driven, relative value, and directional. The following summarizes the redemption criteria for the hedge fund portfolio as of September 30, 2020:

% of Hedge Funds	Redemption Criteria	Notice Period
50%	Redeemable monthly	10–90 days
14%	Redeemable quarterly	45–120 days
3%	Redeemable within one year, with quarterly gates from 25% to 100%	60–65 days
12%	Limited to a 25% gate, redeemable quarterly	60–90 days
3%	One-year lock-ups expiring in July 2021	75–90 days
12%	Two-year rolling lock-up expiring in December 2021 and quarterly gate limited to 10% annually	120 and 60 days
6%	Redeemable over five years after a rolling annual election with quarterly payments or limited to a 5% quarterly gate	120 days

Sutter Health and Affiliates

Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

FAIR VALUE MEASUREMENTS (continued)

Private equity funds: This class includes domestic and foreign private equity funds that specialize in providing capital to a variety of investment groups, including but not limited to venture capital, leveraged buyout, mezzanine debt, distressed debt, and other strategies, which may include land, water processing, and alternative energy. There is no provision for redemptions during the life of these funds.

Private equity real estate funds: This class includes domestic and foreign investments in real estate that are held in limited partnership funds, joint ventures, and other investments comprised of retail, office, industrial, and multi-family properties. There is no provision for redemptions during the life of these funds.

LONG-TERM OBLIGATIONS

Long-term obligations consist of the following:

	<u>September 30,</u> <u>2020</u>
Non-taxable revenue bonds under the Sutter Health Master Indenture of Trust, fixed interest at 3.25% to 5.25%, through 2052 (includes net unamortized premiums and discounts of \$256 and debt issuance costs of (\$14) as of September 30, 2020)	\$ 3,562
Taxable revenue bonds under the Sutter Health Master Indenture of Trust, fixed interest at 3.70% to 4.09%, through 2048 (includes unamortized discount of (\$3) and debt issuance costs of (\$4) as of September 30, 2020)	681
Various collateralized and unsecured obligations	22
Obligations under finance leases	194
	<u>4,459</u>
Less current portion	<u>(17)</u>
	<u>\$ 4,442</u>

The central financing vehicle for Sutter Health is the Obligated Group. Those entities that comprise the Obligated Group are each nonprofit public benefit corporations organized and existing under the laws of the State of California. In October 2020, financial obligations under the Master Trust Indenture were amended and updated, and only the Obligated Group Members are subject to the requirements and financial obligations under the Master Trust Indenture, dated as of October 1, 2020. Each Obligated Group Member has granted

Sutter Health and Affiliates

Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

LONG-TERM OBLIGATIONS (continued)

to the Master Trustee a security interest in its Gross Receivables to secure the timely payment and performance of its obligations, agreements, and covenants under the Master Trust Indenture.

In September 2020, \$30 of Series 2008A CHFFA tax-exempt revenue bonds were redeemed, which did not result in a gain or loss.

In August 2020, \$100 of Series 2013C Sutter Health taxable bonds were redeemed, which did not result in a gain or loss.

In August 2019, \$100 of Series 2016C CHFFA tax-exempt revenue bonds were redeemed, which did not result in a gain or loss.

Sutter maintains a short-term credit facility with commercial banks to meet temporary capital requirements and to provide flexibility in meeting Sutter's capital needs. In March 2020, Sutter drew upon this credit facility in the amount of \$400. This credit facility and current line of credit mature in September 2021. Sutter also established an additional short-term credit facility with a single commercial bank in the amount of \$100 maturing in April 2021. There are no draws outstanding under this additional credit facility.

Sutter Health and Affiliates

Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

LEASES

Lease-related assets and liabilities are recorded on the balance sheet as follows:

	Consolidated Balance Sheets	September 30,		December 31,
		2020	2019	2019
Right-of-use Assets				
Operating	Other non-current assets	\$ 466	\$ 497	\$ 501
Finance	Property, plant and equipment, net	172	178	181
		<u>\$ 638</u>	<u>\$ 675</u>	<u>\$ 682</u>
Current Liabilities				
Operating	Other accrued expenses	\$ 104	\$ 98	\$ 99
Finance	Current portion of long-term obligations	2	1	2
Non-current Liabilities				
Operating	Other	416	455	458
Finance	Long-term obligations, less current portion	192	194	196
		<u>\$ 714</u>	<u>\$ 748</u>	<u>\$ 755</u>

OPERATING REVENUES

Sutter records revenue in four financial statement categories: Patient service revenues, Premium revenues, Contributions, and Other. Performance obligations are identified based on the nature of the services provided.

Patient service revenues: Sutter's Patient service revenues are reported at the amount that reflects the consideration to which Sutter expects to be paid for providing patient care. These amounts are due from patients and third-party payers, including health insurers and government programs. Patients who meet Sutter's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue. Generally, Sutter bills patients and third-party payers after services are performed.

Patient service revenues are recognized as performance obligations are satisfied. Inpatient services are performance obligations satisfied over time and revenue is recognized based on actual charges incurred in relation to total expected or actual charges. Unsatisfied or partially unsatisfied performance obligations relate to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period. Outpatient services are performance obligations satisfied

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Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

OPERATING REVENUES (continued)

at a point in time and revenue is recognized when goods or services are provided, and Sutter does not believe it is required to provide additional goods or services.

Sutter uses a portfolio approach to account for categories of patient contracts as a collective group, rather than recognizing revenue on an individual contract basis. The portfolios consist of major payer classes for inpatient and outpatient revenue. Based on historical collection trends, Sutter believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach was used.

The healthcare industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws and false claims prohibitions and, in the case of tax-exempt hospitals, the requirements of tax exemption. Sutter operates an Ethics and Compliance Program, which reviews compliance with government healthcare program requirements and investigates allegations of non-compliance received from internal and external sources. From time to time, findings may result in repayment of monies previously received from government and other third-party payers and/or disclosure of such overpayments including, but not limited to, disclosure to CMS and its contracted agents, or the Office of Inspector General, Department of Health and Human Services. As a result, there is at least a reasonable possibility that some or all recorded estimates may change by a material amount in the near term.

The majority of Sutter's services are provided to patients with third-party coverage and Sutter has agreements with third-party payers that provide for payments to Sutter at contractually adjusted amounts. Patient service revenues are estimated based on the terms of the contractual agreement with the payer, Sutter's historical settlement activity and other information. Settlements with third-party payers for retroactive adjustments due to audits, reviews or investigations are considered variable consideration, and are included in the determination of Patient service revenues when information becomes available. Additional revenues arising from a change in the estimate of transaction price concessions for performance obligations satisfied in prior years were \$75 and \$39 for the nine months ended September 30, 2020 and 2019, respectively.

Sutter Health and Affiliates

Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

OPERATING REVENUES (continued)

Payment arrangements are as follows:

Medicare: Inpatient acute care services and outpatient services provided to Medicare program beneficiaries are paid at prospectively determined rates per diagnosis. Sutter is paid for cost-reimbursable items at a tentative rate. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates. Amounts received from the Medicare programs are subject to audit and final settlement by a Medicare Administrative Contractor after submission of annual cost reports. Sutter's Medicare cost reports have been audited generally through December 31, 2016. The estimated net settlement balances and adjustments from the finalization of prior-year cost reports were immaterial in 2020 and 2019.

Medi-Cal: Inpatient and outpatient services provided to Medi-Cal program beneficiaries are paid either under contracted rates or cost-reimbursable items at a tentative rate. Services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member. Amounts received from Medi-Cal programs are subject to audit and final settlement by the California Department of Health Care Services after submission of annual cost reports. Sutter's Medi-Cal cost reports have been audited generally through December 31, 2016. The estimated net settlement balances and adjustments from the finalization of prior-year cost reports were immaterial in 2020 and 2019.

Commercial: Inpatient and outpatient services provided to patients covered under commercial insurance policies are paid using a variety of payment methodologies based on contractual agreements. The transaction price for commercial payers is reduced by explicit contractual adjustments and implicit price concessions based on collection history with this portfolio of patients.

Other: Inpatient and outpatient services provided to patients, not covered by third-party payers, are paid based on Sutter's policies and the patient's ability to pay. Sutter reduces the transaction price by implicit price concessions to uninsured patients and patients with uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts Sutter expects to collect based on its collection history with this portfolio of patients. Subsequent changes to the estimates are considered variable consideration and are included in Patient service revenues when information becomes available.

Sutter Health and Affiliates

Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

OPERATING REVENUES (continued)

As part of its Patient service revenues analysis, Sutter examines the fluctuations in payer, geographical area, and entity type as each factor represents a varying degree of uncertainty regarding the nature, timing, and extent of payments.

The composition of Patient service revenues by payer is as follows:

	Nine months ended September 30,	
	2020	2019
Medicare	\$ 2,128	\$ 2,238
Medi-Cal	1,134	1,117
Commercial	4,317	4,926
Other	143	162
	\$ 7,722	\$ 8,443

The composition of Patient service revenues based on Sutter's area of operations and entity type are as follows:

Nine months ended September 30, 2020				
	Sutter Health Bay Area	Sutter Health Valley Area	Other	Total
Acute Care	\$ 2,797	\$ 2,306	\$ 83	\$ 5,186
Medical Foundation	1,458	762	-	2,220
Other	72	15	460	547
Eliminations	(75)	(74)	(82)	(231)
	\$ 4,252	\$ 3,009	\$ 461	\$ 7,722

Nine months ended September 30, 2019				
	Sutter Health Bay Area	Sutter Health Valley Area	Other	Total
Acute Care	\$ 3,017	\$ 2,328	\$ 88	\$ 5,433
Medical Foundation	1,801	850	-	2,651
Other	91	22	433	546
Eliminations	(68)	(63)	(56)	(187)
	\$ 4,841	\$ 3,137	\$ 465	\$ 8,443

Sutter Health and Affiliates

Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

OPERATING REVENUES (continued)

The State of California enacted legislation for a hospital fee program to fund certain Medi-Cal coverage expansions. The program charges certain hospitals a quality assurance fee that is used to obtain federal matching funds for Medi-Cal, with the proceeds redistributed as supplemental payments to California hospitals that treat Medi-Cal patients. There are two hospital fee programs that had activity in 2020 and 2019: a 30-month hospital fee program covering the period from January 1, 2017 through June 30, 2019, and a 30-month hospital fee program covering the period from July 1, 2019 through December 31, 2021. Supplemental payments met all criteria related to revenue recognition, and the quality assurance fees are both probable and estimable. Accordingly, all related supplemental payments have been recognized as revenue and related quality assurance fees recognized as expense in 2020 and 2019.

Patient service revenues and Other expenses include amounts for the hospital fee program as follows:

	Nine months ended September 30,		Year ended December 31,
	2020	2019	2019
Hospital fee program revenue	\$ 377	\$ 336	\$ 579
Hospital fee program expense	(241)	(161)	(322)
Income from operations from hospital fee program	\$ 136	\$ 175	\$ 257
	September 30,		December 31,
	2020	2019	2019
Other receivables	\$ 656	\$ 460	\$ 616
Accounts payable	\$ 281	\$ 98	\$ 258

Premium revenues: Sutter has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations, and members of individual and family plans and subscribing employers for small and large cap coverage. The basis for payment to Sutter, under these agreements, includes capitated arrangements, prospectively determined rates per diagnosis, prospectively determined daily rates, rates by demographics and rates by a number of factors including experience. The transaction price may be reduced by discounts, reinsurance premiums, and implicit price concessions based on collection history. Other adjustments may include prior year settlements, stop loss recoveries, ceded premiums and risk adjustment factors. Performance obligations are satisfied over the passage of time by standing ready to provide services.

Sutter Health and Affiliates

Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

OPERATING REVENUES (continued)

Settlements with third-party payers for retroactive adjustments are considered variable consideration and are included in the determination of Premium revenues when information becomes available. Adjustments from the finalization of prior-year settlements resulted in a decrease of \$37 and were immaterial for the nine months ended September 30, 2020 and 2019, respectively. Adjustments arising from a change in the transaction price were immaterial in 2020 and 2019.

As part of its Premium revenues analysis, Sutter examines the fluctuations in geographical area and entity type, as each factor represents a varying degree of uncertainty regarding the nature, timing and extent of payments. Sutter's premium revenue is reported at an amount that reflects the consideration to which Sutter expects to be paid.

The composition of Premium revenues based on Sutter's area of operations and line of business are as follows:

	Nine months ended September 30, 2020			
	Sutter Health Bay Area	Sutter Health Valley Area	Other	Total
Acute Care	\$ 147	\$ 310	\$ 1	\$ 458
Medical Foundation	246	288	–	534
Insurance	–	–	437	437
Other	–	34	79	113
Eliminations	(1)	(2)	(384)	(387)
	\$ 392	\$ 630	\$ 133	\$ 1,155

	Nine months ended September 30, 2019			
	Sutter Health Bay Area	Sutter Health Valley Area	Other	Total
Acute Care	\$ 158	\$ 295	\$ 1	\$ 454
Medical Foundation	241	275	–	516
Insurance	–	–	385	385
Other	–	26	77	103
Eliminations	–	(3)	(319)	(322)
	\$ 399	\$ 593	\$ 144	\$ 1,136

Sutter Health and Affiliates

Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

OPERATING REVENUES (continued)

Contributions: Sutter receives contributions and grants from donors and government agencies including federal assistance associated with the global pandemic described in the previous “Significant Events – COVID-19”. Certain terms and conditions are required to comply with the recognition of revenue associated with federal assistance and payment of funds is based on historical utilization, licensed beds, and specific criteria for targeted populations. Amounts received are subject to audit under the Office of Management and Budget under the Uniform Administrative Requirements.

Other revenues: Sutter has additional revenue streams from tuition, health professionals, rental properties and parking. Revenue is recognized when obligations under the terms of the contract are satisfied. Revenues from these services are measured as the amount of consideration Sutter expects to receive for those services.

POSTRETIREMENT BENEFITS

Sutter sponsors and participates in various employee benefit plans, including a noncontributory defined benefit plan (the “Retirement Plan”), a noncontributory defined contribution plan, and several contributory defined contribution plans. In addition, certain affiliates participate in multiemployer defined benefit retirement plans. Sutter’s total retirement benefit expense was \$263 and \$286 for the nine months ended September 30, 2020 and 2019, respectively.

Sutter’s measurement date for plan assets, pension obligations and net periodic pension cost associated with the Retirement Plan is December 31. The Retirement Plan had a net accrued benefit cost of \$639 as of December 31, 2019. Sutter contributed \$190 to the Retirement Plan in 2019 and \$100 as of September 30, 2020.

Included in Controlling net assets without donor restrictions as of December 31, 2019 is the following amount that has not yet been recognized in net periodic benefit cost: unrecognized actuarial losses of \$1,223. The amounts included in Controlling net assets without donor restrictions that are expected to be recognized in net periodic benefit cost during the year ended December 31, 2020, are \$0 for prior service costs and \$60 for actuarial losses.

Sutter Health and Affiliates

Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

POSTRETIREMENT BENEFITS (continued)

The components of the Retirement Plan's net periodic benefit cost are as follows:

	Nine months ended September 30,		Year ended December 31,
	2020	2019	2019
Service cost	\$ 232	\$ 200	\$ 267
Interest cost	146	154	205
Expected return on plan assets	(248)	(205)	(273)
Amortization of actuarial losses	45	53	70
	\$ 175	\$ 202	\$ 269

In addition to the Retirement Plan, Sutter also has noncontributory postretirement health benefit plans (the "Health Plans"). Sutter's measurement date for plan assets, retiree medical obligations and net periodic retiree medical cost associated with the Health Plans is December 31.

The Health Plans had a net accrued benefit cost of \$49 as of December 31, 2019.

Included in Controlling net assets without donor restrictions as of December 31, 2019 are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized prior service costs of \$5 and unrecognized actuarial losses of \$0. The amounts included in Controlling net assets without donor restrictions that are expected to be recognized in net periodic benefit cost during the year ended December 31, 2020, are \$1 for prior service cost and \$1 for actuarial gains.

The components of the Health Plans' net periodic benefit cost are as follows:

	Nine months ended September 30,		Year ended December 31,
	2020	2019	2019
Service cost	\$ 10	\$ 9	\$ 12
Interest cost	7	9	11
Expected return on plan assets	(12)	(12)	(14)
Amortization of prior service cost	1	1	1
	\$ 6	\$ 7	\$ 10

Sutter Health and Affiliates

Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

POSTRETIREMENT BENEFITS (continued)

Certain affiliates participate in multiemployer defined benefit retirement plans. The risks of participating in multiemployer plans are different from single-employer plans in the following aspects: (i) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (ii) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (iii) if the affiliates choose to stop participating in the multiemployer plan, the affiliates may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability. Sutter's contributions to such plans were \$14 and \$13 for the nine months ended September 30, 2020 and 2019, respectively. The main contributing employers in the plan are the Sutter Participants, Dignity Health and Verity Health System of California, Inc., formerly known as Daughters of Charity Health System ("Verity"). On August 13, 2020, Verity ceased all active participation in the Retirement Plan for Hospital Employees, due to the completed sale of the Verity facilities on August 14, 2020.

Sutter also maintains various defined contribution plans for eligible employees. Sutter's contributions to such plans were \$68 and \$64 for the nine months ended September 30, 2020 and 2019, respectively.

CONTINGENCIES AND COMMITMENTS

Contingencies: From time to time, Sutter receives, and responds to, investigations and requests concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes and regulations by healthcare providers from federal and state regulatory agencies, including, but not limited to, CMS, the U.S. Department of Justice (DOJ), the California Attorney General, and the California Department of Public Health. Sutter is also involved in litigation such as medical malpractice and contractual disputes, as both plaintiff and defendant, and other routine labor matters, class-action complaints, tax examinations, security events resulting in potential privacy incidents, internal compliance activities (including those discussed in "Operating Revenues") and regulatory investigations and examinations arising in the ordinary course of business. Based on Sutter's assessment of the matters, the uncertainty of litigation, and the preliminary stages of many of the matters, Sutter cannot estimate the reasonable possible loss or range of loss that may result from these matters, if any. However, there can be no assurance that the resolution of any of these matters will not have a material adverse effect on Sutter's consolidated financial position or results of operations. The COVID-19 pandemic has generally delayed the outcome of these matters. Following is a discussion of matters of note.

Sutter Health and Affiliates

Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

CONTINGENCIES AND COMMITMENTS (continued)

In December 2012, a plaintiff filed a civil class action lawsuit against Sutter Health and certain affiliates, alleging violations of Federal antitrust law arising out of, among other things, Sutter Health and those certain affiliates' arrangements with health plans. Following multiple amended complaints, the court dismissed the lawsuit with prejudice, entering judgment in favor of Sutter Health and the related affiliates in June 2014. The plaintiff appealed to the Ninth Circuit Court of Appeals and the Ninth Circuit overturned the dismissal, returning the case back to the court. The court heard Sutter Health and the related affiliates' summary judgment motion on January 24, 2019, and the plaintiff's motion for class certification on January 29, 2019. The court denied the summary judgment motion in part, allowing the matter to proceed. In August 2019, the court certified the class as to injunctive relief, but denied the class as to monetary damages without prejudice. The plaintiffs filed a new motion for certification of a class as to monetary damages, and Sutter Health and the related affiliates filed an opposition against the new motion. On July 30, 2020, the court granted plaintiffs' motion in part and denied it in part, certifying a monetary damages class, but excluding plaintiffs' damages claims for the 2008-2010 time period. On October 16, 2020, the Ninth Circuit denied Sutter Health's petition for permission to appeal the court's class certification order. The trial for this matter is currently scheduled for March 2021.

In April 2014, UFCW & Employers Benefit Trust, a self-funded labor union trust fund which accesses the Sutter Health network through Sutter Health's contract with Blue Shield, filed a civil class action lawsuit against Sutter Health and certain affiliates. The lawsuit alleges that Sutter Health and those certain affiliates contracting practices led to high prices and reduced competition for health care services in violation of state antitrust and unfair competition laws. In August 2017, the San Francisco Superior Court certified the class, allowing the lawsuit to proceed as a class action lawsuit. In March 2018, the California Attorney General filed a separate complaint against Sutter Health and certain affiliates. On May 8, 2018, the court ordered the actions filed by the California Attorney General and UFCW & Employers Benefit Trust consolidated for all purposes. The trial was scheduled for September 23, 2019. Sutter Health and the related affiliates maintain their contracting practices were, and remain, in compliance with industry standards and with all applicable laws and regulations. However, to avoid a protracted trial, combined with years of appeals, on October 16, 2019, Sutter Health and the related affiliates agreed, in principal, to a settlement. The settlement, which was submitted to the court as part of a motion for preliminary approval on December 19, 2019, consists of two parts: (i) a monetary component which consists of a cash payment of \$575 to be paid when the settlement receives final court approval and (ii) injunctive relief, which consists of modifications to contracting practices with insurance companies and certain agreements related to caps on hospital charge increases for the next five years and adjustments to rates for certain out of network services. Management accrued \$575 to Other expenses and Other

Sutter Health and Affiliates

Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

CONTINGENCIES AND COMMITMENTS (continued)

accrued expenses in current liabilities in the third quarter of 2019, which was reasonably anticipated to satisfy the agreed upon monetary settlement, subject to the court's approval process. An initial hearing on a motion for preliminary approval was held on February 25, 2020 and a second hearing was scheduled for April 6, 2020. However, the COVID-19 pandemic resulted in the court staying the matter until June 1, 2020. Upon the expiration of the stay, Sutter Health and the related affiliates filed a motion to continue the preliminary approval process for at least 90 days due to the potential impact of COVID-19 on certain material terms of the settlement. The court denied the motion and held a second preliminary approval hearing on August 12, 2020, at which time the court requested supplemental briefing regarding the process through which the parties selected the settlement monitor. On September 22, 2020, the court denied the plaintiffs' motion for preliminary approval of the settlement, without prejudice to the plaintiffs submitting a renewed motion for preliminary approval at a later date. The court denied the plaintiffs' motion on the ground that the process utilized for selecting a monitor to oversee compliance with the proposed injunction was inadequate. On October 20, 2020, the court approved a new monitor selection process and scheduled a hearing on preliminary approval of the settlement for March 9, 2021.

In June 2019, two anonymous plaintiffs filed a civil class action lawsuit against Sutter Health, alleging Sutter Health shared the medical information of plaintiffs and a proposed class of similarly-situated individuals with third parties without authorization. Sutter Health filed a demurrer and motion to strike plaintiffs' class action allegations. A hearing on the demurrer and motion to strike took place in November 2019. On January 29, 2020, the court sustained Sutter Health's demurrer as to all causes of action, dismissing the matter with leave to amend, and plaintiffs filed a first amended complaint on February 14, 2020. The COVID-19 pandemic resulted in this matter being stayed until May 18, 2020. Since the expiration of the stay, on June 1, 2020, Sutter Health filed a demurrer and motion to strike the class action allegations in plaintiffs' first amended complaint. On November 3, 2020, the court sustained Sutter Health's demurrer, dismissing the matter with leave to amend.

Sutter Health and one of the affiliates finalized contractual dispute issues with third-party commercial payers related to a lab outreach program, and those settlement amounts have been properly reflected in prior financial statements. Management is also in the process of responding to inquiries from the DOJ related to the lab outreach program. There can be no assurance that the resolution of this matter will not have a material adverse effect on Sutter's consolidated financial position or results of operations.

In June 2016, Sutter Health received notice from the DOJ that it was investigating Sutter Health and certain affiliates for potential False Claims Act violations in connection with

Sutter Health and Affiliates

Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

CONTINGENCIES AND COMMITMENTS (continued)

the provision of diagnostic and other data submitted to Medicare Advantage (MA) organizations or MA plans related to MA enrollees who have received medical services from those affiliates. Following rolling productions and extended negotiations, Sutter Health and the related affiliates agreed to settle the matter solely on an overpayment basis as to all related affiliates except one and the settlement amount has been properly reflected in prior financial statements. As to the single remaining related affiliate involved in the investigation, in March 2019, the government intervened in the lawsuit that prompted the investigation. The lawsuit, a previously sealed False Claims Act qui tam complaint that is now public, was brought by a former employee. Sutter Health and the single remaining related affiliate filed a motion to dismiss the lawsuit in June 2019. Sutter Health and the single remaining related affiliate's motion was denied on March 16, 2020, and shortly thereafter the case was stayed due to the COVID-19 pandemic. During the stay, Sutter Health and the single remaining related affiliate have been evaluating next steps, including a potential appeal of the court's denial of Sutter Health and the single remaining related affiliate's motion to dismiss.

Commitments: Sutter is required to remediate certain of its healthcare facilities to comply with earthquake retrofit requirements under a State of California law. Sutter's care facilities subject to these requirements are compliant or have received extensions to bring the facilities into compliance no later than 2030. Sutter is evaluating the scope and feasibility of future requirements of its facilities and is considering all options.

Sutter's capital allocation plan is currently under evaluation, which includes amounts for seismic retrofits, replacement facilities, relocations and expansion is approximately \$4,605 (unaudited) from January 1, 2020 to December 31, 2024, and actual expenditures may be lower or higher than the current plan. Management and the Board of Directors evaluate Sutter's capital needs on an ongoing basis.

As of September 30, 2020, Sutter has approximately 55,000 employees, of which approximately 25% are represented by collective bargaining units.

SUBSEQUENT EVENTS

Sutter has evaluated subsequent events and disclosed all material events through November 18, 2020, which is the date these Unaudited Interim Consolidated Financial Statements were issued.

In October 2020, \$1,989 of Series 2020A Sutter Health taxable bonds were issued by Sutter to advance refund \$30 of Series 2011C CSCDA tax-exempt revenue bonds, \$277 of Series 2011D CHFFA tax-exempt revenue bonds, \$102 of Series 2012A CSCDA tax-exempt

Sutter Health and Affiliates

Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

SUBSEQUENT EVENTS (continued)

revenue bonds, \$450 of Series 2013A CHFFA tax-exempt revenue bonds, \$189 of Series 2015A CHFFA tax-exempt refunding revenue bonds, \$475 of Series 2016A CHFFA tax-exempt revenue bonds, and \$200 of Series 2016B CHFFA tax-exempt refunding revenue bonds (collectively, the “Refunded Prior Bonds”). The proceeds of Series 2020A Sutter Health taxable bonds, together with the release of certain funds related to the Refunded Prior Bonds, were placed in escrow funds pursuant to the related escrow agreements with the related bond trustee. The funds held in each escrow fund will be sufficient to pay the regularly scheduled interest payments when due, and 100% of the principal amount of the applicable Refunded Prior Bonds at the applicable redemption date. The Refunded Prior Bonds were legally defeased at the date of refunding, with redemptions scheduled to occur through November 2026. The Refunded Prior Bonds will be derecognized from the balance sheet when the criteria for legal defeasance is met, and the related loss on extinguishment will be recorded at that time. The debt refinancing is not reflected in these financial statements.

Sutter Health and Affiliates

Consolidated Balance Sheets - Sutter Health Obligated Group (Unaudited) (Dollars in millions)

	September 30,		December 31,
	2020	2019	2019
Assets			
Current assets:			
Cash and cash equivalents	\$ 658	\$ 258	\$ 387
Short-term investments	5,275	4,459	4,604
Patient accounts receivable	1,209	1,260	1,241
Other receivables	851	658	804
Inventories	148	130	131
Other	230	211	184
Total current assets	8,371	6,976	7,351
Non-current investments	900	828	772
Property, plant and equipment, net	8,066	8,331	8,317
Other non-current assets	889	897	903
	\$ 18,226	\$ 17,032	\$ 17,343
Liabilities and net assets			
Current liabilities:			
Short-term borrowings	\$ 400	\$ -	\$ -
Accounts payable	659	493	705
Accrued salaries and related benefits	884	612	661
Other accrued expenses	2,306	1,350	1,239
Current portion of long-term obligations	17	160	157
Total current liabilities	4,266	2,615	2,762
Non-current liabilities:			
Long-term obligations, less current portion	4,442	4,532	4,520
Other	1,636	1,708	1,616
Net assets:			
Without donor restrictions:			
Controlling	7,606	7,919	8,175
Noncontrolling	109	111	109
With donor restrictions	167	147	161
Total net assets	7,882	8,177	8,445
	\$ 18,226	\$ 17,032	\$ 17,343

Sutter Health and Affiliates

Consolidated Statements of Operations and Changes in Net Assets - Sutter Health Obligated Group

(Unaudited)
(Dollars in millions)

	Three months ended September 30,		Nine months ended September 30,		Year ended December 31,
	2020	2019	2020	2019	2019
Net assets without donor restrictions:					
Operating revenues:					
Patient service revenues	\$ 2,848	\$ 2,758	\$ 7,706	\$ 8,425	\$ 11,385
Premium revenues	334	325	987	992	1,317
Contributions	66	7	394	15	26
Other	70	78	198	230	299
Total operating revenues	3,318	3,168	9,285	9,662	13,027
Operating expenses:					
Salaries and employee benefits	1,675	1,559	4,887	4,583	6,153
Purchased services	805	869	2,486	2,589	3,407
Supplies	426	402	1,159	1,185	1,610
Depreciation and amortization	187	186	549	539	733
Rentals and leases	46	44	134	134	180
Interest	41	44	121	119	157
Insurance	20	20	57	57	56
Other	166	674	497	1,009	1,271
Total operating expenses	3,366	3,798	9,890	10,215	13,567
(Loss) from operations	(48)	(630)	(605)	(553)	(540)
Investment income	83	28	73	164	219
Change in net unrealized gains and losses on investments	185	(70)	(94)	203	422
Other components of net periodic postretirement cost	20	1	62	1	-
Income (loss)	240	(671)	(564)	(185)	101
Less income attributable to noncontrolling interests	(18)	(18)	(44)	(57)	(75)
Income (loss) attributable to Sutter Health Obligated Group	222	(689)	(608)	(242)	26

Sutter Health and Affiliates

Consolidated Statements of Operations and Changes in Net Assets - Sutter Health Obligated Group (continued)

(Unaudited)

(Dollars in millions)

	Three months ended		Nine months ended		Year ended
	September 30,		September 30,		December 31,
	2020	2019	2020	2019	2019
Net assets without donor restrictions (continued):					
Controlling:					
Income (loss) attributable to Sutter Health Obligated Group	\$ 222	\$ (689)	\$ (608)	\$ (242)	\$ 26
Change in net unrealized gains and losses on investments classified as other-than-trading	(2)	(12)	1	8	3
Net assets released from restriction for equipment acquisition	2	2	7	8	13
Postretirement-related changes other than net periodic postretirement cost	15	18	45	53	50
Transfers with related entities, net	(7)	(5)	(20)	(15)	(20)
Other	(1)	-	6	(2)	(6)
Increase (decrease) in controlling	229	(686)	(569)	(190)	66
Noncontrolling:					
Income attributable to noncontrolling interests	18	18	44	57	75
Distributions	(14)	(19)	(43)	(57)	(75)
Other	(2)	1	(1)	(1)	(3)
Increase (decrease) in noncontrolling	2	-	-	(1)	(3)
Net assets with donor restrictions:					
Contributions	4	5	13	12	28
Investment income	1	1	2	2	3
Change in net unrealized gains and losses on investments	4	(1)	-	4	7
Net assets released from restriction	(2)	(3)	(8)	(8)	(14)
Other	(1)	-	(1)	-	-
Increase in net assets with donor restrictions	6	2	6	10	24
Increase (decrease) in net assets	237	(684)	(563)	(181)	87
Net assets, beginning of period	7,645	8,861	8,445	8,358	8,358
Net assets, end of period	\$ 7,882	\$ 8,177	\$ 7,882	\$ 8,177	\$ 8,445

Sutter Health and Affiliates

Consolidated Statements of Cash Flows - Sutter Health Obligated Group (Unaudited) (Dollars in millions)

	Nine months ended September 30,		Year ended December 31,
	2020	2019	2019
Operating activities			
(Decrease) increase in net assets	\$ (563)	\$ (181)	\$ 87
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:			
Depreciation and amortization	540	539	719
Amortization of bond issuance costs, (premium) and discount, net	(31)	(31)	(41)
Net realized gains and losses and change in net unrealized gains and losses on investments	64	(329)	(585)
Restricted contributions and investment income	(15)	(14)	(31)
Distributions to noncontrolling interests	43	57	75
Change in net postretirement benefits	33	154	36
Net changes in operating assets and liabilities:			
Patient accounts receivable and other receivables	(15)	99	(28)
Inventories, property, plant and equipment and other assets	(46)	(31)	(13)
Accounts payable and accrued expenses	1,206	211	395
Other non-current liabilities	(13)	(33)	(7)
Net cash provided by operating activities	1,203	441	607
Investing activities			
Purchases of property, plant and equipment	(265)	(448)	(659)
Proceeds from disposal of property, plant and equipment	3	8	9
Purchases of investments	(3,908)	(2,003)	(2,513)
Proceeds from sales of investments	3,045	2,194	2,871
Other	4	(6)	6
Net cash used in investing activities	(1,121)	(255)	(286)

Sutter Health and Affiliates

Consolidated Statements of Cash Flows - Sutter Health Obligated Group (continued) (Unaudited) (Dollars in millions)

	Nine months ended September 30,		Year ended December 31,
	2020	2019	2019
Financing activities			
Proceeds from borrowings on line of credit	\$ 400	\$ -	\$ -
Payments of long-term obligations	(185)	(151)	(159)
Proceeds from issuance of long-term obligations	2	4	7
Restricted contributions and investment income	15	14	31
Distributions to noncontrolling interests	(43)	(57)	(75)
Net cash provided by (used in) financing activities	189	(190)	(196)
Net increase (decrease) in cash and cash equivalents	271	(4)	125
Cash and cash equivalents at beginning of year	387	262	262
Cash and cash equivalents at end of period	\$ 658	\$ 258	\$ 387

Sutter Health and Affiliates

Management's Discussion & Analysis

(Dollars in millions)

CONSOLIDATED ANALYSIS

For the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

Total operating revenues decreased \$351, or (3.6%), for the nine months ended September 30, 2020, compared to the nine months ended September 30, 2019. Patient service revenues decreased \$721, or (8.5%), from the same period in 2019, primarily due to lower volumes associated with the COVID-19 pandemic. Contributions increased \$382 from the same period in 2019, due to grants received as COVID-19 Relief Funds.

Total operating expenses decreased \$288, or (2.8%), for the nine months ended September 30, 2020, compared to the nine months ended September 30, 2019. Salaries and employee benefits increased \$323, or 7.0%, from the same period in 2019, due to increased costs of labor and an accrual of \$49 for severance costs related to a Voluntary Enhanced Severance Plan. Purchased services decreased \$100, or (3.8%), from the same period in 2019, due to a decrease in legal fees and capitated purchased services. Other expenses decreased \$503, or (44.1%), from the same period in 2019, primarily due to the UFCW & Employers Benefit Trust settlement accrued in the prior year.

As a result of the COVID-19 pandemic, there were unfavorable market conditions. Investment income for the nine months ended September 30, 2020 was \$77 compared to investment income of \$184 for the same period in 2019. The change in net unrealized gains and losses on investments for September 30, 2020 was a decrease of \$100, compared to an increase of \$249 for the same period in 2019. The Sutter Health's asset allocation targets at September 30, 2020 and September 30, 2019 were 28% equities, 41% fixed income and 31% alternative investments.

Loss from operations was \$602 for the nine months ended September 30, 2020, compared to loss from operations of \$539 for the nine months ended September 30, 2019, which was an income decrease of \$63, primarily due to lower volumes associated with the COVID-19 pandemic. Earnings (excluding investment income) before interest expense, taxes, depreciation and amortization (EBITDA) for the nine months ended September 30, 2020 decreased \$51 from \$123 (1.3% of operating revenues) in 2019, to \$72 (0.8% of operating revenues) in 2020.

Loss attributable to Sutter Health was \$607 for the nine months ended September 30, 2020, compared to loss attributable to Sutter Health of \$162 for the nine months ended September 30, 2019, which was an income decrease of \$445. This income decrease is comprised of the decrease in income from operations of \$63, the decrease in investment income of \$107 and the decrease in change in net unrealized gains and losses on

Sutter Health and Affiliates

Management's Discussion & Analysis (continued)

(Dollars in millions)

CONSOLIDATED ANALYSIS (continued)

investments of \$349, offset by the increase in other components of net periodic postretirement cost of \$61. The operating margin decreased from (5.5%) to (6.3%) for the same year-over-year period comparison.

In October 2020, S&P Global Ratings affirmed Sutter Health's rating of A+ (with a stable outlook), Moody's Investors Service affirmed Sutter Health's rating of A1 (with outlook changed to negative), and Fitch affirmed Sutter Health's rating of A+ (with outlook changed to negative).

OBLIGATED GROUP ANALYSIS

For the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

Total operating revenues of the Obligated Group decreased \$377, or (3.9%), for the nine months ended September 30, 2020, compared to the nine months ended September 30, 2019. Patient service revenues decreased \$719, or (8.5%), from the same period in 2019, primarily due to lower volumes associated with the COVID-19 pandemic. Contributions increased \$379 from the same period in 2019, due to grants received as COVID-19 Relief Funds.

Total operating expenses of the Obligated Group decreased \$325, or (3.2%), for the nine months ended September 30, 2020, compared to the nine months ended September 30, 2019. Salaries and employee benefits increased \$304, or 6.6%, from the same period in 2019, due to increased costs of labor and an accrual of \$49 for severance costs related to a Voluntary Enhanced Severance Plan. Purchased services decreased \$103, or (4.0%), from the same period in 2019, due to a decrease in legal fees and capitated purchased services.

Other expenses decreased \$512, or (50.7%), from the same period in 2019, primarily due to the UFCW & Employers Benefit Trust settlement accrued in the prior year.

Loss from operations of the Obligated Group was \$605 for the nine months ended September 30, 2020, compared to loss from operations of \$553 for the nine months ended September 30, 2019, which was a decrease of \$52, primarily due to lower volumes associated with the COVID-19 pandemic.

Sutter Health and Affiliates

Management's Discussion & Analysis (continued)

(Dollars in millions)

OBLIGATED GROUP ANALYSIS (continued)

Loss attributable to Sutter Health Obligated Group was \$608 for the nine months ended September 30, 2020, compared to loss attributable to Sutter Health Obligated Group of \$242 for the nine months ended September 30, 2019, which was an income decrease of \$366. This income decrease is comprised of the decrease in income from operations of \$52, the decrease in investment income of \$91 and the decrease in change in net unrealized gains and losses on investments of \$297, offset by the increase in other components of net periodic postretirement cost of \$61. The operating margin decreased from (5.7%) to (6.5%) for the same year-over-year period comparison.

CONTINUING DISCLOSURE REPORT OF SUTTER HEALTH AS OF AND FOR THE QUARTER ENDED SEPTEMBER 30, 2020

This report (the “Continuing Disclosure Report”) contains an update of certain information contained in Appendix A of the Official Statements related to the issues identified below (collectively, the “Bonds”) pursuant to Sutter Health’s undertakings under the related continuing disclosure agreements (collectively, the “Disclosure Agreements”).

Unless otherwise required by the context, all terms used herein that are defined in the bond indentures, by and between Sutter Health and Wells Fargo Bank, National Association related to the Bonds shall have the meanings assigned to them therein, except as set forth herein.

List of Bond Series	CUSIP*
California Statewide Communities Development Authority Revenue Bonds (Sutter Health), Series 2011C	1307954P9, 1307954V6, 1307954Q7, 1307954W4, 1307954R5, 1307954X2, 1307954S3, 1307954T1, 1307954Y0, 1307954U8
California Health Facilities Financing Authority Revenue Bonds (Sutter Health), Series 2011D	13033LVP9, 13033LVQ7, 13033LVR5, 13033LVS3, 13033LVT1, 13033LVU8, 13033LVX2, 13033LVV6, 13033LVW4
California Statewide Communities Development Authority Revenue Bonds (Sutter Health), Series 2012A	1307956C6, 1307956D4, 1307956P7, 1307956E2, 1307956F9, 1307956G7, 1307956H5, 1307956J1, 1307956Q5, 1307956S1, 1307956K8, 1307956R3
California Health Facilities Financing Authority Revenue Bonds (Sutter Health), Series 2013A	13033LW52
California Health Facilities Financing Authority Refunding Revenue Bonds (Sutter Health), Series 2015A	13032UAQ1, 13032UAR9
California Health Facilities Financing Authority Revenue Bonds (Sutter Health), Series 2016A	13032UBT4, 13032UBU1, 13032UBV9, 13032UBW7, 13032UBX5, 13032UBY3, 13032UBZ0, 13032UCA4, 13032UCB2, 13032UCC0, 13032UCD8, 13032UCE6, 13032UCF3, 13032UCG1, 13032UCH9, 13032UCJ5, 13032UCL0, 13032UCK2
California Health Facilities Financing Authority Refunding Revenue Bonds (Sutter Health), Series 2016B	13032UDD7, 13032UDE5, 13032UDF2, 13032UDG0, 13032UDH8, 13032UDJ4, 13032UDK1, 13032UDL9, 13032UDM7, 13032UDN5, 13032UDP0, 13032UDQ8, 13032UDR6, 13032UDS4, 13032UDV7, 13032UDT2, 13032UDU9
California Health Facilities Financing Authority Refunding Revenue Bonds (Sutter Health), Series 2017A	13032UNK0, 13032UNL8, 13032UNM6, 13032UNN4, 13032UNP9, 13032UNQ7, 13032UNR5, 13032UNS3, 13032UNT1, 13032UNU8, 13032UNV6, 13032UNW4, 13032UNX2, 13032UNY0
California Health Facilities Financing Authority Revenue Bonds (Sutter Health), Series 2018A	13032UQT8, 13032UQU5, 13032UQV3, 13032UQW1, 13032UQX9, 13032UQY7, 13032UQZ4, 13032URA8, 13032URB6, 13032URC4, 13032URD2, 13032URE0, 13032URF7, 13032URG5, 13032URH3, 13032URJ9, 13032URK6, 13032URL4, 13032URM2, 13032URN0, 13032URP5
Sutter Health Taxable Bonds, Series 2018A	86944BAD5, 86944BAE3

* A registered trademark of The American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. Sutter Health does not assume any responsibility for the accuracy of such numbers.

COVID-19

COVID-19, a respiratory disease caused by a novel strain of coronavirus, has spread around the world, including in Northern California in which the Obligated Group does business. Since the Centers for Disease Control and Prevention confirmed the spread of the disease to the United States in February 2020 and the World Health Organization declared COVID-19 a pandemic in March 2020, the federal government and the State of California have declared, and remain in, a state of emergency. The State of California was one of the first states in the United States with a confirmed case of COVID-19 on January 26, 2020, and California Governor Gavin Newsom was the first governor to issue a community shelter-in-place order on March 19, 2020.

Beginning in May 2020, Governor Newsom and the California Department of Public Health released initial guidance regarding the reopening of certain industry sectors based on specified criteria, stages, and timelines. This guidance permitted regional variance among California counties. By late June 2020, the State of California recorded substantial increases of confirmed cases of COVID-19, as well as hospitalizations and fatalities of patients with confirmed cases. As a result of these increases, on July 13, 2020, Governor Newsom announced a statewide closure of certain indoor business operations. Due to this surge of confirmed cases throughout the summer, the State of California became the state with the highest number of confirmed cases of COVID-19 in the United States. On August 28, 2020, Governor Newsom released a revised framework for reopening businesses within the state.

COVID-19 has required the Obligated Group to adjust its entire integrated network to respond to the pandemic. These efforts include expanding its in-house COVID testing capabilities, adding general and intensive care unit (“ICU”) bed capacity, increasing telehealth capacity and remote working capabilities, coordinating with clinicians and medical groups to spread best practices, as well as developing COVID-19 units to isolate and treat COVID-19-positive patients while safeguarding the health of patients and the workforce. These efforts areas have occurred amid evolving and sometimes conflicting guidance from federal, state and local authorities, economic uncertainties, and severe climate and weather events, including recent wildfires.

On May 14, 2020, Sutter Health provided a voluntary notice of event related to COVID-19 for informational purposes only. Sutter Health also issued an Offering Memorandum, dated October 22, 2020, related to the 2020 bond offering with additional information related to COVID-19.

This Continuing Disclosure Report includes the impact of COVID-19 on the information included herein as of and for the quarter ended September 30, 2020.

Employees, Unions and Collective Bargaining Units

As of September 30, 2020, the Sutter Health system had approximately 55,000 employees, of whom approximately 35,000 were full-time employees. Approximately 7,200 of these 55,000 employees were employed by Sutter Health and the remaining employees were employed by Affiliated Entities. Approximately 25% of these employees (employed at 21 Sutter Health facilities) were represented by collective bargaining units, with 54 collective bargaining agreements in place that remain subject to renegotiation from time to time. Of these 54, two are in current renegotiation and 41 are scheduled to expire in 2021. In connection with renegotiation of the collective bargaining agreements there could be work stoppages or other adverse labor actions and potential sympathy walkouts. Fair, market aligned negotiations focused on finding mutually agreeable resolutions remain the best means for avoiding labor disruptions and preserving continuity of care for the communities the Sutter Health System serves. While working to mitigate any potential work stoppages through successful negotiations, the Sutter Health System remains prepared to address the possibility of work stoppages. Should such disruptions occur, they are not expected to have a material adverse effect on the operations or on the financial position or results of operations of the Obligated Group taken as a whole.

List of Obligated Group Members

As of September 30, 2020, the Obligated Group Members consisted of the following:

- Sutter Bay Hospitals
- Sutter Bay Medical Foundation
- Sutter Coast Hospital
- Sutter Health
- Sutter Valley Hospitals
- Sutter Valley Medical Foundation
- Sutter Visiting Nurse Association and Hospice

Obligated Group Utilization Data

The following table summarizes the Obligated Group’s acute care facility utilization data for the quarter ended September 30, 2020. No Obligated Group long-term care facility utilization data is provided as Mills-Peninsula Skilled Nursing, Sutter Health’s last remaining freestanding skilled nursing facility operating under its own license and Medicare provider number, was sold outside of the Sutter Health system on June 30, 2015. This sale did not have a material adverse effect on the financial condition of the Obligated Group.

Acute Care Facility Utilization Data

Data Presented	Quarter Ended September 30, 2020
Licensed Beds ⁽¹⁾	4,041
Beds in Service	3,886
Admissions ⁽²⁾	130,090
Patient Days ⁽²⁾	599,984
Average Length of Stay (Days)	4.6
Occupancy % ⁽³⁾	56.4%
Emergency Room Visits ⁽⁴⁾	520,340

- (1) Conforms to the Office of Statewide Health Planning and Development’s definition of “licensed bed.”
- (2) Excluding well newborns.
- (3) Based on Beds in Service.
- (4) Does not include Emergency Room patients subsequently admitted as inpatients.

Obligated Group Medical Foundations Operating Data

The following table summarizes the operating data for medical foundations within the Obligated Group for the quarter ended September 30, 2020.

Medical Foundations Operating Data

Obligated Group	Quarter Ended September 30, 2020
Physicians	2,641
Facilities ⁽¹⁾	277
Outpatient Visits	5,978,969

- (1) Facility count updated annually.

Sources of Revenues

Following are summaries of gross patient revenue for the Obligated Group by payer source for the quarter ended September 30, 2020.

Payer Mix September 30, 2020

Data Presented Year To Date	Medicare		Medi - Cal		Commercial		Other
	Non-Risk	Risk	Non-Risk	Risk	Non-Risk	Risk	
Total Obligated Group	38.7%	4.7%	18.6%	.5%	30.4 %	3.9%	3.2%
Acute Care Hospitals	40.7%	4.4%	21.9%	.5%	25.9%	2.8%	3.8%
Medical Foundations	30.9%	5.6%	5.7%	.3%	47.7 %	8.4%	1.4%

The following table summarizes the number of individuals in each operating unit for whom certain physician independent practice associations and Sutter Health system medical foundation corporations provide health care services on a capitated basis as of September 30, 2020. Capitated members' lives covered by both Sutter Health's hospital corporations and these physician associations and corporations are not included in the following table.

Capitated Members ⁽¹⁾ September 30, 2020

Sutter Health Members	Sutter Health Valley Area	Sutter Health Bay Area	Total
Capitated members	161,824	143,844	305,668

(1) Includes Aligned IPAs, which are non-Obligated Group Members.

Summary Financial Information

A copy of Sutter Health's unaudited financial statements for the quarter ended September 30, 2020 (the "Financial Statements") has been provided within this package. Please note that this Continuing Disclosure Report should be read in conjunction with the Financial Statements. Included within the Financial Statements is a summary statement of operations of the Obligated Group and a summary balance sheet of the Obligated Group, each for the quarter ended September 30, 2020.

Fixed Payment Coverage Ratio

The table below sets forth the actual Obligated Group's funds generated to cover fixed payments for the fiscal year 2019, and the Obligated Group's maximum annual fixed payment requirements of long-term debt and capital leases outstanding for that period.

Obligated Group Fixed Payment Coverage Ratio

Data Presented Year To Date \$ Presented In Millions	Year Ended December 31, 2019
Income	26
Depreciation, amortization, loss on disposal of assets	733
Interest expense	157
Loss on extinguishment of debt ⁽¹⁾	—
Income available for debt service ⁽²⁾	916
Interest and principal on long-term debt and payment requirements on finance leases ⁽³⁾	279
Fixed payment coverage ratio	3.3x

(1) In accordance with the Master Indenture, expenses shall exclude any extraordinary loss on the retirement of debt as a result of refinancing such debt.

(2) Calculated in accordance with the Master Indenture.

(3) Assumes an annual interest rate of 5.00% on the Sutter Health Taxable Bonds Series 2013C.

Capitalization

The following table sets forth the actual capitalization of the Obligated Group as of September 30, 2020.

Capitalization of the Obligated Group

Data Presented Year To Date \$ Presented In Millions	Quarter Ended September 30, 2020
Long-Term Debt, including current portion	4,459
Total Long-Term Debt	4,459
Net Assets:	
Without donor restrictions	
Controlling	7,606
Noncontrolling	109
With donor restrictions	167
Total Net Assets	7,882
Total Capitalization	12,341
Long-Term Debt To Capitalization Ratio	36.1%

Contractual Obligations and Finance Lease Obligations

The Obligated Group's contractual debt and finance lease obligations at September 30, 2020, are shown in the table below.

Contractual Debt and Finance Lease Obligations As of September 30, 2020

Data Presented Year To Date \$ Presented In Thousands	Total Outstanding	Current Portion	Non-current 2021–2022	Non-current 2023 & Thereafter
Line of Credit ⁽¹⁾	399,940	399,940	0	0
Long-term debt – bond principal ⁽¹⁾	4,008,510	8,570	63,940	3,936,000
Finance Leases ⁽²⁾	193,576	2,388	2,464	188,724

⁽¹⁾ Secured under the Master Indenture.

⁽²⁾ Not secured under the Master Indenture.

The Obligated Group also is obligated with respect to the following contingent obligations, which are secured under the Master Indenture. Sutter Health management expects to renew or replace any letters of credit as they expire, in accordance with the terms of such letters of credit.

Contingent Commercial Obligations As of September 30, 2020

Data Presented Year To Date \$ Presented In Thousands	Total Commitment	Total Due Fiscal Year 2020	Total Due Fiscal Year 2021 and thereafter
Letters of Credit	81	0	81

Other Matters

This Continuing Disclosure Report is provided solely pursuant to the Disclosure Agreements. The filing of this Continuing Disclosure Report does not constitute or imply any representation (i) that all of the information provided herein is material to investors, (ii) regarding any other financial, operating or other information about Sutter Health, the Obligated Group Members or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the quarter to which this Continuing Disclosure Report relates (other than as contained in this Continuing Disclosure Report), or any other date specified with respect to any of the information contained in this Continuing Disclosure Report, or that no other information exists, which may have a bearing on the security for the Bonds, or an investor's decision to buy, sell, or hold the Bonds. No statement or financial information in this Continuing Disclosure Report should be construed as a prediction or representation about future financial performance of Sutter Health or any Obligated Group Member.

Dated: November 18, 2020

SUTTER HEALTH, a California nonprofit public benefit corporation, on behalf of itself and the other Obligated Group Members

By:



Brian Dean
Senior Vice President and Chief Financial Officer

Sutter Health and Affiliates
Cash and Investment Balances
(Dollars in millions)

	Year Ended 12/31/2019	Quarter Ended 9/30/2020
Assets held in trust:		
Principal, reserve, and other funds held in trust under bond indentures and escrow	\$ 14	\$ 14
Charitable Contributions	142	143
Insurance Reserves/Professional Liability	343	400
Deferred Compensation and Other	15	14
Total Restricted	\$ 514	\$ 571
Temporarily Restricted		
Charitable Contributions	\$ 346	\$ 355
Unrestricted		
Other	306	308
Unrestricted Funds	5,209	6,294
Charitable Contributions	484	467
Total Unrestricted	\$ 5,999	\$ 7,069
Total Cash & Investments	\$ 6,859	\$ 7,995
Less cash and current portion	(5,777)	(6,824)
Non-current investments	\$ 1,082	\$ 1,171

Sutter Health
Acute Care Utilization Statistics

	2017	2018	2019	Q3 2019	Q3 2020
Obligated Group Total					
Current Licensed Beds ¹	4,466	4,393	4,049	4,074	4,041
Beds in Service ²	4,082	4,215	3,862	3,829	3,886
Admissions	193,202	187,713	189,341	141,557	130,090
Patient Days	868,809	846,919	857,503	641,783	599,984
Average Length of Stay	4.5	4.5	4.5	4.5	4.6
% Occupancy Based on Beds in Service	58.3%	55.0%	60.8%	61.2%	56.4%
Emergency Room Visits	868,837	844,249	845,091	635,955	520,340
Outpatient Revenues	9,355,708,283	9,774,679,432	10,222,063,090	7,647,134,252	6,799,744,225
Total Gross Revenues	23,521,450,120	24,061,534,271	25,048,510,713	18,711,979,870	17,501,080,527
Outpatient Revenue as % of Total Revenues	39.8%	40.6%	40.8%	40.9%	38.9%
Sutter Medical Center Sacramento					
Current Licensed Beds	596	596	596	596	596
Beds in Service	596	596	596	596	596
Admissions	33,245	31,535	31,246	23,176	22,451
Patient Days	158,148	149,266	149,387	110,942	108,534
Average Length of Stay	4.8	4.7	4.8	4.8	4.8
% Occupancy Based on Beds in Service	72.7%	68.6%	68.7%	68.0%	66.5%
Emergency Room Visits	103,164	102,807	104,517	78,576	64,600
Outpatient Revenues	1,157,778,686	1,265,776,574	1,333,557,067	1,002,256,136	893,003,103
Total Gross Revenues	3,752,406,962	3,832,767,608	4,015,744,902	3,005,805,635	2,891,845,305
Outpatient Revenue as % of Total Revenues	30.9%	33.0%	33.2%	33.3%	30.9%
Novato Community Hospital					
Current Licensed Beds	47	47	47	47	47
Beds in Service	47	47	47	47	47
Admissions	1,828	1,944	2,229	1,654	1,345
Patient Days	6,367	6,131	7,141	5,426	4,424
Average Length of Stay	3.5	3.2	3.2	3.3	3.3
% Occupancy Based on Beds in Service	37.1%	35.7%	41.6%	42.2%	34.4%
Emergency Room Visits	15,299	15,478	16,278	12,210	9,569
Outpatient Revenues	141,866,011	133,036,039	145,749,374	109,066,151	94,773,530
Total Gross Revenues	243,095,349	238,712,981	277,333,296	207,316,932	179,229,687
Outpatient Revenue as % of Total Revenues	58.4%	55.7%	52.6%	52.6%	52.9%
Sutter Coast Hospital					
Current Licensed Beds	49	49	49	49	49
Beds in Service	46	49	49	49	49
Admissions	4,448	2,394	2,495	1,896	1,486
Patient Days	9,571	9,564	9,594	7,269	6,063
Average Length of Stay	2.2	4.0	3.8	3.8	4.08
% Occupancy Based on Beds in Service	57.0%	53.5%	53.6%	54.2%	45.2%
Emergency Room Visits	21,329	19,655	20,022	15,236	11,726
Outpatient Revenues	157,433,263	162,356,102	181,623,756	133,828,708	132,816,504
Total Gross Revenues	263,008,669	271,793,256	296,757,361	220,967,198	208,382,966
Outpatient Revenue as % of Total Revenues	59.9%	59.7%	61.2%	60.6%	63.7%
Sutter Solano Medical Center					
Current Licensed Beds	106	106	106	106	106
Beds in Service	106	106	106	106	106
Admissions	4,456	4,087	4,387	3,252	2,945
Patient Days	18,781	17,336	17,724	13,542	13,024
Average Length of Stay	4.2	4.2	4.0	4.2	4.42
% Occupancy Based on Beds in Service	48.5%	44.8%	45.8%	46.7%	44.9%
Emergency Room Visits	38,291	35,062	34,313	25,797	19,217
Outpatient Revenues	264,129,826	265,278,110	274,131,099	207,179,526	174,058,343
Total Gross Revenues	582,858,678	568,324,186	590,334,687	448,084,116	404,456,024
Outpatient Revenue as % of Total Revenues	45.3%	46.7%	46.4%	46.2%	43.0%

Sutter Health
Acute Care Utilization Statistics

	2017	2018	2019	Q3 2019	Q3 2020
Sutter Davis Hospital					
Current Licensed Beds	48	48	48	48	48
Beds in Service	48	48	48	48	48
Admissions	3,918	3,810	3,765	2,834	2,525
Patient Days	11,030	10,877	11,319	8,438	7,436
Average Length of Stay	2.8	2.9	3.0	3.0	2.94
% Occupancy Based on Beds in Service	63.0%	62.1%	64.6%	64.2%	56.6%
Emergency Room Visits	29,242	29,078	28,773	21,565	17,725
Outpatient Revenues	255,391,580	263,065,734	270,864,032	201,782,973	193,108,980
Total Gross Revenues	439,011,463	450,202,076	474,011,878	353,661,517	329,403,516
Outpatient Revenue as % of Total Revenues	58.2%	58.4%	57.1%	57.1%	58.6%
Sutter Auburn Faith Hospital					
Current Licensed Beds	64	64	64	64	64
Beds in Service	64	64	64	64	64
Admissions	3,036	3,076	3,392	2,511	2,537
Patient Days	10,480	10,240	11,346	8,508	8,452
Average Length of Stay	3.5	3.3	3.3	3.4	3.33
% Occupancy Based on Beds in Service	44.9%	43.8%	48.6%	48.6%	48.2%
Emergency Room Visits	29,528	28,947	29,053	22,049	18,021
Outpatient Revenues	299,727,539	332,632,224	358,745,452	270,730,500	247,431,846
Total Gross Revenues	478,903,937	515,067,596	561,533,115	421,915,348	406,220,236
Outpatient Revenue as % of Total Revenues	62.6%	64.6%	63.9%	64.2%	60.9%
Sutter Delta Medical Center					
Current Licensed Beds	145	145	145	145	145
Beds in Service	145	145	145	145	145
Admissions	7,491	7,411	7,823	5,873	4,794
Patient Days	28,993	27,864	29,623	21,927	19,125
Average Length of Stay	3.9	3.8	3.8	3.7	3.99
% Occupancy Based on Beds in Service	54.8%	52.6%	56.0%	55.2%	48.2%
Emergency Room Visits	58,705	54,403	54,091	40,803	30,617
Outpatient Revenues	319,798,959	317,074,807	324,821,572	243,509,683	205,666,868
Total Gross Revenues	791,202,016	798,960,253	837,970,352	621,681,167	547,565,824
Outpatient Revenue as % of Total Revenues	40.4%	39.7%	38.8%	39.2%	37.6%
Sutter Lakeside Hospital					
Current Licensed Beds	30	30	30	30	30
Beds in Service	30	30	25	25	25
Admissions	1,844	1,917	1,998	1,535	1,234
Patient Days	5,930	6,110	6,553	5,021	4,251
Average Length of Stay	3.2	3.2	3.3	3.3	3.44
% Occupancy Based on Beds in Service	54.2%	55.8%	71.8%	73.4%	62.1%
Emergency Room Visits	20,553	19,783	20,837	15,967	12,651
Outpatient Revenues	170,838,123	168,313,799	183,071,139	140,248,273	123,071,861
Total Gross Revenues	237,088,270	234,816,323	256,748,211	195,914,371	176,969,949
Outpatient Revenue as % of Total Revenues	72.1%	71.7%	71.3%	71.6%	69.5%
Sutter Amador Hospital					
Current Licensed Beds	52	52	52	52	52
Beds in Service	52	52	52	52	52
Admissions	2,411	2,396	2,298	1,743	1,646
Patient Days	8,725	8,881	8,397	6,406	6,365
Average Length of Stay	3.6	3.7	3.7	3.7	3.87
% Occupancy Based on Beds in Service	46.0%	46.8%	44.2%	45.0%	44.7%
Emergency Room Visits	24,276	23,215	23,894	17,971	15,950
Outpatient Revenues	152,524,815	158,868,056	172,446,015	129,378,825	126,632,685
Total Gross Revenues	274,519,970	289,980,042	296,951,735	223,577,911	222,172,038
Outpatient Revenue as % of Total Revenues	55.6%	54.8%	58.1%	57.9%	57.0%

Sutter Health
Acute Care Utilization Statistics

	2017	2018	2019	Q3 2019	Q3 2020
Sutter Tracy Community Hospital					
Current Licensed Beds	77	77	77	77	77
Beds in Service	77	77	77	77	77
Admissions	3,826	3,661	3,679	2,787	2,500
Patient Days	12,259	11,132	11,874	9,001	8,632
Average Length of Stay	3.2	3.0	3.2	3.2	3.45
% Occupancy Based on Beds in Service	43.6%	39.6%	42.2%	42.7%	41.0%
Emergency Room Visits	36,944	35,846	34,353	25,964	20,243
Outpatient Revenues	266,167,563	274,177,942	284,406,137	213,741,710	188,012,984
Total Gross Revenues	455,391,247	455,080,816	479,005,591	360,325,444	338,969,479
Outpatient Revenue as % of Total Revenues	58.4%	60.2%	59.4%	59.3%	55.5%
Sutter Roseville Medical Center					
Current Licensed Beds	328	328	328	328	352
Beds in Service	328	328	328	328	352
Admissions	19,799	19,837	21,008	15,642	14,978
Patient Days	87,783	86,163	90,701	67,093	67,156
Average Length of Stay	4.4	4.3	4.3	4.3	4.48
% Occupancy Based on Beds in Service	73.3%	72.0%	75.8%	74.7%	69.7%
Emergency Room Visits	80,823	81,554	80,760	60,938	52,887
Outpatient Revenues	748,886,023	845,520,330	894,322,398	670,122,844	664,260,644
Total Gross Revenues	2,198,779,605	2,268,781,541	2,459,429,600	1,825,688,494	1,884,163,162
Outpatient Revenue as % of Total Revenues	34.1%	37.3%	36.4%	36.7%	35.3%
Sutter Maternity and Surgery Center					
Current Licensed Beds	30	30	28	28	28
Beds in Service	30	30	28	28	28
Admissions	1,535	1,331	1,227	929	852
Patient Days	3,903	3,477	3,205	2,405	2,117
Average Length of Stay	2.5	2.6	2.6	2.6	2.48
% Occupancy Based on Beds in Service	35.6%	31.8%	31.4%	31.4%	27.6%
Emergency Room Visits	-	-	-	-	-
Outpatient Revenues	140,004,621	149,983,259	161,917,148	118,430,256	110,908,397
Total Gross Revenues	200,799,150	204,101,797	212,193,818	155,722,189	146,071,138
Outpatient Revenue as % of Total Revenues	69.7%	73.5%	76.3%	76.1%	75.9%
Sutter Santa Rosa Regional Hospital					
Current Licensed Beds	84	84	84	84	84
Beds in Service	84	84	84	84	84
Admissions	6,580	6,785	6,762	5,189	5,162
Patient Days	23,606	25,516	24,688	18,952	18,851
Average Length of Stay	3.6	3.8	3.7	3.7	3.65
% Occupancy Based on Beds in Service	77.0%	83.2%	80.5%	82.4%	82.0%
Emergency Room Visits	34,545	35,275	35,555	27,362	23,216
Outpatient Revenues	365,115,148	399,278,618	427,768,289	334,384,655	317,990,883
Total Gross Revenues	790,730,801	882,400,936	928,606,868	715,934,942	714,406,616
Outpatient Revenue as % of Total Revenues	46.2%	45.2%	46.1%	46.7%	44.5%
Memorial Medical Center & Memorial Hospital Los Banos					
Current Licensed Beds	463	459	459	459	459
Beds in Service	463	419	419	419	419
Admissions	18,972	18,718	19,768	14,532	14,464
Patient Days	79,039	79,308	85,646	62,879	67,177
Average Length of Stay	4.2	4.2	4.3	4.3	4.64
% Occupancy Based on Beds in Service	46.8%	51.9%	56.0%	54.8%	58.6%
Emergency Room Visits	114,186	110,821	112,169	84,057	73,360
Outpatient Revenues	1,033,162,656	1,147,110,817	1,196,923,917	893,802,458	811,494,106
Total Gross Revenues	2,456,921,461	2,582,267,792	2,766,597,452	2,042,978,686	2,003,042,075
Outpatient Revenue as % of Total Revenues	42.1%	44.4%	43.3%	43.7%	40.5%

Sutter Health
Acute Care Utilization Statistics

	2017	2018	2019	Q3 2019	Q3 2020
Alta Bates Summit Medical Center					
Current Licensed Beds	918	918	892	917	892
Beds in Service	779	780	812	779	812
Admissions	29,875	29,225	28,337	21,397	18,890
Patient Days	155,393	151,871	149,254	112,959	101,617
Average Length of Stay	5.2	5.2	5.3	5.3	5.38
% Occupancy Based on Beds in Service	54.7%	53.3%	50.4%	53.0%	45.7%
Emergency Room Visits	91,201	86,942	83,898	62,896	49,169
Outpatient Revenues	1,278,475,234	1,316,271,174	1,324,980,252	987,662,745	816,166,896
Total Gross Revenues	3,520,663,986	3,646,856,642	3,653,218,215	2,749,424,447	2,392,714,000
Outpatient Revenue as % of Total Revenues	36.3%	36.1%	36.3%	35.9%	34.1%
Mills-Peninsula Medical Center					
Current Licensed Beds	301	301	301	301	301
Beds in Service	301	301	301	301	301
Admissions	13,391	13,447	13,403	9,974	8,803
Patient Days	58,741	59,393	59,360	44,234	39,294
Average Length of Stay	4.4	4.4	4.4	4.4	4.46
% Occupancy Based on Beds in Service	53.5%	54.1%	54.0%	53.7%	47.7%
Emergency Room Visits	48,737	48,189	49,212	37,060	30,302
Outpatient Revenues	791,752,546	803,421,548	856,732,867	634,579,369	535,136,813
Total Gross Revenues	1,676,105,179	1,744,900,968	1,812,556,925	1,342,235,964	1,181,941,125
Outpatient Revenue as % of Total Revenues	47.2%	46.0%	47.3%	47.3%	45.3%
Menlo Park Surgical Hospital					
Current Licensed Beds	16	16	16	16	16
Beds in Service	16	16	16	16	16
Admissions	230	225	182	139	109
Patient Days	366	365	275	220	157
Average Length of Stay	1.6	1.6	1.5	1.6	1.44
% Occupancy Based on Beds in Service	6.3%	6.3%	4.7%	5.0%	3.6%
Emergency Room Visits	-	-	-	-	-
Outpatient Revenues	36,647,595	36,801,597	34,624,547	26,552,130	15,980,524
Total Gross Revenues	52,410,044	54,086,272	47,984,137	36,803,057	23,730,520
Outpatient Revenue as % of Total Revenues	69.9%	68.0%	72.2%	72.1%	67.3%
California Pacific Medical Center					
Current Licensed Beds	982	913	597	597	565
Beds in Service	740	913	535	535	535
Admissions	27,417	26,842	26,250	19,730	16,967
Patient Days	152,251	145,361	140,826	105,875	90,693
Average Length of Stay	5.6	5.4	5.4	5.4	5.35
% Occupancy Based on Beds in Service	56.4%	43.6%	72.1%	72.3%	61.9%
Emergency Room Visits	74,971	70,240	70,895	52,544	43,640
Outpatient Revenues	1,349,064,589	1,311,541,064	1,364,391,278	1,008,972,530	871,258,877
Total Gross Revenues	3,895,545,111	3,807,830,714	3,821,288,156	2,845,656,893	2,584,273,914
Outpatient Revenue as % of Total Revenues	34.6%	34.4%	35.7%	35.5%	33.7%
Eden Medical Center					
Current Licensed Beds	130	130	130	130	130
Beds in Service	130	130	130	130	130
Admissions	8,900	9,072	9,092	6,764	6,402
Patient Days	37,443	38,064	40,590	30,686	26,616
Average Length of Stay	4.2	4.2	4.5	4.5	4.16
% Occupancy Based on Beds in Service	78.9%	80.2%	85.5%	86.2%	74.8%
Emergency Room Visits	47,043	46,954	46,471	34,960	27,447
Outpatient Revenues	426,943,506	424,171,638	430,986,751	320,904,780	277,970,381
Total Gross Revenues	1,212,008,222	1,214,602,472	1,260,244,414	938,285,559	865,522,953
Outpatient Revenue as % of Total Revenues	35.2%	35.2%	34.2%	34.2%	32.1%

Notes:

1. The calculation of current licensed beds conforms to the Office of Statewide Health Planning and Development's definition of "licensed bed."

Supplemental Information

Acute Care Payer Mix As of September 30, 2020	Medicare Non-Risk	Risk	Medi-Cal Non-Risk	Risk	Commercial Non-Risk	Risk	Other	Total
Sutter Medical Center-Sacramento	31.1%	7.1%	23.8%	0.6%	23.6%	5.6%	8.2%	100.0%
Sutter Solano Medical Center	44.9%	0.1%	35.4%	0.0%	17.0%	0.6%	2.0%	100.0%
Sutter Davis Hospital	36.8%	6.8%	21.7%	0.0%	27.5%	5.3%	1.9%	100.0%
Sutter Coast Hospital	48.4%	0.0%	27.6%	0.0%	22.2%	0.1%	1.7%	100.0%
Sutter Delta Medical Center	44.6%	0.0%	32.6%	0.0%	19.4%	0.8%	2.6%	100.0%
Sutter Auburn Faith Hospital	50.7%	12.5%	12.8%	0.0%	18.9%	3.7%	1.4%	100.0%
Sutter Tracy Community Hospital	34.3%	0.2%	29.1%	0.0%	31.8%	0.9%	3.7%	100.0%
Sutter Roseville Medical Center	41.5%	9.8%	15.8%	0.0%	26.2%	4.7%	2.0%	100.0%
California Pacific Medical Center	42.4%	0.3%	15.9%	3.2%	33.7%	1.8%	2.7%	100.0%
Sutter Maternity and Surgery Center	38.6%	2.3%	8.9%	0.0%	46.5%	2.1%	1.6%	100.0%
Mills Peninsula Medical Center	44.1%	6.7%	11.3%	0.0%	34.8%	1.8%	1.3%	100.0%
Sutter Lakeside Hospital	50.3%	0.0%	29.4%	0.0%	18.4%	0.1%	1.8%	100.0%
Memorial Medical Center & Memorial Hospital Los Banos	38.2%	10.0%	26.1%	0.0%	21.3%	2.5%	1.9%	100.0%
Novato Community Hospital	55.0%	0.1%	17.0%	0.0%	25.2%	0.3%	2.4%	100.0%
Alta Bates Summit Medical Center	42.3%	0.6%	27.2%	0.0%	22.9%	1.0%	6.0%	100.0%
Sutter Santa Rosa Regional Hospital	45.7%	0.5%	23.6%	0.0%	23.5%	4.2%	2.5%	100.0%
Sutter Amador Hospital	56.0%	0.2%	19.9%	0.0%	22.3%	0.2%	1.4%	100.0%
Eden Medical Center	43.9%	0.4%	26.8%	0.0%	25.3%	0.9%	2.7%	100.0%
Menlo Park Surgical Hospital	23.6%	2.1%	1.3%	0.0%	63.6%	4.9%	4.5%	100.0%
Total Acute Care Payer Mix (%)	40.7%	4.4%	21.9%	0.6%	25.9%	2.8%	3.7%	100.0%