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Enclosed please find the following documents for the six months ended June 30, 2021 required pursuant to certain documents relating to certain Sutter Health System obligations.

- Unaudited financial statements of the Sutter Health System
- Continuing Disclosure Report
- Cash & Investments Report
- Officer's Certificate of the Corporation as to Compliance with No Event of Default
- Supplemental Information

Sutter Health and Affiliates

Unaudited Interim Consolidated Financial Statements  
and  
Supplementary Information

Six months ended June 30, 2021 and 2020 and the year ended December 31, 2020

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The Unaudited Interim Consolidated Financial Statements of Sutter Health and Affiliates are presented as of June 30, 2021, June 30, 2020, and for the year ended December 31, 2020. 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)

	June 30,		December 31,
	2021	2020	2020
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,019	\$ 1,091	\$ 1,169
Short-term investments	7,087	5,525	6,585
Patient accounts receivable	1,397	1,125	1,205
Other receivables	880	879	940
Securities lending receivable	448	—	—
Inventories	146	146	146
Other	259	240	211
Total current assets	11,236	9,006	10,256
Non-current investments	1,374	1,108	1,227
Property, plant and equipment, net	7,834	8,166	8,043
Other non-current assets	855	886	915
	<u>\$ 21,299</u>	<u>\$ 19,166</u>	<u>\$ 20,441</u>
<b>Liabilities and net assets</b>			
Current liabilities:			
Short-term borrowings	\$ —	\$ 400	\$ 400
Accounts payable	623	604	698
Accrued salaries and related benefits	833	713	841
Other accrued expenses	2,534	2,528	2,100
Securities lending collateral payable	471	—	—
Current portion of long-term obligations	25	187	26
Total current liabilities	4,486	4,432	4,065
Non-current liabilities:			
Long-term obligations, less current portion	4,586	4,461	4,601
Other	1,978	1,758	2,353
Net assets:			
Without donor restrictions:			
Controlling	9,575	7,893	8,741
Noncontrolling	87	107	113
With donor restrictions	587	515	568
Total net assets	<u>10,249</u>	<u>8,515</u>	<u>9,422</u>
	<u>\$ 21,299</u>	<u>\$ 19,166</u>	<u>\$ 20,441</u>

# Sutter Health and Affiliates

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

	Three months ended June 30,		Six months ended June 30,		Year ended December 31,
	2021	2020	2021	2020	2020
<b>Net assets without donor restrictions:</b>					
Operating revenues:					
Patient service revenues	\$ 3,019	\$ 2,163	\$ 5,912	\$ 4,868	\$ 10,532
Premium revenues	407	370	816	756	1,525
Contributions	13	326	23	331	821
Other	76	76	196	157	342
Total operating revenues	3,515	2,935	6,947	6,112	13,220
Operating expenses:					
Salaries and employee benefits	1,596	1,609	3,267	3,264	6,615
Purchased services	890	831	1,773	1,706	3,378
Supplies	435	333	845	734	1,602
Depreciation and amortization	184	180	366	364	747
Rentals and leases	48	45	92	90	183
Interest	35	41	70	80	158
Insurance	6	7	14	14	30
Other	215	210	463	417	828
Total operating expenses	3,409	3,256	6,890	6,669	13,541
Income (loss) from operations	106	(321)	57	(557)	(321)
Investment income (loss)	251	17	401	(12)	205
Change in net unrealized gains and losses on investments	270	514	346	(304)	440
Loss on extinguishment of debt	—	—	—	—	(202)
Other components of net periodic postretirement cost	31	21	62	42	78
Income (loss)	658	231	866	(831)	200
Less income attributable to noncontrolling interests	(22)	(11)	(41)	(26)	(66)
Income (loss) attributable to Sutter Health	636	220	825	(857)	134

# Sutter Health and Affiliates

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

	Three months ended June 30,		Six months ended June 30,		Year ended December 31,
	2021	2020	2021	2020	2020
<b>Net assets without donor restrictions (continued):</b>					
Controlling:					
Income (loss) attributable to Sutter Health	\$ 636	\$ 220	\$ 825	\$ (857)	\$ 134
Change in net unrealized gains and losses on investments classified as other-than-trading	—	3	(1)	3	1
Net assets released from restriction for equipment acquisition	3	2	8	5	13
Postretirement-related changes other than net periodic postretirement cost	15	15	31	30	(121)
Other	—	(1)	(29)	7	9
Increase (decrease) in controlling	654	239	834	(812)	36
Noncontrolling:					
Income attributable to noncontrolling interests	22	11	41	26	66
Distributions	(22)	(8)	(43)	(29)	(58)
Other	(3)	—	(24)	1	(4)
(Decrease) increase in noncontrolling	(3)	3	(26)	(2)	4
<b>Net assets with donor restrictions:</b>					
Contributions	6	11	11	17	51
Investment income	5	1	10	5	13
Change in net unrealized gains and losses on investments	10	19	18	(19)	17
Net assets released from restriction	(11)	(7)	(20)	(14)	(35)
Other	—	—	—	—	(4)
Increase (decrease) in net assets with donor restrictions	10	24	19	(11)	42
Increase (decrease) in net assets	661	266	827	(825)	82
Net assets, beginning of period	9,588	8,249	9,422	9,340	9,340
Net assets, end of period	\$10,249	\$ 8,515	\$ 10,249	\$ 8,515	\$ 9,422

# Sutter Health and Affiliates

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

	Six months ended June 30,		Year ended December 31,
	2021	2020	2020
<b>Operating activities</b>			
Increase (decrease) in net assets	\$ 827	\$ (825)	\$ 82
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:			
Loss on extinguishment of debt	—	—	202
Depreciation and amortization	364	360	728
Amortization of bond issuance costs, (premium) and discount, net	(12)	(21)	(39)
Net realized gains and losses and change in net unrealized gains and losses on investments	(626)	354	(618)
Restricted contributions and investment income	(21)	(22)	(64)
Distributions to noncontrolling interests	43	29	58
Change in net postretirement benefits	99	(11)	37
Net changes in operating assets and liabilities:			
Patient accounts receivable and other receivables	(580)	88	(53)
Inventories and other assets	(109)	(37)	(19)
Accounts payable and accrued expenses	807	1,063	902
Other non-current liabilities	(475)	(4)	540
Net cash provided by operating activities	317	974	1,756
<b>Investing activities</b>			
Purchases of property, plant and equipment	(152)	(151)	(431)
Proceeds from disposal of property, plant and equipment	8	3	3
Purchases of investments	(2,093)	(2,785)	(5,571)
Proceeds from sales of investments	2,070	2,152	4,731
Other	126	4	7
Net cash used in investing activities	(41)	(777)	(1,261)

# Sutter Health and Affiliates

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

	Six months ended June 30,		Year ended December 31,
	2021	2020	2020
<b>Financing activities</b>			
Payment on line of credit	\$ (400)	\$ —	\$ —
Proceeds from borrowings on line of credit	—	400	400
Payments of long-term obligations	(10)	(5)	(189)
Refund of bonds	—	—	(2,029)
Proceeds from issuance of long-term obligations	6	1	1,991
Bond issuance costs	—	—	(10)
Restricted contributions and investment income	21	22	64
Distributions to noncontrolling interests	(43)	(29)	(58)
Net cash (used in) provided by financing activities	(426)	389	169
Net (decrease) increase in cash and cash equivalents	(150)	586	664
Cash and cash equivalents at beginning of year	1,169	505	505
Cash and cash equivalents at end of period	\$ 1,019	\$ 1,091	\$ 1,169

# Sutter Health and Affiliates

## Notes to Unaudited Interim Consolidated Financial Statements

*(Dollars in millions)*

### **ORGANIZATION**

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

Sutter Health's integrated health care delivery system includes acute care, medical foundations, fundraising foundations and a variety of other specialized health care 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 programs, such as health education, health libraries, school-based clinics, home health care, 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 2020 Audited Financial Statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

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.

Securities Lending: Sutter participates in securities lending transactions with its custodian whereby Sutter lends a portion of its investments to various brokers in exchange for collateral for the securities loaned, usually on a short-term basis. Collateral provided by brokers consists of cash and non-cash instruments and is maintained at levels in accordance with market conventions and Sutter's Investment Policy Statement. Collateral is subject to market fluctuations. Sutter maintains effective control of the loaned securities through its custodian during the term of the arrangement in that they may be recalled at any time.



## Sutter Health and Affiliates

### Notes to Unaudited Interim Consolidated Financial Statements (continued)

*(Dollars in millions)*

#### **ACCOUNTING POLICIES (continued)**

Under the terms of the agreement, the borrower must return the same, or substantially the same, investments that were borrowed. The market value of loaned securities is reported as a securities lending receivable, and a corresponding obligation is reported for repayment of related collateral upon settlement of the lending transaction. As of June 30, 2021, the market value of the securities on loan was \$448.

#### **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 January 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. California has experienced multiple surges of confirmed COVID-19 cases over the past year. The largest surge occurred through Fall and Winter 2020 and continued into early 2021.

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. The impact of COVID-19 on future operations and financial results will depend upon many factors, many of which could be beyond Sutter's ability to control. Such factors include, but are not limited to, the scope and duration of community shelter-in-place orders, which began in March 2020 and continued intermittently throughout 2020 and into 2021, business closures and other restrictions, the effects of restrictions on providing non-emergency health care services, declines in patient volumes for an indeterminable length of time, increases in the number of uninsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in liability exposures as a result of COVID-19. Upon rollout of multiple COVID-19 vaccines in late 2020, the Sutter Health system moved to procure additional necessary supplies and administer vaccines to its patients as quickly and efficiently as possible. These financial statements include the impact of these factors on the information provided herein as of and for the six months ended June 30, 2021. Because of these uncertainties, Sutter cannot estimate the length or severity of the impact of COVID-19 on Sutter's operations, which could continue to impact cash flows, revenues, reserves, and potential impairments of goodwill and long-lived assets.

## Sutter Health and Affiliates

### Notes to Unaudited Interim Consolidated Financial Statements (continued)

*(Dollars in millions)*

#### **SIGNIFICANT EVENTS – COVID-19 (continued)**

From April 2020 through June 2021, Sutter received approximately \$850 in COVID-19 Relief Funds (Relief Funds) from the Department of Health & Human Services. These Relief Funds are not subject to repayment, provided Sutter is able to comply with the terms and conditions of the funding, including demonstrating that the Relief Funds received have been used for health care-related expenses attributable to COVID-19 and the remainder applied to lost revenues, represented as a negative change from budgeted patient care revenue. Based on an analysis of the compliance and reporting requirements of the Relief Funds and the impact of the pandemic on Sutter's operating results, Sutter believes the applicable terms and conditions have been met to recognize most of the Relief Funds as of June 30, 2021. Therefore, Sutter reported Relief Funds of \$786 as Contributions and \$5 as Patient service revenues in the Consolidated Statements of Operations and Changes in Net Assets for the year ended December 31, 2020. In addition, Sutter reported Relief Funds of \$10 as Contributions and \$4 as Patient service revenues for the six months ended June 30, 2021. Sutter reported \$45 as Other accrued expenses in the Consolidated Balance Sheets as of June 30, 2021. Sutter will continue to monitor the terms and conditions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the impact of COVID-19 on revenues and expenses. If Sutter is unable to comply with future terms and conditions, the ability to retain some or all of the Relief Funds received may have an impact on the revenue recognized historically or in the future.

Additionally, Sutter received approximately \$999 from Centers for Medicare and Medicaid Services (CMS) as part of the Accelerated and Advance Payment Program (AAPP), pursuant to which providers receive advance Medicare disbursements. In April 2021, CMS began the repayment process, and as of June 30, 2021, Sutter recorded \$98 of CMS recoupment. Other accrued expenses includes \$901 for the AAPP disbursements loan that providers have to pay back as offsets from future services. Sutter expects this remaining amount to be reconciled and repaid in 2022.

The CARES Act also provides for a deferral of payments of the employer portion of payroll tax incurred during the pandemic, allowing half of such payroll taxes to be deferred until December 2021, and the remaining half deferred until December 2022. As of June 30, 2021, Sutter deferred \$209 of payroll taxes that are reported in Accrued salaries and related benefits and Other non-current liabilities in the Consolidated Balance Sheets. Additionally, the CARES Act created a payroll tax credit designed to encourage companies to retain employees during the pandemic. Sutter evaluated its eligibility for this credit and recorded \$13 of employee retention payroll tax credits pursuant to the CARES Act. These tax credits are reported as Other operating revenues in the Consolidated Statements of Operations and Changes in Net Assets for the year ended December 31, 2020.

## 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 June 30, 2021 and 2020, and December 31, 2020.

# 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:

	June 30, 2021		
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Total
<b>Assets</b>			
<b>Liquid investments</b>			
Cash equivalents	\$ 323	\$ —	\$ 323
<b>Equity securities</b>			
U.S. equity	1,642	—	1,642
Foreign equity	651	—	651
<b>Fixed income securities</b>			
U.S. government	677	—	677
U.S. government agencies	—	23	23
U.S. state and local government	—	46	46
U.S. federal agency mortgage-backed	—	305	305
Foreign government	—	290	290
U.S. corporate	70	825	895
Foreign corporate	8	197	205
	\$ 3,371	\$ 1,686	\$ 5,057
<b>Investments measured at net asset value</b>			3,404
			<u>\$ 8,461</u>
<b>Collateral proceeds received under securities lending program</b>	\$ 82	\$ 366	\$ 448
<b>Liabilities</b>			
<b>Obligation to return capital under securities lending program</b>	\$ 86	\$ 385	\$ 471

# Sutter Health and Affiliates

## Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

### FAIR VALUE MEASUREMENTS (continued)

	December 31, 2020		
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Total
<b>Liquid investments</b>			
Cash equivalents	\$ 236	\$ —	\$ 236
<b>Equity securities</b>			
U.S. equity	1,438	—	1,438
Foreign equity	538	—	538
<b>Fixed income securities</b>			
U.S. government	687	—	687
U.S. government agencies	—	7	7
U.S. state and local government	—	49	49
U.S. federal agency mortgage-backed	—	321	321
Foreign government	—	233	233
U.S. corporate	69	1,104	1,173
Foreign corporate	8	227	235
	\$ 2,976	\$ 1,941	\$ 4,917
<b>Investments measured at net asset value</b>			2,895
			<u>\$ 7,812</u>

As of June 30, 2021 and December 31, 2020, 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 tables and explanations identify attributes relating to the nature and risk of such investments:

June 30, 2021				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled funds – U.S. equity securities	\$ 326	\$ –	Daily	1 day
Commingled funds – foreign equity securities	581	–	Monthly	5–30 days
Commingled funds – debt securities	144	–	Daily	3 days
Commodity-linked funds	281	–	Daily	None, 1 day
Hedge funds	1,280	–	Monthly, Quarterly, Annually	10–120 days
Private equity funds	484	360	None	None
Private equity real estate funds	308	295	None, Annually	None, 90 days
Total	<u>\$ 3,404</u>	<u>\$ 655</u>		

December 31, 2020				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled funds – U.S. equity securities	\$ 289	\$ –	Daily	1 day
Commingled funds – foreign equity securities	528	–	Monthly	5–30 days
Commingled funds – debt securities	134	–	Daily	3 days
Commodity-linked funds	131	–	Daily	None
Hedge funds	1,132	–	Monthly, Quarterly, Annually	10–120 days
Private equity funds	414	427	None	None
Private equity real estate funds	267	300	None	None
Total	<u>\$ 2,895</u>	<u>\$ 727</u>		

## 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 June 30, 2021, approximately 36% of this class is redeemable daily with a 1 day notice period. The remaining 64% 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 U.S. debt, of which the majority are traded in over-the-counter markets. As of June 30, 2021, these funds are redeemable daily with a notice period of 3 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 June 30, 2021, these funds are redeemable daily with no notice period and a notice period of 1 day.

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 that 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 June 30, 2021:

% of Hedge Funds	Redemption Criteria	Notice Period
48%	Redeemable monthly	10–90 days
14%	Redeemable quarterly	45–120 days
3%	Redeemable within one year with quarterly gates from 25% to 100%	65 days
11%	Limited to a 25% gate, redeemable quarterly	60–90 days
6%	One-year lock-up expiring in April 2022	45–95 days
12%	Two-year rolling lock-up expiring in December 2021 and quarterly gate limited to 10% annually	60–120 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. As of June 30, 2021, 3% of this class is redeemable after a one-year lock-up expiring in March 2022, with a notice period of at least 90 days. There is no provision for redemptions during the life of these funds for the remaining 97%.

#### **LONG-TERM OBLIGATIONS**

Long-term obligations consist of the following:

	<b>June 30, 2021</b>
Non-taxable revenue bonds under the Sutter Health Master Indenture of Trust, fixed interest at 4.0% to 5.0%, through 2048 (includes net unamortized premiums and discounts of \$151 and debt issuance costs of (\$8) as of June 30, 2021)	\$ 1,739
Taxable revenue bonds under the Sutter Health Master Indenture of Trust, fixed interest at 1.32% to 4.09%, through 2050 (includes unamortized discount of (\$3) and debt issuance costs of (\$13) as of June 30, 2021)	2,661
Various collateralized and unsecured obligations	18
Obligations under finance leases	193
	4,611
Less current portion	(25)
	<u>\$ 4,586</u>

The central financing vehicle for Sutter 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. Only the Obligated Group

## Sutter Health and Affiliates

### Notes to Unaudited Interim Consolidated Financial Statements (continued)

*(Dollars in millions)*

#### **LONG-TERM OBLIGATIONS (continued)**

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 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 October 2020, \$1,989 of Series 2020A Sutter Health taxable revenue bonds were issued by Sutter to advance refund \$1,723 of tax-exempt revenue bonds (collectively, the Refunded Prior Bonds). The proceeds of Series 2020A Sutter Health taxable revenue 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 and derecognized at the date of refunding, with redemptions scheduled to occur through November 2026. These refunds resulted in a loss on extinguishment of debt of \$202.

Sutter redeemed \$30 of tax-exempt revenue bonds and \$100 of taxable revenue bonds in 2020, which did not result in a gain or loss.

Sutter Health had a short-term credit facility with commercial banks to meet temporary capital requirements and to provide flexibility in meeting Sutter's capital needs of \$400. In March 2020, Sutter Health drew down \$400 and, in February 2021, paid down the outstanding amount and terminated the credit facility. In April 2020, Sutter Health entered into another \$100 credit facility, which it never drew upon, and in February 2021, Sutter Health terminated this credit facility. In February 2021, Sutter Health entered into a new short-term credit facility with commercial banks for \$500, which matures in February 2024. In April 2021, Sutter Health increased the aggregate amount available to Sutter Health under this credit facility to \$900. There are currently no draws outstanding under this 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:

	<b>Consolidated Balance Sheets</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>December 31, 2020</b>
<b>Right-of-use Assets</b>				
Operating	Other non-current assets	\$ 454	\$ 479	\$ 470
Finance	Property, plant and equipment, net	167	173	170
		<u>\$ 621</u>	<u>\$ 652</u>	<u>\$ 640</u>
<b>Current Liabilities</b>				
Operating	Other accrued expenses	\$ 108	\$ 102	\$ 107
Finance	Current portion of long-term obligations	3	2	3
<b>Non-current Liabilities</b>				
Operating	Other	398	433	416
Finance	Long-term obligations, less current portion	190	192	191
		<u>\$ 699</u>	<u>\$ 729</u>	<u>\$ 717</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.

Sutter elected the practical expedient and does not adjust the promised amount of consideration for the effects of a significant financing component, due to Sutter's expectation that the period between the time the service is provided and the receipt of payment will be one year or less. However, Sutter does, in certain instances, enter into payment agreements that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract. Additionally, Sutter elected to apply the optional exemption, because all of its performance obligations relate to contracts with a duration of less than one year. Therefore, Sutter is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially satisfied at the end of the reporting period.

## Sutter Health and Affiliates

### Notes to Unaudited Interim Consolidated Financial Statements (continued)

*(Dollars in millions)*

#### **OPERATING REVENUES (continued)**

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 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 health care 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 health care 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 health care 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

## Sutter Health and Affiliates

### Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

#### **OPERATING REVENUES (continued)**

reasonable possibility that the 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 \$117 and \$97 for the six months ended June 30, 2021 and 2020, respectively.

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 2021 and 2020.

*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, 2017. The estimated net settlement balances and adjustments from the finalization of prior-year cost reports were immaterial in 2021 and 2020.

*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

# Sutter Health and Affiliates

## Notes to Unaudited Interim Consolidated Financial Statements (continued)

(Dollars in millions)

### OPERATING REVENUES (continued)

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.

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:

	Six months ended June 30,	
	2021	2020
Medicare	\$ 1,637	\$ 1,335
Medi-Cal	847	735
Commercial	3,331	2,726
Other	97	72
	<u>\$ 5,912</u>	<u>\$ 4,868</u>

## Sutter Health and Affiliates

### Notes to Unaudited Interim Consolidated Financial Statements (continued)

*(Dollars in millions)*

#### OPERATING REVENUES (continued)

The composition of Patient service revenues, based on Sutter's areas of operations and entity types, is as follows:

<b>Six months ended June 30, 2021</b>				
	<b>Sutter Health Bay Area</b>	<b>Sutter Health Valley Area</b>	<b>Other</b>	<b>Total</b>
Acute Care	\$ 2,034	\$ 1,751	\$ 58	\$ 3,843
Medical Foundation	1,219	615	–	1,834
Other	59	15	340	414
Eliminations	(57)	(58)	(64)	(179)
	<u>\$ 3,255</u>	<u>\$ 2,323</u>	<u>\$ 334</u>	<u>\$ 5,912</u>

  

<b>Six months ended June 30, 2020</b>				
	<b>Sutter Health Bay Area</b>	<b>Sutter Health Valley Area</b>	<b>Other</b>	<b>Total</b>
Acute Care	\$ 1,782	\$ 1,468	\$ 55	\$ 3,305
Medical Foundation	886	478	–	1,364
Other	45	9	292	346
Eliminations	(48)	(47)	(52)	(147)
	<u>\$ 2,665</u>	<u>\$ 1,908</u>	<u>\$ 295</u>	<u>\$ 4,868</u>

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 2021 and 2020: 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 2021 and 2020.

## Sutter Health and Affiliates

### Notes to Unaudited Interim Consolidated Financial Statements (continued)

*(Dollars in millions)*

#### OPERATING REVENUES (continued)

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

	Six months ended June 30,		Year ended December 31,
	2021	2020	2020
Hospital fee program revenue	\$ 257	\$ 252	\$ 483
Hospital fee program expense	(164)	(161)	(321)
Income from operations from hospital fee program	\$ 93	\$ 91	\$ 162
	June 30,		December 31,
	2021	2020	2020
Other receivables	\$ 536	\$ 582	\$ 649
Accounts payable	\$ 252	\$ 270	\$ 256

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.

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 and adjustments arising from a change in the transaction price were immaterial for the six months ended June 30, 2021 and 2020, respectively.

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.



## Sutter Health and Affiliates

### Notes to Unaudited Interim Consolidated Financial Statements (continued)

*(Dollars in millions)*

#### OPERATING REVENUES (continued)

The composition of Premium revenues based on Sutter's areas of operations and lines of business, is as follows:

	<b>Six months ended June 30, 2021</b>			
	<b>Sutter Health Bay Area</b>	<b>Sutter Health Valley Area</b>	<b>Other</b>	<b>Total</b>
Acute Care	\$ 101	\$ 222	\$ –	\$ 323
Medical Foundation	163	201	–	364
Insurance	–	–	302	302
Other	–	24	56	80
Eliminations	(2)	(2)	(249)	(253)
	<u>\$ 262</u>	<u>\$ 445</u>	<u>\$ 109</u>	<u>\$ 816</u>

	<b>Six months ended June 30, 2020</b>			
	<b>Sutter Health Bay Area</b>	<b>Sutter Health Valley Area</b>	<b>Other</b>	<b>Total</b>
Acute Care	\$ 98	\$ 205	\$ –	\$ 303
Medical Foundation	164	191	–	355
Insurance	–	–	283	283
Other	–	23	53	76
Eliminations	(1)	(1)	(259)	(261)
	<u>\$ 261</u>	<u>\$ 418</u>	<u>\$ 77</u>	<u>\$ 756</u>

Contributions: Sutter receives contributions and grants from donors and government agencies. Sutter reported \$786 as contributions from Relief Funds from the Department of Health & Human Services in 2020 and \$10 for the six months ended June 30, 2021 (see Significant Events – COVID-19).

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.

## Sutter Health and Affiliates

### Notes to Unaudited Interim Consolidated Financial Statements (continued)

*(Dollars in millions)*

#### 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 net postretirement benefits were \$188 and \$177 for the six months ended June 30, 2021 and 2020, 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 \$666 as of December 31, 2020. Sutter contributed \$325 to the Retirement Plan in 2020.

Included in Controlling net assets without donor restrictions as of December 31, 2020 are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized prior service credit of \$22 and unrecognized actuarial loss of \$1,365. 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, 2021, are \$2 for prior service credit and \$64 for actuarial loss.

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

	<b>Six months ended June 30,</b>		<b>Year ended December 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>
Service cost	\$ 187	\$ 155	\$ 309
Interest cost	92	97	194
Expected return on plan assets	(181)	(165)	(330)
Amortization of prior service cost	(1)	–	–
Amortization of actuarial loss	32	30	60
	<u>\$ 129</u>	<u>\$ 117</u>	<u>\$ 233</u>

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 \$59 as of December 31, 2020.

## Sutter Health and Affiliates

### Notes to Unaudited Interim Consolidated Financial Statements (continued)

*(Dollars in millions)*

#### **POSTRETIREMENT BENEFITS (continued)**

Included in Controlling net assets without donor restrictions as of December 31, 2020 are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized prior service cost of \$7 and unrecognized actuarial gain of \$1. 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, 2021, are \$1 for prior service cost and \$1 for actuarial gain.

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

	<b>Six months ended</b>		<b>Year ended</b>
	<b>June 30,</b>		<b>December 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>
Service cost	\$ 8	\$ 7	\$ 14
Interest cost	4	5	10
Expected return on plan assets	(9)	(8)	(17)
Amortization of prior service cost	1	—	1
Other adjustments to net benefit cost	—	—	4
	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 12</u>

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 \$6 and \$9 for the six months ended June 30, 2021 and 2020, respectively.

Sutter also maintains various defined contribution plans for eligible employees. Sutter's contributions to such plans were \$49 and \$47 for the six months ended June 30, 2021 and 2020, respectively.

## Sutter Health and Affiliates

### Notes to Unaudited Interim Consolidated Financial Statements (continued)

*(Dollars in millions)*

#### **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 health care 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, proposed 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, except as stated in this note. 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 many of these matters. Following is a discussion of matters of note.

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. The courts certified the class as to injunctive relief and a monetary damages class, but excluded plaintiffs' damages claims and ultimately granted summary judgment against plaintiffs for the 2008-2010 time period. The trial for this matter is currently scheduled for October 2021.

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. The California Attorney General filed a separate complaint and the cases were consolidated for all purposes. 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, Sutter Health and the related affiliates agreed, in principle, to a settlement consisting of an expected cash payment of \$575, which was accrued in Other expenses in the third quarter of 2019 and is currently included in Other accrued expenses, and 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. On

## Sutter Health and Affiliates

### Notes to Unaudited Interim Consolidated Financial Statements (continued)

*(Dollars in millions)*

#### **CONTINGENCIES AND COMMITMENTS (continued)**

September 22, 2020, the court denied the plaintiffs' motion for preliminary approval of the settlement on the ground that the process utilized for selecting a monitor to oversee compliance with the proposed injunction was inadequate. The court approved a new monitor selection process and on March 9, 2021, granted preliminary approval of the settlement. A fairness hearing on the plaintiffs' motion for final approval was held on July 22, 2021, and the parties are awaiting the court's determination.

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. The court twice dismissed the matter with leave to amend. Plaintiffs filed a second amended complaint.

Sutter Health and one of its affiliates finalized contractual dispute issues with third-party commercial payers related to a lab outreach program, and those settlement amounts have been reflected in prior financial statements. Management is also in the process of responding to inquiries from the DOJ related to the lab outreach program.

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 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. 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 reflected in prior financial statements. As to the single remaining related affiliate involved in the investigation, the government intervened in the lawsuit that prompted the investigation. Sutter accrued an amount for potential liabilities and Sutter Health and the related affiliates are in the process of negotiating a resolution of the matter.

Two separate proposed class-action complaints were filed against Sutter Health and subsequently consolidated by the courts, alleging that Sutter Health, as fiduciaries of Sutter Health's 403(b) savings plan (Plan), and Sutter Health's Retirement Benefits Investment Committee (RBIC) breached the fiduciary duties of loyalty and prudence that they owed to the Plan, to plaintiffs, and others under the Employee Retirement Income Security Act (ERISA). The complaint asserts claims for: (1) breach of fiduciary duty related to the selection of investment options and failure to monitor other fiduciaries of the Plan; (2) failure to monitor against Sutter Health for failing to adequately monitor the RBIC and against the RBIC for failing to monitor delegated appointees; and (3) an alternative claim of liability for knowing breach of trust against all defendants seeking equitable relief in the event any of the defendants are not deemed a fiduciary or co-fiduciary under ERISA. Sutter filed a motion to dismiss the consolidated complaint.

## Sutter Health and Affiliates

### Notes to Unaudited Interim Consolidated Financial Statements (continued)

*(Dollars in millions)*

#### **CONTINGENCIES AND COMMITMENTS (continued)**

A plaintiff filed a proposed class action lawsuit against Sutter Health and certain affiliates, premised on the theory that Sutter Health and the related affiliates submitted and received payment from plaintiff for anesthesia services that were either not provided, separately billed by a third party anesthesiologist, or reimbursed through other charges on the hospitals' bills. The court certified the class on the condition that the plaintiffs file an amended complaint with specific subclasses, which the plaintiffs filed on July 26, 2021.

As of June 30, 2021, Sutter has approximately 54,000 employees, of whom approximately 25% are represented by collective bargaining units. Of these employees, approximately 66% are represented by collective bargaining agreements that will expire in 2021. While working to mitigate any potential work stoppages through successful negotiations, Sutter remains prepared to address the possibility of work stoppages. Should such disruptions occur, they may have a material adverse effect on the operations or on the financial position or results of operations of Sutter. Despite these uncertainties, Sutter remains committed to bargaining in good faith, evaluating positions that remain grounded in the realities of market pay and practices, reflecting business priorities, and acknowledging the needs of the workforce. Additionally, Sutter faces the difficulties of operating in a competitive and complex Northern California labor market further exacerbated by the protracted challenges of the COVID-19 pandemic.

Commitments: Sutter is required to remediate certain of its health care facilities to comply with earthquake retrofit requirements under a State of California law, which is estimated at a cost of \$3,600 (unaudited). 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 undertaking a comprehensive review of the System's strategic initiatives and priorities across various timelines including its capital allocation plan. Factors under consideration include the impact of the COVID-19 pandemic, federal and state regulations, and the rapidly evolving health care delivery environment. Any update of the System's strategic framework will build on Sutter's key objectives to deliver health care that is safe, personal, affordable and accessible. Given the impact of the pandemic, Sutter is also actively evaluating the timing and scope of Sutter's capital requirements, facility utilization, and resource allocations in 2021 and over the next several years and is considering all options. The current commitments are estimated at \$900 (unaudited). Sutter remains committed to prioritizing capital investments that strengthen affordability and quality of care, while ensuring all capital decisions remain carefully considered, strategic, and effective.

## Sutter Health and Affiliates

### Notes to Unaudited Interim Consolidated Financial Statements (continued)

*(Dollars in millions)*

#### **SUBSEQUENT EVENTS**

Sutter has evaluated subsequent events and disclosed all material events through August 4, 2021, which is the date these Unaudited Interim Consolidated Financial Statements were issued.

# Sutter Health and Affiliates

## Management's Discussion & Analysis

*(Dollars in millions)*

### CONSOLIDATED ANALYSIS

#### **For the six months ended June 30, 2021 compared to the six months ended June 30, 2020**

Total operating revenues increased \$835, or 13.7%, for the six months ended June 30, 2021, compared to the six months ended June 30, 2020. Patient service revenues increased \$1,044, or 21.4%, from the same period in 2020, primarily due to recovery from COVID-19 pandemic. Contributions decreased \$308, or (93.1%), from the same period in 2020, primarily due to a decrease in federal grants related to COVID-19.

Total operating expenses increased \$221, or 3.3%, for the six months ended June 30, 2021, compared to the six months ended June 30, 2020. Purchased services increased \$67, or 3.9%, primarily due to medical group compensation expense, and Supplies increased \$111, or 15.1%, from the same period in 2020, both related to increased volumes. Other expenses increased \$46 or 11.0%, from the same period in 2020, primarily due to additional accrued expenses.

Income from operations was \$57 for the six months ended June 30, 2021, compared to loss from operations of \$557 for the six months ended June 30, 2020. Earnings (excluding investment income) before interest expense, taxes, depreciation and amortization (EBITDA) for the six months ended June 30, 2021, increased \$605 from (\$112) in 2020, to \$493 in 2021.

The impact of the COVID-19 pandemic resulted in one of the worst equity market events in financial history during the first quarter of 2020. The market fluctuations continued throughout the year and the market recovered by December 2020. Favorable market conditions continue in 2021. Investment income for the six months ended June 30, 2021 was \$401, which includes \$114 from the sale of non-current investments in the second quarter of 2021, compared to investment loss of \$12 for the six months ended June 30, 2020. The change in net unrealized gains and losses on investments for June 30, 2021 was a gain of \$346, compared to a loss of \$304 for the same period in 2020.

The Sutter Health System's asset allocation targets at June 30, 2021 were 25% equities, 39% fixed income, and 36% alternative investments, compared to June 30, 2020 asset allocation targets of 28% equities, 41% fixed income, and 31% alternative investments.

Income attributable to Sutter Health was \$825 for the six months ended June 30, 2021, compared to loss attributable to Sutter Health of \$857 for the six months ended June 30, 2020. This income increase is due to an increase in income from operations of \$614, an increase in investment income of \$413, an increase in change in net unrealized



## Sutter Health and Affiliates

### Management's Discussion & Analysis (continued)

*(Dollars in millions)*

#### **CONSOLIDATED ANALYSIS (continued)**

gains and losses on investments of \$650 and an increase in other components of net periodic postretirement cost of \$20. The operating margin increased to .8% from (9.1%) for the same year-over-year period comparison.

In the second quarter of 2021, S&P Global Ratings and Fitch Ratings both lowered Sutter Health bonds' rating to A, with S&P affirming a stable outlook and Fitch revising its negative outlook to stable. Moody's Investors Service affirmed Sutter Health bonds' rating of A1 with a negative outlook.

## CONTINUING DISCLOSURE REPORT OF SUTTER HEALTH AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2021

This report (the “Continuing Disclosure Report”) contains an update of certain information contained in Appendix A of the Offering Memorandum or Official Statements, as applicable, 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 related to the Bonds, by and between Sutter Health and Wells Fargo Bank, National Association, or by and between Sutter Health and U.S. Bank, National Association, as applicable, shall have the meanings assigned to them therein, except as set forth herein.

List of Bond Series	CUSIP*
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, 13032UXH6
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	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
Sutter Health Taxable Bonds, Series 2020A	86944BAF0, 86944BAG8, 86944BAH6, 86944BAJ2

A registered trademark of The American Bankers Association. CUSIP numbers are provided by CUSIP Global Services (“CGS”), managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. 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 where the Obligated Group does business. Since the Centers for Disease Control and Prevention (“CDC”) confirmed the spread of the disease to the United States in January 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 guidance regarding the ability of certain industry sectors to open or remain open, based on specified criteria, stages, and timelines. This guidance permits regional variance among California counties and continues to be updated in response to pandemic trends and progress in California’s efforts to administer COVID-19 vaccines. California has experienced multiple surges of confirmed COVID-19 cases over the past year. The largest surge, which occurred through Fall and Winter 2020 and continued into early 2021, resulted in Governor Newsom issuing new regional stay-at-home orders in an effort to preserve intensive care unit (“ICU”) bed capacity within California hospitals. As a result of these surges, the State of California has reported the highest number of confirmed cases of COVID-19 in the United States.

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 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. Upon rollout of multiple COVID-19 vaccines in late 2020, the Sutter Health system moved to procure additional necessary supplies and administer vaccines to its patients as quickly and efficiently as possible. These efforts 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.

This Continuing Disclosure Report includes the impact of COVID-19 on the information included herein as of and for the six months ended June 30, 2021.

## Employees, Unions and Collective Bargaining Units

As of June 30, 2021, the Sutter Health system had approximately 54,000 employees, of whom approximately 34,000 were full-time employees. Approximately 7,100 of these 54,000 employees were employed by Sutter Health and the remaining employees were employed by Affiliated Entities. Approximately 25% of these 54,000 employees, employed at 21 Sutter Health facilities, were represented by labor unions in 57 collective bargaining units as of June 30, 2021. A total of 42 bargaining units are or will be in negotiations during 2021. Of these, 5 bargaining units are presently in negotiation for an initial agreement. An additional 37 collective bargaining agreements have expired or will expire in 2021, and are currently in negotiation or will be in negotiation during 2021 for successor agreements. In connection with negotiations for an initial or successor collective bargaining agreement, 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 may 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 June 30, 2021, 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 as of and for the six months ended June 30, 2021.

Acute Care Facility Utilization Data

Data Presented	June 30, 2021
Licensed Beds <sup>(1)</sup>	4,103
Beds in Service	4,002
Admissions <sup>(2)</sup>	90,568
Patient Days <sup>(2)</sup>	418,074
Average Length of Stay (Days)	4.6
Occupancy % <sup>(3)</sup>	57.2%
Emergency Room Visits <sup>(4)</sup>	350,689

- (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 as of and for the six months ended June 30, 2021.

Medical Foundations Operating Data

Obligated Group	June 30, 2021
Physicians	2,691
Facilities <sup>(1)</sup>	277
Outpatient Visits	5,188,632

- (1) Approximate count of facilities may change over time as a result of office openings, closures and consolidations as a part of routine business operations.

## Sources of Revenues

Following are summaries of gross patient revenue for the Obligated Group by payer source for the six months ended June 30, 2021.

Payer Mix  
June 30, 2021

	Medicare		Medi - Cal		Commercial		Other
	Non-Risk	Risk	Non-Risk	Risk	Non-Risk	Risk	
Total Obligated Group	38.6%	4.9%	18.5%	0.6%	30.6 %	4.2%	2.6%
Acute Care Hospitals	40.9%	4.5%	22.2%	0.7%	25.7%	3.0%	3.0%
Medical Foundations	30.5%	5.7%	5.3%	0.3%	48.0 %	8.6%	1.6%

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 June 30, 2021. 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 <sup>(1)</sup>  
June 30, 2021

Sutter Health Members	Sutter Health Valley Area	Sutter Health Bay Area	Total
Capitated members	167,021	140,438	307,459

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

## Summary Financial Information

A copy of Sutter Health's unaudited financial statements for the six months ended June 30, 2021 (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.

## Fixed Payment Coverage Ratio

The table below sets forth for Sutter Health and Affiliates the Income Available for Debt Service for the fiscal year 2020 and the Debt Service Requirements outstanding for that period.

### Sutter Health and Affiliates Fixed Payment Coverage Ratio \$ Presented In Millions

	Year Ended December 31, 2020
Income	134
Plus: Depreciation and Amortization	747
Plus: Interest	158
Plus: Loss on Extinguishment of Debt	202
Less: Other	<u>(310)</u>
Income Available For Debt Service <sup>(1)</sup>	931
Debt Service Requirements	238
Fixed Payment Coverage Ratio	3.9

(1) Calculated in accordance with the Master Trust Indenture.

## Capitalization

The following table sets forth the actual capitalization for Sutter Health and Affiliates as of June 30, 2021.

### Capitalization of Sutter Health and Affiliates \$ Presented In Millions

	June 30, 2021
Long-Term Debt, including current portion	<u>4,611</u>
Total Long-Term Debt	4,611
Net Assets:	
Without donor restrictions	
Controlling	9,575
Noncontrolling	87
With donor restrictions	<u>587</u>
Total Net Assets	10,249
Total Capitalization	<u>14,860</u>
Long-Term Debt To Capitalization Ratio	31.0%

## Contractual Obligations and Finance Lease Obligations

The Obligated Group's contractual debt and finance lease obligations at June 30, 2021, are shown below.

### Contractual Debt and Finance Lease Obligations As of June 30, 2021 \$ Presented In Millions

	Total Outstanding	Current Portion	Non-current 2022-2023	Non-current 2024 & Thereafter
Line of Credit <sup>(1)</sup> <sup>(2)</sup>	0	0	0	0
Long-term debt – bond principal <sup>(1)</sup>	4,273	18	46	4,209
Finance Leases <sup>(3)</sup>	193	3	3	187

<sup>(1)</sup> Secured under the Master Trust Indenture.

<sup>(2)</sup> In March 2020, Sutter Health drew down \$400 and in February 2021, Sutter Health paid down the outstanding amount and terminated the credit facility. In April 2020, Sutter Health entered into another \$100 credit facility that it never drew on and terminated in February 2021. As of the date of this Continuing Disclosure Report, Sutter maintains a short-term facility with commercial banks to meet temporary capital requirements and to provide flexibility in meeting Sutter's capital needs. The aggregate amount available to Sutter was increased from \$500 as of March 2021, to \$900 as of April 2021. There are currently no draws outstanding under this credit facility that matures in February 2024.

<sup>(3)</sup> Not secured under the Master Trust Indenture. Amount reflects finance leases for the Sutter Health system.

The Obligated Group also is obligated with respect to the following contingent obligations. 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 June 30, 2021 \$ Presented In Millions

	Total Commitments	Maturities Fiscal Year 2021	Maturities 2022 and thereafter
Letters of Credit	3	0	3

## 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 year 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: August 4, 2021

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

By: *Brian Dean*

Brian Dean  
Senior Vice President and Chief Financial Officer

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

	Year Ended 12/31/2020	Quarter Ended 06/30/2021
Restricted		
Charitable Contributions	\$ 529	\$ 550
Insurance Reserves/Professional Liability	414	461
Deferred Compensation and Other	14	14
Total Restricted	957	1,025
 Total Unrestricted	 8,024	 8,455
 Total Cash & Investments	 8,981	 9,480
Less cash and current portion	(7,754)	(8,106)
Non-current investments	<u>\$ 1,227</u>	<u>\$ 1,374</u>



Officer's Certificate of the Corporation  
as to Compliance with No Event of Default Covenant

I, Brian Dean, Senior Vice President and Chief Financial Officer of Sutter Health (formerly Sutter Health/California Healthcare System), do hereby certify, in accordance with Section 4.06 (b) of the Master Indenture of Trust by and between Sutter Health, the other Obligated Group Members (as defined therein) and U. S. Bank National Association, as Master Trustee, dated October 1, 2020, that, to the best of my knowledge,

No event which constitutes an Event of Default has occurred and is continuing as of the date of this certificate.

Certified by:

*Brian Dean*

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Brian Dean  
Senior Vice President and Chief Financial Officer  
Sutter Health

August 4, 2021

Sutter Health  
Acute Care Utilization Statistics

	2018	2019	2020	Q2 2020	Q2 2021
<b>Obligated Group Total</b>					
Current Licensed Beds <sup>1</sup>	4,393	4,049	4,041	4,041	4,103
Beds in Service <sup>2</sup>	4,215	3,862	3,886	3,886	4,002
Admissions	187,713	189,341	174,547	85,385	90,568
Patient Days	846,919	857,503	810,061	391,900	418,074
Average Length of Stay	4.5	4.5	4.6	4.6	4.6
% Occupancy Based on Beds in Service	55.0%	60.8%	57.1%	55.3%	57.2%
Emergency Room Visits	844,249	845,091	691,054	344,615	350,689
Outpatient Revenues	9,774,679,432	10,222,063,090	9,294,599,548	4,362,992,990	5,312,306,041
Total Gross Revenues	24,061,534,271	25,048,510,713	23,782,920,467	11,293,402,780	12,977,096,598
Outpatient Revenue as % of Total Revenues	40.6%	40.8%	39.1%	38.6%	40.9%
<b>Sutter Medical Center Sacramento</b>					
Current Licensed Beds	596	596	596	596	596
Beds in Service	596	596	596	596	596
Admissions	31,535	31,246	29,850	14,961	14,992
Patient Days	149,266	149,387	146,302	70,289	74,284
Average Length of Stay	4.7	4.8	4.9	4.7	5.0
% Occupancy Based on Beds in Service	68.6%	68.7%	67.3%	64.6%	68.3%
Emergency Room Visits	102,807	104,517	85,255	42,664	42,302
Outpatient Revenues	1,265,776,574	1,333,557,067	1,232,396,364	573,690,876	720,454,727
Total Gross Revenues	3,832,767,608	4,015,744,902	3,932,542,371	1,868,506,331	2,145,589,661
Outpatient Revenue as % of Total Revenues	33.0%	33.2%	31.3%	30.7%	33.6%
<b>Novato Community Hospital</b>					
Current Licensed Beds	47	47	47	47	47
Beds in Service	47	47	47	47	47
Admissions	1,944	2,229	1,844	866	957
Patient Days	6,131	7,141	6,092	2,852	2,965
Average Length of Stay	3.2	3.2	3.3	3.3	3.1
% Occupancy Based on Beds in Service	35.7%	41.6%	35.5%	33.2%	34.6%
Emergency Room Visits	15,478	16,278	12,529	6,453	6,576
Outpatient Revenues	133,036,039	145,749,374	129,295,351	61,735,358	74,866,693
Total Gross Revenues	238,712,981	277,333,296	245,735,800	116,274,362	137,515,308
Outpatient Revenue as % of Total Revenues	55.7%	52.6%	52.6%	53.1%	54.4%
<b>Sutter Coast Hospital</b>					
Current Licensed Beds	49	49	49	49	49
Beds in Service	49	49	49	49	49
Admissions	2,394	2,495	1,924	967	941
Patient Days	9,564	9,594	7,968	3,960	4,242
Average Length of Stay	4.0	3.8	4.1	4.1	4.51
% Occupancy Based on Beds in Service	53.5%	53.6%	44.6%	44.3%	47.4%
Emergency Room Visits	19,655	20,022	15,328	7,657	7,340
Outpatient Revenues	162,356,102	181,623,756	178,474,519	86,071,640	100,070,248
Total Gross Revenues	271,793,256	296,757,361	277,554,794	135,923,808	155,300,356
Outpatient Revenue as % of Total Revenues	59.7%	61.2%	64.3%	63.3%	64.4%
<b>Sutter Solano Medical Center</b>					
Current Licensed Beds	106	106	106	106	106
Beds in Service	106	106	106	106	106
Admissions	4,087	4,387	3,886	1,938	1,813
Patient Days	17,336	17,724	17,416	8,421	8,648
Average Length of Stay	4.2	4.0	4.5	4.3	4.77
% Occupancy Based on Beds in Service	44.8%	45.8%	45.0%	43.5%	44.7%
Emergency Room Visits	35,062	34,313	25,196	13,114	12,125
Outpatient Revenues	265,278,110	274,131,099	232,380,968	116,127,818	123,340,970
Total Gross Revenues	568,324,186	590,334,687	542,153,344	261,173,226	282,444,387
Outpatient Revenue as % of Total Revenues	46.7%	46.4%	42.9%	44.5%	43.7%

Sutter Health  
Acute Care Utilization Statistics

	2018	2019	2020	Q2 2020	Q2 2021
<b>Sutter Davis Hospital</b>					
Current Licensed Beds	48	48	48	48	48
Beds in Service	48	48	48	48	48
Admissions	3,810	3,765	3,419	1,645	1,771
Patient Days	10,877	11,319	9,941	4,989	5,006
Average Length of Stay	2.9	3.0	2.9	3.0	2.83
% Occupancy Based on Beds in Service	62.1%	64.6%	56.7%	57.0%	57.1%
Emergency Room Visits	29,078	28,773	23,581	11,810	12,194
Outpatient Revenues	263,065,734	270,864,032	263,710,945	125,007,569	153,638,763
Total Gross Revenues	450,202,076	474,011,878	447,226,267	214,318,692	248,954,662
Outpatient Revenue as % of Total Revenues	58.4%	57.1%	59.0%	58.3%	61.7%
<b>Sutter Auburn Faith Hospital</b>					
Current Licensed Beds	64	64	64	64	64
Beds in Service	64	64	64	64	64
Admissions	3,076	3,392	3,402	1,629	1,587
Patient Days	10,240	11,346	11,381	5,537	5,104
Average Length of Stay	3.3	3.3	3.3	3.4	3.22
% Occupancy Based on Beds in Service	43.8%	48.6%	48.7%	47.4%	43.7%
Emergency Room Visits	28,947	29,053	24,071	11,747	12,543
Outpatient Revenues	332,632,224	358,745,452	337,055,909	158,786,088	194,290,237
Total Gross Revenues	515,067,596	561,533,115	551,199,700	259,567,982	301,050,173
Outpatient Revenue as % of Total Revenues	64.6%	63.9%	61.1%	61.2%	64.5%
<b>Sutter Delta Medical Center</b>					
Current Licensed Beds	145	145	145	145	141
Beds in Service	145	145	145	145	141
Admissions	7,411	7,823	6,413	3,264	3,191
Patient Days	27,864	29,623	25,710	12,506	13,083
Average Length of Stay	3.8	3.8	4.0	3.8	4.10
% Occupancy Based on Beds in Service	52.6%	56.0%	48.6%	47.3%	50.8%
Emergency Room Visits	54,403	54,091	39,822	21,046	19,817
Outpatient Revenues	317,074,807	324,821,572	272,222,512	134,009,992	157,433,275
Total Gross Revenues	798,960,253	837,970,352	730,920,853	358,789,927	405,890,397
Outpatient Revenue as % of Total Revenues	39.7%	38.8%	37.2%	37.4%	38.8%
<b>Sutter Lakeside Hospital</b>					
Current Licensed Beds	30	30	30	30	30
Beds in Service	30	25	25	25	25
Admissions	1,917	1,998	1,656	809	794
Patient Days	6,110	6,553	5,791	2,772	2,604
Average Length of Stay	3.2	3.3	3.5	3.4	3.28
% Occupancy Based on Beds in Service	55.8%	71.8%	63.5%	60.8%	57.1%
Emergency Room Visits	19,783	20,837	16,674	8,357	8,411
Outpatient Revenues	168,313,799	183,071,139	168,277,343	75,318,925	102,621,520
Total Gross Revenues	234,816,323	256,748,211	241,811,499	109,836,501	138,146,929
Outpatient Revenue as % of Total Revenues	71.7%	71.3%	69.6%	68.6%	74.3%
<b>Sutter Amador Hospital</b>					
Current Licensed Beds	52	52	52	52	52
Beds in Service	52	52	52	52	52
Admissions	2,396	2,298	2,208	1,108	1,029
Patient Days	8,881	8,397	8,616	4,203	4,253
Average Length of Stay	3.7	3.7	3.9	3.8	4.13
% Occupancy Based on Beds in Service	46.8%	44.2%	45.4%	44.3%	44.8%
Emergency Room Visits	23,215	23,894	21,822	10,387	11,140
Outpatient Revenues	158,868,056	172,446,015	170,416,605	82,142,334	96,519,097
Total Gross Revenues	289,980,042	296,951,735	299,303,237	145,651,043	162,982,523
Outpatient Revenue as % of Total Revenues	54.8%	58.1%	56.9%	56.4%	59.2%

Sutter Health  
Acute Care Utilization Statistics

	2018	2019	2020	Q2 2020	Q2 2021
<b>Sutter Tracy Community Hospital</b>					
Current Licensed Beds	77	77	77	77	77
Beds in Service	77	77	77	77	77
Admissions	3,661	3,679	3,369	1,697	1,741
Patient Days	11,132	11,874	11,885	5,779	6,213
Average Length of Stay	3.0	3.2	3.5	3.4	3.57
% Occupancy Based on Beds in Service	39.6%	42.2%	42.3%	41.1%	44.2%
Emergency Room Visits	35,846	34,353	26,518	13,513	13,312
Outpatient Revenues	274,177,942	284,406,137	257,425,444	120,330,330	157,563,089
Total Gross Revenues	455,080,816	479,005,591	463,449,854	219,268,803	270,021,736
Outpatient Revenue as % of Total Revenues	60.2%	59.4%	55.5%	54.9%	58.4%
<b>Sutter Roseville Medical Center</b>					
Current Licensed Beds	328	328	352	352	382
Beds in Service	328	328	352	352	382
Admissions	19,837	21,008	20,508	9,661	11,388
Patient Days	86,163	90,701	93,181	43,148	53,053
Average Length of Stay	4.3	4.3	4.5	4.5	4.66
% Occupancy Based on Beds in Service	72.0%	75.8%	72.5%	67.2%	76.1%
Emergency Room Visits	81,554	80,760	72,508	33,851	40,143
Outpatient Revenues	845,520,330	894,322,398	914,563,191	424,550,244	564,941,640
Total Gross Revenues	2,268,781,541	2,459,429,600	2,606,665,286	1,199,176,276	1,557,821,397
Outpatient Revenue as % of Total Revenues	37.3%	36.4%	35.1%	35.4%	36.3%
<b>Sutter Maternity and Surgery Center</b>					
Current Licensed Beds	30	28	28	28	28
Beds in Service	30	28	28	28	28
Admissions	1,331	1,227	1,141	533	558
Patient Days	3,477	3,205	2,804	1,330	1,441
Average Length of Stay	2.6	2.6	2.5	2.5	2.58
% Occupancy Based on Beds in Service	31.8%	31.4%	27.4%	26.0%	28.2%
Emergency Room Visits	-	-	-	-	-
Outpatient Revenues	149,983,259	161,917,148	156,851,940	66,365,072	89,767,253
Total Gross Revenues	204,101,797	212,193,818	206,326,144	87,630,483	116,859,437
Outpatient Revenue as % of Total Revenues	73.5%	76.3%	76.0%	75.7%	76.8%
<b>Sutter Santa Rosa Regional Hospital</b>					
Current Licensed Beds	84	84	84	84	84
Beds in Service	84	84	84	84	84
Admissions	6,785	6,762	6,984	3,355	3,624
Patient Days	25,516	24,688	25,100	12,343	12,465
Average Length of Stay	3.8	3.7	3.6	3.7	3.44
% Occupancy Based on Beds in Service	83.2%	80.5%	81.9%	80.5%	81.3%
Emergency Room Visits	35,275	35,555	31,126	14,942	16,511
Outpatient Revenues	399,278,618	427,768,289	442,460,823	197,975,438	262,858,791
Total Gross Revenues	882,400,936	928,606,868	980,330,589	455,349,955	548,636,839
Outpatient Revenue as % of Total Revenues	45.2%	46.1%	45.1%	43.5%	47.9%
<b>Memorial Medical Center &amp; Memorial Hospital Los Banos</b>					
Current Licensed Beds	459	459	459	459	457
Beds in Service	419	419	419	419	457
Admissions	18,718	19,768	19,462	9,454	10,271
Patient Days	79,308	85,646	92,096	43,194	49,441
Average Length of Stay	4.2	4.3	4.7	4.6	4.81
% Occupancy Based on Beds in Service	51.9%	56.0%	60.2%	56.5%	59.3%
Emergency Room Visits	110,821	112,169	97,202	47,679	49,757
Outpatient Revenues	1,147,110,817	1,196,923,917	1,099,494,662	526,495,897	623,547,611
Total Gross Revenues	2,582,267,792	2,766,597,452	2,726,780,633	1,296,072,838	1,524,186,007
Outpatient Revenue as % of Total Revenues	44.4%	43.3%	40.3%	40.6%	40.9%

Sutter Health  
Acute Care Utilization Statistics

	2018	2019	2020	Q2 2020	Q2 2021
<b>Alta Bates Summit Medical Center</b>					
Current Licensed Beds	918	892	892	892	892
Beds in Service	780	812	812	812	812
Admissions	29,225	28,337	25,093	12,479	12,481
Patient Days	151,871	149,254	134,381	66,825	67,102
Average Length of Stay	5.2	5.3	5.4	5.4	5.38
% Occupancy Based on Beds in Service	53.3%	50.4%	45.3%	45.1%	45.3%
Emergency Room Visits	86,942	83,898	64,904	33,350	33,187
Outpatient Revenues	1,316,271,174	1,324,980,252	1,109,396,740	532,696,525	629,706,068
Total Gross Revenues	3,646,856,642	3,653,218,215	3,201,847,185	1,559,544,401	1,726,281,700
Outpatient Revenue as % of Total Revenues	36.1%	36.3%	34.6%	34.2%	36.5%
<b>Mills-Peninsula Medical Center</b>					
Current Licensed Beds	301	301	301	301	301
Beds in Service	301	301	301	301	301
Admissions	13,447	13,403	11,872	5,778	5,997
Patient Days	59,393	59,360	53,237	26,087	27,818
Average Length of Stay	4.4	4.4	4.5	4.5	4.64
% Occupancy Based on Beds in Service	54.1%	54.0%	48.5%	47.5%	50.6%
Emergency Room Visits	48,189	49,212	40,930	20,285	20,435
Outpatient Revenues	803,421,548	856,732,867	743,520,178	335,059,717	460,342,313
Total Gross Revenues	1,744,900,968	1,812,556,925	1,627,720,504	761,363,340	954,891,929
Outpatient Revenue as % of Total Revenues	46.0%	47.3%	45.7%	44.0%	48.2%
<b>Menlo Park Surgical Hospital</b>					
Current Licensed Beds	16	16	16	16	16
Beds in Service	16	16	16	16	-
Admissions	225	182	141	64	-
Patient Days	365	275	206	92	-
Average Length of Stay	1.6	1.5	1.5	1.4	-
% Occupancy Based on Beds in Service	6.3%	4.7%	3.5%	3.2%	0.0%
Emergency Room Visits	-	-	-	-	-
Outpatient Revenues	36,801,597	34,624,547	24,804,628	8,613,043	-
Total Gross Revenues	54,086,272	47,984,137	35,044,262	12,822,743	-
Outpatient Revenue as % of Total Revenues	68.0%	72.2%	70.8%	67.2%	0.0%
<b>California Pacific Medical Center</b>					
Current Licensed Beds	913	597	565	565	603
Beds in Service	913	535	535	535	603
Admissions	26,842	26,250	22,727	11,056	13,086
Patient Days	145,361	140,826	122,383	60,279	61,996
Average Length of Stay	5.4	5.4	5.4	5.5	4.74
% Occupancy Based on Beds in Service	43.6%	72.1%	62.7%	61.7%	56.3%
Emergency Room Visits	70,240	70,895	57,511	29,274	27,456
Outpatient Revenues	1,311,541,064	1,364,391,278	1,187,872,581	557,047,676	592,102,226
Total Gross Revenues	3,807,830,714	3,821,288,156	3,504,314,816	1,673,606,086	1,669,718,966
Outpatient Revenue as % of Total Revenues	34.4%	35.7%	33.9%	33.3%	35.5%
<b>Eden Medical Center</b>					
Current Licensed Beds	130	130	130	130	130
Beds in Service	130	130	130	130	130
Admissions	9,072	9,092	8,648	4,121	4,347
Patient Days	38,064	40,590	35,571	17,294	18,356
Average Length of Stay	4.2	4.5	4.1	4.2	4.22
% Occupancy Based on Beds in Service	80.2%	85.5%	75.0%	72.9%	77.4%
Emergency Room Visits	46,954	46,471	36,077	18,486	17,440
Outpatient Revenues	424,171,638	430,986,751	373,978,845	180,968,448	208,241,520
Total Gross Revenues	1,214,602,472	1,260,244,414	1,161,993,329	558,525,983	630,804,191
Outpatient Revenue as % of Total Revenues	35.2%	35.2%	32.2%	32.4%	33.0%

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 June 30, 2021	Medicare Non-Risk	Risk	Medi-Cal Non-Risk	Risk	Commercial Non-Risk	Risk	Other	Total
Sutter Medical Center-Sacramento	31.2%	7.8%	23.1%	0.5%	24.3%	6.2%	6.9%	100.0%
Sutter Solano Medical Center	46.1%	0.1%	34.9%	0.0%	16.8%	0.5%	1.6%	100.0%
Sutter Davis Hospital	34.9%	8.4%	22.0%	0.0%	27.9%	5.4%	1.4%	100.0%
Sutter Coast Hospital	50.7%	0.0%	26.7%	0.0%	20.8%	0.0%	1.8%	100.0%
Sutter Delta Medical Center	44.2%	0.1%	33.6%	0.0%	19.4%	0.7%	2.0%	100.0%
Sutter Auburn Faith Hospital	49.1%	12.4%	13.4%	0.0%	20.3%	3.8%	1.0%	100.0%
Sutter Tracy Community Hospital	36.4%	0.3%	28.3%	0.0%	31.8%	1.1%	2.1%	100.0%
Sutter Roseville Medical Center	40.5%	9.7%	16.7%	0.2%	25.7%	5.0%	2.2%	100.0%
California Pacific Medical Center	43.3%	0.4%	17.0%	3.8%	31.4%	1.7%	2.4%	100.0%
Sutter Maternity and Surgery Center	41.2%	2.2%	9.0%	0.0%	43.7%	1.9%	2.0%	100.0%
Mills Peninsula Medical Center	45.6%	6.2%	11.8%	0.0%	33.0%	2.3%	1.1%	100.0%
Sutter Lakeside Hospital	49.4%	0.0%	31.4%	0.0%	18.3%	0.1%	0.8%	100.0%
Memorial Medical Center & Memorial Hospital Los Banos	37.9%	9.6%	26.5%	0.0%	22.2%	2.5%	1.3%	100.0%
Novato Community Hospital	54.8%	0.1%	18.4%	0.0%	24.5%	0.7%	1.5%	100.0%
Alta Bates Summit Medical Center	42.4%	0.6%	27.6%	0.0%	24.0%	0.9%	4.5%	100.0%
Sutter Santa Rosa Regional Hospital	46.1%	0.8%	24.7%	0.0%	22.4%	4.7%	1.3%	100.0%
Sutter Amador Hospital	54.4%	0.5%	17.8%	0.0%	25.9%	0.5%	0.9%	100.0%
Eden Medical Center	44.7%	0.1%	26.8%	0.0%	25.5%	0.7%	2.2%	100.0%
<b>Total Acute Care Payer Mix (%)</b>	<b>40.9%</b>	<b>4.5%</b>	<b>22.2%</b>	<b>0.7%</b>	<b>25.7%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>100.0%</b>