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Providence Reports Results for Second Quarter 2022

The health system takes key steps, including simplifying its administrative structure, to respond to unprecedented national challenges.

RENTON, Wash., Aug. 15, 2022 – Providence, a not-for-profit health system serving the Western U.S., today announced results for the second quarter 2022. The report showed the ongoing impact of inflation, the national health care labor shortage, global supply chain disruptions and financial market weakness. In stepping up to meet the significant need, Providence like other health systems across the country, continued to absorb the increased cost of caring for patients even as revenue and reimbursement did not keep pace, resulting in a net operating loss of \$424 million for the second quarter of 2022.

COVID-19 volumes receded from the omicron-related peak of 2,420 patients in January. Unlike the prior year, Providence did not experience a rebound in surgical levels seen between the alpha and delta surges, with inpatient surgeries 4% lower than the comparable period in 2021* and 16% lower than 2019*. Meanwhile, patient care operations continued to be strained by the health care labor shortage and challenges in discharging patients, resulting in an increased reliance on costly agency staffing and other premium labor compared with the prior year. In the second quarter, premium labor was up \$191 million compared with the second quarter of 2021 and up \$379 million year-to-date compared with the first six months of 2021.

In July, Providence announced a simplified operating management structure to better respond to the fast-changing health care landscape. The new model calls for a leaner executive team and a nimbler administrative structure, which will support caregivers and patients by freeing up resources for direct patient care while keeping the focus on retaining and recruiting caregivers in essential roles.

“Creating a more sustainable model of health care by 2025 has been a key part of our vision since before the pandemic. But it has become even more imperative today as health systems across the country face a new reality. Alongside our investments to simplify processes and modernize technology, streamlining our leadership and administrative structure is another way we will ensure we are operating as efficiently as possible, so that we can keep resources focused on direct patient care, especially for those who are most vulnerable,” said Providence CFO Greg Hoffman.

As part of this change, Providence is grouping its existing seven operating regions into three new divisions, which will reduce the number of executives by moving the organization from seven regional senior leadership teams to three divisional teams. In addition, the health system is consolidating its three clinical lines of business – Physician Enterprise, Ambulatory Care Network and Clinical Institutes – under one executive leadership team.

For the six months ended June 30, 2022, operating revenues were \$12.7 billion, growing 2% on a pro forma basis. Meanwhile, operating expenses were \$13.6 billion, an increase of 8%, compared with the same period in 2021 on a pro forma basis. This includes a 13% increase in salary and benefits due to the added cost of agency staff, overtime, and wage increases. It also includes a 7% increase in supply costs, driven by a 13% increase in pharmaceutical spend.

Providence experienced a net operating loss of \$934 million for the first six months of the year. Operating earnings before interest, depreciation, and amortization (EBIDA) resulted in a loss of \$242 million. The \$74 million in CARES funding that Providence recognized as revenue in the first six months provided some relief but was not adequate to cover the loss.

Providence has remained steadfast in its commitment to uncompensated care and other community programs throughout this time of need. Having ended 2021 with \$1.9 billion in community benefit, up \$366 million since 2019, Providence reported another increase in the first half of 2022. For the first six months of the year, the health system invested \$1 billion in community benefit, compared to \$813 million* for the same period in 2021.

Financial market weakness and volatility drove investment losses of \$920 million, bringing Providence's total unrestricted cash and investments to \$10.1 billion.

"Having served the Western U.S. for more than 165 years, Providence has lived through other economic downturns, past pandemics, and periods of political and social unrest. With the steps we are taking to respond to the times, we will continue supporting caregivers and serving our communities throughout these challenging times, with the mission of Providence enduring for generations to come," said Providence President and CEO Rod Hochman, M.D.

**Hoag assets excluded from the 2021 comparisons.*

***For additional information, see our voluntary disclosure for the quarter ended June 30, 2022.*

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About Providence

Providence is a national, not-for-profit Catholic health system comprising a diverse family of organizations and driven by a belief that health is a human right. With 51 hospitals, more than 900 physician clinics, senior services, supportive housing and many other health and educational services, the health system and its partners employ and more than 121,000 caregivers serving communities across Alaska, California, Montana, New Mexico, Oregon, Texas, and Washington, with system offices in Renton, Wash., and Irvine, Calif. Learn about our vision of health for a better world at [Providence.org](https://www.providence.org).