



Continuing Disclosure – Quarterly Report



Presbyterian Healthcare Services
1100 Central Avenue SE
Albuquerque, NM 87106

December 31, 2022

Contact information:
James S. Noble
Senior Vice President and
Chief Financial Officer

505-923-5338
jnoble4@phs.org

Chris Spencer
Vice President
Treasury Services

505-923-6395
cspencer@phs.org

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Forward-Looking Information -

This disclosure report may contain disclosures which contain “forward-looking statements.” Forward-looking statements include all statements that do not relate solely to historical or current facts, and can be identified by the use of words such as “believe,” “expect,” “may,” “might,” “will,” “should,” “seek,” “could,” “approximately,” “intend,” “plan,” “estimate,” “budget,” “anticipate,” or “continue” or the negative of those words or other similar expressions. Forward-looking statements involve inherent risks and uncertainties and are based on the current plans and expectations of Presbyterian Healthcare Services (PHS) and are subject to a number of known and unknown uncertainties and risks, many of which are beyond PHS’s control, that could significantly affect current plans and expectations and PHS’s future financial position and results of operations. These factors include, but are not limited to, (i) the highly competitive nature of the health care business, (ii) the efforts of insurers, health care providers and others to contain health care costs, (iii) possible changes in the Medicare and Medicaid programs that may impact reimbursements to health care providers and insurers, (iv) changes in federal, state or local regulations affecting the health care industry, (v) the possible enactment of federal or state health care reform, (vi) the ability to attract and retain qualified management and other personnel, including affiliated physicians, nurses and medical support personnel, (vii) liabilities and other claims asserted against PHS, (viii) changes in accounting standards and practices, (ix) changes in general economic conditions, (x) future divestitures or acquisitions which may result in additional charges, (xi) changes in revenue mix and the ability to enter into and renew managed care provider arrangements on acceptable terms, (xii) the availability and terms of capital to fund future expansion plans of PHS and to provide for ongoing capital expenditure needs, (xiii) changes in business infrastructure costs, (xiv) delays in receiving payments, (xv) the ability to control administrative, supply and infrastructure costs, (xvi) the outcome of pending and any future litigation, (xvii) PHS’s continuing efforts to monitor, maintain and comply with appropriate laws, regulations, policies and procedures relating to PHS’s status as a tax-exempt organization, as well as its ability to comply with the requirement of Medicare and Medicaid programs, (xviii) the ability to achieve expected levels of patient volumes and control the costs of providing services, (xix) results of reviews of PHS’s cost reports, and (xx) PHS’s ability to comply with legislation and/or regulations. As a consequence, current plans, anticipated actions and future financial position and results of operations may differ from those expressed in any forward-looking statements made by or on behalf of PHS. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this report.

Forward-looking statements contained herein are made only as of the date made, and we do not undertake any obligation to update them to reflect events or circumstances after the date of this disclosure to reflect the occurrence of unanticipated events.

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Presbyterian Healthcare Services and Affiliates

Condensed Combined Balance Sheets

	December 31, 2022	December 31, 2021
	(audited)	
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 395,586	\$ 474,550
Accounts receivable, less allowance for doubtful accounts	201,761	182,905
Other receivables	304,268	291,054
Inventories, prepaid expenses, and other	79,257	74,664
Total current assets	980,872	1,023,173
Assets limited as to use or restricted:		
Designated for long-term purposes	2,358,320	2,631,909
Designated for self-insurance funds	166,137	182,083
Restricted by donors	59,007	65,980
Held by trustee	92,389	145,538
Restricted for statutory requirements	256,266	244,866
	2,932,119	3,270,376
Property and equipment, net	1,221,338	1,204,461
Goodwill	108,042	108,042
Other assets	328,444	335,602
Total assets	\$ 5,570,815	\$ 5,941,654
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 101,804	\$ 116,323
Due under Medicaid contract	185,477	137,143
Accrued liabilities	365,124	264,182
Medical claims payable	396,976	394,089
Estimated third-party payor settlements	11,239	10,101
Short term borrowings and current portion of long term-debt	12,476	117,549
Total current liabilities	1,073,096	1,039,387
Long-term debt, net of current portion	1,092,204	1,031,714
Employee benefit plans	155,512	211,496
Self insurance reserves	292,196	290,077
Other liabilities	99,168	180,241
Total liabilities	2,712,176	2,752,915
Net assets:		
Net assets without donor restrictions		
Attributable to Presbyterian Healthcare Services	2,745,601	3,069,064
Attributable to non-controlling interests	52,665	51,606
	2,798,266	3,120,670
Net Assets with donor restrictions	60,373	68,069
Total net assets	2,858,639	3,188,739
Total liabilities and net assets	\$ 5,570,815	\$ 5,941,654

See accompanying notes.

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Presbyterian Healthcare Services and Affiliates

Condensed Combined Statements of Operations (unaudited)

	Three Months Ended	
	12/31/2022	12/31/2021
	<i>(In Thousands)</i>	
Revenues		
Net premiums	\$ 984,494	\$ 938,412
Net patient service revenue	342,151	334,945
Other operating	27,002	41,930
Total operating revenues	1,353,647	1,315,287
Expenses		
Medical claims	631,780	616,306
Salaries, wages and employee benefits	369,890	364,411
Purchased services and other	221,451	168,754
Supplies	126,891	115,027
Professional fees	14,618	10,092
Depreciation and amortization	28,432	30,832
Interest	8,458	8,545
Total expenses	1,401,520	1,313,968
Operating income	(47,873)	1,319
Other income (loss):		
Investment income	23,562	119,132
Changes in unrealized gains and losses on investments	72,968	(30,873)
Gain on bond defeasance	1,353	-
Change in fair value of interest rate swaps	530	649
Excess of revenues over expenses before income tax	50,540	90,227
Provision for income taxes	4,549	11,506
Excess of revenues over expenses	45,991	78,721
Less excess of revenues over expenses attributable to non-controlling interests	(2,086)	(2,652)
Excess of revenues over expenses attributable to Presbyterian Healthcare Services	\$ 43,905	\$ 76,069

See accompanying notes.

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Presbyterian Healthcare Services and Affiliates

Condensed Combined Statements of Operations (unaudited)

	Year Ended December 31	
	2022	2021
	<i>(In Thousands)</i>	
Revenues		
Net premiums	\$ 4,081,395	\$ 3,692,491
Net patient service revenue	1,336,637	1,280,691
Other operating	129,800	129,623
Total operating revenues	<u>5,547,832</u>	<u>5,102,805</u>
Expenses		
Medical claims	2,607,229	2,387,158
Salaries, wages and employee benefits	1,501,230	1,344,753
Purchased services and other	858,429	690,181
Supplies	472,859	418,264
Professional fees	52,035	38,195
Depreciation and amortization	126,117	120,464
Interest	35,370	34,775
Total expenses	<u>5,653,269</u>	<u>5,033,790</u>
Operating income (loss)	(105,437)	69,015
Other income (loss):		
Investment income	33,614	189,612
Changes in unrealized gains and losses on investments	(333,800)	43,570
Gain on bond defeasance	4,906	-
Loss on ASC sale	(944)	-
Change in fair value of interest rate swaps	33,837	13,457
Excess of revenues over expenses before income tax	<u>(367,824)</u>	<u>315,654</u>
Provision for income taxes	2,836	41,646
Excess of revenues over expenses	<u>(370,660)</u>	<u>274,009</u>
Less excess of revenues over expenses attributable to non-controlling interests	<u>(6,427)</u>	<u>(9,058)</u>
Excess of revenues over expenses attributable to Presbyterian Healthcare Services	<u>\$ (377,087)</u>	<u>\$ 264,950</u>

See accompanying notes.

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Presbyterian Healthcare Services and Affiliates

Condensed Combined Statement of Changes in Net Assets (unaudited)

	Year Ended December 31,	
	2022	2021
	<i>(In Thousands)</i>	
Net assets without donor restrictions		
Excess of revenues over expenses	\$ (377,087)	\$ 264,950
Change in pension Obligation	53,429	25,797
Other changes in net assets	194	2,940
Increase in net assets without donor restrictions	(323,464)	293,687
Non-controlling interest of acquired entity		
Cash distributions to non-controlling interests	(7,748)	(7,544)
Ambulatory surgery center interests sold	2,380	2,153
Excess of revenues over expenses attributable to non-controlling interests	6,427	9,058
Increase attributable to non-controlling interests	1,059	3,667
Net assets with donor restrictions		
Donor restricted contributions	3,688	5,923
Investment income and other	(3,333)	5,934
Net assets released from restrictions	(8,050)	(3,426)
Increase in restricted net assets	(7,695)	8,431
(Decrease) Increase in net assets	(330,100)	305,785
Net assets, beginning of period	3,188,739	2,882,954
Net assets, end of period	\$ 2,858,639	\$ 3,188,739

See accompanying notes.

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Presbyterian Healthcare Services and Affiliates

Condensed Combined Statements of Cash Flows (unaudited)

	Year Ended December 31,	
	2022	2021
Operating activities		
Change in net assets	\$ (330,100)	\$ 305,785
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Change in unrealized gains/losses on investments	333,800	(43,569)
Change in fair value of interest rate swaps	(33,837)	(13,457)
Distributions to non-controlling interests	7,748	-
Ambulatory surgery center interests sold	(2,380)	(2,153)
Gain on extinguishment of debt	(3,552)	7,544
Depreciation and amortization	126,117	120,464
Changes in operating assets and liabilities:		
Accounts receivable, less allowance for doubtful accounts	(18,857)	(24,332)
Other receivables	(23,665)	(105,430)
Inventories, prepaid expenses and other current assets	(4,593)	16,565
Trading Securities	(77,509)	(357,598)
Other assets	2,957	(55,373)
Accounts payable	(4,069)	17,576
Medicaid Liabilities	48,334	58,996
Accrued expenses	100,942	(22,484)
Medical claims payable	2,887	85,804
Estimated third-party payer settlements/receivables	1,138	5,150
Other liabilities	(105,615)	(32,938)
Net cash provided (used) by operating activities	<u>19,746</u>	<u>(39,450)</u>
Investing activities		
Sales of Assets Held by Trustee and Statutory Deposits	118,368	106,290
Purchase of Assets Held by Trustee and Statutory Deposits	(76,619)	(52,761)
Purchases of property and equipment	(138,389)	(194,206)
Net cash provided (used) in investing activities	<u>(96,640)</u>	<u>(140,677)</u>
Financing activities		
Proceeds from issuance of long-term debt	315,925	-
Payments on long-term debt and capital leases	(376,340)	(17,880)
Ambulatory surgery center interests sold	2,380	2,153
Payment on interest rate lock	23,494	(7,544)
Distributions to non-controlling interests	(7,748)	-
Net cash provided (used) in financing activities	<u>(42,289)</u>	<u>(23,271)</u>
Net increase (decrease) in cash and cash equivalents	<u>(119,183)</u>	<u>(203,398)</u>
Cash and cash equivalents, beginning of period	637,899	841,297
Cash and cash equivalents, end of period	<u>\$ 518,716</u>	<u>\$ 637,899</u>
Amounts reported as cash and cash equivalents in statement of cash flows		
Cash and cash equivalents	395,586	474,550
Assets Limited as to use	123,130	163,349
	<u>\$ 518,716</u>	<u>\$ 637,899</u>

See accompanying notes.

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1. Organization

Presbyterian Healthcare Services (PHS) is a New Mexico nonprofit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. PHS is a diversified healthcare organization that owns, leases, controls, operates or manages a variety of healthcare-related organizations, including seven hospitals in New Mexico, a for-profit health maintenance organization (HMO), and several other affiliated organizations. PHS provides a broad range of healthcare services, including inpatient, outpatient, sub-acute, home health care and physician services.

PHS consists of the following divisions and affiliates:

Presbyterian Healthcare Services Divisions:

Presbyterian Hospital*, including the following
which are designated as remote locations of
Presbyterian Hospital:
Presbyterian Kaseman Hospital*
Presbyterian Northside*
Presbyterian Rust Medical Center*
Santa Fe Medical Center*
Plains Regional Medical Center*
Presbyterian Española Hospital*
Socorro General Hospital*

Lincoln County Medical Center (leased facility)
Dr. Dan C. Trigg Memorial Hospital (leased
facility)

* Denotes Obligated Group members.

Presbyterian Healthcare Services Affiliates:

Southwest Health Foundation
Presbyterian Network, Inc. (PNI)
Presbyterian Insurance Company, Inc.
(PIC)
Presbyterian Health Plan, Inc. (PHP)
Fluent Health, LLC (Fluent)
Albuquerque Imaging Associates
Southwest Magnetic Imaging Associates
Presbyterian Properties, Inc. (PPI)
Presbyterian Healthcare Foundation*
Bernalillo County Health Care Corporation
d.b.a. Albuquerque Ambulance Service*
New Mexico Orthopaedic Surgery Center
ASC, LLC
PHS/USP Health Ventures, LLC
Presbyterian Hospital ASC, LLC
Presbyterian Rust Medical Center
ASC, LLC

PHS accesses the capital markets through an Obligated Group. Obligated Group members include PHS and certain divisions and affiliates as noted above, which are jointly and severally liable for the long-term debt outstanding under a Master Trust Indenture. None of the other PHS affiliates have any obligation related to requirements of the Master Trust Indenture. The Obligated Group's net assets represent 70% and 71% of PHS and affiliates' combined net assets at December 31, 2022 and 2021, respectively.

Presbyterian Network, Inc. (PNI) is a wholly owned subsidiary of Southwest Health Foundation. PNI is the parent organization of two wholly owned subsidiaries, Presbyterian Health Plan, Inc. (PHP) and Presbyterian Insurance Company, Inc. (PIC). PHP is a state-licensed HMO in New Mexico and is also a federally qualified HMO under Title XIII of the Public Health Service Act. PHP provides comprehensive health services in New Mexico to individuals primarily through health maintenance contracts with employer groups and individuals. PHP has a five-year contract

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with the State of New Mexico to provide physical health, behavioral health, and long-term care services to Medicaid eligible individuals under the Centennial Care program. The current five-year contract began January 1, 2019. PHP also offers an HMO product to Medicare-eligible individuals (Medicare Advantage). The Medicare Advantage product provides managed care services that include all Medicare benefits and, in some cases, additional managed care services. PIC offers preferred provider and indemnity products to individuals through contracts with employer groups, as well as stop-loss coverage to some of PHP's self-funded employer groups.

Fluent Health, LLC (Fluent) is a management services organization owned by PNI, PHP, and PIC. The business purpose of Fluent is to provide claims processing, administrative, management, and consulting services to health plans. Currently, Fluent provides these services to PHP and PIC.

On February 1, 2020, PHS entered into an agreement to purchase an ownership interest in New Mexico Orthopaedic Surgery Center LLC (NMOSC). PHS, and another owner of NMOSC, contributed their shares of NMOSC to the newly formed PHS/USP Health Ventures, LLC (PUHV). PUHV consolidates NMOSC through its control and 68.5% ownership in NMOSC. PHS consolidates PUHV through its control and 64.75% ownership in PUHV. Certain transactions between these entities are eliminated in consolidation and PHS reflects the activity attributable to the other owners as non-controlling interest in the combined financial statements.

On February 1, 2020, PHS established the Presbyterian Hospital ASC, LLC (PHASC). PHS consolidates PHASC through its control and 79.25% ownership in PHASC. Certain transactions between these entities are eliminated in consolidation and PHS reflects the activity attributable to the other owners as non-controlling interest in the combined financial statements.

On March 1, 2021, PHS established the Presbyterian Rust Medical Center ASC, LLC (Rust ASC). PHS consolidates Rust ASC through its control and 72.25% ownership in Rust ASC. Certain transactions between these entities are eliminated in consolidation and PHS reflects the activity attributable to the other owners as non-controlling interest in the combined financial statements.

Basis of Presentation

The accompanying condensed combined financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes required for complete financial statements. These combined statements include the accounts of PHS and its affiliates described in Note 1 (collectively PHS), including Presbyterian Healthcare Foundation (the Foundation), which is not a controlled entity. However, the Foundation is organized for the benefit and support of PHS, and its financial position and results of operations are combined herein. All significant intercompany balances and transactions have been eliminated in combination.

The December 31, 2021 financial statement information was derived from and should be read in conjunction with the Presbyterian Healthcare Services and Affiliates 2021 audited combined financial statements.

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2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses in the combined financial statements. Actual results could differ from those estimates.

Fair Value Measurements

Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, requires the categorization of financial assets and liabilities into a three-level hierarchy based on pricing inputs to the valuation technique. The fair value hierarchy gives the highest priority to the quoted prices in active markets for identical assets and liabilities and lowest priority to unobservable inputs. The various levels of the fair value hierarchy are described as follows:

- Level 1 — Pricing is based on observable inputs such as quoted prices in active markets.
- 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 or liabilities.
- Level 3 — Pricing inputs are generally unobservable 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 or liabilities. The fair values are therefore determined using factors that involve considerable judgment and interpretations, including but not limited to private and public comparables, third-party appraisals, discounted cash flow models, and fund manager estimates.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in ASC 820. Where more than one technique is noted, individual assets or liabilities were valued using one or more of the noted techniques. The valuation techniques are as follows:

- (a) *Market approach*. Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- (b) *Cost approach*. Amount that would be required to replace the service capacity of an asset (replacement cost).

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(c) *Income approach*. Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

(d) *Net Asset Value (NAV)* – Represents the difference between the assets and liabilities of an investment fund or partnership expressed on a per share or unit basis on the valuation date. Underlying asset and liability values may utilize techniques (a), (b), or (c).

When observable market data is available, it is required to be used in determining the fair value measurement. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement. The majority of PHS' marketable debt and equity securities are measured based on observable market prices. PHS' swap instruments are measured using models based upon observable pricing inputs.

3. Assets Limited as to Use or Restricted

PHS has designated the accumulations of certain funds for future replacement of property and equipment, other capital improvements, debt retirement, self-insurance reserves and other long-term purposes. Under the terms of the Master Trust Indenture for the outstanding bond issues, funds held by the trustee have been established and legally designated for debt service and qualifying capital expenditures.

The following is a summary of assets limited as to use or restricted at fair value, except for certain alternative investments, which are recorded at NAV using the equity method.

	December 31, 2022	December 31, 2021
	<i>(In Thousands)</i>	
Cash and cash equivalents	\$ 123,130	\$ 163,349
Fixed income securities	800,067	911,558
Equity securities	911,056	1,224,661
Government securities	544,776	494,920
Alternative Investments	553,090	475,858
	\$ 2,932,119	\$ 3,270,376

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As of December 31, 2022 and 2021, PHS had alternative investments representing various hedge funds, private equity, and real asset investments that include limited liability companies and limited liability partnerships, as follows:

	December 31	December 31
	2022	2021
	<i>(In Thousands)</i>	
Equity long/short	\$ 13,500	\$ 13,500
Event-driven	55,717	50,164
Relative Value	46,700	46,700
Tactical trading	61,500	58,109
Private equity	85,477	35,095
Real assets	201,830	156,856
Total cost basis	464,724	360,424
Equity method changes, net	88,366	115,434
	\$ 553,090	\$ 475,858

Investment income (loss) on assets limited as to use or restricted (excluding restricted by donor) consists of the following:

	Years Ended December 31,	
	2022	2021
	<i>(In Thousands)</i>	
Interest and dividend income	\$ 27,360	\$ 57,734
Net realized (loses) gains on marketable securities	6,254	131,878
Total realized income	33,614	189,612
Net unrealized (losses) gains on marketable securities	(333,800)	43,570
	\$ (300,186)	\$ 233,182

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4. Fair Value Measurements

The following table presents the fair value hierarchy for those financial assets and liabilities measured at fair value, and financial assets measured at NAV at **December 31, 2022**:

	Level 1	Level 2	Commingled Investments at NAV	Equity Method Investments at NAV	Total Financial Instruments	Valuation Technique* (a,b,c,d)
<i>(In Thousands)</i>						
Designated for long-term purposes						
Cash and cash equivalents	\$ 21,707	\$ -	\$ -	\$ -	\$ 21,707	a
Government securities	269,000	164,192	-	-	433,192	a
Fixed-income securities	-	439,735	141,069	-	580,804	a,b,d
Equity securities	433,550	-	392,724	-	826,274	a,d
Alternatives	-	-	-	496,343	496,343	d
Total designated for long-term purposes	\$ 724,257	\$ 603,927	\$ 533,793	\$ 496,343	\$ 2,358,320	
Designated for self-insurance funds						
Cash and cash equivalents	\$ 1,367	\$ -	\$ -	\$ -	\$ 1,367	a
Government securities	4,207	15,496	-	-	19,703	a
Fixed-income securities	-	27,533	12,716	-	40,249	a,b,d
Equity securities	25,081	-	41,919	-	67,000	a,d
Alternatives	-	-	-	37,818	37,818	d
Total designated for self-insurance funds	\$ 30,655	\$ 43,029	\$ 54,635	\$ 37,818	\$ 166,137	
Restricted by donors						
Cash and cash equivalents	\$ 649	\$ -	\$ -	\$ -	\$ 649	a
Government securities	5,592	3,520	-	-	9,112	a
Fixed-income securities	-	9,511	3,024	-	12,535	a,b,d
Equity securities	9,364	-	8,418	-	17,782	a,d
Alternatives	-	-	-	18,929	18,929	d
Total restricted by donors	\$ 15,605	\$ 13,031	\$ 11,442	\$ 18,929	\$ 59,007	
Held by trustee						
Cash and cash equivalents	\$ 92,389	\$ -	\$ -	\$ -	\$ 92,389	a
	\$ 92,389	\$ -	\$ -	\$ -	\$ 92,389	
Restricted for statutory requirements						
Cash and cash equivalents	\$ 7,018	\$ -	\$ -	\$ -	\$ 7,018	a
Government securities	3,047	79,722	-	-	82,769	a,b
Fixed-income securities	-	166,479	-	-	166,479	b
	\$ 10,065	\$ 246,201	\$ -	\$ -	\$ 256,266	
Financial assets						
Interest rate swaps	\$ -	\$ 11,170	\$ -	\$ -	\$ 11,170	b

* Valuation techniques are described in Note 2.

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The following table presents the fair value hierarchy for those financial assets and liabilities measured at fair value, and financial assets measured at NAV at December 31, 2021:

	Level 1	Level 2	Commingled Investments at NAV	Equity Method Investments at NAV	Total Financial Instruments	Valuation Technique* (a,b,c,d)
<i>(In Thousands)</i>						
Designated for long-term purposes						
Cash and cash equivalents	\$ 13,603	\$ -	\$ -	\$ -	\$ 13,603	a
Government securities	249,705	85,637	-	-	335,342	a
Fixed-income securities	-	595,625	141,820	-	737,445	a,b,d
Equity securities	459,110	-	651,067	-	1,110,177	a,d
Alternatives	-	-	-	435,342	435,342	a
Total designated for long-term purposes	\$ 722,418	\$ 681,262	\$ 792,887	\$ 435,342	\$ 2,631,909	
Designated for self-insurance funds						
Cash and cash equivalents	\$ 415	\$ -	\$ -	\$ -	\$ 415	a
Government securities	8,946	7,707	-	-	16,653	a
Fixed-income securities	-	36,284	11,855	-	48,139	a,b,d
Equity securities	26,305	-	59,703	-	86,008	a,d
Alternatives	-	-	-	30,868	30,868	a
Total designated for self-insurance funds	\$ 35,666	\$ 43,991	\$ 71,558	\$ 30,868	\$ 182,083	
Restricted by donors						
Cash and cash equivalents	\$ 524	\$ -	\$ -	\$ -	\$ 524	a
Government securities	6,209	2,188	-	-	8,397	a
Fixed-income securities	-	15,311	3,624	-	18,935	a,b,d
Equity securities	11,840	-	16,636	-	28,476	a,d
Alternatives	-	-	-	9,648	9,648	a
Total restricted by donors	\$ 18,573	\$ 17,499	\$ 20,260	\$ 9,648	\$ 65,980	
Held by trustee						
Cash and cash equivalents	\$ 145,538	\$ -	\$ -	\$ -	\$ 145,538	a
	\$ 145,538	\$ -	\$ -	\$ -	\$ 145,538	
Restricted for statutory requirements						
Cash and cash equivalents	3,269	-	-	-	3,269	a
Government securities	62,218	72,310	-	-	134,528	a,b
Fixed-income securities	-	107,069	-	-	107,069	b
	\$ 65,487	\$ 179,379	\$ -	\$ -	\$ 244,866	
Financial liabilities						
Interest rate swaps	\$ -	\$ (22,602)	\$ -	\$ -	\$ (22,602)	b

* Valuation techniques are described in Note 2.

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5. Long-Term Debt and Interest Rate Swaps

	<u>December 31</u> <u>2022</u>	<u>December 31</u> <u>2021</u>
2022 Presbyterian Healthcare Services Taxable Bonds, fixed-interest coupon rate of 4.875% payable semiannually on the established interest payment dates, principal due in 2052.	\$315,925	\$ -
2019 Series A Hospital System Revenue Bonds (New Mexico Hospital Equipment Loan Council), fixed-interest coupon rates of 3.0% to 5.0% payable semiannually on the established interest payment dates, principal payments beginning in 2025 through 2048.	146,400	146,400
2019 Series B Hospital System Revenue Bonds (New Mexico Hospital Equipment Loan Council), fixed-interest coupon rate of 5.0% payable semiannually on the established interest payment dates, principal payments beginning in 2025 through 2049.	75,000	75,000
2019 Series C Taxable Hospital System Revenue Bonds (New Mexico Hospital Equipment Loan Council), variable rate demand bonds with an interest rate of 4.25% at December 31, 2022, payable monthly on the established interest payment date, principal payable in annual installments beginning in 2033 through 2042.	82,845	82,845
2017 Series A Hospital System Revenue Bonds (New Mexico Hospital Equipment Loan Council), fixed-interest coupon rates of 3.5% to 5.0% payable semiannually on the established interest payment dates, principal payments through 2046	237,070	237,510
2017 Series B Taxable Hospital System Revenue Bonds (New Mexico Hospital Equipment Loan Council), fixed-interest coupon rate of 4.4% payable semiannually on the established interest payment dates, principal payments due in 2046.	65,665	65,665
2015 Series A Hospital System Revenue Bonds (New Mexico Hospital Equipment Loan Council), fixed-interest coupon rates of 4.125% and 5.0% payable semiannually on the established interest payment dates, principal payments through 2044.	-	201,690
2008 Series B, C, and D Hospital System Revenue Bonds (New Mexico Hospital Equipment Loan Council), variable rate demand bonds with an interest rates of 3.65% to 3.90% at December 31, 2022, payable monthly on the established interest payment date, principal payable in annual installments through 2034.	128,715	139,865

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2012 note payable to bank, variable rate, interest payable quarterly at one-month LIBOR plus 0.90% due October 3, 2022.	-	50,000
Other obligations	<u>4,080</u>	<u>5,382</u>
	1,055,700	1,004,357
Premiums on long-term debt, net and hedging gain	57,412	52,619
Less deferred financing fees	<u>(8,432)</u>	<u>(7,713)</u>
	1,104,680	1,049,263
Less current portion	<u>(12,476)</u>	<u>(17,549)</u>
	<u>\$ 1,092,204</u>	<u>\$ 1,031,714</u>

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The 2022 Taxable Bonds totaling \$315,925 were issued in May 2022. The proceeds were used to repay the 2012 \$50,000 note payable to bank, repay the \$100,000 short-term bank loan, and advance refund \$175,130 of the 2015A Hospital System Revenue Bonds. The 2022 bonds are fixed rate term bonds with a final maturity in 2052.

In connection with the 2022 Taxable Bonds a Treasury-lock interest rate hedge was entered into in April, 2022. The hedge was terminated at closing of the 2022 Taxable Bonds which resulted in a gain of \$23,493. Hedge accounting treatment was established for the Treasury-lock and the gain is being amortized as an offset to interest expense over the 30-year life of the 2022 Taxable Bonds.

The Series 2019 Series A and B Revenue Bonds totaling \$221,400 were issued through the New Mexico Hospital Equipment Loan Council in December 2019. Proceeds of the bonds are being used primarily for the construction of a new patient tower on the Presbyterian main hospital campus in Albuquerque, New Mexico which was opened in January 2023. The 2019 Series A Bonds are fixed rate and include serial bonds with annual maturities in August 2025 through 2039 and term bonds with maturities in August 2044 and 2048. The 2019 Series B Bonds are fixed rate term bonds maturing in 2049 with an initial interest period ending August 1, 2025, at which time they are subject to mandatory tender or rate adjustment for a new interest period.

The Series 2019 Series C Taxable Revenue Bonds totaling \$82,845 were issued through the New Mexico Hospital Equipment Loan Council in December 2019. Proceeds of the bonds were used to defease the 2012 Series A Revenue Bonds. The 2019 Series C Bonds are variable-rate demand obligations and bear interest on a weekly rate period at amounts set by a remarketing agent. The interest rate mode can be modified under the terms of the legal documents. To secure the tender price of the 2019 Series C Bonds, PHS has entered into a standby bond purchase agreement with JPMorgan Chase Bank, N.A. with an expiration in December 2024. The 2019 Series C Bonds are subject to optional redemption at the discretion of PHS. In addition, the 2009 Series C Bonds have a schedule of mandatory sinking fund deposits in 2033 through 2042.

The Series 2017 Series A Revenue Bonds totaling \$239,115 were issued through the New Mexico Hospital Equipment Loan Council in May 2017. Proceeds of the bonds were used to defease the 2009 Series A Revenue Bonds and provided funding for the construction of a new hospital facility in Santa Fe, New Mexico which opened on October 1, 2018. The 2017 Series A bonds are fixed-rate bonds and have annual maturities that began in August 2018 and continue through 2046.

The Series 2017 Series B Taxable Revenue Bonds totaling \$65,665 were issued through the New Mexico Hospital Equipment Loan Council in May 2017. Proceeds of the bonds were used to construct a physician office building adjacent to the new hospital in Santa Fe, New Mexico and expand Presbyterian's corporate office in Albuquerque, New Mexico. The 2017 Series B bonds are fixed rate bonds and have annual maturities beginning in August 2037 and continue through 2046.

The Series 2015 Series A Revenue Bonds totaling \$237,160 were issued through the New Mexico Hospital Equipment Loan Council in May 2015. Proceeds of the bonds were used to defease the

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2008 Series A Bonds and fund various healthcare facilities throughout the PHS system. The 2015 bonds are fixed-rate serial and term bonds with scheduled maturities and mandatory sinking fund deposits that began in August 2016, and were scheduled to continue through 2044. In May 2022 \$175,130 of the bonds were advance refunded with the 2022 Taxable Bonds. On December 1, 2022 the remaining \$20,440 in outstanding bonds were advance refunded with cash from operations.

In August 2012, PHS obtained a \$50,000 taxable bank direct loan (the 2012 Bank Loan), of which \$50,000 was outstanding as of December 31, 2021. Proceeds of the 2012 Bank Loan were used for a new system corporate office, which was completed in 2014. The loan was repaid in full in May 2022 by the proceeds from the 2022 Taxable Bonds.

The 2008 Revenue Bonds were issued through the New Mexico Hospital Equipment Loan Council in four series (Series A, Series B, Series C, and Series D) (the Series 2008 Bonds) in November 2008. The Series 2008 Bonds were designed to defease the 2005 Series A and B Revenue Bonds (\$201,895); to pay off a Wells Fargo Credit Agreement, which defeased the 2004 Series A through D Bonds (\$128,655) and the 1993A Bonds (\$17,900) during March and April of 2008; to reimburse PHS for prior capital expenditures; and to pay certain expenses of issuing the Series 2008 Bonds. The Series 2008 A Bonds were refunded in their entirety in 2015 and have been legally defeased. The Series 2008 B through D Bonds are variable-rate demand obligations and bear interest on daily (Series C and D) and weekly (Series B) rate periods at amounts set by a remarketing agent. The interest rate mode can be modified under the terms of the legal documents. To secure the tender price of the Series 2008 B Bonds, PHS has entered into a standby bond purchase agreement with JPMorgan Chase Bank N.A. with an expiration in November 2023. The Series 2008 C and D Bonds are supported by standby bond purchase agreements with Wells Fargo Bank, N.A. with expiration dates in November 2025 and 2026, respectively.

The Series 2008 B, C, and D Bonds are subject to optional redemption at the discretion of PHS. In addition, the Series 2008 Bonds have a schedule of mandatory sinking fund deposits through 2034.

Effective December 1, 2022, all of the variable rate 2008 Series B, Series C, and Series D bonds and the 2019 Series C bonds were purchased in lieu of redemption by PHS and reissued the same day under an amended Master Trust Indenture which sprung the amended Master Trust Indenture across all outstanding bonds of the organization. The amended Master Trust Indenture, among other provisions, allows for alternative methods of calculating the debt service coverage ratio covenant.

All of the outstanding bonds are collateralized by a pledge of unrestricted receivables of the Obligated Group as defined under the Master Trust Indenture. The Master Trust Indenture of the Obligated Group requires, among other things, certain funds be established and held by a trustee, certain limitations on additional indebtedness, liens on property, disposition or transfers of assets, and the maintenance of certain cash balances and other financial ratios. The Obligated Group was in compliance with all such covenants at December 31, 2022.

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Short-Term Borrowing

In April 2020, PHS obtained a \$100 million short-term bank loan as additional working capital in response to the COVID-19 pandemic. The loan has a final maturity date of January 27, 2023 and bears interest at a fixed rate of 1.45% and can be repaid in whole or in part without penalty beginning in May 2022. The borrowing is secured under the terms of the Master Trust Indenture of the Obligated Group. The loan was repaid in full in May, 2022 by proceeds from the 2022 Taxable Bonds.

Interest Rate Swaps

PHS has entered several interest rate swaps associated with bond issuances, some of which bonds are no longer outstanding. The 2005 Swaps provide that PHS receives a floating amount based on a percentage of one-month LIBOR (58.3% of LIBOR plus 0.36%) and PHS pays a fixed rate of 3.085% based on a notional amount of \$103,970 at December 31, 2022 and \$115,120 at December 31, 2021.

The 2006 Swaps provide that PHS receives a floating amount based on a percentage of one-month LIBOR (68%) and PHS pays a weighted average fixed rate of 3.577% based on a notional amount of \$24,745 at December 31, 2022 and 2021.

In connection with the issuance of the Series 2019 C Bonds in December 2019, PHS entered into a swap agreement (the “2019 Swap”) whereby PHS receives a floating amount based on one-month LIBOR and PHS pays a fixed rate of 1.96% on the notional amount of \$82,845 at December 31, 2022 and 2021.

All derivatives that are being measured by PHS under ASC 820 are considered Level 2 assets (liabilities) because a quoted price can be obtained from a number of dealer counterparties and other market sources based on observable interest rates and yield curves for the full term of the asset or liability. In order to measure the fair value of municipal derivatives under ASC 820, PHS adjusted its mid-market periodic values of the swaps outstanding to incorporate non-performance risk by PHS (when the financial instrument is a liability) or the counterparty (when the financial instrument is an asset). In order to determine the risk of non-performance when the financial instrument is a liability, PHS has determined the change in the credit market for debt issues by entities with the same credit characteristics as PHS. To determine non-performance risk when the instrument is an asset, PHS determines the change in the credit market for debt issues by the counterparty.

As of December 31, 2022 and 2021, the fair value of the 2005 and 2006 Swaps was a net liability of \$4,429 and \$17,786, respectively. As of December 31, 2022, the fair value of the 2019 Swap was an asset of \$15,599 and a liability of \$4,816 as of December 31, 2021. The combined net swap liability is included in other liabilities on the accompanying combined balance sheets.

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If the liability related to the 2005 and 2006 swaps were to individually exceed \$40,000, PHS would be required to post a cash deposit for amounts in excess of the threshold as collateral with the counterparty. This collateral threshold would be reduced to \$30,000 if PHS's current AA credit rating were to fall to A+, reduced to \$20,000 at a rating of A, and further reduced to zero at a credit rating below A. If the liability related to the 2019 swap was to exceed \$75,000, PHS would be required to post a cash deposit for amounts in excess of the threshold as collateral with the counterparty. This collateral threshold would be reduced to \$50,000 if PHS's current AA credit rating were to fall to A+, reduced to \$30,000 at a rating of A, reduced to \$15,000 at a rating of A-, and further reduced to zero at a credit rating below A-.

6. Pension Plans

PHS has a defined benefit pension plan (Plan I) that previously covered substantially all of the employees of its related organizations, except employees of PNI.

Effective December 31, 2012, Plan I was frozen and no additional benefits are being accrued.

PHS contributes such amounts as necessary on an actuarial basis to provide Plan I with assets sufficient to meet the benefits to be paid to Plan I participants. PHS contributed \$9,657 and \$33,503 during the years ended December 31, 2022 and 2021, respectively, to Plan I.

PHS anticipates total contributions to the new Plan I will approximate \$32,000 in 2023.

The funded status of Plan I is recognized in the statements of financial position as the difference between the fair value of the investments and the actuarially determined pension obligation. The funded status of Plan I was approximately 65% and 61% at December 31, 2022 and December 31, 2021, respectively.

PHS has a defined contribution Plan (Plan II), which consists of a Section 403(b) plan and a Section 401(a) plan, as well as a 401(k) defined contribution plan (Plan III). The cost recognized for Plans I, II and III for the years ended December 31, 2022 and 2021 was \$46,719 and \$49,886 respectively.

7. Commitments and Contingencies

Litigation

PHS is subject to pending and threatened legal actions arising during the ordinary course of business. Management and legal counsel periodically assess whether losses have been incurred related to pending or threatened litigation, claims, and assessments. Loss estimates are continually monitored and reviewed, and as estimates are adjusted, changes in estimated losses are reflected in current operations. Losses incurred due to the actual results of litigation could differ from estimates recorded. In management's opinion, upon consultation with legal counsel, these matters should not have a material adverse effect on PHS's financial condition, results of operations, or

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cash flows. However, PHS's evaluation of the likely effects of these actions could change in the future and an unfavorable outcome, depending upon the amount and timing, could have a material effect on PHS's combined financial condition, results of operations, or cash flows of a future period.

Health Care Regulatory Environment

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in exclusion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed and paid. Management believes that it has established adequate reserves to investigate, defend, and ultimately resolve any alleged instances of noncompliance. Compliance with such laws and regulations can be subject to future government review as well as regulatory actions unknown or unasserted at this time.

8. COVID-19

A variety of federal, state, and local efforts have been initiated in response to the COVID-19 pandemic, including the Coronavirus Aid, Relief, and Economic Securities (CARES) Act. The CARES Act is a federal stimulus package designed to provide emergency assistance to individuals and businesses, including hospitals and other health care providers. PHS has received approximately \$15,540 and \$1,394 in Provider Relief Funds from the CARES Act to cover unreimbursed health-care-related expenses attributable to the public health emergency and lost revenue resulting from the COVID-10 pandemic in the years ended December 31, 2022 and 2021, respectively. PHS recognized \$15,900 and \$18,877 in CARES Act revenue within other operating revenue for the years ended December 31, 2022 and 2021, respectively. PHS follows grant accounting to recognize the stimulus funding as other operating revenue based on guidance from the U.S. Department of Health & Human Services. In 2021, the American Rescue Plan Act (ARPA) was passed, which included funding for rural health care providers. PHS, received, and recognized \$18,067 of ARPA revenue for the year ended December 31, 2021. No such funding was received in 2022.

PHS has also recognized revenue for COVID-19-related projects obligated through the Federal Emergency Management Agency (FEMA) as well as other COVID-19-related grants. PHS recognized revenue from FEMA, and other COVID-19-related grants of \$30,844 and \$7,156 for the years ended December 31, 2022 and 2021, respectively. In addition, PHS received \$10,818 of Medicare Advance and Accelerated Payments, recorded in accrued liabilities as of December 30, 2020, to help support liquidity needs in the short term. The advance payments were fully repaid in 2021. The CARES Act also allowed for deferred payment of the employer portion of certain payroll taxes between March 27, 2020 and December 31, 2021, with 50% due December

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31, 2021, and the remaining 50% due December 31, 2022. As of December 31, 2022, PHS had fully repaid these payroll taxes.

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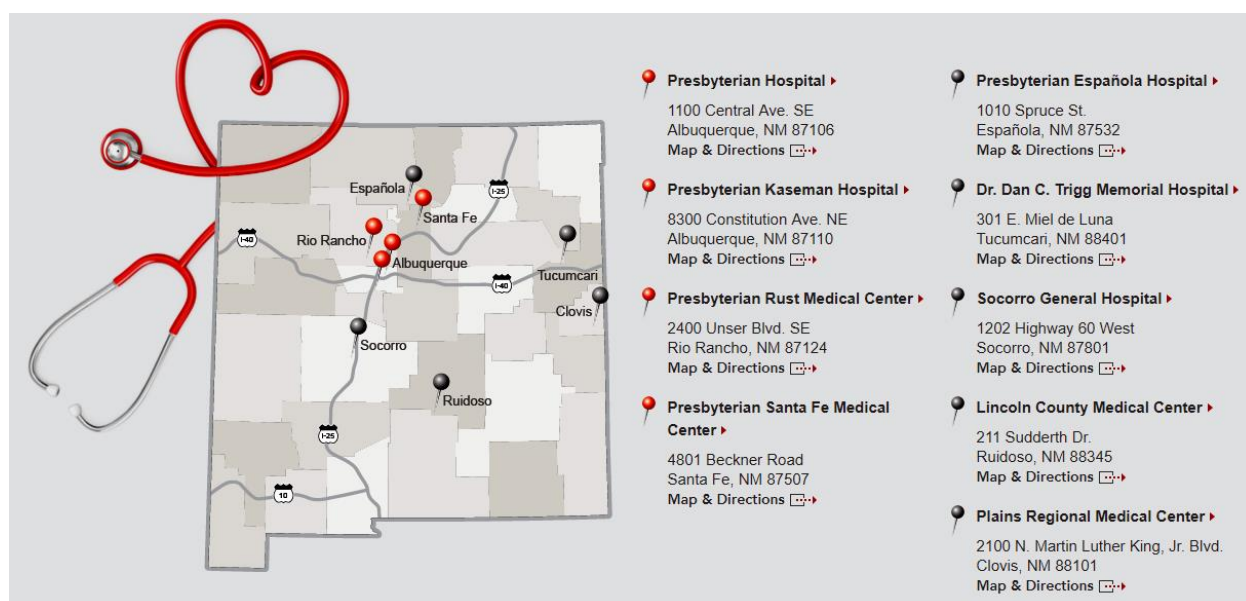
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Organizational Description

Presbyterian Healthcare Services (Presbyterian/PHS) is a nonprofit integrated health care system that has served the state of New Mexico for over 100 years. PHS is comprised of two business units: Presbyterian Delivery System (PDS) and Presbyterian Health Plan (PHP). PDS provides patients with preventive, diagnostic and treatment services in hospitals and ambulatory facilities throughout New Mexico and operates nine hospitals (Figure 1). The four hospitals in Albuquerque, Rio Rancho, and Santa Fe operate as the Central Delivery System (CDS) and the remaining five hospitals comprise the Regional Delivery System (RDS). Presbyterian Medical Group (PMG), which is part of PDS, employs physicians and advance practice clinicians such as physician assistants and nurse practitioners. PMG provides inpatient hospital care as well as ambulatory and specialty care in over 200 clinic sites throughout New Mexico.

PHP includes a statewide health maintenance organization and a health insurance company. PHP provides health care financing through products and services designed and delivered to prevent illness and coordinate care for over 600,000 members throughout New Mexico. PHP products include Commercial (employer-sponsored and individual) and Government (Medicaid, Medicare and other) programs. The PHP network is comprised of both PHS owned and operated facilities, employed physicians and employed advance practice clinicians as well as contracted independent hospitals and practitioners throughout the state.

Figure 1



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The Obligated Group

PHS is based in Albuquerque, New Mexico and is exempt from federal income taxation under Section 501(a) and Section 501(c) (3) of the Internal Revenue Code of 1986, as amended. Presbyterian Healthcare Services together with Presbyterian Healthcare Foundation (Foundation) and Bernalillo County Health Care Corporation (dba Albuquerque Ambulance Service), are the current Members of the Obligated Group (the “Obligated Group”), as such terms are used in the Master Trust Indenture (Amended and Restated), dated as of July 28, 2005 between Wells Fargo Bank, National Association, as master trustee (the “Master Trustee”) and the Members of the Obligated Group, as supplemented and amended (the “Master Indenture”).

There have been no changes to the Obligated Group.

Purpose

Presbyterian exists to improve the health of the patients, members and communities we serve.

Vision

Presbyterian’s purpose, vision, values and strategy and goals are captured in the “Presbyterian Egg.” Each employee, employed physician and advanced practitioner as well as each member of the PHS Board of Directors and Committees thereof understand the Egg (Figure 2) and develops a Personal Egg to demonstrate the alignment of his or her role with the PHS Egg.

Presbyterian believes patients and members determine when we succeed. Consequently, the organization’s vision is to earn a symbolic letter from a patient or member of a community served. Our strategy is to transform our integrated system to radically improve the customer experience. The strategy is adopted by the PHS Board of Directors and is found in the Strategy and Goals section of the Egg.

Figure 2 – Presbyterian Egg

OUR PURPOSE

Presbyterian exists to improve the health of the patients, members and communities we serve.

OUR VISION AND VALUES

Earning the Letter through the Presbyterian Promise:

Dear Presbyterian,
Thank you for knowing me, respecting me, listening to me and treating me with compassion. You ease the way to my best health and provide me with the highest quality care at the lowest possible cost. You communicate clearly and accurately, coordinate my care and involve me in decisions. I appreciate that you do what you say you will do.

– Patients and Members

As One Presbyterian, we Commit to:

- C**ollaborate Bring my best to support individual and team success.
- be **A**ccountable Keep my commitments and earn trust.
- R**espect Honor each other, listen and speak honestly.
- E**ngage Participate fully with a passion for excellence.
- S**erve Be dedicated to patients, members and each other.

OUR STRATEGY

Lead the nation in improving health and healthcare by delivering the Presbyterian **Promise**, supporting our workforce to **Thrive**, and committing to **Grow** to serve more patients and members in New Mexico and in partnerships across the United States.

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Results of Operations

Quarters Ended December 31, 2022 and 2021

For the three-month period ended December 31, 2022 total operating income decreased by \$49.2 million to an operating loss of \$47.9 million ((3.5%) operating margin) from operating income of \$1.3 million (0.1% operating margin) in 2021.

Total operating revenue for the three-month period ended December 31, 2022 increased by \$38.4 million to \$1.353 billion from \$1.315 billion in 2021 due to a \$46.1 million increase in net premium revenue, a \$7.2 million increase in net patient service revenue, and a (\$14.9) million decrease in other operating revenue.

The increase in net premiums revenue for the fourth quarter of 2022 over 2021 is due primarily to the continuing increase in the Medicaid membership and a Medicaid rate increase from the State of New Mexico during 2022. In addition, the individual insurance product was put back on the exchange and experienced a 4,744 member increase from the prior year from 1,883 members to 6,628. Overall at-risk Health Plan membership (excluding ASO membership) increased by 10,742 or 2.1% from the membership at December 31, 2021. Presbyterian Health Plan (PHP) covered 426,798 members under the Centennial Care program as of December 31, 2022, an increase of 5,028 or 1.2% from December 31, 2021. Commercial membership increased by 2,632 members or 8.0% from 32,813 to 32,445. Medicare membership increased by 2,082 or 3.9% over December 31, 2021 from 53,684 to 55,766.

The increase in net patient service revenue was a result of increased outpatient visits, including emergency room and outpatient surgeries while being mostly offset by a decrease in inpatient volumes.

The decrease in other operating revenue during the fourth quarter of 2022 compared to the fourth quarter of 2021 was due primarily to \$18.1 million in American Rescue Plan Act (ARPA) funding for the rural hospitals received in the fourth quarter of 2021 which was not repeated in 2022.

During the quarter ended December 31, 2022, total inpatient discharges, including newborn discharges, for PDS decreased by (455) or (3.3%) compared to the fourth quarter of 2021 and total inpatient days, including newborn days, decreased by (4.4%) or (3,115) days. Total outpatient visits increased by 9,590 visits or 5.8%. The increase in outpatient visits was due primarily to increases in emergency room visits and elective surgeries in the ASCs. Patient clinic visits decreased by (24,434) visits or (5.9%) during the quarter compared to the fourth quarter of 2021.

Inpatient discharges, including newborn discharges, for the Obligated Group decreased by (3.4%) or (451) discharges in the fourth quarter of 2022 compared to the fourth quarter of 2021 and inpatient days, including newborn days, decreased by (2,797) days or (4.0%). Outpatient visits increased by 6.1% or 9,381 visits.

Inpatient discharges, including newborn discharges, within CDS increased during the quarter ended December 31, 2022 compared to 2021 by 0.7% or 82 discharges while inpatient days,

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including newborn days, decreased from the prior year by (0.9%) or (537) days. Total outpatient visits in CDS increased from the prior year fourth quarter by 2.9% or 3,171 visits. Clinic visits in CDS decreased in the quarter ended December 31, 2022 compared to the fourth quarter of 2021 by (15,376) visits or (4.8%).

Inpatient discharges, including newborn discharges, in RDS decreased by (537) discharges or (19.2%) in the quarter ended December 31, 2022 compared to 2021. Total inpatient days, including newborn days, decreased by (2,578) days or (26.1%) while outpatient visits increased by 11.1% or 6,419 visits. Clinic visits decreased by (9,058) or (8.9%) during the fourth quarter compared to the same quarter in 2021.

For the three-month period ended December 31, 2022 total operating expenses increased \$87.6 million to \$1.402 billion from \$1.314 billion in 2021. The increase in operating expenses in the quarter included a \$15.5 million increase in Medical claims which represents a 2.5% increase from the fourth quarter of 2021 driven primarily by overall higher membership levels in the Medicaid and Medicare books of business. Salary expenses increased \$5.5 million or 1.5% compared to the prior year primarily related to the continued need for contract nursing at premium rates; although the number of traveling nurses being utilized and the associated rate has declined from its peak. Purchased services increased by \$52.7 million or 31.2% due primarily to increased premium taxes and other operating costs at the health plan. Supplies expense increased \$11.9 million or 10.3% primarily due to increased outpatient volumes and more expensive drugs dispensed through the specialty pharmacy. Professional fees increased in the fourth quarter compared to the prior year by \$4.5 million or 44.8% driven primarily by higher contracted anesthesia costs and the utilization of more locums in the ASCs and regional hospitals. PHS opened its third ASC in March of 2022. Depreciation and amortization expense decreased by (\$2.4) million or (7.9%) compared to the fourth quarter of 2021 due to the timing and completion of new projects. Interest expense decreased by (\$0.1) million or (1.0%) in the quarter ended December 31, 2022 compared to the same quarter in 2021 due to the issuance in May 2022 of long-term bonds which refinanced lower rate short-term bank debt offset by increasing levels of capitalized interest on the Presbyterian Hospital patient tower under construction.

Years Ended December 31, 2022 and 2021

For the year ended December 31, 2022 total operating income decreased by (\$174.5) million to an operating loss of \$105.4 million ((1.9%) operating margin) from operating income of \$69.0 million (1.4% operating margin) in the year ended December 31, 2021.

Total operating revenue for 2022 increased by \$445.0 million to \$5.548 billion from \$5.103 billion in 2021 primarily due to a \$388.9 million or 10.5% increase in net premiums revenue and a \$55.9 million or 4.4% increase in net patient service revenue. Other operating revenue for 2022 was \$129.8 million, relatively unchanged from 2021.

The \$388.9 million increase in net premiums revenue during 2022 over 2021 is due to the overall increase in health plan membership, including growth across all three at-risk lines of business; Medicaid, Medicare, and Commercial.

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The increase in net patient service revenue was a result of increased outpatient visits, including emergency room and outpatient surgeries while being mostly offset by a decrease in inpatient volumes.

Other operating revenue for 2022 was relatively unchanged at \$129.8 million compared to 2021 at \$129.6 million. Other revenue included \$46.7 million in COVID-19 related funding from all sources compared to \$44.1 million in 2021.

During the year ended December 31, 2022, total inpatient discharges, including newborn discharges, for PDS decreased by (1,558) discharges or (2.9%) compared to 2021 while total inpatient days increased by 1.3% or 3,593 days driven by a higher level of patient acuity. Total outpatient visits increased by 6.0% or 39,389 visits driven by more ER visits and an increase in elective procedures. During 2022 compared to 2021, patient clinic visits decreased by (145,126) or (8.4%) from 2021 related primarily to the absence of the COVID-19 vaccine clinics in 2022 that were being operated in 2021.

Inpatient discharges for the Obligated Group decreased (3.0%) or (1,565) discharges during 2022 compared to 2021. Inpatient days increased during this period by 1.7% or 4,359 days and outpatient visits increased by 6.0% or 36,467 visits.

Inpatient discharges within CDS decreased during 2022 by (0.8%) or (357) discharges. Inpatient Days increased from prior year by 3.0% or 6,913 days. Total Outpatient Visits in CDS increased by 2.7% or 11,650 visits. Clinic visits in CDS decreased by (140,237) visits or (10.3%) in 2022 compared to 2021 due to the absence of the COVID-19 vaccine clinics.

Inpatient discharges in RDS decreased during the year ended December 31, 2022 compared to 2021 by (11.5%) or (1,201) discharges, and total inpatient days decreased by (9.6%) or (3,320) days. Outpatient visits increased by 12.2% or 27,739 visits during 2022. Clinic visits in RDS decreased by (4,889) visits, or (1.3%) in 2022 compared to 2021.

The payer mix for PHS on a net revenue basis experienced a 0.9% increase in Medicaid while Medicare and Commercial decreased by (0.2%) and (0.6%), respectively, during 2022.

For the year ended December 31, 2022 total operating expenses increased \$619.5 million to \$5.653 billion from \$5.034 billion in 2021. Medical claims increased \$220.1 million or 9.2%, relatively consistent with the 10.5% increase in premiums revenue. Salary expense increased \$156.5 million or 11.6% compared to the same period in 2021 related to the higher usage of contract nursing services. In addition, labor costs in the first quarter of 2022 included a one-time gift provided to all PHS employees and providers of an immediate 40 hours of paid time off or a stipend in recognition of the stress and hardships endured by the entire workforce over the last two years due to the COVID-19 pandemic which resulted in an expense of \$19.2 million. Purchased services increased \$168.2 million or 24.4% and is due primarily to increased premium taxes in the health plan as well as increases in malpractice insurance costs. Supplies expense increased \$54.6 million or 13.1% during 2022 compared to 2021 driven primarily by increased prescription costs and volumes in the specialty pharmacy and as well as increased outpatient

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volumes and general healthcare cost inflation. Professional fees increased by \$13.8 million or 36.2% as a result of higher contracted anesthesia costs and the utilization of more locums. Depreciation expense increased by \$5.7 million or 4.7% due to new projects and equipment put into service during 2022. Interest expense increased in during 2022 by \$0.6 million or 1.7% due to the issuance in May 2022 of long-term bonds which refinanced lower rate short-term bank debt, partially offset by increasing levels of capitalized interest on the Presbyterian Hospital patient tower under construction.

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Investments

The Investment Subcommittee of the PHS Board works with an investment consultant to review asset class allocations, select and monitor various professional investment managers and to oversee Presbyterian's investment portfolios in accordance with the investment policy and guidelines.

The unrestricted cash and investments of the Obligated Group at December 31, 2022 consisted of the following:

(In Millions)					
Asset Class	Target PHS	PHS	Target Foundation	Foundation	Total
Large Cap Equity	12%	\$ 239.3	16.0%	\$ 18.7	\$ 258.0
Small Cap Equity	3%	56.1	1.0%	1.2	57.3
International and Emerging Markets	15%	291.5	18.0%	21.7	313.2
Alternatives	30%	473.7	37.0%	45.5	519.2
Fixed income	35%	621.6	28.0%	29.9	651.5
Cash	5%	127.6	0 %	1.5	129.1
Total	100%	1,809.8	100%	118.5	1,928.3
Less Restricted Net Assets		-		(59.0)	(59.0)
Total Unrestricted Obligated Group		\$1,809.8		\$ 59.5	\$1,869.3

Unrestricted investments for the Obligated Group include the PHS Corporate portfolio and the PHS Foundation portfolio. At December 31, 2022 the unrestricted Obligated Group portfolio totaled \$1.9 billion. The net investment returns for the PHS Corporate and Foundation portfolios were 4.3% and 4.5%, respectively, for the quarter ended December 31, 2022 and negative (9.0%) and (6.8%), respectively, for the years ended December 31, 2022.

Total investment income including realized gains for PHS was \$23.6 million and a \$119.1 million for the three-month periods ended December 31, 2022 and 2021, respectively, and a gain of \$33.6 million and \$189.6 million for the years ended December 31, 2022 and 2021, respectively. The combined investment income and changes in unrealized gains on investments for the twelve months of 2022 was a loss of (\$300.2) million compared to a gain of \$233.2 million in 2021.

Presbyterian Healthcare Services

December 31, 2022

Liquidity and Capital Resources

On a combined basis, total unrestricted cash and investments of PHS totaled \$2.75 billion as of December 31, 2022, a decrease of (\$352.6) million from December 31, 2021 due primarily to the decline in the equity markets and the impact of increasing interest rates on fixed income securities.

Cash provided by operating activities totaled \$19.7 million for the year ended December 31, 2022 compared to cash used by operations of \$39.4 million in 2021. Net cash used by investing activities was \$99.6 million, including capital expenditures of \$138.4 million, during 2022 compared to a net use of \$140.7 million, including of capital expenditures of \$194.2 million in 2021. Total capital expenditures for fiscal 2023 are currently expected to approximate \$160 million, which includes approximately \$40 million to complete the new patient tower on the Presbyterian Hospital main campus which was opened in January 2023. Expenditures for the new patient tower are being funded from the proceeds of the Series 2019 A and B Bonds. Other 2023 capital expenditures are anticipated to be funded from the remaining 2019 bond proceeds and general corporate cash flow.

Days cash on hand for PHS and the Obligated Group was 182 days and 307 days, respectively, as of December 31, 2022, compared to 231 days and 418 days, respectively, at December 31, 2021.

Obligated Group Financial Indicators

	<u>Year Ended December 31</u>			
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Operating Margin	(1.5%)	(2.0%)	(5.4%)	(10.0%)
Excess margin	11.2%	4.0%	4.3%	(20.7%)
Adjusted excess margin	0.5%	4.0%	2.9%	(8.3%)
Unrestricted days cash on hand	387	421	418	307
Debt to cash flow	9.7x	6.3x	7.4x	(9.8x)
Maximum Annual Debt Service Coverage	2.4x	3.7x	3.2x	(0.8x)
Long-term debt to total capitalization	36%	35%	32%	36%

Supplementary Information

Presbyterian Healthcare Services

December 31, 2022

Presbyterian Healthcare Services and Affiliates

Condensed Combining Balance Sheet

December 31, 2022

	Obligated Group	Presbyterian Network, Inc.	Other Non- Obligated Group Members	Eliminations	Total
	<i>(In Thousands)</i>				
Assets					
Current assets:					
Cash and cash equivalents	\$ 127,469	\$ 259,805	\$ 8,312	\$ -	\$ 395,586
Accounts receivable, less allowance for doubtful accounts	263,155	-	18,594	(79,988)	201,761
Other receivables	55,763	249,418	4,765	(5,678)	304,268
Inventories, prepaid expenses and other	57,665	18,290	3,302	-	79,257
Total current assets	504,052	527,513	34,973	(85,666)	980,872
Assets limited as to use or restricted					
Designated for long-term purposes	1,741,849	615,658	813	-	2,358,320
Designated for self-insurance funds	166,137	-	-	-	166,137
Restricted by donors	59,007	-	-	-	59,007
Held by Trustee	92,389	-	-	-	92,389
Restricted for statutory deposits	-	256,266	-	-	256,266
	2,059,383	871,924	813	-	2,932,119
Property and equipment, net	1,032,187	66,316	122,835	-	1,221,338
Goodwill	200	52,501	55,341	-	108,042
Other assets	291,852	(7,564)	202,892	(158,736)	328,444
Total assets	\$ 3,887,673	\$ 1,510,690	\$ 416,854	\$ (244,402)	\$ 5,570,815
Liabilities and net assets					
Current liabilities:					
Accounts payable	\$ 79,483	\$ 15,889	\$ 6,641	\$ (209)	\$ 101,804
Due under Medicaid contract	-	185,477	-	-	185,477
Accrued liabilities	156,256	205,032	12,456	(8,620)	365,124
Medical claims payable	-	476,964	-	(79,988)	396,976
Estimated third-party payer settlements	10,331	-	908	-	11,239
Current portion of long-term debt	12,605	-	966	(1,095)	12,476
Total current liabilities	258,675	883,362	20,971	(89,912)	1,073,096
Long-term debt, net of current portion	1,090,708	-	4,491	(2,995)	1,092,204
Employee benefit plans	155,512	-	-	-	155,512
Self insurance reserves	292,196	-	-	-	292,196
Other liabilities	82,489	9,491	23,912	(16,724)	99,168
Total liabilities	1,879,580	892,853	49,374	(109,631)	2,712,176
Net assets:					
Net assets without donor restrictions					
Attributable to Presbyterian Healthcare Services	1,947,720	617,837	314,815	(134,771)	2,745,601
Attributable to non-controlling interests	-	-	52,665	-	52,665
	1,947,720	617,837	367,480	(134,771)	2,798,266
Net assets with donor restrictions	60,373	-	-	-	60,373
Total net assets	2,008,093	617,837	367,480	(134,771)	2,858,639
Total liabilities and net assets	\$ 3,887,673	\$ 1,510,690	\$ 416,854	\$ (244,403)	\$ 5,570,815

Presbyterian Healthcare Services

December 31, 2022

Presbyterian Healthcare Services and Affiliates

Condensed Combining Statement of Operations (unaudited)
Three Months Ended December 31, 2022

	Obligated Group	Presbyterian Network, Inc.	Other Non-Obligated Group Members	Eliminations	Total
<i>(in Thousands)</i>					
Revenues					
Net premiums	\$ -	\$ 984,494	\$ -	\$ -	\$ 984,494
Net patient service revenue	498,628	-	40,120	(196,597)	342,151
Other operating	30,143	16,465	1,506	(21,112)	27,002
Total operating revenues	528,771	1,000,959	41,626	(217,709)	1,353,647
Expenses					
Medical claims	-	829,184	-	(197,404)	631,780
Salaries, wages and employee benefits	310,122	45,820	15,232	(1,284)	369,890
Purchased services and other	112,860	117,895	9,729	(19,033)	221,451
Supplies	118,089	391	8,411	-	126,891
Professional fees	13,805	2	811	-	14,618
Depreciation and amortization	19,109	6,430	2,893	-	28,432
Interest	7,695	46	717	-	8,458
Total expenses	581,680	999,768	37,793	(217,721)	1,401,520
Operating income (loss)	(52,909)	1,191	3,833	12	(47,873)
Other income (loss):					
Investment income	18,112	4,806	644	-	23,562
Change in unrealized gains and losses on investments	56,442	16,526	-	-	72,968
Gain on bond defeasance	1,353	-	-	-	1,353
Change in fair value of interest rate swaps	530	-	-	-	530
Total other income	76,437	21,333	644	-	98,413
Excess of revenues over expenses before income tax	23,528	22,523	4,476	12	50,540
Provision for income taxes	-	4,974	(425)	-	4,549
Excess of revenues over expenses	23,528	17,549	4,902	12	45,991
Less excess of revenues over expenses attributable to non-controlling interests	-	-	(2,086)	-	(2,086)
Excess of revenues over expenses attributable to Presbyterian Healthcare Services	\$ 23,528	\$ 17,549	\$ 2,816	\$ 12	\$ 43,905

Presbyterian Healthcare Services

December 31, 2022

Presbyterian Healthcare Services and Affiliates

Condensed Combining Statement of Operations
Year Ended December 31, 2022

	Obligated Group	Presbyterian Network, Inc.	Other Non- Obligated Group Members	Eliminations	Total
	<i>(in Thousands)</i>				
Revenues					
Net premiums	\$ -	\$ 4,081,395	\$ -	\$ -	\$ 4,081,395
Net patient service revenue	1,957,443	-	154,696	(775,502)	1,336,637
Other operating	150,272	64,453	8,922	(93,847)	129,800
Total operating revenues	2,107,715	4,145,848	163,618	(869,349)	5,547,832
Expenses					
Medical claims	-	3,399,950	-	(792,721)	2,607,229
Salaries, wages and employee benefits	1,264,651	181,808	59,680	(4,909)	1,501,230
Purchased services and other	438,998	454,054	37,272	(71,895)	858,429
Supplies	437,672	1,164	34,023	-	472,859
Professional fees	48,796	7	3,232	-	52,035
Depreciation and amortization	94,791	19,705	11,621	-	126,117
Interest	33,450	272	1,648	-	35,370
Total expenses	2,318,358	4,056,960	147,476	(869,525)	5,653,269
Operating income (loss)	(210,643)	88,888	16,142	176	(105,437)
Other income (loss):					
Investment income	32,995	(763)	1,382	-	33,614
Change in unrealized gains and losses on investments	(257,913)	(75,887)	-	-	(333,800)
Gain on bond defeasance	4,906	-	-	-	4,906
Loss on ASC sale	(944)	-	-	-	(944)
Change in fair value of interest rate swaps	33,837	-	-	-	33,837
Total other income	(187,119)	(76,650)	1,382	-	(262,387)
Excess of revenues over expenses before income tax	(397,762)	12,238	17,524	176	(367,824)
Provision for income taxes	64	3,144	(372)	-	2,836
Excess of revenues over expenses	(397,826)	9,094	17,896	176	(370,660)
Less excess of revenues over expenses attributable to non-controlling interests	-	-	(6,427)	-	(6,427)
Excess of revenues over expenses attributable to Presbyterian Healthcare Services	\$ (397,826)	\$ 9,094	\$ 11,469	\$ 176	\$ (377,087)

Long-term Debt Profile

Presbyterian Healthcare Services

December 31, 2022

Series 2008B/C/D - \$128,715,000		
<u>Maturity – August 1,</u>	<u>Coupon Rates</u>	<u>CUSIP No.</u>
2034	Series 2008B VRDBs	647370EK7
2034	Series 2008C VRDBs	647370EL5
2034	Series 2008D VRDBs	647370EM3

Series 2017A - \$237,070,000		
<u>Maturity – August 1,</u>	<u>Coupon Rates</u>	<u>CUSIP No.</u>
2023	5.00%	647370HD0
2024	5.00%	647370HE8
2025	5.00%	647370HF5
2026	5.00%	647370HG3
2027	5.00%	647370HH1
2028	5.00%	647370HJ7
2029	5.00%	647370HK4
2030	5.00%	647370HL2
2031	5.00%	647370HM0
2032	5.00%	647370HN8
2033	3.50%	647370HQ1
2033	4.00%	647370HP3
2034	4.00%	647370HR9
2035	4.00%	647370HS7
2036	4.00%	647370HT5
2037	4.00%	647370HU2
2039	4.00%	647370HV0
2046	5.00%	647370HX6
2046	4.00%	647370HW8

Series 2017B - \$65,665,000		
<u>Maturity – August 1,</u>	<u>Coupon Rates</u>	<u>CUSIP No.</u>
2046	4.41%	647370HY4

Series 2019A - \$146,400,000		
<u>Maturity – August 1,</u>	<u>Coupon Rates</u>	<u>CUSIP No.</u>
2025	5.00%	647370HZ1
2026	5.00%	647370JA4
2027	5.00%	647370JB2
2028	5.00%	647370JC0
2029	5.00%	647370JD8

Presbyterian Healthcare Services

December 31, 2022

2030	5.00%	647370JE6
2031	5.00%	647370JF3
2032	5.00%	647370JG1
2033	5.00%	647370JH9
2034	5.00%	647370JJ5
2035	5.00%	647370JK2
2036	5.00%	647370JL0
2037	5.00%	647370JM8
2038	5.00%	647370JN6
2039	5.00%	647370JP1
2044	5.00%	647370JQ9
2048	4.00%	647370JR7
2048	3.00%	647370JS5

Series 2019B - \$75,000,000

<u>Maturity – August 1,</u>	<u>Coupon Rates</u>	<u>CUSIP No.</u>
2049*	5.00%	647370JT3

* Bond is a long-term put bond with a hard put on August 1, 2025

Series 2019C - \$82,845,000

<u>Maturity – August 1,</u>	<u>Coupon Rates</u>	<u>CUSIP No.</u>
2042	Series 2019C VRDBs	647370JU0

Series 2022 - \$315,925,000

<u>Maturity – August 1,</u>	<u>Coupon Rate</u>	<u>CUSIP No.</u>
2052	4.875%	74071PAB9

Presbyterian Healthcare Services

December 31, 2022

**Presbyterian Healthcare Services
All Hospitals (PDS)
Operating Data - December 2022
Unaudited**

				Three Months Ended December 31	
	2020	2021	2022	2021	2022
<u>Hospital Data</u>					
Total Inpatient Discharges	54,263	54,377	52,819	13,750	13,295
Newborn Discharges	5,923	5,871	5,495	1,524	1,306
Inpatient Surgery Discharges	9,177	8,669	8,488	2,120	2,036
Total Inpatient Days	250,759	266,171	269,764	71,425	68,310
Newborn Days	26,146	23,957	24,779	6,230	5,767
Inpatient Surgery Days	50,783	52,420	55,473	13,131	13,653
Total Outpatient Visits	561,633	660,495	699,884	166,409	175,999
ER Visits	250,637	264,898	274,769	60,205	74,273
OP Surgeries	28,003	35,481	39,470	8,691	10,213
Licensed Beds (excluding bassinets)	1,017	1,116	1,017	1,017	1,017
Beds in Service	990	982	997	982	997
Average Length of Stay (days)	4.62	4.89	5.11	5.19	5.14
Percentage Occupancy (of beds in service), excluding Newborn	62.2%	67.6%	67.3%	72.2%	68.2%
Medicare Case Mix Index	1.56	1.58	1.62	1.66	1.59
Presbyterian Medical Group Visits	1,585,894	1,734,642	1,589,516	422,549	398,115

Presbyterian Healthcare Services

December 31, 2022

**Presbyterian Healthcare Services
Obligated Group
Operating Data - December 2022
Unaudited**

**Three Months Ended
December 31**

	2020	2021	2022	2021	2022
<u>Hospital Data</u>					
Total Inpatient Discharges	52,928	52,950	51,385	13,372	12,921
Newborn Discharges	5,702	5,652	5,289	1,469	1,255
Inpatient Surgery Discharges	9,008	8,520	8,387	2,096	2,006
Total Inpatient Days	245,810	260,555	264,914	69,862	67,065
Newborn Days	25,826	23,641	24,499	6,153	5,704
Inpatient Surgery Days	50,097	51,995	55,262	13,071	13,590
Total Outpatient Visits	521,488	612,107	648,574	153,813	163,194
ER Visits	235,335	245,992	253,622	54,745	68,623
OP Surgeries	27,623	35,093	39,109	8,620	10,123
Licensed Beds (excluding bassinets)	967	967	967	967	967
Beds in Service	940	932	947	932	947
Average Length of Stay (days)	4.64	4.92	5.16	5.20	5.19
Percentage Occupancy (of beds in service), excluding Newborn	63.9%	69.6%	69.6%	74.3%	70.4%
Medicare Case Mix Index	1.57	1.59	1.64	1.68	1.61

Presbyterian Healthcare Services

December 31, 2022

**Central New Mexico (CDS)
Operating Data - December 2022
Unaudited**

**Three Months Ended
December 31**

	2020	2021	2022	2021	2022
<u>Hospital Data</u>					
Total Inpatient Discharges	43,811	43,942	43,585	10,946	11,028
Newborn Discharges	3,911	3,896	3,831	997	945
Inpatient Surgery Discharges	7,545	7,264	7,229	1,772	1,737
Total Inpatient Days	217,459	231,626	238,539	61,539	61,002
Newborn Days	22,501	20,619	22,006	5,348	5,178
Inpatient Surgery Days	44,176	47,142	50,062	11,712	12,476
Total Outpatient Visits	365,251	433,437	445,087	108,322	111,493
ER Visits	170,678	170,026	173,145	36,305	44,871
OP Surgeries	23,919	30,904	34,165	7,560	8,878
Licensed Beds (excluding bassinets)	737	737	737	737	737
Beds in Service	737	729	744	729	744
Average Length of Stay (days)	4.97	5.27	5.47	5.62	5.53
Percentage Occupancy (of beds in service), excluding Newborn	72.3%	79.3%	79.7%	83.8%	81.6%
Medicare Case Mix Index	1.65	1.67	1.70	1.75	1.68
Presbyterian Medical Group Visits	1,280,333	1,363,834	1,223,597	320,525	305,149

Presbyterian Healthcare Services

December 31, 2022

**Regional Hospitals (RDS)
Operating Data - December 2022
Unaudited**

	Three Months Ended December 31				
	2020	2021	2022	2021	2022
<u>Hospital Data</u>					
Total Inpatient Discharges	10,452	10,435	9,234	2,804	2,267
Newborn Discharges	2,012	1,975	1,664	527	361
Inpatient Surgery Discharges	1,632	1,405	1,259	348	299
Total Inpatient Days	33,300	34,545	31,225	9,886	7,308
Newborn Days	3,645	3,338	2,773	882	589
Inpatient Surgery Days	6,607	5,278	5,411	1,419	1,177
Total Outpatient Visits	196,382	227,058	254,797	58,087	64,506
ER Visits	79,959	94,872	101,624	23,900	29,372
OP Surgeries	4,084	4,577	5,305	1,131	1,335
Licensed Beds (excluding bassinets)	280	280	280	280	280
Beds in Service	253	253	253	253	253
Average Length of Stay (days)	3.19	3.31	3.38	3.53	3.22
Percentage Occupancy (of beds in service), excluding Newborn	32.0%	33.8%	30.8%	38.7%	28.9%
Medicare Case Mix Index	1.18	1.23	1.23	1.32	1.16
Presbyterian Medical Group Visits	305,651	370,808	365,919	102,024	92,966

Presbyterian Healthcare Services

December 31, 2022

Presbyterian Healthcare Services
PHP Membership
Operating Data - December 2022
Unaudited

December 31

	2018	2019	2020	2021	2022
PHP Membership					
Commercial Group	58,915	37,630	33,219	30,930	28,817
Commercial Individual	10,742	7,786	4,457	1,883	6,628
Medicare	45,025	42,478	46,979	53,684	55,766
Medicaid	305,127	372,655	400,613	421,770	426,798
Administrative Services Only	115,636	133,540	134,268	129,120	125,489
Total PHP Membership	535,445	594,089	619,536	637,387	643,498

Presbyterian Healthcare Services

December 31, 2022

**Presbyterian Healthcare Services
All Facilities
Operating Data - December 2022
Unaudited**

Year Ended

Payer Mix Based on Net Revenue

	2019	2020	2021	2021	2022
COMMERCIAL	40.4%	39.9%	38.6%	38.6%	38.0%
MEDICAID	22.5%	23.3%	23.4%	23.2%	24.1%
MEDICARE	32.7%	32.4%	33.8%	34.0%	33.8%
OTHER	3.7%	3.8%	3.5%	3.5%	3.4%
SELF PAY	0.7%	0.6%	0.7%	0.7%	0.7%

Payer Mix Based on Gross Revenue

	2019	2020	2021	2021	2022
COMMERCIAL	27.3%	26.7%	25.6%	25.5%	25.0%
MEDICAID	26.1%	27.1%	27.1%	27.0%	27.7%
MEDICARE	41.7%	41.3%	42.7%	42.9%	42.8%
OTHER	3.4%	3.5%	3.2%	3.2%	3.0%
SELF PAY	1.5%	1.4%	1.4%	1.4%	1.5%

**Presbyterian Healthcare Services
Obligated Group
Operating Data - December 2022
Unaudited**

Year Ended

Payer Mix Based on Net Revenue

	2019	2020	2021	2021	2022
COMMERCIAL	40.5%	40.0%	38.7%	38.7%	37.2%
MEDICAID	22.3%	23.2%	23.2%	23.0%	23.9%
MEDICARE	32.8%	32.5%	34.0%	34.1%	33.9%
OTHER	3.7%	3.7%	3.4%	3.5%	3.4%
SELF PAY	0.7%	0.6%	0.7%	0.7%	0.6%

Payer Mix Based on Gross Revenue

	2019	2020	2021	2021	2022
COMMERCIAL	27.4%	26.9%	25.7%	25.7%	25.1%
MEDICAID	25.9%	26.9%	26.9%	26.8%	27.5%
MEDICARE	41.8%	41.4%	42.9%	43.0%	42.9%
OTHER	3.4%	3.4%	3.1%	3.2%	3.0%
SELF PAY	1.5%	1.4%	1.4%	1.3%	1.5%