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## **Providence Reports Year-End 2022 Results**

*Despite significant challenges facing health care nationally, the not-for-profit health system continued to strengthen its Mission, investing nearly \$2.1 billion in community benefit last year.*

RENTON, Wash., March 9, 2023 – Providence, a not-for-profit health system serving the Western U.S., today announced results for the fiscal year ended Dec. 31, 2022. The report showed the ongoing impact of inflation, the national health care labor shortage, delayed reimbursement from payors, 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.

Despite these challenges, Providence made its largest investment to date in uncompensated care and other community benefit activities, providing nearly \$2.1 billion in community benefit for the fiscal year ended Dec. 31, 2022. Compared to Providence's community benefit levels of \$1.8 billion in 2021, \$1.7 billion in 2020 and \$1.5 billion in 2019, last year's investment represents an increase of more than \$600 million in community benefit since the pandemic began.

"Health care providers nationally have experienced unprecedented pressures over the last three years. Yet, through it all, Providence has not wavered from its Mission. We continue to be here for our communities no matter how challenging the environment gets," said Providence President and CEO Rod Hochman, M.D. "I am deeply grateful to the caregivers of Providence for all they do to make the Mission possible, especially for those who are most vulnerable. Because of this commitment, our community benefit investment has continued an upward trajectory, even in difficult times."

Providence continued to pursue strategies for responding to external pressures. Retention and recruitment remained a significant area of focus, with the health system working to reduce overall reliance on costly agency staffing, including converting travelling nurses to permanent staff roles. Other key strategies included addressing discharge challenges related to severe staffing shortages in community-based post-acute facilities, as well as a continued focus on increasing surgical capacity to meet vital health care needs. Providence also streamlined its executive team to better support caregivers and patients and keep the focus on retaining and recruiting caregivers in essential roles.

For the fiscal year ended Dec. 31, 2022, operating revenues increased 4% on a pro forma basis while operating expenses increased 6%, compared with the same period in 2021 on a pro forma basis. This included an 8% increase in salary and benefits due to the cost of agency staff, overtime and wage increases. It also included a 7% increase in supply costs, driven by an 8% increase in pharmaceutical spend.

Pro forma operating EBIDA and deficit of revenues over expenses from operations excluding restructuring costs resulted in losses of \$6 million and \$1.4 billion, respectively, for the fiscal year ended Dec. 31, 2022. To improve future operating performance, the health system recorded \$247 million in

restructuring costs related to asset rationalization, leadership team reductions and other items. The \$120 million in CARES funding that Providence recognized as revenue in the fiscal year ended Dec. 31, 2022 provided some relief but was not adequate to cover the loss. Financial market weakness and volatility drove investment losses of \$1 billion for the fiscal year ended Dec. 31, 2022, bringing Providence's total unrestricted cash and investments to \$9.5 billion.

"Thanks to the dedication of everyone at Providence, our strategies for responding to the times are positioning us well for the future. While we still have a journey ahead of us, we are moving in the right direction and beginning to see signs of renewal. This would not be possible without the people of Providence. Thank you to all our caregivers for continuing to help us meet the growing needs of our communities with excellence and compassion, one patient at a time," said Providence CFO Greg Hoffman.

*\*Hoag assets excluded from prior year comparisons.*

*\*\*For additional information, see our annual continuing disclosure for the fiscal year ended December 31, 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 1,000 physician clinics, senior services, supportive housing and many other health and educational services, the health system and its partners employ and more than 117,000 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).