BON SECOURS MERCY HEALTH

Annual Disclosure Information

Fiscal Year Ended
December 31, 2022

In compliance with
Certificates to Provide Continuing Disclosure
And SEC Rule 15c2-12

BON SECOURS MERCY HEALTH

Bon Secours Mercy Health, Inc., as successor to Mercy Health, formerly known as Catholic Health Partners ("BSMH" or the "Corporation"), provides annual disclosure of specified financial information (the "annual disclosure undertaking") in compliance with the Continuing Disclosure Certificates related to certain bonds issued for the benefit of the Corporation, as required by Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. The annual disclosure undertaking is filed with the Municipal Securities Rulemaking Board ("MSRB") on its Electronic Municipal Market Access ("EMMA") website as well on the Corporation's website under "Financial Information."

On September 1, 2018, Mercy Health combined with Bon Secours Health System, Inc. ("BSHSI") and simultaneously BSHSI changed its name to Bon Secours Mercy Health, Inc. and became the sole corporate member of Mercy Health. In January 2020, Mercy Health was merged into BSMH. BSMH assumed all obligations of Mercy Health, including all obligations under the Master Trust Indenture (Amended and Restated) dated as of December 1, 2017 (the "MTI") and the disclosure obligations of Mercy Health under its Continuing Disclosure Certificates.

The attached annual disclosure is based on the consolidated financial statements of Bon Secours Mercy Health, Inc. This annual disclosure includes the following materials:

- Operating Beds by Market and Facility
- System Historical Utilization Data
- System Payer Mix
- Debt Service Coverage
- Debt to Capitalization Ratio
- Consolidated Condensed Balance Sheet Information and Ratios
- Management's Discussion and Analysis of Recent Financial Performance
- Consolidated Audited Financial Statements
- Providers of Liquidity and Credit Support
- Recent Developments
- System Organization and Governance
- Executive Leadership Council

Throughout this disclosure, reference to "Ireland" refers to five hospitals located in the Republic of Ireland which are consolidated into the BSMH financial statements. Reference to "HealthSpan" refers to an Affiliate corporation that is not a subsidiary of BSMH but is included in the consolidated financial statements of BSMH. Reference to "Ensemble" refers to Ensemble Health Partners, a revenue cycle company in which BSMH sold its majority interest in 2019 but still retains a minority interest.

BON SECOURS MERCY HEALTH

Operating Beds by Market and Facility

As of December 31, 2022

Market	Facility/dba	Affiliate/Market Entity (Legal Name)	Number of Operating Hospital Beds	Number of Long Term Care Beds
Greenville, SC	St. Francis Hospital – Downtown	St. Francis Hospital, Inc.	245	0
	St. Francis Hospital, Inc. – Eastside		107	0
Hampton Roads, VA	Maryview Medical Center (d)	Maryview Hospital LLC	229	0
	Southampton Memorial Hospital	Bon Secours Mercy Health Franklin LLC	90	129
	Mary Immaculate Hospital	Mary Immaculate Hospital LLC	123	0
	Sentara Princess Ann Hospital (a)	Sentara Princess Ann Hospital	174	0
Paducah, KY	Mercy Health – Lourdes Hospital	Mercy Health – Lourdes Hospital LLC	254	10
	Mercy Health – Marcum and Wallace Memorial Hospital	Mercy Health – Marcum & Wallace Hospital LLC	25	0
Richmond, VA	Southside Regional Medical Center	Bon Secours Mercy Health Petersburg LLC	300	0
	Southern Virginia Regional Medical Center	Bon Secours Mercy Health Emporia LLC	73	0
	St. Mary's Hospital (e)	Bon Secours – St. Mary's Hospital of Richmond, LLC	391	0
	Richmond Community Hospital (e)	Bon Secours – Richmond Community Hospital, LLC	99	0
	Memorial Regional Medical Center (e)	Bon Secours – Memorial Regional Medical Center LLC	225	0
	Rappahannock General Hospital (e)	Chesapeake Hospital LLC	35	0
	St. Francis Medical Center (e)	Bon Secours – St. Francis Medical Center LLC	130	0
Cincinnati, OH	Mercy Health- Fairfield Hospital	Mercy Health – Fairfield Hospital LLC	199	0
	Mercy Health – Anderson Hospital	Mercy Health – Anderson Hospital LLC	239	0
	Mercy Health – Clermont Hospital	Mercy Health – Clermont Hospital LLC	118	0
	Mercy Health – West Hospital	Mercy Health – West Hospital LLC	226	0
	The Jewish Hospital – Mercy Health	Jewish Hospital, LLC	184	0
Lima, OH	Mercy Health – St. Rita's Medical Center	Mercy Health – St. Rita's Medical Center LLC	306	0
	Institute of Orthopedic Surgery		12	0
Lorain, OH	Mercy Regional Medical Center	Mercy Health – Regional Medical Center LLC	215	0
	Mercy Allen Hospital	Mercy Health – Allen Hospital LLC	22	0
Springfield, OH	Mercy Health – Springfield Regional Medical Center (b)	Community Mercy Health Partners	254	0
	Mercy Health – Urbana Hospital (b)		25	0
Toledo, OH	Mercy Health – St. Vincent Medical Center	Mercy Health – St. Vincent Medical Center LLC	269	0
	Mercy Health – Perrysburg Hospital		36	0
	Mercy Health – St. Charles Hospital	Mercy Health – St. Charles Hospital LLC	235	0
	Mercy Health – Anne Hospital	Mercy Health – St. Anne Hospital LLC	92	0
	Mercy Health – Tiffin Hospital	Mercy Health – Tiffin Hospital LLC	45	0
	Mercy Health – Willard Hospital	Mercy Health – Willard Hospital LLC	20	0
	Mercy Health – Defiance Hospital	Mercy Health – Defiance Hospital LLC	23	0
Youngstown, OH	Mercy Health – St. Elizabeth Youngstown Hospital	Mercy Health Youngstown LLC	401	0
	Mercy Health – St. Elizabeth Boardman Hospital		217	0
	Mercy Health – St. Joseph Warren Hospital		146	0
	Hospice of the Valley, Inc.	Hospice of the Valley, Inc.	0	16
Charleston, SC	Bon Secours - St. Francis Xavier Hospital (b)	Bon Secours St. Francis Xavier Hospital, Inc.	146	0
	Roper Hospital (b)	Roper Hospital, Inc.	288	0
	Roper St. Francis Berkeley Hospital (b)	Roper St. Francis Berkeley Hospital, Inc.	50	0
	Roper St. Francis Mt. Pleasant Hospital (b)	Roper St. Francis Mt. Pleasant Hospital, Inc.	50	0
Ireland	Bon Secours Hospital Cork	Bon Secours Health System CLG	233	0
	Mount Desert Care Village		0	100
	Bon Secours Hospital Dublin		84	0
	Bon Secours Hospital Galway		88	0
	Bon Secours Hospital Limerick		13	0
	Bon Secours Hospital Tralee		74	0
New York	Good Samaritan Hospital (a)	Good Samaritan Hospital of Suffern, N.Y.	286	0
	Bon Secours Community Hospital (a)	Bon Secours Community Hospital	122	0
	St. Anthony Community Hospital (a)	St. Anthony Community Hospital, Warwick, New York	60	0
	Schervier Pavilion (a)	Villa Frances at the Knolls, Inc. (d/b/a Schervier Pavilion)	0	120
	Mount Alverno Center (a)	St. Francis Center at the Knolls, Inc. (d/b/a Mount Alverno Center)	0	85 (c)
Total Bon Secours Mercy Health			**7,278**	**460**

(a) Minority interest joint venture. Utilization and financial data is not consolidated into BSMH.
(b) Majority interest joint venture.
(c) Assisted living beds.
(d) DePaul Medical Center was closed and inpatient services were moved to Maryview Medical Center in April 2021.
(e) Effective March 1, 2022 BSMH acquired the non-controlling interest in the Richmond area hospitals and now control 100% of these operations.

BON SECOURS MERCY HEALTH

Consolidated Utilization Statistics (Unaudited)

	Twelve Months Ended December 31,		
	2022	2021	2020
Utilization Statistics			
Staffed beds - Acute	6,636	7,487	7,487
Staffed beds - Post-acute	255	1,501	1,890
Admissions - Acute	332,668	334,295	316,952
Admissions - Post-acute	2,726	4,119	3,904
Total Admissions	335,394	338,414	320,856
Observations	65,734	62,664	62,784
Equivalent Inpatient Admissions	826,014	794,283	737,329
Newborn Deliveries	27,850	27,849	28,035
Patient days - Acute	1,568,813	1,583,629	1,435,967
Patient days - Post-acute	38,193	395,949	477,453
Occupancy on staffed beds - Acute	64.8%	57.9%	52.4%
Total Patient Days	1,607,006	1,979,579	1,913,420
Average length of stay - Acute	4.72	4.74	4.53
Emergency Room Visits	1,529,142	1,452,343	1,331,825
Physician Visits	6,912,128	6,878,752	6,570,832
Inpatient surgeries and medical procedures	68,372	68,834	69,921
Outpatient surgeries	206,108	202,574	184,169
Full Time Equivalent Employees	52,413	51,621	51,019
Institutional case mix index	1.667	1.716	1.691
Medicare case mix index	1.778	1.825	n/a

Note:
Certain historical information shown below has been adjusted for discontinued operations.
Medicare case mix data in 2020 is currently being reviewed for consistency with subsequent periods.

BON SECOURS MERCY HEALTH

System Payer Mix Based on Net Patient Service Revenue

Payer	Year ended December 31 2022	2021	2020
Medicare - Traditional	19.6%	20.2%	21.3%
Medicare - Managed	17.2%	16.2%	15.1%
Medicaid - Traditional	6.9%	5.9%	4.6%
Medicaid - Managed	9.0%	9.2%	9.4%
Other governmental	1.9%	1.7%	1.8%
Commercial and other third party	44.4%	46.2%	46.7%
Private pay and other	1.0%	0.6%	1.1%
Total Bon Secours Mercy Health	100.0%	100.0%	100.0%

Note: Payer mix is based on net patient service revenue excluding the elimination for charges paid by Bon Secours Mercy Health's self-insurance plans.

BON SECOURS MERCY HEALTH

Debt Service Coverage

(Dollars in Thousands)

	Years Ended December 31,		
	2022	2021	2020
Excess of (expenses over revenue) revenue over expenses	($1,204,784)	$997,698	$609,119
Plus (minus):			
Interest expense	141,702	131,210	129,975
Depreciation and amortization	500,607	465,307	499,631
Impairment of long-lived assets	37,596	12,819	43,434
(Gain)/Loss on disposition of assets not made in the ordinary course of business	(1,567)	45	(189)
Loss on early extinguishment of debt	328	152	29,924
Unrealized (gains) and losses on marketable securities	1,060,296	(475,957)	(420,055)
Unrealized swap (income) / losses	(68,000)	(28,544)	24,038
Funds available for debt service coverage	$466,178	$1,102,730	$915,877
Maximum Annual Debt Service (MADS)	$342,939	$280,724	$276,352
Number of times maximum annual debt service covered	1.36x	3.93x	3.31x

Note: Calculation of debt service coverage is performed in accordance with the terms of the MTI.

BON SECOURS MERCY HEALTH

Debt to Capitalization Ratio

(Dollars in thousands)

	Years Ended December 31		
	2022	2021	2020
Master obligation debt	$4,462,404	$4,200,884	$4,291,784
Other debt, unamortized original issue (discount) premium and unamortized cost of issuance	194,851	180,631	205,688
Capitalized leases *	7,174	9,534	11,590
ROU liability - finance leases (Current) *	24,058	14,109	13,279
ROU liability - finance leases (Long-term) *	319,135	330,692	334,824
Financial guarantees *	0	493	634
Total debt	$5,007,621	$4,736,343	$4,857,799
Unrestricted net assets	7,943,628	8,726,705	7,547,543
Total capitalization	$12,951,249	$13,463,048	$12,405,342
Total debt to total capitalization	38.7%	35.2%	39.2%

* Note: The calculation above is based on the definition of Indebtedness provided in the Master Indenture. The Debt to Capitalization ratio disclosed in Management's Discussion and Analysis does not consider Capitalized leases, Right of Use liabilities and Financial guarantees.

BON SECOURS MERCY HEALTH

Condensed Balance Sheet Information and Ratios

(Dollars in thousands)

	Years Ended December 31		
	2022	**2021**	**2020**
Unrestricted cash and cash equivalents	$506,242	$402,402	$721,837
Unrestricted investments	35,233	155,412	159,169
Unrestricted board designated funds	6,653,603	8,816,184	7,850,710
Total unrestricted cash and investments	$7,195,078	$9,373,998	$8,731,716
Cash Expense per Day	$29,936	$28,035	$25,232
Days Cash on Hand	240	334	346
Total Debt	$4,657,255	$4,381,515	$4,497,472
Cash to Debt	154%	214%	194%
Composition of system long term debt excluding derivative agreements:			
Fixed rate	79%	78%	77%
Variable rate	21%	22%	23%

BON SECOURS MERCY HEALTH

Management's Discussion and Analysis of Recent Financial Performance

Year Ended December 31, 2022

ABOUT BON SECOURS MERCY HEALTH

OUR MISSION

Bon Secours Mercy Health ("BSMH", the "Company" or the "Ministry") is one of the nation's largest Catholic nonprofit healthcare systems, providing healthcare services across seven states and five cities in Ireland. Through hospitals, physician clinics, a variety of care delivery sites and social services programs, we improve the health of entire communities. Bon Secours Mercy Health is sponsored by Bon Secours Mercy Ministries, a public juridic person of the Roman Catholic Church.

BSMH's Mission is "to extend the compassionate ministry of Jesus by improving the health and well-being of our communities and bring good help to those in need, with emphasis on people who are poor, dying and underserved."

OUR ORGANIZATION

Bon Secours Mercy Health has a deep commitment to corporate and financial responsibility. Our senior leaders set the tone for the entire organization, reinforcing our commitment to "doing the right thing," which is rooted in our religious heritage and core values. Almost two centuries ago, the historical founders of BSMH established congregations dedicated to providing care to those in need. BSMH continues their legacy, providing high-quality, compassionate and affordable health care services. That commitment is fulfilled by more than 60,000 employees serving communities throughout Florida, Kentucky, Maryland, Ohio, South Carolina, Virginia, New York and Ireland.

Bon Secours Mercy Health, together with certain of its affiliated entities, owns, leases, invests in or manages acute care hospitals, behavioral health facilities, long-term care and rehabilitation facilities, home health agencies, nursing registries, physician clinics, hospice facilities, clinical laboratories, ambulatory surgery centers, home medical equipment supply services, charitable foundations, a revenue cycle management company, a captive insurance company and an accountable care organization that participates in the Medicare Shared Savings Program.

Our Values

Human dignity

Integrity

Compassion

Stewardship

Service

Our Vision

Inspired by God's hope for the world, we will be a ministry where associates want to work, clinicians want to practice, people seek wellness and communities thrive.

OUR STRATEGY

BSMH is committed to leading the way in health care by establishing a best-in-class core health care delivery system and dedicating resources to fuel growth efforts. To support the Mission, the Ministry's Strategic Plan is built on four pillars of growth: Strengthen the Core, Pivot the Ministry, Expand the Ministry, Transform the Ministry. These pillars are described below.

Strengthen the Core
BSMH strives to protect and grow the existing core operations and capabilities to fulfill the Ministry's Mission and provide the highest level of care to the patients and communities the Ministry serves.

Pivot the Ministry
BSMH aims to invest in businesses adjacent to core acute offerings such as ambulatory services and scale in order to serve the communities while driving meaningful diversified revenue beyond core markets.

Expand the Ministry
BSMH strives to leverage scale to develop and commercialize the ministry's service offerings.

Transform the Ministry
BSMH strives to harness innovative and bold growth opportunities that sit outside of the ministry's traditional operations.

GOVERNANCE AND MANAGEMENT

Executive Leadership Council

The Executive Leadership Council ("ELC") at Bon Secours Mercy Health embodies our Mission of improving the health of the communities we serve. ELC members are listed below:

Individual	Title
John M. Starcher, Jr.	Chief Executive Officer
Michael A. Bezney, JD	Chief Legal Officer
Deborah S. Bloomfield, PhD, CPA	Chief Financial Officer
David Cannady	Chief Strategy Officer
Rev. Joseph P. Cardone, PhD	Chief Mission Officer
Joe L. Gage, JD	Chief Human Resources Officer
Wael Haidar, MD, MBA	Chief Clinical Officer
Chris Hilton	Senior Vice President Enterprise Optimization and Integration
Donald Kline	Chief Operating Officer
Sandra Mackey	Chief Marketing Officer
Jason Siegert	Chief Ventures Officer
Jason Szczuka	Chief Digital Officer

Board of Directors

The Bon Secours Mercy Health Board of Directors provides overall system direction, approves appointments to market boards and appoints and evaluates the system CEO. The members of the Board of Directors are listed below:

Board of Directors
Peter Maddox, Chair
Jennifer O'Brien, JD, Vice Chair
Katherine W. Vestal, PhD,
Katherine A. Arbuckle, CPA
Sr. Pat Eck, CBS (PJP)
Sr. Fran Gorsuch, CBS
Gerard Kells
Joseph D. O'Shea
Raja Rajamannar
Janet B. Reid, PhD
Myles N. Sheehan, SJ, MD (PJP)
Sr. Carol Anne Smith, MH (PJP)
John M. Starcher, Jr. ex-officio

Bon Secours Mercy Health by the numbers

ONE OF THE 5 LARGEST
Catholic health care systems in the US;
the LARGEST not-for-profit private provider in Ireland

MORE THAN **1,200** SITES OF CARE IN THE US AND IRELAND

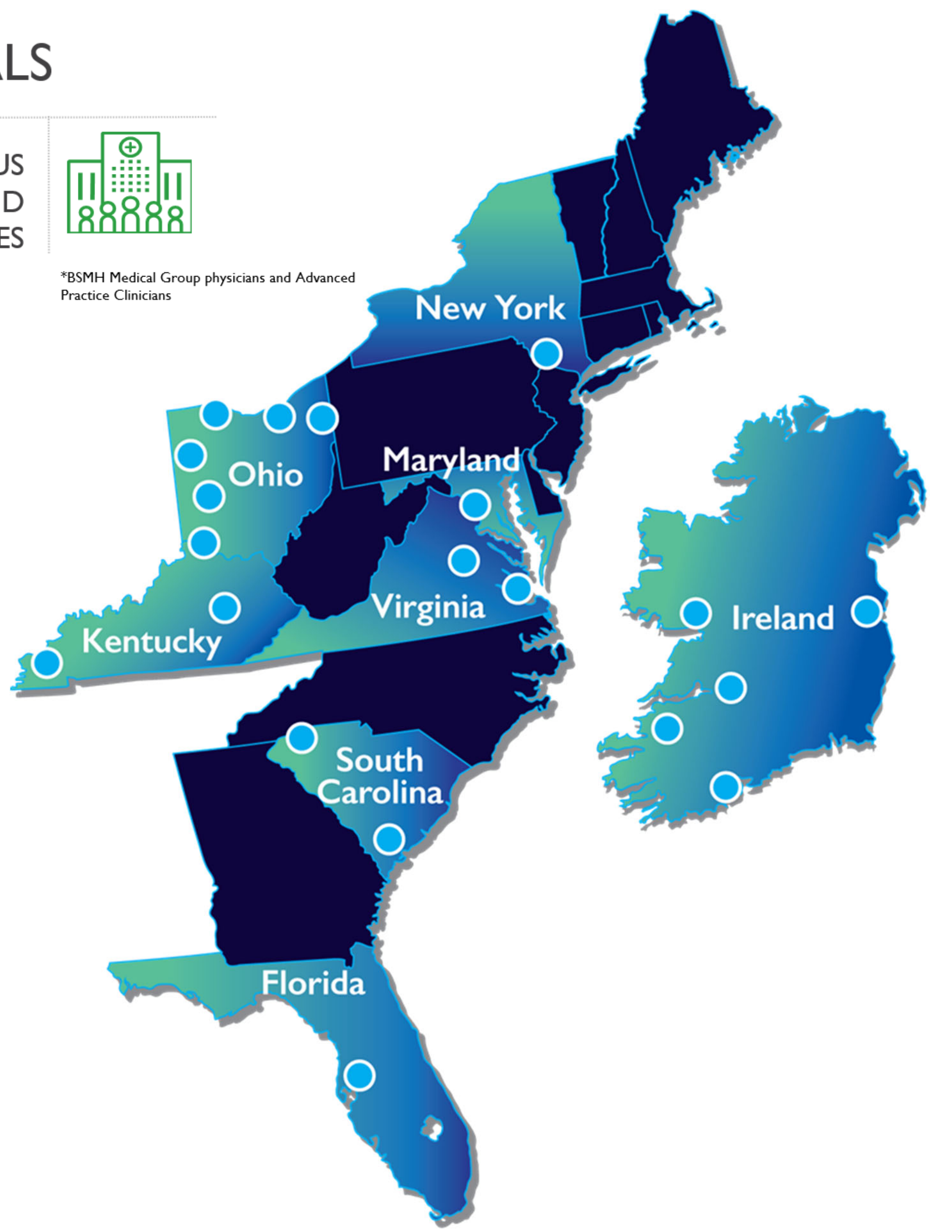
Approximately **$11 BILLION**
in net operating revenue

MORE THAN **$600 MILLION** IN COMMUNITY BENEFITS ACROSS **5** STATES

48 HOSPITALS

3,000* PROVIDERS IN THE US
450 CONSULTANTS IN IRELAND
60,000 TOTAL ASSOCIATES

*BSMH Medical Group physicians and Advanced Practice Clinicians



ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

At Bon Secours Mercy Health, we are purposeful about our commitment to sustainability and driving change that will improve the environment, address social determinants of health and ensure there is effective governance oversight that creates accountability while aligning with Catholic social teachings.

Our Areas of Focus

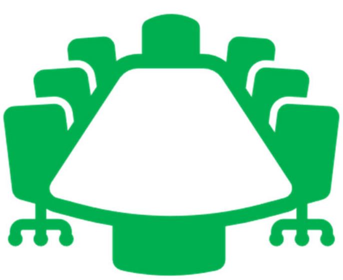
Through three foundational pillars, Environmental, Social and Governance, we have prioritized initiatives that will have the greatest impact, while establishing a framework that will guide us well into the future.

Environmental

BSMH is innovatively and effectively enhancing its ability to safeguard the earth and its resources through ministry-wide strategies, the commitment of associates in our facilities and strategic alignment with other health systems and organizations. Our teams deliver upon our mission and use vehicles like BSMH's Sustainability Council to identify opportunities that can be scaled across the organization to reduce waste and conserve resources. Benefiting from the insights of on-site associates, market-based green teams identify alternative supplies, new processes and initiatives to promote good stewardship within their facilities and local communities. BSMH is a member of and signatory to strategies established by organizations that are leading the way in driving ESG initiatives nationwide among health systems and providers: Practice Greenhealth, The Healthcare Anchor Network, Catholic Impact Investing Collaborative and America Is All In.

Social

Bon Secours Mercy Health is focused on helping people live healthier lives as we extend health care access and safety for patients and community stakeholders. BSMH is strategically focused on a range of initiatives. Providing Community Benefit of more than $600 million is just one of the ways BSMH assists individuals and enhances health and well-being for patients and communities. In addition, BSMH's Foundation supports individuals and programs in 12 communities in five states where our markets provide comprehensive health care services.



Governance

The ministry has mature processes in place that promote strategic oversight of the ministry's ESG efforts, especially emerging priorities as identified by the Church, government and/or societal needs, such as pay equity and risk management, specifically cyber security. Strategies, processes and activities focused on the ministry's integrity and ethics are monitored by the BSMH's Board of Directors, executive leaders and the Integrity & Stewardship Committee ("ISC").

MANAGEMENT’S DISCUSSION AND ANALYSIS

Management’s discussion and analysis (“MD&A”) provides additional explanation of the financial condition, operational results and cash flows of BSMH to assist in increased understanding of the consolidated financial statements. The financial information as of and for the years ended December 31, 2022 and 2021, presented below, has been derived from BSMH’s audited financial information. This document is incorporated herein by reference and is available for review on the Electronic Municipal Market Access (“EMMA”) website operated by the Municipal Securities Rulemaking Board (“MSRB”). In conformity with U.S. generally accepted accounting principles, the consolidated financial statements and this Management’s Discussion and Analysis include the financial position, results of operations, changes in net assets and cash flows of Bon Secours Mercy Health, HealthSpan Partners and subsidiaries. Information as of and for the years ended December 31, 2022 and 2021, is consistent with the presentation of BSMH’s audited financial statements.

OVERVIEW OF SIGNIFICANT TRANSACTIONS

On February 28, 2022, Bon Secours Mercy Health acquired the 17% noncontrolling interest of Bon Secours – Richmond Health System from Richmond Memorial Health Foundation for $40.0 million. The purchase increased the ownership interest of the Bon Secours – Richmond Health System from 83% to 100% and resulted in a $321.3 million reclassification within net assets from noncontrolling interest to controlling interest.

On March 1, 2022, Bon Secours Mercy Health sold four senior living and care facilities operating in Ohio for $89.2 million of proceeds. This sale is part of the full divestiture plan of all operations and facilities that involve skilled nursing, assisted living and independent living.

On April 18, 2022, Ensemble Health Partners (“Ensemble”), a BSMH joint venture investment, underwent an ownership restructuring that reduced BSMH’s ownership interest from 48.3% to 41.8%. This ownership restructuring triggered a $200.6 million cash distribution to BSMH, resulting in a reduction to BSMH’s carrying value of its equity investment in Ensemble and a one-time nonoperating gain of $119.2 million.

On June 1, 2022, Bon Secours Mercy Health acquired a 97.7% interest in Nordic Consulting Group (“Nordic”), a global health and technology consulting company that provides healthcare-focused information technology advisory and staffing consulting services to a global customer base. The transaction was structured as a stock acquisition for total cash consideration of $404.6 million ($394.2 million, net of cash acquired).

On September 29, 2022, BSMH issued $404.1 million tax-exempt bond obligations through its Series 2022 financing. This financing transaction allowed the Company to repay certain debt and reimburse the Company for certain capital project expenditures and increase liquidity. For additional information related to this financing activity, refer to footnote 8 “Long-Term Debt” within the consolidated financial statements.

FINANCIAL HIGHLIGHTS AND SUMMARY

During the year ended December 31, 2022, BSMH experienced inpatient admissions slightly below prior year levels, while outpatient volumes improved and largely returned to historical pre-pandemic levels. BSMH hospitals experienced COVID-19 trends similar to the nationwide trend. Volume improvements during 2022 were more than offset by increased operating expenses, investment losses, unfavorable payor mix and declining acuity. Operating expense increases for the year ended December 31, 2022 were driven by the sustained national labor shortages, a high inflationary environment and supply chain disruptions. This increase in operating expenses led to a decline in operating EBITDA and recurring operating income for the year ended December 31, 2022, compared to the prior year. Liquidity declined during the year primarily due to unrealized investment losses incurred as a result of the challenging investment market environment.

Management continues to take proactive actions to manage these evolving financial and operational challenges and ensure that the health system can deliver services to the communities it serves. Management has initiated actions to reduce employment and purchased services expenses. Certain actions are already underway and are expected to result in run-rate improvements of approximately $280 million. These run-rate improvement plans are expected to be fully implemented before the end of 2023.

KEY FINANCIAL RATIOS

($s in thousands)	[1] Year Ended December 31,			
	2022		2021	
	Amount	*Margin*	Amount	*Margin*
Net operating revenue	**11,103,676**		**$10,877,000**	
Operating EBITDA	**331,411**	*3.0%*	**$780,859**	*7.2%*
Recurring operating (loss) income	**(323,493)**	*(2.9%)*	**$179,092**	*1.6%*
(Deficit) excess of revenue over expenses	**(1,204,784)**	*(11.7%)*	**$997,698**	*8.5%*

[1] The financial ratios include stimulus revenue of $90.4 million and $118.4 million from the U.S. CARES Act and $12.5 million and $0 from the FEMA Public Assistance program recognized for the year ended December 31, 2022, and 2021, respectively.

Net operating revenue grew by $226.7 million or 2.1% for the year ended December 31, 2022, compared to the prior year. The growth in net operating revenue was attributable to growth in net patient revenue from increased patient volumes and revenue from the acquired Nordic operations effective June 1, 2022 ($227.2 million). Additionally, for the year ended December 31, 2022, stimulus revenue of $90.4 million was recorded as other operating revenue, down from $118.4 million in the prior year. FEMA Public Assistance program funding of $12.5 million was recognized for the year ended December 31, 2022, while no FEMA funding was recognized in the prior year. One-time state program reimbursements were $57.9 million for the year ended December 31, 2022, compared to $214.3 million in the prior year. Operating EBITDA of $331.4 million (margin 3.0%) was lower for the year ended December 31, 2022, when compared to the prior year due to an increase in operating expenses resulting from the higher inflation and shortages. Recurring operating loss of $323.5 million (margin -2.9%) for the year ended December 31, 2022, was also lower than the prior year due to operating expense pressures. Deficit of revenue over expenses was $1.2 billion (margin -11.7%) for the year ended December 31, 2022, compared to excess of revenue of expenses of $997.7 million in the prior year. The deficit was primarily due to significant unrealized investment losses of $925.3 million recognized during 2022 as a result of extreme volatility in investment markets.

($s in thousands)	Year Ended December 31,			
	2022		2021	
	Amount	*% of Exp*	Amount	*% of Exp*
Community Benefit	**$644,695**	*5.6%*	**$605,293**	*5.7%*

Community benefit investments fulfill unmet needs of the communities in which BSMH serves through programs and donations, health education, free care, medical research and more. Unsponsored community benefit is measured by the cost to provide services net of one-time reimbursements received. For the year ended December 31, 2022, community benefit totaled $644.7 million or 5.6% of total operating expenses. An increase in state program revenue mainly related to Medicaid reimbursement in Virginia and Ohio and the Ohio HCAP program, have directly reduced unsponsored community benefits as a percentage of total operating expenses for 2022.

LIQUIDITY AND KEY PERFORMANCE INDICATORS

	December 31, 2022	December 31, 2021
Days cash on hand	**240**	334
Adjusted days cash on hand	**240**	316(1)
Unrestricted cash to debt	**154.5%**	213.9%
Adjusted unrestricted cash to debt	**154.5%**	202.1%(1)
Total debt to capitalization	**37.0%**	33.4%
Pension funding	**96.3%**	97.2%

[1] Adjusted to exclude Accelerated Medicare funding and payroll tax deferral under the US CARES Act. These had been fully paid at December 31,2022.

At December 31, 2022, the Company's balance sheet remains strong with stable leverage and solid liquidity despite the investment market declines in 2022 and the resulting losses on BSMH's investment portfolio. Days cash on hand decreased from 334 days at December 31, 2021 to 240 days at December 31, 2022 as a result of investment losses, repayment of accelerated Medicare funding, capital expenditures, business acquisitions and growth in a day of cash expenses. Significant cash outflows included the acquisition of Nordic for $394.2 million (14 days) and repayments for Accelerated Medicare funding of $436.5 million (15 days). For the year ended December 31, 2022, capital expenditures were $765.0 million (26 days). These outflows were offset by net increase in debt of $296.3 million (10 days), a distribution from Ensemble for $200.6 million (7 days), proceeds from the sale of senior living and care facilities for $88.8 million (3 days), as well as support from the FEMA public assistance program and additional provider relief funds under the U.S. CARES Act. The Company's debt to capitalization ratio was 37.0% at December 31, 2022, an increase from 33.4% at December 31, 2021, largely driven by the net loss for the period as well as an increase in long-term debt resulting from the issuance of the Series 2022 bonds. These impacts to the ratio were partially offset by the $321.3 million reclassification from noncontrolling interest to controlling interest for BSMH's increased ownership interest in the Bon Secours – Richmond Health System. Pension funding decreased slightly to 96.3% as of December 31, 2022, down from 97.2% as of December 31, 2021, due to asset losses, largely offset by reduction in liabilities due to an increase in the discount rate.

VOLUME TRENDS

As Reported	Year Ended December 31,		
	2022	2021	Change %
Admissions	**335,394**	338,414	(0.9%)
Observations	**65,734**	62,664	4.9%
Deliveries	**27,850**	27,849	0.0%
Inpatient Surgeries[1]	**68,372**	68,834	(0.7%)
Outpatient Surgeries[1]	**206,108**	202,574	1.7%
ER Visits	**1,529,142**	1,452,343	5.3%
Physician Visits	**6,912,128**	6,878,752	0.5%

[1]The prior period volumes have been recast to reflect alignment of the statistics across BSMH entities.

For the year ended December 31, 2022, outpatient volumes improved when compared to the same period of the prior year, largely due to increases in patient volumes. Emergency room visits showed the largest improvement from prior year with an increase of 5.3%, for the year ended December 31, 2022, compared to the prior year. Admissions and inpatient surgeries for 2022 remain below pre-pandemic levels and 2021 levels. Physician visits increased 0.5% for the year ended December 31, 2022, compared to the prior year. Virtual visits were 303 thousand and 509 thousand for the years ended December 31, 2022, and 2021, respectively. The decline in virtual visits from 2021 to 2022 is a result of the continued trend of patients returning to seek care in more traditional settings. Virtual visits are conducted by the medical group and are reflected within total physician visits.

RESULTS OF OPERATIONS

($s in thousands)	Year Ended December 31,	
	2022	2021
Net Patient Service Revenue	$10,181,221	$10,202,509
Other Operating Revenue [(1)]	922,455	674,491
Net Operating Revenue	11,103,676	10,877,000
Employee Compensation	5,929,609	5,409,691
Purchased Services and Other	2,702,745	2,535,710
Pharmaceuticals & Supplies	2,152,506	2,155,990
Depreciation and Amortization	500,607	465,307
Interest Expense	141,702	131,210
Recurring Operating (Loss) Income	(323,493)	179,092
Nonrecurring Losses, Net	(79,412)	(53,221)
Investment (Losses) Gains, Net	(925,329)	881,941
Interest Rate Swap Agreements Gains	55,336	13,912
Gain on recapitalization of Ensemble	119,189	-
Other Nonoperating Losses, Net	(51,075)	(24,026)
(Deficit) Excess of Revenue Over Expenses	$(1,204,784)	$997,698

[1] Other Operating Revenue includes stimulus revenue of $90.4 million and $118.4 million from the U.S. CARES Act and funding of $12.5 million and $0 for the FEMA Public Assistance program recognized for the year ended December 31, 2022, and 2021, respectively.

NET OPERATING REVENUE

Net operating revenue increased by $226.7 million or 2.1% for the year ended December 31, 2022, compared to the prior year. Net patient service revenue decreased by $21.3 million or -0.2% for the year ended December 31, 2022, when compared to the same period for the prior year. For the year ended December 31, 2022, net patient service revenue included the benefit of one-time state program reimbursements totaling $57.9 million compared to $214.3 million in the prior year. Excluding these reimbursements, net patient service revenue increased for the year ended December 31, 2022 compared to the same period for the prior year. The growth was primarily due to higher outpatient volumes for the year ended December 31, 2022, reflecting a partial recovery from the significant negative impact of the COVID-19 pandemic on operations in the prior year.

Other operating revenue increased $248.0 million or 36.8% for the year ended December 31, 2022 compared to the prior year, largely driven by contributions from the acquired Nordic operations. In its first seven months of ownership from June 2022, Nordic contributed $227.2 million in other operating revenue for the year ended December 31, 2022. Stimulus revenue was $90.4 million for the year ended December 31, 2022, down from $118.4 million in the prior year. FEMA Assistance program funding of $12.5 million was recognized for the year ended December 31, 2022, while no FEMA funding was received in the prior year.

OPERATING EXPENSES

Total operating expenses were $11.4 billion for the year ended December 31, 2022, an increase of $729.3 million or 6.8% from the same period of the prior year. This increase in operating expenses was primarily due to increases in employee compensation. Employee compensation increased $519.9 million or 9.6% from the prior year, due to nationwide wage pressures, greater use of agency labor, increased overtime and retention programs to adequately staff for patient needs as well as employment expenses related to the acquired Nordic operations. For the year ended December 31, 2022, pharmaceuticals and supplies expense as a percentage of net patient service revenue was 21.1%, equal to 21.1% for the same period of the prior year. For the year ended December 31, 2022, purchased services and other expenses as a percentage of net patient service revenue was 26.6%, an increase from 24.9% in prior year due to inflation. In addition to direct patient care expenses, BSMH incurred incremental costs to protect against the spread of the infection and to care for those suffering with COVID-19. Total incremental COVID-19 expenses for the year ended December 31, 2022, were $57.9 million compared to $164.0 million for the year ended December 31, 2021, as BSMH continues to respond to the COVID-19 pandemic.

NONRECURRING LOSSES, NET

Nonrecurring losses, net totaled $79.4 million for the year ended December 31, 2022 compared to $53.2 million for the year ended December 31, 2021. Losses in each period included certain nonrecurring activity such as restructuring charges, asset impairments and gains or losses resulting from the sale or disposal of operating assets. The increase in nonrecurring losses was largely driven by a $29.6 million impairment related to an unconsolidated joint venture that was recorded during 2022.

NONOPERATING GAINS AND LOSSES, NET

Due to the general decline in investment markets in 2022, investment losses, including unrealized gains and losses, were $925.3 million for the year ended December 31, 2022, compared to gains of $881.9 million for the year ended December 31, 2021. The combined operating portfolios ($6.1 billion) returned -11.8% for the year ended December 31, 2022. The gain on interest rate swap agreements was $55.3 million for the year ended December 31, 2022, compared to a gain of $13.9 million for the same period of 2021. Included in other nonoperating activities during 2022 is a gain of $119.2 million for the Ensemble ownership restructuring, a gain of $58.3 million for the sale of Ohio senior living and care facilities, as well as a pension settlement loss of $64.4 million, associated with BSMH's ongoing pension de-risking strategy.

SUBSEQUENT EVENTS

On January 5, 2023, the Company completed the issuance of $171.2 million (€160.0 million) of 4.24% Senior Secured Notes due October 1, 2052, to institutional private purchasers. The proceeds of these notes will be used for construction of a new hospital in Limerick, Ireland and for general corporate purposes.

On February 16, 2023, the company entered into a 10-year taxable term loan agreement with a financial institution in the amount of $100.0 million. The proceeds of this borrowing will be used for general corporate purposes.

BON SECOURS MERCY HEALTH

Consolidated Audited Financial Statements

Fiscal Years Ended
December 31, 2022 and 2021

KPMG

BON SECOURS MERCY HEALTH

Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

BON SECOURS MERCY HEALTH

Statement of Management Responsibility

The accompanying consolidated financial statements of Bon Secours Mercy Health (the Company) for the twelve months ended December 31, 2022 were prepared by the Company's management in conformity with U.S. generally accepted accounting principles appropriate in the circumstances.

Management of the Company is responsible for the integrity and objectivity of the consolidated financial statements, which are presented using the accrual basis of accounting and, accordingly, include some amounts based on judgments and estimates. The accounting procedures and related system of internal control are designed to ensure the books and records reflect the transactions of the Company in accordance with established policies and procedures as implemented by qualified personnel. The system of internal control over financial reporting is designed to provide reasonable assurance to the Company's Management and Board of Trustees regarding the safeguarding of assets against unauthorized acquisition, the use of or disposition of the Company's assets and the preparation of reliable published consolidated financial statements. Even effective internal control, no matter how well designed, have inherent limitations – including the possibility of the circumvention or overriding of controls – and, therefore, can provide only reasonable assurance with respect to consolidated financial statement preparation. Further, because of changes in conditions, internal control effectiveness may vary over time.

The Board of Directors of the Company, through its Finance and Investment Committee, reviews the financial and accounting operations of the Company, including the review and discussion of periodic consolidated financial statements and the evaluation and adoption of budgets. The Board of Directors of the Company, through its Integrity and Stewardship Committee reviews the accuracy and integrity of financial reporting processes, oversees compliance and auditing functions and reviews the basis of the audit engagement and reports of independent auditors.

KPMG LLP, the independent auditors, have audited the consolidated financial statements of the Company for the twelve months ended December 31, 2022 and their report thereon is included herein. The independent auditors meet with members of the Integrity and Stewardship Committee of the Board of Trustees of the Company, in the absence of Management personnel, to discuss the results of their audit and are afforded the opportunity to present their comments with respect to the conduct of the audit engagement.

John Starcher
President & CEO

Deborah Bloomfield
Chief Financial Officer

Travis L. Crum
System SVP, Finance

March 17, 2023

KPMG LLP
Suite 3400
312 Walnut Street
Cincinnati, OH 45202

Independent Auditors' Report

The Board of Directors
Bon Secours Mercy Health:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Bon Secours Mercy Health (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating balance sheet and operating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Cincinnati, Ohio
March 17, 2023

BON SECOURS MERCY HEALTH

Consolidated Balance Sheets

December 31, 2022 and 2021

(In thousands)

Assets	2022	2021
Current assets:		
Cash and cash equivalents	$ 506,242	402,402
Investments	35,233	155,412
Self-insurance and trustee held funds	88,078	76,151
Donor restricted funds	5,605	5,911
Total cash and investments	635,158	639,876
Net patient receivables	1,137,675	1,126,277
Other receivables	229,501	144,011
Inventories	272,657	275,393
Prepaid expenses and other current assets	224,275	210,032
Total current assets	2,499,266	2,395,589
Assets whose use is limited:		
Board designated funds	6,653,603	8,816,184
Self-insurance and trustee held funds	304,497	300,992
Donor restricted funds	49,862	90,966
Total assets whose use is limited	7,007,962	9,208,142
Property and equipment, net	4,807,638	4,559,248
Investments in unconsolidated organizations	549,408	642,289
Operating lease right-of-use assets	325,813	325,142
Retirement assets	178,337	214,890
Goodwill	574,113	267,904
Other long-term assets	498,516	346,076
Total assets	$ 16,441,053	17,959,280
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 700,357	759,108
Current portion of long-term debt	559,284	342,603
Accrued salaries, wages and benefits	651,533	705,154
Current portion of operating lease liabilities	77,573	78,791
Other accrued expenses	334,148	697,919
Total current liabilities	2,322,895	2,583,575
Long-term debt, less current portion	4,097,970	4,038,912
Retirement liabilities	265,842	311,778
Self-insurance liabilities	323,829	323,818
Operating lease liabilities	269,433	260,282
Other long-term liabilities	542,890	589,908
Total liabilities	7,822,859	8,108,273
Net assets without donor restrictions:		
Controlling interest	7,943,628	8,726,705
Noncontrolling interest	416,939	840,784
Total net assets without donor restrictions	8,360,567	9,567,489
Net assets with donor restrictions	257,627	283,518
Total net assets	8,618,194	9,851,007
Total liabilities and net assets	$ 16,441,053	17,959,280

See accompanying notes to consolidated financial statements.

BON SECOURS MERCY HEALTH

Consolidated Statements of Operations

Years ended December 31, 2022 and 2021

(In thousands)

	2022	2021
Revenues:		
Net patient service revenue	$ 10,181,221	10,202,509
Other revenue, net	922,455	674,491
Total operating revenues	11,103,676	10,877,000
Expenses:		
Employee compensation	5,929,609	5,409,691
Purchased services and other	2,702,745	2,535,710
Supplies	2,152,506	2,155,990
Depreciation and amortization	500,607	465,307
Interest expense	141,702	131,210
Total operating expenses	11,427,169	10,697,908
Recurring operating (loss) income	(323,493)	179,092
Nonrecurring operating losses, net	(79,412)	(53,221)
Operating (loss) income	(402,905)	125,871
Nonoperating gains (losses), net:		
Investment (losses) gains	(925,329)	881,941
Realized and unrealized interest rate swap agreements gains	55,336	13,912
Gain on recapitalization of Ensemble	119,189	—
Other nonoperating activities, net	(51,075)	(24,026)
(Deficit) excess of revenue over expenses	$ (1,204,784)	997,698

See accompanying notes to consolidated financial statements.

BON SECOURS MERCY HEALTH

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2022 and 2021

(In thousands)

	Controlling interest	Noncontrolling interest	Net assets without donor restrictions	Net assets with donor restrictions	Total net assets
Balance at December 31, 2020	$ 7,547,543	754,964	8,302,507	251,348	8,553,855
Excess of revenues over expenses	893,688	104,010	997,698	—	997,698
Grants and contributions	7,548	—	7,548	46,813	54,361
Investment gains	—	—	—	20,438	20,438
Net assets released from restrictions	13,930	—	13,930	(38,670)	(24,740)
Distributions to noncontrolling interest owner	—	(20,008)	(20,008)	—	(20,008)
Pension and other postemployment changes	287,770	—	287,770	—	287,770
Other changes, net	(23,774)	1,818	(21,956)	3,589	(18,367)
Increase in net assets	1,179,162	85,820	1,264,982	32,170	1,297,152
Balance at December 31, 2021	8,726,705	840,784	9,567,489	283,518	9,851,007
Deficit of revenues over expenses	(1,147,293)	(57,491)	(1,204,784)	—	(1,204,784)
Grants and contributions	15,020	7,005	22,025	51,558	73,583
Investment losses	—	—	—	(23,084)	(23,084)
Net assets released from restrictions	15,488	—	15,488	(52,407)	(36,919)
Transfer of interest from noncontrolling interest owners	318,174	(364,001)	(45,827)	—	(45,827)
Distributions to noncontrolling interest owner	—	(16,112)	(16,112)	—	(16,112)
Pension and other postemployment changes	40,865	—	40,865	—	40,865
Other changes, net	(25,331)	6,754	(18,577)	(1,958)	(20,535)
Decrease in net assets	(783,077)	(423,845)	(1,206,922)	(25,891)	(1,232,813)
Balance at December 31, 2022	$ 7,943,628	416,939	8,360,567	257,627	8,618,194

See accompanying notes to consolidated financial statements.

BON SECOURS MERCY HEALTH

Consolidated Statements of Cash Flows

Years ended December 31, 2022 and 2021

(In thousands)

		2022	2021
Cash flows from operating activities:			
(Decrease) increase in net assets	$	(1,232,813)	1,297,152
Depreciation and amortization		500,607	465,307
Amortization of premium on issued debt securities		(12,912)	(14,586)
Gain on recapitalization of Ensemble		(119,189)	—
Gain on sale of subsidiaries		(70,161)	—
Other changes in net assets, net		2,459	(91,792)
Pension and other post employment adjustments		(40,865)	(287,770)
Contributions restricted by donor		(51,558)	(46,813)
Net losses (gains) on investments		1,030,488	(801,895)
Cash (used in) provided by changes in operating assets and liabilities:			
Current assets		(51,622)	(63,042)
Long-term assets		45,997	59,645
Accelerated Medicare Payments Program		(436,479)	(296,697)
Other current liabilities		(132,331)	103,247
Long-term liabilities		49,832	(16,770)
Net cash (used in) provided by operating activities		(518,547)	305,986
Cash flows from investing activities:			
Sale of subsidiaries, net of cash sold		111,615	—
Acquisition of subsidiaries, net of cash received		(467,843)	—
Property and equipment additions, net of disposals		(765,265)	(681,598)
Purchase of alternative investments and other securities		(477,803)	(547,349)
Sales of alternative investments and other securities		198,275	283,712
Investments and assets whose use is limited, net		1,557,778	61,671
Distribution from equity method investment		200,619	357,315
Purchase of investments in unconsolidated organizations		(8,000)	(12,087)
Net cash provided by (used in) investing activities		349,376	(538,336)
Cash flows from financing activities:			
Restricted contributions		51,558	46,813
Purchase of interest from noncontrolling interest owners		(45,827)	—
Contribution from noncontrolling interest		7,005	—
Distributions to noncontrolling interest		(16,112)	(20,008)
Proceeds from debt issuance		682,388	5,547
Repayment of long-term debt		(382,023)	(97,955)
Repayment of finance lease		(19,738)	(20,592)
Cost of long-term debt issuance		(4,090)	—
Net cash provided by (used in) financing activities		273,161	(86,195)
Effect of exchange rates on cash and cash equivalents		(150)	(890)
Net increase (decrease) in cash and cash equivalents		103,840	(319,435)
Cash and cash equivalents, beginning of the year		402,402	721,837
Cash and cash equivalents, end of the year	$	506,242	402,402

See accompanying notes to consolidated financial statements.

(1) Basis of Presentation

(a) Organizational Structure and Mission

Bon Secours Mercy Health (BSMH or the Company) is a nonprofit, nonstock membership Catholic health organization, supervising market delivery consisting of hospitals, physician clinics, and other organizations providing health-related services. BSMH is sponsored by partners in Bon Secours Mercy Ministries (BSMM). BSMM is a public juridic person of the Roman Catholic Church. BSMH provides management direction to its Core and Digital business units to carry out the mission, vision, and values of BSMH. The Core business is focused on the delivery of patient care and encompasses clinical operations within Florida, Kentucky, Maryland, Ohio, South Carolina, Virginia, New York and Ireland. The Digital business is focused on research, innovation and digital strategy in the healthcare industry. The mission of the Company is to extend the compassionate ministry of Jesus by improving the health and well-being of our communities and bring good help to those in need, especially people who are poor, dying and underserved.

The consolidated financial statements include the accounts of all members of the corporate group controlled by BSMH. As required, in conformity with U.S. generally accepted accounting principles (GAAP), the consolidated financial statements include the balance sheets, results of operations and changes in net assets, and cash flows of BSMH. Investments in entities where the Company holds a noncontrolling interest are recorded under the equity or cost method of accounting. The Company has included its equity share of income or losses and changes in net assets from investments in unconsolidated affiliates in other revenue, net in the accompanying consolidated statements of operations. All material intercompany transactions and account balances have been eliminated in consolidation.

(b) Acquisitions and Divestitures

(i) Acquisition of Nordic Consulting Group Inc.

On June 1, 2022, BSMH acquired 97.7%, a controlling interest, of Nordic Consulting Group, Inc (Nordic). Nordic provides healthcare-focused information technology advisory and staffing consulting services and outsourced managed services to its customers. The fair value of identifiable net assets acquired at June 1, 2022, was estimated to be $169,245. The fair value of the net assets acquired and of the noncontrolling interest in Nordic was derived by applying the income approach valuation method. This fair value measurement is based on significant inputs that are not observable in the market and thus represents a Level 3 measurement as defined in ASC

(Continued)

(In thousands)

Topic 820-10-35. The following table summarizes the consideration paid for the acquisition and the fair value of the assets acquired and liabilities assumed at the acquisition date.

Cash consideration	$	404,578
Acquisition related costs included in nonrecurring losses, net		5,385
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Current assets	$	76,518
Property and equipment		5,229
Intangible assets		147,900
Other long-term assets		2,984
Current liabilities		(29,764)
Other long-term liabilities		(33,622)
Total identifiable net assets acquired		169,245
Fair value of noncontrolling interest in Nordic		(9,631)
Goodwill		244,964
Total	$	404,578

The goodwill arising from the acquisition represents the estimated future economic benefits associated with the assembled workforce, as well as the synergies and strategic benefits expected to be realized from the acquisition. The acquired intangible assets include trademarks of $94,700 (20-year useful life), customer relationships and backlog of $40,700 (5-year useful life), and noncompete agreements of $12,500 (2-year useful life).

The following are the results of Nordic in 2022 that have been included in the consolidated statement of operations and statement of changes in net assets from the acquisition date for year ended December 31, 2022:

		2022
Total operating revenues	$	227,170
Excess of revenue over expenses		1,610

The following unaudited information present's BSMH's results for the years ended December 31, 2022 and 2021, had the acquisition date been January 1, 2021, for the Nordic acquisition:

		2022 (Unaudited)	2021 (Unaudited)
Total operating revenues	$	11,471,491	11,146,194
Excess of revenue over expenses		(1,188,151)	1,010,490

(Continued)

(ii) *Other Acquisitions*

In April 2022, BSMH acquired Agile, a digital health company focused on improving healthcare outcomes for its patient population, for $13,094. In November 2022, Roper St. Francis Healthcare, a subsidiary of BSMH, acquired an oncology practice for $60,500.

(iii) *Divestiture of Long-Term Care Facilities*

For the year ended December 31, 2022, as part of a full divestiture plan of all operations and facilities that involve skilled nursing, assisted living and independent living, Bon Secours Mercy Health sold six senior living and care facilities. The sales resulted in net cash proceeds from investing activities of $111,615 and a net gain of $70,161 which is reflected in the other nonoperating activities, net section of the consolidated statement of operations.

(2) Significant Accounting Policies

(a) Cash and Cash Equivalents

The Company considers highly liquid investments with a maturity of six months or less at the date of purchase to be cash equivalents. Cash and cash equivalents held by outside investment managers are considered investments and classified as board designated funds. Cash, cash equivalents, and investments that are restricted per contractual or regulatory requirements are classified as donor restricted or self-insurance and trustee held funds.

(b) Assets Whose Use is Limited

Assets whose use is limited include assets held by trustees under indentures, self-insurance trust arrangements, securities on loan under securities lending arrangements, assets related to donor-restricted net assets, and assets designated by the board of directors over which it retains control and may, at its discretion, use for other purposes. Investments consist of marketable equity securities, corporate bonds, U.S. government and government-related marketable debt securities, alternative investments, money market funds and non-government-related marketable debt securities.

The Company participates in securities lending arrangements with its custodian whereby the Company lends a portion of its marketable securities to various brokers or financial institutions in exchange for cash or non-cash collateral for the marketable securities loaned, usually on a short-term basis. The initial collateral provided by brokers or financial institutions is maintained at levels of at least 100% of the fair value of the marketable securities on loan and is adjusted for market fluctuations. The Company maintains effective control of the loaned marketable securities through its custodian during the term of the arrangement in that they or similar securities may be recalled at any time. Under the terms of the arrangement, the borrower must return the same, or substantially the same, marketable securities that were borrowed. Cash collateral received in connection with the securities lending arrangements is invested in a short-term pooled fund (Pooled Fund) maintained by the Company’s custodian (State Street Bank and Trust Company).

The fair value of cash collateral held for loaned marketable securities is reported as assets whose use is limited under securities lending arrangements under self-insurance and trustee held funds on the consolidated balance sheets. The Company is required to fund any decline in the underlying market value of invested collateral below the initial amount provided by the various brokers or financial institutions upon exit from the securities lending arrangements. A corresponding payable is reported for repayment of such collateral upon settlement of the securities lending arrangements.

Unrealized gains or losses on trading securities are included in investment (losses) gains on the consolidated statements of operations. As of December 31, 2022 and 2021, all investments and assets whose use is limited are designated as trading securities, except for certain foundation investments and trustee held funds, which are designated as other than trading securities.

(c) Fair Value Measurement

The carrying values of financial instruments classified as current assets and current liabilities approximate fair values. The fair values of assets limited or restricted as to use, with the exception of alternative investments, are based on quoted market prices or other observable inputs. Alternative investments are recorded under the equity method, but approximate fair value. The Company elected to record its investments in equity and fixed income commingled funds at fair value. See note 5 for additional disclosures of investments and assets whose use is limited. ASC Topic 820, *Fair Value*, emphasizes that fair value is a market-based measurement, not an entity specific measurement.

ASC Topic 820 defines a three-level fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participants. The fair value hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

The three levels are defined as follows:

Level 1 – inputs utilize quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 – inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset and liability (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

Level 3 – inputs are unobservable inputs for the asset or liability, which is typically based on an entity's assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

In order to meet the requirements of ASC Topic 820, the Company utilizes three basic valuation approaches (cost, market, and income) to determine the fair value of its assets and liabilities required to be recorded at fair value. The cost approach is generally the value a market participant would expect to replace the respective asset or liability.

The market approach looks at what a market participant would consider an exact or similar asset or liability to that of the Company, including those traded on exchanges, to determine value.

The income approach uses estimation techniques to determine the estimated future cash flows of the Company's respective asset or liability expected by a market participant and discounts those cash flows back to present value (more typically referred to as a discounted cash flow approach).

The Company's nonfinancial assets and liabilities not permitted or required to be measured at fair value on a recurring basis typically relate to assets and liabilities acquired in a business combination and long-lived assets and liabilities held for sale. The Company is required to provide additional disclosures about fair value measurements as part of the consolidated financial statements for each major category of assets and liabilities measured at fair value on a nonrecurring basis. In general, nonrecurring fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities, which generally are not applicable to nonfinancial assets and liabilities. Fair values determined by Level 2 inputs utilize data points that are observable, such as definitive sales agreements, appraisals or established market values of comparable assets, and historical cash payment trends. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability and include situations where there is little, if any, market activity for the asset or liability, such as internal estimates of future cash flows.

(d) Net Patient Service Revenue and Net Patient Receivables

In accordance with ASC Topic 606, *Revenue from Contracts with Customers*, the Company records patient service revenue at the transaction price estimated by the Company to reflect the total consideration due from patients and third-party payors (including commercial payors and government programs) and others, and they include variable consideration for retroactive revenue adjustments. Revenue is recognized as performance obligations are satisfied in exchange for providing goods and services in patient care. Revenue is recorded as these goods and services are provided. The transaction price, which involves significant estimates, is determined based on the Company's standard charges for the goods and services provided, with a reduction recorded for price concessions related to third party contractual arrangements as well as patient discounts and other patient price concessions. Patient service revenue for services provided to patients who have third party payor coverage is recognized based on contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Company recognizes revenue when services are provided. Based on historical experience, a significant portion of the Company's uninsured patients (self-pay) will be unable or unwilling to pay for the services provided.

(In thousands)

The Company's concentration of credit risk related to net patient receivables is limited due to the diversity of patients and payors. Net patient receivables consist of amounts due from government programs (primarily Medicare and Medicaid), private insurance companies, managed care programs and patients themselves. The Medicare program represented 22% and 18% of net patient receivables as of December 31, 2022 and 2021, respectively while the Medicaid program represented 9% and 12% as of December 31, 2022 and 2021, respectively. Excluding the Medicare and Medicaid programs, no one other payor represents more than 10% of the Company's net patient receivables as of December 31, 2022, or December 31, 2021.

Patient receivables are recorded at net realizable value based on certain assumptions determined by payor class. For third party payors including Medicare, Medicaid, and commercial insurance, the net realizable value is based on the estimated contractual reimbursement percentage, which is based on current contract prices or historical paid claims data by payor. For self-pay receivables, which includes patients who are uninsured and the patient responsibility portion for patients with insurance, the net realizable value is determined using estimates of historical collection experience. These estimates are adjusted for estimated conversions of patient responsibility portions, expected recoveries and any anticipated changes in trends.

Patient receivables can be impacted by the effectiveness of the Company's collection efforts. Additionally, significant changes in payor mix, business office operations, economic conditions or trends in federal and state governmental healthcare coverage could affect the net realizable value of patient receivables. The Company also continually reviews the net realizable value of patient receivables by monitoring historical cash collections as a percentage of trailing net operating revenue, as well as by analyzing current period net patient service revenue and admissions by payor classification, aged receivables by payor and the composition of self-pay receivables between pure self-pay patients and the patient responsibility portion of third party insured receivables.

The Company's net patient service revenues during the years ended December 31, 2022 and 2021 has been presented in the following table based on an allocation of the estimated transaction price with the patient between the primary patient classification of insurance coverage:

	2022		2021	
Commercial and other third party	$ 4,517,049	44.4 %	$ 4,714,925	46.2 %
Medicare	3,749,105	36.8	3,722,496	36.4
Medicaid	1,619,753	15.9	1,533,756	15.1
Other governmental	195,367	1.9	178,376	1.7
Self-pay	99,947	1.0	52,956	0.6
Total	$ 10,181,221	100.0 %	$ 10,202,509	100.0 %

(e) Inventories

Inventories, consisting primarily of pharmacy drugs and medical and surgical supplies are stated at the lower of cost or net realizable value and are valued principally by the weighted average method.

(f) Property and Equipment, Net

Property and equipment, net is recorded at cost or, if donated, at fair value on the date of receipt. Depreciation is calculated over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives of the assets are as follows:

Buildings	20 to 60 years
Fixed equipment	5 to 20 years
Movable equipment	5 to 10 years
Software	3 to 7 years

Gifts of long-lived assets, such as land, buildings, or equipment are reported as unrestricted support and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit donor restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Interest cost is capitalized as part of the cost of constructing capital assets, net of any interest income earned on unexpended bond proceeds borrowed for a specific project, during the construction period. Costs incurred in the development and installation of internal use software are expensed if they are incurred in the preliminary project stage or post implementation stage, while certain costs are capitalized if incurred during the application development stage. Internal use software is amortized over its expected useful life, generally between 3 and 7 years, with amortization beginning when the project is completed, and the software is placed in service.

The cost and related accumulated depreciation of property and equipment that is sold or retired is removed from the respective accounts and the resulting gain or loss is recorded in nonrecurring operating losses, net.

(g) Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, current portion of operating lease liabilities and operating lease liabilities on the consolidated balance sheets. Finance leases are included in other long-term assets (note 2(k)), other accrued expenses, and other long-term liabilities (note 2(o)).

Lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term using the Company's incremental borrowing rate based on the information available at commencement. The ROU asset is derived from the lease liability and also includes any lease payments made and excludes lease incentives and initial direct costs incurred. Certain lease agreements for real estate include payments based on actual common area maintenance expenses and others include rental payments adjusted periodically for inflation. These variable lease payments are recognized in other operating expenses, net, but are not included in the ROU assets or lease liability balances. Lease agreements may include one or more renewal options which are at the Company's sole discretion. The Company does not currently consider the renewal options to be reasonably likely to be exercised, therefore they are not included in ROU assets and lease liabilities. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term for operating leases in purchased services and other.

In accordance with ASC 842, the Company has elected to not recognize ROU assets and lease liabilities for short-term leases with a lease term of 12 months or less. The Company recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term in purchased services and other. Variable lease payments associated with these leases are recognized and presented in the same manner as all other leases.

(h) Asset Impairment

The Company regularly evaluates whether events or changes in circumstances have occurred that could indicate impairment in the value of long-lived assets. In accordance with the provisions of the ASC Topic 360-10, *Impairment or Disposal of Long-Lived Assets*, if events or changes in circumstances indicate that the carrying value of an asset is not recoverable, the Company's management estimates the projected undiscounted cash flows, excluding interest and taxes, of the related individual facilities to determine if an impairment loss should be recognized. The amount of impairment loss is based on the excess of a reporting unit's carrying amount over its fair value. Fair value is determined through an evaluation of recent and projected financial performance of facilities using standard industry valuation techniques. Asset impairment for the years ended December 31, 2022 and 2021 can be found at note 7 and note 15.

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are changed, the carrying value of affected assets is allocated over the remaining lives. In estimating the future cash flows for determining whether an asset is impaired and if expected future cash flows used in measuring assets are impaired, the Company groups their assets at the lowest level for which there are identifiable cash flows independent of other groups of assets.

(In thousands)

(i) Investments in Unconsolidated Organizations

The Company maintains noncontrolling interests in various joint ventures and other companies that do not require consolidation. The majority of these investments are accounted for using the equity method of accounting, as the Company has significant influence, but does not have control, over the operating and financial policies of the investee. The Company classifies distributions from an investee on the cashflow statement by evaluating the facts, circumstances and nature of each distribution. Investments in unconsolidated organizations are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of the investment might not be recoverable.

(j) Retirement Assets and Liabilities

The Company has several defined benefit pension plans covering the majority of employees who qualify as to age and length of service. The Company funds actuarially determined pension amounts in accordance with a long-term funding policy to ensure the defined benefit pension plans maintain adequate funding over time. In addition, the Company has several defined contribution plans.

The Company recognizes in the consolidated balance sheets the funded status of its defined benefit pension and other postemployment plans (collectively, referred to as the Plans), measured as the difference between the fair value of plan assets and the benefit obligation (the projected benefit obligation for defined benefit pension plans and accumulated benefit obligation for other postemployment benefit plans).

(k) Other Long-Term Assets

Other long-term assets, net consists of the following as of December 31:

		2022	2021
Right-of-use assets – finance	$	207,597	208,372
Other intangibles, net		173,350	30,048
Other		68,684	56,434
Notes and other long term receivables		48,885	51,222
Total other long-term assets	$	498,516	346,076

(l) Goodwill

Goodwill is an asset representing the excess of the aggregate purchase price over the fair value of the net assets acquired in a business combination. Goodwill is evaluated for impairment annually using qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

(In thousands)

The following is the carrying amount and changes in the carrying amount of goodwill as of December 31:

		2022	2021
Goodwill at the beginning of the period	$	267,904	268,713
Goodwill related to acquisitions		307,261	80
Other		(1,052)	(889)
Goodwill at the end of the period	$	574,113	267,904

(m) Accrued Claims Expense and Related Liabilities

Accrued claims expense and related liabilities consist of insurance reserves and unpaid expenses. The estimate for incurred but not reported claims is based on actuarial projections of costs using historical paid claims and other relevant data. Such estimates are subject to the impact of changes in the regulatory environment and economic conditions. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate number of paid claims is dependent on future developments, management is of the opinion that the reserves for claims are adequate to cover such claims. The current portion and long-term portion of accrued claims and related liabilities are recorded in other accrued expenses and self-insurance liabilities, respectively, in the accompanying consolidated balance sheets.

(i) Self-Insurance

Under the Company’s self-insurance programs (professional/general liability, workers’ compensation, and employee health benefits), claims are reflected based upon actuarial estimation, including both reported and incurred but not reported claims, taking into consideration the severity of incidents and the expected timing of claim payments. The Company shares certain insurance risks it has underwritten through the use of reinsurance contracts. Amounts that can be claimed from the Company’s reinsurers are valued by an independent actuary and are included as receivables in other long-term assets. Should the Company’s reinsurers be unable to reimburse the Company for recoverable claims, the Company would still be liable to pay the claims; however, the Company contracts with various highly rated insurance carriers to mitigate this risk.

(ii) Professional Liability and General Insurance

The Company’s hospital professional liability (HPL) and hospital general liability (HGL) exposures are covered primarily through the Captive. The Captive is an offshore insurance company domiciled in the Cayman Islands and 100% owned by the Company. In addition to providing HPL and HGL coverage to its insureds, the Captive provides policies for certain employed physician, commercial insurance deductibles, and the Company’s fleet property damage coverage, with excess layers reinsured through commercial carriers under policies written on a claims-made basis.

(iii) Workers Compensation Insurance

The Company's workers' compensation program primarily consists of self-insurance programs in various states with excess coverage through a commercial insurer.

(iv) Employee Health Insurance

Employee health benefits of the Company are principally provided through the Company's self-insurance program. Accrued claims associated with this program are reported as other accrued expenses in the accompanying consolidated balance sheets.

(n) Net Assets Including Noncontrolling Interest

The Company classifies net assets based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions represent contributions, gifts, and grants that have no donor-imposed restrictions or that arise as a result of operations. Net assets with donor restrictions are subject to donor-imposed restrictions that must be met either by satisfying a specific purpose, passage of time and/or are to be maintained by the Company in perpetuity. Net assets with donor restrictions primarily consist of pledges and funds received for capital projects, various healthcare programs, and community outreach programs.

Unconditional promises to give cash and other assets to the Company are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as donor-restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, these restricted net assets are reclassified as assets without donor restrictions and reported in the accompanying consolidated statement of operations and statement of changes in net assets as net assets released from restrictions. Such amounts are classified as other revenue, net or transfers for additions to property and equipment. Donor-restricted contributions whose restrictions are satisfied within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

The consolidated financial statements include all assets, liabilities, revenue, and expenses of less than 100% owned entities that the Company controls in accordance with applicable accounting guidance. Accordingly, the Company has reflected a noncontrolling interest for the portion of the Company's revenue and expenses not controlled by the Company, separately in the consolidated balance sheets and the consolidated statements of operations.

(In thousands)

(o) Other Long-Term Liabilities

Other long-term liabilities consist of the following as of December 31:

		2022	2021
Lease liabilities – finance	$	323,889	337,881
Supplemental executive retirement plan liability		93,590	93,947
Other		73,860	68,373
Deferred income tax liability		29,844	—
Derivative instrument (note 9)		21,707	89,707
Total other long-term liabilities	$	542,890	589,908

(p) Other Revenue

Other operating revenues include income from equity investments in joint ventures (note 15), professional services contract revenue from Digital business, grant revenues including stimulus funding provided by the CARES Act (note 3), reimbursements, assisted living, revenues from corporate services, earnings on funds held by bond trustees and cafeteria and meal sales.

(q) Charity Care

The Company exists to benefit the people in the communities it serves. In pursuing its mission, the Company advocates for and provides services to help meet healthcare and related socio-economic needs of poor and disadvantaged individuals and the broader community. The Company provides services in the communities served by holistically ministering to its patients with respect and without regard to their ability to pay. Programs and services for the uninsured and underinsured represent the financial commitment of the Company to the communities they serve.

Charity care costs are estimated based on multiplying the ratio of costs to gross charges for all payments not attributable to other community benefits programs by the revenue recognized and written-off for health services provided to persons who cannot afford to pay. Charity care amounts are not recorded as net patient service revenue.

The categories included as programs and services for the poor and disadvantaged are as follows:

(i) Charitable Services – Financially Disadvantaged Persons

The Company provides care to patients regardless of their ability to pay for all or a portion of the charges incurred. This care is classified as charity care based upon the Company's established policies. In accordance with the Catholic Health Association (CHA) guidelines, charity care represents the unpaid costs of free or discounted health services provided to persons who cannot afford to pay and who meet the Company's criteria for financial assistance.

In assessing a patient's ability to pay, the Company utilizes generally recognized poverty income levels, financially supporting 100% of the healthcare services provided to patients with annual family income at or below 200% of the federal poverty guidelines. Patients with annual family income above 200% and below 400% are eligible for a prorated reduction in charges for medically necessary services through a sliding scale applicable to the respective market area.

(ii) Charitable Services – State Programs

The Company provides services to indigent patients under various state programs, including state Medicaid, that generally pay healthcare providers amounts that are less than the cost of the services provided to the recipients. Estimated unreimbursed costs of the care provided to these disadvantaged patients are also reported as charitable services.

(iii) Other Community Benefits

Other community benefits include community services for the poor and disadvantaged as well as the broader community. The programs cover a broad spectrum of services and are financially supported by the Company:

- Primary care access – providing free community-based preventive and primary care services through free-standing clinics and mobile health vehicles;
- Health screenings and immunizations – provision of free health screenings and immunizations for a variety of health conditions for women, children, and senior residents;
- Child programs – providing oral healthcare, asthma and childhood obesity interventions;
- Caregiver and senior programs – focused on support, health screenings, and services to assist older adult populations;
- Education – providing medical and other health professional programs;
- Leadership activities – a full-time community health leader is provided in each community served who works to expand community capacity, identify community health needs, and address social health conditions.

(r) Recurring Operating (Loss) Income

Recurring operating (loss) income includes financial results of operating entities, but excludes certain nonrecurring activities such as restructuring, asset impairments, transaction costs for mergers and acquisitions and gains/losses on operating asset sales/disposals.

(s) Performance Indicator

The consolidated statement of operations includes the caption (deficit) excess of revenues over expenses, which represents the operating (performance) indicator for the Company. Consistent with industry practice, changes in net assets which are excluded from the (deficit) excess of revenues over expenses may include impact of acquisitions, discontinued operations, change in net unrealized gains on restricted investments, restricted contributions, distributions to noncontrolling interests, certain pension and other postemployment benefit adjustments, and other miscellaneous items as defined under US-GAAP.

(t) Income Taxes

The Company and most of its subsidiaries (including certain joint venture entities) are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Their related income is exempt from federal income tax under Section 501(A). Some of the subsidiaries are taxable entities, and some of the income of the tax-exempt entities is subject to taxation as unrelated business taxable income. The Company and its subsidiaries file U.S. federal income tax returns, and they also file in various state and foreign jurisdictions.

The Company accounts for uncertain tax positions in accordance with ASC Topic 740, Income Taxes. The Company accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company has determined that no significant unrecognized tax benefits or liabilities exist as of December 31, 2022.

Accounting for uncertainty in income taxes, ASC Topic 740-10 prescribes a comprehensive model for how an organization should measure, recognize, present and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. The Company is subject to routine audits by taxing jurisdictions. There are no current audits in progress. As of December 31, 2022, the Company has no uncertain tax positions.

The Company’s taxable subsidiaries had $282,807 and $269,112 federal and state net operating loss carryforwards as of December 31, 2022 and 2021, respectively, which are available to offset future taxable income subject to various limitations. The Company accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be in effect during the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Interest and penalties related to income taxes are accounted for as income tax expense. The Company has placed a partial valuation allowance of $259,934 on the deferred tax assets as of December 31, 2022, and a full valuation allowance on the deferred tax assets as of December 31, 2021. When determining the valuation allowance for deferred tax assets, the Company annually considers whether it is more likely than not the deferred tax assets will or will not be utilized in future periods. There was a decrease in the valuation allowance of $9,178 and 59,497 as of December 31, 2022 and December 31, 2021, respectively.

(u) Medicare and Medicaid Programs

The Company renders services to patients under contractual arrangements with the Medicare and Medicaid programs. Payment for the majority of Medicare and Medicaid services is based on a prospectively determined fixed price, according to a patient classification, based on clinical and other diagnostic factors.

Amounts earned under these contractual arrangements are subject to review and final determination by Medicare and Medicaid intermediaries and other appropriate governmental authorities or their agents and may be adjusted in future periods as settlements are determined.

In the opinion of management, adequate provision has been made in the consolidated financial statements for any adjustments resulting from the respective intermediary reviews. The Company received settlements related to prior years' cost reports and other third-party contracts, which resulted in an increase in net patient service revenue of $7,233 and $23,534 for the years ended December 31, 2022 and 2021, respectively.

In the healthcare industry, laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Failure to comply with such laws and regulations can result in significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs. The Company also has certain portions of Medicare payments, which are outside of the Progressive Payment Systems and fee for service payment rates and are based on historical costs.

(v) Use of Estimates

The preparation of financial statements in conformity with US-GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include, but are not limited to: contractual revenue adjustments, fair value of acquired assets and liabilities in business combinations, fair value of investments, risk and assumptions for measurement of pension liabilities and evaluation of long-lived assets for impairment. Management relies on historical experience and other assumptions believed to be reasonable in making its judgements and estimates. Actual results could differ materially from those estimates.

(w) Contingencies

During the normal course of business, the Company may become involved in litigation. Management assesses the probable outcome of unresolved litigation and records estimated settlements, if applicable. It is not possible to determine the eventual outcome of any presently unresolved litigation. However, after consultation with legal counsel, management believes that these matters will be resolved without material adverse impact on the consolidated financial position or results of operations of the Company.

(x) Reclassifications

The Company has reclassified certain amounts relating to its prior period results to conform to the current period presentation. These reclassifications have not changed the results of operations or changes in net assets of prior periods.

(y) New Accounting Pronouncements

In June 2016, FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The provisions of ASU No. 2016-13 are effective for fiscal years beginning after December 15, 2022. The Company did adopt this ASU in 2022 and it did not have a material impact on the consolidated financial statements.

In January 2020, FASB issued ASU No. 2020-01, *Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*. This ASU clarifies accounting for certain equity securities when transitioning into or out of the equity method of accounting and clarifies scope considerations related to forward contracts and purchased options on certain securities. The provisions of ASU No. 2020-01 are effective for fiscal years beginning after December 15, 2021. The Company did adopt this ASU in 2022 and it did not have a material impact on the consolidated financial statements.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires contributed nonfinancial assets to be separately stated in the statement of changes in net assets and for the contributions to be disaggregated by type in the footnotes. The provisions of ASU No. 2020-07 are effective for fiscal years beginning after June 15, 2021. The Company did adopt this ASU in 2022 and it did not have a material impact on the consolidated financial statements.

(3) Coronavirus (COVID-19)

The Company received $92,233 and $115,380 for the years ended December 31, 2022 and 2021, respectively, through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and related state grant programs. The funds were accounted for as government grants and recognized in operating revenue as the Company substantially met the terms and conditions required to retain the funds. Approximately $90,427 and $118,352 was recognized in other revenue, net within the consolidated statements of operations, for the years ended December 31, 2022 and 2021, respectively.

Through the CARES Act, the Company also received $734,349 in Medicare Accelerated and Advance Payments in 2020 and recognized the funds as a refund liability with repayment to occur based upon the terms and conditions of the Program. Under the terms of the current program, payments are advances that must be repaid through 2022. The Company repaid $436,479 and $296,697 for the years ended December 31, 2022 and 2021, respectively.

The CARES Act also provided for deferred payment of the employer portion of social security taxes between March 27, 2020 and December 31, 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. The Company began deferring the employer portion of social security taxes in April 2020. A deferral of $139,716 was recorded as of December 31, 2020, of which $0 and $69,858 was recorded in accrued salaries, wages, and benefits for the years ended December 31, 2022 and 2021.

The CARES Act initially suspended the 2% Medicare sequestration payment adjustment effective May 1, 2020 through December 31, 2020. This suspension was subsequently extended to remain in effect through March 31, 2022. Starting April 1, 2022, sequestration was reduced to 1%.

(In thousands)

Additionally, the Federal Emergency Management Agency ("FEMA") established an interim submission deadline of December 31, 2022 for all project applications pertaining to COVID-19 work completed from January 20, 2020 through July 1, 2022. The Company is seeking reimbursement from FEMA for certain incremental COVID-19 expenses that have not already been reimbursed through other sources. FEMA Assistance program funding of $12,527 was recognized in other revenue, net within the consolidated statement of operations for the year ended December 31, 2022, while no FEMA funding was received in the prior year.

(4) Community Benefits (Unaudited)

The following is a summary of the Company's community service as measured by services provided to the poor, medically underserved, and broader community. The summary has been prepared in accordance with the Catholic Health Association (CHA) of the United States document, A Guide for Planning and Reporting Community Benefit, 2022 Edition.

The following represents unsponsored community benefit expense at cost for the years ended December 31:

		2022	2021
Charitable services and other community benefits:			
Traditional charity care	$	92,902	94,835
Unpaid costs of public programs		404,301	371,582
Community health services		24,907	36,205
Health professional education		70,946	68,113
Subsidized health services		35,593	18,002
Financial and in-kind donations		7,216	7,191
Community building activities		4,648	5,782
Community benefit operations		3,667	3,034
Research		515	549
Total quantifiable community benefits	$	644,695	605,293
Percent of total recurring expenses		5.6 %	5.7 %

Community benefits include the provision of health services to uninsured persons who cannot afford to pay for their care, participation in government programs for low-income persons that reimburse services at less than cost, education of healthcare professionals, community health education, activities to identify and manage chronic health conditions and other healthcare and community supportive services.

(In thousands)

(5) Investments and Assets Whose Use is Limited

The composition of assets whose use is limited consists of the following as of the years ended December 31:

		2022	2021
Board designated funds:			
Cash and cash equivalents	$	421,991	339,363
Equity mutual funds		610,162	1,154,013
Equity commingled funds		724,992	1,009,817
Common and preferred stocks		735,532	1,127,962
Fixed income mutual funds		25,108	—
Fixed income commingled funds		243,457	319,467
Government and agency securities		811,487	1,316,102
Corporate obligations		753,959	1,481,930
Alternative investments		2,326,915	2,067,530
		6,653,603	8,816,184
Self-insurance and trustee held funds:			
Cash and cash equivalents		107,403	96,022
Equity mutual funds		188,611	202,254
Government and agency securities		62,890	45,346
Corporate obligations		33,671	33,521
		392,575	377,143
Donor restricted funds:			
Cash and cash equivalents		10,616	50,335
Equity mutual funds		8,398	15,255
Equity commingled funds		8,843	—
Common and preferred stocks		2,853	4,625
Fixed income mutual funds		4,246	—
Fixed income commingled funds		931	9,641
Government and agency securities		—	147
Alternative investments		19,580	16,874
		55,467	96,877

(In thousands)

	2022	2021
Investments:		
Cash and cash equivalents	$ 32,312	129,264
Government and agency securities	—	5,040
Corporate obligations	2,921	21,108
	35,233	155,412
Investments and assets whose use is limited	7,136,878	9,445,616
Available for current liabilities	(128,916)	(237,474)
Long-term assets limited or restricted as to use	$ 7,007,962	9,208,142

Interest and dividend earnings (net of expenses), net realized gains and losses on investments and the net change in unrealized gains and losses on investments are considered investment income and are included and primarily recorded in investment (losses) gains on the consolidated statement of operations.

The following is a summary of nonoperating investment (losses) gains, for the years ended December 31:

	2022	2021
Dividends and interest	$ 82,075	80,046
Net realized gains on securities	52,892	325,938
Net change in unrealized (losses) gains on securities	(1,060,296)	475,957
	$ (925,329)	881,941

The Company's ability to generate investment income is dependent in large measure on market conditions. The market value of the Company's investment portfolio, as well as the Company's investment income, have fluctuated significantly in the past and are likely to continue to fluctuate in the future. The Company's investment portfolio assets are designated as trading securities as discussed in ASC Topic 320, *Investments – Debt and Equity Securities*. The Company's entire portfolio is actively managed by third-party investment managers. Trading generally reflects active and frequent buying and selling, and trading securities are generally used with the objective of generating profits on short-term differences in price. As required by US-GAAP, realized and unrealized gains and losses on an investment portfolio, designated as a trading portfolio, are accounted for as nonoperating gains (losses), net and are included in (deficit) excess of revenues over expenses. Because of this designation as a trading portfolio, management anticipates fluctuations in excess of revenues over expenses. Accordingly, based on this diversification, management does not believe there are any material concentrations of credit as of December 31, 2022 and 2021.

The Company, through its professional investment managers, enters into derivative transactions (primarily in the form of money market, equity index and government futures), which are used in conjunction with the Company's portfolio of marketable debt securities to economically hedge various investment risks.

(6) Fair Value of Financial Instruments

The following discussion describes the valuation methodologies used for financial assets and liabilities measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about the Company's business, its value or consolidated financial position based on the fair value information of financial assets presented below.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Fair values for the Company's fixed maturity securities are based on prices provided by its investment managers and its custodian bank. Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations and designate specific pricing services or indexes for each sector of the market based upon the provider's expertise. The Company's fixed maturity securities portfolio is highly liquid, which allows for a high percentage of the portfolio to be priced through pricing services.

Fair values of equity securities have been determined by the Company from observable market quotations, when available. Private placement securities and other equity securities where a public quotation is not available are valued by using broker quotes.

Fair values for the Company's interest rate swaps have been determined using pricing models developed based on the LIBOR swap rate and other observable market data. The values were determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and the Company.

Nonrecurring Fair Value Measurements

The Company is required to provide additional disclosures about fair value measurements as part of the consolidated financial statements for each major category of assets and liabilities measured at fair value on a nonrecurring basis. In general, nonrecurring fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities, which generally are not applicable to nonfinancial assets and liabilities. Fair values determined by Level 2 inputs utilize data points that are observable, such as definitive sales agreements, appraisals or established market values of comparable assets, and historical cash payment trends. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability and include situations where there is little, if any, market activity for the asset or liability, such as internal estimates of future cash flows.

Nonfinancial assets and liabilities	Input	Valuation methodology
Current assets	Estimate of replacement cost	Cost
Inventories	Estimate of replacement cost	Cost
Property and equipment, net	Estimate of replacement cost	Cost
Other long term assets	Estimate of replacement cost	Cost
Identifiable intangible assets	Discounted cash flows	Income
Current liabilities	Estimate of replacement cost	Cost
Long-term liabilities	Estimate of replacement cost	Cost

(In thousands)

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of:

		Fair value measurements at December 31, 2022 using		
	Fair value	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 506,242	506,242	—	—
Investments:				
Cash and cash equivalents	32,312	32,312	—	—
Corporate obligations	2,921	—	2,921	—
	35,233	32,312	2,921	—
Assets limited or restricted as to use:				
Cash and cash equivalents	540,010	540,010	—	—
Equity mutual funds	807,171	354,406	452,765	—
Equity commingled funds	733,835	591,090	76,554	66,191
Common and preferred stocks	712,884	712,884	—	—
Fixed income commingled funds	244,388	174,546	69,842	—
Government and agency securities	874,377	327,284	547,093	—
Corporate obligations	787,630	—	787,630	—
Fixed income mutual funds	29,354	29,354	—	—
Cash and assets limited or restricted as to use	5,271,124	3,268,128	1,936,805	66,191
Assets whose use is limited under securities lending arrangements	25,501	25,501	—	—
Total cash and assets limited or restricted as to use	$ 5,296,625	3,293,629	1,936,805	66,191
Liabilities:				
Interest rate swaps	$ 21,707	—	—	21,707
Total liabilities	$ 21,707	—	—	21,707

(In thousands)

		Fair value measurements at December 31, 2021 using		
	Fair value	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 402,402	402,402	—	—
Investments:				
Cash and cash equivalents	129,263	129,263	—	—
Government and agency securities	5,040	5,040	—	—
Corporate obligations	21,109	—	21,109	—
	155,412	134,303	21,109	—
Assets limited or restricted as to use:				
Cash and cash equivalents	485,721	485,721	—	—
Equity mutual funds	1,371,522	715,130	656,392	—
Equity commingled funds	986,266	799,497	127,665	59,104
Common and preferred stocks	1,132,587	1,132,587	—	—
Fixed income commingled funds	329,108	242,121	86,987	—
Government and agency securities	1,361,595	740,006	621,589	—
Corporate obligations	1,515,450	—	1,515,450	—
Cash and assets limited or restricted as to use	7,740,063	4,651,767	3,029,192	59,104
Assets whose use is limited under securities lending arrangements	23,551	23,551	—	—
Total cash and assets limited or restricted as to use	$ 7,763,614	4,675,318	3,029,192	59,104
Liabilities:				
Interest rate swaps	$ 89,707	—	—	89,707
Total liabilities	$ 89,707	—	—	89,707

Following is the summary of the inputs and valuation techniques utilized to value Level 2 financial instruments as of December 31, 2022 and 2021:

Financial instrument	**Input**	**Valuation**
Government and agency securities	Matrix	Market/income
Corporate obligations	Broker/dealer	Market
Commingled and mutual funds	Matrix	Market/income

(In thousands)

The changes in the fair value of the assets measured using significant unobservable inputs (Level 3) consisted of the following for the years ended:

		December 31	
		2022	**2021**
Beginning balance	$	59,104	41,516
Purchases		12,306	17,755
Impairment loss		(5,169)	—
Realized and unrealized losses		(50)	(167)
Ending balance	$	66,191	59,104

Investments for which fair value is measured using the Net Asset Value (NAV) as a practical expedient are excluded from the fair value hierarchy in accordance with ASU No. 2015-07, *Fair Value Measurement (Topic 820)*. As of December 31, 2022 and 2021, investments measured at NAV consist of fixed income commingled funds and alternative investments. The fixed income commingled investment funds are valued at NAV provided by the respective fund administrators. Management has determined that the NAV is an appropriate estimate of the fair value of the commingled investments funds as of December 31, 2022 and 2021, since the commingled investment funds are audited and accounted for at fair value by the administrators of the respective commingled investment funds.

Alternative investments are not necessarily readily marketable and may include short sales on securities and trading in future contracts, options, foreign currency contracts, other derivative instruments, and private equity investments. Alternative investments can be divested only at specified times in accordance with terms of the partnership agreements. Hedge fund redemptions typically contain restrictions that allow for a portion of the withdrawal proceeds to be held back from distribution while the underlying investments are liquidated. These redemptions are subject to lock-up provisions that are generally imposed upon initial investment in the fund. Private equity funds are generally closed-end funds and have significant redemption restrictions that prohibit redemptions during the fund’s life.

(In thousands)

The following table summarizes the investments measured at NAV, committed capital and associated redemptions as of December 31, 2022:

	Investments measured at NAV	Committed capital	Redemption frequency	Redemption notice period
Fixed income commingled funds	$ 46,790	—	Monthly	10 days
Alternative investments:				
Private Investments	1,394,886	707,668	N/A	N/A
Hedge funds	904,819	—	Monthly, Quarterly, Annually	2 to 180 days
	$ 2,346,495	707,668		

The following table summarizes the investments measured at NAV, committed capital and associated redemptions as of December 31, 2021:

	Investments measured at NAV	Committed capital	Redemption frequency	Redemption notice period
Fixed income commingled funds	$ 60,563	—	Monthly	10 days
Alternative investments:				
Private Investments	1,194,651	599,785	N/A	N/A
Hedge funds	829,190	—	Monthly, Quarterly, Annually	2 to 180 days
	$ 2,084,404	599,785		

There were no non-redeemable investments as of December 31, 2022 and 2021.

Categorization of alternative investments with respect to investee strategies and redemptions for those funds whose fair value is estimated based up NAVs are as follows:

(a) **Private investments** – Includes Private Equity, Real Estate and Private Debt. This category includes investments in funds with multiple opportunistic strategies that are primarily private in nature. These investments cannot be redeemed by the Company; rather, the Company has committed to an amount to invest in the private funds over the respective periods. After the commitment period has ended, distributions are received through the liquidation of the underlying assets in the private fund. Based on the expiration dates of the funds, it is estimated that underlying assets will be liquidated over the next 1 to 15 years.

(In thousands)

(b) **Hedge funds** – This category included investments in hedge funds that pursue diversification of both domestic and foreign fixed income and equity securities through multiple investment strategies. Distributions will be received as the underlying investments are liquidated.

(7) Property and Equipment, Net

Property and equipment, net consists of the following as of December 31:

	2022	2021
Land	$ 528,255	444,102
Land improvements	118,230	113,838
Buildings and fixed equipment	4,840,921	4,729,536
Movable equipment	4,513,926	4,456,743
Leasehold improvements	242,210	231,293
	10,243,542	9,975,512
Less accumulated depreciation	(5,996,702)	(5,838,995)
	4,246,840	4,136,517
Construction in progress	560,798	422,731
	$ 4,807,638	4,559,248

As of December 31, 2022 and 2021, the Company is contractually obligated for construction projects totaling $215,667 and $184,633 at current construction cost levels. It is expected that these costs will be incurred in the next twelve months. The Company will finance these construction projects through the use of tax-exempt bond obligations proceeds, assets whose use is limited and operating cash flow. Depreciation expense for the Company was $463,293 and $439,747 for the years ended December 31, 2022 and 2021, respectively.

On March 25, 2021, RSFH, resolved to replace their electronic medical records systems. The planned abandonment and replacement occurred in the second half of 2022. The abandonment decision is an impairment indicator and a resulting impairment charge of $9,686 was recorded in nonrecurring operating losses, net within the consolidated statement of operations of BSMH for the year ended December 31, 2021.

(In thousands)

(8) Long-Term Debt

The following is a summary of the Company's long-term debt as of December 31:

Long-term debt	Coupon rates	Maturity through	2022	2021
Master trust indenture obligations:				
Fixed rate Hospital Facilities Revenue and				
Revenue Refunding and Improvement Bonds:				
Mercy Health (MH) Series 2012A serial/term bonds	4.00 – 5.00%	2042	$ —	7,010
MH Series 2015A term bonds	4.00 – 5.00	2045	159,205	159,205
MH Series 2015C taxable bonds	3.38	2025	150,000	150,000
MH Series 2017A serial and term bonds	3.00 – 5.00	2047	416,405	442,955
MH Series 2017C taxable bonds	3.56	2027	143,150	143,150
MH Series 2018A taxable bonds	4.30	2028	305,684	305,684
BSMH Series 2020A serial and term bonds	4.00 – 5.00	2049	664,580	670,970
BSMH Series 2020 taxable bonds	3.46	2030	389,680	389,680
BSMH Series 2020-2 taxable bonds	1.35 – 3.21	2050	650,000	650,000
BSMH Series 2022A serial and term bonds	5.00	2042	190,775	—
Adjustable rate Hospital Facilities Revenue and				
Revenue Refunding and Improvement Bonds:				
MH Series 2008 direct placement (DP) bonds	0.79 – 3.25	2031	109,400	114,600
MH Series 2010C/D demand and DP bonds	0.37 – 4.31	2034	152,900	160,900
MH Series 2012B demand bonds	0.02 – 4.25	2036	100,000	100,000
MH Series 2017B bonds payable	5.00	2047	—	89,425
Bon Secours Series 2017 (SC) DP bonds	0.93 – 4.37	2042	69,925	69,925
MH Series 2018AB commercial paper notes	0.10 – 4.40		100,000	100,000
BSMH Series 2020B bonds payable	5.00	2048	87,380	87,380
BSMH Series 2022B bonds payable	5.00	2051	213,320	—
2018 TD Bank variable rate taxable term loan	0.68 – 4.72	2029	150,000	150,000
2018 US Bank variable rate taxable term loan	0.65 – 4.69	2023	160,000	160,000
2020 JPMorgan fixed rate taxable term loan	1.73 – 2.65	2023	250,000	250,000
Revolving Credit Agreement debt outstanding	1.04 – 5.00		463	—
Total master trust indenture obligations			4,462,867	4,200,884
Ireland variable rate taxable term loan	1.45 – 2.63	2025	101,944	99,288
Other debt			13,892	14,110
			4,578,703	4,314,282
Original issue net premium			102,864	88,881
Cost of issuance			(24,313)	(21,648)
			4,657,254	4,381,515
Less current portion of long-term debt			(559,284)	(342,603)
Long-term debt, less current portion			$ 4,097,970	4,038,912

The Company's master trust indenture (the MTI) provides that Bon Secours Mercy Health is the sole obligor on all outstanding indebtedness incurred under the MTI. All bond obligations of the Company have been evidenced by obligations issued under the MTI. In addition, the Company has issued a master obligation guaranty under the MTI for a bank term loan of its contractual affiliate, Bon Secours Health System Limited by Guarantee, the principal amount of which is $101,944.

On October 1, 2021, the Company paid off its Series 2013B debt in the amount of $40,740. The Company recorded a loss from early extinguishment of debt of $152.

On September 29, 2022, the Company issued $94,420 of tax-exempt fixed rate bond obligations through its Series 2022A SC bonds, $96,355 of tax-exempt fixed rate bond obligations through its Series 2022A VA bonds, and $213,320 of tax-exempt adjustable-rate bond obligations through its Series 2022B OH bonds. The proceeds of these bond obligation issues were used to defease the May 2022 taxable bridge financing of $89,425 Series 2017B bonds, reimburse the company for approximately $332,490 of project expenditures, provide approximately $7,522 of project funds for future construction costs, and pay for associated cost of issuance. The company recorded a loss from early extinguishment of debt of $328 which is included in other (loss) income in the consolidated statement of operations and changes in net assets. Also on September 29, 2022, the Company expanded the capacity of its 2018AB commercial paper notes program from $100,000 to $400,000. $100,000 of commercial paper notes were outstanding on December 31, 2022 and December 31, 2021.

On October 12, 2022, the Company entered into a Note Purchase Agreement for $171,200 (€160,000) of Senior Secured Notes due October 1, 2052, with institutional private purchasers. As of December 31, 2022, there was no proceeds received per agreements. Funding of this Agreement was completed on January 5, 2023. The proceeds of these notes will be used for construction of a new hospital in Limerick, Ireland and for general corporate purposes.

Pursuant to the issuance of the Series 2022 bond issue, the company proposed to amend its MTI. The amended MTI will not become effective until the Company's Master Trustee receives the consents of the Company's Master Obligation debt holders of not less than a majority of the Company's aggregate debt. Until the conditions of the amendment to the MTI are met, the existing MTI remains in effect.

The Company's MTI obligations mature at various dates through 2051 and are subject to optional and mandatory redemption features. While only Bon Secours Mercy Health, Inc. (as successor to Mercy Health) is obligated under the terms of the MTI, the Company has covenanted to cause some controlled affiliates and certain contractual affiliates to transfer such funds to as necessary to pay amounts due under the MTI. Certain controlled affiliates of the Company have entered into agreements obligating them to make these transfers at the request of the Company.

The Company is subject to certain restrictive covenants under the MTI, revolving credit agreements, reimbursement agreements and irrevocable letters of credit as of December 31, 2022 and December 31, 2021. The Company was in compliance with all restrictive covenants as of December 31, 2022 and December 31, 2021.

(In thousands)

The following is a schedule of future minimum payments based on scheduled maturities as of December 31, 2022:

Period		Master trust indenture obligations	European group and other debt
2023	$	459,408	11
2024		55,205	11
2025		254,450	13,271
2026		57,530	101,975
2027		203,810	35
Thereafter		3,432,464	533
Total minimum payments	$	4,462,867	115,836

Interest payments for the years ended December 31, 2022 and 2021 were $149,925 and $136,810, respectively.

Unamortized debt issuance costs of $24,313 and $21,648 as of December 31, 2022 and December 31, 2021, respectively, represents costs related to the issuance of bond obligations and is being amortized over the terms of the related bond obligations at amounts approximating the effective interest method.

As of December 31, 2022, the Company has Series 2010C and 2012B variable rate bond obligations in the total amount of $178,950 with letter of credit support, Series 2008A, 2010D and 2017 adjustable-rate bonds in the total amount of $253,275 held under direct purchase agreements with financial institutions and $411,944 of variable rate taxable term loan agreements with financial institutions. The Company's dedicated liquidity facilities and direct placement agreements have expiration dates that extend from May 2023 to November 2027, and their respective term-out repayment provisions extend beyond the subsequent fiscal year. The Company has recorded variable obligations supported by agreements that expire in 2024 or later as long term.

The Company maintains a revolving credit agreement for purposes of working capital support or capital asset acquisition. This revolving credit agreement has a commitment amount of $250,000 and is secured by the MTI. The agreement expires on December 11, 2023. $463 and $0 was outstanding on this agreement as of December 31, 2022 and December 31, 2021.

As of December 31, 2022, current portion of long-term debt consists of $48,945 of principal payments, $410,000 for two term loans which mature within the next year, $100,000 commercial paper notes supported by the Company's own liquidity, $463 on the revolving credit agreement, $(134) of discount on Commercial Paper and $10 of non-master obligation current portion of long-term debt.

(In thousands)

(9) Derivatives and Interest Rate Swap Agreements

The following table includes the notional and valuation amounts (parenthetical amounts represent liabilities) of the Company's interest rate swap agreements:

Interest rate swap agreement	Transaction type	Payment rate/basis	Termination date	Notional amount December 31 2022	Notional amount December 31 2021	Valuation amount December 31 2022	Valuation amount December 31 2021
December 2006 JPM	Pay fixed	3.63 %	2033	$ 188,310	250,177	(6,586)	(30,424)
December 2018 Barclays	Pay fixed	3.98	2042	50,000	50,000	(2,744)	(19,475)
December 2018 Citi	Pay fixed	3.84	2032	—	25,000	—	(6,055)
December 2018 JPM	Pay fixed	3.72	2047	40,900	80,000	(2,124)	(20,000)
December 2018 PNC	Pay fixed	3.45	2042	69,925	69,925	(7,323)	(21,499)
December 2007 JPM	Constant maturity	N/A	2027	250,000	250,000	(2,365)	5,457
August 2018 JPM	Constant maturity	N/A	2037	150,000	150,000	(1,755)	839
Credit valuation adjustment						1,190	1,450
						$ (21,707)	(89,707)

All changes in the fair value of the Company's interest rate swap agreements are recognized in realized and unrealized interest rate swap agreements gains/(losses) in the consolidated statement of operations. The differences between settlement payments made and settlement payments received on all interest rate swap agreements are included in realized and unrealized interest rate swap agreements gains/(losses) on the consolidated statement of operations. The net payments were $7,955 and $14,813 for the years ended December 31, 2022 and 2021, respectively.

The Company, as part of a systematic reduction of its fixed payer interest rates swap agreement exposure, canceled $39,997 notional fixed payer swap agreements in March 2022 and $25,000 notional fixed payer swap agreements in May 2022. Settlement losses of $3,443 and $2,323, respectively, were recognized in other nonoperating activities, net in the consolidated statements of operations.

The Company's interest rate swap agreements include certain collateralization requirements based on the market value of these transactions. The amount required for collateral is determined daily based on the current market value of the interest rate swap agreements.

The Company has posted collateral with designated custodians of $2,450 as of December 31, 2022 ($33,918 as of December 31, 2021) commensurate with the valuation of the interest rate swap agreements. All collateral posted is in the form of cash and cash equivalents and is included within donor restricted funds on the consolidated balance sheets. Interest earned while collateralized funds are held by the custodian is shown in nonoperating gains (losses), net on the consolidated statement of operations.

(10) Pension and Postemployment Plans

The Company recognizes in the consolidated balance sheets the funded status of its defined benefit pension and other postemployment plans (collectively, referred to as the Plans), measured as the difference between the fair value of plan assets and the benefit obligation (the projected benefit obligation for defined benefit pension plans and accumulated benefit obligation for other postemployment benefit plans). Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic benefit cost in the same periods will be recognized as a component of unrestricted net assets.

(In thousands)

The following is a summary of the components of the change in benefit obligation and plan assets for the Plans as of December 31:

	Pension Plans		Postemployment Plans	
	2022	2021	2022	2021
Change in benefit obligation:				
Projected benefit obligation at beginning of year	$ 2,960,165	3,298,352	16,501	17,698
Service cost	3,703	4,274	514	511
Interest cost	77,466	72,496	411	373
Actuarial gain	(573,719)	(150,666)	(2,247)	(284)
Plan amendments	(16,289)	—	—	—
Settlement	(292,630)	(156,929)	—	—
Gross benefits paid and expenses	(108,389)	(107,362)	(1,655)	(1,797)
Projected benefit obligation at end of year	2,050,307	2,960,165	13,524	16,501
Change in plan assets:				
Fair value of plan assets at beginning of year	2,878,430	2,888,571	—	—
Actual return on plan assets	(533,460)	204,150	—	—
Employer contributions	31,330	50,000	1,655	1,798
Gross benefits paid	(108,389)	(107,362)	(1,655)	(1,798)
Settlement	(292,630)	(156,929)	—	—
Fair value of plan assets at end of year	1,975,281	2,878,430	—	—
Under funded status	$ (75,026)	(81,735)	(13,524)	(16,501)

Settlements of $292,630 and $156,929 were recognized during the years ended December 31, 2022 and 2021. The actuarial gain on the benefit obligation for the year ended December 31, 2022, was due to significant increase in discount rate. The actuarial gain on the benefit obligation for the year ended December 31, 2021, was due to significant increase in discount rate and partially offset by the change to the MP-2021 mortality improvement scales.

Amounts recognized in the consolidated financial statements consist of the following as of December 31:

	Pension Plans		Postemployment Plans	
	2022	2021	2022	2021
Retirement assets	$ 178,337	214,890	—	—
Current liabilities	—	—	(1,652)	(1,847)
Retirement liabilities	(253,363)	(296,625)	(11,872)	(14,654)
Net amount recognized	$ (75,026)	(81,735)	(13,524)	(16,501)

(Continued)

(In thousands)

In addition to amounts recognized in the consolidated financial statements related to the Plans, retirement liabilities on the consolidated balance sheets includes other retirement liabilities, consisting primarily of accrued contributions to defined contribution plans, of $607 and $499 at December 31, 2022 and 2021, respectively.

Included in unrestricted net assets are the following amounts that have not yet been recognized in net periodic benefit cost (income) for the year ended December 31:

		Pension Plans		Postemployment Plans	
		2022	2021	2022	2021
Net prior service cost	$	(6,975)	(27,527)	—	—
Net actuarial (loss) gain		(381,041)	(399,179)	3,928	1,700
Net amount unrecognized		(388,016)	(426,706)	3,928	1,700
Cumulative excess (shortfall) of employer contributions over net periodic benefit cost		312,990	344,971	(17,452)	(18,201)
	$	(75,026)	(81,735)	(13,524)	(16,501)

Net actuarial (loss) gain is amortized as a component of net periodic benefit cost (income), only if the losses exceed 10% of the greater of the projected benefit obligation or the fair value of plan assets. Net prior service credit (cost) is amortized on a straight-line basis over the estimated life of the Plans' participants.

The following amounts related to pension and other postemployment benefit activity has been recognized as the change in unrestricted net assets for the year ended December 31:

		Pension Plans		Postemployment Plans	
		2022	2021	2022	2021
Amortization of prior service credit	$	(4,210)	(1,824)	—	—
Net actuarial gain/(loss)		63,103	(232,781)	—	—
Amortization of net actuarial loss		(81,241)	(52,840)	—	—
Unrecognized prior service cost		(16,289)	—	—	—
Other postemployment benefit changes		—	—	2,228	(325)
	$	(38,637)	(287,445)	2,228	(325)

(In thousands)

The following amounts are a summary of the components of net periodic benefit cost for the Plans for the year ended December 31:

	Pension Benefits		Postemployment Benefits	
	2022	2021	2022	2021
Service cost	$ 3,703	4,274	514	511
Interest cost	77,466	72,496	411	373
Expected return on plan assets	(103,362)	(122,035)	—	—
Curtailment/settlement cost	64,449	20,102	—	—
Amortization of:				
Actuarial loss	16,792	32,737	—	—
Prior service credit/(cost)	4,210	1,824	(19)	41
Net periodic benefit cost	$ 63,258	9,398	906	925

The following weighted average assumptions were used to determine the benefit obligation as of December 31:

	Pension Plans		Postemployment Plans	
	2022	2021	2022	2021
Discount rate – ERISA	N/A	2.51 %	N/A	N/A
Discount rate – Church pension and postretirement benefit plans	5.20% – 5.21%	2.70% – 2.73%	5.21 %	2.73 %
Rate of compensation increase	2.50 %	2.50 %	N/A	N/A
Cash balance interest crediting rate	2.38% – 6.0%	0.70% – 6.0%	N/A	N/A
Mortality table	Pri-2012	Pri-2012	Pri-2012	Pri-2012
Generational scale	MP-2021	MP-2021	MP-2021	MP-2021

The following weighted average assumptions were used to determine the net periodic benefit cost as of December 31:

	Pension Plans		Postemployment Plans	
	2022	2021	2022	2021
Discount rate	2.70% – 2.73%	2.23% – 2.31%	2.73 %	2.31 %
Rate of compensation increase	2.50 %	2.50% – 2.59%	N/A	N/A
Expected long-term rates of return on plan assets	2.70% – 5.40%	3.60% – 5.80%	N/A	N/A
Cash balance interest crediting rate	0.70% – 6.0%	0.23% – 6.0%	N/A	N/A

(In thousands)

The following healthcare cost trend rate assumptions were used in determining the benefit obligation of the post-employment healthcare benefits as of December 31:

	2022	2021
Healthcare cost trend rate assumed for next year	6.2% – 6.5%	5.2% – 7.0%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	4.0 %	4.5 %
Year the rate reaches the ultimate trend rate	2032	2031

In selecting the expected long-term return on plan assets, the Company considered the average rate of earnings on the assets invested or to be invested to provide the benefits for the defined benefit pension plans. This included considering the target asset allocation and the expected returns likely to be earned over the life of the defined benefit pension plans.

The Company's defined benefit pension plans targeted asset allocations, by asset category, are as follows as of:

	2022	2021
Asset category:		
Equity mutual and commingled funds and securities	24 %	34 %
Fixed income mutual funds and securities	51	46
Alternative investments	19	17
Cash	6	3
Total	100 %	100 %

The Company maintains diversification in its plan assets by allocating assets to various asset classes and market segments and retaining multiple professional investment firms with different philosophies, styles and approaches. Accordingly, based on this diversification, management does not believe there are any concentrations of credit at the measurement date. The marketable debt securities within plan assets, including mortgage-backed and asset-backed obligations, are actively traded and the fair value reflects current market conditions.

(In thousands)

The following is a summary of the plan assets measured at fair value on a recurring basis based on the fair value hierarchy as of December 31, 2022:

		Fair value measurements		
	Fair value	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 125,418	125,418	—	—
Equity mutual funds	314,102	252,784	61,318	—
Equity commingled funds	67,120	56,408	10,712	—
Common and preferred stocks	95,016	95,016	—	—
Government and agency bonds	272,826	240,543	32,283	—
Corporate obligations	725,113	—	725,113	—
Total investments	1,599,595	770,169	829,426	—
Due from broker/custodian for investment activity, net	9,655	—	9,655	—
Total plan assets	$ 1,609,250	770,169	839,081	—

The following is a summary of the plan assets measured at fair value on a recurring basis based on the fair value hierarchy as of December 31, 2021:

		Fair value measurements		
	Fair value	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 98,114	98,114	—	—
Equity mutual funds	528,889	380,219	148,670	—
Equity commingled funds	220,626	195,392	25,234	—
Common and preferred stocks	231,112	231,112	—	—
Fixed income commingled funds	22,414	22,414	—	—
Government and agency bonds	161,004	136,991	24,013	—
Corporate obligations	1,122,623	—	1,122,623	—
Total investments	2,384,782	1,064,242	1,320,540	—
Due from broker/custodian for investment activity, net	31,543	—	31,543	—
Total plan assets	$ 2,416,325	1,064,242	1,352,083	—

(In thousands)

The following table summarizes the alternative investments, committed capital and associated redemptions as of December 31, 2022:

		Investments measured at NAV	Committed capital	Redemption frequency	Redemption notice period
Private Investments	$	262,294	66,009	N/A	N/A
Hedge funds		103,737	—	Monthly, Quarterly, Annually	2 to 180 days
	$	366,031	66,009		

The following table summarizes the alternative investments, committed capital and associated redemptions as of December 31, 2021:

		Investments measured at NAV	Committed capital	Redemption frequency	Redemption notice period
Private Investments	$	296,879	86,318	N/A	N/A
Hedge funds		165,226	—	Monthly, Quarterly, Annually	2 to 180 days
	$	462,105	86,318		

There were no non-redeemable investments as of December 31, 2022 and 2021.

Categorization of alternative investments with respect to investee strategies and redemptions for those funds whose fair value is estimated based up NAVs are as follows:

(a) **Private investments** – Includes Private Equity, Real Estate and Private Debt. This category includes investments in funds with multiple opportunistic strategies that are primarily private in nature. These investments cannot be redeemed by the Company; rather, the Company has committed to an amount to invest in the private funds over the respective periods. After the commitment period has ended, distributions are received through the liquidation of the underlying assets in the private fund. Based on the expiration dates of the funds, it is estimated that underlying assets will be liquidated over the next 1 to 15 years.

(b) **Hedge funds** – This category included investments in hedge funds that pursue diversification of both domestic and foreign fixed income and equity securities through multiple investment strategies. Distributions will be received as the underlying investments are liquidated.

(In thousands)

The projected benefit payments for the Plans are as follows:

		Pension Plans	Post employment Plans
2023	$	165,192	1,653
2024		159,676	1,754
2025		159,299	1,793
2026		156,478	1,849
2027		155,155	1,135
2028–2032		727,405	4,913

The Company expects to contribute $20,000 to the defined benefit pension plans and $1,653 to the post-employment benefit plans in 2023. The Company has several defined contribution benefit plans to assist eligible employees in providing for retirement. Under such plans, the Company recognized expense of $194,184 and $227,587 for the years ended December 31, 2022 and 2021, respectively, related to employer contributions, which is included in employee benefits expense in the consolidated statements of operations.

(11) Other Commitments and Contingent Liabilities

(a) General and Professional Liability Insurance

The provision for claims and related funding levels for the HPL/HGL Program is established annually based upon the recommendations of consulting actuaries. The Company has accrued claims including liabilities for incidents incurred but not reported of approximately $354,072 and $323,566 as of December 31, 2022 and 2021, respectively. The current portion of such accruals, $82,998 and $58,496 as of December 31, 2022 and 2021, respectively, is included in other accrued expenses, and the remainder, $271,074 and $265,070 as of December 31, 2022 and 2021, respectively, is included within self-insurance liabilities in the accompanying consolidated balance sheets. Amounts recorded for unpaid claims are based upon the estimated present value of future claim payments and such amounts are undiscounted and based upon an actuarial estimate.

(b) Workers' Compensation Insurance

Accrued workers' compensation claims were $54,423 and $61,270, as of December 31, 2022 and 2021, respectively. The current portion of such accruals, $1,668 and $2,522 as of December 31, 2022 and 2021, respectively, is reported as other accrued expenses. The remainder, $52,755 and $58,748, is reported within self-insurance liabilities in the accompanying consolidated balance sheets, which includes estimates for incidents incurred but not reported, as of December 31, 2022 and 2021, respectively. Amounts recorded for unpaid claims are based upon the estimated present value of future claim payments and such amounts are undiscounted and based upon an actuarial central estimate.

(In thousands)

(c) Employee Health Insurance

Accrued claims associated with this program, which are reported as other accrued expenses in the accompanying consolidated balance sheets, of approximately $49,384 and $52,483, include estimates for claims incurred but not reported as of December 31, 2022 and 2021, respectively.

(d) Litigation

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. The Company's compliance with these laws and regulations can be subject to periodic governmental review and interpretation, which can result in regulatory action unknown or unasserted at this time. Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the ordinary course of business but cannot reasonably predict any particular outcomes or operational or financial effects from these matters at this time.

(e) Leases

The Company's leases primarily consist of real estate leases for medical and administrative office buildings. The leases have remaining lease terms of 1 year to 100 years, some of which include options to extend the leases for up to 30 years, and some of which include options to terminate the leases within 1 year. The following is the lease expense for:

		2022	2021
Finance lease expense:			
Amortization of ROU assets	$	20,948	20,352
Interest on lease liabilities		13,262	14,495
Operating lease expense		96,022	102,962
Short-term lease expense		29,366	32,857
Variable lease expense		35,393	32,087
Total lease cost	$	194,991	202,753

(In thousands)

Commitments related to non-cancellable operating and finance leases for each of the next five years and thereafter as of December 31, 2022 are as follows:

		Operating	Finance
2023	$	88,112	39,831
2024		75,167	27,386
2025		60,945	26,197
2026		44,959	24,419
2027		32,550	24,390
Thereafter		89,634	571,855
Total		391,367	714,078
Less present value discount		(44,361)	(363,711)
Lease liabilities	$	347,006	350,367

Other information is as follows:

	2022	2021
Weighted average remaining lease terms (in years):		
Finance leases	57.95	61.06
Operating leases	6.28	6.01
Weighted average discount rate:		
Finance leases	3.74 %	3.74 %
Operating leases	3.82	3.98

(12) Net Assets with Donor Restrictions

The Company's endowments consist of 355 and 347 individual funds established for a variety of purposes as of December 31, 2022 and 2021, respectively. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions and the nature of the restrictions, if any. The Company's endowment net assets were $85,441 and $107,004 as of December 31, 2022 and 2021, respectively.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or Uniform Prudent Management of Institutional Funds Act requires the Company to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. There were deficiencies of $11,060 and $0 as of December 31, 2022 and 2021, respectively. The endowment funds with deficiencies had an original gift value of $75,354 and fair value of $64,294 as of December 31, 2022. These deficiencies resulted from unfavorable market fluctuations.

(In thousands)

The Company has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Company must hold in perpetuity or for a donor specified period. The practice allows the endowment assets to be invested in a manner that is intended to produce investment returns that exceed the price and yield the results of the allocation index while assuming a moderate level of investment risk. The Company expects its endowment funds to provide a rate of return that preserves the gift and generates earnings to achieve the endowment purpose.

To satisfy its long-term rate-of-return objectives, the Company relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and interest and dividend income. The Company uses diversified asset allocation to achieve its long-term return objectives within prudent risk constraints to preserve capital.

The Company has a practice of distributing the major portion of current year earnings on the endowment funds if the restrictions have been met. This is consistent with the Company's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

(13) Functional Expenses

The functional breakdown of expenses incurred by the Company in fulfilling its mission is as follows for the year ended December 31, 2022:

		Program activities			Supporting activities	
		Healthcare services	Ancillary services and other	Total	General and administrative	Total
Employee compensation	$	4,491,892	1,203,849	5,695,741	233,868	5,929,609
Purchased services and other		1,869,191	389,706	2,258,897	443,848	2,702,745
Supplies		1,942,078	98,986	2,041,064	111,442	2,152,506
Depreciation and amortization		347,636	69,620	417,256	83,351	500,607
Interest		13,565	125,480	139,045	2,657	141,702
Total recurring expenses	$	8,664,362	1,887,641	10,552,003	875,166	11,427,169

(In thousands)

The functional breakdown of expenses incurred by the Company in fulfilling its mission is as follows for the year ended December 31, 2021:

		Program activities			Supporting activities	
		Healthcare services	Ancillary services and other	Total	General and administrative	Total
Employee compensation	$	4,122,804	1,041,387	5,164,191	245,500	5,409,691
Purchased services and other		1,908,295	131,028	2,039,323	496,387	2,535,710
Supplies		1,967,096	76,019	2,043,115	112,875	2,155,990
Depreciation and amortization		323,916	57,755	381,671	83,636	465,307
Interest		11,738	116,694	128,432	2,778	131,210
Total recurring expenses	$	8,333,849	1,422,883	9,756,732	941,176	10,697,908

(14) Liquidity and Capital Resources

Financial assets available for general expenditure within one year of the balance sheet date consist of the following as of December 31:

		2022	2021
Cash, cash equivalents and investments	$	541,475	557,814
Net patient receivables		1,137,675	1,126,277
Assets whose use is limited:			
Board-designated funds		4,260,497	6,689,550
	$	5,939,647	8,373,641

The Company has certain board-designated funds, which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above. The Company has other assets whose use is limited for donor-restricted purposes, debt service, and for the professional and general liability Captive insurance program which have been excluded. Additionally, certain other board-designated assets are designated for future capital expenditures and an operating reserve. These assets whose use is limited are not available for general expenditure within the next year and are not reflected in the amounts above. However, the board-designated amounts could be made available, if necessary.

As part of the Company's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds. Occasionally, the Board designates a portion of any operating surplus to an operating reserve, which was $4,260,497 and $6,689,550 as of December 31, 2022 and 2021, respectively. The fund established by the board of directors may be drawn upon, if necessary, to meet unexpected liquidity needs.

(In thousands)

(15) Investments in Unconsolidated Organizations and Related Party Transactions

The Company has invested in a number of joint ventures, limited liability corporations and other entities to provide specialty healthcare services or engage in other activities. The most significant of these investments are presented below. The Company accounts for its interest in these entities under the equity method of accounting and includes its interest in the excess of revenues over expenses of these entities in its consolidated statement of operations as other revenue.

(a) Ensemble

Ensemble is a Delaware limited liability company providing revenue cycle management and consulting services to hospitals and health systems. As of December 31, 2022, and 2021 BSMH ownership interest in Ensemble was 41.4% and 48.3%, respectively. The reduction in ownership was attributable to Ensemble's ownership restructuring on April 18, 2022. This ownership restructuring triggered a $200,619 cash distribution to BSMH. Of the distribution, $81,430 was treated as a return of capital and $119,189 was included as a nonoperating gain in the consolidated statement of operations for the year ended December 31, 2022. The amounts are provisional pending the finalization of Ensemble's fiscal year 2022 financial statements. In February 2021, BSMH received a one-time cash dividend of $357,315 from Ensemble due to a dividend recapitalization financing of Ensemble.

During the years ended December 31, 2022 and 2021, BSMH and Ensemble engaged in various transactions. These transactions were not eliminated because Ensemble is not consolidated. The following is a summary of the related party transactions and balances for:

		2022	2021
Revenue cycle management and consulting services provided by Ensemble to BSMH	$	531,672	497,243
Leased employees, purchased and other services provided to Ensemble by BSMH		(90,755)	(88,723)

BSMH owed Ensemble $57,186 and $42,832 as of December 31, 2022 and 2021, respectively. BSMH did not have any outstanding receivables from Ensemble as of December 31, 2022 and 2021, respectively.

(b) Sentara Princess Anne

BSMH and Sentara Healthcare (Sentara) are members in a Virginia not-for-profit, nonstock, corporation that owns and operates Sentara Princess Anne Hospital located in Virginia Beach, Virginia. Sentara holds a 70% membership interest and DePaul Medical Center holds a 30% membership interest in the corporation. The joint venture is managed by Sentara and the agreements provide the members with rights to "put" and "call" the BSMH's membership interest at fair market value terms upon the occurrence of certain events and dates.

There were no related party transactions between BSMH and Sentara Princess Anne as of December 31, 2022.

(In thousands)

(c) Bon Secours Charity Health System, Inc

BSMH and Westchester Medical Center (Westchester) are members of Bon Secours Charity Health System (Charity). Westchester holds a 60% controlling interest and BSMH holds the remaining 40% interest in Charity.

During 2022, BSMH provided services to Charity in the amount of $14,081. In December 2022, BSMH determined that its investment in Charity and its accounts receivables from Charity for the services provided were impaired due to the presence of several impairment indicators including multiple consecutive years of operating losses and significant liquidity challenges. As a result, BSMH fully impaired its equity investment and the accounts receivable from Charity, resulting in an impairment charge of $29,625. The impairment charge was recognized in nonrecurring operating losses, net on the consolidated statements of operations. No future earnings (losses) or associated receivables to Charity will be recognized in the consolidated financial statements.

The following is a summary of the investments in unconsolidated organizations as of December 31:

		2022	2021
Ensemble	$	439,587	509,989
Sentara Princess Anne		44,898	50,788
Charity		—	22,659
Other		64,923	58,853
	$	549,408	642,289

The following is a summary of the income(loss) from unconsolidated organizations, which is included in other operating revenue, net for the years ended December 31:

		2022	2021
Ensemble	$	58,901	77,822
Sentara Princess Anne		19,601	20,284
Charity		(9,866)	(13,767)
Other		3,577	4,189
	$	72,213	88,528

(16) Subsequent Events

The Company has evaluated and disclosed any subsequent events through March 17, 2023, which is the date the consolidated financial statements were issued and made publicly available.

On October 12, 2022, the Company entered into a Note Purchase Agreement for $171,200 (€160,000) of Senior Secured Notes due October 1, 2052, with institutional private purchasers. As of December 31, 2022, there was no proceeds received per agreements. Funding of this Agreement was completed on January 5, 2023. The proceeds of these notes will be used for construction of a new hospital in Limerick, Ireland and for general corporate purposes.

On February 16, 2023, the Company entered into a 10-year taxable term loan agreement with a financial institution in the amount of $100,000. The proceeds of this borrowing will be used for general corporate purposes.

No recognized or nonrecognized subsequent events were identified for recognition or disclosure in the consolidated financial statements.

BON SECOURS MERCY HEALTH

Consolidating Schedule – Balance Sheet Information

December 31, 2022

(In thousands)

	Core business											
Assets	**Core U.S. total**	**Roper St. Francis Healthcare**	**European group**	**Diversified growth**	**Core shared services and other**	**Core eliminations**	**Core total**	**Digital business**	**Non-core shared services and other**	**Discontinued operations**	**Consolidating eliminations**	**Bon Secours Mercy Health**
Current assets:												
Cash and cash equivalents	$ 1,708,419	32,473	4,451	62,094	555,118	—	2,362,555	16,983	(1,873,117)	(179)	—	506,242
Investments	590	29,731	—	—	2,800	—	33,121	—	2,112	—	—	35,233
Self-insurance and trustee held funds	—	—	—	—	—	—	—	—	88,078	—	—	88,078
Donor restricted funds	2,841	—	—	—	—	—	2,841	—	2,764	—	—	5,605
Total cash and investments	1,711,850	62,204	4,451	62,094	557,918	—	2,398,517	16,983	(1,780,163)	(179)	—	635,158
Net patient receivables	973,614	145,622	67,449	90	15,868	—	1,202,643	—	(63,248)	(1,720)	—	1,137,675
Other receivables	100,250	11,314	84	9,721	24,438	(9,876)	135,931	86,208	53,448	73	(46,159)	229,501
Inventories	230,243	24,892	9,970	—	7,552	—	272,657	—	—	—	—	272,657
Prepaid expenses and other current assets	25,916	23,031	7,819	225	50,438	—	107,429	87,871	37,399	126	(8,550)	224,275
Total current assets	3,041,873	267,063	89,773	72,130	656,214	(9,876)	4,117,177	191,062	(1,752,564)	(1,700)	(54,709)	2,499,266
Assets whose use is limited:												
Board designated funds	2,338,391	253,944	—	—	16,633	—	2,608,968	—	4,044,635	—	—	6,653,603
Self-insurance and trustee held funds	32	1,586	—	—	—	—	1,618	—	302,879	—	—	304,497
Donor restricted funds	4,758	42,654	—	—	—	—	47,412	—	2,450	—	—	49,862
Total assets whose use is limited	2,343,181	298,184	—	—	16,633	—	2,657,998	—	4,349,964	—	—	7,007,962
Property and equipment, net	3,402,869	685,739	273,775	20,391	36,435	—	4,419,209	278,416	105,625	4,388	—	4,807,638
Investments in unconsolidated organizations	69,374	(56)	10,459	439,587	—	—	519,364	8,000	22,044	—	—	549,408
Operating lease right-of-use assets	234,268	61,258	7,444	697	10,392	—	314,059	5,340	6,292	—	122	325,813
Retirement assets	—	—	—	—	—	—	—	—	178,337	—	—	178,337
Goodwill	165,426	150,799	2,255	—	—	—	318,480	255,633	—	—	—	574,113
Other long-term assets	112,054	113,672	9,745	—	440,323	(438,682)	237,112	174,258	2,030,615	4,964	(1,948,433)	498,516
Total assets	$ 9,369,045	1,576,659	393,451	532,805	1,159,997	(448,558)	12,583,399	912,709	4,940,313	7,652	(2,003,020)	16,441,053
Liabilities and Net Assets												
Current liabilities:												
Accounts payable	$ 1,018,347	85,095	38,507	(563,081)	(193,113)	(9,877)	375,878	(24,903)	290,624	32,879	25,879	700,357
Current portion of long-term debt	—	8,561	—	463	8,550	—	17,574	—	558,811	—	(17,101)	559,284
Accrued salaries, wages and benefits	164,865	56,819	15,515	19,661	4,088	—	260,948	26,644	363,976	(35)	—	651,533
Current portion of operating lease liabilities	57,204	12,898	363	93	2,867	—	73,425	1,912	2,118	41	77	77,573
Other accrued expenses	17,329	60,115	1,376	—	1,531	—	80,351	22,898	226,453	7,387	(2,941)	334,148
Total current liabilities	1,257,745	223,488	55,761	(542,864)	(176,077)	(9,877)	808,176	26,551	1,441,982	40,272	5,914	2,322,895
Long-term debt, less current portion	1,496,372	438,485	114,864	—	452,661	(438,681)	2,063,701	—	3,982,702	—	(1,948,433)	4,097,970
Retirement liabilities	164,015	—	258	—	—	—	164,273	—	101,569	—	—	265,842
Self-insurance liabilities	—	—	—	—	—	—	—	—	323,829	—	—	323,829
Operating lease liabilities	192,229	51,906	7,081	780	7,953	—	259,949	5,077	4,370	22	15	269,433
Other long-term liabilities	108,559	107,290	121,170	26	931	—	337,976	33,034	165,166	6,714	—	542,890
Total liabilities	3,218,920	821,169	299,134	(542,058)	285,468	(448,558)	3,634,075	64,662	6,019,618	47,008	(1,942,504)	7,822,859
Net assets without donor restrictions:												
Controlling interest	6,036,010	712,988	94,317	1,070,829	563,641	—	8,477,785	838,444	(1,272,729)	(39,356)	(60,516)	7,943,628
Noncontrolling interest	94,355	(1,941)	—	4,034	310,888	—	407,336	9,603	—	—	—	416,939
Total net assets without donor restrictions	6,130,365	711,047	94,317	1,074,863	874,529	—	8,885,121	848,047	(1,272,729)	(39,356)	(60,516)	8,360,567
Net assets with donor restrictions	19,760	44,443	—	—	—	—	64,203	—	193,424	—	—	257,627
Total net assets	6,150,125	755,490	94,317	1,074,863	874,529	—	8,949,324	848,047	(1,079,305)	(39,356)	(60,516)	8,618,194
Total liabilities and net assets	$ 9,369,045	1,576,659	393,451	532,805	1,159,997	(448,558)	12,583,399	912,709	4,940,313	7,652	(2,003,020)	16,441,053

See accompanying notes to consolidated financial statements.

BON SECOURS MERCY HEALTH

Consolidated Schedule – Operating Information

Year ended December 31, 2022

(In thousands)

		Core business								Non-core		
	Core U.S. total	Roper St. Francis Healthcare	European group	Diversified growth	Core shared services and other	Core eliminations	Core total	Digital business	Non-core shared services and other	Consolidating eliminations	Bon Secours Mercy Health
Revenues:											
Net patient service revenue	$ 8,821,930	1,138,537	392,785	90	—	—	10,353,342	—	(172,121)	—	10,181,221
Other revenue, net	376,803	40,941	21,129	117,777	1,222,528	(971,519)	807,659	733,859	723,695	(1,342,758)	922,455
Total operating revenues	9,198,733	1,179,478	413,914	117,867	1,222,528	(971,519)	11,161,001	733,859	551,574	(1,342,758)	11,103,676
Expenses:											
Employee compensation	4,471,076	613,610	205,029	38,008	459,182	(199)	5,786,706	349,407	325,212	(531,716)	5,929,609
Purchased services and other	2,974,249	330,597	62,149	30,708	611,486	(957,284)	3,051,905	301,529	151,548	(802,237)	2,702,745
Supplies	1,696,548	218,071	117,922	404	142,505	—	2,175,450	2,882	(32,298)	6,472	2,152,506
Depreciation and amortization	307,932	68,400	15,475	307	4,878	—	396,992	93,454	10,161	—	500,607
Interest expense	19	17,251	6,055	8	15,306	(14,036)	24,603	—	132,405	(15,306)	141,702
Total operating expenses	9,449,824	1,247,929	406,630	69,435	1,233,357	(971,519)	11,435,656	747,272	587,028	(1,342,787)	11,427,169
Recurring operating (loss) income	(251,091)	(68,451)	7,284	48,432	(10,829)	—	(274,655)	(13,413)	(35,454)	29	(323,493)
Nonrecurring operating (losses) gains, net	(26,166)	(321)	67	(447)	(19,351)	—	(46,218)	(9,681)	(23,513)	—	(79,412)
Operating (loss) income	(277,257)	(68,772)	7,351	47,985	(30,180)	—	(320,873)	(23,094)	(58,967)	29	(402,905)
Nonoperating gains (losses), net:											
Investment (losses) gains	(327,927)	(34,155)	(5)	7,900	(1,579)	—	(355,766)	—	(569,563)	—	(925,329)
Realized and unrealized interest rate swap agreements gains	—	—	—	—	—	—	—	—	55,336	—	55,336
Loss on defeasance of debt	—	—	—	—	—	—	—	—	—	—	—
Gain on recapitalization of Ensemble	—	—	—	119,189	—	—	119,189	—	—	—	119,189
Inherent contribution on Ireland acquisition	—	—	—	—	—	—	—	—	—	—	—
Other nonoperating activities, net	35,741	(3,856)	(207)	(19,997)	114	—	11,795	127	(62,997)	—	(51,075)
(Deficit) excess of revenue over expenses	$ (569,443)	(106,783)	7,139	155,077	(31,645)	—	(545,655)	(22,967)	(636,191)	29	(1,204,784)

See accompanying notes to consolidated financial statements.

BON SECOURS MERCY HEALTH

Providers of Liquidity and Credit Support
As of December 31, 2022

The following obligations are secured by a provider of liquidity or credit support. In addition, Bon Secours Mercy Health provides self-liquidity on certain of its variable rate debt obligations.

Letter of Credit and Reimbursement Agreement securing the
County of Allen, Ohio Adjustable Rate Hospital Facilities Revenue Bonds
Series 2010C (Catholic Healthcare Partners)

Contact: BMO Harris Bank
320 S. Canal St., 16th Floor
Chicago, Illinois 60606
Attention: Deborah Ellis, Senior Vice President, Institutional Markets
Phone: (312)502-6524

Standby Bond Purchase Agreement securing the
County of Allen, Ohio Adjustable Rate Hospital Facilities Revenue Bonds
Series 2012B (Catholic Health Partners)

Contact: Ohio Treasurer Robert Sprague
30 East Broad Street – Floor 9
Columbus, Ohio 43215
Attention: Jonathon Azoff, Chief of Finance & Senior Counsel
Phone: (614)466-6903

Credit Agreement for the benefit of Bon Secours Mercy Health relating to
Mercy Health Taxable Commercial Paper Notes
Series 2018A and Series 2018B (Bon Secours Mercy Health)

Contact: Truist Bank
8044 Montgomery Road, Suite 340
Cincinnati, Ohio 45236
Attention: Benjamin Willingham, Relationship Manager
Phone: (513)289-8822

Note: also see Footnote (8) in the Consolidated Audited Financial Statements

Recent Developments

COVID-19 Pandemic

A variety of federal, state and local government efforts have been initiated in response to the COVID-19 pandemic. Through December 31, 2022, Bon Secours Mercy Health has received $634.1 million in the aggregate from the U.S. CARES Act Provider Relief Fund and $82 million in Ireland Health Services Executive stimulus. In addition, through December 31, 2022, Bon Secours Mercy Health has received $734.3 million in Medicare payments (in the aggregate) under the CMS Accelerated and Advance Payment Program ("*MAP*") and credits of $20.9 million in the aggregate under CARES Act employee retention programs. As of December 31, 2022, Bon Secours Mercy Health has repaid all of the MAP payments.

The CARES Act temporarily suspended the 2% Medicare sequestration payment adjustment effective May 1, 2020 through December 31, 2020. This suspension was subsequently extended to remain in effect through March 31, 2022. Starting April 1, 2022, sequestration was reduced to 1% and starting July 1, 2022, returned to the full sequestration reduction of 2%.

The Federal Emergency Management Agency ("*FEMA*") established an interim submission deadline of December 31, 2022 for all project applications pertaining to COVID-19 work completed from January 20, 2020 through July 1, 2022. Bon Secours Mercy Health is seeking reimbursement from FEMA for certain incremental COVID-19 expenses that have not already been reimbursed through other sources. . During 2022, BSMH received and recognized $12.5 million related to FEMA reimbursement requests. BSMH continues to work closely with FEMA to finalize reimbursement related to remaining outstanding projects.

Bon Secours Mercy Health is closely tracking its costs and monitoring applicable legislation and regulations, including the CARES Act, in order to be able to apply for appropriate loans, grants, relief, cost reimbursement or other programs, if management determines that it is advantageous to do so.

Sale of Senior Living and Care Facilities

On December 1, 2021, Bon Secours sold four freestanding senior living facilities located in Virginia. On March 1, 2022, Bon Secours Mercy Health sold four freestanding senior living facilities located in Ohio. Effective April 1, 2022 (operations) and April 25, 2022 (real estate), Bon Secours Mercy Health sold two freestanding senior living facilities located in Florida. These sales are part of the full divestiture plan of all operations and facilities that involve skilled nursing, assisted living, and independent living.

Bon Secours – Richmond Health System

On February 28, 2022, Bon Secours Mercy Health acquired the 17% noncontrolling interest of Bon Secours – Richmond Health System from Richmond Memorial Health Foundation for $40.0 million. The purchase increased the ownership interest of the Bon Secours – Richmond Health System from 83% to 100% and resulted in a $321.3 million reclassification within net assets from noncontrolling interest to controlling interest.

Mercy Hospital Children's Hospital

On March 1, 2022, Bon Secours Mercy Health transferred ownership of Mercy Health Children's Hospital, located in Toledo, Ohio, to Nationwide Children's Hospital – Toledo. The purpose of this divestiture is to align BSMH operating strategy for providing adult acute services in the Toledo, Ohio market.

Ensemble Ownership Restructuring and Distributions

Ensemble RCM LLC, d/b/a Ensemble Health Partners ("*Ensemble*") is an Ohio limited liability company in which Bon Secours Mercy Health previously held a 99.9% controlling interest. In 2019, Bon Secours Mercy Health sold 51% of its interest in Ensemble to Golden Gate Capital for $1.2 billion. On April 18, 2022, Ensemble underwent a corporate ownership restructuring which reduced BSMH ownership from 48.3% to 41.8%. This ownership restructuring triggered a $200 million cash dividend to BSMH, resulting in a reduction to BSMH's carrying value of its equity investment in Ensemble and a one-time nonoperating gain of $119.2 million.

Nordic Consulting Group

On June 1, 2022, Bon Secours Mercy Health acquired a 97.7% interest in Nordic Consulting Group ("*Nordic*"), a global health and technology consulting company that provides healthcare-focused information technology advisory and staffing consulting services to a global customer base. The transaction was structured as a stock acquisition for total cash consideration of $404.6 million ($394.2 million, net of cash acquired).

Recent Debt Incurrences

On October 12, 2022, Bon Secours Mercy Health executed and delivered a Note Purchase Agreement in the aggregate amount of €160.0 million Euro-denominated private placement notes. On January 5, 2023, this transaction was completed and funds were received. This was disclosed on the Electronic Municipal Market Access ("EMMA") website of the Municipal Securities Rulemaking Board ("MSRB") on January 5, 2023.

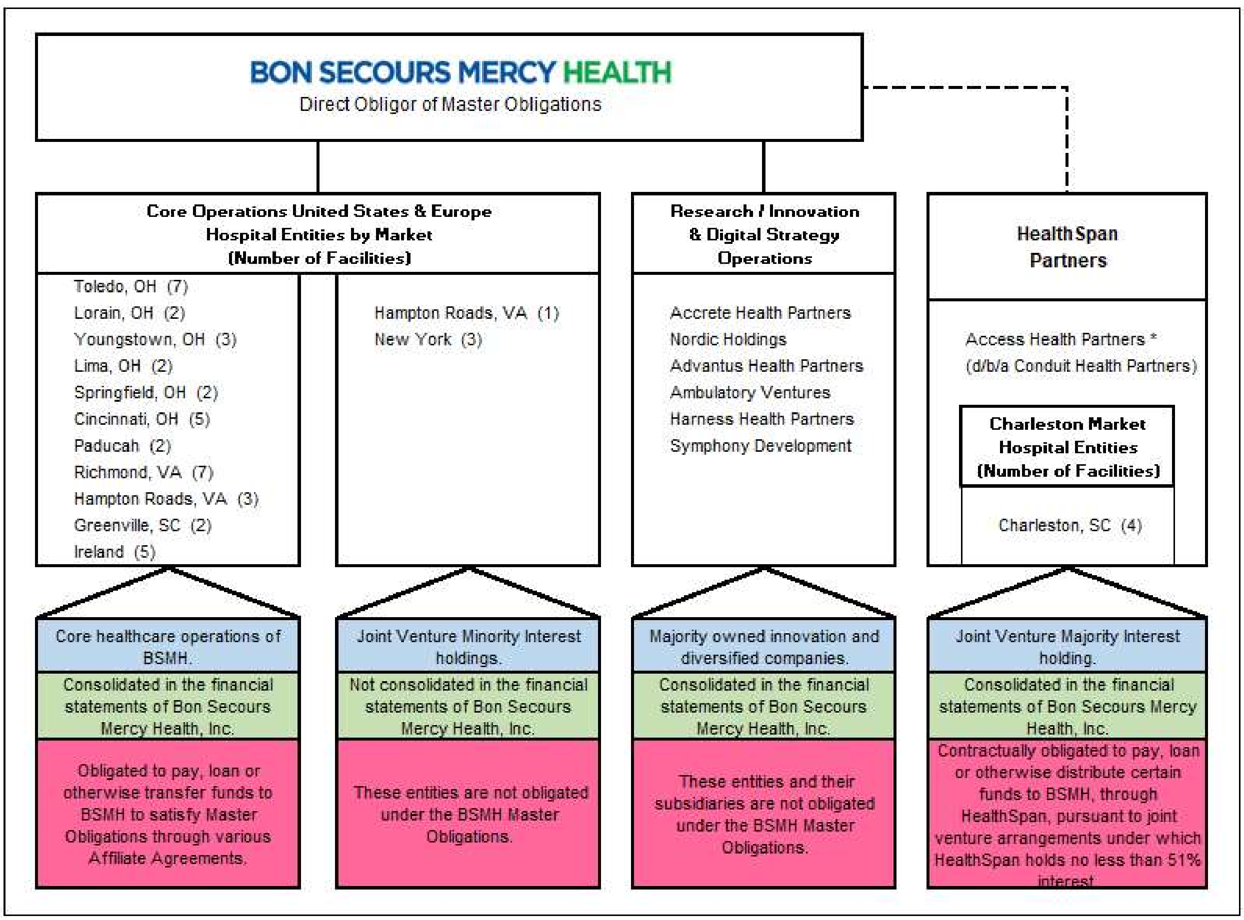
Additionally, On February 16, 2023, Bon Secours Mercy Health entered into a Term Loan Agreement with TD Bank, N.A. in the amount of $100.0 million and funds were received. This was disclosed on the EMMA website of the MSRB on February 21, 2023.

BON SECOURS MERCY HEALTH

System Organization and Governance

SYSTEM ORGANIZATION

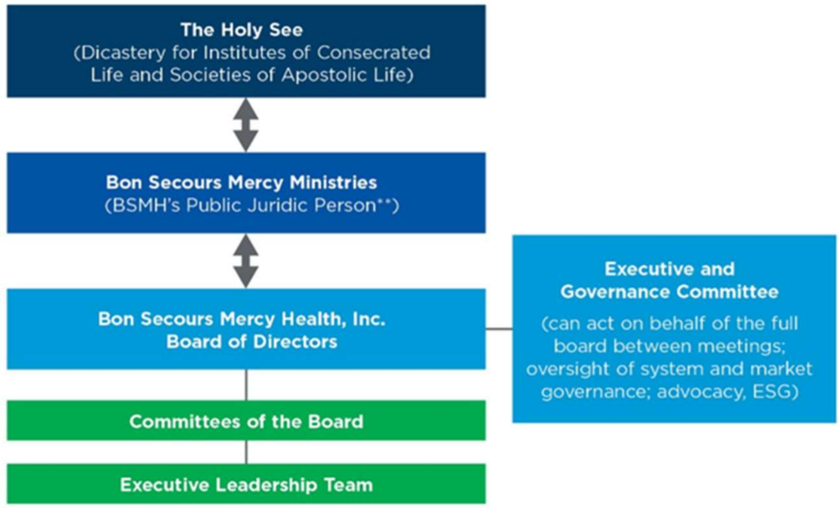
Bon Secours Mercy Health. Inc. ("BSMH") is a Catholic non-profit health organization which operates hospitals, rehabilitation facilities, home health agencies, physician clinics ambulatory surgery centers and other health-related and mission-related services through its regional delivery systems in Florida, Kentucky, Maryland, Ohio, South Carolina, Virginia, New York and the Republic of Ireland. BSMH is the fifth largest Catholic health care ministry and one of the twenty largest non-profit health care systems in the United States. BSMH is the result of the combination in 2018 of two separate health care organizations, Mercy Health and Bon Secours Health System, Inc. ("*BSHSI*"). In 2018, BSHSI changed its name to Bon Secours Mercy Health Inc. In January 2020, Mercy Health merged with and into BSMH. As the surviving entity, BSMH assumed all legal obligations of Mercy Health, including all obligations issued under the Mercy Health Master Indenture.



Note: Ensemble Health Partners is not included on the graph above. BSMH holds a joint venture minority interest investment on its balance sheet for Ensmble, accounted for using the equity method. BSMH's share of Ensemble's earnings are classified within the Diversified Growth Business segment of Bon Secours Mercy Health. Ensemble operations are not consolidated in the financial statements of BSMH nor is Ensemble obligated under BSMH Master Obligations.

* Access Health Partners is a wholely-owned subisidiary that was moved under HealthSpan Partners effective January 1, 2023.

GOVERNANCE



The BSMH ministry is directed by the canonical sponsorship of Bon Secours Mercy Ministries ("BSMM"), a public juridic person ("PJP"); "Public Juridic Person" below. BSMM traces its roots back through over 280 years of service by congregations of women religious, is a ministry of the Catholic Church that provides health care services.

BSMM carries out its apostolic work through three congregations of religious women: the Sisters of Bon Secours USA; the Sisters of the Humility of Mary; and the Sisters of Mercy of the Americas, South Central Community. Each congregation is a Participating Entity of BSMM which as such has accepted canonical responsibility for the activities of BSMM. Each Participating Entity has designated one member of its congregation to exercise that Participating Entity's vote as to BSMM matters. Reserved powers at the Participating Entities level include amendment to PJP bylaws and governing documents, and addition of any other congregations in the future as Participating Entities.

PUBLIC JURIDIC PERSON

Bon Secours Mercy Ministries is a public juridic person established by a December 14, 2018 decree by the Congregation for Institutes of Consecrated Life and Societies of Apostolic Life. BSMM is solely a canonical entity. BSMM was not created under, nor does it have, a counterpart under civil law.

BSMM IS NOT LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON ANY OBLIGATION ISSUED UNDER THE MASTER INDENTURE OR ANY INDEBTEDNESS EVIDENCED AND SECURED THEREBY.

Likewise, neither the Sisters of Bon Secours USA, the Sisters of the Humility of Mary, the Sisters of Mercy of the Americas, South Central Community nor any other their ministries or affiliates are liable for the payment of the principal of or redemption premium, if any, or interest on bonds or any obligation under the Master Indenture. BSMM acts though its members, who are seven individuals appointed by the Participating Entities, the majority of whom are currently women religious.

BSMH BOARD OF DIRECTORS

The corporate Bylaws of BSMH permit not fewer than nine and not more than nineteen board members. The following are the board members of BSMH as of March 2023:

- Peter Maddox *Chair*
- Jennifer O'Brien, JD *Vice Chair*
- Katherine W. Vestal, PhD
- Katherine A. Arbuckle, CPA
- Sr. Pat Eck, CBS *
- Sr. Fran Gorsuch, CBS
- Gerard Kells
- Joseph O'Shea
- Raja Rajamannar
- Janet B. Reid, PhD
- Myles N. Sheehan, SJ, MD *
- Sr. Carol Anne Smith, HM *
- John M. Starcher, Jr. Ex-Officio

** denotes representative of PJP*

HEALTHSPAN PARTNERS

HealthSpan Partners is an Ohio nonprofit corporation, which supports the mission of BSMH. There is no corporate member of HealthSpan Partners. Rather, in accord with provisions of Ohio law, the members of the Board of Directors of HealthSpan Partners exercise the rights and privileges of members. The members on the HealthSpan Partners Board of Directors are the same as BSMH's Board of Directors, with the exception of PJP members of the BSMH Board of Directors and BSMH's President and CEO. HealthSpan Partners is an Affiliate of BSMH and is consolidated in BSMH's financials. HealthSpan holds a 51% interest in Roper St. Francis Healthcare (Charleston, SC Market).

Executive Leadership Council

Executive Leadership Council

The Executive Leadership Council provides organizational leadership and operational management of patient care services, mission integration, finance and other support services and sets the organization's strategic objectives, as approved by the Board of Directors and PJP. Brief biographical information for the principal members of the leadership for Bon Secours Mercy Health is set forth below.

John M. Starcher, Jr.
Chief Executive Officer

John Starcher is CEO of Bon Secours Mercy Health, a provider of health care solutions and services and one of the largest health systems in the U.S. and Ireland. He is accountable for setting strategy and providing leadership for the ministry and its three operational areas: digital technology, diversified growth and core operations, which includes 50 Mercy Health and Bon Secours hospitals and more than 1,200 sites of care in seven states in the U.S. and five cities in the Republic of Ireland. Bon Secours Mercy Health employs more than 60,000 people, including 3,000 employed U.S. providers and 450 Irish consultants, and has pro forma net operating revenue of approximately $11 billion. Previously, Starcher served as president and CEO of Mercy Health, the largest provider of health care in the state of Ohio. Before that, he served as president and chief executive officer of Health Management Associates (HMA), an integrated acute care delivery system with 71 hospitals across 15 states. He guided HMA through its successful sale to Community Health Systems. Before joining HMA, Starcher served as the CEO of three of Mercy Health's four divisions – overseeing more than 20 acute care hospitals, five long term care facilities, six home health agencies and dozens of affiliated clinical practices with more than $3 billion in net revenue. He also served as the CEO of the Northeastern Pennsylvania Region, the senior vice president of human resources and corporate associate counsel. Starcher began his health care career in academic medicine, serving six years in leadership roles at the Medical College of Ohio, now the University of Toledo Medical Center. He has a bachelor's degree in business administration from Bowling Green State University and a Doctorate in Jurisprudence from the University of Toledo. Starcher is licensed to practice law in the State of Ohio and has actively served as a director on more than 25 boards.

Michael A. Bezney, JD
Chief Legal Officer

Michael Bezney is the chief legal officer for Bon Secours Mercy Health, a provider of health care solutions and services and one of the largest health systems in the U.S. and Ireland. He is accountable for ministry-wide legal operations, as well as governance, foundation, risk, internal audit and advocacy functions. Bezney joined Mercy Health in 2002 as senior vice president and general counsel, and most recently served as Mercy Health's chief legal officer. Previously, Bezney served as vice president and associate general counsel for Advocate Health Care, the largest nonprofit system in metropolitan Chicago. Before joining Advocate in 1996, he was a partner in the health care law department of McDermott, Will & Emery, a Chicago-based law firm. He also served as an associate in corporate law with the Dallas, Texas-based firm of Johnson & Gibbs. Bezney earned his Doctorate in Jurisprudence from the University of Pennsylvania Law School and a bachelor's degree in finance from the University of Texas.

Deborah Bloomfield, PhD, CPA
Chief Financial Officer

Deborah Bloomfield is CFO of Bon Secours Mercy Health, a provider of health care solutions and services and one of the largest health systems in the U.S. and Ireland. She is accountable for the ministry's financial operations, including treasury and investment, supply chain, real estate and development, and managed care. Previously, Bloomfield served as the CFO for Mercy Health, the largest health care provider in Ohio, and before that, she served as the ministry's southern division CFO. Prior to joining the ministry, Bloomfield was employed by Ernst and Young, LLP, where she specialized in health care and finance services sectors. She has more than 30 years of experience in health care finance. In 2013, she was named Chief Financial Officer of the Year by the Cincinnati Business Courier. Bloomfield has a PhD in business administration from Touro University International (now Trident University). She holds a Master of Business Administration degree in finance and management information systems from Xavier University in Cincinnati and an undergraduate degree, magna cum laude, in accounting from Xavier University. She is a certified public accountant in Ohio (active) and a member of the Healthcare Financial Management Association.

David Cannady
Chief Strategy Officer

David Cannady is the chief strategy officer for Bon Secours Mercy Health, leading the ministry's marketing, innovation and strategic planning teams. Cannady came to Mercy Health in May 2017 from Hospital Corporation of America (HCA) in Nashville, where he served as vice president of the Strategic Resource Group. During his tenure at HCA, David led a team that provided strategic planning and consulting for growth initiatives and hospital operations, managed reporting and progress on the strategic agenda, and helped develop strategies on service lines, clinically integrated networks and clinical co-management programs. Before joining HCA in 2002, Cannady was a senior manager in the health care consulting group at Cap Gemini Ernst & Young in Charlotte, N.C. He began his career at Richmond Memorial Hospital, now known as Memorial Regional Medical Center. A North Carolina native, he holds a bachelor's degree in public health from the University of North Carolina and a master's degree in health administration from Duke University. Cannady serves on the board of Cintrifuse, an innovation technology company based in Cincinnati, Ohio.

Rev. Joseph P. Cardone, PhD
Chief Mission Officer

Fr. Joseph Cardone is chief mission officer for Bon Secours Mercy Health, a provider of health care solutions and services and one of the largest health systems in the U.S. and Ireland. He leads the ministry's initiatives to extend understanding about the organization's Catholic heritage and identity among employees, leaders and board members. Previously, Fr. Cardone served as the chief mission officer and senior vice president of mission and values for Mercy Health, as well as vice president of mission and value integration for Mercy Health – St. Vincent Medical Center and Mercy Health – Children's Hospital in Toledo, Ohio. Fr. Cardone holds a doctor of philosophy degree in moral theology from St. Louis University and a master's degree from the Athenaeum of Ohio, Cincinnati. He graduated from Bowling Green State University with a bachelor's degree in secondary education and teaching. He was ordained a priest in the Diocese of Toledo in 1987.

Joseph Gage
Chief Human Resources Officer

Joe Gage is the chief human resources officer for Bon Secours Mercy Health, one of the largest health systems in the U.S. and the largest not-for-profit private health system in Ireland. He is accountable for workforce planning, organizational design, talent, rewards, well-being, and diversity and inclusion for 60,000 associates in the ministry. Gage's career of more than 30 years is dedicated to helping people and organizations reach their full potential. Gage previously served as chief human resources officer for Mercy Health. Prior to joining the ministry, he was a vice president at Tenet and led human resources (HR), talent, recruiting and HR metrics for the 56 hospitals and 58,000 employees in hospital operations. Earlier in his career, he negotiated national and local labor agreements for Levi Strauss & Co. At Delta Air Lines, Gage was the human resources division leader for 10,000 pilots and led the startup of Delta's new low-cost carrier, Song Airlines. He began his career as in-house counsel for BNSF Railway handling labor and employment cases. Gage has a Bachelor of Business Administration from Baylor University and a Doctorate in Jurisprudence from Baylor School of Law. He is licensed to practice law in Texas and Ohio, and was recognized by the Cincinnati Business Courier as the “2022 Chief Human Resources Officer of the Year.”

Wael Haidar, MD, MBA
Chief Clinical Officer

Wael Haidar, MD serves as Bon Secours Mercy Health’s chief clinical officer. He is accountable for providing strategic clinical leadership for service lines, physician and ambulatory services, medical informatics, clinical research and population health across the ministry’s core operations (its hospitals and clinical services division). Bon Secours Mercy Health’s core operations area includes 50 hospitals and more than 1,200 sites of care in communities across seven states in the U.S. and in the Republic of Ireland. Dr. Haidar previously served as senior vice president of provider networks for Bon Secours Health System, a role he assumed in January 2017. Prior to joining Bon Secours, Dr. Haidar worked at Mercy Clinics in Des Moines, Iowa, for 10 years where he served as a staff physician, medical director of the Adult Hospitalist Program, vice president of hospital-based physicians and ultimately as chief physician executive and president of Mercy Clinics. Dr. Haidar earned his medical degree from American University of Beirut in Beirut, Lebanon, and a master’s degree in business administration from Northwestern University, Kellogg School of Management. He completed fellowships with the Mayo Clinic in behavioral neurology and geriatrics.

Chris Hilton, CPA
Senior Vice President, Enterprise Optimization and Integration

Chris Hilton serves as senior vice president, Integration and Optimization, for Bon Secours Mercy Health (BSMH). In this role, he works with ministry leaders to create opportunities to build scalable solutions that drive efficiency and productivity for the ministry. This work ultimately enables BSMH to fulfill its commitment to improving the health and well-being of communities. He also leads the integration management office team which helps to ensure new partnerships and agreements meet their established objectives. Previously, Hilton served as chief financial officer for BSMH’s hospitals and integrated operations, and was senior vice president for financial operations. Prior to the merger of Bon Secours and Mercy Health, he provided financial leadership for key ministry support services, including Supply Chain, AP SSO, Reimbursement, and Capital and Long-range Planning for Mercy Health. He was also accountable for overseeing finance and performance for Ensemble Health Partners. Before joining Mercy Health, Hilton served as the chief financial officer of Aviation West Charters (Angel MedFlight Worldwide Air Ambulance), as well as senior vice president, operations finance, for Health Management Associates, where he spent the majority of his career. Hilton has a bachelor’s degree in accounting from Georgia Southern University and earned a CPA license from the state of Georgia.

Donald Kline
Chief Operating Officer

Don Kline is the chief operating officer of Bon Secours Mercy Health. He is responsible for operational leadership across all Bon Secours Mercy Health U.S. markets, ensuring effective and efficient operations that result in high-quality, compassionate care for all patients and communities. Kline has more than 30 years of experience in hospital management, finance and operations leadership roles, joining Mercy Health in 2007. Most recently, he served as a ministry group president providing strategic leadership for Bon Secours Mercy Health markets across Ohio, South Carolina and New York (joint venture). He also served as president of Mercy Health – Youngstown. Before joining the ministry, he served in CFO roles with Heritage Valley Health System and Trinity Health System. Kline holds a Master of Business Administration degree from the University of Pittsburgh and a bachelor's degree in business administration from Duquesne University. He is a member of the American College of Healthcare Executives.

Sandra Mackey
Chief Marketing Officer

Sandra Mackey is the chief marketing officer for Bon Secours Mercy Health. In this role, she is responsible for marketing, communications, digital consumer engagement, brand and creative strategy to support health care delivery across the ministry. Before joining Mercy Health in 2017 as chief marketing officer, Mackey served as senior vice president of marketing and communications for the Arthritis Foundation, where she was responsible for national strategic marketing initiatives. Previously, Mackey was the executive director of market strategy for Emory Healthcare in Atlanta, where she led a team to support service line and strategic growth initiatives, established a digital marketing platform and launched a comprehensive brand strategy. Mackey was named "2018 Chief Marketing Officer of the Year" by the Cincinnati Business Courier. She is a graduate of the Woodruff Leadership Academy and holds a bachelor's degree in nursing from Birmingham University in England. Mackey is on the board of directors for Conduit Health Partners, Catholic Charities USA, Brado and Mercy Neighborhood Ministries, and serves as board chair for FC Cincinnati Foundation. She is a member of the national Women Business Leaders (WBL) organization.

Jason Siegert
Chief Ventures Officer

As Bon Secours Mercy Health's Chief Ventures Officer, Jason Siegert is responsible for driving enhanced performance across shared services, clinical operations, care delivery innovation and growth, while helping build a more agile, innovative culture that allows Bon Secours Mercy Health to better serve its patients and communities. He joined the ministry in 2018 as its first chief analytics officer, working to harness and evaluate data with the goal of providing greater transparency and helping to ensure that focused, data-driven decisions directly improve results. Prior to Bon Secours Mercy Health, Siegert was the CEO for Angel MedFlight Worldwide Air Ambulance Services in Scottsdale, Ariz. and served as director, Operations Finance, for Health Management Associates (HMA), where he helped to facilitate the system's sale to Community Health Systems (CHS). Siegert holds a Bachelor of Business Administration from the University of Florida – Warrington College of Business and a Master of Business Administration from Florida Gulf Coast University.

Jason Szczuka
Chief Digital Officer

Jason Szczuka is the chief digital officer for Bon Secours Mercy Health. He leads the ministry's focus on strategic technological opportunities and oversees the areas of analytics, I&T, innovation and digital strategy. Jason is driving a patient-first strategy that advances the promise of digital health by extending quality care into a more convenient, connected and consistent experience. Prior to joining Bon Secours Mercy Health, Jason served as chief digital officer with Cigna, where he led a digital team that supported the transformation of the organization from a traditional health plan administrator to a global health services company. Jason co-founded Brighter in 2010, which was later acquired by Cigna, where he developed products that supported patient, provider and/or payer interactions, enhancing health care engagement and transactions. Jason earned his Juris Doctor degree from Southwestern University School of Law and is a member of the State Bar of California. He holds bachelor's degrees in business administration and political science from Southern Methodist University.