KPMG

Consolidated Financial Statements

Intermountain Health Care, Inc. and Affiliated Companies
Years Ended December 31, 2022 and 2021
with Independent Auditors' Report

KPMG LLP
Suite 1500
15 W. South Temple
Salt Lake City, UT 84101

Independent Auditors' Report

Audit and Compliance Committee
Intermountain Health Care, Inc.:

Opinion

We have audited the consolidated financial statements of Intermountain Health Care, Inc. and affiliated companies (the Health System), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations and 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 Health System as of December 31, 2022 and 2021, and the results of their operations and their 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 Health System 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 Health System'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 Health System'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 Health System'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 supplemental schedules of consolidating financial information on pages 44-45 are presented for purposes of additional analysis and are 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

Salt Lake City, Utah
March 21, 2023

Intermountain Health Care, Inc. and Affiliated Companies
Consolidated Balance Sheets
(In Millions)

	December 31	
	2022	**2021**
Assets		
Current assets:		
Cash and equivalents	$ 792	$ 396
Assets limited as to use	1,429	765
Patient accounts receivable	1,388	934
Due from brokers for securities sold	300	259
Inventory	284	212
Other current assets	608	396
Total current assets	4,801	2,962
Assets limited as to use	12,438	12,056
Property and equipment, net	6,145	3,429
Other assets	1,508	1,155
Total assets	$ 24,892	$ 19,602
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 924	$ 666
Compensation and related liabilities	579	461
Due to brokers for securities purchased	525	329
Medical claims payable	347	275
Other current liabilities	364	471
Current portion of long-term debt	59	30
Long-term debt subject to short-term remarketing arrangements	904	436
Total current liabilities	3,702	2,668
Long-term debt	3,628	2,196
Other liabilities	857	1,141
Net assets:		
Without donor restrictions	16,194	13,194
With donor restrictions	511	403
	16,705	13,597
Total liabilities and net assets	$ 24,892	$ 19,602

See accompanying notes to consolidated financial statements.

Intermountain Health Care, Inc. and Affiliated Companies

Consolidated Statements of Operations and Changes in Net Assets

(In Millions)

	Year Ended December 31	
	2022	**2021**
Revenues		
Patient services	$ 8,074	$ 5,549
Premiums and capitation	5,112	4,646
Other revenues	751	557
	13,937	10,752
Expenses		
Employee compensation and benefits	5,988	4,065
Medical claims	2,574	2,308
Supplies	2,466	1,849
Other expenses	2,135	1,395
	13,163	9,617
Earnings before interest, depreciation and amortization	774	1,135
Depreciation and amortization	552	411
Interest	101	66
	653	477
Net operating income	121	658
Nonoperating income		
Investment income (loss)	(1,568)	1,495
Contribution from affiliation	4,078	—
Gain from sale of affiliates	—	317
	2,510	1,812
Excess of revenues over expenses	$ 2,631	$ 2,470

(continued)

Intermountain Health Care, Inc. and Affiliated Companies

Consolidated Statements of Operations and Changes in Net Assets (continued)

(In Millions)

	Year Ended December 31	
	2022	**2021**
Net assets without donor restrictions		
Excess of revenues over expenses	$ 2,631	$ 2,470
Unrecognized changes in funded status of postretirement benefit plans	335	416
Net assets released from restrictions for the purchase of property and equipment and other	34	14
Increase in net assets without donor restrictions	3,000	2,900
Net assets with donor restrictions		
Restricted contribution from affiliation	97	—
Contributions	123	76
Investment income (loss)	(13)	7
Net assets released from restrictions and other	(99)	(46)
Increase in net assets with donor restrictions	108	37
Increase in net assets	3,108	2,937
Net assets at beginning of year	13,597	10,660
Net assets at end of year	$ 16,705	$ 13,597

See accompanying notes to consolidated financial statements.

Intermountain Health Care, Inc. and Affiliated Companies

Consolidated Statements of Cash Flows

(In Millions)

	Year Ended December 31	
	2022	**2021**
Reconciliation of increase in net assets to net cash provided by operating activities		
Increase in net assets	$ 3,108	$ 2,937
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Investment losses (gains), net	1,922	(1,280)
Gain from sale of affiliates	—	(317)
Contribution from affiliation	(4,175)	—
Net change in fair value of interest rate swaps	(149)	(57)
Unrecognized changes in funded status of postretirement benefit plans	(335)	(416)
Contributions to postretirement benefit plans in excess of expense	(8)	(7)
Restricted contributions	(42)	(36)
Depreciation and amortization	552	411
Net change in current assets and liabilities:		
Patient accounts receivable	(98)	(225)
Inventory	(14)	(15)
Other current assets	(46)	7
Accounts payable and accrued liabilities	47	75
Compensation and related liabilities	(25)	51
Medical claims payable	72	(15)
Other current liabilities	(272)	79
Other	(136)	(225)
Net cash provided by operating activities	$ 401	$ 967

(continued)

Intermountain Health Care, Inc. and Affiliated Companies

Consolidated Statements of Cash Flows (continued)

(In Millions)

	Year Ended December 31 2022	Year Ended December 31 2021
Investing activities		
Purchases of property and equipment	$ (814)	$ (409)
Net purchases of investments	(77)	(842)
Cash acquired through affiliation	104	—
Cash paid for acquisitions, net of cash acquired	—	(276)
Net cash received from sale of affiliates	—	332
Net cash used by nonoperating affiliates	(23)	(20)
Net cash used in investing activities	(810)	(1,215)
Financing activities		
Proceeds from issuance of debt	1,448	—
Repayment of debt	(671)	(35)
Borrowings under term loan agreement	234	—
Repayment of borrowings under term loan agreement	(234)	—
Restricted contributions	42	36
Net cash provided by financing activities	819	1
Net increase (decrease) in cash and equivalents	410	(247)
Cash and equivalents at beginning of year	423	670
Cash and equivalents at end of year	$ 833	$ 423
Reconciliation of cash and equivalents		
Cash and equivalents	$ 792	$ 396
Cash in assets limited as to use	41	27
Cash and equivalents	$ 833	$ 423

See accompanying notes to consolidated financial statements.

1. Organization

The mission of Intermountain Health Care, Inc. (Intermountain) is "helping people live the healthiest lives possible." Intermountain is a Utah nonprofit corporation that has been granted an exemption from federal income tax as a charitable organization under Section 501(c)(3) of the Internal Revenue Code (Code). Intermountain is the sole corporate member or parent company of several nonprofit companies, the most significant of which is IHC Health Services, Inc. (Health Services). Health Services, which has been granted an exemption from federal income tax as a charitable organization under Section 501(c)(3) of the Code, owns and manages hospitals, clinics and other health-related operations, principally in Utah and Idaho. Intermountain is the sole corporate member of SelectHealth, Inc. (SelectHealth), a licensed health maintenance organization and third-party administrator that has been granted an exemption from federal income tax as a social welfare organization under Section 501(c)(4) of the Code. Intermountain is also the corporate member of Intermountain Medical Holdings Nevada, Inc. (Intermountain Nevada), which provides medical services to members under capitation agreements and operates clinics in the state of Nevada. Health Services' membership interest in Intermountain Nevada was assigned to Intermountain on January 1, 2022.

Effective April 1, 2022, Sisters of Charity of Leavenworth Health System, Inc. (SCL Health), a Catholic ministry that operates as a Kansas nonprofit corporation, affiliated with Intermountain and the combined entity began doing business as Intermountain Healthcare. SCL Health operates hospitals and clinics in Colorado, Montana and Kansas. Leaven Ministeries is a canonical entity and the sponsor of SCL Health. The mission of SCL Health is to reveal and foster God's healing love by improving the health of the people and communities that SCL Health serves, especially those who are poor and vulnerable. The applicable SCL Health care sites continue to operate in accordance with the Catholic ethical and religious directives.

On the date of the affiliation, SCL Health contributed $4,078 of net assets without donor restrictions and $97 of net assets with donor restrictions to Intermountain, which are reported as contributions from affiliation in the consolidated statements of operations and changes in net assets. See Note 3.

Effective December 29, 2021, Intermountain Nevada was granted an exemption from federal income tax as a charitable organization under Section 501(c)(3) of the Code. In conjunction with this tax status change, Intermountain Nevada paid federal income tax of $52 in 2022 related to the deemed sale of assets, the liability for which was included in other current liabilities in the consolidated balance sheets as of December 31, 2021.

On July 1, 2021, Health Services acquired 100% of the membership units of Classic Aviation Holdings, LLC and subsidiaries (Classic). Additionally, on March 31, 2021, Health Services sold all outstanding stock of its wholly owned subsidiary Intalere, Inc. (Intalere) to Vizient, Inc. (Vizient). See Note 3.

2. Significant Accounting Policies

Principles of Consolidation
The consolidated financial statements include the operations of Intermountain and its affiliated companies (the Health System), which include Health Services, SCL Health, SelectHealth and Intermountain Nevada. Intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates
The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires certain estimates that affect the reported amounts of assets, liabilities, revenues, expenses and amounts disclosed in the notes to the consolidated financial statements. Due to uncertainties inherent in these estimation processes, there is at least a reasonable possibility that actual results may differ materially from these estimates in the near term.

Charity Care
The Health System is dedicated to the principle that generally available and medically necessary health services should be accessible to all residents of the communities it serves without regard to race, color, religion, sex, sexual orientation, gender identity, national origin, disability, protected veteran status or ability to pay. Decisions about medical necessity and the appropriate course of treatment are made by a physician or other licensed medical practitioner. The Health System has established a financial assistance policy for both the uninsured and the underinsured. The Health System offers discounts of up to 100% of charges on a sliding scale, which is based on household income as a percentage of the federal poverty level guidelines and charges for services rendered. The Health System's financial assistance guidelines also have provisions that are responsive to those patients subject to catastrophic healthcare expenses. Charity care services are not reported as revenue because payment is not anticipated. Charity care represents only one component of the community benefit provided by the Health System.

Cash and Equivalents
Cash and equivalents consist of deposits with banks and highly liquid investments in interest-bearing securities with original maturity dates of three months or less at the date of purchase. Certain cash investments included in assets limited as to use in the consolidated balance sheets are intended to be invested on a long-term basis and are therefore excluded from cash and equivalents in the consolidated statements of cash flows.

2. Significant Accounting Policies (continued)

Assets Limited as to Use

Assets limited as to use primarily consists of investments that are classified as trading or other-than-trading securities based on management's intent and ability to hold each investment. Other-than-trading fixed-income securities that experience declines in value are regularly evaluated for other-than-temporary impairment. Impairment losses for declines in the value of other-than-trading fixed-income securities below cost are evaluated based on relevant facts and circumstances for each investment. Impairment losses are recognized in investment income (loss) in the consolidated statements of operations and changes in net assets when deemed to be other than temporary.

The Health System accounts for its investments on a trade-date basis. Investment sales and purchases initiated prior to the consolidated balance sheet date that are to be settled subsequent to the consolidated balance sheet date result in amounts due from and to brokers. Changes in these assets and liabilities represent noncash investing activities excluded from the consolidated statements of cash flows. The cost of investments sold is determined in accordance with the average-cost method, and realized gains and losses are included in investment income (loss) in the consolidated statements of operations and changes in net assets.

Fair Value of Financial Instruments

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction among market participants on the measurement date. The carrying amounts of patient accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments. Cash and equivalents and assets limited as to use are carried at fair value.

Concentrations of Credit Risk

Financial instruments that potentially subject the Health System to concentrations of credit risk consist primarily of patient accounts receivable. Medicare and Medicaid accounts, including amounts receivable from government-sponsored plans through SelectHealth, represent 47% and 50% of net patient accounts receivable as of December 31, 2022 and 2021, respectively. Management does not believe there are any other significant concentrations of credit risk as of December 31, 2022 or 2021.

Inventory

Inventory is carried at the lower of cost, determined on the average-cost method, or net realizable value.

2. Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated on the basis of cost. Expenditures that increase values or extend useful lives are capitalized, and routine maintenance and repairs are charged to expense in the period incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation begins in the month of acquisition or when constructed assets are ready for their intended use. Useful lives are generally assigned as listed in the American Hospital Association publication, *Estimated Useful Lives of Depreciable Hospital Assets*.

Long-lived Assets

Long-lived assets are reviewed for impairment when there is evidence that events or changes in circumstances indicate the carrying amount of such assets may not be fully recoverable. Recoverability of an asset or asset group is assessed by comparing the carrying amount to the estimated undiscounted future net cash flows. If impairment is indicated, then the carrying amount of long-lived assets is reduced to the approximate fair value. In addition, remaining estimated useful lives of long-lived assets are reduced based on planned changes in the intended use of the assets.

Goodwill

Goodwill is reviewed for impairment on an annual basis or sooner if indicators of impairment arise. Indicators of impairment are based on market conditions and operational performance.

Medical Claims Payable

Medical claims payable reflects claims payable to unaffiliated healthcare providers and includes both claims reported to SelectHealth and Intermountain Nevada and actuarial estimates of claims incurred but not reported as of the consolidated balance sheet dates. The liability for these medical benefits is reviewed on a regular basis and reflects management's best estimate of claims SelectHealth and Intermountain Nevada expect to pay.

Leases

The Health System determines if an arrangement is a lease at the inception of the contract and recognizes rights and obligations of lease contracts as right-of-use assets and lease liabilities, respectively, in the consolidated balance sheets at the contract commencement date based on the present value of the lease payments over the expected lease term. In the absence of a stated interest rate in the lease contract, the Health System uses its incremental borrowing rate to determine the present value of the lease payments. The Health System does not separate lease components from nonlease components of the lease contract when determining lease rights and obligations.

2. Significant Accounting Policies (continued)

Pension and Other Postretirement Plans

Intermountain records amounts related to its pension and other postretirement plans based on estimates that incorporate various actuarial and other assumptions, including discount rates, mortality, rates of return, compensation increases and employee turnover rates. Management reviews these assumptions on an annual basis and modifies them based on current rates and trends, as appropriate. The effect of modifications to the assumptions is recorded as a change in net assets without donor restrictions excluded from excess of revenues over expenses and is amortized to pension cost and other postretirement benefit over future periods using the corridor method. Management believes that the assumptions utilized in recording its obligations under its pension and other postretirement plans are reasonable based on the experience of these plans and market conditions.

Net Assets

Net assets not restricted by donors are reported as net assets without donor restrictions in the consolidated balance sheets.

Net assets restricted by donors for specified purposes or investment in perpetuity are reported as net assets with donor restrictions in the consolidated balance sheets. When donor-specified purposes are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as other revenues or net assets released from restrictions for the purchase of property and equipment, depending on the nature of the restriction.

Patient Services Revenues

Patient services revenues are derived from contracts for healthcare services provided by the Health System to patients. The Health System receives payments directly from patients or on behalf of patients from the federal government under the Medicare program, state governments under their Medicaid programs, private insurance companies and managed care programs. The Health System recognizes patient services revenues from patients and third-party payers at amounts it expects to receive (net of contractual adjustments, adjustments for unpaid services and discounts), including variable consideration for certain estimated retroactive adjustments under payment programs with third-party payers, in exchange for providing patient care. Estimates of contractual adjustments for third-party payers are based on payment terms in the associated contractual agreements and payment history. Patient services revenues are also adjusted in future periods as final settlements and reconciliations with third-party payers are determined. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient services revenues in the period of the change.

2. Significant Accounting Policies (continued)

Patient Services Revenues (continued)
For uninsured patients who do not qualify for charity care, the Health System recognizes patient services revenues for services provided on a discounted basis from its established rates, as provided by policy. Accordingly, the Health System records adjustments to patient services revenues in the period services are rendered for amounts not expected to be paid.

Management estimates the adjustments recorded for these unpaid services by assessing the collectibility, timing and amount of patient services revenues by considering historical collection rates for each major payer source, general economic trends and other indicators. Management also assesses the adequacy of the adjustments for unpaid services based on historical write-offs, accounts receivable aging and other factors.

Performance obligations for healthcare services provided to patients generally relate to contracts of one year or less. Performance obligations for inpatient services are generally completed at the time the patients are discharged. Performance obligations for outpatient services are generally satisfied over a period of less than a day. Because its performance obligations relate to contracts with a duration of less than one year, the Health System has not disclosed the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially satisfied at the end of the reporting period. The unsatisfied or partially satisfied performance obligations are primarily related to inpatient services at the end of the reporting period.

Premiums and Capitation
Premium revenues are derived from SelectHealth membership contracts with employer groups, individuals and government entities that are generally written on an annual basis. The associated premiums are recognized as revenue in the period in which enrolled members are entitled to receive healthcare services. Amounts received by SelectHealth prior to the period of coverage are included in other current liabilities in the consolidated balance sheets.

Intermountain Nevada has capitation contracts with third-party payers that pay annual fixed amounts per enrolled member to effectively subcontract a significant portion of the responsibility and risks for managing patient care to Intermountain Nevada. Intermountain Nevada recognizes capitation revenues from third-party payers at amounts it expects to receive in exchange for providing patient care, including variable consideration for certain estimated retroactive adjustments under these capitation contracts. Capitation revenues are also adjusted in future periods as final settlements and reconciliations with third-party payers are determined. Subsequent changes to the estimates of the transaction price are generally recorded as adjustments to capitation revenues in the period of the change. Performance obligations for capitation revenues are generally satisfied over a period of one year or less.

2. Significant Accounting Policies (continued)

Other Revenues

Other revenues primarily include pharmacy sales, lab services to unaffiliated healthcare providers, foundation funds released from restriction, population health at-risk contracts, third-party administration fees, medical office rentals and cafeteria sales. The Health System recognizes other revenues at amounts that reflect the consideration it has received, or to which it expects to be entitled, in exchange for providing products or services. Performance obligations for other revenues are generally satisfied over a period of one year or less.

Operating and Nonoperating Activities

The Health System's primary objective is to meet the health needs of individuals through a broad range of general and specialized healthcare services, including inpatient acute care, outpatient services, clinical services, health insurance and other healthcare services. Activities directly associated with the furtherance of this objective are considered to be operating activities. Nonoperating activities are included in nonoperating income in the consolidated statements of operations and changes in net assets and include investment activities, contribution from affiliation and the financial results of certain affiliates for which the Health System has controlling ownership interests, but are peripheral to the Health System's primary objective.

Excess of Revenues over Expenses

Excess of revenues over expenses includes the Health System's operating and nonoperating activities. Changes in net assets without donor restrictions not included in excess of revenues over expenses primarily include unrecognized changes in funded status of postretirement benefit plans.

Reclassifications

Certain reclassifications were made to the 2021 consolidated financial statements and accompanying notes to conform to the 2022 presentation. These changes had no impact on excess of revenues over expenses or net assets of the Health System.

3. Organizational Changes

Intermountain and SCL Health Affiliation

As described in Note 1, effective April 1, 2022, Intermountain affiliated with SCL Health. This strategic affiliation was designed to provide expanded access to healthcare services and greater affordability in the communities served within the geographic footprint of the Health System.

The affiliation was accounted for under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-805, *Not-for-Profit Entities – Business Combinations*. The affiliation did not involve the payment of consideration and resulted in an excess of assets contributed over liabilities assumed, which are reported as contributions of net assets from affiliation of $4,175.

(Dollars in Millions)

3. Organizational Changes (continued)

Intermountain and SCL Health Affiliation (continued)
The following table summarizes the fair value of the SCL Health assets contributed and liabilities assumed as of April 1, 2022:

Cash and equivalents	$ 104
Assets limited as to use, current	152
Patient accounts receivable	356
Inventory	58
Due from brokers for securities sold	60
Other current assets	166
Assets limited as to use, noncurrent	2,646
Property and equipment, net	2,432
Other assets	238
Accounts payable and accrued liabilities	(211)
Compensation and related liabilities	(143)
Due to brokers for securities purchased	(127)
Other current liabilities	(165)
Current portion of long-term debt	(32)
Long-term debt subject to short-term remarketing arrangements	(111)
Long-term debt	(1,042)
Other liabilities	(206)
Fair value of assets and liabilities	4,175
Net assets without donor restrictions	4,078
Net assets with donor restrictions	97
Total contribution from affiliation	$ 4,175

The following were the financial results of SCL Health, subsequent to the affiliation on April 1, 2022, included in the Health System's consolidated statement of operations and changes in net assets for the year ended December 31, 2022:

Revenues	$ 2,391
Expenses	(2,538)
Net operating loss	(147)
Investment loss	(237)
Deficit of revenues over expenses	$ (384)

(Dollars in Millions)

3. Organizational Changes (continued)

Intermountain and SCL Health Affiliation (continued)
The following unaudited pro forma consolidated financial information presents the consolidated Health System results as if the affiliation had been reported as of the beginning of the Health System's fiscal year for each period presented:

	Year ended December 31			
	2022		2021	
	Actual	Pro forma (unaudited)	Actual	Pro forma (unaudited)
Total revenues	$ 13,937	$ 14,728	$ 10,752	$ 13,903
Total expenses	(13,816)	(14,674)	(10,094)	(13,241)
Net operating income	121	54	658	662
Nonoperating income (loss)	2,510	(1,705)	1,812	2,081
Excess (deficit) of revenues over expenses	$ 2,631	$ (1,651)	$ 2,470	$ 2,743

Acquisition of Classic
As described in Note 1, on July 1, 2021, Health Services acquired Classic, which provides critical care air transport and helicopter air ambulance services with operations primarily in eight states, including Alaska, in the western United States, Haiti and Puerto Rico. This strategic acquisition was made to better serve Health Services' patients living in rural communities by expanding its geographical footprint in the Intermountain west.

In connection with the acquisition, Health Services followed the purchase accounting conventions as prescribed by FASB ASC Topic 805, *Business Combinations*, to establish the consolidated opening balance sheet of Classic as of July 1, 2021. The consolidated balance sheets include all purchase accounting adjustments necessary to present Classic's balances at fair value as of the acquisition date.

(Dollars in Millions)

3. Organizational Changes (continued)

Acquisition of Classic (continued)
The following table summarizes the final allocation of consideration paid for the assets acquired and liabilities assumed of Classic as of July 1, 2021:

Cash	$ 2
Patient accounts receivable	40
Other current assets	5
Property and equipment	39
Intangible assets	37
Goodwill	159
Other assets	18
Current liabilities	(7)
Other liabilities	(15)
Fair value of assets and liabilities	$ 278

Goodwill relates to the expected synergies between Classic and Health Services, Classic's workforce and other intangible assets that do not qualify for separate recognition. Intangible assets primarily relate to facility contracts and a trade name acquired that had a remaining weighted average intangible asset amortization period of 9.9 years as of December 31, 2021. Goodwill and intangible assets are included in other assets in the consolidated balance sheets.

For the period from July 1, 2021 through December 31, 2021, Classic's net revenues were $59, which were recognized in patient services revenues in the consolidated statements of operations and changes in net assets.

Disposition of Intalere and Other Affiliates
As described in Note 1, Health Services sold all outstanding stock of Intalere to Vizient on March 31, 2021 resulting in a gain of $288. Additionally, during 2021, Health Services sold two other affiliates for a combined gain of $29. Health Services received net cash of $332 and stock with a fair value of $38 from the three transactions. Gains recognized from these transactions are included in gain from sale of affiliates in the consolidated statements of operations and changes in net assets.

4. Charity Care and Community Benefit

The estimated cost of charity care provided by the Health System was $215 and $165 in 2022 and 2021, respectively. The cost to provide charity care for patients who qualify under the Health System's financial assistance policy was estimated by multiplying the charges incurred at established rates for services rendered by the Health System's cost-to-charge ratio. In addition to charity care, the Health System also provides significant financial support to improve the health of individuals in the communities it serves.

4. Charity Care and Community Benefit (continued)

The Health System also incurs shortfalls between its established rates and amounts paid by the Medicare (principally related to elderly patients) and Medicaid (principally related to low-income patients) programs. These shortfalls are not included in charity care or other community services.

The Health System provides community benefit services that address significant health priorities identified by the Health System. Services include community health education and community-based health initiatives focusing on prediabetes prevention, high blood pressure, depression, suicide, and prescription opioid misuse as well as increasing access to health and behavioral health services. The Health System supports upstream initiatives, such as social care and nutrition security, through ongoing expansion of programs that screen for social care needs, building collaborations to address needs and utilization of predictive data for proactive outreach. Other community benefit services include community and school-based health clinics, intern and resident training, health professions education and medical research. The Health System owns and operates 10 community and school-based health clinics in Colorado, Utah and Kansas to meet the needs of uninsured, low-income and homeless patients in locations where there are no other healthcare providers. The Health System also provides financial and in-kind support to 68 independently owned community safety-net clinics in Utah, Colorado, Idaho, Montana and Arizona that provide healthcare services to medically underserved patients. In addition, the Health System is committed to providing healthcare services to rural communities, operating 11 hospitals in rural locations.

The Health System provides a number of services that are not financially self-supporting, in that patient services revenues are less than the costs required to provide the services. Such negative margin services benefit uninsured and low-income patients as well as the broader community. For example, the Health System is the principal or only provider of behavioral health services, certain medical specialties and select primary care services in many of the communities in which it operates.

SelectHealth provides cost-effective insurance programs to underserved markets, including individuals and small employer groups. SelectHealth offers plans in Utah, Idaho and Nevada in the insurance marketplaces resulting from the Patient Protection and Affordable Care Act (ACA). The communities SelectHealth serves also benefit from a variety of sponsored health and wellness activities, including online and work-site health programs, health fairs and flu shot clinics. In addition, SelectHealth provides annual grants to outside organizations that promote health.

The communities the Health System serves also benefit from services provided by volunteers, trustees and medical staff that might otherwise require the use of compensated employees and trustees. Volunteer services are not reported as operating expenses in the consolidated statements of operations and changes in net assets because no payment is made.

(Dollars in Millions)

5. Liquidity and Availability of Financial Resources

A summary of financial assets available to meet cash needs for general expenditures within one year is as follows:

	December 31 2022	December 31 2021
Cash and equivalents	$ 792	$ 396
Assets limited as to use	13,867	12,821
Patient accounts receivable	1,388	934
Due from brokers for securities sold	300	259
Other current assets	608	396
Less amounts not available to be used within one year:		
Private debt, private equity, real asset and strategic development funds	(2,243)	(1,918)
Bond funds held in trust	(551)	(94)
Donor-restricted funds	(359)	(325)
Prepaid assets and other	(160)	(107)
Investments held by a trustee per statutory requirements	(47)	(41)
	$ 13,595	$ 12,321

Donor-restricted funds are available for expenditure upon satisfaction of the restriction, the expected timing of which is not generally determinable in advance. The Health System also has lines of credit available as described in Note 11.

(Dollars in Millions)

6. Fair Value Measurements

The methods used to determine the fair value of financial instruments reflect market participant objectives and are based on the application of a valuation hierarchy that prioritizes observable market inputs over unobservable inputs. The hierarchy is based on the reliability of inputs as follows:

- Level 1 – Valuation is based on quoted prices for identical financial instruments in active markets. The Health System does not adjust the quoted price for Level 1 financial instruments.

- Level 2 – Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and independent pricing models or other model-based valuation techniques using observable inputs.

- Level 3 – Certain types of financial instruments are classified as Level 3 within the valuation hierarchy because these financial instruments trade infrequently and, therefore, have little or no price transparency.

Valuation for certain investments is based on the net asset value (NAV) per share provided by fund administrators.

The following table presents a categorization, based on the foregoing valuation hierarchy, of financial instruments measured at fair value as of December 31, 2022:

	Level 1	Level 2	Level 3	Fair Value
Assets limited as to use:				
Cash investments	$ 220	$ –	$ –	$ 220
Equity securities	3,603	1	–	3,604
Fixed-income securities	626	2,524	5	3,155
Asset allocation funds	125	–	–	125
Global/international debt funds	191	–	–	191
Investment derivatives, net	–	(7)	–	(7)
	$ 4,765	$ 2,518	$ 5	7,288
Investments measured using NAV per share or its equivalent				6,579
Fair value of assets limited as to use				$ 13,867

(Dollars in Millions)

6. Fair Value Measurements (continued)

The following table presents a categorization, based on the foregoing valuation hierarchy, of financial instruments measured at fair value as of December 31, 2021:

	Level 1	Level 2	Level 3	Fair Value
Assets limited as to use:				
Cash investments	$ 102	$ –	$ –	$ 102
Equity securities	4,765	2	–	4,767
Fixed-income securities	765	2,053	5	2,823
Asset allocation funds	93	–	–	93
Global/international debt funds	228	–	–	228
	$ 5,953	$ 2,055	$ 5	8,013
Investments measured using NAV per share or its equivalent				4,808
Fair value of assets limited as to use				$ 12,821

Changes in Level 3 financial instruments were not significant.

The Health System uses a practical expedient for the estimation of the fair value of investments in funds for which the investment does not have a readily determinable fair value. The practical expedient used by the Health System for certain financial instruments is the NAV per share. The NAV per share provided by fund administrators for these financial instruments considers variables such as the financial performance of underlying investments, recent sales prices of underlying investments and other pertinent information. Management reviews the valuations and assumptions used by fund administrators to determine NAV per share for reasonableness and believes that the carrying amounts of the related financial instruments are reasonable estimates of fair value.

The practical expedient used by the Health System for certain financial instruments is the NAV per share equivalent. For these financial instruments, the valuation of the transaction price is initially used as the best estimate of fair value. Accordingly, when a private debt, private equity, real asset or strategic development fund administrator provides a valuation, it is adjusted so the value at inception equals the transaction price. The initial valuation is adjusted when changes to inputs and assumptions are corroborated by evidence, such as transactions of similar financial instruments; completed or pending third-party transactions in the underlying security; offerings in the capital markets; or changes in financial results, data or cash flows. For positions that are not traded in active markets or are subject to notice provisions, valuations are adjusted to reflect such provisions, and the adjustments are generally based on available market evidence.

(Dollars in Millions)

6. Fair Value Measurements (continued)

The Health System used the NAV per share or its equivalent to measure fair value of the following types of investments as of December 31:

	2022	2021	Redemption Frequency	Redemption Notice Period
Global/international debt funds	$ 79	$ 90	Daily	15 days
Common/collective trust funds	1,323	1,606	Monthly	5 to 30 days
Global/international equity funds	291	408	Monthly	10 to 60 days
Absolute return and hedge funds	868	786	Monthly, quarterly	5 to 90 days
Private debt, private equity, real asset and strategic development funds	2,243	1,918	Event driven	—
Investments held in the Comprehensive Investment Program (CIP)	1,775	—	Event driven	—
	$ 6,579	$ 4,808		

The Health System owns units in the CIP that are measured at NAV. The Health System's interest in the CIP represented 82% of all CIP units as of December 31, 2022. The remaining interest in the CIP is held by unrelated entities. As such, only the fair value of the units held by the Health System are recorded in assets limited as to use in the consolidated balance sheets.

Investments held in the CIP are comprised of various asset classes, including domestic and alternative fixed-income and equity funds. At least annually, asset allocations in the CIP are reviewed to determine whether it continues to be appropriate for the Health System's circumstances. Fund managers may have various restrictions and policies in place as it pertains to redemption requests. These restrictions vary by asset class within the CIP.

The fair values of private debt, private equity, real asset and strategic development funds were estimated using the most current information available, which is as of September 30 of the year listed or later, adjusted for cash flows and other known events impacting fair value since the valuation date. The Health System has committed up to $4,487 for investment in these funds through 2031, of which $2,608 had been funded as of December 31, 2022.

Under the provisions of a master netting arrangement, Health Services offsets the fair value of certain investment derivative instruments transacted with the same counterparty. Health Services invests in a variety of investment derivative instruments through a fixed-income manager that has executed a master netting arrangement with the counterparties of each of its contracts for futures and forward currency purchases and sales whereby the financial instruments held by the same counterparty are legally offset as the instruments are settled.

(Dollars in Millions)

6. Fair Value Measurements (continued)

The following table presents gross investment derivative assets and liabilities, categorized as Level 2 of the valuation hierarchy, reported on a net basis included in assets limited as to use in the consolidated balance sheets:

	December 31	
	2022	**2021**
Derivative assets:		
Futures contracts	$ 94	$ 104
Interest rate swap agreements and other contracts	716	690
	810	794
Derivative liabilities:		
Futures contracts	(94)	(104)
Interest rate swap agreements and other contracts	(723)	(690)
	(817)	(794)
Investment derivatives, net	$ (7)	$ —

7. Assets Limited as to Use

Assets limited as to use consisted of internally and externally designated investments as follows:

	December 31	
	2022	**2021**
Internally designated	$ 12,910	$ 12,361
Bond funds held in trust	551	94
Donor-restricted funds	359	325
Investments held by a trustee per statutory requirements	47	41
	$ 13,867	$ 12,821

Assets limited as to use reported as current include certain internally designated investments. These investments are available for the payment of amounts due to brokers for securities purchased and for the repayment of long-term debt subject to short-term remarketing arrangements should such repayment become necessary.

(Dollars in Millions)

7. Assets Limited as to Use (continued)

Assets limited as to use reported as noncurrent include certain internally designated investments, bond funds held in trust, donor-restricted funds, and investments held by a trustee per statutory requirements. These internally designated investments are available for the acquisition of property and equipment, repayment of long-term debt, and the payment of professional and general liability and workers' compensation self-insurance claims. Donor-restricted funds include amounts held by consolidated foundations that will be used for various healthcare programs and services, buildings and equipment, research activities, or local community needs. Bond funds held in trust include amounts held by a trustee in accordance with bond trust indentures, the use of which is primarily restricted to reimbursing the Health System for the costs of certain capital projects. Investments held by a trustee per statutory requirements include amounts held by a trustee to ensure that SelectHealth meets the statutory requirements of the State of Utah Insurance Department.

The Health System classified its assets limited as to use as follows:

	December 31	
	2022	**2021**
Other-than-trading equity securities	$ 7,361	$ 7,308
Trading securities	4,706	4,180
Investments held by consolidated foundations	967	861
Other-than-trading fixed-income securities	620	258
Equity method investment funds and other	213	214
	$ 13,867	$ 12,821

(Dollars in Millions)

8. Property and Equipment

A summary of property and equipment is as follows:

	December 31 2022	December 31 2021
Buildings and improvements	$ 6,052	$ 4,303
Equipment and software	2,418	1,903
	8,470	6,206
Less accumulated depreciation	(3,949)	(3,528)
	4,521	2,678
Land	700	461
Construction in progress	924	290
	$ 6,145	$ 3,429

The estimated useful life is 10 to 40 years for buildings and improvements, 3 to 15 years for equipment and 3 to 7 years for software. As of December 31, 2022, the Health System had remaining contractual obligations of $324 for various construction and software development projects.

9. Other Assets

A summary of other noncurrent assets is as follows:

	December 31 2022	December 31 2021
Goodwill	$ 463	$ 463
Right-of-use assets, net	388	284
Intangible assets, net	158	146
Investments in unconsolidated entities	139	53
Prepaid pension benefit	121	—
Contributions receivable, net	110	86
Prepaid health and welfare plan benefit	62	72
Other	67	51
	$ 1,508	$ 1,155

The remaining weighted average intangible asset amortization period was 11.4 and 11.7 years as of December 31, 2022 and 2021, respectively.

(Dollars in Millions)

10. Other Current Liabilities

A summary of other current liabilities is as follows:

	December 31	
	2022	2021
Medicare and Medicaid settlements	$ 133	$ 82
Unearned revenue	78	110
Lease liabilities, current portion	75	52
Self-insurance liabilities, current portion	47	43
Other	31	10
Medicare advance payments (see Note 21)	—	174
	$ 364	$ 471

Medicare and Medicaid settlements represent estimated cost report and other third-party settlements. Laws and regulations governing Medicare and Medicaid change frequently, are complex, and are subject to interpretation. Administrative procedures for both Medicare and Medicaid preclude final settlement until the related cost reports have been audited by the sponsoring agency and settled.

11. Lines of Credit

The Health System had aggregate lines of credit of $600 and $300 available as of December 31, 2022 and 2021, respectively. As of December 31, 2022, the Health System had a syndicated line of credit of $400, expiring on November 18, 2027, and a line of credit of $200, expiring on November 18, 2027. As of December 31, 2022 and 2021, there were no amounts outstanding on the lines of credit.

12. Self-insurance Liabilities

Self-insurance programs include professional and general liability, workers' compensation, and directors' and officers' liability coverage through self-insurance programs and commercial excess liability insurance. Total undiscounted self-insurance liabilities, including current and noncurrent liabilities, were $258 and $190 as of December 31, 2022 and 2021, respectively. The noncurrent portion of self-insurance liabilities is included in other liabilities in the consolidated balance sheets. The liabilities for the professional liability and workers' compensation programs are based on actuarial estimates.

13. Long-term Debt

Revenue bonds are issued by municipalities, counties, or state authorities on behalf of the Health System and are secured by notes issued under a master trust indenture (MTI), which is referred to as the Health System MTI. Under the terms of the Health System MTI, the requirement to repay long-term debt evidenced by the notes is a general obligation of an obligated group established by the Health System MTI, but is not secured by a pledge, grant, or mortgage of any assets of the obligated group. Prior to August 2022, Health Services was the sole member of the obligated group. In August 2022, the obligated group was modified to include the following entities (excluding affiliates and subsidiaries), which are jointly and severally liable with respect to all outstanding obligations under the Health System MTI:

- Good Samaritan Medical Center, LLC, a Colorado limited liability company
- Holy Rosary Healthcare, a Montana nonprofit corporation
- IHC Health Services, Inc., a Utah nonprofit corporation
- Intermountain Health Care, Inc., a Utah nonprofit corporation
- Saint Joseph Hospital, Inc., a Colorado nonprofit corporation
- SCL Health – Front Range, Inc., a Colorado nonprofit corporation
- SCL Health – Montana, a Montana nonprofit corporation
- Sisters of Charity of Leavenworth Health System, Inc., a Kansas nonprofit corporation
- St. James Healthcare, a Montana nonprofit corporation
- St. Mary's Hospital & Medical Center, Inc., a Colorado nonprofit corporation

Concurrent with the restructuring of the obligated group, Intermountain was designated as the credit group representative under the Health System MTI, replacing Health Services in such capacity.

Prior to August 2022, SCL Health was the sole member of a separate obligated group established under the SCL Health MTI. In August 2022, in accordance with the SCL Health MTI, the Health System MTI was designated as a replacement MTI for the SCL Health MTI, and Health System obligated group notes were issued in exchange for the outstanding obligations under the SCL Health MTI. Concurrent with the exchange, the SCL Health MTI obligations were cancelled and the SCL Health MTI and the security thereof was discharged, terminated, and ceased to be of force and effect.

The Health System MTI and other credit and liquidity facility agreements contain certain financial covenants, including maintaining a minimum debt service coverage ratio and an unrestricted cash and investments to debt ratio.

(Dollars in Millions)

13. Long-term Debt (continued)

The Health System's long-term debt is summarized as follows:

	Annual Interest Rates	December 31 2022	2021
Revenue bond issues (subject to the MTI):			
2000, due through 2035	Variable[1]	$ —	$ 125
2002, due through 2035	Variable[1]	—	42
2003, due through 2036	Variable[1]	202	272
2005, due through 2037	Variable[1]	135	143
2012A, due through 2039	4.38%	200	200
2014A, due through 2045	4.00% to 5.00%	158	158
2014B and 2014C, due through 2049	Variable[1]	80	80
2016A, due through 2026	5.00%	30	39
2016B, due through 2047	3.00% to 5.00%	161	172
2016B and 2016D, due through 2045[2]	Variable[1]	111	—
2016C, 2016D and 2016E, due through 2051	Variable[1]	200	200
2018A, due through 2041	4.00% to 5.00%	181	181
2018B, due through 2057	5.00%	50	100
2018C, due in 2058	Variable[1]	50	50
2019, due through 2040[2]	4.00% to 5.00%	580	—
2020A, due through 2050	3.00% to 5.00%	200	200
2020B, due through 2060	5.00%	150	150
2022A, 2022B and 2022C, due through 2062	4.00% to 5.00%	945	—
2022D, 2022E and 2022F, due through 2062	Variable[1]	425	—
Taxable bond issue (subject to the MTI):			
2018, due in 2048	4.13%	401	401
Other notes payable		55	—
		4,314	2,513
Add net unamortized premiums, discounts and debt issuance costs		277	149
Less current portion of long-term debt		(59)	(30)
Less long-term debt subject to short-term remarketing arrangements		(904)	(436)
Long-term debt		$ 3,628	$ 2,196

[1]Variable rates as of December 31, 2022 and 2021 were 3.35% to 4.21% and 0.07% to 0.12%, respectively.
[2]These bonds were previously issued on behalf of SCL Health prior to the affiliation and are an obligation of the Health System due to the SCL Health MTI being replaced by the Health System MTI.

13. Long-term Debt (continued)

As of December 31, 2022, the Health System had certain interest rate swap agreements that effectively convert $549 of the principal balances of $1,203 of its variable-rate debt to a fixed-rate basis.

In March 2022, Health Services entered into a variable-rate term loan agreement (Term Loan). Proceeds of $234 from this loan were used to extinguish all outstanding Series 2000 bonds, all outstanding Series 2002 bonds and a portion of the outstanding Series 2003 bonds. This Term Loan was fully repaid in August 2022 with proceeds from the Series 2022A bonds and with internal funds.

In July 2022, $50 of internal funds were used to extinguish all outstanding SCL Health Series 2011A bonds.

In August 2022, Intermountain issued $499 of Series 2022A Revenue Bonds at a premium of $28, $223 of Series 2022B Revenue Bonds at a premium of $22, $223 of Series 2022C Revenue Bonds at a premium of $28, $125 of Series 2022D Revenue Bonds at par, $150 of Series 2022E Revenue Bonds at par, and $150 of Series 2022F Revenue Bonds at par. Proceeds from the Series 2022A bonds were used to refund $300 of SCL Health Series 2013A bonds, repay $192 of the Term Loan, and fund construction costs for certain of the Health System's healthcare facilities. Proceeds from the Series 2022B and 2022C bonds were used to refund $50 of Series 2018B bonds and fund construction costs for certain of the Health System's healthcare facilities. Proceeds from the Series 2022D, 2022E, and 2022F bonds are being used to fund construction costs for certain of the Health System's healthcare facilities.

Variable-rate revenue bonds, while subject to long-term amortization periods, may be put to the Health System obligated group or to contracted liquidity providers by virtue of executed standby bond purchase agreements at the option of the bondholders in the event of a failed bond remarketing. To the extent that bondholders may, under the terms of the debt, put their bonds back to the Health System obligated group and the repayment terms under the related liquidity facility could be due within one year, the principal amount of such bonds has been classified as a current liability in the consolidated balance sheets. Management has taken steps to provide various sources of liquidity in the event the bonds fail to remarket, including identifying alternate sources of financing and maintaining internally designated assets as a source of self-liquidity.

(Dollars in Millions)

13. Long-term Debt (continued)

Principal maturities of long-term debt for the next five years and thereafter, considering long-term debt subject to short-term remarketing arrangements is due according to the long-term amortization schedules, are as follows:

2023	$	59
2024		59
2025		64
2026		68
2027		72
Thereafter		3,992
Long-term debt principal payments	$	4,314

14. Interest Rate Swap Agreements

The Health System has certain interest rate swap agreements related to its long-term debt to manage its exposure to fluctuations in interest rates. These interest rate swap agreements are reported in other liabilities in the consolidated balance sheets. The valuation of these agreements is determined using accepted valuation techniques, including an analysis of the discounted expected cash flows of each interest rate swap. This analysis reflects the contractual terms of the interest rate swaps, including the period to maturity or call, and uses observable market-based inputs, including interest rate curves and implied volatilities. In addition, the Health System has incorporated the risks of its own and the counterparties' nonperformance in the fair value measurements.

Changes in the fair value of these swap agreements are recognized in investment income in the consolidated statements of operations and changes in net assets. For the years ended December 31, 2022 and 2021, unrealized gains associated with interest rate swaps not designated as hedges were $148 and $56, respectively. Notional amounts of these interest rate swap agreements were $972 as of December 31, 2022. None of these interest rate swap agreements were designated as cash flow hedges as of December 31, 2022 or 2021.

Accumulated net losses from interest rate swap agreements previously designated as cash flow hedges that have not been recognized in excess of revenues over expenses in the consolidated statements of operations and changes in net assets were $39 as of December 31, 2022. These accumulated net losses will be amortized to investment income in the consolidated statements of operations and changes in net assets through 2037 using the effective interest method.

(Dollars in Millions)

14. Interest Rate Swap Agreements (continued)

The fair value of these interest rate swap liabilities, categorized as Level 2 of the valuation hierarchy and recorded in other liabilities in the consolidated balance sheets, was $74 and $222 as of December 31, 2022 and 2021, respectively.

Intermountain and certain affiliated companies have International Swap Dealers Association (ISDA) Master Agreements with seven counterparties. Under the provisions of two of the ISDA agreements, as amended, Health Services and SCL Health are required to deposit collateral with the respective counterparty when the net liability position of Health Services or SCL Health for all interest rate swap agreements held with the counterparty exceeds $75 or $30, respectively, exclusive of any fair value adjustments to the liability positions for nonperformance risk. As of December 31, 2022 and 2021, no collateral was required to be posted under the provisions of these ISDA agreements. The provisions of the other ISDA agreements do not require collateral deposits.

Under master netting provisions of each ISDA agreement, Intermountain and certain affiliated companies are permitted to settle with the counterparty on a net basis. Due to the right of offset under these master netting provisions, the fair value of certain interest rate swap agreements and any related collateral deposited with the counterparty is offset in the consolidated balance sheets.

15. Leases

The Health System leases medical and administrative space in office buildings, equipment and vehicles to support operations. The present values of right-of-use assets, included in other assets, and lease liabilities, included in other current liabilities and other liabilities, reported in the consolidated balance sheets as of December 31 were as follows:

	2022		2021	
	Operating Leases	Financing Leases	Operating Leases	Financing Leases
Other assets	$ 355	$ 33	$ 248	$ 36
Other current liabilities	66	9	46	6
Other liabilities	298	26	210	31

(Dollars in Millions)

15. Leases (continued)

The weighted average terms and discount rates of operating and financing leases as of December 31 were as follows:

	2022		2021	
	Operating Leases	**Financing Leases**	**Operating Leases**	**Financing Leases**
Terms (years)	10.0	9.8	10.4	11.3
Discount rates	2.1%	2.6%	1.9%	1.6%

Lease expenses incurred by the Health System were as follows:

	Year Ended December 31	
	2022	**2021**
Operating lease expense	$ 73	$ 54
Financing lease expense	10	7
	$ 83	$ 61

Future lease payments under operating and financing leases for the next five years and thereafter are as follows:

	Operating Leases	**Financing Leases**
2023	$ 74	$ 10
2024	53	5
2025	46	4
2026	41	3
2027	36	2
Thereafter	172	18
	422	42
Present value adjustment	(58)	(7)
	$ 364	$ 35

(Dollars in Millions)

16. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

	December 31 2022	December 31 2021
Subject to expenditure for specified purposes:		
Healthcare programs and services	$ 219	$ 161
Buildings and equipment	131	132
Research	29	17
Community benefit	11	14
	390	324
Donor-restricted endowments subject to spending policy and appropriation (including net accumulated earnings of $12 in 2022 and $23 in 2021):		
Healthcare programs and services	85	45
Research	32	30
Mental health initiatives	4	4
	121	79
	$ 511	$ 403

17. Litigation and Other Matters

The healthcare industry is subject to numerous laws and regulations enacted or issued by federal, state, and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. Nationally, government activity has continued with respect to investigations and allegations concerning possible violations of laws and regulations within the healthcare industry, which could result in the imposition of significant fines and penalties, and significant repayments of amounts received for patient services previously billed. The Health System is subject to such regulatory reviews.

Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the normal course of business. After consultation with legal counsel, management believes that all asserted and known unasserted claims will be resolved without material adverse effect on the Health System's financial condition.

(Dollars in Millions)

18. Revenues

Patient Services Revenues
Payments received under Medicare, Medicaid and other programs are generally based on predetermined rates or the allowable cost of services. Overall, Medicare and Medicaid payments are less than the Health System's established rates and corresponding contractual adjustments are recognized in the period services are rendered. Medicare and Medicaid settlements relating to prior years were not significant during either 2022 or 2021.

Patient services revenues by major payer source were as follows:

	Year Ended December 31	
	2022	**2021**
Commercial insurance and other	$ 4,605	$ 3,218
Medicare	2,423	1,650
Medicaid	910	614
Self-pay	136	67
	$ 8,074	$ 5,549

Premiums and Capitation Revenues
Premiums and capitation revenues by major product line were as follows:

	Year Ended December 31	
	2022	**2021**
Premiums:		
Individual	$ 1,306	$ 1,095
Large employer	1,018	952
Medicaid	692	625
Small employer	613	553
Medicare Advantage	453	403
	4,082	3,628
Capitation – Medicare Advantage	1,030	1,018
	$ 5,112	$ 4,646

(Dollars in Millions)

19. Functional Expenses

A summary of expenses by nature and function for the year ended December 31, 2022 is as follows:

	Program Services				
	Hospitals	Clinics	Healthcare Benefits	Admini-strative	Total Expenses
Employee compensation and benefits	$ 3,722	$ 1,117	$ 435	$ 714	$ 5,988
Medical claims	–	–	2,574	–	2,574
Supplies	1,704	166	57	539	2,466
Other operating expenses	538	204	333	1,060	2,135
Depreciation and amortization	373	63	17	99	552
Interest	89	12	–	–	101
	$ 6,426	$ 1,562	$ 3,416	$ 2,412	$ 13,816

A summary of expenses by nature and function for the year ended December 31, 2021 is as follows:

	Program Services				
	Hospitals	Clinics	Healthcare Benefits	Admini-strative	Total Expenses
Employee compensation and benefits	$ 2,534	$ 738	$ 367	$ 426	$ 4,065
Medical claims	–	–	2,308	–	2,308
Supplies	1,201	135	55	458	1,849
Other operating expenses	202	129	282	782	1,395
Depreciation and amortization	294	46	16	55	411
Interest	57	9	–	–	66
	$ 4,288	$ 1,057	$ 3,028	$ 1,721	$ 10,094

The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting activities of the Health System. These expenses include those incurred in shared support services. Costs are generally allocated based on the relative size of the operating unit receiving the allocations.

(Dollars in Millions)

19. Functional Expenses (continued)

Program services include a broad range of general and specialized healthcare activities and health insurance for patients and members within the various geographic areas supported by the Health System's operations. Healthcare benefits include costs incurred related to providing healthcare services to insured members and payments of claims under capitation arrangements and population health at-risk contracts. Administrative expenses consist of activities essential to providing healthcare services including costs related to electronic medical records, information technology software and network support, billing and collecting for patient services provided, procuring supplies for patient services, professional liability insurance coverage and other administrative activities.

20. Employee Retirement and Other Postretirement Plans

Intermountain sponsors a noncontributory defined benefit pension plan covering certain employees of Health Services and SelectHealth who are at least 21 years of age and have a minimum of one year of qualifying service. This plan closed on April 4, 2020. Employees hired on or after April 5, 2020 are not participants in the plan. Eligibility and benefits under the plan are unchanged for employees hired on or prior to the closing date.

A summary of changes in the benefit obligations, fair value of plan assets, and the net pension asset (liability) is as follows:

	Year Ended December 31	
	2022	**2021**
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 3,628	$ 3,705
Service cost	184	189
Interest cost	108	99
Benefits paid	(194)	(275)
Actuarial gain	(956)	(90)
Benefit obligation at end of year	2,770	3,628
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	3,398	3,065
Employer contributions	173	197
Benefits paid	(194)	(275)
Actual return on plan assets, net of expenses	(486)	411
Fair value of plan assets at end of year	2,891	3,398
Funded status – net asset (liability)	$ 121	$ (230)

The accumulated benefit obligation of the pension plan was $2,489 and $3,255 as of December 31, 2022 and 2021, respectively.

(Dollars in Millions)

20. Employee Retirement and Other Postretirement Plans (continued)

Amounts included in net assets without donor restrictions that will be recognized in pension cost in future periods were as follows:

	December 31	
	2022	**2021**
Unrecognized net actuarial loss	$ (603)	$ (957)
Unrecognized net prior service credit	3	5
Amounts in net assets without donor restrictions	$ (600)	$ (952)

Changes in net assets without donor restrictions for the pension plan were as follows:

	Year Ended December 31	
	2022	**2021**
Amortized during the year:		
Net actuarial loss	$ 79	$ 105
Net prior service credit	(2)	(13)
Occurring during the year:		
Net actuarial gain	275	315
Net prior service credit	–	3
Increase in net assets without donor restrictions	$ 352	$ 410

Net actuarial gains and losses incurred in the pension plan during 2022 and 2021 resulted primarily from changes in the discount rate and differences between the actual returns on plan assets and the assumed returns.

Assumptions used to determine the benefit obligation in the pension plan were as follows:

	December 31	
	2022	**2021**
Discount rate	5.69%	3.06%
Rate of compensation increase	4.50	4.50

(Dollars in Millions)

20. Employee Retirement and Other Postretirement Plans (continued)

A summary of pension cost is as follows:

	Year Ended December 31	
	2022	**2021**
Service cost	$ 184	$ 189
Interest cost	108	99
Amortization of net actuarial loss	79	105
Amortization of net prior service credit	(2)	(13)
Expected return on plan assets	(196)	(183)
	$ 173	$ 197

Assumptions used to determine pension cost were as follows:

	Year Ended December 31	
	2022	**2021**
Discount rate	3.06%	2.75%
Expected return on plan assets	6.50	6.50
Rate of compensation increase	4.50	4.50

The overall rate of return on assets assumption is based on historical returns, adhering to the asset allocations set forth in the investment policies of the pension plan. The expected return on plan assets is 6.50% for determining pension cost for the year ending December 31, 2023.

Methods for determining the fair value of financial instruments held by the pension plan are consistent with those described in Note 6. The following table presents a categorization, based on the valuation hierarchy, of the pension plan's financial instruments measured at fair value as of December 31, 2022:

	Level 1	**Level 2**	**Fair Value**
Cash investments	$ 46	$ –	$ 46
Equity securities	862	–	862
Fixed-income securities	166	442	608
Investment derivatives, net	–	3	3
	$ 1,074	$ 445	1,519
Investments measured using NAV per share or its equivalent			1,464
Transactions pending settlement, net			(92)
Fair value of plan assets			$ 2,891

(Dollars in Millions)

20. Employee Retirement and Other Postretirement Plans (continued)

The following table presents a categorization, based on the valuation hierarchy, of the pension plan's financial instruments measured at fair value as of December 31, 2021:

	Level 1	Level 2	Fair Value
Cash investments	$ 80	$ –	$ 80
Equity securities	1,046	–	1,046
Fixed-income securities	260	519	779
Investment derivatives, net	–	2	2
	$ 1,386	$ 521	1,907
Investments measured using NAV per share or its equivalent			1,612
Transactions pending settlement, net			(121)
Fair value of plan assets			$ 3,398

The pension plan uses the NAV per share or its equivalent to measure fair value of the following types of financial instruments as of December 31, as described in Note 6:

	2022	2021	Redemption Frequency	Redemption Notice Period
Common/collective trust funds	$ 432	$ 503	Monthly	5 to 30 days
Global/international equity funds	69	121	Monthly	60 days
Absolute return and hedge funds	261	296	Monthly, quarterly, annually	5 to 90 days
Private debt, private equity and real asset funds	702	692	Event driven	—
	$ 1,464	$ 1,612		

Intermountain has committed up to $1,517 for investment in these funds through 2032, of which $1,058 had been funded as of December 31, 2022.

(Dollars in Millions)

20. Employee Retirement and Other Postretirement Plans (continued)

Consistent with practices described in Note 6, the pension plan offsets the fair value of various investment derivative instruments when executed with the same counterparty under a master netting arrangement whereby the financial instruments held by the same counterparty are legally offset as the instruments are settled.

The following table presents gross investment derivative assets and liabilities reported on a net basis in pension plan investments:

	December 31 2022	December 31 2021
Derivative assets:		
Futures contracts	$ 127	$ 93
Forward currency and other contracts	32	40
	159	133
Derivative liabilities:		
Futures contracts	(127)	(93)
Forward currency and other contracts	(29)	(38)
	(156)	(131)
Investment derivatives, net	$ 3	$ 2

Intermountain has not yet determined the amount it will contribute to the pension plan in 2023.

Benefit payments of the pension plan are expected to be paid as follows:

2023	$ 193
2024	199
2025	208
2026	217
2027	225
2028–2032	1,188

Intermountain also sponsors a 401(k) defined contribution plan for eligible employees. Employee contributions are matched up to a maximum of 4% of each participant's eligible compensation. Intermountain also contributes 2% of eligible compensation for participants hired subsequent to the pension plan closing date. Intermountain contributed $117 and $95 to the 401(k) plan in 2022 and 2021, respectively.

(Dollars in Millions)

20. Employee Retirement and Other Postretirement Plans (continued)

Additionally, Intermountain sponsors a 457(b) defined contribution plan. Employee contributions invested for the 457(b) plan were $172 and $202 as of December 31, 2022 and 2021, respectively, and are included in noncurrent assets limited as to use and other liabilities in the consolidated balance sheets.

Furthermore, Intermountain sponsors a contributory health and welfare benefit plan that offers postretirement benefits including medical, dental and group term life insurance to eligible employees who have at least 10 years of qualified service and have attained age 55 while in service with Intermountain. The plan also provides disability benefits for eligible active employees including medical, dental and short-term income replacement.

A summary of the benefit obligation, fair value of plan assets and unrecognized net actuarial gain that will be recognized in future periods for the postretirement health and welfare benefits is as follows:

	December 31	
	2022	**2021**
Fair value of plan assets	$ 76	$ 90
Unrecognized net actuarial gain	55	72
Benefit obligation	14	18

Intermountain has frozen certain postretirement health and welfare benefits; therefore, the effect of future healthcare cost trend rates is not significant.

Methods for determining the fair value of financial instruments held for the postretirement health and welfare benefits are consistent with those described in Note 6. All financial instruments as of December 31, 2022 and 2021 were classified as Level 1 or used NAV as a practical expedient.

Prior to the affiliation described in Note 1, the SCL Health board of directors approved the termination of the SCL Health's consolidated retirement plan, which was completed in June 2022.

SCL Health also sponsors a 401(k) defined contribution plan for eligible employees. Employee contributions are matched between 2% and 5% of eligible pay based on employment compensation levels, time of service and hours worked. Certain employees are also eligible for a discretionary contribution of up to 3% of eligible compensation. SCL Health participating employees will be integrated into the Intermountain 401(k) plan in 2023. SCL Health contributed $36 to the 401(k) plan between April 1, 2022 and December 31, 2022.

20. Employee Retirement and Other Postretirement Plans (continued)

Additionally, SCL Health sponsors a 457(b) defined contribution plan. Employee contributions invested for the 457(b) plan were $33 as of December 31, 2022 and are included in noncurrent assets limited as to use and other liabilities in the consolidated balance sheets.

21. COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the novel coronavirus (COVID-19) outbreak as a global pandemic. In response to COVID-19, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law on March 27, 2020. The CARES Act authorizes funding to hospitals and other healthcare providers and included provisions to defer employer social security payments. There were no deferred employer social security payments as of December 31, 2022. The Health System deferred employer social security payments of $51 as of December 31, 2021, which are included in compensation and related liabilities in the consolidated balance sheets.

In 2020, Medicare & Medicaid Services provided Medicare advanced payments through an expanded program meant to expedite cash flow to qualified healthcare providers. In April 2021, recoupments of Medicare advanced payments began in accordance with the terms and conditions of the program and continued through August 2022 when the recoupment period ended. As of December 31, 2022, there were no Medicare advanced payments remaining for recoupment. As of December 31, 2021, advanced payments of $174 were recorded in other current liabilities in the consolidated balance sheets.

22. Subsequent Events

The Health System evaluated subsequent events through March 21, 2023, the date the consolidated financial statements were issued, and determined that no additional disclosures were necessary.

SUPPLEMENTAL SCHEDULES OF CONSOLIDATING FINANCIAL INFORMATION

Intermountain Health Care, Inc. and Affiliated Companies

Supplemental Schedule - Consolidating Balance Sheets

December 31, 2022

(In Millions)

	Obligated Group	Nonobligated Group	Eliminations	Consolidated
Assets				
Current assets:				
Cash and equivalents	$ 436	$ 356	$ —	$ 792
Assets limited as to use	1,300	129	—	1,429
Patient accounts receivable	1,513	112	(237)	1,388
Due from brokers for securities sold	264	36	—	300
Inventory	271	13	—	284
Other current assets	488	125	(5)	608
Total current assets	4,272	771	(242)	4,801
Assets limited as to use	9,850	2,588	—	12,438
Property and equipment, net	5,728	417	—	6,145
Other assets	1,339	1,114	(945)	1,508
Total assets	$ 21,189	$ 4,890	$ (1,187)	$ 24,892
Liabilities and net assets				
Current liabilities:				
Accounts payable and accrued liabilities	$ 523	$ 407	$ (6)	$ 924
Compensation and related liabilities	517	62	—	579
Due to brokers for securities purchased	396	129	—	525
Medical claims payable	—	578	(231)	347
Other current liabilities	273	96	(5)	364
Current portion of long-term debt	54	5	—	59
Long-term debt subject to short-term remarketing arrangements	904	—	—	904
Total current liabilities	2,667	1,277	(242)	3,702
Long-term debt	3,579	94	(45)	3,628
Other liabilities	641	257	(41)	857
Net assets:				
Without donor restrictions	14,286	2,767	(859)	16,194
With donor restrictions	16	495	—	511
	14,302	3,262	(859)	16,705
Total liabilities and net assets	$ 21,189	$ 4,890	$ (1,187)	$ 24,892

Intermountain Health Care, Inc. and Affiliated Companies

Supplemental Schedule - Consolidating Statements of Operations and Changes in Net Assets

Year Ended December 31, 2022

(In Millions)

	Obligated Group	Nonobligated Group	Eliminations	Consolidated
Revenues				
Patient services	$ 8,968	$ 579	$ (1,473)	$ 8,074
Premiums and capitation	—	5,115	(3)	5,112
Other revenues	1,058	629	(936)	751
	10,026	6,323	(2,412)	13,937
Expenses				
Employee compensation and benefits	4,959	1,037	(8)	5,988
Medical claims	—	4,361	(1,787)	2,574
Supplies	2,340	156	(30)	2,466
Other expenses	1,989	730	(584)	2,135
	9,288	6,284	(2,409)	13,163
Earnings before interest, depreciation and amortization	738	39	(3)	774
Depreciation and amortization	487	68	(3)	552
Interest	97	4	—	101
	584	72	(3)	653
Net operating income (loss)	154	(33)	—	121
Nonoperating income (loss)				
Investment loss	(1,228)	(340)	—	(1,568)
Contribution from affiliation	4,078	—	—	4,078
	2,850	(340)	—	2,510
Excess (deficit) of revenues over expenses	3,004	(373)	—	2,631
Unrecognized changes in funded status of postretirement benefit plans	335	—	—	335
Net assets released from restrictions for the purchase of property and equipment and other	33	26	(25)	34
Increase (decrease) in net assets without donor restrictions	3,372	(347)	(25)	3,000
Net assets with donor restrictions				
Restricted contribution from affiliation	2	95	—	97
Contributions	3	120	—	123
Investment income (loss)	—	(13)	—	(13)
Net assets released from restrictions and other	—	(99)	—	(99)
Increase in net assets with donor restrictions	5	103	—	108
Increase (decrease) in net assets	3,377	(244)	(25)	3,108
Net assets at beginning of year	10,925	3,506	(834)	13,597
Net assets at end of year	$ 14,302	$ 3,262	$ (859)	$ 16,705