



Continuing Disclosure  
Quarter Ending  
March 31, 2023

Contacts:

Darrin Montalvo

Executive Vice President/  
Chief Financial and Growth Officer  
360-729-1145  
dmontalvo@peacehealth.org

Jeff Seirer

System VP Financial Integrity/  
Controller  
360-729-1132  
jseirer@peacehealth.org

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# About PeaceHealth

PeaceHealth, based in Vancouver, Wash., is a nonprofit Catholic health system offering care to communities in Washington, Oregon and Alaska. PeaceHealth has approximately 16,000 caregivers, a multi-specialty medical group practice with more than 1,200 providers, and 10 medical centers serving both urban and rural communities throughout the Northwest.

In 1890, the Sisters of St. Joseph of Peace founded what has become PeaceHealth. Today, PeaceHealth is the legacy of its founding Sisters and continues to serve communities when invited to do so with a spirit of collaboration and stewardship.

## Our Mission and Values

### OUR MISSION

We carry on the healing mission of Jesus Christ by promoting personal and community health, relieving pain and suffering, and treating each person in a loving and caring way.

### OUR CORE VALUES

#### Respect

We respect the dignity and appreciate the worth of each person as demonstrated by our compassion, caring and acceptance of individual differences.

#### Collaboration

We value the involvement, cooperation and creativity of all who work together to promote the health of the community.

#### Stewardship

We choose to serve the community and hold ourselves accountable to exercise ethical and responsible stewardship in the allocation and utilization of human, financial and environmental resources.

#### Social Justice

We build and evaluate the structures of our organization and those of society to promote the just distribution of health care resources.

## Our Vision

Every person receives safe, compassionate care; every time, every touch.

# Serving Alaska, Washington and Oregon

## PEACEHEALTH

- 10 medical centers and 139 clinics in Alaska, Washington and Oregon
- More than 1,200 physicians and allied health care providers
- More than 51 medical and surgical specialties (primary care, specialty care and hospital-based care)
- Supports more than 523,000 patients annually

## PEACEHEALTH SHARED SERVICES CENTER

*Vancouver, Washington*

- Executive offices
- Shared services



# Our Networks of Care

## PeaceHealth Locations

*A not-for-profit Catholic health system serving communities in the Pacific Northwest.*

### OUR NETWORKS OF CARE

#### Northwest network

- 1 PeaceHealth St. Joseph Medical Center**  
Bellingham, Washington
  - Level II Trauma Center
  - Licensed beds: 241
- 2 PeaceHealth Peace Island Medical Center**  
Friday Harbor, Washington
  - Critical Access Hospital
  - 24-hour Emergency Room
  - Licensed beds: 10
- 3 PeaceHealth United General Medical Center**  
Sedro-Woolley, Washington
  - Critical Access Hospital
  - Level IV Trauma Center
  - Licensed beds: 25
- 4 PeaceHealth Ketchikan Medical Center**  
Ketchikan, Alaska
  - Critical Access Hospital
  - Licensed beds: 25
  - Long-term care beds: 29

#### Columbia network

- 5 PeaceHealth St. John Medical Center**  
Longview, Washington
  - Level III Trauma Center
  - Licensed beds: 346
- 6 PeaceHealth Southwest Medical Center**  
Vancouver, Washington
  - Level II Trauma Center
  - Licensed beds: 450

#### Oregon network

- 7 PeaceHealth Sacred Heart Medical Center at RiverBend**  
Springfield, Oregon
  - Level II Trauma Center
  - Licensed beds: 351
- 8 PeaceHealth Sacred Heart Medical Center, University District**  
Eugene, Oregon
  - Licensed beds: 108
- 9 PeaceHealth Cottage Grove Community Medical Center**  
Cottage Grove, Oregon
  - Critical Access Hospital
  - Licensed beds: 14
- 10 PeaceHealth Peace Harbor Medical Center**  
Florence, Oregon
  - Critical Access Hospital
  - Level IV Trauma Center
  - Licensed beds: 21



## MANAGEMENT'S DISCUSSION

The financial results of the Obligated Group discussed below reflect the performance of the Networks and PeaceHealth Medical Group.

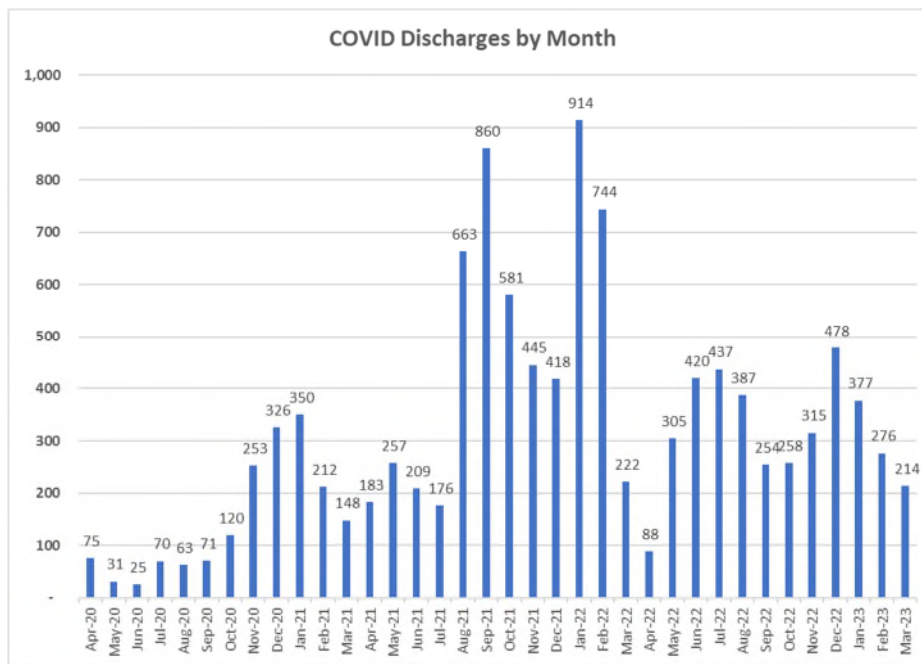
### OBLIGATED GROUP OPERATING STATISTICS

	<b>Nine months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Financial Performance</b>		
Operating EBITDA	\$ (55,819)	\$ (70,263)
Margin	-2.3%	-3.0%
Income from Operations	\$ (191,842)	\$ (208,617)
Margin	-7.8%	-8.8%
Excess of Revenues over Expenses	\$ (104,054)	\$ (340,143)
Margin	-4.3%	-14.4%
<b>Balance Sheet Ratios</b>		
Days Cash on Hand	222	287
Net Days in Accounts Receivable	46	46
Cash to Long-term Debt	124%	178%
Long-term Debt to Capitalization	43.7%	37.2%
<b>Operations</b>		
Total Discharges	50,133	48,590
Total Inpatient Days	266,687	268,975
Total Average Length of Stay	5.32	5.54
Surgery Cases		
Inpatient	12,167	11,568
Outpatient	22,579	20,024
Emergency Room Visits	258,743	244,187
Worked RVUs	2,884,606	2,559,350

## COVID-19 Pandemic Impact of Operations

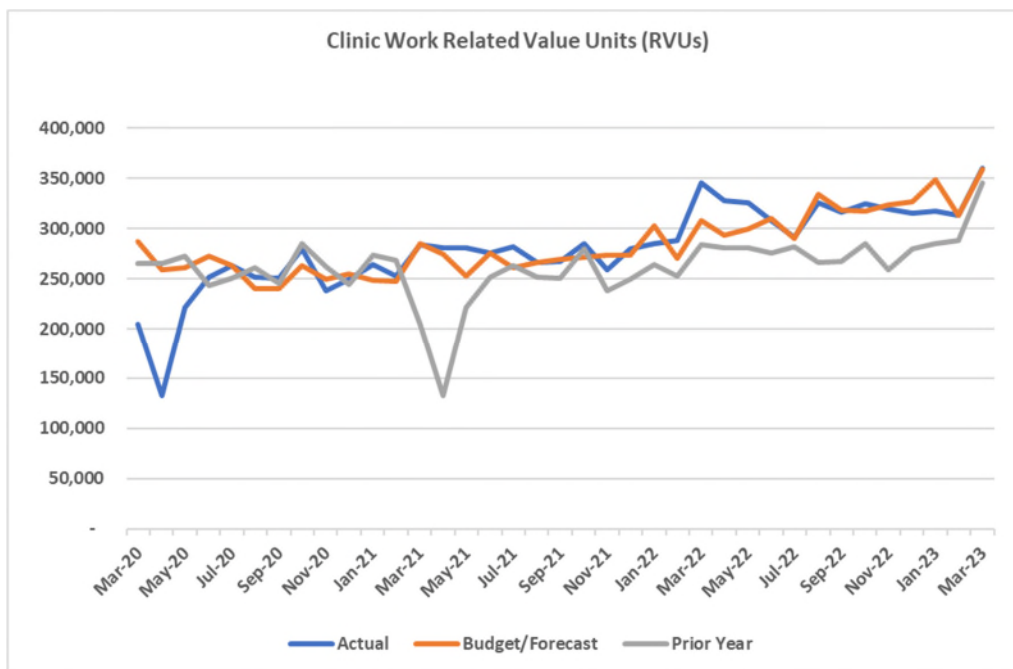
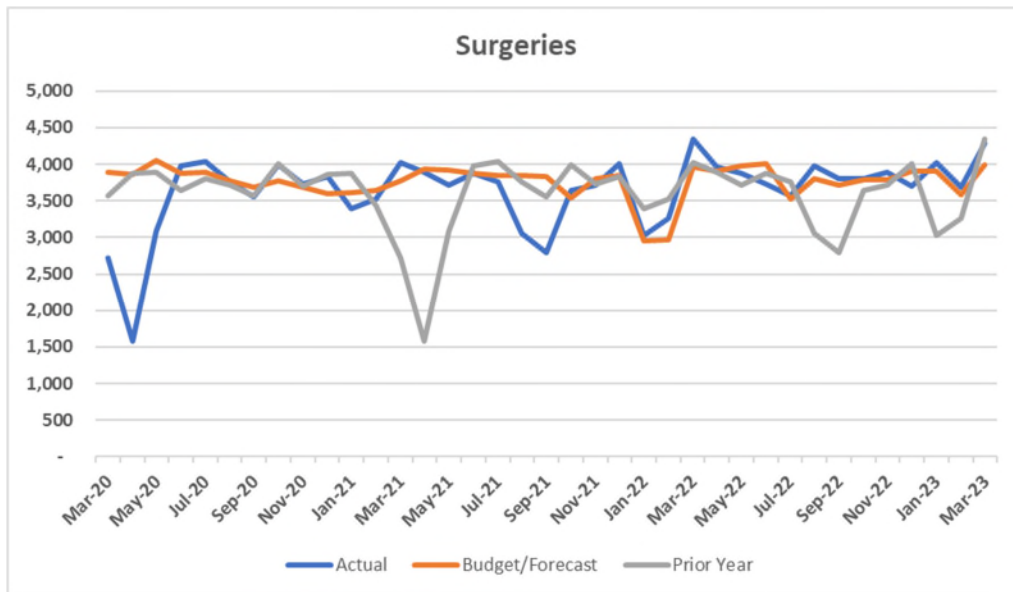
COVID-19 has had a significant impact on operating results during fiscal year 2020, 2021, 2022 and 2023.

During the pandemic, the communities served by PeaceHealth have experienced multiple surges in COVID-19 cases as shown in the chart below. In the nine months ending March 31, 2023, PeaceHealth had 2,996 COVID discharges compared to 5,023 cases for the same period prior year representing a decrease of 40%.



PeaceHealth remains committed to managing COVID-19 within our communities while also participating in broader efforts to provide vaccinations. Volume recovery remains an area of focus to provide needed access to healthcare across the Pacific Northwest. Overall worked RVUs and surgical volumes are above pre COVID levels.

The following charts show utilization statistics with respect to surgeries and clinic worked RVUs for the months of March 2020 through March 2023 as compared to the same periods prior year and as compared to PeaceHealth's budgeted/forecasted values.



The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) has provided financial aid to cover emergency funding to hospitals and providers to prevent, prepare for, and respond to COVID-19. Through March 31, 2023, PeaceHealth had received \$212.5 million under the CARES Act in the form of grants as reimbursement through the Public Health and Social Services Emergency Fund for health related COVID related expenses and lost revenues.



During the nine months ending March 31, 2023, minimal COVID-19 grant funding was received and recognized. The table below shows funding recognized in fiscal year 2020, 2021, 2022 and 2023.

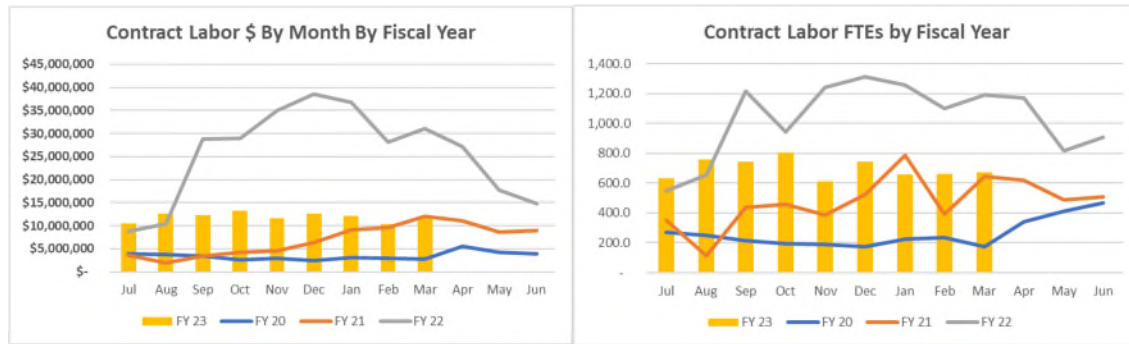
<b>Source</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
CARES Act Provider Relief Fund	\$ 108,251	\$ 25,668	\$ 78,551	\$ -
FEMA Funding	14,883	-	21,300	-
Other/Grants	871	5,947	1,243	14
<b>Total</b>	<b>\$ 124,005</b>	<b>\$ 31,615</b>	<b>\$101,094</b>	<b>\$ 14</b>

As of March 31, 2023, Medicare has fully recouped the \$298.0 million PeaceHealth received from the Medicare Accelerated and Advance Payment Program. Additionally, PeaceHealth has fully repaid \$47.2 million in employer deferred payroll taxes.

### *Financial Performance*

Total revenues for the Obligated Group for the nine months ended March 31, 2023, were approximately \$2.45 billion compared to \$2.37 billion for the same period last year. Net patient service revenues increased by 5.3% compared to the prior year. While discharges increased by 3.2%, patient days were down 0.9% leading to a decrease in average length of stay from 5.54 days to 5.32 days from the same period last year. Emergency room visits increased 6.0%, total surgeries increased by 10.0% and clinic worked RVUs increased by 12.7% from the same period last year.

Decreased length of stay, driven primarily by decreased COVID inpatients, caused average daily census to be 0.9% below prior year levels slightly decreasing staffing needs. With a tight labor market, contract labor continues to be above historical levels. Contract FTEs for the nine months ending March 31, 2023, were still 155% above pre pandemic levels. The market demand for clinical and non-clinical labor drove contract rates up significantly impacting costs. The pandemic caused extraordinary combination of increased contract hours and contract rates combined to create contract labor costs \$79.0 million or 283% greater than pre pandemic levels for the nine months ending March 31, 2023. The incremental cost compared to employed rates was \$51.2 million.



Recurring operating income before interest, taxes, depreciation and amortization (Operating EBITDA) decreased to (\$55.8) million compared to (\$70.3) million in the prior year.

Excess of revenues over expenses was (\$104.1) million for the nine months ended March 31, 2023, compared to (\$340.1) million for the same period last year. Investment income was \$90.1 million compared to (\$54.3) million in prior year. The investment portfolio allocations are aligned with policy targets.

The change in market value of interest rate swaps, net of cash payments on such swaps, was \$8.3 million compared to \$27.8 million in the prior year. The change in valuation of interest rate swaps is largely determined by the changes in market yields for similar maturity, and PeaceHealth has the intent and ability to continue to hold these swaps that are hedges for its variable rate debt exposures.

### Volumes

The chart below shows discharges, patient days, length of stay, total surgeries, emergency visits, clinic visits and clinic worked RVUs by network for the nine months ended March 31, 2023 and 2022.

Summary Statistics	Columbia Network		Northwest Network		Oregon Network		PeaceHealth	
	2023	2022	2023	2022	2023	2022	2023	2022
Discharges	19,010	17,188	12,348	11,393	18,775	20,009	50,133	48,590
Patient Days	109,930	103,825	60,835	60,814	95,922	104,336	266,687	268,975
Length of Stay	5.8	6.0	4.9	5.3	5.1	5.2	5.3	5.5
Total Surgeries	13,212	11,336	8,942	8,001	12,592	12,255	34,746	31,592
Emergency Visits	95,210	93,146	72,012	63,148	91,521	87,893	258,743	244,187
Clinic Visits	361,601	347,567	337,611	301,166	379,552	394,843	1,078,764	1,043,576
Clinic Work RVUs	1,045,421	946,570	877,752	762,163	961,433	850,617	2,884,606	2,559,350

Total discharges for the nine months ended March 31, 2023, were up 3.2% compared to the same period last year. Discharges were up from prior year by 10.6% for the Columbia Network, up 8.4% for the Northwest Network and down 6.2% for the Oregon Network.

Surgeries for the nine months ended March 31, 2023, were up 10.0% compared to the same period last year. Surgeries were up 16.5% compared to prior year for the Columbia Network, up 11.8% for the Northwest Network and up 2.7% for the Oregon Network.

Physician volumes measured by Clinic Visits increased 3.4% over prior year and Clinic Work RVUs increased 12.7%. Clinic Visits showed increases of 4.0% for the Columbia Network, increased 12.1% for the Northwest Network and decreased 3.9% for the Oregon Network.

#### *Sources of Gross Patient Service Revenue*

The Corporation's major sources of patient service revenue are from the Federal Medicare program, state welfare agencies (including Medicaid) in Washington, Oregon and Alaska, various Blue Cross and Blue Shield programs in Washington, Oregon and Alaska, health maintenance organizations and other managed care providers, and commercial insurers. Under the Medicare program and some state welfare agency programs, determination of certain amounts due to the hospitals or payable by these welfare agency programs are subject to audit of cost reports by the responsible agencies. The Corporation believes adequate provision has been made in its financial statements for any adjustments that may result from the settlement of its cost reports. As the following table indicates, the sources of the Corporation's gross patient service revenues have been relatively stable compared to prior year.

<b>Nine months ended March 31,</b>		
<b>Payor</b>	<b>2023</b>	<b>2022</b>
Medicare	53.0%	51.5%
Medicaid	20.0%	20.2%
Commercial	25.5%	26.9%
Private Pay	1.5%	1.3%
Total	100%	100%

### *Financial Position*

Given PeaceHealth's current cash position and degree of financial leverage, PeaceHealth is well positioned to make the investments in health care that it deems necessary and prudent to serve its communities and still fulfill its stewardship responsibilities to all its stakeholders, including its credit providers.

The following table shows the days cash on hand of the Obligated Group as of March 31, 2023 and 2022.

(000's Omitted)		
	2023	2022
Cash and Cash Equivalents	\$ 70,839	\$ 53,187
Short Term Investments	631,483	868,102
Board Designated Cash and Investments	1,354,304	1,667,974
Less Amounts Restricted to Use	(1,914)	(565)
Total Cash and Investments	<u>\$ 2,054,711</u>	<u>\$ 2,588,697</u>
Total expenses	\$ 2,638,366	\$ 2,577,490
Less: depreciation and amortization of other assets	(99,762)	(107,124)
	<u>\$ 2,538,605</u>	<u>\$ 2,470,366</u>
Number of Days	274	274
Days Cash on Hand	222	287

The following table shows the debt service coverage ratio of the Obligated Group as of the twelve months ended March 31, 2023 and 2022. Income available for debt service decreased \$111.9 million compared to the same period last year.

(000's Omitted)		
	2023	2022
Income Available for Debt Service		
- Excess Revenues over Expenses	\$ (318,343)	\$ (259,635)
- Depreciation & Amortization	134,727	141,732
- Change in Value of Interest Rate Swaps	(37,194)	(27,742)
- Realized (Gain) Loss on Invstments	(8,944)	(133,256)
- Three Year Average Gain (Loss) on Investments	80,821	74,576
- Change in Unrealized (Gain)/loss on Investments	120,311	79,899
- Interest and Amortization of Deferred Fin Cost	54,519	49,895
- Extrordinary Loss	89,150	301,514
Total	<u>\$ 115,046</u>	<u>\$ 226,982</u>
Historical annual debt service requirement	\$53,999	\$64,780
Historical annual debt service coverage ratio	2.13	3.50
Maximum annual debt service requirement	\$108,289	\$108,289
Maximum annual debt service coverage ratio	1.06	2.10

The following table shows the percentage of long-term debt to capitalization and total debt to capitalization of the Obligated Group as of March 31, 2023 and 2022.

(000's Omitted)		
	2023	2022
Long term debt		
Master indenture debt	\$ 1,416,321	\$ 1,431,811
Other long-term debt	254,308	37,544
Subtotal	1,670,629	1,469,355
Less: current portion of long-term debt	(10,666)	(16,214)
Net long-term debt	1,659,963	1,453,141
Net assets	2,136,494	2,451,060
Total capitalization	\$ 3,796,457	\$ 3,904,201
Percent of net long-term debt to total capitalization	43.7%	37.2%
Percent of total debt to total capitalization	43.9%	37.5%

### *Summary Financial Statements*

Summary unaudited statements of operations for the PeaceHealth Obligated Group (of which PeaceHealth Networks and PeaceHealth are the only Members) for the nine months ended March 31, 2023 and 2022 and summary balance sheets as of March 31, 2023 and June 30, 2022 are presented below.

The net assets of the Obligated Group as of March 31, 2023 and June 30, 2022 accounted for 100% of the Corporation's consolidated net assets.

**PeaceHealth Obligated Group**  
**Consolidated Balance Sheets - Unaudited**  
**As of March 31, 2023 and June 30, 2022 (000's)**

	<b>March 31, 2023</b>	<b>June 30, 2022</b>
<b><u>ASSETS:</u></b>		
Cash and Cash Equivalents	\$ 70,839	\$ 10,437
Short Term Investments	631,483	642,135
Net Patient Accounts Receivable	400,060	371,217
Other Receivables	90,238	189,541
Other Current Assets	133,302	138,395
Total Current Assets	1,325,922	1,351,725
Cash and Investments	1,441,621	1,587,494
Investments in affiliates and joint ventures and other	160,843	144,088
Total Assets Limited as to Use	1,602,464	1,731,582
Property, Plant & Equipment	3,338,568	3,295,919
Less: Accumulated Depreciation	(2,082,248)	(2,101,587)
Net Property, Plant & Equipment	1,256,320	1,194,332
Operating Lease Right of Use Assets	80,722	75,770
Other Assets	226,461	227,874
<b>Total Assets</b>	<b>\$ 4,491,889</b>	<b>\$ 4,581,283</b>
<b><u>LIABILITIES AND NET ASSETS:</u></b>		
Current Maturity of Long-Term Debt	\$ 10,666	\$ 15,411
Accounts Payable	146,900	173,582
Accrued Payroll, Taxes and Benefits	186,765	214,458
Accrued Interest Payable	15,135	5,594
Other Current Liabilities	17,784	80,186
Operating Lease Liabilities, Current Portion	11,175	10,425
Third Party Payables	31,751	89,419
Total Current Liabilities	420,175	589,075
Long Term Operating Lease Liabilities, Net of Current Portion	71,633	66,943
Total Long Term Debt	1,672,138	1,469,580
Less: Current Portion	(10,666)	(15,411)
Net Long Term Debt	1,661,472	1,454,169
Other Liabilities	202,114	202,281
Total Liabilities	2,355,395	2,312,468
Total Net Assets	2,136,494	2,268,815
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,491,889</b>	<b>\$ 4,581,283</b>

**PeaceHealth Obligated Group**  
**Consolidated Statements of Operations - Unaudited**  
**For the Nine Months Ended March 31, 2023 and 2022 (000's)**

	<b>FY 2023</b>	<b>FY 2022</b>
<b><u>Operating Revenue:</u></b>		
Net Patient Revenue	\$ 2,390,650	\$ 2,269,784
Other Operating Revenue	55,875	99,088
<b>Total Operating Revenue</b>	<u>2,446,524</u>	<u>2,368,873</u>
<b><u>Operating Expenses:</u></b>		
Salaries, Wages & Contract Labor	1,343,095	1,359,964
Payroll Taxes and Benefits	252,531	215,460
Professional Fees	58,228	51,544
Medical Supplies	250,639	220,977
Drugs & Pharmaceuticals	148,937	134,111
Other Supplies	24,799	19,933
Purchased Services	279,788	275,374
Travel and Education	8,809	7,010
Insurance	17,706	33,470
Other Expenses	117,810	121,292
<b>Operating Expenses (Before ITDA)</b>	<u>2,502,343</u>	<u>2,439,135</u>
<b>Operating EBITDA</b>	<u>(55,819)</u>	<u>(70,263)</u>
Interest	36,262	31,230
Taxes	-	-
Depreciation & Amortization	99,577	106,701
Accretion	184	423
<b>Total ITDA</b>	<u>136,024</u>	<u>138,355</u>
<b>Loss From Recurring Operations</b>	<u>(191,842)</u>	<u>(208,617)</u>
<b>Nonrecurring operating loss</b>	-	-
<b>Loss From Operations</b>	<u>(191,842)</u>	<u>(208,617)</u>
<b><u>Non-Operating Income:</u></b>		
Other NonOperating Revenue\Expense	(12,114)	(105,094)
Investment Income	23,076	100,659
Unrealized Gain(Loss) on Investments	68,990	(154,927)
Change in Valuation of Interest Rate Swaps	8,282	27,837
Gain(Loss) on Sale of Assets	(446)	
<b>Total Non-Operating</b>	<u>87,788</u>	<u>(131,525)</u>
<b>Excess of Revenue Over Expenses</b>	<u>\$ (104,054)</u>	<u>\$ (340,143)</u>



**PeaceHealth Obligated Group**  
**Consolidated Statements of Cash Flows - Unaudited**  
**For the Nine Months Ended March 31, 2023 and 2022 (000's)**

	<b>FY 2023</b>	<b>FY 2022</b>
<b><u>Cash flows from operating activities:</u></b>		
Change in net assets	\$ (132,322)	\$ (283,035)
Adjustments:		
Depreciation and amortization	99,577	106,701
Net realized gains	94	(62,205)
Net change in unrealized (gains) losses on investments	(68,990)	154,927
Loss (Gain) on sale of assets	178	(1,004)
Decrease (increase) in interest in Foundations	(1,001)	(28,354)
Change in fair market value of swap	(12,201)	(37,685)
Restricted contributions	(7,827)	(1,972)
Equity earnings on investments and other changes net of joint venture distributions	7,862	1,216
Change in certain assets and liabilities		
Patient accounts receivable, net	(28,860)	(51,901)
Other accounts receivable	104,392	(54,289)
Other assets	6	(163)
Other noncurrent assets	2,415	3,954
Accounts payable	(26,684)	36,391
Accrued liabilities	(27,693)	17,776
Estimated contractual liabilities	(82,327)	(109,919)
Accrued interest	9,541	5,455
Other current liabilities	(36,993)	(20,558)
Professional liability and Other	11,772	(17,040)
Cash provided by operating act.	<u>(189,062)</u>	<u>(341,705)</u>
<b><u>Cash flows from investing activities:</u></b>		
Acquisition of PP&E	(162,236)	(103,569)
Proceeds from sale of alternative investments	43,619	27,308
Proceeds from sale of assets	494	3,998
Purchases of alternative investments	(29,246)	(79,307)
Sales and maturities of investments (net)	186,432	367,277
Net cash used in investing activities	<u>39,063</u>	<u>215,707</u>
<b><u>Cash flows from financing activities:</u></b>		
Repayment of long-term debt	(12,443)	(11,672)
Proceeds from new financing	215,000	27,441
Proceeds from restricted contributions	7,827	1,972
Net cash provided by financing activities	<u>210,384</u>	<u>17,741</u>
Net increase (decrease) in cash	60,386	(108,257)
Cash, beginning of period	10,454	161,444
Cash, end of period	<u>\$ 70,839</u>	<u>\$ 53,187</u>

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