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PROVIDENCE Q1 FINANCIAL REPORT REFLECTS SWIFT COVID-19 RESPONSE

Having admitted the country's first known case of the virus, Providence heavily invested in front-line care and introduced innovative solutions.

RENTON, WASH. May 22, 2020 – As the nation's first health system to treat a COVID-19 patient, Providence, one of the largest health systems in the U.S., today released a quarterly financial report that reflects the high level of planning, investment and preparedness that went into the organization's comprehensive pandemic response.

Providence reported a net operating loss of \$276 million for the first quarter of 2020 compared to a loss of \$4 million in 2019. The health system made significant investments in front line care to ensure readiness for the actual and predicted surge in COVID-19 cases. This included continuing to pay its caregivers as normal through the month of April even if their programs or services were closed, as well as offering emergency paid time off, child care subsidies and other temporary benefits. Providence also worked diligently to shore up supplies of personal protective equipment for its caregivers, even if that meant paying higher prices due to the intense global demand and severe shortages. For the first three months of the year, Providence reported \$6.6 billion in operating expenses, up 10 percent from the previous year.

At the same time, government orders to suspend non-emergent procedures, beginning March 16, led to a significant decrease in volumes. Case mix adjusted admissions for Q1 was five percent lower than the previous year. The reduced volumes combined with increased operating costs drove the Q1 \$276 million net operating loss.

After Q1, Providence received approximately \$509 million in grants from tranches 1-4 of the federal CARES Act. Even with the \$286 million of recognized CARES grant funds in April, Providence experienced a net operating loss of \$179 million that month, driven by a \$503 million decline in net service revenue as compared to April 2019. Following a low-point near the end of the first quarter, Providence has seen a partial recovery of volumes.

"The pandemic is first and foremost a humanitarian health crisis, and we are incredibly proud of how Providence caregivers stepped up to meet the challenge with courage and compassion. Now, the critical path forward is reopening services safely so that we can get back to patients who have delayed their care. We have developed solid operational plans that prioritize safety as we reopen while also thoughtfully implementing our recovery plans," said Providence CFO Venkat Bhamidipati.

Over the years, Providence has made strategic investments in health care transformation that helped accelerate its response to COVID-19. This includes forward-thinking strategies around digital innovation, telehealth, diverse sites of care and modern workplaces.

Some examples of how these strategies were deployed for COVID-19, include:

- Updating screening protocols in Epic within 24 hours of admitting the first COVID-19 patient in the country.
- Collaborating with Microsoft to develop an AI "chat bot" to screen patients virtually and direct them to appropriate resources, as covered recently in the Harvard Business Review.
- Dramatically accelerating our telehealth primary care services, going from an average of 50 visits a day to more than 12,000 per day.
- Expanding our eICU capabilities to remotely monitor patients on home quarantine.

- Operating some of the largest COVID-19 clinical trials in the country.
- Launching the 100 Million Mask Challenge to spur domestic manufacturing of personal protective equipment; the campaign quickly became a national movement, now under the auspices of the American Hospital Association.

Providence's Q1 report also shows its commitment to community benefit, with an investment of \$450 million for the first three months of the year. This includes upstream investments in housing, food insecurity, mental health and substance use, and other social determinants of health. In addition, the health system continues to advance strategies to more effectively care for people who rely on Medicaid, which will be critical if more Americans lose employer-sponsored health care as a result of a weakened economy.

In terms of non-operating income, market volatility related to the COVID-19 pandemic drove investment losses of \$763 million for the first three months of the year, compared with investment gains of \$582 million for the same period in 2019. Providence has taken action to increase liquidity by adding short-term lines of credit to preserve our investments in the midst of historic volatility and illiquidity in markets.

"Time and time again, the caregivers of Providence have risen to the occasion when our communities have needed us most, and our response to COVID-19 is no exception. Our Mission has endured for more than 165 years, and thanks to the extraordinary efforts of everyone at Providence, we will continue to respond to the times and be of service to our communities for many decades to come," said Providence President and CEO Rod Hochman, M.D.

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About Providence

Providence is a national, not-for-profit Catholic health system comprising a diverse family of organizations and driven by a belief that health is a human right. With 51 hospitals, more than 1,000 physician clinics, senior services, supportive housing and many other health and educational services, the health system and its partners serve communities across seven states, Alaska, California, Montana, New Mexico, Oregon, Texas and Washington with system offices in Renton, Wash., and Irvine, Calif.