



**Unaudited Consolidated
Financial Statements and Supplementary Information**

Banner Health and Subsidiaries

June 30, 2020

Banner Health and Subsidiaries
Unaudited Consolidated Financial Statements
June 30, 2020

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Review Report of Independent Auditors

The Board of Directors
Banner Health

We have reviewed the consolidated financial information of Banner Health and Subsidiaries, which comprise the consolidated balance sheet as of June 30, 2020, and the related consolidated statements of income, changes in net assets and cash flows for the six-month periods ended June 30, 2020 and 2019.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of the interim financial information in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in conformity with U.S. generally accepted accounting principles.

Auditor's Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial information referred to above for it to be in conformity with U.S. generally accepted accounting principles.

Report on Balance Sheet as of December 31, 2019

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of Banner Health and Subsidiaries as of December 31, 2019, and the related consolidated statements of income, changes in net assets and cash flows for the year then ended (not presented herein), and we expressed an unmodified audit opinion on those consolidated financial statements in our report dated March 17, 2020. In our opinion, the accompanying consolidated balance sheet of Banner Health and Subsidiaries as of December 31, 2019, is consistent, in all material respects, with the consolidated balance sheet from which it was derived.

Ernst & Young LLP

August 12, 2020

Banner Health and Subsidiaries

Consolidated Balance Sheets

(In Thousands)

	Unaudited June 30 2020	December 31 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,038,804	\$ 496,348
Short-term investments	292,850	113,230
Collateral held under securities lending program	289,982	208,533
Assets limited as to use	89,121	149,512
Patient receivables	979,770	943,316
Inventories	260,143	222,238
Other receivables	359,699	431,578
Other current assets	125,878	124,259
Total current assets	3,436,247	2,689,014
Assets limited as to use:		
Funds designated by:		
Board of Directors	2,290,267	2,371,342
Lease agreements	2,041	1,990
Funds held by trustees under:		
Self-insurance funding arrangements	129,184	114,114
Project fund	-	9,182
Other funds	192,807	227,070
Total assets limited as to use, less current portion	2,614,299	2,723,698
Property and equipment, net	4,324,936	4,238,913
Right of use assets - Operating	255,916	252,269
Right of use assets - Finance	76,203	28,819
Other assets:		
Long-term investments	2,549,820	2,428,594
Other	826,264	805,099
Total other assets	3,376,084	3,233,693
Total assets	\$ 14,083,685	\$ 13,166,406

Banner Health and Subsidiaries

Consolidated Balance Sheets

(In Thousands)

	Unaudited June 30 2020	December 31 2019
Liabilities and net assets		
Current liabilities:		
Trade accounts payable	\$ 180,029	\$ 269,057
Current portion of long-term debt	84,812	376,501
Debt subject to self liquidity	400,000	400,000
Current portion of operating lease obligations	66,101	67,389
Current portion of finance lease obligations	2,952	2,952
Payable under securities lending program	289,982	208,533
Estimated current portion of third-party payor settlements	4,500	8,262
Accrued expenses:		
Salaries and benefits	552,959	508,926
Medical claims payable	180,168	224,058
Other	956,180	254,940
Total current liabilities	2,717,683	2,320,618
Long-term debt, less current portion	3,781,285	3,245,669
Operating lease obligations, less current portion	208,536	206,399
Finance lease obligations, less current portion	81,369	27,046
Estimated self-insurance liabilities, less current portion	192,872	176,388
Estimated third-party payor settlements, less current portion	13,318	16,534
Interest rate swaps	475,815	335,259
Other	187,510	188,455
Total liabilities	7,658,388	6,516,368
Net assets without donor restrictions:		
Attributable to Banner Health	6,143,197	6,393,695
Attributable to non-controlling interests	89,783	63,212
Net assets without donor restrictions	6,232,980	6,456,907
Net assets with donor restrictions	192,317	193,131
Total net assets	6,425,297	6,650,038
Total liabilities and net assets	\$ 14,083,685	\$ 13,166,406

See accompanying notes.

Banner Health and Subsidiaries

Consolidated Statements of Income

Unaudited

(In Thousands)

	Six Months Ended June 30	
	2020	2019
Revenues:		
Net patient service revenue	\$ 3,405,220	\$ 3,510,897
Medical insurance premiums	909,942	957,588
Other revenue	440,237	201,551
Total revenues	<u>4,755,399</u>	<u>4,670,036</u>
Expenses:		
Salaries and benefits	2,212,658	2,130,275
Supplies	744,939	732,282
Physician and professional fees	113,448	119,445
Medical claims cost, net of Banner claims of \$133,907 and \$177,888 in 2020 and 2019, respectively	677,531	739,802
Depreciation and amortization	243,561	222,294
Interest	73,427	61,667
Purchased services	299,877	290,479
Other	280,923	261,990
Total expenses	<u>4,646,364</u>	<u>4,558,234</u>
Operating income	109,035	111,802
Other (loss) income:		
Investment (loss) income, net	(216,160)	411,835
Unrealized loss on interest rate swaps	(140,669)	(73,950)
Other loss	(2,576)	(5,116)
Total other (loss) income	<u>(359,405)</u>	<u>332,769</u>
(Deficiency) excess of revenues over expenses	(250,370)	444,571
Less excess of revenues over expenses attributable to non-controlling interests	16,781	13,650
(Deficiency) excess of revenues over expenses attributable to Banner Health	<u>\$ (267,151)</u>	<u>\$ 430,921</u>

See accompanying notes.

Banner Health and Subsidiaries

Consolidated Statements of Changes in Net Assets

Unaudited

(In Thousands)

	Six Months Ended June 30	
	2020	2019
Net assets without donor restrictions:		
(Deficiency) excess of revenues over expenses attributable to Banner Health	\$ (267,151)	\$ 430,921
Cumulative effect of change in accounting principles	-	24,637
Contributions for property and equipment acquisitions	16,539	10,105
Other changes in net assets	114	112
(Decrease) increase in net assets without donor restrictions	<u>(250,498)</u>	465,775
Excess of revenues over expenses attributable to non-controlling interests	16,781	13,650
Net contributions from (distributions to) non-controlling interests	9,790	(11,183)
Increase attributable to non-controlling interests	<u>26,571</u>	2,467
Net assets with donor restrictions:		
Contributions	24,222	12,482
Net unrealized (loss) gain on investments	(1,732)	2,031
Net assets released from restriction	(23,304)	(18,397)
Decrease in net assets with donor restrictions	<u>(814)</u>	(3,884)
(Decrease) increase in net assets	(224,741)	464,358
Net assets, beginning of period	6,650,038	5,848,603
Net assets, end of period	<u><u>\$ 6,425,297</u></u>	<u><u>\$ 6,312,961</u></u>

See accompanying notes.

Banner Health and Subsidiaries

Consolidated Statements of Cash Flows

Unaudited

(In Thousands)

	Six Months Ended June 30	
	2020	2019
Operating activities		
(Decrease) increase in net assets	\$ (224,741)	\$ 464,358
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Loss on early extinguishment of debt	-	1,782
Depreciation and amortization	243,561	222,294
Net increase on investments designated as trading	(244,173)	(748,463)
Net unrealized loss on interest rate swaps	140,669	73,950
Cumulative effect of change in accounting principles	-	(24,637)
Gain on sale of assets	-	(1,217)
Contributions for property and equipment and other	(16,539)	(10,105)
Restricted contributions	(24,222)	(12,482)
Non-controlling interest	4,900	12,250
Changes in operating elements:		
Patient receivables	(36,454)	(34,669)
Inventories and other current assets	32,355	42,900
Accounts payable and accrued expenses	612,355	12,573
Estimated third-party settlements	(6,978)	2,633
Estimated self-insurance liabilities	16,484	6,930
Other assets and liabilities	8,237	51,747
Net cash provided by operating activities	505,454	59,844
Investing activities:		
Net purchases of property and equipment	(307,032)	(282,909)
Transfer from (to) project fund	9,182	(53,650)
Increase in other assets	(26,763)	(104,629)
Net cash used in investing activities	(324,613)	(441,188)
Financing activities:		
Proceeds from restricted contributions	24,222	12,482
Proceeds from issuance of debt	667,250	686,615
Payments on finance leases and leased hospital obligations	(991)	(15,710)
Payments on long-term debt	(427,901)	(338,572)
Cash distributions to non-controlling interests	(4,900)	(12,250)
Net cash provided by financing activities	257,680	332,565
Net increase in cash, cash equivalents, and restricted cash	438,521	(48,779)
Cash, cash equivalents, and restricted cash at beginning of year	791,060	798,964
Cash, cash equivalents, and restricted cash at end of period	\$ 1,229,581	\$ 750,185
Supplemental disclosure of cash flow information		
Interest paid, including amounts capitalized	\$ 59,468	\$ 52,929

See accompanying notes.

Banner Health and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

June 30, 2020

1. Description of Business

Banner Health is a nonprofit corporation exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable state income tax codes. Banner Health and its subsidiaries (collectively, Banner) own, control, or lease hospitals, clinics, nursing homes, clinical laboratories, ambulatory surgery centers, urgent care centers, home health agencies, a captive insurance company, a foundation, an accountable health care organization, a Medicaid managed care health plan and related Medicare Advantage health plan, and other health care-related organizations in six western states. Banner also holds controlling interests in several health care-related business ventures and non-controlling interests in several other entities.

In January 2020, Banner entered into a letter of intent to acquire Wyoming Medical Center (“WMC”), a 249 licensed bed general acute care hospital with two campuses in Casper, Wyoming, together with a related medical group and other ancillary operations. Under the letter of intent, Banner will become the sole member of Wyoming Medical Center, Inc. (“WMC, Inc.”), which currently leases WMC from Natrona County. Banner expects to acquire the assets and real property from Natrona County as part of the transaction.

2. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial reporting, applied on a basis substantially consistent with that of the 2019 audited financial statements of Banner. They do not include all of the information and footnotes required by GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2020 are not necessarily indicative of the results to be expected for the year ending December 31, 2020. For more information, refer to the audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2019.

The separate details of the Obligated and Non-Obligated Group financial statements are presented for purposes of additional analysis and are not a required part of the consolidated financial statements.

Basis of Consolidation

The accompanying consolidated financial statements reflect the consolidated operations of all owned and leased operating units of Banner and its wholly owned subsidiaries. Banner also holds controlling interests in several business ventures, the financial results of which are included in Banner’s consolidated financial statements. Banner records the unrelated investor’s ownership share of these business ventures as non-controlling interest.

All significant intercompany accounts and transactions have been eliminated in consolidation.

Banner Health and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

June 30, 2020

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash and highly liquid marketable securities with an original maturity of three months or less when purchased by Banner. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheet that sum to the total of the same such amounts shown in the consolidated statement of cash flows for the six months ended June 30, 2020:

	June 30, 2020	December 31, 2019
	<i>(In Thousands)</i>	
Cash and cash equivalents	\$ 1,038,804	\$ 496,348
Investments	27,319	20,142
Assets limited as to use	163,458	274,570
Cash, cash equivalents, and restricted cash	<u>\$ 1,229,581</u>	<u>\$ 791,060</u>

Short-Term Investments

Short-term investments primarily include debt securities with maturity dates of one year or less from the balance sheet date, U.S. Treasury government obligations and actively traded equity securities that are expected to be used on a short-term basis for working capital needs. These investments are stated at fair value (see Note 3).

Investments

Investment income, including interest and dividends, realized gains and losses on investments, unrealized gains and losses on investments, and income and losses on alternative investments, is included in excess of revenues over expenses, unless the income or loss is restricted by donor or law.

Banner invests in various investment securities that are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Banner invests in various commingled funds, which are assets from multiple accounts, primarily equities, blended into a single fund. Commingled funds do not have a readily determinable fair value, despite the nature of the underlying securities, therefore the net asset value, as reported by the fund manager, is used as a practical expedient for fair value. As such, they are excluded from the fair value hierarchy (see Note 3) and noted as investments measured at net asset value: private commingled funds.

Banner invests in alternative investments, mainly hedge funds, through limited partnerships. Banner accounts for its ownership interests in these alternative investments under the equity method of accounting, based on the net asset value per share of the fund held by Banner. The hedge fund net asset value is provided to Banner by each of the hedge fund managers. The net asset value is determined based on the estimated fair value of each of the underlying investments held in the hedge fund. However, the hedge fund investment holdings may include investments in private investment funds whose values have been estimated by the hedge fund managers in the absence of readily

Banner Health and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

June 30, 2020

2. Significant Accounting Policies (continued)

ascertainable fair values. Due to the inherent uncertainty of these estimates, these values may differ from the values that would have been used had a ready market for these investments existed. The investment income recorded is based on Banner's proportionate share of the hedge fund portfolio's change in net asset value during the year. The alternative investment income is primarily recorded within income (loss) from alternative investments on the consolidated statement of income, with the remainder recorded as a change to restricted net assets for those funds that have been restricted by the donor. Banner has recorded approximately (\$60,316,000) and \$70,014,000 of alternative investment unrestricted realized and unrealized gains/losses for the periods ended June 30, 2020 and June 30, 2019, respectively. The restricted share of alternative investment realized, and unrealized income is approximately \$1,431,000 and \$475,000 for the period ended June 30, 2020 and June 30, 2019, respectively.

Certain of Banner's alternative investments are subject to redemption lockup periods or have capital call commitments. As of June 30, 2020, approximately \$202,593,000 of Banner's alternative investments were subject to a two-year redemption lockup period. In addition, certain of Banner's alternative investment agreements follow a capital call structure, of which Banner has committed up to approximately \$375,500,000. Of that total, Banner has made capital contributions with a current market value of \$189,231,000 as of June 30, 2020, resulting in up to approximately \$186,269,000 in uncalled commitments.

Banner uses derivative financial instruments in its investment portfolio to moderate changes in value due to fluctuations in the financial markets. Banner has not designated its derivatives related to marketable securities as hedged financial instruments. Accordingly, the change in the fair value of derivatives is recognized as a component of investment income. Banner's fixed-income manager has executed a master netting arrangement for each of the derivative instruments held by the same counterparty, which are legally offset as the instrument is settled. Banner's derivative contracts in a net loss position were reported on a net basis on the accompanying consolidated balance sheets as of June 30, 2020 and December 31, 2019. As of June 30, 2020, approximately \$46,006,000 of gross derivative assets and approximately \$47,172,000 of gross derivative liabilities were netted together within investments. As of December 31, 2019, approximately \$175,008,000 of gross derivative assets and approximately \$174,803,000 of gross derivative liabilities were netted together within investments (see Note 3).

Banner has entered into a repurchase agreement for approximately \$4,700,000 and \$11,100,000 as of June 30, 2020 and December 31, 2019, respectively. In connection with the repurchase agreement, Banner has loaned cash to certain financial institutions in exchange for purchased securities that serve as collateral. The fair value of the collateral provided by these financial institutions, based on quoted market prices in active markets, was approximately \$4,794,000 and \$11,374,000 as of June 30, 2020 and December 31, 2019, respectively. The repurchase agreement has been characterized as a collateralized borrowing. The collateral has not been sold or pledged to an external party as of June 30, 2020 and December 31, 2019, and, accordingly, is not recorded on the consolidated balance sheets. The executed repurchase agreement as of June 30, 2020 will mature during 2020.

Net Patient Service Revenue

Net patient service revenue is reported at the amount to which Banner expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlement of ongoing and future audits, reviews, and investigations.

Banner Health and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

June 30, 2020

2. Significant Accounting Policies (continued)

Banner uses a portfolio approach to account for categories of patient contracts as a collective group, rather than recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for inpatient revenue and major payor classes and types of services provided for outpatient revenue. Based on historical collection trends and other analyses, Banner believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

Banner's initial estimate of the transaction price for services provided to patients is determined by reducing the total standard charges related to the patient services provided by various elements of variable consideration, including contractual adjustments, discounts, implicit price concessions, and other reductions to Banner's standard charges. Banner determines the transaction price associated with services provided to patients who have third-party payor coverage based on the reimbursement terms outlined in contractual agreements, Banner's discount policies and historical experience. For uninsured and under-insured patients who do not qualify for charity care, Banner determines the transaction price associated with services on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on Banner's historical collection experience for applicable patient portfolios. Patients who meet Banner's criteria for free care are provided care without charge; such amounts are not reported as revenue. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of the change.

Net patient service revenue is recognized as performance obligations are satisfied, even though Banner bills patients and third-party payors several days after the services are performed and/or the patient is discharged. Performance obligations are determined based on the nature of the services provided by Banner. Net patient service revenue for performance obligations satisfied over time is recognized based on actual charges incurred to date in relation to total expected charges. Banner believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services. Banner measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and Banner does not believe it is required to provide additional goods or services to the patient.

Banner has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the payors, the lines of business that render services to patients and the timing of when revenue is recognized and billed. Net patient service revenue for the quarter ended June 30, 2020 and 2019, by payor is as follows:

	2020	2019
	<i>(In Thousands)</i>	
Hospital	\$ 2,815,348	\$ 2,967,500
Physician services	309,727	300,591
Laboratory	131,969	105,123
Ambulatory and other	148,176	137,683
	<u>\$ 3,405,220</u>	<u>\$ 3,510,897</u>

Banner Health and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

June 30, 2020

2. Significant Accounting Policies (continued)

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement, which changes the disclosure requirements for fair value measurement. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 and will be applied using a retrospective approach. The Company adopted the standard on January 1, 2020 and it did not have a material impact on its consolidated financial statements.

In January 2017, the FASB issued a new intangibles-goodwill accounting standard. The accounting standard simplified the test used to evaluate goodwill and other intangibles for impairment. Under the new accounting standard, a company will perform its annual goodwill impairment test by comparing the fair value of the reporting unit with its carrying amount. An impairment charge will be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, however, the impairment loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. A company will still have the option to perform the qualitative assessment for a reporting unit. This accounting standard is effective for fiscal year beginning after December 15, 2020. Management is currently evaluating the impact of adopting this accounting standard.

3. Fair Value Measurements

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, Banner utilizes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1. Pricing inputs into the determination of fair value are generally observable inputs, such as quoted prices for identical instruments in active markets.

Level 2. Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3. Pricing inputs are generally unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using factors that involve considerable judgment and interpretation including, but not limited to, private and public comparables, third party appraisals, discounted cash flow models, and fund manager estimates.

Banner Health and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

June 30, 2020

3. Fair Value Measurements (continued)

Assets and liabilities measured at fair value are generally based on the market approach, using prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Interest rate swap liabilities are valued using the income approach, which uses techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

Banner's alternative investments, of approximately \$1,107,577,000 and \$1,141,939,000 as of June 30, 2020 and December 31, 2019, respectively, are accounted for using the equity method of accounting. Accordingly, the alternative investments are omitted from the following schedule of financial instruments measured at fair value. There have not been any changes in any financial instruments' fair value classification between Level 1 and Level 2 since December 31, 2019. Banner has no Level 3 financial instruments.

Banner Health and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

June 30, 2020

3. Fair Value Measurements (continued)

	June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 190,777	\$ 190,470	\$ 307	\$ -
Collateral held under securities lending (primarily cash and debt securities)	289,982	161,944	128,038	
Mutual funds:				
Mutual funds – U.S. funds	1,149,235	1,149,235	-	-
Mutual funds – International	473,846	473,846	-	-
Total mutual funds	1,623,081	1,623,081	-	-
Debt securities:				
U.S. Treasury/government obligations	451,919	-	451,919	-
Corporate bonds/non-U.S. government bonds	395,554	-	395,554	-
Asset-backed securities	252,282	-	252,282	-
Commercial mortgage-backed securities	47,295	-	47,295	-
Non-government-backed collateralized mortgages	31,230	-	31,230	-
Government mortgage-backed securities	154,744	-	154,744	-
Government commercial-backed securities	8,381	-	8,381	-
Total debt securities	1,341,405	-	1,341,405	-
Repurchase agreements	4,700	-	4,700	-
Equity securities:				
U.S. equity securities	1,618	1,618	-	-
International equity securities	148	148	-	-
Total equity securities	1,766	1,766	-	-
Derivative securities:				
Future contracts	45,051	45,051	-	-
Forward contracts	168	-	168	-
Interest rate swap agreements	-	-	-	-
Options agreements	11	-	11	-
Net credit swaps	776	-	776	-
Subtotal derivative assets	46,006	45,051	955	-
Future contracts	(45,051)	(45,051)	-	-
Forward contracts	(301)	-	(301)	-
Interest rate swap agreements	-	-	-	-
Option agreements	(16)	-	(16)	-
Net credit swaps	(1,804)	-	(1,804)	-
Subtotal derivative liabilities	(47,172)	(45,051)	(2,121)	-
Total investments in the fair value hierarchy	\$ 3,450,545	\$ 1,977,261	\$ 1,473,284	\$ -
Investment measured at net asset value: private commingled fund	1,379,536			
Total fair value investments	<u>\$ 4,830,081</u>			
Short-term investments	\$ 292,850			
Collateral held under securities lending agreements	289,982			
Assets limited as to use	2,703,420			
Long-term investments	2,549,820			
Other assets – Banner Foundation restricted funds	103,945			
Less alternative investments	1,107,577			
Less split-dollar life insurance	2,359			
Total fair value investments	<u>\$ 4,830,081</u>			
Interest rate swaps included in other long-term liabilities	\$ (475,815)	\$ -	\$ (475,815)	\$ -

Banner Health and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

June 30, 2020

3. Fair Value Measurements (continued)

	December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 294,712	\$ 283,496	\$ 11,216	\$ –
Collateral held under securities lending (primarily cash and debt securities)	208,533	141,635	66,898	
Mutual funds:				
Mutual funds – U.S. funds	1,014,628	1,014,628	–	–
Mutual funds – International	356,225	356,225	–	–
Total mutual funds	1,370,853	1,370,853	–	–
Debt securities:				
U.S. Treasury/government obligations	274,353	–	274,353	–
Corporate bonds/non-U.S. government bonds	353,431	–	353,431	–
Asset-backed securities	190,195	–	190,195	–
Commercial mortgage-backed securities	32,465	–	32,465	–
Non-government-backed collateralized mortgages	31,382	–	31,382	–
Government mortgage-backed securities	131,716	–	131,716	–
Government commercial-backed securities	5,339	–	5,339	–
Total debt securities	1,018,881	–	1,018,881	–
Repurchase agreements	11,100	–	11,100	–
Equity securities:				
U.S. equity securities	957	957	–	–
International equity securities	208,767	208,767	–	–
Total equity securities	209,724	209,724	–	–
Derivative securities:				
Future contracts	120,151	120,151	–	–
Forward contracts	53,128	–	53,128	–
Interest rate swap agreements	45	–	45	–
Net credit swaps	1,684	–	1,684	–
Subtotal derivative assets	175,008	120,151	54,857	–
Future contracts	(120,151)	(120,151)	–	–
Forward contracts	(53,214)	–	(53,214)	–
Interest rate swap agreements	–	–	–	–
Option agreements	(121)	–	(121)	–
Net credit swaps	(1,317)	–	(1,317)	–
Subtotal derivative liabilities	(174,803)	(120,151)	(54,652)	–
Total investments in the fair value hierarchy	\$ 3,114,008	\$ 2,005,708	\$ 1,108,300	\$ –
Investment measured at net asset value: private commingled fund	1,450,599			
Total fair value investments	<u>\$ 4,564,607</u>			
Short-term investments	\$ 113,230			
Collateral held under securities lending agreements	208,533			
Assets limited as to use	2,873,210			
Long-term investments	2,428,594			
Other assets – Banner Foundation restricted funds	85,886			
Less alternative investments	1,141,939			
Less split-dollar life insurance	2,907			
Total fair value investments	<u>\$ 4,564,607</u>			
Interest rate swaps included in other long-term liabilities	\$ (335,259)	\$ –	\$ (335,259)	\$ –

Banner Health and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
June 30, 2020

3. Fair Value Measurements (continued)

Investment (loss) income consisted of the following for the six months ended June 30:

	2020	2019
	<i>(In Thousands)</i>	
Interest and dividend income	\$ 31,303	\$ 35,800
Net realized (loss) gain on sales of marketable securities	(13,179)	25,966
Realized and unrealized (loss) gain from alternative investments, including amount recorded in net assets with donor restriction	(58,352)	70,489
Net realized loss on derivative instruments	(534)	3,957
Net unrealized (loss) gain on marketable securities	(174,265)	280,699
Net unrealized gain on derivative instruments	276	(278)
	(214,751)	416,633
Less investment gain credited to other revenue, restricted equity, and capitalized bond project funds	1,409	4,798
Investment (loss) income, net	\$ (216,160)	\$ 411,835

4. Liquidity

Financial assets available for general expenditure within one year of the balance sheet date, consist of the following as of June 30, 2020 and December 31, 2019:

	2020	2019
	<i>(In Thousands)</i>	
Cash and cash equivalents	\$ 1,038,804	\$ 496,348
Patient receivables	979,770	943,316
Other receivables	359,699	431,578
Short-term investments	292,850	113,230
Funds designated by board of directors and lease agreements	2,292,308	2,373,332
Long-term investments	2,549,820	2,428,594
	\$ 7,513,251	\$ 6,786,398

Banner has the ability to structure its financial assets to be available as its general expenditures and other obligations come due. Cash in excess of daily requirements is invested in short-term investments.

Banner established a new line of credit totaling \$150,000,000 from Bank of America, N.A. during the second quarter of 2020. Together with Banner's bank syndicate credit facility of \$400,000,000, Banner has access to \$550,000,000 to support liquidity needs. As of June 30, 2020, the full \$550,000,000 remained available on the lines of credit.

Banner Health and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

June 30, 2020

5. Debt

At June 30, 2020 and December 31, 2019, the estimated fair value of Banner's debt, excluding unamortized net premiums, was \$4,305,793,000 and \$3,763,816,000, respectively. The estimated fair value is based on quoted market prices for these issues or, where such prices are not available, on current interest rates for debt with similar remaining maturities.

On April 16, 2020, Banner converted \$300,000,000 of outstanding self-liquidity variable rate demand bonds to Floating Rate Notes. The conversion serves to safeguard these bonds from trading and put risk, for 9 to 12 months.

Banner closed on \$607,710,000 of bond debt on May 14, 2020. The bond issuance was comprised of a 2020A series, which was used to reimburse the line of credit utilized to finance the acquisition of the North Colorado Medical Center assets, and a 2020 B series which will be used as strategic capital.

6. Interest Rate Swap Agreements

Banner has multiple interest rate swap contracts that effectively convert the variable rate of certain bonds into fixed rates. Banner's obligations under the swap agreements are secured by the Master Indenture.

The interest rate swaps did not qualify for hedge accounting treatment under accounting standards for derivative instruments and hedging activities. The derivative mark-to-market adjustments resulted in unrealized (losses) or gains of approximately \$(140,669,000) and \$(73,950,000) for the six months ended June 30, 2020 and 2019, respectively, recorded in excess of revenues over expenses. The net realized portion of the interest rate swaps for the six months ended June 30, 2020 and 2019, recorded as an increase to interest expense, was approximately \$17,878,000 and \$12,394,000, respectively.

Each of the interest rate swap agreements has collateral posting thresholds based on the counterparties' bond ratings. At the AA- rating level, Banner and its counterparty must post collateral when the mark-to-market value exceeds \$35,000,000-\$88,000,000, depending on the counterparty. For two counterparties, no collateral is required. At June 30, 2020 and December 31, 2019, Banner had approximately \$65,508,000 and approximately \$101,619,000, respectively, of collateral outstanding with its counterparties. The fair value of the collateral is reported as assets limited as to use – other funds on the accompanying consolidated balance sheets.

As of June 30, 2020, and December 31, 2019, the estimated fair value of the interest rate swaps resulted in an imputed obligation of \$475,815,000 and \$335,259,000, respectively, which is recorded in interest rate swaps on the accompanying consolidated balance sheets. The fair value of the swaps is based on the forward LIBOR curve.

On June 29, 2020, partial novations of interest rate swap agreements were completed between Morgan Stanley to Mizuho Capital Markets LLC and between Merrill Lynch Capital Services, Inc. to Bank of New York Mellon. The Mizuho Capital Markets LLC partial novation begins January 1, 2025 and expires July 1, 2029 and the Bank of New York Mellon partial novation begins July 1, 2025 and expires October 1, 2031. Approximately \$125,000,000 of collateral was returned as a result of the partial novations. Morgan Stanley and Merrill Lynch swap agreements remain in effect for the balance of the of the swap terms following expiration of the partial novations, including the collateral posting requirements.

Banner Health and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

June 30, 2020

7. Leases

Banner adopted Accounting Standards Update 2016-02, *Leases* (Topic 842), on January 1, 2019. Banner elected a practical expedient to apply the new standard at the adoption date and not recast the comparative periods presented. As of January 1, 2019, Banner recorded a right-of-use asset of approximately \$491,695,000, a lease obligation of approximately \$507,599,000, and a cumulative effect adjustment to the opening balance of net assets without donor restriction of \$24,637,000. The transition adjustment relates to the reversal of the property and equipment lease obligations that were recognized as a sale leaseback as of December 31, 2018. Banner also elected a package of practical expedients to not reassess existing or expired contracts, lease classification, or initial direct costs for existing leases. Short term leases (12 months or less) will not be subject to the new standard per Banner's accounting policy. Included in the lease term are any renewal options reasonably certain of being exercised. Banner uses a risk-free discount rate commensurate with the lease term to determine the present value of lease payments used to record the right-of-use asset and related lease liability. The table below summarizes the components of lease cost by lease type for the six months ended June 30, 2020 and 2019, followed by disclosure of weighted average remaining lease term and weighted average discount rate by type:

	2020	2019
	<i>(In Thousands)</i>	
Finance lease cost:		
Amortization of right-of-use assets	\$ 2,136	\$ 15,580
Interest on lease liabilities	1,263	2,847
Operating lease cost	34,332	31,656
Short-term lease cost	4,385	5,110
Variable lease cost	4,668	2,688
Total lease cost	\$ 46,784	\$ 57,881
Weighted-average remaining lease term-finance leases (yrs)	20.2	10.1
Weighted-average remaining lease term-operating leases (yrs)	5.6	7.3
Weighted-average discount rate-finance leases	2.97%	3.11%
Weighted-average discount rate-operating leases	2.41%	2.57%

The following table presents cash paid for amounts included in the measurement of lease liabilities for the six months ended June 30:

	2020	2019
	<i>(In Thousands)</i>	
Operating cash flows for operating leases	\$ 35,367	\$ 31,671
Operating cash flows for finance leases	\$ 866	\$ 3,004
Financing cash flows for finance leases	\$ 991	\$ 15,710

Banner Health and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

June 30, 2020

7. Leases (continued)

Maturities of Lease Liabilities

The following table reconciles the undiscounted cash flows to the finance lease liabilities and operating lease liabilities recorded on the balance sheet at June 30, 2020:

	Operating Leases	Finance Leases
	<i>(In Thousands)</i>	
2020	\$ 36,910	\$ 1,488
2021	66,929	4,810
2022	55,313	4,839
2023	40,691	4,810
2024	32,685	4,547
Thereafter	66,501	89,317
Total minimum lease payments	\$ 299,029	\$ 109,811
Less: amount of lease payments representing interest	(24,392)	(25,490)
Present value of future minimum lease payments	274,637	84,321
Less: current obligations under leases	(66,101)	(2,952)
Long-term lease obligations	208,536	81,369

8. Statement of Functional Expenses

The following statement of functional expenses reports Banner's operating expenses, as presented on the consolidated statements of income, by each of Banner's major operating functions for the six months ended June 30, 2020 and 2019. Operating expenses that are attributable to more than one operating function have been allocated using a basis representative of the operating expenditure such as patient volume, full-time equivalent or facility size.

Expenses June 30, 2020

	Delivery	Insurance Operations	Corporate Services	Other/ Eliminations	Banner Health Consolidated
	<i>(In Thousands)</i>				
Expenses:					
Salaries and benefits	\$ 1,887,988	\$ 51,999	\$ 333,614	\$ (60,943)	\$ 2,212,658
Supplies	750,286	598	3,703	(9,648)	744,939
Physician and professional fees	110,804	7,439	14,428	(19,223)	113,448
Medical claims costs	-	811,438	-	(133,907)	677,531
Depreciation and amortization	197,603	946	45,013	(1)	243,561
Interest expense	62,532	1,814	9,125	(44)	73,427
Purchased services	219,693	13,491	148,455	(81,762)	299,877
Other expense	771,567	22,515	(512,123)	(1,036)	280,923
Total expenses	\$ 4,000,473	\$ 910,240	\$ 42,215	\$ (306,564)	\$ 4,646,364

Banner Health and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

June 30, 2020

8. Statement of Functional Expenses (continued)

Expenses June 30, 2019

	Delivery	Insurance Operations	Corporate Services	Other/ Eliminations	Banner Health Consolidated
	<i>(In Thousands)</i>				
Expenses:					
Salaries and benefits	\$ 1,831,327	\$ 46,921	\$ 318,921	\$ (66,894)	\$ 2,130,275
Supplies	744,177	425	(7,051)	(5,269)	732,282
Physician and professional fees	113,069	5,804	20,018	(19,446)	119,445
Medical claims costs	-	917,691	-	(177,889)	739,802
Depreciation and amortization	185,162	894	36,238	-	222,294
Interest expense	64,939	1,214	(4,426)	(60)	61,667
Purchased services	220,791	16,052	139,242	(85,606)	290,479
Other expense	755,808	24,147	(516,717)	(1,248)	261,990
Total expenses	<u>\$ 3,915,273</u>	<u>\$ 1,013,148</u>	<u>\$ (13,775)</u>	<u>\$ (356,412)</u>	<u>\$ 4,558,234</u>

9. Commitments and Contingencies

Compliance with Laws and Regulations

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers.

Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future review and interpretation as well as regulatory actions unknown or unasserted at this time.

10. COVID-19

The outbreak of COVID-19, a respiratory disease caused by a novel strain coronavirus, has and will continue to have significant adverse impacts on the operations and financial condition of health care providers generally. The treatment of this contagious disease at health care facilities has resulted in a temporary shutdown or diversion of patients from those facilities and in staffing and supply shortages. Elective procedures and other patient care appointments are being deferred and individuals may otherwise avoid medical treatment unrelated to COVID-19, resulting in reduced patient volumes and operating revenues at outpatient facilities.

Banner Health and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

June 30, 2020

10. COVID-19 (continued)

A variety of federal, state, and local efforts have been initiated in response to the COVID-19 crisis, the largest of which is the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") that was enacted on March 27, 2020. The CARES Act is a federal stimulus package designed to provide emergency assistance to individuals and businesses, including hospitals and other health care providers. Banner has received approximately \$307,000,000 in stimulus funding to cover lost revenues or unreimbursed health care related expenses attributable to the public health emergency resulting from COVID-19 as of June 30, 2020. Approximately \$210,000,000 of these funds has been recognized as other operating revenue for the six months ended June 30, 2020. In addition, Banner received \$609,000,000 of Medicare Advance and Accelerated Payments to help support liquidity needs in the short term.

11. Subsequent Events

Subsequent events have been evaluated through August 12, 2020, the date of issuance of the accompanying consolidated financial statements.

Supplementary Information

Banner Health

Balance Sheet - Obligated and Non-Obligated Group Details of Consolidation

June 30, 2020

Unaudited

(In Thousands)

	Obligated Group	Non-Obligated Group	Eliminations	Total Consolidated
Assets				
Current assets:				
Cash and cash equivalents	\$ 656,445	\$ 382,359	\$ -	\$ 1,038,804
Short-term investments	292,810	40	-	292,850
Collateral held under securities lending program	289,982	-	-	289,982
Assets limited as to use	49,086	40,035	-	89,121
Patient receivables	916,341	126,956	(63,527)	979,770
Inventories	213,874	46,269	-	260,143
Other receivables	205,032	163,505	(8,838)	359,699
Other current assets	610,192	(484,314)	-	125,878
Total current assets	3,233,762	274,850	(72,365)	3,436,247
Assets limited as to use:				
Funds designated by:				
Board of Directors	2,290,267	-	-	2,290,267
Lease agreements	2,041	-	-	2,041
Funds held by trustees under:				
Self-insurance funding arrangements	(330)	129,514	-	129,184
Other funds	191,945	862	-	192,807
Total assets limited as to use, less current portion	2,483,923	130,376	-	2,614,299
Property and equipment, net	4,105,000	219,936	-	4,324,936
Right of use assets - operating leases	92,908	163,008	-	255,916
Right of use assets - finance leases	23,861	52,342	-	76,203
Other assets:				
Long-term investments	2,528,132	21,688	-	2,549,820
Other	558,272	219,815	48,177	826,264
Total other assets	3,086,404	241,503	48,177	3,376,084
Total assets	\$ 13,025,858	\$ 1,082,015	\$ (24,188)	\$ 14,083,685

Banner Health

Balance Sheet - Obligated and Non-Obligated Group Details of Consolidation

June 30, 2020

Unaudited

(In Thousands)

	Obligated Group	Non-Obligated Group	Eliminations	Total Consolidated
Liabilities and net assets				
Current liabilities:				
Trade accounts payable	\$ 130,420	\$ 49,609	\$ -	\$ 180,029
Current portion of long-term debt	68,381	16,443	(12)	84,812
Debt subject to self liquidity	400,000	-	-	400,000
Current portion of operating lease obligations	21,323	44,778	-	66,101
Current portion of finance lease obligations	2,188	764	-	2,952
Payable under securities lending program	289,982	-	-	289,982
Estimated current portion of third-party payor settlements	4,500	-	-	4,500
Accrued expenses:				
Salaries and benefits	439,372	129,123	(15,536)	552,959
Medical claims payable	-	238,688	(58,520)	180,168
Other	838,351	117,827	2	956,180
Total current liabilities	2,194,517	597,232	(74,066)	2,717,683
Long-term debt, less current portion	3,773,933	8,694	(1,342)	3,781,285
Operating lease obligations, less current portion	80,858	127,678	-	208,536
Finance lease obligations, less current portion	21,369	60,000	-	81,369
Estimated self-insurance liabilities, less current portion	79,404	111,778	1,690	192,872
Estimated third-party payor settlements, less current portion	13,318	-	-	13,318
Interest rate swaps	475,815	-	-	475,815
Other	186,343	1,167	-	187,510
Total liabilities	6,825,557	906,549	(73,718)	7,658,388
Net assets without donor restrictions:				
Attributable to Banner Health	6,139,651	(45,984)	49,530	6,143,197
Attributable to non-controlling interests	-	89,783	-	89,783
Total net assets without donor restrictions	6,139,651	43,799	49,530	6,232,980
Net assets with donor restrictions	60,650	131,667	-	192,317
Total net assets	6,200,301	175,466	49,530	6,425,297
Total liabilities and net assets	\$ 13,025,858	\$ 1,082,015	\$ (24,188)	\$ 14,083,685

Banner Health
Statement of Income and Changes in Net Assets -
Obligated and Non-Obligated Group Details of Consolidation
Six Months Ended June 30, 2020
Unaudited

(In Thousands)

	Obligated Group	Non-Obligated Group	Eliminations	Total Consolidated
Revenues:				
Net patient service revenue	\$ 2,976,908	\$ 594,199	\$ (165,887)	\$ 3,405,220
Medical insurance premiums	-	909,942	-	909,942
Other revenue	309,553	228,969	(98,285)	440,237
Total revenues	3,286,461	1,733,110	(264,172)	4,755,399
Expenses:				
Salaries and benefits	1,542,104	730,232	(59,678)	2,212,658
Supplies	590,128	164,459	(9,648)	744,939
Physician and professional fees	93,167	38,337	(18,056)	113,448
Medical claims cost, net of Banner claims of \$133,907	-	786,752	(109,221)	677,531
Depreciation and amortization	228,912	14,649	-	243,561
Interest expense	67,827	5,644	(44)	73,427
Purchased services	294,114	71,118	(65,355)	299,877
Other expenses	239,972	41,992	(1,041)	280,923
Total expenses	3,056,224	1,853,183	(263,043)	4,646,364
Operating income	230,237	(120,073)	(1,129)	109,035
Other income:				
Investment loss, net	(212,828)	(3,288)	(44)	(216,160)
Unrealized loss on interest rate swaps	(140,669)	-	-	(140,669)
Total other (loss) income	(2,581)	(1,893)	1,898	(2,576)
	(356,078)	(5,181)	1,854	(359,405)
Deficiency (excess) of revenues over expenses	(125,841)	(125,254)	725	(250,370)
Less excess of revenues over expenses attributable to non-controlling interests	-	16,781	-	16,781
Deficiency (excess) of revenues over expenses attributable to Banner Health	(125,841)	(142,035)	725	(267,151)
Equity transfers	(213,932)	213,832	100	-
Contributions for property and equipment acquisitions	16,962	17	(440)	16,539
Other changes in net assets	(25,382)	35,950	(10,454)	114
Increase in net assets without donor restrictions	\$ (348,193)	\$ 107,764	\$ (10,069)	\$ (250,498)
Non-controlling interests:				
Less excess of revenues over expenses attributable to non-controlling interests	-	16,781	-	16,781
Net contributions from non-controlling interests	-	9,790	-	9,790
Increase attributable to non-controlling interests	-	26,571	-	26,571
Net assets with donor restrictions:				
Contributions	3,550	20,672	-	24,222
Net unrealized gain (loss) on investments	26	(1,758)	-	(1,732)
Net assets released from restriction	(17,533)	(5,771)	-	(23,304)
Increase (decrease) in net assets with donor restrictions	\$ (13,957)	\$ 13,143	\$ -	\$ (814)
(Decrease) increase in net assets	(362,150)	147,478	(10,069)	(224,741)
Net assets, beginning of period	6,562,451	27,988	59,599	6,650,038
Net assets, end of period	\$ 6,200,301	\$ 175,466	\$ 49,530	\$ 6,425,297

Banner Health

Statement of Cash Flows -

Obligated and Non-Obligated Group Details of Consolidation

Three Months Ended June 30, 2020

Unaudited

(In Thousands)

	Obligated Group	Non-Obligated Group	Eliminations	Total Consolidated
Operating activities				
(Decrease) increase in net assets	\$ (362,150)	\$ 147,478	\$ (10,069)	\$ (224,741)
Adjustments to reconcile (decrease) increase in net assets to net cash provided by (used in) operating activities:				
Equity transfers	213,932	(213,832)	(100)	-
Depreciation and amortization	228,912	14,649	-	243,561
Increase in investments designated as trading	(225,620)	(18,553)	-	(244,173)
Net unrealized loss on interest rate swaps	140,669	-	-	140,669
Contributions for property and equipment and other	(16,962)	(17)	440	(16,539)
Restricted contributions	(3,550)	(20,672)	-	(24,222)
Noncontrolling interest	4,900	-	-	4,900
Changes in operating elements:				
Patient receivables	(3,550)	(26,928)	(5,976)	(36,454)
Inventories and other current assets	25,251	2,353	4,751	32,355
Accounts payable and accrued expenses	632,472	(19,208)	(909)	612,355
Estimated third-party settlements	(6,978)	-	-	(6,978)
Estimated self-insurance liabilities	11,429	2,919	2,136	16,484
Other assets and liabilities	3,447	4,790	-	8,237
Net cash provided by (used in) operating activities	642,202	(127,021)	(9,727)	505,454
Investing activities:				
Net purchases of property and equipment	(243,315)	(63,277)	(440)	(307,032)
Transfer from project fund	9,182	-	-	9,182
Increase in other assets	(1,272)	(35,594)	10,103	(26,763)
Net cash used in investing activities	(235,405)	(98,871)	9,663	(324,613)
Financing activities:				
Proceeds from restricted contributions	3,550	20,672	-	24,222
Intercompany activity, including equity transfers	(84,916)	84,816	100	-
Proceeds from issuance of debt	651,551	15,699	-	667,250
Payments of finance lease obligations	(860)	(131)	-	(991)
Payments of long-term debt	(426,362)	(1,503)	(36)	(427,901)
Cash distributions to noncontrolling interests	(4,900)	-	-	(4,900)
Net cash used in financing activities	138,063	119,553	64	257,680
Net increase (decrease) in cash, cash equivalents, and restricted cash	544,860	(106,339)	-	438,521
Cash, cash equivalents, and restricted cash at beginning of year	300,894	490,166	-	791,060
Cash, cash equivalents, and restricted cash at end of period	\$ 845,754	\$ 383,827	\$ -	\$ 1,229,581