Virginia Mason Franciscan Health

March 7, 2022

Eric Hernandez, Program Manager
Certificate of Need Program
Department of Health
P.O. Box 47852
Olympia, WA 98504-7852

Dear Mr. Hernandez:

Enclosed please find a copy of Virginia Mason Franciscan Health's certificate of need application proposing to add 24 general acute care beds to Saint Francis Hospital.

The required fee of $40,470 was sent separately, along with the requested tracking information.

Should you have any questions, please do not hesitate to contact me. Virginia Mason Franciscan Health looks forward to working with you and your staff in the coming months.

Sincerely,

Thomas A. Kruse,
Senior Vice President & Chief Strategy Officer

Washington State Department of Health

# Certificate of Need Application
## Hospital Projects

Exclude hospital projects for sale, purchase, or lease of a hospital, or skilled nursing beds. Use service-specific addendum, if applicable.

---

Certificate of Need applications must be submitted with a fee in accordance with Washington Administrative Code (WAC) 246-310-990.

---

Application is made for a Certificate of Need in accordance with provisions in Revised Code of Washington (RCW) 70.38 and WAC 246-310, rules and regulations adopted by the Washington State Department of Health. I attest that the statements made in this application are correct to the best of my knowledge and belief.

| | |
|---|---|
| Signature and Title of Responsible Officer<br>Senior Vice President & Chief Strategy Officer<br>Email Address<br>thomaskruse@chifranciscan.org | Date<br>March 7, 2022<br>Telephone Number<br>253.680.4007 |
| Legal Name of Applicant<br><br>Address of Applicant<br>34515 9th Ave South<br>Federal Way, WA 98003 | ☐New hospital<br>☑Expansion of existing hospital (identify facility name and license number)<br><br>Provide a brief project description, including the number of beds and the location.<br>Addition of 24 general acute care beds<br><br>Estimated capital expenditure: $ 20,486,000 |

Identify the Hospital Planning Area

South East King Planning Area

Identify if this project proposes the addition or expansion of one of the following services:

| | | | | |
|---|---|---|---|---|
| ☐NICU Level II | ☐ NICU Level III | ☐ NICU Level IV | ☐ Specialized Pediatric (PICU) | ☐ Psychiatric (within acute care hospital) |
| ☐ Organ Transplant (identify) | ☐ Open Heart Surgery | ☐ Elective PCI | ☐ PPS-Exempt Rehab (indicate level) | ☐ Specialty Burn Services |


St. Francis Hospital

# CERTIFICATE OF NEED APPLICATION
# TO ADD 24 ACUTE CARE BEDS
# IN THE SOUTHEAST KING HOSPITAL PLANNING AREA

**March 2022**

## Table of Contents

# SECTION 1
# Applicant Description

1. **Provide the legal name and address of the applicant(s) as defined in WAC 246-310-010(6).**

The legal name of the applicant is Franciscan Health System, doing business as CHI Franciscan Health, a Washington not-for-profit corporation ("FHS"). St. Francis Hospital is an operating unit of FHS, and is owned and managed by FHS. For the ease of this application, the hospital will be referred to as St. Francis. The sole voting member of FHS is Catholic Health Initiatives ("CHI"). On February 22, 2019, CHI underwent a name change to CommonSpirit Health. CommonSpirit Health is the sole voting member of FHS, but does not have direct management of any facilities in the State of Washington.

On January 1, 2021, CHI Franciscan Health and Virginia Mason became Virginia Mason Franciscan Health ("VMFH"). The only two members of VMFH are CommonSpirit Health and Virginia Mason Health System. As stated above, CommonSpirit Health is the sole voting member of FHS. The legal name with the Washington State Department of Revenue remains Franciscan Health System.

VMFH consists of 8 hospitals in Washington with more than 18,000 employees – including over 8,000 providers and nurses, more than 200 primary and specialty care clinics, and a clinically integrated network with over 5,000 providers. Our 1,300-bed health system, one of the largest in Washington State, sees nearly 325,000 emergency department visits and more than 300,000 inpatient days each year.

The address of St. Francis Hospital is:

34515 9th Ave South
Federal Way, WA 98003

2. **Identify the legal structure of the applicant (LLC, PLLC, etc.) and provide the unified business identifier (UBI).**

The legal name with the Washington State Department of Revenue remains Franciscan Health System. St. Francis is a Washington nonprofit corporation. St. Francis's UBI number is 278 002 934.

3. **Provide the name, title, address, telephone number, and email address of the contact person for this application.**

Questions regarding this application should be sent to:

Thomas A. Kruse
Senior Vice President and Chief Strategy Officer
VM Franciscan Health
1145 Broadway Plaza | Suite 1200 | Tacoma, WA 98402
(253) 680-4007
thomaskruse@chifranciscan.org

4. **Provide the name, title, address, telephone number, and email address of the consultant authorized to speak on your behalf related to the screening of this application (if any).**

The consultant authorized to speak on behalf of the screening related to this application is:

Jody Carona
Health Facilities Planning & Development
120 1st Avenue West, Suite 100
Seattle, WA 98119
(206) 441-0971
Email: healthfac@healthfacilitiesplanning.com

5. **Provide an organizational chart that clearly identifies the business structure of the applicant(s).**

The requested organizational chart is included in Exhibit 1.

# Section 2
# Facility Description

1. **Provide the name and address of the existing facility.**

The name and address of the applicant is:

St. Francis Hospital
34515 9th Ave South
Federal Way, WA 98003

2. **Provide the name and address of the proposed facility. If an address is not yet assigned, provide the county parcel number and the approximate timeline for assignment of the address.**

No new facility is proposed. This question is not applicable.

3. **Confirm that the facility will be licensed and certified by Medicare and Medicaid. If this application proposes the expansion of an existing facility, provide the existing identification numbers.**

St. Francis's existing identification numbers are as follows:

**HAC.FS**: 00000201

**Medicare #:**50-0141

**Medicaid #:**100215500

4. **Identify the accreditation status of the facility before and after the project.**

St. Francis is currently accredited by the Joint Commission. St. Francis's current accreditation expires in January 2023.

5. **Is the facility operated under a management agreement?**
   **Yes ____ No __X__**

   **If yes, provide a copy of the management agreement.**

This question is not applicable.

**6. Provide the following scope of service information:**

St. Francis's scope of services is detailed in Table 1.

**Table 1**
**St. Francis Hospital Scope of Services**

| Service | Currently Offered? | Offered Following Project Completion? |
|---|---|---|
| Alcohol and Chemical Dependency | ☐ | ☐ |
| Anesthesia and Recovery | ☒ | ☒ |
| Cardiac Care | ☒ | ☒ |
| Cardiac Care – Adult Open-Heart Surgery | ☐ | ☐ |
| Cardiac Care – Pediatric Open-Heart Surgery | ☐ | ☐ |
| Cardiac Care – Adult Elective PCI | ☒ | ☒ |
| Cardiac Care – Pediatric Elective PCI | ☐ | ☐ |
| Diagnostic Services | ☒ | ☒ |
| Dialysis – Inpatient | ☒ | ☒ |
| Emergency Services | ☒ | ☒ |
| Food and Nutrition | ☒ | ☒ |
| Imaging/Radiology | ☒ | ☒ |
| Infant Care/Nursery | ☒ | ☒ |
| Intensive/Critical Care | ☒ | ☒ |
| Laboratory | ☒ | ☒ |
| Medical Unit(s) | ☒ | ☒ |
| Neonatal – Level II | ☒ | ☒ |
| Neonatal – Level III | ☐ | ☐ |
| Neonatal – Level IV | ☐ | ☐ |
| Obstetrics | ☒ | ☒ |
| Oncology | ☒ | ☒ |
| Organ Transplant - Adult (list types) | ☐ | ☐ |
| Organ Transplant - Pediatric (list types | ☐ | ☐ |
| Outpatient Services | ☒ | ☒ |
| Pediatrics | ☐ | ☐ |
| Pharmaceutical | ☒ | ☒ |
| Psychiatric | ☐ | ☐ |
| Skilled Nursing/Long Term Care | ☐ | ☐ |
| Rehabilitation (indicate level, if applicable) | ☐ | ☐ |
| Respiratory Care | ☒ | ☒ |
| Social Services | ☒ | ☒ |
| Surgical Services | ☒ | ☒ |

*Source: Applicant*

# Section 3
# Project Description

1. **Provide a detailed description of the proposed project. If it is a phased project, describe each phase separately. For existing facilities, this should include a discussion of existing services and how these would or would not change as a result of the project.**

St. Francis is a 124-bed acute care hospital of which 118 are acute care (96 med/surg beds and 22 OB beds) beds and six are Level II nursery basinets. For the most recent fiscal year (FY2021), St. Francis' acute care occupancy exceeded the 65% targeted midnight occupancy (used by the CN Program), nearly 98% of the time. In fact, in FY2021 for more than half the year, midnight occupancy on acute care beds was 75% or higher. At these occupancy levels, patients have experienced excessive holding/boarding in the emergency department and/or transfer to other hospitals. To remedy this situation and to provide capacity for the community served by St. Francis for the foreseeable future, 24 new acute care beds are proposed to be added with this project. At project completion, St. Francis will be licensed for 148 acute care beds, including 142 acute care beds and six Level II nursery basinets.

Currently, the Family Birth Center (FBC) located on the second floor of the hospital contains eight Labor and Delivery (L&D) beds. The L&D beds are located on 2 North and 22 post-partum beds (these are "acute care" beds) are located on 2 West. Per WAC, the L&D beds are not licensed. The FBC will be relocated to existing space on the first floor (on 1 South) in space that currently houses outpatient rehabilitation. Outpatient rehabilitation will be moved to space outside of the hospital proper. The new FBC will be "right-sized" for anticipated births and will include five L&D beds and 14 post-partum beds; freeing up eight beds that will be re-assigned to med/surg use.

The 2N and 2W units vacated by the FBC will be reconfigured to accommodate the new 24 additional acute care beds proposed with this project. In addition, with the decrease in post-partum beds from 22 to 14, St. Francis will have 8 more beds to be used for med/surg care as a result of this project. The 2N and 2W units will have 32 beds, of which 24 are new. Upon project completion, St. Francis's acute care beds will increase to 142 and its med/surg capacity will increase from 96 to 128.

The capital expenditure is $20,486,000.

2. **If your project involves the addition or expansion of a tertiary service, confirm you included the applicable addendum for that service. Tertiary services are outlined under WAC 246-310-020(1)(d)(i).**

This project does not propose the expansion of a tertiary service.

3. **Provide a breakdown of the beds, by type, before and after the project. If the project will be phased, include columns detailing each phase.**

Table 2 details St. Francis's current and proposed bed configuration.

**Table 2**
**St. Francis Hospital**
**Current and Proposed Bed Configuration**

| | Current | Proposed |
|---|---|---|
| General Acute Care | 118 | 142 |
| PPS Exempt Psych | 0 | 0 |
| PPS Exempt Rehab | 0 | 0 |
| NICU Level II | 6 | 6 |
| NICU Level III | 0 | 0 |
| NICU Level IV | 0 | 0 |
| Specialized Pediatric | 0 | 0 |
| Skilled Nursing | 0 | 0 |
| Swing Beds (included in General Acute Care) | 0 | 0 |
| **Total** | **124** | **148** |

*Source: Applicant*

4. **Indicate if any of the beds listed above are not currently set-up, as well as the reason the beds are not set up.**

All of the 118 licensed acute care beds listed in Table 2 are currently set-up; however, as a result of patient care needs (unable to cohort because of isolation, behavior, hospice, privacy or family issues) the number of available beds can and does vary slightly.

5. **With the understanding that the review of a Certificate of Need application typically takes six to nine months, provide an estimated timeline for project implementation, below. For phased projects, adjust the table to include each phase.**

Table 3 provides the anticipated timeline for this project.

**Table 3**
**St. Francis Hospital**
**Proposed Timeline for 24-Bed Addition**

| Event | Anticipated Month/Year |
|---|---|
| Anticipated CN Approval | September 2022 |
| Design Complete | October 2022 |
| Construction Commenced | November 2022 |
| Construction Completed | June 2023 |
| Facility Prepared for Survey | June 2023 |
| Facility Licensed – Project Complete WAC 246-310-010(47) | July 2023 |

*Source: Applicant*

6. **Provide a general description of the types of patients to be served as a result of this project.**

The new beds will be general med/surg beds and provide care primarily to adults. The most common conditions treated at St. Francis include general medical, pulmonary conditions, septicemia, OB, orthopedics, medical cardiology, interventional cardiology (including emergency and elective PCI), general surgery, neurology, gastroenterology, and oncology.

7. **Provide a copy of the letter of intent that was already submitted according to WAC 246-310-080.**

A copy of the letter of intent is included in Exhibit 2.

8. **Provide single-line drawings (approximately to scale) of the facility, both before and after project completion. For additions or changes to existing hospitals, only provide drawings of those floor(s) affected by this project.**

The requested drawings for the areas affected by the projected are included in Exhibit 3.

9. **Provide the gross square footage of the hospital, with and without the project.**

The project does not include any new space; just a reconfiguration of existing. The gross square footage of St. Francis with and without the project is 241,340 square feet.

10. **If this project involves construction of 12,000 square feet or more, or construction associated with parking for 40 or more vehicles, submit a copy of either an Environmental Impact Statement or a Declaration of Non-Significance from the appropriate governmental authority. [WAC 246-03-030(4)]**

This project involves remodeling, but no construction of new space; therefore, this question is not applicable.

11. **If your project includes construction, indicate if you've consulted with Construction Review Services (CRS) and provide your CRS project number.**

    **The Certificate of Need program highly recommends that applicants consult with the office of Construction Review Services (CRS) early in the planning process. CRS review is required prior to construction and licensure (WAC 246-320-500 through WAC 246-320-600). Consultation with CRS can help an applicant reliably predict the scope of work required for licensure and certification. Knowing the required construction standards can help the applicant to more accurately estimate the capital expenditure associated with a project. Note that WAC 246-320-505(2)(a) requires that hospital applicants request and attend a presubmission conference for any construction projects in excess of $250,000.**

St. Francis is in the process of developing its application to Construction Review Services and anticipates that it will be submitted shortly after this application is submitted (or, by early April 2022).

# Section 4
# Need (WAC 246-310-210)

1. **List all other acute care hospitals currently licensed under RCW 70.41 and operating in the hospital planning area affected by this project. If a new hospital is approved, but is not yet licensed, identify the facility.**

St. Francis is located in the Southeast King Hospital Planning Area (Southeast King). Southeast King is a large geography spanning from the Puget Sound to the west, the King/Pierce County line to the South, the Cascade foothills to the East and south Bellevue and the eastern shore of Lake Washington in the north. There are four other hospitals located in this Planning Area. Each is listed in Table 4. Table 4 also includes the number of licensed and available/set up beds. Per the DOH Bed Survey, it should be noted that available/set-up beds in the planning area decreased between 2019 and 2020.

**Table 4**
**Southeast King Hospital Planning Area Hospitals,**
**Licensed and Set Up Bed Capacity, 2019 and 2020**

| Hospital | Acute Care Licensed Beds | Acute Care Available/ Set Up Beds (2019) | Acute Care Available/ Set Up Beds (2020) | Total Licensed Beds | Total Available/ Set Up Beds (2019) | Total Available/ Set Up Beds (2020) |
|---|---|---|---|---|---|---|
| MultiCare Auburn Medical Center | 131 | 108 | 108 | 195 | 172 | 172 |
| MultiCare Covington Hospital | 58 | 58 | 43 | 58 | 58 | 43 |
| Virginia Mason Franciscan – St. Elizabeth Hospital[1] | 25 | 25 | 25 | 25 | 25 | 25 |
| Virginia Mason Franciscan – St. Francis Hospital | 118 | 118 | 118 | 124 | 124 | 124 |
| UW Medicine – Valley Medical Center | 321 | 311 | 308 | 341 | 328 | 328 |
| **Total** | **653** | **620** | **602** | **743** | **707** | **692** |

*Source: DOH Bed Survey 2020 (for 2019) and 2021 (for 2020). Total licensed beds include psych, rehab and neonatal in addition to acute care.*

[1] Virginia-Mason Franciscan – St. Elizabeth hospital is licensed for 38 beds; however, as a critical access hospital, bed capacity is limited to 25 beds and therefore only 25 beds are counted in the bed need methodology.

2. **For projects proposing to add acute care beds, provide a numeric need methodology that demonstrates need in this planning area. The numeric need methodology steps can be found in the Washington State Health Plan (sunset in 1989).**

Several months ago, St. Francis consulted with the Certificate of Need Program (the Program), and it was agreed that despite the availability of full year 2020 CHARS data today, and most likely full year 2021 CHARS data by the time this application moves into ex-parte, that 2019 is reasonable to use as the baseline due to COVID's anticipated short-term impact on hospital inpatient days. As such, our projections of additional bed need rely on 2019 as the baseline.

There are a total of 653 acute care licensed beds and 620 set-up beds in the Planning Area. The numeric bed need methodology is included in Exhibit 4. Step 10 of the methodology based on set-up beds identifies a need of 9 beds in 2023 growing to a need of 29 beds when the project opens and 72 beds by the 3rd year of the project's operation. While bed need was calculated based on set-up beds, when licensed beds are used there is a need for beds by 2026 or within 3 years of the project being made operational.

Since the conversation with the CN Program, St. Francis has reviewed the 2020 CHARS data. It shows only a 0.6% decrease in Southeast King resident days between 2019 and 2020, and a bed need methodology using 2020 as the baseline year continues to support a need for additional beds in the planning area. For reference, the 2020 bed need methodology is also presented in Exhibit 4.

A summary of Step 10 from the numeric need methodology using 2019 as the baseline and set-up acute care beds is found in Table 5.

**Table 5**
**Acute Care Bed Need Methodology Output Summary: Step 10 (Set-up Beds)**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| Licensed Beds | 653 | 653 | 653 | 653 | 653 | 653 | 653 | 653 | 653 |
| Set-Up Beds | 620 | 620 | 620 | 620 | 620 | 620 | 620 | 620 | 620 |
| Gross Bed Need (Set-up Beds) | 553 | 572 | 590 | 609 | 629 | 649 | 671 | 692 | 714 |
| **Net Bed Need/Surplus (Set-up Beds)** | **(67)** | **(48)** | **(30)** | **(11)** | **9** | **29** | **51** | **72** | **94** |

*Source: Bed need methodology internal analysis*

**3. For existing facilities proposing to expand, identify the type of beds that will expand with this project.**

St. Francis proposes to add 24 acute care beds. 100% of these beds will be used for general med/surg patients. As noted in response to earlier sections, with the right sizing of the OB unit, St. Francis will increase its med/surg bed capacity from 96 to 128.

**4. For existing facilities, provide the facility's historical utilization for the last three full calendar years. The first table should only include the type(s) of beds that will increase with the project, the second table should include the entire hospital.**

Table 6 details patient days for the past three full calendar years for the type of beds that will increase with the project. Table 7 details the same information for the entire hospital.

**Table 6**
**St. Francis Acute Care Patient Days and Discharges, 2018-2020**
**Excludes all Newborns**

| Bed Type[2] | Project-Specific Only | CY2018 | CY2019 | CY2020 |
|---|---|---|---|---|
| Med/Surg | Available beds | 96 | 96 | 96 |
| Med/Surg | Discharges | 6,410 | 6,003 | 5,553 |
| Med/Surg | Patient days | 29,938 | 28,447 | 27,785 |
| Med/Surg | % Occupancy | 85.4% | 81.2% | 79.1% |
| OB | Available beds | 22 | 22 | 22 |
| OB | Discharges | 1,385 | 1,254 | 1,253 |
| OB | Patient days | 2,379 | 2,234 | 2,153 |
| OB | % Occupancy | 29.6% | 27.8% | 26.7% |
| Acute Care | Licensed beds | 118 | 118 | 118 |
| Acute Care | Available beds | 118 | 118 | 118 |
| Acute Care | Discharges | 7,795 | 7,257 | 6,806 |
| Acute Care | Patient days | 32,317 | 30,681 | 29,938 |
| Acute Care | % Occupancy | 75.0% | 71.2% | 69.3% |

*Source: Applicant, discharges and days from CHARS, excludes all newborns and 6 level II bassinets*

[2] Acute care beds are licensed only as such, however operationally St. Francis designates 96 beds as Med/Surg beds and 22 beds as OB/Postpartum beds

**Table 7**
**St. Francis Patient Days and Discharges, 2018-2020**
**Excludes Normal Newborns**

| Entire Hospital | CY2018 | CY2019 | CY2020 |
|---|---|---|---|
| Licensed beds | 124 | 124 | 124 |
| Available beds | 124 | 124 | 124 |
| Discharges | 8,155 | 7,583 | 7,181 |
| Patient days | 33,222 | 31,421 | 30,706 |
| % Occupancy | 73.4% | 69.4% | 67.7% |

*Source: Applicant, discharges and days from CHARS, excludes normal newborns*

5. **Provide projected utilization of the proposed facility for the first seven full years of operation if this project proposes an expansion to an existing hospital. Provide projected utilization for the first ten full years if this project proposes new facility. For existing facilities, also provide the information for intervening years between historical and projected. The first table should only include the type(s) of beds that will increase with the project, the second table should include the entire hospital. Include all assumptions used to make these projections.**

Table 8 includes the intervening years of FY22-FY23 in addition to the first three full years of the project. Table 9 provides the same information for all acute care beds and the Level II Neonatal unit.

**Table 8**
**St. Francis Acute Care Patient Days and Discharges, FY2019-FY2026**
**Excludes all Newborns**

| Project-Specific Only | Historical | | | Intervening | | Project | | |
|---|---|---|---|---|---|---|---|---|
| | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 |
| Licensed beds | 118 | 118 | 118 | 118 | 118 | 142 | 142 | 142 |
| Available beds | 118 | 118 | 118 | 118 | 118 | 142 | 142 | 142 |
| Discharges | 7,465 | 6,794 | 7,042 | 7,137 | 7,232 | 7,617 | 7,936 | 8,185 |
| Patient days | 31,694 | 29,129 | 32,498 | 32,966 | 33,441 | 35,202 | 36,656 | 37,791 |
| Occupancy | 73.6% | 67.4% | 75.5% | 76.5% | 77.6% | 67.7% | 70.7% | 72.9% |

*Source: Applicant internal data, excludes all newborns*

The assumptions used to project discharges and patient days include:

- Bed addition opens on July 1, 2023
- Acute care days include Med/Surg services and Obstetrics services. ALOS for OB was held constant through the projection period based on FY2021 actual (ALOS of 1.76). Med/Surg ALOS was held at 4.62, SFH's FY2021 actual ALOS for Med/Surg patients.
- In the intervening years (FY2022 and FY2023), Med/Surg patient days were assumed to grow at approximately 50% of the Southeast King planning area days growth or

1.5% annually due to capacity constraints at St. Francis. The planning area is projected to grow at 3.25% annually (estimated annual growth rate of inpatient days for the Southeast King bed need methodology with 2019 as a baseline).

- In the intervening years, OB patient day growth was held to 0.5% annually (this is the same rate of growth as the female age 15-44 age cohort). LOS held constant based on FY21 actual LOS (ALOS of 1.76).
- Growth in Med/Surg days in FY24, FY25, and FY26 based is on growth in patient days in the Southeast King Planning Area (3.25% annually). In addition, it is assumed St. Francis will be able to retain patients who have had to be transferred from the ED because of lack of capacity, resulting in an ADC growth of 2.0 in FY24; 1.0 ADC in FY25. For the last several years St. Francis has had to transfer between 56 and 93 per month. With the additional bed capacity, it has been assumed that a portion of these patients can be 'recaptured' and returned to St. Francis.

**Table 9**
**St. Francis Hospital**
**Total Patient Days and Discharges, FY 2019-FY2026,**
**Excludes Normal Newborns**

| Entire Hospital | Historical | | | Intervening | | Project | | |
|---|---|---|---|---|---|---|---|---|
| | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 |
| Licensed beds | 124 | 124 | 124 | 124 | 148 | 148 | 148 | 148 |
| Available beds | 124 | 124 | 124 | 124 | 148 | 148 | 148 | 148 |
| Discharges | 7,805 | 7,150 | 7,422 | 7,519 | 7,616 | 8,004 | 8,342 | 8,576 |
| Patient days | 32,492 | 29,920 | 33,334 | 33,806 | 34,286 | 36,052 | 37,510 | 38,649 |
| Occupancy | 71.8% | 65.9% | 73.7% | 74.7% | 75.8% | 66.6% | 69.4% | 71.5% |

*Source: Applicant internal data, excludes normal newborns*

**Assumptions:**

- In addition to the assumptions listed above for Table 8, Table 9 also includes Level II discharges and patient days. It has been assumed that the Level II discharges remain at a constant percentage of OB discharges (33.2%). ALOS remains constant based on FY21 actual LOS (ALOS of 2.20).

Financial statements based upon the above utilization assumptions are included in Exhibit 5.

6. **For existing facilities, provide patient origin zip code data for the most recent full calendar year of operation.**

The requested information is included in Exhibit 6.

**7. Identify any factors in the planning area that currently restrict patient access to the proposed services.**

As detailed in Table 10, in 2019, St. Francis had the 6th highest midnight occupancy of all acute care hospitals in Washington State (71.2%); by 2021, St. Francis was experiencing the 5th highest occupancy of any hospital statewide (75.3%). Between 2015 and the first six months of 2021, occupancy at St. Francis has had a range of 75.5% to 78.3%. It is worth noting that four of Virginia Mason Franciscan Health's hospitals were consistently in the Top 10.

**Table 10**
**Top 10 Hospitals with Highest Percentage Occupancy 2015 – 2021 (6 months, actual)**

| Hospital Name | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|
| Harborview Medical Center | 88.8% | 82.9% | 87.0% | 88.3% | 88.4% | 85.5% | 102.2% |
| MultiCare Good Samaritan Hospital | 57.4% | 59.7% | 67.1% | 69.3% | 77.6% | 72.5% | 82.1% |
| PeaceHealth Saint Joseph Hospital | 72.2% | 75.3% | 78.1% | 80.4% | 80.1% | 77.4% | 81.6% |
| Providence Saint Peter Hospital | 61.2% | 67.0% | 71.2% | 75.8% | 79.9% | 74.3% | 78.7% |
| **Saint Francis Hospital** | **75.5%** | **77.9%** | **78.3%** | **75.0%** | **71.2%** | **69.3%** | **75.3%** |
| Providence Regional Medical Center Everett | 63.0% | 67.3% | 67.6% | 71.1% | 70.8% | 70.7% | 73.6% |
| Saint Clare Hospital | 74.3% | 76.4% | 72.2% | 74.8% | 72.2% | 65.7% | 71.6% |
| Saint Anthony Hospital | 56.0% | 55.8% | 60.0% | 60.8% | 60.4% | 62.1% | 70.2% |
| Saint Joseph Medical Center | 64.3% | 63.8% | 66.1% | 65.7% | 68.8% | 64.8% | 67.8% |

*Source: CHARS. Inpatient discharges excluding newborns (Hospital Unit is defined is acute), MDC19 is excluded from Harborview's occupancy data.*

Since 2015, and even with the opening of the new MultiCare Covington Hospital (which added 58 beds to the planning area), occupancy of hospitals in Southeast King has increased (this is demonstrated in Table 11). As can be seen in Table 11, St. Francis has consistently had the highest occupancy, and has consistently operated above the *State Health Plan* target occupancy level.

**Table 11**
**Acute Care Occupancy (% of Licensed Beds) of Southeast King Hospitals 2015 – 2021(Q2)**

| | Target Midnight Occupancy per State Health Plan | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|
| MultiCare Auburn | **65%** | 52.7% | 52.8% | 52.9% | 59.1% | 58.2% | 57.7% | 64.6% |
| MultiCare Covington | **60%** | N/A | N/A | N/A | 8.5% | 21.3% | 26.0% | 39.8% |
| St. Elizabeth | **50%** | 51.3% | 52.1% | 60.1% | 58.1% | 49.3% | 48.7% | 51.1% |
| St. Francis | **65%** | 75.5% | 77.9% | 78.3% | 75.0% | 71.2% | 69.3% | 75.3% |
| UW/Valley Medical Center | **75%** | 51.5% | 56.7% | 56.6% | 58.6% | 61.3% | 63.0% | 65.2% |
| **Total** | **N/A** | **56.5%** | **59.8%** | **60.2%** | **57.2%** | **58.5%** | **59.2%** | **64.1%** |

*Source: CHARS. Inpatient discharges excluding newborns (Hospital Unit is defined is acute). Swing bed discharges are excluded. Occupancy*

St. Francis is the only Southeast King hospital located west of I-5. Approximately 45% of St. Francis's discharges come from the zip codes west of I-5. Additionally, of those who live west of I-5, more than one-third of patients who have an inpatient encounter are hospitalized at St. Francis; a rate nearly 40 percentage points higher than any other hospital in the Southeast King planning area.

As stated earlier, the *State Health Plan's* adjusted target occupancy for a hospital the size of St. Francis is 65%. St. Francis has, over the past three years, consistently exceeded the State Health Plan target of 65% with occupancy levels between 69-75% as depicted in Table 11. More relevant to this project, the percent midnight occupancy of the 96 med/surg beds grew to nearly 86% during the most recent fiscal year (Table 12). This is 32% higher than the standard. In FY2019, the med/surg beds were at 95% occupancy or greater at midnight approximately 5% of the time; by FY2021, this percentage had doubled. Forty-four percent of the time in FY19, midnight occupancy was 85% or greater; by FY2021, this had increased to 55%. Clearly, this high occupancy levels impact access. Note, occupancy data in Table 12 will not match occupancy data presented in other tables throughout the document as this table presents the number of inpatients in a bed a midnight each day by unit and type of bed on the unit.

**Table 12**
**St. Francis Hospital**
**FY2019, FY2020 and FY2021 ADC and Occupancy**

| | FY 2019 | | FY 2020 | | FY 2021 | |
|---|---|---|---|---|---|---|
| | Med/ Surg | Acute Care[3] | Med/ Surg | Acute Care | Med/ Surg | Acute Care |
| Current Licensed/ Set-Up Beds | 96 | 118 | 96 | 118 | 96 | 118 |
| Avg. Daily Census (ADC) at Midnight | 80.0 | 89.8 | 73.6 | 82.3 | 82.4 | 90.7 |
| Target Avg. Occupancy | 65% | 65% | 65% | 65% | 65% | 65% |
| Actual Avg. Occupancy | 83.3% | 76.1% | 76.6% | 72.1% | 85.8% | 76.9% |
| **Occupancy** | | | | | | |
| 100% | 7 | 0 | 0 | 0 | 17 | 0 |
| 95% - 99% | 10 | 2 | 1 | 0 | 23 | 2 |
| 90% - 94% | 54 | 11 | 11 | 1 | 60 | 10 |
| 85% - 89% | 89 | 25 | 42 | 11 | 100 | 37 |
| 80% - 84% | 90 | 74 | 78 | 42 | 83 | 79 |
| 75% - 79% | 66 | 85 | 102 | 78 | 56 | 94 |
| 70% - 74% | 33 | 84 | 54 | 102 | 17 | 68 |
| **Target Occupancy per SHP: 65%** | 13 | 64 | 48 | 66 | 8 | 66 |
| 60% - 64% | 2 | 16 | 20 | 42 | 0 | 4 |
| Less than 60% | 1 | 4 | 10 | 24 | 1 | 5 |

*Source: Applicant and based on inpatients who were in a bed at midnight by unit.*

Even though St. Francis and the Program agreed to use 2019 data as the baseline, it is helpful to look at St. Francis's 2020 experience, as well as 2021 and Q1 2022. This data confirms that more beds are needed to ensure the health care needs of the communities it primarily serves are being adequately met.

In its most recent fiscal year, St. Francis had an average daily med/surg census (all acute care beds less OB beds) of 82.4 and was at a med/surg occupancy level of nearly 86%, well above the 65% target midnight occupancy standard. With the inclusion of all acute care beds, St. Francis's ADC was 90.7 and 77% occupancy. While St. Francis averaged 77% average midnight occupancy for acute care beds in the most recent fiscal year (FY 2021), internal data shows that mid-day/mid- week (between 10AM and 1 PM), census is typically 30% higher, meaning that there were significant days and times of day when no beds were available, and patients were held in the ED or transferred to other hospitals. This trend has continued into Q1 2022. In fact, the Joint Commission noted in a recent survey the excessive levels of ED boarding at SFH; which is directly attributable to a lack of beds.

St. Francis's continued high levels of occupancy is reducing its ability to serve its community. Table 13 illustrates the average number of patients that had to be transferred from the St. Francis Emergency Department each month as a result of lack of capacity or in limited cases, lack of

[3] Acute care is med/surg and OB beds.

clinical capability. Assuming an ALOS of only 4 days, the ADC in 2021 of these patient transfers, assuming all could have been accommodated at St. Francis, was 7.25.

**Table 13**
**Average Monthly and Yearly Emergency Department Transfers from St. Francis**

| | CY 2018 | CY 2019 | CY 2020 | CY 2021 |
|---|---|---|---|---|
| Monthly | 93 | 91 | 67 | 55 |
| Yearly | 1,112 | 1,100 | 805 | 662 |

*Source: Applicant*

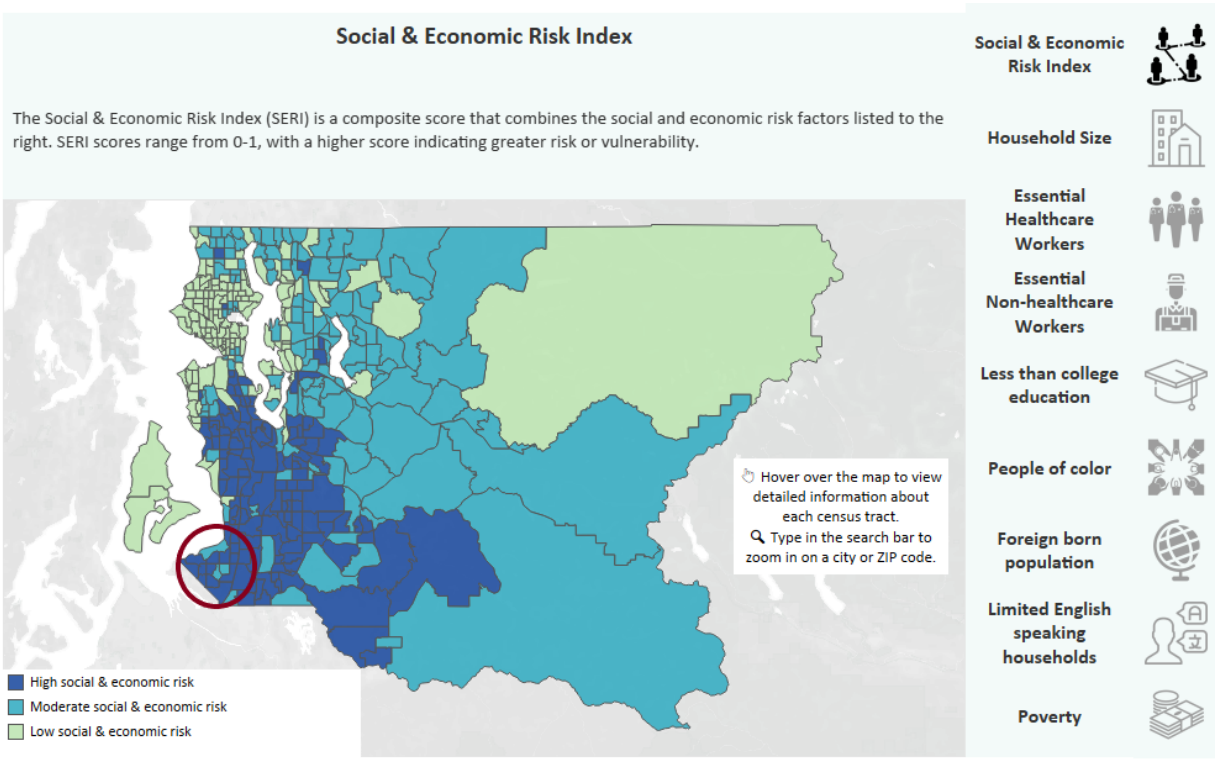
In addition to the lack of capacity at St. Francis, there are a number of factors in the geography and socioeconomics of the communities served by St. Francis that make access more challenging than in many other King County communities. These challenges are compounded by the Public Health Emergency demonstrating that these communities are no longer assured accessible health care.

The communities served by St. Francis are among the most diverse and underserved in the state, and the socioeconomics of South King County have been extensively vetted by King County Public Health and other organizations, including Washington's Department of Health. For example, Public Health-Seattle & King County, Evergreen Health, VM Franciscan Health (St. Elizabeth Hospital, St. Francis Hospital, and St. Anne Hospital), Kaiser Permanente, MultiCare Health System (Auburn Medical Center and Covington Medical Center), Navos, Overlake Medical Center, Seattle Cancer Care Alliance, Seattle Children's, Swedish Medical Center (Ballard Campus, Cherry Hill Campus, First Hill Campus, Issaquah Campus), UW Medicine (Harborview Medical Center, Northwest Hospital & Medical Center, UW Medical Center and Valley Medical Center), Virginia Mason and the Washington State Hospital Association collectively produced *the King County Community Health Needs Assessment 2018/2019*. That Report found:

> *"People of color and low-income residents are at disproportionate risk of being uninsured and having poor health and social outcomes. Many health and social indicators—such as housing quality, alcohol related deaths, obesity, lack of health insurance, and smoking—show regional patterns of inequity.* ***South King County is home to some of the most racially and ethnically diverse communities in our county, and experiences disparities in multiple health and social indicators.***

King County Public Health developed a tool to assess social and economic risk related to COVID-19 outcomes. Although the tool was designed to assess disparities in COVID-19 outcomes, many of the factors that cause disparities in these also related to general health care disparities. As illustrated in Figure 1, residents of Southeast King including the areas surrounding St. Francis have both high social and economic risk placing residents at risk of disparities and vulnerability.

**Figure 1: King County Social and Economic Risk Index**




*Source: King County Public Health Social and Economic Disparities*

In the 2021/2022 King County Community Health Needs Assessment (CHNA), residents of South King County, had a significantly shorter life expectancy compared to the King County Average (79.3 years compared to 81.7 years in King County), and of particular concern is that life expectancy in this region of the county has been declining for 10 years. This is likely due to the high level of chronic disease burdens in these communities, including statistically higher prevalence of chronic illnesses (hypertension and diabetes) compared to King County overall.

**8. Identify how this project will be available and accessible to underserved groups.**

Admission to each of VM Franciscan Health's facilities and programs is based on clinical need. Services are made available to all persons regardless of age, race, color, creed, sex, national origin, ethnicity, religion, marital status, sexual orientation, gender identity or expression, physical, mental or other disability, citizenship, medical condition, or income. A copy of VM Franciscan Health's policies are included as Exhibit 7.

For hospital charity care reporting purposes, the Department divides Washington State into five regions. St. Francis is located in the King County Region. According to 2017-2019 charity care data produced by the Department (the latest data available), the three-year charity care average for the Region, excluding Harborview, was 1.05% of gross revenue and 2.34% of adjusted revenue. During the same time frame, St. Francis's charity care was 1.61% and 4.29%,

respectively. The percentage of charity care included in the pro forma is 1.37% of total revenue, which is based on St. Francis's actual FY2021; and is still well beyond the King County average.

In addition to providing charity care at a higher rate than King County hospitals, excluding Harborview, St. Francis cares for a large percentage of Medicaid patients. St. Francis's percentage of Medicaid patients is 230% higher than the average of the other hospitals located in the Southeast King Planning area as shown in Table 14. In the unlikely event that the CN Program does not identify numeric need for this project, Table 14 demonstrates the ability to approve the project under Criterion 2, which reads:

***CRITERION 2: Need for Multiple Criteria***

*Hospital bed need forecasts are only one aspect of planning hospital services for specific groups of people. Bed need forecasts by themselves should not be the only criterion used to decide whether a specific group of people or a specific institution should develop additional beds, services or facilities. Even where the total bed supply serving a group of people or planning area is adequate, it may be appropriate to allow an individual institution to expand.*

*Standards:*

*b. Under certain conditions, institutions may be allowed to expand even though the bed need forecasts indicate that there are underutilized facilities in the area. The conditions might include the following:*

- *The proposed development would significantly improve the accessibility or acceptability of services for underserved groups; or*

- *The proposed development would allow expansion or maintenance of an institution which has staff who have greater training or skill, or which has wider range of important services, or whose programs have evidence of better results than do neighboring and comparable institutions; or*

- *The proposed development would allow expansion of a crowded institution which has good cost, efficiency or productivity measures of its performance while underutilized services are located in neighboring and comparable institutions with higher costs, less efficient operations or lower productivity.*

*In such cases, the benefits of expansion are judged to outweigh the potential costs of possible additional surplus.*

**Table 14**
**Payor Mix by Percent of Total Patients, 2019**

| Payer | St. Francis % of Patients | All Other SE King Hospitals % of Patients | King County Range Excluding St. Francis % of Patients |
|---|---|---|---|
| Commercial & HMO | 42.8% | 51.9% | 20.4% – 66.2% |
| Medicaid | 29.1% | 12.6% | 3.1% – 32.9% |
| Medicare | 26.0% | 31.8% | 27.4 – 57.98% |
| Self-Pay & Charity | 2.1% | 3.7% | 2.1% – 9.1% |
| **Total** | **100.0%** | **100.0%** | |

*Source: CHARS 2019 acute care inpatient discharges, excludes Seattle Children's, normal newborns, dedicated psychiatric hospitals, and MDC 19.*

9. **If this project proposes either a partial or full relocation of an existing facility, provide a detailed discussion of the limitations of the current location.**

This question is not applicable.

10. **If this project proposes either a partial or full relocation of an existing facility, provide a detailed discussion of the benefits associated with relocation,**

This question is not applicable.

11. **Provide a copy of the following policies:**
    - **Admissions policy**
    - **Charity care or financial assistance policy**
    - **Patient rights and responsibilities policy**
    - **Non-discrimination policy**
    - **End of life policy**
    - **Reproductive health policy**
    - **Any other policies directly associated with patient access**

The requested policies are included in Exhibit 7.

# Section 5
# Financial Feasibility (WAC 246-310-220)

1. **Provide documentation that demonstrates the immediate and long-range capital and operating costs of the project can be met. This should include but is not limited to:**
    - **Utilization projections. These should be consistent with the projections provided under the Need section. Include all assumptions.**
    - **A current balance sheet at the facility level.**
    - **Pro forma balance sheets at the facility level throughout the projection period.**
    - **Pro forma revenue and expense projections for at least the first three full calendar years following completion of the project. Include all assumptions.**
    - **For existing facilities, provide historical revenue and expense statements, including the current year. Ensure these are in the same format as the pro forma projections. For incomplete years, identify whether the data is annualized.**

Each requested data item is included in Exhibit 5. Utilization projections and assumptions were previously provided in Section 4, Question 5.

2. **Identify the hospital's fiscal year.**

St. Francis's fiscal year ends on June 30.

3. **Provide the following agreements/contracts:**
    - **Management agreement**
    - **Operating agreement**
    - **Development agreement**
    - **Joint Venture agreement**

St. Francis does not have any of the above agreements or contracts. This question is not applicable.

4. **Provide documentation of site control. This could include either a deed to the site or a lease agreement for the site. If a lease agreement is provided, the terms must be for at least five years with options to renew for a total of 20 years.**

Included in Exhibit 8 is documentation from the King County Assessor's office demonstrating that CommonSpirit Health owns the site on which the hospital is located.

5. **Provide county assessor information and zoning information for the site. If zoning information for the site is unclear, provide documentation or letter from the municipal authorities showing the proposed project is allowable at the identified site. If the site must undergo rezoning or other review prior to being appropriate for the proposed project, identify the current status of the process.**

Included in Exhibit 8 is documentation from the King County Assessor's office documenting that CommonSpirit Health owns the site on which the hospital is located and its present use is a hospital.

6. **Complete the table on the following page with the estimated capital expenditure associated with this project. If you include other line items not listed below, include the definition of the line item. Include all assumptions used to create the capital expenditure estimate.**

**Table 15**
**Total Estimated Capital Expenditure**

| Item | Cost |
|---|---|
| a. Land Purchase | $ - |
| b. Utilities to Lot Line | $ - |
| c. Land Improvements | $ - |
| d. Building Purchase | $ - |
| e. Residual Value of Replaced Facility | $ - |
| f. Building Construction | $13,530,000 |
| g. Fixed Equipment (not already included in the construction contract) | $ - |
| h. Movable Equipment | $3,989,109 |
| i. Architect and Engineering Fees | $960,000 |
| j. Consulting Fees | $ - |
| k. Site Preparation | $ - |
| l. Supervision and Inspection of Site | $34,245 |
| m. Any Costs Associated with Securing the Sources of Financing (include interim interest during construction) | $ - |
| 1. Land | $ - |
| 2. Building | $ - |
| 3. Equipment | $ - |
| 4. Other | $ - |
| n. Washington Sales Tax | $1,751,911 |
| o. Other Project Costs | $220,735 |
| **Total Estimated Capital Expenditure** | **$20,486,000** |

*Source: Applicant.*

7. **Identify the entity responsible for the estimated capital costs. If more than one entity is responsible, provide breakdown of percentages and amounts for all.**

The capital costs for this project were prepared by in-house project management staff along with Skanska, a construction and development company.

8. **Identify the start-up costs for this project. Include the assumptions used to develop these costs. Start-up costs should include any non-capital expenditure expenses incurred prior to the facility opening or initiating the proposed service.**

St. Francis is an existing operation. No start-up period is anticipated.

9. **Identify the entity responsible for the start-up costs. If more than one entity is responsible, provide a breakdown of percentages and amounts for all.**

As discussed in response to the previous question, there is no start up period. This question is not applicable.

10. **Provide a non-binding contractor's estimate for the construction costs for the project.**

The non-binding contractor's estimate for the projected is included in Exhibit 9.

11. **Provide a detailed narrative supporting that the costs of the project, including any construction costs, will probably not result in an unreasonable impact on the costs and charges for health services in the planning area.**

The rates paid to St. Francis by various payers are not adjusted for capital investments. As such, this project will not have a negative impact on the costs and charges for health care services. The project will improve access to health services for residents of the planning area; reducing the need for patients to spend hours or days awaiting admission or be transferred to another hospital, via ambulance, all of which adds costs to the systems.

Importantly, in this specific project, capital costs are minimized by reconfiguring existing space so that St. Francis's bed configuration better matches the needs of the community (i.e., right sizing the FBC and adding additional medical and surgical beds). Finally with the relocation of outpatient rehabilitation services, the limited space that is available at St. Francis is most efficiently used to care for patients that require inpatient services.

**12. Provide the projected payer mix for the hospital by revenue and by patients using the example table below. Medicare and Medicaid managed care plans should be included within the Medicare and Medicaid lines, respectively. If "other" is a category, define what is included in "other."**

St. Francis's projected payer mix is detailed in Table 16. Total hospital payer mix was assumed to change slightly because payer mix for med/surg patients is different from OB patients. The majority of the increase in patient days is assumed to be for med/surg patients.

**Table 16**
**St. Francis Hospital Projected Payer Mix – Gross Revenue**

| Payer Mix | Percentage by Gross Revenue | Percentage by Patient |
|---|---|---|
| Medicare | 41.1% | 43.0% |
| Medicaid | 22.0% | 27.1% |
| Commercial/Managed Care | 30.7% | 24.8% |
| Other Government (L&I, VA, Workers Comp, etc.) | 3.7% | 3.0% |
| Self-Pay | 2.6% | 2.1% |
| **Total** | **100.0%** | **100.0%** |

*Source: Applicant*

**13. If this project proposes the addition of beds to an existing facility, provide the historical payer mix by revenue and patients for the existing facility. The table format should be consistent with the table shown above.**

St. Francis's historical payer mix based on Fiscal Year 2021 is detailed in Table 17.

**Table 17**
**St. Francis Hospital Historical Payer Mix (FY 2021) – Gross Revenue**

| Payer Mix | Percentage by Gross Revenue | Percentage by Patient |
|---|---|---|
| Medicare | 40.8% | 40.7% |
| Medicaid | 22.1% | 24.2% |
| Commercial/Managed Care | 30.8% | 28.4% |
| Other Government (L&I, VA, Workers Comp, etc.) | 3.7% | 3.4% |
| Self-Pay | 2.6% | 3.4% |
| **Total** | **100.0%** | **100.0%** |

*Source: Applicant*

14. **Provide a listing of all new equipment proposed for this project. The list should include estimated costs for the equipment. If no new equipment is required, explain.**

A listing of all new equipment is provided in Exhibit 10. Note that the equipment currently utilized in the Family Birth Center is expected to be repurposed in this application.

15. **Identify the source(s) of financing and start-up costs (loan, grant, gifts, etc.) and provide supporting documentation from the source. Examples of supporting documentation include: a letter from the applicant's CFO committing to pay for the project or draft terms from a financial institution.**

    **If this project will be debt financed through a financial institution, provide a repayment schedule showing interest and principal amount for each year over which the debt will be amortized.**

A letter from Virginia Mason Franciscan Health confirming its intent to use reserves to fund the project is provided in Exhibit 11.

16. **Provide the most recent audited financial statements for:**
    - **The applicant, and**
    - **Any parent entity.**

The requested information is included in Appendix 1.

## Section 6
## Structure and Process of Care (WAC 246-310-230)

1. **Identify all licensed healthcare facilities owned, operated, or managed by the applicant. This should include all facilities in Washington State as well as any out-of-state facilities. Include applicable license and certification numbers.**

The requested information on other facilities owned/operated and or affiliated with VM Franciscan Health is included in Exhibit 12.

2. **Provide a table that shows full time equivalents (FTEs) by type (e.g. physicians, management, technicians, RNs, nursing assistants, etc.) for the facility. If the facility is currently in operation, include at least the most recent full year of operation, the current year, and projections through the first three full years of operation following project completion. There should be no gaps. All FTE types should be defined.**

The requested information is included in Exhibit 13.

3. **Provide the basis for the assumptions used to project the number and types of FTEs identified for this project.**

Salary expense corresponds to the FTEs needed to provide the service. FTEs increase in accordance with the increase in patient days. As required by CN Program guidelines, the projected FTEs do not assume any compensation increases.

4. **Identify key staff (e.g. chief of medicine, nurse manager, clinical director, etc.) by name and professional license number, if known.**

The key clinical staff are as follows:

**Table 18**
**St. Francis Hospital Key Staff**

| Name | Title | Professional License Number |
|---|---|---|
| Aparna Ananth, MD | Division VP, Associate Chief Medical Officer King Region | MD00045928 |
| Holly Cook, RN | Director, Nursing Operations | RN00112119 |

*Source: Applicant*

5. **Describe your methods for staff recruitment and retention. If any barriers to staff recruitment exist in the planning area, provide a detailed description of your plan to staff this project.**

VM Franciscan Health fully acknowledges the current workforce issues experienced by all health care providers, due in part to COVID burnout and challenged by the desire to support and embrace diversity, inclusion, and equity. To ensure the workforce needs are a top priority, VM Franciscan Health employs a Director of Workforce Development. All levels of CommonSpirit Health and VM Franciscan Health are focused on workforce development, retention and efficiencies, including signing bonuses and referral bonuses for front line clinical staff, mid-year market increases, broad based appreciation bonuses, and staffing incentives for extra shifts.

For an organization the size of VM Franciscan Health, and because this project proposes an expansion of an existing facility, and importantly, the rightsizing of it to support current and projected volumes, the staffing needs noted in Exhibit 13 are relatively small. In an effort to assure that we always have the staff needed to support our existing and proposed new programs, VM Franciscan Health offers a competitive wage and benefit package as well as numerous other recruitment and retention strategies. It also recognizes that this is an extraordinary time with regard to staffing. Updated patient care areas and a less crowded environment will help to provide a more attractive experience for staff.

Specific strategies for clinical, ancillary and support staff include:

- VM Franciscan Health offers, and will continue to offer, a generous benefit package for both full and part time employees that includes Medical, Dental, Paid Time Off/Extended Illness/Injury Time, Employee Assistance Plans, and a Tuition Reimbursement Program, among other benefits.

- VM Franciscan Health posts all of its openings on our website via our online applicant tracking system. In addition to our own website, VM Franciscan Health has agreements with several job boards including Indeed.com, Health-e-Careers, and Washington HealthCare News to name a few.

- VM Franciscan Health currently has contracts with more than 40 technical colleges, community colleges, and four-year universities throughout the United States that enable us to offer either training and/or job opportunities. In addition, VM Franciscan Health Education Services staff serves on healthcare program advisory boards and as clinical or affiliate faculty at a number of local institutions. VM Franciscan Health constantly monitors the "wage" market, adjusting as necessary to ensure that our hospitals' wage structures remains competitive.

- VM Franciscan Health provides a career counselor who is available to all staff to encourage development and growth within the healthcare industry. This is further supported through a tuition reimbursement program and referrals to state and federal funds for continuing education. In addition, the Franciscan Foundation has annual scholarships available for current employees to advance their education.

- VM Franciscan Health's various facilities serve as clinical training sites for healthcare specialties such as nursing, diagnostic imaging, physical/occupational therapy, and pharmacy, (to name a few).

- VM Franciscan Health also offers various other recruitment strategies (i.e., new nursing grad events, nursing school class visits, job fairs, career days, direct-e- mail campaigns, etc.) as other ways to bring new healthcare workers to the VM Franciscan Health organization.

- VM Franciscan Health works closely with agency personnel, not only to negotiate rates but to also ensure that agency staff is able to provide the same high-quality skill level that VM Franciscan Health requires of our own employees.

- VM Franciscan Health holds residency program RN career fairs twice a year to help recruit and train new RNs. They go through a formal residency program at the site and in the department, they are hired into. VM Franciscan Health also attends campus career fairs and speaks with graduating RN classes about our opportunities and training for new nurses. We advertise on popular job boards as well as specialty niche sites.

Based on the above, St. Francis has demonstrated that it has the necessary infrastructure in place to recruit the additional staff needed for this project.

6. **For new facilities, provide a listing of ancillary and support services that will be established.**

St. Francis is not a new facility. This question is not applicable.

7. **For existing facilities, provide a listing of ancillary and support services already in place.**

The existing ancillary and support services, and an indication as to whether they are provided in house or under agreement, are provided in Table 18.

**Table 19**
**Ancillary and Support Services**

| Services Provided | Vendor |
|---|---|
| Linen service | In-house |
| Pathology | Cellnetix |
| Janitorial services | In-house |
| Biomedical | In-house |
| Biomedical waste | Stericycle |
| PT | In-house |
| Dietary | In-house |
| Respiratory Therapy | In-house |

*Source: Applicant*

8. **Identify whether any of the existing ancillary or support agreements are expected to change as a result of this project.**

No existing ancillary or support agreements are expected to change as a result of this project.

9. **If the facility is currently operating, provide a listing of healthcare facilities with which the facility has working relationships.**

St. Francis works closely with most healthcare providers in Southeast King County, as well as the larger South King County region, Tacoma, the greater Pierce County area, and Seattle. This includes EMS, primary care and specialty clinics, other hospitals, nursing homes, assisted living communities, home health and hospice.

10. **Identify whether any of the existing working relationships with healthcare facilities listed above would change as a result of this project.**

No existing working relationships are expected to change as a result of this project.

11. **For a new facility, provide a listing of healthcare facilities with which the facility would establish working relationships.**

This question is not applicable.

12. **Provide an explanation of how the proposed project will promote continuity in the provision of health care services in the planning area, and not result in an unwarranted fragmentation of services.**

The additional med/surg beds will promote continuity of care particularly considering the access issues outlined in the *Need* section. St. Francis' already high occupancy is compounded by the community's health disparities, and socioeconomic challenges. An adequate number of med/surg beds, located close to where patients reside, provides the best opportunity to assure patients get timely care, and that continuity from the hospital to the other levels of care in their local communities is maintained. Approval of the project will promote timely access to inpatient service by enhancing St. Francis's bed capacity.

13. **Provide an explanation of how the proposed project will have an appropriate relationship to the service area's existing health care system as required in WAC 246-310-230(4).**

As noted above, St. Francis has a long track record of working closely with EMS, other existing hospitals, and other health care systems throughout the Puget Sound Region. St. Francis collaborates with area nursing homes, assisted living, adult family homes, home health, and hospice agencies as well as outpatient providers. St. Francis also supports area primary care and specialists, as well as insurers to assure care coordination, smooth transitions of care, and reduced rehospitalization and ED visits.

14. **Identify whether any facility or practitioner associated with this application has a history of the actions listed below. If so, provide evidence that the proposed or existing facility can and will be operated in a manner that ensures safe and adequate care to the public and conforms to applicable federal and state requirements.**
    a. **A criminal conviction which is reasonably related to the applicant's competency to exercise responsibility for the ownership or operation of a health care facility; or**
    b. **A revocation of a license to operate a healthcare facility; or**
    c. **A revocation of a license to practice as a health profession; or**
    d. **Decertification as a provider of services in the Medicare or Medicaid program because of failure to comply with applicable federal conditions of participation.**

No facility or practitioner associated with the application has any history with respect to the above.

# Section 7
# Cost Containment (WAC 246-310-240)

1. **Identify all alternatives considered prior to submitting this project. At a minimum include a brief discussion of this project versus no project.**

St. Francis evaluated several alternatives for this project. A list of the alternatives and their description is below:

- **Maintain the status quo/do nothing:** St. Francis is currently constrained in its operations by the number of acute care beds it is licensed for. If this project does not move forward access to care, timely care delivery and inefficiencies in operations will continue.
- **Add new beds (several options):**
    - **Reconfigure the 1st floor for Med/Surg beds, do not relocate the FBC**: In this scenario, the FBC continues to occupy its current space, and continues with some idle capacity while med/surg beds continue to run at extremely high occupancy and there are a large number of ED transfers. Only 22 new med/surg beds can be accommodated on the 1st floor and placing non-OB patients on the OB postpartum unit, causes concerns because of care differences, the need to protect the unit from infections and the need to maintain security and a locked unit for the safety of the newborns. While less costly, this option did not fully address needs.

    - **New construction/only minimal modifications to current physical plant**: In this option a new wing is constructed, and the existing units are left unchanged. The delay associated with new construction (multiple years) and the capital cost to build new (estimated at about $50 million) made this option less desirable.

    - **This project:** Relocate the FBC to the first floor reducing the size of the unit from 22 beds to 14 beds. The space formerly occupied by the FBC will be renovated and will be configured for 32-acute care beds. As a result of the reconfiguration, the licensed bed capacity of St. Francis will increase by 24-beds.

2. **Provide a comparison of this project with alternatives rejected by the applicant. Include the rationale for considering this project to be superior to the rejected alternatives. Factors to consider can include, but are not limited to patient access to healthcare services, capital cost, legal restrictions, staffing impacts, quality of care, and cost or operation efficiency.**

Table 19 details the requested information.

**Table 20**
**Advantages and Disadvantages**

| | Right Size FBC. Add 24 acute care beds (the project) | Do nothing to the FBC add Fewer Med/Surg Beds to the 1st Floor | Construction of a new wing | No Action |
|---|---|---|---|---|
| **Patient Access to Health Care Services** | Provides relatively fast relief to high census and adds more private room bed capacity.<br>Reduces barriers to access for our community. | Provides limited relief to high census<br>Limited ability to reduce barriers to access for our community.<br>Doesn't utilize the space in the most efficient manner.<br>Idle capacity remains in the FBC. | While access would be improved eventually this option requires significantly more time to operationalize and access to health care services would be limited for several more years. | Continue to face occupancy pressures and patient access is compromised. |
| **Capital Costs** | Most efficient use of capital investment. | Limited efficiency of capital dollars as the cost would be similar but fewer med/surg beds would be added. | Capital costs are estimated to be more than double the proposed alternative (~$50 million). | Not applicable |
| **Staffing Impact** | The project rights sizes the FBC which will allow staffing to be better utilized.<br>The FBC and additional med/surg beds will be sized to operate efficiently. | Staffing a unit of this size will be operationally challenging and will result in higher staffing costs per patient. | Additional staffing is required in comparison to the selected alternative as the existing units will not be modified. | Not applicable |
| **Quality of Care** | Reduces the likelihood that patients will have to board in the ED. | Won't make a significant impact on inpatient capacity ED boarding and transfers would likely continue. | Eventually the likelihood of patients boarding in the ED would be reduced, it would take several years to realize this quality gain. | Not applicable |
| **Cost or Operational Efficiency** | Improves efficiency as the current FBC is over sized for demand. Right sizing the unit and relocating these beds and converting the current space the Med/Surg beds will improve efficiency. | Some, but limited ability to improve efficiency. A 22-bed med/surg expansion on the first floor is less than needed. | Idle capacity remains in existing units thereby resulting in overall less efficient staffing throughout the hospital. | No opportunity to improve operational efficiency. Space will continue to be used inefficiently. |
| **Legal** | None | None | None | Not applicable |

*Source: Applicant*

3. **If the project involves construction, provide information that supports conformance with WAC 246-310-240(2):**
    - **The costs, scope, and methods of construction and energy conservation are reasonable; and**
    - **The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.**

The project involves remodeling, but no new construction. The project involves moving outpatient services from the hospital to a location that does not require hospital infrastructure and resources, thereby allowing current hospital code space within St. Francis to be more optimally used for services that must be provided in a hospital (i.e., inpatient care). As a result, the project will not cause an unreasonable impact on the cost and charges to the public for health care services.

The remodeled space will be designed with a focus on value. Because this is a simple remodel project there is limited opportunity for energy conservation. Where possible, the project will use proven cost reduction strategies.

Additionally, the project was determined to be the most limited in scope while providing the maximum number of additional beds without adding additional square footage to St. Francis.

Additionally, the remodeled space will conform to, or exceed all State and regional energy and code requirements.

4. **Identify any aspects of the project that will involve appropriate improvements or innovations in the financing and delivery of health services which foster cost containment, and which promote quality assurance and cost effectiveness.**

As a result of more efficient operations, the cost per patient day is reduced with this project. Also, as noted throughout this application, St. Francis currently operates at extremely high census. As a result, clinical staff often find themselves spending considerable time and energy engaged in non-clinical activity (i.e., monitoring/managing patients in hallways, moving patients from one area to another, calling other units to arrange logistics, etc.). Alleviating this problem through the addition of acute beds will result in a much more efficient use of staff time and skill. In addition, while not specific to staff and system efficiencies, the ability for St. Francis to care for patients needing care in a timely manner is expected to improve overall patient satisfaction and ultimately, outcomes.

Finally, as a result of fewer ED boarding hours, quality and patient experience should improve for patients hospitalized at St. Francis.

**Exhibit 1: Organizational Chart for St. Francis Hospital**

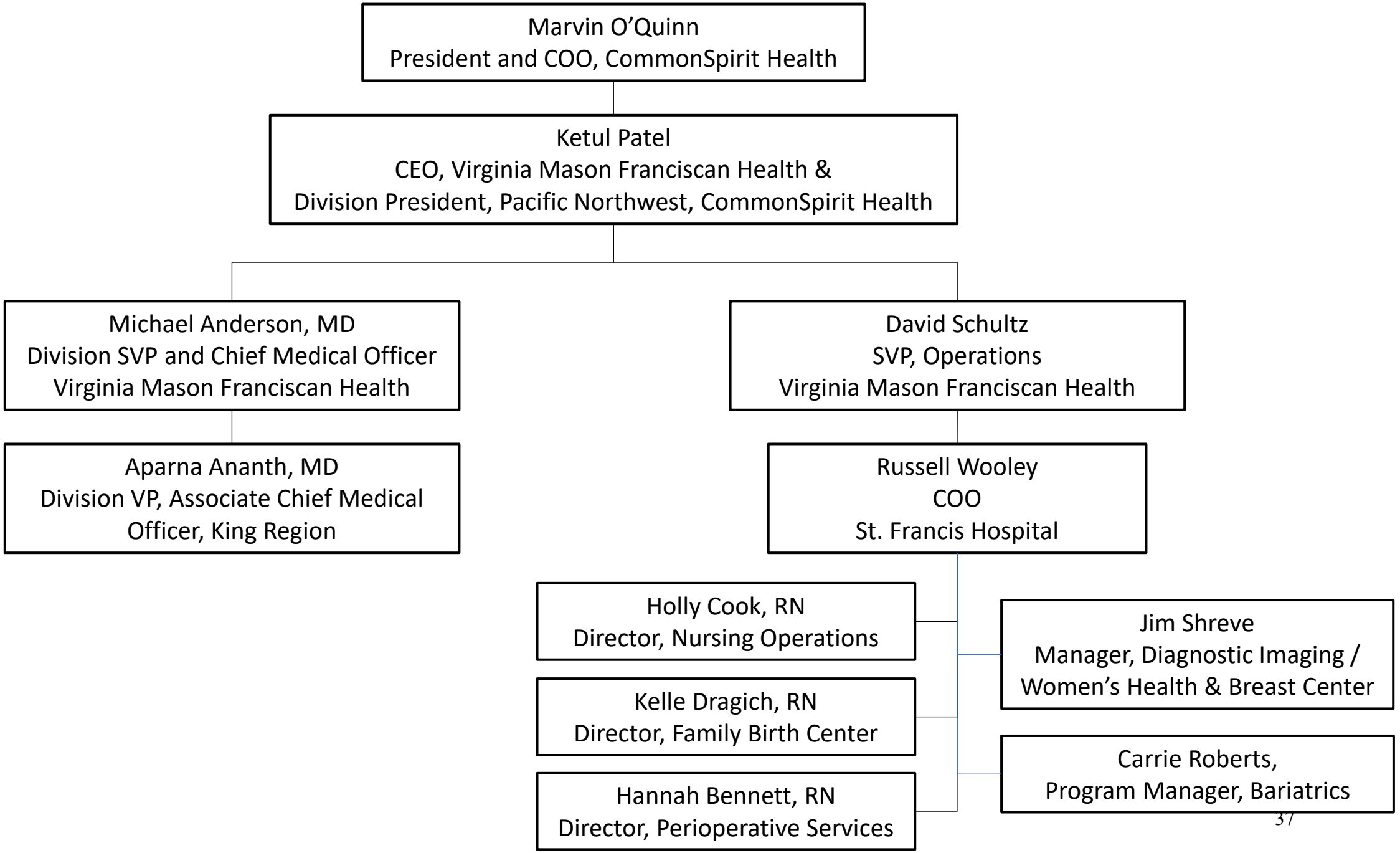

Marvin O'Quinn
President and COO, CommonSpirit Health
Ketul Patel
CEO, Virginia Mason Franciscan Health &
Division President, Pacific Northwest, CommonSpirit Health
Michael Anderson, MD
Division SVP and Chief Medical Officer
Virginia Mason Franciscan Health
Aparna Ananth, MD
Division VP, Associate Chief Medical
Officer, King Region
David Schultz
SVP, Operations
Virginia Mason Franciscan Health
Russell Wooley
COO
St. Francis Hospital
Holly Cook, RN
Director, Nursing Operations
Kelle Dragich, RN
Director, Family Birth Center
Hannah Bennett, RN
Director, Perioperative Services
Jim Shreve
Manager, Diagnostic Imaging /
Women's Health & Breast Center
Carrie Roberts,
Program Manager, Bariatrics

**Exhibit 2: Letter of Intent**

Virginia Mason Franciscan Health™

**RECEIVED**
*By CERTIFICATE OF NEED PROGRAM at 10:20 am, Sep 09, 2021*

LOI21-09StFHK
ex: Mar 09, 2022

September 8, 2021

Eric Hernandez, Program Manager
Certificate of Need Program
Department of Health
P.O. Box 47852
Olympia, WA 98504-7852
*Via email: FSLCON@DOH.WA.GOV; eric.hernandez@doh.wa.gov*

Dear Mr. Hernandez:

In accordance with WAC 246-310-080, Virginia Mason Franciscan Health hereby submits a letter of intent to add 24 general acute care beds to St. Francis Hospital. In conformance with WAC, the following information is provided:

1. A Description of the Extent of Services Proposed:
St. Francis Hospital is currently licensed for 124 beds (118 acute care and 6 Level II neonatal beds). St. Francis seeks to add 24 acute care beds to its license, bringing the total licensed capacity to 148 beds (142 acute care and 6 Level II neonatal beds).

2. Estimated Cost of the Proposed Project:
The estimated capital expenditure for the project is $23 Million.

3. Description of the Service Area:
St. Francis is located in the Southeast King Hospital Planning Area (Southeast King).

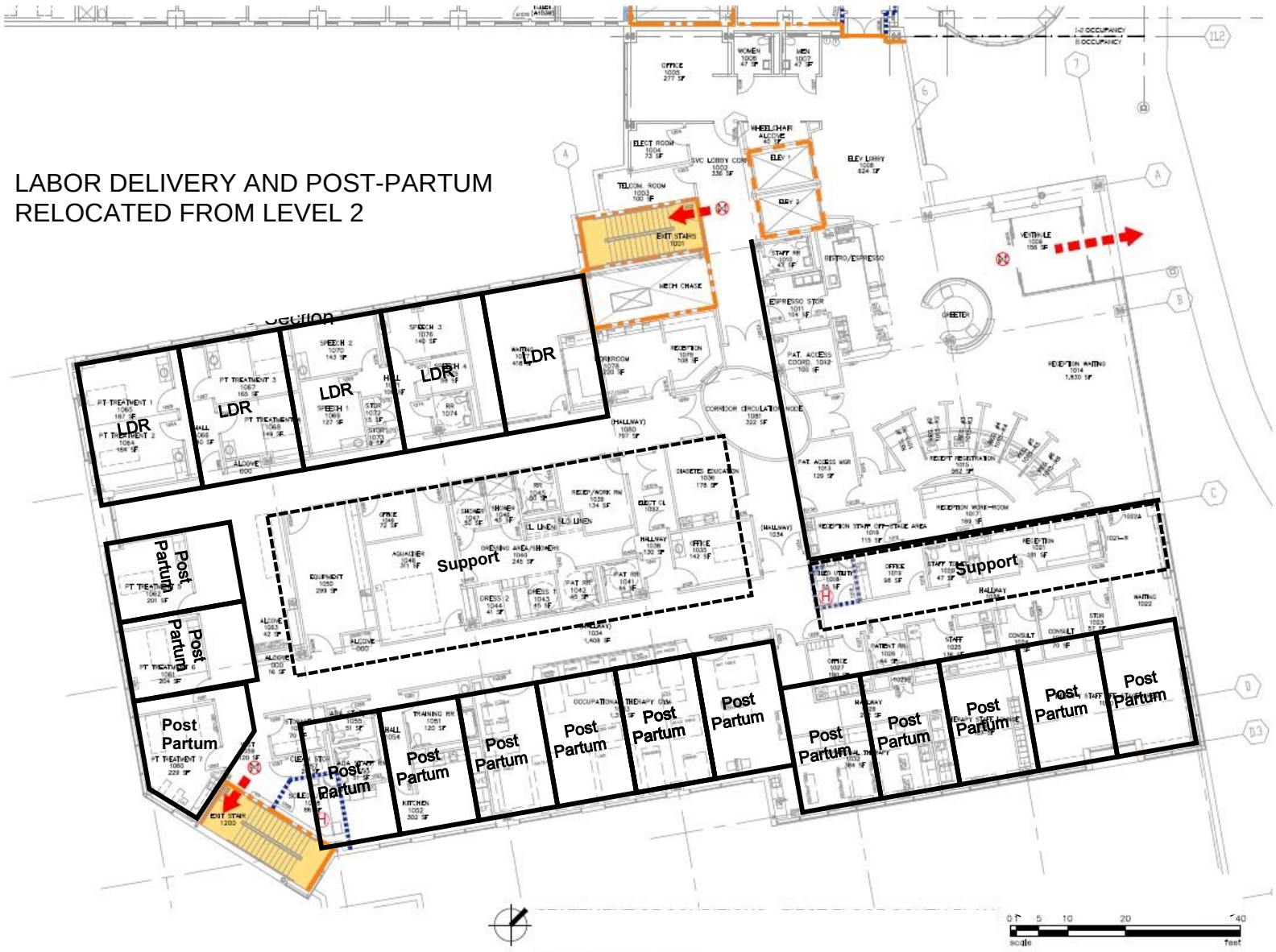
Thank you for your time and attention to this matter. Please contact me directly with any questions.

Sincerely,

Thomas A. Kruse
Senior Vice President & Chief Strategy Officer

**Exhibit 3: Single Line Drawings**

LABOR DELIVERY AND POST-PARTUM
RELOCATED FROM LEVEL 2




**CHI Franciscan Health**

st. francis hospital
federal way, wa

STATEMENT OF CONDITIONS

first floor south

LEGEND

SMOKE BARRIER- 1 HR FIRE RATED CONSTRUCTION, 20 MIN. RATED, UL 1784 SMOKE TESTED DOORS, SELF CLOSING.

SMOKE PARTITION- NON-FIRE RATED CONSTRUCTION, UL 1784 SMOKE TESTED DOORS.

1 HOUR FIRE RATED WALL, 45 MIN. RATED, UL 1784 SMOKE TESTED DOORS.

2 HOUR FIRE RATED OCCUPANCY/AREA SEPARATION, 90 MIN. RATED, UL 1784 SMOKE TESTED DOORS

2 HR EXIT ENCLOSURE

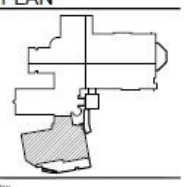
SHAFT

NFPA 101 (2012) 19.3.2.1 HAZARDOUS AREAS. ANY HAZARDOUS AREAS SHALL BE SAFE-GUARDED BY A FIRE BARRIER HAVING A 1-HOUR FIRE RESISTANCE RATING OR SHALL BE PROVIDED WITH AN AUTOMATIC EXTINGUISHING SYSTEM IN ACCORDANCE WITH 8.4.1.

EXIT

FIRE EXTINGUISHER

KEY PLAN



Relocate Labor, Delivery, Post-Partum from Level 2

NBBJ
January 19, 2022

1S

FRANCISCAN
HEALTH SYSTEM

ST. FRANCIS
HOSPITAL
FEDERAL WAY, WA

# LIFE SAFETY PLAN

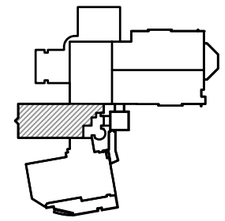
st. francis hospital
second floor west

## LEGEND

- SMOKE BARRIER
- CORRIDOR
- 1 HOUR WALL
- 2 HOUR WALL
- 3 HOUR WALL
- 4 HOUR WALL
- EXIT

- EXIT PATHWAY
- EXIT

## KEY PLAN



Reactivate 2 existing beds within Post Partum area to create 24 bed unit within existing wing

NBBJ
January 19, 2022

2W



Reactivate 2 existing beds within post-partum area to create 24 bed unit

LIFE SAFETY - SECOND FLOOR WEST PLAN
I-2 OCCUPANCY - HEALTHCARE

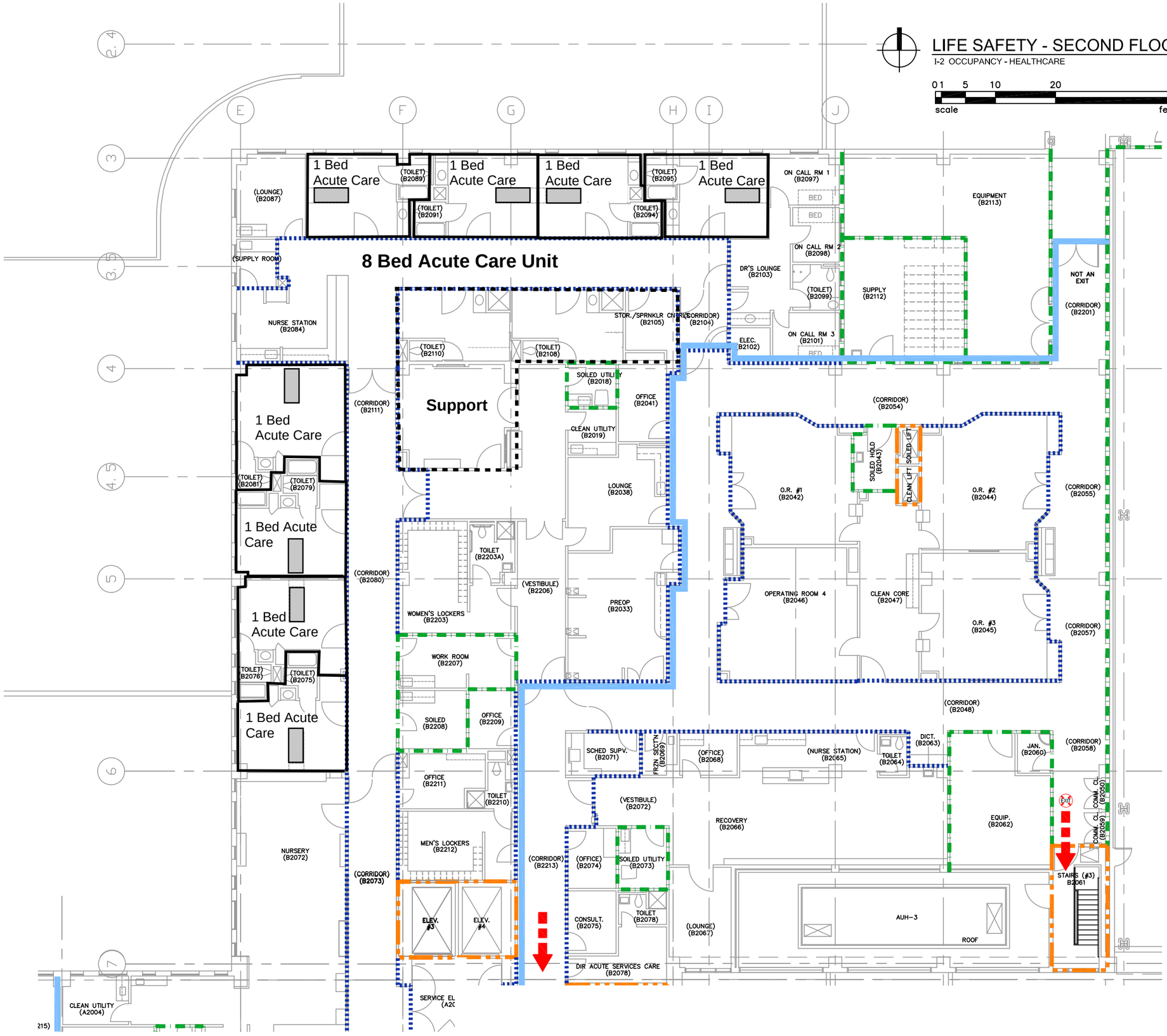
0 1 5 10 20 40
scale feet

# LIFE SAFETY - SECOND FLOOR NORTH PLAN

I-2 OCCUPANCY - HEALTHCARE

0 1 5 10 20 40

scale feet




FRANCISCAN HEALTH SYSTEM

ST. FRANCIS HOSPITAL
FEDERAL WAY, WA

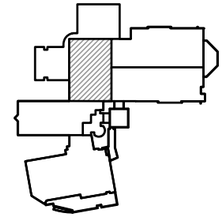
## LIFE SAFETY PLAN

st. francis hospital
second floor north

## LEGEND

- SMOKE BARRIER
- CORRIDOR
- 1 HOUR WALL
- 2 HOUR WALL
- 3 HOUR WALL
- 4 HOUR WALL
- EXIT
- EXIT PATHWAY
- EXIT

## KEY PLAN



Convert existing LDR area to an 8 Bed Acute Care Unit

NBBJ
January 19, 2022

2N

**Exhibit 4: Numeric Bed Need Methodology**

**2019 Baseline Bed Need Methodology**

**Step 1**

**1. 2010-2019 Total Resident Days**

***Excludes MDC 19 and MDC 15, Rehab Service Line***

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Southeast King** | 164,468 | 171,422 | 167,939 | 170,814 | 177,030 | 184,522 | 193,173 | 195,842 | 204,887 | 201,685 |
| **HSA# 1** | 1,268,003 | 1,295,661 | 1,278,057 | 1,298,805 | 1,339,856 | 1,406,560 | 1,432,552 | 1,475,082 | 1,505,669 | 1,510,484 |
| **Statewide Total** | 2,044,196 | 2,058,891 | 2,045,627 | 2,060,462 | 2,109,252 | 2,206,003 | 2,256,175 | 2,323,198 | 2,363,159 | 2,390,230 |

**STEP 2: Total Resident Days Adjusted to Exclude All Psychiatric Patient Days**

**2-A. 2010-2019 Total Resident Days (from Step 1)**

***Excludes MDC 19, MDC 15, Rehab***

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Southeast King** | 164,468 | 171,422 | 167,939 | 170,814 | 177,030 | 184,522 | 193,173 | 195,842 | 204,887 | 201,685 |
| **HSA# 1** | 1,268,003 | 1,295,661 | 1,278,057 | 1,298,805 | 1,339,856 | 1,406,560 | 1,432,552 | 1,475,082 | 1,505,669 | 1,510,484 |
| **Statewide Total** | 2,044,196 | 2,058,891 | 2,045,627 | 2,060,462 | 2,109,252 | 2,206,003 | 2,256,175 | 2,323,198 | 2,363,159 | 2,390,230 |

**2-B. 2010-2019 Total Psychiatric Hospital Non-MDC 19 Patient Days**

***Excludes MDC 19, MDC 15, Rehab***

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Southeast King** | 192 | 207 | 595 | 398 | 1,715 | 2,931 | 2,274 | 2,511 | 2,312 | 2,613 |
| **HSA# 1** | 1,384 | 1,639 | 2,907 | 3,101 | 9,823 | 16,266 | 15,482 | 16,250 | 16,704 | 17,945 |
| **Statewide Total** | 1,563 | 1,916 | 3,185 | 3,410 | 11,148 | 18,411 | 18,309 | 19,713 | 20,467 | 23,321 |

**NOTE: Relevant to this Step, there are 4 psychiatric hospitals statewide:**

**Fairfax Hospital, Kirkland: Located in HSA 1 and Southeast King Planning Area**

**Navos, Seattle: Located in HSA 1 and Southeast King Planning Area**

**Lourdes Counseling Center, Richland: *Located in HSA 3 and Benton-Franklin Planning Area***

**2C. 2010-2019 Total Resident Days Adjusted to Exclude All Psychiatric Patient Days**

***Excludes MDC 19, MDC 15, Rehab***

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Southeast King** | 164,276 | 171,215 | 167,344 | 170,416 | 175,315 | 181,591 | 190,899 | 193,331 | 202,575 | 199,072 |
| **HSA# 1** | 1,266,619 | 1,294,022 | 1,275,150 | 1,295,704 | 1,330,033 | 1,390,294 | 1,417,070 | 1,458,832 | 1,488,965 | 1,492,539 |
| **Statewide Total** | 2,042,633 | 2,056,975 | 2,042,442 | 2,057,052 | 2,098,104 | 2,187,592 | 2,237,866 | 2,303,485 | 2,342,692 | 2,366,909 |

**STEP 3: Historical Average Use Rates**

**3-A. 2010-2019 Total Resident Days Adjusted to Exclude All Psychiatric Patient Days (from Step 2-C.)**

***Excludes MDC 19, MDC 15, Rehab, Mary Bridge***

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Southeast King** | 164,276 | 171,215 | 167,344 | 170,416 | 175,315 | 181,591 | 190,899 | 193,331 | 202,575 | 199,072 |
| **HSA# 1** | 1,266,619 | 1,294,022 | 1,275,150 | 1,295,704 | 1,330,033 | 1,390,294 | 1,417,070 | 1,458,832 | 1,488,965 | 1,492,539 |
| **Statewide Total** | 2,042,633 | 2,056,975 | 2,042,442 | 2,057,052 | 2,098,104 | 2,187,592 | 2,237,866 | 2,303,485 | 2,342,692 | 2,366,909 |

**3-B. 2010-2019 Total Populations**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Southeast King** | 551,969 | 560,594 | 569,419 | 578,452 | 587,701 | 597,173 | 606,877 | 616,821 | 627,015 | 637,468 |
| **HSA # 1** | 4,204,534 | 4,231,500 | 4,261,500 | 4,303,625 | 4,361,850 | 4,429,440 | 4,523,580 | 4,612,100 | 4,688,920 | 4,767,780 |
| **Statewide Total** | 6,724,540 | 6,767,900 | 6,817,770 | 6,882,400 | 6,968,170 | 7,061,410 | 7,183,700 | 7,310,300 | 7,427,570 | 7,546,410 |

**3-C. 2010-2019 Total Use Rates Per 1,000**

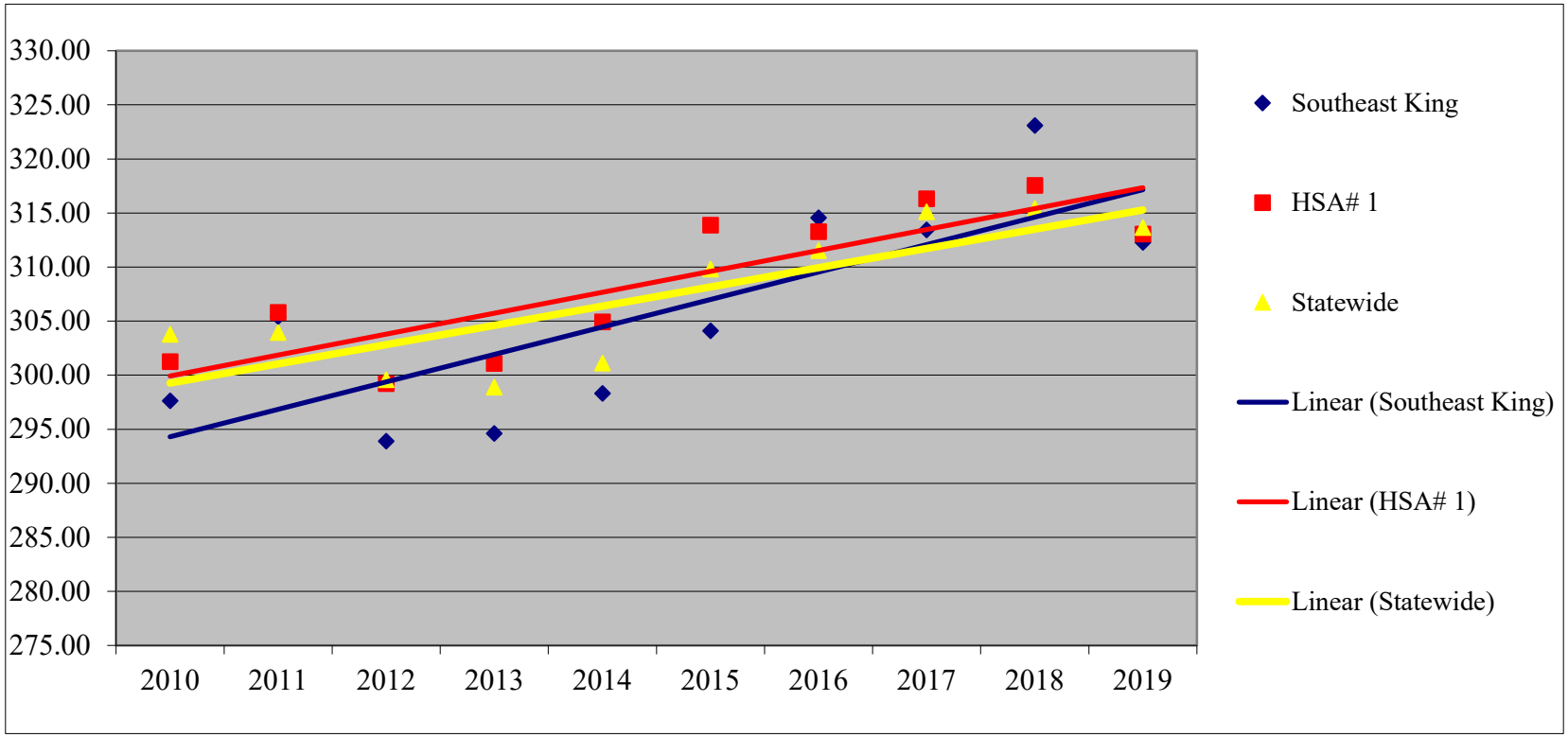
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Southeast King** | 297.62 | 305.42 | 293.89 | 294.61 | 298.31 | 304.08 | 314.56 | 313.43 | 323.08 | 312.29 |
| **HSA # 1** | 301.25 | 305.81 | 299.23 | 301.07 | 304.92 | 313.88 | 313.26 | 316.31 | 317.55 | 313.05 |
| **Statewide Total** | 303.76 | 303.93 | 299.58 | 298.89 | 301.10 | 309.80 | 311.52 | 315.10 | 315.40 | 313.65 |

**STEP 4: Historical Use Rate Trend Lines and Slopes**

**4-A. 2010-2019 Total Use Rates Per 1,000 (from Step 3-C.)**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Southeast King** | 297.62 | 305.42 | 293.89 | 294.61 | 298.31 | 304.08 | 314.56 | 313.43 | 323.08 | 312.29 |
| **HSA# 1** | 301.25 | 305.81 | 299.23 | 301.07 | 304.92 | 313.88 | 313.26 | 316.31 | 317.55 | 313.05 |
| **Statewide Total** | 303.76 | 303.93 | 299.58 | 298.89 | 301.10 | 309.80 | 311.52 | 315.10 | 315.40 | 313.65 |

**4-B. 2010-2019 Total Use Rate Trend Lines**




**4-C. 2010-2019 Total Use Rate Slopes**

| | |
|---|---|
| **HSA#1** | 1.94 |
| **Statewide Total** | 1.78 |

**STEP 5: Allocation of Patient (Provider) Days Back to Planning Areas Where the Patients Live**

**5-A. 2019 (Provider) Days by Age and Residence**

***Excludes MDC 19 ,MDC 15, Rehab***

**Southeast King**

| | Total Patient Days | Out-of-State Days | Total Less Out-of-State | % Out-of-State |
|---|---|---|---|---|
| Age 0-64 | 70,644 | 1,036 | 69,608 | 1.47% |
| Age 65+ | 66,729 | 875 | 65,854 | 1.31% |
| **Total** | 137,373 | 1,911 | 135,462 | 1.39% |

**Other Washington (WA-Southeast King)**

| | Total Patient Days | Out-of-State Days | Total Less Out-of-State | % Out-of-State |
|---|---|---|---|---|
| Age 0-64 | 1,223,944 | 62,104 | 1,161,840 | 5.07% |
| Age 65+ | 1,114,623 | 45,043 | 1,069,580 | 4.04% |
| **Total** | 2,338,567 | 107,147 | 2,231,420 | 4.58% |

**5-B.** **2019 Patient Days by Age and Residence, to Providers by Area**

***Excludes MDC 19 , MDC 15, Rehab***

**Residents of Southeast King**

| | To Planning Area Providers | To Other WA Providers | Total Resident Days (Excl. Out-of-State) | 2019 Add (Patient) Days Provided in OR * | 2019 Total Resident Days |
|---|---|---|---|---|---|
| Age 0-64 | 49,560 | 63,813 | 113,373 | 282 | 113,655 |
| Age 65+ | 49,423 | 36,269 | 85,692 | 61 | 85,753 |
| **Total** | **98,983** | **100,082** | **199,065** | **343** | **199,408** |

**Other WA Residents**

| | To Planning Area Providers | To Other WA Providers | Total Resident Days (Excl. Out-of-State) | Add (Patient) Days Provided in OR * | Total Resident Days |
|---|---|---|---|---|---|
| Age 0-64 | 21,084 | 1,160,131 | 1,181,215 | 39,687 | 1,220,902 |
| Age 65+ | 17,306 | 1,078,354 | 1,095,660 | 28,888 | 1,124,548 |
| **Total** | **38,390** | **2,238,485** | **2,276,875** | **68,575** | **2,345,450** |

**5-C.** **2019 Market Shares - Percentage of Total Resident Patient Days**

***Excludes MDC 19, MDC 15, Rehab***

**Residents of**

| | To Planning Area Providers | To Other WA Providers | To OR Providers | |
|---|---|---|---|---|
| Age 0-64 | 43.61% | 56.15% | 0.25% | 100.00% |
| Age 65+ | 57.63% | 42.29% | 0.07% | 100.00% |
| **Total** | **49.64%** | **50.19%** | **0.17%** | 100.00% |

**Other WA Residents**

| | | | | |
|---|---|---|---|---|
| Age 0-64 | 1.73% | 95.02% | 3.25% | 100.00% |
| Age 65+ | 1.54% | 95.89% | 2.57% | 100.00% |
| **Total** | **1.64%** | **95.44%** | **2.92%** | 100.00% |

**STEP 6: Planning Area Use Rates by Age**

***Excludes MDC 19, MDC 15, Rehab***

**6-A. 2019 Population* by Age**

| | Southeast King | Other WA |
|---|---|---|
| Age 0-64 | 556,085 | 5,763,562 |
| Age 65+ | 81,383 | 1,145,380 |
| **Total** | **637,468** | **6,908,942** |

* Planning area population from Claritas 2019

Other WA population = Statewide population from OFM (2019), minus Planning Area population.

**6-B. 2019 Use Rates by Age**

***Excludes MDC 19, MDC 15, Rehab***

| | Southeast King | Other WA |
|---|---|---|
| Age 0-64 | 204.38 | 211.83 |
| Age 65+ | 1,053.70 | 981.81 |
| **Total** | **312.81** | **339.48** |

**STEP 7A: Planning Area Use Rates by Age**

**7A-A. 2019 Use Rates by Age (from Step 6-B)**

***Excludes MDC 19, MDC 15, Rehab***

| | Southeast King |
|---|---|
| Age 0-64 | 204.38 |
| Age 65+ | 1,053.70 |
| **Total** | **312.81** |

**7A-B. Projected Use Rates by Age for**

***Excludes MDC 19 , MDC 15, Rehab***

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| Age 0-64 using HSATrend | 204.38 | 206.32 | 208.25 | 210.19 | 212.12 | 214.06 | 215.99 | 217.93 | 219.86 |
| Age 0-64 using State Trend | 204.38 | 206.16 | 207.94 | 209.72 | 211.50 | 213.28 | 215.06 | 216.84 | 218.62 |
| Age 65+ using HSA Trend | 1,053.70 | 1,055.63 | 1,057.57 | 1,059.50 | 1,061.44 | 1,063.37 | 1,065.31 | 1,067.24 | 1,069.18 |
| Age 65+ using State Trend | 1,053.70 | 1,055.48 | 1,057.25 | 1,059.03 | 1,060.81 | 1,062.59 | 1,064.37 | 1,066.15 | 1,067.93 |

**Trended Use Rates (from above) that are Closest to**
**Current Value - i.e., Requires the Smallest Adjustment**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| Age 0-64 using State Trend | 204.38 | 206.16 | 207.94 | 209.72 | 211.50 | 213.28 | 215.06 | 216.84 | 218.62 |
| Age 65+ using State Trend | 1,053.70 | 1,055.48 | 1,057.25 | 1,059.03 | 1,060.81 | 1,062.59 | 1,064.37 | 1,066.15 | 1,067.93 |

**7A-A. 2019 Use Rates by Age (from Step 6-B)**

***Excludes MDC 19, MDC 15, Rehab***

| | Other WA |
|---|---|
| Age 0-64 | 211.83 |
| Age 65+ | 981.81 |
| **Total** | **339.48** |

**7A-B. Projected Use Rates by Age for**

***Excludes MDC 19, MDC 15, Rehab***

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| Age 0-64 using HSATrend | 211.83 | 213.77 | 215.70 | 217.64 | 219.57 | 221.51 | 223.44 | 225.38 | 227.31 |
| Age 0-64 using State Trend | 211.83 | 213.61 | 215.39 | 217.17 | 218.95 | 220.73 | 222.51 | 224.28 | 226.06 |
| Age 65+ using HSA Trend | 981.81 | 983.75 | 985.68 | 987.62 | 989.55 | 991.49 | 993.42 | 995.36 | 997.29 |
| Age 65+ using State Trend | 981.81 | 983.59 | 985.37 | 987.15 | 988.93 | 990.71 | 992.49 | 994.27 | 996.04 |

**STEP 8: Forecast Patient Days Using Trended Use Rates**

**8A. Projected Use Rates by Age (from Step 7A-B.) for**

**Southeast King**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| Age 0-64 using State Trend | 204.38 | 206.16 | 207.94 | 209.72 | 211.50 | 213.28 | 215.06 | 216.84 | 218.62 |
| Age 65+ using State Trend | 1,053.70 | 1,055.48 | 1,057.25 | 1,059.03 | 1,060.81 | 1,062.59 | 1,064.37 | 1,066.15 | 1,067.93 |

**8B. Projected Population* for**

**Southeast King**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| 0-64 | 556,085 | 560,854 | 565,663 | 570,514 | 575,406 | 580,340 | 585,317 | 590,336 | 595,398 |
| 65+ | 81,383 | 85,458 | 89,736 | 94,229 | 98,947 | 103,901 | 109,103 | 114,566 | 120,302 |
| **Total** | **637,468** | **646,311** | **655,399** | **664,743** | **674,353** | **684,241** | **694,420** | **704,901** | **715,699** |

**8C. Projected Resident Patient Days* for**

**Southeast King**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| 0-64 | 113,655 | 115,627 | 117,625 | 119,649 | 121,699 | 123,775 | 125,877 | 128,007 | 130,164 |
| 65+ | 85,753 | 90,198 | 94,874 | 99,792 | 104,964 | 110,404 | 116,126 | 122,144 | 128,474 |
| **Total** | **199,408** | **205,826** | **212,499** | **219,441** | **226,663** | **234,179** | **242,003** | **250,151** | **258,637** |

***Excludes MDC 19, MDC 15, Rehab***

**8A. Projected Use Rates by Age (from Step 7A-B.) for**

**Other WA**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| Age 0-64 using State Trend | 211.83 | 213.61 | 215.39 | 217.17 | 218.95 | 220.73 | 222.51 | 224.28 | 226.06 |
| Age 65+ using State Trend | 981.81 | 983.59 | 985.37 | 987.15 | 988.93 | 990.71 | 992.49 | 994.27 | 996.04 |

**8B. Projected Population* for**

**Other WA**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| 0-64 | 5,735,514 | 5,798,374 | 5,830,303 | 5,862,909 | 5,896,201 | 5,930,191 | 5,964,886 | 5,998,787 | 6,033,363 |
| 65+ | 1,142,244 | 1,193,737 | 1,235,953 | 1,280,145 | 1,326,425 | 1,374,912 | 1,425,731 | 1,459,555 | 1,494,982 |
| **Total** | **6,877,758** | **6,992,112** | **7,066,256** | **7,143,053** | **7,222,627** | **7,305,103** | **7,390,617** | **7,458,342** | **7,528,345** |

**8c. Projected Resident Patient Days* for**

**Other WA**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| 0-64 | 1,214,961 | 1,238,592 | 1,255,785 | 1,273,238 | 1,290,958 | 1,308,949 | 1,327,220 | 1,345,435 | 1,363,923 |
| 65+ | 1,121,469 | 1,174,150 | 1,217,871 | 1,263,694 | 1,311,740 | 1,362,136 | 1,415,019 | 1,451,186 | 1,489,069 |
| **Total** | **2,336,430** | **2,412,742** | **2,473,656** | **2,536,932** | **2,602,697** | **2,671,085** | **2,742,238** | **2,796,620** | **2,852,992** |

**STEP 9: Allocate Forecasted Patient Days to the Planning Areas Where Services are Expected to Be Provided**

**9A. (From Steps 8-C and D).**

**Projected Resident Patient Days* for**

**Southeast King**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| 0-64 | 113,655 | 115,627 | 117,625 | 119,649 | 121,699 | 123,775 | 125,877 | 128,007 | 130,164 |
| 65+ | 85,753 | 90,198 | 94,874 | 99,792 | 104,964 | 110,404 | 116,126 | 122,144 | 128,474 |
| **Total** | **199,408** | **205,826** | **212,499** | **219,441** | **226,663** | **234,179** | **242,003** | **250,151** | **258,637** |

*Excludes MDC 19 , MDC 15, Rehab*

**Projected Resident Patient Days* for**

**Other Washington**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| 0-64 | 1,214,961 | 1,238,592 | 1,255,785 | 1,273,238 | 1,290,958 | 1,308,949 | 1,327,220 | 1,345,435 | 1,363,923 |
| 65+ | 1,121,469 | 1,174,150 | 1,217,871 | 1,263,694 | 1,311,740 | 1,362,136 | 1,415,019 | 1,451,186 | 1,489,069 |
| **Total** | **2,336,430** | **2,412,742** | **2,473,656** | **2,536,932** | **2,602,697** | **2,671,085** | **2,742,238** | **2,796,620** | **2,852,992** |

***Excludes MDC 19, MDC 15, Rehab***

**9-B. 2018 Market Shares - Percentage of Total Resident Patient Days (From Step 5-C)**

***Excludes MDC 19, MDC 15, Rehab***

| **Residents of Southeast King** | **To Planning Area Providers** | **To Other WA Providers** | **To OR Providers** |
|---|---|---|---|
| Age 0-64 | 43.61% | 56.15% | 0.25% |
| Age 65+ | 57.63% | 42.29% | 0.07% |
| **Total** | **49.64%** | **50.19%** | **0.17%** |

**Other WA Residents**

| | | | |
|---|---|---|---|
| Age 0-64 | 1.73% | 95.02% | 3.25% |
| Age 65+ | 1.54% | 95.89% | 2.57% |
| **Total** | **1.64%** | **95.44%** | **2.92%** |

**9C.** **Southeast King**

**Resident Patient Days* to Providers** **Southeast King**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| 0-64 | 49,560 | 50,420 | 51,291 | 52,174 | 53,067 | 53,973 | 54,890 | 55,818 | 56,759 |
| 65+ | 49,423 | 51,985 | 54,680 | 57,514 | 60,495 | 63,631 | 66,928 | 70,397 | 74,045 |
| **Total** | **98,983** | **102,405** | **105,971** | **109,688** | **113,563** | **117,603** | **121,818** | **126,215** | **130,803** |

**Southeast King**
**Resident Patient Days to Other Washington Providers**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| 0-64 | 63,813 | 64,920 | 66,042 | 67,178 | 68,329 | 69,495 | 70,675 | 71,871 | 73,082 |
| 65+ | 36,269 | 38,149 | 40,127 | 42,207 | 44,394 | 46,695 | 49,115 | 51,661 | 54,338 |
| **Total** | **100,082** | **103,070** | **106,169** | **109,385** | **112,723** | **116,190** | **119,791** | **123,532** | **127,420** |

**Southeast King**
**Resident Patient Days to Oregon Providers**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| 0-64 | 282 | 287 | 292 | 297 | 302 | 307 | 312 | 318 | 323 |
| 65+ | 61 | 64 | 67 | 71 | 75 | 79 | 83 | 87 | 91 |
| **Total** | **343** | **351** | **359** | **368** | **377** | **386** | **395** | **404** | **414** |

**9D.** **Other Washington Resident Patient Days* to Southeast King Providers**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| 0-64 | 20,981 | 21,389 | 21,686 | 21,988 | 22,294 | 22,605 | 22,920 | 23,235 | 23,554 |
| 65+ | 17,259 | 18,069 | 18,742 | 19,447 | 20,187 | 20,962 | 21,776 | 22,333 | 22,916 |
| **Total** | **38,240** | **39,459** | **40,429** | **41,435** | **42,481** | **43,567** | **44,696** | **45,567** | **46,470** |

**Other Washington Resident Patient Days to Other Washington Providers**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| 0-64 | 1,154,485 | 1,176,940 | 1,193,277 | 1,209,862 | 1,226,699 | 1,243,796 | 1,261,157 | 1,278,465 | 1,296,033 |
| 65+ | 1,075,401 | 1,125,918 | 1,167,844 | 1,211,784 | 1,257,856 | 1,306,182 | 1,356,893 | 1,391,574 | 1,427,901 |
| **Total** | **2,229,887** | **2,302,859** | **2,361,121** | **2,421,646** | **2,484,556** | **2,549,978** | **2,618,049** | **2,670,039** | **2,723,935** |

**Other Washington Resident Patient Days to Oregon Providers**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| 0-64 | 39,494 | 40,262 | 40,821 | 41,388 | 41,964 | 42,549 | 43,143 | 43,735 | 44,336 |
| 65+ | 28,809 | 30,162 | 31,285 | 32,462 | 33,697 | 34,991 | 36,350 | 37,279 | 38,252 |
| **Total** | **68,303** | **70,424** | **72,106** | **73,851** | **75,661** | **77,540** | **79,493** | **81,014** | **82,588** |

**9E.** **Total Washington Resident Patient Days* to Southeast King Providers**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| 0-64 | 70,541 | 71,810 | 72,978 | 74,161 | 75,361 | 76,577 | 77,810 | 79,053 | 80,313 |
| 65+ | 66,682 | 70,054 | 73,422 | 76,962 | 80,682 | 84,593 | 88,704 | 92,729 | 96,960 |
| **Total** | **137,223** | **141,864** | **146,400** | **151,123** | **156,043** | **161,170** | **166,514** | **171,782** | **177,273** |

**Total Washington Resident Patient Days* to Other Washington Providers**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| 0-64 | 1,218,298 | 1,241,861 | 1,259,319 | 1,277,040 | 1,295,029 | 1,313,291 | 1,331,832 | 1,350,336 | 1,369,115 |
| 65+ | 1,111,670 | 1,164,067 | 1,207,970 | 1,253,991 | 1,302,251 | 1,352,877 | 1,406,008 | 1,443,235 | 1,482,239 |
| **Total** | **2,329,969** | **2,405,928** | **2,467,290** | **2,531,031** | **2,597,279** | **2,666,168** | **2,737,840** | **2,793,571** | **2,851,354** |

**Total Washington Resident Patient Days* to Oregon Providers**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| 0-64 | 39,776 | 40,549 | 41,113 | 41,685 | 42,266 | 42,856 | 43,455 | 44,053 | 44,659 |
| 65+ | 28,870 | 30,226 | 31,353 | 32,533 | 33,771 | 35,070 | 36,432 | 37,366 | 38,343 |
| **Total** | **68,646** | **70,775** | **72,466** | **74,219** | **76,038** | **77,926** | **79,888** | **81,418** | **83,002** |

**9-F.** **Percent Out-of-State Resident Patient Days * (From Step 5-A)**

**Southeast King**

| | % Out-of-State |
|---|---|
| Age 0-64 | 1.47% |
| Age 65+ | 1.31% |
| **Total** | **1.39%** |

**Other Washington**

| | |
|---|---|
| Age 0-64 | 5.07% |
| Age 65+ | 4.04% |
| **Total** | **4.58%** |

**9-F. Total Patient Days*, Including Out-of-State Residents**

**Southeast King**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| 0-64 | 71,576 | 72,863 | 74,048 | 75,249 | 76,466 | 77,700 | 78,951 | 80,212 | 81,490 |
| 65+ | 67,556 | 70,973 | 74,385 | 77,971 | 81,740 | 85,702 | 89,868 | 93,945 | 98,232 |
| **Total** | **139,132** | **143,836** | **148,433** | **153,220** | **158,206** | **163,402** | **168,818** | **174,158** | **179,722** |

**Southeast King**

**Provider Market Share of All Planning Area Resident Days**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| **Total** | 49.64% | 49.75% | 49.87% | 49.99% | 50.10% | 50.22% | 50.34% | 50.46% | 50.57% |

**Southeast King**

**Inmigration Days**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| **Total** | 40,149 | 41,431 | 42,462 | 43,532 | 44,644 | 45,799 | 47,000 | 47,943 | 48,919 |

***Excludes MDC 19, MDC 15, Rehab***

**STEP 10: Apply Weighted Occupancy Standard to Determine Bed Need**

## 2019 BASELINE

**Final Bed Need Calculations**

***Excludes MDC 19, MDC 15, Rehab***

# Southeast King

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| Population 0-64 | 556,085 | 560,854 | 565,663 | 570,514 | 575,406 | 580,340 | 585,317 | 590,336 | 595,398 |
| 0-64 Use Rate | 204.38 | 206.16 | 207.94 | 209.72 | 211.50 | 213.28 | 215.06 | 216.84 | 218.62 |
| Population 65+ | 81,383 | 85,458 | 89,736 | 94,229 | 98,947 | 103,901 | 109,103 | 114,566 | 120,302 |
| 65+ Use Rate | 1,053.70 | 1,055.48 | 1,057.25 | 1,059.03 | 1,060.81 | 1,062.59 | 1,064.37 | 1,066.15 | 1,067.93 |
| | | | | | | | | | |
| Total Population | 637,468 | 646,311 | 655,399 | 664,743 | 674,353 | 684,241 | 694,420 | 704,901 | 715,699 |
| Total Area Resident Days | 199,408 | 205,826 | 212,499 | 219,441 | 226,663 | 234,179 | 242,003 | 250,151 | 258,637 |
| Total Days in Area Hospitals | 139,132 | 143,836 | 148,433 | 153,220 | 158,206 | 163,402 | 168,818 | 174,158 | 179,722 |

**Planning Area Available Beds - LICENSED BEDS**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Multicare Auburn Medical Center | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 |
| Multicare Covington Medical Center | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 |
| Saint Elizabeth Hospital | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Saint Francis Hospital | 118 | 118 | 118 | 118 | 118 | 118 | 118 | 118 | 118 |
| UW/Valley Medical Center | 321 | 321 | 321 | 321 | 321 | 321 | 321 | 321 | 321 |
| TOTAL | 653 | 653 | 653 | 653 | 653 | 653 | 653 | 653 | 653 |
| | | | | | | | | | |
| Weighted Occupancy Standard | 68.90% | 68.90% | 68.90% | 68.90% | 68.90% | 68.90% | 68.90% | 68.90% | 68.90% |
| | | | | | | | | | |
| Gross Bed Need | 553 | 572 | 590 | 609 | 629 | 650 | 671 | 693 | 715 |
| | | | | | | | | | |
| Net Bed Need / Surplus | -100 | -81 | -63 | -44 | -24 | -3 | 18 | 40 | 62 |

**STEP 10: Apply Weighted Occupancy Standard to Determine Bed Need**

## 2019 BASELINE

**Final Bed Need Calculations**

***Excludes MDC 19, MDC 15, Rehab***

# Southeast King

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| Population 0-64 | 556,085 | 560,854 | 565,663 | 570,514 | 575,406 | 580,340 | 585,317 | 590,336 | 595,398 |
| 0-64 Use Rate | 204.38 | 206.16 | 207.94 | 209.72 | 211.50 | 213.28 | 215.06 | 216.84 | 218.62 |
| Population 65+ | 81,383 | 85,458 | 89,736 | 94,229 | 98,947 | 103,901 | 109,103 | 114,566 | 120,302 |
| 65+ Use Rate | 1,053.70 | 1,055.48 | 1,057.25 | 1,059.03 | 1,060.81 | 1,062.59 | 1,064.37 | 1,066.15 | 1,067.93 |
| | | | | | | | | | |
| Total Population | 637,468 | 646,311 | 655,399 | 664,743 | 674,353 | 684,241 | 694,420 | 704,901 | 715,699 |
| Total Area Resident Days | 199,408 | 205,826 | 212,499 | 219,441 | 226,663 | 234,179 | 242,003 | 250,151 | 258,637 |
| Total Days in Area Hospitals | 139,132 | 143,836 | 148,433 | 153,220 | 158,206 | 163,402 | 168,818 | 174,158 | 179,722 |

**Planning Area Available Beds - SET UP BEDS**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Multicare Auburn Medical Center | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 |
| Multicare Covington Medical Center | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 |
| Saint Elizabeth Hospital | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Saint Francis Hospital | 118 | 118 | 118 | 118 | 118 | 118 | 118 | 118 | 118 |
| UW/Valley Medical Center | 311 | 311 | 311 | 311 | 311 | 311 | 311 | 311 | 311 |
| TOTAL | 620 | 620 | 620 | 620 | 620 | 620 | 620 | 620 | 620 |
| | | | | | | | | | |
| Weighted Occupancy Standard | 68.94% | 68.94% | 68.94% | 68.94% | 68.94% | 68.94% | 68.94% | 68.94% | 68.94% |
| | | | | | | | | | |
| Gross Bed Need | 553 | 572 | 590 | 609 | 629 | 649 | 671 | 692 | 714 |
| | | | | | | | | | |
| Net Bed Need / Surplus | -67 | -48 | -30 | -11 | 9 | 29 | 51 | 72 | 94 |

**2020 Baseline Bed Need Methodology**

**Step 1**

**1. 2011-2020 Total Resident Days**

***Excludes MDC 19 and MDC 15, Rehab Service Line***

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Southeast King** | 171,422 | 167,939 | 170,814 | 177,030 | 184,522 | 193,173 | 195,842 | 204,887 | 201,685 | 200,465 |
| **HSA# 1** | 1,295,661 | 1,278,057 | 1,298,805 | 1,339,856 | 1,406,560 | 1,432,552 | 1,475,082 | 1,505,669 | 1,510,484 | 1,457,730 |
| **Statewide Total** | 2,058,891 | 2,045,627 | 2,060,462 | 2,109,252 | 2,206,003 | 2,256,175 | 2,323,198 | 2,363,159 | 2,390,230 | 2,300,642 |

**STEP 2: Total Resident Days Adjusted to Exclude All Psychiatric Patient Days**

**2-A. 2011-2020 Total Resident Days (from Step 1)**
***Excludes MDC 19, MDC 15, Rehab***

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Southeast King** | 171,422 | 167,939 | 170,814 | 177,030 | 184,522 | 193,173 | 195,842 | 204,887 | 201,685 | 200,465 |
| **HSA# 1** | 1,295,661 | 1,278,057 | 1,298,805 | 1,339,856 | 1,406,560 | 1,432,552 | 1,475,082 | 1,505,669 | 1,510,484 | 1,457,730 |
| **Statewide Total** | 2,058,891 | 2,045,627 | 2,060,462 | 2,109,252 | 2,206,003 | 2,256,175 | 2,323,198 | 2,363,159 | 2,390,230 | 2,300,642 |

**2-B. 2011-2020 Total Psychiatric Hospital Non-MDC 19 Patient Days**
***Excludes MDC 19, MDC 15, Rehab***

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Southeast King** | 207 | 595 | 398 | 1,715 | 2,931 | 2,274 | 2,511 | 2,312 | 2,613 | 1,074 |
| **HSA# 1** | 1,639 | 2,907 | 3,101 | 9,823 | 16,266 | 15,482 | 16,250 | 16,704 | 17,945 | 10,954 |
| **Statewide Total** | 1,916 | 3,185 | 3,410 | 11,148 | 18,411 | 18,309 | 19,713 | 20,467 | 23,321 | 17,717 |

**NOTE: Relevant to this Step, there are 4 psychiatric hospitals statewide:**

**Fairfax Hospital, Kirkland: Located in HSA 1 and Southeast King Planning Area**
**Navos, Seattle: Located in HSA 1 and Southeast King Planning Area**
**Lourdes Counseling Center, Richland: *Located in HSA 3 and Benton-Franklin Planning Area***

**2C. 2011-2020 Total Resident Days Adjusted to Exclude All Psychiatric Patient Days**
***Excludes MDC 19, MDC 15, Rehab***

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Southeast King** | 171,215 | 167,344 | 170,416 | 175,315 | 181,591 | 190,899 | 193,331 | 202,575 | 199,072 | 199,391 |
| **HSA# 1** | 1,294,022 | 1,275,150 | 1,295,704 | 1,330,033 | 1,390,294 | 1,417,070 | 1,458,832 | 1,488,965 | 1,492,539 | 1,446,776 |
| **Statewide Total** | 2,056,975 | 2,042,442 | 2,057,052 | 2,098,104 | 2,187,592 | 2,237,866 | 2,303,485 | 2,342,692 | 2,366,909 | 2,282,925 |

**STEP 3: Historical Average Use Rates**

**3-A. 2011-2020 Total Resident Days Adjusted to Exclude All Psychiatric Patient Days (from Step 2-C.)**

***Excludes MDC 19, MDC 15, Rehab, Mary Bridge***

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Southeast King** | 171,215 | 167,344 | 170,416 | 175,315 | 181,591 | 190,899 | 193,331 | 202,575 | 199,072 | 199,391 |
| **HSA# 1** | 1,294,022 | 1,275,150 | 1,295,704 | 1,330,033 | 1,390,294 | 1,417,070 | 1,458,832 | 1,488,965 | 1,492,539 | 1,446,776 |
| **Statewide Total** | 2,056,975 | 2,042,442 | 2,057,052 | 2,098,104 | 2,187,592 | 2,237,866 | 2,303,485 | 2,342,692 | 2,366,909 | 2,282,925 |

**3-B. 2011-2020 Total Populations**

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Southeast King** | 560,560 | 569,425 | 578,497 | 587,783 | 597,292 | 607,031 | 617,009 | 627,233 | 637,713 | 648,458 |
| **HSA # 1** | 4,231,500 | 4,261,500 | 4,303,625 | 4,361,850 | 4,429,440 | 4,523,580 | 4,612,100 | 4,688,920 | 4,767,780 | 4,834,480 |
| **Statewide Total** | 6,767,900 | 6,817,770 | 6,882,400 | 6,968,170 | 7,061,410 | 7,183,700 | 7,310,300 | 7,427,570 | 7,546,410 | 7,656,200 |

**3-C. 2011-2020 Total Use Rates Per 1,000**

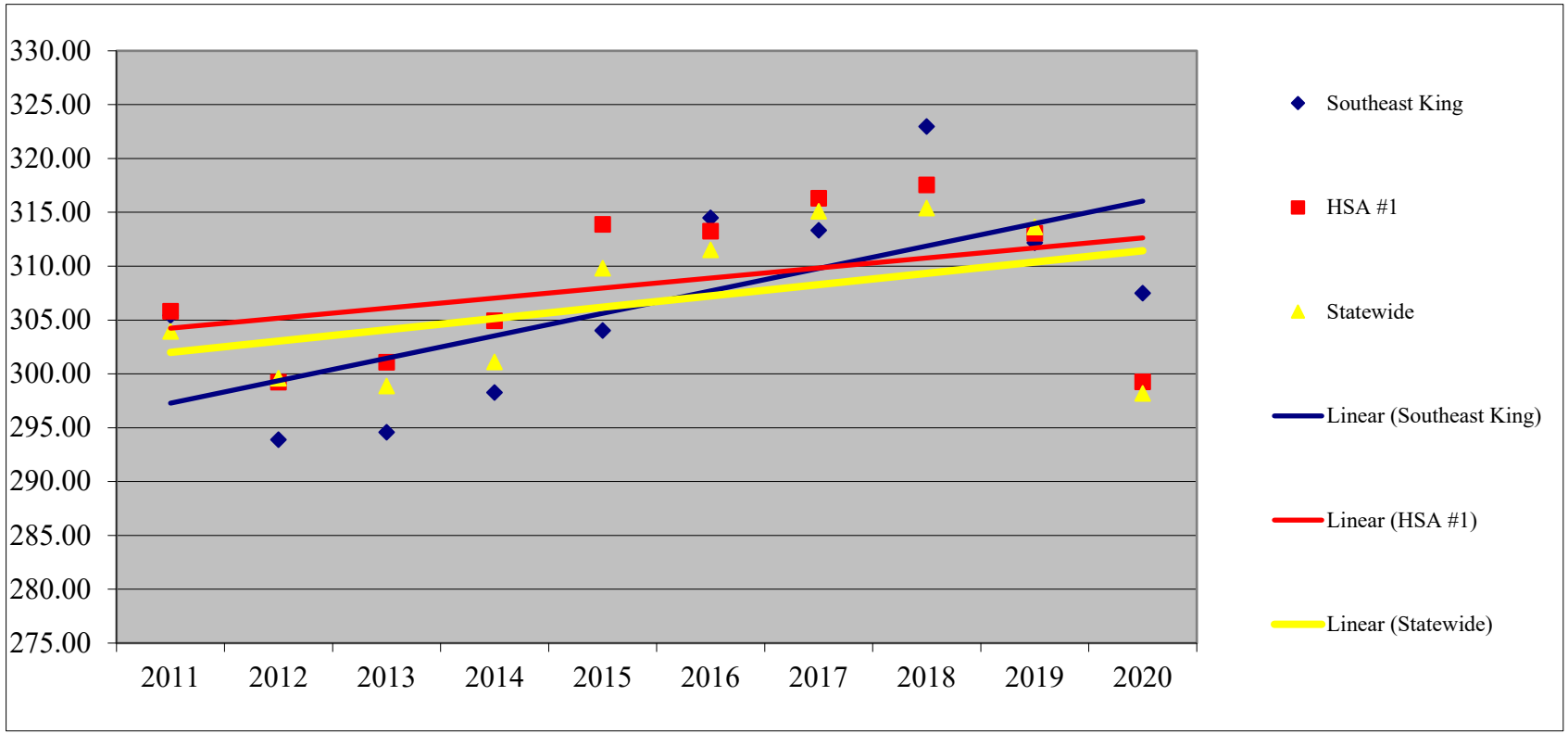
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Southeast King** | 305.44 | 293.88 | 294.58 | 298.26 | 304.02 | 314.48 | 313.34 | 322.97 | 312.17 | 307.48 |
| **HSA # 1** | 305.81 | 299.23 | 301.07 | 304.92 | 313.88 | 313.26 | 316.31 | 317.55 | 313.05 | 299.26 |
| **Statewide Total** | 303.93 | 299.58 | 298.89 | 301.10 | 309.80 | 311.52 | 315.10 | 315.40 | 313.65 | 298.18 |

**STEP 4: Historical Use Rate Trend Lines and Slopes**

**4-A. 2011-2020 Total Use Rates Per 1,000 (from Step 3-C.)**

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Southeast King** | 305.44 | 293.88 | 294.58 | 298.26 | 304.02 | 314.48 | 313.34 | 322.97 | 312.17 | 307.48 |
| **HSA# 1** | 305.81 | 299.23 | 301.07 | 304.92 | 313.88 | 313.26 | 316.31 | 317.55 | 313.05 | 299.26 |
| **Statewide Total** | 303.93 | 299.58 | 298.89 | 301.10 | 309.80 | 311.52 | 315.10 | 315.40 | 313.65 | 298.18 |

**4-B. 2011-2020 Total Use Rate Trend Lines**




**4-C. 2011-2020 Total Use Rate Slopes**

| | |
|---|---|
| **HSA#1** | 0.93 |
| **Statewide Total** | 1.05 |

**STEP 5: Allocation of Patient (Provider) Days Back to Planning Areas Where the Patients Live**

**5-A. 2020 (Provider) Days by Age and Residence**

***Excludes MDC 19 ,MDC 15, Rehab***

**Southeast King**

| | Total Patient Days | Out-of-State Days | Total Less Out-of-State | % Out-of-State |
|---|---|---|---|---|
| Age 0-64 | 72,195 | 457 | 71,738 | 0.63% |
| Age 65+ | 70,407 | 674 | 69,733 | 0.96% |
| **Total** | 142,602 | 1,131 | 141,471 | 0.79% |

**Other Washington (WA-Southeast King)**

| | Total Patient Days | Out-of-State Days | Total Less Out-of-State | % Out-of-State |
|---|---|---|---|---|
| Age 0-64 | 1,163,218 | 51,072 | 1,112,146 | 4.39% |
| Age 65+ | 1,066,838 | 37,587 | 1,029,251 | 3.52% |
| **Total** | 2,230,056 | 88,659 | 2,141,397 | 3.98% |

**5-B. 2020 Patient Days by Age and Residence, to Providers by Area**

***Excludes MDC 19 , MDC 15, Rehab***

**Residents of Southeast King**

| | To Planning Area Providers | To Other WA Providers | Total Resident Days (Excl. Out-of-State) | 2020 Add (Patient) Days Provided in OR * | 2020 Total Resident Days |
|---|---|---|---|---|---|
| Age 0-64 | 51,680 | 61,840 | 113,520 | 364 | 113,884 |
| Age 65+ | 51,636 | 34,235 | 85,871 | 81 | 85,952 |
| **Total** | **103,316** | **96,075** | **199,391** | **445** | **199,836** |

**Other WA Residents**

| | To Planning Area Providers | To Other WA Providers | Total Resident Days (Excl. Out-of-State) | Add (Patient) Days Provided in OR * | Total Resident Days |
|---|---|---|---|---|---|
| Age 0-64 | 20,515 | 1,101,378 | 1,121,893 | 37,152 | 1,159,045 |
| Age 65+ | 18,771 | 1,032,603 | 1,051,374 | 24,957 | 1,076,331 |
| **Total** | **39,286** | **2,133,981** | **2,173,267** | **62,109** | **2,235,376** |

**5-C. 2020 Market Shares - Percentage of Total Resident Patient Days**

***Excludes MDC 19, MDC 15, Rehab***

**Residents of** Southeast King

| | To Planning Area Providers | To Other WA Providers | To OR Providers | |
|---|---|---|---|---|
| Age 0-64 | 45.38% | 54.30% | 0.32% | 100.00% |
| Age 65+ | 60.08% | 39.83% | 0.09% | 100.00% |
| **Total** | **51.70%** | **48.08%** | **0.22%** | 100.00% |

**Other WA Residents**

| | | | | |
|---|---|---|---|---|
| Age 0-64 | 1.77% | 95.02% | 3.21% | 100.00% |
| Age 65+ | 1.74% | 95.94% | 2.32% | 100.00% |
| **Total** | **1.76%** | **95.46%** | **2.78%** | 100.00% |

**STEP 6: Planning Area Use Rates by Age**

***Excludes MDC 19, MDC 15, Rehab***

**6-A. 2020 Population* by Age**

| | Southeast King | Other WA |
|---|---|---|
| Age 0-64 | 564,014 | 5,810,748 |
| Age 65+ | 84,444 | 1,196,994 |
| **Total** | **648,458** | **7,007,742** |

* Planning area population from Claritas 2020

Other WA population = Statewide population from OFM (2020), minus Planning Area population.

**6-B. 2020 Use Rates by Age**

***Excludes MDC 19, MDC 15, Rehab***

| | Southeast King | Other WA |
|---|---|---|
| Age 0-64 | 201.92 | 199.47 |
| Age 65+ | 1,017.86 | 899.20 |
| **Total** | **308.17** | **318.99** |

**STEP 7A: Planning Area Use Rates by Age**

**7A-A. 2020 Use Rates by Age (from Step 6-B)**

***Excludes MDC 19, MDC 15, Rehab, Mary Bridge***

| | Southeast King |
|---|---|
| Age 0-64 | 201.92 |
| Age 65+ | 1,017.86 |
| **Total** | **308.17** |

**7A-B. Projected Use Rates by Age for**
***Excludes MDC 19 , MDC 15, Rehab***

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| Age 0-64 using HSATrend | 201.92 | 202.85 | 203.78 | 204.71 | 205.64 | 206.58 | 207.51 | 208.44 |
| Age 0-64 using State Trend | 201.92 | 202.97 | 204.01 | 205.06 | 206.11 | 207.16 | 208.21 | 209.26 |
| Age 65+ using HSA Trend | 1,017.86 | 1,018.79 | 1,019.72 | 1,020.65 | 1,021.59 | 1,022.52 | 1,023.45 | 1,024.38 |
| Age 65+ using State Trend | 1,017.86 | 1,018.91 | 1,019.96 | 1,021.00 | 1,022.05 | 1,023.10 | 1,024.15 | 1,025.20 |

**Trended Use Rates (from above) that are Closest to**
**Current Value - i.e., Requires the Smallest Adjustment**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| Age 0-64 using HSATrend | 201.92 | 202.85 | 203.78 | 204.71 | 205.64 | 206.58 | 207.51 | 208.44 |
| Age 65+ using HSA Trend | 1,017.86 | 1,018.79 | 1,019.72 | 1,020.65 | 1,021.59 | 1,022.52 | 1,023.45 | 1,024.38 |

**7A-A. 2020 Use Rates by Age (from Step 6-B)**

***Excludes MDC 19, MDC 15, Rehab***

| | Other WA |
|---|---|
| Age 0-64 | 199.47 |
| Age 65+ | 899.20 |
| **Total** | **318.99** |

**7A-B. Projected Use Rates by Age for**
***Excludes MDC 19, MDC 15, Rehab***

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| Age 0-64 using HSA Trend | 199.47 | 200.40 | 201.33 | 202.26 | 203.19 | 204.13 | 205.06 | 205.99 |
| Age 0-64 using State Trend | 199.47 | 200.51 | 201.56 | 202.61 | 203.66 | 204.71 | 205.76 | 206.81 |
| Age 65+ using HSA Trend | 899.20 | 900.13 | 901.06 | 901.99 | 902.92 | 903.85 | 904.79 | 905.72 |
| Age 65+ using State Trend | 899.20 | 900.24 | 901.29 | 902.34 | 903.39 | 904.44 | 905.49 | 906.54 |

**STEP 8: Forecast Patient Days Using Trended Use Rates**

**8A. Projected Use Rates by Age (from Step 7A-B.) for**
**Southeast King**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| Age 0-64 using HSATrend | 201.92 | 202.85 | 203.78 | 204.71 | 205.64 | 206.58 | 207.51 | 208.44 |
| Age 65+ using HSA Trend | 1,017.86 | 1,018.79 | 1,019.72 | 1,020.65 | 1,021.59 | 1,022.52 | 1,023.45 | 1,024.38 |

**8B. Projected Population* for**
**Southeast King**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| 0-64 | 564,014 | 568,769 | 573,565 | 578,401 | 583,277 | 588,195 | 593,154 | 598,155 |
| 65+ | 84,444 | 88,558 | 92,873 | 97,398 | 102,143 | 107,120 | 112,339 | 117,812 |
| **Total** | **648,458** | **657,328** | **666,438** | **675,799** | **685,421** | **695,315** | **705,493** | **715,968** |

**8C. Projected Resident Patient Days* for**
**Southeast King**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| 0-64 | 113,884 | 115,374 | 116,881 | 118,406 | 119,948 | 121,507 | 123,084 | 124,680 |
| 65+ | 85,952 | 90,222 | 94,705 | 99,410 | 104,348 | 109,532 | 114,973 | 120,685 |
| **Total** | **199,836** | **205,596** | **211,586** | **217,815** | **224,296** | **231,039** | **238,058** | **245,364** |

***Excludes MDC 19, MDC 15, Rehab, Mary Bridge***

**8A. Projected Use Rates by Age (from Step 7A-B.) for**
**Other WA**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| Age 0-64 using HSA Trend | 199.47 | 200.40 | 201.33 | 202.26 | 203.19 | 204.13 | 205.06 | 205.99 |
| Age 65+ using HSA Trend | 899.20 | 900.13 | 901.06 | 901.99 | 902.92 | 903.85 | 904.79 | 905.72 |

**8B. Projected Population* for**
**Other WA**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| 0-64 | 5,795,214 | 5,827,196 | 5,859,857 | 5,893,206 | 5,927,253 | 5,962,008 | 5,995,968 | 6,030,605 |
| 65+ | 1,194,751 | 1,237,131 | 1,281,501 | 1,327,974 | 1,376,670 | 1,427,714 | 1,461,782 | 1,497,472 |
| **Total** | **6,989,965** | **7,064,327** | **7,141,358** | **7,221,181** | **7,303,923** | **7,389,722** | **7,457,750** | **7,528,077** |

**8c. Projected Resident Patient Days* for**
**Other Washington**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| 0-64 | 1,155,946 | 1,167,756 | 1,179,762 | 1,191,968 | 1,204,378 | 1,216,996 | 1,229,515 | 1,242,238 |
| 65+ | 1,074,314 | 1,113,575 | 1,154,708 | 1,197,820 | 1,243,026 | 1,290,446 | 1,322,600 | 1,356,287 |
| **Total** | **2,230,261** | **2,281,331** | **2,334,470** | **2,389,788** | **2,447,404** | **2,507,441** | **2,552,116** | **2,598,525** |

**STEP 9: Allocate Forecasted Patient Days to the Planning Areas Where Services are Expected to Be Provided**

**9A. (From Steps 8-C and D).**

**Projected Resident Patient Days* for Southeast King**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| 0-64 | 113,884 | 115,374 | 116,881 | 118,406 | 119,948 | 121,507 | 123,084 | 124,680 |
| 65+ | 85,952 | 90,222 | 94,705 | 99,410 | 104,348 | 109,532 | 114,973 | 120,685 |
| **Total** | **199,836** | **205,596** | **211,586** | **217,815** | **224,296** | **231,039** | **238,058** | **245,364** |

*Excludes MDC 19 , MDC 15, Rehab*

**Projected Resident Patient Days* for Other Washington**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| 0-64 | 1,155,946 | 1,167,756 | 1,179,762 | 1,191,968 | 1,204,378 | 1,216,996 | 1,229,515 | 1,242,238 |
| 65+ | 1,074,314 | 1,113,575 | 1,154,708 | 1,197,820 | 1,243,026 | 1,290,446 | 1,322,600 | 1,356,287 |
| **Total** | **2,230,261** | **2,281,331** | **2,334,470** | **2,389,788** | **2,447,404** | **2,507,441** | **2,552,116** | **2,598,525** |

***Excludes MDC 19, MDC 15, Rehab***

**9-B. 2018 Market Shares - Percentage of Total Resident Patient Days (From Step 5-C)**

***Excludes MDC 19, MDC 15, Rehab***

| **Residents of Southeast King** | **To Planning Area Providers** | **To Other WA Providers** | **To OR Providers** |
|---|---|---|---|
| Age 0-64 | 45.38% | 54.30% | 0.32% |
| Age 65+ | 60.08% | 39.83% | 0.09% |
| **Total** | **51.70%** | **48.08%** | **0.22%** |

**Other WA Residents**

| | | | |
|---|---|---|---|
| Age 0-64 | 1.77% | 95.02% | 3.21% |
| Age 65+ | 1.74% | 95.94% | 2.32% |
| **Total** | **1.76%** | **95.46%** | **2.78%** |

**9C.** **Southeast King Resident Patient Days* to Providers** **Southeast King**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| 0-64 | 51,680 | 52,356 | 53,040 | 53,732 | 54,432 | 55,139 | 55,855 | 56,579 |
| 65+ | 51,636 | 54,201 | 56,894 | 59,721 | 62,688 | 65,802 | 69,071 | 72,502 |
| **Total** | **103,316** | **106,558** | **109,934** | **113,453** | **117,119** | **120,941** | **124,926** | **129,081** |

**Southeast King Resident Patient Days to Other Washington Providers**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| 0-64 | 61,840 | 62,649 | 63,468 | 64,295 | 65,133 | 65,979 | 66,836 | 67,702 |
| 65+ | 34,235 | 35,936 | 37,721 | 39,595 | 41,562 | 43,627 | 45,794 | 48,069 |
| **Total** | **96,075** | **98,585** | **101,189** | **103,891** | **106,695** | **109,606** | **112,630** | **115,771** |

**Southeast King Resident Patient Days to Oregon Providers**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| 0-64 | 364 | 369 | 374 | 378 | 383 | 388 | 393 | 399 |
| 65+ | 81 | 85 | 89 | 94 | 98 | 103 | 108 | 114 |
| **Total** | **445** | **454** | **463** | **472** | **482** | **492** | **502** | **512** |

**9D.** **Other Washington Resident Patient Days* to Southeast King Providers**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| 0-64 | 20,460 | 20,669 | 20,882 | 21,098 | 21,317 | 21,541 | 21,762 | 21,988 |
| 65+ | 18,736 | 19,421 | 20,138 | 20,890 | 21,678 | 22,505 | 23,066 | 23,653 |
| **Total** | **39,196** | **40,090** | **41,020** | **41,987** | **42,996** | **44,046** | **44,828** | **45,641** |

**Other Washington Resident Patient Days to Other Washington Providers**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| 0-64 | 1,098,434 | 1,109,656 | 1,121,064 | 1,132,663 | 1,144,455 | 1,156,445 | 1,168,342 | 1,180,432 |
| 65+ | 1,030,668 | 1,068,334 | 1,107,796 | 1,149,157 | 1,192,526 | 1,238,019 | 1,268,867 | 1,301,185 |
| **Total** | **2,129,102** | **2,177,989** | **2,228,860** | **2,281,820** | **2,336,981** | **2,394,464** | **2,437,209** | **2,481,617** |

**Other Washington Resident Patient Days to Oregon Providers**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| 0-64 | 37,053 | 37,431 | 37,816 | 38,207 | 38,605 | 39,010 | 39,411 | 39,819 |
| 65+ | 24,910 | 25,821 | 26,774 | 27,774 | 28,822 | 29,922 | 30,667 | 31,448 |
| **Total** | **61,963** | **63,252** | **64,590** | **65,981** | **67,427** | **68,931** | **70,078** | **71,267** |

**9E.** **Total Washington Resident Patient Days* to Southeast King Providers**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| 0-64 | 72,140 | 73,025 | 73,922 | 74,830 | 75,749 | 76,680 | 77,617 | 78,566 |
| 65+ | 70,372 | 73,622 | 77,032 | 80,610 | 84,366 | 88,307 | 92,137 | 96,155 |
| **Total** | **142,512** | **146,647** | **150,954** | **155,440** | **160,115** | **164,987** | **169,754** | **174,722** |

**Total Washington Resident Patient Days* to**
**Other Washington Providers**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| 0-64 | 1,160,274 | 1,172,305 | 1,184,532 | 1,196,958 | 1,209,588 | 1,222,425 | 1,235,178 | 1,248,134 |
| 65+ | 1,064,903 | 1,104,269 | 1,145,517 | 1,188,752 | 1,234,088 | 1,281,646 | 1,314,661 | 1,349,255 |
| **Total** | **2,225,177** | **2,276,574** | **2,330,049** | **2,385,710** | **2,443,676** | **2,504,071** | **2,549,839** | **2,597,388** |

**Total Washington Resident Patient Days* to**
**Oregon Providers**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| 0-64 | 37,417 | 37,800 | 38,190 | 38,586 | 38,988 | 39,398 | 39,804 | 40,217 |
| 65+ | 24,991 | 25,906 | 26,864 | 27,868 | 28,921 | 30,025 | 30,776 | 31,562 |
| **Total** | **62,408** | **63,706** | **65,053** | **66,453** | **67,909** | **69,423** | **70,580** | **71,779** |

**9-F. Percent Out-of-State Resident Patient Days * (From Step 5-A)**

**Southeast King**

| | % Out-of-State | |
|---|---|---|
| Age 0-64 | 0.63% | |
| Age 65+ | 0.96% | |
| **Total** | **0.79%** | |

**Other Washington**

| | | |
|---|---|---|
| Age 0-64 | 4.39% | |
| Age 65+ | 3.52% | |
| **Total** | **3.98%** | |

**9-F. Total Patient Days*, Including Out-of-State Residents**

**Southeast King**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| 0-64 | 72,597 | 73,488 | 74,390 | 75,303 | 76,229 | 77,165 | 78,109 | 79,064 |
| 65+ | 71,045 | 74,327 | 77,769 | 81,382 | 85,173 | 89,152 | 93,019 | 97,076 |
| **Total** | **143,642** | **147,814** | **152,159** | **156,686** | **161,402** | **166,318** | **171,127** | **176,140** |

**Southeast King**

**Provider Market Share of All Planning Area Resident Days**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| **Total** | 51.70% | 51.83% | 51.96% | 52.09% | 52.22% | 52.35% | 52.48% | 52.61% |

**Southeast King**

**Inmigration Days**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| **Total** | 40,326 | 41,257 | 42,225 | 43,233 | 44,283 | 45,377 | 46,202 | 47,059 |

***Excludes MDC 19, MDC 15, Rehab***

**STEP 10: Apply Weighted Occupancy Standard to Determine Bed Need**

## 2020 BASELINE

**Final Bed Need Calculations**

***Excludes MDC 19, MDC 15, Rehab***

# Southeast King

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| Population 0-64 | 564,014 | 568,769 | 573,565 | 578,401 | 583,277 | 588,195 | 593,154 | 598,155 |
| 0-64 Use Rate | 201.92 | 202.85 | 203.78 | 204.71 | 205.64 | 206.58 | 207.51 | 208.44 |
| Population 65+ | 84,444 | 88,558 | 92,873 | 97,398 | 102,143 | 107,120 | 112,339 | 117,812 |
| 65+ Use Rate | 1,017.86 | 1,018.79 | 1,019.72 | 1,020.65 | 1,021.59 | 1,022.52 | 1,023.45 | 1,024.38 |
| | | | | | | | | |
| Total Population | 648,458 | 657,328 | 666,438 | 675,799 | 685,421 | 695,315 | 705,493 | 715,968 |
| Total Area Resident Days | 199,836 | 205,596 | 211,586 | 217,815 | 224,296 | 231,039 | 238,058 | 245,364 |
| Total Days in Area Hospitals | 143,642 | 147,814 | 152,159 | 156,686 | 161,402 | 166,318 | 171,127 | 176,140 |

**Planning Area Available Beds - LICENSED BEDS**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Multicare Auburn Medical Center | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 |
| Multicare Covington Medical Center | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 |
| Saint Elizabeth Hospital | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Saint Francis Hospital | 118 | 118 | 118 | 118 | 118 | 118 | 118 | 118 |
| UW/Valley Medical Center | 321 | 321 | 321 | 321 | 321 | 321 | 321 | 321 |
| TOTAL | 653 | 653 | 653 | 653 | 653 | 653 | 653 | 653 |
| | | | | | | | | |
| Weighted Occupancy Standard | 68.90% | 68.90% | 68.90% | 68.90% | 68.90% | 68.90% | 68.90% | 68.90% |
| | | | | | | | | |
| Gross Bed Need | 571 | 588 | 605 | 623 | 642 | 661 | 680 | 700 |
| | | | | | | | | |
| Net Bed Need / Surplus | -82 | -65 | -48 | -30 | -11 | 8 | 27 | 47 |

**STEP 10: Apply Weighted Occupancy Standard to Determine Bed Need**

## 2020 BASELINE

**Final Bed Need Calculations**

***Excludes MDC 19, MDC 15, Rehab***

# Southeast King

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| Population 0-64 | 564,014 | 568,769 | 573,565 | 578,401 | 583,277 | 588,195 | 593,154 | 598,155 |
| 0-64 Use Rate | 201.92 | 202.85 | 203.78 | 204.71 | 205.64 | 206.58 | 207.51 | 208.44 |
| Population 65+ | 84,444 | 88,558 | 92,873 | 97,398 | 102,143 | 107,120 | 112,339 | 117,812 |
| 65+ Use Rate | 1,017.86 | 1,018.79 | 1,019.72 | 1,020.65 | 1,021.59 | 1,022.52 | 1,023.45 | 1,024.38 |
| | | | | | | | | |
| Total Population | 648,458 | 657,328 | 666,438 | 675,799 | 685,421 | 695,315 | 705,493 | 715,968 |
| Total Area Resident Days | 199,836 | 205,596 | 211,586 | 217,815 | 224,296 | 231,039 | 238,058 | 245,364 |
| Total Days in Area Hospitals | 143,642 | 147,814 | 152,159 | 156,686 | 161,402 | 166,318 | 171,127 | 176,140 |

**Planning Area Available Beds - SETUP BEDS**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Multicare Auburn Medical Center | 108 | 108 | 108 | 108 | 108 | 108 | 108 | 108 |
| Multicare Covington Medical Center | 43 | 43 | 43 | 43 | 43 | 43 | 43 | 43 |
| Saint Elizabeth Hospital | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Saint Francis Hospital | 118 | 118 | 118 | 118 | 118 | 118 | 118 | 118 |
| UW/Valley Medical Center | 308 | 308 | 308 | 308 | 308 | 308 | 308 | 308 |
| TOTAL | 602 | 602 | 602 | 602 | 602 | 602 | 602 | 602 |
| | | | | | | | | |
| Weighted Occupancy Standard | 68.42% | 68.42% | 68.42% | 68.42% | 68.42% | 68.42% | 68.42% | 68.42% |
| | | | | | | | | |
| Gross Bed Need | 575 | 592 | 609 | 627 | 646 | 666 | 685 | 705 |
| | | | | | | | | |
| Net Bed Need / Surplus | -27 | -10 | 7 | 25 | 44 | 64 | 83 | 103 |

**Exhibit 5: Financial Feasibility**

**St. Francis Hospital**

**Financial Assumptions**

The underlying assumptions are detailed below:

***Overall (hospital wide) Assumptions:***

- Charity care: assumed to be 1.37% (based on FY2021) of gross revenue.
- Bad Debt: assumed to be 0.93% of gross revenue (based on FY2021).
- All information provided in current dollars. No inflation is assumed.
- Project start date 7/1/2023
- Outpatient utilization was assumed to increase by 2% per year
- Deductions from Revenue are provided for the hospital with and without the project.
- Gross patient revenue for the 'without' scenario was calculated using the same rates and utilization of services as in the baseline period of FY2021. Payer mix for the 'with' scenario changes slightly because of the increase in patient days associated with med/surg volumes. No reimbursement changes were used in the pro forma. Thus, the net patient revenue per case changes slightly from the baseline period of FY2021. No increase in charges was assumed.
- Other operating revenue which includes the cafeteria and gift shop sales, was assumed to be $37 per patient day.
- Salary expense corresponds to the FTEs needed to provide the service. FTEs increase in accordance with the increase in patient days. This level of productivity is based upon the productivity that occurred in FY2021. The statement does not include any compensation increases.
- Employee benefits are kept at the same percentage of salary as FY2021 or 23.1% throughout the projection period.
- Purchased services-other: This line item contains fees paid to CHI Franciscan's parent company, CHI, for services provided to CHI Franciscan such as Legal, Compliance, Information Technology, and Revenue Cycle. This line item also includes payments to vendors for such things as, laundry service, security services, etc. Several of St. Francis's support departments, such as Dietary, are managed by outside companies that have expertise in managing these types of services. Payments for these type of management services are included in this expense category. The vast majority of these costs are fixed and do not fluctuate with changes in volumes. Those services that do fluctuate to volume have a cost assumed to be $53 per adjusted patient day.
- Supplies expense increases proportionate to the increase in patient days. Supplies were assumed to be $480 per adjusted patient day.
- With the exception of the capital associated with the Project, there is no other capital spending. Depreciation expense is the natural wind down of past capital spending combined with the depreciation associated with the Project.
- Medical professional fees are assumed to remain unchanged with the project.
- Utilities and insurance are assumed to increase 2% ($29,000 and $57,000 respectively) associated with the project due to increase in utilization.

- Rentals and leases are assumed to increase by $10 per adjusted patient day (for specialized medical equipment.)
- Licenses and taxes are assumed to be fixed with the exception of B&O tax which is assumed to be approximately 1% of the net patient service revenue.
- Other direct expenses are assumed to be fixed with the exception of an annual increase of $52,000 that is associated with the general assessment that CHI's parent company charges and is recorded in this expense category. Also, a small amount of costs are assumed to be variable at $16 per adjusted patient day. These variable costs include but are not limited to: bank fees, dues/subscriptions, education, travel postage.

**<u>WITHOUT</u> THE PROJECT**

HOSPITAL INFORMATION

COMPARISON STATEMENT OF REVENUE & EXPENSE-UNRESTRICTED - **WITHOUT THE PROJECT**

FUNDS-HOSPITAL AGGREGATE *(amounts in 000's)*

| | | ACTUAL 2019 | ACTUAL 2020 | ACTUAL 2021 | PROJECTED 2022 | PROJECTED 2023 | PROJECTED 2024 | PROJECTED 2025 | PROJECTED 2026 |
|---|---|---|---|---|---|---|---|---|---|
| 1 | OPERATING REVENUE: | | | | | | | | |
| 2 | Inpatient Revenue | $578,086 | $551,005 | $643,339 | $651,707 | $660,193 | $660,904 | $661,615 | $662,331 |
| 3 | Outpatient Revenue | 835,174 | 860,689 | 945,817 | 964,995 | 984,626 | 1,004,725 | 1,025,302 | 1,046,373 |
| 4 | **TOTAL PATIENT SERVICES REVENUE** | 1,413,260 | 1,411,694 | 1,589,156 | 1,616,702 | 1,644,819 | 1,665,629 | 1,686,917 | 1,708,704 |
| 5 | | | | | | | | | |
| 6 | DEDUCTIONS FROM REVENUE: | | | | | | | | |
| 7 | Provision for Bad Debt | 13,143 | (5,866) | 14,737 | 14,988 | 15,244 | 15,425 | 15,611 | 15,801 |
| 8 | Contractual Adjustments | 1,063,338 | 1,086,138 | 1,215,389 | 1,236,478 | 1,258,004 | 1,273,979 | 1,290,321 | 1,307,046 |
| 9 | Charity and Uncompensated Care | 19,149 | 44,074 | 21,712 | 22,109 | 22,515 | 22,856 | 23,205 | 23,563 |
| 10 | Other Adjustments and Allowances | 19,041 | 0 | 17,927 | 18,290 | 18,662 | 19,043 | 19,433 | 19,832 |
| 11 | **TOTAL DEDUCTIONS FROM REVENUE** | 1,114,671 | 1,124,346 | 1,269,765 | 1,291,865 | 1,314,425 | 1,331,303 | 1,348,570 | 1,366,242 |
| 12 | **NET PATIENT SERVICE REVENUE** | 298,589 | 287,348 | 319,391 | 324,837 | 330,394 | 334,326 | 338,347 | 342,462 |
| 13 | | | | | | | | | |
| 14 | OTHER OPERATING REVENUE | | | | | | | | |
| 15 | Other Operating Revenue | 5,786 | 12,107 | 13,257 | 6,913 | 6,971 | 7,009 | 7,047 | 7,087 |
| 16 | Tax Revenues | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 17 | **TOTAL OTHER OPERATING REVENUE** | 5,786 | 12,107 | 13,257 | 6,913 | 6,971 | 7,009 | 7,047 | 7,087 |
| 18 | **TOTAL OPERATING REVENUE** | 304,375 | 299,455 | 332,648 | 331,750 | 337,365 | 341,335 | 345,394 | 349,549 |
| 19 | | | | | | | | | |
| 20 | OPERATING EXPENSES | | | | | | | | |
| 21 | Salaries and Wages | 110,178 | 118,552 | 128,353 | 130,376 | 132,439 | 133,801 | 135,194 | 136,618 |
| 22 | Employee Benefits | 25,266 | 26,972 | 29,618 | 30,085 | 30,561 | 30,875 | 31,196 | 31,525 |
| 23 | Professional Fees | 10,888 | 13,493 | 13,098 | 13,098 | 13,098 | 13,098 | 13,098 | 13,098 |
| 24 | Supplies | 37,189 | 34,586 | 39,524 | 40,255 | 41,002 | 41,494 | 41,998 | 42,514 |
| 25 | Purchased Services - Utilities | 1,392 | 1,434 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| 26 | Purchased Services - Other | 58,586 | 65,160 | 73,435 | 73,516 | 73,599 | 73,653 | 73,709 | 73,766 |
| 27 | Depreciation | 13,771 | 13,606 | 15,919 | 12,677 | 11,670 | 9,542 | 8,453 | 7,000 |
| 28 | Rentals and Leases | 6,441 | 7,426 | 8,216 | 8,231 | 8,246 | 8,257 | 8,267 | 8,278 |
| 29 | Insurance | 3,080 | 2,796 | 2,867 | 2,867 | 2,867 | 2,867 | 2,867 | 2,867 |
| 30 | License and Taxes | 8,669 | 9,128 | 6,798 | 6,850 | 6,903 | 6,940 | 6,978 | 7,018 |
| 31 | Interest | 78 | 69 | 49 | 52 | 30 | 14 | 4 | 0 |
| 32 | Other Direct Expenses | 4,673 | 3,096 | 2,617 | 2,641 | 2,666 | 2,683 | 2,700 | 2,717 |
| 33 | **TOTAL OPERATING EXPENSES** | 280,211 | 296,318 | 321,994 | 322,148 | 324,581 | 324,724 | 325,964 | 326,901 |
| 34 | **NET OPERATING REVENUE** | 24,164 | 3,137 | 10,654 | 9,602 | 12,784 | 16,611 | 19,430 | 22,648 |
| 35 | | | | | | | | | |
| 36 | **NON-OPERATING REVENUE-NET OF EXPENSES** | 733 | 931 | 6,933 | 0 | 0 | 0 | 0 | 0 |
| 37 | | | | | | | | | |
| 38 | **NET REVENUE BEFORE ITEMS LISTED BELOW** | 24,897 | 4,068 | 17,587 | 9,602 | 12,784 | 16,611 | 19,430 | 22,648 |
| 39 | | | | | | | | | |
| 40 | EXTRAORDINARY ITEM | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 41 | FEDERAL INCOME TAX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 42 | | | | | | | | | |
| 43 | **NET REVENUE OR (EXPENSE)** | $24,897 | $4,068 | $17,587 | $9,602 | $12,784 | $16,611 | $19,430 | $22,648 |
| 44 | EXPLANATION: | | | | | | | | |
| 45 | | | | | | | | | |

HOSPITAL INFORMATION

DEDUCTIONS FROM REVENUE - HOSPITAL AGGREGATE - **WITHOUT THE PROJECT** *(amounts in 000's)*

| | ACCT: | ITEM: | ACTUAL 2019 | ACTUAL 2020 | ACTUAL 2021 | PROJECTED 2022 | PROJECTED 2023 | PROJECTED 2024 | PROJECTED 2025 | PROJECTED 2026 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 5800 | PROVISION FOR BAD DEBTS | $13,143 | ($5,866) | $14,737 | $14,988 | $15,244 | $15,425 | $15,611 | $15,801 |
| 2 | | | | | | | | | | |
| 3 | | CONTRACTUAL ADJUSTMENTS | | | | | | | | |
| 4 | 5810 | Medicare | 478,822 | 473,370 | 548,207 | 557,719 | 567,428 | 574,634 | 582,005 | 589,549 |
| 5 | 5820 | Medicaid | 275,003 | 286,648 | 305,006 | 310,298 | 315,700 | 319,709 | 323,810 | 328,007 |
| 6 | 5830 | Workers Compensation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 | 5840 | Other Government Programs | 37,404 | 35,235 | 52,438 | 53,349 | 54,278 | 54,967 | 55,673 | 56,396 |
| 8 | 5850 | Negotiated Rates | 272,109 | 290,885 | 309,738 | 315,112 | 320,598 | 324,669 | 328,833 | 333,094 |
| 9 | 5860 | Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 | | **Total Contractual Adjustments** | 1,063,338 | 1,086,138 | 1,215,389 | 1,236,478 | 1,258,004 | 1,273,979 | 1,290,321 | 1,307,046 |
| 11 | | | | | | | | | | |
| 12 | | CHARITY CARE | | | | | | | | |
| 13 | 5900 | Inpatient | 3,896 | 13,169 | 5,978 | 6,056 | 6,135 | 6,142 | 6,149 | 6,156 |
| 14 | 5910 | Outpatient | 15,253 | 30,905 | 15,734 | 16,053 | 16,380 | 16,714 | 17,056 | 17,407 |
| 15 | | | | | | | | | | |
| 16 | | | | | | | | | | |
| 17 | | **Total Charity Care** | 19,149 | 44,074 | 21,712 | 22,109 | 22,515 | 22,856 | 23,205 | 23,563 |
| 18 | | | | | | | | | | |
| 19 | 5970 | ADMINISTRATIVE ADJUSTMENTS | 19,041 | 0 | 17,927 | 18,290 | 18,662 | 19,043 | 19,433 | 19,832 |
| 20 | | | | | | | | | | |
| 21 | 5980 | OTHER DEDUCTIONS (Specify) | | | | | | | | |
| 22 | | **TOTAL DEDUCTIONS FROM REVENUE** | $1,114,671 | $1,124,346 | $1,269,765 | $1,291,865 | $1,314,425 | $1,331,303 | $1,348,570 | $1,366,242 |
| 23 | EXPLANATIONS: | | | | | | | | | |

HOSPITAL INFORMATION

BALANCE SHEET - UNRESTRICTED FUND-HOSPITAL AGGREGATE - **WITHOUT THE PROJECT** *(amounts in 000's)*

| | ASSETS | ACTUAL 2019 | ACTUAL 2020 | ACTUAL 2021 | PROJECTED 2022 | PROJECTED 2023 | PROJECTED 2024 | PROJECTED 2025 | PROJECTED 2026 |
|---|---|---|---|---|---|---|---|---|---|
| 1 | CURRENT ASSETS: | | | | | | | | |
| 2 | Cash | $1,678 | $1,240 | $212 | $4,453 | $5,035 | $5,511 | $5,870 | $6,081 |
| 3 | Marketable Securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 | Accounts Receivable | 173,513 | 182,066 | 193,168 | 196,516 | 199,934 | 202,464 | 205,052 | 207,700 |
| 5 | Less-Estimated Uncollectable & Allowances | (136,271) | (144,459) | (154,781) | (157,464) | (160,202) | (162,230) | (164,303) | (166,425) |
| 6 | Receivables From Third Party Payors | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 | Pledges And Other Receivables | 1,833 | 2,817 | 2,536 | 2,536 | 2,536 | 2,536 | 2,536 | 2,536 |
| 8 | Due From Restricted Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9 | Inventory | 5,874 | 6,863 | 9,556 | 9,733 | 9,914 | 10,033 | 10,155 | 10,280 |
| 10 | Prepaid Expenses | 485 | 555 | 682 | 682 | 682 | 682 | 682 | 682 |
| 11 | Current Portion Of Funds Held In Trust | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 | **TOTAL CURRENT ASSETS** | 47,112 | 49,082 | 51,373 | 56,456 | 57,899 | 58,996 | 59,992 | 60,854 |
| 13 | | | | | | | | | |
| 14 | BOARD DESIGNATED ASSETS: | | | | | | | | |
| 15 | Cash | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 | Marketable Securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 17 | Other Assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 18 | **TOTAL BOARD DESIGNATED ASSETS** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 19 | | | | | | | | | |
| 20 | PROPERTY, PLANT AND EQUIPMENT: | | | | | | | | |
| 21 | Land | 7,206 | 7,206 | 7,206 | 7,206 | 7,206 | 7,206 | 7,206 | 7,206 |
| 22 | Land Improvements | 2,933 | 2,933 | 2,939 | 2,939 | 2,939 | 2,939 | 2,939 | 2,939 |
| 23 | Buildings | 62,428 | 64,482 | 55,435 | 57,150 | 57,150 | 57,150 | 57,150 | 57,150 |
| 24 | Fixed Equipment - Building Service | 2,991 | 22,651 | 9,131 | 9,131 | 9,131 | 9,131 | 9,131 | 9,131 |
| 25 | Fixed Equipment - Other | 18,691 | 0 | 22,978 | 22,978 | 22,978 | 22,978 | 22,978 | 22,978 |
| 26 | Equipment | 114,088 | 116,791 | 118,268 | 118,268 | 118,268 | 118,268 | 118,268 | 118,268 |
| 27 | Leasehold Improvements | 14,806 | 16,195 | 17,538 | 17,538 | 17,538 | 17,538 | 17,538 | 17,538 |
| 28 | Construction In Progress | 2,231 | 1,166 | 1,715 | 0 | 0 | 0 | 0 | 0 |
| 29 | TOTAL | 225,374 | 231,424 | 235,210 | 235,210 | 235,210 | 235,210 | 235,210 | 235,210 |
| 30 | Less Accumulated Depreciation | (132,696) | (146,111) | (154,774) | (167,451) | (179,121) | (188,663) | (197,116) | (204,116) |
| 31 | **NET PROPERTY, PLANT & EQUIPMENT** | 92,678 | 85,313 | 80,436 | 67,759 | 56,089 | 46,547 | 38,094 | 31,094 |
| 32 | | | | | | | | | |
| 33 | INVESTMENTS AND OTHER ASSETS: | | | | | | | | |
| 34 | Investments In Property, Plant & Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 35 | Less - Accumulated Depreciation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 36 | Other Investments | 41,319 | 33,163 | 20,085 | 46,885 | 59,475 | 84,077 | 110,877 | 139,932 |
| 37 | Other Assets | 3,899 | 24,852 | 30,245 | 30,245 | 30,245 | 30,245 | 30,245 | 30,245 |
| 38 | **TOTAL INVESTMENTS & OTHER ASSETS** | 45,218 | 58,015 | 50,330 | 77,130 | 89,720 | 114,322 | 141,122 | 170,177 |
| 39 | | | | | | | | | |
| 40 | INTANGIBLES ASSETS: | | | | | | | | |
| 41 | Goodwill | 10,553 | 10,727 | 10,689 | 10,689 | 10,689 | 10,689 | 10,689 | 10,689 |
| 42 | Unamortized Loan Costs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 43 | Preopening And Other Organization Costs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 44 | Other Intangible Assets | 4,140 | 4,087 | 4,004 | 3,985 | 3,966 | 3,947 | 3,928 | 3,909 |
| 45 | **TOTAL INTANGIBLE ASSETS** | 14,693 | 14,814 | 14,693 | 14,674 | 14,655 | 14,636 | 14,617 | 14,598 |
| 46 | **TOTAL ASSETS** | $199,701 | $207,224 | $196,832 | $216,019 | $218,363 | $234,501 | $253,825 | $276,723 |

HOSPITAL INFORMATION

BALANCE SHEET - UNRESTRICTED FUND-HOSPITAL AGGREGATE - **WITHOUT THE PROJECT** *(amounts in 000's)*

| | LIABILITIES AND FUND BALANCES-UNRESTRICTED | ACTUAL 2019 | ACTUAL 2020 | ACTUAL 2021 | PROJECTED 2022 | PROJECTED 2023 | PROJECTED 2024 | PROJECTED 2025 | PROJECTED 2026 |
|---|---|---|---|---|---|---|---|---|---|
| 1 | CURRENT LIABILITIES: | | | | | | | | |
| 2 | Notes and Loans Payable | $0 | $0 | $208 | $0 | $0 | $0 | $0 | $0 |
| 3 | Accounts Payable | 1,791 | 2,646 | 2,539 | 2,873 | 2,890 | 2,902 | 2,914 | 2,927 |
| 4 | Accrued Compensation and Related Liabilities | 10,350 | 12,924 | 14,889 | 15,124 | 15,363 | 15,521 | 15,683 | 15,848 |
| 5 | Other Accrued Expenses | 13,595 | 15,365 | (3,291) | 16,683 | 16,784 | 16,853 | 16,924 | 16,996 |
| 6 | Advances from Third Party Payors | 0 | 22,203 | 21,075 | 9,903 | 0 | 0 | 0 | 0 |
| 7 | Payables to Third Party Payors | 1,719 | 0 | 0 | 1,774 | 1,774 | 1,774 | 1,774 | 1,774 |
| 8 | Due to Restricted Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9 | Income Taxes Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 | Other Current Liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11 | Current Maturities of Long Term Debt | 1,309 | 1,383 | 1,352 | 894 | 712 | 351 | 0 | 0 |
| 12 | **TOTAL CURRENT LIABILITIES** | 28,764 | 54,521 | 36,772 | 47,251 | 37,523 | 37,401 | 37,295 | 37,545 |
| 13 | | | | | | | | | |
| 14 | DEFERRED CREDITS: | | | | | | | | |
| 15 | Deferred Income Taxes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 | Deferred Third Party Revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 17 | Other Deferred Credits | 3,522 | 25,229 | 30,434 | 30,434 | 30,434 | 30,434 | 30,434 | 30,434 |
| 18 | **TOTAL DEFERRED CREDITS** | 3,522 | 25,229 | 30,434 | 30,434 | 30,434 | 30,434 | 30,434 | 30,434 |
| 19 | | | | | | | | | |
| 20 | LONG TERM DEBT: | | | | | | | | |
| 21 | Mortgage Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 22 | Construction Loans - Interim Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 23 | Notes Payable | 527 | 424 | 0 | 0 | 0 | 0 | 0 | 0 |
| 24 | Capitalized Lease Obligations | 3,275 | 1,171 | 3,309 | 1,957 | 1,063 | 351 | 0 | 0 |
| 25 | Bonds Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 26 | Notes and Loans Payable to Parent | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 27 | Noncurrent Liabilities | 0 | 1,595 | 0 | 0 | 0 | 0 | 0 | 0 |
| 28 | TOTAL | 3,802 | 3,190 | 3,309 | 1,957 | 1,063 | 351 | 0 | 0 |
| 29 | Less Current Maturities of Long Term Debt | (1,309) | (1,383) | (1,352) | (894) | (712) | (351) | 0 | 0 |
| 30 | **TOTAL LONG TERM DEBT** | 2,493 | 1,807 | 1,957 | 1,063 | 351 | 0 | 0 | 0 |
| 31 | | | | | | | | | |
| 32 | **UNRESTRICTED FUND BALANCE** | 164,922 | 125,667 | 127,669 | 137,271 | 150,055 | 166,666 | 186,096 | 208,744 |
| 33 | | | | | | | | | |
| 34 | EQUITY (INVESTOR OWNED) | | | | | | | | |
| 35 | Preferred Stock | | | | | | | | |
| 36 | | | | | | | | | |
| 37 | Common Stock | | | | | | | | |
| 38 | | | | | | | | | |
| 39 | Additional Paid In Capital | | | | | | | | |
| 40 | | | | | | | | | |
| 41 | Retained Earnings (Capital Account for Partnership | | | | | | | | |
| 42 | or Sole Proprietorship) | | | | | | | | |
| 43 | | | | | | | | | |
| 44 | Less Treasury Stock | | | | | | | | |
| 45 | **TOTAL EQUITY** | | | | | | | | |
| 46 | **TOTAL LIABILITIES AND FUND BALANCE OR EQUITY** | $199,701 | $207,224 | $196,832 | $216,019 | $218,363 | $234,501 | $253,825 | $276,723 |

# THE PROJECT

HOSPITAL INFORMATION

COMPARISON STATEMENT OF REVENUE & EXPENSE-UNRESTRICTED - **THE PROJECT**

FUNDS-HOSPITAL AGGREGATE *(amounts in 000's)*

| | | ACTUAL 2019 | ACTUAL 2020 | ACTUAL 2021 | PROJECTED 2022 | PROJECTED 2023 | PROJECTED 2024 | PROJECTED 2025 | PROJECTED 2026 |
|---|---|---|---|---|---|---|---|---|---|
| 1 | OPERATING REVENUE: | | | | | | | | |
| 2 | Inpatient Revenue | $0 | $0 | $0 | $0 | $0 | $34,890 | $63,640 | $86,091 |
| 3 | Outpatient Revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 | **TOTAL PATIENT SERVICES REVENUE** | 0 | 0 | 0 | 0 | 0 | 34,890 | 63,640 | 86,091 |
| 5 | | | | | | | | | |
| 6 | DEDUCTIONS FROM REVENUE: | | | | | | | | |
| 7 | Provision for Bad Debt | 0 | 0 | 0 | 0 | 0 | 324 | 592 | 800 |
| 8 | Contractual Adjustments | 0 | 0 | 0 | 0 | 0 | 27,600 | 50,343 | 68,104 |
| 9 | Charity and Uncompensated Care | 0 | 0 | 0 | 0 | 0 | 478 | 872 | 1,179 |
| 10 | Other Adjustments and Allowances | 0 | 0 | 0 | 0 | 0 | 3 | 5 | 7 |
| 11 | **TOTAL DEDUCTIONS FROM REVENUE** | 0 | 0 | 0 | 0 | 0 | 28,405 | 51,812 | 70,090 |
| 12 | **NET PATIENT SERVICE REVENUE** | 0 | 0 | 0 | 0 | 0 | 6,485 | 11,828 | 16,001 |
| 13 | | | | | | | | | |
| 14 | OTHER OPERATING REVENUE | | | | | | | | |
| 15 | Other Operating Revenue | 0 | 0 | 0 | 0 | 0 | 65 | 118 | 160 |
| 16 | Tax Revenues | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 17 | **TOTAL OTHER OPERATING REVENUE** | 0 | 0 | 0 | 0 | 0 | 65 | 118 | 160 |
| 18 | **TOTAL OPERATING REVENUE** | 0 | 0 | 0 | 0 | 0 | 6,550 | 11,946 | 16,161 |
| 19 | | | | | | | | | |
| 20 | OPERATING EXPENSES | | | | | | | | |
| 21 | Salaries and Wages | 0 | 0 | 0 | 0 | 0 | 2,528 | 4,437 | 5,933 |
| 22 | Employee Benefits | 0 | 0 | 0 | 0 | 0 | 583 | 1,023 | 1,368 |
| 23 | Professional Fees | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 24 | Supplies | 0 | 0 | 0 | 0 | 0 | 840 | 1,532 | 2,072 |
| 25 | Purchased Services - Utilities | 0 | 0 | 0 | 0 | 0 | 29 | 29 | 29 |
| 26 | Purchased Services - Other | 0 | 0 | 0 | 0 | 0 | 221 | 298 | 357 |
| 27 | Depreciation | 0 | 0 | 0 | 0 | 0 | 976 | 976 | 976 |
| 28 | Rentals and Leases | 0 | 0 | 0 | 0 | 0 | 17 | 32 | 43 |
| 29 | Insurance | 0 | 0 | 0 | 0 | 0 | 57 | 57 | 57 |
| 30 | License and Taxes | 0 | 0 | 0 | 0 | 0 | 65 | 118 | 160 |
| 31 | Interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 32 | Other Direct Expenses | 0 | 0 | 0 | 0 | 0 | 80 | 103 | 121 |
| 33 | **TOTAL OPERATING EXPENSES** | 0 | 0 | 0 | 0 | 0 | 5,396 | 8,605 | 11,116 |
| 34 | **NET OPERATING REVENUE** | 0 | 0 | 0 | 0 | 0 | 1,154 | 3,341 | 5,045 |
| 35 | | | | | | | | | |
| 36 | **NON-OPERATING REVENUE-NET OF EXPENSES** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 37 | | | | | | | | | |
| 38 | **NET REVENUE BEFORE ITEMS LISTED BELOW** | 0 | 0 | 0 | 0 | 0 | 1,154 | 3,341 | 5,045 |
| 39 | | | | | | | | | |
| 40 | EXTRAORDINARY ITEM | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 41 | FEDERAL INCOME TAX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 42 | | | | | | | | | |
| 43 | **NET REVENUE OR (EXPENSE)** | $0 | $0 | $0 | $0 | $0 | $1,154 | $3,341 | $5,045 |
| 44 | EXPLANATION: | | | | | | | | |
| 45 | | | | | | | | | |

HOSPITAL INFORMATION

DEDUCTIONS FROM REVENUE - HOSPITAL AGGREGATE - **THE PROJECT** *(amounts in 000's)*

| | ACCT: | ITEM: | ACTUAL 2019 | ACTUAL 2020 | ACTUAL 2021 | PROJECTED 2022 | PROJECTED 2023 | PROJECTED 2024 | PROJECTED 2025 | PROJECTED 2026 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 5800 | PROVISION FOR BAD DEBTS | $0 | $0 | $0 | $0 | $0 | $324 | $592 | $800 |
| 2 | | | | | | | | | | |
| 3 | | CONTRACTUAL ADJUSTMENTS | | | | | | | | |
| 4 | 5810 | Medicare | 0 | 0 | 0 | 0 | 0 | 15,473 | 28,223 | 38,181 |
| 5 | 5820 | Medicaid | 0 | 0 | 0 | 0 | 0 | 5,178 | 9,446 | 12,778 |
| 6 | 5830 | Workers Compensation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 | 5840 | Other Government Programs | 0 | 0 | 0 | 0 | 0 | 973 | 1,774 | 2,400 |
| 8 | 5850 | Negotiated Rates | 0 | 0 | 0 | 0 | 0 | 5,638 | 10,284 | 13,912 |
| 9 | 5860 | Other | 0 | 0 | 0 | 0 | 0 | 338 | 616 | 833 |
| 10 | | **Total Contractual Adjustments** | 0 | 0 | 0 | 0 | 0 | 27,600 | 50,343 | 68,104 |
| 11 | | | | | | | | | | |
| 12 | | CHARITY CARE | | | | | | | | |
| 13 | 5900 | Inpatient | 0 | 0 | 0 | 0 | 0 | 478 | 872 | 1,179 |
| 14 | 5910 | Outpatient | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 15 | | | | | | | | | | |
| 16 | | | | | | | | | | |
| 17 | | **Total Charity Care** | 0 | 0 | 0 | 0 | 0 | 478 | 872 | 1,179 |
| 18 | | | | | | | | | | |
| 19 | 5970 | ADMINISTRATIVE ADJUSTMENTS | 0 | 0 | 0 | 0 | 0 | 3 | 5 | 7 |
| 20 | | | | | | | | | | |
| 21 | 5980 | OTHER DEDUCTIONS (Specify) | | | | | | | | |
| 22 | | **TOTAL DEDUCTIONS FROM REVENUE** | $0 | $0 | $0 | $0 | $0 | $28,405 | $51,812 | $70,090 |
| 23 | EXPLANATIONS: | | | | | | | | | |

**<u>WITH</u> THE PROJECT**

HOSPITAL INFORMATION

COMPARISON STATEMENT OF REVENUE & EXPENSE-UNRESTRICTED - **WITH THE PROJECT**

FUNDS-HOSPITAL AGGREGATE *(amounts in 000's)*

| | ACTUAL 2019 | ACTUAL 2020 | ACTUAL 2021 | PROJECTED 2022 | PROJECTED 2023 | PROJECTED 2024 | PROJECTED 2025 | PROJECTED 2026 |
|---|---|---|---|---|---|---|---|---|
| OPERATING REVENUE: | | | | | | | | |
| Inpatient Revenue | $578,086 | $551,005 | $643,339 | $651,707 | $660,193 | $695,794 | $725,255 | $748,422 |
| Outpatient Revenue | 835,174 | 860,689 | 945,817 | 964,995 | 984,626 | 1,004,725 | 1,025,302 | 1,046,373 |
| **TOTAL PATIENT SERVICES REVENUE** | 1,413,260 | 1,411,694 | 1,589,156 | 1,616,702 | 1,644,819 | 1,700,519 | 1,750,557 | 1,794,795 |
| | | | | | | | | |
| DEDUCTIONS FROM REVENUE: | | | | | | | | |
| Provision for Bad Debt | 13,143 | (5,866) | 14,737 | 14,988 | 15,244 | 15,749 | 16,203 | 16,601 |
| Contractual Adjustments | 1,063,338 | 1,086,138 | 1,215,389 | 1,236,478 | 1,258,004 | 1,301,579 | 1,340,664 | 1,375,150 |
| Charity and Uncompensated Care | 19,149 | 44,074 | 21,712 | 22,109 | 22,515 | 23,334 | 24,077 | 24,742 |
| Other Adjustments and Allowances | 19,041 | 0 | 17,927 | 18,290 | 18,662 | 19,046 | 19,438 | 19,839 |
| **TOTAL DEDUCTIONS FROM REVENUE** | 1,114,671 | 1,124,346 | 1,269,765 | 1,291,865 | 1,314,425 | 1,359,708 | 1,400,382 | 1,436,332 |
| **NET PATIENT SERVICE REVENUE** | 298,589 | 287,348 | 319,391 | 324,837 | 330,394 | 340,811 | 350,175 | 358,463 |
| | | | | | | | | |
| OTHER OPERATING REVENUE | | | | | | | | |
| Other Operating Revenue | 5,786 | 12,107 | 13,257 | 6,913 | 6,971 | 7,074 | 7,165 | 7,247 |
| Tax Revenues | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER OPERATING REVENUE** | 5,786 | 12,107 | 13,257 | 6,913 | 6,971 | 7,074 | 7,165 | 7,247 |
| **TOTAL OPERATING REVENUE** | 304,375 | 299,455 | 332,648 | 331,750 | 337,365 | 347,885 | 357,340 | 365,710 |
| | | | | | | | | |
| OPERATING EXPENSES | | | | | | | | |
| Salaries and Wages | 110,178 | 118,552 | 128,353 | 130,376 | 132,439 | 136,329 | 139,631 | 142,551 |
| Employee Benefits | 25,266 | 26,972 | 29,618 | 30,085 | 30,561 | 31,458 | 32,219 | 32,893 |
| Professional Fees | 10,888 | 13,493 | 13,098 | 13,098 | 13,098 | 13,098 | 13,098 | 13,098 |
| Supplies | 37,189 | 34,586 | 39,524 | 40,255 | 41,002 | 42,334 | 43,530 | 44,586 |
| Purchased Services - Utilities | 1,392 | 1,434 | 1,500 | 1,500 | 1,500 | 1,529 | 1,529 | 1,529 |
| Purchased Services - Other | 58,586 | 65,160 | 73,435 | 73,516 | 73,599 | 73,874 | 74,007 | 74,123 |
| Depreciation | 13,771 | 13,606 | 15,919 | 12,677 | 11,670 | 10,518 | 9,429 | 7,976 |
| Rentals and Leases | 6,441 | 7,426 | 8,216 | 8,231 | 8,246 | 8,274 | 8,299 | 8,321 |
| Insurance | 3,080 | 2,796 | 2,867 | 2,867 | 2,867 | 2,924 | 2,924 | 2,924 |
| License and Taxes | 8,669 | 9,128 | 6,798 | 6,850 | 6,903 | 7,005 | 7,096 | 7,178 |
| Interest | 78 | 69 | 49 | 52 | 30 | 14 | 4 | 0 |
| Other Direct Expenses | 4,673 | 3,096 | 2,617 | 2,641 | 2,666 | 2,763 | 2,803 | 2,838 |
| **TOTAL OPERATING EXPENSES** | 280,211 | 296,318 | 321,994 | 322,148 | 324,581 | 330,120 | 334,569 | 338,017 |
| **NET OPERATING REVENUE** | 24,164 | 3,137 | 10,654 | 9,602 | 12,784 | 17,765 | 22,771 | 27,693 |
| | | | | | | | | |
| **NON-OPERATING REVENUE-NET OF EXPENSES** | 733 | 931 | 6,933 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | |
| **NET REVENUE BEFORE ITEMS LISTED BELOW** | 24,897 | 4,068 | 17,587 | 9,602 | 12,784 | 17,765 | 22,771 | 27,693 |
| | | | | | | | | |
| EXTRAORDINARY ITEM | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| FEDERAL INCOME TAX | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | |
| **NET REVENUE OR (EXPENSE)** | $24,897 | $4,068 | $17,587 | $9,602 | $12,784 | $17,765 | $22,771 | $27,693 |
| EXPLANATION: | | | | | | | | |

HOSPITAL INFORMATION

DEDUCTIONS FROM REVENUE - HOSPITAL AGGREGATE - **WITH THE PROJECT** *(amounts in 000's)*

| | ACCT: | ITEM: | ACTUAL 2019 | ACTUAL 2020 | ACTUAL 2021 | PROJECTED 2022 | PROJECTED 2023 | PROJECTED 2024 | PROJECTED 2025 | PROJECTED 2026 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 5800 | PROVISION FOR BAD DEBTS | $13,143 | ($5,866) | $14,737 | $14,988 | $15,244 | $15,749 | $16,203 | $16,601 |
| 2 | | | | | | | | | | |
| 3 | | CONTRACTUAL ADJUSTMENTS | | | | | | | | |
| 4 | 5810 | Medicare | 478,822 | 473,370 | 548,207 | 557,719 | 567,428 | 590,107 | 610,228 | 627,730 |
| 5 | 5820 | Medicaid | 275,003 | 286,648 | 305,006 | 310,298 | 315,700 | 324,887 | 333,256 | 340,785 |
| 6 | 5830 | Workers Compensation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 | 5840 | Other Government Programs | 37,404 | 35,235 | 52,438 | 53,349 | 54,278 | 55,940 | 57,447 | 58,796 |
| 8 | 5850 | Negotiated Rates | 272,109 | 290,885 | 309,738 | 315,112 | 320,598 | 330,307 | 339,117 | 347,006 |
| 9 | 5860 | Other | 0 | 0 | 0 | 0 | 0 | 338 | 616 | 833 |
| 10 | | **Total Contractual Adjustments** | 1,063,338 | 1,086,138 | 1,215,389 | 1,236,478 | 1,258,004 | 1,301,579 | 1,340,664 | 1,375,150 |
| 11 | | | | | | | | | | |
| 12 | | CHARITY CARE | | | | | | | | |
| 13 | 5900 | Inpatient | 3,896 | 13,169 | 5,978 | 6,056 | 6,135 | 6,620 | 7,021 | 7,335 |
| 14 | 5910 | Outpatient | 15,253 | 30,905 | 15,734 | 16,053 | 16,380 | 16,714 | 17,056 | 17,407 |
| 15 | | | | | | | | | | |
| 16 | | | | | | | | | | |
| 17 | | **Total Charity Care** | 19,149 | 44,074 | 21,712 | 22,109 | 22,515 | 23,334 | 24,077 | 24,742 |
| 18 | | | | | | | | | | |
| 19 | 5970 | ADMINISTRATIVE ADJUSTMENTS | 19,041 | 0 | 17,927 | 18,290 | 18,662 | 19,046 | 19,438 | 19,839 |
| 20 | | | | | | | | | | |
| 21 | 5980 | OTHER DEDUCTIONS (Specify) | | | | | | | | |
| 22 | | **TOTAL DEDUCTIONS FROM REVENUE** | $1,114,671 | $1,124,346 | $1,269,765 | $1,291,865 | $1,314,425 | $1,359,708 | $1,400,382 | $1,436,332 |
| 23 | EXPLANATIONS: | | | | | | | | | |

HOSPITAL INFORMATION

BALANCE SHEET - UNRESTRICTED FUND-HOSPITAL AGGREGATE - **WITH THE PROJECT** *(amounts in 000's)*

| | ASSETS | ACTUAL 2019 | ACTUAL 2020 | ACTUAL 2021 | PROJECTED 2022 | PROJECTED 2023 | PROJECTED 2024 | PROJECTED 2025 | PROJECTED 2026 |
|---|---|---|---|---|---|---|---|---|---|
| 1 | CURRENT ASSETS: | | | | | | | | |
| 2 | Cash | $1,678 | $1,240 | $212 | $4,453 | $5,035 | $7,242 | $11,376 | $17,187 |
| 3 | Marketable Securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 | Accounts Receivable | 173,513 | 182,066 | 193,168 | 196,516 | 199,934 | 206,765 | 212,897 | 218,308 |
| 5 | Less-Estimated Uncollectable & Allowances | (136,271) | (144,459) | (154,781) | (157,464) | (160,202) | (165,676) | (170,588) | (174,924) |
| 6 | Receivables From Third Party Payors | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 | Pledges And Other Receivables | 1,833 | 2,817 | 2,536 | 2,536 | 2,536 | 2,536 | 2,536 | 2,536 |
| 8 | Due From Restricted Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9 | Inventory | 5,874 | 6,863 | 9,556 | 9,733 | 9,914 | 10,236 | 10,525 | 10,780 |
| 10 | Prepaid Expenses | 485 | 555 | 682 | 682 | 682 | 688 | 692 | 695 |
| 11 | Current Portion Of Funds Held In Trust | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 | **TOTAL CURRENT ASSETS** | 47,112 | 49,082 | 51,373 | 56,456 | 57,899 | 61,791 | 67,438 | 74,582 |
| 13 | | | | | | | | | |
| 14 | BOARD DESIGNATED ASSETS: | | | | | | | | |
| 15 | Cash | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 | Marketable Securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 17 | Other Assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 18 | **TOTAL BOARD DESIGNATED ASSETS** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 19 | | | | | | | | | |
| 20 | PROPERTY, PLANT AND EQUIPMENT: | | | | | | | | |
| 21 | Land | 7,206 | 7,206 | 7,206 | 7,206 | 7,206 | 7,206 | 7,206 | 7,206 |
| 22 | Land Improvements | 2,933 | 2,933 | 2,939 | 2,939 | 2,939 | 2,939 | 2,939 | 2,939 |
| 23 | Buildings | 62,428 | 64,482 | 55,435 | 57,150 | 57,150 | 73,248 | 73,248 | 73,248 |
| 24 | Fixed Equipment - Building Service | 2,991 | 22,651 | 9,131 | 9,131 | 9,131 | 9,131 | 9,131 | 9,131 |
| 25 | Fixed Equipment - Other | 18,691 | 0 | 22,978 | 22,978 | 22,978 | 22,978 | 22,978 | 22,978 |
| 26 | Equipment | 114,088 | 116,791 | 118,268 | 118,268 | 118,268 | 122,656 | 122,656 | 122,656 |
| 27 | Leasehold Improvements | 14,806 | 16,195 | 17,538 | 17,538 | 17,538 | 17,538 | 17,538 | 17,538 |
| 28 | Construction In Progress | 2,231 | 1,166 | 1,715 | 0 | 0 | 0 | 0 | 0 |
| 29 | TOTAL | 225,374 | 231,424 | 235,210 | 235,210 | 235,210 | 255,696 | 255,696 | 255,696 |
| 30 | Less Accumulated Depreciation | (132,696) | (146,111) | (154,774) | (167,451) | (179,121) | (189,639) | (199,068) | (207,044) |
| 31 | **NET PROPERTY, PLANT & EQUIPMENT** | 92,678 | 85,313 | 80,436 | 67,759 | 56,089 | 66,057 | 56,628 | 48,652 |
| 32 | | | | | | | | | |
| 33 | INVESTMENTS AND OTHER ASSETS: | | | | | | | | |
| 34 | Investments In Property, Plant & Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 35 | Less - Accumulated Depreciation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 36 | Other Investments | 41,319 | 33,163 | 20,085 | 46,885 | 59,475 | 63,591 | 90,391 | 119,446 |
| 37 | Other Assets | 3,899 | 24,852 | 30,245 | 30,245 | 30,245 | 30,245 | 30,245 | 30,245 |
| 38 | **TOTAL INVESTMENTS & OTHER ASSETS** | 45,218 | 58,015 | 50,330 | 77,130 | 89,720 | 93,836 | 120,636 | 149,691 |
| 39 | | | | | | | | | |
| 40 | INTANGIBLES ASSETS: | | | | | | | | |
| 41 | Goodwill | 10,553 | 10,727 | 10,689 | 10,689 | 10,689 | 10,689 | 10,689 | 10,689 |
| 42 | Unamortized Loan Costs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 43 | Preopening And Other Organization Costs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 44 | Other Intangible Assets | 4,140 | 4,087 | 4,004 | 3,985 | 3,966 | 3,947 | 3,928 | 3,909 |
| 45 | **TOTAL INTANGIBLE ASSETS** | 14,693 | 14,814 | 14,693 | 14,674 | 14,655 | 14,636 | 14,617 | 14,598 |
| 46 | **TOTAL ASSETS** | $199,701 | $207,224 | $196,832 | $216,019 | $218,363 | $236,320 | $259,319 | $287,523 |

HOSPITAL INFORMATION

BALANCE SHEET - UNRESTRICTED FUND-HOSPITAL AGGREGATE - **WITH THE PROJECT** *(amounts in 000's)*

| | LIABILITIES AND FUND BALANCES-UNRESTRICTED | ACTUAL 2019 | ACTUAL 2020 | ACTUAL 2021 | PROJECTED 2022 | PROJECTED 2023 | PROJECTED 2024 | PROJECTED 2025 | PROJECTED 2026 |
|---|---|---|---|---|---|---|---|---|---|
| 1 | CURRENT LIABILITIES: | | | | | | | | |
| 2 | Notes and Loans Payable | $0 | $0 | $208 | $0 | $0 | $0 | $0 | $0 |
| 3 | Accounts Payable | 1,791 | 2,646 | 2,539 | 2,873 | 2,890 | 2,927 | 2,955 | 2,981 |
| 4 | Accrued Compensation and Related Liabilities | 10,350 | 12,924 | 14,889 | 15,124 | 15,363 | 15,814 | 16,197 | 16,535 |
| 5 | Other Accrued Expenses | 13,595 | 15,365 | (3,291) | 16,683 | 16,784 | 17,000 | 17,168 | 17,315 |
| 6 | Advances from Third Party Payors | 0 | 22,203 | 21,075 | 9,903 | 0 | 0 | 0 | 0 |
| 7 | Payables to Third Party Payors | 1,719 | 0 | 0 | 1,774 | 1,774 | 1,774 | 1,774 | 1,774 |
| 8 | Due to Restricted Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9 | Income Taxes Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 | Other Current Liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11 | Current Maturities of Long Term Debt | 1,309 | 1,383 | 1,352 | 894 | 712 | 351 | 0 | 0 |
| 12 | **TOTAL CURRENT LIABILITIES** | 28,764 | 54,521 | 36,772 | 47,251 | 37,523 | 37,866 | 38,094 | 38,605 |
| 13 | | | | | | | | | |
| 14 | DEFERRED CREDITS: | | | | | | | | |
| 15 | Deferred Income Taxes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 | Deferred Third Party Revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 17 | Other Deferred Credits | 3,522 | 25,229 | 30,434 | 30,434 | 30,434 | 30,634 | 30,634 | 30,634 |
| 18 | **TOTAL DEFERRED CREDITS** | 3,522 | 25,229 | 30,434 | 30,434 | 30,434 | 30,634 | 30,634 | 30,634 |
| 19 | | | | | | | | | |
| 20 | LONG TERM DEBT: | | | | | | | | |
| 21 | Mortgage Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 22 | Construction Loans - Interim Financing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 23 | Notes Payable | 527 | 424 | 0 | 0 | 0 | 0 | 0 | 0 |
| 24 | Capitalized Lease Obligations | 3,275 | 1,171 | 3,309 | 1,957 | 1,063 | 351 | 0 | 0 |
| 25 | Bonds Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 26 | Notes and Loans Payable to Parent | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 27 | Noncurrent Liabilities | 0 | 1,595 | 0 | 0 | 0 | 0 | 0 | 0 |
| 28 | TOTAL | 3,802 | 3,190 | 3,309 | 1,957 | 1,063 | 351 | 0 | 0 |
| 29 | Less Current Maturities of Long Term Debt | (1,309) | (1,383) | (1,352) | (894) | (712) | (351) | 0 | 0 |
| 30 | **TOTAL LONG TERM DEBT** | 2,493 | 1,807 | 1,957 | 1,063 | 351 | 0 | 0 | 0 |
| 31 | | | | | | | | | |
| 32 | **UNRESTRICTED FUND BALANCE** | 164,922 | 125,667 | 127,669 | 137,271 | 150,055 | 167,820 | 190,591 | 218,284 |
| 33 | | | | | | | | | |
| 34 | EQUITY (INVESTOR OWNED) | | | | | | | | |
| 35 | Preferred Stock | | | | | | | | |
| 36 | | | | | | | | | |
| 37 | Common Stock | | | | | | | | |
| 38 | | | | | | | | | |
| 39 | Additional Paid In Capital | | | | | | | | |
| 40 | | | | | | | | | |
| 41 | Retained Earnings (Capital Account for Partnership | | | | | | | | |
| 42 | or Sole Proprietorship) | | | | | | | | |
| 43 | | | | | | | | | |
| 44 | Less Treasury Stock | | | | | | | | |
| 45 | **TOTAL EQUITY** | | | | | | | | |
| 46 | **TOTAL LIABILITIES AND FUND BALANCE OR EQUITY** | $199,701 | $207,224 | $196,832 | $216,019 | $218,363 | $236,320 | $259,319 | $287,523 |

**Exhibit 6: Patient Origin**

## St. Francis Hospital Patient Discharges and Days by Zip Code, CY 2021

| Zipcode | Planning Area | Discharges | % of Discharges | Days |
|---|---|---|---|---|
| 98003 | Southeast King | 1,710 | 23.2% | 8,821 |
| 98023 | Southeast King | 1,310 | 17.7% | 6,169 |
| 98001 | Southeast King | 550 | 7.5% | 2,829 |
| 98422 | Central Pierce | 359 | 4.9% | 1,751 |
| 98198 | Southwest King | 279 | 3.8% | 1,188 |
| 98032 | Southeast King | 220 | 3.0% | 1,018 |
| 98354 | East Pierce | 211 | 2.9% | 1,082 |
| 98002 | Southeast King | 210 | 2.8% | 828 |
| 98092 | Southeast King | 176 | 2.4% | 913 |
| 98424 | Central Pierce | 125 | 1.7% | 465 |
| 98372 | East Pierce | 106 | 1.4% | 502 |
| 98391 | East Pierce | 91 | 1.2% | 483 |
| 98022 | Southeast King | 85 | 1.2% | 536 |
| 98042 | Southeast King | 65 | 0.9% | 348 |
| 98030 | Southeast King | 62 | 0.8% | 214 |
| 98371 | East Pierce | 58 | 0.8% | 230 |
| 98031 | Southeast King | 55 | 0.7% | 338 |
| 98387 | West Pierce | 54 | 0.7% | 162 |
| 98374 | East Pierce | 49 | 0.7% | 207 |
| 98404 | Central Pierce | 49 | 0.7% | 124 |
| 98405 | Central Pierce | 47 | 0.6% | 255 |
| 98499 | West Pierce | 46 | 0.6% | 228 |
| 98093 | Southeast King | 44 | 0.6% | 238 |
| 98321 | East Pierce | 42 | 0.6% | 187 |
| 98445 | West Pierce | 41 | 0.6% | 237 |
| 98498 | West Pierce | 39 | 0.5% | 364 |
| 98444 | West Pierce | 37 | 0.5% | 157 |
| 98168 | Southwest King | 35 | 0.5% | 199 |
| 98047 | Southeast King | 32 | 0.4% | 132 |
| 98063 | Southeast King | 32 | 0.4% | 240 |
| 98188 | Southwest King | 30 | 0.4% | 118 |
| 98366 | Kitsap | 30 | 0.4% | 97 |
| 98373 | East Pierce | 30 | 0.4% | 117 |
| 98375 | East Pierce | 30 | 0.4% | 66 |
| 98466 | Central Pierce | 29 | 0.4% | 93 |
| 98409 | Central Pierce | 26 | 0.4% | 131 |
| 98038 | Southeast King | 24 | 0.3% | 139 |
| 98338 | East Pierce | 24 | 0.3% | 72 |
| 98058 | Southeast King | 23 | 0.3% | 87 |
| 98106 | Southwest King | 22 | 0.3% | 119 |
| 98360 | East Pierce | 22 | 0.3% | 60 |
| 98146 | Southwest King | 21 | 0.3% | 116 |
| 98312 | Kitsap | 20 | 0.3% | 50 |

## St. Francis Hospital Patient Discharges and Days by Zip Code, CY 2021

| Zipcode | Planning Area | Discharges | % of Discharges | Days |
|---|---|---|---|---|
| 98057 | Southeast King | 19 | 0.3% | 93 |
| 98390 | East Pierce | 19 | 0.3% | 67 |
| 98335 | Central Pierce | 17 | 0.2% | 37 |
| 98584 | Mason | 16 | 0.2% | 56 |
| 98104 | Central King | 15 | 0.2% | 89 |
| 98118 | Central King | 15 | 0.2% | 151 |
| 98408 | Central Pierce | 15 | 0.2% | 28 |
| 98166 | Southwest King | 14 | 0.2% | 35 |
| 98310 | Kitsap | 13 | 0.2% | 30 |
| 98367 | Kitsap | 13 | 0.2% | 17 |
| 98148 | Southwest King | 12 | 0.2% | 43 |
| 98520 | West Grays Harbor | 12 | 0.2% | 14 |
| 98597 | Thurston | 12 | 0.2% | 18 |
| 98513 | Thurston | 11 | 0.2% | 64 |
| 98071 | Southeast King | 10 | 0.1% | 33 |
| 98407 | Central Pierce | 10 | 0.1% | 16 |
| 98418 | Central Pierce | 10 | 0.1% | 27 |
| All Others | N/A | 601 | 8.1% | 2,098 |
| | **Total** | **7,384** | **100.0%** | **34,626** |

*Source: Applicant internal data. Excludes newborn discharges (MDC 15).*

**Exhibit 7: Policies**

| | | |
|---|---|---|
| **Current Status:** *Active* | | **PolicyStat ID:** *10140777* |
| All Policies Site - CHI Franciscan Health System | **Origination:** | *06/1996* |
| | **Effective:** | *07/2021* |
| | **Last Approved:** | *07/2021* |
| | **Last Revised:** | *07/2021* |
| | **Next Review:** | *07/2024* |
| | **Owner:** | *Kathryn McKee: Division Director Accreditation/Safety* |
| | **Policy Area:** | *Patient Rights/Ethics* |
| | **References:** | *Administrative* |
| | **Applicability:** | *CHI Franciscan Systemwide* |

# Notice of Patients Rights and Responsibilities on Admission, 390.00

## PURPOSE

To assure all patients and their legal representative have been informed of their patient rights and responsibilities on admission.

## POLICY

It is the policy of Franciscan Health System to recognize and respect the rights of all patients. Discrimination in any form is prohibited. Patients receiving any health care services at Franciscan Health System shall be informed of these patient rights as well as their responsibilities.



## SUPPORTIVE DATA

- Addendum A: Patient Rights/Responsibilities/Standards/Acknowledgement
- Notice of Interpreter Services, Addendum B
- ***Grievance Policy***
- ***Nondiscrimination Policy***
- ***Patient Visitation Policy***
- ***Consent for Treatment Policy***
- 42 CFR 482.13 Conditions of Participation: Patient's Rights
- Joint Commission Standards, Current Edition
- Americans with Disabilities (ADA)
- Ethical/Religious Directives for Catholic Health Care

## PROCEDURE

Each patient/legal representative is asked to sign the **Notice and Acknowledgment of Patient Rights/ Responsibilities** at registration or admission. Each patient/legal representative is offered a written copy of the hospital's Patient's Rights and Responsibilities. Every effort possible is made to provide this information in advance of providing or discontinuing care. The patient rights/responsibilities information may also be made available to patients throughout their stay upon request.

**Series Patients**

Outpatients in certain therapeutic programs involving ongoing courses of treatments or therapies may sign an

acknowledgement for an entire course of therapy or treatment prior to the first treatment, and a single form may be signed for the entire course of treatment or therapy if:

1. The  department has a written policy describing a process for a special population that has ongoing therapy or treatment.  The policy describes the time frame for obtaining signatures for ongoing therapies or treatments .  The time frame must be at least annually.
2. The patient (or legal representative) is informed of this provision for the acknowledgement requirement.  A copy of the acknowledgement is provided to the patient.  A note in the medical record is written at the time of the patient's signature denoting the acknowledgement.
3. The acknowledgement is  re-obtained,re-documented, and scanned into the EHR as determined by policy but at least annually.  A note is written in the medical record at the time of the patient's signature denoting the acknowledgment.

# SIGNAGE

Notice of Patient Rights/Responsibilities signs may be posted conspicuously in the main entrance to the hospital, the emergency department entrance and at all the registration areas of the hospital or off campus service locations. The organization at their discretion may determine other locations the signs may be posted. The posted signs must meet the CHI FH approved design standards and have the most current date/version published from marketing. The manager of the service is responsible for assuring the most current sign is posted during construction, renovation, painting or relocation projects. .

The hospital **grievance information sign** is conspicuously posted in the emergency department and other designated locations as determined by the organizations.

**Access to Interpreter signs** are also posted conspicuously in the main entrance to the hospital, the emergency department entrance and all registration areas of the organization.



# RESPONSIBILITY

**Patient Access/Registration staff** is responsible for providing the patient/legal representative with the site specific "Patient Rights/Responsibilities – Notice and Acknowledgment" form. The patient/legal representative is asked to read, acknowledge and sign that he/she has received the information.

The Director of Patient Access or designee is responsible for keeping current procedures in the department relating to the Patient Rights/Responsibilities notices and educating staff in the implementation of the procedures**. The Patient Rights/Responsibility Notice and Acknowledgement form includes detailed information about the hospital's grievance process, contact information and time lines for resolution.** Staff must document on the acknowledgement form if the information is not provided due to the patient's condition or if the legal representative is not immediately available.  Patient Access is at point to assure the most current acknowledgement is available in the EHR and at the registration locations.

Complaints relating to discrimination or violations of patient rights are managed through coordination between **Patient Advocates / Risk Management / Compliance.**  Risk is at point to assure signs and updated grievance information are posted at each site in Emergency Department, the hospital website, registration areas or other designated locations determined by the organization.

**Hospital Staff** are responsible for being knowledgeable of the standards and processes supporting patient rights and incorporating them into their day-to-day patient interactions.

**Facilities/Construction Project Coordinator** are responsible for assuring signs advising patients of their rights are posted in the main entrances of the hospital, emergency departments, registration areas and other appropriate public locations as determined by the organization. The signage is applicable to the main entrance, emergency services entrance and services/programs throughout the organization where patients are registered.

**Marketing** is responsible for assuring current patient rights/responsibility information posters are accurate and available and posted on the CHI FH INTERNET.

**Safety/Regulatory/Risk Departments** are responsible for assuring current and accurate content is disclosed on written hospital disclosures, pamphlets, and notices of patient rights and responsibilities provided at registration.

# PATIENT RIGHTS

***AS A PATIENT AT FRANCISCAN HEALTH SYSTEM, YOU HAVE THE RIGHT TO:***

- Be fully informed of all your patient rights and receive a written copy, in advance of furnishing or discontinuing care whenever possible.
- Not be discriminated against because of your race, beliefs, age, ethnicity, religion, culture, language, social, physical or mental disability, socio-economic status, sex, sexual orientation, gender identity or expression.
- To be accompanied by a trained service animal or dog guide.
- Be treated with dignity and respect including cultural and personal beliefs, values and preferences.
- Confidentiality, reasonable personal privacy, security, safety, spiritual or religious care accommodations, and communication. If communication restrictions are necessary for patient care and safety, the hospital must document and explain the restrictions to the patient and family.
- Be protected from neglect; exploitation; verbal, mental, physical or sexual abuse; Access to protective and advocacy services.
- Receive information about your condition including unanticipated outcomes, agree and be involved in all aspects and decisions of their care including: refusing care, treatment and services to the extent permitted by law and to be informed of the consequences of your actions; and resolving problems with care decisions; the hospital will involve the surrogate decision-maker when the patient is unable to make decisions about his or her care.
- Receive information in a manner tailored to the patient's age, language needs and ability to understand. An interpreter, translator or other auxiliary aids, tools or services will be provided to you for vital and necessary information free of charge.
- Make informed decisions regarding care including options, alternatives, risk and benefits. The hospital honors your right to give, rescind and withhold consent.
- Receive an appropriate medical screening examination or treatment for an emergency medical condition within the capabilities of the hospital, regardless of your ability to pay for such services.
- Have a family member or representative of your choice and your physician notified.
- Know the individual(s) responsible for, as well as those providing, your care, treatment and services.
- Family or representatives notification of your admission and input in care decisions; designate any individual to be present for emotional support during course of stay.
- An appropriate assessment and management of your pain.
- Be free from restraints and seclusion of any form that are not medically necessary or are used as a means of coercion, discipline, convenience or retaliation by staff.
- Have advance directives and for hospitals to respect and follow those directives; The hospital honors

advance directives, in accordance with law and regulation and the hospital's capabilities, religious directives and policies.
- End of life care; Request no resuscitation or life-sustaining treatment.
- Donate organs and other tissues including medical staff input and direction by family or surrogate decision makers.
- Review, request amendment to and obtain information on disclosures of your health information in accordance with law and regulation.
- File a grievance (complaint) and to be informed of the process to review and resolve the grievance without fear of retribution or denial of care. The grievance process and relevant contact information is spelled out in the notice provided to each patient and/or leg representative.

# PATIENT RESPONSIBILITIES

***AS A PATIENT AT OUR HOSPITAL, YOU HAVE THE RESPONSIBILITY TO:***

- Tell your care providers everything you know about your health, and to let someone know if there are changes in your condition. Provide accurate and current health information to your healthcare team.
- Make known when you have advance directives and provide documents describing your preferences and wishes to the admitting staff or clinical healthcare team.
- Ask for explanation and information if you do not understand what you are told.
- Participate in your health care by helping make decisions, following the treatment plan prescribed by your physician, and accepting responsibility for your choices.
- Demonstrate respect and consideration for other patients and hospital personnel.
- Follow hospital rules and regulations about safety and patient care during your stay such as those about visitors, smoking, noise, etc.
- Meet your financial commitments. Deal with your bill promptly, and contact the billing department if you need to make special arrangements.
- Support mutual consideration and respect by maintaining civil language and conduct in interaction with staff and medical staff.
- Tell your care providers if you have special needs your healthcare team should know about.



# GRIEVANCE PROCESS

The notice provided to the patient/legal representative must contain information on the grievance process and how to file a grievance if a person believes their rights have been violated. In addition to filing a grievance with the organization, the notice must include contact information for The Joint Commission and Department of Health agencies. In addition, discrimination grievances may be forwarded to the WA State Human Rights Commission at toll free number 1-800 233-3247 or on-line at www.hum.wa.gov.

# SERVICE ANIMALS

Individuals with disabilities have a right to be accompanied by a trained service animal or dog guide and receive reasonable accommodations. Refer to hospital policy #104.50 Service Animal Policy.

# PATIENT VISITATION RIGHTS

Patients of Franciscan Health System enjoy visitation privileges consistent with the patient preference and subject to the hospital's Justified Clinical Restrictions. Each patient has the right to receive the visitors whom he/ she designates and may designate a support person to exercise the patient's visitation rights on his/ her

behalf. All visitors designated by the patient (or support person where appropriate) shall enjoy visitation privileges that are no more restrictive than those that immediate family member would enjoy. The designation of a support person does not extend to the medical decision making.

The hospital may impose clinically necessary or reasonable restrictions or limitations on patient visitation when necessary to respect all other patient rights and to provide safe care to patients. A justified Clinical Restriction may include, but need not be limited to one or more of the following: (i) a court order limiting or restraining contact; (ii) behavior presenting a direct risk or threat to the patient, hospital staff, or others in the immediate environment; (iii) behavior disruptive of the functioning of the patient care unit; (iv) reasonable limitations on the number of visitors at any one time; (v) patient's risk of infection by the visitor; (vi) visitor's risk of infection by the patient; (vii) extraordinary protections because of a pandemic or infectious disease outbreak; (viii) substance abuse treatment protocols requiring restricted visitation; (ix) patient's need for privacy or rest; (x) need for privacy or rest by another individual in the patient's shared room; or (xi) when the patient is undergoing clinical intervention or procedure and the treating health care professional believes it is in the patient's best interest to limit visitation during the clinical intervention or procedure.

# REQUIRED REVIEW:

Regulatory, Risk, Patient Access



## Attachments

Addendum B: Notice of Interpreter Services
596491 Patient Rights Responsibilities Notice 2017.pdf
Addendum A: Patient Rights/Responsibilities/Standards/Acknowledgement

## Approval Signatures

| Approver | Date |
|---|---|
| Gillian Payne: Document Control Coordinator | 07/2021 |
| Kathryn McKee: Division Director Accreditation/Safety | 07/2021 |

## Applicability

CHI Franciscan Health, Franciscan System Services, St. Anne Hospital, St. Anthony Hospital, St. Clare Hospital, St. Elizabeth Hospital, St. Francis Hospital, St. Joseph Medical Center, St. Michael Medical Center

**COMMONSPIRIT HEALTH**
**GOVERNANCE POLICY**

**SUB□ECT:** Financial Assistance

**EFFECTIVE DATE:**
July 1, 2021

**POLICY NUMBER:** Finance G-003

**ORIGINAL EFFECTIVE DATE:**
July 1, 2021

## POLICY

Pursuant to Internal Revenue Code (IRC) Section 501(r), in order to remain tax-exempt, each CommonSpirit Health Hospital Organization is required to establish a written Financial Assistance Policy (FAP) and an Emergency Medical Care Policy which apply to all Emergency Medical Care and Medically Necessary Care (herein referred to as EMCare) provided in a Hospital Facility. The purpose of this Policy is to describe the conditions under which a Hospital Facility provides Financial Assistance to its patients. In addition, this Policy describes the actions a Hospital Facility may take in the event of nonpayment of a patient account.

## SCOPE

This Policy applies to CommonSpirit and each of its tax-exempt Direct Affiliates[1] and tax-exempt Subsidiaries[2] that operate a Hospital Facility (referred to individually as a CommonSpirit Hospital Organization and collectively as CommonSpirit Hospital Organizations). It is the policy of CommonSpirit to provide, without discrimination, EMCare in CommonSpirit Hospital Facilities to all patients, without regard to a patient□s financial ability to pay.

## PRINCIPLES

As Catholic health care providers and tax-exempt organizations, CommonSpirit Hospital Organizations are called to meet the needs of patients and others who seek care, regardless of their financial abilities to pay for services provided.

The following principles are consistent with CommonSpirit□s mission to deliver compassionate, high-quality, affordable healthcare services and to advocate for those who are poor and vulnerable. It is the desire of CommonSpirit Hospital Organizations that the financial ability of people who need health care services does not prevent them from seeking or receiving care.

[1] A Direct Affiliate is any corporation of which CommonSpirit Health is the sole corporate member or sole shareholder, as well as Dignity Community Care, a Colorado nonprofit corporation.

[2] A Subsidiary refers to either an organization, whether nonprofit or for-profit, in which a Direct Affiliate holds the power to appoint fifty percent (50□) or more of the voting members of the governing body of such organization or holds fifty percent (50□) or more of the voting rights in such organization (as evidenced by membership powers or securities conferring certain decision-making authority on the Direct Affiliate) or any organization in which a Subsidiary holds such power or voting rights.

CommonSpirit Hospital Organizations will provide, without discrimination, Emergency Medical Care to individuals regardless of their eligibility for Financial Assistance or for government assistance in CommonSpirit Hospital Facilities.

CommonSpirit Hospital Organizations are dedicated to providing Financial Assistance to persons who have health care needs and are uninsured, underinsured, ineligible for a government program, or otherwise unable to pay, for non-emergent Medically Necessary Care provided in CommonSpirit Hospital Facilities.

## APPLICATION

**A.** This Policy applies to:

- All charges for EMCare provided in a Hospital Facility by a CommonSpirit Hospital Organization.
- All charges for EMCare provided by a physician or advanced practice clinician who is employed by a CommonSpirit Hospital Organization if such care is provided within a Hospital Facility.
- All charges for EMCare provided by a physician or advanced practice clinician who is employed by a Substantially-Related Entity that occurs within a Hospital Facility.
- Non-covered Medically Necessary Care provided to patients where the patient would bear responsibility for the charges, such as charges for days beyond a length of stay limit or in circumstances where the patient□s benefits have been exhausted.
- Collection and recovery activities shall be conducted in accordance with the CommonSpirit Governance Policy Finance G-004, □*i□ing and Co□ections*.

**B. Coordination with Other Laws**

The provision of Financial Assistance may be subject to additional laws or regulations pursuant to federal, state or local laws. Such law governs to the extent it imposes more stringent requirements than this Policy. In the event that a subsequently adopted state or local law directly conflicts with this Policy, the CommonSpirit Hospital Organization shall, after consultation with its local CommonSpirit □egal Team representative, CommonSpirit Revenue Cycle leadership, and CommonSpirit Tax leadership, be permitted to adopt an addendum to this Policy before the next policy review cycle, with such minimal changes to this Policy as are necessary to achieve compliance with any applicable laws.

## DEFINITIONS

**Amounts Generally Billed □AGB□**means the maximum charge a patient who is eligible for Financial Assistance under this Financial Assistance Policy is personally responsible for paying, after all deductions and discounts (including discounts available under this Policy) have been applied and less any amounts reimbursed by insurers. No patient eligible for Financial Assistance will be charged more than the AGB for EMCare provided to the patient. CommonSpirit calculates the AGB on a Facility-by-Facility basis using the □lookback□method

by multiplying the "Gross Charges" for any EMCare that it provides by AGB percentages, which are based upon past claims allowed under Medicare and private insurance as set forth in federal law. "Gross Charges" for these purposes means the amount listed on each Hospital Facility's chargemaster for each EMCare service.

**Application Period** means the time provided to patients by the CommonSpirit Hospital Organization to complete the Financial Assistance application. It expires on the later of (i) 365 days from the patient's discharge from the Hospital Facility or the date of the patient's EMCare, or (ii) 240 days from the date of the initial post-discharge bill for the EMCare received at a Hospital Facility.

**CommonSpirit Entity Service Area** means, for purposes of this Policy, the community served by a Hospital Facility as described in its most recent Community Health Needs Assessment, as described in IRC Section 501(r)(3).

**Community Health Needs Assessment "CHNA"** is conducted by a Hospital Facility at least once every three (3) years pursuant to IRC Section 501(r)(1)(A); each CommonSpirit Hospital Organization then adopts strategies to meet the community health needs identified through the CHNA.

**Eligibility Determination Period** – For purposes of determining Financial Assistance eligibility, a Hospital Facility will review annual Family Income from the prior six-month (6) period, or the prior tax year as shown by recent pay stubs or income tax returns and other information. Proof of earnings may be determined by annualizing the year-to-date Family Income, taking into consideration the current earnings rate.

**Eligibility Qualification Period** – After submitting the Financial Assistance application and supporting documents, patients approved to be eligible shall be granted Financial Assistance for all eligible accounts incurred for services received twelve (12) months prior to determination date. If eligibility is approved based on Presumptive Eligibility criteria, Financial Assistance will also be applied to all eligible accounts incurred for services received twelve (12) months prior to the determination date.

**Emergency Medical Care, EMTALA** – Any patient seeking care for an emergency medical condition within the meaning of Section 1867 of the Social Security Act (42 U.S.C. 1395dd) at a Hospital Facility shall be treated without discrimination and without regard to a patient's ability to pay for care. Furthermore, any action that discourages patients from seeking EMCare, including, but not limited to, demanding payment before treatment or permitting debt collection and recovery activities that interfere with the provision of EMCare, is prohibited. Hospital Facilities shall also operate in accordance with all federal and state requirements for the provision of care relating to emergency medical conditions, including screening, treatment and transfer requirements under the federal Emergency Medical Treatment and Labor Act (EMTALA) and in accordance with 42 CFR 482.55 (or any successor regulation). Hospital Facilities should consult and be guided by any CommonSpirit EMTALA Policy, EMTALA regulations, and applicable Medicare/Medicaid Conditions of Participation in determining what constitutes an emergency medical condition and the processes to be followed with respect to each.

**Extraordinary Collection Actions "ECAs"** – The Hospital Facility will not engage in ECAs against an individual prior to making a reasonable effort to determine eligibility under this

Policy. An ECA may include any of the following actions taken in an effort to obtain payment on a bill for care:

- Selling an individual's debt to another party except as expressly provided by federal law; and
- Reporting adverse information about the individual to consumer credit bureaus.

ECAs do not include any lien that a Hospital Facility is entitled to assert under state law on the proceeds of a judgment or compromise owed to an individual (or his or her representative) as a result of personal injuries for which the Facility provided care.

**Family** means (using the Census Bureau definition) a group of two or more people who reside together and who are related by birth, marriage, or adoption. According to Internal Revenue Service (IRS) rules, if the patient claims someone as a dependent on his or her income tax return, that person may be considered a dependent for purposes of the provision of Financial Assistance. If IRS tax documentation is not available, family size will be determined by the number of dependents documented on the Financial Assistance application and verified by the Hospital Facility.

**Family Income** is determined consistent with the IRS definition of Modified Adjusted Gross Income for the applicant and all members of the applicant's Family. In determining eligibility, CommonSpirit Hospital Organization may consider the "monetary assets" of the patient's Family. However, for purposes of this determination, monetary assets will not include retirement or deferred compensation plans.

**Federal Poverty Level Guidelines "FPL"** are updated annually in the Federal Register by the "nited States Department of Health and Human Services under the authority of subsection (2) of Section 9902 of Title 42 of the "nited States Code. Current guidelines can be referenced at http://aspe.hhs.gov/poverty-guidelines.

**Financial Assistance** means assistance provided to patients for whom it would be a financial hardship to fully pay the expected out-of-pocket expenses for EMCare provided in a Hospital Facility and who meet the eligibility criteria for such assistance. Financial Assistance is offered to insured patients to the extent allowed under the patient's insurance carrier contract.

**Guarantor** means an individual who is legally responsible for payment of the patient's bill.

**Hospital Facility "or Facility"** means a healthcare facility that is required by a state to be licensed, registered or similarly recognized as a hospital and that is operated by a CommonSpirit Hospital Organization.

**Medically Necessary Care** means any procedure reasonably determined (by a provider) to be necessary to prevent, diagnose, correct, cure, alleviate, or avert the worsening of any condition, illness, injury or disease that endangers life, cause suffering or pain, results in illness or infirmity, threatens to cause or aggravate a handicap, or cause physical deformity or malfunction, or to improve the functioning of a malformed body member, if there is no other equally effective, more conservative or less costly course of treatment available. Medically Necessary Care does not include elective or cosmetic procedures only to improve aesthetic appeal of a normal, or normally functioning, body part.

**Operates a Hospital Facility** - A Hospital Facility is considered to be operated either by use of its own employees or by contracting out the operation of the Facility to another organization. A Hospital Facility may also be operated by a CommonSpirit Hospital Organization if the CommonSpirit Hospital Organization has a capital or profits interest in an entity taxed as a partnership which directly operates a state licensed Hospital Facility or which indirectly operates a state licensed Hospital Facility through another entity taxed as a partnership.

**Presumptive Financial Assistance** means the determination of eligibility for Financial Assistance that may rely on information provided by third-party vendors and other publicly available information. A determination that a patient is presumptively eligible for Financial Assistance will result in free or discounted EMCare for the period during which the individual is presumptively eligible.

**Substantially Related Entity** means, with respect to a CommonSpirit Hospital Organization, an entity treated as a partnership for federal tax purposes in which the Hospital Organization owns a capital or profits interest, or a disregarded entity of which the Hospital Organization is the sole member or owner, that provides EMCare in a state licensed Hospital Facility, unless the provision of such care is an unrelated trade or business described in IRC Section 513 with respect to the Hospital Organization.

**Uninsured** means an individual having no third-party coverage by a commercial third-party insurer, an ERISA plan, a Federal Health Care Program (including without limitation Medicare, Medicaid, SCHIP and TRICARE), Worker's Compensation, or other third-party assistance to assist with meeting his or her payment obligations.

**Underinsured** means an individual with private or public insurance coverage, for whom it would be a financial hardship to fully pay the expected out-of-pocket expenses for EMCare covered by this Policy.

## ELIGIBILITY FOR FINANCIAL ASSISTANCE

### A. Financial Assistance Available for EMCare

A patient who qualifies for Financial Assistance will receive free or discounted EMCare, and as such will never be responsible for more than AGB for EMCare. Financial Assistance shall be provided to patients who meet the eligibility requirements as described herein and have established residency within the CommonSpirit Entity Service Area as defined by the most recent Hospital Facility CHNA, unless the visit is urgent or emergent or occurs within a California Hospital Facility. Residents of countries outside the United States of America are not eligible for financial assistance without prior approval from the Hospital Facility Chief Financial Officer (or his or her designee), unless the visit is urgent or emergent. All scheduled services for patients who reside outside the CommonSpirit Entity Service Area require prior approval from the Hospital Facility Chief Financial Officer (or his or her designee). If an ordering provider has requested services at a Hospital Facility and the same service is also provided at another facility closer to the patient's residence and outside the CommonSpirit Entity Service Area, the Hospital Facility may request the ordering

provider to re-evaluate the services and request the services be performed closer to the patient□s residence.

### B. Financial Assistance Not Available for Other than EMCare

Financial Assistance is not available for care other than EMCare. In the case of care other than EMCare, no patient will be responsible for more than the net charges for such care (gross charges for such care after all deductions and insurance reimbursements have been applied).

### C. Amount of Financial Assistance Available

Eligibility for Financial Assistance will be considered for those individuals who are □ninsured, □nderinsured, ineligible for any government health care benefit program, and who are unable to pay for their care, based upon a determination of financial need in accordance with this Policy. The granting of Financial Assistance shall be based on an individualized determination of financial need, and shall not take into account any potential discriminatory factors such as age, ancestry, gender, gender identity, gender expression, race, color, national origin, sexual orientation, marital status, social or immigrant status, religious affiliation, or any other basis prohibited by federal, state, or local law.

□nless eligible for Presumptive Financial Assistance, the following eligibility criteria must be met in order for a patient to qualify for Financial Assistance:

- The patient must have a minimum account balance of ten dollars (□10.00) with the CommonSpirit Hospital Organization. Multiple account balances may be combined to reach this amount. Patients/Guarantors with balances below ten dollars (□10.00) may contact a financial counselor to make monthly installment payment arrangements.
- The patient must comply with Patient Cooperation Standards as described herein.
- The patient must submit a completed Financial Assistance Application (FAA).

### D. Charity Care

- □p to 200□ of the FP□ – Any patient whose Family Income is at or below 200□ of the FP□, including, without limitation, any □ninsured or □nderinsured patient, is eligible to receive Financial Assistance up to a 100□ discount from his or her account balance for eligible services provided to the patient after payment, if any, by any third-party(ies).

- 201□ - 400□ of the FP□ – Any patient whose Family Income is at or above 201□ but lower than 400□ of the FP□, including, without limitation, any □ninsured or □nderinsured patient, is eligible to receive Financial Assistance reducing his or her account balance for eligible services provided to the patient after payment, if any, by any third-party(ies), to an amount no more than the Hospital Facility□s AGB.

### E. Patient Cooperation Standards

A patient must cooperate with the Hospital Facility in providing the information and documentation necessary to determine eligibility. Such cooperation includes completing any required applications or forms. The patient is responsible for notifying the Hospital Facility of any change in financial situation that would impact the assessment of eligibility.

A patient must exhaust all other payment options, including private coverage, federal, state and local medical assistance programs, and other forms of assistance provided by third parties prior to being approved. An applicant for Financial Assistance is responsible for applying to public programs for available coverage. He or she is also expected to pursue public or private health insurance payment options for care provided by a CommonSpirit Hospital Organization within a Hospital Facility.

A patient's and, if applicable, any Guarantor's cooperation in applying for applicable programs and identifiable funding sources, including COBRA coverage (a federal law allowing for a time-limited extension of employee healthcare benefits), shall be required. If a Hospital Facility determines that COBRA coverage is potentially available, and that a patient is not a Medicare or Medicaid beneficiary, the patient or Guarantor shall provide the Hospital Facility with information necessary to determine the monthly COBRA premium for such patient, and shall cooperate with Hospital Facility staff to determine whether he or she qualifies for Hospital Facility COBRA premium assistance, which may be offered for a limited time to assist in securing insurance coverage. A Hospital Facility shall make affirmative efforts to help a patient or patient's Guarantor apply for public and private programs.

### F. Uninsured Patient Discount

Non-covered services under an insurance policy and patients/Guarantors that provide evidence that no health insurance coverage exists either through an employer-provided program or a governmental program such as Medicare, Medicaid or other state and local program to pay for the medically necessary health care services rendered to the patient, shall be eligible for an □ninsured Patient Discount. This Discount shall not apply to cosmetic or non-medically necessary procedures and will only be available for eligible services.

Each Hospital Facility shall calculate and determine the discount from gross charges available to eligible patients. The Financial Assistance described above supersedes this □ninsured Patient Discount. If it is determined that the application of Financial Assistance will further reduce the patient's bill, Hospital Facility will reverse the □ninsured Patient Discount and apply the applicable adjustments under the Financial Assistance Policy.

### G. Self□Pay Discount

For those □ninsured patients who do not qualify for any of the financial assistance discounts described in this Policy, Hospital Facilities may apply an automatic (self-pay) discount to a patient's bill in accordance with CommonSpirit Revenue Cycle guidelines and procedures. This self-pay discount is not means-tested.

## THE METHOD FOR APPLYING FOR FINANCIAL ASSISTANCE

All patients must complete the CommonSpirit FAA to be considered for Financial Assistance, unless they are eligible for Presumptive Financial Assistance. The FAA is used by the Hospital Facility to make an individual assessment of financial need.

To qualify for assistance, patient must provide bank or checking account statements evidencing the patient's available resources (those convertible to cash and unnecessary for the patient's daily living) and at least one (1) piece of supporting documentation that verifies

Family Income is required to be submitted along with the FAA. Supporting documentation may include, but is not limited to:

- Copy of the individual□s most recently filed federal income tax return;
- Current Form W-2;
- Current paystubs; or
- Signed letter of support.

The Hospital Facility may, at its discretion, rely on evidence of eligibility other than described in the FAA or herein. Other evidentiary sources may include:

- External publicly available data sources that provide information on a patient/Guarantor□s ability to pay;
- A review of patient□s outstanding accounts for prior services rendered and the patient/Guarantor□s payment history;
- Prior determinations of the patient□s or Guarantor□s eligibility for assistance under this Policy, if any; or
- Evidence obtained as a result of exploring appropriate alternative sources of payment and coverage from public and private payment programs.

In the event no income is evidenced on a completed FAA, a written document is required which describes why income information is not available and how the patient or Guarantor supports basic living expenses (such as housing, food, and utilities). Financial Assistance applicants who participate in the National Health Services Corps (NHSC) □oan Repayment Program are exempt from submitting expense information.

## PRESUMPTIVE ELIGIBILITY

CommonSpirit Hospital Organizations recognize that not all patients and Guarantors are able to complete the FAA or provide requisite documentation. Financial counselors are available at each Hospital Facility location to assist any individual seeking application assistance. For patients and Guarantors who are unable to provide required documentation, a Hospital Facility may grant Presumptive Financial Assistance based on information obtained from other resources. In particular, presumptive eligibility may be determined on the basis of individual life circumstances that may include:

- Recipient of state-funded prescription programs;
- Homeless or one who received care from a homeless or free care clinic;
- Participation in Women, Infants and Children programs (WIC);
- Food stamp eligibility;
- Eligibility or referrals for other state or local assistance programs (e.g., Medicaid);
- □ow income/subsidized housing is provided as a valid address; or
- Patient is deceased with no known spouse or known estate.

This information will enable Hospital Facilities to make informed decisions on the financial needs of patients, utilizing the best estimates available in the absence of information provided directly by the patient. A patient determined eligible for Presumptive Financial Assistance will receive free or discounted EMCare for the period during which the individual is presumptively eligible.

Medicaid patients who receive non-covered medically necessary services will be considered for Presumptive Financial Assistance. Financial assistance may be approved in instances prior to the Medicaid effective date.

If an individual is determined to be presumptively eligible, a patient will be granted Financial Assistance for a period of twelve (12) months ending on the date of presumptive eligibility determination. As a result, Financial Assistance will be applied to all eligible accounts incurred for services received twelve (12) months prior to the determination date. The presumptively eligible individual will not receive financial assistance for EMCare rendered after the date of determination without completion of a FAA or a new determination of presumptive eligibility.

Patients that have made payments totaling one hundred and fifty dollars (□150.00) or more on an outstanding account balance incurred for services rendered will not be eligible for presumptive eligibility on that account. For patients, or their Guarantors, who are non-responsive to a Hospital Facility□s application process, other sources of information may be used to make an individual assessment of financial need. This information will enable the Hospital Facility to make an informed decision on the financial need of non-responsive patients, utilizing the best estimates available in the absence of information provided directly by the patient.

For the purpose of helping financially needy patients, a Hospital Facility may use a third-party to review a patient□s, or the patient□s Guarantor□s, information to assess financial need. This review utilizes a healthcare industry-recognized, predictive model that is based on public record databases. The model incorporates public record data to calculate a socio-economic and financial capability score. The model□s rule set is designed to assess each patient based upon the same standards and is calibrated against historical Financial Assistance approvals by the Hospital Facility. This enables the Hospital Facility to assess whether a patient is characteristic of other patients who have historically qualified for Financial Assistance under the traditional application process.

When the model is utilized, it will be deployed prior to bad debt assignment after all other eligibility and payment sources have been exhausted. This allows a Hospital Facility to screen all patients for Financial Assistance prior to pursuing any ECAs. The data returned from this review will constitute adequate documentation of financial need under this Policy.

In the event a patient does not qualify for presumptive eligibility, the patient may still provide requisite information and be considered under the traditional FAA process.

Patient accounts granted presumptive eligibility status will be provided free or discounted care for eligible services for retrospective dates of service only□ This decision will not constitute a state of free or discounted care as available through the traditional application process. These accounts will be treated as eligible for Financial Assistance under this Policy. They will not be sent to collection, will not be subject to further collection action, and will not be included in Hospital Facility bad debt expense. Patients will not be notified to inform them of this decision. Additionally, any deductible and coinsurance amount claimed as a Medicare bad debt shall be excluded from the reporting of charity care.

Presumptive screening provides a community benefit by enabling a CommonSpirit Hospital Organization to systematically identify financially needy patients, reduce administrative

burdens, and provide Financial Assistance to patients and their Guarantors, some of whom may have not been responsive to the FAA process.

## NOTIFICATION ABOUT FINANCIAL ASSISTANCE

Notification about the availability of Financial Assistance from CommonSpirit Hospital Organizations shall be disseminated by various means, which may include, but not be limited to:

- Conspicuous publication of notices in patient bills;
- Notices posted in emergency rooms, urgent care centers, admitting/registration departments, business offices, and at other public places as a Hospital Facility may elect; and
- Publication of a summary of this Policy on the Hospital Facility's website, as provided in Addendum A, and at other places within the communities served by the Hospital Facility as it may elect.

Patients may obtain additional information regarding the Hospital Facility's AGB percentage and how the AGB percentages were calculated from a Hospital Facility's financial counselor as provided in Addendum A.

Such notices and summary information shall include a contact number and shall be provided in English, Spanish, and other primary languages spoken by the population served by an individual Hospital Facility, as applicable.

Referral of patients for Financial Assistance may be made by any member of the CommonSpirit Hospital Organization non-medical or medical staff, including physicians, nurses, financial counselors, social workers, case managers, chaplains, and religious sponsors. A request for assistance may be made by the patient or a family member, close friend, or associate of the patient, subject to applicable privacy laws.

CommonSpirit Hospital Organizations will provide financial counseling to patients about their bills related to EMCare and will make the availability of such counseling known. It is the responsibility of the patient or the patient's Guarantor to schedule consultations regarding the availability of Financial Assistance with a financial counselor.

A provider listing will be published by each CommonSpirit Hospital Facility on its website, on or before July 1, 2021, and will be updated by management periodically (but no less than quarterly) thereafter.

## ACTIONS IN THE EVENT OF NON-PAYMENT

The actions a CommonSpirit Hospital Organization may take in the event of nonpayment with respect to each Hospital Facility are described in a separate policy, CommonSpirit Governance Policy Finance G-004, *Billing and Collections*. Members of the public may obtain a free copy of this Policy by contacting the Hospital Facility Patient Access/Admitting department, as provided in Addendum A.

## APPLICATION OF PROCEDURES

CommonSpirit Revenue Cycle leadership is responsible for the implementation of this Policy.

## ATTACHMENTS

Financial Assistance Application (FAA)

## REFERENCES

| | |
|---|---|
| CommonSpirit Governance Policy | Finance G-004, *□i□□ing and Co□□ections* |

## ASSOCIATED DOCUMENTS

| | |
|---|---|
| CommonSpirit Governance Addendum | Finance G-003A-1, *Financia□Assistance □Ca□ifornia* |
| CommonSpirit Governance Addendum | Finance G-003A-2, *Financia□Assistance □□ regon* |
| CommonSpirit Governance Addendum | Finance G-003A-3, *Financia□Assistance □□ ashington* |
| CommonSpirit Governance Addendum | Finance G-003A-A, *Hos□ita□Faci□ity Financia□ Assistance Contact Information Addend□m □em□□ate* |

APPRO□ED BY COMMONSPIRIT HEA□TH BOARD: TBD

**COMMONSPIRIT HEALTH**
**GOVERNANCE POLICY ADDENDUM**

**ADDENDUM Finance G-003A-3** **EFFECTIVE DATE:** November 1, 2021

**SUBJECT:** Financial Assistance - Washington

**ASSOCIATED POLICIES**

| | |
|---|---|
| CommonSpirit Governance Policy | Finance G-003, *Financial Assistance Policy* |
| CommonSpirit Governance Policy | Finance G-004, *Billing and Collections* |

This Washington addendum (Addendum) supplements CommonSpirit Governance Policy G-003, *Financial Assistance* (the Financial Assistance Policy), as necessary, in light of and to comply with Washington statutes and regulations regarding provision of Hospital Charity Care, in accordance with the "Coordination with Other Laws" section of the Financial Assistance Policy.

This Addendum applies to all CommonSpirit Health Direct Affiliates and Tax-Exempt Subsidiaries in the state of Washington, as defined in the Financial Assistance Policy. If any provision of this Addendum is in conflict with, or inconsistent with, any provision of the Financial Assistance Policy, this Addendum shall control.

References in the Financial Assistance Policy to Emergency Medical Care and Medically Necessary Care (EMCare) are to be interpreted consistently with the definitions of "Appropriate Hospital Facility-based medical services" and "Emergency care or emergency services" contained in WAC 246-453- 010(7) and (11), respectively.

**DEFINITIONS**

**A.** "Family Income" means total cash receipts before taxes derived from wages and salaries, welfare payments, Social Security payments, strike benefits, unemployment or disability benefits, child support, alimony, and net earnings from business and investment activities paid to the individual, in accordance with WAC 246-453-010 (17).

**ELIGIBILITY FOR FINANCIAL ASSISTANCE**

**A.** No minimum account balance shall be required for a patient to qualify for Financial Assistance.

**B.** "Patient Cooperation Standards," as defined in the Financial Assistance Policy, shall only apply to the extent they:

- allow the Hospital Facility to pursue reimbursement from any third-party coverage that may be identified to the Hospital Facility, in accordance with WAC 246-453-020(1);

- allow the Hospital Facility to make every reasonable effort to determine the existence or nonexistence of third-party sponsorship that might cover in full or in part the charges for services provided to each patient, in accordance with WAC 246-453-020(4); and
- do not impose application procedures for charity care sponsorship which place an unreasonable burden upon the responsible party, taking into account any physical, mental, intellectual, or sensory deficiencies or language barriers which may hinder the responsible party's capability of complying with the application procedures, in accordance with WAC 246-453-020(5).

**THE METHOD FOR APPLYING FOR FINANCIAL ASSISTANCE**

**A.** For the purposes of reaching an initial determination of sponsorship status, Hospital Facilities shall rely upon information provided orally by the responsible party. The Hospital Facility may require the responsible party to sign a statement attesting to the accuracy of the information provided to the Hospital Facility for purposes of the initial determination of sponsorship status, in accordance with WAC 246-453-030(1). In accordance with WAC 246-453-020(1), if the initial determination of sponsorship status indicates that the responsible party may meet the criteria for classification as an indigent person, collection efforts directed at the responsible party will be precluded pending a final determination of that classification, provided that the responsible party is cooperative with the Hospital Facility's reasonable efforts to reach a final determination of sponsorship status.

**B.** In accordance with WAC 246-453-030(2), in addition to the documents listed in the Financial Assistance Policy, any one of the following documents shall be considered sufficient evidence upon which to base the final determination of charity care sponsorship status, when the income information is annualized as may be appropriate:

- Forms approving or denying eligibility for Medicaid or state-funded medical assistance;
- Forms approving or denying unemployment compensation; or
- Written statements from employers or welfare agencies.

**C.** If there is indication that due to the patient's mental, physical or intellectual capacity, or due to a language barrier, completing the application procedure would place an unreasonable burden on the patients, the Hospital Facility will take reasonable measures to facilitate the application process, including engaging an interpreter to assist the patient through the application process if necessary.

**D.** Hospital Facilities shall make every reasonable effort to reach initial and final determinations of eligibility for financial assistance in a timely manner. Nevertheless, Hospital Facilities shall make those determinations at any time, even after the Application Period, upon learning of facts or receiving the documentation described herein, indicating that the responsible party's income is equal to or below two hundred percent (200%) of the federal poverty guidelines as adjusted for family size. The timing of reaching a final determination of eligibility for financial assistance shall have no bearing on the Hospital Facility's identification of charity care deductions from revenue as distinct from bad debts. WAC 246-453-020(10).

**E.** Any responsible party who has been initially determined to meet the criteria for receiving financial assistance shall be provided with at least fourteen (14) calendar days or such time as the person□s medical condition may require, or such time as may be reasonably necessary to secure and to present documentation described within WAC 246-453-030 prior to receiving a final determination of sponsorship status.

**F.** In accordance with WAC 246-453-030(4), in the event that the responsible party is not able to provide any of the documentation described above, the Hospital Facility shall rely upon written and signed statements from the responsible party for making a final determination of eligibility for classification as an indigent person.

**G.** In accordance with WAC 245-453-030(5), information requests from the Hospital Facility to the responsible party for the verification of income and family size shall be limited to that which is reasonably necessary and readily available to substantiate the responsible party□s qualification for charity sponsorship, and may not be used to discourage applications for such sponsorship. Only those facts relevant to eligibility may be verified, and duplicate forms of verification shall not be demanded.

**H.** The Hospital Facility shall notify persons applying for financial assistance of their final determination of sponsorship status within fourteen (14) calendar days of receiving information in accordance with WAC 246-453-020(7); such notification shall include a determination of the amount for which the responsible party will be held financially accountable.

**I.** In the event that the Hospital Facility denies the responsible party□s application for financial assistance, the Hospital Facility shall notify the responsible party of the denial and the basis for the denial criteria at the time that services were provided, any payments in excess of the amount determined to be appropriate shall be refunded to the patient within thirty (30) days of achieving the charity care designation. WAC 246-453-020(11).

**□.** In the event that a responsible party pays a portion or all of the charges related to appropriate EMCare, and is subsequently found to have met the financial assistance criteria at the time that services were provided, any payments in excess of the amount determined to be appropriate shall be refunded to the patient within thirty (30) days of achieving the charity care designation. WAC 246-453-020(11).

**□.** In accordance with WAC 246-453-020(6), Hospital Facilities shall not require deposits from those responsible parties whose income is equal to or below two hundred percent (200□ ) of the federal poverty guidelines as adjusted for family size, as indicated through an initial determination of sponsorship status

**PRESUMPTIVE ELIGIBILITY**

In the event the responsible party□s identification as an indigent person is obvious to Hospital Facility personnel, and the Hospital Facility personnel are able to establish the position of the income level within the broad criteria described in WAC 246-453-040, based on the individual life circumstances contained within the Financial Assistance Policy or otherwise, the Hospital Facility is not obligated to establish the exact income level or to request documentation from the responsible party, unless the responsible party requests further review.

**APPEALS**

**A.** All responsible parties denied financial assistance shall be provided with, and notified of, an appeals procedure that enables them to correct any deficiencies in documentation or request review of the denial and results in review of the determination by the Hospital Facility's chief financial officer.

**B.** Responsible parties shall be notified that they have thirty (30) calendar days within which to request an appeal of the final determination of their eligibility for financial assistance. Within the first fourteen (14) days of this period, the Hospital Facility shall not refer the account at issue to an external collection agency. If the Hospital Facility has initiated collection activities and discovers an appeal has been filed, it shall cease collection efforts until the appeal is finalized. After the fourteen (14) day period, if no appeal has been filed, the hospital may initiate collection activities.

**C.** If the final determination of the appeal affirms the previous denial of financial assistance, the Hospital Facility shall send written notification to the responsible party and the Department of Health in accordance with state law.

All other terms set forth in CommonSpirit Governance Policy Finance G-003, *Financia* *Assistance*, remain unaltered.

**COMMONSPIRIT HEALTH**
**GOVERNANCE POLICY**

**SUB□ECT:** Billing and Collections

**EFFECTIVE DATE:**
July 1, 2021

**POLICY NUMBER:** Finance G-004

**ORIGINAL EFFECTIVE DATE:**
July 1, 2021

## POLICY

The purpose of this Policy is to provide clear and consistent guidelines for conducting billing, collections, and recovery functions in a manner that promotes compliance with Internal Revenue Code (IRC) Section 501(r) and applicable collection laws and regulations, patient satisfaction, and efficiency. This Policy outlines the circumstances under which Hospital Facilities will undertake collections actions on delinquent patient accounts related to the provision of Emergency Medical Care and Medically Necessary Care (herein referred to as EMCare) and identifies Permissible Collections Activities. This Policy describes the actions that a Hospital Facility may take to obtain payment of a bill for EMCare in the event of non-payment, including, but not limited to, any permissible collection actions.

## SCOPE

This Policy applies to CommonSpirit Health and each of its tax-exempt Direct Affiliates[1] and tax-exempt Subsidiaries[2] that operate a Hospital Facility (referred to individually as a CommonSpirit Hospital Organization and collectively as CommonSpirit Hospital Organizations). It is the policy of CommonSpirit to follow the highest standards of ethics and integrity in their conduct of collections and recovery activities and to follow collections protocols for the fair treatment to all CommonSpirit Hospital Organizations patients at each Hospital Facility.

## PRINCIPLES

After CommonSpirit Hospital Organization patients have received services, Hospital Facilities will bill patients/Guarantors and applicable payers accurately and in a timely manner. During this billing and collections process, staff will provide quality customer service and timely follow-up, and all outstanding accounts will be handled in accordance with all applicable laws and regulations. In addition, CommonSpirit values require that all individuals be treated with reverence and compassion. CommonSpirit has defined certain collections

[1] A Direct Affiliate is any corporation of which CommonSpirit Health is the sole corporate member or sole shareholder, as well as Dignity Community Care, a Colorado nonprofit corporation.

[2] A Subsidiary refers to either an organization, whether nonprofit or for-profit, in which a Direct Affiliate holds the power to appoint fifty percent (50□) or more of the voting members of the governing body of such organization or holds fifty percent (50□) or more of the voting rights in such organization (as evidenced by membership powers or securities conferring certain decision-making authority on the Direct Affiliate) or any organization in which a Subsidiary holds such power or voting rights.

actions to be in conflict with CommonSpirit's organizational values and have prohibited their use at any time.

## APPLICATION

A. This Policy applies to:

- All charges for EMCare provided in a Hospital Facility by a CommonSpirit Hospital Organization.
- All charges for EMCare provided by a physician or advanced practice clinician who is employed by a CommonSpirit Hospital Organization, to the extent such care is provided within a Hospital Facility.
- All charges for EMCare provided by a physician or advanced practice clinician who is employed by a Substantially-Related Entity that occurs within a Hospital Facility.
- Non-covered Medically Necessary Care provided to patients where the patient would bear responsibility for the charges, such as charges for days beyond a length of stay limit or in circumstances where the patient's benefits have been exhausted.
- Any collection and recovery activities conducted by the Hospital Facility or a designated supplier of billing and collections services (Designated Supplier), or its third-party collection agents of a Hospital Organization to collect amounts owed for EMCare described above. All third-party agreements governing such collection and recovery activities must include a provision requiring compliance with this Policy and indemnification for failures as a result of its noncompliance. This includes, but is not limited to, agreements between third-parties who subsequently sell or refer debt of the Hospital Facility.

**B. Coordination with other laws**

The provision of Financial Assistance and billing and collection of patient accounts may now or in the future be subject to additional regulation pursuant to federal, state, or local laws. Such law governs to the extent it imposes more stringent requirements than this Policy. In the event that a subsequently adopted state or local law directly conflicts with this Policy, the CommonSpirit Hospital Organization shall, after consultation with its local CommonSpirit egal Team representative, CommonSpirit Revenue Cycle leadership and CommonSpirit Tax leadership, be permitted to adopt an addendum to this Policy before the next policy review cycle, with such minimal changes to this Policy as are necessary to achieve compliance with any applicable laws.

## PRINCIPLES

Through the use of billing statements, written correspondence, and phone calls, CommonSpirit Hospital Organizations will make diligent efforts to inform patients/Guarantors of their financial responsibilities and available Financial Assistance options, as well as follow up with patients/Guarantors regarding outstanding accounts. As Catholic health care providers, CommonSpirit Hospital Organizations are called to meet the needs of patients and others who seek care, regardless of their financial abilities to pay for the services provided.

Finally, CommonSpirit Hospital Organizations are designated as charitable (i.e., tax-exempt) organizations under IRC Section 501(c)(3). Pursuant to IRC Section 501(r), among other things, in order to remain tax-exempt, each CommonSpirit Hospital Organization must do the following with respect to patients receiving EMCare at any Hospital Facility:

- □imit the amounts individuals eligible for Financial Assistance are charged for EMCare to not more than the Amounts Generally Billed (AGB) to individuals who have insurance covering such Care;
- Bill less than gross charges to individuals eligible for Financial Assistance for all other medical care; and
- Not engage in Extraordinary Collections Actions before the Hospital Facility has made reasonable efforts to determine whether the individual is eligible for assistance under CommonSpirit Governance Policy Finance G-003, *Financia□Assistance*□

**DEFINITIONS**

**Amounts Generally Billed □AGB**□means the maximum charge a patient who is eligible for Financial Assistance under this Financial Assistance Policy is personally responsible for paying, after all deductions and discounts (including discounts available under this Policy) have been applied and less any amounts reimbursed by insurers. No patient eligible for Financial Assistance will be charged more than the AGB for EMCare provided to the patient. CommonSpirit calculates the AGB on a Facility-by-Facility basis using the □lookback□method by multiplying the □Gross Charges□for any EMCare that it provides by AGB percentages, which are based upon past claims allowed under Medicare and private insurance as set forth in federal law. □Gross Charges□for these purposes means the amount listed on each Hospital Facility□s chargemaster for each EMCare service.

**Application Period** means the time provided to patients by the CommonSpirit Hospital Organization to complete the Financial Assistance application. It expires on the later of (i) 365 days from the patient□s discharge from the Hospital Facility or the date of the patient□s EMCare, or (ii) 240 days from the date of the initial post-discharge bill for the EMCare received at a Hospital Facility.

**Emergency Medical Care, EMTALA** □Any patient seeking care for an emergency medical condition within the meaning of Section 1867 of the Social Security Act (42 □.S.C. 1395dd) at a Hospital Facility shall be treated without discrimination and without regard to a patient□s ability to pay for care. Furthermore, any action that discourages patients from seeking EMCare, including, but not limited to, demanding payment before treatment or permitting debt collection and recovery activities that interfere with the provision of EMCare, is prohibited. Hospital Facilities shall also operate in accordance with all federal and state requirements for the provision of care relating to emergency medical conditions, including screening, treatment and transfer requirements under the federal Emergency Medical Treatment and □abor Act (EMTA□A) and in accordance with 42 CFR 482.55 (or any successor regulation). Hospital Facilities should consult and be guided by any CommonSpirit EMTA□A Policy, EMTA□A regulations, and applicable Medicare/Medicaid Conditions of Participation in determining what constitutes an emergency medical condition and the processes to be followed with respect to each.

**Extraordinary Collection Actions □ECAs□□**The Hospital Facility will not engage in ECAs against an individual prior to making a reasonable effort to determine eligibility under the

Hospital Facility's FAP. An ECA may include any of the following actions taken in an effort to obtain payment on a bill for care:

- Selling an individual's debt to another party except as expressly provided by federal law; and
- Reporting adverse information about the individual to consumer credit bureaus.

ECAs do not include any lien that a Hospital Facility is entitled to assert under state law on the proceeds of a judgment, settlement, or compromise owed to an individual (or his or her representative) as a result of personal injuries for which the Facility provided care.

**Financial Assistance** means assistance provided to patients for whom it would be a financial hardship to fully pay the expected out-of-pocket expenses for EMCare provided in a Hospital Facility and who meet the eligibility criteria for such assistance. Financial Assistance is offered to insured patients to the extent allowed under the patient's insurance carrier contract.

**Financial Assistance Policy ("FAP")** means CommonSpirit Governance Policy Finance G-003, *Financial Assistance*, which describes CommonSpirit's Financial Assistance program, including the criteria patients/Guarantors must meet in order to be eligible for Financial Assistance as well as the process by which individuals may apply for Financial Assistance.

**Guarantor** means an individual who is legally responsible for payment of the patient's bill.

**Hospital Facility (or Facility)** means a healthcare facility that is required by a state to be licensed, registered, or similarly recognized as a hospital and that is operated by a CommonSpirit Hospital Organization. In reference to the performance of billing and collection activities, the term "Hospital Facility" may also include a Designated Supplier.

**Medically Necessary Care** means any procedure reasonably determined (by a provider) to be necessary to prevent, diagnose, correct, cure, alleviate, or avert the worsening of any condition, illness, injury or disease that endangers life, cause suffering or pain, results in illness or infirmity, threatens to cause or aggravate a handicap, or cause physical deformity or malfunction, or to improve the functioning of a malformed body member, if there is no other equally effective, more conservative or less costly course of treatment available. Medically Necessary Care does not include elective or cosmetic procedures only to improve aesthetic appeal of a normal, or normally functioning, body part.

**Notification Period** means the 120-day period beginning on the date the Hospital Facility provides the first post-discharge billing statement for the EMCare. A Facility will refrain from engaging in an ECA during the Notification Period, unless reasonable efforts have been made to determine a patient is eligible for Financial Assistance.

**Operates a Hospital Facility** - A Hospital Facility is considered to be operated either by use of its own employees or by contracting out the operation of the Facility to another organization. A Hospital Facility may also be operated by a CommonSpirit Hospital Organization if the CommonSpirit Hospital Organization has a capital or profits interest in an entity taxed as a partnership which directly operates a state licensed Hospital Facility or which indirectly operates a state licensed Hospital Facility through another entity taxed as a partnership.

**Presumptive Financial Assistance** means the determination of eligibility for Financial Assistance that may rely on information provided by third-party vendors and other publicly available information. A determination that a patient is presumptively eligible for Financial Assistance will result in free or discounted EMCare for the period during which the individual is presumptively eligible. See also Presumptive Eligibility in CommonSpirit Governance Policy Finance G-003, *Financia Assistance*

**Substantially Related Entity** means, with respect to a CommonSpirit Hospital Organization, an entity treated as a partnership for federal tax purposes in which the Hospital Organization owns a capital or profits interest, or a disregarded entity of which the Hospital Organization is the sole member or owner, that provides EMCare in a state licensed Hospital Facility, unless the provision of such care is an unrelated trade or business described in IRC Section 513 with respect to the Hospital Organization.

**Suspending ECAs when a Financial Assistance Application FAA is Submitted** means a Facility (or other authorized party) does not initiate an ECA, or take further action on any previously initiated ECAs, to obtain payment for the EMCare until either:

- The Facility has determined whether the individual is FAP-eligible based on a complete FAP application and met the reasonable efforts requirement, as defined herein, with respect to a completed FAA; or
- In the case of an incomplete FAA, the individual has failed to respond to requests for additional information or documentation within a reasonable period of time (thirty (30) days) given to respond to such requests.

**Uninsured** means an individual having no third-party coverage by a commercial third-party insurer, an ERISA plan, a Federal Health Care Program (including without limitation Medicare, Medicaid, SCHIP, and TRICARE), Worker s Compensation, or other third-party assistance to assist with meeting his or her payment obligations.

**Underinsured** means an individual with private or public insurance coverage, for whom it would be a financial hardship to fully pay the expected out-of-pocket expenses for EMCare covered by this Policy.

## BILLING PRACTICES

CommonSpirit Hospital Organizations will follow standard procedures in collecting on accounts related to EMCare provided at a CommonSpirit Hospital Facility as follows:

### A. Insurance Billing

- For all insured patients, Hospital Facilities will bill applicable third-party payers (based on information provided or verified by the patient/Guarantor, or appropriately verified from other sources) in a timely manner.
- If an otherwise valid claim is denied (or not processed) by the payer due to an error by a Hospital Facility, the Hospital Facility will not bill the patient for any amount in excess of what the patient would have owed had the payer paid the claim.
- If an otherwise valid claim is denied (or not processed) by a payer due to factors outside of the Hospital Facility s control, staff will follow up with the payer and patient as appropriate to facilitate resolution of the claim. If

resolution does not occur after reasonable follow-up efforts, Hospital Facilities may bill the patient or take other actions consistent with payer contracts.

**B. Patient Billing**

- All patients/Guarantors will be billed directly and timely and receive a statement as part of the Hospital Facility's normal billing process.
- For insured patients, after claims have been processed by all available third-party payers, Hospital Facilities will bill patients/Guarantors in a timely manner for their respective liability amounts as determined by their insurance benefits.
- All patients/Guarantors may at any time request, and the Hospital Facility will provide, an itemized statement for their accounts.
- If a patient disputes his or her account and requests documentation regarding the bill, staff will provide the requested documentation in writing within ten (10) days (if possible) and will hold the account for at least thirty (30) days before referring the account for collection.
- Hospital Facilities shall approve payment plan arrangements for patients/Guarantors who indicate they may have difficulty paying their balance in a single installment.
- Revenue Cycle leadership has the authority to make exceptions to this provision on a case-by-case basis for special circumstances (in accordance with operating procedures).
- Hospital Facilities are not required to accept patient-initiated payment arrangements and may refer accounts to a third-party collection agency as outlined below if the patient defaults on an established payment plan.

**C. Collection Practices**

- Any collection activities conducted by the Facility, a Designated Supplier, or its third-party collection agents will be in conformance with all federal and state laws governing debt collection practices.

- All patients/Guarantors will have the opportunity to contact the Hospital Facility regarding Financial Assistance, payment plan options, and other applicable programs that may be available with respect to their accounts, as provided in Addendum A.
    - A Hospital Facility's FAP is available free of charge.
    - Individuals with questions regarding a Hospital Facility's FAP may contact the financial counseling office by phone or in person.
- In compliance with relevant state and federal laws, and in accordance with the provisions outlined in this Policy, Hospital Facilities may engage in collection activities, including Permissible ECAs, to collect outstanding patient balances.
    - General collection activities may include phone calls, statements, and other reasonable efforts in accordance with standard industry practices.
    - Patient balances may be referred to a third-party for collection at the discretion of the Facility and in compliance with all applicable federal, state, and local non-discrimination practices. The Facility will maintain ownership of any debt referred to debt collection

agencies, and patient accounts will be referred for collection only with the following caveats:

- There is a reasonable basis to believe the patient owes the debt.
- All third-party payers identified by the patient/Guarantor in a prompt and timely manner that have been properly billed, and the remaining debt is the financial responsibility of the patient. Hospital Facilities shall not bill a patient for any amount the insurance company or a third-party is obligated to pay.
- Hospital Facilities will not refer accounts for collection while a claim on the account is pending payment from a third-party payer. However, claims which remain in "pending" status with a third-party payer for an unreasonable length of time despite efforts to facilitate resolution may be re-classified as "denied."
- Hospital Facilities will not refer accounts for collection when the insurance claim was denied due to a Hospital Facility error. However, a Hospital Facility may still refer the patient liability portion of such claims for collection if unpaid.
- Hospital Facilities will not refer accounts for collection where the patient has initially applied for Financial Assistance, and the Hospital Facility has not yet made reasonable efforts (as defined below) with respect to the account.
- Upon receipt of a notice of Bankruptcy Discharge, CommonSpirit Hospital Organizations will cease all collection attempts, including assignment to a collection agency. The patient/debtor will not be contacted by any method, including phone calls, letters, or statements after receipt of the notification. All communication, if necessary, must occur with the trustee or the attorney assigned to the case.

o No Facility shall send any unpaid self-pay account to a third-party collection agent as long as the patient or Guarantor is engaged in Patient Cooperation Standards, as defined in CommonSpirit Governance Policy Finance G-003, *Financia Assistance*.

**REASONABLE EFFORTS AND E TRAORDINARY COLLECTION ACTIONS**

Before engaging in ECAs to obtain payment for EMCare, Hospital Facilities must make reasonable efforts to determine whether an individual is eligible for Financial Assistance. In no event will an ECA be initiated prior to 120 days (or longer, if required by applicable law) from the date the Facility provides the first post-discharge billing statement (i.e., during the Notification Period) unless all reasonable efforts have been made. The following scenarios describe the reasonable efforts that a Facility must take before engaging in ECAs.

**A. Engaging in ECAs – Notification Requirement**

- With respect to any EMCare provided in the Facility, a patient must be notified about the FAP as described herein, prior to initiating an ECA. The notification requirement is as follows:
    - **Notification Letter** – The Hospital Facility will notify a patient about the FAP by providing the individual with a written notice (Notification Letter) at least thirty (30) days prior to initiating an ECA. The Notification Letter must:
        - Include a plain language summary of the FAP;
        - Indicate Financial Assistance is available for eligible individuals; and
        - Identify the ECA(s) that the Hospital Facility (or other authorized party) intends to initiate to obtain payment for the EMCare if the amount due is not paid or an FAA is not submitted before a specified deadline, which is no earlier than the last day of the Application Period.
    - **Oral Notification** – In conjunction with the provision of the Notification Letter, the Hospital Facility will attempt to orally notify the patient about how to obtain assistance under the FAP during the registration process, using the most current telephone number provided by the patient. This attempt will be documented contemporaneously.
    - **Notification in the Event of Multiple Episodes of Care** - The Hospital Facility may satisfy this notification requirement simultaneously for multiple episodes of EMCare and notify the individual about the ECAs the Facility intends to initiate to obtain payment for multiple outstanding bills for EMCare. However, if a Facility aggregates an individual's outstanding bills for multiple episodes of EMCare before initiating one or more ECAs to obtain payment for those bills, it will have not have made reasonable efforts to determine whether the individual is FAP-eligible unless it refrains from initiating the ECA(s) until 120 days after the first post-discharge billing statement for the most recent episode of EMCare included in the aggregation.

**B. Reasonable Efforts when a Patient Submits an Incomplete FAA**

- The Hospital Facility will suspend any ECAs already initiated against the patient/Guarantor until Financial Assistance eligibility has been determined.
- The Hospital Facility will provide a written notification to the patient with a list of required documentation the patient or Guarantor must provide to consider the FAA complete and give the patient thirty (30) days to provide the necessary information. The notification will include the contact information, including telephone number and physical location of the Facility or department within the Facility that can provide information about and assist with the preparation of the FAP.

**C. Reasonable Efforts when a Completed FAA Is Submitted**

- If a patient submits a completed FAA during the Application Period, the Hospital Facility must:

- Suspend any ECAs to obtain payment for the EMCare.
- Make a determination as to whether the individual is FAP-eligible for the EMCare and notify the individual in writing of this eligibility determination (including, if applicable, the assistance for which the individual is eligible) and the basis for this determination.
- If the Hospital Facility determines the individual is FAP-eligible for the EMCare, the Hospital Facility must do the following:
  - Refund the individual any amount he or she has paid for the EMCare (whether to the Hospital Facility or any other party to whom the Hospital Facility has referred or sold the individual's debt for the EMCare) that exceeds the amount he or she is determined to be personally responsible for paying as a FAP-eligible individual.
  - Take all reasonably available measures to reverse any ECA, including the removal of any adverse information that was reported to a consumer reporting agency or credit bureau from the individual's credit report.
- If the Hospital Facility determines the individual is not FAP-eligible for the EMCare, the Facility will have made reasonable efforts and may engage in the Permissible ECAs.

**D. Reasonable Efforts when No FAA Is Submitted within ninety (90) days after the First Post-Discharge Billing Statement for the Most Recent Episode of EMCare**

- The Facility will issue the Notification Letter as described under Reasonable Efforts – Engaging in ECAs – Notification Requirement. If no FAA is received within thirty (30) days after the Notification Letter has been sent, the requirement to engage in reasonable efforts to determine FAP-eligibility will have been satisfied. Thus, the Hospital Facility may engage in ECAs that are permitted under this Policy beginning 120 days after the first post-discharge billing statement.
- **Waiver** - Under no circumstances will a Hospital Facility accept from any individual a waiver, whether oral or written, that an individual does not wish to apply for Financial Assistance, for the purpose of satisfying the requirements to engage in reasonable efforts described in this Policy.

**E. Permissible Extraordinary Collections Actions**

- After making reasonable efforts, which includes the notification requirement, to determine Financial Assistance eligibility as outlined above, a Hospital Facility (or other authorized party) may engage in the following ECAs to obtain payment for EMCare:
  - Selling an individual's debt to another party except as expressly provided by federal law; and
  - Reporting adverse information about the individual to consumer credit bureaus.

A Hospital Facility will refrain from ECAs against a patient if he or she provides documentation that he or she has applied for health care coverage under Medicaid, or other publicly-sponsored healthcare programs, unless or until the individual's eligibility for such

programs has been determined and any available coverage from third parties for the EMCare has been billed and processed.

### F. Reasonable Efforts – Third-Party Agreements

- With respect to any sale or referral of an individual's debt related to EMCare to another party (except for those debt sales not considered an ECA as described in the Internal Revenue Service Treasury Regulations) the Hospital Facility will enter into and, to the extent applicable, enforce a legally binding written agreement with the party. To meet the requirement to engage in reasonable efforts to determine an individual's FAP-eligibility, these agreements must, at a minimum, include the following provisions:
    - If the individual submits an FAA (whether complete or incomplete) after the referral or sale of the debt but before the end of the Application Period, the party will Suspend ECAs to obtain payment for the EMCare.
    - If the individual submits an FAA (whether complete or incomplete) after the referral or sale of the debt but before the end of the Application Period and is determined to be FAP-eligible for the EMCare, the party will do the following in a timely manner:
        - Adhere to procedures specified in the agreement and this Policy so that the individual does not pay, and has no obligation to pay, the party and the Hospital Facility together more than he or she is required to pay for the EMCare as a FAP-eligible individual.
        - If applicable, and if the party (rather than the Hospital Facility) has the authority to do so, take all reasonably available measures to reverse any ECA (other than the sale of a debt) taken against the individual.
    - If the third-party contractor refers or sells the debt to a subsequent party (the fourth party) during the Application Period, the third-party will obtain a written agreement from that subsequent party including all the elements described under this section.
    - The third-party contractor must make reasonable attempts to work with a patient with unpaid bills to resolve his/her account. Aggressive or unethical collection practices are not tolerated.

### G. Reasonable Efforts – Providing Documents Electronically

- A Hospital Facility may provide any written notice or communication described herein electronically (for example, by email) to any individual who indicates he or she prefers to receive the written notice or communication electronically.

## FINANCIAL ASSISTANCE DOCUMENTATION

### A. Processing Requests

- CommonSpirit's values of human dignity and stewardship shall be reflected in the application process, financial need determination, and granting of assistance.
- Requests for Financial Assistance shall be processed promptly, and Hospital Facilities shall notify the patient or applicant in writing within thirty (30) to sixty (60) days of receipt of a completed application.

- A Hospital Facility will not make a determination of eligibility on information it has reason to believe is false or unreliable or obtained through the use of coercive practices.
- If eligibility is approved based on the completion of an FAA, the patient will be granted Financial Assistance for fall eligible accounts incurred for services received twelve (12) months prior to the determination date.
- If eligibility is approved based on Presumptive Eligibility criteria, Financial Assistance will also be applied to all eligible accounts incurred for services received twelve (12) months prior to the determination date. The Presumptively Eligible individual will not receive Financial Assistance for EMCare rendered after the date of determination without completion of an FAA or a new determination of Presumptive Eligibility.
- If denied eligibility for Financial Assistance offered by a Hospital Facility, a patient or Guarantor, may re-apply whenever there has been a material change of income or status.
- Patients/Guarantors may seek a review from a Hospital Facility in the event of a dispute over the application of this Policy or the FAP. Patients/Guarantors denied Financial Assistance may also appeal their eligibility determination, as provided in Addendum A.

- The basis for the dispute or appeal should be in writing and submitted within three (3) months of the decision on Financial Assistance eligibility.
- The Hospital Facility will postpone any determination of FAP eligibility because the Hospital Facility is awaiting the results of a Medicaid application.

**B. Presumptive Financial Assistance**

- Reasonable efforts to determine FAP-eligibility are not required when an individual is determined eligible for Presumptive Financial Assistance.
- **Medicaid** - Medicaid patients who receive non-covered medically necessary services will be considered for Presumptive Financial Assistance. Financial assistance may be approved in instances prior to the Medicaid effective date.

## RESPONSIBILITY

CommonSpirit Revenue Cycle leadership is ultimately responsible for determining whether a Hospital Facility has made reasonable efforts to determine whether an individual is eligible for Financial Assistance. This body also has final authority in deciding whether the Hospital Organization may proceed with any of the ECAs outlined in this Policy.

## REFERENCES

CommonSpirit Governance Policy Finance G-003, *Financia Assistance*

APPRO ED BY THE COMMONSPIRIT HEA TH BOARD: March 17, 2021

| | | | |
|---|---|---|---|
| **Current Status:** *Active* | | | **PolicyStat ID:** *4899292* |
| All Policies Site - CHI Franciscan Health System | **Origination:** | *06/1996* | |
| | **Effective:** | *05/2018* | |
| | **Last Approved:** | *05/2018* | |
| | **Last Revised:** | *05/2018* | |
| | **Next Review:** | *05/2021* | |
| | **Owner:** | *Kathryn McKee: Division Director Accreditation/Safety* | |
| | **Policy Area:** | *Patient Rights/Ethics* | |
| | **References:** | *Administrative* | |
| | **Applicability:** | *CHI Franciscan Systemwide* | |

# Notice of Patients Rights and Responsibilities on Admission, 390.00

## PURPOSE

To assure all patients and their legal representative have been informed of their patient rights and responsibilities on admission.

## POLICY

It is the policy of Franciscan Health System to recognize and respect the rights of all patients. Discrimination in any form is prohibited. Patients receiving any health care services at Franciscan Health System shall be informed of these patient rights as well as their responsibilities.



## SUPPORTIVE DATA

- Patient Rights/Responsibilities, Standards/Acknowledgement form, Addendum A
- Notice of Interpreter Services, Addendum B
- ***Grievance Policy***
- ***Nondiscrimination Policy***
- ***Patient Visitation Policy***
- ***Consent for Treatment Policy***
- 42 CFR 482.13 Conditions of Participation: Patient's Rights
- Joint Commission Standards, Current Edition
- Americans with Disabilities (ADA)
- Ethical/Religious Directives for Catholic Health Care

## PROCEDURE

Each patient/legal representative is asked to sign the **Notice and Acknowledgment of Patient Rights/ Responsibilities** at registration or admission. Each patient/legal representative is offered a written copy of the hospital's Patient's Rights and Responsibilities. Every effort possible is made to provide this information in advance of providing or discontinuing care. The patient rights/responsibilities information may also be made available to patients throughout their stay upon request.

**Series Patients**

Outpatients in certain therapeutic programs involving ongoing courses of treatments or therapies may sign an

acknowledgement for an entire course of therapy or treatment prior to the first treatment, and a single form may be signed for the entire course of treatment or therapy if:

1. The  department has a written policy describing a process for a special population that has ongoing therapy or treatment.  The policy describes the time frame for obtaining signatures for ongoing therapies or treatments .  The time frame must be at least annually.
2. The patient (or legal representative) is informed of this provision for the acknowledgement requirement.  A copy of the acknowledgement is provided to the patient.  A note in the medical record is written at the time of the patient's signature denoting the acknowledgement.
3. The acknowledgement is  re-obtained,re-documented, and scanned into the EHR as determined by policy but at least annually.  A note is written in the medical record at the time of the patient's signature denoting the acknowledgment.

# SIGNAGE

Notice of Patient Rights/Responsibilities signs may be posted conspicuously in the main entrance to the hospital, the emergency department entrance and at all the registration areas of the hospital or off campus service locations. The organization at their discretion may determine other locations the signs may be posted. The posted signs must meet the CHI FH approved design standards and have the most current date/version published from marketing. The manager of the service is responsible for assuring the most current sign is posted during construction, renovation, painting or relocation projects. .

The hospital **grievance information sign** is conspicuously posted in the emergency department and other designated locations as determined by the organizations.

**Access to Interpreter signs** are also posted conspicuously in the main entrance to the hospital, the emergency department entrance and all registration areas of the organization.



# RESPONSIBILITY

**Patient Access/Registration staff** is responsible for providing the patient/legal representative with the site specific "Patient Rights/Responsibilities – Notice and Acknowledgment" form. The patient/legal representative is asked to read, acknowledge and sign that he/she has received the information.

The Director of Patient Access or designee is responsible for keeping current procedures in the department relating to the Patient Rights/Responsibilities notices and educating staff in the implementation of the procedures**. The Patient Rights/Responsibility Notice and Acknowledgement form includes detailed information about the hospital's grievance process, contact information and time lines for resolution.** Staff must document on the acknowledgement form if the information is not provided due to the patient's condition or if the legal representative is not immediately available.  Patient Access is at point to assure the most current acknowledgement is available in the EHR and at the registration locations.

Complaints relating to discrimination or violations of patient rights are managed through coordination between **Patient Advocates / Risk Management / Compliance.**  Risk is at point to assure signs and updated grievance information are posted at each site in Emergency Department, the hospital website, registration areas or other designated locations determined by the organization.

**Hospital Staff** are responsible for being knowledgeable of the standards and processes supporting patient rights and incorporating them into their day-to-day patient interactions.

**Facilities/Construction Project Coordinator** are responsible for assuring signs advising patients of their rights are posted in the main entrances of the hospital, emergency departments, registration areas and other appropriate public locations as determined by the organization. The signage is applicable to the main entrance, emergency services entrance and services/programs throughout the organization where patients are registered.

**Marketing** is responsible for assuring current patient rights/responsibility information posters are accurate and available and posted on the CHI FH INTERNET.

**Safety/Regulatory/Risk Departments** are responsible for assuring current and accurate content is disclosed on written hospital disclosures, pamphlets, and notices of patient rights and responsibilities provided at registration.

# PATIENT RIGHTS

***AS A PATIENT AT FRANCISCAN HEALTH SYSTEM, YOU HAVE THE RIGHT TO:***

- Be fully informed of all your patient rights and receive a written copy, in advance of furnishing or discontinuing care whenever possible.
- Not be discriminated against because of your race, beliefs, age, ethnicity, religion, culture, language, social, physical or mental disability, socio-economic status, sex, sexual orientation, gender identity or expression.
- To be accompanied by a trained service animal or dog guide.
- Be treated with dignity and respect including cultural and personal beliefs, values and preferences.
- Confidentiality, reasonable personal privacy, security, safety, spiritual or religious care accommodations, and communication. If communication restrictions are necessary for patient care and safety, the hospital must document and explain the restrictions to the patient and family.
- Be protected from neglect; exploitation; verbal, mental, physical or sexual abuse; Access to protective and advocacy services.
- Receive information about your condition including unanticipated outcomes, agree and be involved in all aspects and decisions of their care including: refusing care, treatment and services to the extent permitted by law and to be informed of the consequences of your actions; and resolving problems with care decisions; the hospital will involve the surrogate decision-maker when the patient is unable to make decisions about his or her care.
- Receive information in a manner tailored to the patient's age, language needs and ability to understand. An interpreter, translator or other auxiliary aids, tools or services will be provided to you for vital and necessary information free of charge.
- Make informed decisions regarding care including options, alternatives, risk and benefits. The hospital honors your right to give, rescind and withhold consent.
- Receive an appropriate medical screening examination or treatment for an emergency medical condition within the capabilities of the hospital, regardless of your ability to pay for such services.
- Have a family member or representative of your choice and your physician notified.
- Know the individual(s) responsible for, as well as those providing, your care, treatment and services.
- Family or representatives notification of your admission and input in care decisions; designate any individual to be present for emotional support during course of stay.
- An appropriate assessment and management of your pain.
- Be free from restraints and seclusion of any form that are not medically necessary or are used as a means of coercion, discipline, convenience or retaliation by staff.
- Have advance directives and for hospitals to respect and follow those directives; The hospital honors

advance directives, in accordance with law and regulation and the hospital's capabilities, religious directives and policies.
- End of life care; Request no resuscitation or life-sustaining treatment.
- Donate organs and other tissues including medical staff input and direction by family or surrogate decision makers.
- Review, request amendment to and obtain information on disclosures of your health information in accordance with law and regulation.
- File a grievance (complaint) and to be informed of the process to review and resolve the grievance without fear of retribution or denial of care. The grievance process and relevant contact information is spelled out in the notice provided to each patient and/or leg representative.

# PATIENT RESPONSIBILITIES

***AS A PATIENT AT OUR HOSPITAL, YOU HAVE THE RESPONSIBILITY TO:***

- Tell your care providers everything you know about your health, and to let someone know if there are changes in your condition. Provide accurate and current health information to your healthcare team.
- Make known when you have advance directives and provide documents describing your preferences and wishes to the admitting staff or clinical healthcare team.
- Ask for explanation and information if you do not understand what you are told.
- Participate in your health care by helping make decisions, following the treatment plan prescribed by your physician, and accepting responsibility for your choices.
- Demonstrate respect and consideration for other patients and hospital personnel.
- Follow hospital rules and regulations about safety and patient care during your stay such as those about visitors, smoking, noise, etc.
- Meet your financial commitments. Deal with your bill promptly, and contact the billing department if you need to make special arrangements.
- Support mutual consideration and respect by maintaining civil language and conduct in interaction with staff and medical staff.
- Tell your care providers if you have special needs your healthcare team should know about.



# GRIEVANCE PROCESS

The notice provided to the patient/legal representative must contain information on the grievance process and how to file a grievance if a person believes their rights have been violated. In addition to filing a grievance with the organization, the notice must include contact information for The Joint Commission and Department of Health agencies. In addition, discrimination grievances may be forwarded to the WA State Human Rights Commission at toll free number 1-800 233-3247 or on-line at www.hum.wa.gov.

# SERVICE ANIMALS

Individuals with disabilities have a right to be accompanied by a trained service animal or dog guide and receive reasonable accommodations. Refer to hospital policy #104.50 Service Animal Policy.

# PATIENT VISITATION RIGHTS

Patients of Franciscan Health System enjoy visitation privileges consistent with the patient preference and subject to the hospital's Justified Clinical Restrictions. Each patient has the right to receive the visitors whom he/ she designates and may designate a support person to exercise the patient's visitation rights on his/ her

behalf. All visitors designated by the patient (or support person where appropriate) shall enjoy visitation privileges that are no more restrictive than those that immediate family member would enjoy. The designation of a support person does not extend to the medical decision making.

The hospital may impose clinically necessary or reasonable restrictions or limitations on patient visitation when necessary to respect all other patient rights and to provide safe care to patients. A justified Clinical Restriction may include, but need not be limited to one or more of the following: (i) a court order limiting or restraining contact; (ii) behavior presenting a direct risk or threat to the patient, hospital staff, or others in the immediate environment; (iii) behavior disruptive of the functioning of the patient care unit; (iv) reasonable limitations on the number of visitors at any one time; (v) patient's risk of infection by the visitor; (vi) visitor's risk of infection by the patient; (vii) extraordinary protections because of a pandemic or infectious disease outbreak; (viii) substance abuse treatment protocols requiring restricted visitation; (ix) patient's need for privacy or rest; (x) need for privacy or rest by another individual in the patient's shared room; or (xi) when the patient is undergoing clinical intervention or procedure and the treating health care professional believes it is in the patient's best interest to limit visitation during the clinical intervention or procedure.

# REQUIRED REVIEW:

Ethics Committee, Regulatory, Risk, Patient Access

# DISTRIBUTION:

Regional Administrative Manual

# CROSS REFERENCE:



## Attachments

596491 Patient Rights Responsibilities Notice 2017.pdf
Addendum A: Patient Rights/Responsibilities/Standards/Acknowledgement
Addendum B: Notice of Interpreter Services

## Approval Signatures

| Approver | Date |
|---|---|
| Michele Avery: administrative coordinator | 05/2018 |
| Julie Burns: FHS Accreditation/Safety | 05/2018 |
| Julie Burns: FHS Accreditation/Safety | 05/2018 |

## Applicability

CHI Franciscan Health, Harrison Medical Center, Highline Medical Center, St. Anthony Hospital, St. Clare

Hospital, St. Elizabeth Hospital, St. Francis Hospital, St. Joseph Medical Center

| | | |
|---|---|---|
| **Current Status:** *Active* | | **PolicyStat ID:** *10140760* |
| All Policies Site - CHI Franciscan Health System | **Origination:** | *06/1996* |
| | **Effective:** | *07/2021* |
| | **Last Approved:** | *07/2021* |
| | **Last Revised:** | *06/2018* |
| | **Next Review:** | *07/2024* |
| | **Owner:** | *Kathryn McKee: Division Director Accreditation/Safety* |
| | **Policy Area:** | *General Governance* |
| | **References:** | *Administrative* |
| | **Applicability:** | *CHI Franciscan Systemwide* |

# Nondiscrimination Policy, 350.00

## POLICY

As a recipient of Federal financial assistance, CHI Franciscan Health (CHI Franciscan) is dedicated to providing services to patients and welcoming visitors in a manner that respects, protects, and promotes patient rights. CHI Franciscan does not exclude, deny benefits to, or otherwise discriminate against any person on the basis of age, race, color, creed, national origin, ethnicity, religion, marital status, sex, sexual orientation, gender identity or expression, physical , mental or other disability, citizenship, medical condition, or any other basis prohibited by federal, state, or local law in admission to, participation in, or receipt of the services and benefits under any of its programs and activities, whether carried out by CHI Franciscan directly or through a contractor or any other entity with which CHI Franciscan arranges to carry out its programs and activities.



## SUPPORTIVE DATA:

- Service Animals #104.50
- Patient Rights/Responsibilities Policy #390.00
- Grievance Policy #320.00
- Interpreter Services/Communication Aid Policy #721.50
- Interpreter services https://chifh.catholichealth.net/Comm/is/Pages/default.aspx

## PROCEDURE

State and federal laws and CHI Franciscan policy prohibit retaliation in any form against any person who has filed a discrimination complaint or assisted in the investigation of a discrimination complaint.

A. **Notice of Program Accessibility**
In compliance with Section 504 of regulation 45 C.F.R. 84.22(f) and Section 1557 of regulation 45 C.F.R.92., CHI Franciscan has implemented procedures to ensure that interested persons, including those with impaired vision or hearing can obtain information as to the existence and location of services, activities, and facilities that are accessible to and usable by disabled persons.
CHI Franciscan facilities and all its programs and activities are accessible to and useable by individuals with limited English proficiency (LEP) and by individuals with disabilities, including those who are deaf, hard of hearing, or blind, or who have other sensory impairments. Access features include, but are not limited to:

- Convenient off-street parking designated for disabled persons

- Curb cuts and ramps between parking areas and buildings
- Level access into first floor level with elevator access to all other floors; automatic doors
- Fully accessible offices , meeting rooms, bathrooms, public waiting rooms, cafeteria, patient treatment areas including examination and patient rooms.
- A range of assistive devices and communication aids available to persons who are deaf, hard of hearing, or blind, or have other sensory impairments. There is no additional charge for such aids.
- Qualified sign language interpreters for persons who are deaf or hard of hearing
- A 24 hour telecommunication device (TTY/TDD), which can connect the caller to all extensions within the facility and/or portable (TTY/TTD) units, for use by individuals who are deaf, hard of hearing or speech impaired.
- Communication boards/note pads
- Assistive devices for person with impaired manual skills
- Qualified language interpreters for persons with LEP
  Each facility/program is required to identify the aids available within their internal procedures. Any patient requiring an available aid should inform the admitting staff of his/her special need(s). CHI Franciscan will provide notice during registration of services available at no charge.

B. **Auxiliary Aids and Services for Individuals with Disabilities**
CHI Franciscan will take appropriate steps to ensure that individuals with LEP and individuals with disabilities, including those who are deaf, hard of hearing, or blind or who have other sensory or manual impairments, have an equal opportunity to participate in our services, activities, programs and other benefits. The procedures are intended to ensure effective communication with patients involving their medical conditions, treatments, services and benefits. The procedures also apply to, at minimum, communication of information contained in important documents, including consent to treatment forms, conditions of admission forms, and financial and insurance benefits forms. All necessary auxiliary aids and services shall be provided without cost to the individual(s) being served.
CHI Franciscan will provide written notice of these patient rights during registration. Refer to Patient Rights/Responsibilities Policy. Staff that may have direct contact with individuals with LEP and individuals with disabilities will be trained in effective communication techniques, including the effective use and access to interpreters, aids, and services.
**Procedures:**

1. **Identification and Assessment of Need(s)**
   CHI Franciscan will provide notice of the availability of, contact information, and the procedure for requesting auxiliary aids and services, through notices posted, at minimum in main facility entrances, emergency entrances, and patient care registration entrances. When individuals self-identify as a person with LEP or with a disability that affects the ability to communicate or to access or manipulate written materials, or requests an auxiliary aid or service, staff will consult with the individual to determine what aids or services are necessary to provide effective communication in specific situations. Inpatients are screened on admission for barriers to communication.
2. **Provision of Auxiliary Aids and Services**
   CHI Franciscan shall provide the following services or aids to achieve effective communication with individuals with disabilities:
   a. **For Persons Who Are Deaf or Hard of Hearing (Hearing Impaired)**

- For persons who are deaf/hard of hearing and who use sign language as their primary means of communication, the facility/program staff handling intake/registration or the clinician as appropriate, is responsible for arranging for a qualified interpreter when needed. Refer to Policy #721.50 Interpreter Services/Communication Aid Policy
- Communicating by Telephone with Persons Who Are Deaf or Hard of Hearing. CHI Franciscan utilizes a 24 hour telecommunication device for deaf persons (TDDs) and relay services for external telephone with TTY users. We accept and make calls through a relay service.
- Other possible methods of communication may include, but are not limited to: Note-takers; computer-aided transcription services; telephone handset amplifiers; written copies of oral announcements; assistive listening devices; assistive listening systems; telephones compatible with hearing aids; closed caption decoders; open and closed captioning; telecommunications devices for deaf persons (TDDs); videotext displays; or other effective methods that help make aurally delivered materials available to individuals who are deaf or hard of hearing.
- Some persons who are deaf or hard of hearing may prefer or request to use a family member or friend as an interpreter. Family members or friends of the person will not be used as interpreters unless specifically requested by that individual, and after an offer of an interpreter at no charge to the person has been made by the facility. **Such an offer and the response will be documented in the person's medical record**. If the person chooses to use a family member or friend as an interpreter, issues of competency of interpretation, confidentiality, privacy, and conflict of interest will be considered. If the family member or friend is not competent or appropriate for any of these reasons, competent interpreter services will be provided.
- NOTE: Children will not be used to interpret, in order to ensure confidentiality of information and accurate communication.

b. **For Persons Who are Blind or Who Have Low Vision**

- Staff will communicate information contained in written materials concerning treatment, benefits, services, waivers of rights, and consent to treatment forms by reading out loud and explaining these forms to persons who are blind or who have low vision.
- Other possible methods of communication may include, but are not limited to: qualified readers; reformatting into large print; taping or recording of print materials not available in alternate format; or other effective methods that help make visually delivered materials available to individuals who are blind or who have low vision. In addition, staff are available to assist persons who are blind or who have low vision in filling out forms and in otherwise providing information in a written format.

c. **For Persons With Speech Impairments**

- To ensure effective communication with persons with speech impairments, staff may utilize written materials; TDDs; computers; flashcards; alphabet boards; and other communication aids.

d. **For Persons With Manual Impairments**

- Staff will assist those who have difficulty in manipulating print materials by holding the materials and turning pages as needed, or by providing one or more of the following:

- Note-takers; computer-aided transcription services; speaker phones; or other effective methods that help to ensure effective communication by individuals with manual impairments.

e. **Communication with Persons with LEP-**

- CHI Franciscan will take reasonable steps to ensure that persons with LEP have meaningful access and an equal opportunity to participate in our services, activities, programs and other benefits. The policy of CHI Franciscan is to ensure that each of its facilities, services and programs provides meaningful communication with LEP patients/ clients and their authorized representatives involving their medical conditions and treatment. The policy also provides for communication of information contained in vital documents, including but not limited to, waivers of rights, consent to treatment forms, financial and insurance benefit forms, etc. Interpreters, translators and other aids needed to comply with this policy shall be provided without cost to the person being served. Patients/clients and their families will be informed of the availability of free of charge assistance at point of facility or program access.
- Language assistance will be provided at each of the CHI Franciscan facilities/programs, and may include use of competent bilingual staff, staff interpreters, contracts or formal arrangements with local organizations and state agencies providing interpretation or translation services, or technology and telephonic interpretation services. Each facility and program is responsible for defining the language assistance methods available to patients and clients and are responsible for ensuring staff is provided notice of its internal policies and procedures. Staff that may have direct contact with LEP individuals will be trained in effective communication techniques, including the effective use of an interpreter.
- CHI Franciscan will conduct a regular review of the language access needs of our patient population, as well as update and monitor the implementation of and adherence to this policy within the organization.
- Maintain an accurate and current listing of outside interpreter services who have agreed to provide qualified interpreter services for facility/program patients. See Language Interpreter Services Form. These listings may be obtained on the CHI Franciscan intranet/ departments/interpretive services, or Interpreter Services/Comminication Aid Policy #721.50. Some LEP persons may prefer or request to use a family member or friend as an interpreter. Family members or friends of the LEP person will not be used as interpreters unless specifically requested by that individual and **after** the LEP person has understood that an offer of an interpreter, at no charge to the person, has been made by the facility. Such an offer and the response will be documented in the person's file. If the LEP person chooses to use a family member or friend as an interpreter, issues of competency of interpretation, confidentiality, privacy, and conflict of interest will be considered. If the family member or friend is not competent or appropriate for any of these reasons, competent interpreter services will be provided to the LEP person.
  Children and other clients/patients will **not** be used to interpret, in order to ensure confidentiality of information and accurate communication.
- **Providing Notice to LEP Persons**
  Each facility or program will post notices and signs in languages LEP persons understand informing them of the availability of language assistance, free of charge. At a minimum, notices and signs will be posted and provided in intake areas and other points of entry,

including but not limited to main admitting, the emergency room and outpatient areas. **Refer to Addendum A: Notice of Interpreter Services**

- **Monitoring Language Needs and Implementation**
  CHI Franciscan will periodically assess changes in demographics, types of services or other needs that may require reevaluation of the LEP policy and its supporting procedures. The efficacy of the procedures will be regularly assessed. The assessment is inclusive of, but not limited to, mechanisms for securing interpreter services, equipment used for the delivery of language assistance, complaints filed by LEP persons, feedback from patients, staff, and community organizations. Each facility or program within CHI Franciscan will set benchmarks for translation of vital documents into additional languages over time.

◦ Refer to Interpreter Services/Commincation Aid Policy #721.50

C. **Regional and Hospital Section 504 and Section 1557 Coordination**
CHI Franciscan facility administration designates a Section 504 and Section 1557 Coordinator for each hospital who is responsible for assuring compliance oversight for non-discrimination requirements. This includes maintenance of an accurate and current list of the contacts, compliance with current policies/ standards, relevant staff training, and signage/communication compliance. The Emergency Department Patient Access representative is designated for each CHI Franciscan facility to serve as the local point of contact for language services and aids. The Patient Advocate is responsible for an effective grievance process relating to nondiscrimination issues and can be contacted at 1-877-426-4701 or via mail to the hospital's administration office.

D. **Section 504/Section 1557 Grievance Procedure**
All CHI Franciscan facilities/programs have an internal grievance procedure providing for prompt and equitable resolution of complaints alleging any discrimination. Any person who believes she or he has been subjected to discrimination on the basis of disability may file a grievance under this procedure.
**Procedure:**

◦ Grievances must be submitted to the patient advocate or designee within 30 days of the date the person filing the grievance becomes aware of the alleged discriminatory action.

◦ Grievances may be confidentially submitted to the patient advocate or designee in writing or by calling the CHI Franciscan Concern Line and must include the name and address of the person filing the grievance. The grievance must state the problem or action alleged to be discriminatory and the remedy or relief sought.

◦ The patient advocate or designee will coordinate an investigation of the grievance. This investigation must be thorough, affording all interested persons an opportunity to submit evidence relevant to the complaint. The patient advocate or designee will retain grievance investigation findings, files, and records for CHI Franciscan facilities/programs.

◦ The patient advocate or designee will issue a written decision on the grievance no later than 30 days after its filing.

◦ The person filing the grievance may appeal the grievance decision with the patient advocate supervisor by writing to the hospital administration office within 15 days of receiving the grievance letter of response.

◦ The patient advocate supervisor will issue a written decision in response to the appeal no later than 30 days after its filing.

◦ The availability of each a facility or program grievance procedure does not prevent a person from

filing a complaint of discrimination on the basis of disability with the US Department of Health and Human Services, Office for Civil Rights.

The patient advocate will make appropriate arrangements to ensure that disabled persons are provided other accommodations if needed to participate in this grievance process. Such arrangements may include, but are not limited to, providing interpreters for the deaf, providing taped cassettes of material for the blind, or assuring a barrier-free location for the proceedings. The patient advocate or designee will be responsible for such arrangements.

Any patient who believes she or he has been subjected to discrimination on the basis of disability may file a grievance under the hospital grievance policy and has the right to file a civil rights complaint with the U.S. Department of health and Human Services, Office for Civil Rights, electronically through the Office for Civil Rights Complaint Portal, and at:

U.S. Department of health and Human Services
200 Independence Avenue, SW
Room 509F, HHH Building
Washington, D.C. 20201
1-800-368-1019, 800-537-7697 (TDD)

Complaint forms are available at http://www.hhs.gov/ocr/office/file/index.html

E. **Accessibility/Signage**

The hospital will maintain in operable working condition those features of facilities and equipment that are required to be readily accessible to and usable by individuals with disabilities. Problems with such equipment should be reported immediately to the site Patient Access Services.

# REFERENCES

- Title VI of the Civil Rights Act of 1964
- Section 504 of the Rehabilitation Act of 1973
- Age Discrimination Act of 1975
- Regulations of the U.S. Department of Health and Human Services issued pursuant to these statutes at Title 45 code of Federal Regulations Parts 80, 84, and 91
- Ethical and Religious Directives for Catholic Health Services
- Section 1557 of the Affordable Care Act

# REQUIRED REVIEW:

RISK, PATIENT ACCESS, LEGAL, REGULATORY

## Attachments

b64_6b5cf7b9-0bb7-4d6f-8dea-03292c31532a

## Approval Signatures

| Approver | Date |
|---|---|
| Gillian Payne: Document Control Coordinator | 07/2021 |
| Kathryn McKee: Division Director Accreditation/Safety | 07/2021 |

## Applicability

CHI Franciscan Health, Franciscan System Services, St. Anne Hospital, St. Anthony Hospital, St. Clare Hospital, St. Elizabeth Hospital, St. Francis Hospital, St. Joseph Medical Center, St. Michael Medical Center

| | | | |
|---|---|---|---|
| **Current Status:** *Active* | | | **PolicyStat ID:** *8186343* |
| | **Origination:** | | *03/2014* |
| | **Effective:** | | *06/2020* |
| | **Last Approved:** | | *06/2020* |
| | **Last Revised:** | | *06/2020* |
| | **Next Review:** | | *06/2023* |
| All Policies Site - CHI Franciscan Health System | **Owner:** | *Rose Shandrow: Div Director Mission* | |
| | **Policy Area:** | *Corporate Ethics/Privacy* | |
| | **References:** | *Administrative* | |
| | **Applicability:** | *CHI Franciscan Systemwide* | |

# End of Life, 044.00

## PURPOSE

Provide guidance and support for our system policy on respect of life.

## POLICY STATEMENTS



It is the policy of all CHI Franciscan Health System hospitals that all services rendered in our facilities shall be supportive of life. The hospital's goal is to help patients make informed decisions about end of life care without the hospital actively participating in the provisions associated with the Death with Dignity Act.
It is the policy of each hospital to provide tools and support to a patient and their family that improves their quality of life when facing the problems associated with life threatening illness.

At no time may direct actions to terminate life be performed or permitted within CHI Franciscan Health System hospitals and clinics.

Extraordinary means to sustain life need not be utilized when death appears to be imminent and inevitable.

## PATIENT AND FAMILY SUPPORT

Access to Spiritual Care Services, Hospice Care and Palliative Medical Services are available within CHI Franciscan facilities to support the quality of end of life.
Upon request, the hospital will provide each adult patient with information about their rights under Washington (WA) state law to make decision concerning such medical care, including the right to accept or refuse medical or surgical treatment and the right to formulate Advance Directives. The hospital policy of accepting the patient's or his/her surrogate decision-maker's decision concerning life-sustaining treatment **does not** include assisted suicide or euthanasia.
Initiating Ethics Committee Consults, may be requested to advise on policy statements and guidelines for decision-making where ethical considerations are involved. Medical Staff, staff and family/surrogate decision makers may request a consult.

## REQUIRED REVIEW

Senior Vice President of Mission

## Attachments

No Attachments

## Approval Signatures

| Approver | Date |
|---|---|
| Joan VanSickle: Document Control Coordinator | 06/2020 |
| Rose Shandrow: Div Director Mission | 06/2020 |

## Applicability

CHI Franciscan Health, Harrison Medical Center, Highline Medical Center, St. Anthony Hospital, St. Clare Hospital, St. Elizabeth Hospital, St. Francis Hospital, St. Joseph Medical Center

| | | |
|---|---|---|
| **Current Status:** *Active* | | **PolicyStat ID:** *10586953* |
| All Policies Site - CHI Franciscan Health System | **Origination:** | *03/2014* |
| | **Effective:** | *10/2021* |
| | **Last Approved:** | *10/2021* |
| | **Last Revised:** | *07/2018* |
| | **Next Review:** | *10/2024* |
| | **Owner:** | *Rose Shandrow: Chief Mission Officer* |
| | **Policy Area:** | *Corporate Ethics/Privacy* |
| | **References:** | |
| | **Applicability:** | *CHI Franciscan Systemwide* |

# Reproductive Healthcare, 392.00

## PURPOSE

Provide general guidance in the area of reproductive health care.

## POLICY

Formulation of policy and practice are consistent with the Franciscan Health System mission to protect human life and respect human dignity.

It is the policy of Franciscan Health System that all services rendered in our hospitals shall be supportive of life. At no time may direct actions to terminate life be performed or permitted.

Medical Staff, staff, and family/surrogate decision-makers may consult with the CHI FH Ethics Committee to advise on policy for decision-making where ethical considerations involving reproductive health care might need additional guidance. See: Initiating Ethics Consult Policy, #370.00.

For hospitals with Emergency Departments: Franciscan Health System supports the hospital's obligations under WAC 246-320-370 for emergency contraception provisions for sexual assault victims. The Emergency Department (ED) must provide emergency contraception as a treatment option to any woman who seeks treatment as a result of a sexual assault. The Emergency Department provider must provide each patient with medically and factually accurate and unbiased written and oral information about emergency contraception. Refer to: Sexual Assault Victims Emergency Contraception Options Policy, #826.75

## REQUIRED REVIEW:

Senior Vice President of Mission

## DISTRIBUTION:

Regional Administrative Manual

## CROSS REFERENCE:

## Attachments

No Attachments

## Approval Signatures

| Approver | Date |
|---|---|
| Gillian Payne: Document Control Coordinator | 10/2021 |
| Rose Shandrow: Div Director Mission | 10/2021 |

## Applicability

CHI Franciscan Health, Franciscan System Services, St. Anne Hospital, St. Anthony Hospital, St. Clare Hospital, St. Elizabeth Hospital, St. Francis Hospital, St. Joseph Medical Center, St. Michael Medical Center

**Exhibit 8: Documentation of Site Control**

Department of Assessments

201 South Jackson Street, Room 708
Seattle, WA 98104

Office Hours: Mon - Fri 8:30 a.m. to 4:30 p.m.

TEL: 206-296-7300
FAX: 206-296-5107
TTY: 206-296-7888

Send us mail



- New Search
- Property Tax Bill
- Map This Property
- Glossary of Terms
- Area Report
- Property Detail

**PARCEL**

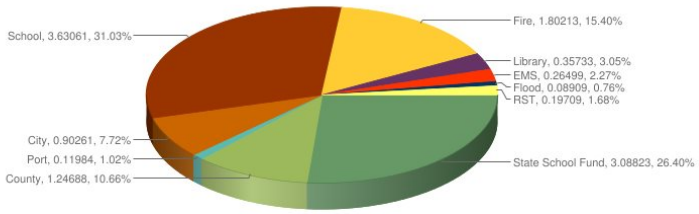
| | |
|---|---|
| **Parcel Number** | 750451-0020 |
| **Name** | COMMON SPIRIT HEALTH |
| **Site Address** | 34515 9TH AVE S 98003 |
| **Legal** | ST FRANCIS HOSPITAL - BSP AS PER 2ND AMENDMENT UNDER REC # 20010726001843 |

**BUILDING 1**

| | |
|---|---|
| **Year Built** | 1987 |
| **Building Net Square Footage** | 220608 |
| **Construction Class** | REINFORCED CONCRETE |
| **Building Quality** | AVERAGE |
| **Lot Size** | 235790 |
| **Present Use** | Hospital |
| **Views** | No |
| **Waterfront** | |

**TOTAL LEVY RATE DISTRIBUTION**

**Tax Year:** 2021 **Levy Code:** 1205 **Total Levy Rate:** $11.69880 **Total Senior Rate:** $6.34960




**50.22% Voter Approved**

Click here to see levy distribution comparison by year.

**TAX ROLL HISTORY**

| Valued Year | Tax Year | Appraised Land Value ($) | Appraised Imps Value ($) | Appraised Total ($) | Appraised Imps Increase ($) | Taxable Land Value ($) | Taxable Imps Value ($) | Taxable Total ($) |
|---|---|---|---|---|---|---|---|---|
| 2021 | 2022 | 2,122,100 | 67,933,700 | 70,055,800 | 0 | 0 | 0 | 0 |
| 2020 | 2021 | 2,122,100 | 67,486,900 | 69,609,000 | 0 | 0 | 0 | 0 |
| 2019 | 2020 | 2,122,100 | 67,651,600 | 69,773,700 | 0 | 0 | 0 | 0 |
| 2018 | 2019 | 1,886,300 | 66,743,700 | 68,630,000 | 0 | 0 | 0 | 0 |
| 2017 | 2018 | 1,886,300 | 64,303,300 | 66,189,600 | 0 | 0 | 0 | 0 |
| 2016 | 2017 | 1,886,300 | 65,199,600 | 67,085,900 | 0 | 0 | 0 | 0 |
| 2015 | 2016 | 1,886,300 | 66,614,600 | 68,500,900 | 0 | 0 | 0 | 0 |
| 2014 | 2015 | 1,886,300 | 66,432,400 | 68,318,700 | 0 | 0 | 0 | 0 |
| 2013 | 2014 | 1,886,300 | 64,809,000 | 66,695,300 | 0 | 0 | 0 | 0 |
| 2012 | 2013 | 1,886,300 | 64,736,100 | 66,622,400 | 0 | 0 | 0 | 0 |
| 2011 | 2012 | 1,886,300 | 64,545,800 | 66,432,100 | 0 | 0 | 0 | 0 |
| 2010 | 2011 | 1,886,300 | 60,449,400 | 62,335,700 | 23,036,800 | 0 | 0 | 0 |
| 2009 | 2010 | 1,871,100 | 37,427,800 | 39,298,900 | 0 | 0 | 0 | 0 |
| 2008 | 2009 | 1,871,100 | 34,780,800 | 36,651,900 | 0 | 0 | 0 | 0 |
| 2007 | 2008 | 1,871,100 | 33,768,600 | 35,639,700 | 0 | 0 | 0 | 0 |
| 2006 | 2007 | 935,500 | 30,938,900 | 31,874,400 | 0 | 0 | 0 | 0 |
| 2005 | 2006 | 877,100 | 30,403,000 | 31,280,100 | 0 | 0 | 0 | 0 |
| 2004 | 2005 | 877,100 | 27,466,000 | 28,343,100 | 0 | 0 | 0 | 0 |
| 2003 | 2004 | 877,100 | 27,329,200 | 28,206,300 | 6,951,700 | 0 | 0 | 0 |

**Reference Links:**

- King County Taxing Districts Codes and Levies (.PDF)
- King County Tax Links
- Property Tax Advisor
- Washington State Department of Revenue (External link)
- Washington State Board of Tax Appeals (External link)
- Board of Appeals/Equalization
- Districts Report
- iMap
- Recorder's Office
- Scanned images of surveys and other map documents
- Scanned images of plats



**Notice mailing date: 06/24/2021**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2002 | 2003 | 877,100 | 17,794,500 | 18,671,600 | 3,219,200 | 0 | 0 | 0 |
| 2001 | 2002 | 814,800 | 15,029,100 | 15,843,900 | 0 | 0 | 0 | 0 |
| 2000 | 2001 | 841,500 | 14,595,000 | 15,436,500 | 0 | 0 | 0 | 0 |
| 1999 | 2000 | 841,500 | 14,059,525 | 14,901,025 | 0 | 0 | 0 | 0 |
| 1997 | 1998 | 0 | 0 | 0 | 0 | 841,500 | 13,550,300 | 14,391,800 |
| 1996 | 1997 | 0 | 0 | 0 | 0 | 841,500 | 13,550,300 | 14,391,800 |
| 1994 | 1995 | 0 | 0 | 0 | 0 | 841,500 | 13,550,300 | 14,391,800 |
| 1993 | 1994 | 0 | 0 | 0 | 0 | 841,500 | 13,550,300 | 14,391,800 |
| 1992 | 1993 | 0 | 0 | 0 | 0 | 841,500 | 12,798,000 | 13,639,500 |



Updated: June 24, 2021

**Exhibit 9: Non-binding contractor's estimate**

SKANSKA

January 24, 2022

Eric Hernandez, Program Manager
Certificate of Need Program
Department of Health
P.O. Box 47852
Olympia, WA 98504-7852

Dear Mr. Hernandez:

On behalf of Virginia Mason Franciscan Health, I am writing in regard to the certificate of need application for the proposed 24-bed medical/surgical bed addition at St. Francis Hospital. We have reviewed the following items and related capital cost estimates, excluding sales tax:

| **Description** | **Estimated Cost** |
|---|---|
| Building Construction | $13,530,000 |
| Moveable Equipment | $3,989,109 |
| Architect and Engineering Fees | $960,000 |
| Supervision and Inspection of Site | $34,245 |
| Other Project Costs | $220,735 |
| **Total Project Cost (less Washington State Sales Tax)** | **$18,734,089** |

Based upon our experience in construction projects and cost estimation, we believe these estimates to be reasonable.

Please do not hesitate to contact me if you have questions or require additional information.

Sincerely,

DocuSigned by:
Pete Maslenikov
308C98FD2546448...

Pete Maslenikov

Project Executive

**Exhibit 10: Equipment Listing**

# Franciscan Health System - Washington

## St Francis Hospital Family Birth

## Room By Room Detail Report

**Department: Family Birth**

**Building: Unassigned**

**Room: Labor & Delivery** **Room#:** **Room Sign:** **Area/Phase: Unassigned** **Room Qty: 4**

Comments:

| Atta ID / CAD ID | Alt ID / Item ID | Qty / F/I | AC | Description / Model | Manufacturer / Vendor | Funding Source / Item Status | Custom1 / Custom2 | Item Notes |
|---|---|---|---|---|---|---|---|---|
| 6903-000<br>ART0000 | <br>ART0001 | 1<br>O/V | 5 | Artwork<br>_____ | Arterra ( )<br>Arterra ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 3420-011<br>BED0093 | <br>3032 | 1<br>O/O | 2 | Bed, Electric, Birthing<br>LD304 | Stryker Medical (4701-000-000)<br>Stryker Medical (4701-000-000) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 7590-000<br>OPT0000 | <br>3032-1 | *1*<br>O/O | 0- | Option, Freight<br>_____ | Stryker Medical ()<br>Stryker Medical ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 3455-000<br>CBP0000 | | 1<br>O/O | 5 | Bedside Cabinet<br>_____ | Hillrom - Room & Furniture ( )<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 3436-017<br>BLD0017 | <br>BLN1501 | 1<br>O/O | 3 | Blender, Gas, Air/Oxygen<br>Low Flow PM5300M | Precision Medical (PM5300M)<br>CME Corp (PM5300M) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| CGX529K<br>BLD0000 | <br>1467 | 1<br>O/O | 3 | Blender, Gas, Nitrous Oxide / Oxygen / Flowmeter<br>_____ | Praxair (PAK NOX-5072HD)<br>Praxair (PAK NOX-5072HD) | Project<br>Draft (New) | Unassigned<br>Unassigned | 2/25/20: Flowmeter is part of unit |
| 7788-000<br>BRD0000 | <br>BRD0001 | 1<br>O/C | 1 | Board, Patient Information<br>_____ | _____<br>Custom Interiors ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | Part of CFCI - ensure NBBJ has this covered20210614 Tracey agrred to purchase so changed to OFCI |
| 7696-012<br>BRK1040 | <br>1120 | 2<br>O/C | 1 | Bracket, Canister, Suction, Wall Mount<br>65652-516 Canister/Bracket (1500 cc) | Cardinal Health Durable Medical Equipment ( )<br>CME Corp ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |

# Franciscan Health System - Washington

## St Francis Hospital Family Birth

## Room By Room Detail Report

**Department: Family Birth**

**Building: Unassigned**

**Room: Labor & Delivery** **Room#:** **Room Sign:** **Area/Phase: Unassigned** **Room Qty: 4**

Comments:

| Atta ID / CAD ID | Alt ID / Item ID | Qty / F/I | AC | Description / Model | Manufacturer / Vendor | Funding Source / Item Status | Custom1 / Custom2 | Item Notes |
|---|---|---|---|---|---|---|---|---|
| C-374140<br>C-374140 | <br>BRK0315 | 2<br>O/C | <br>1 | Bracket, Computer Workstation<br>WA-60-ST/38-0079/38-0028-WT/38-0038/38-0090/38-0080 | JACO Inc. (45-273-026)<br>CDW-G (45-273-026) | Project<br>Draft (New) | Unassigned<br>Unassigned | 1 for Mother/ 1 for Baby |
| 7590-000<br>OPT0000 | <br>BRK0315.1 | *1*<br>O/C | <br>0- | Option, Freight<br>_____ | JACO Inc. ()<br>CDW-G ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 6418-000<br>BRK0000 | <br>BRK1352 | 1<br>O/C | <br>1 | Bracket, Television, Wall, Flat Panel<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | TV Bracket(1) TV Bracket/ (1) Fetal Tracefor Television and Fetal trace monitor |
| 5834-017<br>CSC0081 | <br>3560 | 1<br>O/O | <br>3 | Cart, Case, Delivery, Locking<br>Leo Thermofoil (4-Drawers Custom/2-Flip-up) | Amico Corporation (DC-LTD4-01-YYF2)<br>Amico Corporation (DC-LTD4-01-YYF2) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| CGX532K<br>CPC0000 | <br>6100-1 | 1<br>O/O | <br>3 | Cart, Computer, Laptop, w/o Power<br>_____ | GCX Corporation (WS-0012-11B)<br>GCX Corporation ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 5802-032<br>EQC0177 | <br>3548 | 1<br>O/O | <br>3 | Cart, Equipment, Fetal Monitor<br>Jared Thermofoil (2-Drawer/1-Pullout/1-Flip) | Amico Corporation (FC-JTD2-P001-YY(F1))<br>Amico Corporation (FC-JTD2-P001-YY(F1)) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 7325-000<br>CLK0000 | | 1<br>O/C | <br>1 | Clock<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 8319-000<br>CIS0000 | | 1<br>O/O | <br>2 | Computer<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |

# Franciscan Health System - Washington

## St Francis Hospital Family Birth

## Room By Room Detail Report

**Department: Family Birth**

**Building: Unassigned**

**Room: Labor & Delivery  Room#:  Room Sign:  Area/Phase: Unassigned  Room Qty: 4**

Comments:

| Atta ID / CAD ID | Alt ID / Item ID | Qty / F/I | AC | Description / Model | Manufacturer / Vendor | Funding Source / Item Status | Custom1 / Custom2 | Item Notes |
|---|---|---|---|---|---|---|---|---|
| 4906-000<br>ALL0000 | | 1<br>O/O | 3 | Cruxifixes<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 6281-000<br>CUR0000 | | 2<br>O/V | 5 | Curtain Cubicle<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 7805-000<br>DSP0000 | | 1<br>O/C | 1 | Dispenser, Emesis Bag, Rail Mount<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 6364-007<br>GLV0042 | DSP0709 | 2<br>O/C | 1 | Dispenser, Glove, Triple Box<br>GB-003 White Metal | Bowman Dispensers (GB-003)<br>CME Corp (GB-003) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 5869-000<br>DSP0000 | | 1<br>O/C | 1 | Dispenser, Hand Sanitizer, Wall Mount<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 6084-000<br>DSP0000 | PTD0001 | 1<br>C/C | 1 | Dispenser, Paper Towel, Surface Mount<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | Part of CFCI - ensure NBBJ has this covered |
| 5868-000<br>DSP0000 | SDW0001 | 1<br>O/C | 1 | Dispenser, Soap, Wall Mount<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | Provided Free by VendorReuse existing if possible if not will get new units from EVS |
| 3723-034<br>DIS0289 | 1040 | 2<br>O/C | 1 | Disposal, Sharps, Wall Mount<br>Bio Systems C-02RES-0203 w/ Cabinet | Stericycle (C-02RES-0203 / OC-02-2004)<br>Stericycle (C-02RES-0203 / OC-02-2004) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 3806-025<br>FLW0134 | FLM0100 | 2<br>O/O | 3 | Flowmeter, Air<br>Soft-Touch 15002-13 | Allied Healthcare Products - Timeter (15002-13)<br>CME Corp (15002-13) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| CGX562K<br>FLW0000 | FLM1501 | 2<br>O/O | 3 | Flowmeter, Oxygen<br># CESS-A-15002-03 | Allied Healthcare Products - Timeter (15002-03)<br>CME Corp (15002-03) | Project<br>Draft (New) | Unassigned<br>Unassigned | |

# Franciscan Health System - Washington

## St Francis Hospital Family Birth

## Room By Room Detail Report

**Department: Family Birth**

**Building: Unassigned**

**Room: Labor & Delivery** **Room#:** **Room Sign:** **Area/Phase: Unassigned** **Room Qty: 4**

Comments:

| Atta ID / CAD ID | Alt ID / Item ID | Qty / F/I | AC | Description / Model | Manufacturer / Vendor | Funding Source / Item Status | Custom1 / Custom2 | Item Notes |
|---|---|---|---|---|---|---|---|---|
| 5669-000<br>CHR0000 | | 1<br>O/O | 5 | Glider Rocker<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 7591-000<br>OPT0000 | | *1*<br>O/O | 0- | Option, Installation<br>_____ | Carolina - OFS Brands ()<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 4906-000<br>ALL0000 | | 1<br>O/O | 3 | Jump Coax 36"<br>_____ | TeleHealth Services ( )<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 4906-000<br>ALL0000 | | 1<br>O/O | 3 | Jump Pendant 1/4<br>_____ | TeleHealth Services ( )<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| CGX539K<br>MNR0000 | | 1<br>O/O | 0 | LED Monitor<br>4785947 | CDWG ( )<br>CDGW ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 5047-014<br>LIG0285 | 3410 | 1<br>O/C | 1 | Light, Exam/Procedure, Dual, Ceiling, Recessed<br>Lucina 4 LED (w/Wall Control & Wand) | Skytron (LCN4-PKG2)<br>CoMedical ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | 10/15/19: For Fetal Monitor, IT to purchase |
| 7591-000<br>OPT0000 | 3410-1 | *1*<br>O/O | 0- | Option, Installation<br>_____ | Skytron ()<br>CoMedical ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 7590-000<br>OPT0000 | | *1*<br>O/O | 0- | Option, Freight<br>_____ | Skytron ()<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |

# Franciscan Health System - Washington

## St Francis Hospital Family Birth

## Room By Room Detail Report

**Department: Family Birth**

**Building: Unassigned**

**Room: Labor & Delivery** **Room#:** **Room Sign:** **Area/Phase: Unassigned** **Room Qty: 4**

Comments:

| Atta ID / CAD ID | Alt ID / Item ID | Qty / F/I | AC | Description / Model | Manufacturer / Vendor | Funding Source / Item Status | Custom1 / Custom2 | Item Notes |
|---|---|---|---|---|---|---|---|---|
| CGX537K<br>HAM0000 | | 1<br>O/O | 3 | Linen Hamper<br>CX302 | Cardinal Health Durable Medical Equipment ( )<br>Cardinal Health Durable Medical Equipment ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 5254-023<br>MOB0050 | 5747 | 1<br>O/O | 2 | Monitor, O.B., Intrapartum, Maternal/Fetal<br>Novii Wireless Patch System | Monica Healthcare - a GE Healthcare Company (107-PT-020)<br>Monica Healthcare - a GE Healthcare Company ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 4794-041<br>MON0586 | 5721 | 1<br>O/O | 2 | Monitor, Physiologic, Anesthesia<br>Intellivue MP70 w/ G5 Gas Analyzer | Philips Healthcare - Monitoring Systems (M8007A / M1019A)<br>Philips Healthcare - Monitoring Systems (M8007A / M1019A) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| C-404033<br>C-404033 | MON2104 | 1<br>O/C | 2 | Monitor, Video, 26 - 32 inch, Display<br>QM32R Series 32 inch | Samsung Electronics ( )<br>TeleHealth Services ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | Fetal Trace |
| 5254-017<br>MOB0032 | 5745.1 | 1<br>O/O | 2 | Monitor,OB, Intrapartum, Corometrics, Maternal/Fetal - BPCuff/AdapterCord/Paper<br>Corometrics 259cx | GE Healthcare - Monitoring Systems (7037556-001)<br>GE Healthcare - Maternal/Infant Care (259cx) | Project<br>Draft (New) | Unassigned<br>Unassigned | 7/25/19: Fetal Monitor has a specific Data Port |
| 8550-000<br>PMP0000 | | 1<br>O/O | 0 | Pump Infusion<br>_____ | Hospira, Inc. ( )<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 6151-013<br>RAL0012 | 1082 | 2<br>O/C | 1 | Rail System, Headwall, 2'-6"<br>Eclipse F-Type 3ft | Hospital Systems, Inc. (050469-36-90)<br>Catalyst (050469-36-90) | Project<br>Draft (New) | Unassigned<br>Unassigned | 10/15/19: Cut rail to 2'-6" |
| 4248-061<br>REG0063 | REG2203 | 2<br>O/O | 3 | Regulator, Suction, Intermittent/Continuous<br>6701-1251-900 | Ohio Medical Corp (6701-1251-900)<br>CME Corp (6701-1251-900) | Project<br>Draft (New) | Unassigned<br>Unassigned | Part of Furniture |

# Franciscan Health System - Washington

## St Francis Hospital Family Birth

## Room By Room Detail Report

**Department: Family Birth**

**Building: Unassigned**

**Room: Labor & Delivery  Room#:  Room Sign:  Area/Phase: Unassigned  Room Qty: 4**

Comments:

| Atta ID / CAD ID | Alt ID / Item ID | Qty / F/I | AC | Description / Model | Manufacturer / Vendor | Funding Source / Item Status | Custom1 / Custom2 | Item Notes |
|---|---|---|---|---|---|---|---|---|
| 5677-000<br>ALL0000 | | 1<br>O/V | 1 | Signage<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 4346-001<br>SPH0004 | SFG0111 | 1<br>O/C | 1 | Sphygmomanometer, Aneroid, Wall Mount<br>767 Wall w/ Adult Cuff | Hillrom - Welch Allyn, Inc. (7670-01)<br>CME Corp (7670-01) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 4361-009<br>IVS0049 | | 1<br>O/O | 3 | Stand, IV, Chrome<br>P-576-2 Two Hook | Pedigo Products, Inc (P-576-2)<br>Pedigo Products, Inc (P-576-2) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 4414-013<br>STL0033 | STL0513 | 1<br>O/O | 3 | Stool, Exam, Cushion-Seat<br>Ritter 125 | Midmark Corporation (125-001)<br>CME Corp (125-001) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 5934-000<br>TOB0000 | TBL1520 | 1<br>O/O | 3 | Table Overbed, General<br>_____ | Hillrom - Room & Furniture ( )<br>Hillrom - Room & Furniture ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | could be operationalized if needed |
| 6825-002<br>TTY0083 | MON2008 | 1<br>O/V | 2 | Telemetry, Wireless, Fetal/Maternal<br>Mini Telemetry System | GE Healthcare - Maternal/Infant Care (2051254-010/2051254-014)<br>Datex Ohmeda ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | Own 9 units - sufficient qty for the floor can be used in all rooms where needed |
| 6348-145<br>TVS0935 | 5764 | 1<br>O/O | 2 | Television, 36-43 in., Flat Panel<br>HG43NF693GF 43 in TV/Monitor | Samsung Electronics (HG43NF693GF)<br>TeleHealth Services (HG43NF693GF) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 6944-000<br>THM0000 | | 1<br>O/O | 3 | Thermometer<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 6094-000<br>TCK0000 | | 1<br>O/C | 1 | Track Cubicle<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 7357-004<br>WST0187 | 7010.1 | 1<br>O/O | 3 | Waste Can, Dolly<br>3553 Slim Jim Stainless Steel Dolly | Rubbermaid Commercial Products (FG355300SSTL)<br>CME Corp (FG355300SSTL) | Project<br>Draft (New) | Unassigned<br>Unassigned | |

# Franciscan Health System - Washington

## St Francis Hospital Family Birth

## Room By Room Detail Report

**Department: Family Birth**

**Building: Unassigned**

**Room: Labor & Delivery** **Room#:** **Room Sign:** **Area/Phase: Unassigned** **Room Qty: 4**

Comments:

| Atta ID / CAD ID | Alt ID / Item ID | Qty / F/I | AC | Description / Model | Manufacturer / Vendor | Funding Source / Item Status | Custom1 / Custom2 | Item Notes |
|---|---|---|---|---|---|---|---|---|
| 4688-081<br>WST0613 | 7010 | 2<br>O/O | 3 | Waste Can, Open Top, Under Counter Model<br>Slim Jim Vented 16 Gal/Gray | Rubbermaid Commercial Products (2026695 - Gray 13 Gal Under-Ctr)<br>CME Corp (2026695 - Gray 13 Gal Under-Ctr) | Project<br>Draft (New) | Unassigned<br>Unassigned | 10/14/19: Use model #2026699 Under Counter |
| 8969-000<br>WDW0000 | | 1<br>O/C | 1 | Window Covering<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |

# Franciscan Health System - Washington
## St Francis Hospital Family Birth
## Room By Room Detail Report
### Department: Family Birth
### Building: Unassigned
### Room: Post Partum  Room#:  Room Sign:  Area/Phase: Unassigned  Room Qty: 14

Comments:

| Atta ID / CAD ID | Alt ID / Item ID | Qty / F/I | AC | Description / Model | Manufacturer / Vendor | Funding Source / Item Status | Custom1 / Custom2 | Item Notes |
|---|---|---|---|---|---|---|---|---|
| 6903-000<br>ART0000 | | 1<br>O/V | 5 | Artwork<br>_____ | Arterra ( )<br>Arterra ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 3405-038<br>BAS0076 | 3035 | 1<br>O/O | 3 | Bassinet<br>Marco Thermofoil (2 Dwr) | Amico Corporation (BB-MTD2-01-YY)<br>Amico Corporation (BB-MTD2-01-YY) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 3417-182<br>BED0418 | 3034 | 1<br>O/O | 2 | Bed Patient, Scale, RN Call (S3-PX2-3005)<br>S3 PX3-3005 Standard with iBed | Stryker Medical (S3-PX2-3005)<br>Stryker Medical (S3-PX2-3005) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 7590-000<br>OPT0000 | 3034.1 | *1*<br>O/O | 0- | Option, Freight<br>_____ | Stryker Medical ()<br>Stryker Medical ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 3455-000<br>CBP0000 | | 1<br>O/O | 5 | Bedside Cabinet<br>_____ | Hillrom - Room & Furniture ( )<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 7788-000<br>BRD0000 | | 1<br>O/C | 1 | Board, Patient Information<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 7696-012<br>BRK1040 | 1120 | 2<br>O/C | 1 | Bracket, Canister, Suction, Wall Mount<br>65652-516 Canister/Bracket (1500 cc) | Cardinal Health Durable Medical Equipment ( )<br>CME Corp ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| C-374140<br>C-374140 | BRK0315 | 1<br>O/C | 1 | Bracket, Computer Workstation<br>WA-60-ST/38-0079/38-0028-WT/38-0038/38-0090/38-0080 | JACO Inc. (45-273-026)<br>CDW-G (45-273-026) | Project<br>Draft (New) | Unassigned<br>Unassigned | 1 for Mother/ 1 for Baby |

# Franciscan Health System - Washington
## St Francis Hospital Family Birth
## Room By Room Detail Report
### Department: Family Birth
### Building: Unassigned
### Room: Post Partum  Room#:  Room Sign:  Area/Phase: Unassigned  Room Qty: 14

Comments:

| Atta ID / CAD ID | Alt ID / Item ID | Qty / F/I | AC | Description / Model | Manufacturer / Vendor | Funding Source / Item Status | Custom1 / Custom2 | Item Notes |
|---|---|---|---|---|---|---|---|---|
| 7590-000<br>OPT0000 | <br>BRK0315.1 | *1*<br>O/C | 0- | Option, Freight<br>_____ | JACO Inc. ()<br>CDW-G ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 6477-000<br>BRK0000 | <br>1215 | 1<br>O/C | 1 | Bracket, Monitor, Wall, Flat Panel<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| DM714XL<br>MNR0000 | | 1<br>O/O | 0 | Carescape<br>Carescape V100 | GE ( )<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 9542-000<br>CHR0000 | | 1<br>O/O | 5 | Chair Wall Hung Bracket<br>_____ | Nemschoff, Inc. ( )<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 7325-000<br>CLK0000 | | 1<br>O/C | 1 | Clock<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| C-316586<br>C-316586 | <br>5631 | 1<br>O/O | 2 | Compression Unit, Extremity Pump, Intermittent<br>BluFlex | SterilMed Inc ( )<br>Agiliti ( ) | Lease<br>Draft (New) | Unassigned<br>Unassigned | 06/29/21: Revised costs to $0 since these items are Leased through VM. |
| 8319-000<br>CIS0000 | | 1<br>O/O | 2 | Computer<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 4906-000<br>ALL0000 | | 1<br>O/O | 3 | Cruxifixes<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 6281-000<br>CUR0000 | | 2<br>O/V | 5 | Curtain Cubicle<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |

# Franciscan Health System - Washington

## St Francis Hospital Family Birth

## Room By Room Detail Report

**Department: Family Birth**

**Building: Unassigned**

**Room: Post Partum** **Room#:** **Room Sign:** **Area/Phase: Unassigned** **Room Qty: 14**

Comments:

| Atta ID / CAD ID | Alt ID / Item ID | Qty / F/I | AC | Description / Model | Manufacturer / Vendor | Funding Source / Item Status | Custom1 / Custom2 | Item Notes |
|---|---|---|---|---|---|---|---|---|
| 8887-001<br>OPH0025 | 1094 | 1<br>O/C | 1 | Diagnostic System,<br>Oto/Opthalmoscope, Rail Mount<br>Green Series 777 [77710] | Hillrom - Welch Allyn, Inc. (77710)<br>CME Corp (77710) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 6364-000<br>GLV0000 | | 1<br>O/C | 1 | Dispenser, Glove, Triple Box<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 5869-000<br>DSP0000 | | 1<br>O/C | 1 | Dispenser, Hand Sanitizer, Wall Mount<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 7463-002<br>DSP0235 | 1094.1 | 1<br>O/O | 3 | Dispenser, Otoscope, Specula, Rail Mount<br>521 Series Ear Specula Dispenser [52101] | Hillrom - Welch Allyn, Inc. (52101)<br>CME Corp (52101) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 6084-000<br>DSP0000 | 1034 | 1<br>O/C | 1 | Dispenser, Paper Towel, Surface Mount<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 5868-000<br>DSP0000 | 1035 | 1<br>O/C | 1 | Dispenser, Soap, Wall Mount<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 3723-034<br>DIS0289 | 1040 | 1<br>O/C | 1 | Disposal, Sharps, Wall Mount<br>Bio Systems C-02RES-0203 w/ Cabinet | Stericycle (C-02RES-0203 / OC-02-2004)<br>Stericycle (C-02RES-0203 / OC-02-2004) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 3806-025<br>FLW0134 | 1450 | 1<br>O/O | 3 | Flowmeter, Air<br>Soft-Touch 15002-13 | Allied Healthcare Products - Timeter (15002-13)<br>CME Corp (15002-13) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 3803-057<br>FLW0053 | 1454 | 1<br>O/O | 3 | Flowmeter, Oxygen<br>Soft-Touch 15002-03 | Allied Healthcare Products - Timeter (15002-03)<br>CME Corp (15002-03) | Project<br>Draft (New) | Unassigned<br>Unassigned | |

# Franciscan Health System - Washington

## St Francis Hospital Family Birth

## Room By Room Detail Report

**Department: Family Birth**

**Building: Unassigned**

**Room: Post Partum  Room#:  Room Sign:  Area/Phase: Unassigned  Room Qty: 14**

Comments:

| Atta ID / CAD ID | Alt ID / Item ID | Qty / F/I | AC | Description / Model | Manufacturer / Vendor | Funding Source / Item Status | Custom1 / Custom2 | Item Notes |
|---|---|---|---|---|---|---|---|---|
| 5669-000<br>CHR0000 | | 1<br>O/O | 5 | Glider Rocker<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 4906-000<br>ALL0000 | | 1<br>O/O | 3 | Jump Coax 36"<br>_____ | TeleHealth Services ( )<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 4906-000<br>ALL0000 | | 1<br>O/O | 3 | Jump Pendant 1/4<br>_____ | TeleHealth Services ( )<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| DM590XL<br>LFT0000 | | 1<br>O/C | 1 | Lift Patient<br>Maxi Sky | Hillrom - Liko ( )<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| CGY529A<br>HAM0000 | | 1<br>O/O | 3 | Linen Hamper<br>CX302 | Cardinal Health Durable Medical Equipment ( )<br>Cardinal Health Durable Medical Equipment ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 6140-033<br>MON0998 | 5730 | 1<br>O/O | 2 | Monitor, Physiologic, Vital Signs, Wall Mt w/EKG Module<br>IntelliVue MX100 | Philips Healthcare - Monitoring Systems (867033)<br>Philips Healthcare - Monitoring Systems (867033) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 8550-000<br>PMP0000 | | 1<br>O/O | 0 | Pump Infusion<br>_____ | Hospira, Inc. ( )<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 6151-013<br>RAL0012 | 1082 | 2<br>O/C | 1 | Rail System, Headwall, 2'-6"<br>Eclipse F-Type 3ft | Hospital Systems, Inc. (050469-36-90)<br>Catalyst (050469-36-90) | Project<br>Draft (New) | Unassigned<br>Unassigned | 10/15/19:  Cut rail to 2'-6" |
| CGX933Z<br>REF0000 | REF2165a | 1<br>O/O | 2 | Refrigerator, Commercial, Compact<br>MB13GST | Summit Appliance  (FFAR25L7CSS)<br>CME Corp (CESS-A-MB13GST) | Project<br>Draft (New) | Unassigned<br>Unassigned | nourishment |

# Franciscan Health System - Washington

## St Francis Hospital Family Birth

## Room By Room Detail Report

**Department: Family Birth**

**Building: Unassigned**

**Room: Post Partum** **Room#:** **Room Sign:** **Area/Phase: Unassigned** **Room Qty: 14**

Comments:

| Atta ID / CAD ID | Alt ID / Item ID | Qty / F/I | AC | Description / Model | Manufacturer / Vendor | Funding Source / Item Status | Custom1 / Custom2 | Item Notes |
|---|---|---|---|---|---|---|---|---|
| CGX934Z<br>OPT0000 | <br>REF2165a.1 | *1*<br>O/O | 0- | Option, Installation<br>CME Installation | Summit Appliance ()<br>CME Corp ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 4248-061<br>REG0063 | <br>1458 | 1<br>O/O | 3 | Regulator, Suction, Intermittent/Continuous<br>6701-1251-900 | Ohio Medical Corp (6701-1251-900)<br>CME Corp (6701-1251-900) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 5677-000<br>ALL0000 | | 1<br>O/V | 1 | Signage<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 4873-000<br>SOF0000 | | 1<br>O/O | 5 | Sofa, Sleeper/Convertible<br>_____ | Nemschoff, Inc. ( )<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 4346-000<br>SPH0000 | | 1<br>O/C | 1 | Sphygmomanometer, Aneroid, Wall Mount<br>_____ | Hillrom - Welch Allyn, Inc. ( )<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 4361-009<br>IVS0049 | | 1<br>O/O | 3 | Stand, IV, Chrome<br>P-576-2 Two Hook | Pedigo Products, Inc (P-576-2)<br>Pedigo Products, Inc (P-576-2) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 4414-013<br>STL0033 | <br>3062 | 1<br>O/O | 3 | Stool, Exam, Cushion-Seat<br>Ritter 125 | Midmark Corporation (125-001)<br>CME Corp (125-001) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 5934-000<br>TOB0000 | | 1<br>O/O | 3 | Table, Overbed, General<br>_____ | Hillrom - Room & Furniture ( )<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |

# Franciscan Health System - Washington

## St Francis Hospital Family Birth

## Room By Room Detail Report

**Department: Family Birth**

**Building: Unassigned**

**Room: Post Partum  Room#:  Room Sign:  Area/Phase: Unassigned  Room Qty: 14**

Comments:

| Atta ID / CAD ID | Alt ID / Item ID | Qty / F/I | AC | Description / Model | Manufacturer / Vendor | Funding Source / Item Status | Custom1 / Custom2 | Item Notes |
|---|---|---|---|---|---|---|---|---|
| 6348-145<br>TVS0935 | 5764 | 1<br>O/O | 2 | Television, 36-43 in., Flat Panel<br>HG43NF693GF 43 in TV/Monitor | Samsung Electronics (HG43NF693GF)<br>TeleHealth Services (HG43NF693GF) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 6944-000<br>THM0000 | | 1<br>O/O | 3 | Thermometer<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 6094-000<br>TCK0000 | | 1<br>O/C | 1 | Track Cubicle<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 7360-005<br>WMR0106 | 2016 | 1<br>O/O | 2 | Warmer, Bottle, Neonatal<br>Waterless Milk Warmer | Medela Inc. - Breastfeeding (87115)<br>Medela Inc. - Breastfeeding (87115) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| CGX524K<br>OPT0000 | 2016.1 | *1*<br>O/O | 0- | Option, Kit<br>_____ | Medela Inc. - Breastfeeding (87116-100 - Insert Waterless Warmer)<br>Medela Inc. - Breastfeeding ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| DM498XM<br>WRM0000 | | 1<br>O/O | 2 | Warmer, Infant Care System Panda<br>M1112198 | GE Healthcare - Maternal/Infant Care ( )<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 7357-004<br>WST0187 | 7010.1 | 1<br>O/O | 3 | Waste Can, Dolly<br>3553 Slim Jim Stainless Steel Dolly | Rubbermaid Commercial Products (FG355300SSSTL)<br>CME Corp (FG355300SSSTL) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 4688-081<br>WST0613 | 7010 | 2<br>O/O | 3 | Waste Can, Open Top, Under Counter Model<br>Slim Jim Vented 16 Gal/Gray | Rubbermaid Commercial Products (2026695 - Gray 13 Gal Under-Ctr)<br>CME Corp (2026695 - Gray 13 Gal Under-Ctr) | Project<br>Draft (New) | Unassigned<br>Unassigned | 10/14/19: Use model #2026699 Under Counter |

# Franciscan Health System - Washington

## St Francis Hospital Family Birth

## Room By Room Detail Report

**Department: Family Birth**

**Building: Unassigned**

**Room: Post Partum  Room#:  Room Sign:  Area/Phase: Unassigned  Room Qty: 14**

Comments:

| Atta ID / CAD ID | Alt ID / Item ID | Qty / F/I | AC | Description / Model | Manufacturer / Vendor | Funding Source / Item Status | Custom1 / Custom2 | Item Notes |
|---|---|---|---|---|---|---|---|---|
| 8969-000 | | 1 | | Window Covering | _____ | Project | Unassigned | |
| WDW0000 | | O/C | 1 | _____ | _____ | Draft (New) | Unassigned | |

# Franciscan Health System - Washington
## St Francis Hospital Family Birth
## Room By Room Detail Report
### Department: Family Birth
### Building: Unassigned

| Qty F/I AC | Description Model | Manufacturer Vendor | Funding Source Item Status | Custom1 Custom2 | Item Notes |
|---|---|---|---|---|---|
| **Room: Post Partum** | **Room#:** | **Room Sign:** | **Area/Phase: Unassigned** | **Room Qty: 14** | |
| Comments: | | | | | |
| 1 O/V 5 | Artwork _____ | Arterra ( ) Arterra ( ) | Project Draft (New) | Unassigned Unassigned | |
| 1 O/O 3 | Bassinet Marco Thermofoil (2 Dwr) | Amico Corporation (BB-MTD2-01-YY) Amico Corporation (BB-MTD2-01-YY) | Project Draft (New) | Unassigned Unassigned | |
| 1 O/O 2 | Bed Patient, Scale, RN Call (S3-PX2-3005) S3 PX3-3005 Standard with iBed | Stryker Medical (S3-PX2-3005) Stryker Medical (S3-PX2-3005) | Project Draft (New) | Unassigned Unassigned | |
| *1* O/O 0- | Option, Freight _____ | Stryker Medical () Stryker Medical ( ) | Project Draft (New) | Unassigned Unassigned | |
| 1 O/O 5 | Bedside Cabinet _____ | Hillrom - Room & Furniture ( ) _____ | Project Draft (New) | Unassigned Unassigned | |
| 1 O/C 1 | Board, Patient Information _____ | _____ _____ | Project Draft (New) | Unassigned Unassigned | |
| 2 O/C 1 | Bracket, Canister, Suction, Wall Mount 65652-516 Canister/Bracket (1500 cc) | Cardinal Health Durable Medical Equipment ( ) CME Corp ( ) | Project Draft (New) | Unassigned Unassigned | |
| 1 O/C 1 | Bracket, Computer Workstation WA-60-ST/38-0079/38-0028-WT/38-0038/38-0090/38-0080 | JACO Inc. (45-273-026) CDW-G (45-273-026) | Project Draft (New) | Unassigned Unassigned | |

# Franciscan Health System - Washington
## St Francis Hospital Family Birth
## Room By Room Detail Report
### Department: Family Birth
### Building: Unassigned

| Qty<br>F/I AC | Description<br>Model | Manufacturer<br>Vendor | Funding Source<br>Item Status | Custom1<br>Custom2 | Item Notes |
|---|---|---|---|---|---|
| *1*<br>O/C 0- | Option, Freight | JACO Inc. ()<br>CDW-G ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/C 1 | Bracket, Monitor, Wall, Flat Panel | | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/O 0 | Carescape<br>Carescape V100 | GE ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/O 5 | Chair Wall Hung Bracket | Nemschoff, Inc. ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/C 1 | Clock | | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/O 2 | Compression Unit, Extremity Pump, Intermittent<br>BluFlex | SterilMed Inc ( )<br>Agiliti ( ) | Lease<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/O 2 | Computer | | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/O 3 | Cruxifixes | | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 2<br>O/V 5 | Curtain Cubicle | | Project<br>Draft (New) | Unassigned<br>Unassigned | |

# Franciscan Health System - Washington
## St Francis Hospital Family Birth
## Room By Room Detail Report
### Department: Family Birth
### Building: Unassigned

| Qty F/I AC | Description Model | Manufacturer Vendor | Funding Source Item Status | Custom1 Custom2 | Item Notes |
|---|---|---|---|---|---|
| 1 O/C 1 | Diagnostic System, Oto/Opthalmoscope, Rail Mount Green Series 777 [77710] | Hillrom - Welch Allyn, Inc. (77710) CME Corp (77710) | Project Draft (New) | Unassigned Unassigned | |
| 1 O/C 1 | Dispenser, Glove, Triple Box _____ | _____ _____ | Project Draft (New) | Unassigned Unassigned | |
| 1 O/C 1 | Dispenser, Hand Sanitizer, Wall Mount _____ | _____ _____ | Project Draft (New) | Unassigned Unassigned | |
| 1 O/O 3 | Dispenser, Otoscope, Specula, Rail Mount 521 Series Ear Specula Dispenser [52101] | Hillrom - Welch Allyn, Inc. (52101) CME Corp (52101) | Project Draft (New) | Unassigned Unassigned | |
| 1 O/C 1 | Dispenser, Paper Towel, Surface Mount _____ | _____ _____ | Project Draft (New) | Unassigned Unassigned | |
| 1 O/C 1 | Dispenser, Soap, Wall Mount _____ | _____ _____ | Project Draft (New) | Unassigned Unassigned | |
| 1 O/C 1 | Disposal, Sharps, Wall Mount Bio Systems C-02RES-0203 w/ Cabinet | Stericycle (C-02RES-0203 / OC-02-2004) Stericycle (C-02RES-0203 / OC-02-2004) | Project Draft (New) | Unassigned Unassigned | |
| 1 O/O 3 | Flowmeter, Air Soft-Touch 15002-13 | Allied Healthcare Products - Timeter (15002-13) CME Corp (15002-13) | Project Draft (New) | Unassigned Unassigned | |
| 1 O/O 3 | Flowmeter, Oxygen Soft-Touch 15002-03 | Allied Healthcare Products - Timeter (15002-03) CME Corp (15002-03) | Project Draft (New) | Unassigned Unassigned | |
| 1 O/O 5 | Glider Rocker _____ | _____ _____ | Project Draft (New) | Unassigned Unassigned | |

# Franciscan Health System - Washington
## St Francis Hospital Family Birth
## Room By Room Detail Report
### Department: Family Birth
### Building: Unassigned

| Qty<br>F/I AC | Description<br>Model | Manufacturer<br>Vendor | Funding Source<br>Item Status | Custom1<br>Custom2 | Item Notes |
|---|---|---|---|---|---|
| 1<br>O/O 3 | Jump Coax 36" | TeleHealth Services ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/O 3 | Jump Pendant 1/4 | TeleHealth Services ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/C 1 | Lift Patient<br>Maxi Sky | Hillrom - Liko ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/O 3 | Linen Hamper<br>CX302 | Cardinal Health Durable Medical Equipment ( )<br>Cardinal Health Durable Medical Equipment ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/O 2 | Monitor, Physiologic, Vital Signs, Wall Mt w/EKG Module<br>IntelliVue MX100 | Philips Healthcare - Monitoring Systems (867033)<br>Philips Healthcare - Monitoring Systems (867033) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/O 0 | Pump Infusion | Hospira, Inc. ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 2<br>O/C 1 | Rail System, Headwall, 2'-6"<br>Eclipse F-Type 3ft | Hospital Systems, Inc. (050469-36-90)<br>Catalyst (050469-36-90) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/O 2 | Refrigerator, Commercial, Compact<br>MB13GST | Summit Appliance (FFAR25L7CSS)<br>CME Corp (CESS-A-MB13GST) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| *1*<br>O/O 0- | Option, Installation<br>CME Installation | Summit Appliance ()<br>CME Corp ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |

# Franciscan Health System - Washington
## St Francis Hospital Family Birth
## Room By Room Detail Report
### Department: Family Birth
### Building: Unassigned

| Qty<br>F/I AC | Description<br>Model | Manufacturer<br>Vendor | Funding Source<br>Item Status | Custom1<br>Custom2 | Item Notes |
|---|---|---|---|---|---|
| 1<br>O/O 3 | Regulator, Suction, Intermittent/Continuous<br>6701-1251-900 | Ohio Medical Corp (6701-1251-900)<br>CME Corp (6701-1251-900) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/V 1 | Signage<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/O 5 | Sofa, Sleeper/Convertible<br>_____ | Nemschoff, Inc. ( )<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/C 1 | Sphygmomanometer, Aneroid, Wall Mount<br>_____ | Hillrom - Welch Allyn, Inc. ( )<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/O 3 | Stand, IV, Chrome<br>P-576-2 Two Hook | Pedigo Products, Inc (P-576-2)<br>Pedigo Products, Inc (P-576-2) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/O 3 | Stool, Exam, Cushion-Seat<br>Ritter 125 | Midmark Corporation (125-001)<br>CME Corp (125-001) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/O 3 | Table, Overbed, General<br>_____ | Hillrom - Room & Furniture ( )<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/O 2 | Television, 36-43 in., Flat Panel<br>HG43NF693GF 43 in TV/Monitor | Samsung Electronics (HG43NF693GF)<br>TeleHealth Services (HG43NF693GF) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/O 3 | Thermometer<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/C 1 | Track Cubicle<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |

# Franciscan Health System - Washington
## St Francis Hospital Family Birth
## Room By Room Detail Report
### Department: Family Birth
### Building: Unassigned

| Qty<br>F/I AC | Description<br>Model | Manufacturer<br>Vendor | Funding Source<br>Item Status | Custom1<br>Custom2 | Item Notes |
|---|---|---|---|---|---|
| 1<br>O/O 2 | Warmer, Bottle, Neonatal<br>Waterless Milk Warmer | Medela Inc. - Breastfeeding (87115)<br>Medela Inc. - Breastfeeding (87115) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| *1*<br>O/O 0- | Option, Kit<br>_____ | Medela Inc. - Breastfeeding (87116-100 - Insert Waterless Warmer)<br>Medela Inc. - Breastfeeding ( ) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/O 2 | Warmer, Infant Care System Panda<br>M1112198 | GE Healthcare - Maternal/Infant Care ( )<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/O 3 | Waste Can, Dolly<br>3553 Slim Jim Stainless Steel Dolly | Rubbermaid Commercial Products (FG355300SSSTL)<br>CME Corp (FG355300SSSTL) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 2<br>O/O 3 | Waste Can, Open Top, Under Counter Model<br>Slim Jim Vented 16 Gal/Gray | Rubbermaid Commercial Products (2026695 - Gray 13 Gal Under-Ctr)<br>CME Corp (2026695 - Gray 13 Gal Under-Ctr) | Project<br>Draft (New) | Unassigned<br>Unassigned | |
| 1<br>O/C 1 | Window Covering<br>_____ | _____<br>_____ | Project<br>Draft (New) | Unassigned<br>Unassigned | |

**Exhibit 11: Project Financing**

Virginia Mason Franciscan Health™

February 28, 2022

Eric Hernandez
Certificate of Need Program
Department of Health
P.O. Box 47852
Olympia, WA 98504-7852
Via email: FSLCON@DOH.WA.GOV; eric.hernandez@doh.wa.gov

Dear Mr. Hernandez:

On behalf of Common Spirit Health, I am writing to confirm our commitment to use unrestricted current assets to fund the estimated $20,486,000 total project cost associated with the addition of 24 beds at Franciscan Health System St. Francis Hospital.

Included with the application are audited FY 2021 financial statements demonstrating that unrestricted current assets well beyond those required for this project are available.

Please do not hesitate to contact me if you have any questions or require additional information.

Sincerely,

David Nosacka
Virginia Mason Franciscan Health
SVP & Chief Financial Officer

**Exhibit 12: Listing of Facilities VM Franciscan Health**

**Facility Listing**

| Facility/Agency | Facility Type | Address | Medicare Provider No. | Medicaid Provider No. | Owned/ Managed |
|---|---|---|---|---|---|
| St. Joseph Medical Center | Hospital | 1717 S. "J" Street Tacoma, WA 98405 | 50-0108 | 3309309 | Owned |
| St. Clare Hospital | Hospital | 11315 Bridgeport Way SW Lakewood, WA 98499 | 50-0021 | 3300258 | Owned |
| St. Francis Hospital | Hospital | 34515 9th Avenue S. Federal Way, WA 98003 | 50-0141 | 3300118 | Owned |
| Enumclaw Regional Hospital Association dba. St. Elizabeth Hospital | Hospital | 1450 Battersby Avenue Enumclaw, WA 98022 | 50-1335 | 3310406 | Owned |
| St. Anthony Hospital | Hospital | 11567 Canterwood Blvd NW Gig Harbor, WA 98332 | 50-0151 | 3300597 | Owned |
| Franciscan Hospice Care Center | Hospital | 2901 Bridgeport Way University Place, WA 98467 | 50-0108 | 3309309 | Owned |
| Gig Harbor Same Day Surgery | HOPD | 6401 Kimball Drive Gig Harbor, WA 98335 | 50-0108 | 3309309 | Owned |
| Franciscan Hospice | Hospice | 2901 Bridgeport Way University Place, WA 98467 | 50-1526 | 3990264 | Owned |
| Highline Medical Center, a non profit Corporation dba. St. Anne Hospital | Hospital | 16251 Sylvester Road SW Burien, WA 98166 | 50-0011 (hospital) 50-1527 (hospice) | 1013171 (hospital) 1015012 (home health) 1006162 (hospice) | Owned |
| Harrison Medical Center, a non profit Corporation dba St. Michael Medical Center | Hospital | 1800 NW Myhre Road Silverdale, WA, 98383 | 50-0039 (hospital) 50-7076 (home health agency) | 3303500 (hospital) 9008533 (home health) | Owned |
| Virginia Mason Franciscan Health Hospital | Hospital | 1100 9th Ave Seattle, WA 98101 | 50-0005 | 3315009 | Owned |
| Virginia Mason Franciscan Health Bellevue | ASC | 11695 NE 4th St Bellevue, WA 98004 | 8861182 | 7139595 | Owned |
| Virginia Mason Franciscan Health Issaquah Medical Center (state licensed ASC only) | ASC | 100 NE Gilman Blvd Issaquah, WA 98027 | 120887 | 7070220 | Owned |
| Virginia Mason Franciscan Health Lynnwood Regional Medical Center (state licensed ASC only) | ASC | 19116 33rd Ave W Lynnwood, WA 98036 | AB26267 | 7111172 | Owned |
| Bailey Boushay House Skilled Nursing Facility | Skilled Nursing | 2720 E Madison St Seattle, WA 98112 | 50-5476 | 4111068 | Owned |

*Source: Applicant*

*Hospitals that are a joint venture are not included in the above list (Rehabilitation Hospital and Wellfound Behavioral Health Hospital)*

**Exhibit 13: FTE Listing by FTE Type (FY)**

| | | | | | | After Project Completion | | |
|---|---|---|---|---|---|---|---|---|
| | Actual 2019 | Actual 2020 | Actual 2021 | Estimated 2022 | Estimated 2023 | Projected 2024 | Projected 2025 | Projected 2026 |
| **Nursing** | | | | | | | | |
| Management | 8.9 | 7.5 | 7.6 | 7.6 | 7.6 | 8.6 | 8.6 | 8.6 |
| RN | 235.0 | 227.3 | 238.9 | 242.3 | 245.8 | 255.3 | 263.7 | 270.3 |
| LPN | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Patient Care Asst | 69.0 | 74.3 | 82.3 | 83.5 | 84.7 | 87.9 | 90.8 | 93.1 |
| Tech/Professional | 4.3 | 4.0 | 4.9 | 5.0 | 5.1 | 5.2 | 5.4 | 5.6 |
| Svc/Support | 10.8 | 8.6 | 5.9 | 6.0 | 6.1 | 6.3 | 6.6 | 6.7 |
| **Ancillary/Support** | | | | | | | | |
| Management | 41.6 | 41.6 | 42.0 | 42.0 | 42.0 | 43.0 | 43.0 | 43.0 |
| RN | 169.1 | 179.7 | 220.2 | 224.0 | 227.8 | 233.6 | 238.7 | 243.6 |
| LPN | 28.5 | 26.4 | 27.1 | 27.6 | 28.0 | 28.7 | 29.4 | 30.0 |
| Patient Care Asst | 180.4 | 177.2 | 190.8 | 194.1 | 197.5 | 202.5 | 206.9 | 211.2 |
| Tech/Professional | 225.5 | 232.7 | 254.8 | 259.2 | 263.6 | 270.3 | 276.3 | 281.9 |
| Svc/Support | 216.0 | 212.7 | 169.5 | 172.4 | 175.4 | 179.8 | 183.8 | 187.6 |
| **Total FTE's** | **1,189.0** | **1,192.0** | **1,244.0** | **1,263.6** | **1,283.6** | **1,321.3** | **1,353.3** | **1,381.6** |
| Salaries & Wages (000's) | **$110,178** | **$118,552** | **$128,353** | **$130,376** | **$132,439** | **$136,329** | **$139,631** | **$142,551** |
| Employee Benefits (000's) | **$25,266** | **$26,972** | **$29,618** | **$30,085** | **$30,561** | **$31,458** | **$32,219** | **$32,893** |
| | | | | | | | | |
| Salaries & Wages / FTE | **$92,664** | **$99,456** | **$103,177** | **$103,178** | **$103,179** | **$103,178** | **$103,178** | **$103,178** |
| Employee Benefits / FTE | **$21,250** | **$22,628** | **$23,808** | **$23,809** | **$23,809** | **$23,808** | **$23,808** | **$23,808** |
| S&W & Benefits / FTE | **$113,914** | **$122,084** | **$126,985** | **$126,987** | **$126,988** | **$126,986** | **$126,986** | **$126,986** |

**Appendix 1: Audited Financial Statements**

# COMMONSPIRIT HEALTH

**Consolidated Financial Statements as of
and for the Years Ended June 30, 2019 and 2018
With Report of Independent Auditors**

## COMMONSPIRIT HEALTH

### TABLE OF CONTENTS

Ernst & Young LLP
Suite 1700
18101 Von Karman Avenue
Irvine, CA 92612

Tel: +1 949 794 2300
Fax: +1 949 437 0590
ey.com

# Report of Independent Auditors

The Board of Stewardship Trustees
CommonSpirit Health

We have audited the accompanying consolidated financial statements of CommonSpirit Health, which comprise the consolidated balance sheets as of June 30, 2019 and 2018, 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.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CommonSpirit Health as of June 30, 2019 and 2018, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

October 4, 2019

## COMMONSPIRIT HEALTH

### CONSOLIDATED BALANCE SHEETS
### JUNE 30, 2019 AND 2018 (in millions)

| Assets | 2019 | 2018 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 1,569 | $ 510 |
| Short-term investments | 2,511 | - |
| Assets limited as to use | 2,315 | 218 |
| Patient accounts receivable, net of allowance for doubtful accounts of $827 in 2018 | 3,726 | 2,122 |
| Broker receivables for unsettled investment trades | 291 | - |
| Provider fee receivable | 964 | 43 |
| Assets held for sale | 223 | 196 |
| Other current assets | 1,403 | 642 |
| Total current assets | 13,002 | 3,731 |
| Assets limited as to use: | | |
| Designated assets for: | | |
| Capital projects and other | 7,519 | 5,309 |
| Held for self-insured claims | 1,551 | 869 |
| Under bond indenture agreements for debt service | 31 | - |
| Donor-restricted | 879 | 309 |
| Other | 397 | 197 |
| Less amount required to meet current obligations | (2,315) | (218) |
| Assets limited as to use, net | 8,062 | 6,466 |
| Property and equipment, net | 15,266 | 8,111 |
| Ownership interests in health-related activities | 3,145 | 1,733 |
| Goodwill | 242 | 239 |
| Intangible assets, net | 714 | 182 |
| Other long-term assets, net | 194 | 133 |
| Total assets | $ 40,625 | $ 20,595 |

(Continued)

## COMMONSPIRIT HEALTH

### CONSOLIDATED BALANCE SHEETS
### JUNE 30, 2019 AND 2018 (in millions)

| Liabilities and Net Assets | 2019 | 2018 |
|---|---|---|
| Current liabilities: | | |
| Current portion of long-term debt | $ 3,475 | $ 2,087 |
| Demand bonds subject to short-term liquidity arrangements | 820 | 97 |
| Accounts payable | 1,362 | 743 |
| Accrued salaries and benefits | 1,348 | 566 |
| Self-insured reserves and claims | 423 | 197 |
| Broker payables for unsettled investment trades | 403 | - |
| Liabilities held for sale | 162 | 252 |
| Provider fee payables | 335 | 13 |
| Other accrued liabilities | 1,190 | 801 |
| Total current liabilities | 9,518 | 4,756 |
| Other liabilities - long-term: | | |
| Self-insured reserves and claims | 1,104 | 483 |
| Pension and other postretirement benefit liabilities | 3,692 | 865 |
| Derivative instruments | 214 | 33 |
| Other | 1,094 | 984 |
| Total other liabilities - long-term | 6,104 | 2,365 |
| Long-term debt, net of current portion | 9,212 | 6,342 |
| Total liabilities | 24,834 | 13,463 |
| Net assets: | | |
| Without donor restrictions - attributable to CommonSpirit Health | 14,428 | 6,529 |
| Without donor restrictions - noncontrolling interests | 486 | 300 |
| With donor restrictions | 877 | 303 |
| Total net assets | 15,791 | 7,132 |
| Total liabilities and net assets | $ 40,625 | $ 20,595 |

See notes to consolidated financial statements.

## COMMONSPIRIT HEALTH

### CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
### YEARS ENDED JUNE 30, 2019 AND 2018 (in millions)

| | 2019 | 2018 |
|---|---|---|
| Operating revenues: | | |
| Patient revenue, net of contractual discounts and adjustments | | $ 14,903 |
| Provision for bad debts | | (767) |
| Net patient revenue | $ 19,476 | 14,136 |
| Premium revenue | 476 | 53 |
| Revenue from health-related activities, net | 70 | 18 |
| Other operating revenue | 897 | 733 |
| Contributions | 47 | 42 |
| Total operating revenues | 20,966 | 14,982 |
| Operating expenses: | | |
| Salaries and benefits | 10,161 | 7,111 |
| Supplies | 3,337 | 2,449 |
| Purchased services and other | 6,273 | 4,379 |
| Depreciation and amortization | 1,087 | 856 |
| Interest expense, net | 391 | 313 |
| Total operating expenses | 21,249 | 15,108 |
| Operating loss before special charges and other costs | (283) | (126) |
| Special charges and other costs | (319) | (141) |
| Operating loss | (602) | (267) |
| Nonoperating income (loss): | | |
| Investment income, net | 612 | 443 |
| Income tax expense | (14) | (10) |
| Change in fair value and cash payments of interest rate swaps | (131) | 52 |
| Contribution from business combination | 9,155 | - |
| Other | (6) | 4 |
| Total nonoperating income, net | 9,616 | 489 |
| Excess of revenues over expenses | $ 9,014 | $ 222 |
| Less excess of revenues over expenses attributable to noncontrolling interests | 6 | 28 |
| Excess of revenues over expenses attributable to CommonSpirit Health | $ 9,008 | $ 194 |

(Continued)

## COMMONSPIRIT HEALTH

### CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
### YEARS ENDED JUNE 30, 2019 AND 2018 (in millions)

| | Without Donor Restrictions | | | |
|---|---|---|---|---|
| | Attributable to CommonSpirit Health | Noncontrolling Interest | With Donor Restrictions | Total Net Assets |
| Balance, June 30, 2017 | $ 7,048 | $ 368 | $ 311 | $ 7,727 |
| Excess of revenues over expenses | 194 | 28 | - | 222 |
| Contributions | - | - | 42 | 42 |
| Net assets released from restrictions for capital | 21 | - | (21) | - |
| Net assets released from restrictions for operations and other | - | - | (26) | (26) |
| Change in funded status of pension and other postretirement benefit plans | 139 | 4 | - | 143 |
| Loss from discontinued operations, net | (790) | (3) | - | (793) |
| Other | (83) | (97) | (3) | (183) |
| Decrease in net assets | (519) | (68) | (8) | (595) |
| Balance, June 30, 2018 | 6,529 | 300 | 303 | 7,132 |
| Excess of revenues over expenses | 9,008 | 6 | - | 9,014 |
| Contribution from business combination | - | 235 | 559 | 794 |
| Contributions | - | - | 69 | 69 |
| Net assets released from restrictions for capital | 28 | - | (28) | - |
| Net assets released from restrictions for operations and other | - | - | (35) | (35) |
| Change in funded status of pension and other postretirement benefit plans | (1,026) | - | - | (1,026) |
| Loss from discontinued operations, net | (79) | - | - | (79) |
| Other | (32) | (55) | 9 | (78) |
| Increase in net assets | 7,899 | 186 | 574 | 8,659 |
| Balance, June 30, 2019 | $ 14,428 | $ 486 | $ 877 | $ 15,791 |

See notes to consolidated financial statements.

## COMMONSPIRIT HEALTH

### CONSOLIDATED STATEMENTS OF CASH FLOWS
### YEARS ENDED JUNE 30, 2019 AND 2018 (in millions)

| | 2019 | 2018 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ 8,659 | $ (595) |
| Adjustments to reconcile change in net assets to cash provided by operating activities: | | |
| Net loss on deconsolidation of subsidiary | - | 319 |
| Depreciation and amortization | 1,087 | 856 |
| Provision for doubtful accounts | - | 767 |
| Health-related activities: | | |
| Changes in equity of unconsolidated entities | (78) | (18) |
| Purchase of noncontrolling interest | 12 | 155 |
| Contribution from business combination | (9,949) | - |
| Net gain on disposal of assets | (24) | (46) |
| Asset impairment of discontinued operations | - | 378 |
| Noncash special charges and other | 124 | 14 |
| Change in fair value of swaps | 104 | (80) |
| Change in funded status of pension and other postretirement benefit plans | 1,026 | (139) |
| Pension cash contributions | (19) | (117) |
| Changes in certain assets and liabilities: | | |
| Accounts receivable, net | (110) | (917) |
| Accounts payable | 76 | (83) |
| Self-insured reserves and claims | 20 | 8 |
| Accrued salaries and benefits | 117 | (64) |
| Changes in broker receivables/payables for unsettled investment trades | 142 | - |
| Provider fee assets and liabilities | 152 | 14 |
| Other accrued liabilities | 130 | 20 |
| Prepaid and other current assets | (30) | (4) |
| Other, net | 49 | 68 |
| Cash provided by operating activities before net change in investments and assets limited as to use | 1,488 | 536 |
| Net decrease in investments and assets limited as to use | 409 | 198 |
| Cash provided by operating activities | 1,897 | 734 |

(Continued)

## COMMONSPIRIT HEALTH

### CONSOLIDATED STATEMENTS OF CASH FLOWS
### YEARS ENDED JUNE 30, 2019 AND 2018 (in millions)

| | 2019 | 2018 |
|---|---|---|
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (1,148) | (759) |
| Investments in health-related activities | (121) | (110) |
| Business acquisitions, net of cash acquired | 665 | (21) |
| Proceeds from asset sales | 72 | 61 |
| Cash distributions from health-related activities | 109 | 50 |
| Other, net | 6 | (17) |
| Cash used in investing activities | (417) | (796) |
| Cash flows from financing activities: | | |
| Borrowings | 580 | 910 |
| Repayments | (869) | (1,044) |
| Swaps cash collateral (posted) received | (65) | 84 |
| Distributions to noncontrolling interests | (49) | (33) |
| Purchase of noncontrolling interests | (12) | (155) |
| Other | (6) | - |
| Cash used in financing activities | (421) | (238) |
| Net increase (decrease) in cash and cash equivalents | 1,059 | (300) |
| Cash and cash equivalents at beginning of the year | 510 | 810 |
| Cash and cash equivalents at end of the year | $ 1,569 | $ 510 |
| Components of cash and cash equivalents and investments at end of year: | | |
| Cash and cash equivalents | $ 1,569 | $ 510 |
| Short-term investments | 2,511 | - |
| Designated assets for capital projects and other | 7,519 | 5,309 |
| Total | $ 11,599 | $ 5,819 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest, net of capitalized interest | $ 430 | $ 338 |
| Supplemental schedule of noncash investing and financing activities: | | |
| Property and equipment acquired through capital lease or note payable | $ 15 | $ 19 |
| Investments in health-related activities | $ 17 | $ 11 |
| Accrued purchases of property and equipment | $ 113 | $ 44 |

See notes to consolidated financial statements.

## 1. ORGANIZATION

CommonSpirit Health (the "Corporation") is a Colorado nonprofit public benefit corporation exempt from federal and state income taxes. Effective February 1, 2019, Catholic Health Initiatives (dba "CHI") changed its name to CommonSpirit Health and became the sole corporate member of Dignity Health, a California nonprofit public benefit corporation also exempt from federal and state income taxes. CommonSpirit Health is a Catholic healthcare system sponsored by the public juridic person, Catholic Health Care Federation ("CHCF"). Due to the circumstances of the business combination between CHI and Dignity Health, through the alignment under CHCF, the transaction qualified for acquisition accounting with CommonSpirit Health as the accounting acquirer of Dignity Health.

CommonSpirit Health owns and operates health care facilities in 21 states and is the sole corporate member (parent corporation) of other primarily nonprofit corporations that are exempt from federal and state income taxes. CommonSpirit Health is comprised of 142 hospitals, including three academic health centers, major teaching hospitals, and 31 critical access facilities; community health services organizations; accredited nursing colleges; home health agencies; living communities; a medical foundation and other affiliated medical groups; and other facilities and services that span the inpatient and outpatient continuum of care. CommonSpirit Health also has two offshore and one onshore captive insurance companies. The accompanying consolidated financial statements include CommonSpirit Health and its direct affiliates and subsidiaries (together, "CommonSpirit").

CommonSpirit Health and substantially all of its direct affiliates and subsidiaries have been granted exemptions from federal income tax as charitable organizations under Section 501(c)(3) of the Internal Revenue Code.

The accompanying consolidated balance sheets and related consolidated statements of operations and changes in net assets and statements of cash flows reflect the financial position and results of operations of CHI as of and for the year ended June 30, 2018, and of CommonSpirit as of and for the year ended June 30, 2019. CommonSpirit's results of operations for the year ended June 30, 2019, include 12 months of results of operations and cash flows for CHI, and five months of results of operations and cash flows for Dignity Health from February 1, 2019 to June 30, 2019.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis for Presentation*** – The accompanying consolidated financial statements of CommonSpirit were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of CommonSpirit after elimination of intercompany transactions and balances.

***Reclassifications*** – Certain reclassifications and changes in presentation were made in the 2018 consolidated financial statements to conform to the 2019 presentation. As previously presented, CommonSpirit classified net assets with no donor-imposed restriction as unrestricted. Such net assets are reported herein as net assets without donor restrictions. Also, as previously presented, CommonSpirit classified net assets with donor-imposed restrictions as either temporarily restricted or permanently restricted. Such net assets are reported herein as net assets with donor restrictions.

A crosswalk of the 2018 consolidated financial statement presentation to the 2019 presentation is provided below. The changes in presentation were made in part to separately present balances that became material to CommonSpirit in 2019, as a result of the affiliation with Dignity Health during the fiscal year. Other accounts were combined as they were no longer material to the CommonSpirit 2019 results.

| (in millions) | As Originally Presented | Reclassifications | As Adjusted |
|---|---|---|---|
| Cash and equivalents | $ 510 | $ - | $ 510 |
| Current portion of investments and assets limited as to use | 64 | 154 | 218 |
| Patient accounts receivable, net | 2,122 | - | 2,122 |
| Other accounts receivable | 257 | (257) | - |
| Provider fee receivable | - | 43 | 43 |
| Inventories | 299 | (299) | - |
| Assets of discontinued operations and held for sale | 196 | - | 196 |
| Prepaid and other | 144 | (144) | - |
| Other current assets | - | 642 | 642 |
| Total investments and assets limited as to use, net of current portion | 6,473 | (7) | 6,466 |
| Property and equipment, net | 8,111 | - | 8,111 |
| Investments in unconsolidated organizations | 1,733 | - | 1,733 |
| Intangible assets and goodwill, net | 421 | (421) | - |
| Goodwill | - | 239 | 239 |
| Intangible assets, net | - | 182 | 182 |
| Notes receivable and other | 265 | (265) | - |
| Other long-term assets, net | - | 133 | 133 |
| Total assets | $ 20,595 | $ - | $ 20,595 |
| | | | |
| Commercial paper and current portion of debt | $ 2,087 | $ - | $ 2,087 |
| Variable-rate debt with self-liquidity | 97 | - | 97 |
| Compensation and benefits | 569 | (3) | 566 |
| Accounts payable | - | 743 | 743 |
| Third-party liabilities, net | 132 | (132) | - |
| Accounts payable and accrued expenses | 1,480 | (1,480) | - |
| Self-insured reserves and claims, current | - | 197 | 197 |
| Liabilities of discontinued operations and held for sale | 252 | - | 252 |
| Provider fee payables | - | 13 | 13 |
| Other accrued liabilities | - | 801 | 801 |
| Self-insured reserves and claims, long-term | 623 | (140) | 483 |
| Pension liability | 854 | (854) | - |
| Pension and other postretirement benefit liabilities | - | 865 | 865 |
| Derivative instruments | - | 33 | 33 |
| Other liabilities | 1,027 | (43) | 984 |
| Long-term debt | 6,342 | - | 6,342 |
| Total liabilities | $ 13,463 | $ - | $ 13,463 |

The notable changes in presentation for the 2018 consolidated statement of operations include reclassifying $53 million of premium revenue out of other operating revenue, and $10 million of income tax expense out of other operating expenses into a separate line within nonoperating income (loss). Special charges and other costs represent 2018 restructuring, impairment and other losses as previously presented.

***Use of Estimates*** – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. CommonSpirit considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient revenue, which includes contractual discounts and adjustments; price concessions and charity care; fair value of acquired assets and assumed liabilities in business combinations; recorded values of depreciable and amortizable assets, investments and goodwill; reserves for self-insured workers' compensation and professional and general liabilities; contingent liabilities; and assumptions for measurement of pension and other postretirement benefit liabilities. Management bases its estimates on historical experience and various other assumptions that it believes are reasonable under the particular circumstances. Actual results could differ from those estimates.

***Cash and Cash Equivalents*** – Cash and cash equivalents consist primarily of cash and liquid marketable securities with an original maturity of three months or less.

***Inventories*** – Inventories, primarily consisting of pharmacy drugs and medical and surgical supplies, are stated at the lower of cost or net realizable value, determined using the first-in, first-out method.

***Broker Receivables and Payables for Unsettled Investment Trades –*** CommonSpirit accounts for its investments on a trade date basis. Amounts due to/from brokers for investment activity represent transactions that have been initiated prior to the consolidated balance sheet date, but are formally settled subsequent to the consolidated balance sheet date.

***Assets and Liabilities Held for Sale –*** Assets and liabilities held for sale represent assets and liabilities that are expected to be sold within one year. A group of assets and liabilities expected to be sold within one year is classified as held for sale if it meets certain criteria. The assets and liabilities held for sale are measured at the lower of carrying value or fair value less cost to sell. Such valuations include estimates of fair values generally based upon firm offers, discounted cash flows and incremental direct costs to transact a sale (Level 2 and Level 3 inputs).

***Investments and Investment Income*** – The CommonSpirit Board of Stewardship Trustees Investment Committee establishes guidelines for investment decisions. Within those guidelines, CommonSpirit invests in equity and debt securities which are measured at fair value and are classified as trading securities. Accordingly, unrealized gains and losses on marketable securities are recorded within excess of revenues over expenses in the accompanying consolidated statements of operations and changes in net assets, and cash flows from the purchases and sales of marketable securities are reported as a component of operating activities in the accompanying consolidated statements of cash flows.

CommonSpirit also invests in alternative investments through limited partnerships. Alternative investments are comprised of private equity, real estate, hedge fund and other investment vehicles. CommonSpirit receives a proportionate share of the investment gains and losses of the partnerships. The limited partnerships generally contract with managers who have full discretionary authority over the investment decisions, within CommonSpirit's guidelines. These alternative investment vehicles invest in equity securities, fixed income securities, currencies, real estate, commodities, and derivatives.

CommonSpirit accounts for its ownership interests in these alternative investments under the equity method, the value of which is based on the net asset value ("NAV") practical expedient and is determined using investment valuations provided by the external investment managers, fund managers or general partners.

Alternative investments generally are not marketable and many alternative investments have underlying investments that may not have quoted market values. The estimated value of such investments is subject to uncertainty and could differ had a ready market existed. Such differences could be material. CommonSpirit's risk is limited to its capital investment in each investment and capital call commitments as discussed in Note 8.

Investment income or loss is included in excess of revenues over expenses unless the income or loss is restricted by donor or law. Income earned on tax-exempt borrowings for specific construction projects is offset against interest expense capitalized for such projects during construction.

***Assets Limited as to Use*** – Assets limited as to use include assets set aside by CommonSpirit for future long-term purposes, including funding depreciation, to the extent that funds are available, to be used for replacement,

expansion and improvement of operating property and equipment. Assets limited as to use also include amounts held by trustees under bond indenture agreements, funds set aside for self-insurance programs, amounts contributed by donors with stipulated restrictions, and amounts held for mission and ministry purposes.

***Liquidity*** – Cash and cash equivalents, short-term investments, patient and other accounts receivable, broker receivables, and provider fee receivables are the financial assets available to meet expected expenditure needs within the next year. Additionally, although intended to satisfy long-term obligations, management estimates that approximately 87% of designated assets for capital projects and other in assets limited as to use, as stated at June 30, 2019, could be utilized within the next year, if needed. CommonSpirit also has credit facility programs, as described in Note 15, available to meet unanticipated liquidity needs.

***Deferred Financing Costs and Original Issue Discounts/Premiums on Bond Indebtedness*** – CommonSpirit amortizes deferred financing costs and original issue discounts/premiums on bond indebtedness over the estimated average period the related bonds will be outstanding, which approximates the effective interest method. Both deferred financing costs and original issue discounts/premiums are recorded with the related debt.

***Property and Equipment*** – Property and equipment are stated at cost if purchased and at fair market value upon receipt if donated or upon the date of impairment if impaired. Depreciation of property and equipment is recorded using the straight-line method. Amortization of capital lease assets is included in depreciation expense. Estimated useful lives by major classification are as follows:

| | |
|---|---|
| Land improvements | 2 to 40 years |
| Buildings and improvements | 5 to 40 years |
| Equipment | 3 to 20 years |
| Software | 3 to 10 years |

***Asset Impairment*** – CommonSpirit routinely evaluates the carrying value of its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds the estimated recoverability, an asset impairment charge is recognized. The impairment tests are based on financial projections prepared by management that incorporate anticipated results from programs and initiatives being implemented and market value assessments of the assets. If these projections are not met, or if negative trends occur that impact the future outlook, the value of the long-lived assets may be impaired.

Goodwill and indefinite-lived intangible assets are tested for impairment annually on various dates and when an event or circumstance indicates the value of the reporting unit or intangible asset may be impaired. CommonSpirit uses the income and market approaches to estimate the fair value of its reporting units and uses the income approach to estimate the fair value of its indefinite-lived intangible assets. If the carrying value exceeds the fair value, an impairment charge is recognized. See Notes 11 and 12.

***Fair Value of Financial Instruments*** – The carrying amounts reported in the accompanying consolidated balance sheets for assets and liabilities, such as cash and cash equivalents, patient accounts receivable, interests in unconsolidated foundations, excess insurance receivables, community investment loans, broker receivables and payables on unsettled investment trades, accounts payable, and accrued expenses approximate fair value due to the nature of these items. The fair value of investments is disclosed in Note 8.

***Derivative Instruments*** – CommonSpirit utilizes derivative arrangements to manage interest costs and the risk associated with changing interest rates. CommonSpirit records derivative instruments on the accompanying consolidated balance sheets as either an asset or liability measured at its fair value. See Notes 8 and 16.

CommonSpirit does not have derivative instruments that are designated as hedges. Interest cost and changes in fair value of derivative instruments are included in change in fair value and cash payments of interest rate swaps in nonoperating income, net, in the accompanying consolidated statements of operations and changes in net assets.

***Ownership Interests in Health-Related Activities*** – Generally, when the ownership interest in health-related activities is more than 50% and CommonSpirit has a controlling interest, the ownership interest is consolidated, and a noncontrolling interest is recorded in net assets without donor restrictions. When the ownership interest is

at least 20%, but not more than 50%, or CommonSpirit has the ability to exercise significant influence over operating and financial policies of the investee, it is accounted for under the equity method, and the income or loss is reflected in revenue from health-related activities, net. Ownership interests for which CommonSpirit's ownership is less than 20% or for which CommonSpirit does not have the ability to exercise significant influence are carried at the lower of cost or estimated fair value. See Note 10.

***Self-Insurance Plans*** – CommonSpirit maintains self-insurance programs for workers' compensation benefits for employees and for professional and general liability risks. Annual self-insurance expense under these programs is based on past claims experience and projected losses. Actuarial estimates of uninsured losses for each program at June 30, 2019 and 2018, have been accrued as liabilities and include an actuarial estimate for claims incurred but not reported ("IBNR"). CommonSpirit has insurance coverage in place for amounts in excess of the self-insured retention for workers' compensation and professional and general liabilities. The current and long-term portions of these liabilities are reflected accordingly in self-insured reserves and claims in the accompanying consolidated balance sheets.

CommonSpirit maintains separate trusts for these programs from which claims and related expenses and costs of administering the plans are paid. CommonSpirit's policy is to fund the trusts such that, over time, assets held equal liabilities for claims incurred for workers' compensation and claims made for professional liability risks.

CommonSpirit is also self-insured for certain employee medical benefits. The liability for IBNR claims for these benefits is included in self-insured reserves and claims within current liabilities in the accompanying consolidated balance sheets.

***Patient Accounts Receivable, Allowance for Doubtful Accounts and Net Patient Revenue*** – Patient service revenue is reported at the amounts that reflect the consideration CommonSpirit expects to be paid 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 consideration for retroactive revenue adjustments due to settlement of audits and reviews. Generally, performance obligations for patients receiving inpatient acute care services and outpatient services are recognized over time as services are provided. Net patient revenue is primarily comprised of hospital and physician services.

Performance obligations are generally satisfied over a period less than one year. As such, CommonSpirit has elected to apply the optional exemption provided in Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2015-14, *Revenue From Contracts with Customers (Topic 606),* and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

CommonSpirit determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured and underinsured patients in accordance with CommonSpirit's financial assistance policy, and implicit price concessions provided to uninsured and underinsured patients. CommonSpirit determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. CommonSpirit determines its estimate of implicit price concessions based on its historical collection experience with these classes of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. CommonSpirit relies on the results of detailed reviews of historical write-offs and collections in estimating the collectability of accounts receivable. Updates to the hindsight analysis is performed at least quarterly using primarily a rolling eighteen-month collection history and write-off data. Subsequent changes to estimates of the transaction price are generally recorded as adjustments to net patient revenue in the period of the change.

Subsequent changes that are determined to be the result of an adverse change in a third-party payor's ability to pay are recorded as bad debt expense in purchased services and other in the accompanying consolidated statements of operations and changes in net assets. Bad debt expense for 2019 was not significant.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements included in net patient revenue follows:

Medicare: Payments for inpatient services are generally made on a prospectively determined rate based on clinical diagnosis. Certain facilities receive cost-based reimbursement. Hospital outpatient services are

generally paid based on prospectively determined rates. Physician services are paid based upon established fee schedules.

Medicaid: Payments for inpatient services are generally made on a prospectively determined rate based on clinical diagnosis or on a per case or per diem basis. Hospital outpatient services and physician services are paid based upon established fee schedules, a cost basis reimbursement methodology, or discounts from established charges.

Commercial: Payments for inpatient and outpatient services provided to patients covered under commercial insurance policies are paid using a variety of payment methodologies, including per diem and case rates.

Self-Pay and Other: Payment agreements with uninsured or underinsured patients, along with other responsible entities, including institutions, other hospitals and other government payors, are based on a variety of payment methodologies.

Net patient revenue includes estimated settlements under payment agreements with third party payors. Settlements with third-party payors are accrued on an estimated basis in the period in which the related services are rendered and adjusted in future periods as final settlements are determined. These settlements are estimated and evaluated based on the terms of the payment agreement with the payor, correspondence from the payor, and historical settlement activity.

***Premium Revenue*** – CommonSpirit has at-risk agreements with various payors to provide medical services to enrollees. Under these agreements, CommonSpirit receives monthly payments based on the number of enrollees, regardless of services actually performed by CommonSpirit. CommonSpirit accrues costs when services are rendered under these contracts, including estimates of IBNR claims and amounts receivable/payable under risk-sharing arrangements. The IBNR accrual includes an estimate of the costs of services for which CommonSpirit is responsible, including out-of-network services, and is recorded in other accrued liabilities.

***Traditional Charity Care*** – Charity care is free or discounted health services provided to persons who cannot afford to pay and who meet CommonSpirit's criteria for financial assistance. The amount of services written off as charity quantified at customary charges was $1.2 billion and $934 million for 2019 and 2018, respectively. CommonSpirit estimates the cost of charity care by calculating a ratio of cost to usual and customary charges and applying that ratio to the usual and customary uncompensated charges associated with providing care to patients who qualify for charity care. This amount is not included in net patient revenue in the accompanying consolidated statements of operations and changes in net assets. The estimated cost of charity care associated with write-offs in 2019 and 2018 was $317 million and $226 million, respectively, for continuing operations, and $5 million and $18 million in 2019 and 2018, respectively, for discontinued operations. See Note 23.

***Other Operating Revenue*** – Other operating revenue includes grant revenues, retail pharmacy revenues, management services revenues, rental revenues, cafeteria revenues, certain contributions released from restrictions, gains on sales of assets, and other nonpatient care revenues.

***Contributions and Net Assets With Donor Restrictions*** – Gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is met, net assets with donor restrictions related to capital purchases are reclassified as net assets without donor restrictions and reflected as net assets released from restrictions used for the purchase of property and equipment in the accompanying statements of operations and changes in net assets, whereas net assets with donor restrictions related to other gifts are reclassified as net assets without restrictions and recorded as other operating revenue. Gifts received with no restrictions are recorded as contributions in operating revenues. Gifts of long-lived operating assets, such as property and equipment, are reported as additions to net assets without donor restrictions, unless otherwise specified by the donor.

Unconditional promises to give cash and other assets to CommonSpirit are recorded at fair value at the date the promise is received using a discount rate of 2.0% to 5.5% and are generally due within five years. Conditional promises to give are recorded when the conditions have been substantially met. Donor indications of intentions to give are not recorded; such gifts are recorded at fair value only upon actual receipt of the gift. Investment income on net assets with donor restrictions is classified pursuant to the intent or requirement of the donor.

Endowment assets, which are primarily to be used for equipment and expansion, research and education, or charity purposes, include donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period. Donor-restricted endowment net assets totaled $877 million and $303 million in 2019 and 2018, respectively. Changes in endowment net assets primarily relate to investment returns, contributions, and appropriations for expenditures. CommonSpirit preserves the fair value of these gifts as of the date of donation unless otherwise stipulated by the donor. Donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure. CommonSpirit considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policies of CommonSpirit.

CommonSpirit has investment and spending policies for endowment assets designed to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets.

Endowment assets are invested in a manner that is intended to produce results that achieve the respective benchmark while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, CommonSpirit relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CommonSpirit targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

***Special Charges and Other Costs –*** Special charges include costs related to the affiliation of CHI and Dignity Health, changes in business operations, long-lived asset impairments, and pension settlement activity. Changes in business operations include patient information go-live support and costs incurred to implement reorganization efforts within specific operations in order to align CommonSpirit's operations in the most strategic and cost effective manner. See Note 19.

***Community Benefits*** – As part of its mission, CommonSpirit provides services to the poor and benefits for the broader community. The costs incurred to provide such services are included in excess of revenues over expenses in the accompanying consolidated statements of operations and changes in net assets. CommonSpirit prepares a summary of unsponsored community benefit expense in accordance with Internal Revenue Service Form 990, Schedule H, and the Catholic Health Association of the United States ("CHA") publication, *A Guide for Planning and Reporting Community Benefit*. See Note 23.

***Interest Expense*** – Interest expense on debt issued for construction projects is capitalized until the projects are placed in service. Interest expense, net, includes interest and fees on debt, net of these capitalized amounts. See Note 17.

***Income Taxes*** – CommonSpirit has established its status as an organization exempt from income taxes under the Internal Revenue Code Section 501(c)(3) and the laws of the states in which it operates, and as such, is generally not subject to federal or state income taxes. However, CommonSpirit's exempt organizations are subject to income taxes on net income derived from a trade or business, regularly carried on, which does not further the organizations' exempt purposes. No significant income tax provision has been recorded in the accompanying consolidated financial statements for net income derived from unrelated trade or business.

CommonSpirit's for-profit subsidiaries account for income taxes related to their operations. The for-profit subsidiaries recognize deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of their assets and liabilities, along with net operating loss and tax credit carryovers, for tax positions that meet the more-likely-than-not recognition criteria. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Income tax interest and penalties are recorded as income tax expense. For the years ended June 30, 2019 and 2018, CommonSpirit's taxable entities recorded an immaterial amount of interest and penalties as part of the provision for income taxes. CommonSpirit's taxable entities did not have any material unrecognized income tax benefits as of June 30, 2019 and 2018. CommonSpirit reviews its tax positions quarterly and has determined that there are no material uncertain tax positions that require recognition in the accompanying consolidated financial statements.

***Performance Indicator*** – Management considers excess of revenues over expenses to be CommonSpirit's performance indicator. Excess of revenues over expenses includes all changes in net assets without donor restrictions except for the effect of changes in accounting principles, gains and losses from discontinued operations, net assets released from restrictions used for purchase of property and equipment, change in funded status of pension and other postretirement benefit plans, change in ownership interests held by controlled subsidiaries, change in accumulated unrealized derivative gains and losses, and funds donated from unconsolidated sources for purchase of property and equipment.

***Operating and Nonoperating Activities –*** CommonSpirit's primary purpose is to provide a variety of health care-related activities, education and other benefits to the communities in which it operates. Activities directly related to the furtherance of this purpose are recorded as operating activities. Other activities outside of this mission are reported as nonoperating activities. Such activities include net investment income, income tax expense, interest cost and changes in fair value of interest rate swaps, contribution gains from affiliations, and the nonoperating component of Joint Operating Agreement ("JOA") income share adjustments.

***Recent Accounting Pronouncements*** – In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842)*, which enhanced ASU No. 2016-02, *Leases (Topic 842)*, and amendments thereto. The guidance of these ASUs requires the rights and obligations arising from the lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the balance sheet and allows for an option to apply the transition provisions of the new standard at its adoption date instead of at the earliest comparative period presented in its financial statements. The ASUs were effective July 1, 2019, and CommonSpirit has elected the practical expedient to initially apply the new leasing standard at the effective date. CommonSpirit is finalizing its analysis of certain key assumptions that will be utilized at the transition date, including the incremental borrowing rate. The primary effect of the new standard will be to record right-of-use assets and obligations for leases classified as operating leases under current guidance, which will have a material impact on the consolidated balance sheets and significant incremental disclosures in the notes to consolidated financial statements. The standard will not have a material impact on CommonSpirit's consolidated statements of operations or cash flows.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires employers to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period, and the other components of net benefit cost are required to be presented on the income statement separately from the service cost component and outside of income from operations. The guidance is effective for CommonSpirit for the annual period ending June 30, 2020, and interim periods beginning July 1, 2020. The estimated net loss and prior service credit for the pension plans expected to be recognized in net periodic benefit cost during the year ending June 30, 2020, is $67 million. As a result of the adoption of ASU 2017-07, this component of net periodic benefit cost will be reflected in nonoperating income (loss) in the consolidated statements of operations and changes in net assets.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*, which requires changes in presentation and disclosures to help not-for-profit entities provide more relevant information about their resources, including liquidity information, to donors, grantors, creditors, and other issues. The most significant change is that net assets are now reported in two classes: net assets without donor restrictions and net assets with donor restrictions. CommonSpirit adopted the guidance as of June 30, 2019, on a retrospective basis for all periods presented. The adoption did not have a material impact on the accompanying consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers,* which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance, and requires expanded disclosures about revenue recognition. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. CommonSpirit adopted the guidance, as amended by ASU 2015-14, as of July 1, 2018, under the modified retrospective approach applied to all contracts existing as of that date. CommonSpirit primarily used a portfolio approach to apply the new model to classes of customers with similar characteristics. The impact of the

adoption of the new standard on CommonSpirit's 2019 total revenues and results of operations is not material, as the analysis of its contracts under the new guidance supports the recognition of revenue consistent with its prior revenue recognition model. The most significant impact of adopting the new standard is to the presentation of the consolidated statements of operations and changes in net assets, where the provision for doubtful accounts is no longer presented as a separate line item and revenues are presented net of estimated implicit price concession revenue deductions. The related presentation of allowances for uncollectible accounts has been eliminated on the consolidated balance sheets for 2019 as a result of the adoption of the new standard.

***Subsequent Events –*** CommonSpirit has evaluated subsequent events occurring between the end of the most recent fiscal year and October 4, 2019, the date the financial statements were issued. See Notes 3 and 15.

## 3. ACQUISITIONS, AFFILIATIONS AND DIVESTITURES

***Affiliation of CHI and Dignity Health –*** On February 1, 2019, CHI and Dignity Health effected a business combination as discussed in Note 1. Due to the circumstances of the business combination between CHI and Dignity Health, through the alignment under CHCF, the transaction qualified for acquisition accounting with CommonSpirit Health as the accounting acquirer of Dignity Health. The affiliation was accounted for as an acquisition under Accounting Standards Codification ("ASC") 958-805, *Not-for-Profit Entities – Business Combinations*. No cash consideration was involved in the affiliation. As a result of the affiliation, a contribution of the excess of assets over liabilities of Dignity Health assumed by CommonSpirit of $10 billion was recognized. Of this amount, $9.2 billion was reported as a contribution from business combination within other income (loss) in the accompanying consolidated statements of operations and changes in net assets, and $235 million and $559 million was recorded as contribution from business combination for noncontrolling interest and net assets with donor restrictions, respectively, in the accompanying consolidated statements of operations and changes in net assets.

Dignity Health's assets acquired and liabilities assumed were fair valued using Level 3 inputs. The following summarizes the fair value estimate of Dignity Health's assets acquired and liabilities assumed as of February 1, 2019 (in millions):

| | | |
|---|---|---|
| Cash and cash equivalents | $ | 679 |
| Short-term investments | | 2,425 |
| Patient accounts receivable, net | | 1,789 |
| Broker receivables for unsettled investment trades | | 36 |
| Provider fee receivable | | 1,099 |
| Other current assets | | 699 |
| Designated assets for capital projects and other | | 2,746 |
| Designated assets held for self-insured claims | | 768 |
| Assets held under bond indenture agreements for debt service | | 4 |
| Donor-restricted | | 557 |
| Other assets limited as to use | | 90 |
| Property and equipment, net | | 7,146 |
| Ownership interests in health-related activities | | 1,315 |
| Intangible assets, net | | 516 |
| Other long-term assets, net | | 44 |
| Long-term debt | | (5,246) |
| Accounts payable | | (564) |
| Accrued salaries and benefits | | (719) |
| Broker payables for unsettled investment trades | | (7) |
| Provider fee payables | | (347) |
| Self-insured reserves and claims | | (721) |
| Pension and other postretirement benefit liabilities | | (1,640) |
| Derivative instruments | | (140) |
| Other accrued liabilities | | (527) |
| Total contribution of net assets | $ | 10,002 |

The following summarizes the financial results of Dignity Health included in the accompanying consolidated financial statements from the date of the affiliation through June 30, 2019 (in millions):

| | | |
|---|---|---|
| Total operating revenues | $ | 5,839 |
| Operating income | | 117 |
| Excess of revenues over expenses | | 372 |

The following unaudited pro forma consolidated financial information of CommonSpirit for 2019 and 2018 has been derived by CommonSpirit management from the results of CHI and Dignity Health assuming that operations of the two organizations were combined as of July 1, 2017. Acquisition-related adjustments have been excluded from the pro forma results.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| (in millions) | Actual | Pro Forma (a) | Actual | Pro Forma (b) |
| Operating revenues: | | | | |
| Net patient revenue | $ 19,476 | $ 26,570 | $ 14,136 | $ 26,820 |
| Premium revenue | 476 | 1,034 | 53 | 955 |
| Revenue from health-related activities, net | 70 | 104 | 18 | 145 |
| Other operating revenue | 897 | 1,090 | 733 | 1,222 |
| Contributions | 47 | 63 | 42 | 62 |
| Total operating revenues | 20,966 | 28,861 | 14,982 | 29,204 |
| Operating expenses: | | | | |
| Salaries and benefits | 10,161 | 14,154 | 7,111 | 14,071 |
| Supplies | 3,337 | 4,519 | 2,449 | 4,422 |
| Purchased services and other | 6,273 | 8,495 | 4,379 | 8,365 |
| Depreciation and amortization | 1,087 | 1,423 | 856 | 1,458 |
| Interest expense, net | 391 | 492 | 313 | 472 |
| Total operating expenses | 21,249 | 29,083 | 15,108 | 28,788 |
| Operating income (loss) before special charges and other costs | (283) | (222) | (126) | 416 |
| Special charges and other costs | (319) | (360) | (141) | (172) |
| Operating gain (loss) | (602) | (582) | (267) | 244 |
| Nonoperating income (loss): | | | | |
| Investment income, net | 612 | 558 | 443 | 891 |
| Income tax expense | (14) | (23) | (10) | 1 |
| Change in fair value and cash payments of interest rate swaps | (131) | (150) | 52 | 70 |
| Contribution (loss) from business combination, net | 9,155 | (53) | - | - |
| Other | (6) | (4) | 4 | 4 |
| Total nonoperating income, net | 9,616 | 328 | 489 | 966 |
| Excess (deficit) of revenues over expenses | $ 9,014 | $ (254) | $ 222 | $ 1,210 |
| Less excess of revenues over expenses attributable to noncontrolling interests | 6 | 36 | 28 | 84 |
| Excess (deficit) of revenues over expenses attributable to CommonSpirit | $ 9,008 | $ (290) | $ 194 | $ 1,126 |

(a) Includes the historical results of Dignity Health for the seven-month period ended January 31, 2019, prior to the affiliation.
(b) Includes the historical results of Dignity Health for the year ended June 30, 2018, prior to the affiliation.

***KentuckyOne Health –*** In July 2017, in accordance with an agreement entered into in December 2016 between KentuckyOne Health and University Medical Center ("UMC"), UMC took over the management of its assets and CHI ceased consolidating the UMC operations as part of KentuckyOne Health. The transaction resulted in a loss on deconsolidation of $319 million in 2018, reflected in discontinued operations in the accompanying consolidated statement of operations and changes in net assets.

In September 2017, CHI became the sole owner of KentuckyOne Health through the purchase of the noncontrolling interest from the remaining partner for $150 million in cash consideration.

***QualChoice Health, Inc.*** **–** In January 2019, CHI sold QualChoice Health Inc.'s ("QualChoice Health") Medicare Advantage health insurance contract rights in the state of Washington. The purchase price is contingent upon future increases in the number of lives covered by the Medicare Advantage plans acquired and upon maintaining a specified Centers for Medicare & Medicaid Services ("CMS") Star Rating as published annually in October 2018 and 2019. As of June 30, 2019, QualChoice Health has recognized $14 million in proceeds from the sale.

In April 2019, CHI sold the commercial insurance operations of QualChoice Health in the state of Arkansas for gross proceeds of $46 million.

***Jewish Hospital and St. Mary's Healthcare, Inc. –*** In May 2017, CHI approved a plan to sell or otherwise dispose of certain entities of Jewish Hospital and St. Mary's Healthcare, Inc. ("JHSMH"). In December 2017, CHI entered into a nonbinding letter of intent to negotiate a definitive agreement for the purchase of substantially all of the JHSMH assets. As of December 31, 2017, and as a result of the anticipated sale transaction, the assets and liabilities of the JHSMH discontinued operations were remeasured at the lower of their carrying amount or their fair value less cost to sell, which resulted in the recognition of an impairment charge of $272 million in the accompanying consolidated statements of operations and changes in net assets.

In June 2018, an updated letter of intent for the purchase of JHSMH was received and, based upon the terms of that letter of intent, CHI recognized additional impairment charges of $106 million in discontinued operations and $12 million in continuing operations to adjust the JHSMH property and equipment values to the lower of their carrying value or their fair value less cost to sell.

In August 2019, an Asset Purchase Agreement was signed with parties related to the University of Louisville for the purchase of the JHSMH operations held for sale. The closing of the transaction is expected to occur on October 31, 2019, with an effective date of November 1, 2019, pending usual and customary closing conditions.

***Premier Health Partners –*** In January 2018, CHI effected an agreement with Premier Health Partners ("Premier"), an Ohio nonprofit corporation operating various hospitals in southwest Ohio, to reorganize and restructure the existing joint operating agreement with Premier. The agreement provided that CHI transfer ownership of Good Samaritan-Dayton ("Dayton") to Premier in exchange for a 22% interest in Premier. No gain or loss was recognized upon the exchange as the net book value of Dayton was equal to the fair value of the interest received in Premier of $325 million.

## 4. ASSETS AND LIABILITIES HELD FOR SALE

A summary of major classes of assets and liabilities held for sale is presented below as of June 30 (in millions):

| **Assets** | **2019** | **2018** |
|---|---|---|
| Patient accounts receivable, net | $ 124 | $ - |
| Other accounts receivable | 16 | 24 |
| Held for self-insurance claims | 47 | 127 |
| Other assets | 26 | 31 |
| Property and equipment, net | 9 | 7 |
| Other long-term assets | 1 | 7 |
| Total assets held for sale | $ 223 | $ 196 |
| **Liabilities** | | |
| Current portion of long-term debt | $ - | $ 9 |
| Accounts payable | 58 | 27 |
| Accrued salaries and benefits | 43 | 42 |
| Other accrued liabilities | 20 | 39 |
| Self-insured reserves and claims | 7 | 91 |
| Other long-term liabilities | 34 | 44 |
| Total liabilities held for sale | $ 162 | $ 252 |

Operating results of discontinued operations are reported in the accompanying consolidated statements of operations and changes in net assets and are summarized as follows for the years ended June 30 (in millions):

| | **2019** | **2018** |
|---|---|---|
| Net patient revenue | $ 703 | $ 713 |
| Other operating revenue | 419 | 582 |
| Total operating revenues | 1,122 | 1,295 |
| Salaries and benefits | 427 | 440 |
| Purchased services and other | 727 | 917 |
| Depreciation and amortization | 3 | 4 |
| Total operating expenses | 1,157 | 1,361 |
| Operating loss before special charges and other | (35) | (66) |
| Special charges and other | (40) | (724) |
| Operating loss | (75) | (790) |
| Nonoperating loss | (4) | (3) |
| Deficit of revenues over expenses | (79) | (793) |
| Deficit of revenues over expenses attributable to noncontrolling interests | - | (3) |
| Deficit of revenues over expenses attributable to CommonSpirit Health | $ (79) | $ (790) |

In 2018, discontinued operations include impairment charges totaling $378 million for JHSMH and a $319 million loss on deconsolidation of UMC.

## 5. NET PATIENT REVENUE

The percentage of inpatient and outpatient services, calculated on the basis of usual and customary charges, is as follows for the year ended June 30:

| | 2019 | 2018 |
|---|---|---|
| Inpatient services | 48% | 44% |
| Outpatient services | 52% | 56% |

Patient revenue, net of contractual discounts and adjustments and implicit price concessions, is comprised of the following for the year ended June 30 (in millions):

| | 2019 | 2018 |
|---|---|---|
| Government | $ 9,676 | $ 6,587 |
| Contracted | 8,236 | 6,036 |
| Self-pay and other | 1,564 | 1,513 |
| | $ 19,476 | $ 14,136 |

Government payor type includes Medicare fee for service, Medicare capitated, Medicare managed care fee for service, Medicaid fee for service, Medicaid capitated and Medicaid managed care fee for service patient accounts. Contracted payor type includes contracted rate payors and commercial capitated patient accounts.

Total operating revenues by service line is as follows:

| | 2019 | 2018 |
|---|---|---|
| Hospitals | $ 17,167 | $ 12,040 |
| Physician organizations | 2,277 | 1,772 |
| Long-term care and home care | 324 | 324 |
| Other | 184 | 53 |
| Net patient and premium revenue | 19,952 | 14,189 |
| Health plans, accountable care, and other | 1,014 | 793 |
| Total operating revenue | $ 20,966 | $ 14,982 |

The increase in total operating revenue in 2019 relates to the affiliation with Dignity Health. See Note 1.

## 6. OTHER CURRENT ASSETS

Other current assets consist of the following at June 30 (in millions):

| | 2019 | 2018 |
|---|---|---|
| Inventories | $ 538 | $ 299 |
| Receivables, other than patient accounts receivable | 522 | 205 |
| Prepaid expenses | 286 | 137 |
| Other | 57 | 1 |
| Total other current assets | $ 1,403 | $ 642 |

## 7. INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments and assets limited as to use include assets set aside by CommonSpirit for future long-term purposes, including capital improvements and self-insurance for workers' compensation and professional and general liabilities, funds held by trustees under bond indenture agreements, amounts contributed by donors with stipulated restrictions, and amounts held for mission and ministry programs. Amounts set aside consist of the following at June 30 (in millions):

| | 2019 | 2018 |
|---|---|---|
| Cash and short-term investments | $ 697 | $ 112 |
| U.S. government securities | 843 | 200 |
| U.S. corporate bonds | 941 | 215 |
| U.S. equity securities | 1,372 | 269 |
| Foreign government securities | - | 83 |
| Foreign corporate bonds | 153 | - |
| Foreign equity securities | 1,302 | - |
| Asset-backed securities | - | 121 |
| Private equity investments | 643 | - |
| Multi-strategy hedge fund investments | 1,179 | - |
| Real estate | 233 | - |
| CHI Operating Investment Program | 4,738 | 5,534 |
| Other | 459 | 150 |
| Interest in net assets of unconsolidated foundations | 328 | - |
| Total | $ 12,888 | $ 6,684 |
| | | |
| Assets limited as to use: | | |
| Current | $ 2,315 | $ 218 |
| Long-term | 8,062 | 6,466 |
| Short-term investments | 2,511 | - |
| Total | $ 12,888 | $ 6,684 |

The current portion of assets limited as to use includes the amount of assets available to meet current obligations for debt service and claims payments under the self-insured programs for workers' compensation for employees and professional and general liability, and the current portion of pledges receivable.

## 8. FAIR VALUE MEASUREMENTS

CommonSpirit accounts for certain assets and liabilities at fair value or on a basis that approximates fair value. A fair value hierarchy for valuation inputs categorizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels and is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

*Level 1:* Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. Financial assets in this category include money market funds, U.S. Treasury securities and listed equities.

*Level 2:* Pricing inputs are based upon 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. Financial assets and liabilities in this category generally include asset-backed securities, corporate bonds and loans, municipal bonds, and derivative instruments.

*Level 3:* Pricing inputs are generally unobservable for the assets or liabilities 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 model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The following represents assets and liabilities measured at fair value or at the NAV practical expedient on a recurring basis and certain other assets accounted for under the equity method as of June 30 (in millions):

| | 2019 | | | |
|---|---|---|---|---|
| | **Quoted Prices in Active Markets for Identical Instruments (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **Total** |
| Assets | | | | |
| Cash and short-term investments | $ 630 | $ 67 | $ - | $ 697 |
| U.S. government securities | 727 | 116 | - | 843 |
| U.S. corporate bonds | 71 | 440 | - | 511 |
| U.S. equity securities | 1,147 | 12 | - | 1,159 |
| Foreign equity securities | 629 | 2 | - | 631 |
| Private equity | - | - | 65 | 65 |
| Other investments | 61 | 25 | 1 | 87 |
| Assets measured at fair value | $ 3,265 | $ 662 | $ 66 | 3,993 |
| Assets at NAV: | | | | |
| U.S. corporate bonds | | | | 430 |
| U.S. equity securities | | | | 213 |
| Foreign corporate bonds | | | | 153 |
| Foreign equity securities | | | | 671 |
| Private equity | | | | 578 |
| Hedge funds | | | | 1,179 |
| Real estate | | | | 233 |
| Total assets | | | | $ 7,450 |
| Liabilities | | | | |
| Derivative instruments | $ - | $ 454 | $ - | $ 454 |
| Other | 3 | - | 74 | 77 |
| Total liabilities | $ 3 | $ 454 | $ 74 | $ 531 |

| | 2018 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Assets | | | | |
| Cash and short-term investments | $ 102 | $ 10 | $ - | $ 112 |
| U.S. government securities | 185 | 15 | - | 200 |
| U.S. corporate bonds | - | 215 | - | 215 |
| U.S. equity securities | 267 | 2 | - | 269 |
| Foreign government securities | - | 83 | - | 83 |
| Asset-backed securities | - | 121 | - | 121 |
| Other investments | - | 2 | 3 | 5 |
| Total assets | $ 554 | $ 448 | $ 3 | $ 1,005 |
| Liabilities | | | | |
| Derivative instruments | $ - | $ 208 | $ - | $ 208 |
| Other | 5 | - | 82 | 87 |
| Total liabilities | $ 5 | $ 208 | $ 82 | $ 295 |

Assets and liabilities measured at fair value on a recurring basis reflected in the table above are reported in short-term investments, assets limited as to use, current liabilities and other liabilities in the accompanying consolidated balance sheets.

There were no transfers among any of the levels of fair value hierarchy during the periods presented.

The Level 2 and 3 instruments listed in the fair value hierarchy tables above use the following valuation techniques and inputs:

For marketable securities, such as U.S. and foreign government securities, U.S. and foreign corporate bonds, U.S. and foreign equity securities, mortgage and asset-backed securities, and structured debt, in the instances where identical quoted market prices are not readily available, fair value is determined using quoted market prices and/or other market data for comparable instruments and transactions in establishing prices, discounted cash flow models and other pricing models. These inputs to fair value are included in industry-standard valuation techniques, such as the income or market approach. CommonSpirit classifies all such investments as Level 2.

For private equity investments where no fair value is readily available, the fair value is determined using models that take into account relevant information considered material. Due to the significant unobservable inputs present in these valuations, CommonSpirit classifies all such investments as Level 3.

The fair value of collateral held under securities lending program is classified as Level 2. The collateral held under this program is placed in commingled funds whose underlying investments are valued using techniques similar to those used for the marketable securities noted above. Amounts reported do not include non-cash collateral of $54 million and $0 million as of June 30, 2019 and 2018, respectively.

The fair value of assets and liabilities for derivative instruments, such as interest rate swaps classified as Level 2, is determined using an industry standard valuation model, which is based on a market approach. A credit risk spread (in basis points) is added as a flat spread to the discount curve used in the valuation model. Each leg is discounted and the difference between the present value of each leg's cash flows equals the fair value of the swap.

Investments that are measured using the NAV per share practical expedient have not been classified in the fair value hierarchy. The NAV amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheet.

Related to investments valued using the NAV per share practical expedient, management also performs, on a regular basis when information is available, various validations and testing of NAV provided and determines that the investment managers' valuation techniques are compliant with fair value measurement accounting standards.

Financial assets totaling $65 million were transferred to Level 3 through the contribution from business combination. See Note 3.

The following table and explanations identify attributes relating to the nature and risk of investments for which fair value is determined using a calculated NAV as of June 30, 2019 (in millions):

| | | As of June 30, 2019 | | | |
|---|---|---|---|---|---|
| | | **NAV Practical Expedient** | **Unfunded Commitments** | **Redemption Frequency (If Currently Eligible)** | **Redemption Notice Period** |
| Private equity | (1) | $ 578 | $ - | - | - |
| Multi-strategy hedge funds | (2) | 1,179 | - | Monthly, Quarterly, Semi-annually, Annually | 5 - 120 days |
| Real estate | (3) | 233 | 10 | Quarterly | 90 days |
| Commingled funds - debt securities | (4) | 583 | 41 | Daily, Monthly, Quarterly | 1 - 90 days |
| Commingled funds - equity securities | (5) | 884 | - | Daily, Monthly, Quarterly | 1 - 90 days |
| Total | | $ 3,457 | $ 51 | | |

(1) This category includes private equity funds that specialize in providing capital to a variety of investment groups, including, but not limited to, venture capital, leveraged buyout, mezzanine debt, distressed debt, and other situations. There are no provisions for redemptions during the life of these funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated, estimated at June 30, 2019, to be over the next 11 years.

(2) This category includes investments in hedge funds that pursue diversification of both domestic and foreign fixed income and equity securities through multiple investment strategies. The primary objective for these funds is to seek attractive long-term, risk-adjusted absolute returns. Under certain circumstances, an otherwise redeemable investment or portion thereof could become restricted. The following table reflects the various redemption frequencies, notice periods, and any applicable lock-up periods or gates to redemption as of June 30, 2019:

| Percentage of the Value of Category (2) | | Redemption Frequency | Redemption Notice Period | Redemption Locked Up Until (if applicable) | Redemption Gate % of Account (if applicable) |
|---|---|---|---|---|---|
| **Total** | **Subtotal** | | | | |
| 7.4% | 6.0% | Annually | 60 days | 2 years | up to 50.0% |
| | 1.4% | Annually | 75 days | - | - |
| 8.8% | 5.4% | Semi-annually | 60 days | - | up to 25.0% |
| | 3.4% | Semi-annually | 75 - 90 days | 2 years | - |
| 51.1% | 9.1% | Quarterly | 30 - 45 days | 2 years | up to 20.0% |
| | 30.8% | Quarterly | 60 - 65 days | 1 year | up to 12.5% - 25.0% |
| | 11.2% | Quarterly | 90 days | - | up to 12.5% - 25.0% |
| 32.7% | 11.7% | Monthly | 5 - 20 days | - | - |
| | 12.7% | Monthly | 30 - 45 days | - | up to 16.7% |
| | 8.3% | Monthly | 60 - 120 days | 6 months | up to 20.0% |

(3) This category includes investments in real estate funds that invest primarily in institutional-quality commercial and residential real estate assets within the U.S. and investments in publicly traded real estate investment trusts. Investments representing 16% of the value of investments in this category do not have provisions for redemptions during the life of these funds. Distributions will be received as the underlying investments of the funds are liquidated, estimated at June 30, 2019, to be over the next six years.

(4) This category includes investments in commingled funds that invest primarily in domestic and foreign debt and fixed income securities, the majority of which are traded in over-the-counter markets. Also included in this category are commingled fixed income funds that provide capital in a variety of mezzanine debt, distressed debt and other special debt securities situations. Investments representing approximately 9% of the value of investments in this category do not have provisions for redemptions during the life of these funds. Distributions will be received as the underlying investments of the funds are liquidated, estimated at June 30, 2019, to be over the next six years.

(5) This category includes investments in commingled funds that invest primarily in domestic or foreign equity securities with multiple investment strategies. A majority of the funds attempt to match or exceed the returns of specific equity indices.

The investments included above are not expected to be sold at amounts that are materially different from NAV.

CHI's investment portfolio is held directly by the CHI Operating Investment Program, L.P. (the "Program"). The Program is structured under a limited partnership agreement with CHI as managing general partner and numerous limited partners, most sponsored by CHI. The partnership provides a vehicle whereby virtually all entities associated with CHI, as well as certain other unrelated entities, can optimize investment returns while managing investment risk. Limited partners may make deposits into the Program on the first business day of each month. Withdrawals may be made from the Program on the first business day of each month upon five business days' prior notice. Fulfillment of withdrawal requests may be delayed due to market restrictions or other conditions as determined by CHI. Withdrawal requests will be fulfilled as soon as practical based upon the conditions necessitating the delay, with at least 25% of the amount requested fulfilled within 60 days, the next 25% within 90 days, and the remaining 50% within 180 days. The entire withdrawal request shall be fulfilled within 180 days of the date such request was made. The limited partnership agreement permits a simple-majority vote of the noncontrolling limited partners to terminate the partnership. Accordingly, CHI recognizes only the utilized portion of Program assets attributable to CHI and its direct affiliates in which it has sole corporate membership or ownership, accounting for its ownership in the Program under the equity method. As such, these investments are excluded from the scope of fair value measurements reported above.

Certain of the Program's alternative investments are made through limited liability companies ("LLCs") and limited liability partnerships ("LLPs"). These LLCs and LLPs provide the Program with a proportionate share of the investment gains or losses. The Program accounts for its ownership in the LLCs and LLPs under the equity method.

The Program's alternative investments are not publicly traded and readily available market quotations are generally not available to be used for valuation purposes. Accordingly, the Program's alternative investments are measured at NAV as of the reporting date, as reported by fund managers, and are excluded from the three-level hierarchy for fair value measurements.

While the Program believes that its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to estimate the fair value of Level 3 investments could result in a different estimate of fair value at the reporting date. Level 3 fair value estimates and Alternative Investments measured at NAV may differ significantly from the values that would have been determined had a readily available market for such investments existed, or had such investments been liquidated or sold to external investors, and these differences could be material to the Program's financial statements.

In situations where inputs used to determine fair value fall into different levels of the fair value hierarchy, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following represents assets and liabilities of the Program in its entirety, of which CHI holds 89% as of June 30, 2019 and 2018, measured at fair value or at the NAV practical expedient on a recurring basis and certain other assets accounted for under the equity method as of June 30 (in millions):

| | 2019 | | | |
|---|---|---|---|---|
| | **Quoted Prices in Active Markets for Identical Instruments (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **Total** |
| Assets | | | | |
| Short-term investments | $ 321 | $ 77 | $ - | $ 398 |
| Common stocks | 2,100 | - | - | 2,100 |
| Mutual funds and exchange-traded funds | 97 | - | - | 97 |
| Preferred stocks | 5 | 9 | - | 14 |
| Fixed-income funds | - | 417 | - | 417 |
| Corporate bonds | - | 314 | - | 314 |
| Asset-backed securities | - | 347 | - | 347 |
| U.S. government bonds: | | | | |
| U.S. treasury inflation indexed bonds | 23 | - | - | 23 |
| U.S. treasury notes | 57 | - | - | 57 |
| Other | - | 8 | - | 8 |
| Foreign government bonds | - | 64 | - | 64 |
| CHI Direct Community Investment Program | - | - | 55 | 55 |
| Foreign currency exchange contracts | - | 220 | - | 220 |
| Term loans | - | - | 192 | 192 |
| Assets measured at fair value | $ 2,603 | $ 1,456 | $ 247 | 4,306 |
| Assets at NAV: | | | | |
| Hedge funds | | | | 524 |
| Real estate | | | | 427 |
| Venture capital/private equity | | | | 351 |
| Total assets | | | | $ 5,608 |
| Liabilities - foreign currency exchange contracts | $ - | $ 220 | $ - | $ 220 |

| | 2018 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Assets | | | | |
| Short-term investments | $ 229 | $ 120 | $ - | $ 349 |
| Common stocks | 2,399 | - | - | 2,399 |
| Mutual funds and exchange-traded funds | 333 | - | - | 333 |
| Preferred stocks | 5 | 7 | - | 12 |
| Fixed-income funds | - | 668 | - | 668 |
| Corporate bonds | - | 421 | - | 421 |
| Asset-backed securities | - | 478 | - | 478 |
| U.S. government bonds: | | | | |
| U.S. treasury inflation indexed bonds | 14 | - | - | 14 |
| U.S. treasury notes | 150 | - | - | 150 |
| Other | - | 21 | - | 21 |
| Foreign government bonds | - | 73 | - | 73 |
| CHI Direct Community Investment Program | - | - | 54 | 54 |
| Foreign currency exchange contracts | - | 207 | - | 207 |
| Term loans | - | - | 193 | 193 |
| Assets measured at fair value | $ 3,130 | $ 1,995 | $ 247 | 5,372 |
| Assets at NAV: | | | | |
| Hedge funds | | | | 523 |
| Real estate | | | | 397 |
| Venture capital/private equity | | | | 334 |
| Total assets | | | | $ 6,626 |
| Liabilities - foreign currency exchange contracts | $ - | $ 208 | $ - | $ 208 |

## 9. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at June 30 (in millions):

| | 2019 | 2018 |
|---|---|---|
| Land and improvements | $ 1,879 | $ 759 |
| Buildings | 11,290 | 7,162 |
| Equipment | 8,666 | 6,945 |
| Construction in progress | 1,685 | 656 |
| Total | 23,520 | 15,522 |
| Less: Accumulated depreciation | (8,254) | (7,411) |
| Property and equipment, net | $ 15,266 | $ 8,111 |

## 10. OWNERSHIP INTERESTS IN HEALTH-RELATED ACTIVITIES

***Joint Operating Agreements*** **–** CommonSpirit participates in JOAs with hospital-based organizations in three separate market areas. The agreements generally provide for, among other things, joint management of the combined operations of the local facilities included in the JOAs through Joint Operating Companies ("JOCs"). CommonSpirit retains ownership of the assets, liabilities, equity, revenues and expenses of the CommonSpirit facilities that participate in the JOAs. The financial statements of the CommonSpirit facilities managed under all JOAs are included in the accompanying consolidated financial statements. Transfers of assets from facilities owned by the JOA participants generally are restricted under the terms of the agreements.

As of June 30, 2019 and 2018, CommonSpirit has investment interests of 65%, 50% and 50% in JOCs based in Colorado, Iowa, and Ohio, respectively. CommonSpirit's interests in the JOCs are included in ownership interests in health-related activities in the accompanying consolidated balance sheets and totaled $450 million and $436 million at June 30, 2019 and 2018, respectively. CommonSpirit recognizes its investment in all JOCs under the equity method of accounting. The JOCs provide varying levels of services to the related JOA sponsors, and operating expenses of the JOCs are allocated to each sponsoring organization.

***Other Ownership Interests in Health-Related Activities*** **–** In addition to the JOCs above, CommonSpirit has significant ownership interests, as further described below, that are accounted for under the equity method and reflected in the accompanying consolidated balance sheet in ownership interests in health-related activities:

- CHI acquired the investment in Conifer Health Solutions ("Conifer") in May 2012 as part of a multi-year agreement whereby Conifer provides revenue cycle services and health information management solutions for CHI's acute care operations. CommonSpirit's ownership interest in Conifer was 23.8% as of June 2019 and 2018.
- In January 2018, CHI entered into an agreement with Premier to reorganize and restructure the existing JOA with Premier. The agreement provided that CHI transfer ownership of the Dayton market-based organization to Premier in exchange for a 22% interest in Premier.
- Dignity Health transferred and contributed to Optum360, LLC ("Optum360º") certain equipment and the intellectual property related to its internal revenue cycle management functions for a noncontrolling interest in Optum360° in September 2013. Optum360° also provides revenue cycle management functions for other health care organizations. CommonSpirit's ownership interest in Optum360º was 23% at June 30, 2019.
- Dignity Health contributed the stock of U.S. HealthWorks to Concentra, Inc. in February 2018 to strengthen the access and delivery of expanded occupational care for employees, payors, and patients. Pursuant to the transaction, Dignity Health received a 20.6% interest in the combined entity, Concentra Group Holdings Parent, LLC.

The following table summarizes the financial position and results of operations for the significant health-related activities discussed above, which are accounted for under the equity method, as of and for the 12 months ended June 30, or portion of the periods thereof while held by CommonSpirit (in millions):

| | 2019 | | | |
|---|---|---|---|---|
| | **Hospitals** | **JOCs** | **Other** | **Total** |
| Total assets | $ 2,646 | $ 1,418 | $ 5,763 | $ 9,827 |
| Total liabilities | 1,415 | 585 | 2,402 | 4,402 |
| Total net assets | 1,231 | 833 | 3,343 | 5,407 |
| Total operating revenues, net | 1,861 | 957 | 2,380 | 5,198 |
| Excess (deficit) of revenues over expenses | (131) | (142) | 302 | 29 |
| Investment at June 30 recorded in ownership interests in health-related activities | 270 | 450 | 1,397 | 2,117 |
| Income (loss) recorded in revenue from health-related activities, net | (31) | (63) | 105 | 11 |

| | 2018 | | | |
|---|---|---|---|---|
| | **Hospitals** | **JOCs** | **Other** | **Total** |
| Total assets | $ 2,729 | $ 1,365 | $ 1,310 | $ 5,404 |
| Total liabilities | 1,334 | 599 | 281 | 2,214 |
| Total net assets | 1,395 | 766 | 1,029 | 3,190 |
| Total revenues, net | 1,733 | 927 | 1,525 | 4,185 |
| Excess (deficit) of revenues over expenses | (167) | (127) | 304 | 10 |
| Investment at June 30 recorded in ownership interests in health-related activities | 311 | 436 | 671 | 1,418 |
| Income (loss) recorded in revenue from health-related activities, net | (15) | (61) | 57 | (19) |

Other than the investments described above, ownership interests totaling $1 billion are not material individually to the consolidated financial statements.

## 11. GOODWILL

Goodwill is measured as of the effective date of a business combination as the excess of the aggregate of the fair value of consideration transferred over the fair value of the tangible and intangible assets acquired and liabilities assumed.

The changes in the carrying amount of goodwill are as follows (in millions):

| | **2019** | **2018** |
|---|---|---|
| Balance at beginning of period | $ 239 | $ 232 |
| Addition from acquisitions | 3 | 11 |
| Goodwill divested during the year | - | (4) |
| Balance at end of period | $ 242 | $ 239 |

## 12. INTANGIBLE ASSETS, NET

Intangible assets, net, consist of the following at June 30 (in millions):

| | 2019 | | | |
|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Balance at End of Period | Amortization period |
| Trademarks | $ 555 | $ - | $ 555 | Indefinite |
| Trademark agreements | 156 | (42) | 114 | 120 - 300 months |
| Noncompete agreements | 11 | (8) | 3 | 24 months |
| Certificate of need | 13 | - | 13 | Indefinite |
| Other contracts | 39 | (10) | 29 | 150 - 168 months |
| | $ 774 | $ (60) | $ 714 | |

| | 2018 | | | |
|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Balance at End of Period | Amortization period |
| Trademarks | $ 10 | $ - | $ 10 | Indefinite |
| Trademark agreements | 161 | (35) | 126 | 120 - 300 months |
| Noncompete agreements | 11 | (7) | 4 | 60 months |
| Certificate of need | 13 | - | 13 | Indefinite |
| Other contracts | 37 | (8) | 29 | 36 - 150 months |
| | $ 232 | $ (50) | $ 182 | |

The aggregate amortization expense related to intangible assets is $10 million and $9 million for the years ended June 30, 2019 and 2018, respectively, and is recorded in depreciation and amortization on the accompanying consolidated statements of operations and changes in net assets.

Estimated amortization expense related to intangible assets is $9 million in 2020, 2021, 2022 and 2023, $8 million in 2024, and $102 million thereafter.

## 13. OTHER LONG-TERM ASSETS, NET

Other long-term assets, net, consist of the following at June 30 (in millions):

| | 2019 | 2018 |
|---|---|---|
| Notes receivable, primarily secured | $ 68 | $ 52 |
| Other | 126 | 81 |
| Total other long-term assets, net | $ 194 | $ 133 |

## 14. OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of the following at June 30 (in millions):

| | 2019 | 2018 |
|---|---|---|
| Accrued interest expense | $ 105 | $ 76 |
| Due to government agencies | 109 | 118 |
| Capitation claims | 82 | - |
| Construction retention and contracts payable | 44 | - |
| Liabilities due to medical groups and physicians | 71 | - |
| Due to unconsolidated affiliates | 116 | 53 |
| Other | 663 | 554 |
| Total other accrued liabilities | $ 1,190 | $ 801 |

## 15. DEBT

Notwithstanding the consolidation of the financial statements as of February 1, 2019, as of June 30, 2019, the indebtedness of CHI and Dignity Health remain the separate legal obligations of the respective organizations, until such existing debt is restructured and consolidated into a single credit (the "Debt Consolidation"). The existing debt of CHI upon the affiliation date, the majority of which is evidenced by obligations issued by the Corporation under its Capital Obligation Document (the "COD"), has not been modified, and the Corporation remains the obligor. The existing debt of Dignity Health upon the affiliation date, the majority of which is secured by and subject to the provisions of the Dignity Health Master Trust Indenture (the "Master Trust Indenture"), has not been modified, and the members of the Obligated Group established under the Master Trust Indenture (the "Dignity Health Obligated Group") remain as the obligors.

***Master Trust Indenture –*** As part of a system-wide corporate financing plan, Dignity Health established the Dignity Health Obligated Group to access the capital markets and make loans to its members. Dignity Health Obligated Group members are jointly and severally liable for the obligations outstanding under the Master Trust Indenture. None of the other CommonSpirit subordinate corporations and subsidiaries have assumed any financial obligation related to payment of debt service on obligations issued under the Master Trust Indenture. The Master Trust Indenture requires, among other things, gross revenue of the Dignity Health Obligated Group pledged as collateral, certain limitations on additional indebtedness, liens on property and dispositions or transfers of assets, and the maintenance of certain financial ratios. The Dignity Health Obligated Group is in compliance with these requirements at June 30, 2019.

***Capital Obligation Document –*** The majority of CHI's debt is evidenced with obligations issued under the COD and CHI is the sole obligor. Bondholder security resides in both the COD's unsecured promise by CHI to pay its obligations and the requirement that CHI cause each Participant and Designated Affiliate to pay or otherwise transfer to CHI such amounts as are necessary to make all payments required under the COD when due. Covenants under the COD include a minimum debt service coverage ratio and certain limitations on liens, merger, consolidation, sale and conveyance of CHI's property. CHI has covenanted under the COD to cause its Participants and Designated Affiliates to comply with certain covenants related to corporate existence, maintenance of insurance and operation of their facilities. CHI is in compliance with these requirements as of June 30, 2019.

***CommonSpirit Health MTI –*** As part of the Debt Consolidation plan and in connection with the issuance and sale of the 2019 tax-exempt and taxable bonds, the debt previously issued by CHI and Dignity Health was consolidated into a single unified credit group and debt structure as of August 21, 2019. See "2019 Financing Activity" for additional information.

As of August 21, 2019, the COD and the Master Trust Indenture were amended and restated, both to be the new CommonSpirit Health Master Trust Indenture (the "CommonSpirit Health MTI"), with CHI and the Dignity Health Obligated Group each obtaining the necessary consents. The CommonSpirit Health MTI has an Obligated Group that is comprised of the former Dignity Health Obligated Group and CHI entities (collectively,

the "CommonSpirit Obligated Group"). The CommonSpirit Health Obligated Group represents approximately 92% of consolidated revenues of CommonSpirit as of June 30, 2019.

Debt, net of unamortized debt issuance costs, consists of the following at June 30 (in millions):

| | 2019 | 2018 |
|---|---|---|
| Under master trust indentures and COD: | | |
| Fixed rate debt: | | |
| Fixed rate revenue bonds payable in installments through 2045; interest at 1.88% to 7.0% | $ 4,175 | $ 2,926 |
| Fixed rate taxable bonds payable in installments through 2065; interest at 2.6% to 5.3% | 2,994 | 1,790 |
| Total fixed rate debt | 7,169 | 4,716 |
| Variable rate debt: | | |
| Taxable direct placement loans payable in 2019 and 2023; interest set at prevailing market rates (3.29% to 3.32% at June 30, 2019) | 353 | - |
| Taxable direct purchase bonds with mandatory tender from 2019 through 2021; interest set at prevailing market rates (3.81% to 4.19% at June 30, 2019) | 925 | 650 |
| Direct purchase bonds payable in installments through 2024; interest set at prevailing market rates (2.53% to 4.43% at June 30, 2019) | 922 | 928 |
| Floating rate notes payable with mandatory tender from 2020 through 2025; interest set at prevailing market rates (2.56% to 3.3% at June 30, 2019) | 411 | 411 |
| Variable rate demand bonds payable in installments through 2047; interest set at prevailing market rates (1.47% to 2.1% at June 30, 2019) | 820 | 97 |
| Auction rate certificates payable in installments through 2042; interest set at prevailing market rates (1.89% to 2.35% at June 30, 2019) | 240 | - |
| Bank lines of credit maturing in 2019, 2020 and 2023; interest set at prevailing market rates (2.88% to 3.24% at June 30, 2019) | 1,195 | 250 |
| Commercial paper notes with maturities ranging from 2 to 94 days in 2019; interest set at prevailing market rates (2.65% to 2.9% at June 30, 2019) | 881 | 881 |
| Total variable rate debt | 5,747 | 3,217 |
| Total debt under master trust indentures and COD | 12,916 | 7,933 |
| Other: | | |
| Various notes payable and other debt payable in installments through 2042; interest ranging up to 9.73% | 435 | 480 |
| Capitalized lease obligations | 156 | 113 |
| Total debt | 13,507 | 8,526 |
| Less amounts classified as current | (3,475) | (2,087) |
| Less demand bonds subject to short-term liquidity arrangements | (820) | (97) |
| Total long-term debt | $ 9,212 | $ 6,342 |

Scheduled principal debt payments, net of discounts and considering obligations subject to short-term liquidity arrangements as due according to their long-term amortization schedule, for the next five years and thereafter, are as follows (in millions):

| | Long-Term Debt Other Than Demand Bonds | Demand Bonds Subject to Short-Term Liquidity Arrangements | Total Long-Term Debt |
|---|---|---|---|
| 2020 | $ 3,475 | $ 97 | $ 3,572 |
| 2021 | 169 | - | 169 |
| 2022 | 175 | - | 175 |
| 2023 | 1,305 | - | 1,305 |
| 2024 | 642 | - | 642 |
| Thereafter | 6,921 | 723 | 7,644 |
| Total | $ 12,687 | $ 820 | $ 13,507 |

***Debt Arrangements* - Fixed Rate Revenue Bonds** – CommonSpirit has fixed rate revenue bonds outstanding, substantially all of which may be redeemed, in whole or in part, prior to the stated maturities without a premium.

**Fixed Rate Taxable Bonds** – CommonSpirit has taxable fixed rate bonds that are due in November 2019, 2022, 2024, 2042, and 2064, and in August 2023. Early redemption of the debt, in whole or in part, may require a premium depending on market rates.

**Taxable Direct Placement Loans –** CommonSpirit has nine taxable direct placement loans with six banks at variable interest rates.

**Taxable Commercial Paper –** CommonSpirit has a commercial paper program that permits the issuance of up to $881 million in aggregate principal amount outstanding, with maturities limited to 270-day periods. As of June 30, 2019, $881 million of commercial paper notes were outstanding. A portion of the notes were refinanced as part of the Debt Consolidation.

**Floating Rate Notes** – CommonSpirit has floating rate notes ("FRNs") that bear interest at variable rates determined weekly and monthly. These FRNs are subject to mandatory tender on pre-determined dates.

**Variable Rate Direct Purchase Bonds** – CommonSpirit has variable rate direct purchase bonds placed directly with holders that bear interest at variable rates determined monthly based upon a percentage of the London Inter-bank Offered Rate ("LIBOR") and the Securities Industry and Financial Markets Association ("SIFMA"), plus a spread. These bonds are subject to mandatory tender on pre-determined dates.

**Variable Rate Demand Bonds –** Variable rate demand bonds ("VRDBs") are remarketed weekly and may be put at the option of the holders. CommonSpirit maintains bank letters of credit of $723 million as credit enhancement for the VRDBs to ensure the availability of funds to purchase any bonds tendered that the remarketing agent is unable to remarket.

Letters of credit to support certain VRDBs of $196 million, $57 million, $90 million, $91 million, $140 million and $150 million expire in October 2019, December 2019, March 2020, June 2021, October 2021, and November 2021, respectively.

CommonSpirit Health has $97 million of additional VRDBs that are self-funded and not supported by letters of credit.

**Auction Rate Certificates –** CommonSpirit has $240 million of auction rate certificates ("ARCs") that are remarketed weekly. The certificates are insured. Holders of ARCs are required to hold the certificates until the

remarketing agent can find a new buyer for any tendered certificates. The ARCs are insured by Assured Guaranty.

**Notes Payable to Banks Under Credit Agreements –** In 2019, CommonSpirit maintained a $900 million syndicated line of credit facility for working capital, letters of credit, capital expenditures and other general corporate purposes. The amount outstanding under the syndicated credit facility was $296 million as of June 30, 2019. During 2019, the maximum amount outstanding was $306 million. There were no letters of credit issued under this facility as of June 30, 2019. This credit facility expires in June 2023. Outstanding amounts were refinanced as part of the Debt Consolidation.

CommonSpirit maintained a fully drawn $250 million line of credit expiring in July 2020, refinanced as part of the Debt Consolidation, and $365 million of undrawn lines of credit with expiration dates ranging from September 2019 through August 2020 that can be used to support obligations to fund tenders of VRDBs and pay maturing principal of commercial paper, and a $69 million credit facility to support letters of credit expiring in June 2020.

CommonSpirit maintained two lines of credit with separate banks used to advance refund debt. The credit facilities expire in December 2019 and June 2020. The amounts outstanding under these credit facilities was $249 million and $400 million, respectively, as of June 30, 2019. During 2019, the maximum amount outstanding on these lines was $249 million and $400 million, respectively. These two lines of credit were refinanced as part of the Debt Consolidation.

CommonSpirit also maintained a $35 million single-bank line of credit facility for standby letters of credit. Letters of credit issued under this facility were $27 million as of June 30, 2019, but no amounts have been drawn.

***2019 Financing Activity –*** In July 2018, CHI issued $275 million of Series 2018A taxable bonds subject to mandatory tender in August 2021. Proceeds were used to fund the $275 million Series 2013D taxable bonds principal payment due in August 2018. Additionally, in July 2018, CHI extended the mandatory purchase date of the $250 million Series 2017A taxable bonds from August 2018 to July 2021. As a result, CHI classified the Series 2013D and Series 2017A taxable bonds as long-term debt as of June 30, 2018.

In August 2018, CHI issued $200 million of Series 2018B taxable bonds subject to mandatory tender in August 2019. The proceeds were subsequently used to reimburse the funding of the $200 million Series 2016 taxable bonds, which were subject to mandatory tender in September 2018. These bonds were refinanced by the 2019 taxable bonds.

In June 2019, Dignity Health renewed and extended the letter of credit issued in June 2017 to support VRDBs of $91 million to June 2021. This did not change the terms, provisions or classification of the VRDBs.

In February 2019, Dignity Health renewed its $400 million taxable line of credit scheduled to mature from June 2019 to June 2020. This taxable line of credit was refinanced with the August 2019 taxable bonds.

In July 2019, Dignity Health entered into $1.2 billion of bridge loans with three banks to advance refund certain CHI fixed rate bonds using acquisition financing treatment.

In August 2019, CommonSpirit issued $2.5 billion of tax-exempt fixed rate bonds. Proceeds were used to refinance $1.1 billion of the bridge loans entered into in July 2019, refund $1.4 billion of tax-exempt fixed rate bonds that were placed in escrow and the bonds defeased, refund $322 million of commercial paper, and provide $106 million for general working capital purposes. The bonds were sold at a premium and mature in August 2044 and 2049.

In August 2019, CommonSpirit issued $621 million of tax-exempt put bonds. Proceeds included $569 million of new money and were used to refund $161 million of tax-exempt fixed rate bonds, which were placed in escrow, and the bonds were defeased. The bonds were sold at a premium and mature in August 2049, with mandatory purchase dates in August 2024, 2025 and 2026.

In August 2019, CommonSpirit Health issued $3.3 billion of taxable fixed rate bonds at par, with repayments of $770 million, $915 million, $700 million (insured) and $930 million to be made in October 2024, 2029, 2049 (insured) and 2049, respectively. A portion of the proceeds were used to refund $1.5 billion of CHI tax-exempt fixed rate bonds, refinance $945 million of Dignity Health bank lines of credit, refinance $353 million of Dignity Health direct placement variable rate bank loans, refinance $338 million of Dignity Health taxable

bonds, refinance $137 million of the bridge loans (see below), refund $41 million of Dignity Health tax-exempt fixed rate bonds, refinance $5 million of commercial paper, and pay cost of issuance expenses. Refunded bonds were placed in escrow and were defeased. The bonds were sold at par and mature in October 2049.

In September 2019, CommonSpirit renewed and extended three letters of credit issued by Dignity Health in October 2015 to support VRDBs of $76 million, $60 million, and $60 million, to October 2022. This did not change the terms, provisions or classification of the VRDBs.

***2018 Financing Activity –*** In August 2017, CHI redeemed $35 million of bonds originally acquired in fiscal year 2016 as part of the acquisition of Trinity Health System. The bond redemption was funded from cash and investments, resulting in a gain on redemption of $0.2 million reflected in the accompanying consolidated statements of operations and changes in net assets.

In October 2017, CHI issued $250 million of Series 2017A variable-rate direct purchase taxable bonds subject to mandatory tender in October 2018. Proceeds were used to pay the $250 million principal payment due on Series 2012 fixed-rate taxable bonds.

In December 2017, CHI issued $334 million of Series 2017B fixed-rate direct purchase exempt bonds subject to mandatory tender in December 2018. Proceeds were used to pay the $333 million bank loan that matured in December 2017.

In March 2018, CHI issued $66 million in commercial paper notes. Proceeds were used to pay $35 million in principal payments, and for general purposes and capital expenditures.

## 16. DERIVATIVE INSTRUMENTS

CommonSpirit's derivative instruments include 31 floating-to-fixed rate interest rate swaps as of June 30, 2019. CommonSpirit uses floating-to-fixed interest rate swaps to manage interest rate risk associated with outstanding variable rate debt. Under these floating-to-fixed rate swaps, CommonSpirit receives a percentage of LIBOR ranging from 57% to 100%, plus a spread ranging from 0.13% to 1.43%, and pays a fixed rate. CommonSpirit's derivative instruments also include five fixed-to-floating interest rate swaps and 16 total return swaps as of June 30, 2019. CommonSpirit uses these fixed-to-floating derivatives to reduce interest expense associated with fixed rate debt and receives a fixed rate and pays a variable rate percentage of SIFMA plus a spread.

The following table shows the outstanding notional amount of derivative instruments measured at fair value, net of credit value adjustments, as reported in the accompanying consolidated balance sheets as of June 30, 2019 and 2018 (in millions):

| | Maturity Date of Derivatives | Interest Rate | Notional Amount Outstanding | Fair Value |
|---|---|---|---|---|
| | | | **2019** | |
| Derivatives not designated as hedges: | | | | |
| Interest rate swaps | 2024 - 2047 | 3.2% - 4.0% | $ 2,252 | $ (454) |
| Risk participation agreements | 2019 - 2025, with extension options | SIFMA plus spread | 510 | - |
| Total return swaps | 2020 - 2024 | SIFMA plus spread | 408 | - |
| Total derivative instruments | | | 3,170 | (454) |
| Cash collateral | | | - | 240 |
| Derivative instruments, net | | | $ 3,170 | $ (214) |
| | | | **2018** | |
| Derivatives not designated as hedges: | | | | |
| Interest rate swaps | 2024 - 2047 | 3.2% - 4.0% | $ 1,403 | $ (207) |
| Total return swaps | 2018-2020 | SIFMA plus spread | 154 | (1) |
| Total derivative instruments | | | 1,557 | (208) |
| Cash collateral | | | - | 175 |
| Derivative instruments, net | | | $ 1,557 | $ (33) |

CHI's cash collateral balances are netted against the fair value of the swaps, the net amount of which is reflected in derivative instruments in the accompanying consolidated balance sheets, with the fair value of Dignity Health's swaps.

CHI held $1.4 billion notional amount of interest rate swaps at June 30, 2019, which have a negative fair value of $276 million. CHI posted $240 million of collateral against the fair value of these swaps.

The CHI interest rate swaps mature between 2024 and 2047. CHI has the right to terminate the swaps prior to maturity for any reason. The termination value would be the fair value or the replacement cost of the swaps, depending on the circumstances. All of the derivative agreements have certain early termination triggers caused by an event of default or a termination event. The events of default include failure to make payment when due, failure to give notice of a termination event, failure to comply with or perform obligations under the agreements, bankruptcy or insolvency, and defaults under other agreements (cross-default provision). The termination events include credit ratings dropping below Baa3/BBB- (Moody's/Standard & Poor's) by either party on the notional amount of $565 million of interest rate swaps and below Baa2/BBB on a notional amount of $625 million of interest rate swaps.

Based upon CHI's swap agreements in place as of June 30, 2019, a reduction in CHI's credit rating to BBB would obligate CHI to post additional cash collateral of $29 million. If CHI's credit rating were to fall below BBB, the swap counterparties would have the option to require CHI to settle the swap liabilities of $35 million as of June 30, 2019, which are recorded at fair value, net of cash collateral. Generally, it is CHI's policy that all counterparties have an AA rating or better. The swap agreements generally require CHI to provide collateral if

CHI's liability, determined on a fair value basis, exceeds a specified threshold that varies based upon the rating on CHI's long-term indebtedness.

CHI has total return swaps in the notional amount of $138 million and a negative fair value of $1 million at June 30, 2019.

Of the $889 million notional amount of interest rate swaps held by Dignity Health at June 30, 2019, $160 million are insured and have a negative fair value of $50 million. In the event the insurer is downgraded below A2/A or A3/A- (Moody's/Standard and Poor's), the counterparties have the right to terminate the swaps if Dignity Health does not provide alternative credit support acceptable to them within 30 days of being notified of the downgrade. If the insurer is downgraded below the thresholds noted above and Dignity Health is downgraded below Baa3/BBB- (Moody's/Standard and Poor's), the counterparties have the right to terminate the swaps.

Dignity Health has $729 million of interest rate swaps that are not insured as of June 30, 2019. While Dignity Health has the right to terminate the swaps prior to maturity for any reason, counterparties have various rights to terminate, including swaps in the outstanding notional amount of $100 million at each five-year anniversary date commencing in March 2023 and swaps in the notional amount of $204 million at each five-year anniversary date commencing in September 2023. Swaps in the notional amounts of $60 million and $68 million have mandatory puts in March 2021 and March 2023, respectively. The termination value would be the fair value or the replacement cost of the swaps, depending on the circumstances. These interest rate swaps have a negative fair value of $78 million at June 30, 2019. The remaining uninsured interest rate swaps in the notional amount of $297 million have a negative fair value of $50 million as of June 30, 2019.

Dignity Health has floating rate derivatives in the notional amount of $780 million as of June 30, 2019. Risk participation agreements in the notional amount of $510 million have a fair value deemed immaterial as of June 30, 2019. Dignity Health has a total return swap in the notional amount of $270 million. The total return swap has a positive fair value of $1 million at June 30, 2019.

All of Dignity Health's derivative agreements have certain early termination triggers caused by an event of default or a termination event. The events of default include failure to make payment when due, failure to give notice of a termination event, failure to comply with or perform obligations under the agreements, bankruptcy or insolvency, and defaults under other agreements (cross-default provision). Other than the insured swaps described above, the termination events include credit ratings dropping below Baa1/BBB+ (Moody's/Standard & Poor's) by either party on the notional amount of $709 million of swaps and below Baa2/BBB on a notional amount of $800 million, and Dignity Health's cash on hand dropping below 85 days.

As part of the August 2019 Debt Consolidation, all swaps and derivative bank counterparties consented to the CommonSpirit Health MTI.

## 17. INTEREST EXPENSE, NET

The components of interest expense, net, include the following (in millions):

| | 2019 | 2018 |
|---|---|---|
| Interest and fees on debt | $ 414 | $ 321 |
| Capitalized interest expense | (23) | (8) |
| Interest expense, net | $ 391 | $ 313 |

## 18. RETIREMENT PROGRAMS

CommonSpirit maintains defined benefit pension plans and other postretirement benefit plans that cover most Dignity Health and CHI employees. Benefits for both types of plans are generally based on age, years of service and employee compensation.

Certain of CHI's plans were frozen in previous years, and benefits earned by employees through that time period remain in the retirement plans, where employees continue to receive interest credits and vesting credits, if applicable.

Actuarial valuations are performed for all of the plans. These valuations are dependent on various assumptions. These assumptions include the discount rate and the expected rate of return on plan assets (for pension), which are important elements of expense and liability measurement. Other assumptions involve demographic factors such as retirement age, mortality, turnover and the rate of compensation increases. CommonSpirit evaluates all assumptions in conjunction with the valuation updates and modifies them as appropriate.

Pension costs and other postretirement benefit costs are allocated over the service period of the employees in the plans. The principle underlying this accounting is that employees render service ratably over the period, and therefore, the effects in the accompanying consolidated statements of operations and changes in net assets follow the same pattern. Net actuarial gains and losses are amortized to expense on a plan-by-plan basis when they exceed the accounting corridor. The accounting corridor is a defined range within which amortization of net gains and losses is not required and is equal to 10% of the greater of the plan assets or benefit obligations. Gains or losses outside of the corridor are subject to amortization over the average employee future service period.

Contributions to the defined benefit pension plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants. Dignity Health management believes the majority of its plans qualify under a church plan exemption, and as such, are not subject to Employee Retirement Income Security Act ("ERISA") funding requirements. CommonSpirit's funding policy requires that, at a minimum, contributions equal the unfunded normal cost plus amortization of any unfunded actuarial accrued liability. Contributions to these funded plans are anticipated at $227 million in 2020, which exceeds the funding policy minimum contributions.

The accumulated benefit obligation exceeds plan assets for each of the defined benefit plans and postretirement benefit plans for the years ended June 30, 2019 and 2018. The following summarizes the benefit obligations and funded status for the defined benefit pension and postretirement benefit plans (in millions):

| | 2019 | 2018 |
|---|---|---|
| Change in benefit obligation: | | |
| Benefit obligation at beginning of period | $ 4,960 | $ 5,178 |
| Service cost | 146 | 14 |
| Interest cost | 286 | 164 |
| Plan changes/amendments | - | (13) |
| Actuarial (gain) loss | 1,239 | (40) |
| Acquisitions and other | 6,494 | - |
| Administrative expenses paid | (12) | (2) |
| Settlements | (176) | (217) |
| Benefits paid | (260) | (124) |
| Benefit obligation at end of period | $ 12,677 | $ 4,960 |
| Accumulated benefit obligation | $ 12,235 | $ 4,956 |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of period | $ 4,106 | $ 4,067 |
| Actual return on plan assets | 532 | 273 |
| Settlements | (176) | (217) |
| Employer contributions | 126 | 109 |
| Benefits paid | (260) | (124) |
| Acquisitions and other | 4,861 | - |
| Administrative expenses paid | (12) | (2) |
| Fair value of plan assets at end of period, net | $ 9,177 | $ 4,106 |
| Funded status | $ (3,500) | $ (854) |

The following table summarizes the amounts recognized in net assets without donor restrictions as of June 30 (in millions):

| | 2019 | 2018 |
|---|---|---|
| Net actuarial loss | $ 2,240 | $ 1,215 |
| Prior service credit | (12) | (13) |
| Amounts in net assets without donor restrictions | $ 2,228 | $ 1,202 |

The settlement component of net periodic pension cost is recognized in the accompanying statements of operations and changes in net assets within special charges and other costs.

The following table summarizes the weighted-average assumptions used to determine benefit obligations as of June 30:

| | 2019 | 2018 |
|---|---|---|
| To determine benefit obligations: | | |
| Discount rate | 2.4% - 3.7% | 4.1% - 4.3% |
| Rate of compensation increase | 3.8% | N/A |
| To determine net periodic benefit cost: | | |
| Discount rate | 3.2% - 4.3% | 3.7% - 4.2% |
| Expected return on plan assets | 4.8% - 7.5% | 5.5% - 7.2% |
| Rate of compensation increase | 3.8% | N/A |

The following table summarizes the components of net periodic cost (gain) recognized in the accompanying consolidated statements of operations and changes in net assets (in millions):

| | 2019 | 2018 |
|---|---|---|
| Service cost | $ 146 | $ 14 |
| Interest cost | 286 | 164 |
| Expected return on plan assets | (425) | (284) |
| Settlements | 60 | 55 |
| Net prior service credit amortization | (1) | (2) |
| Net actuarial loss amortization | 47 | 49 |
| Net periodic benefit cost (gain) | $ 113 | $ (4) |

The amounts above are recorded in salaries and benefits on the accompanying consolidated statements of operations and changes in net assets, other than settlements which are recorded in special charges and other.

The following represents the fair value of plan assets, net, measured on a recurring basis as of June 30 (in millions). See Note 8 for the definition of Levels 1, 2 and 3 in the fair value hierarchy and investments valued using the NAV practical expedient and discussion regarding fair value measurement.

| | 2019 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Assets | | | | |
| Cash and short-term investments | $ 398 | $ 33 | $ - | $ 431 |
| U.S. government securities | 802 | 53 | - | 855 |
| U.S. corporate bonds | - | 769 | - | 769 |
| U.S. equity securities | 1,986 | 10 | - | 1,996 |
| U.S. term loans | - | - | 159 | 159 |
| Foreign corporate bonds | - | 119 | - | 119 |
| Foreign equity securities | 1,128 | - | - | 1,128 |
| Foreign term loans | - | - | 38 | 38 |
| Other | - | 67 | - | 67 |
| Assets measured at fair value | $ 4,314 | $ 1,051 | $ 197 | 5,562 |
| Assets at NAV: | | | | |
| U.S. corporate bonds | | | | 596 |
| U.S. equity securities | | | | 159 |
| Foreign corporate bonds | | | | 100 |
| Foreign equity securities | | | | 651 |
| Private equity | | | | 1,066 |
| Hedge funds | | | | 813 |
| Real estate | | | | 347 |
| Total assets | | | | $ 9,294 |
| Liabilities | | | | |
| Foreign currency exchange contracts | $ - | $ 39 | $ - | $ 39 |
| Payable under securities lending program | - | 15 | - | 15 |
| Total liabilities | $ - | $ 54 | $ - | $ 54 |
| Other plan assets (liabilities) | | | | |
| Due from brokers for unsettled investment trades | | | | 229 |
| Due to brokers for unsettled investment trades | | | | (292) |
| Fair value of plan assets, net | | | | $ 9,177 |

| | 2018 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Assets | | | | |
| Cash and short-term investments | $ 170 | $ 54 | $ - | $ 224 |
| U.S. government securities | 382 | 41 | - | 423 |
| U.S. corporate bonds | - | 686 | - | 686 |
| U.S. equity securities | 1,059 | 4 | - | 1,063 |
| U.S. term loans | - | - | 153 | 153 |
| Foreign corporate bonds | - | 117 | - | 117 |
| Foreign equity securities | 682 | 1 | - | 683 |
| Foreign term loans | - | - | 35 | 35 |
| Other | 2 | 88 | - | 90 |
| Assets measured at fair value | $ 2,295 | $ 991 | $ 188 | 3,474 |
| Assets at NAV: | | | | |
| Private equity | | | | 406 |
| Real estate | | | | 327 |
| | | | | $ 4,207 |
| Liabilities - Foreign currency exchange contracts | $ - | $ 88 | $ - | $ 88 |
| Other plan assets (liabilities) | | | | |
| Due from brokers for unsettled investment trades | | | | 49 |
| Due to brokers for unsettled investment trades | | | | (62) |
| Fair value of plan assets, net | | | | $ 4,106 |

The following table presents the change in the balance of Level 3 finanical assets in 2019 and 2018 (in millions):

| | 2019 | 2018 |
|---|---|---|
| Balance at beginning of period | $ 188 | $ 182 |
| Total realized losses, net | (1) | - |
| Total unrealized losses, net | (2) | (1) |
| Purchases | 12 | 7 |
| Balance at end of period | $ 197 | $ 188 |

The following table summarizes the weighted-average asset allocations by asset category for the pension plans:

| | 2019 | 2018 |
|---|---|---|
| Cash and cash equivalents | 5% | 5% |
| U.S. government securities | 9% | 10% |
| U.S. corporate bonds | 15% | 16% |
| U.S. equity securities | 23% | 25% |
| U.S. term loans | 2% | 4% |
| Foreign corporate bonds | 2% | 3% |
| Foreign equity securities | 19% | 16% |
| Private equity | 11% | 10% |
| Other | 14% | 11% |
| Total | 100% | 100% |

The asset allocation policy for the pension plans for 2019 and 2018 is as follows: domestic fixed income, 40%; domestic equity, 25%; international equity, 15%; private equity, 6%; hedge funds, 8%; and real estate, 6%.

CommonSpirit's investment strategy for the assets of the pension plans is designed to achieve returns to meet obligations and grow the assets of the portfolios longer term, consistent with a prudent level of risk. The strategy balances the liquidity needs of the pension plans with the long-term return goals necessary to satisfy future obligations. The target asset allocation is diversified across traditional and non-traditional asset classes. Diversification is also achieved through participation in U.S. and non-U.S. markets, market capitalization, and investment manager style and philosophy. The complementary investment styles and approaches used by both traditional and alternative investment managers are aimed at reducing volatility while capturing the equity premium from the capital markets over the long term. Risk tolerance is established through consideration of plan liabilities, plan funded status, and corporate financial condition. Consistent with CommonSpirit's fiduciary responsibilities, the fixed income allocation generally provides for security of principal to meet near-term expenses and obligations. Periodic reviews of the market values and corresponding asset allocation percentages are performed to determine whether a rebalancing of the portfolio is necessary.

CommonSpirit's pension plan portfolio return assumptions for 2019 and 2018 were based on the long-term weighted-average returns of comparative market indices for the asset classes represented in the portfolio and expectations about future returns.

The following benefit payments, which reflect expected future service, are expected to be paid (in millions):

| | |
|---|---|
| 2020 | $ 698 |
| 2021 | 629 |
| 2022 | 655 |
| 2023 | 675 |
| 2024 | 689 |
| 2025 and thereafter | 3,644 |
| Total | $ 6,990 |

CommonSpirit maintains defined contribution retirement plans for most employees. Employer contributions to those plans of $273 million and $219 million for 2019 and 2018, respectively, included in salaries and benefits in the accompanying consolidated statements of operations and changes in net assets, are primarily based on a percentage of a participant's contribution.

## 19. SPECIAL CHARGES AND OTHER COSTS

Special charges include costs related to the following activities:

| | 2019 | 2018 |
|---|---|---|
| Impairment on carrying value of long-lived assets | $ 123 | $ 14 |
| Changes in business operations | 59 | 53 |
| Pension settlement costs | 60 | 53 |
| Affiliation-related costs | 77 | 21 |
| Total special charges and other costs | $ 319 | $ 141 |

Charges related to changes in business operations include costs incurred periodically to implement reorganization efforts within specific operations in order to align CommonSpirit's operations in the most strategic and cost-effective manner, consisting primarily of consulting and severance costs. Affiliation costs primarily relate to legal, consulting and labor-related costs.

## 20. INVESTMENT INCOME, NET

Investment income, net, on assets limited as to use, cash equivalents, notes receivable, the CHI Operating Investment Program, and investments are comprised of the following (in millions):

| | 2019 | 2018 |
|---|---|---|
| Interest and dividend income, net | $ 160 | $ 144 |
| Net realized gains on sales of securities | 290 | 287 |
| Net unrealized gains on securities | 162 | 12 |
| Investment income, net | $ 612 | $ 443 |

## 21. COMMITMENTS, CONTINGENT LIABILITIES, GUARANTEES AND OTHER

The following summary encompasses matters related to litigation, regulatory and compliance matters, and developments thereto.

**General** – The health care industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, the rules governing licensure, accreditation, controlled substances, privacy, government program participation, government reimbursement, antitrust, anti-kickback, prohibited referrals by physicians, false claims, and in the case of tax-exempt organizations, the requirements of tax exemption. Management believes CommonSpirit is materially in compliance with all applicable laws and regulations of the Medicare and Medicaid programs. Compliance with such laws and regulations is complex and can be subject to future governmental interpretation as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs. Certain CommonSpirit entities have been contacted by governmental agencies regarding alleged violations of Medicare practices for certain services. In the opinion of management after consultation with legal counsel, the ultimate outcome of these matters will not have a material adverse effect on CommonSpirit's consolidated financial statements.

In recent years, government activity has increased with respect to investigations and allegations of wrongdoing. In addition, during the course of business, CommonSpirit becomes involved in civil litigation. Management assesses the probable outcome of unresolved litigation and investigations and records contingent liabilities reflecting estimated liability exposure. Following is a discussion of matters of note.

**U.S. Department of Justice and OIG Investigations** – CommonSpirit and/or its facilities periodically receive notices from governmental agencies, such as the U.S. Department of Justice or the Office of Inspector General ("OIG"), requesting information regarding billing, payment, or other reimbursement matters, or initiating investigations, or indicating the existence of whistleblower litigation. The health care industry in general is experiencing an increase in these activities, as the federal government increases enforcement activities and institutes new programs designed to identify potential irregularities in reimbursement or quality of patient care. Resolution of such matters can result in civil and/or criminal charges, cash payments and/or administrative measures by the entity subject to such investigations. CommonSpirit does not presently have information indicating that pending matters or their resolution will have a material effect on CommonSpirit's financial statements, taken as a whole. Nevertheless, there can be no assurance that the resolution of matters of these types will not affect the financial condition or operations of CommonSpirit, taken as a whole.

Within this category of activities, in October 2014, Dignity Health completed a civil settlement and entered into a Corporate Integrity Agreement ("CIA") with the OIG to resolve an investigation into government reimbursement of hospital inpatient stays. The CIA requires, for a five-year period, enhanced compliance program obligations, education and training, and that Dignity Health retain an independent review organization to review the accuracy of certain claims for hospital services furnished to federal health care program beneficiaries.

**Pension Plan Litigation** – In April 2013, Dignity Health was served with a class action lawsuit filed in the United States District Court for the Northern District of California by a former employee alleging breaches of fiduciary duty and other claims under ERISA in connection with the Dignity Health Pension Plan ("DHPP"). Among other things, the complaint originally alleged that, because Dignity Health is not a church or an association of churches, the DHPP does not qualify as a "church plan". The complaint also challenged the constitutionality of ERISA's church plan exemption. Dignity Health and the sponsoring religious orders established the DHPP and determined the DHPP was a church plan that should be exempt from ERISA, including ERISA's funding requirements, and received private letter rulings from the Internal Revenue Service that confirmed its church plan status. The plaintiff sought to represent a class comprised of participants and beneficiaries of the DHPP as of April 2013, when the complaint was filed.

In July 2014, the District Court ruled that only a church or an association of churches may establish a church plan, the DHPP did not qualify as a church plan since Dignity Health was not a church when the plan was established, and, therefore, DHPP was not exempt from ERISA. Dignity Health appealed the decision. In July 2016, the Ninth Circuit Court of Appeals issued its opinion, which affirmed the District Court's order and held that a church plan must be established by a church or by an association of churches and must be maintained either by a church or by a church-controlled or church-affiliated organization whose principal purpose or function is to provide benefits to church employees. The Ninth Circuit remanded the case to the District Court for further proceedings.

Dignity Health appealed the decision to the United States Supreme Court, which agreed to hear Dignity Health's case together with those of two other faith-based health systems facing similar challenges to church plan status.

In June 2017, the Supreme Court issued its unanimous opinion reversing the decision of the Ninth Circuit. The Court concluded that the 1980 amendment to Section 3(33)(C) of ERISA was intended by Congress to expand the types of pension plans that could qualify as church plans to include plans maintained by faith-based organizations such as Dignity Health and regardless of who first established the plans. The decision did not determine whether Dignity Health satisfied the requirements to maintain a church plan. In fact, the Court specifically noted that it was not deciding (1) whether any hospital was sufficiently associated with a church for its pension plan to qualify for the church plan exemption, or (2) whether an internal retirement committee could qualify as a "principal purpose" organization entitled to maintain a church plan. The Supreme Court remanded the case to the Ninth Circuit for further action based on its decision.

Based on the Supreme Court's decision, the Ninth Circuit returned the case to the District Court to continue the proceedings with regard to the two outstanding questions and other claims that were not decided by the Supreme Court. The plaintiff amended its original complaint in November 2017, and Dignity Health filed a motion to dismiss the case in December 2017. The motion was heard in March 2018. In September 2018, the District Court issued its ruling denying Dignity Health's motion to dismiss. The decision was primarily based upon the procedural standard that requires the Court to accept the plaintiff's allegations in the amended

complaint as true and does not permit Dignity Health to refute those allegations. As a result, the Court found that the amended complaint was sufficient to withstand dismissal at this stage, but encouraged the parties to further develop the factual record as a basis to consider Dignity Health's objections in the future.

The parties have agreed in principle to resolve the litigation. An unopposed motion for approval of the terms of settlement is currently pending before the court for approval. Management does not believe that the proposed settlement will have a material adverse effect on the financial position or results of operations of the System.

***Operating Leases*** – CommonSpirit leases various equipment and facilities under operating leases. Net rental expense for 2019 and 2018 was $410 million and $329 million, respectively. These amounts are recorded in purchased services and other on the accompanying statements of operations and changes in net assets.

Net future minimum lease payments under non-cancelable operating leases as of June 30 are as follows (in millions):

| | 2019 |
|---|---|
| 2020 | $ 331 |
| 2021 | 278 |
| 2022 | 239 |
| 2023 | 211 |
| 2024 | 189 |
| Thereafter | 647 |
| Total | $ 1,895 |

***Capital and Purchase Commitments*** – CommonSpirit has legally committed to fund $1 billion of capital improvements related to certain acquisitions and affiliations, has undertaken various construction and expansion projects that include certain capital commitments, and has entered into various agreements that require certain minimum purchases of goods and services, including management services agreements or information and clinical technology, at levels consistent with normal business requirements. Outstanding capital and purchase commitments were approximately $848 million and $169 million at June 30, 2019, respectively.

## 22. FUNCTIONAL EXPENSES

CommonSpirit provides healthcare services, including inpatient, outpatient, ambulatory, long-term care and community-based services to individuals within the various geographic areas supported by its facilities. Expenses for these program services represent costs that are controllable by operational leadership. Support services include administration, financial services and purchasing, financial planning and budgeting, information technology, risk management, public relations, human resources, cash, debt and investment management, legal, mission services, and other functions that are supported centrally for all of CommonSpirit and are driven by CommonSpirit leadership. Following is a summary of the program and support services provided for the year ended June 30, 2019:

| | Program Services - Healthcare | Support Services - Management and Administrative | Support Services - Fundraising | Total Expenses |
|---|---|---|---|---|
| Salaries and benefits | $ 9,654 | $ 490 | $ 17 | $ 10,161 |
| Supplies | 3,317 | 20 | - | 3,337 |
| Purchased services and other | 5,323 | 898 | 52 | 6,273 |
| Depreciation and amortization | 846 | 241 | - | 1,087 |
| Interest expense | 375 | 16 | - | 391 |
| Total recurring expenses | $ 19,515 | $ 1,665 | $ 69 | $ 21,249 |

Management and administrative expenses as a percentage of total operating expense was approximately 7.7% in 2018.

## 23. UNSPONSORED COMMUNITY BENEFIT EXPENSE (UNAUDITED PRO FORMA)

Unsponsored community benefits are programs or activities that provide treatment and/or promote health and healing as a response to identified community needs. These benefits (a) generate a low or negative margin, (b) respond to the needs of special populations, such as persons living in poverty and other disenfranchised persons, (c) supply services or programs that would likely be discontinued, or would need to be provided by another nonprofit or government provider, if the decision was made on a purely financial basis, (d) respond to public health needs, and/or (e) involve education or research that improves overall community health. The following information is presented on a pro forma basis, assuming the operations of Dignity Health and CHI were combined as of July 1, 2018.

***Benefits for the Poor*** include services provided to persons who are economically poor or are medically indigent and cannot afford to pay for health care services because they have inadequate resources and/or are uninsured or underinsured.

***Benefits for the Broader Community*** refer to programs in the general communities that CommonSpirit serves, beyond and including those for a target population. Most services for the broader community are aimed at improving the health and welfare of the overall community. Such services include the interest rate differential on below-market-rate loans CommonSpirit provides to nonprofit organizations that promote the total health of their local communities, including the development of affordable housing for low-income persons and families, increasing opportunities for jobs and job training, and expanding access to health care for uninsured and underinsured persons.

***Traditional Charity Care*** is free or discounted health services provided to persons who cannot afford to pay and who meet CommonSpirit's criteria for financial assistance.

***Net Community Benefit***, excluding the unpaid cost of Medicare, is the total cost incurred after deducting direct offsetting revenue from government programs, patients, and other sources of payment or reimbursement for services provided to program patients. The comparable amount of net community benefit was $2 billion for 2018, and Net Community Benefit, including the unpaid cost of Medicare, was $4 billion for 2018.

Following is a summary of CommonSpirit's community benefits for 2019, in terms of services to the poor and benefits for the broader community, which has been prepared in accordance with Internal Revenue Service Form 990, Schedule H and the CHA publication, *A Guide for Planning and Reporting Community Benefit* (dollars in millions):

| | Unaudited Pro Forma | | | |
|---|---|---|---|---|
| | **Total Benefit Expense** | **Direct Offsetting Revenue** | **Net Community Benefit** | **% of Total Expenses** |
| Benefits for the poor: | | | | |
| Traditional charity care | $ 317 | $ (28) | $ 289 | 1.4% |
| Unpaid costs of Medicaid / Medi-Cal | 4,550 | (3,109) | 1,441 | 6.8% |
| Other means-tested programs | 23 | (10) | 13 | 0.1% |
| Community services: | | | | |
| Community health services | 58 | (27) | 31 | 0.1% |
| Subsidized health services | 33 | (1) | 32 | 0.2% |
| Donations and other | 52 | (2) | 50 | 0.2% |
| Total community services for the poor | 143 | (30) | 113 | 0.5% |
| Total benefits for the poor | 5,033 | (3,177) | 1,856 | 8.8% |
| Benefits for the broader community: | | | | |
| Community services: | | | | |
| Community health services | 103 | (4) | 99 | 0.5% |
| Health professions education | 128 | (15) | 113 | 0.5% |
| Subsidized health services | 23 | (6) | 17 | 0.1% |
| Research | 131 | (36) | 95 | 0.4% |
| Donations and other | 7 | (1) | 6 | 0.0% |
| Total benefits for the broader community | 392 | (62) | 330 | 1.5% |
| Total Community Benefits | $ 5,425 | $ (3,239) | $ 2,186 | 10.3% |
| Unpaid costs of Medicare | 5,957 | (3,708) | 2,249 | 10.6% |
| Total Community Benefits including unpaid costs of Medicare | $ 11,382 | $ (6,947) | $ 4,435 | 20.9% |

* * *

# COMMONSPIRIT HEALTH

**Consolidated Financial Statements as of**
**and for the Years Ended June 30, 2020 and 2019**
**With Report of Independent Auditors**

## COMMONSPIRIT HEALTH

### TABLE OF CONTENTS

Ernst & Young LLP
Suite 1700
18101 Von Karman Avenue
Irvine, CA 92612

Tel: +1 949 794 2300
Fax: +1 949 437 0590
ey.com

# Report of Independent Auditors

The Board of Stewardship Trustees
CommonSpirit Health

We have audited the accompanying consolidated financial statements of CommonSpirit Health, which comprise the consolidated balance sheets as of June 30, 2020 and 2019, 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.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CommonSpirit Health as of June 30, 2020 and 2019, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

**Adoption of Accounting Standards Update No. 2016-02, *Leases* (Topic 842)**

As discussed in Note 2 to the consolidated financial statements, CommonSpirit Health changed its method of accounting for leases due to the adoption of Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), and the related amendments, effective July 1, 2019. Our opinion is not modified with respect to this matter.

Ernst & Young LLP

October 2, 2020

## COMMONSPIRIT HEALTH

### CONSOLIDATED BALANCE SHEETS
### JUNE 30, 2020 AND 2019 (in millions)

| Assets | 2020 | 2019 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 5,674 | $ 1,569 |
| Short-term investments | 2,715 | 2,511 |
| Assets limited as to use | 1,172 | 2,315 |
| Patient accounts receivable, net | 3,581 | 3,726 |
| Broker receivables for unsettled investment trades | 199 | 291 |
| Provider fee receivable | 1,142 | 964 |
| Assets held for sale | - | 223 |
| Other current assets | 1,622 | 1,403 |
| Total current assets | 16,105 | 13,002 |
| Assets limited as to use: | | |
| Designated assets for: | | |
| Capital projects and other | 7,393 | 7,519 |
| Held for self-insured claims | 1,557 | 1,551 |
| Under bond indenture agreements for debt service | 19 | 31 |
| Donor-restricted | 861 | 879 |
| Other | 597 | 397 |
| Less amount required to meet current obligations | (1,172) | (2,315) |
| Assets limited as to use, net | 9,255 | 8,062 |
| Property and equipment, net | 15,233 | 15,266 |
| Right-of-use operating lease assets | 1,828 | - |
| Ownership interests in health-related activities | 3,188 | 3,145 |
| Goodwill | 274 | 242 |
| Intangible assets, net | 700 | 714 |
| Other long-term assets, net | 190 | 194 |
| Total assets | $ 46,773 | $ 40,625 |

(Continued)

## COMMONSPIRIT HEALTH

### CONSOLIDATED BALANCE SHEETS
### JUNE 30, 2020 AND 2019 (in millions)

| Liabilities and Net Assets | 2020 | 2019 |
|---|---|---|
| Current liabilities: | | |
| Current portion of long-term debt | $ 1,079 | $ 3,475 |
| Demand bonds subject to short-term liquidity arrangements | 821 | 820 |
| Accounts payable | 1,436 | 1,362 |
| Accrued salaries and benefits | 1,460 | 1,348 |
| Self-insured reserves and claims | 407 | 423 |
| Broker payables for unsettled investment trades | 302 | 403 |
| Liabilities held for sale | - | 162 |
| Provider fee payables | 421 | 335 |
| Operating lease liabilities | 274 | - |
| Other accrued liabilities - current | 4,176 | 1,190 |
| Total current liabilities | 10,376 | 9,518 |
| Other liabilities - long-term: | | |
| Self-insured reserves and claims | 1,129 | 1,104 |
| Pension and other postretirement benefit liabilities | 5,553 | 3,692 |
| Derivative instruments | 277 | 214 |
| Operating lease liabilities | 1,701 | - |
| Other accrued liabilities - long-term | 1,002 | 1,094 |
| Total other liabilities - long-term | 9,662 | 6,104 |
| Long-term debt, net of current portion | 13,140 | 9,212 |
| Total liabilities | 33,178 | 24,834 |
| Net assets: | | |
| Without donor restrictions - attributable to CommonSpirit Health | 12,317 | 14,428 |
| Without donor restrictions - noncontrolling interests | 419 | 486 |
| With donor restrictions | 859 | 877 |
| Total net assets | 13,595 | 15,791 |
| Total liabilities and net assets | $ 46,773 | $ 40,625 |

See notes to consolidated financial statements.

## COMMONSPIRIT HEALTH

### CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
### YEARS ENDED JUNE 30, 2020 AND 2019 (in millions)

| | 2020 | 2019 |
|---|---|---|
| Operating revenues: | | |
| Net patient revenue | $ 26,207 | $ 19,476 |
| Premium revenue | 1,158 | 476 |
| Revenue from health-related activities, net | 99 | 70 |
| Other operating revenue | 2,053 | 897 |
| Contributions | 62 | 47 |
| Total operating revenues | 29,579 | 20,966 |
| Operating expenses: | | |
| Salaries and benefits | 14,653 | 10,221 |
| Supplies | 4,515 | 3,337 |
| Purchased services and other | 8,886 | 6,273 |
| Depreciation and amortization | 1,530 | 1,087 |
| Interest expense, net | 456 | 391 |
| Special charges and other costs | 89 | 259 |
| Total operating expenses | 30,129 | 21,568 |
| Operating loss | (550) | (602) |
| Nonoperating income (loss): | | |
| Investment income, net | 273 | 612 |
| Loss on early extinguishment of debt | (110) | - |
| Income tax expense | (50) | (14) |
| Change in fair value and cash payments of interest rate swaps | (219) | (131) |
| Contributions from business combination | 54 | 9,155 |
| Other components of net periodic postretirement costs | 100 | (1) |
| Other | (22) | (5) |
| Total nonoperating income, net | 26 | 9,616 |
| Excess (deficit) of revenues over expenses | $ (524) | $ 9,014 |
| Less excess of revenues over expenses attributable to noncontrolling interests | 27 | 6 |
| Excess (deficit) of revenues over expenses attributable to CommonSpirit Health | $ (551) | $ 9,008 |

(Continued)

## COMMONSPIRIT HEALTH

### CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
### YEARS ENDED JUNE 30, 2020 AND 2019 (in millions)

| | Without Donor Restrictions | | | |
|---|---|---|---|---|
| | Attributable to CommonSpirit Health | Noncontrolling Interests | With Donor Restrictions | Total Net Assets |
| Balance, June 30, 2018 | $ 6,529 | $ 300 | $ 303 | $ 7,132 |
| Excess of revenues over expenses | 9,008 | 6 | - | 9,014 |
| Contribution from business combination | - | 235 | 559 | 794 |
| Contributions | - | - | 69 | 69 |
| Net assets released from restrictions for capital | 28 | - | (28) | - |
| Net assets released from restrictions for operations and other | - | - | (35) | (35) |
| Change in funded status of pension and other postretirement benefit plans | (1,026) | - | - | (1,026) |
| Loss from discontinued operations, net | (79) | - | - | (79) |
| Other | (32) | (55) | 9 | (78) |
| Increase in net assets | 7,899 | 186 | 574 | 8,659 |
| Balance, June 30, 2019 | 14,428 | 486 | 877 | 15,791 |
| Excess (deficit) of revenues over expenses | (551) | 27 | - | (524) |
| Change in accounting principle | 152 | - | - | 152 |
| Contributions | - | - | 96 | 96 |
| Net assets released from restrictions for capital | 49 | - | (49) | - |
| Net assets released from restrictions for operations and other | - | - | (45) | (45) |
| Change in funded status of pension and other postretirement benefit plans | (1,668) | - | - | (1,668) |
| Loss from discontinued operations, net | (182) | - | - | (182) |
| Other | 89 | (94) | (20) | (25) |
| Decrease in net assets | (2,111) | (67) | (18) | (2,196) |
| Balance, June 30, 2020 | $ 12,317 | $ 419 | $ 859 | $ 13,595 |

See notes to consolidated financial statements.

## COMMONSPIRIT HEALTH

### CONSOLIDATED STATEMENTS OF CASH FLOWS
### YEARS ENDED JUNE 30, 2020 AND 2019 (in millions)

| | 2020 | 2019 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ (2,196) | $ 8,659 |
| Adjustments to reconcile change in net assets to cash provided by operating activities: | | |
| Loss on early extinguishment of debt | 110 | - |
| Depreciation and amortization | 1,530 | 1,087 |
| Changes in equity of health-related entities | (100) | (78) |
| Contribution from business combination | (54) | (9,949) |
| Net assets related to business combination | 75 | 12 |
| Noncash special charges and other | 10 | 124 |
| Net gain on disposal of assets | - | (24) |
| Noncash impact of change in accounting principle | (152) | - |
| Change in fair value of swaps | 174 | 104 |
| Change in funded status of pension and other postretirement benefit plans | 1,668 | 1,026 |
| Pension cash contributions | (22) | (19) |
| Changes in certain assets and liabilities: | | |
| Accounts receivable, net | 156 | (110) |
| Accounts payable | 10 | 76 |
| Self-insured reserves and claims | 53 | 20 |
| Accrued salaries and benefits | 76 | 117 |
| Changes in broker receivables/payables for unsettled investment trades | (9) | 142 |
| Provider fee assets and liabilities | (94) | 152 |
| Other accrued liabilities | 3,023 | 130 |
| Prepaid and other current assets | (238) | (30) |
| Other, net | 175 | 49 |
| Cash provided by operating activities before net change in investments and assets limited as to use | 4,195 | 1,488 |
| Net (increase) decrease in investments and assets limited as to use | (40) | 409 |
| Cash provided by operating activities | 4,155 | 1,897 |

(Continued)

## COMMONSPIRIT HEALTH

### CONSOLIDATED STATEMENTS OF CASH FLOWS
### YEARS ENDED JUNE 30, 2020 AND 2019 (in millions)

| | 2020 | 2019 |
|---|---|---|
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (1,286) | (1,148) |
| Investments in health-related activities | (167) | (121) |
| Business acquisitions, net of cash acquired | (12) | 665 |
| Proceeds from asset sales | 218 | 72 |
| Cash distributions from health-related activities | 102 | 109 |
| Other, net | (53) | 6 |
| Cash used in investing activities | (1,198) | (417) |
| Cash flows from financing activities: | | |
| Borrowings | 9,032 | 580 |
| Repayments | (7,607) | (869) |
| Loss on early extinguishment of debt | (110) | - |
| Swaps cash collateral posted | (112) | (65) |
| Distributions to noncontrolling interests | (55) | (49) |
| Purchase of noncontrolling interests | - | (12) |
| Other | - | (6) |
| Cash provided by (used in) financing activities | 1,148 | (421) |
| Net increase in cash and cash equivalents | 4,105 | 1,059 |
| Cash and cash equivalents at beginning of period | 1,569 | 510 |
| Cash and cash equivalents at end of period | $ 5,674 | $ 1,569 |
| Components of cash and cash equivalents and investments at end of year: | | |
| Cash and cash equivalents | $ 5,674 | $ 1,569 |
| Short-term investments | 2,715 | 2,511 |
| Designated assets for capital projects and other | 7,393 | 7,519 |
| Total | $ 15,782 | $ 11,599 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest, net of capitalized interest | $ 429 | $ 430 |
| Supplemental schedule of noncash investing and financing activities: | | |
| Property and equipment acquired through finance lease or note payable | $ 91 | $ 15 |
| Investments in health-related activities | $ 92 | $ 17 |
| Accrued purchases of property and equipment | $ 105 | $ 113 |

See notes to consolidated financial statements.

## 1. ORGANIZATION

CommonSpirit Health (the "Corporation") is a Colorado nonprofit public benefit corporation exempt from federal and state income taxes. Effective February 1, 2019, Catholic Health Initiatives (dba "CHI") changed its name to CommonSpirit Health and became the sole corporate member of Dignity Health, a California nonprofit public benefit corporation also exempt from federal and state income taxes. CommonSpirit Health is a Catholic healthcare system sponsored by the public juridic person, Catholic Health Care Federation ("CHCF"). Due to the circumstances of the business combination between CHI and Dignity Health, through the alignment under CHCF, the transaction qualified for acquisition accounting with CommonSpirit Health as the accounting acquirer of Dignity Health.

CommonSpirit Health owns and operates health care facilities in 21 states and is the sole corporate member (parent corporation) of other primarily nonprofit corporations that are exempt from federal and state income taxes. CommonSpirit Health is comprised of 137 hospitals, including academic health centers, major teaching hospitals, and critical access facilities, community health services organizations, accredited nursing colleges, home health agencies, living communities, a medical foundation and other affiliated medical groups, and other facilities and services that span the inpatient and outpatient continuum of care. CommonSpirit Health also has offshore and onshore captive insurance companies. The accompanying consolidated financial statements include CommonSpirit Health and its direct affiliates and subsidiaries (together, "CommonSpirit").

CommonSpirit Health and substantially all of its direct affiliates and subsidiaries have been granted exemptions from federal income tax as charitable organizations under Section 501(c)(3) of the Internal Revenue Code.

The accompanying consolidated balance sheets and related consolidated statements of operations and changes in net assets and statements of cash flows reflect the financial position and results of operations of CommonSpirit as of and for the years ended June 30, 2020 and 2019. CommonSpirit's results of operations for the year ended June 30, 2019, include 12 months of results of operations and cash flows for CHI, and five months of results of operations and cash flows for Dignity Health from February 1, 2019 to June 30, 2019.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis for Presentation*** – The accompanying consolidated financial statements of CommonSpirit were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of CommonSpirit after elimination of intercompany transactions and balances.

***Reclassifications*** – Certain reclassifications and changes in presentation were made in the 2019 consolidated financial statements to conform to the 2020 presentation, as a result of recently adopted accounting pronouncements. See ***Recent Accounting Pronouncements*** below.

***Use of Estimates*** – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. CommonSpirit considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient revenue, which includes contractual discounts and adjustments; price concessions and charity care; fair value of acquired assets and assumed liabilities in business combinations; recorded values of depreciable and amortizable assets, investments and goodwill; reserves for self-insured workers' compensation and professional and general liabilities; contingent liabilities; and assumptions for measurement of pension and other postretirement benefit liabilities. Management bases its estimates on historical experience and various other assumptions that it believes are reasonable under the particular circumstances. Actual results could differ from those estimates.

***Cash and Cash Equivalents*** **–** Cash and cash equivalents consist primarily of cash and liquid marketable securities with an original maturity of three months or less.

***Inventories*** – Inventories, primarily consisting of pharmacy drugs and medical and surgical supplies, are stated at the lower of cost or net realizable value, determined using the first-in, first-out method.

***Broker Receivables and Payables for Unsettled Investment Trades –*** CommonSpirit accounts for its investments on a trade date basis. Amounts due to/from brokers for investment activity represent transactions that have been initiated prior to the consolidated balance sheet date, but are formally settled subsequent to the consolidated balance sheet date.

***Assets and Liabilities Held for Sale –*** Assets and liabilities held for sale represent assets and liabilities that are expected to be sold within one year. A group of assets and liabilities expected to be sold within one year is classified as held for sale if it meets certain criteria. The assets and liabilities held for sale are measured at the lower of carrying value or fair value less cost to sell. Such valuations include estimates of fair values generally based upon firm offers, discounted cash flows and incremental direct costs to transact a sale (Level 2 and Level 3 inputs).

***Investments and Investment Income*** – The CommonSpirit Board of Stewardship Trustees Investment Committee establishes guidelines for investment decisions. Within those guidelines, CommonSpirit invests in equity and debt securities which are measured at fair value and are classified as trading securities. Accordingly, unrealized gains and losses on marketable securities are recorded within excess (deficit) of revenues over expenses in the accompanying consolidated statements of operations and changes in net assets, and cash flows from the purchases and sales of marketable securities are reported as a component of operating activities in the accompanying consolidated statements of cash flows.

CommonSpirit also invests in alternative investments through limited partnerships. Alternative investments are comprised of private equity, real estate, hedge fund and other investment vehicles. CommonSpirit receives a proportionate share of the investment gains and losses of the partnerships. The limited partnerships generally contract with managers who have full discretionary authority over the investment decisions, within CommonSpirit's guidelines. These alternative investment vehicles invest in equity securities, fixed income securities, currencies, real estate, commodities, and derivatives.

CommonSpirit accounts for its ownership interests in these alternative investments under the equity method, the value of which is based on the net asset value ("NAV") practical expedient and is determined using investment valuations provided by the external investment managers, fund managers or general partners.

Alternative investments generally are not marketable, and many alternative investments have underlying investments that may not have quoted market values. The estimated value of such investments is subject to uncertainty and could differ had a ready market existed. Such differences could be material. CommonSpirit's risk is limited to its capital investment in each investment and capital call commitments as discussed in Note 8.

Investment income or loss is included in excess (deficit) of revenues over expenses unless the income or loss is restricted by donor or law. Income earned on tax-exempt borrowings for specific construction projects is offset against interest expense capitalized for such projects during construction.

***Assets Limited as to Use*** – Assets limited as to use include assets set aside by CommonSpirit for future long-term purposes, including funding depreciation, to the extent that funds are available, to be used for replacement, expansion and improvement of operating property and equipment. Assets limited as to use also include amounts held by trustees under bond indenture agreements, funds set aside for self-insurance programs, amounts contributed by donors with stipulated restrictions, and amounts held for mission and ministry purposes.

***Liquidity*** – Cash and cash equivalents, short-term investments, patient and other accounts receivable, broker receivables, and provider fee receivables are the financial assets available to meet expected expenditure needs within the next year. Additionally, although intended to satisfy long-term obligations, management estimates that approximately 87% of designated assets for capital projects and other in assets limited as to use, as stated at June 30, 2020 and 2019, could be utilized within the next year, if needed. CommonSpirit also has credit facility programs, as described in Note 15, available to meet unanticipated liquidity needs.

***Deferred Financing Costs and Original Issue Discounts/Premiums on Bond Indebtedness*** – CommonSpirit amortizes deferred financing costs and original issue discounts/premiums on bond indebtedness over the estimated average period the related bonds will be outstanding, which approximates the effective interest method. Both deferred financing costs and original issue discounts/premiums are recorded with the related debt.

***Property and Equipment*** – Property and equipment are stated at cost if purchased and at fair market value upon receipt if donated or upon the date of impairment if impaired. Depreciation of property and equipment is recorded using the straight-line method. Amortization of finance lease assets is included in depreciation expense. Estimated useful lives by major classification are as follows:

| | |
|---|---|
| Land improvements | 2 to 40 years |
| Buildings and improvements | 5 to 40 years |
| Equipment | 3 to 20 years |
| Software | 3 to 10 years |

***Asset Impairment*** – CommonSpirit routinely evaluates the carrying value of its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds the estimated recoverability, an asset impairment charge is recognized. The impairment tests are based on financial projections prepared by management that incorporate anticipated results from programs and initiatives being implemented and market value assessments of the assets. If these projections are not met, or if negative trends occur that impact the future outlook, the value of the long-lived assets may be impaired.

Goodwill and indefinite-lived intangible assets are tested for impairment annually on various dates and when an event or circumstance indicates the value of the reporting unit or intangible asset may be impaired. CommonSpirit uses the income and market approaches to estimate the fair value of its reporting units and uses the income approach to estimate the fair value of its indefinite-lived intangible assets. If the carrying value exceeds the fair value, an impairment charge is recognized. See Notes 11 and 12.

***Fair Value of Financial Instruments*** – The carrying amounts reported in the accompanying consolidated balance sheets for assets and liabilities, such as cash and cash equivalents, patient accounts receivable, interests in unconsolidated foundations, excess insurance receivables, community investment loans, broker receivables and payables on unsettled investment trades, accounts payable, and accrued expenses approximate fair value due to the nature of these items. The fair value of investments is disclosed in Note 8.

***Derivative Instruments*** – CommonSpirit utilizes derivative arrangements to manage interest costs and the risk associated with changing interest rates. CommonSpirit records derivative instruments on the accompanying consolidated balance sheets as either an asset or liability measured at its fair value. See Notes 8 and 16.

CommonSpirit does not have derivative instruments that are designated as hedges. Interest cost and changes in fair value of derivative instruments are included in change in fair value and cash payments of interest rate swaps in nonoperating income, net, in the accompanying consolidated statements of operations and changes in net assets.

***Ownership Interests in Health-Related Activities*** – Generally, when the ownership interest in health-related activities is more than 50% and CommonSpirit has a controlling interest, the ownership interest is consolidated, and a noncontrolling interest is recorded in net assets without donor restrictions. When the ownership interest is at least 20%, but not more than 50%, or CommonSpirit has the ability to exercise significant influence over operating and financial policies of the investee, it is accounted for under the equity method, and the income or loss is reflected in revenue from health-related activities, net. Ownership interests for which CommonSpirit's ownership is less than 20% or for which CommonSpirit does not have the ability to exercise significant influence are measured either at fair value or under the measurement alternative. See Note 10.

***Self-Insurance Plans*** – CommonSpirit maintains self-insurance programs for workers' compensation benefits for employees and for professional and general liability risks. Annual self-insurance expense under these programs is based on past claims experience and projected losses. Actuarial estimates of uninsured losses for each program at June 30, 2020 and 2019, have been accrued as liabilities and include an actuarial estimate for claims incurred but not reported ("IBNR"). CommonSpirit has insurance coverage in place for amounts in excess of the self-insured retention for workers' compensation and professional and general liabilities. The current and long-term portions of these liabilities are reflected accordingly in self-insured reserves and claims in the accompanying consolidated balance sheets.

CommonSpirit maintains separate trusts for these programs from which claims and related expenses and costs of administering the plans are paid. CommonSpirit's policy is to fund the trusts such that, over time, assets held equal liabilities for claims incurred for workers' compensation and claims made for professional liability risks.

CommonSpirit is also self-insured for certain employee medical benefits. The liability for IBNR claims for these benefits is included in self-insured reserves and claims within current liabilities in the accompanying consolidated balance sheets.

***Patient Accounts Receivable and Net Patient Revenue*** – Patient service revenue is reported at the amounts that reflect the consideration CommonSpirit expects to be paid 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 consideration for retroactive revenue adjustments due to settlement of audits and reviews. Generally, performance obligations for patients receiving inpatient acute care services and outpatient services are recognized over time as services are provided. Net patient revenue is primarily comprised of hospital and physician services.

Performance obligations are generally satisfied over a period less than one year. As such, CommonSpirit has elected to apply the optional exemption provided in Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2015-14, *Revenue From Contracts with Customers (Topic 606),* and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

CommonSpirit determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured and underinsured patients in accordance with CommonSpirit's financial assistance policy, and implicit price concessions provided to uninsured and underinsured patients. CommonSpirit determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. CommonSpirit determines its estimate of implicit price concessions based on its historical collection experience with these classes of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. CommonSpirit relies on the results of detailed reviews of historical write-offs and collections in estimating the collectability of accounts receivable. Updates to the hindsight analysis are performed at least quarterly using primarily a rolling eighteen-month collection history and write-off data. Subsequent changes to estimates of the transaction price are generally recorded as adjustments to net patient revenue in the period of the change.

Subsequent changes that are determined to be the result of an adverse change in a third-party payor's ability to pay are recorded as bad debt expense in purchased services and other in the accompanying consolidated statements of operations and changes in net assets. Bad debt expense for 2020 and 2019 was not significant.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements included in net patient revenue follows:

Medicare: Payments for inpatient services are generally made on a prospectively determined rate based on clinical diagnosis. Certain facilities receive cost-based reimbursement. Hospital outpatient services are generally paid based on prospectively determined rates. Physician services are paid based upon established fee schedules.

Medicaid: Payments for inpatient services are generally made on a prospectively determined rate based on clinical diagnosis or on a per case or per diem basis. Hospital outpatient services and physician services are paid based upon established fee schedules, a cost basis reimbursement methodology, or discounts from established charges.

Commercial: Payments for inpatient and outpatient services provided to patients covered under commercial insurance policies are paid using a variety of payment methodologies, including per diem and case rates.

Self-Pay and Other: Payment agreements with uninsured or underinsured patients, along with other responsible entities, including institutions, other hospitals and other government payors, are based on a variety of payment methodologies.

Net patient revenue includes estimated settlements under payment agreements with third-party payors. Settlements with third-party payors are accrued on an estimated basis in the period in which the related services are rendered and adjusted in future periods as final settlements are determined. These settlements are estimated

and evaluated based on the terms of the payment agreement with the payor, correspondence from the payor, and historical settlement activity.

***Premium Revenue*** – CommonSpirit has at-risk agreements with various payors to provide medical services to enrollees. Under these agreements, CommonSpirit receives monthly payments based on the number of enrollees, regardless of services actually performed by CommonSpirit. CommonSpirit accrues costs when services are rendered under these contracts, including estimates of IBNR claims and amounts receivable/payable under risk-sharing arrangements. The IBNR accrual includes an estimate of the costs of services for which CommonSpirit is responsible, including out-of-network services, and is recorded in other accrued liabilities.

***Traditional Charity Care*** – Charity care is free or discounted health services provided to persons who cannot afford to pay and who meet CommonSpirit's criteria for financial assistance. The amount of services written off as charity quantified at customary charges was $2.1 billion and $1.2 billion for 2020 and 2019, respectively. CommonSpirit estimates the cost of charity care by calculating a ratio of cost to usual and customary charges and applying that ratio to the usual and customary uncompensated charges associated with providing care to patients who qualify for charity care. This amount is not included in net patient revenue in the accompanying consolidated statements of operations and changes in net assets. The estimated cost of charity care associated with write-offs in 2020 and 2019 was $447 million and $317 million, respectively, for continuing operations. See Note 24.

***Other Operating Revenue*** – Other operating revenue includes grant revenues, including funds received from the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), retail pharmacy revenues, management services revenues, rental revenues, cafeteria revenues, certain contributions released from restrictions, gains on sales of assets, and other nonpatient care revenues. See Note 4.

***Contributions and Net Assets With Donor Restrictions*** – Gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is met, net assets with donor restrictions related to capital purchases are reclassified as net assets without donor restrictions and reflected as net assets released from restrictions used for the purchase of property and equipment in the accompanying consolidated statements of operations and changes in net assets, whereas net assets with donor restrictions related to other gifts are reclassified as net assets without restrictions and recorded as other operating revenue. Gifts received with no restrictions are recorded as contributions in operating revenues. Gifts of long-lived operating assets, such as property and equipment, are reported as additions to net assets without donor restrictions, unless otherwise specified by the donor.

Unconditional promises to give cash and other assets to CommonSpirit are recorded at fair value at the date the promise is received using a discount rate of 2.0% to 5.5% and are generally due within five years. Conditional promises to give are recorded when the conditions have been substantially met. Donor indications of intentions to give are not recorded; such gifts are recorded at fair value only upon actual receipt of the gift. Investment income on net assets with donor restrictions is classified pursuant to the intent or requirement of the donor.

Endowment assets, which are primarily to be used for equipment and expansion, research and education, or charity purposes, include donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period. Donor-restricted endowment net assets totaled $859 million and $877 million in 2020 and 2019, respectively. Changes in endowment net assets primarily relate to investment returns, contributions, and appropriations for expenditures. CommonSpirit preserves the fair value of these gifts as of the date of donation unless otherwise stipulated by the donor. Donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure. CommonSpirit considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policies of CommonSpirit.

CommonSpirit has investment and spending policies for endowment assets designed to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets.

Endowment assets are invested in a manner that is intended to produce results that achieve the respective benchmark while assuming a moderate level of investment risk. Actual returns in any given year may vary from

this amount. To satisfy its long-term rate-of-return objectives, CommonSpirit relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CommonSpirit targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

***Special Charges and Other Costs –*** Special charges include costs related to the affiliation of CHI and Dignity Health, changes in business operations and long-lived asset impairments. Changes in business operations include patient information go-live support and costs incurred to implement reorganization efforts within specific operations in order to align CommonSpirit's operations in the most strategic and cost effective manner. See Note 20.

***Community Benefits*** – As part of its mission, CommonSpirit provides services to the poor and benefits for the broader community. The costs incurred to provide such services are included in excess (deficit) of revenues over expenses in the accompanying consolidated statements of operations and changes in net assets. CommonSpirit prepares a summary of unsponsored community benefit expense in accordance with Internal Revenue Service Form 990, Schedule H, and the Catholic Health Association of the United States ("CHA") publication, *A Guide for Planning and Reporting Community Benefit.* See Note 24.

***Interest Expense*** – Interest expense on debt issued for construction projects is capitalized until the projects are placed in service. Interest expense, net, includes interest and fees on debt, net of these capitalized amounts. See Note 18.

***Income Taxes*** – CommonSpirit has established its status as an organization exempt from income taxes under Internal Revenue Code Section 501(c)(3) and the laws of the states in which it operates, and as such, is generally not subject to federal or state income taxes. However, CommonSpirit's exempt organizations are subject to income taxes on net income derived from a trade or business, regularly carried on, which does not further the organizations' exempt purposes. No significant income tax provision has been recorded in the accompanying consolidated financial statements for net income derived from unrelated trade or business.

CommonSpirit's for-profit subsidiaries account for income taxes related to their operations. The for-profit subsidiaries recognize deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of their assets and liabilities, along with net operating loss and tax credit carryovers, for tax positions that meet the more-likely-than-not recognition criteria. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Income tax interest and penalties are recorded as income tax expense. For the years ended June 30, 2020 and 2019, CommonSpirit's taxable entities recorded an immaterial amount of interest and penalties as part of the provision for income taxes. CommonSpirit's taxable entities did not have any material unrecognized income tax expense as of June 30, 2020 and 2019. CommonSpirit reviews its tax positions quarterly and has determined that there are no material uncertain tax positions that require recognition in the accompanying consolidated financial statements.

***Performance Indicator*** – Management considers excess (deficit) of revenues over expenses to be CommonSpirit's performance indicator. Excess (deficit) of revenues over expenses includes all changes in net assets without donor restrictions except for the effect of contributions with donor restrictions, changes in accounting principles, net assets released from restrictions used for purchase of capital and operations, change in funded status of pension and other postretirement benefit plans, gains and losses from discontinued operations, and other changes including change in ownership interests held by controlled subsidiaries and change in accumulated unrealized derivative gains and losses.

***Operating and Nonoperating Activities –*** CommonSpirit's primary purpose is to provide a variety of health care-related activities, education and other benefits to the communities in which it operates. Activities directly related to the furtherance of this purpose are recorded as operating activities. Other activities outside of this mission are reported as nonoperating activities. Such activities include net investment income, loss on early extinguishment of debt, income tax expense, interest cost and changes in fair value of interest rate swaps, contributions from business combinations, other components of net periodic postretirement benefit costs, and the nonoperating component of Joint Operating Agreement ("JOA") income share adjustments.

***Recent Accounting Pronouncements*** – In August 2018, the FASB issued ASU No. 2018-15, I*ntangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation*

*Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal use software (and hosting arrangements that include an internal-use software license). The guidance is effective for CommonSpirit for the annual period beginning July 1, 2021, and interim periods beginning July 1, 2022. CommonSpirit elected to early adopt this guidance prospectively beginning July 1, 2019. The adoption did not have a material impact on the accompanying consolidated financial statements.

In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842)*, which enhanced ASU No. 2016-02, *Lease*s *(Topic 842)*, and amendments thereto. The guidance of these ASUs requires the rights and obligations arising from lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the balance sheet and allows for an option to apply the transition provisions of the new standard at its adoption date instead of at the earliest comparative period presented in its financial statements. The guidance is effective for CommonSpirit for the annual period ended June 30, 2020, and interim periods beginning July 1, 2019. The guidance was adopted using the modified retrospective approach. Prior period financial statement amounts and disclosures have not been adjusted to reflect the provisions of the new standard. CommonSpirit has elected the transition practical expedient package to carryforward historical assessments of (1) whether contracts are or contain leases, (2) lease classification and (3) initial direct costs. CommonSpirit recognized a $152 million cumulative effect transition adjustment increase to net assets without donor restrictions related to the adoption of ASU 2016-02.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires employers to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period, and the other components of net periodic benefit cost are required to be presented on the income statement separately from the service cost component and outside of income from operations. The guidance was effective for CommonSpirit for the annual period ended June 30, 2020, and interim periods beginning July 1, 2020. The other components of net benefit cost recognized during the years ended June 30, 2020 and 2019 are $100 million and $(1) million, respectively. As a result of the adoption of ASU 2017-07, this component of net periodic benefit cost is reflected in nonoperating income (loss) in the consolidated statements of operations and changes in net assets.

***Subsequent Events –*** CommonSpirit has evaluated subsequent events occurring between the end of the most recent fiscal year and October 2, 2020, the date the consolidated financial statements were issued. See Notes 3, 4 and 15.

## 3. ACQUISITIONS, AFFILIATIONS AND DIVESTITURES

***Affiliation of CHI and Dignity Health*** **–** On February 1, 2019, CHI and Dignity Health effected a business combination as discussed in Note 1. Due to the circumstances of the business combination between CHI and Dignity Health, through the alignment under CHCF, the transaction qualified for acquisition accounting with CommonSpirit as the accounting acquirer of Dignity Health. The affiliation was accounted for as an acquisition under Accounting Standards Codification ("ASC") 958-805, *Not-for-Profit Entities – Business Combinations*. No cash consideration was involved in the affiliation. As a result of the affiliation, a contribution of the excess of assets over liabilities of Dignity Health assumed by CommonSpirit of $10 billion was recognized. Of this amount, $9.2 billion was reported as a contribution from business combination within other income (loss) in the accompanying consolidated statements of operations and changes in net assets, and $235 million and $559 million was recorded as contribution from business combination for noncontrolling interest and net assets with donor restrictions, respectively, in the accompanying consolidated statements of operations and changes in net assets.

Dignity Health's assets acquired and liabilities assumed were fair valued using Level 3 inputs. The following summarizes the fair value estimate of Dignity Health's assets acquired and liabilities assumed as of February 1, 2019 (in millions):

| | |
|---|---|
| Cash and cash equivalents | $ 679 |
| Short-term investments | 2,425 |
| Patient accounts receivable, net | 1,789 |
| Broker receivables for unsettled investment trades | 36 |
| Provider fee receivable | 1,099 |
| Other current assets | 699 |
| Designated assets for capital projects and other | 2,746 |
| Designated assets held for self-insured claims | 768 |
| Assets held under bond indenture agreements for debt service | 4 |
| Donor-restricted assets limted as to use | 557 |
| Other assets limited as to use | 90 |
| Property and equipment, net | 7,146 |
| Ownership interests in health-related activities | 1,315 |
| Intangible assets, net | 516 |
| Other long-term assets, net | 44 |
| Long-term debt | (5,246) |
| Accounts payable | (564) |
| Accrued salaries and benefits | (719) |
| Broker payables for unsettled investment trades | (7) |
| Provider fee payables | (347) |
| Self-insured reserves and claims | (721) |
| Pension and other postretirement benefit liabilities | (1,640) |
| Derivative instruments | (140) |
| Other accrued liabilities | (527) |
| Total contribution of net assets | $ 10,002 |

The following summarizes the financial results of Dignity Health included in the accompanying consolidated financial statements from the date of the affiliation through June 30, 2019 (in millions):

| | |
|---|---|
| Total operating revenues | $ 5,839 |
| Operating income | 117 |
| Excess of revenues over expenses | 372 |

The following unaudited pro forma consolidated financial information of CommonSpirit for 2019 has been derived by CommonSpirit management from the results of CHI and Dignity Health assuming that operations of the two organizations were combined as of July 1, 2018. Acquisition-related adjustments have been excluded from the pro forma results.

| (in millions) | 2020 Actual | 2019 Pro Forma (a) | 2019 Actual |
|---|---|---|---|
| Operating revenues: | | | |
| Net patient revenue | $ 26,207 | $ 26,570 | $ 19,476 |
| Premium revenue | 1,158 | 1,034 | 476 |
| Revenue from health-related activities, net | 99 | 104 | 70 |
| Other operating revenue | 2,053 | 1,090 | 897 |
| Contributions | 62 | 63 | 47 |
| Total operating revenues | 29,579 | 28,861 | 20,966 |
| Operating expenses: | | | |
| Salaries and benefits | 14,653 | 14,249 | 10,221 |
| Supplies | 4,515 | 4,519 | 3,337 |
| Purchased services and other | 8,886 | 8,495 | 6,273 |
| Depreciation and amortization | 1,530 | 1,423 | 1,087 |
| Interest expense, net | 456 | 492 | 391 |
| Special charges and other costs | 89 | 300 | 259 |
| Total operating expenses | 30,129 | 29,478 | 21,568 |
| Operating loss | (550) | (617) | (602) |
| Nonoperating income (loss): | | | |
| Investment income, net | 273 | 558 | 612 |
| Loss on early extinguishment of debt | (110) | - | - |
| Income tax expense | (50) | (23) | (14) |
| Change in fair value and cash payments of interest rate swaps | (219) | (150) | (131) |
| Contribution (loss) from business combination, net | 54 | (53) | 9,155 |
| Other components of net periodic postretirement costs | 100 | 35 | (1) |
| Other | (22) | (4) | (5) |
| Total nonoperating income, net | 26 | 363 | 9,616 |
| Excess (deficit) of revenues over expenses | $ (524) | $ (254) | $ 9,014 |
| Less excess of revenues over expenses attributable to noncontrolling interests | 27 | 36 | 6 |
| Excess (deficit) of revenues over expenses attributable to CommonSpirit | $ (551) | $ (290) | $ 9,008 |

(a) Includes the historical results of Dignity Health for the seven-month period ended January 31, 2019, prior to the affiliation.

***College Station Medical Center*** – In August 2019, a consolidated subsidiary of CommonSpirit, St. Joseph Health in Texas, acquired the assets of College Station Medical Center ("CSMC"). CSMC includes a 167-bed hospital, is a licensed Level III Trauma center, and has accredited services, which include joint replacement, chest pain, stroke, and sleep specialty services. The transaction resulted in the recognition of a $35 million gain, recorded as contribution from business combination in nonoperating income (loss) in the accompanying consolidated statements of operations and changes in net assets, calculated as the fair value of the excess of identifiable assets acquired over liabilities assumed, determined based on Level 3 inputs, including estimated future cash flows and probability weighted performance assumptions.

***QualChoice Health, Inc.*** – In January 2019, CHI sold QualChoice Health Inc.'s ("QualChoice Health") Medicare Advantage health insurance contract rights in the state of Washington. The purchase price was contingent upon future increases in the number of lives covered by the Medicare Advantage plans acquired and upon maintaining a specified Centers for Medicare & Medicaid Services ("CMS") Star Rating as published annually in October 2018 and 2019. As of June 30, 2019, QualChoice Health has recognized $14 million in proceeds from the sale, reflected in loss from discontinued operations, net, in the consolidated statements of operations and changes in net assets.

In April 2019, CHI sold the commercial insurance operations of QualChoice Health in the state of Arkansas for gross proceeds of $46 million.

***Jewish Hospital and St. Mary's Healthcare, Inc.*** – In May 2017, CHI approved a plan to sell or otherwise dispose of certain entities of Jewish Hospital and St. Mary's Healthcare, Inc. ("JHSMH"). In December 2017, CHI entered into a nonbinding letter of intent to negotiate a definitive agreement for the sale of substantially all of the JHSMH assets. As of December 31, 2017, and as a result of the anticipated sale transaction, the assets and liabilities of the JHSMH discontinued operations were remeasured at the lower of their carrying amount or their fair value less cost to sell, which resulted in the recognition of an impairment charge of $272 million in the accompanying consolidated statements of operations and changes in net assets.

In June 2018, CHI recognized additional impairment charges of $106 million in discontinued operations and $12 million in continuing operations to adjust the JHSMH property and equipment values to the lower of their carrying value or their fair value less cost to sell.

In November 2019, CommonSpirit completed its divestiture of JHSMH to the University of Louisville, which resulted in a total loss of $134 million, of which $127 million is reflected in loss from discontinued operations, net, in the accompanying consolidated statements of operations and changes in net assets, and $7 million is reflected in other operating revenue in the accompanying consolidated statements of operations and changes in net assets. Included in the loss and as part of the divestiture agreement, CommonSpirit committed to quarterly support payments to the University of Louisville over a four-year period, totaling $33 million. The current portion of the future commitment of $10 million is recorded in other accrued liabilities - current, and the long-term portion of $23 million is reflected in other accrued liabilities - long-term in the accompanying consolidated balance sheets.

In August 2020, a consolidated affiliate of CommonSpirit, Dignity Community Care ("DCC"), and Yavapai Community Hospital Association, dba Yavapai Regional Medical Center ("YRMC"), an Arizona nonprofit corporation, executed an affiliation agreement to transfer the sole membership of YRMC and its applicable subsidiaries to DCC for no cash consideration. YRMC owns and operates two acute care hospitals, a regional wellness center, an imaging center, a network of primary and specialty physician clinics, and a fundraising foundation in the Prescott, Arizona area. The transaction is expected to close before the end of calendar 2020.

## 4. COVID-19 PANDEMIC

In December 2019, a novel strain of coronavirus, known as COVID-19, was first detected. The virus spread worldwide and in March 2020 was declared a pandemic by the World Health Organization. The Centers for Disease Control and Prevention confirmed the first case in the United States in February 2020, and with the rapid spread across all 50 states, the United States government passed new laws designed to help the nation respond to this pandemic.

The CARES Act provides stimulus in the form of financial aid to cover extensive emergency funding to hospitals and providers through existing mechanisms to prevent, prepare for, and respond to COVID-19. Through June 30, 2020, CommonSpirit has received approximately $1.1 billion under the CARES Act in the form of grants as

reimbursement through the Public Health and Social Services Emergency Fund for lost revenues attributable to COVID-19. These payments are recorded as other operating revenues, as earned. These funds are not required to be repaid upon attestation and compliance with certain terms and conditions. To date, $826 million has been recognized within other operating revenue, and $227 million of deferred revenue, within other accrued liabilities-current, in the consolidated balance sheets. CommonSpirit will continue to monitor the terms and conditions of the CARES Act funding and the impact of the pandemic on revenues and expenses. If CommonSpirit is unable to attest or comply with current or future terms and conditions, the ability to retain some or all of the distributions received may be impacted. CommonSpirit also received $2.6 billion in funds under the Medicare Accelerated and Advance Payment Program. These payments are advances that will be recouped by withholding future Medicare fee-for-service payments for claims until such time as the full accelerated payment has been recouped, and as such, are recorded in other accrued liabilities - current. As of June 30, 2020, the terms and conditions in effect prescribed that any outstanding balance remaining after 12 months from the date of receipt must be repaid or may be subject to interest. As of October 1, 2020, the terms and conditions have been revised whereby recoupment is extended to 29 months from date of receipt, at which time remaining unpaid amounts are subject to interest of 4%.

CommonSpirit will apply for reimbursement for qualifying expenses under the Federal Emergency Management Agency Disaster Relief Fund in fiscal year 2021, and has deferred approximately $140 million of employer payroll taxes through June 30, 2020, pursuant to the Paycheck Protection Program and Health Care Enhancement Act, recorded in other accrued liabilities - long-term.

While the aid received from the programs above provides much needed assistance during this crisis, CommonSpirit is unable to assess the extent to which the amounts and benefits received, or to be received, will offset the anticipated negative impacts on its results of operations and financial position arising from the COVID-19 pandemic.

## 5. NET PATIENT REVENUE

The percentage of inpatient and outpatient services, calculated on the basis of usual and customary charges, is as follows for the years ended June 30:

| | 2020 | 2019 |
|---|---|---|
| Inpatient services | 51% | 48% |
| Outpatient services | 49% | 52% |

Patient revenue, net of contractual discounts and adjustments and implicit price concessions, is comprised of the following for the years ended June 30 (in millions):

| | 2020 | 2019 |
|---|---|---|
| Government | $ 13,319 | $ 9,676 |
| Contracted | 11,026 | 8,236 |
| Self-pay and other | 1,862 | 1,564 |
| | $ 26,207 | $ 19,476 |

Government payor type includes Medicare fee for service, Medicare capitated, Medicare managed care fee for service, Medicaid fee for service, Medicaid capitated and Medicaid managed care fee for service patient accounts. Contracted payor type includes contracted rate payors and commercial capitated patient accounts.

Total operating revenues by service line are as follows:

| | 2020 | 2019 |
|---|---|---|
| Hospitals | $ 23,785 | $ 17,167 |
| Physician organizations | 2,755 | 2,277 |
| Long-term care and home care | 332 | 324 |
| Other | 493 | 184 |
| Net patient and premium revenue | 27,365 | 19,952 |
| Health plans, accountable care, and other | 2,214 | 1,014 |
| Total operating revenues | $ 29,579 | $ 20,966 |

## 6. OTHER CURRENT ASSETS

Other current assets consist of the following at June 30 (in millions):

| | 2020 | 2019 |
|---|---|---|
| Inventories | $ 640 | $ 538 |
| Receivables, other than patient accounts receivable | 593 | 522 |
| Prepaid expenses | 321 | 286 |
| Other | 68 | 57 |
| Total other current assets | $ 1,622 | $ 1,403 |

## 7. INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments and assets limited as to use include assets set aside by CommonSpirit for future long-term purposes, including capital improvements and self-insurance for workers' compensation and professional and general liabilities, funds held by trustees under bond indenture agreements, amounts contributed by donors with stipulated

restrictions, and amounts held for mission and ministry programs. Amounts set aside consist of the following at June 30 (in millions):

| | 2020 | 2019 |
|---|---|---|
| Cash and short-term investments | $ 414 | $ 697 |
| U.S. government securities | 866 | 843 |
| U.S. corporate bonds | 980 | 941 |
| U.S. equity securities | 1,236 | 1,372 |
| Foreign government securities | 6 | - |
| Foreign corporate bonds | 194 | 153 |
| Foreign equity securities | 1,475 | 1,302 |
| Asset-backed securities | 31 | - |
| Private equity investments | 687 | 643 |
| Multi-strategy hedge fund investments | 1,269 | 1,179 |
| Real estate | 278 | 233 |
| CHI Operating Investment Program | 4,739 | 4,738 |
| DH Community Investment Program | 83 | - |
| Other | 585 | 459 |
| Interest in net assets of unconsolidated foundations | 299 | 328 |
| Total | $ 13,142 | $ 12,888 |
| | | |
| Assets limited as to use: | | |
| Current | $ 1,172 | $ 2,315 |
| Long-term | 9,255 | 8,062 |
| Short-term investments | 2,715 | 2,511 |
| Total | $ 13,142 | $ 12,888 |

The current portion of assets limited as to use includes the amount of assets available to meet current obligations for debt service and claims payments under the self-insured programs for workers' compensation for employees and professional and general liability, and the current portion of pledges receivable.

## 8. FAIR VALUE MEASUREMENTS

CommonSpirit accounts for certain assets and liabilities at fair value or on a basis that approximates fair value. A fair value hierarchy for valuation inputs categorizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels and is determined by the lowest level of input that is significant to the fair value measurement in its entirety. These levels are:

*Level 1:* Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. Financial assets in this category include money market funds, U.S. Treasury securities and listed equities.

*Level 2:* Pricing inputs are based upon 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. Financial assets and liabilities in this category generally include asset-backed securities, corporate bonds and loans, municipal bonds, and derivative instruments.

*Level 3:* Pricing inputs are generally unobservable for the assets or liabilities 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 model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The following represents assets and liabilities measured at fair value or at the NAV practical expedient on a recurring basis and certain other assets accounted for under the equity method as of June 30 (in millions):

| | 2020 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Assets | | | | |
| Cash and short-term investments | $ 308 | $ 106 | $ - | $ 414 |
| U.S. government securities | 653 | 213 | - | 866 |
| U.S. corporate bonds | 51 | 513 | - | 564 |
| U.S. equity securities | 1,033 | 5 | - | 1,038 |
| Foreign government securities | - | 6 | - | 6 |
| Foreign corporate bonds | 1 | 87 | - | 88 |
| Foreign equity securities | 855 | 1 | - | 856 |
| Asset-backed securities | - | 31 | - | 31 |
| Private equity | - | - | 66 | 66 |
| Real estate | 7 | 1 | - | 8 |
| DH Community Investment Program | - | - | 83 | 83 |
| Other investments | 61 | 35 | 1 | 97 |
| Assets measured at fair value | $ 2,969 | $ 998 | $ 150 | 4,117 |
| Assets at NAV: | | | | |
| U.S. corporate bonds | | | | 416 |
| U.S. equity securities | | | | 198 |
| Foreign corporate bonds | | | | 106 |
| Foreign equity securities | | | | 619 |
| Private equity | | | | 621 |
| Hedge funds | | | | 1,269 |
| Real estate | | | | 270 |
| Total assets | | | | $ 7,616 |
| Liabilities | | | | |
| Derivative instruments | $ - | $ 630 | $ - | $ 630 |
| Other | 5 | - | 75 | 80 |
| Total liabilities | $ 5 | $ 630 | $ 75 | $ 710 |

| | 2019 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Assets | | | | |
| Cash and short-term investments | $ 630 | $ 67 | $ - | $ 697 |
| U.S. government securities | 727 | 116 | - | 843 |
| U.S. corporate bonds | 71 | 440 | - | 511 |
| U.S. equity securities | 1,147 | 12 | - | 1,159 |
| Foreign equity securities | 629 | 2 | - | 631 |
| Private equity | - | - | 65 | 65 |
| Other investments | 61 | 25 | 1 | 87 |
| Assets measured at fair value | $ 3,265 | $ 662 | $ 66 | 3,993 |
| Assets at NAV: | | | | |
| U.S. corporate bonds | | | | 430 |
| U.S. equity securities | | | | 213 |
| Foreign corporate bonds | | | | 153 |
| Foreign equity securities | | | | 671 |
| Private equity | | | | 578 |
| Hedge funds | | | | 1,179 |
| Real estate | | | | 233 |
| Total assets | | | | $ 7,450 |
| Liabilities | | | | |
| Derivative instruments | $ - | $ 454 | $ - | $ 454 |
| Other | 3 | - | 74 | 77 |
| Total liabilities | $ 3 | $ 454 | $ 74 | $ 531 |

Assets and liabilities measured at fair value on a recurring basis reflected in the table above are reported in short-term investments, assets limited as to use, current liabilities and other liabilities in the accompanying consolidated balance sheets.

The Level 2 and 3 instruments listed in the fair value hierarchy tables above use the following valuation techniques and inputs:

For marketable securities, such as U.S. and foreign government securities, U.S. and foreign corporate bonds, U.S. and foreign equity securities, mortgage and asset-backed securities, and structured debt, in the instances where identical quoted market prices are not readily available, fair value is determined using quoted market prices and/or other market data for comparable instruments and transactions in establishing prices, discounted cash flow models and other pricing models. These inputs to fair value are included in industry-standard valuation techniques, such as the income or market approach. CommonSpirit classifies all such investments as Level 2.

For private equity investments where no fair value is readily available, the fair value is determined using models that take into account relevant information considered material. Due to the significant unobservable inputs present in these valuations, CommonSpirit classifies all such investments as Level 3.

The fair value of collateral held under securities lending program is classified as Level 2. The collateral held under this program is placed in commingled funds whose underlying investments are valued using techniques similar to those used for the marketable securities noted above. Amounts reported do not include noncash collateral of $127 million and $54 million as of June 30, 2020 and 2019, respectively.

The fair value of assets and liabilities for derivative instruments, such as interest rate swaps classified as Level 2, is determined using an industry standard valuation model, which is based on a market approach. A credit risk spread (in basis points) is added as a flat spread to the discount curve used in the valuation model. Each leg is discounted and the difference between the present value of each leg's cash flows equals the fair value of the swap.

Investments that are measured using the NAV per share practical expedient have not been classified in the fair value hierarchy. The NAV amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheet.

Related to investments valued using the NAV per share practical expedient, management also performs, on a regular basis when information is available, various validations and testing of NAV provided and determines that the investment managers' valuation techniques are compliant with fair value measurement accounting standards.

Financial assets totaling $65 million were transferred to Level 3 through the contribution from business combination in 2019. See Note 3.

The following table and explanations identify attributes relating to the nature and risk of investments for which fair value is determined using a calculated NAV as of June 30, 2020 (in millions):

| | | As of June 30, 2020 | | | |
|---|---|---|---|---|---|
| | | NAV Practical Expedient | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period |
| Private equity | (1) | $ 621 | $ 289 | - | - |
| Multi-strategy hedge funds | (2) | 1,269 | - | Weekly, Monthly, Quarterly, Semi-annually, Annually | 3 - 90 days |
| Real estate | (3) | 270 | 25 | Quarterly | 90 days |
| Commingled funds - debt securities | (4) | 522 | 30 | Daily, Monthly, Quarterly | 1 - 90 days |
| Commingled funds - equity securities | (5) | 817 | - | Daily, Weekly, Monthly, Quarterly | 1 - 90 days |
| Total | | $ 3,499 | $ 344 | | |

(1) This category includes private equity funds that specialize in providing capital to a variety of investment groups, including, but not limited to, venture capital, leveraged buyout, mezzanine debt, distressed debt, and other situations. There are no provisions for redemptions during the life of these funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated, estimated at June 30, 2020, to be over the next 11 years.

(2) This category includes investments in hedge funds that pursue diversification of both domestic and foreign fixed income and equity securities through multiple investment strategies. The primary objective for these funds is to seek attractive long-term, risk-adjusted absolute returns. Under certain circumstances, an otherwise redeemable investment or portion thereof could become restricted. The following table reflects the various redemption frequencies, notice periods, and any applicable lock-up periods or gates to redemption as of June 30, 2020:

| Percentage of the Value of Category (2) | | Redemption Frequency | Redemption Notice Period | Redemption Locked Up Until (if applicable) | Redemption Gate % of Account (if applicable) |
|---|---|---|---|---|---|
| Total | Subtotal | | | | |
| 17.1% | 15.6% | Annually | 60 days | 2 years | up to 25.0% - 50.0% |
| | 1.5% | Annually | 75 days | - | - |
| 0.3% | 0.3% | Semi-annually | 75 - 90 days | 2 years | - |
| 39.2% | 8.0% | Quarterly | 30 - 45 days | 2 years | up to 20.0% |
| | 20.4% | Quarterly | 60 - 65 days | 1 year | up to 12.5% - 25.0% |
| | 10.8% | Quarterly | 90 days | - | up to 12.5% - 25.0% |
| 32.8% | 11.3% | Monthly | 5 days | - | up to 20.0% |
| | 16.6% | Monthly | 30 - 45 days | - | up to 20.0% |
| | 4.9% | Monthly | 90 days | - | up to 20.0% |
| 10.6% | 10.6% | Weekly | 3 days | - | - |

(3) This category includes investments in real estate funds that invest primarily in institutional-quality commercial and residential real estate assets within the U.S. and investments in publicly traded real estate investment trusts. Investments representing 36% of the value of investments in this category do not have provisions for redemptions during the life of these funds. Distributions will be received as the underlying investments of the funds are liquidated, estimated at June 30, 2020, to be over the next eight years.

(4) This category includes investments in commingled funds that invest primarily in domestic and foreign debt and fixed income securities, the majority of which are traded in over-the-counter markets. Also included in this category are commingled fixed income funds that provide capital in a variety of mezzanine debt, distressed debt and other special debt securities situations. Investments representing approximately 9% of the value of investments in this category do not have provisions for redemptions during the life of these funds. Distributions will be received as the underlying investments of the funds are liquidated, estimated at June 30, 2020, to be over the next five years.

(5) This category includes investments in commingled funds that invest primarily in domestic or foreign equity securities with multiple investment strategies. A majority of the funds attempt to match or exceed the returns of specific equity indices.

The investments included above are not expected to be sold at amounts that are materially different from NAV.

CHI's investment portfolio is held directly by the CHI Operating Investment Program, L.P. (the "Program"). The Program is structured under a limited partnership agreement with CHI as managing general partner and numerous limited partners, most sponsored by CHI. The partnership provides a vehicle whereby virtually all entities associated with CHI, as well as certain other unrelated entities, can optimize investment returns while managing investment risk. Limited partners may make deposits into the Program on the first business day of each month. Withdrawals may be made from the Program on the first business day of each month upon five business days' prior notice. Fulfillment of withdrawal requests may be delayed due to market restrictions or other conditions as

determined by CHI. Withdrawal requests will be fulfilled as soon as practical based upon the conditions necessitating the delay, with at least 25% of the amount requested fulfilled within 60 days, the next 25% within 90 days, and the remaining 50% within 180 days. The entire withdrawal request shall be fulfilled within 180 days of the date such request was made. The limited partnership agreement permits a simple-majority vote of the noncontrolling limited partners to terminate the partnership. Accordingly, CHI recognizes only the utilized portion of Program assets attributable to CHI and its direct affiliates in which it has sole corporate membership or ownership, accounting for its ownership in the Program under the equity method. As such, these investments are excluded from the scope of fair value measurements reported above.

Certain of the Program's alternative investments are made through limited liability companies ("LLCs") and limited liability partnerships ("LLPs"). These LLCs and LLPs provide the Program with a proportionate share of the investment gains or losses. The Program accounts for its ownership in the LLCs and LLPs under the equity method.

The Program's alternative investments are not publicly traded and readily available market quotations are generally not available to be used for valuation purposes. Accordingly, the Program's alternative investments are measured at NAV as of the reporting date, as reported by fund managers, and are excluded from the three-level hierarchy for fair value measurements.

While the Program believes that its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to estimate the fair value of Level 3 investments could result in a different estimate of fair value at the reporting date. Level 3 fair value estimates and Alternative Investments measured at NAV may differ significantly from the values that would have been determined had a readily available market for such investments existed, or had such investments been liquidated or sold to external investors, and these differences could be material to the Program's financial statements.

In situations where inputs used to determine fair value fall into different levels of the fair value hierarchy, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following represents assets and liabilities of the Program in its entirety, of which CHI holds 89% as of June 30, 2020 and 2019, measured at fair value or at the NAV practical expedient on a recurring basis and certain other assets accounted for under the equity method as of June 30 (in millions):

| | 2020 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Assets | | | | |
| Short-term investments | $ 12 | $ 366 | $ - | $ 378 |
| Commercial paper | - | 128 | - | 128 |
| Common stocks | 1,961 | 1 | - | 1,962 |
| Mutual funds and exchange-traded funds | 27 | - | - | 27 |
| Preferred stocks | 7 | - | - | 7 |
| Fixed-income funds | 9 | 532 | - | 541 |
| Corporate bonds | - | 472 | - | 472 |
| Asset-backed securities | - | 371 | - | 371 |
| U.S. government bonds: | | | | |
| U.S. treasury inflation indexed bonds | 36 | - | - | 36 |
| U.S. treasury notes | 109 | - | - | 109 |
| Other | - | 19 | - | 19 |
| Foreign government bonds | - | 59 | - | 59 |
| CHI Direct Community Investment Program | - | - | 51 | 51 |
| Foreign currency exchange contracts | - | 175 | - | 175 |
| Term loans | - | 169 | 1 | 170 |
| Assets measured at fair value | $ 2,161 | $ 2,292 | $ 52 | 4,505 |
| Assets at NAV: | | | | |
| Hedge funds | | | | 285 |
| Real estate | | | | 387 |
| Venture capital/private equity | | | | 425 |
| Total assets | | | | $ 5,602 |
| Liabilities - foreign currency exchange contracts | $ - | $ 176 | $ - | $ 176 |

| | 2019 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Assets | | | | |
| Short-term investments | $ 321 | $ 77 | $ - | $ 398 |
| Common stocks | 2,100 | - | - | 2,100 |
| Mutual funds and exchange-traded funds | 97 | - | - | 97 |
| Preferred stocks | 5 | 9 | - | 14 |
| Fixed-income funds | - | 417 | - | 417 |
| Corporate bonds | - | 314 | - | 314 |
| Asset-backed securities | - | 347 | - | 347 |
| U.S. government bonds: | | | | |
| U.S. treasury inflation indexed bonds | 23 | - | - | 23 |
| U.S. treasury notes | 57 | - | - | 57 |
| Other | - | 8 | - | 8 |
| Foreign government bonds | - | 64 | - | 64 |
| CHI Direct Community Investment Program | - | - | 55 | 55 |
| Foreign currency exchange contracts | - | 220 | - | 220 |
| Term loans | - | - | 192 | 192 |
| Assets measured at fair value | $ 2,603 | $ 1,456 | $ 247 | 4,306 |
| Assets at NAV: | | | | |
| Hedge funds | | | | 524 |
| Real estate | | | | 427 |
| Venture capital/private equity | | | | 351 |
| Total assets | | | | $ 5,608 |
| Liabilities - foreign currency exchange contracts | $ - | $ 220 | $ - | $ 220 |

## 9. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at June 30 (in millions):

| | 2020 | 2019 |
|---|---|---|
| Land and improvements | $ 1,920 | $ 1,879 |
| Buildings | 11,833 | 11,290 |
| Equipment | 9,345 | 8,666 |
| Construction in progress | 2,070 | 1,685 |
| Total | 25,168 | 23,520 |
| Less: Accumulated depreciation | (9,935) | (8,254) |
| Property and equipment, net | $ 15,233 | $ 15,266 |

## 10. OWNERSHIP INTERESTS IN HEALTH-RELATED ACTIVITIES

***Joint Operating Agreements*** – CommonSpirit participates in JOAs with hospital-based organizations in three separate markets. The agreements generally provide for, among other things, joint management of the combined operations of the local facilities included in the JOAs through Joint Operating Companies ("JOCs"). CommonSpirit retains ownership of the assets, liabilities, equity, revenues and expenses of the CommonSpirit facilities that participate in the JOAs. The financial statements of the CommonSpirit facilities managed under all JOAs are included in the accompanying consolidated financial statements. Transfers of assets from facilities owned by the JOA participants generally are restricted under the terms of the agreements.

As of June 30, 2020 and 2019, CommonSpirit has investment interests of 65%, 50% and 50% in JOCs based in Colorado, Iowa, and Ohio, respectively. CommonSpirit's interests in the JOCs are included in ownership interests in health-related activities in the accompanying consolidated balance sheets and totaled $469 million and $450 million at June 30, 2020 and 2019, respectively. CommonSpirit recognizes its investment in all JOCs under the equity method of accounting. The JOCs provide varying levels of services to the related JOA sponsors, and operating expenses of the JOCs are allocated to each sponsoring organization.

***Other Ownership Interests in Health-Related Activities*** – In addition to the JOCs above, CommonSpirit has significant ownership interests, as further described below, that are accounted for under the equity method and reflected in the accompanying consolidated balance sheets in ownership interests in health-related activities:

- CHI acquired the investment in Conifer Health Solutions ("Conifer") in May 2012 as part of a multiyear agreement whereby Conifer provides revenue cycle services and health information management solutions for CHI's acute care operations. CommonSpirit's ownership interest in Conifer was 23.8% as of June 2020 and 2019.
- In January 2018, CHI entered into an agreement with Premier Health to reorganize and restructure the existing JOA with Premier Health. The agreement provided that CHI transfer ownership of the Dayton market-based organization to Premier Health in exchange for a 22% interest in Premier Health.
- Dignity Health transferred and contributed to Optum360, LLC ("Optum360º") certain equipment and the intellectual property related to its internal revenue cycle management functions for a noncontrolling interest in Optum360° in September 2013. Optum360° also provides revenue cycle management functions for other health care organizations. CommonSpirit's ownership interest in Optum360º was 23% at June 30, 2020 and 2019.
- Dignity Health contributed the stock of U.S. HealthWorks to Concentra, Inc. in February 2018 to strengthen the access and delivery of expanded occupational care for employees, payors, and patients. Pursuant to the transaction, Dignity Health received a 20.6% interest in the combined entity, Concentra Group Holdings Parent, LLC. CommonSpirit's interest in Concentra Group Holdings Parent, LLC was 13.1% as of June 30, 2020, pursuant to a sale of certain shares during 2020.

The following table summarizes the financial position and results of operations for the significant health-related activities discussed above, which are accounted for under the equity method, as of and for the 12 months ended June 30, or a portion of the periods thereof while held by CommonSpirit (in millions):

| | 2020 | | | |
|---|---|---|---|---|
| | Hospitals | JOCs | Other | Total |
| Total assets | $ 2,845 | $ 1,522 | $ 6,024 | $ 10,391 |
| Total liabilities | 1,726 | 684 | 2,243 | 4,653 |
| Total net assets | 1,119 | 838 | 3,781 | 5,738 |
| Total operating revenues, net | 1,880 | 955 | 3,929 | 6,764 |
| Excess (deficit) of revenues over expenses | (104) | (171) | 426 | 151 |
| Investment at June 30 recorded in ownership interests in health-related activities | 244 | 469 | 1,382 | 2,095 |
| Income (loss) recorded in revenue from health-related activities, net | (24) | (83) | 91 | (16) |

| | 2019 | | | |
|---|---|---|---|---|
| | Hospitals | JOCs | Other | Total |
| Total assets | $ 2,646 | $ 1,418 | $ 5,763 | $ 9,827 |
| Total liabilities | 1,415 | 585 | 2,402 | 4,402 |
| Total net assets | 1,231 | 833 | 3,343 | 5,407 |
| Total revenues, net | 1,861 | 957 | 2,380 | 5,198 |
| Excess (deficit) of revenues over expenses | (131) | (142) | 302 | 29 |
| Investment at June 30 recorded in ownership interests in health-related activities | 270 | 450 | 1,397 | 2,117 |
| Income (loss) recorded in revenue from health-related activities, net | (31) | (63) | 105 | 11 |

Other than the investments described above, ownership interests totaling $1.1 billion and $1 billion as of June 30, 2020 and 2019, respectively, are not material individually to the consolidated financial statements.

## 11. GOODWILL

Goodwill is measured as of the effective date of a business combination as the excess of the aggregate of the fair value of consideration transferred over the fair value of the tangible and intangible assets acquired and liabilities assumed.

The changes in the carrying amount of goodwill are as follows (in millions):

| | 2020 | 2019 |
|---|---|---|
| Balance at beginning of period | $ 242 | $ 239 |
| Addition from acquisitions | 32 | 3 |
| Balance at end of period | $ 274 | $ 242 |

## 12. INTANGIBLE ASSETS, NET

Intangible assets, net, consist of the following at June 30 (in millions):

| | 2020 | | | |
|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Balance at End of Period | Amortization period |
| Trademarks | $ 555 | $ - | $ 555 | Indefinite |
| Trademark agreements | 156 | (49) | 107 | 120 - 300 months |
| Noncompete agreements | 16 | (9) | 7 | 24 months |
| Certificate of need | 13 | - | 13 | Indefinite |
| Other contracts | 23 | (5) | 18 | 150 - 168 months |
| | $ 763 | $ (63) | $ 700 | |

| | 2019 | | | |
|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Balance at End of Period | Amortization period |
| Trademarks | $ 555 | $ - | $ 555 | Indefinite |
| Trademark agreements | 156 | (42) | 114 | 120 - 300 months |
| Noncompete agreements | 11 | (8) | 3 | 24 months |
| Certificate of need | 13 | - | 13 | Indefinite |
| Other contracts | 39 | (10) | 29 | 150 - 168 months |
| | $ 774 | $ (60) | $ 714 | |

The aggregate amortization expense related to intangible assets is $12 million and $10 million for the years ended June 30, 2020 and 2019, respectively, and is recorded in depreciation and amortization on the accompanying consolidated statements of operations and changes in net assets.

Estimated amortization expense related to intangible assets is $13 million in 2021 and 2022, $11 million in 2023, $10 million in 2024, $8 million in 2025, and $77 million thereafter.

## 13. OTHER LONG-TERM ASSETS, NET

Other long-term assets, net, consist of the following at June 30 (in millions):

| | 2020 | 2019 |
|---|---|---|
| Notes receivable, primarily secured | $ 57 | $ 68 |
| Other | 133 | 126 |
| Total other long-term assets, net | $ 190 | $ 194 |

## 14. OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of the following at June 30 (in millions):

| | 2020 | 2019 |
|---|---|---|
| Accrued interest expense | $ 140 | $ 105 |
| Due to government agencies | 149 | 109 |
| Medicare advances (see Note 4) | 2,646 | - |
| Capitation claims | 92 | 82 |
| Construction retention and contracts payable | 52 | 44 |
| Liabilities due to medical groups and physicians | 63 | 71 |
| Due to unconsolidated affiliates | 73 | 116 |
| Deferred revenue - CARES Act | 227 | - |
| Other | 734 | 663 |
| Total other accrued liabilities | $ 4,176 | $ 1,190 |

## 15. DEBT

Notwithstanding the consolidation of the financial statements as of February 1, 2019, as of June 30, 2019, the indebtedness of CHI and Dignity Health remained the separate legal obligations of the respective organizations, until such existing debt was restructured and consolidated into a single credit (the "Debt Consolidation") in August 2019. The existing debt of CHI upon the affiliation date, the majority of which was evidenced by obligations issued by the Corporation under its Capital Obligation Document (the "COD"), had not been modified, and the Corporation remained the obligor. The existing debt of Dignity Health upon the affiliation date, the majority of which was secured by and subject to the provisions of the Dignity Health Master Trust Indenture (the "Master Trust Indenture"), was modified, and the members of the Obligated Group established under the Master Trust Indenture (the "Dignity Health Obligated Group") remained as the obligors.

***Master Trust Indenture –*** Prior to the affiliation, as part of a system-wide corporate financing plan, Dignity Health had established the Dignity Health Obligated Group to access the capital markets and make loans to its members. Prior to the Debt Consolidation, Dignity Health Obligated Group members were jointly and severally liable for the obligations outstanding under the Master Trust Indenture. None of the other Dignity Health subordinate corporations and subsidiaries had assumed any financial obligation related to payment of debt service on obligations issued under the Master Trust Indenture. The Master Trust Indenture required, among other things, gross revenue of the Dignity Health Obligated Group pledged as collateral, certain limitations on additional indebtedness, liens on property and dispositions or transfers of assets, and the maintenance of certain financial ratios. The Dignity Health Obligated Group was in compliance with these requirements at June 30, 2019.

***Capital Obligation Document –*** Prior to the Debt Consolidation, the majority of CHI's debt was evidenced with obligations issued under the COD and CHI was the sole obligor. Bondholder security resided in both the COD's unsecured promise by CHI to pay its obligations and the requirement that CHI cause each Participant and Designated Affiliate to pay or otherwise transfer to CHI such amounts as are necessary to make all payments required under the COD when due. Covenants under the COD included a minimum debt service coverage ratio and certain limitations on liens, merger, consolidation, sale and conveyance of CHI's property. CHI covenanted under the COD to cause its Participants and Designated Affiliates to comply with certain covenants related to corporate existence, maintenance of insurance and operation of their facilities. CHI was in compliance with these requirements as of June 30, 2019.

***CommonSpirit Health MTI –*** As part of the Debt Consolidation plan and in connection with the issuance and sale of the 2019 tax-exempt and taxable bonds, the debt previously issued by CHI and Dignity Health was consolidated into a single unified credit group and debt structure in August 2019. See "2020 Financing Activity" for additional information.

In August 2019, the COD and the Master Trust Indenture were amended and restated, both to be the new CommonSpirit Health Master Trust Indenture (the "CommonSpirit Health MTI"), with CHI and the Dignity

Health Obligated Group each obtaining the necessary consents. The CommonSpirit Health MTI has an Obligated Group that is comprised of the former Dignity Health Obligated Group and CHI entities (collectively, the "CommonSpirit Obligated Group"). The CommonSpirit Health Obligated Group represents approximately 88% and 92% of consolidated revenues of CommonSpirit as of June 30, 2020 and 2019, respectively.

Debt, net of unamortized debt issuance costs, consists of the following at June 30 (in millions):

| | 2020 | 2019 |
|---|---|---|
| Under the CommonSpirit Health MTI (2020) and Master Trust Indenture and COD (2019): | | |
| Fixed rate debt: | | |
| Fixed rate revenue bonds payable in installments through 2050; interest at 2.70% to 7.00% | $ 5,073 | $ 4,175 |
| Fixed rate taxable bonds payable in installments through 2065; interest at 2.76% to 5.27% | 6,027 | 2,994 |
| Taxable term loan payable in 2025; interest at 2.95% | 250 | - |
| Total fixed rate debt | 11,350 | 7,169 |
| Variable rate debt: | | |
| Taxable direct placement loans payable in 2019 and 2023; interest set at prevailing market rates (3.29% to 3.32% at June 30, 2019) | - | 353 |
| Taxable direct purchase bonds with mandatory tender through 2021; interest set at prevailing market rates (1.54% to 1.67% at June 30, 2020) | 200 | 925 |
| Direct purchase bonds payable in installments through 2024; interest set at prevailing market rates (1.36% to 1.87% at June 30, 2020) | 165 | 922 |
| Floating rate notes payable with mandatory tender from 2021 through 2025; interest set at prevailing market rates (1.12% to 1.52% at June 30, 2020) | 306 | 411 |
| Variable rate demand bonds payable in installments through 2047; interest set at prevailing market rates (0.02% to 0.26% at June 30, 2020) | 821 | 820 |
| Auction rate certificates payable in installments through 2042; interest set at prevailing market rates (0.10% to 1.03% at June 30, 2020) | 240 | 240 |
| Bank lines of credit maturing in 2023; interest set at prevailing market rates (1.20% to 1.22% at June 30, 2020) | 831 | 1,195 |
| Commercial paper notes with maturities ranging from 7 to 198 days in June 2020; interest set at prevailing market rates (1.20% to 4.25% at June 30, 2020) | 553 | 881 |
| Total variable rate debt | 3,116 | 5,747 |
| Total debt under the CommonSpirit Health MTI (2020) and Master Trust Indenture and COD (2019): | 14,466 | 12,916 |
| Other: | | |
| Various notes payable and other debt payable in installments | 319 | 435 |
| Finance lease obligations | 255 | 156 |
| Total debt | 15,040 | 13,507 |
| Less amounts classified as current | (1,079) | (3,475) |
| Less demand bonds subject to short-term liquidity arrangements | (821) | (820) |
| Total long-term debt | $ 13,140 | $ 9,212 |

Scheduled principal debt payments, net of discounts and considering obligations subject to short-term liquidity arrangements as due according to their long-term amortization schedule, for the next five years and thereafter, are as follows (in millions):

| | Long-Term Debt Other Than Demand Bonds | Demand Bonds Subject to Short-Term Liquidity Arrangements | Total Long-Term Debt |
|---|---|---|---|
| 2021 | $ 1,049 | $ 97 | $ 1,146 |
| 2022 | 95 | - | 95 |
| 2023 | 1,755 | - | 1,755 |
| 2024 | 367 | - | 367 |
| 2025 | 1,833 | - | 1,833 |
| Thereafter | 8,480 | 724 | 9,204 |
| Subtotal | 13,579 | 821 | 14,400 |
| Finance lease obligations | 255 | - | 255 |
| Issuance cost, net | 385 | - | 385 |
| **Total** | $ 14,219 | $ 821 | $ 15,040 |

***Debt Arrangements* - Fixed Rate Revenue Bonds** – CommonSpirit has fixed rate revenue bonds outstanding, substantially all of which may be redeemed, in whole or in part, prior to the stated maturities without a premium.

**Fixed Rate Taxable Bonds** – CommonSpirit has taxable fixed rate bonds that are due in August 2023, October 2024, 2029, and 2049 and November 2022, 2024, 2040, 2041, 2042 and 2064. Early redemption of the debt, in whole or in part, may require a premium depending on market rates.

**Fixed Rate Taxable Term Loan** – CommonSpirit has a taxable fixed rate term loan due in April 2025.

**Taxable Commercial Paper –** CommonSpirit has a commercial paper program that permits the issuance of up to $881 million in aggregate principal amount outstanding, with maturities limited to 270-day periods. As of June 30, 2020, $553 million of commercial paper notes were outstanding.

**Floating Rate Notes** – CommonSpirit has floating rate notes ("FRNs") that bear interest at variable rates determined weekly and monthly. These FRNs are subject to mandatory tender on predetermined dates.

**Variable Rate Direct Purchase Bonds** – CommonSpirit has variable rate direct purchase bonds placed directly with holders that bear interest at variable rates determined monthly based upon a percentage of the London Inter-bank Offered Rate ("LIBOR") and the Securities Industry and Financial Markets Association ("SIFMA"), plus a spread. These bonds are subject to mandatory tender on predetermined dates.

**Variable Rate Demand Bonds –** Variable rate demand bonds ("VRDBs") are remarketed weekly and may be put at the option of the holders. CommonSpirit maintains bank letters of credit of $724 million as credit enhancement for the VRDBs to ensure the availability of funds to purchase any bonds tendered that the remarketing agent is unable to remarket.

Letters of credit to support certain VRDBs of $91 million, $140 million, $150 million, $196 million, $90 million and $57 million expire in June 2021, October 2021, November 2021, October 2022, March 2023, and December 2023, respectively.

CommonSpirit Health has $97 million of additional VRDBs that are self-funded and not supported by letters of credit.

**Auction Rate Certificates –** CommonSpirit has $240 million of auction rate certificates ("ARCs") that are remarketed weekly. The certificates are insured. Holders of ARCs are required to hold the certificates until the remarketing agent can find a new buyer for any tendered certificates. The ARCs are insured by Assured Guaranty.

**Notes Payable to Banks Under Credit Agreements –** In 2020, CommonSpirit maintained a $900 million syndicated line of credit facility for working capital, letters of credit, capital expenditures and other general corporate purposes. The amount outstanding under the syndicated credit facility was $831 million as of June 30, 2020. During 2020, the maximum amount outstanding was $831 million. There were no letters of credit issued under this facility as of June 30, 2020. This credit facility expires in June 2023.

CommonSpirit maintained $290 million of undrawn lines of credit with expiration dates ranging from September 2020 through August 2023 that can be used to support obligations to fund tenders of VRDBs and pay maturing principal of commercial paper.

CommonSpirit also maintained a $59 million and a $35 million single-bank line of credit facility for standby letters of credit. Letters of credit issued under this facility were $71 million as of June 30, 2020, but no amounts have been drawn.

***2020 Financing Activity*** **–** In July 2019, Dignity Health entered into $1.2 billion of bridge loans with three banks to advance refund certain CHI fixed rate bonds using acquisition financing treatment.

In August 2019, CommonSpirit issued $2.5 billion of tax-exempt fixed rate bonds, at a premium. Proceeds were used to refinance $1.1 billion of the bridge loans entered into in July 2019, refund $1.4 billion of tax-exempt fixed rate bonds that were placed in escrow and the bonds defeased, refund $322 million of commercial paper, and provide $106 million for general working capital purposes. The bonds were sold at a premium and mature in August 2044 and 2049.

In August 2019, CommonSpirit issued $621 million of tax-exempt put bonds. Proceeds included $569 million of new money and were used to refund $161 million of tax-exempt fixed rate bonds, which were placed in escrow, and the bonds were defeased. The bonds were sold at a premium and mature in August 2049, with mandatory purchase dates in August 2024, 2025 and 2026.

In August 2019, CommonSpirit issued $3.3 billion of taxable fixed rate bonds at par, with repayments of $770 million, $915 million, $700 million (insured) and $930 million to be made in October 2024, 2029, 2049 (insured) and 2049, respectively. A portion of the proceeds were used to refund $1.5 billion of CHI tax-exempt fixed rate bonds, refinance $945 million of Dignity Health bank lines of credit, refinance $353 million of Dignity Health direct placement variable rate bank loans, refinance $338 million of Dignity Health taxable bonds, refinance $137 million of the bridge loans, refund $41 million of Dignity Health tax-exempt fixed rate bonds, refinance $5 million of commercial paper, and pay cost of issuance expenses. Refunded bonds were placed in escrow and were defeased. The bonds were sold at par and mature in October 2049.

In September 2019, CommonSpirit renewed and extended three letters of credit issued by Dignity Health in October 2015 to support VRDBs of $76 million, $60 million, and $60 million, to October 2022. This did not change the terms, provisions or classification of the VRDBs.

In November 2019, CommonSpirit renewed and extended a letter of credit issued by Dignity Health in December 2015 to support VRDBs of $57 million to December 2023. This did not change the terms, provisions or classification of the VRDBs.

In December 2019, CommonSpirit renewed a $65 million line of credit used to support its self-liquidity program scheduled to mature in December 2019, to December 2020.

In February 2020, CommonSpirit renewed and extended a letter of credit issued by Dignity Health in March 2018 to support VRDBs of $90 million to March 2023. This did not change the terms, provisions or classification of the VRDBs.

In February 2020, CommonSpirit drew $100 million on its syndicated line of credit for working capital purposes.

In March 2020, CommonSpirit renewed a $75 million line of credit used to support its self-liquidity program scheduled to mature in March 2020, to June 2020.

In March 2020, CommonSpirit drew $500 million on its syndicated line of credit for working capital purposes.

In April 2020, CommonSpirit drew $200 million on its syndicated line of credit for working capital purposes.

In April 2020, CommonSpirit refinanced a $250 million fully drawn line of credit scheduled to mature in August 2020, into a fixed rate term loan to mature in April 2025.

In April 2020, CommonSpirit provided for the redemption in full, of $35 million of the County of Montgomery, Ohio Health Care and Multifamily Housing Improvement and Refunding Revenue Bonds, Series 2010 (St. Leonard) issued for the benefit of one of its affiliates using $31 million of proceeds from a draw on its syndicated line of credit, and its own funds.

In August 2020, CommonSpirit renewed a $125 million line of credit used to support its self-liquidity program scheduled to mature in August 2020, to August 2023.

***2019 Financing Activity –*** In July 2018, CHI issued $275 million of Series 2018A taxable bonds subject to mandatory tender in August 2021. Proceeds were used to fund the $275 million Series 2013D taxable bonds principal payment due in August 2018. The bonds were refinanced with proceeds from the August 2019 bond financing.

In July 2018, CHI extended the mandatory purchase date of the $250 million Series 2017A taxable bonds from August 2018 to July 2021. As a result, CHI classified the Series 2013D and Series 2017A taxable bonds as long-term debt as of June 30, 2019. The bonds were refinanced with proceeds from the August 2019 bond financing.

In July 2018, Dignity Health defeased $21 million in aggregate outstanding principal amount of the California Health Facilities Financing Authority 1988 Series C VRDBs. The defeasance was financed with a draw on the syndicated line of credit. The letter of credit supporting this series of VRDBs was canceled in conjunction with the defeasance of the bonds. This draw on the syndicated line of credit was refinanced with proceeds from the August 2019 bond financing.

In August 2018, CHI issued $200 million of Series 2018B taxable bonds subject to mandatory tender in August 2019. The proceeds were subsequently used to reimburse the funding of the $200 million Series 2016 taxable bonds, which were subject to mandatory tender in September 2018. The bonds were refinanced with proceeds from the August 2019 bond financing.

In September 2018, Dignity Health renewed a $169 million direct placement loan, which was scheduled to mature in September 2018, to September 2023. The loan was refinanced with proceeds from the August 2019 bond financing.

In October 2018, the letter of credit scheduled to expire in October 2018 to support VRDBs of $140 million was extended to October 2021. This did not change the terms, provisions or classification of the VRDBs.

In December 2018, Dignity Health renewed the $250 million taxable line of credit scheduled to mature in December 2018, to December 2019. This line of credit was paid off in August 2019 from the CommonSpirit bond issue.

In January 2019, Dignity Health drew $100 million on its syndicated line of credit for working capital purposes.

In February 2019, Dignity Health renewed its $400 million taxable line of credit scheduled to mature in June 2019 to June 2020. This taxable line of credit was refinanced with the August 2019 taxable bonds.

In June 2019, Dignity Health renewed and extended the letters of credit issued in June 2017 to support VRDBs of $91 million to June 2021. This did not change the terms, provisions or classification of the VRDBs.

## 16. DERIVATIVE INSTRUMENTS

CommonSpirit's derivative instruments include 31 floating-to-fixed rate interest rate swaps and 1 basis swap as of June 30, 2020. CommonSpirit uses floating-to-fixed interest rate swaps to manage interest rate risk associated with outstanding variable rate debt. Under these floating-to-fixed rate swaps, CommonSpirit receives a percentage of LIBOR ranging from 57% to 100%, plus a spread ranging from 0.13% to 1.40%, and pays a fixed rate. CommonSpirit's derivative instruments also include 5 fixed-to-floating interest rate swaps and 7 total return swaps as of June 30, 2020. CommonSpirit uses these fixed-to-floating derivatives to reduce interest expense associated with fixed rate debt and receives a fixed rate and pays a variable rate percentage of SIFMA plus a spread.

The following table shows the outstanding notional amount of derivative instruments measured at fair value, net of credit value adjustments, as reported in the accompanying consolidated balance sheets as of June 30, 2020 and 2019 (in millions):

| | Maturity Date of Derivatives | Interest Rate | Notional Amount Outstanding | Fair Value |
|---|---|---|---|---|
| | | | **2020** | |
| Derivatives not designated as hedges: | | | | |
| Interest rate swaps | 2024 - 2047 | 3.2% - 4.0% | $ 2,189 | $ (629) |
| Risk participation agreements | 2022 - 2025 with extension options | SIFMA plus spread | 510 | - |
| Total return swaps | 2021 - 2030 | SIFMA plus spread | 394 | (1) |
| Total derivative instruments | | | 3,093 | (630) |
| Cash collateral | | | - | 353 |
| Derivative instruments, net | | | $ 3,093 | $ (277) |
| | | | **2019** | |
| Derivatives not designated as hedges: | | | | |
| Interest rate swaps | 2024 - 2047 | 3.2% - 4.0% | $ 2,252 | $ (454) |
| Risk participation agreements | 2019 - 2025, with extension options | SIFMA plus spread | 510 | - |
| Total return swaps | 2020 - 2024 | SIFMA plus spread | 408 | - |
| Total derivative instruments | | | 3,170 | (454) |
| Cash collateral | | | - | 240 |
| Derivative instruments, net | | | $ 3,170 | $ (214) |

CHI held $1.3 billion notional amount of interest rate swaps at June 30, 2020, which have a negative fair value of $380 million. CHI posted $353 million of collateral against the fair value of these swaps.

The CHI interest rate swaps mature between 2024 and 2047. CHI has the right to terminate the swaps prior to maturity for any reason. The termination value would be the fair value or the replacement cost of the swaps, depending on the circumstances. All of the derivative agreements have certain early termination triggers caused by an event of default or a termination event. The events of default include failure to make payment when due, failure to give notice of a termination event, failure to comply with or perform obligations under the agreements, bankruptcy or insolvency, and defaults under other agreements (cross-default provision). The termination events include credit ratings dropping below Baa3/BBB- (Moody's/Standard & Poor's) by either party on the notional amount of $666 million of interest rate swaps and below Baa2/BBB on a notional amount of $541 million of interest rate swaps.

Based upon CHI's swap agreements in place as of June 30, 2020, a reduction in CHI's credit rating to BBB would obligate CHI to post additional cash collateral of $27 million. Generally, it is CHI's policy that all counterparties have an AA rating or better. The swap agreements generally require CHI to provide collateral if CHI's liability, determined on a fair value basis, exceeds a specified threshold that varies based upon the rating of CHI's long-term indebtedness.

CHI has total return swaps in the notional amount of $124 million and a negative fair value of $1 million at June 30, 2020.

Of the $871 million notional amount of interest rate swaps held by Dignity Health at June 30, 2020, $160 million are insured and have a negative fair value of $78 million. In the event the insurer is downgraded below A2/A or A3/A- (Moody's/Standard and Poor's), the counterparties have the right to terminate the swaps if Dignity Health does not provide alternative credit support acceptable to them within 30 days of being notified of the downgrade. If the insurer is downgraded below the thresholds noted above and Dignity Health is downgraded below Baa3/BBB- (Moody's/Standard and Poor's), the counterparties have the right to terminate the swaps.

Dignity Health has $711 million of interest rate swaps that are not insured as of June 30, 2020. While Dignity Health has the right to terminate the swaps prior to maturity for any reason, counterparties have various rights to terminate, including swaps in the outstanding notional amount of $100 million at each five-year anniversary date commencing in March 2023 and swaps in the notional amount of $194 million at each five-year anniversary date commencing in September 2023. Swaps in the notional amounts of $60 million and $68 million have mandatory puts in March 2021 and March 2023, respectively. The termination value would be the fair value or the replacement cost of the swaps, depending on the circumstances. These interest rate swaps have a negative fair value of $91 million at June 30, 2020. The remaining uninsured interest rate swaps in the notional amount of $289 million have a negative fair value of $79 million as of June 30, 2020.

Dignity Health has floating rate derivatives in the notional amount of $780 million as of June 30, 2020. Risk participation agreements in the notional amount of $510 million have a fair value deemed immaterial as of June 30, 2020. Dignity Health has a total return swap in the notional amount of $270 million. The total return swap has a positive fair value of less than $1 million at June 30, 2020.

All of Dignity Health's derivative agreements have certain early termination triggers caused by an event of default or a termination event. The events of default include failure to make payment when due, failure to give notice of a termination event, failure to comply with or perform obligations under the agreements, bankruptcy or insolvency, and defaults under other agreements (cross-default provision). Other than the insured swaps described above, the termination events include credit ratings dropping below Baa1/BBB+ (Moody's/Standard & Poor's) by either party on the notional amount of $699 million of swaps and below Baa2/BBB on a notional amount of $792 million, and Dignity Health's cash on hand dropping below 85 days.

In May 2020, CommonSpirit renewed a total return swap in the notional amount of $59 million to reduce interest expense associated with fixed rate debt. CommonSpirit receives a fixed rate and pays a variable rate of SIFMA plus a spread. CommonSpirit has the right to terminate the swap for any reason after May 2027, prior to its maturity in May 2030.

As part of the August 2019 Debt Consolidation, all swaps and derivative bank counterparties consented to the CommonSpirit Health MTI.

## 17. LEASES

CommonSpirit enters into operating and finance leases primarily for buildings and equipment and determines if an arrangement is a lease at inception of the contract. For leases with terms greater than 12 months, CommonSpirit records the related right-of-use asset ("ROU") and lease liability at the present value of lease payments over the contract term using a risk-free interest rate, subject to certain adjustments. CommonSpirit does not separate contract lease and non-lease components except for a class of underlying assets related to supply agreements, which include associated equipment. Certain building lease agreements require CommonSpirit to pay maintenance, repairs, property taxes and insurance costs, which are variable amounts based on actual costs incurred during each applicable period. Such costs are not included in the determination of the ROU asset or lease liability. Lease costs also include escalating rent payments that are not fixed at commencement but are based on the Consumer Price Index or other measure of cost inflation. Future changes in the indices are included within variable lease costs. Certain leases include one or more options to renew the lease at the end of the initial term, with renewal terms that generally extend the lease at the then market rate of rental payment. Certain leases also include an option to buy the underlying asset at or a short time prior to the termination of the lease. All such options are at CommonSpirit's discretion and are evaluated at the commencement of the lease, with only those that are reasonably certain of exercise included in determining the appropriate lease term and lease type.

The components of lease cost, net for the year ended June 30, 2020, are as follows (in millions):

| | | |
|---|---|---|
| Operating lease cost | $ | 359 |
| Variable lease cost | | 159 |
| Short-term rent expense | | 20 |
| Amortization of right-of-use assets | | 41 |
| Interest on finance lease liabilities | | 8 |
| Sublease income | | (5) |
| Total lease cost, net | $ | 582 |

Following is supplemental balance sheet information related to leases as of June 30, 2020 (in millions):

| **Lease Type** | **Balance Sheet Classification** | | |
|---|---|---|---|
| **Operating Leases:** | | | |
| Operating lease ROU assets | Right-of-use operating lease assets | $ | 1,828 |
| Operating lease obligations - current | Current liabilities: Operating lease liabilities | | 274 |
| Operating lease obligations - long-term | Other liabilities: Operating lease liabilities | | 1,701 |
| | | | |
| **Finance Leases:** | | | |
| Finance lease ROU assets | Property and equipment, net | $ | 208 |
| Current finance lease liabilities | Current portion of long-term debt | | 30 |
| Long-term finance lease liabilities | Long-term debt, net of current portion | | 225 |

Supplemental cash flow and other information related to leases for the year ended June 30, 2020, is as follows (in millions):

| | | |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | $ | 339 |
| Operating cash flows from finance leases | | 7 |
| Financing cash flows from finance leases | | 33 |
| ROU assets obtained in exchange for new operating lease liabilities | $ | 128 |
| ROU assets obtained in exchange for new finance lease liabilities | $ | 69 |
| | | |
| Weighted-average remaining lease term: | | |
| Operating leases | | 11 years |
| Finance leases | | 17 years |
| Weighted-average discount rate: | | |
| Operating leases | | 2.2% |
| Finance leases | | 3.6% |

Commitments related to operating and finance leases for each of the next five years and thereafter as of June 30, 2020, are as follows (in millions):

| | Operating | Finance | Total |
|---|---|---|---|
| 2021 | $ 317 | $ 38 | $ 355 |
| 2022 | 286 | 37 | 323 |
| 2023 | 254 | 34 | 288 |
| 2024 | 228 | 29 | 257 |
| 2025 | 211 | 26 | 237 |
| Thereafter | 985 | 151 | 1,136 |
| Total minimum future lease payments | 2,281 | 315 | 2,596 |
| Less: Imputed interest | (306) | (60) | (366) |
| Total lease liabilities | 1,975 | 255 | 2,230 |
| Less: Current portion | (274) | (30) | (304) |
| Long-term liabilities | $ 1,701 | $ 225 | $ 1,926 |

Commitments related to noncancelable operating and finance lease liabilities at June 30, 2019, prior to the adoption of ASU 2016-02, were as follows (in millions):

| | Operating | Finance | Total |
|---|---|---|---|
| 2020 | $ 331 | $ 18 | $ 349 |
| 2021 | 278 | 21 | 299 |
| 2022 | 239 | 8 | 247 |
| 2023 | 211 | 8 | 219 |
| 2024 | 189 | 7 | 196 |
| Thereafter | 647 | 94 | 741 |
| Total minimum future lease payments | $ 1,895 | $ 156 | $ 2,051 |

## 18. INTEREST EXPENSE, NET

The components of interest expense, net, include the following (in millions):

| | 2020 | 2019 |
|---|---|---|
| Interest and fees on debt | $ 482 | $ 414 |
| Capitalized interest expense | (26) | (23) |
| Interest expense, net | $ 456 | $ 391 |

## 19. RETIREMENT PROGRAMS

CommonSpirit maintains defined benefit pension plans and other postretirement benefit plans that cover most Dignity Health and CHI employees. Benefits for both types of plans are generally based on age, years of service and employee compensation.

Certain of CHI's plans were frozen in previous years, and benefits earned by employees through that time period remain in the retirement plans, where employees continue to receive interest credits and vesting credits, if applicable.

Actuarial valuations are performed for all of the plans. These valuations are dependent on various assumptions. These assumptions include the discount rate and the expected rate of return on plan assets (for pension), which are important elements of expense and liability measurement. Other assumptions involve demographic factors such as retirement age, mortality, turnover, and the rate of compensation increases. CommonSpirit evaluates all assumptions in conjunction with the valuation updates and modifies them as appropriate. In the year ended June 30, 2020, the actuarial loss for the year was $1.3 billion, primarily driven by the decrease to the discount rate assumption.

Pension costs and other postretirement benefit costs are allocated over the service period of the employees in the plans. The principle underlying this accounting is that employees render service ratably over the period, and therefore, the effects in the accompanying consolidated statements of operations and changes in net assets follow the same pattern. Net actuarial gains and losses are amortized to expense on a plan-by-plan basis when they exceed the accounting corridor. The accounting corridor is a defined range within which amortization of net gains and losses is not required and is equal to 10% of the greater of the plan assets or benefit obligations. Gains or losses outside of the corridor are subject to amortization over the average employee future service period.

Contributions to the defined benefit pension plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants. Dignity Health management believes the majority of its plans qualify under a church plan exemption, and as such, are not subject to Employee Retirement Income Security Act ("ERISA") funding requirements. CommonSpirit's funding policy requires that, at a minimum, contributions equal the unfunded normal cost plus amortization of any unfunded actuarial accrued liability. Contributions to these funded plans are anticipated at $211 million in 2021, which exceeds the funding policy minimum contributions.

The accumulated benefit obligation exceeds plan assets for each of the defined benefit plans and postretirement benefit plans for the years ended June 30, 2020 and 2019. The following summarizes the benefit obligations and funded status for the defined benefit pension and postretirement benefit plans (in millions):

| | 2020 | 2019 |
|---|---|---|
| Change in benefit obligation: | | |
| Benefit obligation at beginning of period | $ 12,677 | $ 4,960 |
| Service cost | 340 | 146 |
| Interest cost | 395 | 286 |
| Actuarial loss | 1,329 | 1,239 |
| Acquisitions and other | 3 | 6,494 |
| Administrative expenses paid | - | (12) |
| Settlements | (194) | (176) |
| Benefits paid | (454) | (260) |
| Benefit obligation at end of period | $ 14,096 | $ 12,677 |
| Accumulated benefit obligation | $ 13,578 | $ 12,235 |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of period | $ 9,177 | $ 4,106 |
| Actual return on plan assets | 170 | 532 |
| Settlements | (186) | (176) |
| Employer contributions | 180 | 126 |
| Benefits paid | (454) | (260) |
| Acquisitions and other | - | 4,861 |
| Administrative expenses paid | - | (12) |
| Fair value of plan assets at end of period, net | $ 8,887 | $ 9,177 |
| Funded status | $ (5,209) | $ (3,500) |

The following table summarizes the amounts recognized in net assets without donor restrictions as of June 30 (in millions):

| | 2020 | 2019 |
|---|---|---|
| Net actuarial loss | $ 3,908 | $ 2,240 |
| Prior service credit | (8) | (12) |
| Amounts in net assets without donor restrictions | $ 3,900 | $ 2,228 |

The settlement component of net periodic pension cost is recognized in the accompanying consolidated statements of operations and changes in net assets within nonoperating income (loss).

The following table summarizes the weighted-average assumptions used to determine benefit obligations as of June 30:

| | 2020 | 2019 |
|---|---|---|
| To determine benefit obligations: | | |
| Discount rate | 1.4% - 3.0% | 2.4% - 3.7% |
| Rate of compensation increase | 3.8% | 3.8% |
| To determine net periodic benefit cost: | | |
| Discount rate | 2.4% - 3.7% | 3.2% - 4.3% |
| Expected return on plan assets | 4.8% - 7.3% | 4.8% - 7.5% |
| Rate of compensation increase | 3.8% | 3.8% |

The following table summarizes the components of net periodic cost recognized in the accompanying consolidated statements of operations and changes in net assets (in millions):

| | 2020 | 2019 |
|---|---|---|
| Service cost | $ 340 | $ 146 |
| Interest cost | 395 | 286 |
| Expected return on plan assets | (640) | (425) |
| Settlements | 77 | 60 |
| Net prior service credit amortization | (1) | (1) |
| Net actuarial loss amortization | 69 | 47 |
| Net periodic benefit cost | $ 240 | $ 113 |

The service cost amount above is recorded in salaries and benefits on the accompanying consolidated statements of operations and changes in net assets. All other costs of net periodic benefit cost above are reflected in nonoperating income (loss) in the consolidated statements of operations and changes in net assets.

The following represents the fair value of plan assets, net, measured on a recurring basis as of June 30 (in millions). See Note 8 for the definition of Levels 1 and 2 in the fair value hierarchy and investments valued using the NAV practical expedient and discussion regarding fair value measurement.

| | 2020 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Assets | | | | |
| Cash and short-term investments | $ 79 | $ 417 | $ - | $ 496 |
| U.S. government securities | 612 | 156 | - | 768 |
| U.S. corporate bonds | - | 930 | - | 930 |
| U.S. equity securities | 1,779 | - | - | 1,779 |
| U.S. term loans | - | 150 | 1 | 151 |
| Foreign corporate bonds | - | 184 | - | 184 |
| Foreign equity securities | 1,187 | - | - | 1,187 |
| Foreign term loans | - | 28 | - | 28 |
| Real estate | 9 | - | - | 9 |
| Other | - | 238 | - | 238 |
| Assets measured at fair value | $ 3,666 | $ 2,103 | $ 1 | 5,770 |
| Assets at NAV: | | | | |
| U.S. corporate bonds | | | | 206 |
| U.S. equity securities | | | | 176 |
| Foreign corporate bonds | | | | 47 |
| Foreign equity securities | | | | 928 |
| Private equity | | | | 1,014 |
| Hedge funds | | | | 770 |
| Real estate | | | | 200 |
| Total assets | | | | $ 9,111 |
| Liabilities | | | | |
| Foreign currency exchange contracts | $ - | $ 98 | $ - | $ 98 |
| Payable under securities lending program | - | 15 | - | 15 |
| Total liabilities | $ - | $ 113 | $ - | $ 113 |
| Other plan assets (liabilities) | | | | |
| Due from brokers for unsettled investment trades | | | | 247 |
| Due to brokers for unsettled investment trades | | | | (358) |
| Fair value of plan assets, net | | | | $ 8,887 |

| | 2019 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Assets | | | | |
| Cash and short-term investments | $ 398 | $ 33 | $ - | $ 431 |
| U.S. government securities | 802 | 53 | - | 855 |
| U.S. corporate bonds | - | 769 | - | 769 |
| U.S. equity securities | 1,986 | 10 | - | 1,996 |
| U.S. term loans | - | - | 159 | 159 |
| Foreign corporate bonds | - | 119 | - | 119 |
| Foreign equity securities | 1,128 | - | - | 1,128 |
| Foreign term loans | - | - | 38 | 38 |
| Other | - | 67 | - | 67 |
| Assets measured at fair value | $ 4,314 | $ 1,051 | $ 197 | 5,562 |
| Assets at NAV: | | | | |
| U.S. corporate bonds | | | | 596 |
| U.S. equity securities | | | | 159 |
| Foreign corporate bonds | | | | 100 |
| Foreign equity securities | | | | 651 |
| Private equity | | | | 1,066 |
| Hedge funds | | | | 813 |
| Real estate | | | | 347 |
| Total assets | | | | $ 9,294 |
| Liabilities | | | | |
| Foreign currency exchange contracts | $ - | $ 39 | $ - | $ 39 |
| Payable under securities lending program | - | 15 | - | 15 |
| Total liabilities | $ - | $ 54 | $ - | $ 54 |
| Other plan assets (liabilities) | | | | |
| Due from brokers for unsettled investment trades | | | | 229 |
| Due to brokers for unsettled investment trades | | | | (292) |
| Fair value of plan assets, net | | | | $ 9,177 |

The following table presents the change in the balance of Level 3 financial assets in 2020 and 2019 (in millions):

| | 2020 | 2019 |
|---|---|---|
| Balance at beginning of period | $ 197 | $ 188 |
| Total realized losses, net | (3) | (1) |
| Total unrealized losses, net | (17) | (2) |
| Purchases | 109 | 12 |
| Sales | (106) | - |
| Transfers out of Level 3 | (179) | - |
| Balance at end of period | $ 1 | $ 197 |

The following table summarizes the weighted-average asset allocations by asset category for the pension plans:

| | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents | 5% | 5% |
| U.S. government securities | 8% | 9% |
| U.S. corporate bonds | 12% | 15% |
| U.S. equity securities | 21% | 23% |
| U.S. term loans | 2% | 2% |
| Foreign corporate bonds | 3% | 2% |
| Foreign equity securities | 23% | 19% |
| Private equity | 11% | 11% |
| Other | 15% | 14% |
| Total | 100% | 100% |

The asset allocation policy for the pension plans for 2020 is as follows: domestic fixed income, 20%; international fixed income, 2%; domestic equity, 26%; international equity, 26%; private equity, 9%; hedge funds, 8%; real assets 6.5%; cash and opportunistic, 2.5%.

The asset allocation policy for the pension plans for 2019 is as follows: domestic fixed income, 40%; domestic equity, 25%; international equity, 15%; private equity, 6%; hedge funds, 8%; and real estate, 6%.

CommonSpirit's investment strategy for the assets of the pension plans is designed to achieve returns to meet obligations and grow the assets of the portfolios longer term, consistent with a prudent level of risk. The strategy balances the liquidity needs of the pension plans with the long-term return goals necessary to satisfy future obligations. The target asset allocation is diversified across traditional and non-traditional asset classes. Diversification is also achieved through participation in U.S. and non-U.S. markets, market capitalization, and investment manager style and philosophy. The complementary investment styles and approaches used by both traditional and alternative investment managers are aimed at reducing volatility while capturing the equity premium from the capital markets over the long term. Risk tolerance is established through consideration of plan liabilities, plan funded status, and corporate financial condition. Consistent with CommonSpirit's fiduciary responsibilities, the fixed income allocation generally provides for security of principal to meet near-term expenses and obligations. Periodic reviews of the market values and corresponding asset allocation percentages are performed to determine whether a rebalancing of the portfolio is necessary.

CommonSpirit's pension plan portfolio return assumptions for 2020 and 2019 were based on the long-term weighted-average returns of comparative market indices for the asset classes represented in the portfolio and expectations about future returns.

The following benefit payments, which reflect expected future service, are expected to be paid (in millions):

| | |
|---|---|
| 2021 | $ 795 |
| 2022 | 684 |
| 2023 | 670 |
| 2024 | 685 |
| 2025 | 706 |
| 2026 and thereafter | 3,719 |
| Total | $ 7,259 |

CommonSpirit maintains defined contribution retirement plans for most employees. Employer contributions to those plans of $331 million and $273 million for 2020 and 2019, respectively, included in salaries and benefits in the accompanying consolidated statements of operations and changes in net assets, are primarily based on a percentage of a participant's contribution.

## 20. SPECIAL CHARGES AND OTHER COSTS

Special charges include costs related to the following activities:

| | 2020 | 2019 |
|---|---|---|
| Impairment on carrying value of long-lived assets | $ 6 | $ 123 |
| Changes in business operations | - | 59 |
| Affiliation-related costs | 83 | 77 |
| Total special charges and other costs | $ 89 | $ 259 |

Charges related to changes in business operations include costs incurred periodically to implement reorganization efforts within specific operations in order to align CommonSpirit's operations in the most strategic and cost-effective manner, consisting primarily of consulting and severance costs. Affiliation costs primarily relate to legal, consulting and labor-related costs.

## 21. INVESTMENT INCOME, NET

Investment income, net, on assets limited as to use, cash equivalents, notes receivable, the CHI Operating Investment Program, and investments are comprised of the following (in millions):

| | 2020 | 2019 |
|---|---|---|
| Interest and dividend income, net | $ 181 | $ 160 |
| Net realized gains on sales of securities | 426 | 290 |
| Net unrealized (loss) gains on securities | (334) | 162 |
| Investment income, net | $ 273 | $ 612 |

## 22. COMMITMENTS, CONTINGENT LIABILITIES, GUARANTEES AND OTHER

The following summary encompasses matters related to litigation, regulatory and compliance matters, and developments thereto.

**General** – The health care industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, the rules governing licensure, accreditation, controlled substances,

privacy, government program participation, government reimbursement, antitrust, anti-kickback, prohibited referrals by physicians, false claims, and in the case of tax-exempt organizations, the requirements of tax exemption. Management believes CommonSpirit is materially in compliance with all applicable laws and regulations of the Medicare and Medicaid programs. Compliance with such laws and regulations is complex and can be subject to future governmental interpretation as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs. Certain CommonSpirit entities have been contacted by governmental agencies regarding alleged violations of Medicare practices for certain services. In the opinion of management after consultation with legal counsel, the ultimate outcome of these matters will not have a material adverse effect on CommonSpirit's consolidated financial statements.

In recent years, government activity has increased with respect to investigations and allegations of wrongdoing. In addition, during the course of business, CommonSpirit becomes involved in civil litigation. Management assesses the probable outcome of unresolved litigation and investigations and records contingent liabilities reflecting estimated liability exposure. Following is a discussion of matters of note.

**U.S. Department of Justice and OIG Investigations** – CommonSpirit and/or its facilities periodically receive notices from governmental agencies, such as the U.S. Department of Justice or the Office of Inspector General ("OIG"), requesting information regarding billing, payment, or other reimbursement matters, or initiating investigations, or indicating the existence of whistleblower litigation. The health care industry in general is experiencing an increase in these activities, as the federal government increases enforcement activities and institutes new programs designed to identify potential irregularities in reimbursement or quality of patient care. Resolution of such matters can result in civil and/or criminal charges, cash payments and/or administrative measures by the entity subject to such investigations. CommonSpirit does not presently have information indicating that pending matters or their resolution will have a material effect on CommonSpirit's financial statements, taken as a whole. Nevertheless, there can be no assurance that the resolution of matters of these types will not affect the financial condition or operations of CommonSpirit, taken as a whole.

Within this category of activities, in October 2014, Dignity Health completed a civil settlement and entered into a Corporate Integrity Agreement ("CIA") with the OIG to resolve an investigation into government reimbursement of hospital inpatient stays. The CIA required, for a five-year period, enhanced compliance program obligations, education and training, and that Dignity Health retain an independent review organization to review the accuracy of certain claims for hospital services furnished to federal health care program beneficiaries. In February 2020, CommonSpirit received a letter from the OIG, notifying it that Dignity Health had completed its CIA obligations and that it would be removed from the OIG website list of current CIAs when next updated.

**Pension Plan Litigation** – In April 2013, Dignity Health was served with a class action lawsuit filed in the United States District Court for the Northern District of California by a former employee alleging breaches of fiduciary duty and other claims under ERISA in connection with the Dignity Health Pension Plan ("DHPP"). Among other things, the complaint originally alleged that, because Dignity Health is not a church or an association of churches, the DHPP does not qualify as a "church plan". The complaint also challenged the constitutionality of ERISA's church plan exemption. Dignity Health and the sponsoring religious orders established the DHPP and determined the DHPP was a church plan that should be exempt from ERISA, including ERISA's funding requirements, and received private letter rulings from the Internal Revenue Service that confirmed its church plan status. The plaintiff sought to represent a class comprised of participants and beneficiaries of the DHPP as of April 2013, when the complaint was filed.

In July 2014, the District Court ruled that only a church or an association of churches may establish a church plan, the DHPP did not qualify as a church plan since Dignity Health was not a church when the plan was established, and, therefore, DHPP was not exempt from ERISA. Dignity Health appealed the decision. In July 2016, the Ninth Circuit Court of Appeals issued its opinion, which affirmed the District Court's order and held that a church plan must be established by a church or by an association of churches and must be maintained either by a church or by a church-controlled or church-affiliated organization whose principal purpose or function is to provide benefits to church employees. The Ninth Circuit remanded the case to the District Court for further proceedings.

Dignity Health appealed the decision to the United States Supreme Court, which agreed to hear Dignity Health's case together with those of two other faith-based health systems facing similar challenges to church plan status.

In June 2017, the Supreme Court issued its unanimous opinion reversing the decision of the Ninth Circuit. The Court concluded that the 1980 amendment to Section 3(33)(C) of ERISA was intended by Congress to expand the types of pension plans that could qualify as church plans to include plans maintained by faith-based organizations such as Dignity Health and regardless of who first established the plans. The decision did not determine whether Dignity Health satisfied the requirements to maintain a church plan. In fact, the Court specifically noted that it was not deciding (1) whether any hospital was sufficiently associated with a church for its pension plan to qualify for the church plan exemption, or (2) whether an internal retirement committee could qualify as a "principal purpose" organization entitled to maintain a church plan. The Supreme Court remanded the case to the Ninth Circuit for further action based on its decision.

Based on the Supreme Court's decision, the Ninth Circuit returned the case to the District Court to continue the proceedings with regard to the two outstanding questions and other claims that were not decided by the Supreme Court. The plaintiff amended its original complaint in November 2017, and Dignity Health filed a motion to dismiss the case in December 2017. The motion was heard in March 2018. In September 2018, the District Court issued its ruling denying Dignity Health's motion to dismiss. The decision was primarily based upon the procedural standard that requires the Court to accept the plaintiff's allegations in the amended complaint as true and does not permit Dignity Health to refute those allegations. As a result, the Court found that the amended complaint was sufficient to withstand dismissal at this stage, but encouraged the parties to further develop the factual record as a basis to consider Dignity Health's objections in the future.

The parties have agreed in principle to resolve the litigation. An unopposed motion for approval of the terms of settlement is currently pending before the court for approval. Management does not believe that the proposed settlement will have a material adverse effect on the financial position or results of operations of CommonSpirit.

***Capital and Purchase Commitments*** – CommonSpirit has legally committed to fund capital improvements related to certain acquisitions and affiliations, has undertaken various construction and expansion projects that include certain capital commitments, and has entered into various agreements that require certain minimum purchases of goods and services, including management services agreements or information and clinical technology, at levels consistent with normal business requirements. Outstanding capital and purchase commitments were approximately $736 million and $159 million at June 30, 2020, respectively.

## 23. FUNCTIONAL EXPENSES

CommonSpirit provides healthcare services, including inpatient, outpatient, ambulatory, long-term care and community-based services to individuals within the various geographic areas supported by its facilities. Expenses for these program services represent costs that are controllable by operational leadership. Support services include administration, financial services and purchasing, financial planning and budgeting, information technology, risk management, public relations, human resources, cash, debt and investment management, legal, mission services, and other functions that are supported centrally for all of CommonSpirit and are driven by CommonSpirit leadership. Following is a summary of the program and support services provided for the year ended June 30, 2020 and 2019:

| | 2020 | | | |
|---|---|---|---|---|
| | Program Services - Healthcare | Support Services - Management and Administrative | Support Services - Fundraising | Total Expenses |
| Salaries and benefits | $ 13,659 | $ 969 | $ 25 | $ 14,653 |
| Supplies | 4,456 | 58 | 1 | 4,515 |
| Purchased services and other | 7,465 | 1,362 | 59 | 8,886 |
| Depreciation and amortization | 1,198 | 332 | - | 1,530 |
| Interest expense | 419 | 37 | - | 456 |
| Special charges | 34 | 55 | - | 89 |
| Total operating expenses | $ 27,231 | $ 2,813 | $ 85 | $ 30,129 |

| | 2019 | | | |
|---|---|---|---|---|
| | Program Services - Healthcare | Support Services - Management and Administrative | Support Services - Fundraising | Total Expenses |
| Salaries and benefits | $ 9,714 | $ 490 | $ 17 | $ 10,221 |
| Supplies | 3,317 | 20 | - | 3,337 |
| Purchased services and other | 5,323 | 898 | 52 | 6,273 |
| Depreciation and amortization | 846 | 241 | - | 1,087 |
| Interest expense | 375 | 16 | - | 391 |
| Special charges | 157 | 102 | - | 259 |
| Total operating expenses | $ 19,732 | $ 1,767 | $ 69 | $ 21,568 |

## 24. UNSPONSORED COMMUNITY BENEFIT EXPENSE (UNAUDITED)

Unsponsored community benefits are programs or activities that provide treatment and/or promote health and healing as a response to identified community needs. These benefits (a) generate a low or negative margin, (b) respond to the needs of special populations, such as persons living in poverty and other disenfranchised persons, (c) supply services or programs that would likely be discontinued, or would need to be provided by another nonprofit or government provider, if the decision was made on a purely financial basis, (d) respond to public health needs, and/or (e) involve education or research that improves overall community health.

***Benefits for the Poor*** include services provided to persons who are economically poor or are medically indigent and cannot afford to pay for health care services because they have inadequate resources and/or are uninsured or underinsured.

***Benefits for the Broader Community*** refer to programs in the general communities that CommonSpirit serves, beyond and including those for a target population. Most services for the broader community are aimed at improving the health and welfare of the overall community. CommonSpirit provides services to nonprofit organizations that promote the total health of their local communities, including the development of affordable housing for low-income persons and families, increasing opportunities for jobs and job training, and expanding access to health care for uninsured and underinsured persons.

***Traditional Charity Care*** is free or discounted health services provided to persons who cannot afford to pay and who meet CommonSpirit's criteria for financial assistance.

***Net Community Benefit***, excluding the unpaid cost of Medicare, is the total cost incurred after deducting direct offsetting revenue from government programs, patients, and other sources of payment or reimbursement for services provided to program patients. Also, restricted revenue from grants, patients, and other sources of payment or reimbursement for services provided to program patients are included in direct offsetting revenue. The comparable amount of net community benefit was $2 billion for 2019 and net community benefit, including the unpaid cost of Medicare, was $4 billion for 2019.

Following is a summary of CommonSpirit's community benefits for 2020, in terms of services to the poor and benefits for the broader community, which has been prepared in accordance with Internal Revenue Service Form 990, Schedule H and the CHA publication, *A Guide for Planning and Reporting Community Benefit* (dollars in millions):

| | Unaudited | | | |
|---|---|---|---|---|
| | **Total Benefit Expense** | **Direct Offsetting Revenue** | **Net Community Benefit** | **% of Total Expenses** |
| Benefits for the poor: | | | | |
| Traditional charity care | $ 447 | $ (10) | $ 437 | 1.5% |
| Unpaid costs of Medicaid / Medi-Cal | 4,497 | (3,178) | 1,319 | 4.4% |
| Other means-tested programs | 68 | (4) | 64 | 0.2% |
| Community services: | | | | |
| Community health services | 85 | (27) | 58 | 0.2% |
| Health professions education | 39 | - | 39 | 0.1% |
| Subsidized health services | 70 | (2) | 68 | 0.2% |
| Cash and in-kind contributions | 32 | (19) | 13 | 0.0% |
| Community building activities | 3 | (1) | 2 | 0.0% |
| Community benefit operations | 10 | - | 10 | 0.0% |
| Total community services for the poor | 239 | (49) | 190 | 0.5% |
| Total benefits for the poor | 5,251 | (3,241) | 2,010 | 6.6% |
| Benefits for the broader community: | | | | |
| Community services: | | | | |
| Community health services | 39 | (5) | 34 | 0.1% |
| Health professions education | 184 | (27) | 157 | 0.5% |
| Subsidized health services | 29 | (18) | 11 | 0.0% |
| Research | 45 | (38) | 7 | 0.0% |
| Cash and in-kind contributions | 7 | - | 7 | 0.0% |
| Community building activities | 5 | (1) | 4 | 0.0% |
| Community benefit operations | 10 | - | 10 | 0.0% |
| Total benefits for the broader community | 319 | (89) | 230 | 0.7% |
| Total community benefits | $ 5,570 | $ (3,330) | $ 2,240 | 7.3% |
| Unpaid costs of Medicare | 5,848 | (3,496) | 2,352 | 7.8% |
| Total community benefits including unpaid costs of Medicare | $ 11,418 | $ (6,826) | $ 4,592 | 15.1% |

* * *

Ernst & Young LLP
Suite 1700
18101 Von Karman Avenue
Irvine, CA 92612

Tel: +1 949 794 2300
Fax: +1 949 437 0590
ey.com

# Report of Independent Auditors on Supplementary Information

The Board of Stewardship Trustees
CommonSpirit Health

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of CommonSpirit Health as a whole. The accompanying statement of financial position and statement of activities and changes in net assets of Franciscan Foundation, and the consolidating details 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 financial statements. The information has been subjected to the auditing procedures applied in the audits 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst & Young LLP

October 2, 2020

# Franciscan Foundation

## Statement of Financial Position
*(In Thousands)*

June 30, 2020

| | | |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and equivalents | $ | 715 |
| Investments | | |
| Annuity Trust | | 65 |
| Other | | 19,718 |
| Total assets | $ | 20,498 |
| **Liabilities and net assets** | | |
| Current liabilities: | | |
| Accounts payable | $ | 13 |
| Other accrued liabilities | | 51 |
| Due to affiliate | | 1,164 |
| Annuity trust liability | | 25 |
| Operating lease liabilities | | – |
| Total current liabilities | | 1,253 |
| Operating lease liabilities – long-term | | – |
| Total liabilities | | 1,253 |
| Net assets | | |
| Without donor restrictions – attributable to Franciscan Foundation | | 3,985 |
| With donor restrictions | | 15,260 |
| Total net assets | | 19,245 |
| Total liabilities and net assets | $ | 20,498 |

# Franciscan Foundation

## Statement of Activities and Changes in Net Assets
*(In Thousands)*

Year Ended June 30, 2020

| | Unrestricted | Restricted | Total |
|---|---|---|---|
| Revenues and support: | | | |
| Contributions | $ 351 | $ 1,370 | $ 1,721 |
| Grants from CHI | 409 | – | 409 |
| Support from affiliates | 1,113 | – | 1,113 |
| Interest and dividend income | 211 | 197 | 408 |
| Realized gains, net | 446 | 324 | 770 |
| Unrealized gains, net | (427) | (188) | (615) |
| Net assets released from restrictions | 2,703 | (2,703) | – |
| Total revenue and support | 4,806 | (1,000) | 3,806 |
| Expenses: | | | |
| Program expenses: | | | |
| Contributions to affiliates | 5,590 | – | 5,590 |
| Grants to community | 10 | – | 10 |
| Supporting expenses: | | | |
| General and administrative expenses | 493 | – | 493 |
| Fundraising expenses | 619 | – | 619 |
| Total expenses | 6,712 | – | 6,712 |
| Fund transfer | – | (55) | (55) |
| Changes in net assets | (1,906) | (1,055) | (2,961) |
| Net assets: | | | |
| Beginning of year | 5,891 | 16,315 | 22,206 |
| End of year | $ 3,985 | $ 15,260 | $ 19,245 |

# Franciscan Health System

## Consolidating Balance Sheet
*(In Thousands)*

June 30, 2020

| | Franciscan Foundation | All Other Franciscan Health System Entities | Franciscan Health System (Tacoma, WA) Consolidated |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 715 | $ 299,759 | $ 300,474 |
| Short-term investments | – | – | – |
| Assets limited as to use | 238 | 150 | 388 |
| Patient accounts receivable, net | – | 309,685 | 309,685 |
| Broker receivables for unsettled investment trades | – | – | – |
| Provider fee receivable | – | 14,672 | 14,672 |
| Other current assets | – | 69,665 | 69,665 |
| Total current assets | 953 | 693,931 | 694,884 |
| | | | |
| Assets limited as to use: | | | |
| Designated assets for: | | | |
| Capital projects and other | 4,762 | 476,192 | 480,954 |
| Held for self-insured claims | – | – | – |
| Under bond indenture agreements for debt service | – | – | – |
| Donor-restricted | 15,021 | 21,151 | 36,172 |
| Other | – | – | – |
| Less amount required to meet current obligations | (238) | (150) | (388) |
| Assets limited as to use, net | 19,545 | 497,193 | 516,738 |
| | | | |
| Property and equipment, net | – | 1,208,974 | 1,208,974 |
| Right of use operating lease assets | – | 234,868 | 234,868 |
| Ownership interests in health-related activities | – | 31,907 | 31,907 |
| Goodwill | – | 27,496 | 27,496 |
| Intangible assets, net | – | 30,324 | 30,324 |
| Other long-term assets, net | – | 27,648 | 27,648 |
| Total assets | $ 20,498 | $ 2,752,341 | $ 2,772,839 |

# Franciscan Health System

## Consolidating Balance Sheet (continued)

*(In Thousands)*

June 30, 2020

| | Franciscan Foundation | All Other Franciscan Health System Entities | Franciscan Health System (Tacoma, WA) Consolidated |
|---|---|---|---|
| **Liabilities and net assets** | | | |
| Current liabilities: | | | |
| Curent portion of long-term debt | $ – | $ 16,752 | $ 16,752 |
| Demand bonds subject to short-term liquidity | – | – | – |
| Accounts payable | 1,177 | 127,969 | 129,146 |
| Accured salaries and benefits | – | 124,555 | 124,555 |
| Self-insured reserves and claims | – | – | – |
| Broker payables for unsettled investment trades | – | – | – |
| Provider fee payables | – | 11,899 | 11,899 |
| Operating lease liabilities | – | 33,053 | 33,053 |
| Other accrued liabilities | 51 | 314,177 | 314,228 |
| Total current liabilities | 1,228 | 628,405 | 629,633 |
| Other liabilties – long-term | | | |
| Self-insured reserves and claims | – | – | – |
| Pension and other postretirement benefit liabilities | – | 10,709 | 10,709 |
| Derivative liabilities | – | – | – |
| Operating lease liabilities – long-term | – | 238,153 | 238,153 |
| Other | 25 | 13,628 | 13,653 |
| Total other liabilities – long-term | 25 | 262,490 | 262,515 |
| Long-term debt, net of current portion | – | 190,284 | 190,284 |
| Total liabilities | 1,253 | 1,081,179 | 1,082,432 |
| Net assets: | | | |
| Without donor restrictions – attributable to Franciscan Health System | 3,985 | 1,664,997 | 1,668,982 |
| Without donor restrictions – noncontrolling interests | – | 921 | 921 |
| With donor restrictions | 15,260 | 5,244 | 20,504 |
| Total net assets | 19,245 | 1,671,162 | 1,690,407 |
| Total liabilities and net assets | $ 20,498 | $ 2,752,341 | $ 2,772,839 |

# Franciscan Health System

## Consolidating Statement of Operations
*(In Thousands)*

Year Ended June 30, 2020

| | Franciscan Foundation | All Other Franciscan Health System Entities | Franciscan Health System (Tacoma, WA) Consolidated |
|---|---|---|---|
| Operating revenues: | | | |
| Net patient revenue | $ – | 2,385,884 | $ 2,385,884 |
| Premium revenue | – | – | – |
| Revenue from health-related activities, net | – | (10,986) | (10,986) |
| Other operating revenues | 410 | 115,254 | 115,664 |
| Contributions | 1,378 | 367 | 1,745 |
| Total operating revenues | 1,788 | 2,490,519 | 2,492,307 |
| Operating expenses: | | | |
| Salaries and benefits | 797 | 1,361,519 | 1,362,316 |
| Supplies | 2 | 334,797 | 334,799 |
| Purchased services and other | 2,247 | 710,847 | 713,094 |
| Depreciation and amortization | – | 133,571 | 133,571 |
| Interest expense, net | – | (4,864) | (4,864) |
| Special charges and other costs | – | 8,017 | 8,017 |
| Total operating expenses | 3,046 | 2,543,887 | 2,546,933 |
| Operating loss | (1,258) | (53,368) | (54,626) |
| Nonoperating income: | | | |
| Investment income, net | 230 | 16,075 | 16,305 |
| Loss on early extinguishment of debt | – | – | – |
| Income tax expense | – | 552 | 552 |
| Change in fair value and cash payments of interest rate swaps | – | – | – |
| Contribution from business combination | – | – | – |
| Other components of net periodic postretirement costs | – | 4,571 | 4,571 |
| Other | – | – | – |
| Total nonoperating income, net | 230 | 21,198 | 21,428 |
| Deficit of revenues over expenses | (1,028) | (32,170) | (33,198) |
| Less deficit of revenues over expenses attributable to noncontrolling interests | – | 786 | 786 |
| Deficit of revenues over expenses attributable to Franciscan Health System | $ (1,028) | $ (32,956) | $ (33,984) |

# CommonSpirit Health

## Consolidating Balance Sheet
*(In Millions)*

June 30, 2020

| | Franciscan Health System (Tacoma, WA) Consolidated | All Other | Eliminations | CommonSpirit Health Consolidated |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 300 | $ 5,374 | $ – | $ 5,674 |
| Short-term investments | – | 2,715 | – | 2,715 |
| Assets limited as to use | – | 1,172 | – | 1,172 |
| Patient accounts receivable, net | 310 | 3,271 | – | 3,581 |
| Broker receivables for unsettled investment trades | – | 199 | – | 199 |
| Provider fee receivable | 15 | 1,127 | – | 1,142 |
| Other current assets | 70 | 1,642 | (90) | 1,622 |
| Total current assets | 695 | 15,500 | (90) | 16,105 |
| Assets limited as to use: | | | | |
| Designated assets for: | | | | |
| Capital projects and other | 481 | 6,912 | – | 7,393 |
| Held for self-insured claims | – | 1,557 | – | 1,557 |
| Under bond indenture agreements for debt service | – | 19 | – | 19 |
| Donor-restricted | 36 | 825 | – | 861 |
| Other | – | 597 | – | 597 |
| Less amount required to meet current obligations | – | (1,172) | – | (1,172) |
| Assets limited as to use, net | 517 | 8,738 | – | 9,255 |
| Property and equipment, net | 1,209 | 14,024 | – | 15,233 |
| Right of use operating lease assets | 235 | 1,593 | – | 1,828 |
| Ownership interests in health-related activities | 32 | 3,156 | – | 3,188 |
| Goodwill | 27 | 247 | – | 274 |
| Intangible assets, net | 30 | 670 | – | 700 |
| Other long-term assets, net | 28 | 365 | (203) | 190 |
| Total assets | $ 2,773 | $ 44,293 | $ (293) | $ 46,773 |

CommonSpirit Health

Consolidating Balance Sheet (continued)
*(In Millions)*

| | Franciscan Health System (Tacoma, WA) Consolidated | All Other | Eliminations | CommonSpirit Health Consolidated |
|---|---|---|---|---|
| **Liabilities and net assets** | | | | |
| Current liabilities: | | | | |
| Curent portion of long-term debt | $ 17 | $ 1,071 | $ (9) | $ 1,079 |
| Demand bonds subject to short-term liquidity arrangements | – | 821 | – | 821 |
| Accounts payable | 129 | 1,397 | (90) | 1,436 |
| Accured salaries and benefits | 124 | 1,336 | – | 1,460 |
| Self-insured reserves and claims | – | 407 | – | 407 |
| Broker payables for unsettled investment trades | – | 302 | – | 302 |
| Provider fee payables | 12 | 409 | – | 421 |
| Operating lease liabilities | 33 | 241 | – | 274 |
| Other accrued liabilities | 314 | 3,862 | – | 4,176 |
| Total current liabilities | 629 | 9,846 | (99) | 10,376 |
| Other liabilties – long-term | | | | |
| Self-insured reserves and claims | – | 1,129 | – | 1,129 |
| Pension and other postretirement benefit liabilities | 11 | 5,542 | – | 5,553 |
| Derivative liabilities | – | 277 | – | 277 |
| Operating lease liabilities – long-term | 238 | 1,463 | – | 1,701 |
| Other | 14 | 988 | – | 1,002 |
| Total other liabilities – long-term | 263 | 9,399 | – | 9,662 |
| Long-term debt, net of current portion | 190 | 13,144 | (194) | 13,140 |
| Total liabilities | 1,082 | 32,389 | (293) | 33,178 |
| Net assets: | | | | |
| Without donor restrictions – attributable to CommonSpirit Health | 1,669 | 10,648 | – | 12,317 |
| Without donor restrictions – noncontrolling interests | 1 | 418 | – | 419 |
| With donor restrictions | 21 | 838 | – | 859 |
| Total net assets | 1,691 | 11,904 | – | 13,595 |
| Total liabilities and net assets | $ 2,773 | $ 44,293 | $ (293) | $ 46,773 |

CommonSpirit Health

# Consolidating Statement of Operations
*(In Millions)*

Year Ended June 30, 2020

| | Franciscan Health System (Tacoma, WA) Consolidated | All Other | Eliminations | CommonSpirit Health Consolidated |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Net patient revenue | $ 2,386 | $ 23,821 | $ – | $ 26,207 |
| Premium revenue | – | 1,158 | – | 1,158 |
| Revenue from health-related activities, net | (11) | 110 | – | 99 |
| Other operating revenues | 116 | 2,359 | (422) | 2,053 |
| Contributions | 2 | 60 | – | 62 |
| Total operating revenues | 2,493 | 27,508 | (422) | 29,579 |
| Operating expenses: | | | | |
| Salaries and benefits | 1,362 | 13,434 | (143) | 14,653 |
| Supplies | 335 | 4,180 | – | 4,515 |
| Purchased services and other | 713 | 8,443 | (270) | 8,886 |
| Depreciation and amortization | 134 | 1,396 | – | 1,530 |
| Interest expense, net | (5) | 470 | (9) | 456 |
| Special charges and other costs | 8 | 81 | – | 89 |
| Total operating expenses | 2,547 | 28,004 | (422) | 30,129 |
| Operating loss | (54) | (496) | – | (550) |
| Nonoperating income (loss): | | | | |
| Investment income, net | 16 | 257 | – | 273 |
| Loss on early extinguishment of debt | – | (110) | – | (110) |
| Income tax expense | 1 | (51) | – | (50) |
| Change in fair value and cash payments of interest rate swaps | – | (219) | – | (219) |
| Contribution from business combination | – | 54 | – | 54 |
| Other components of net periodic postretirement costs | 5 | 95 | – | 100 |
| Other | – | (22) | – | (22) |
| Total nonoperating income, net | 22 | 4 | – | 26 |
| Deficit of revenues over expenses | (32) | (492) | – | (524) |
| Less excess of revenues over expenses attributable to noncontrolling interests | 1 | 26 | – | 27 |
| Deficit of revenues over expenses attributable to CommonSpirit Health | $ (33) | $ (518) | $ – | $ (551) |

# COMMONSPIRIT HEALTH

**Consolidated Financial Statements as of
and for the Years Ended June 30, 2021 and 2020
With Report of Independent Auditors**

## COMMONSPIRIT HEALTH

### TABLE OF CONTENTS

Ernst & Young LLP
Suite 1700
18101 Von Karman Avenue
Irvine, CA 92612

Tel: +1 949 794 2300
Fax: +1 949 437 0590
ey.com

# Report of Independent Auditors

The Board of Stewardship Trustees
CommonSpirit Health

We have audited the accompanying consolidated financial statements of CommonSpirit Health, which comprise the consolidated balance sheets as of June 30, 2021 and 2020, 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.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CommonSpirit Health as of June 30, 2021 and 2020, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

September 17, 2021

## COMMONSPIRIT HEALTH

### CONSOLIDATED BALANCE SHEETS
### JUNE 30, 2021 AND 2020 (in millions)

| Assets | 2021 | 2020 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 3,329 | $ 5,927 |
| Short-term investments | 1,124 | 233 |
| Patient accounts receivable, net | 4,323 | 3,581 |
| Provider fee receivable | 1,151 | 1,142 |
| Other current assets | 2,712 | 1,822 |
| Total current assets | 12,639 | 12,705 |
| Long-term investments | 19,480 | 12,269 |
| Property and equipment, net | 16,002 | 15,233 |
| Right-of-use operating lease assets | 1,863 | 1,828 |
| Ownership interest in health-related activities | 3,107 | 3,188 |
| Other long-term assets, net | 1,785 | 1,550 |
| Total assets | $ 54,876 | $ 46,773 |

(Continued)

## COMMONSPIRIT HEALTH

### CONSOLIDATED BALANCE SHEETS
### JUNE 30, 2021 AND 2020 (in millions)

| Liabilities and Net Assets | 2021 | 2020 |
|---|---|---|
| Current liabilities: | | |
| Current portion of long-term debt | $ 754 | $ 1,079 |
| Demand bonds subject to short-term liquidity arrangements | 247 | 821 |
| Accounts payable | 1,705 | 1,436 |
| Accrued salaries and benefits | 1,994 | 1,460 |
| Provider fee payable | 405 | 421 |
| Medicare advances | 1,422 | 2,646 |
| Other accrued liabilities - current | 2,984 | 2,513 |
| Total current liabilities | 9,511 | 10,376 |
| Other liabilities - long-term: | | |
| Self-insured reserves and claims | 1,024 | 1,129 |
| Pension and other postretirement benefit liabilities | 3,761 | 5,553 |
| Derivative instruments | 287 | 277 |
| Operating lease liabilities | 1,750 | 1,701 |
| Medicare advances - long-term | 1,088 | - |
| Other accrued liabilities - long-term | 1,017 | 1,002 |
| Total other liabilities - long-term | 8,927 | 9,662 |
| Long-term debt, net of current portion | 14,540 | 13,140 |
| Total liabilities | 32,978 | 33,178 |
| Net assets: | | |
| Without donor restrictions - attributable to CommonSpirit Health | 19,646 | 12,317 |
| Without donor restrictions - noncontrolling interests | 1,187 | 419 |
| With donor restrictions | 1,065 | 859 |
| Total net assets | 21,898 | 13,595 |
| Total liabilities and net assets | $ 54,876 | $ 46,773 |

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
## YEARS ENDED JUNE 30, 2021 AND 2020 (in millions)

| | 2021 | 2020 |
|---|---|---|
| Operating revenues: | | |
| Net patient revenue | $ 28,996 | $ 26,207 |
| Premium revenue | 1,189 | 1,158 |
| Revenue from health-related activities, net | 314 | 99 |
| Other operating revenue | 2,690 | 2,053 |
| Contributions | 64 | 62 |
| Total operating revenues | 33,253 | 29,579 |
| Operating expenses: | | |
| Salaries and benefits | 16,006 | 14,653 |
| Supplies | 5,086 | 4,515 |
| Purchased services and other | 9,225 | 8,975 |
| Depreciation and amortization | 1,487 | 1,530 |
| Interest expense, net | 451 | 456 |
| Total operating expenses | 32,255 | 30,129 |
| Operating income (loss) | 998 | (550) |
| Nonoperating income (loss): | | |
| Investment income, net | 3,399 | 273 |
| Loss on early extinguishment of debt | (12) | (110) |
| Income tax expense | (139) | (50) |
| Change in fair value and cash payments of interest rate swaps | 86 | (219) |
| Contribution from business combination | 1,018 | 54 |
| Other components of net periodic postretirement costs | 86 | 100 |
| Other | 14 | (22) |
| Total nonoperating income, net | 4,452 | 26 |
| Excess (deficit) of revenues over expenses | $ 5,450 | $ (524) |
| Less excess of revenues over expenses attributable to noncontrolling interests | 261 | 27 |
| Excess (deficit) of revenues over expenses attributable to CommonSpirit Health | $ 5,189 | $ (551) |

(Continued)

## CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
## YEARS ENDED JUNE 30, 2021 AND 2020 (in millions)

| | Without Donor Restrictions | | With Donor Restrictions | Total Net Assets |
|---|---|---|---|---|
| | Attributable to CommonSpirit Health | Noncontrolling Interests | | |
| Balance, June 30, 2019 | $ 14,428 | $ 486 | $ 877 | $15,791 |
| Excess (deficit) of revenue over expenses | (551) | 27 | - | (524) |
| Change in accounting principle | 152 | - | - | 152 |
| Contributions | - | - | 96 | 96 |
| Net assets released from restrictions for capital | 49 | - | (49) | - |
| Net assets released from restrictions for operations and other | - | - | (45) | (45) |
| Change in funded status of pension and other postretirement benefit plans | (1,668) | - | - | (1,668) |
| Loss from discontinued operations, net | (182) | - | - | (182) |
| Other | 89 | (94) | (20) | (25) |
| Decrease in net assets | (2,111) | (67) | (18) | (2,196) |
| Balance, June 30, 2020 | $ 12,317 | $ 419 | $ 859 | $13,595 |
| Excess of revenue over expenses | 5,189 | 261 | - | 5,450 |
| Contributions | - | - | 106 | 106 |
| Contribution from business combination | - | 573 | 78 | 651 |
| Net assets released from restrictions for capital | 37 | - | (37) | - |
| Net assets released from restrictions for operations and other | - | - | (50) | (50) |
| Change in funded status of pension and other postretirement benefit plans | 2,019 | - | - | 2,019 |
| Other | 84 | (66) | 109 | 127 |
| Increase in net assets | 7,329 | 768 | 206 | 8,303 |
| Balance, June 30, 2021 | $ 19,646 | $ 1,187 | $ 1,065 | $21,898 |

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS
## YEARS ENDED JUNE 30, 2021 AND 2020 (in millions)

| | 2021 | 2020 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ 8,303 | $ (2,196) |
| Adjustments to reconcile change in net assets to cash provided by (used in) operating activities: | | |
| Loss on early extinguishment of debt | 12 | 110 |
| Depreciation and amortization | 1,487 | 1,530 |
| Changes in equity of health-related entities | (345) | (100) |
| Contribution from business combination | (1,018) | (54) |
| Net assets related to business combination | (78) | - |
| Noncash special charges and other | 49 | 10 |
| Net (gain) loss on sales of facilities and investments in unconsolidated organizations | (69) | 75 |
| Noncash impact of change in accounting principle | - | (152) |
| Change in fair value of swaps | (158) | 174 |
| Change in funded status of pension and other postretirement benefit plans | (2,019) | 1,668 |
| Pension cash contributions | (139) | (22) |
| Changes in certain assets and liabilities: | | |
| Accounts receivable, net | (540) | 156 |
| Accounts payable | 178 | 10 |
| Self-insured reserves and claims | (73) | 53 |
| Accrued salaries and benefits | 430 | 76 |
| Changes in broker receivables/payables for unsettled investment trades | 63 | (9) |
| Provider fee assets and liabilities | (24) | (94) |
| Other accrued liabilities | (144) | 377 |
| Medicare advances | (137) | 2,646 |
| Prepaid and other current assets | (162) | (238) |
| Other, net | (279) | 175 |
| Cash provided by operating activities before net change in investments | 5,337 | 4,195 |
| Net (increase) decrease in investments | (7,474) | 213 |
| Cash provided by (used in) operating activities | (2,137) | 4,408 |

(Continued)

## COMMONSPIRIT HEALTH

### CONSOLIDATED STATEMENTS OF CASH FLOWS
### YEARS ENDED JUNE 30, 2021 AND 2020 (in millions)

| | 2021 | 2020 |
|---|---|---|
| Cash flows from investing activities: | | |
| Purchases of property and equipment | $ (1,497) | $ (1,286) |
| Investments in health-related activities | (174) | (167) |
| Business acquisitions, net of cash acquired | 382 | (12) |
| Proceeds from asset sales | 918 | 218 |
| Cash distributions from health-related activities | 271 | 102 |
| Other, net | (167) | (53) |
| Cash used in investing activities | (267) | (1,198) |
| Cash flows from financing activities: | | |
| Borrowings | 2,347 | 9,032 |
| Repayments | (2,585) | (7,607) |
| Loss on early extinguishment of debt | (12) | (110) |
| Swaps cash collateral posted | 104 | (112) |
| Distributions to noncontrolling interests | (76) | (55) |
| Contribution by noncontrolling interests | 28 | - |
| Cash provided by (used in) financing activities | (194) | 1,148 |
| Net increase (decrease) in cash and cash equivalents | (2,598) | 4,358 |
| Cash and cash equivalents at beginning of year | 5,927 | 1,569 |
| Cash and cash equivalents at end of year | $ 3,329 | $ 5,927 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest, net of capitalized interest | $ 445 | $ 429 |
| Supplemental schedule of noncash investing and financing activities: | | |
| Property and equipment acquired through capital lease or note payable | $ 181 | $ 91 |
| Investments in health-related activities | $ 146 | $ 92 |
| Accrued purchases of property and equipment | $ 151 | $ 105 |

See notes to consolidated financial statements.

## 1. ORGANIZATION

CommonSpirit Health is a Colorado nonprofit public benefit corporation exempt from federal and state income taxes. CommonSpirit Health was created by the alignment of Catholic Health Initiatives ("CHI") and Dignity Health in February 2019. CommonSpirit Health is a Catholic health care system sponsored by the public juridic person, Catholic Health Care Federation ("CHCF").

CommonSpirit Health owns and operates health care facilities in 21 states and is the sole corporate member (parent corporation) of other primarily nonprofit corporations that are exempt from federal and state income taxes. CommonSpirit Health is comprised of more than 1,500 care sites, consisting of 140 hospitals, including academic health centers, major teaching hospitals, and critical access facilities, community health services organizations, accredited nursing colleges, home health agencies, living communities, a medical foundation and other affiliated medical groups, and other facilities and services that span the inpatient and outpatient continuum of care. CommonSpirit Health also has offshore and onshore captive insurance companies. The accompanying consolidated financial statements include CommonSpirit Health and its direct affiliates and subsidiaries (together, "CommonSpirit").

CommonSpirit Health and substantially all of its direct affiliates and subsidiaries have been granted exemptions from federal income tax as charitable organizations under Section 501(c)(3) of the Internal Revenue Code.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Presentation*** – The accompanying consolidated financial statements of CommonSpirit were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts of all wholly-owned affiliates and affiliates over which CommonSpirit exercises control or has a controlling financial interest, after elimination of intercompany transactions and balances.

***Reclassifications*** **–** Certain reclassifications and changes in presentation were made in the 2020 consolidated financial statements to conform to the 2021 presentation. As previously presented, CommonSpirit included goodwill, intangible assets, net, certain line items within current assets and other current liabilities, and special charges in separate financial statement lines. These changes in presentation were made in part to combine balances that are not significant as single line items in the consolidated financial statements.

Also, certain short-term investments have been reclassified to long-term investments or cash and cash equivalents, and assets limited as to use, current and long-term, have been reclassified within short-term and long-term investments. CommonSpirit has continued its ongoing integration efforts related to the affiliation between Dignity Health and CHI, including the consolidation of its investments into the CommonSpirit Health Operating Investment Pool, LLC ("CSH OIP") in October 2020. In conjunction with this integration, CommonSpirit reassessed their financial statement presentation method regarding the classification of the underlying investments as short-term and long-term within the consolidated balance sheet and consolidated statement of cash flow. The change was made to include financial assets as defined below as short-term investments. All other investments were classified as long-term. The change in presentation is reflected within the consolidated financial statements.

A crosswalk of the 2020 consolidated financial statement presentation to the 2021 presentation for applicable lines is provided below (in millions):

| | As Originally Presented | Reclassifications | As Adjusted |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 5,674 | $ 253 | $ 5,927 |
| Short-term investments | 2,715 | (2,482) | 233 |
| Current portion of assets limited as to use | 1,172 | (1,172) | - |
| Broker receivables for unsettled investment trades | 199 | (199) | - |
| Other current assets | 1,622 | 200 | 1,822 |
| Long-term investments | - | 12,269 | 12,269 |
| Assets limited as to use: | | | |
| Capital projects | 7,393 | (7,393) | - |
| Held for self-insured claims | 1,557 | (1,557) | - |
| Under bond indenture agreements for debt service | 19 | (19) | - |
| Donor-restricted | 861 | (861) | - |
| Other | 597 | (597) | - |
| Less amounts required to meet current obligations | (1,172) | 1,172 | - |
| Goodwill | 274 | (274) | - |
| Intangible assets, net | 700 | (700) | - |
| Other long-term assets, net | 190 | 1,360 | 1,550 |
| Total assets | $ 21,801 | $ - | $ 21,801 |
| **Liabilities** | | | |
| Self-insured reserves and claims | 407 | (407) | - |
| Broker payables for unsettled investment trades | 302 | (302) | - |
| Operating lease liabilities | 274 | (274) | - |
| Medicare advances | - | 2,646 | 2,646 |
| Other accrued liabilities - current | 4,176 | (1,663) | 2,513 |
| Total liabilities | $ 5,159 | $ - | $ 5,159 |
| **Operating Expenses** | | | |
| Purchased services and other | 8,886 | 89 | 8,975 |
| Special charges and other costs | 89 | (89) | - |
| Total operating expenses | $ 8,975 | $ - | $ 8,975 |

These reclassifications did not have any impact on net assets or changes in net assets.

***Use of Estimates*** – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. CommonSpirit considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient revenue, which includes contractual discounts and adjustments; price

concessions and charity care; fair value of acquired assets and assumed liabilities in business combinations; recorded values of depreciable and amortizable assets, investments and goodwill; reserves for self-insured workers' compensation and professional and general liabilities; contingent liabilities; and assumptions for measurement of pension and other postretirement benefit liabilities. Management bases its estimates on historical experience and various other assumptions that it believes are reasonable under the particular circumstances. Actual results could differ from those estimates.

***Cash and Cash Equivalents*** **–** Cash and cash equivalents consist primarily of cash and liquid marketable securities with an original maturity of three months or less.

***Inventories*** – Inventories, primarily consisting of pharmacy drugs and medical and surgical supplies, are stated at the lower of cost or net realizable value, determined using the first-in, first-out method. Inventories are recorded in other current assets in the accompanying consolidated balance sheets.

***Broker Receivables and Payables for Unsettled Investment Trades*** **–** CommonSpirit accounts for its investments on a trade date basis. Amounts due to/from brokers for investment activity represent transactions that have been initiated prior to the consolidated balance sheet date, but are formally settled subsequent to the consolidated balance sheet date. These balances are recorded within other current assets and other accrued liabilities - current, respectively. See Notes 6 and 12.

***Assets and Liabilities Held for Sale*** **–** Assets and liabilities held for sale represent assets and liabilities that are expected to be sold within one year. A group of assets and liabilities expected to be sold within one year is classified as held for sale if it meets certain criteria. The assets and liabilities held for sale are measured at the lower of carrying value or fair value less cost to sell. Such valuations include estimates of fair values generally based upon firm offers, discounted cash flows and incremental direct costs to transact a sale (Level 2 and Level 3 inputs). These balances are recorded within other current assets and other accrued liabilities - current, respectively. See Notes 6 and 12.

***Investments and Investment Income*** – Short-term investments consist of investments with an original maturity of more than three months up to one year. Long-term investments consist of investments with original maturities greater than one year.

The CommonSpirit Board of Stewardship Trustees Investment Committee establishes guidelines for investment decisions. Within those guidelines, CommonSpirit invests in equity and debt securities which are measured at fair value and are classified as trading securities. Accordingly, unrealized gains and losses on marketable securities are recorded within excess (deficit) of revenues over expenses in the accompanying consolidated statements of operations and changes in net assets, and cash flows from the purchases and sales of marketable securities are reported as a component of operating activities in the accompanying consolidated statements of cash flows.

CommonSpirit also invests in alternative investments through limited partnerships. Alternative investments are comprised of private equity, real estate, hedge fund and other investment vehicles. CommonSpirit receives a proportionate share of the investment gains and losses of the partnerships. The limited partnerships generally contract with managers who have full discretionary authority over the investment decisions, within CommonSpirit's guidelines. These alternative investment vehicles invest in equity securities, fixed income securities, currencies, real estate, commodities, and derivatives.

CommonSpirit accounts for its ownership interests in these alternative investments under the equity method, the value of which is based on the net asset value ("NAV") practical expedient and is determined using investment valuations provided by the external investment managers, fund managers or general partners.

Alternative investments generally are not marketable, and many alternative investments have underlying investments that may not have quoted market values. The estimated value of such investments is subject to uncertainty and could differ had a ready market existed. Such differences could be material. CommonSpirit's risk is limited to its capital investment in each investment and capital call commitments as discussed in Note 8.

Investment income or loss is included in excess (deficit) of revenues over expenses unless the income or loss is restricted by donor or law. Income earned on tax-exempt borrowings for specific construction projects is offset against interest expense capitalized for such projects during construction.

Also recorded in investments are assets limited as to use set aside by CommonSpirit for future long-term purposes, including amounts held by trustees under bond indenture agreements, funds set aside for self-insurance programs, amounts contributed by donors with stipulated restrictions, and amounts held for mission and ministry purposes.

***Liquidity*** – Cash and cash equivalents, short-term investments, patient and other accounts receivable, broker receivables, and provider fee receivables are the financial assets available to meet expected expenditure needs within the next year. Additionally, although intended to satisfy long-term obligations, management estimates that approximately 85.3% of the CSH OIP, as stated at June 30, 2021, could be utilized within the next year, if needed. CommonSpirit also has credit facility programs, as described in Note 13, available to meet unanticipated liquidity needs.

***Deferred Financing Costs and Original Issue Discounts/Premiums on Bond Indebtedness*** – CommonSpirit amortizes deferred financing costs and original issue discounts/premiums on bond indebtedness over the estimated average period the related bonds will be outstanding, which approximates the effective interest method. Both deferred financing costs and original issue discounts/premiums are recorded with the related debt.

***Property and Equipment*** – Property and equipment are stated at cost if purchased and at fair market value upon receipt if acquired through a business combination or donated, or upon the date of impairment, if impaired. Depreciation of property and equipment is recorded using the straight-line method. Amortization of finance lease assets is included in depreciation expense. Estimated useful lives by major classification are as follows:

| | |
|---|---|
| Land improvements | 2 to 40 years |
| Buildings and improvements | 5 to 40 years |
| Equipment | 3 to 20 years |
| Software | 3 to 10 years |

***Asset Impairment*** – CommonSpirit routinely evaluates the carrying value of its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds the estimated recoverability, an asset impairment charge is recognized. The impairment tests are based on financial projections prepared by management that incorporate anticipated results from programs and initiatives being implemented and market value assessments of the assets. If these projections are not met, or if negative trends occur that impact the future outlook, the value of the long-lived assets may be impaired.

Goodwill and indefinite-lived intangible assets are tested for impairment annually on various dates and when an event or circumstance indicates the value of the reporting unit or intangible asset may be impaired. CommonSpirit uses the income and market approaches to estimate the fair value of its reporting units and uses the income approach to estimate the fair value of its indefinite-lived intangible assets. If the carrying value exceeds the fair value, an impairment charge is recognized. See Note 11.

***Fair Value of Financial Instruments*** – The carrying amounts reported in the accompanying consolidated balance sheets for assets and liabilities, such as cash and cash equivalents, patient accounts receivable, interests in unconsolidated foundations, excess insurance receivables, community investment loans, broker receivables and payables on unsettled investment trades, accounts payable, and accrued expenses approximate fair value due to the nature of these items. The fair value of investments is disclosed in Note 8.

***Derivative Instruments*** – CommonSpirit utilizes derivative arrangements to manage interest costs and the risk associated with changing interest rates. CommonSpirit records derivative instruments on the accompanying consolidated balance sheets as either an asset or liability measured at its fair value. See Notes 8 and 14.

CommonSpirit does not have derivative instruments that are designated as hedges. Interest cost and changes in fair value of derivative instruments are included in change in fair value and cash payments of interest rate swaps in nonoperating income, net, in the accompanying consolidated statements of operations and changes in net assets.

***Ownership Interests in Health-Related Activities*** – Generally, when the ownership interest in a health-related activity is more than 50% and CommonSpirit has a controlling interest, the ownership interest is consolidated, and a noncontrolling interest is recorded in net assets without donor restrictions. When the ownership interest is at least 20%, but not more than 50%, or CommonSpirit has the ability to exercise significant influence over

operating and financial policies of the investee, it is accounted for under the equity method, and the income or loss is reflected in revenue from health-related activities, net. Ownership interests for which CommonSpirit's ownership is less than 20% or for which CommonSpirit does not have the ability to exercise significant influence are measured either at fair value or under the measurement alternative. See Note 10.

***Self-Insurance Plans*** – The liability for self-insured reserves and claims represents the estimated ultimate net cost of all reported and unreported losses incurred through June 30. Actuarial estimates of uninsured losses at June 30, 2021 and 2020, have been accrued as liabilities and include an actuarial estimate for claims incurred but not reported ("IBNR"). CommonSpirit has insurance coverage in place for amounts in excess of the self-insured retention for workers' compensation and professional and general liabilities. The current and long-term portions of these liabilities are reflected accordingly in other accrued liabilities - current and other accrued liabilities - long-term in the accompanying consolidated balance sheets.

CommonSpirit is also self-insured for certain employee medical benefits. The liability for IBNR claims for these benefits is included in other accrued liabilities - current in the accompanying consolidated balance sheets.

***Patient Accounts Receivable and Net Patient Revenue*** – Patient service revenue is reported at the amounts that reflect the consideration CommonSpirit expects to be paid 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 consideration for retroactive revenue adjustments due to settlement of audits and reviews. Generally, performance obligations for patients receiving inpatient acute care services and outpatient services are recognized over time as services are provided. Net patient revenue is primarily comprised of hospital and physician services.

Performance obligations are generally satisfied over a period of less than one year. As such, CommonSpirit has elected to apply the optional exemption provided in Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2015-14, *Revenue From Contracts with Customers (Topic 606)*, and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

CommonSpirit determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured and underinsured patients in accordance with CommonSpirit's financial assistance policy, and implicit price concessions provided to uninsured and underinsured patients. CommonSpirit determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. CommonSpirit determines its estimate of implicit price concessions based on its historical collection experience with these classes of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. CommonSpirit relies on the results of detailed reviews of historical write-offs and collections in estimating the collectability of accounts receivable. Updates to the hindsight analysis are performed at least quarterly using primarily a rolling eighteen-month collection history and write-off data. Subsequent changes to estimates of the transaction price are generally recorded as adjustments to net patient revenue in the period of the change.

Subsequent changes that are determined to be the result of an adverse change in a third-party payor's ability to pay are recorded as bad debt expense in purchased services and other in the accompanying consolidated statements of operations and changes in net assets. Bad debt expense for 2021 and 2020 was not significant.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements included in net patient revenue follows:

Medicare: Payments for inpatient services are generally made on a prospectively determined rate based on clinical diagnosis. Certain facilities receive cost-based reimbursement. Hospital outpatient services are generally paid based on prospectively determined rates. Physician services are paid based upon established fee schedules.

Medicaid: Payments for inpatient services are generally made on a prospectively determined rate based on clinical diagnosis or on a per case or per diem basis. Hospital outpatient services and physician services are paid based upon established fee schedules, a cost basis reimbursement methodology, or discounts from established charges.

Commercial: Payments for inpatient and outpatient services provided to patients covered under commercial insurance policies are paid using a variety of payment methodologies, including per diem and case rates.

Self-Pay and Other: Payment agreements with uninsured or underinsured patients, along with other responsible entities, including institutions, other hospitals and other government payors, are based on a variety of payment methodologies.

Net patient revenue includes estimated settlements under payment agreements with third-party payors. Settlements with third-party payors are accrued on an estimated basis in the period in which the related services are rendered and adjusted in future periods as final settlements are determined. These settlements are estimated and evaluated based on the terms of the payment agreement with the payor, correspondence from the payor, and historical settlement activity.

***Premium Revenue*** – CommonSpirit has at-risk agreements with various payors to provide medical services to enrollees. Under these agreements, CommonSpirit receives monthly payments based on the number of enrollees, regardless of services actually performed by CommonSpirit. CommonSpirit accrues costs when services are rendered under these contracts, including estimates of IBNR claims and amounts receivable/payable under risk-sharing arrangements. The IBNR accrual includes an estimate of the costs of services for which CommonSpirit is responsible, including out-of-network services, and is recorded in other accrued liabilities - current.

***Financial Assistance (Charity Care)*** – Charity care is free or discounted health services provided to persons who cannot afford to pay and who meet CommonSpirit's criteria for financial assistance. The amount of services written off as charity quantified at customary charges was $2.0 billion and $2.1 billion for 2021 and 2020, respectively. CommonSpirit estimates the cost of charity care by calculating a ratio of cost to usual and customary charges and applying that ratio to the usual and customary uncompensated charges associated with providing care to patients who qualify for charity care. This amount is not included in net patient revenue in the accompanying consolidated statements of operations and changes in net assets. The estimated cost of charity care associated with write-offs in 2021 and 2020 was $507 million and $447 million, respectively. See Note 20.

***Other Operating Revenue*** – Other operating revenue includes grant revenues, including funds received from the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), retail pharmacy revenues, management services revenues, rental revenues, cafeteria revenues, certain contributions released from restrictions, gains on sales of assets and joint venture interests, and other nonpatient care revenues. See Note 4.

***Contributions and Net Assets With Donor Restrictions*** – Gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is met, net assets with donor restrictions related to capital purchases are reclassified as net assets without donor restrictions and reflected as net assets released from restrictions used for the purchase of property and equipment in the accompanying consolidated statements of operations and changes in net assets, whereas net assets with donor restrictions related to other gifts are reclassified as net assets without restrictions and recorded as other operating revenue. Gifts received with no restrictions are recorded as contributions in operating revenues. Gifts of long-lived operating assets, such as property and equipment, are reported as additions to net assets without donor restrictions, unless otherwise specified by the donor.

Unconditional promises to give cash and other assets to CommonSpirit are recorded at fair value at the date the promise is received using a discount rate based on the U.S. Treasury yield rates and are generally due within five years. Conditional promises to give are recorded when the conditions have been substantially met. Donor indications of intentions to give are not recorded; such gifts are recorded at fair value only upon actual receipt of the gift. Investment income on net assets with donor restrictions is classified pursuant to the intent or requirement of the donor.

Endowment assets, which are primarily to be used for equipment and expansion, research and education, or charity purposes, include donor-restricted funds that CommonSpirit must hold in perpetuity or for a donor-specified period. Donor-restricted endowment net assets totaled $1.1 billion and $859 million in 2021 and 2020, respectively. Changes in endowment net assets primarily relate to investment returns, contributions, and appropriations for expenditures. CommonSpirit preserves the fair value of these gifts as of the date of donation unless otherwise stipulated by the donor. Donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure. CommonSpirit considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effects of inflation and deflation, (5) the expected total return from income

and the appreciation of investments, (6) other resources of CommonSpirit, and (7) the investment policies of CommonSpirit.

CommonSpirit has investment and spending policies for endowment assets designed to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets.

Endowment assets are invested in a manner that is intended to produce results that achieve the respective benchmark while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, CommonSpirit relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CommonSpirit targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

***Community Benefits*** – As part of its mission, CommonSpirit provides services to the poor and benefits for the broader community. The costs incurred to provide such services are included in excess (deficit) of revenues over expenses in the accompanying consolidated statements of operations and changes in net assets. CommonSpirit prepares a summary of unsponsored community benefit expense in accordance with Internal Revenue Service Form 990, Schedule H, and the Catholic Health Association of the United States ("CHA") publication, *A Guide for Planning and Reporting Community Benefit*. See Note 20.

***Interest Expense*** – Interest expense on debt issued for construction projects is capitalized until the projects are placed in service. Interest expense, net, includes interest and fees on debt, net of these capitalized amounts. See Note 16.

***Income Taxes*** – CommonSpirit has established its status as an organization exempt from income taxes under Internal Revenue Code Section 501(c)(3) and the laws of the states in which it operates, and as such, is generally not subject to federal or state income taxes. However, CommonSpirit's exempt organizations are subject to income taxes on net income derived from a trade or business, regularly carried on, which does not further CommonSpirit's exempt purposes. No significant income tax provision has been recorded in the accompanying consolidated financial statements for net income derived from an unrelated trade or business.

CommonSpirit's for-profit subsidiaries account for income taxes related to its operations. The for-profit subsidiaries recognize deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of their assets and liabilities, along with net operating loss and tax credit carryovers, for tax positions that meet the more-likely-than-not recognition criteria. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Income tax interest and penalties are recorded as income tax expense. For the years ended June 30, 2021 and 2020, CommonSpirit's taxable entities recorded an immaterial amount of interest and penalties as part of the provision for income taxes. CommonSpirit's taxable entities did not have any material unrecognized income tax expense as of June 30, 2021 and 2020. CommonSpirit reviews its tax positions quarterly and has determined that there are no material uncertain tax positions that require recognition in the accompanying consolidated financial statements.

***Performance Indicator*** – Management considers excess (deficit) of revenues over expenses to be CommonSpirit's performance indicator. Excess (deficit) of revenues over expenses includes all changes in net assets without donor restrictions except for the effect of contributions with donor restrictions, contribution from business combination, changes in accounting principles, net assets released from restrictions used for purchase of capital and operations, change in funded status of pension and other postretirement benefit plans, gains and losses from discontinued operations, and other changes including change in ownership interests held by controlled subsidiaries and change in accumulated unrealized derivative gains and losses.

***Operating and Nonoperating Activities –*** CommonSpirit's primary purpose is to provide a variety of health care-related activities, education and other benefits to the communities in which it operates. Activities directly related to the furtherance of this purpose are recorded as operating activities. Other activities outside of this mission are reported as nonoperating activities. Such activities include net investment income, loss on early extinguishment of debt, income tax expense, interest cost and changes in fair value of interest rate swaps, contributions from business combinations, other components of net periodic benefit costs, and the nonoperating component of Joint Operating Agreement ("JOA") income share adjustments.

***Recent Accounting Pronouncements*** – In August 2018, the FASB issued ASU No. 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20) Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*, which applies to employer sponsored defined benefit pension and other postretirement plans. The amendments modify, remove and add certain disclosure requirements. The guidance is effective for CommonSpirit for the annual period ended June 30, 2022. CommonSpirit is evaluating the effect on the consolidated financial statements.

***Subsequent Events –*** CommonSpirit has evaluated subsequent events occurring between the end of the most recent fiscal year and September 17, 2021, the date the consolidated financial statements were issued. See Note 14.

## 3. ACQUISITIONS, AFFILIATIONS AND DIVESTITURES

***College Station Medical Center –*** In August 2019, a consolidated subsidiary of CommonSpirit, St. Joseph Health in Texas, acquired the assets of College Station Medical Center ("CSMC"). CSMC includes a 167-bed hospital, is a licensed Level III Trauma center, and has accredited services, which include joint replacement, chest pain, stroke, and sleep specialty services. The transaction resulted in the recognition of a $35 million gain, recorded as contribution from business combination in nonoperating income (loss) in the accompanying consolidated statements of operations and changes in net assets, calculated as the fair value of the excess of identifiable assets acquired over liabilities assumed, determined based on Level 3 inputs, including estimated future cash flows and probability weighted performance assumptions.

***Jewish Hospital and St. Mary's Healthcare, Inc. –*** In November 2019, CommonSpirit completed its divestiture of Jewish Hospital and St. Mary's Healthcare, Inc. ("JHSMH") to the University of Louisville, which resulted in a total loss of $134 million, of which $127 million is reflected in loss from discontinued operations, net, in the accompanying consolidated statements of operations and changes in net assets, and $7 million is reflected in other operating revenue in the accompanying consolidated statements of operations and changes in net assets. Included in the loss and as part of the divestiture agreement, CommonSpirit committed to quarterly support payments to the University of Louisville over a four-year period, totaling $33 million. As of June 30, 2021, the remaining future commitment is $24 million, of which the current portion of $10 million is recorded in other accrued liabilities - current, and the long-term portion of $14 million is reflected in other accrued liabilities - long-term in the accompanying consolidated balance sheets.

***CSH OIP*** – In April 2020, CommonSpirit formed the CSH OIP, a consolidated entity, and beginning in October 2020, the investment portfolios of Dignity Health and its related organizations and the assets of the CHI Operating Investment Program, L.P. (the "Program") were transferred to the CSH OIP. The formation of the CSH OIP included $573 million as a contribution from business combination for net assets attributable to non-controlling interests in the accompanying consolidated statements of operations and changes in net assets.

***Yavapai Regional Medical Center*** – In November 2020, a consolidated affiliate of CommonSpirit, Dignity Community Care ("DCC"), and Yavapai Community Hospital Association, dba Yavapai Regional Medical Center ("YRMC"), an Arizona nonprofit corporation, effected a business combination which transferred the sole membership of YRMC and its applicable subsidiaries to DCC for no cash consideration. YRMC owns and operates two acute care hospitals, a regional wellness center, an imaging center, a network of primary and specialty physician clinics, and a fundraising foundation in the Prescott, Arizona area. The transaction resulted in the recognition of a $507 million gain, recorded as contribution from business combination in nonoperating income (loss) in the accompanying consolidated statements of operations and changes in net assets, and $5 million recorded as contribution from business combination for net assets with donor restrictions, calculated as the fair value of the excess of identifiable assets acquired over liabilities assumed, determined based on Level 3 inputs, including estimated future cash flows and probability-weighted performance assumptions.

***Virginia Mason Health System*** – In January 2021, CommonSpirit formed a new integrated health system through the creation of a Joint Operating Company ("JOC"), Virginia Mason Franciscan Health ("VMFH"), a Washington nonprofit corporation, bringing together CommonSpirit Franciscan Health System and Virginia Mason Health System ("VMHS"). With the addition of an acute hospital and other care sites from VMHS, VMFH now operates eleven hospitals and nearly 300 sites of care within the Pacific Northwest. The JOC is a controlled subsidiary of CommonSpirit. Based on the terms of the JOC agreement, CommonSpirit will consolidate the operations of

VMHS and accounted for the business combination using the acquisition method of accounting. The agreement did not include consideration and resulted in the recognition of a $511 million gain recorded as contribution from business combination in nonoperating income (loss) in the accompanying consolidated statements of operations and changes in net assets, and $73 million recorded as contribution from business combination for net assets with donor restrictions, calculated as the fair value of the excess of identifiable assets acquired over liabilities assumed, determined based on Level 3 inputs, including estimated future cash flows and probability-weighted performance assumptions.

The following summarizes the fair value estimate of YRMC's and VMHS's assets acquired and liabilities assumed as of November 1, 2020, and January 1, 2021, respectively (in millions):

| | YRMC | VMHS |
|---|---|---|
| Current assets | $ 226 | $ 390 |
| Long-term investments | 124 | 429 |
| Property and equipment, net | 272 | 576 |
| Other long-term assets, net | 61 | 161 |
| Current liabilities | (33) | (319) |
| Other liabilities - long-term | (7) | (180) |
| Long-term debt, net of current portion | (131) | (473) |
| Total contribution of net assets | $ 512 | $ 584 |

In March 2021, CommonSpirit sold a portion of its investment in a joint venture resulting in a pretax gain of $523 million which is included in other operating revenue in the consolidated statements of operations and changes in net assets. Income tax expense of $93 million is recorded in nonoperating income (loss) related to the transaction. CommonSpirit will continue to account for its remaining interest in the joint venture under the equity method.

In May 2021, CommonSpirit entered into a nonbinding Memorandum of Understanding to negotiate a definitive agreement for the purchase of certain assets related to two acute care hospitals within CommonSpirit's existing footprint. A definitive agreement is expected to be completed by the end of calendar 2021.

***Held for Sale*** - CommonSpirit is currently in discussions to negotiate a definitive affiliation agreement to transfer ownership of CommonSpirit's ministries in North Dakota and Minnesota to a third party. The CommonSpirit ministries in North Dakota and Minnesota include 13 critical access hospitals and one full service tertiary hospital, along with associated clinics and home health operations. The assets and liabilities are classified as held for sale, within other current assets and other accrued liabilities - current, respectively, in the accompanying consolidated balance sheets. See detailed summary below.

A summary of major classes of assets and liabilities held for sale is presented below as of June 30 (in millions):

| | 2021 |
|---|---|
| Other current assets | $ 25 |
| Long-term investments | 18 |
| Property and equipment, net | 272 |
| Other long-term assets, net | 68 |
| Total assets held for sale | $ 383 |
| | |
| Other accrued liabilities - current | $ 11 |
| Other accrued liabilities - long-term | 52 |
| Total liabilities held for sale | $ 63 |

## 4. COVID-19 PANDEMIC

In December 2019, a novel strain of coronavirus, known as COVID-19, was first detected. The virus spread worldwide and in March 2020 was declared a pandemic by the World Health Organization. The Centers for Disease Control and Prevention confirmed the first case in the United States in February 2020, and with the rapid spread across all 50 states, the United States government passed new laws designed to help the nation respond to this pandemic.

The CARES Act provides stimulus in the form of financial aid to cover extensive emergency funding to hospitals and providers through existing mechanisms to prevent, prepare for, and respond to COVID-19. For the years ended June 30, 2021 and 2020, CommonSpirit has received approximately $478 million and $1.1 billion, respectively, under the CARES Act in the form of grants as reimbursement through the Public Health and Social Services Emergency Fund for lost revenues attributable to COVID-19. These payments are recorded as other operating revenues, as earned. These funds are not required to be repaid upon attestation and compliance with certain terms and conditions. For the years ended June 30, 2021 and 2020, $690 million and $826 million, respectively, has been recognized within other operating revenue. As of June 30, 2021 and 2020, $15 million and $227 million, respectively, of deferred revenue is included within other accrued liabilities - current, in the consolidated balance sheets. CommonSpirit will continue to monitor the terms and conditions of the CARES Act funding and the impact of the pandemic on revenues and expenses. These funds are not required to be repaid upon attestation and compliance with certain terms and conditions.

To date, CommonSpirit also received $2.8 billion in funds under the Medicare Accelerated and Advance Payment Program, of which $2.6 billion was received as of June 30, 2020, and the remainder in fiscal year 2021. These payments are advances that will be recouped by withholding future Medicare fee-for-service payments for claims until such time as the full accelerated payment has been recouped. As of June 30, 2021, the terms and conditions in effect at that time prescribed that any outstanding balance remaining after 29 months from date of receipt are subject to interest of 4%. As such, $1.4 billion is recorded as a current liability in Medicare advances, and $1.1 billion is recorded in Medicare advances – long-term. As of June 30, 2020, $2.6 billion was recorded as a current liability in Medicare advances as the terms and conditions in effect at that time prescribed that any balance remaining after 12 months from the date of receipt must be repaid or may be subject to interest.

CommonSpirit has deferred approximately $416 million of employer payroll taxes through June 30, 2021, pursuant to the Paycheck Protection Program and Health Care Enhancement Act, of which $208 million is recorded as a current liability in accrued salaries and benefits, and $208 million is recorded in other accrued liabilities - long-term.

While the aid received from the programs above provides much needed assistance during this crisis, CommonSpirit is unable to assess the extent to which the amounts and benefits received, or to be received, will offset the negative impacts on its results of consolidated operations and financial position arising from the COVID-19 pandemic.

## 5. NET PATIENT REVENUE

The percentage of inpatient and outpatient services, calculated on the basis of usual and customary charges, is as follows for the years ended June 30:

| | 2021 | 2020 |
|---|---|---|
| Inpatient services | 51% | 51% |
| Outpatient services | 49% | 49% |

Patient revenue, net of contractual discounts and adjustments and implicit price concessions, is comprised of the following for the years ended June 30 (in millions):

| | 2021 | 2020 |
|---|---|---|
| Government | $ 14,780 | $ 13,319 |
| Contracted | 11,937 | 11,026 |
| Self-pay and other | 2,279 | 1,862 |
| Net patient revenue | $ 28,996 | $ 26,207 |

Government payor type includes Medicare fee for service, Medicare capitated, Medicare managed care fee for service, Medicaid fee for service, Medicaid capitated and Medicaid managed care fee for service patient accounts. Contracted payor type includes contracted rate payors and commercial capitated patient accounts.

Total operating revenues by service line are as follows:

| | 2021 | 2020 |
|---|---|---|
| Hospitals | $ 26,391 | $ 23,785 |
| Physician organizations | 2,962 | 2,755 |
| Long-term care and home care | 302 | 332 |
| Other | 530 | 493 |
| Net patient and premium revenue | 30,185 | 27,365 |
| Health plans, accountable care, and other | 3,068 | 2,214 |
| Total operating revenues | $ 33,253 | $ 29,579 |

## 6. OTHER CURRENT ASSETS

Other current assets consist of the following at June 30 (in millions):

| | 2021 | 2020 |
|---|---|---|
| Inventories | $ 797 | $ 640 |
| Receivables, other than patient accounts receivable | 631 | 593 |
| Broker receivables for unsettled investment trades | 493 | 199 |
| Assets held for sale | 383 | - |
| Prepaid expenses | 344 | 321 |
| Other | 64 | 69 |
| Total other current assets | $ 2,712 | $ 1,822 |

## 7. CASH AND INVESTMENTS

CommonSpirit's cash and investments include consolidated membership interests in the CSH OIP as of June 30, 2021, and CHI's equity interest in the Program as of June 30, 2020. Short-term and long-term investments also include assets limited as to use set aside by CommonSpirit for future long-term purposes as outlined below (in millions):

| | 2021 | 2020 |
|---|---|---|
| Cash and cash equivalents | $ 3,329 | $ 5,927 |
| Short-term investments | 1,124 | 233 |
| Long-term investments | 19,480 | 12,269 |
| Total cash and investments | 23,933 | 18,429 |
| Less: | | |
| Held for self-insured claims | 1,888 | 1,557 |
| Under bond indenture agreements for debt service | 85 | 19 |
| Donor-restricted | 590 | 475 |
| Other | 707 | 596 |
| Total assets limited as to use | 3,270 | 2,647 |
| Unrestricted cash and investments | $ 20,663 | $ 15,782 |

## 8. FAIR VALUE MEASUREMENTS

CommonSpirit accounts for certain assets and liabilities at fair value or on a basis that approximates fair value. A fair value hierarchy for valuation inputs categorizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels and is determined by the lowest level of input that is significant to the fair value measurement in its entirety. These levels are:

*Level 1:* Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. Financial assets in this category include money market funds, U.S. Treasury securities and listed equities.

*Level 2:* Pricing inputs are based upon 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. Financial assets and liabilities in this category generally include asset-backed securities, corporate bonds and loans, municipal bonds, and derivative instruments.

*Level 3:* Pricing inputs are generally unobservable for the assets or liabilities 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 model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The following represents assets and liabilities measured at fair value or at the NAV practical expedient on a recurring basis as of June 30 (in millions):

| | 2021 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Assets | | | | |
| Cash and short-term investments | $ 3,543 | $ 289 | $ - | $ 3,832 |
| U.S. government securities | 1,350 | 489 | - | 1,839 |
| U.S. corporate bonds | 120 | 1,314 | - | 1,434 |
| U.S. equity securities | 2,969 | 5 | - | 2,974 |
| Foreign government securities | - | 256 | - | 256 |
| Foreign corporate bonds | 1 | 825 | - | 826 |
| Foreign equity securities | 3,008 | 1 | - | 3,009 |
| Asset-backed securities | - | 146 | - | 146 |
| Private equity | - | - | 65 | 65 |
| Real estate | 49 | 1 | - | 50 |
| Community Investment Program | - | - | 132 | 132 |
| Other investments | 217 | 182 | - | 399 |
| Assets measured at fair value | $ 11,257 | $ 3,508 | $ 197 | 14,962 |
| Assets at NAV | | | | 8,971 |
| Total assets | | | | $ 23,933 |
| Liabilities | | | | |
| Derivative instruments | $ - | $ 472 | $ - | $ 472 |
| Other | 4 | - | 90 | 94 |
| Total liabilities | $ 4 | $ 472 | $ 90 | $ 566 |

| | 2020 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Assets | | | | |
| Cash and short-term investments | $ 6,235 | $ 106 | $ - | $ 6,341 |
| U.S. government securities | 653 | 213 | - | 866 |
| U.S. corporate bonds | 51 | 513 | - | 564 |
| U.S. equity securities | 1,033 | 5 | - | 1,038 |
| Foreign government securities | - | 6 | - | 6 |
| Foreign corporate bonds | 1 | 87 | - | 88 |
| Foreign equity securities | 855 | 1 | - | 856 |
| Asset-backed securities | - | 31 | - | 31 |
| Private equity | - | - | 66 | 66 |
| Real estate | 7 | 1 | - | 8 |
| DH Community Investment Program | - | - | 83 | 83 |
| Other investments | 61 | 35 | 1 | 97 |
| Assets measured at fair value | $ 8,896 | $ 998 | $ 150 | 10,044 |
| Assets at NAV | | | | 3,499 |
| Total assets | | | | $ 13,543 |
| Liabilities | | | | |
| Derivative instruments | $ - | $ 630 | $ - | $ 630 |
| Other | 5 | - | 75 | 80 |
| Total liabilities | $ 5 | $ 630 | $ 75 | $ 710 |

Assets and liabilities measured at fair value on a recurring basis reflected in the table above are reported in short-term investments, long-term investments, current liabilities and other liabilities in the accompanying consolidated balance sheets.

The Level 2 and 3 instruments listed in the fair value hierarchy tables above use the following valuation techniques and inputs:

For marketable securities, such as U.S. and foreign government securities, U.S. and foreign corporate bonds, U.S. and foreign equity securities, mortgage and asset-backed securities, and structured debt, in the instances where identical quoted market prices are not readily available, fair value is determined using quoted market prices and/or other market data for comparable instruments and transactions in establishing prices, discounted cash flow models and other pricing models. These inputs to fair value are included in industry-standard valuation techniques, such as the income or market approach. CommonSpirit classifies all such investments as Level 2.

For private equity investments where no fair value is readily available, the fair value is determined using models that take into account relevant information considered material. Due to the significant unobservable inputs present in these valuations, CommonSpirit classifies all such investments as Level 3.

The fair value of collateral held under securities lending program is classified as Level 2. The collateral held under this program is placed in commingled funds whose underlying investments are valued using techniques similar to those used for the marketable securities noted above. Amounts reported do not include noncash collateral of $209 million and $127 million as of June 30, 2021 and 2020, respectively.

The fair value of assets and liabilities for derivative instruments, such as interest rate swaps classified as Level 2, is determined using an industry standard valuation model, which is based on a market approach. A credit risk spread (in basis points) is added as a flat spread to the discount curve used in the valuation model. Each leg is discounted and the difference between the present value of each leg's cash flows equals the fair value of the swap.

Investments that are measured using the NAV per share practical expedient have not been classified in the fair value hierarchy. The NAV amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

Related to investments valued using the NAV per share practical expedient, management also performs, on a regular basis when information is available, various validations and testing of NAV provided and determines that the investment managers' valuation techniques are compliant with fair value measurement accounting standards.

Level 3 financial assets totaling $51 million were recorded through the contribution from business combination in 2021 related to the formation of CSH OIP as described in Note 3. The following table and explanations identify attributes relating to the nature and risk of investments for which fair value is determined using a calculated NAV as of June 30, 2021 (in millions):

| | | NAV Practical Expedient | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period |
|---|---|---|---|---|---|
| Private equity | (1) | $ 1,173 | $ 507 | - | - |
| Multi-strategy hedge funds | (2) | 2,956 | - | Weekly, Monthly, Quarterly, Semi-annually, Annually | 3 - 90 days |
| Real estate | (3) | 762 | 73 | Quarterly | 60 - 90 days |
| Commingled funds - debt securities | (4) | 2,039 | 40 | Daily, Monthly, Quarterly | 1 - 90 days |
| Commingled funds - equity securities | (5) | 2,041 | - | Daily, Weekly, Bi-Weekly, Monthly, Quarterly | 2 - 90 days |
| Total | | $ 8,971 | $ 620 | | |

(1) This category includes private equity funds that specialize in providing capital to a variety of investment groups, including, but not limited to, venture capital, leveraged buyout, mezzanine debt, distressed debt, and other situations. There are no provisions for redemptions during the life of these funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated, estimated at June 30, 2021, to be over the next 12 years.

(2) This category includes investments in hedge funds that pursue diversification of both domestic and foreign fixed income and equity securities through multiple investment strategies. The primary objective for these funds is to seek attractive long-term, risk-adjusted absolute returns. Under certain circumstances, an otherwise redeemable investment or portion thereof could become restricted. The following table reflects the various redemption frequencies, notice periods, and any applicable lock-up periods or gates to redemption as of June 30, 2021:

| Percentage of the Value of Category (2) | | Redemption | Redemption Notice | Redemption Locked Up Until | Redemption Gate % of Account |
|---|---|---|---|---|---|
| Total | Subtotal | Frequency | Period | (if applicable) | (if applicable) |
| 10.4% | 9.6% | Annually | 60 days | up to 2 years | up to 25.0% - 50.0% |
| | 0.8% | Annually | 75 days | - | - |
| 29.1% | 2.0% | Quarterly | 30 - 45 days | up to 2 years | up to 20.0% |
| | 16.8% | Quarterly | 55 - 65 days | up to 2 years | up to 10.0% - 25.0% |
| | 10.3% | Quarterly | 90 days | - | up to 12.5% - 25.0% |
| 46.4% | 5.7% | Monthly | 5 days | - | up to 20.0% |
| | 34.1% | Monthly | 30 - 50 days | - | up to 16.7% - 20.0% |
| | 6.6% | Monthly | 60 - 90 days | - | up to 10.0% - 20.0% |
| 14.1% | 14.1% | Weekly | 3 days | - | - |

(3) This category includes investments in real estate funds that invest primarily in institutional-quality commercial and residential real estate assets within the U.S. and investments in publicly traded real estate investment trusts. Investments representing 20% of the value of investments in this category do not have provisions for redemptions during the life of these funds. Distributions will be received as the underlying investments of the funds are liquidated, estimated at June 30, 2021, to be over the next 12 years.

(4) This category includes investments in commingled funds that invest primarily in domestic and foreign debt and fixed income securities, the majority of which are traded in over-the-counter markets. Also included in this category are commingled fixed income funds that provide capital in a variety of mezzanine debt, distressed debt and other special debt securities situations. Investments representing approximately 8% of the value of investments in this category do not have provisions for redemptions during the life of these funds. Distributions will be received as the underlying investments of the funds are liquidated, estimated at June 30, 2021, to be over the next five years.

(5) This category includes investments in commingled funds that invest primarily in domestic or foreign equity securities with multiple investment strategies. A majority of the funds attempt to match or exceed the returns of specific equity indices.

The investments included above are not expected to be sold at amounts that are materially different from NAV.

The following represents assets and liabilities of the Program in its entirety, of which CHI held 89% as of June 30, 2020, measured at fair value or at the NAV practical expedient on a recurring basis and certain other assets accounted for under the equity method as of June 30, 2020 (in millions):

| | 2020 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Assets | | | | |
| Short-term investments | $ 12 | $ 366 | $ - | $ 378 |
| Commercial paper | - | 128 | - | 128 |
| Common stocks | 1,961 | 1 | - | 1,962 |
| Mutual funds and exchange-traded funds | 27 | - | - | 27 |
| Preferred stocks | 7 | - | - | 7 |
| Fixed-income funds | 9 | 532 | - | 541 |
| Corporate bonds | - | 472 | - | 472 |
| Asset-backed securities | - | 371 | - | 371 |
| U.S. government bonds: | | | | |
| U.S. treasury inflation indexed bonds | 36 | - | - | 36 |
| U.S. treasury notes | 109 | - | - | 109 |
| Other | - | 19 | - | 19 |
| Foreign government bonds | - | 59 | - | 59 |
| CHI Direct Community Investment Program | - | - | 51 | 51 |
| Foreign currency exchange contracts | - | 175 | - | 175 |
| Term loans | - | 169 | 1 | 170 |
| Assets measured at fair value | $ 2,161 | $ 2,292 | $ 52 | 4,505 |
| Assets at NAV: | | | | |
| Hedge funds | | | | 285 |
| Real estate | | | | 387 |
| Venture capital/private equity | | | | 425 |
| Total assets | | | | $ 5,602 |
| Liabilities - foreign currency exchange contracts | $ - | $ 176 | $ - | $ 176 |

## 9. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at June 30 (in millions):

| | 2021 | 2020 |
|---|---|---|
| Land and improvements | $ 2,077 | $ 1,920 |
| Buildings | 12,462 | 11,833 |
| Equipment | 9,302 | 9,345 |
| Construction in progress | 2,788 | 2,070 |
| Total | 26,629 | 25,168 |
| Less: Accumulated depreciation | (10,627) | (9,935) |
| Property and equipment, net | $ 16,002 | $ 15,233 |

## 10. OWNERSHIP INTERESTS IN HEALTH-RELATED ACTIVITIES

***Joint Operating Agreements*** – CommonSpirit participates in JOAs with hospital-based organizations in three separate markets. The agreements generally provide for, among other things, joint management of the combined operations of the local facilities included in the JOAs through JOCs. CommonSpirit retains ownership of the assets, liabilities, equity, revenues and expenses of the CommonSpirit facilities that participate in the JOAs. The financial statements of the CommonSpirit facilities managed under all JOAs are included in the accompanying consolidated financial statements. Transfers of assets from facilities owned by the JOA participants generally are restricted under the terms of the agreements.

As of June 30, 2021 and 2020, CommonSpirit has investment interests of 65%, 50% and 50% in JOCs based in Colorado, Iowa, and Ohio, respectively. CommonSpirit's interests in the JOCs are included in ownership interests in health-related activities in the accompanying consolidated balance sheets and totaled $549 million and $469 million at June 30, 2021 and 2020, respectively. CommonSpirit recognizes its investment in all JOCs under the equity method of accounting. The JOCs provide varying levels of services to the related JOA sponsors, and operating expenses of the JOCs are allocated to each sponsoring organization.

***Other Ownership Interests in Health-Related Activities*** – In addition to the JOCs above, CommonSpirit has significant ownership interests, as further described below, that are accounted for under the equity method and reflected in the accompanying consolidated balance sheets in ownership interests in health-related activities:

- CHI acquired the investment in Conifer Health Solutions ("Conifer") in May 2012 as part of a multiyear agreement whereby Conifer provides revenue cycle services and health information management solutions for CHI's acute care operations. CommonSpirit's ownership interest in Conifer was 23.8% as of June 2021 and 2020.
- In January 2018, CHI entered into an agreement with Premier Health to reorganize and restructure the existing JOA with Premier Health. The agreement provided that CHI transfer ownership of the Dayton market-based organization to Premier Health in exchange for a 22% interest in Premier Health.
- Dignity Health transferred and contributed to Optum360, LLC ("Optum360º") certain equipment and the intellectual property related to its internal revenue cycle management functions for a noncontrolling interest in Optum360° in September 2013. Optum360° also provides revenue cycle management functions for other health care organizations. CommonSpirit's ownership interest in Optum360º was 4.15% and 23% at June 30, 2021 and 2020, respectively. As a result of the reduction in ownership interest, Optum360º is no longer considered a significant ownership interest as of or for the year ended June 30, 2021.
- Dignity Health contributed the stock of U.S. HealthWorks to Concentra, Inc. in February 2018 to strengthen the access and delivery of expanded occupational care for employees, payors, and patients. Pursuant to the transaction, Dignity Health received a 20.6% interest in the combined entity, Concentra Group Holdings Parent, LLC. CommonSpirit's interest in Concentra Group Holdings Parent, LLC was

8.6% and 13.1% as of June 30, 2021 and 2020, respectively, pursuant to a sale of certain shares during 2021 and 2020. As a result of the 2021 transaction, Concentra Group Holdings Parent, LLC is no longer considered a significant ownership interest as of or for the year ended June 30, 2021.

The following table summarizes the financial position and results of operations for the significant health-related activities discussed above, unless otherwise specified, which are accounted for under the equity method, as of and for the 12 months ended June 30, or a portion of the periods thereof while held by CommonSpirit (in millions):

| | 2021 | | | |
|---|---|---|---|---|
| | **Hospitals** | **JOCs** | **Other** | **Total** |
| Total assets | $ 3,020 | $ 1,691 | $ 2,075 | $ 6,786 |
| Total liabilities | 1,691 | 726 | 227 | 2,644 |
| Total net assets | 1,329 | 965 | 1,848 | 4,142 |
| Total operating revenues, net | 1,881 | 947 | 1,263 | 4,091 |
| Excess (deficit) of revenues over expenses | 128 | (134) | 294 | 288 |
| Investment at June 30 recorded in ownership interests in health-related activities | 274 | 549 | 836 | 1,659 |
| Income (loss) recorded in revenue from health-related activities, net | 17 | (65) | 60 | 12 |

| | 2020 | | | |
|---|---|---|---|---|
| | **Hospitals** | **JOCs** | **Other** | **Total** |
| Total assets | $ 2,845 | $ 1,522 | $ 6,024 | $ 10,391 |
| Total liabilities | 1,726 | 684 | 2,243 | 4,653 |
| Total net assets | 1,119 | 838 | 3,781 | 5,738 |
| Total revenues, net | 1,880 | 955 | 3,929 | 6,764 |
| Excess (deficit) of revenues over expenses | (104) | (171) | 426 | 151 |
| Investment at June 30 recorded in ownership interests in health-related activities | 244 | 469 | 1,382 | 2,095 |
| Income (loss) recorded in revenue from health-related activities, net | (24) | (83) | 91 | (16) |

Other than the investments described above, ownership interests totaling $1.4 billion and $1.1 billion as of June 30, 2021 and 2020, respectively, are not material individually to the consolidated financial statements.

## 11. OTHER LONG-TERM ASSETS, NET

Other long-term assets, net, consist of the following at June 30 (in millions):

| | 2021 | 2020 |
|---|---|---|
| Notes receivable, primarily secured | $ 54 | $ 57 |
| Goodwill | 287 | 274 |
| Intangible assets - definite-lived, net | 122 | 132 |
| Intangible assets - indefinite-lived | 660 | 568 |
| Donor-restricted assets | 451 | 386 |
| Other | 211 | 133 |
| Total other long-term assets, net | $ 1,785 | $ 1,550 |

Goodwill is measured as of the effective date of a business combination as the excess of the aggregate of the fair value of consideration transferred over the fair value of the tangible and intangible assets acquired and liabilities assumed.

Intangible assets consist primarily of trademarks, trademark agreements, noncompete agreements, certificates of need and other contracts, and are recorded at fair value using various methods based on the nature of the asset. Definite-lived intangible assets are amortized using the straight-line method over the estimated useful lives of the assets.

Goodwill and intangible assets whose lives are indefinite are not amortized and are evaluated for impairment at least annually or when circumstances indicate a possible impairment may exist. No impairment on goodwill or intangible assets was recorded for the years ended June 30, 2021 and 2020.

The aggregate amortization expense related to intangible assets is $12 million for the years ended June 30, 2021 and 2020, respectively, and is recorded in depreciation and amortization on the accompanying consolidated statements of operations and changes in net assets.

Estimated amortization expense related to intangible assets is $8 million in 2022 and 2023, $7 million in 2024, $6 million in 2025 and 2026, and $87 million thereafter.

## 12. OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of the following at June 30 (in millions):

| | 2021 | 2020 |
|---|---|---|
| Deferred revenue - CARES Act | $ 15 | $ 227 |
| Construction retention and contracts payable | 61 | 52 |
| Liabilities held for sale | 63 | - |
| Liabilities due to medical groups and physicians | 75 | 63 |
| Capitation claims | 106 | 92 |
| Due to government agencies | 123 | 149 |
| Accrued interest expense | 150 | 140 |
| Operating lease liabilities | 270 | 274 |
| Self-insured reserves and claims | 452 | 407 |
| Broker payables for unsettled investments trades | 659 | 302 |
| Due to unconsolidated affiliates | 93 | 73 |
| Other | 917 | 734 |
| Total other accrued liabilities - current | $ 2,984 | $ 2,513 |

## 13. DEBT

In August 2019, the CommonSpirit Health Master Trust Indenture (the "CommonSpirit MTI") was formed, with CHI and the Dignity Health Obligated Group each obtaining the necessary consents. The CommonSpirit MTI has an Obligated Group that is comprised of the former Dignity Health Obligated Group and CHI entities (collectively, the "CommonSpirit Obligated Group"). The CommonSpirit Obligated Group represents approximately 85% and 88% of consolidated revenues of CommonSpirit as of June 30, 2021 and 2020, respectively.

Debt, net of unamortized debt issuance costs, discounts and premiums consists of the following at June 30 (in millions):

| | 2021 | 2020 |
|---|---|---|
| Under the CommonSpirit MTI: | | |
| Fixed rate debt: | | |
| Fixed rate revenue bonds payable in installments through 2050; interest at 2.70% to 7.00% | $ 5,093 | $ 5,073 |
| Fixed rate taxable bonds payable in installments through 2065; interest at 1.55% to 5.27% | 7,747 | 6,027 |
| Taxable term loan payable in 2025; interest at 2.95% | 250 | 250 |
| Total fixed rate debt | 13,090 | 11,350 |
| Variable rate debt: | | |
| Taxable direct purchase bonds with mandatory tender through 2021; interest set at prevailing market rates (1.54% to 1.67% at June 30, 2020) | - | 200 |
| Direct purchase bonds payable in installments through 2024; interest set at prevailing market rates (1.29% to 1.81% at June 30, 2021) | 106 | 165 |
| Floating rate notes payable with mandatory tender through 2025; interest set at prevailing market rates (1.43% at June 30, 2021) | 153 | 306 |
| Variable rate demand bonds payable in installments through 2047; interest set at prevailing market rates (0.02% to 0.10% at June 30, 2021) | 247 | 821 |
| Auction rate certificates payable in installments through 2042; interest set at prevailing market rates (0.17% to 0.25% at June 30, 2021) | 240 | 240 |
| Bank line of credit maturing in 2023; interest set at prevaling market rates (1.12% at June 30, 2021) | 54 | 831 |
| Commercial paper notes with maturities ranging from 14 to 252 days at June 30, 2021; interest set at prevailing market rates (0.20% to 1.05% at June 30, 2021) | 553 | 553 |
| Total variable rate debt | 1,353 | 3,116 |
| Total debt under CommonSpirit MTI | 14,443 | 14,466 |
| Other: | | |
| Various notes payable and other debt payable in installments | 728 | 319 |
| Finance lease obligations | 370 | 255 |
| Total debt | 15,541 | 15,040 |
| Less amounts classified as current | (754) | (1,079) |
| Less demand bonds subject to short-term liquidity arrangements | (247) | (821) |
| Total long-term debt | $ 14,540 | $ 13,140 |

Scheduled principal debt payments, net of discounts and premiums, and considering obligations subject to short-term liquidity arrangements as due according to their long-term amortization schedule, for the next five years and thereafter, are as follows (in millions):

| | Long-Term Debt Other Than Demand Bonds | Demand Bonds Subject to Short-Term Liquidity Arrangements | Total Long-Term Debt |
|---|---|---|---|
| 2022 | $ 718 | $ 97 | $ 815 |
| 2023 | 930 | - | 930 |
| 2024 | 341 | - | 341 |
| 2025 | 1,818 | - | 1,818 |
| 2026 | 625 | - | 625 |
| Thereafter | 10,079 | 150 | 10,229 |
| Subtotal | 14,511 | 247 | 14,758 |
| Finance lease obligations | 370 | - | 370 |
| Issuance cost, net | 413 | - | 413 |
| **Total** | $ 15,294 | $ 247 | $ 15,541 |

***Debt Arrangements*** – **Fixed Rate Revenue Bonds** – CommonSpirit has fixed rate revenue bonds outstanding, substantially all of which may be redeemed, in whole or in part, prior to the stated maturities without a premium.

**Fixed Rate Taxable Bonds** – CommonSpirit has taxable fixed rate bonds that are due in August 2023, October 2024, 2025, 2029, 2030, 2049, and 2050 and November 2022, 2024, 2040, 2041, 2042 and 2064. Early redemption of the debt, in whole or in part, may require a premium depending on market rates.

**Fixed Rate Taxable Term Loan** – CommonSpirit has a taxable fixed rate term loan due in April 2025.

**Taxable Commercial Paper –** CommonSpirit has a commercial paper program that permits the issuance of up to $881 million in aggregate principal amount outstanding, with maturities limited to 270-day periods. The commercial paper program is backed by CommonSpirit's self-liquidity program which is comprised of CommonSpirit's cash management and operating investment programs and dedicated bank lines of credit to ensure the availability of funds to purchase any commercial paper that the remarketing agent is unable to remarket.

**Floating Rate Notes** – CommonSpirit has floating rate notes ("FRNs") that bear interest at variable rates determined weekly and monthly. These FRNs are subject to mandatory tender on predetermined dates.

**Variable Rate Direct Purchase Bonds** – CommonSpirit has variable rate direct purchase bonds placed with holders that bear interest at variable rates determined monthly based upon a percentage of the London Inter-bank Offered Rate ("LIBOR"), plus a spread. These bonds are subject to mandatory tender on predetermined dates.

**Variable Rate Demand Bonds –** CommonSpirit has variable rate demand bonds ("VRDBs") that are remarketed weekly and may be put at the option of the holders. Two of the four series of VRDBs are backed by bank letters of credit, while the remaining two series of VRDBs are supported through CommonSpirit's self-liquidity program (as discussed above). The bank letters of credit and the self-liquidity program ensure the availability of funds to purchase any bonds tendered that the remarketing agent is unable to remarket. CommonSpirit maintains bank letters of credit of $150 million as credit enhancement for the VRDBs to ensure the availability of funds to purchase any bonds tendered that the remarketing agent is unable to remarket. The letters of credit to support the $150 million of VRDBs, which can be used anytime, expire in March 2024.

CommonSpirit Health has $97 million of additional VRDBs that are self-funded and not supported by letters of credit.

**Auction Rate Certificates –** CommonSpirit has $240 million of auction rate certificates ("ARCs") that are remarketed weekly. The certificates are insured. Holders of ARCs are required to hold the certificates until the remarketing agent can find a new buyer for any tendered certificates.

**Notes Payable to Banks Under Credit Agreements –** CommonSpirit maintains a $900 million syndicated line of credit facility for working capital, letters of credit, capital expenditures and other general corporate purposes. This credit facility expires in June 2023.

CommonSpirit maintains $190 million in dedicated lines of credit to support the organization's self-liquidity program, to be used to fund tenders of VRDBs and maturing principal of commercial paper due to a failed remarketing. The lines of credit expiration dates are August 2023 and December 2023. No amounts have been drawn.

CommonSpirit also maintains an $85 million single-bank line of credit facility to be used for the issuance of standby letters of credit. No amounts have been drawn.

***2021 Financing Activity –*** In August 2020, CommonSpirit renewed a $125 million line of credit used to support its self-liquidity program scheduled to mature in August 2020, to August 2023.

In September 2020, CommonSpirit repaid $800 million of draws during February through April 2020 on its syndicated line of credit.

In September 2020, CommonSpirit drew $54 million on its syndicated line of credit for the redemption in full, of the Colorado Health Facilities Authority Variable Rate Revenue Bonds, Series 2004B-6.

In October 2020, CommonSpirit issued $1.7 billion of taxable fixed rate bonds at par, with repayment of $450 million, $550 million and $658 million to be made in October 2025, 2030 and 2050, respectively. A portion of the proceeds were used to refund $537 million of tax-exempt fixed rate bonds, $230 million of tax-exempt variable rate bonds, $196 million of taxable variable rate bonds, $153 million of tax-exempt floating rate notes, $79 million of affiliate debt, and $439 million for general working capital purposes and to pay cost of issuance expenses.

In October 2020, CommonSpirit issued $577 million of tax-exempt fixed rate bonds, at a premium. Proceeds included $300 million of new money to reimburse for prior capital expenditures and $344 million to refinance tax-exempt variable rate bonds. The bonds mature in April 2049.

In November 2020, CommonSpirit repaid a $31 million draw on its syndicated line of credit using proceeds from the CommonSpirit 2020 taxable bonds.

In December 2020, CommonSpirit increased a line of credit used to issue standby letters of credit from $35 million to $85 million. The line of credit is scheduled to expire June 2023.

In December 2020, CommonSpirit renewed a $65 million line of credit used to support its self-liquidity program scheduled to mature in December 2020, to December 2023.

In March 2021, CommonSpirit renewed and extended two letters of credit issued by Dignity Health scheduled to expire November 2021 to support VRDBs of $75 million each, to March 2024. This did not change the terms, provisions or classification of the VRDBs.

In June 2021, CommonSpirit redeemed in full the Colorado Health Facilities Authority Revenue Bonds (Catholic Health Initiatives) Series 2009A. The bonds were redeemed at par.

***2020 Financing Activity –*** In July 2019, Dignity Health entered into $1.2 billion of bridge loans with three banks to advance refund certain CHI fixed rate bonds using acquisition financing treatment.

In August 2019, CommonSpirit issued $2.5 billion of tax-exempt fixed rate bonds, at a premium. Proceeds were used to refinance $1.1 billion of the bridge loans entered into in July 2019, refund $1.4 billion of tax-exempt fixed rate bonds that were placed in escrow and the bonds defeased, refund $322 million of commercial paper, and provide $106 million for general working capital purposes. The bonds were sold at a premium and mature in August 2044 and 2049.

In August 2019, CommonSpirit issued $621 million of tax-exempt put bonds. Proceeds included $569 million of new money and were used to refund $161 million of tax-exempt fixed rate bonds, which were placed in escrow, and the bonds were defeased. The bonds were sold at a premium and mature in August 2049, with mandatory purchase dates in August 2024, 2025 and 2026.

In August 2019, CommonSpirit issued $3.3 billion of taxable fixed rate bonds at par, with repayments of $770 million, $915 million, $700 million (insured) and $930 million to be made in October 2024, 2029, 2049 (insured) and 2049, respectively. A portion of the proceeds were used to refund $1.5 billion of CHI tax-exempt fixed rate

bonds, refinance $945 million of Dignity Health bank lines of credit, refinance $353 million of Dignity Health direct placement variable rate bank loans, refinance $338 million of Dignity Health taxable bonds, refinance $137 million of the bridge loans, refund $41 million of Dignity Health tax-exempt fixed rate bonds, refinance $5 million of commercial paper, and pay cost of issuance expenses. Refunded bonds were placed in escrow and were defeased. The bonds were sold at par and mature in October 2049.

In September 2019, CommonSpirit renewed and extended three letters of credit issued by Dignity Health in October 2015 to support VRDBs of $76 million, $60 million, and $60 million, to October 2022. This did not change the terms, provisions or classification of the VRDBs.

In November 2019, CommonSpirit renewed and extended a letter of credit issued by Dignity Health in December 2015 to support VRDBs of $57 million to December 2023. This did not change the terms, provisions or classification of the VRDBs.

In December 2019, CommonSpirit renewed a $65 million line of credit used to support its self-liquidity program scheduled to mature in December 2019, to December 2020.

In February 2020, CommonSpirit renewed and extended a letter of credit issued by Dignity Health in March 2018 to support VRDBs of $90 million to March 2023. This did not change the terms, provisions or classification of the VRDBs.

In February 2020, CommonSpirit drew $100 million on its syndicated line of credit for working capital purposes.

In March 2020, CommonSpirit renewed a $75 million line of credit used to support its self-liquidity program scheduled to mature in March 2020, to June 2020.

In March 2020, CommonSpirit drew $500 million on its syndicated line of credit for working capital purposes.

In April 2020, CommonSpirit drew $200 million on its syndicated line of credit for working capital purposes.

In April 2020, CommonSpirit refinanced a $250 million fully drawn line of credit scheduled to mature in August 2020, into a fixed rate term loan to mature in April 2025.

In April 2020, CommonSpirit provided for the redemption in full, of $35 million of the County of Montgomery, Ohio Health Care and Multifamily Housing Improvement and Refunding Revenue Bonds, Series 2010 (St. Leonard) issued for the benefit of one of its affiliates using $31 million of proceeds from a draw on its syndicated line of credit, and its own funds.

## 14. DERIVATIVE INSTRUMENTS

CommonSpirit's derivative instruments include 29 floating-to-fixed rate interest rate swaps and one basis swap as of June 30, 2021. CommonSpirit uses interest rate swaps to manage interest rate risk associated with outstanding variable rate debt. Under the floating-to-fixed rate swaps, CommonSpirit receives a percentage of LIBOR, plus a spread, and pays a fixed rate. The basis swap allows CommonSpirit to receive a percentage of LIBOR, plus a spread and pay a percentage of the Securities Industry and Financial Markets Association (SIFMA).

CommonSpirit's derivative instruments also include eight total return swaps as of June 30, 2021. CommonSpirit receives a fixed rate and pays a variable rate percentage of SIFMA, plus a spread. CommonSpirit uses these total return swaps to reduce interest expense associated with the fixed rate debt.

The following table shows the outstanding notional amount of derivative instruments measured at fair value, net of credit value adjustments, as reported in the accompanying consolidated balance sheets as of June 30, 2021 and 2020 (in millions):

| | Maturity Date of Derivatives | Interest Rate | Notional Amount Outstanding | Fair Value |
|---|---|---|---|---|
| | | | **2021** | |
| Derivatives not designated as hedges: | | | | |
| Interest rate swaps | 2024 - 2047 | 3.2% - 4.0% | $ 2,117 | $ (473) |
| Risk participation agreements | 2022 - 2025 with extension options | SIFMA plus spread | 510 | - |
| Total return swaps | 2024 - 2030 | SIFMA plus spread | 322 | 1 |
| Total derivative instruments | | | 2,949 | (472) |
| Cash collateral | | | - | 185 |
| Derivative instruments, net | | | $ 2,949 | $ (287) |
| | | | **2020** | |
| Derivatives not designated as hedges: | | | | |
| Interest rate swaps | 2024 - 2047 | 3.2% - 4.0% | $ 2,189 | $ (629) |
| Risk participation agreements | 2022 - 2025 with extension options | SIFMA plus spread | 510 | - |
| Total return swaps | 2021 - 2030 | SIFMA plus spread | 394 | (1) |
| Total derivative instruments | | | 3,093 | (630) |
| Cash collateral | | | - | 353 |
| Derivative instruments, net | | | $ 3,093 | $ (277) |

CommonSpirit held $2.1 billion notional amount of interest rate swaps and $832 million notional amount of total return swaps at June 30, 2021, which have a negative fair value of $473 million and fair value of $1 million, respectively. CommonSpirit posted $185 million of collateral against the fair value of the interest rate swaps as of June 30, 2021.

CommonSpirit's interest rate swaps mature between 2024 and 2047. CommonSpirit has the right to terminate the swaps prior to maturity for any reason. The termination value would be the fair value or the replacement cost of the swaps, depending on circumstances. The derivative agreements have certain early termination triggers caused by an event of default or a termination event. The events of default include failure to make payment when due, failure to give notice of a termination event, cash on hand dropping below a specified number of days, and defaults under other agreements (cross-default provision). Termination events can include credit ratings dropping below a defined minimum credit rating threshold by either party.

CommonSpirit has $160 million notional amount of interest rate swaps that are insured and have a negative fair value of $58 million as of June 30, 2021. In the event the insurer is downgraded below a specified minimum credit rating, the counterparties have the right to terminate the swaps if CommonSpirit does not provide alternative

credit support acceptable to them within 30 days of being notified of the downgrade. If both the insurer and CommonSpirit are downgraded below a specified minimum credit rating, the counterparties have the right to terminate the swaps.

CommonSpirit has $2.0 billion notional amount of interest rate swaps that are not insured, of which the counterparties have various rights to terminate $409 million notional. These include the outstanding notional amounts of $100 million and $181 million at each five-year anniversary date commencing in March 2023 and September 2023, respectively. Swaps in the outstanding notional amounts of $68 million and $60 million have mandatory puts in March 2023 and March 2028, respectively. The termination value would be the fair value or the replacement cost of the swaps, depending on the circumstances. These interest rate swaps with the optional and mandatory put options have a negative fair value of $83 million as of June 30, 2021. The remaining uninsured swaps in the notional amount of $1.6 billion have a negative fair value of $332 million as of June 30, 2021.

CommonSpirit has floating rate derivatives in the notional amount of $832 million as of June 30, 2021. These include $510 million of risk participation agreements which have a fair value deemed immaterial and $322 million notional of total return swaps with a fair value of $1 million as of June 30, 2021.

In January 2021, CommonSpirit renewed a total return swap in the notional amount of $25 million to reduce interest expense associated with fixed rate debt. CommonSpirit receives a fixed rate and pays a variable rate of SIFMA, plus a spread. The total return swap will expire in January 2024.

In February 2021, CommonSpirit extended the mandatory put date on the $60 million notional swap from March 2021 to March 2028.

In June 2021, CommonSpirit terminated a total return swap in the notional amount of $25 million due to the defeasance of the Colorado Health Facilities Authority Revenue Bonds (Catholic Health Initiatives) Series 2009A.

In June 2021, CommonSpirit novated swaps with notional amounts of $324 million held with one counterparty to another.

In July 2021, CommonSpirit novated swaps in the outstanding notional amount of $322 million held with one counterparty to another. The swap notional amount of $68 million with the mandatory put in March 2028 referenced above was removed as part of this transaction.

All swaps and derivative bank counterparties have consented to the CommonSpirit Health MTI.

## 15. LEASES

CommonSpirit enters into operating and finance leases primarily for buildings and equipment and determines if an arrangement is a lease at inception of the contract. For leases with terms greater than 12 months, CommonSpirit records the related right-of-use asset (“ROU”) and lease liability at the present value of lease payments over the contract term using a risk-free interest rate, subject to certain adjustments. CommonSpirit does not separate contract lease and non-lease components except for a class of underlying assets related to supply agreements, which include associated equipment. Certain building lease agreements require CommonSpirit to pay maintenance, repairs, property taxes and insurance costs, which are variable amounts based on actual costs incurred during each applicable period. Such costs are not included in the determination of the ROU asset or lease liability. Lease costs also include escalating rent payments that are not fixed at commencement but are based on the Consumer Price Index or other measure of cost inflation. Future changes in the indices are included within variable lease costs. Certain leases include one or more options to renew the lease at the end of the initial term, with renewal terms that generally extend the lease at the then market rate of rental payment. Certain leases also include an option to buy the underlying asset at or a short time prior to the termination of the lease. All such options are at CommonSpirit’s discretion and are evaluated at the commencement of the lease, with only those that are reasonably certain of exercise included in determining the appropriate lease term and lease type.

The components of lease cost, net for the year ended June 30 are as follows (in millions):

| | 2021 | 2020 |
|---|---|---|
| Operating lease cost | $ 336 | $ 359 |
| Variable lease cost | 152 | 159 |
| Short-term rent expense | 69 | 20 |
| Amortization of right-of-use assets | 41 | 41 |
| Interest on finance lease liabilities | 11 | 8 |
| Sublease income | (5) | (5) |
| Total lease cost, net | $ 604 | $ 582 |

Following is supplemental consolidated balance sheet information related to leases as of June 30 (in millions):

| Lease Type | Balance Sheet Classification | 2021 | 2020 |
|---|---|---|---|
| **Operating Leases:** | | | |
| Operating lease ROU assets | Right-of-use operating lease assets | $ 1,863 | $ 1,828 |
| Operating lease obligations - current | Other accrued liabilities - current | 270 | 274 |
| Operating lease obligations - long-term | Other liabilities: Operating lease liabilities | 1,750 | 1,701 |
| | | | |
| **Finance Leases:** | | | |
| Finance lease ROU assets | Property and equipment, net | 292 | $ 208 |
| Current finance lease liabilities | Current portion of long-term debt | 36 | 30 |
| Long-term finance lease liabilities | Long-term debt, net of current portion | 334 | 225 |

Supplemental cash flow and other information related to leases for the years ended June 30 are as follows (in millions):

| Cash paid for amounts included in the measurement of lease liabilities: | 2021 | 2020 |
|---|---|---|
| Operating cash flows from operating leases | $ 346 | $ 339 |
| Operating cash flows from finance leases | 11 | 7 |
| Financing cash flows from finance leases | 34 | 33 |
| ROU assets obtained in exchange for new operating lease liabilities | $ 371 | $ 128 |
| ROU assets obtained in exchange for new finance lease liabilities | $ 175 | $ 69 |
| | | |
| Weighted-average remaining lease term: | | |
| Operating leases | 11 years | 11 years |
| Finance leases | 19 years | 17 years |
| Weighted-average discount rate: | | |
| Operating leases | 2.0% | 2.2% |
| Finance leases | 4.0% | 3.6% |

Commitments related to operating and finance leases for each of the next five years and thereafter as of June 30, 2021, are as follows (in millions):

| | Operating | Finance | Total |
|---|---|---|---|
| 2022 | $ 320 | $ 52 | $ 372 |
| 2023 | 293 | 49 | 342 |
| 2024 | 266 | 42 | 308 |
| 2025 | 246 | 38 | 284 |
| 2026 | 228 | 35 | 263 |
| Thereafter | 1,003 | 277 | 1,280 |
| Total minimum future lease payments | 2,356 | 493 | 2,849 |
| Less: Imputed interest | (275) | (122) | (397) |
| Total lease liabilities | 2,081 | 371 | 2,452 |
| Less: Held for sale | (61) | (1) | (62) |
| Less: Current portion | (270) | (36) | (306) |
| Long-term liabilities | $ 1,750 | $ 334 | $ 2,084 |

## 16. INTEREST EXPENSE, NET

The components of interest expense, net, include the following (in millions):

| | 2021 | 2020 |
|---|---|---|
| Interest and fees on debt | $ 470 | $ 482 |
| Capitalized interest expense | (19) | (26) |
| Interest expense, net | $ 451 | $ 456 |

## 17. RETIREMENT PROGRAMS

CommonSpirit maintains defined benefit pension plans and other postretirement benefit plans that cover most Dignity Health and CHI employees. Benefits for both types of plans are generally based on age, years of service and employee compensation.

Certain of CHI's plans were frozen in previous years, and benefits earned by employees through that time period remain in the retirement plans, where employees continue to receive interest credits and vesting credits, if applicable.

Actuarial valuations are performed for all of the plans. These valuations are dependent on various assumptions. These assumptions include the discount rate and the expected rate of return on plan assets (for pension), which are important elements of expense and liability measurement. Other assumptions involve demographic factors such as retirement age, mortality, turnover, and the rate of compensation increases. CommonSpirit evaluates all assumptions in conjunction with the valuation updates and modifies them as appropriate. In the years ended June 30, 2021 and 2020, the actuarial losses were primarily driven by the change in discount rate assumption.

Pension costs and other postretirement benefit costs are allocated over the service period of the employees in the plans. The principle underlying this accounting is that employees render service ratably over the period, and therefore, the effects in the accompanying consolidated statements of operations and changes in net assets follow the same pattern. Net actuarial gains and losses are amortized to expense on a plan-by-plan basis when they exceed the accounting corridor. The accounting corridor is a defined range within which amortization of net gains and losses is not required and is equal to 10% of the greater of the plan assets or benefit obligations. Gains or losses outside of the corridor are subject to amortization over the average employee future service period.

Contributions to the defined benefit pension plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants. Dignity Health management believes the majority of its plans qualify under a church plan exemption, and as such, are not subject to Employee Retirement Income Security Act ("ERISA") funding requirements. CommonSpirit's funding policy requires that, at a minimum, contributions equal the unfunded normal cost plus amortization of any unfunded actuarial accrued liability. Contributions to these funded plans are anticipated at $226 million in 2022, which exceeds the funding policy minimum contributions.

The accumulated benefit obligation exceeds plan assets for the defined benefit plans and postretirement benefit plans in the aggregate for the years ended June 30, 2021 and 2020. The following summarizes the benefit obligations and funded status for the defined benefit pension and postretirement benefit plans (in millions):

| | 2021 | 2020 |
|---|---|---|
| Change in benefit obligation: | | |
| Benefit obligation at beginning of year | $ 14,096 | $ 12,677 |
| Service cost | 396 | 340 |
| Interest cost | 305 | 395 |
| Actuarial loss | 148 | 1,329 |
| Acquisitions and other | 138 | 3 |
| Settlements | (140) | (194) |
| Benefits paid | (554) | (454) |
| Benefit obligation at end of year | $ 14,389 | $ 14,096 |
| Accumulated benefit obligation | $ 13,826 | $ 13,578 |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of year | $ 8,887 | $ 9,177 |
| Actual return on plan assets | 2,565 | 170 |
| Settlements | (133) | (186) |
| Employer contributions | 226 | 180 |
| Benefits paid | (554) | (454) |
| Acquisitions and other | 91 | - |
| Fair value of plan assets at end of year, net | $ 11,082 | $ 8,887 |
| Funded status | $ (3,307) | $ (5,209) |

The change in net actuarial loss of $2.0 billion is included in the statement of changes in net assets for the year ended June 30, 2021. The actuarial losses for the years ended June 30, 2021 and 2020, are $1.9 billion and $3.9 billion, respectively.

The settlement component of net periodic benefit cost is recognized in the accompanying consolidated statements of operations and changes in net assets within nonoperating income (loss).

The following table summarizes the assumptions used to determine benefit obligations as of June 30:

| | 2021 | 2020 |
|---|---|---|
| To determine benefit obligations: | | |
| Discount rate | 1.4%-3.1% | 1.4% - 3.0% |
| Rate of compensation increase | 3.8% | 3.8% |
| To determine net periodic benefit cost: | | |
| Discount rate | 1.4%-3.0% | 2.4% - 3.7% |
| Expected return on plan assets | 4.4%-7.1% | 4.8% - 7.3% |
| Rate of compensation increase | 3.8% | 3.8% |

The following table summarizes the components of net periodic benefit cost recognized in the accompanying consolidated statements of operations and changes in net assets (in millions):

| | 2021 | 2020 |
|---|---|---|
| Service cost | $ 396 | $ 340 |
| Interest cost | 305 | 395 |
| Expected return on plan assets | (602) | (640) |
| Settlements | 44 | 77 |
| Net prior service credit amortization | (1) | (1) |
| Net actuarial loss amortization | 168 | 69 |
| Net periodic benefit cost | $ 310 | $ 240 |

The service cost amount above is recorded in salaries and benefits on the accompanying consolidated statements of operations and changes in net assets. All other costs of net periodic benefit cost above are reflected in nonoperating income (loss) in the consolidated statements of operations and changes in net assets.

The following represents the fair value of plan assets, net, measured on a recurring basis as of June 30 (in millions). See Note 8 for the definition of Levels 1 and 2 in the fair value hierarchy and investments valued using the NAV practical expedient and discussion regarding fair value measurement.

| | 2021 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Assets | | | | |
| Cash and short-term investments | $ 232 | $ 222 | $ - | $ 454 |
| U.S. government securities | 209 | 53 | - | 262 |
| U.S. corporate bonds | 302 | 397 | - | 699 |
| U.S. equity securities | 1,731 | 2 | - | 1,733 |
| Foreign government securities | - | 35 | - | 35 |
| Foreign corporate bonds | - | 145 | - | 145 |
| Foreign equity securities | 2,040 | 1 | - | 2,041 |
| Real estate | 25 | - | - | 25 |
| Other | - | 54 | - | 54 |
| Assets measured at fair value | $ 4,539 | $ 909 | $ - | 5,448 |
| Assets at NAV: | | | | |
| U.S. corporate bonds | | | | 627 |
| U.S. equity securities | | | | 716 |
| Foreign corporate bonds | | | | 138 |
| Foreign equity securities | | | | 1,529 |
| Private equity | | | | 1,133 |
| Hedge funds | | | | 1,151 |
| Real estate | | | | 430 |
| Total assets | | | | $ 11,172 |
| Liabilities | | | | |
| Foreign currency exchange contracts | - | 51 | - | 51 |
| Total liabilities | $ - | $ 51 | $ - | $ 51 |
| Other plan assets (liabilities) | | | | |
| Due from brokers for unsettled investment trades | | | | 88 |
| Due to brokers for unsettled investment trades | | | | (127) |
| Fair value of plan assets, net | | | | $ 11,082 |

| | 2020 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Assets | | | | |
| Cash and short-term investments | $ 79 | $ 417 | $ - | $ 496 |
| U.S. government securities | 612 | 156 | - | 768 |
| U.S. corporate bonds | - | 930 | - | 930 |
| U.S. equity securities | 1,779 | - | - | 1,779 |
| U.S. term loans | - | 150 | 1 | 151 |
| Foreign corporate bonds | - | 184 | - | 184 |
| Foreign equity securities | 1,187 | - | - | 1,187 |
| Foreign term loans | - | 28 | - | 28 |
| Real estate | 9 | - | - | 9 |
| Other | - | 238 | - | 238 |
| Assets measured at fair value | $ 3,666 | $ 2,103 | $ 1 | 5,770 |
| Assets at NAV: | | | | |
| U.S. corporate bonds | | | | 206 |
| U.S. equity securities | | | | 176 |
| Foreign corporate bonds | | | | 47 |
| Foreign equity securities | | | | 928 |
| Private equity | | | | 1,014 |
| Hedge funds | | | | 770 |
| Real estate | | | | 200 |
| Total assets | | | | $ 9,111 |
| Liabilities | | | | |
| Foreign currency exchange contracts | $ - | $ 98 | $ - | $ 98 |
| Payable under securities lending program | - | 15 | - | 15 |
| Total liabilities | $ - | $ 113 | $ - | $ 113 |
| Other plan assets (liabilities) | | | | |
| Due from brokers for unsettled investment trades | | | | 247 |
| Due to brokers for unsettled investment trades | | | | (358) |
| Fair value of plan assets, net | | | | $ 8,887 |

The following table summarizes the weighted-average asset allocations by asset category for the pension plans:

| | 2021 | 2020 |
|---|---|---|
| Cash and cash equivalents | 4% | 5% |
| U.S. government securities | 2% | 8% |
| U.S. corporate bonds | 12% | 12% |
| U.S. equity securities | 22% | 21% |
| U.S. term loans | 0% | 2% |
| Foreign corporate bonds | 3% | 3% |
| Foreign equity securities | 32% | 23% |
| Private equity | 10% | 11% |
| Other | 15% | 15% |
| Total | 100% | 100% |

The asset allocation policy for the pension plans for 2021 is as follows: domestic fixed income, 12%; international fixed income, 2%; domestic equity, 32%; international equity, 26%; private equity, 10.5%; hedge funds, 9%; real assets 6%; and cash and opportunistic, 2.5%.

The asset allocation policy for the pension plans for 2020 is as follows: domestic fixed income, 20%; international fixed income, 2%; domestic equity, 26%; international equity, 26%; private equity, 9%; hedge funds, 8%; real assets 6.5%; cash and opportunistic, 2.5%.

CommonSpirit's investment strategy for the assets of the pension plans is designed to achieve returns to meet obligations and grow the assets of the portfolios longer term, consistent with a prudent level of risk. The strategy balances the liquidity needs of the pension plans with the long-term return goals necessary to satisfy future obligations. The target asset allocation is diversified across traditional and non-traditional asset classes. Diversification is also achieved through participation in U.S. and non-U.S. markets, market capitalization, and investment manager style and philosophy. The complementary investment styles and approaches used by both traditional and alternative investment managers are aimed at reducing volatility while capturing the equity premium from the capital markets over the long term. Risk tolerance is established through consideration of plan liabilities, plan funded status, and corporate financial condition. Consistent with CommonSpirit's fiduciary responsibilities, the fixed income allocation generally provides for security of principal to meet near-term expenses and obligations. Periodic reviews of the market values and corresponding asset allocation percentages are performed to determine whether a rebalancing of the portfolio is necessary.

CommonSpirit's pension plan portfolio return assumptions for 2021 and 2020 were based on the long-term weighted-average returns of comparative market indices for the asset classes represented in the portfolio and expectations about future returns.

The following benefit payments, which reflect expected future service, are expected to be paid (in millions):

| | |
|---|---|
| 2022 | $ 849 |
| 2023 | 711 |
| 2024 | 698 |
| 2025 | 717 |
| 2026 | 736 |
| 2027-2031 | 3,845 |
| Total | $ 7,556 |

CommonSpirit maintains defined contribution retirement plans for most employees. Employer contributions to those plans of $362 million and $331 million for 2021 and 2020, respectively, included in salaries and benefits in the accompanying consolidated statements of operations and changes in net assets, are primarily based on a percentage of a participant's contribution.

## 18. COMMITMENTS, CONTINGENT LIABILITIES, GUARANTEES AND OTHER

The following summary encompasses matters related to litigation, regulatory and compliance matters, and developments thereto.

**General** – The health care industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, the rules governing licensure, accreditation, controlled substances, privacy, government program participation, government reimbursement, antitrust, anti-kickback, prohibited referrals by physicians, false claims, and in the case of tax-exempt organizations, the requirements of tax exemption. Management believes CommonSpirit is materially in compliance with all applicable laws and regulations of the Medicare and Medicaid programs. Compliance with such laws and regulations is complex and can be subject to future governmental interpretation as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs. Certain CommonSpirit entities have been contacted by governmental agencies regarding alleged violations of Medicare practices for certain services. Additionally, certain CommonSpirit entities have identified and self-disclosed potential instances of noncompliance with applicable regulations. In the opinion of management after consultation with legal counsel, the ultimate outcome of these matters will not have a material adverse effect on CommonSpirit's consolidated financial statements.

In recent years, government activity has increased with respect to investigations and allegations of wrongdoing. In addition, during the course of business, CommonSpirit becomes involved in civil litigation. Management assesses the probable outcome of unresolved litigation and investigations and records contingent liabilities reflecting estimated liability exposure. Following is a discussion of matters of note.

**Pension Plan Litigation** – In April 2013, Dignity Health was served with a class action lawsuit filed in the United States District Court for the Northern District of California by a former employee alleging breaches of fiduciary duty and other claims under ERISA in connection with the Dignity Health Pension Plan ("DHPP"). Among other things, the complaint originally alleged that, because Dignity Health is not a church or an association of churches, the DHPP does not qualify as a "church plan". The complaint also challenged the constitutionality of ERISA's church plan exemption. Dignity Health and the sponsoring religious orders established the DHPP and determined the DHPP was a church plan that should be exempt from ERISA, including ERISA's funding requirements, and received private letter rulings from the Internal Revenue Service that confirmed its church plan status. The plaintiff sought to represent a class comprised of participants and beneficiaries of the DHPP as of April 2013, when the complaint was filed.

In July 2014, the District Court ruled that only a church or an association of churches may establish a church plan; the DHPP did not qualify as a church plan since Dignity Health was not a church when the plan was established, and, therefore, DHPP was not exempt from ERISA. Dignity Health appealed the decision. In July 2016, the Ninth Circuit Court of Appeals issued its opinion, which affirmed the District Court's order and held that a church plan must be established by a church or by an association of churches and must be maintained either by a church or by a church-controlled or church-affiliated organization whose principal purpose or function is to provide benefits to church employees. The Ninth Circuit remanded the case to the District Court for further proceedings.

Dignity Health appealed the decision to the United States Supreme Court, which agreed to hear Dignity Health's case together with those of two other faith-based health systems facing similar challenges to church plan status.

In June 2017, the Supreme Court issued its unanimous opinion reversing the decision of the Ninth Circuit. The Court concluded that the 1980 amendment to Section 3(33)(C) of ERISA was intended by Congress to expand the types of pension plans that could qualify as church plans to include plans maintained by faith-based organizations such as Dignity Health and regardless of who first established the plans. The decision did not determine whether Dignity Health satisfied the requirements to maintain a church plan. In fact, the Court

specifically noted that it was not deciding (1) whether any hospital was sufficiently associated with a church for its pension plan to qualify for the church plan exemption, or (2) whether an internal retirement committee could qualify as a "principal purpose" organization entitled to maintain a church plan. The Supreme Court remanded the case to the Ninth Circuit for further action based on its decision.

Based on the Supreme Court's decision, the Ninth Circuit returned the case to the District Court to continue the proceedings with regard to the two outstanding questions and other claims that were not decided by the Supreme Court. The plaintiff amended its original complaint in November 2017, and Dignity Health filed a motion to dismiss the case in December 2017. The motion was heard in March 2018. In September 2018, the District Court issued its ruling denying Dignity Health's motion to dismiss. The decision was primarily based upon the procedural standard that requires the Court to accept the plaintiff's allegations in the amended complaint as true and does not permit Dignity Health to refute those allegations. As a result, the Court found that the amended complaint was sufficient to withstand dismissal at this stage, but encouraged the parties to further develop the factual record as a basis to consider Dignity Health's objections in the future.

The parties have agreed in principle to resolve the litigation. An unopposed motion for approval of the terms of settlement is currently pending before the court for approval. Management does not believe that the proposed settlement will have a material adverse effect on the financial position or results of operations of CommonSpirit.

***Long-term Contracts*** – CommonSpirit has entered into certain Master Services Agreements ("MSAs") with related parties for the purchase of revenue cycle management services that terminate in fiscal years 2031 and 2033. The agreements are amended from time to time and are subject to annual adjustments for inflation and achievement of certain performance levels, which reflect market terms. These amounts are recorded in purchased services and other in the accompanying statements of operations and changes in net assets. The MSAs are subject to significant penalties for cancellation without cause.

***Purchase Commitments*** – CommonSpirit has entered into various agreements that require certain minimum purchases of goods and services, including management services agreements for information and clinical technology and sponsorship agreements, at levels consistent with normal business requirements. Excluding the long-term contracts noted above, outstanding unconditional purchase commitments were approximately $305 million at June 30, 2021.

## 19. FUNCTIONAL EXPENSES

CommonSpirit provides health care services, including inpatient, outpatient, ambulatory, long-term care and community-based services to individuals within the various geographic areas supported by its facilities. Expenses for these program services represent costs that are controllable by operational leadership. Support services include administration, financial services and purchasing, financial planning and budgeting, information technology, risk management, public relations, human resources, cash, debt and investment management, legal, mission services, and other functions that are supported centrally for all of CommonSpirit and are driven by CommonSpirit leadership.

Following is a summary of the program and support services provided for the years ended June 30, 2021 and 2020 (in millions):

| | 2021 | | | |
|---|---|---|---|---|
| | Program Services - Health care | Support Services - Management and Administrative | Support Services - Fundraising | Total Expenses |
| Salaries and benefits | $ 15,090 | $ 890 | $ 26 | $ 16,006 |
| Supplies | 5,019 | 67 | - | 5,086 |
| Purchased services and other | 7,958 | 1,206 | 61 | 9,225 |
| Depreciation and amortization | 1,341 | 146 | - | 1,487 |
| Interest expense | 379 | 72 | - | 451 |
| Total operating expenses | $ 29,787 | $ 2,381 | $ 87 | $ 32,255 |

| | 2020 | | | |
|---|---|---|---|---|
| | Program Services - Health care | Support Services - Management and Administrative | Support Services - Fundraising | Total Expenses |
| Salaries and benefits | $ 13,659 | $ 969 | $ 25 | $ 14,653 |
| Supplies | 4,456 | 58 | 1 | 4,515 |
| Purchased services and other | 7,499 | 1,417 | 59 | 8,975 |
| Depreciation and amortization | 1,198 | 332 | - | 1,530 |
| Interest expense | 419 | 37 | - | 456 |
| Total operating expenses | $ 27,231 | $ 2,813 | $ 85 | $ 30,129 |

## 20. UNSPONSORED COMMUNITY BENEFIT EXPENSE (UNAUDITED)

Unsponsored community benefits are programs or activities that provide treatment and/or promote health and healing as a response to identified community needs. These benefits (a) generate a low or negative margin, (b) respond to the needs of special populations, such as persons living in poverty and other disenfranchised persons, (c) supply services or programs that would likely be discontinued, or would need to be provided by another nonprofit or government provider, if the decision was made on a purely financial basis, (d) respond to public health needs, and/or (e) involve education or research that improves overall community health.

***Benefits for the Poor*** include services provided to persons who are low-income or medically indigent and cannot afford to pay for health care services because they have insufficient resources and/or are uninsured or underinsured. Serving these populations helps to achieve health equity.

***Benefits for the Broader Community*** refer to programs in the general communities that CommonSpirit serves, including but beyond those for low-income and vulnerable persons. Most services for the broader community are aimed at improving the health and welfare of the overall community. CommonSpirit provides services to nonprofit organizations that promote the total health of their local communities, including the development of and connection to health and social services, support for affordable housing and healthy food, increasing opportunities for jobs and job training, and expanding access to health care for uninsured and underinsured persons.

***Financial Assistance (Charity Care)*** is free or discounted health services provided to persons who cannot afford to pay and who meet CommonSpirit's criteria for financial assistance.

***Net Community Benefit***, excluding the unpaid cost of Medicare, is the total cost incurred after deducting direct offsetting revenue from government programs, patients, and other sources of payment or reimbursement for services provided to program patients. Restricted revenue from grants, fees, and other sources of payment or reimbursement for services provided to patients, program participants and the community also are included in

direct offsetting revenue. The comparable amount of net community benefit was $2 billion for 2020 and net community benefit, including the unpaid cost of Medicare, was $5 billion for 2020.

Following is a summary of CommonSpirit's community benefits for 2021, in terms of services to the poor and benefits for the broader community, which has been prepared in accordance with Internal Revenue Service Form 990, Schedule H and the CHA publication, *A Guide for Planning and Reporting Community Benefit* (dollars in millions):

| | Unaudited | | | |
|---|---|---|---|---|
| | **Total Benefit Expense** | **Direct Offsetting Revenue** | **Net Community Benefit** | **% of Total Expenses** |
| Benefits for the poor: | | | | |
| Traditional charity care | $ 507 | $ (25) | $ 482 | 1.5% |
| Unpaid costs of Medicaid / Medi-Cal | 4,939 | (3,381) | 1,558 | 4.8% |
| Other means-tested programs | 46 | - | 46 | 0.1% |
| Community services: | | | | |
| Community health services | 83 | (31) | 52 | 0.2% |
| Health professions education | 39 | - | 39 | 0.1% |
| Subsidized health services | 84 | (8) | 76 | 0.2% |
| Cash and in-kind contributions | 39 | (13) | 26 | 0.1% |
| Community building activities | 4 | (1) | 3 | 0.0% |
| Community benefit operations | 13 | - | 13 | 0.0% |
| Total community services for the poor | 262 | (53) | 209 | 0.6% |
| Total benefits for the poor | 5,754 | (3,459) | 2,295 | 7.0% |
| Benefits for the broader community: | | | | |
| Community services: | | | | |
| Community health services | 34 | (4) | 30 | 0.1% |
| Health professions education | 210 | (19) | 191 | 0.6% |
| Subsidized health services | 65 | (40) | 25 | 0.1% |
| Research | 43 | (37) | 6 | 0.0% |
| Cash and in-kind contributions | 6 | - | 6 | 0.0% |
| Community building activities | 7 | (1) | 6 | 0.0% |
| Community benefit operations | 17 | - | 17 | 0.1% |
| Total benefits for the broader community | 382 | (101) | 281 | 0.9% |
| Total community benefits | $ 6,136 | $ (3,560) | $ 2,576 | 7.9% |
| Unpaid costs of Medicare | 6,388 | (3,853) | 2,535 | 7.9% |
| Total community benefits, including unpaid costs of Medicare | $ 12,524 | $ (7,413) | $ 5,111 | 15.8% |

* * *

Ernst & Young LLP
Suite 1700
18101 Von Karman Avenue
Irvine, CA 92612

Tel: +1 949 794 2300
Fax: +1 949 437 0590
ey.com

# Report of Independent Auditors on Supplementary Information

The Board of Stewardship Trustees
CommonSpirit Health

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of CommonSpirit Health as a whole. The accompanying consolidated statement of financial position, consolidated statement of change in net assets, consolidated statement of operations, and consolidated statement of cash flows of Virginia Mason Medical Center and Subsidiaries, and the consolidating details 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 financial statements. The information has been subjected to the auditing procedures applied in the audits 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst & Young LLP

September 17, 2021

# Virginia Mason Medical Center & Subsidiaries

## Consolidated Statement of Financial Position
*(In Thousands)*

June 30, 2021

| | | |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and equivalents | $ | 143,770 |
| Patient accounts receivable, net | | 122,169 |
| Provider fee receivable | | 2,626 |
| Other current assets | | 55,982 |
| Total current assets | | 324,547 |
| Investments | | 421,745 |
| Property and equipment, net | | 563,629 |
| Right-of-use operating lease assets | | 103,342 |
| Ownership interest in health-related activities | | 31,326 |
| Other long-term assets, net | | 35,464 |
| Total assets | $ | 1,480,053 |
| **Liabilities and net assets** | | |
| Current liabilities: | | |
| Current portion of long-term debt | $ | 123 |
| Accounts payable | | 36,891 |
| Accrued salaries and benefits | | 84,544 |
| Provider fee payable | | 2,743 |
| Medicare advances | | 25,224 |
| Other accrued liabilities – current | | 61,864 |
| Total current liabilities | | 211,389 |
| Other liabilities – long-term: | | |
| Self-insured reserves and claims | | 13,864 |
| Pension and other post retirement benefit liabilities | | 14,060 |
| Operating lease liabilities – long-term | | 80,441 |
| Medicare advances – long-term | | 75,600 |
| Other accrued liabilities – long-term | | 49,829 |
| Total other liabilities – long-term | | 233,794 |
| Long-term debt, net of current portion | | 442,719 |
| Total liabilities | | 887,902 |
| Net assets | | |
| Without donor restrictions – attributable to Virginia Mason Medical Center | | 523,025 |
| With donor restrictions | | 69,126 |
| Total net assets | | 592,151 |
| Total liabilities and net assets | $ | 1,480,053 |

# Virginia Mason Medical Center & Subsidiaries

## Consolidated Statement of Operations
*(In Thousands)*

Six-Month Period January 1, 2021 (Affiliation) Through June 30, 2021

| | | |
|---|---|---|
| Revenues, gains, and other support: | | |
| Net patient revenue | $ | 529,745 |
| Revenue from health-related activities, net | | (1,330) |
| Other operating revenues | | 45,475 |
| Net assets released from restrictions used for operations | | 2,662 |
| Total revenues, gains, and other support | | 576,552 |
| | | |
| Expenses: | | |
| Salaries, wages & benefits | | 320,776 |
| Supplies | | 115,853 |
| Purchased services and other expenses | | 114,482 |
| Depreciation and amortization | | 19,763 |
| Interest expense, net | | 7,300 |
| Total operating expenses | | 578,174 |
| | | |
| Operating loss | | (1,622) |
| | | |
| Nonoperating income: | | |
| Investment income, net | | 19,883 |
| Income tax expense | | (2,005) |
| Contribution from business combination | | 497,440 |
| Other components of net periodic postretirement costs | | 2,013 |
| Total nonoperating income | | 517,331 |
| | | |
| Excess of revenues over expenses | | 515,709 |
| Less excess of revenues over expenses attributable to noncontrolling interests | | – |
| Excess of revenues over expenses attributable to | | |
| Virginia Mason Medical Center & Subsidiaries | $ | 515,709 |

# Virginia Mason Medical Center & Subsidiaries

## Consolidated Statement of Changes in Net Assets
*(In Thousands)*

Six-Month Period January 1, 2021 (Affiliation) Through June 30, 2021

| | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|
| Balance, January 1, 2021 (affiliation) | $ – | $ – | $ – |
| Excess (deficit) of revenues over expenses | 515,709 | – | 515,709 |
| Contributions | – | 6,466 | 6,466 |
| Contribution from business combination | – | 66,943 | 66,943 |
| Net assets released from restrictions for operations and other | – | (7,573) | (7,573) |
| Change in funded status of pension and other postretirement benefit plans | 8,316 | – | 8,316 |
| Other | (1,000) | 3,290 | 2,290 |
| Balance, June 30, 2021 | $ 523,025 | $ 69,126 | $ 592,151 |

# Virginia Mason Medical Center & Subsidiaries

## Consolidated Statement of Cash Flows
*(In Thousands)*

Six-Month Period January 1, 2021 (Affiliation) Through June 30, 2021

| | | |
|---|---|---|
| **Operating activities** | | |
| Increase in net assets | $ | 592,151 |
| Adjustments to reconcile increase in net assets to net cash used in operating activities: | | |
| Depreciation | | 19,763 |
| Changes in equity of health-related entities | | 1,330 |
| Contributions from business combinations | | (497,440) |
| Net assets related to business combination | | (66,943) |
| Change in funded status of pension and other postretirement benefit plans | | (8,316) |
| Changes in certain assets and liabilities: | | |
| Accounts receivable, net | | (15,807) |
| Accounts payable | | (27,107) |
| Self-insured reserves & claims | | 2,524 |
| Accrued salaries & benefits | | 1,733 |
| Other accrued liabilities | | 9,901 |
| Medicare advances | | (4,412) |
| Prepaid and other current assets | | (14,459) |
| Change in other assets | | (5,539) |
| Net decrease in investments | | (20,820) |
| Net cash used in operating activities | | (33,441) |
| **Investing activities** | | |
| Purchase of property and equipment | | (18,085) |
| Investments in health-related activities | | (8,737) |
| Net cash used in investing activities | | (26,822) |
| **Financing activities** | | |
| Repayments | | (1,417) |
| Net cash used in financing activities | | (1,417) |
| Net change in cash and cash equivalents | | (61,680) |
| Cash and cash equivalents at January 1, 2021 (affiliation) | | 205,450 |
| Cash and cash equivalents at end of year | $ | 143,770 |

# CommonSpirit Health
# Virginia Mason Franciscan Health System

## Consolidating Balance Sheet
*(In Thousands)*

June 30, 2021

| | Virginia Mason Medical Center and Subsidiaries | Benaroya Research Institute at Virginia Mason | All Other Virginia Mason Franciscan Health System Entities | Eliminations | Virginia Mason Franciscan Health System (Tacoma, WA) Consolidated |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ 143,770 | $ 5,324 | $ 147,861 | $ – | $ 296,955 |
| Patient accounts receivable, net | 122,169 | – | 326,795 | – | 448,964 |
| Provider fee receivable | 2,626 | – | 14,534 | – | 17,160 |
| Other current assets | 55,982 | 19,376 | 91,466 | – | 166,824 |
| Total current assets | 324,547 | 24,700 | 580,656 | – | 929,903 |
| Long-term investments | 421,745 | 48,637 | 582,349 | (35,708) | 1,017,023 |
| Property and equipment, net | 563,629 | 28,528 | 1,307,991 | – | 1,900,148 |
| Right of use operating lease assets | 103,342 | 2,133 | 240,216 | (2,133) | 343,558 |
| Ownership interests in health-related activities | 31,326 | – | 37,244 | – | 68,570 |
| Other long-term assets, net | 35,464 | – | 104,161 | – | 139,625 |
| Total assets | $ 1,480,053 | $ 103,998 | $ 2,852,617 | $ (37,841) | $ 4,398,827 |

*Continued on following page*

# CommonSpirit Health
# Virginia Mason Franciscan Health System

## Consolidating Balance Sheet (continued)
*(In Thousands)*

| | Virginia Mason Medical Center and Subsidiaries | Benaroya Research Institute at Virginia Mason | All Other Virginia Mason Franciscan Health System Entities | Eliminations | Virginia Mason Franciscan Health System (Tacoma, WA) Consolidated |
|---|---|---|---|---|---|
| **Liabilities and net assets** | | | | | |
| Current liabilities: | | | | | |
| Curent portion of long-term debt | $ 123 | $ – | $ 17,622 | $ – | $ 17,745 |
| Accounts payable | 36,891 | 4,215 | 100,214 | – | 141,320 |
| Accured salaries and benefits | 84,544 | – | 139,797 | – | 224,341 |
| Provider fee payables | 2,743 | – | 12,341 | – | 15,084 |
| Medicare advances – current | 25,224 | – | 35,452 | – | 60,676 |
| Other accrued liabilities – current | 61,864 | 13,073 | 166,383 | – | 241,320 |
| Total current liabilities | 211,389 | 17,288 | 471,809 | – | 700,486 |
| Other liabilties – long-term: | | | | | |
| Self-insured reserves and claims | 13,864 | – | – | – | 13,864 |
| Pension and other postretirement benefit liabilities | 14,060 | – | (726) | – | 13,334 |
| Operating lease liabilities – long-term | 80,441 | 2,220 | 240,174 | (2,280) | 320,555 |
| Medicare advances – long-term | 75,600 | – | 145,000 | – | 220,600 |
| Other accrued liabilities – long-term | 49,829 | – | 13,118 | – | 62,947 |
| Total other liabilities – long-term | 233,794 | 2,220 | 397,566 | (2,280) | 631,300 |
| Long-term debt, net of current portion | 442,719 | 29,701 | 184,662 | – | 657,082 |
| Total liabilities | 887,902 | 49,209 | 1,054,037 | (2,280) | 1,988,868 |
| Net assets: | | | | | |
| Without donor restrictions – attributable to CommonSpirit Health | 523,025 | 18,148 | 1,775,068 | (4,500) | 2,311,741 |
| Without donor restrictions – noncontrolling interests | – | – | 759 | – | 759 |
| With donor restrictions | 69,126 | 36,641 | 22,753 | (31,061) | 97,459 |
| Total net assets | 592,151 | 54,789 | 1,798,580 | (35,561) | 2,409,959 |
| Total liabilities and net assets | $ 1,480,053 | $ 103,998 | $ 2,852,617 | $ (37,841) | $ 4,398,827 |

# CommonSpirit Health
# Virginia Mason Franciscan Health System

## Consolidating Statement of Operations
*(In Thousands)*

| | Virginia Mason Medical Center and Subsidiaries (Six-month Period January 1, (affiliation) through June 30, 2021) | Benaroya Research Institute at Virginia Mason (Six-month Period January 1, 2021 (affiliation) through June 30, 2021) | All Other Virginia Mason Franciscan Health System Entities (Year ended June 30, 2021) | Eliminations (Year ended June 30, 2021) | Virginia Mason Franciscan Health System (Tacoma, WA) Consolidated (Year ended June 30, 2021) |
|---|---|---|---|---|---|
| Operating revenues: | | | | | |
| Net patient revenue | $ 529,745 | $ – | $ 2,573,030 | $ – | $ 3,102,775 |
| Revenue from health-related activities, net | (1,330) | – | (936) | – | (2,266) |
| Other operating revenues | 43,368 | 34,202 | 156,517 | (356) | 233,731 |
| Contributions | 4,769 | 2,398 | 628 | (763) | 7,032 |
| Total operating revenues | 576,552 | 36,600 | 2,729,239 | (1,119) | 3,341,272 |
| Operating expenses: | | | | | |
| Salaries and benefits | 320,776 | 15,603 | 1,418,031 | – | 1,754,410 |
| Supplies | 115,853 | 2,055 | 381,507 | – | 499,415 |
| Purchased services and other | 114,482 | 18,269 | 775,654 | (428) | 907,977 |
| Depreciation and amortization | 19,763 | 772 | 167,673 | – | 188,208 |
| Interest expense, net | 7,300 | 440 | 2,029 | – | 9,769 |
| Total operating expenses | 578,174 | 37,139 | 2,744,894 | (428) | 3,359,779 |
| Operating income | (1,622) | (539) | (15,655) | (691) | (18,507) |
| Nonoperating income (loss): | | | | | |
| Investment income, net | 19,883 | 402 | 129,835 | – | 150,120 |
| Income tax expense | (2,005) | – | 65 | – | (1,940) |
| Contribution from business combination | 497,440 | 17,269 | 1 | (3,809) | 510,901 |
| Other components of net periodic postretirement costs | 2,013 | – | 5,301 | – | 7,314 |
| Total nonoperating income, net | 517,331 | 17,671 | 135,202 | (3,809) | 666,395 |
| Excess of revenues over expenses | 515,709 | 17,132 | 119,547 | (4,500) | 647,888 |
| Less deficit of revenues over expenses attributable to noncontrolling interests | – | – | 552 | – | 552 |
| Excess of revenues over expenses attributable to CommonSpirit Health | $ 515,709 | $ 17,132 | $ 118,995 | $ (4,500) | $ 647,336 |

# CommonSpirit Health

## Consolidating Balance Sheet
*(In Millions)*

June 30, 2021

| | Virginia Mason Franciscan Health System (Tacoma, WA) Consolidated | All Other | Eliminations | CommonSpirit Health Consolidated |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 297 | $ 3,032 | $ – | $ 3,329 |
| Short-term investments | – | 1,124 | – | 1,124 |
| Patient accounts receivable, net | 449 | 3,874 | – | 4,323 |
| Provider fee receivable | 17 | 1,134 | – | 1,151 |
| Other current assets | 167 | 2,580 | (35) | 2,712 |
| Total current assets | 930 | 11,744 | (35) | 12,639 |
| Long-term investments | 1,017 | 18,463 | – | 19,480 |
| Property and equipment, net | 1,900 | 14,102 | – | 16,002 |
| Right of use operating lease assets | 344 | 1,519 | – | 1,863 |
| Ownership interests in health-related activities | 69 | 3,038 | – | 3,107 |
| Other long-term assets, net | 140 | 1,839 | (194) | 1,785 |
| Total assets | $ 4,399 | $ 50,706 | $ (229) | $ 54,876 |

*Continued on following page*

# CommonSpirit Health

## Consolidating Balance Sheet (continued)

*(In Millions)*

June 30, 2021

| | Virginia Mason Franciscan Health System (Tacoma, WA) Consolidated | All Other | Eliminations | CommonSpirit Health Consolidated |
|---|---|---|---|---|
| **Liabilities and net assets** | | | | |
| Current liabilities: | | | | |
| Current portion of long-term debt | $ 18 | $ 745 | $ (9) | $ 754 |
| Demand bonds subject to short-term liquidity arrangements | – | 247 | – | 247 |
| Accounts payable | 141 | 1,599 | (35) | 1,705 |
| Accrued salaries and benefits | 224 | 1,770 | – | 1,994 |
| Provider fee payables | 15 | 390 | – | 405 |
| Medicare advances – current | 61 | 1,361 | – | 1,422 |
| Other accrued liabilities | 241 | 2,743 | – | 2,984 |
| Total current liabilities | 700 | 8,855 | (44) | 9,511 |
| Other liabilities – long-term | | | | |
| Self-insured reserves and claims | 14 | 1,010 | – | 1,024 |
| Pension and other postretirement benefit liabilities | 13 | 3,748 | – | 3,761 |
| Derivative liabilities | – | 287 | – | 287 |
| Operating lease liabilities – long-term | 321 | 1,429 | – | 1,750 |
| Medicare advances – long-term | 221 | 867 | – | 1,088 |
| Other accrued liabilities – long-term | 63 | 954 | – | 1,017 |
| Total other liabilities – long-term | 631 | 8,296 | – | 8,927 |
| Long-term debt, net of current portion | 657 | 14,068 | (185) | 14,540 |
| Total liabilities | 1,989 | 31,218 | (229) | 32,978 |
| Net assets: | | | | |
| Without donor restrictions – attributable to CommonSpirit Health | 2,312 | 17,334 | – | 19,646 |
| Without donor restrictions – noncontrolling interests | 1 | 1,186 | – | 1,187 |
| With donor restrictions | 97 | 968 | – | 1,065 |
| Total net assets | 2,410 | 19,488 | – | 21,898 |
| Total liabilities and net assets | $ 4,399 | $ 50,706 | $ (229) | $ 54,876 |

# CommonSpirit Health

## Consolidating Statement of Operations
*(In Millions)*

Year Ended June 30, 2021

| | Virginia Mason Franciscan Health System (Tacoma, WA) Consolidated | All Other | Eliminations | CommonSpirit Health Consolidated |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Net patient revenue | $ 3,103 | $ 25,893 | $ – | $ 28,996 |
| Premium revenue | – | 1,189 | – | 1,189 |
| Revenue from health-related activities, net | (2) | 316 | – | 314 |
| Other operating revenues | 234 | 2,963 | (507) | 2,690 |
| Contributions | 7 | 57 | – | 64 |
| Total operating revenues | 3,342 | 30,418 | (507) | 33,253 |
| Operating expenses: | | | | |
| Salaries and benefits | 1,754 | 14,405 | (153) | 16,006 |
| Supplies | 499 | 4,587 | – | 5,086 |
| Purchased services and other | 908 | 8,662 | (345) | 9,225 |
| Depreciation and amortization | 188 | 1,299 | – | 1,487 |
| Interest expense, net | 10 | 450 | (9) | 451 |
| Total operating expenses | 3,359 | 29,403 | (507) | 32,255 |
| Operating income (loss) | (17) | 1,015 | – | 998 |
| Nonoperating income (loss): | | | | |
| Investment income, net | 150 | 3,249 | – | 3,399 |
| Loss on early extinguishment of debt | – | (12) | – | (12) |
| Income tax expense | (2) | (137) | – | (139) |
| Change in fair value and cash payments of interest rate swaps | – | 86 | – | 86 |
| Contribution from business combination | 511 | 507 | – | 1,018 |
| Other components of net periodic postretirement costs | 7 | 79 | – | 86 |
| Other | – | 14 | – | 14 |
| Total nonoperating income, net | 666 | 3,786 | – | 4,452 |
| Excess of revenues over expenses | 649 | 4,801 | – | 5,450 |
| Less excess of revenues over expenses attributable to noncontrolling interests | 1 | 260 | – | 261 |
| Excess of revenues over expenses attributable to CommonSpirit Health | $ 648 | $ 4,541 | $ – | $ 5,189 |