



**CONTINUING DISCLOSURE QUARTERLY REPORT
(Filed pursuant to Rule 15c2-12(b)(5))**

**PROVIDENCE ST. JOSEPH HEALTH
AND THE OBLIGATED GROUP**

Name, Address and Telephone Number of Obligor:

Providence St. Joseph Health
1801 Lind Ave SW
Renton, WA 98057
(425) 525-3355
Attention: Venkat Bhamidipati,
Executive Vice President and Chief Financial Officer

Title of Bonds to Which Report Relates:

See **Exhibit A** attached hereto

Fiscal Year to Which Report Relates:

Quarter ended September 30, 2018

Including Management's Discussion and Analysis and Results of Operations

About Providence St. Joseph Health

Our organization

Providence St. Joseph Health (the System) has been a strong and stable force for more than 160 years. We strive to increase access to health care and bring quality, compassionate care to all those we serve, regardless of coverage or ability to pay. We are privileged to serve in vibrant markets in the western United States with growing populations, which has led to consistent increases in service utilization in these markets. We offer a comprehensive range of industry-leading services, including an integrated care delivery system for inpatient and outpatient services, directly employed and affiliated physicians, health plans, senior care and supportive housing, financial assistance programs, and educational ministries that include a high school and university. Our vision, Health for a Better World, is driven by a fundamental belief that health is a human right. We advocate for health care for all and use our collective voice to preserve safety net programs, such as Medicaid and the Children's Health Insurance Program, which cover 73 million Americans across the U.S. Our core value of compassion drives our efforts promoting mental health wellness through our partnership with Well Being Trust and the American Foundation for Suicide Prevention. Our Mission calls us to serve the most vulnerable and poor members of our community with dignity and respect, reflecting the legacy of the Sisters of St. Joseph and the Sisters of Providence.



The Continuing Disclosure Quarterly Report (the "Quarterly Report") is intended solely to provide certain limited financial and operating data in accordance with undertakings of the System and the Members of the Obligated Group under Rule 15c2-12 (the "Undertaking") and does not constitute a reissuance of any Official Statement relating to the bonds described above or a supplement or amendment to such Official Statement.

The Quarterly Report contains certain financial and operating data for the quarter ended September 30, 2018. The System has undertaken no responsibility to update such data since September 30, 2018, except as set forth herein. This Quarterly Report may be affected by actions taken or omitted or events occurring after the date hereof. The System has not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur. The System disclaims any obligation to update this Quarterly Report or to file any reports or other information with repositories or any other person except as specifically required by the Undertaking.

The System, headquartered in Renton, Washington, is governed by a co-sponsorship council made up of members of its two sponsoring ministries, Providence Ministries and St. Joseph Health Ministry. The System operates hundreds of programs and services across seven states. We are a diverse family of brands striving to improve the health of the communities we serve, while ensuring the continued vibrancy of not-for-profit, Catholic health care in the United States. Together, we are bringing quality care to all, with a focus on those most in need.

The Mission

As expressions of God's healing love, witnessed through the ministry of Jesus, we are steadfast in serving all, especially those who are poor and vulnerable ®

Our Values

Compassion | Dignity | Justice | Excellence | Integrity

Our Vision

Health for a Better World

Our Promise

"Know me, care for me, ease my way."

Meeting the Health Care Needs of Our Communities

Building enduring value to sustain our Mission. As health care evolves, we are responding with a vision and core strategy to transform and innovate at scale. Across the western United States, we share one strategic plan designed to improve the health of entire populations by supporting the well-being of each person served. That integrated strategic and financial plan is supported by three key principles:

Strengthen the core. We will deliver outstanding, affordable health care, housing, education and other essential services to our patients and communities by:

- Delivering safe, compassionate, high-value quality health care
- Stewarding our resources with a rigor and discipline that ensures mission sustainability into the future
- Fostering community commitment to our Mission via philanthropy
- Creating a work experience where caregivers are developed, fulfilled and inspired to carry on the Mission

Be our communities' health partner. We will be our communities' health partner, working to achieve the physical, spiritual and emotional well-being of all. We seek to ease the way of our communities by:

- Transforming care and improving population health outcomes, especially for those who are poor and vulnerable
- Leading the way in improving our nation's mental and emotional well-being
- Extending our commitment to whole person care for people at every age and stage of life
- Engaging with partners in addressing the social determinants of health, with a focus on education, housing, and the environment
- Being the preferred health partner for our communities, and those we serve

Transform our future. We will respond to the evolving health care landscape, pursuing new opportunities that transform our services, in a strategic and effective manner. We seek to expand our share of lives and health spend and further sustain our Mission by:

- Continuing the shift toward a consumer-centric health organization with multiple, convenient access points
- Digitally enabling, simplifying, and personalizing the health experience
- Engaging and initiating strategic partnerships along the care continuum
- Creating an integrated scientific wellness, clinical research and genomics program that is nationally recognized for breakthrough advances
- Utilizing insights and value from big data to drive strategic transformation
- Activating the voice and presence of the System nationally to improve health policies

Strategic affiliations. As part of our overall strategic planning and development process, the System regularly evaluates and, if deemed beneficial, selectively pursues opportunities to affiliate with other service providers and invest in new facilities, programs, or other health care related entities. Likewise, we are frequently presented with opportunities from, and conduct discussions with, third parties regarding potential affiliations, partnerships, mergers or acquisitions, including some that could affect the Obligated Group Members. System management pursues such arrangements when there is a perceived strategic or operational benefit that is expected to enhance our ability to achieve the Mission and/or deliver on our strategic objectives. As a result, it is possible that the current organization and assets of the Obligated Group may change. At this time, all such discussions are preliminary in nature and do not necessarily indicate an intention to expand or contract the System, through partnership, affiliation, merger or acquisition, or to add or withdraw Members of the Obligated Group.

Our Excellence Recognized in 2018

- Ranked 9 of 250 on the Forbes list of Best Employers for New Graduates
- 21 of the System's 51 hospitals were included in U.S. News and World Report's annual rankings of Best Hospitals
- Ranked 8 of 20 on the Forbes list of Best Employers for Women

Industry trends

Driving innovation through unconventional partnerships. We are one of seven health systems that recently banded together to launch Civica Rx, a new not-for-profit generic drug company that will address the crisis of rising pharmaceutical costs and drug shortages. Since Civica Rx was announced, more than 120 health organizations representing a third of the nation's hospitals have expressed a commitment or interest in participating with the new company. Civica Rx seeks to stabilize the supply of essential, affordable generic medications administered in hospitals, many of which have fallen into chronic shortage situations, putting patients at risk. The initiative will also result in lower costs and more predictable supplies of essential generic medicines. Civica Rx expects to have its first products on the market as early as 2019.

"The risk of doing nothing is that we'll continue with the same price escalations and shortages we've had. The risk of doing nothing seems higher than actually trying creative solutions to solve the problem."
-Amy Compton-Phillips, Chief Clinical Officer

Policy and advocacy

Ensuring access for those most in need. Our advocacy focuses on preserving and expanding access to health care, especially for those who are poor and vulnerable, and on advancing policies that support innovation in care. Our priorities for the second half of 2018 include preserving and expanding Medicaid coverage, supporting proposals to streamline and modernize mental health regulations, advancing new flexibility in the Physician Self-Referral Law (known as the Stark Law) that will support connected care, and advocacy for Medicare value-based care and payment programs. We championed the Comprehensive Care for Seniors Act of 2018 passed by the U.S. House of Representatives that would broaden the model of care for Programs for All-Inclusive Care for the Elderly (PACE) to support seniors 55 and older. Access to affordable, often life-saving medications is another key focus area. We are currently advocating for the protection of the 340B Drug Pricing Program that provides access to affordable prescription drugs and other critical health care services funded by the savings from the program. We also support policies that ensure essential generic medications are accessible and affordable. Our advocacy led to inclusion of expanded Medicaid mental health treatment funding in the Substance Use-Disorder Prevention That Promotes Opioid Recovery and Treatment for Patients and Communities (SUPPORT) Act recently passed by the U.S. Congress to improve care and access for those suffering from substance abuse disorders.

Enhancing population health through digital engagement

Engaging digitally with patients across different patient populations. We work to bring health care into the digital and consumer age through a persistent focus on patient and consumer value. We utilize digital tools to meet and engage patients where they live, deliver care on their terms, and establish a long-term dialogue about their health outside the wall of the exam room. We believe this strategy will lower the cost of care, generate new digital revenue streams, and unlock population health management capabilities and risk arrangements that help entire communities stay healthy. The following are a few examples of our patient-facing digital services:

- Xealth™, a company incubated by our digital team, allows physicians to prescribe digital content, apps and services to patients through electronic medical records
- Circle™ was recently combined with Wildflower Health to create the leading women's digital health platform
- Express Care is powered by a digital platform that allows for on-demand patient access to retail clinics, telehealth, or at-home visits through the web or mobile apps

"If you have great digital engagement with patients across different patient populations your ability to deliver population health is enhanced dramatically."
-Aaron Martin, Chief Digital Officer



Forming a new population health management company. We formed Ayin Health Solutions, a new enterprise population health management company that will provide strategic consulting, administrative support and care coordination services for provider sponsored health plans, provider organizations, employers and state agencies with a strong focus on organizations serving Medicaid and Medicare patients. Ayin will serve as the population health engine to support the System’s regional ministries and provide an avenue for revenue diversification through a for-profit, non-risk bearing entity. Moving into this new model of health care, the delivery system will utilize the managed care expertise, care management, analytics and quality capabilities within our health plan operation to develop our new population health enterprise. This strategy will improve the health of more communities and diversify our revenue streams to offset reimbursement challenges.

“We intend to share our knowledge and infrastructure as a service to other health systems.”
**-Rhonda Medows M.D.,
President of Population Health
Management**

Investing in system optimization. We are optimizing our core electronic health platform by aligning instances across ministries, representing our dedication to enhancing the patient experience across the continuum of care. We expect cost savings as standardization continues across all ministries, and partners, and anticipate these improvements will also allow our caregivers to serve our patients more efficiently. Our investment in a fully integrated patient system is consistent with our organizational growth strategy to leverage technology to operate more effectively across regions and provide a predictable, reliable experience for patients and caregivers, leading to consistent, high-quality care for those we serve.

Expanding our ambulatory network

We are investing in our ambulatory network to provide patients access to an optimized and connected ambulatory experience across all our geographies. Our ambulatory network is comprised of ambulatory care centers, imaging and urgent care centers, and also include retail, primary and specialty clinics. We believe ambulatory networks offer advantages to patients and physicians, including greater affordability, predictability, flexibility, and convenience. This lower cost, consumer-centric network is a key strategy to ensure we are the preferred health partner in the communities we serve. The strategy is also central to our vision of Health for a Better World and our efforts to sustain our Mission for the long term. Nine months into the year, we have made solid progress toward our commitment to being a partner in health. We have already served six percent more people than we did the previous year as a result of delivering care in the most appropriate settings. This represents a nine percent growth in our ambulatory services year-to-date and expansion of Express Care suite of retail clinics with 25 more new sites in progress. We are expanding our ambulatory care network through strategic partnerships including our relationship with Walgreens to expand access to our Express Care services through the Find Care Now app making it easy for patients to find care close to home.

“We believe that taking care of your health should be as convenient and flexible as any retail experience.”
**-Sunita Mishra M.D., Chief
Executive of Express Care**

Health plans

The System operates Providence Plan Partners, which consists of Providence Preferred, a network PPO; Providence Health Plan (*PHP*), a non-profit health care service contractor domiciled in the State of Oregon; and Providence Health Assurance, a wholly-owned subsidiary of PHP (collectively referred to as the “*Health Plans*”). In addition, Covenant Health System (CHS) has a 67 percent beneficial membership interest in SHA, L.L.C., doing business as FirstCare, a health maintenance organization operating in the West/Central Texas area. The remaining 33 percent is owned by Hendrick Medical Center, an unaffiliated not-for-profit corporation located in Abilene, Texas.

The Health Plans have been providing health insurance in the communities they serve for over thirty years. The Health Plans provide third-party health benefits administrative services for self-funded employers and insurance coverage for large group employers, small group employers, individual and family coverage under the Affordable Care Act, Medicare Advantage, Managed Medicaid risk administration, workers compensation case management services, and network access services under Providence Preferred plans.

Integrated physician operations

The Providence St. Joseph Health Employed Provider Network (the “Provider Network”), which is comprised of eight provider service organizations, includes 7,562 employed providers. The Provider Network includes 2,672 primary care providers.

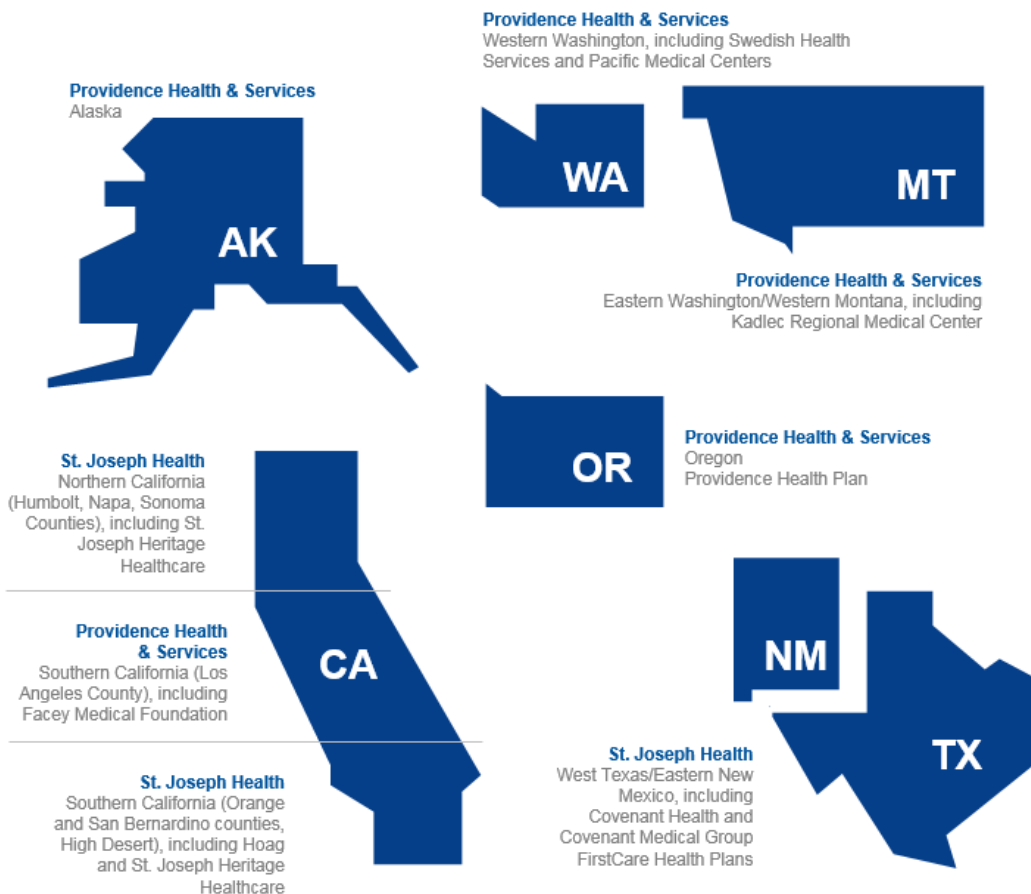
Medical groups within the Provider Network include: Providence Medical Group, a network serving Alaska, Washington and Montana, and Oregon; Swedish Medical Group, with staffed clinics throughout Washington’s greater Puget Sound area; Providence Medical Institute, in Southern California; Pacific Medical Centers, in western Washington; Kadlec, serving communities in southeast Washington; Facey Medical Foundation, in Southern California; St. Joseph Heritage Healthcare, in Northern and Southern California; and Covenant Medical Group operating in West Texas and Eastern New Mexico. Supplementing our Provider Network are more than 24,000 affiliated providers throughout the System.

Facilities

The System spans seven states across the western United States, and operates 51 acute care hospitals, 23 long-term care facilities, more than 900 clinics, 16 supportive housing facilities, health plans, physician practices, pharmacies, home health services, rehabilitation facilities, a university and a high school. The System is organized into the geographic regions shown in the graphic below in Exhibit 1.1.

Exhibit 1.1

Providence St. Joseph Health Our footprint



Region information

Alaska

As the largest health system in Alaska, the System operates 16 facilities throughout the state, with a 35 percent inpatient market share statewide in 2017. Providence Alaska Medical Center (PAMC) is the largest hospital in the state. The System's 16 Alaska facilities are located in the greater Anchorage area, with 60 percent inpatient market share. PAMC is a 401-bed acute care facility and the only comprehensive tertiary referral center in the state. Three critical access hospitals are located in the remote communities of Kodiak, Seward and Valdez, all co-located with skilled nursing facilities.

Swedish

In the greater Puget Sound area of Washington, Swedish operates five hospital campuses: First Hill and Cherry Hill (in Seattle), Ballard, Edmonds and Issaquah. The inpatient market share for Swedish was 20 percent in 2017. Swedish also has ambulatory care centers in Redmond and Mill Creek, and a network of more than 100 primary care and specialty clinics throughout the metropolitan corridor.

Washington and Montana

In the Washington-Montana region, the System operates 11 hospitals, with a 44 percent inpatient market share in 2017. The region is composed of five geographic markets: Northwest Washington, Southwest Washington, Eastern Washington, Southeast Washington and Western Montana. The region provides a variety of services, including home health care, primary and immediate care services, inpatient rehabilitation, and general acute care services.

Oregon

The Oregon region operates eight hospitals in Portland, Hood River, Medford, Milwaukie, Newberg, Seaside and Oregon City, with a total inpatient market share of 30 percent in 2017. Providence St. Vincent Medical Center provides tertiary care to the Portland metropolitan market. The region also provides primary care and immediate care clinics, home health care, housing and more. The PHP operations are based in Oregon, and a majority of its customers live in the region.

Northern California

The System's ministries in Northern California serve the North Coast and Napa/Sonoma communities with five hospitals, ambulatory surgery centers, urgent care centers, wellness centers, physician offices, home health and rehab sites. The acute care hospitals in Northern California had 36 percent inpatient market share in 2017. St. Joseph Heritage Healthcare, a medical foundation, operates professional service agreements in the region on behalf of the physician partners. St. Joseph Hospital-Eureka offers the only level II neonatal intensive care unit on the North Coast.

Southern California

The Southern California region includes 12 acute care hospitals in Los Angeles, Orange and San Bernardino counties, with a total inpatient market share of 24 percent in 2017. In Los Angeles County, the System operates six acute care facilities. Our largest hospital, Providence St. Joseph Medical Center, is located in Burbank. The System also operates hospitals in Mission Hills, San Pedro, Tarzana, Torrance and Santa Monica. Providence Medical Foundation (PMF) operates 63 practice locations in the market, offering more than 20 types of specialty care. PMF includes the Facey/PMI medical foundations, the fourth largest physician network in the State of California. The System's high school, Providence High School, is also located in the region. It is an accredited, Catholic, college-preparatory school with focused programs in the medical, media and technology fields. In addition, the System operates seven acute care facilities within Orange and San Bernardino counties: Apple Valley, Fullerton, Mission Viejo, Laguna Beach, Newport Beach, Irvine and Orange. St. Jude Medical Center in Fullerton includes a level III neonatal intensive care unit. Mission Hospital is located on two campuses in Mission Viejo and Laguna Beach and maintains the region's level II trauma center, as well as a women's center. Hoag Hospital, which is also composed of two campuses, in Newport Beach and Irvine, also includes Hoag Orthopedic Institute, part of St. Joseph Hoag Health alliance. St. Joseph Heritage Healthcare, a medical foundation, operates professional service agreements in the region on behalf of the physician partners.

West Texas and Eastern New Mexico

The West Texas-Eastern New Mexico region includes CHS and Covenant Medical Group. Covenant is the market's largest health system with seven licensed hospitals; the inpatient market share was 38 percent in 2017. The System also operates Grace Health System which includes Grace Clinic and Grace Medical Center, Covenant Medical Group, a medical foundation physician network of employed and aligned physicians, and the FirstCare health plan. Covenant Health Partners is a physician-hospital cooperative organization based in Lubbock, Texas.

Obligated group

The System and the entities listed in the following table (collectively, the "Obligated Group") are currently members of the Obligated Group under the Master Trust Indenture (Amended and Restated), dated as of May 1, 2003 (as supplemented and amended, the "Master Indenture") as shown in Exhibit 2.1 below.

Exhibit 2.1 - List of Obligated Group Members

<u>Obligated Group Member</u>	<u>Incorporation</u>	<u>Reference</u>
Providence St. Joseph Health	Washington nonprofit	"System"
Providence Health & Services	Washington nonprofit	"PH&S"
Providence Health & Services - Washington	Washington nonprofit	"Providence - Washington"
Providence Health System - Southern California	California nonprofit religious	"Providence - Southern California"
Little Company of Mary Ancillary Services Corporation	California nonprofit public benefit	"LCMASC"
Providence Saint John's Health Center	California nonprofit religious	"Providence - Saint John's"
Providence St. Joseph Medical Center	Montana nonprofit	"Providence - SJMC Montana"
Providence Health & Services - Montana	Montana nonprofit	"Providence - Montana"
Providence Health & Services - Oregon	Oregon nonprofit	"Providence - Oregon"
Providence Health & Services - Western Washington	Washington nonprofit	"Providence - Western Washington"
Swedish Health Services	Washington nonprofit	"Swedish"
Swedish Edmonds	Washington nonprofit	"Swedish Edmonds"
PacMed Clinics	Washington nonprofit	"PacMed"
Western HealthConnect	Washington nonprofit	"Western HealthConnect"
Kadlec Regional Medical Center	Washington nonprofit	"Kadlec"
St. Joseph Health System	California nonprofit public benefit	"SJHS"
St. Joseph Hospital of Orange	California nonprofit public benefit	"St. Joseph Orange"
St. Jude Hospital, Inc. ⁽¹⁾	California nonprofit public benefit	"St. Jude"
Mission Hospital Regional Medical Center	California nonprofit public benefit	"Mission Hospital"
St. Mary Medical Center	California nonprofit public benefit	"St. Mary"
Hoag Memorial Hospital Presbyterian	California nonprofit public benefit	"Hoag Hospital"
St. Joseph Health Northern California, LLC.	California limited liability company	"SJHNC"
Queen of the Valley Medical Center	California nonprofit public benefit	"Queen of the Valley"
Santa Rosa Memorial Hospital	California nonprofit public benefit	"Santa Rosa Memorial"
St. Joseph Hospital of Eureka	California nonprofit public benefit	"St. Joseph Eureka"
Redwood Memorial Hospital of Fortuna	California nonprofit public benefit	"Redwood Memorial"
Covenant Health System	Texas nonprofit	"CHS"
Methodist Children's Hospital ⁽²⁾	Texas nonprofit	"Covenant Children's"
Methodist Hospital Levelland ⁽³⁾	Texas nonprofit	"Covenant Levelland"
Methodist Hospital Plainview ⁽⁴⁾	Texas nonprofit	"Covenant Plainview"

⁽¹⁾ Doing business as St. Jude Medical Center

⁽²⁾ Doing business as Covenant Children's Hospital

⁽³⁾ Doing business as Covenant Hospital Levelland

⁽⁴⁾ Doing business as Covenant Hospital Plainview

The System is the Obligated Group Agent under the Master Indenture. Under the Master Indenture, debt incurred or secured through the issuance of Obligations under the Master Indenture are the responsibility, jointly and severally, of the Obligated Group Members. Pursuant to the Master Indenture, Obligated Group Members may be added to and withdrawn from the Obligated Group under certain conditions described in the Master Indenture. INDEBTEDNESS EVIDENCED OR SECURED BY OBLIGATIONS ISSUED UNDER THE MASTER INDENTURE IS SOLELY THE OBLIGATION OF THE OBLIGATED GROUP, AND SUCH OBLIGATIONS ARE NOT GUARANTEED BY, OR THE LIABILITIES OF, SISTERS OF PROVIDENCE, MOTHER JOSEPH PROVINCE, ANY OTHER PROVINCE OF THE SISTERS

OF PROVIDENCE MONTREAL CONGREGATION, THE LITTLE COMPANY OF MARY SISTERS, AMERICAN PROVINCE, SISTERS OF ST. JOSEPH OF ORANGE, THE ROMAN CATHOLIC CHURCH, OR ANY AFFILIATE OF THE SYSTEM THAT IS NOT AN OBLIGATED GROUP MEMBER.

Outstanding Master Trust Indenture Obligations

As of September 30, 2018, the System has 47 Obligations outstanding under the Master Trust Indenture totaling \$6,265,000,000. This excludes obligations that secure interest rate or other swap transactions, bank liquidity or credit facilities, and capital leases. The obligations outstanding under the Master Trust Indenture relating to tax-exempt and taxable bond/note indebtedness are described further in the Notes to the Combined Audited Financial Statements for the twelve-month period ended December 31, 2017.

In the nine months ended September 30, 2018, the unaudited combined net operating revenue and total assets attributable to the Obligated Group Members were approximately 83 percent and 86 percent, respectively, of the System totals. In the nine months ended September 30, 2017, the unaudited combined net operating revenues and total assets attributable to the Obligated Group Members were approximately 83 percent and 88 percent, respectively, of the Systems totals. Refer to Exhibit 7 for voluntary supplemental information on the Obligated Group Members.

Utilization for the Obligated Group

A summary of certain acute care utilization data for the Obligated Group is shown in Exhibit 2.2 for the periods indicated.

EXHIBIT 2.2 - DATA PRESENTED YEAR TO DATE; IN THOUSANDS UNLESS NOTED	9-30-18	9-30-17	VARIANCE
<u>Obligated Group</u>			
Total Acute Admissions	379	388	(9)
Acute Patient Days	1,803	1,793	10
Long-term Patient Days	301	288	13
Outpatient Visits (incl. Physicians)	16,091	15,529	562
Emergency Room Visits	1,575	1,593	(18)
Total Surgeries and Procedures	416	414	2
Acute Average Daily Census (actual)	6,604	6,569	35

Non-obligated group system affiliates

In addition to the Obligated Group Members, the System includes: health plans; a provider network; numerous fundraising foundations; Providence Ventures, Inc., a Washington corporation that invests in health care activities; various not-for-profit corporations that own and operate assisted living facilities and low-income housing projects, including housing facilities for the elderly; and the University of Providence formerly known as University of Great Falls, located in Great Falls, Montana. The System also includes multiple operations involving or supporting home health, outpatient surgery, imaging services and other professional services provided through for-profit and non-profit entities that are not part of the Obligated Group. These entities are organized as subsidiaries of the System, partnerships or joint ventures with other entities. Obligated Group Members also may engage in informal alliances and/or contract-based physician relationships. Affiliates that are not Obligated Group Members are referred to in this Quarterly Report as the “*Non-Obligated Group System Affiliates.*” Certain Non-Obligated Group System Affiliates that are of significant operational or strategic importance and other Non-Obligated Group System Affiliates are discussed elsewhere in this Quarterly Report only to the extent they are viewed by System management to be of particular operational or strategic importance.

Financial information

The summary unaudited combined financial information presented below of the System as of and for the nine-month periods ended September 30, 2018 and September 30, 2017 have been derived by the System's management from the unaudited financial information.

The summary audited combined financial information as of and for the twelve-month period ended December 31, 2017, presented below, has been derived by the System's management from audited financial information of the System. The financial information should be read in conjunction with the audited combined financial statements of Providence St. Joseph Health, including the notes thereto, and the report of KPMG LLP, independent auditors.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions, estimates and judgments that affect the amounts reported in the combined financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. System management considers critical accounting policies to be those that require the more significant judgments and estimates in the preparation of its financial statements, including the following: recognition of net operating revenues, which includes contractual allowances; impairment of long-lived assets; valuation of investments; accounting for expenses in connection with restructuring activities; provisions for bad debt; and reserves for losses and expenses related to health care professional and general liability risks. Management relies on historical experience and on other assumptions believed to be reasonable under the circumstances in making its judgments and estimates. Actual results could differ materially from those estimates.

EXHIBIT 3.1 - Summary Unaudited Combined Statements of Revenue and Expense

DATA PRESENTED YEAR TO DATE; PRESENTED IN MILLIONS	9-30-18	9-30-17	VARIANCE
Net Patient Service Revenue	13,946	13,151	795
Premium and Capitation Revenue	3,302	3,052	250
Other Revenue	783	892	(109)
Total Operating Revenue	18,031	17,095	936
Salaries, Wages and Other	17,000	16,073	927
Depreciation	789	776	13
Interest and Amortization	206	200	6
Total Operating Expenses	17,995	17,049	946
Excess of Revenues Over Expenses from Operations	36	46	(10)
Net Non-operating Gains	126	555	(429)
Excess of Revenues Over Expenses	162	601	(439)
Operating EBIDA	1,031	1,022	9

EXHIBIT 3.2 - Summary Unaudited and Audited Combined Balance Sheets

PRESENTED IN MILLIONS	9-30-18	12-31-17	VARIANCE
ASSETS			
<u>Current Assets:</u>			
Cash and Cash Equivalents	1,247	1,371	(124)
Short-term Investments	256	414	(158)
Accounts Receivable, Net	2,332	2,222	110
Other Current Assets	1,344	1,434	(90)
Current Portion of Funds Held by Trustee	192	66	126
Total Current Assets	5,371	5,507	(136)
<u>Assets Whose Use Is Limited:</u>			
Long-term Investments	9,986	9,526	460
Other Restricted Assets	524	460	64
Total Assets Whose Use Is Limited	10,510	9,986	524
Property, Plant & Equipment, Net	10,928	10,955	(27)
Total Other Assets	1,282	1,197	85
Total Assets	28,091	27,645	446
LIABILITIES AND NET ASSETS			
<u>Current Liabilities:</u>			
Master Trust Debt classified as Short-term	-	57	(57)
Accounts Payable	757	684	73
Accrued Compensation	1,184	1,111	73
Other Current Liabilities	2,350	2,369	(19)
Total Current Liabilities	4,291	4,221	70
Long-term Debt, Net of Current Portion	6,625	6,485	140
Other Long-term Liabilities	2,183	2,193	(10)
Total Liabilities	13,099	12,899	200
<u>Net Assets:</u>			
Unrestricted	13,787	13,545	242
Restricted	1,205	1,201	4
Total Net Assets	14,992	14,746	246
Total Liabilities and Net Assets	28,091	27,645	446

Introduction to Management's Discussion and Analysis

Management's discussion and analysis provides additional narrative explanation of the financial condition, operational results and cash flow of the System to assist in increasing understanding of the combined financial statements. The unaudited combined financial information as of and for the nine-month period ended September 30, 2018, presented below, has been derived by the System's management from the unaudited financial information. The following document is incorporated herein by reference and are available for review on the Electronic Municipal Market Access (*EMMA*) website of the Municipal Securities Rulemaking Board (*MSRB*): *Providence St. Joseph Health, Continuing Disclosure Quarterly Report, including Management's Discussion and Analysis of Financial Condition and Results of Operations, Quarter Ended September 30, 2018*.

Results of operations

Operating income was \$36 million for the nine months ended September 30, 2018, compared with \$46 million in the same period in 2017. Operating earnings before interest, depreciation and amortization (EBIDA) was \$1 billion for the nine months ended September 30, 2018, and in the same period for 2017. Included in the prior year was \$104 million related to the sale of Pathology Associates Medical Laboratories, LLC (PAML). Excluding the impact of the PAML transaction, operating revenue increased \$1 billion, or six percent compared with the prior year and operating EBIDA increased \$110 million, or 12 percent compared to the same period in 2017. The net increase was driven by higher volumes growth, higher labor productivity, and improved reimbursement which also led to corresponding increases in labor and supply costs. Exhibit 3.3 shown below provides key financial indicators for the periods indicated.

EXHIBIT 3.3 - DATA PRESENTED YEAR TO DATE	9-30-18	9-30-17	VARIANCE	PRO FORMA ⁽¹⁾	
				Excluding PAML 9-30-17	VARIANCE
Operating Income (Loss)	36	46	(10)	(55)	91
Operating Margin %	0.2	0.3	(0.1)	(0.3)	0.5
Operating EBIDA	1,031	1,022	9	921	110
Operating EBIDA Margin %	5.7	6.0	(0.3)	5.4	0.3
Net Service Revenue/Case Mix Adjusted Admits	11,869	11,540	329	11,436	433
Expense/Case Mix Adjusted Admits	11,842	11,503	339	11,500	342
Debt to Cash Flow	5.7	4.2	1.5	4.5	1.2
Total Community Benefit (millions)	1,216	1,185	31	-	-
Full-time Equivalents (thousands)	105	103	2	-	-

⁽¹⁾ Includes adjustment of \$104 million for Operating Revenue and \$101 million for Operating Income and EBIDA for PAML transaction in 2017

Volumes

The System experienced four percent higher volumes per case mix adjusted admissions (CMAA) in the nine months ended September 30, 2018, compared with the same period in 2017, driven by the impact of the growth in the outpatient setting and increased patient acuity. Outpatient visits grew six percent for the nine months ended September 30, 2018, compared with the same period in 2017, primarily due to a 10 percent increase in the physician visits. Exhibit 3.4 shown below provides key volume indicators for the periods indicated.

EXHIBIT 3.4 - DATA PRESENTED YEAR TO DATE	9-30-18	9-30-17	VARIANCE
Inpatient Admissions	386	392	(6)
Acute Adjusted Admissions	767	750	17
Acute Patient Days	1,836	1,815	21
Long-term Patient Days	310	297	13
Outpatient Visits (incl. Physicians)	20,133	19,072	1,061
Emergency Room Visits	1,589	1,593	(4)
Total Surgeries and Procedures	464	455	9
Acute Average Daily Census (actual)	6,724	6,650	74
Providence Health Plan Members	655	636	19

Operating Revenue

Operating revenue in the nine months ended September 30, 2018 was \$18 billion, an increase of six percent compared with the same period in 2017, driven by higher patient volumes and higher acuity levels. Capitation and premium revenue represented 18 percent of total operating revenue and grew eight percent in the nine months ended September 30, 2018, compared with the same period in 2017. The System's operating revenue share by geographic region for the nine months ended September 30, 2018 is shown in Exhibit 3.5 for the periods indicated.

EXHIBIT 3.5 - REGIONAL OPERATING REVENUE SHARE	9-30-18	9-30-17	VARIANCE
Alaska	4%	4%	0%
Swedish	11%	11%	0%
Washington and Montana	20%	20%	0%
Oregon	21%	21%	0%
Northern California	6%	6%	0%
Southern California	29%	29%	0%
West Texas and Eastern New Mexico	7%	6%	1%
Other	2%	3%	(1%)

The System's operating revenue share by line of business is shown in Exhibit 3.6 for the periods indicated.

EXHIBIT 3.6 - SEGMENT OPERATING REVENUE SHARE	9-30-18	9-30-17	VARIANCE
Hospitals	69%	70%	(1%)
Health Plans and Accountable Care	15%	15%	0%
Physician and Outpatient Activities	13%	12%	1%
Home and Community Care	3%	3%	0%

Net patient revenue per case mix adjusted admissions increased three percent in the nine months ended September 30, 2018, compared with the same period in 2017, due to higher patient acuity and volumes, and higher reimbursement rates. The System's net patient revenue by payor mix is shown in Exhibit 3.7 for the periods indicated.

EXHIBIT 3.7 - PAYOR NET PATIENT REVENUE SHARE	9-30-18	9-30-17	VARIANCE
Commercial	50%	50%	0%
Medicare	32%	32%	0%
Medicaid	16%	14%	2%
Self-pay and Other	2%	4%	(2%)

Operating Expenses

Operating expenses in the nine months ended September 30, 2018 were \$18 billion, an increase of six percent compared with the same period in 2017, driven mainly by costs associated with serving the System's higher volumes. Salaries and wages expense increased four percent in the nine months ended September 30, 2018, compared with the same period in 2017, driven by full-time equivalent ("FTE") growth of two percent. Supplies expense increased five percent in the nine months ended September 30, 2018, driven primarily by a 9 percent increase in pharmaceutical spend offset by a two percent decline in medical supply costs per CMAA compared with the prior year.

Non-Operating Activity

Non-operating gains totaled \$126 million in the nine months ended September 30, 2018, compared with non-operating gains of \$555 million for the same period in 2017. The decrease was primarily driven by weaker market performance during the nine months ended September 30, 2018, compared with relatively strong market performance over the same period in 2017.

Liquidity and capital resources

Unrestricted Cash and Investments

Unrestricted cash reserves totaled over \$11.5 billion as of September 30, 2018, compared with \$11.3 billion as of December 31, 2017, and includes cash generated from operations and debt service costs, while partially affected by slower capital spending. Exhibit 4.1 shown below includes the liquidity of the System for the periods indicated.

EXHIBIT 4.1 - DATA PRESENTED YEAR TO DATE; \$ FIGURES PRESENTED IN MILLIONS	9-30-18	12-31-17	VARIANCE
Cash and Cash Equivalents	1,247	1,371	(124)
Short-term Investments	256	414	(158)
Long-term Investments	9,986	9,526	460
Total Unrestricted Cash and Investments	11,489	11,311	178

Financial Ratios

The System's financial ratios are shown in Exhibit 4.2 for the periods indicated.

EXHIBIT 4.2 - DATA PRESENTED YEAR TO DATE	9-30-18	12-31-17	VARIANCE
Total Debt to Capitalization %	32.5	32.6	(0.1)
Current Debt Service Coverage	4.4	3.3	1.1
Cash to Debt Ratio %	173.4	172.9	0.5
Cash to Comprehensive Debt %	118.6	114.4	4.2
Days Cash on Hand ⁽¹⁾	183	189	(6)
Cushion Ratio	29	29	0
Maximum Annual Debt Service ("MADS")	390	384	6
Comprehensive Debt to Capitalization %	41.3	42.2	(0.9)
Cash to Total Net Asset Ratio	0.83	0.84	(0.01)

⁽¹⁾ Prior year restated to normalize for one-time anomalies

Capitalization

The capitalization of the System is shown in Exhibit 4.3 for the periods indicated.

EXHIBIT 4.3 - DATA PRESENTED YEAR TO DATE; \$ FIGURES PRESENTED IN MILLIONS	9-30-18	12-31-17	VARIANCE
Long-term Indebtedness	6,713	6,564	149
Less: Current Portion of Long-term Debt	88	79	9
Net Long-term Debt	6,625	6,485	140
Net Assets - Unrestricted	13,787	13,545	242
Total Capitalization	20,412	20,030	382
Percent of Long-term Debt to Capitalization	32.5%	32.4%	0.1%

The System's coverage of maximum annual debt service on indebtedness is shown in Exhibit 4.4 for the periods indicated.

EXHIBIT 4.4 - DATA PRESENTED YEAR TO DATE; \$ FIGURES PRESENTED IN MILLIONS	Rolling 12-Months 9-30-18	12-31-17	VARIANCE
Income Available for Debt Service:			
Excess of Revenues Over Expenses	340	780	(440)
Plus: Unrealized Losses/Less Unrealized (Gains) on Trading Securities	(159)	(596)	437
Plus: Loss on Extinguishment of Debt	6	-	6
Plus: Loss on Pension Settlement Costs and Other	218	25	193
Plus: Depreciation	1,051	1,038	13
Plus: Interest and Amortization	276	269	7
Total	1,732	1,516	216
Debt Service Requirements ⁽¹⁾ :			
MADS	390	384	6
Coverage of Debt Service Requirements	4.4x	3.9x	0.5x

⁽¹⁾ Debt Service Requirements has the meaning assigned to such term in the Master Indenture.

Credit Agency Ratings

The System received affirmation on the following ratings from the three national credit rating agencies conducted during their annual review at the end of 2017 and issued the following credit ratings:

- Fitch: "AA-"
- Standard and Poor's: "AA-"
- Moody's: "Aa3"

Governance and management

Corporate Governance

The System serves as the parent and corporate member of PH&S and SJHS. The System has obtained tax exemption under Section 501(c)(3) of the Internal Revenue Code. Prior to the Combination, the sole corporate member of PH&S was Providence Ministries, which acted through its sponsors, who are five individuals appointed by the Provincial Superior of the Sisters of Providence, Mother Joseph Province. Similarly, the sole corporate member of SJHS was St. Joseph Health Ministry, a California non-profit public benefit corporation. Providence Ministries and St. Joseph Health Ministry are each a public juridic person under Canon law, responsible for assuring the Catholic identity and fidelity to the mission of their respective Systems. Pursuant to the Combination, Providence Ministries and St. Joseph Health Ministry have entered into an agreement that establishes a co-sponsorship model through contractual obligations exercised by the parties' sponsors collectively (the "Co-Sponsors Council"). The Co-Sponsors' Council retains certain reserved rights with respect to the System. Among the powers reserved to the Co-Sponsors' Council are the following powers over the affairs of the System (excluding certain affiliates, such as: Providence - Western Washington, Western HealthConnect, Swedish, Swedish Edmonds, PacMed, Kadlec and Hoag Hospital): to amend or repeal the articles of incorporation or bylaws of the System; the appointment and

removal, with or without cause, of the directors of the System; the appointment and removal, with or without cause, of the President and Chief Executive Officer of the System; the approval of the acquisition of assets, incurrence of debt, encumbering of assets and sale of certain property of the System; the approval of operating and capital budgets, upon recommendation of the System Board of Directors; and the approval of dissolution, consolidation or merger. The System has reserved rights over PH&S and SJHS, which powers may be exercised by Board of the System.

The following table lists the current members of the Board of Directors and the Co-Sponsors' Council.

<u>Board of Directors</u>	<u>Term Expires (December 31)</u>	<u>Co-Sponsors' Council</u>	<u>Term Expires (December 31)</u>
Richard Blair, Chair †	2019	Eleanor Brewer	2020
David Olsen, Vice Chair ‡	2019	Ned Dolejsi	2019
Dick Allen ‡	2019	Jeff Flocken	2019
Isaiah Crawford, PhD Δ	2019	Barbara Savage	2019
Lucille Dean, SP †	2019	Bill Cox	2022
Diane Hejna, CSJ, RN. Δ	2019	Johnny Cox	2018
Michael Holcomb ‡	2019	Sr. Juliana Casey, IHM	2020
Phyllis Hughes, RSM, PhD. Δ	2019	Sr. Barbara Schamber, SP	2018
Sallye Liner, MSN, RN †	2019	Sr. Katherine Gray, CSJ	2019
Mary Lyons, PhD. Δ	2019	Sr. Mary Therese Sweeney, CSJ	2018
Walter "Bill" Noce, Jr. †	2019		
Carolina Reyes, M.D. Δ	2019		
Phoebe Yang Δ	2019		
Rod Hochman, M.D.	Ex-officio		

† Not eligible for an additional term.

‡ Eligible for one additional three-year term.

Δ Eligible for up to two.

Executive Leadership

The CEO of the System has established an executive leadership team known as the Executive Council, the members of which are listed below.

<u>Name</u>	<u>Title</u>
Rod Hochman, M.D.	President and CEO
Mike Butler	President of Operations
Rhonda Medows, M.D.	President of Population Health Management
Venkat Bhamidipati	EVP and CFO
Carladenise Edwards	EVP and Chief Strategy Officer
Cindy Strauss	EVP and Chief Legal Officer
Amy Compton-Phillips, M.D.	EVP and Chief Clinical Officer
Debra Canales	EVP and Chief Administrative Officer
Aaron Martin	EVP and Chief Digital and Innovation Officer
Jo Ann Escasa-Haigh	EVP and CFO of Operations
Orest Holubec	SVP and Chief Communication Officer and External Affairs Officer
Elaine Couture	EVP and Chief Executive Washington Montana
Erik Wexler	EVP and Chief Executive Southern California
Lisa Vance	EVP and Chief Executive Oregon
Dougal Hewitt	EVP and Chief Mission Officer
Kevin Klockenga	EVP and Chief Executive Northern California
Richard Parks	EVP and Chief Executive West Texas Eastern New Mexico
Janice Newell	EVP and Chief Information Officer
Mike Waters	EVP and Chief Ambulatory Care Officer
Guy Hudson, M.D.	EVP and Chief Executive Swedish Health Services
Bruce Lamoureux	SVP and Chief Executive Alaska
Hector Boirie	SVP and Chief Resources Officer
Joel Gilbertson	SVP and Chief of Community Partnerships
Robert Hellrigel	SVP and Chief of Senior and Community Services
Sheryl Vacca	SVP and Chief Risk Officer
Kevin Manemann	President and CEO of St. Joseph Heritage Healthcare
Preston Simmons	Chief Operating Officer Alaska

Support Services

Corporate officers and supporting staff oversee the management activities carried on, on a day-to-day basis, by the management staff of each region. Each regional Chief Executive Officer reports to the President of Operations, who oversees their management with emphasis on the service area's achievements in productivity, developing integrated delivery systems, meeting financial guidelines, maintaining or increasing market share, and responding to unmet health care needs in the community, especially the unmet needs of the poor. The Chief Financial Officer of the System and Finance staff coordinate the annual budget and five-year forecasts (also updated annually) of the service areas, and manage the capital acquisition and management activities of the Obligated Group. Other areas in which the corporate staff provides centralized services or coordinates the activities of the service areas include: legal affairs, insurance and risk management, treasury services, materials management, technical support, fund raising, quality of care, medical ethics, pastoral services, mission effectiveness, human resources, planning and policy development, and public affairs.

Other information

Employees

As of September 30, 2018, the System employed approximately 114,000 caregivers (excluding Hoag), which represents approximately 104,851 FTEs. Of the total employees in the System, approximately 32% are represented by 17 different labor unions.

Management of the System believes the salary levels and benefits packages for its employees are competitive in all of the respective markets. At the same time, management of the System knows that the healthcare market is rapidly evolving. As a result, the leadership of each of the separate employers within the System is working to ensure the compensation and benefits are modern and reflect competitive market practices, which will require negotiations at various employers within the System in the first six months of 2019. In the past two years, the System has experienced strikes at different facilities, as a result of contract negotiations. In each situation, the facility operated with qualified replacement employees and did not experience any disruption to hospital operations or patient service, and ultimately settled the contract. Management is also aware of ongoing organizing efforts by labor unions in health care generally, particularly in the markets where the System operates, and at other employers in certain markets in the System.

Insurance

The System has developed insurance programs that provide coverage for the vast majority of insurable risks. The program uses benchmarking and insurance analytics to guide its decisions regarding both the type of coverage it purchases and the limits of that insurance. The analytics use claims and historical data to estimate the likelihood of certain events occurring such as an earthquake or an anti-trust claim. The premium for additional limit can then be compared to the probability of the event to pinpoint when the purchase of additional insurance limit no longer provides a value to the System. The insurance team and brokers negotiate almost all of the policies directly to obtain the most favorable terms of coverage possible. Policies are also reviewed to ensure no coverage gaps - what is excluded in one policy must be covered by a different policy. Insurers must have an A rating or better from A.M. Best to be on the System program. Management meets with most of its underwriters at least once a year to obtain updates on any changes in business strategy or capacity. The System currently self-insures a portion of its professional and general liability. Such claims are paid through trust arrangements which are funded to a 75 percent confidence level based on projections from outside independent actuaries. The major lines of insurance renewed yearly include property, directors and officers, employment practices, auto, fiduciary, cyber/information security, workers' compensation, crime, and aviation.

Community Benefit

Through programs and donations, health education, free care, medical research and more, our community benefit investments fulfill unmet needs in communities we serve across seven states.

Building on our commitment to care for those who are poor and vulnerable, we have invested \$1.2 billion in community benefit in the nine months ended September 30, 2018 and 2017. In an environment of decreased reimbursement for government-sponsored medical care, community benefit spending related to

the unpaid costs of Medicaid was \$807 million in the nine months ended September 30, 2018, compared with \$805 million in the same period in 2017.

Interest Rate Swap Arrangements

The System and/or certain of its affiliates enter into interest rate swap contracts from time to time to increase or decrease variable rate debt exposure, to achieve a targeted mix of fixed and floating rate indebtedness and for other purposes. At September 30, 2018, SJHS was party to seven interest rate swap agreements with a current notional amount totaling approximately \$459 million and with varying expiration dates. The swap agreements require SJHS to make fixed rate payments in exchange for variable rate payments made by the counterparties. The market risk exposure of these agreements occurs when the fixed rate paid is greater than the variable rate received. At September 30, 2018, the total fair value of the combined interest rate swaps of approximately \$71 million represents the estimated amount SJHS would have paid upon termination of these agreements as of that date. Fair values are based on independent valuations obtained and are determined by calculating the value of the discounted cash flows of the differences between the fixed interest rate of the interest rate swaps and the counterparty's forward London Interbank Offered Rate curve, which is the input used in the valuation, also taking into account any nonperformance risk. Changes in the fair value of the interest rate swaps are included within non-operating gains and losses. As of September 30, 2018, SJHS has no collateral requirement.

Litigation

Certain material litigation may result in an adverse outcome to the System. The System is involved in litigation and regulatory investigations arising in the course of doing business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the System's future consolidated financial position or results of operations.

A number of civil actions are pending or threatened against certain Affiliates, including Obligated Group Members, alleging medical malpractice. In the opinion of management of the System, based upon the advice of legal counsel and risk management personnel, the probable recoveries in these proceedings and the estimated costs and expenses of defense will be within applicable insurance limits or will not materially adversely affect the business or properties of the System.

Accreditation and Memberships

The System's acute care hospital facilities are appropriately licensed by applicable state licensing agencies, certified for Medicare and Medicaid/Medi-Cal reimbursement, and (except Covenant Levelland, Providence Seward Medical Center, Providence Valdez Medical Center and Swedish Issaquah) accredited by The Joint Commission. Each long-term care facility or unit is licensed by applicable state licensing agencies and is appropriately certified for Medicare and Medicaid/Medi-Cal reimbursement.

Subsequent Events

On October 23, 2018, Covenant Health System signed a definitive agreement with Scott and White Health Plan, part of Baylor Scott & White Health, to divest its interest in FirstCare Health Plans. FirstCare Health Plans are co-owned by Covenant Health System in Lubbock, Texas and Hendrick Health System in Abilene, Texas. The completion and timing of the transaction are subject to applicable regulatory approval.

EXHIBIT 5
LIST OF BONDS TO WHICH REPORT RELATES

Alaska Industrial Development and Export Authority Revenue Bonds (Providence Health & Services) Series 2011A, issued in the original principal amount of \$122,720,000;

California Health Facilities Financing Authority Revenue Bonds (Providence Health & Services) Series 2008C, issued in the original principal amount of \$289,195,000;

California Health Facilities Financing Authority Revenue Bonds (St. Joseph Health System) Series 2009 A and B, issued in the original principal amount of \$254,410,000;

California Health Facilities Financing Authority Revenue Bonds (Providence Health & Services) Series 2009B, issued in the original principal amount of \$150,000,000;

California Health Facilities Financing Authority Variable Rate Refunding Revenue Bonds (St. Joseph Health System) Series 2009 C and D, issued in the original principal amount of \$166,690,000;

California Health Facilities Financing Authority Revenue Bonds (St. Joseph Health System) Series 2013 A, B, C, and D, issued in the original principal amount of \$654,840,000;

California Health Facilities Financing Authority Revenue Bonds (Providence Health & Services) Series 2014A, issued in the original principal amount of \$275,850,000;

California Health Facilities Financing Authority Revenue Bonds (Providence Health & Services) Series 2014B, issued in the original principal amount of \$118,740,000;

California Health Facilities Financing Authority Revenue Bonds (Providence St. Joseph Health) Series 2016A, issued in the original principal amount of \$448,165,000;

California Health Facilities Financing Authority Revenue Bonds (Providence St. Joseph Health) Series 2016B1, issued in the original principal amount of \$95,240,000;

California Health Facilities Financing Authority Revenue Bonds (Providence St. Joseph Health) Series 2016B2, issued in the original principal amount of \$95,245,000;

California Health Facilities Financing Authority Revenue Bonds (Providence St. Joseph Health) Series 2016B3, issued in the original principal amount of \$95,245,000;

Lubbock Health Facilities Development Corporation Variable Rate Refunding Revenue Bonds (St. Joseph Health System), Series 2008B, issued in the original principal amount of \$105,385,000;

Lubbock Health Facilities Development Corporation Revenue Bonds Direct Obligation Notes (Providence St. Joseph Health) Series 2016C, issued in the original principal amount of \$39,215,000;

Montana Facility Finance Authority Direct Obligation Bonds (Providence St. Joseph Health) Series 2016F, issued in the original Principal amount of \$50,810,000;

Oregon Facilities Authority Revenue Bonds (Providence Health & Services) Series 2011C, issued in the original principal amount of \$22,355,000;

Oregon Facilities Authority Revenue Bonds (Providence Health & Services) Series 2013A, issued in the original principal amount of \$78,190,000;

Oregon Facilities Authority Revenue Bonds (Providence Health & Services) Series 2013C, issued in the original principal amount of \$161,675,000;

Oregon Facilities Authority Revenue Bonds (Providence Health & Services) Series 2015C, issued in the original principal amount of \$71,070,000;

Washington Health Care Facilities Authority Revenue Bonds (Providence Health & Services) Series 2010A, issued in the original principal amount of \$174,240,000;

Washington Health Care Facilities Authority Revenue Bonds (Providence Health & Services) Series 2011B, issued in the original principal amount of \$91,170,000;

Washington Health Care Facilities Authority Revenue Bonds (Providence Health & Services) Series 2012A, issued in the original principal amount of \$511,470,000;

Washington Health Care Facilities Authority Revenue Bonds (Providence Health & Services) Series 2012B, issued in the original principal amount of \$100,000,000;

Washington Health Care Facilities Authority Revenue Bonds (Providence Health & Services) Series 2012C, issued in the original principal amount of \$80,000,000;

Washington Health Care Facilities Authority Revenue Bonds (Providence Health & Services) Series 2012D, issued in the original principal amount of \$80,000,000;

Washington Health Care Facilities Authority Revenue Bonds (Providence Health & Services) Series 2014C, issued in the original principal amount of \$92,245,000;

Washington Health Care Facilities Authority Revenue Bonds (Providence Health & Services) Series 2014D, issued in the original principal amount of \$178,770,000;

Washington Health Care Facilities Authority Revenue Bonds (Providence Health & Services) Series 2015A, issued in the original principal amount of \$77,635,000;

Washington Health Care Facilities Authority Revenue Bonds Direct Obligation Notes (Providence St. Joseph Health) Series 2016D, issued in the original principal amount of \$105,430,000;

Washington Health Care Facilities Authority Revenue Bonds Direct Obligation Notes (Providence St. Joseph Health) Series 2016E, issued in the original principal amount of \$105,430,000;

Washington Health Care Facilities Authority Revenue Bonds (Providence St. Joseph Health) Series 2018B, issued in the original principal amount of \$141,690,000;

Taxable Bonds Direct Obligation Notes (Providence Health & Services) Series 2005, issued in the original principal amount of \$60,000,000;

Taxable Bonds Direct Obligation Notes (Providence Health & Services) Series 2009A, issued in the original principal amount of \$250,000,000;

Taxable Bonds Direct Obligation Notes (Providence Health & Services) Series 2012E, issued in the original principal amount of \$239,760,000;

Taxable Bonds Direct Obligation Notes (Providence Health & Services) Series 2013D, issued in the original principal amount of \$252,285,000;

Taxable Bonds Direct Obligation Notes (Providence St. Joseph Health) Series 2016G, issued in the original principal amount of \$100,000,000;

Taxable Bonds Direct Obligation Notes (Providence St. Joseph Health) Series 2016H, issued in the original principal amount of \$300,000,000;

Taxable Bonds Direct Obligation Notes (Providence St. Joseph Health) Series 2016I, issued in the original principal amount of \$400,000,000;

Taxable Bonds Direct Obligation Notes (Providence St. Joseph Health) Series 2018A, issued in the original principal amount of \$350,000,000

**EXHIBIT 6
OBLIGATED GROUP**

A list of the System's acute care facilities in each region as of September 30, 2018, each of which is owned or operated by an Obligated Group Member, is provided in Exhibit 6.1 below.

EXHIBIT 6.1 - List of Acute Care Facilities by Region

Region	Obligated Group Member	Facility	Location(s)	Licensed Acute Care Beds*	
Alaska	Providence Heath & Services-Washington	Providence Alaska Medical Center	Anchorage	401	
		Providence Kodiak Island Medical Center ⁽¹⁾	Kodiak	25	
		Providence Seward Medical and Care Center ⁽¹⁾	Seward	6	
		Providence Valdez Medical Center ⁽¹⁾	Valdez	11	
Swedish	Swedish Edmonds	Swedish Edmonds ⁽²⁾ Swedish Medical Center Campuses ⁽³⁾ :	Edmonds	217	
	Swedish Health Services	Swedish Ballard	Ballard	133	
		Swedish Issaquah	Issaquah	144	
		Swedish Cherry Hill Swedish First Hill	Seattle Seattle	385 697	
Washington and Montana	Providence Heath & Services-Washington	Providence Centralia Hospital	Centralia	128	
		Providence Regional Medical Center Everett	Everett	530	
		Providence St. Peter Hospital ⁽⁴⁾	Olympia	390	
	Providence Heath & Services-Washington	Providence St. Joseph's Hospital	Chewelah	65	
		Providence Mount Carmel Hospital	Colville	55	
		Providence Sacred Heart Medical Center and Children's Hospital	Spokane	719	
		Providence Holy Family Hospital	Spokane	197	
	Kadlec Regional Medical Center	Providence Heath & Services-Montana Providence St. Joseph Medical Center	Providence St. Mary Medical Center	Walla Walla	142
			Kadlec Regional Medical Center	Richland	270
			St. Patrick Hospital	Missoula (MT)	253
			Providence St. Joseph Medical Center	Polson (MT)	22
Oregon	Providence Heath & Services-Oregon	Providence Hood River Memorial Hospital	Hood River	25	
		Providence Medford Medical Center	Medford	168	
		Providence Milwaukie Hospital	Milwaukie	77	
		Providence Newberg Medical Center	Newberg	40	
		Providence Willamette Falls Medical Center	Oregon City	143	
		Providence St. Vincent Medical Center	Portland	523	
		Providence Portland Medical Center	Portland	483	
		Providence Seaside Hospital ⁽⁵⁾	Seaside	25	

Region	Obligated Group Member	Facility	Location(s)	Licensed Acute Care Beds*
Northern California				
	St. Joseph Health Northern California, LLC.	St. Joseph Hospital	Eureka	153
		Redwood Memorial Hospital	Fortuna	35
		Queen of the Valley Medical Center	Napa	208
		Santa Rosa Memorial Hospital	Santa Rosa	298
Southern California				
	Providence Health System-Southern California	Providence St. Joseph Medical Center	Burbank	392
		Providence Holy Cross Medical Center	Mission Hills	329
		Providence Little Company of Mary Medical Center San Pedro	San Pedro	183
		Providence Saint John's Health Center	Santa Monica	266
		Providence Tarzana Medical Center	Tarzana	249
		Providence Little Company of Mary Medical Center Torrance	Torrance	327
		St. Mary Medical Center	St. Mary Medical Center	Apple Valley
	St. Jude Medical Hospital, Inc.	St. Jude Medical Center	Fullerton	320
		Mission Hospital Regional Medical Center Campuses ⁽⁶⁾ :		523
	Mission Hospital Regional Medical Center	Mission Hospital Regional Medical Center	Mission Viejo	
		Mission Hospital Laguna Beach	Laguna Beach	
	Hoag Memorial Hospital Presbyterian	Hoag Memorial Hospital Presbyterian Campuses ⁽⁷⁾ :		588
		Hoag Memorial Hospital Presbyterian	Newport Beach	
	St. Joseph Hospital of Orange	Hoag Hospital Irvine	Irvine	
		St. Joseph Hospital of Orange ⁽⁸⁾	Orange	463
Texas				
	Methodist Hospital Levelland	Covenant Hospital Levelland	Levelland	48
		CHS Campuses:		506
	Covenant Health System	Covenant Medical Center	Lubbock	
		Covenant Medical Center - Lakeside	Lubbock	
	Methodist Children's Hospital	Covenant Children's Hospital	Lubbock	269
		Methodist Hospital Plainview	Plainview	68
TOTAL				11,711

* Includes all acute care licensure categories except for normal newborn bassinets and partial hospitalization psychiatric beds

(1) Leased and/or managed by Providence - Washington

(2) The legal entity Swedish Edmonds operates the hospital under a lease with Public Hospital District No. 2 of Snohomish County

(3) Four campuses with three licenses

(4) Includes a 50-bed chemical dependency center

(5) Leased to and managed by Providence - Oregon

(6) Two campuses on one license, including 36 acute care psychiatric beds in Laguna Beach

(7) Two campuses on one license

(8) Includes 37 acute care psychiatric beds

The System's principal owned or leased long-term care facilities as of September 30, 2018 is shown in Exhibit 6.2 is the table below.

EXHIBIT 6.2 - List of Long-Term Care Facilities by Region

Region	Obligated Group Member	Facility	Location(s)	Licensed Long-Term Care Beds
Facilities Owned or Leased By Obligated Group Members:				
Alaska				
	Providence Health & Services-Washington	Providence Kodiak Island Medical Center ⁽¹⁾	Kodiak	22
		Providence Seward Medical and Care Center ⁽¹⁾	Seward	40
		Providence Valdez Medical Center ⁽¹⁾	Valdez	10
		Providence Extended Care	Anchorage	96
		Providence Transitional Care Center	Anchorage	50
Washington and Montana				
	Providence Health & Services-Washington	Providence Marionwood	Issaquah	117
		Providence Mother Joseph Care Center	Olympia	152
		Providence Mount St. Vincent	Seattle	215
	Providence Health & Services-Washington	Providence St. Joseph Care Center	Spokane	162
Oregon				
	Providence Health & Services-Oregon	Providence Benedictine Nursing Center ⁽²⁾	Mt. Angel	98
		Providence Child Center	Portland	58
Northern California				
	St. Joseph Health Northern California, LLC.	Santa Rosa Memorial Hospital	Santa Rosa	31
Southern California				
	Providence Health System-Southern California	Providence Holy Cross Medical Center	Mission Hills	48
		Providence Little Company of Mary Subacute Care Center San Pedro	San Pedro	125
		Providence Little Company of Mary Transitional Care Center	Torrance North	115
		Providence St. Elizabeth Care Center	Hollywood	52
Texas				
	Covenant Health System	Covenant Long-term Acute Care	Lubbock	56
TOTAL				1,447

(1) Leased and/or managed by Providence - Washington

(2) Also includes 15 adult foster care units

EXHIBIT 7
Providence St. Joseph Health
Supplementary Information



EXHIBIT 7.1 - SUMMARY UNAUDITED COMBINED STATEMENTS OF OPERATIONS

	Ended September 30, 2018 (in 000's of dollars)		Ended September 30, 2017 (in 000's of dollars)	
	Consolidated	Obligated	Consolidated	Obligated
Operating Revenue:				
Net Service Revenue	\$ 13,946,160	\$ 13,437,881	\$ 13,151,250	\$ 12,796,908
Premium and Capitation Revenue	3,301,690	567,337	3,052,304	578,409
Other Operating Revenue	782,670	732,057	891,585	866,151
Net Operating Revenues	18,030,520	14,737,275	17,095,139	14,241,468
Operating Expenses:				
Salaries, Wages and Benefits	8,842,858	7,924,814	8,560,341	7,743,465
Supplies	2,633,169	2,454,310	2,513,874	2,365,743
Depreciation Expense	789,465	736,694	776,202	729,535
Interest and Amortization	206,401	195,561	199,871	191,272
Other Expenses	5,523,458	2,959,569	4,999,123	2,717,012
Total Operating Expenses	17,995,351	14,270,948	17,049,411	13,747,027
Excess of Rev Over Exp from Operations	35,169	466,327	45,728	494,441
Net Non-operating Gains	126,187	130,313	555,643	501,562
Excess of Revenue Over Expenses	\$ 161,356	\$ 596,640	\$ 601,371	\$ 996,003

EXHIBIT 7.2 - SUMMARY UNAUDITED AND AUDITED COMBINED STATEMENTS OF CASH FLOWS

	Ended September 30, 2018 (in 000's of dollars)		Ended December 31, 2017 (in 000's of dollars)	
	Consolidated	Obligated	Consolidated	Obligated
Net cash provided by operating activities	\$ 633,247	\$ 1,087,593	\$ 1,268,066	\$ 2,314,546
Net cash used in investing activities	(1,017,869)	(700,751)	(1,027,427)	(814,554)
Net cash provided by (used in) financing activities	260,325	(520,800)	130,363	(1,263,649)
Increase (decrease) in cash and cash equivalents	(124,297)	(133,958)	371,002	236,343
Cash and cash equivalents, beginning of period	1,371,189	786,926	1,000,187	550,583
Cash and cash equivalents, end of period	\$ 1,246,892	\$ 652,968	\$ 1,371,189	\$ 786,926

EXHIBIT 7.3 - SUMMARY UNAUDITED NET PATIENT REVENUE PAYOR MIX

	Ended September 30, 2018 (in 000's of dollars)		Ended September 30, 2017 (in 000's of dollars)	
	Consolidated	Obligated	Consolidated	Obligated
Commercial	50%	50%	50%	50%
Medicare	32%	32%	32%	34%
Medicaid	16%	15%	14%	14%
Self-pay and Other	2%	3%	4%	2%



EXHIBIT 7.4 - SUMMARY UNAUDITED AND AUDITED COMBINED BALANCE SHEETS

	As of September 30, 2018		As of December 31, 2017	
	(in 000's of dollars)		(in 000's of dollars)	
	Consolidated	Obligated	Consolidated	Obligated
<u>Current Assets:</u>				
Cash and Cash Equivalents	\$ 1,246,892	\$ 652,968	\$ 1,371,189	\$ 786,926
Short-term Management Designated Investments	256,191	93,134	413,700	254,383
Accounts Receivable, Net	2,332,308	2,189,651	2,221,520	2,147,724
Other Current Assets	1,343,936	1,242,593	1,434,329	1,373,457
CP of Assets-Use is Limited	191,690	124,029	66,242	1,532
Total Current Assets	5,371,017	4,302,375	5,506,980	4,564,022
<u>Assets Whose Use is Limited:</u>				
Management Designated Cash and Investments	9,985,799	7,736,030	9,525,468	7,418,799
Other Restricted Assets	523,744	150,793	460,383	161,608
Assets Whose Use is Limited	10,509,543	7,886,823	9,985,851	7,580,407
Property Plant Equipment Net	10,927,566	10,347,902	10,955,120	10,495,562
Total Other Long-term Assets	1,282,553	1,892,604	1,196,723	1,732,368
Total Assets	\$ 28,090,679	\$ 24,429,704	\$ 27,644,674	\$ 24,372,359
<u>Current Liabilities:</u>				
Short-term Debt	\$ -	\$ -	\$ 56,675	\$ 56,675
Accounts Payable	756,661	660,009	684,382	623,661
Accrued Compensation	1,183,643	1,100,543	1,110,682	1,033,090
Other Current Liabilities	2,350,554	1,595,139	2,369,877	1,699,368
Total Current Liabilities	4,290,858	3,355,691	4,221,616	3,412,794
Long-Term Debt	6,625,454	6,506,972	6,484,528	6,457,366
Total Other Long-term Liabilities	2,183,038	1,497,926	2,193,453	1,562,861
Total Liabilities	13,099,350	11,360,589	12,899,597	11,433,021
<u>Net Assets:</u>				
Unrestricted	13,786,805	12,282,784	13,544,700	12,177,980
Restricted Net Assets	1,204,524	786,331	1,200,377	761,358
Total Net Assets	14,991,329	13,069,115	14,745,077	12,939,338
Total Liabilities and Net Assets	\$ 28,090,679	\$ 24,429,704	\$ 27,644,674	\$ 24,372,359

EXHIBIT 7.5 - KEY PERFORMANCE METRICS

	Ended September 30, 2018		Ended September 30, 2017	
	Consolidated	Obligated	Consolidated	Obligated
Total Acute Admissions	386,376	379,481	392,209	387,716
Total Acute Patient Days	1,835,640	1,802,777	1,815,386	1,793,299
Acute Outpatient Visits	9,379,045	8,865,569	9,250,117	8,803,777
Primary Care Visits	9,803,898	6,589,693	8,954,571	6,132,141
Inpatient Surgeries	166,034	161,639	169,613	166,083
Outpatient Surgeries	297,528	254,537	285,612	247,826
Long-Term Care Patient Days	309,710	300,880	296,625	288,058
Home Health Visits	950,431	635,791	866,872	593,511
Hospice Days	674,871	436,390	646,923	456,545
Housing and Assisted Living Days	465,643	184,877	446,141	185,050
Health Plan Members	655,111	n/a	635,656	n/a
Total Average Daily Census	6,724	6,604	6,650	6,569
Total Acute Licensed Beds	11,956	11,624	11,817	11,747
FTEs	104,851	93,453	102,816	93,131



EXHIBIT 7.6 - SUMMARY UNAUDITED COMBINING STATEMENTS OF OPERATIONS BY REGION

	Ended September 30, 2018 (in 000's of dollars)								
	Alaska	Swedish	Washington/ Montana	Oregon	Northern California	Southern California	Texas	Other/ Eliminations	Consolidated
Operating Revenue:									
Net Service Revenue	\$ 638,069	\$ 1,906,564	\$ 3,254,178	\$ 1,861,351	\$ 956,652	\$ 4,137,508	\$ 725,989	\$ 465,849	\$ 13,946,160
Premium and Capitation Revenue	-	-	112,388	1,778,793	45,821	886,765	436,191	41,732	3,301,690
Other Operating Revenue	42,098	85,097	182,503	188,966	40,935	169,251	55,239	18,581	782,670
Net Operating Revenues	680,167	1,991,661	3,549,069	3,829,110	1,043,408	5,193,524	1,217,419	526,162	18,030,520
Operating Expenses:									
Salaries, Wages and Benefits	257,955	954,982	1,613,279	1,217,532	501,795	2,166,352	428,482	1,702,481	8,842,858
Supplies	83,595	327,953	574,760	367,191	152,427	757,985	166,450	202,808	2,633,169
Depreciation Expense	35,767	80,289	101,870	84,136	40,273	209,888	39,247	197,995	789,465
Interest and Amortization	8,845	35,196	38,021	4,493	10,318	68,378	7,226	33,924	206,401
Other Expenses	196,539	643,380	1,222,089	2,008,269	322,784	2,078,001	535,198	(1,482,802)	5,523,458
Total Operating Expenses	582,701	2,041,800	3,550,019	3,681,621	1,027,597	5,280,604	1,176,603	654,406	17,995,351
Excess (Deficit) of Revenue Over Expenses from Operations	97,466	(50,139)	(950)	147,489	15,811	(87,080)	40,816	(128,244)	35,169
Net Non-operating (Losses) Gains	14,650	13,445	13,189	11,623	12,018	79,180	3,427	(21,345)	126,187
Excess (Deficit) of Revenue Over Expenses	\$ 112,116	\$ (36,694)	\$ 12,239	\$ 159,112	\$ 27,829	\$ (7,900)	\$ 44,243	\$ (149,589)	\$ 161,356



EXHIBIT 7.7 - SUMMARY UNAUDITED COMBINING BALANCE SHEETS BY REGION

	As of September 30, 2018 (in 000's of dollars)									
	Alaska	Swedish	Washington/ Montana	Oregon	Northern California	Southern California	Texas	Other/ Eliminations	Consolidated	
Current Assets:										
Cash and Cash Equivalents	\$ 189,799	\$ 103,225	\$ 122,118	\$ 136,432	\$ 10,607	\$ 428,433	\$ 127,090	\$ 129,188	\$ 1,246,892	
Short-term Management Designated Investments	-	-	-	-	-	17,746	2,026	236,419	256,191	
Accounts Receivable, Net	139,853	332,244	522,303	272,418	164,976	741,021	137,514	21,979	2,332,308	
Other Current Assets	361,197	189,535	458,297	624,387	43,767	(622,747)	79,599	209,901	1,343,936	
Current Portion of Assets-Use is Limited	-	-	-	-	-	-	-	191,690	191,690	
Total Current Assets	690,849	625,004	1,102,718	1,033,237	219,350	564,453	346,229	789,177	5,371,017	
Assets Whose Use is Limited:										
Management Designated Cash and Investments	711,939	543,304	892,563	2,142,499	473,651	2,916,295	171,952	2,133,596	9,985,799	
Funds Held by Trustee, Gift Annuity, and Other	266	14,323	4,589	47,430	14,218	34,435	4,027	404,456	523,744	
Assets Whose Use is Limited	712,205	557,627	897,152	2,189,929	487,869	2,950,730	175,979	2,538,052	10,509,543	
Property Plant Equipment Net	459,052	1,303,335	1,673,723	1,074,732	659,852	3,811,980	529,908	1,414,984	10,927,566	
Total Other Long-term Assets	41,622	112,756	212,780	33,614	13,269	515,053	80,812	272,647	1,282,553	
Total Assets	\$ 1,903,728	\$ 2,598,722	\$ 3,886,373	\$ 4,331,512	\$ 1,380,340	\$ 7,842,216	\$ 1,132,928	\$ 5,014,860	\$ 28,090,679	
Current Liabilities:										
Short-term Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Accounts Payable	17,337	80,889	116,968	75,498	33,431	246,546	34,480	151,513	756,661	
Accrued Compensation	37,226	104,222	192,629	146,704	42,571	271,822	50,412	338,057	1,183,643	
Other Current Liabilities	25,851	138,116	335,785	576,239	82,092	366,451	103,230	722,791	2,350,554	
Total Current Liabilities	80,414	323,227	645,382	798,441	158,092	884,819	188,122	1,212,361	4,290,858	
Long-Term Debt	259,110	1,015,943	1,160,934	153,722	355,234	2,115,913	257,631	1,306,967	6,625,454	
Total Other Long-term Liabilities	29,011	412,062	41,208	40,963	7,364	187,639	37,762	1,427,028	2,183,038	
Total Liabilities	368,535	1,751,232	1,847,524	993,126	520,690	3,188,371	483,515	3,946,357	13,099,350	
Net Assets:										
Unrestricted	1,516,443	768,929	1,984,775	3,140,796	802,396	3,995,679	607,168	970,619	13,786,805	
Restricted Net Assets	18,750	78,561	54,074	197,590	57,254	658,166	42,245	97,884	1,204,524	
Total Net Assets	1,535,193	847,490	2,038,849	3,338,386	859,650	4,653,845	649,413	1,068,503	14,991,329	
Total Liabilities and Net Assets	\$ 1,903,728	\$ 2,598,722	\$ 3,886,373	\$ 4,331,512	\$ 1,380,340	\$ 7,842,216	\$ 1,132,928	\$ 5,014,860	\$ 28,090,679	



EXHIBIT 7.8 - KEY PERFORMANCE METRICS BY REGION

As of September 30, 2018

	Alaska	Swedish	Washington/ Montana	Oregon	Northern California	Southern California	Texas	Consolidated
Total Acute Admissions	12,465	48,604	95,777	46,656	22,026	141,421	19,427	386,376
Total Acute Patient Days	86,728	226,215	493,079	225,833	116,754	588,384	98,647	1,835,640
Acute Outpatient Visits	345,355	569,599	2,256,759	2,584,046	559,298	2,656,505	407,483	9,379,045
Primary Care Visits	101,392	1,430,949	3,003,808	1,813,055	375,192	2,665,821	413,682	9,803,898
Inpatient Surgeries	6,487	22,814	44,405	22,379	6,150	57,093	6,706	166,034
Outpatient Surgeries	9,427	38,540	85,816	46,860	13,396	85,855	17,634	297,528
Long-Term Care Patient Days	44,704	n/a	9,571	33,691	n/a	63,686	8,830	309,710
Home Health Visits	10,245	n/a	24,846	231,945	41,527	330,406	n/a	950,431
Hospice Days	17,708	n/a	n/a	140,031	27,068	97,715	43,318	674,871
Housing and Assisted Living Days	21,999	n/a	20,393	107,732	n/a	n/a	n/a	465,643
Health Plan Members	n/a	n/a	n/a	655,111	n/a	n/a	n/a	655,111
Total Average Daily Census	318	829	1,806	827	428	2,155	361	6,724
Total Acute Licensed Beds	485	1,576	2,771	1,484	774	3,852	1,014	11,956
FTEs	3,862	10,931	21,138	16,334	5,051	27,254	6,062	104,851