



## **Annual Financial Reporting Information**

For the Year Ended December 31, 2018

Sisters of Charity of Leavenworth Health System, Inc.

Disclosure Information as of December 31, 2018

May 15, 2019

# Table of Contents

## SCL Health

History, Background and Organization	3
Where We Serve Our Communities	4
Restricted Affiliates Organization Chart	5
Restricted Affiliates	6
Strategic Alliances and Affiliations	9
Corporate Governance	11
Executive Management	15

## Management Discussion And Analysis Of Financial Performance

Summary	21
Financial Analysis	21
Liquidity and Capital Resources	23
Subsequent Events	27
Notice to Readers on Forward-Looking Statements	28

## Selected Financial Analysis and Utilization Summary

29

## SCL Health Audited Financial Statements

Exhibit A



# SISTERS OF CHARITY OF LEAVENWORTH HEALTH SYSTEM, INC. AND AFFILIATES

---

## OVERVIEW

### History, Background and Organization

The Sisters of Charity of Leavenworth (the *Sisters* or the *Congregation*), founded in 1858, have provided more than 160 years of service committed to enhancing the spiritual, health, educational and social well-being of all persons. In 1857, a small congregation of Sisters from Nashville, Tennessee, ventured to the edge of an expanding frontier, settling in the territory of Kansas. Over the years, these women established schools, orphanages and hospitals throughout the western territories as the populations and needs of these communities grew.

The Congregation sponsors a variety of ministries in health care, education, social welfare, spiritual development and foreign missions. The historical roots of its health-care ministry can be traced to 1864 when the Sisters opened the first private hospital in the state of Kansas. Within the next century the Sisters established, developed and staffed hospitals in Montana, Colorado, Nebraska, New Mexico, California, Kansas and Wyoming.

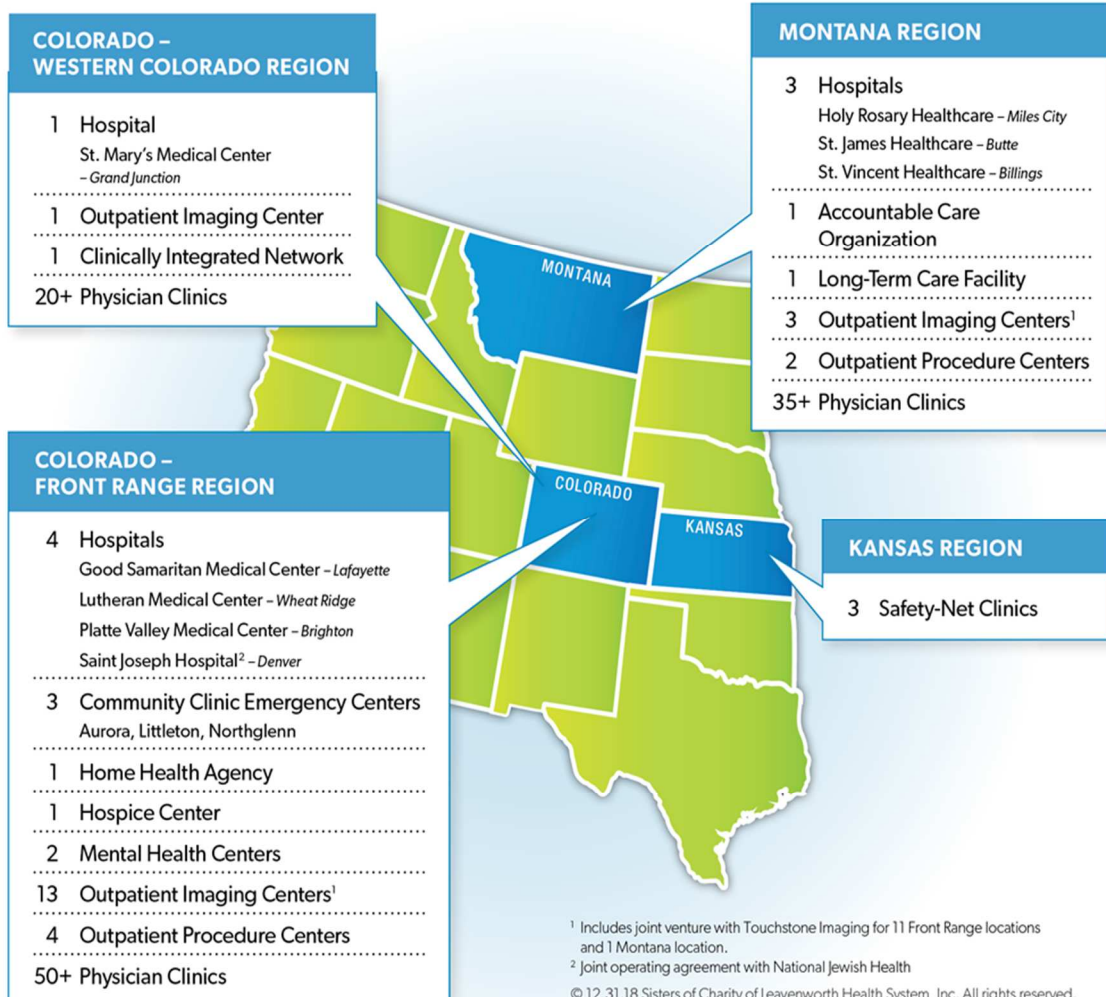
In 1972, following a review of their first century of providing health-care services, the Sisters recognized the need to unify and develop a more cohesive system for the hospitals, strengthening them individually and collectively. As a result of that review, the Sisters sought the incorporation of Sisters of Charity of Leavenworth Health System, Inc. (*SCL Health*), a nonprofit corporation organized under the laws of the State of Kansas. In 2011, the Congregation formed a new canonical entity, Leaven Ministries, which was approved and recognized by the Catholic Church to be the new Sponsor of SCL Health. Leadership of the Sisters of Charity of Leavenworth religious community remains involved in Leaven Ministries. The members of Leaven Ministries include four Sisters and two lay leaders. SCL Health is governed by a 17-member Board of Directors.

Headquartered in Broomfield, Colorado, SCL Health is a faith-based nonprofit health-care system that operates eight acute care hospitals, three safety net clinics, one children's mental health center and more than 190 ambulatory service centers primarily in Colorado and Montana, with more than 15,000 associates and over 750 employed providers. SCL Health is the sole member of an Obligated Group under a Master Trust Indenture (*MTI*). Seven hospitals comprise the Restricted Affiliates under the MTI. (See Restricted Affiliates Organization Chart.) SCL Health and its hospitals have been recognized for clinical quality and patient experience by multiple third-party organizations that rank hospital and health systems nationwide.

SCL Health has entered into several strategic partnerships and affiliation agreements from 2012 to the present, including but not limited to: a Joint Operating Agreement with National Jewish Health, a joint venture with Touchstone Imaging and an affiliation agreement with Platte Valley Medical Center. These reflect the organization's efforts to expand its continuum of care and grow in the communities it serves.

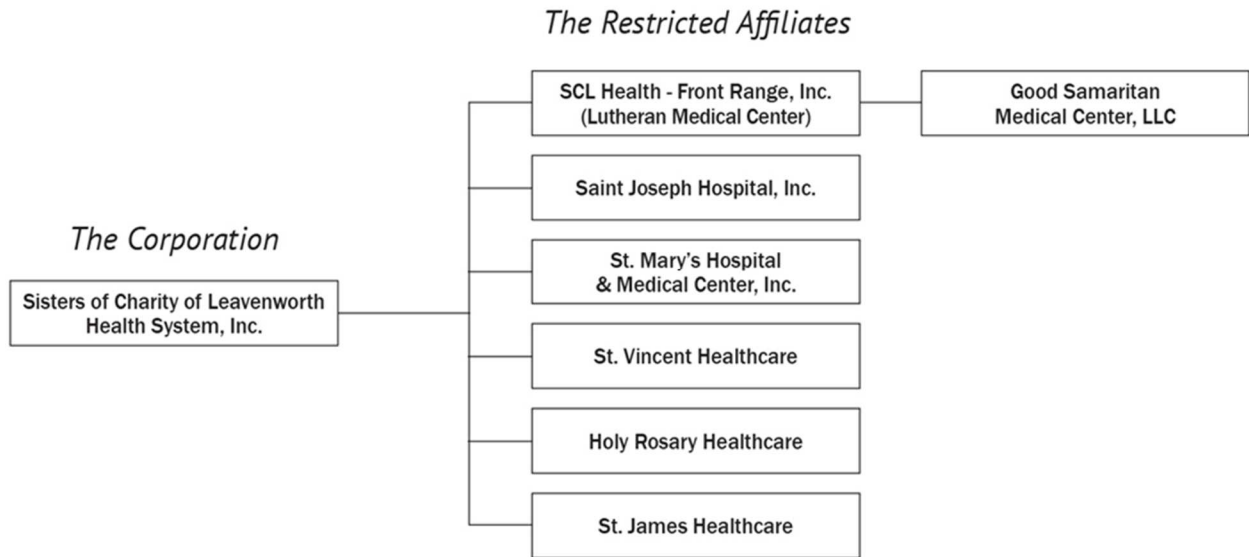


# Where We Serve Our Communities





## ORGANIZATION CHART



## Restricted Affiliates

### COLORADO

#### ***Lutheran Medical Center, Wheat Ridge, Colorado***

Lutheran Medical Center was opened in 1905 and is a community-based, acute-care hospital located in Wheat Ridge, Colorado, west of Denver. The hospital has been recognized for quality, safety and patient care experience by several organizations that rank hospitals nationwide. Lutheran received Healthgrades™ “America’s 50 Best Hospitals Award” in 2018 and in 2019, placing it among the top 1 percent in the nation for overall clinical excellence.

Lutheran’s premier services include a five-star birthing center, Heart and Neurovascular Center, robotic surgery, Primary Stroke Center, Cancer Centers of Colorado, Orthopedics, a Level III Trauma Center and emergency services including the first Senior Emergency Room in Colorado. Senior-focused services also include Senior Behavioral Health and a Senior Surgery Center.

Lutheran operations include West Pines Behavioral Health, an inpatient and outpatient psychiatric and addiction center; Lutheran Hospice, a hospice and palliative care service; Spine Center at Denver West, offering conservative, non-invasive techniques to relieve back and neck pain, and Bridges Health and Wellness, which offers holistic services such as acupuncture and massage.

#### ***Good Samaritan Medical Center, Lafayette, Colorado***

Good Samaritan Medical Center is an acute care hospital located in Lafayette, Colorado, northwest of downtown Denver. Growth has been significant since Good Samaritan Medical Center opened in December 2004. In response to this growth, Good Samaritan Medical Center has expanded the capacity of many of its services, including operating rooms, sterile processing, nursing units, medical imaging and cardiac catheterization. A robotic surgical program and deep brain stimulation service for the treatment of movement disorders were added in 2012. Additionally, Good Samaritan Medical Center completed an electrophysiology lab for specialized cardiac procedures and a \$30.8 million cancer center and medical office building on September 3, 2013. Good Samaritan Medical Center also earned its Level II Trauma Center designation in 2013.

Good Samaritan Medical Center continues to focus on enhancing safety and quality, improving cost effectiveness and developing key service lines including cardiac care, neurosciences, orthopedics and oncology. Good Samaritan Medical Center has been recognized for clinical quality, safety and patient care experience by several organizations that rank hospitals nationwide.

#### ***Saint Joseph Hospital, Denver, Colorado***

Founded in 1873 by the Sisters of Charity of Leavenworth, Saint Joseph Hospital is one of the largest acute care providers in the Denver area. As the largest and oldest private teaching hospital in Colorado, Saint Joseph Hospital offers resident training in internal medicine, surgery, obstetrics/gynecology and family practice. Specializing in a variety of areas including advanced heart care, pregnancy and childbirth and cancer treatment, Saint Joseph Hospital continues to offer the high-quality, affordable health care that has served Denver for more than 140 years. By



working closely with top physicians, Kaiser Permanente and National Jewish Health, the leading respiratory hospital in the nation, Saint Joseph is able to provide some of the best inpatient and outpatient care in Colorado.

### ***St. Mary's Medical Center, Grand Junction, Colorado***

St. Mary's Medical Center, founded in 1896, is a regional hospital serving western Colorado and eastern Utah. It is the largest medical facility between Denver and Salt Lake City, and it operates a residency program to train family physicians. In addition to general acute-care services, St. Mary's Medical Center offers referral programs including a cancer center, heart center, Level II Trauma Center supported by an air medical transport program, a certified primary stroke center, Level II Intensive Care Nursery, and specialty pediatric services. St. Mary's Medical Center has been recognized nationally for its clinical quality.

St. Mary's Medical Center has partnered with the University of Colorado Cancer Center on clinical trials. St. Mary's Medical Center also partnered with one of the region's largest primary care practices, Primary Care Partners, and a health plan, Rocky Mountain Health Plans, to form a clinically integrated network, Monument Health.

In the Spring of 2019, St. Mary's Medical Center will open a new \$48.5 million Heart & Vascular Institute to address the gap in access to heart and vascular surgical procedures in the region.

## **MONTANA**

### ***Holy Rosary Healthcare, Miles City, Montana***

Holy Rosary Healthcare is the region's largest integrated healthcare provider, serving 11 rural eastern Montana counties. Founded in 1910, Holy Rosary Healthcare is a 25-bed critical-access hospital located in Miles City, Montana. Holy Rosary Healthcare offers 24-hour care and dozens of progressive specialty services. Holy Rosary Healthcare provides a full continuum of care through services including an acute-care critical-access hospital, surgery center, cancer care, level II neonatal intensive care unit, physician clinics, residential living, and hospice and palliative care. Holy Rosary Healthcare is the region's largest private employer.

### ***St. James Healthcare, Butte, Montana***

St. James Healthcare, established in 1881 by the Sisters of Charity of Leavenworth, is the only acute-care provider in Butte, Montana and the largest hospital serving the seven-county area surrounding Butte. St. James Healthcare is a 98-bed, full-service Level III Trauma Center that offers services in more than 30 medical specialties. St. James Healthcare has more than 450 associates, alongside 100 physicians and advanced care professionals, offering 24-hour care and dozens of progressive specialty services.

The St. James Medical Group, formed in 2011, now includes St. James Heart Center, St. James Surgical Associates, St. James Urology, St. James Cancer Center, St. James Rocky Mountain Clinic and St. James Emergency Medicine.



### ***St. Vincent Healthcare, Billings, Montana***

St. Vincent Healthcare in Billings, Montana was founded in 1898 by the Sisters of Charity of Leavenworth and is one of the largest tertiary care hospitals in Montana. St. Vincent Healthcare provides inpatient, outpatient and diagnostic services to over 400,000 patients throughout Montana, Wyoming and the western portion of the Dakotas. St. Vincent Healthcare provides a full continuum of care through services including a level II trauma center, level III neonatal intensive-care unit, cardiothoracic and vascular care, general surgery, cancer care, neurology and neurosurgery, orthopedics and women's services. St. Vincent Healthcare also has a special "hospital within a hospital" just for children, St. Vincent Children's Healthcare, which includes the state's first pediatric intensive care unit to be fully staffed 24/7. St. Vincent Healthcare supports 31 outpatient clinics, a hybrid operating suite, CyberKnife Radiosurgery System, da Vinci Surgical System and operates its HELP Flight program (fixed wing and rotor wing) with over 800 flights per year. The flight program was joint ventured in early 2019.





## STRATEGIC ALLIANCES AND AFFILIATIONS

SCL Health plans for, evaluates, and pursues potential merger and affiliation candidates as part of its overall strategic planning and development process. SCL Health may receive offers from, or conduct discussions with, third parties about the potential acquisition of, or partnership in, operations or properties that may become part of SCL Health in the future. Discussions with respect to affiliation, merger, acquisition, disposition, or change of use, including those that may affect SCL Health or the Restricted Affiliates, are held on an intermittent, and usually confidential, basis with other parties.

### ***Platte Valley Medical Center***

Effective October 1, 2015, SCL Health executed an affiliation agreement with Brighton Community Hospital Association, d/b/a Platte Valley Medical Center (*PVMC*). *PVMC* is a 98-licensed bed acute care hospital located in Brighton, Colorado, northeast of downtown Denver. SCL Health attained control of *PVMC*'s operations and, accordingly, *PVMC* is consolidated in the SCL Health financial statements. SCL Health guarantees *PVMC*'s debt obligations in place as of October 1, 2015 while the affiliation agreement is in effect. SCL Health has also committed funds under the agreement for capital improvements and to support *PVMC*'s Community Health Investment Program. The affiliation creates significant benefits for both parties, allowing SCL Health to build additional scale in the market and expand its geographic footprint in the fast-growing northeast Denver metropolitan area while enabling *PVMC* to integrate into an established, regional-care network to enhance clinical programs and realize efficiencies as part of a broader health system.

*PVMC* is a nationally-ranked top-performing hospital offering high-level services including a Primary Stroke Center, an Accredited Chest Pain Center and advanced cardiovascular program, a Level II Special-Care Nursery, a Level III Trauma Emergency Room, and innovative surgical, orthopedic and women's services found in many larger metropolitan hospitals.

### ***National Jewish Health***

In June 2014, SCL Health, Saint Joseph Hospital, Inc. (*SJH*), and National Jewish Health, a Colorado nonprofit corporation (*NJH*), entered into a joint operating agreement (*JOA*). Under the terms of the *JOA*, a Colorado nonprofit corporation was formed, *NJH-SJH, Inc. (NJH-SJH)*, to act as manager of the combined clinical operations of *SJH* and *NJH*. SCL Health and *NJH* are the sole members of *NJH-SJH* with SCL Health holding 75% membership in *NJH-SJH* and *NJH* holding a 25% membership in *NJH-SJH*. The parties maintain their existing, separate operating licenses, and manage and operate their respective assets, liabilities, revenues, and expenses of their individual operations. However, the income/loss of the combined clinical operations is shared 75% with SCL Health and 25% with *NJH*. The *JOA* has a 30-year term. *NJH* is a nationally-recognized respiratory-care provider, consistently ranked number one or number two in the country by U.S. News and World Report for pulmonology care. *NJH* supports a large employed physician group, ambulatory practice operations and performs groundbreaking medical research.

### ***SCLTDI JV, LLC***

In March 2015, *SCLTDI JV, LLC (SCLTDI)* was formed as a joint venture partnership between SCL Health, through its wholly-owned subsidiary SCL Health Partners, LLC (*SCLHP*), and Touchstone Medical Imaging, LLC (*Touchstone*), through its wholly-owned subsidiary, Touchstone Imaging of Dry Creek, LLC. *SCLTDI* currently owns and operates a network of 11 independent diagnostic testing facilities (*IDTFs*) in the Denver, Colorado market and one center



in Billings, Montana. SCLHP owns 51% of the joint venture and Touchstone 49%. SCL Health appoints a majority of the board members, however a supermajority (75%) of votes is required for certain actions limiting SCL Health from controlling and, as such, accounts for its investment in the joint venture using the equity method. Touchstone owns and operates diagnostic imaging facilities in six states. SCLTDI contracts with Touchstone to serve as the manager of the joint venture. Formation of the SCLTDI partnership advances SCL Health's strategies to enhance access and offer more cost-effective imaging services to patients, payers and other purchasers of healthcare services.

### ***Monument Health, LLC***

Monument Health, LLC (*Monument*) was formed as a joint venture in June 2015 to develop and operate a clinically and financially integrated healthcare network to coordinate, provide, and/or arrange for, healthcare services for communities in Western Colorado. The three members of Monument are: St. Mary's Hospital & Medical Center, Inc. (*St. Mary's*), which holds a 45% membership interest, Rocky Mountain Health Maintenance Organization, Inc., d/b/a Rocky Mountain Health Plan (*RMHP*), a leading regional health plan, which holds a 45% membership interest, and a large primary-care group in the Grand Junction market that holds the remaining 10% interest. In March 2017, UnitedHealth Group, based out of Minnetonka, Minnesota, acquired control of RMHP. Monument serves as the primary provider network for certain RMHP insurance products and also offers direct to employer services. The goal of Monument is to facilitate the delivery of healthcare in a manner that improves the health of the communities it serves, improve the patient experience, including quality, access, and reliability, and reducing costs. These goals are planned to be accomplished through the development and implementation of systems and processes relating to care redesign, quality improvement, and enhanced coordination and integration of healthcare services along the care continuum.

### ***Rehabilitation Hospital of Montana, LLC***

The Rehabilitation Hospital of Montana, LLC (*RHOM*) is a limited liability company formed in July of 2017 to construct, own and operate a freestanding 34-bed inpatient rehabilitation hospital in Billings, Montana. RHOM is owned 33.33% by SCL Health through its wholly-owned subsidiary SCLHP, 33.33% by the Billings Clinic, a Montana public benefit corporation, and 33.33% by Kindred Healthcare, Inc. (*Kindred*) through a wholly-owned subsidiary. Under terms of a contribution agreement, SCL Health contributed the operations and assets of its existing inpatient rehabilitation service at St. Vincent Healthcare and Billings Clinic and Kindred contributed cash. RHOM will contract with a subsidiary of Kindred to serve as the manager of the hospital. It is expected that the hospital will commence operations in July 2019.

Kindred is a national owner/operator of long-term acute care hospitals, inpatient rehabilitation facilities and contract rehabilitation services. Billings Clinic is one of largest healthcare systems in the region serving communities in Montana, northern Wyoming and the western Dakotas.



## Corporate Governance

### BOARD OF DIRECTORS

The Directors of SCL Health are appointed by SCL Health's Sponsor, Leaven Ministries. The Board of Directors of each of the Restricted Affiliates is appointed by SCL Health, as the sole direct or indirect corporate member of each Restricted Affiliate. As of December 31, 2018, the SCL Health Board of Directors consisted of the following Directors:

Name	Board Office Now Held	Occupation	Member Since	Current Term Expires
Kathryn Paul	Chairperson and Director	Retired President and CEO, Delta Dental Plan of Colorado	2012	2019
Steven D. Huebner, CPA	Vice Chairperson and Director	Retired Audit Partner, KPMG	2013	2019
Sister Lynn Casey, SCL	Director	Retired Chancellor, Diocese of Great Falls-Billings	2010	2019
Pamela S. Federbusch	Director	Consultant, Healthcare Finance and Credit Consulting	2017	2020
Sister Maureen Hall, SCL	Director	Former Community Director, Sisters of Charity of Leavenworth	2006	2022
Gordon Howie, MBA	Director	Retired Managing Director, Bank of America Securities	2004	2019
Paul-Hughes-Cromwick, MA	Director	Co-Director, Center for Sustainable Health Spending, Altarum Institute	2016	2022
Lydia Jumonville	Ex Officio	President and Chief Executive Officer, SCL Health	2017	Ex Officio
Scott J. Keller	Director	President/CEO/Co-founder, Dynamic Advisors, Inc.	2016	2022
Donna J. King, BSN, MBA, RN	Director	Vice President, Clinical Operations/Chief Nurse Executive, Advocate Illinois Masonic Medical Center	2011	2018*
Knute Knudson	Immediate Past Chairperson and Director	Retired President, Dixson, Inc.	2008	2018*
Sister Constance Phelps, SCL	Director	Community Director, Sisters of Charity of Leavenworth	2016	2019
Vinod Sahney, Ph.D.	Director	Retired Senior Vice President and Chief Strategy Officer, Blue Cross Blue Shield of Massachusetts, Founding Member of Institute for Healthcare Improvement	2011	2018*
Michael Salem, M.D.	Director	President and Chief Executive Officer, National Jewish Health	2014	2020
J. Paul Solverson	Director	Senior Manager, Life Science & Health Care Practice, Deloitte Consulting LLP	2013	2018*
Alan R. Yordy, MBA, FACHE	Director	The Infinity Group, Vancouver, WA	2016	2022

\* Term expired December 31, 2018



## Sponsor – Leaven Ministries

The Members of Leaven Ministries, listed in the table below include four Sisters and two lay leaders. Leadership of the Sisters of Charity of Leavenworth religious community (designated SCL in the chart below) remains involved in Leaven Ministries.

Sister Maureen Hall, SCL	Chair
Sister Charlotte White, SCL	Vice Chair
Michael DeFreece	Member
Sister Constance Phelps, SCL	Member
Rita Turley	Member
Sister Amy Wilcott, SCL	Member

## Committees

Standing committees of the Board of Directors include the Executive, Governance, Finance, Audit, Organizational Integrity and Compliance, Investment, Quality and Safety, and Compensation Committees.

The **Executive Committee** is responsible for transacting the business of the Board in the interim between quarterly meetings of the full Board and performing those duties assigned to it by the Board. The Executive Committee convenes monthly, except for those months when a full Board meeting is scheduled.

The **Governance Committee** is responsible for providing oversight and assistance to the Board in effectively fulfilling its governance role. Two Leaven Ministries Members are ex-officio members of the Committee with full voting rights. The Committee develops policies, processes and programs designed to maximize the Board's governance performance in furtherance of the SCL Health Mission, Vision and Core Values. The Committee recommends these to the full Board for its approval and, once approved, is responsible for implementing, monitoring and evaluating their effectiveness. The Committee identifies and recommends candidates for election to the Board, and re-election of existing Board members, based upon term limits and individual performance. The Committee conducts an annual board self-assessment, and facilitates a process whereby the Board is provided with the assessment results and, as a group, identifies areas for development. This Committee meets quarterly.

The **Finance Committee** is responsible for providing assistance to the Board in effectively fulfilling its fiduciary role of financial oversight. The Committee develops financial policies, goals, and budgets that support the SCL Health Mission, Vision and Core Values, as well as its goals. The Committee monitors and evaluates the organization's financial performance with established targets and makes recommendations to the full Board regarding specific corrective action in those areas that are underperforming. This Committee meets at least quarterly, and more frequently as deemed necessary.



The **Audit, Organizational Integrity and Compliance Committee** is responsible for providing oversight assistance to the Board in fulfilling its responsibilities relative to auditing, accounting and financial reporting processes, a reliable system of operational, financial and organizational compliance, and the quality and integrity of financial reports of SCL Health. In so doing, it is the responsibility of the Audit, Organizational Integrity and Compliance Committee to maintain free and open communication between the Board, the external auditors, the internal auditors, the Chief Compliance Officer and SCL Health senior leadership. This Committee meets at least quarterly, and more frequently as deemed necessary.

The **Investment Committee** is responsible for SCL Health's investment policies, asset allocation strategies and manager selection, and monitoring of investment performance for all non-retirement and retirement investments. Senior management and the Committee utilize an outside consultant to assist with these activities. The Investment Committee meets at least quarterly.

The **Quality and Safety Committee** is responsible for assisting the Board in carrying out its responsibilities for overseeing and ensuring the highest quality of clinical care, patient safety and patient service provided throughout SCL Health. The Committee assesses the need for policies, processes and programs necessary to ensure that Affiliates continue to pursue clinical excellence, provide quality patient care, maintain patient safety at all times and promote outstanding patient service, consistent with SCL Health Mission, Vision and Core Values. This Committee meets at least quarterly, and more frequently as deemed necessary.

The **Compensation Committee** is responsible for developing and overseeing a comprehensive compensation philosophy for senior executives and physicians of SCL Health. Additionally, the Committee is responsible for assuring transition of senior executive and physician leadership and aligning compensation incentives and organization structure with the strategic plan. With the assistance of an independent consultant, the Committee reviews and approves annual changes to executive compensation and reviews the same with the Board. The Committee reviews the compensation section of SCL Health's annual IRS Form 990 (Return of Organization Exempt from Income Tax) which is reviewed in its entirety by the full Board. The Compensation Committee meets at least quarterly.

## Investment Policies

Substantially all of the consolidated cash and unrestricted investment balances of SCL Health (as well as pension, self-insurance and other restricted investment reserves) are managed pursuant to a centralized investment program by SCL Health's financial staff, with direct governance input from the Investment Committee of the Board. The Investment Committee is guided by SCL Health's Comprehensive Investment Program (*CIP*) and its Mission-Based Investing Guidelines which have been adopted by the Board. SCL Health also maintains a systemwide cash management program that pools its short-term working capital funds.

SCL Health employs professional investment management firms (*Managers*) to manage its diversified portfolio of equity, fixed income and alternative investments. Managers are selected by the Investment Committee with the assistance of an investment consultant. The performance of each Manager is reviewed no less than quarterly and is compared to benchmarks. The investment portfolio is rebalanced to the target allocation at least quarterly.



## Reserved Powers

SCL Health, as the sole direct or indirect Member of each of the Restricted Affiliates, has the following reserved powers with respect to the structure and operations of the Restricted Affiliates:

- a. To adopt, amend or repeal the Articles of Incorporation or Bylaws of the Restricted Affiliates;
- b. To appoint and remove, with or without cause, the members of each Restricted Affiliate's Board of Directors;
- c. To appoint and remove, with or without cause, the President/Chief Executive Officer of each Restricted Affiliate;
- d. To approve for any Restricted Affiliate the acquisition of assets or the incurrence of indebtedness; and/or
- e. To approve the merger, dissolution or corporate restructuring of any Restricted Affiliate.



## Executive Management

SCL Health coordinates the activities of SCL Health and its Restricted Affiliates. The following individuals are key members of the SCL Health executive leadership team:

**Lydia Jumonville, CPA, President, Chief Executive Officer**, joined SCL Health in June 2010, serving as Executive Vice President and Chief Financial Officer for seven years before becoming Interim President and Chief Executive Officer in May 2017 and accepting the permanent role in October 2017. In her role as President and CEO, Lydia is responsible for leading, managing and providing strategic direction for the system, while ensuring that SCL Health's Mission, Vision and Values are communicated and promoted in operational and organizational objectives. Lydia passionately promotes a culture that inspires associates to achieve organizational and individual growth and excellence. Working with the SCL Health Board of Directors, leadership team and other internal and external constituents, Lydia implements initiatives to advance the ministry's commitment to delivering the safest, highest-quality care and an outstanding patient experience to every patient, every time, everywhere and to support the organization's Mission. Prior to joining SCL Health, Lydia served in a variety of progressive leadership positions, including Senior Vice President and Chief Financial Officer of Baylor Health Care System, and provided consulting services for real estate and healthcare industry clients with Arthur Andersen, LLP. Lydia earned a bachelor's degree from Louisiana State University in Baton Rouge, Louisiana, where she graduated summa cum laude, and is a Certified Public Accountant. She serves as a board member of National Jewish Health, Denver Metro Chamber of Commerce and a number of SCL Health entity boards and actively participates and provides leadership in the Colorado Forum and American Hospital Association Health Care Systems Council. Lydia is a member of the Healthcare Financial Management Association and the Health Management Academy.

**Janie Wade, CPA, MBA, Executive Vice President, Chief Financial Officer**, joined SCL Health as Executive Vice President and Chief Financial Officer in February 2018. In her role as CFO, Janie leads a high-performing financial organization, providing systemwide strategic oversight and direction for finance, accounting, payroll, treasury, revenue cycle, and supply chain. She works closely with SCL Health's Board of Directors and executive leadership to reinforce market positioning and support strategic growth initiatives, leading ongoing efforts to increase productivity, improve efficiency, reduce expenses and standardize operations. Most recently, Janie served as Senior Vice President of Finance for Baylor Scott and White Health. A Certified Public Accountant, Janie holds a Master of Business Administration from Texas A&M University in Commerce, Texas, and a Bachelor of Business Administration from Texas A&M University in College Station, Texas, where she graduated magna cum laude. Janie is a member of the Healthcare Financial Management Association.

**Tajquah Hudson, FACHE, Executive Vice President, Chief Strategy and Growth Officer**, joined SCL Health in 2007. Tajquah was appointed Senior Vice President of Strategy and Business Development/Chief Strategy Officer in 2013, and Executive Vice President, Chief Strategy and Growth Officer in 2018. She leads the development and implementation of SCL Health's strategic plan and identifies and executes strategic and tactical growth initiatives to enhance long-term sustainability of the ministry. She drives continued portfolio development for the system facilitating dialogue with health systems, hospitals and potential partners. She leads the sourcing, execution and implementation of joint ventures, mergers, acquisitions and other business arrangements and has financial oversight and operational responsibility for these business entities as well as real estate and construction. With more than 25 years of experience, Tajquah has held executive



positions in community and academic health systems and national managed care and insurance roles. She joined the system strategy team in May 2010 after serving as Vice President, Strategy and Business Development at Saint John's Health Center in Santa Monica, California. She earned a bachelor's degree in business administration from East Central University, a master's degree in health science from Wichita State University and completed the executive program in managed care at the University of Missouri.

**Michael Taylor, FACHE**, *Executive Vice President, Chief Operating Officer, Hospital Operations*, is responsible for the operations, financial performance and strategic alignment of all SCL Health care sites. His role includes translating the needs of local sites in the context of a unified system, and positioning SCL Health's regional healthcare organizations for success in dynamic, competitive markets. Previously, Michael served in a similar executive leadership role with McLaren Healthcare, a nonprofit healthcare company based in Flint, Michigan. He previously served as Senior Vice President of Operations at Dignity Health in the Sacramento, California, region, and held leadership positions at Baylor Health Care System in Dallas, Texas. He possesses more than three decades of hospital and health system operations experience, and is known for driving meaningful improvements in quality and patient experience, and achieving clinical and financial performance targets. Michael earned a master's degree in public administration from the University of Southern California, Los Angeles, a master's degree in management from Purdue University in West Lafayette, Indiana, and a bachelor's degree in healthcare management from the Medical College of Virginia in Richmond, Virginia. He is a Fellow of the American College of Healthcare Executives.

**James P. (JP) Valin, MD, FACP**, *Executive Vice President, Chief Clinical Officer*, joined SCL Health as President of Medical Group and Provider Services in September 2016, and assumed the role of Executive Vice President and Chief Clinical Officer in February 2018. As Chief Clinical Officer, Dr. Valin is responsible for integrating and providing direction for all clinical activity across the continuum. All clinical programs have been aligned under Dr. Valin including the Medical Group, acute care operations, Quality, Safety and Risk, and Medical Informatics to maximize Clinical Integration and Alignment, leading SCL Health's journey to top-decile clinical performance. In his role, Dr. Valin provides strategic and operational leadership to employed providers and Medical Group associates in each region as well as the system-level Provider Services associates and support services. He manages the full scope of the Medical Group and Provider Services division to achieve a thriving delivery structure, successful performance improvement standards, a highly attractive practice environment for providers, and improved clinical quality, population health and financial outcomes. Dr. Valin joined SCL Health from Banner Health in Greeley, Colorado, where he served in various leadership roles for 10 years. He earned his bachelor's degree from Georgetown University in Washington, D.C., and his medical degree from New York Medical College in Valhalla, New York. Dr. Valin is certified by the American Board of Internal Medicine and is a Fellow of the American College of Physicians.

**Steve Chyung, MBA** *Senior Vice President, Supply Chain Management and Real Estate*, joined SCL Health in 2011. His role includes directing supply chain activities across the system and working to improve quality and service levels. In addition, he oversees SCL Health's systemwide real estate portfolio and works with care site leadership to manage and optimize their portfolios. Previously, Steve held several leadership positions with Novartis, both in Europe and the U.S. Among other things, his responsibilities included establishing global Centers of Excellence in Europe, Asia and Latin America. He also held the position of Vice President of Strategic Sourcing for Novartis Pharmaceuticals and managed the procurement function for North America. Prior to Novartis, he worked with A.T. Kearney Management Consultants on a wide variety of operational and strategic initiatives for Global 1000 companies. Steve earned a master's degree in business





administration with a concentration in finance and management policy from the Kellogg Graduate School of Management at Northwestern University, and his bachelor's degree in chemical engineering from the University of California, Berkeley.

**Shawn Dufford, MD, MBA, Senior Vice President, Chief Medical Officer**, joined SCL Health as Chief Medical Officer in May 2015, after serving as Vice President and Chief Medical Officer of Saint Joseph Hospital since 2011. Dr. Dufford focuses on clinical operations in the acute care setting, and he oversees clinical research, credentialing, medical staff services, and clinical risk management. While at Saint Joseph Hospital, Dr. Dufford was integrally involved in the design, planning and transition to the new hospital and provided key clinical leadership in the evaluation, due diligence and planning for the joint operating agreement between Saint Joseph Hospital and National Jewish Health. Before that, Dr. Dufford served as the Medical Director of Perioperative Services for Saint Joseph and the Physician Director of Performance Improvement for Colorado Permanente Medical Group, where he also served as a staff anesthesiologist for eight years. Before his healthcare career, Dr. Dufford was a flight instructor and corporate pilot and spent nine years as a firefighter and paramedic in the Denver area. He completed a surgery internship and anesthesia residency at the University of Colorado and earned a master's degree in business administration from Daniels College of Business at the University of Denver.

**Rosland Fisher McLeod, Esq., Senior Vice President, Chief Legal Officer**, joined SCL Health in August 2012. In her role, she serves as a strategic advisor to SCL Health's Board of Directors, CEO and members of the senior leadership team, as well as overseeing all legal affairs, insurance, risk management, emergency preparedness, and diversity and inclusivity functions of the health system. Rosland currently serves as President and Board Chair of Leaven Insurance, SCL Health's captive insurance company. Prior to joining SCL Health, she served as Vice President and Chief Compliance Officer of Biogen-Idec, a global biotechnology company and was a healthcare partner at the international law firm, K&L Gates. She also served as General Counsel and Chief Compliance Officer for Novation Corp., one of the country's largest healthcare group purchasing organizations and as Vice President of Legal Operations for Triad Hospitals. Rosland received her J.D. from the University of Houston Law Center and her undergraduate degree from Southern Methodist University. She is a member of the Texas Bar Association, the Colorado Bar Association, the American Health Lawyers Association, the Catholic Health Association of the United States, the American Bar Association, the Council on Corporate Compliance and Ethics, the Health Care Compliance Association, Corporate Counsel Woman of Color, the Women Business Leaders of the U.S. Healthcare Association, the National Association of Health Services Executives, the Ethics & Compliance Officer Association, the National Bar Association, the Colorado Hospital Association, the Colorado General Counsel Group, the Colorado Women's Bar Association, and the Colorado Hospital Association Task Force on Workforce and Governance Diversity; and a recipient of the 2015 Burton Awards for Legal Achievement Legends in Law Award.

**Megan Mahncke, MA Senior Vice President, Marketing and Communications and President, SCL Health Foundations**, is responsible for the strategic vision, leadership and oversight of all branding, marketing, communications and advocacy activities supporting the health system's mission and operations and also serves as chief executive for the nonprofit healthcare organization's foundations. Megan was named to the Senior Vice President of Marketing and Communications role in February 2019 after having served as interim leader for several months. Her responsibilities include guiding the strategic direction of SCL Health's "Power to the Patient" brand. As President of SCL Health Foundations, Megan has strategically aligned and streamlined philanthropy efforts across the system to reduce expense and increase revenue. Megan's



professional background includes more than 12 years working with and for non-profits in the areas of marketing and communications, fundraising and volunteer management. With a master's degree in Conflict Resolution and a passion for connecting people and ideas, she rose to major gift and campaign leadership positions at the University of Denver and History Colorado. She launched her career in healthcare philanthropy when she was recruited to serve as Vice President of External Relations for Saint Joseph Hospital and eventually as the President of Saint Joseph Hospital Foundation.

**David Pringle, MBA** *Senior Vice President, Mission Integration*, joined SCL Health in January 2015. He is responsible for ensuring that the mission, values and spirit of SCL Health's founders are fully integrated into the SCL Health ministry. Specifically, he develops and promotes a full continuum of activities designed to enrich leaders and associates spiritually, ethically and culturally. He oversees SCL Health's Catholic identity, organizational and clinical ethics, ministry formation, mission integration, the Kansas dental and safety net clinics, community benefit, and spiritual care. David also serves as staff to Leaven Ministries, the Sponsor and Ministerial Juridic Person of SCL Health. Previously, David served as the Vice President of Mission Integration at Seton Healthcare Family in Austin, Texas. Prior to that, he served as Executive Vice President of Mission Integration at St. Vincent's Healthcare in Jacksonville, Florida. Throughout his 15 years of experience in mission integration, he has successfully implemented strategic, operational and behavioral mission integration initiatives; maintained trusting relationships with sponsors, bishops and system leadership, transformed health system culture and balanced the transition between religious and lay mission leadership. After completing his undergraduate education in theological studies from the Eastern Theological College in Peterborough, Ontario, David went on to earn his master's degree in business administration from the University of Western Ontario in London, Ontario, Canada.

**Tammy Saunaitis, MBA** *Senior Vice President, Chief Human Resource Officer*, joined SCL Health in April 2014. She serves as the key partner and leader of the System Human Resource function, and is instrumental in strengthening the ties between the care site and system services HR teams, recruiting strong Human Resource talent, and influencing the team's commitment to improving service quality. She has extensive Human Resource experience from the healthcare, logistics, communications and energy industries. Previously, Tammy served as Vice President and Chief Human Resources Officer at Meriter Health Services in Madison, Wisconsin, and held leadership roles at Genesys Health System (ministry of Ascension Health) in Grand Blanc, Michigan, and Northwestern Memorial Hospital in Chicago. She has a strong analytical and operations background, with significant experience in start-up and turnaround environments, Lean methodologies and culture transformation. Tammy earned her MBA in human resources and marketing from Lewis University in Romeoville, Illinois, a bachelor's degree in accounting from the University of Illinois and a CPA certification in Illinois.

**Geri Towndrow, RN, BSN, MA**, *Senior Vice President, Chief Nursing Officer*, joined SCL Health in April 2015, after serving as Vice President and Chief Nursing Officer of Lutheran Medical Center since 2011. Geri provides strategic direction for nursing quality and safety, and leads the implementation of consistent practices throughout the entire SCL Health family. As CNO for Lutheran, Geri was a champion for patient care and nursing practice, and earned many accolades for her teamwork and innovation. She was responsible for clinical service lines including Critical Care, Emergency & Trauma Services, Perioperative Services, Women's & Newborn Services, Neuro Services, Cardiovascular Services & Acute Care, Medical Surgical Nursing, Respiratory Therapy, Pharmacy, and Learning & Development. Geri has more than 30 years of nursing leadership experience. Prior to joining Lutheran, she served as the Vice President and CNO of Patient Care Services at Methodist Hospital in Sacramento, California, and Mercy Hospital



Folsom in Folsom, California. Geri has also served as CNO at Providence Medford Medical Center in Medford, Ore., and Administrative Director of Penrose Community Hospital / Penrose-St. Francis Health Services in Colorado Springs. A Registered Nurse with a master's degree in organizational management from Webster University in Colorado Springs, Geri earned her bachelor's degree in nursing from Regis University in Denver. She is a member of the American Organization of Nurse Executives.



## Affiliate Leadership

In consultation with the Presidents of the affiliates listed below, the System Executive Leadership Team coordinates key decision-making processes in the areas of integrated strategic planning, financial planning and capital formation for each of the affiliates and provides centralized strategic parameters for mission, financial objectives and planning. The System Executive Leadership Team also oversees centralized system services functions such as revenue cycle, information technology and financial accounting. Operational implementation of such strategies together with other day-to-day operational issues is managed on a decentralized basis at each of the affiliates for the respective Hospital Facilities.

The Presidents of the Restricted Affiliates, as of December 31, 2018, are:

President	Restricted Affiliate	Location
Grant Wicklund	Lutheran Medical Center	Wheat Ridge, CO
Jennifer Alderfer	Good Samaritan Medical Center, LLC	Lafayette, CO
Jamie Smith	Saint Joseph Hospital, Inc.	Denver, CO
Brian Davidson, MD	St. Mary's Hospital & Medical Center, Inc.	Grand Junction, CO
Paul Lewis	Holy Rosary Healthcare	Miles City, MT
Jay Doyle	St. James Healthcare	Butte, MT
Steve Loveless	St. Vincent Healthcare	Billings, MT

The President of the affiliate hospital, as of December 31, 2018, is:

President	Affiliate	Location
John Hicks	Platte Valley Medical Center	Brighton, CO



# Management's Discussion and Analysis of Financial Performance

## FOR THE YEAR ENDED DECEMBER 31, 2018

### Summary

For the year ended December 31, 2018, SCL Health generated income from continuing operations of \$104.2 million, an operating margin of 3.8% on total revenues of \$2.7 billion. Operating cash flow<sup>(1)</sup> of \$320.8 million represented an operating cash flow margin of 11.8%. Non-operating losses consisted primarily of net investment losses of \$78.4 million. Significant transactions affecting 2018 are summarized below:

- In October 2018, the three community-based hospitals were relicensed as Community Clinic Emergency Centers (CCECs) operating as departments of Saint Joseph Hospital.

## Financial Analysis

### Balance Sheet

At December 31, 2018, the consolidated balance sheet of SCL Health continued to reflect a strong and stable health system. Total cash and investments (net of amounts due to broker) of \$2.1 billion (a total of 309 days cash and investments on hand) represented a decrease of \$48.9 million over the prior year primarily attributable to investment losses of \$78.4 million.

Total long-term debt, including current maturities, decreased in 2018 by \$29.9 million due to scheduled principal payments and amortization of deferred financing costs. Total net assets increased by \$26.1 million due primarily to income from continuing operations. The increase in net assets resulted in a decline in the net long-term debt-to-capitalization ratio from 31.7% in 2017 to 31.1% in 2018.

### Volume and Operating Income

Volume indicators were mixed compared to the prior year. Admissions, emergency room visits and total surgical cases decreased from the prior year by 2.4%, 2.7% and 1.5%, respectively, while other outpatient visits increased by 4.3%. The average length of stay for inpatients increased slightly from 4.7 days in 2017 to 4.8 days in 2018 and the case mix index experienced an increase from 1.69 in 2017 to 1.73 in 2018.

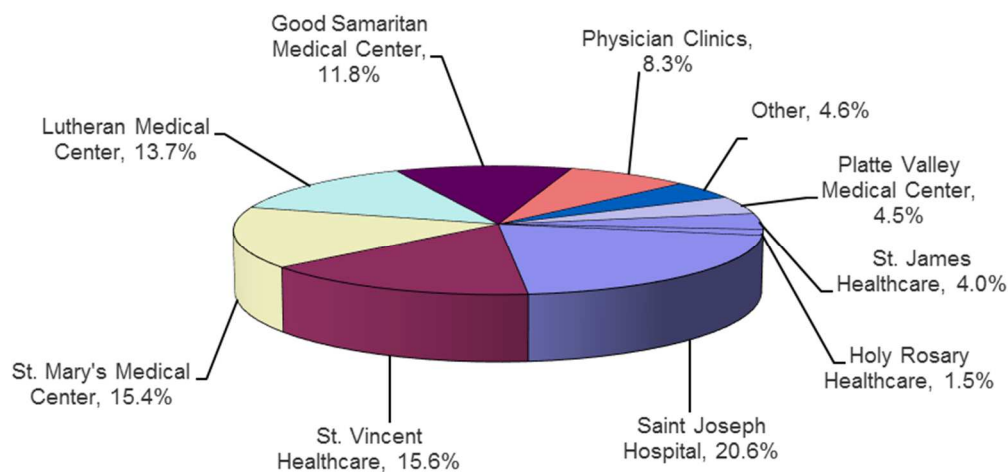
SCL Health's payer mix has largely stabilized after Medicaid expansion in Colorado and Montana, with slight increases in Medicare offset by slight reductions in Medicaid.

---

<sup>(1)</sup> Defined as operating income + depreciation and amortization + interest and amortization.



The combination of increased volumes, payer mix shifts and changes in contracted rates resulted in a year-over-year increase in net patient revenue of \$96.3 million (3.8%). The chart below shows the percentage of operating revenue generated by Care Site in 2018:



Operating expenses increased by \$141.8 million or 5.7% in 2018 compared to 2017. The number of full-time-equivalent employees (FTEs) increased to 13,346 as compared to 13,024 in 2017. The 2% increase in FTEs along with salary increases for merit and market adjustments resulted in a \$79.8 million increase (6.2%) in salary and benefit costs. Other operating expenses increased by \$59.6 million, largely due to the increase in volumes. Depreciation expense increased \$4.8 million in 2018 to \$159.8 million, and interest expense decreased by \$2.4 million.



## Liquidity and Capital Resources

SCL Health's total cash and investments (net of amounts due to broker) decreased by \$48.9 million during the twelve months ended December 31, 2018. Unrestricted cash and investments (which exclude Self-Insured Risks Funds, Trustee Held Funds and Permanently Restricted Net Assets) decreased by \$64.7 million primarily attributable to investment losses. SCL Health had 309 Days Total Cash on Hand (295 Unrestricted Days) at December 31, 2018.

Cash, investments and assets limited as to use (net of amounts due to broker), stated at fair value and including pooled and separate accounts, as of December 31 were as follows:

Asset Category	December 31, 2018	December 31, 2017
	<i>(In Millions)</i>	
Cash and cash equivalents	\$ 33.3	\$ 68.2
Equities	661.5	747.0
Domestic fixed income	560.0	573.9
Real return	190.0	182.5
Core hedge funds	107.1	95.2
Global Infrastructure	86.5	97.0
Master Limited Partnership	74.3	75.8
Opportunistic	60.7	48.8
Real estate	31.5	37.5
Absolute return	-	5.6
Investments held in the Comprehensive Investment Program (CIP)	<b>1,804.9</b>	1,931.5
Cash and investments held outside of the CIP	<b>276.5</b>	198.8
	<b>\$ 2,081.4</b>	<b>\$ 2,130.3</b>

SCL Health's investments are exposed to various kinds and levels of risk (interest rate risk, credit risk, market risk and liquidity risk). SCL Health's investments are diversified across a broad range of asset classes, durations and funds to avoid concentrations of risk in any particular company, region or industry.



**SCL Health**  
**Liquidity Information**  
**As of December 31, 2018 (unaudited)**

<b>Assets</b>	<i>(In millions)</i>
<b>Daily Liquidity</b>	
Checking and deposit accounts at P-1 rated bank	209.9
Overnight Repurchase Agreements (collateralized by Treasuries/Agencies; P-1 rated counterparty)	0.2
US Treasuries & Agencies (<3-year maturity)	56.7
US Treasuries & Agencies (>3-year maturity)	61.8
Other	0.9
<b>Subtotal Daily Liquidity</b>	<b>329.5</b>
<b>General Operating Line of Credit</b>	200.0
<b>Drawn Portion of Line</b>	-
<b>Net Available Line</b>	<b>200.0</b>
<b>Subtotal Daily Liquidity Including Line of Credit</b>	<b>529.5</b>
<b>Weekly Liquidity</b>	
P-1 Rated Commercial Paper	33.4
Publicly Traded Fixed Income Securities (at least Aa3)	226.5
Publicly Traded Fixed Income Securities (below Aa3)	112.1
Exchange Traded Equity (ownership of shares of stock)	336.1
Equity Funds	238.7
<b>Subtotal Weekly Liquidity</b>	<b>946.8</b>
<b>TOTAL DAILY AND WEEKLY LIQUIDITY</b>	<b>\$ 1,476.3</b>
<b>Liquidity greater than 7 days</b>	
Funds, vehicles, investments that allow withdrawals with one week notice or more	805.1
<b>TOTAL LIQUIDITY</b>	<b>\$ 2,281.4</b>





## Outstanding Long-Term Debt

	Annual Interest Rates	December 31, 2018	December 31, 2017
<i>(In Millions)</i>			
Tax-exempt bond issues:			
2016, due through December 2045	Variable rate, 1.73% and 0.99%	\$ 222.0	\$ 222.0
2013, due through January 2044	4.00% to 5.50%	300.0	300.0
2011, due through January 2039	Variable rate, 2.09% and 1.40%	55.3	56.4
2010, due through January 2040	3.625% to 5.25%	670.1	694.1
Total under the SCL Health MTI		1,247.4	1,272.5
PVMC mortgages (HUD-Insured)	2.98%	70.9	75.2
Other notes		3.8	3.9
		1,322.1	1,351.6
Original issue premium, net		8.8	10.0
Unamortized debt issuance costs		(9.7)	(10.5)
Current maturities of long-term debt		(179.4)	(177.4)
		<b>\$ 1,141.8</b>	<b>\$ 1,173.7</b>

## Recent Debt Activity

On November 17, 2017, SCL Health established revolving lines of credit with Bank of America, N.A. and Wells Fargo Bank, N.A. totaling \$200 million with three-year terms. As of December 31, 2018, there were no outstanding balances drawn on the lines of credit.

## Interest Rate Swaps

SCL Health is a party to certain interest rate swap agreements utilized to hedge the interest rate expense on a portion of the variable rate bonds, which are summarized in the following table (in millions):

Initial Notional Amount	Current Notional Amount	Expiry	Rate Paid By Dealer	Rate Paid By SCL Health	Counterparty	Fair Value 12/31/2018 <sup>(3)</sup>
\$60.0	\$18.9	12-1-2023	68% of LIBOR	3.18%	MLCS <sup>(1)</sup>	\$(0.8)
\$60.0	\$18.9	12-1-2023	SIFMA	3.79%	MLCS <sup>(1)</sup>	\$(1.1)
\$60.0	\$60.0	12-1-2031	SIFMA	4.22%	Wells Fargo <sup>(2)</sup>	\$(11.4)

(1) Merrill Lynch Capital Services, Inc.

(2) Wells Fargo Bank, N.A.

(3) The fair value of the swap agreements was calculated by Ponder & Co. at the request of SCL Health using Bloomberg mid-market closing swap curves as reported by Bloomberg as of December 31, 2018 and excluding accrued interest.

The swap agreements do not require SCL Health to post collateral to secure the counterparty's credit exposure. There can be no assurance that SCL Health will not be required to post collateral on any swaps entered into in the future. In addition, market conditions have resulted in swap valuations that would currently obligate SCL Health to make termination payments on existing interest rate hedge agreements, if such swap agreements are terminated.



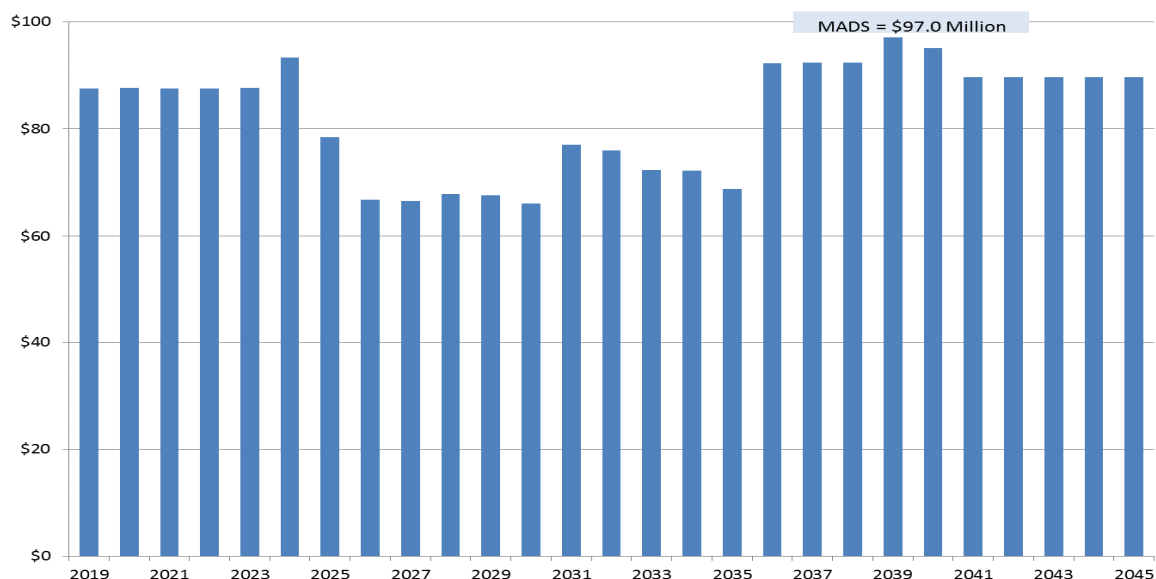
The provisions of the above-referenced interest rate hedge agreements permit SCL Health to terminate them at any time upon payment of any required termination payments.

### Liquidity Facilities

The Series 2016B and 2016D Variable Rate Demand Bonds are backed by a Standby Bond Purchase Agreement with Wells Fargo. In the event that bonds bearing interest at a weekly rate are not successfully remarketed, or if funds are not available for remarketing, Wells Fargo will pay the purchase price for debt that is tendered. The Issues supported by the Standby Bond Purchase Agreement are listed below along with the expiration date:

Series	Bank	Expiration Date	Amount
2016B Colorado	Wells Fargo	May 9, 2022	\$ 55,490,000
2016D Colorado	Wells Fargo	May 9, 2022	\$ 55,490,000

### Estimated Annual Debt Service at 12/31/18 (In Millions)



- (1) Excludes other notes
- (2) Assumes Interest Rate on variable rate bonds of 2.25% per annum

### Ratings

In July 2018, Moody's Investor Services affirmed its rating of 'Aa3' and a stable outlook. In August 2018, S&P Global and Fitch Ratings both affirmed their ratings of 'AA-' and stable outlooks.



## Subsequent Events

On January 25, 2019, SCL Health announced that Craig Richardville, MBA, FACHE, FHIMSS, has been appointed Senior Vice President and Chief Information Officer. Mr. Richardville joined SCL Health on February 4, 2019.

On February 19, 2019, SCL Health announced that Megan Mahncke, President of SCL Health Foundations, will take on additional responsibilities as Senior Vice President and Chief Communications and Marketing Officer. Ms. Mahncke had been serving in the role on an interim basis since October 2018.

On March 19, 2019, SCL Health announced that Laura Wightman, MSN, DNP, RN, NEA-BC, has been appointed Senior Vice President and Chief Nursing Officer for SCL Health. Ms. Wightman joined SCL Health on April 15, 2019 replacing Geri Towndrow, who retired from SCL Health effective April 26, 2019.

On March 18, 2019, SCL Health executed amendments to the Standby Bond Purchase Agreements with Wells Fargo supporting the series 2016 B and D Colorado bonds, extending the expiration dates to May 9, 2022.

On May 3, 2019, SCL announced that Mark Korth, MBA, MHA, FACHE, will be joining SCL Health as Executive Vice President and Chief Operating Officer of Hospital Operations. Most recently Mr. Korth, served as Senior Vice President and Service Area President for Dignity Health. He will join SCL Health on June 17, 2019 replacing Michael Taylor, who is retiring from SCL Health effective June 29, 2019.



## Forward-Looking Statements

*This Annual Report contains disclosures which constitute “forward-looking statements.” Forward-looking statements include all statements that do not relate solely to historical or current facts, and can be identified by the use of words like “may,” “believe,” “will,” “expect,” “project,” “estimate,” “anticipate,” “plan,” “initiative” or “continue.” These forward-looking statements are based on the current plans and expectations of SCL Health and are subject to a number of known and unknown uncertainties and risks, many of which are beyond SCL Health’s control, which could significantly affect current plans and expectations and SCL Health’s future financial position and results of operations. These factors include, but are not limited to, (i) the highly competitive nature of the healthcare business, (ii) the efforts of insurers, healthcare providers and others to contain healthcare costs, (iii) possible changes in the Medicare and Medicaid programs (including changes to Medicare outlier payments) that may impact reimbursements to healthcare providers and insurers, (iv) the ability to achieve expected levels of patient volumes and control the costs of providing services, (v) changes in Federal, state or local regulations affecting the healthcare industry, (vi) the ability to attract and retain qualified management and personnel, including affiliated physicians, nurses and medical support personnel, (vii) liabilities and other claims asserted against SCL Health (viii) changes in accounting practices, (ix) changes in general economic conditions including growing numbers of uninsured and unemployed patients, (x) changes in revenue mix and the ability to enter into and renew managed care provider arrangements on acceptable terms and (xi) the collectability of uninsured accounts and deductible and co-pay amounts. As a consequence, current plans, anticipated actions and future financial position and results of operations may differ from those expressed in any forward-looking statements made by or on behalf of SCL Health. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this report, including in “Management’s Discussion and Analysis of Financial Performance”.*



## SCL Health

### Financial Analysis of Consolidated Continuing Operations (Unaudited) (Dollars in Millions)

	Twelve Months Ended December 31	
	2018	2017
Industry Standard Ratios: <sup>(1)</sup>		
Operating Margin	3.8%	5.3%
Total Margin	0.9%	12.1%
MTI Ratios: <sup>(2)</sup>		
Adjusted Operating Income Margin	3.7%	5.9%
Operating Income Margin	0.9%	12.1%
Operating Cash Flow Margin <sup>(3)</sup>	11.8%	13.4%
Return on Net Assets	0.7%	11.9%
Debt Service Coverage	5.0x	4.6x
Total Cash and Investments <sup>(4)</sup>	\$2,081.4	\$2,130.3
Unrestricted Cash and Investments <sup>(5)</sup>	\$1,989.8	\$2,054.5
Days Cash on Hand – Total <sup>(6)</sup>	309	335
Days Cash on Hand – Unrestricted <sup>(7)</sup>	295	323
Cushion Ratio	22.4x	23.4x
Unrestricted Cash to Net Long-Term Debt	154.3%	155.4%
Net Long-Term Debt to Total Capitalization	31.1%	31.7%

(1) Industry Standard Ratios: SCL Health has adopted industry standards for its operating and performance indicators:

Operating margin = (operating revenue – operating expense) / operating revenue

Total margin = consolidated excess of revenue over expense / (total operating revenue + nonoperating gains/losses)

(2) MTI Ratios:

Adjusted operating revenue = net patient service revenue + other operating revenue + net assets released from restrictions.

Adjusted operating income = adjusted operating revenue – total operating expenses

Adjusted operating income margin = adjusted operating income / adjusted operating expenses

Operating income margin = excess (deficit) of revenue over expenses / (total operating revenue + total non-operating gains (losses))

(3) Defined as operating income + depreciation and amortization + interest

(4) Includes amounts due to/due from broker

(5) Excludes trustee held funds, self-insured risk funds and permanently restricted net assets

(6) Days Cash on Hand – Total = Total Cash and Investments / ((trailing 12-months total operating expenses – trailing 12-months depreciation and amortization) / 365)

(7) Days Cash on Hand – Unrestricted = Unrestricted Cash and Investments / ((trailing 12-months total operating expenses – trailing 12-months depreciation and amortization) / 365)



## SCL Health

### Utilization Statistics – Consolidated Continuing Operations (Unaudited)

	Twelve Months Ended December 31	
	2018	2017
Licensed Beds	1,971	1,971
Staffed Beds	1,804	1,674
Admissions – Acute	75,245	77,292
Admissions – Total	80,082	82,072
Adjusted Admissions <sup>(1)</sup>	157,578	156,222
Expense per CMIAA <sup>(2)</sup>	\$7,587	\$7,477
Newborn Deliveries	12,323	13,146
Patient Days – Acute	331,395	333,353
Patient Days – Total	382,836	384,457
Adjusted Patient Days <sup>(3)</sup>	753,312	731,802
Occupancy on Staffed Beds	58.1%	62.9%
Average Daily Census	1,049	1,053
Average Length of Stay	4.8	4.7
Emergency Room Visits <sup>(5)</sup>	305,218	313,645
Outpatient Visits <sup>(4)(5)</sup>	815,576	781,954
Inpatient Surgeries	22,061	23,487
Outpatient Surgeries <sup>(5)</sup>	48,887	48,522
Full Time Equivalent Employees	13,346	13,024

(1) Adjusted Admissions = Total Admissions + (Outpatient Revenue/(Inpatient Revenue/Total Admissions))

(2) Expense per CMIAA = Acute Hospital costs (excluding Medicare Provider Fees, depreciation, interest and one-time costs associated with the replacement of the Saint Joseph facility) / Case Mix index Adjusted Admissions

(3) Adjusted Patient Days = Total Patient Days + (Outpatient Revenue/(Inpatient Revenue/Total Patient Days))

(4) Outpatient Visits = Includes hospital based clinic visits, home health visits and all outpatient ancillary visits except surgeries, emergency department visits and observation cases.

(5) Statistics for emergency room visits, outpatient visits and outpatient surgeries include joint venture activity for 2017 and 2018. Joint ventures included are Yellowstone Surgery Center, LLC, Denver West Endoscopy, LLC, E+PET Imaging X, LP, Lutheran Campus ASC, LLC, Touchstone Imaging, GI Endoscopy – Northglenn, Emerus Holdings, Inc., Summit Surgery Center, Grand Valley Surgical Center, LLC and San Juan Cancer Center.

