



Annual Financial Reporting Information

For the Year Ended December 31, 2020

Sisters of Charity of Leavenworth Health System, Inc.

Disclosure Information as of December 31, 2020

May 21, 2021

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	12
Executive Management	16

Management Discussion And Analysis Of Financial Performance

Summary	22
Financial Analysis	22
Liquidity and Capital Resources	25
Subsequent Events	29
Notice to Readers on Forward-Looking Statements	30

Selected Financial Analysis and Utilization Summary

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 162 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.

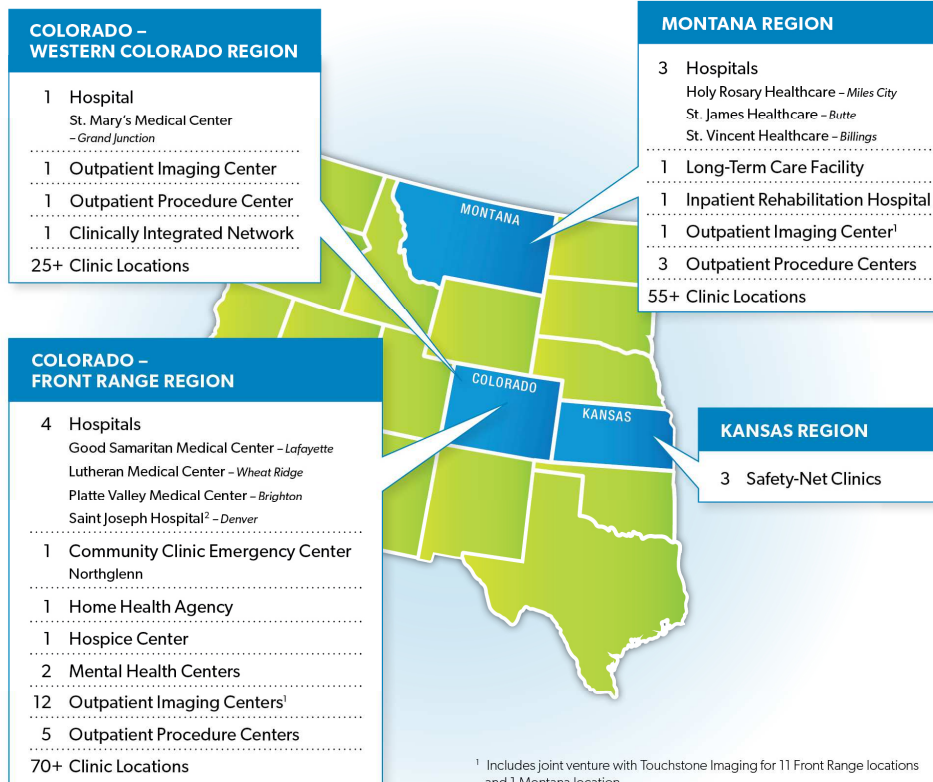
In 1972, following a review of their first century of providing health-care services, the Sisters recognized the need to unify and develop a more cohesive system for the hospitals, strengthening them individually and collectively. As a result of that review, the Sisters sought the incorporation of Sisters 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 three Sisters and three lay leaders. SCL Health is governed by a 19-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 170 ambulatory service locations primarily in Colorado and Montana, with more than 15,000 associates and over 800 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 hospitals and health systems nationwide.

SCL Health has entered into several strategic partnerships and affiliation agreements from 2014 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



¹ Includes joint venture with Touchstone Imaging for 11 Front Range locations and 1 Montana location

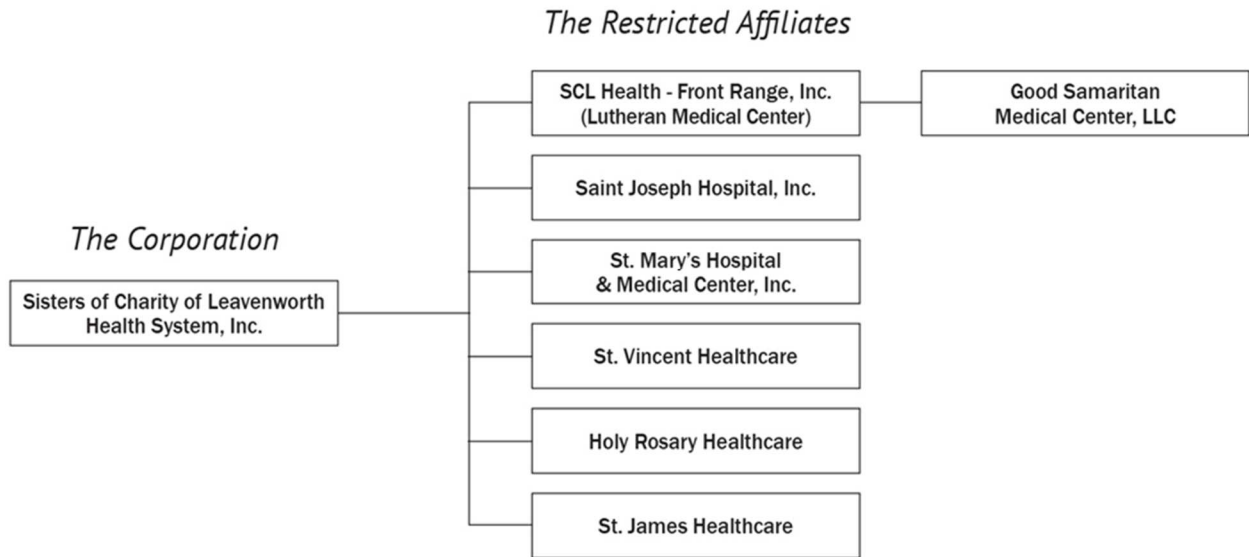
² Joint operating agreement with National Jewish Health

© 10.12.20 Sisters of Charity of Leavenworth Health System, Inc. All rights reserved.





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. Local and national ratings organizations regularly recognize Lutheran for clinical excellence, patient safety and patient experience.

Lutheran's premier services include a five-star birthing center, Heart and Neurovascular Center, robotic surgery, Comprehensive 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; and Spine Center at Denver West, offering conservative, non-invasive techniques to relieve back and neck pain.

Good Samaritan Medical Center, Lafayette, Colorado

Good Samaritan Medical Center is an award-winning, 234-bed acute-care hospital in Lafayette, CO. Opened in 2004, Good Samaritan brings comprehensive, quality care to everyone in Boulder County and the northwest Denver metro area. Good Samaritan has been recognized with a variety of national safety and quality awards, including being named as one of America's 50 Best Hospitals by Healthgrades for the past three years.

Good Samaritan is a Level II Trauma Center, a Joint Commission Primary Stroke Center, and a Center of Excellence in Robotic Surgery. In addition, Good Samaritan was the first Baby-Friendly Hospital to be designated in Colorado. Based on a culture of caregivers who put patients and families at the center of everything they do, Good Samaritan has become one of the highest rated and most trusted hospitals in the communities we serve.

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 oldest private teaching hospital in Colorado, Saint Joseph Hospital offers resident training in internal medicine, surgery, obstetrics/gynecology and family practice. Saint Joseph Hospital provides a broad range of tertiary services, including specialized programs in cardiology, oncology, orthopedics, radiology, neurology obstetrics and a Level III Neonatal Intensive Care Unit.

Saint Joseph Hospital has one of the most advanced heart care programs in the Rocky Mountain region, has delivered more babies than any other Colorado hospital over the last 30 years and along with its clinical partner National Jewish Health, operates the largest adult cystic fibrosis program in the nation. Saint Joseph Hospital has received several national awards for patient care and nursing excellence including being named as one of America's best hospitals by independent rating organizations.



Saint Joseph Hospital partners with National Jewish Health on clinical operations through a Joint Operating Agreement signed in June 2014. See “STRATEGIC ALLIANCES AND AFFILIATIONS” below.

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 Monument Health, a clinically integrated network.

In June 2019, St. Mary’s Medical Center opened 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 serves 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 Silver Bow County and the largest hospital serving the seven-county area surrounding Butte, Montana. St. James Healthcare is licensed for 98 beds, provides a 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.

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 employs more than 1,700 associates and has more than 500 physicians and advanced care



professionals. St. Vincent Healthcare provides inpatient, outpatient and diagnostic services to over 400,000 patients throughout Montana, Wyoming and the western portion of the Dakotas. In addition to 11 primary care clinics in and around the Billings area, St. Vincent Healthcare offers dozens of progressive specialty services and a 286-bed hospital. 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.



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.

Kaiser Permanente

Three of SCL Health's Affiliates, Good Samaritan Medical Center (GSMC), Lutheran Medical Center (LMC), and Saint Joseph Hospital, Inc. (SJH), have entered into provider services agreements with a Kaiser Permanente affiliate. The GSMC and LMC agreements specify payment terms, termination conditions, and exclusive designation for inpatient services based on a designated geographic service area. The SJH agreement specifies payment terms and conditions, annual rate inflators, and volume guarantees that provide for additional rate adjustments in the event Kaiser Permanente admission volumes increase or decrease from the specified baseline.

Revenue from Kaiser Permanente represented 18.2% and 17.8% of SCL Health's net patient services revenue for the years ended December 31, 2020 and 2019, respectively.

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), a 98-bed hospital located in Brighton, Colorado. SCL Health attained control of PVMC's operations through sole corporate membership and, accordingly, PVMC is consolidated in the SCL Health financial statements. SCL Health serves as guarantor for the full and timely performance of all of PVMC's debt obligations in place as of October 1, 2015 while the agreement is in effect. The affiliation agreement with PVMC includes an investment commitment of \$210.0 million over ten years ending in 2025. Expenditures that meet the commitment include, but are not limited to, capital expenditures and costs related to developing new service lines and recruiting physicians. Over \$76.4 million of the commitment had been satisfied at December 31, 2020. The affiliation has created significant benefits for both parties, allowing SCL Health to build additional scale in the Front Range 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 Program, and innovative surgical, orthopedic and women's services found in many larger metropolitan hospitals.

National Jewish Health

In June 2014, SCL Health, 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 12 independent diagnostic testing facilities (IDTFs) in the Denver, Colorado, metropolitan area and one center in Billings, Montana. SCLHP owns 51% of the joint venture and Touchstone owns 49%. The Corporation appoints a majority of the board members; however, a supermajority (75%) of votes is required for certain actions, which limits the Corporation from controlling the joint venture and, as such, the joint venture is accounted for using the equity method. SCLTDI contracts with Touchstone to serve as management for the IDTF network. Formation of the SCLTDI partnership advances SCL Health's strategies to enhance access and offer more cost-effective 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 health care network to coordinate, provide and/or arrange for health care services for communities in Western Colorado. The three members of Monument are: St. Mary's Hospital & Medical Center, Inc., 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 hold 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 health care in a manner that improves the health of communities it serves, improves the patient experience including quality, access, and reliability, and reducing cost. 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 health care 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 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 contracts with a subsidiary of Kindred to serve as the manager of the hospital. The hospital commenced operations August 6, 2019.

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

Surgical Care Affiliates

In August 2020, SCL Health established a new joint venture with Surgical Care Affiliates (SCA) to own and operate ambulatory surgery centers (ASCs) in partnership with local physicians. Effective August 1, 2020, SCLHS-SCA Holdings, LLC (HoldCo) was established with SCL Health owning 49% interest in the company through its wholly-owned subsidiary SCLHP and SCA holding 51% interest in the company through a wholly-owned subsidiary. Under terms of a contribution agreement, SCL Health contributed its majority ownership in an existing joint venture ASC in Wheat Ridge, Colorado, and SCA contributed cash and its minority ownership interest in the aforementioned ASC. SCA is contracted to serve as manager of the ASC.

SCA is one of the largest providers of outpatient surgery in the United States with over 230 surgical facilities. SCA is part of Optum Health and owned by UnitedHealth Group.



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, 2020, the SCL Health Board of Directors consisted of the following Directors:

Name	Board Office Now Held	Occupation	Member Since	Current Term Expires
Steven D. Huebner, CPA	Chairperson and Director	Retired Audit Partner, KPMG	2013	2021
Kathryn Paul	Vice-Chairperson and Director	Retired President and CEO, Delta Dental Plan of Colorado	2012	2020*
Douglas E. Aden	Director	Retired Regional President U.S. Bancorp	2019	2021
Beth P. Beckman, RN, FNP, NEA-BC	Director	System Chief Nurse Executive, Yale New Haven Health System	2019	2021
Mario M. Carrera	Director	Retired Chief Revenue Officer, Entravision Communications	2020	2022
Sister D. Lynn Casey, SCL	Director	Retired Chancellor, Diocese of Great Falls-Billings	2010	2020*
Pamela S. Federbusch	Director	Consultant, Healthcare Finance and Credit Consulting	2017	2023
Michael L. Fordyce	Director	Retired President & CEO, Craig Hospital	2019	2021
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	2020*
Lydia Jumonville	Ex Officio	President and Chief Executive Officer, SCL Health	2017	Ex Officio
Mary Beth Mlkols	Director	Managing Director Technology Strategy, Healthcare and Life Sciences, Deloitte Consulting LLP	2019	2021
Nguyen-Vu Pham, JD, MHA	Director	Owner/Consultant, Endgame Solutions, LLC	2020	2022
Sister Constance Phelps, SCL	Director	Community Director, Sisters of Charity of Leavenworth	2016	2020
Michael Salem, M.D.	Ex Officio	President and Chief Executive Officer, National Jewish Health	2014	Ex Officio
Robert E. Wilson	Director	Retired partner at Arthur Anderson and retired healthcare CFO	2018	2020*
Alan R. Yordy, MBA, FACHE	Director	The Infinity Group, Vancouver, WA	2016	2021

* Term extended past December 31, 2020



Sponsor – Leaven Ministries

The Members of Leaven Ministries, listed in the table below include three Sisters and three 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
Rita Turley	Vice Chair
Sister Barbara Aldrich, SCL	Member
Sister Melissa Camardo, SCL	Member
Brian D’Arcy, MD	Member
Bruce Waring, MD	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. 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 Investment 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 SCL Health senior executives and physicians. 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 treasury 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
- 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, the Health Management Academy, and serves on the Board of Trustees for the Catholic Health Association.

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, payer contracting, financial analytics and project management. 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 where she served in various leadership roles for 19 years. 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, MHS, 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. Tajquah is a fellow with the American College of Healthcare Executives.

Mark Korth, MBA, MHA, FACHE, Executive Vice President, Chief Operating Officer, Hospital Operations, joined SCL Health in June 2019. As the system COO, Mark is responsible for system operational performance, as well as the development and implementation of integrated strategic initiatives and transformation, working with care site boards and presidents to develop strategies that will drive and support system growth while further developing an understanding and readiness for ensuring a high performing organization. Mark leads operational initiatives across the care sites through regular interaction with operational and physician partners to align strategies to improve overall patient care. Most recently, Mark served as Senior Vice President and Service Area President for Dignity Health, taking on the additional responsibilities of Chief Transformation Officer in September 2016. In his role as Senior Vice President and Service Areas President, Mark oversaw the North State Service Area comprised of three acute care facilities, 23 physician and outpatient clinics, and a clinically integrated network of more than 180 providers. Mark is a fellow with the American College of Healthcare Executives and holds a masters of business administration degree from the University of Minnesota Carlson School of Management, as well as a masters of healthcare administration degree from the University of Minnesota School of Public Health.

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.

Craig Richardville, MBA, Senior Vice President, Chief Information Officer, joined SCL Health in February 2019. His responsibilities include leading all aspects of the health system's information technology strategy and operations, including enterprise systems and applications, information security, core infrastructure and leading the system's digital transformation and information automation. Previously, he served as owner and president of Richardville Consulting LLC, delivering resource, advisory and brokerage services for innovative start-up software and services companies. Prior to that, he served as Senior Vice President & Chief Information and Analytics Officer at Carolinas HealthCare System (Atrium Health) for more than 20 years where he transformed the company into a national leader in the effective use of technology, utilizing data as a driver; analytics and business intelligence; artificial intelligence, machine learning and robotic process automation. His notable accomplishments include receiving the 2015 John E. Gall, Jr. CIO of the Year award from the College of Healthcare Information Management Executives (CHIME) and HIMSS in recognition of his leadership in driving digital transformation in healthcare and the 2017 CIO of the Year award for "Leadership" presented by Charlotte CIO for his impact on the technology industry across all verticals. Craig earned his master's degree in business administration and also his bachelor's degree in business administration from University of Toledo.

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.

Laura Wightman, MSN, DNP, RN, NEA-BC, Senior Vice President, Chief Nursing Officer joined SCL Health in April 2019. In her role as SCL Health Chief Nursing Officer, Laura is responsible for the overall management of patient care services across the ministry, including providing strategy, leadership direction and structures that support an environment of evidence-based nursing best practices to support quality care, patient safety and patient and family experience. As a member of the system Ministry Leadership Team, she participates in planning, organizing and implementing systemwide nursing programs and activities in accordance with the system's mission and values. Laura joined SCL Health from Regional Health in Rapid City, South Dakota, where she served as Chief Nursing Officer and Vice President of Patient Care Services. Prior to joining Regional Health, she served as Chief Nursing Officer for Saint Agnes Medical Center in Fresno, California. Laura earned her doctorate of nursing practice from Rush University in Chicago, Illinois. She also received both her Master of Science degree in nursing and her bachelor of science in nursing from Grand Valley State University in Allendale, Michigan.



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, 2020, 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
Bryan Johnson	St. Mary's Hospital & Medical Center, Inc.	Grand Junction, CO
Karen Costello	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, 2020, 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, 2020

Summary

For the year ended December 31, 2020, SCL Health generated income from continuing operations of \$104.7 million, an operating margin of 3.6% on total revenues of \$2.9 billion. Operating cash flow⁽¹⁾ of \$329.0 million represented an operating cash flow margin of 11.4%. Non-operating income consisted primarily of net investment income of \$248.4 million.

The COVID-19 pandemic has had a material unfavorable effect on SCL Health's operations and financial performance before giving effect to the revenues recorded in conjunction with the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Patient volumes were most significantly reduced in March and April 2020 and began experiencing gradual and continued improvement since May 2020. The CARES Act contained several provisions that provided financial and cash flow relief to SCL Health as discussed below.

- For the year ended December 31, 2020, SCL Health received \$121.2 million in general and targeted distributions from the Provider Relief Fund established under the CARES Act, all of which was recognized as revenue during 2020.
- In April 2020, SCL Health received \$183.2 million in advanced payments under the Medicare Accelerated and Advanced Payment Program which was expanded under the CARES Act. These advanced payments will begin being repaid in 2021.
- The CARES Act allows for deferral of the employer portion of certain payroll taxes between March 27, 2020 and December 31, 2020, with 50% due on December 31, 2021 and the remainder due on December 31, 2022. SCL Health has deferred \$53.4 million in these tax payments as of December 31, 2020.

Financial Analysis

Balance Sheet

At December 31, 2020, the consolidated balance sheet of SCL Health continued to reflect a strong and stable health system, despite the challenges arising from the COVID-19 pandemic. Total cash and investments of \$2.9 billion (a total of 431 days cash and investments on hand) represented an increase of \$633.2 million over the prior year primarily attributable to excess of revenues over expenses of \$350.8 million and the CMS advanced payments of \$183.2 million.

Total long-term debt, including current maturities, decreased in 2020 by \$38.8 million due to scheduled principal payments and original issuance premium amortization. Total net assets increased by \$402.0 million due primarily to income from continuing operations and investment returns. The increase in net assets resulted in a decline in the net long-term debt-to-capitalization ratio from 28.0% in 2019 to 25.2% in 2020.

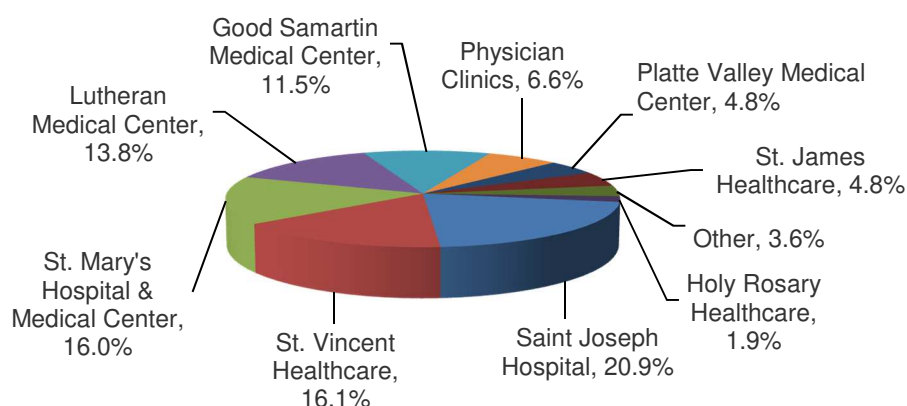
⁽¹⁾ Defined as operating income + depreciation and amortization + interest and amortization.



Volume and Operating Income

Volume indicators were down compared to the prior year as a result of the COVID-19 pandemic. Admissions, emergency room visits, total surgical cases and total outpatient visits decreased by 8.3%, 14.2%, 8.4%, and 9.0%, respectively. The average length of stay for inpatients increased from 4.9 days in 2019 to 5.2 days in 2020, largely driven by COVID-19 patients and the case mix index experienced an increase from 1.76 in 2019 to 1.82 in 2020.

As a result of the decreases in volume, year-over-year net patient service revenue decreased by \$84.8 million (3.1%) for the year ended December 31, 2020 compared to 2019. The chart below shows by Care Site the percentage of net patient services generated in 2020:



Operating expenses increased by \$78.6 million or 2.9% in 2020 compared to 2019. The number of full-time-equivalent employees (FTEs) increased to 13,491 as compared to 13,464 in 2019. The small increase in FTEs along with salary increases for merit and market adjustments resulted in a \$52.2 million increase (3.7%) in salary and benefit costs. Supplies and other operating expenses increased by \$31.5 million (3.0%) in 2020, of which, \$15.3 million relates to incremental costs directly attributable to the COVID-19 pandemic. Depreciation expense increased \$7.7 million in 2020 to \$84.5 million, and interest expense decreased by \$12.8 million due to the refinancing of debt in the fourth quarter of 2019.



Sources of Patient Service Charges

The primary sources of consolidated gross patient service charges include Medicare, state-administered Medicaid programs, contracted rate payers (including health maintenance organizations and preferred provider organizations), commercial insurers and self-paying patients. The following information provides consolidated gross patient service charges for the years ended December 31, 2020 and 2019.

	Year Ended December 31	
	2020	2019
Medicare	45.2%	46.5%
Medicaid	16.7%	15.7%
Managed care, commercial and other	34.9%	34.5%
Self-pay	3.2%	3.3%
Total	100.0%	100.0%



Liquidity and Capital Resources

SCL Health's total cash and investments increased by \$633.2 million during the year ended December 31, 2020. Unrestricted cash and investments (which exclude Self-Insured Risks Funds, Trustee Held Funds and Permanently Restricted Net Assets) increased by \$596.9 million primarily attributable to investment gains and CARES Act funds. SCL Health had 431 Days Total Cash on Hand (411 Unrestricted Days) at December 31, 2020. Excluding Medicare Accelerated Advanced Payment funds (\$183.2 million) and deferred employer payroll taxes (\$53.4 million) due for repayment, adjusted unrestricted days cash on hand were 378 at December 31, 2020.

SCL Health's investments and assets limited as to use as of December 31 are composed of the following:

	<u>2020</u>	<u>2019</u>
	<i>(In Millions)</i>	
Cash and cash equivalents	\$ 10.6	\$ 5.3
U.S. government and agency obligations	14.5	14.2
Corporate debt	4.4	5.1
Mutual funds	63.0	55.8
Equities	33.1	25.5
Real estate	14.7	14.8
International mutual funds and other	41.6	41.0
Investments held in the Comprehensive Investment Portfolio (CIP)	2,393.6	2,041.5
	<u>\$ 2,575.5</u>	<u>\$ 2,203.2</u>

At December 31, the asset allocation percentages of the CIP, which represents the majority of SCL Health's investments, is as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	1%	1%
Equities	45	42
Domestic fixed income	29	31
Real return	6	8
Core hedge funds	6	5
Global infrastructure	5	5
Alternative fixed income	5	-
Opportunistic funds	3	4
Master Limited Partnership	-	4
	<u>100%</u>	<u>100%</u>

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, 2020 (unaudited)

Assets	<i>(In millions)</i>
Daily Liquidity	
Checking and deposit accounts at P-1 rated bank	\$ 188.7
Overnight Repurchase Agreements (collateralized by Treasuries/Agencies; P-1 rated counterparty)	2.4
US Treasuries & Agencies (<2-year maturity)	88.3
US Treasuries & Agencies (>2-year maturity and <10-year maturity)	79.3
US Treasuries & Agencies (>10-year maturity)	13.3
Subtotal Daily Liquidity	372.0
General Operating Line of Credit	225.0
Drawn Portion of Line	-
Net Available Line	225.0
Subtotal Daily Liquidity Including Line of Credit	597.0
Weekly Liquidity	
Fixed Income Securities	872.9
Equity Funds	845.6
Subtotal Weekly Liquidity	1,718.5
TOTAL DAILY AND WEEKLY LIQUIDITY	2,315.5
Liquidity greater than 7 days	
Funds, vehicles, investments that allow withdrawals with one week notice or more	960.9
TOTAL LIQUIDITY	\$ 3,276.4



Outstanding Long-Term Debt

	Annual Interest Rates	Dec 31, 2020	Dec 31, 2019
<i>(In Millions)</i>			
Tax-exempt bond issues:			
2019, due through December 2040	4.00% to 5.00%	\$ 624.2	\$ 624.2
2016, due through December 2045	Variable rate, 0.63% and 1.44%	111.0	111.0
2013, due through January 2044	4.00% to 5.50%	300.0	300.0
2011, due through January 2039	Variable rate, 0.89% and 1.84%	52.9	54.1
2010, due through January 2040	3.625% to 5.25%	-	27.1
Total under the SCL Health MTI		1,088.1	1,116.4
PVMC mortgages (HUD insured)	2.98%	62.2	66.6
Other notes		12.3	6.2
		1,162.6	1,189.2
Original issue premium, net		107.5	120.2
Unamortized debt issuance costs		(7.8)	(8.3)
Current maturities of long-term debt		(193.0)	(145.7)
		\$ 1,069.3	\$ 1,155.4

Recent Debt Activity

On November 17, 2020, the revolving line of credit with and Bank of America, N.A. expired, and SCL Health renewed its revolving line of credit agreement with Wells Fargo Bank, N.A and entered a new revolving line of credit with Royal Bank of Canada. The lines of credit have two-year terms and total \$225.0 million. As of December 31, 2020, there were no outstanding balances drawn on the lines of credit.

On October 10, 2019, SCL Health completed the conversion of the \$111.0 million Colorado Series 2016B and 2016D variable-rate bonds from being backed by third-party Standby Purchase Agreements to being backed by SCL Health's liquidity.

On October 3, 2019, SCL Health and The Bank of New York Mellon Trust Company, N.A., as master trustee (the Master Trustee), entered into the Amended and Restated Master Trust Indenture, dated as of October 1, 2019 (the "Amended and Restated Master Indenture"), which amends and restates in its entirety the prior Master Trust Indenture (As Amended and Restated), dated as of January 1, 1994, as supplemented and amended, which amended and restated the Master Trust Indenture, dated as of September 1, 1985, as supplemented and amended, each between SCL Health and the Master Trustee.

On October 3, 2019, SCL Health issued the following fixed-rate refunding bonds: Colorado Series 2019A in the par amount of \$400.7 million, Montana Series 2019A in the par amount of \$125.4 million and Colorado Series 2019B in the par amount of \$98.1 million. Proceeds from the issuance were used to legally defease all or a portion of the outstanding amounts of the following bonds: Colorado Series 2010A and 2010B, Colorado Series 2016A and 2016C, Kansas Series 2010A and Montana Series 2010A and 2010B



Guaranty

On October 16, 2019, SCL Health entered into a guaranty of National Jewish Health's obligations (the "NJH Guaranty") relating to a new outpatient health center to be constructed on National Jewish Health's campus in Denver, Colorado. National Jewish Health's payments will be used to pay debt service through 2050 on bonds issued by the Colorado Health Facilities Authority in the par amount of \$72.0 million, which bonds will finance the construction of the building. The NJH Guaranty is not secured by an obligation under the Master Indenture.

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):

<u>Initial Notional Amount</u>	<u>Current Notional Amount</u>	<u>Expiry</u>	<u>Rate Paid By Dealer</u>	<u>Rate Paid By SCL Health</u>	<u>Counterparty</u>	<u>Fair Value 12/31/2020⁽³⁾</u>
\$60.0	\$11.9	12-1-2023	68% of LIBOR	3.18%	MLCS ⁽¹⁾	\$(0.8)
\$60.0	\$11.9	12-1-2023	SIFMA	3.79%	MLCS ⁽¹⁾	\$(0.8)
\$60.0	\$60.0	12-1-2031	SIFMA	4.22%	Wells Fargo ⁽²⁾	\$(16.9)

(1) Merrill Lynch Capital Services, Inc.

(2) Wells Fargo Bank, N.A.

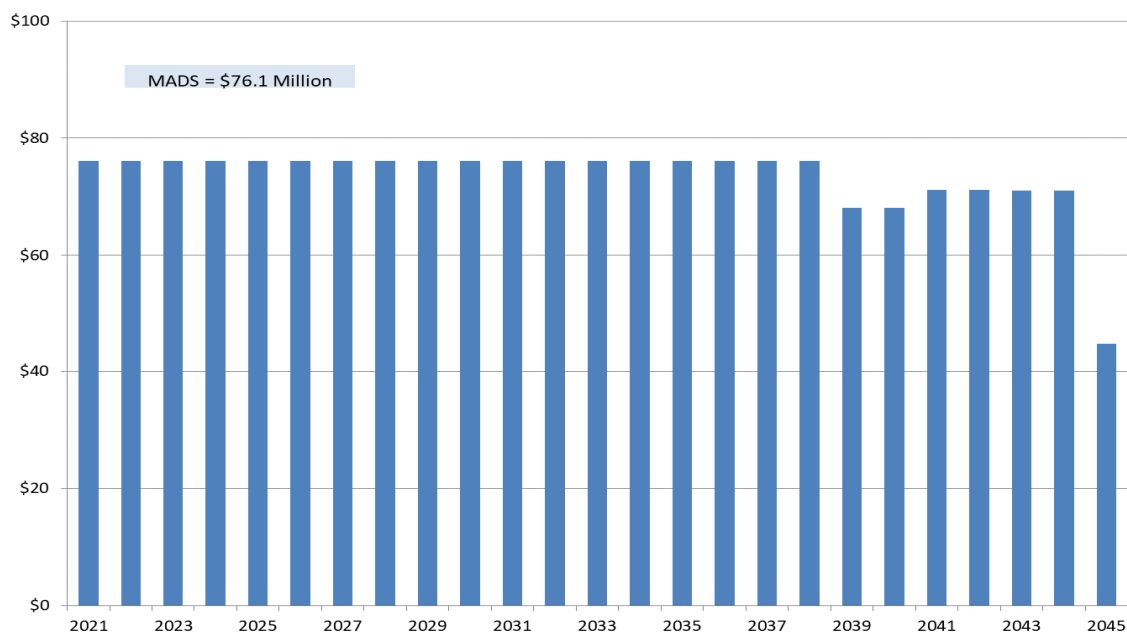
(3) The fair value of the swap agreements was calculated by Ponder & Co. at the request of SCL Health using Bloomberg mid-market closing swap curves as reported by Bloomberg as of December 31, 2020 and excluding accrued interest.

The swap agreements do not presently 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 the above-referenced swaps or 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.



Estimated Annual Debt Service at 12/31/2020 (In Millions)



- (1) Excludes financing and operating leases
- (2) Excludes cash flows associated with \$84 million of fixed payor swaps which are not associated with specific bond issues
- (3) Assumes Interest Rate on variable rate bonds of 2.50% per annum

Ratings

In August 2020, S&P Global and Fitch Ratings both affirmed their ratings of 'AA-' with stable outlooks. In September 2020, Moody's Investor Services affirmed its rating of 'Aa3' and a stable outlook.

Subsequent Events

In January 2021, SCL Health received an additional \$46.0 million of Provider Relief Funds, all of which has been recognized as revenue in 2021. SCL Health continues to explore options for financial relief from COVID-19 and federal and state programs.

On April 28, 2021, SCL Health's board of directors approved the construction of a new Lutheran Medical Center acute-care facility, replacing the existing hospital facility, at a projected design and construction cost of \$684 million. The new campus will be adjacent to Interstate 70 in Wheat Ridge, Colorado and is expected to open in the summer of 2024. An impairment loss on the existing facility of approximately \$125 million is expected to be incurred in the second quarter of 2021.



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	
	2020	2019
Operating Margin	3.6%	5.2%
Total Margin	11.2%	12.6%
EBITDA Margin ⁽¹⁾	11.4%	13.3%
Return on Net Assets	9.5%	11.9%
Debt Service Coverage ⁽²⁾	5.0x	4.9x
Total Cash and Investments	\$3,051.4	\$2,418.2
Unrestricted Cash and Investments ⁽³⁾	\$2,910.1	\$2,294.0
Days Cash on Hand – Total ⁽⁴⁾	431	350
Days Cash on Hand – Unrestricted ⁽⁵⁾	411	334
Cushion Ratio	39.2x	27.2x
Unrestricted Cash to Net Long-Term Debt	236.2%	181.1%
Debt to Total Capitalization	25.7%	28.5%

(1) EBITDA = earnings before interest, taxes, depreciation, and amortization. EBITDA margin = (operating income + interest + depreciation)/operating revenue

(2) Debt service coverage requirements exclude operating leases as indicated in the 2019 MTI

(3) Excludes assets limited as to use and net assets with donor restrictions subject to endowment spending policy

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

(5) 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	
	2020	2019
Licensed Beds	1,933	1,933
Available Beds	1,796	1,801
Admissions – Acute	67,635	73,735
Admissions – Total ⁽¹⁾	71,972	78,495
Adjusted Admissions ⁽²⁾	141,699	156,591
Expense per CMIAA ⁽³⁾	\$8,335	\$7,668
Newborn Deliveries	11,471	11,986
Patient Days – Acute	325,670	331,567
Patient Days – Total	373,143	382,887
Adjusted Patient Days ⁽⁴⁾	740,128	764,978
Occupancy on Staffed Beds	56.8%	58.2%
Average Daily Census	1,020	1,049
Average Length of Stay	5.2	4.9
Emergency Room Visits ⁽⁶⁾	257,921	300,640
Outpatient Visits ⁽⁵⁾⁽⁶⁾	782,809	946,089
Inpatient Surgeries	18,118	21,386
Outpatient Surgeries ⁽⁶⁾	43,255	45,604
Full Time Equivalent Employees	13,491	13,464

(1) Admissions include Rehabilitation Hospital of Montana joint venture

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

(3) Expense per CMIAA = Acute Hospital costs (excluding Medicare Provider Fees, depreciation and interest) / Case Mix index Adjusted Admissions

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

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

(6) Statistics for emergency room visits, outpatient visits and outpatient surgeries include joint venture activity. 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, Summit Surgery Center, Grand Valley Surgical Center, LLC and San Juan Cancer Center.

