



MultiCare Health System
First Quarter 2025 Results
March 31, 2025

MultiCare Health System (MHS), a Washington nonprofit corporation, is an integrated healthcare delivery system providing inpatient, outpatient, and other healthcare services primarily to the residents of Pierce, King, Spokane, Thurston, and Yakima Counties and, with respect to pediatric care, much of the southwest Washington region.

On October 1, 2024, MHS completed its affiliation with Overlake Medical Center & Clinics (Overlake) located in Bellevue, Washington and anchors our newly created North Sound Region. The affiliation resulted in the addition of 349 inpatient hospital beds. The affiliation also includes primary care and multispecialty clinics and a foundation. No consideration was exchanged with the affiliation and MHS became the sole corporate member of Overlake.

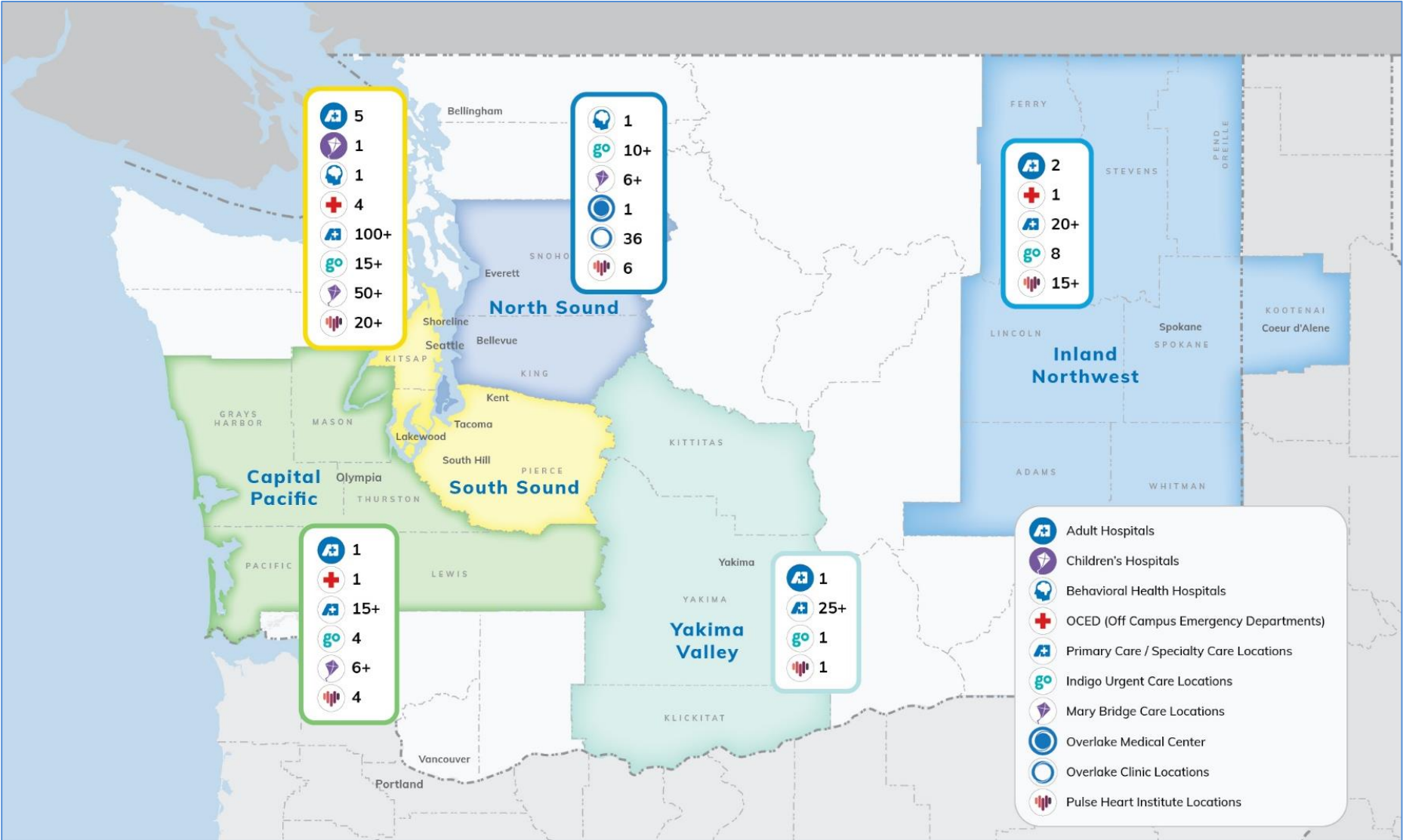
The financial statements and disclosures in this document exclude Overlake, with the exception of the Appendix, which shows a balance sheet and income statement including Overlake. See Overlake's separate management discussion and analysis (MD&A) for their results through March 31, 2025 on EMMA (<https://emma.msrb.org/Security/Details/?id=93978HUP8>).

As of March 31, 2025, MHS was licensed to operate 2,577 inpatient hospital beds (2,926 including Overlake), including one hospital with 120 beds associated with a joint venture psychiatric hospital in Tacoma, Washington (Wellfound Behavioral Health Hospital). MHS operates eleven acute care facilities (Tacoma General Hospital, Good Samaritan Hospital, Allenmore Hospital, Mary Bridge Children's Hospital, Auburn Medical Center, Covington Hospital, Deaconess Hospital, Valley Hospital, Capital Medical Center, Yakima Memorial Hospital, and Overlake Medical Center) and one behavioral health hospital (Navos). MHS also operates many outpatient surgical sites, free-standing emergency departments, urgent care, primary care and multispecialty clinics as well as home health and hospice services all located throughout the MHS service areas.

The consolidated financial statements include the operations of these services as well as those of four wholly owned subsidiaries (Greater Lakes Mental Healthcare, Medis, Inc., MultiCare Rehabilitation Specialists, P.C. (MRS), and PNW Pace Partners, LLC), a wholly owned professional services organization supporting cardiovascular services at MHS (CHVI Professional Corp), a wholly owned accountable care organization (MultiCare Connected Care), and three fundraising foundations (Mary Bridge Children's Foundation, MultiCare Foundations, and Memorial Foundation). MultiCare Foundations is doing business as MultiCare Health Foundation, Good Samaritan Foundation, MultiCare South King Health Foundation, MultiCare Behavioral Health Foundation and MultiCare Inland Northwest Foundation.

The following map on page 2 shows the service areas MultiCare currently operates in (including Overlake) along with the breadth of services provided in those areas. The graphic on page 3 shows important statistical information of the size and scope of the services that MHS provides.

MultiCare Service Area Map



Summary of Revenues and Expenses

The following summary of revenues and expenses has been derived from MHS's consolidated financial statements (excluding Overlake, which is a separate obligated group). The consolidated financial statements for the years ended December 31, 2024 and 2023 have been audited by independent certified public accountants and should be reviewed in conjunction with the complete footnote disclosures contained within those audited year-end statements. The consolidated financial statements for the periods ending March 31, 2025 and 2024 are derived from the unaudited financial statements of MHS and are prepared by MHS's management. The unaudited financial information presented includes all adjustments that MHS management considers necessary at this time for a fair presentation of the financial position and results of operations for the periods presented.

	Three Months Ended March 31, (in thousands)		Year Ended December 31, (in thousands)	
	2025	2024	2024 (Audited)	2023 (Audited)
Revenues:				
Patient service revenue	1,305,744	1,266,349	5,296,855	4,521,328
Other operating revenue	51,882	73,659	347,729	417,619
Net assets released from restriction	913	299	6,006	10,068
Total operating revenue	1,358,539	1,340,307	5,650,590	4,949,015
Expenses				
Salaries and wages	724,043	658,925	2,741,777	2,518,778
Employee benefits	101,792	97,494	386,373	381,067
Supplies	246,947	225,270	931,244	807,705
Purchased services	143,621	127,506	545,708	486,031
Depreciation and amortization	42,024	41,097	164,709	163,267
Interest	18,091	20,110	80,094	81,941
Other	157,213	189,303	901,271	698,697
Total expenses	1,433,731	1,359,705	5,751,176	5,137,486
Operating loss	(75,192)	(19,398)	(100,586)	(188,471)
Nonoperating income (loss):				
Investment (loss) income	24,809	98,730	214,783	282,866
Inherent contribution*	-	-	-	293,012
Swap cash settlements	166	1,729	40,843	8,441
Change in fair value of swaps	(738)	18,836	(21,729)	5,969
Other nonoperating income (loss)	(507)	1,144	4,819	9,382
Total nonoperating income (loss)	23,730	120,439	238,716	599,670
Excess (deficit) of revenues over expenses	\$ (51,462)	101,041	138,130	411,199

*Inherent contribution is from the accounting for the Yakima affiliation in 2023 based on the fair value of the net assets assumed.

¹ Note that, unless stated otherwise, all comparisons described in the Management Discussion and Analysis above compare the results of the three months ended March of each year referenced.

Appendix

The following supplemental schedules show the Consolidated Summary of Revenues and Expenses and the Consolidated Balance Sheet, including Overlake.

Summary of Revenues and Expenses

	Three Months Ended March 31 2025 (Unaudited)	Year Ended December 31 2024 (Audited)
Revenues:		
Patient service revenue	1,503,763	5,496,878
Other operating revenue	60,652	355,174
Net assets released from restriction	913	7,194
Total operating revenue	1,565,328	5,859,246
Expenses		
Salaries and wages	834,576	2,852,014
Employee benefits	127,681	411,175
Supplies	282,831	970,671
Purchased services	159,974	561,003
Depreciation and amortization	49,890	171,195
Interest	21,058	83,069
Other	179,140	926,632
Total expenses	1,655,150	5,975,759
Operating loss	(89,822)	(116,513)
Nonoperating income (loss):		
Investment income	27,234	210,852
Inherent contribution*	-	395,923
Swap cash settlements	166	40,843
Change in fair value of swaps	(738)	(21,729)
Other nonoperating income (loss)	(1,061)	4,831
Total nonoperating income (loss)	25,601	630,720
Excess (deficit) of revenues over expenses	\$ (64,221)	514,207

*Inherent contribution is from the accounting for the Overlake affiliation in 2024 based on the fair value of the net assets assumed.

Consolidated Balance Sheets
(in thousands)

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 389,523	\$ 641,644
Accounts Receivable	869,046	823,807
Supplies Inventory	91,914	91,570
Other Current Assets, Net	289,211	268,932
Total Current Assets	<u>1,639,694</u>	<u>1,825,953</u>
DONOR - RESTRICTED ASSETS	162,631	168,174
LONG-TERM INVESTMENTS	2,275,364	2,269,033
PROPERTY, PLANT AND EQUIPMENT, NET	2,976,905	2,927,783
RIGHT OF USE LEASE ASSET, NET	276,715	287,082
GOODWILL AND INTANGIBLE ASSETS, NET	260,328	260,581
OTHER ASSETS	463,245	471,736
TOTAL ASSETS	<u><u>8,054,882</u></u>	<u><u>8,210,342</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	448,280	467,526
Accrued Compensation and Related Liabilities	497,859	542,659
Accrued Interest Payable	11,256	36,469
Line of credit	63,000	63,000
Current Portion of Long-Term Debt	27,863	27,863
Current Portion of Right of Use Lease Liability	65,089	67,230
Total Current Liabilities	<u>1,113,347</u>	<u>1,204,747</u>
RIGHT OF USE LEASE LIABILITY, NET	227,225	236,724
LONG-TERM DEBT, NET	2,207,334	2,213,831
OTHER LIABILITIES, NET	409,504	395,980
NET ASSETS		
Without donor restrictions	3,872,830	3,933,952
With donor restrictions	224,642	225,108
Total Net Assets	<u>4,097,472</u>	<u>4,159,060</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 8,054,882</u></u>	<u><u>\$ 8,210,342</u></u>



Consolidated Balance Sheets
(in thousands)

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 372,584	\$ 620,230
Accounts Receivable	758,342	711,510
Supplies Inventory	66,866	67,797
Other Current Assets, Net	259,039	236,308
Total Current Assets	<u>1,456,831</u>	<u>1,635,845</u>
DONOR - RESTRICTED ASSETS	133,564	132,192
LONG-TERM INVESTMENTS	2,040,656	2,017,256
PROPERTY, PLANT AND EQUIPMENT, NET	2,654,694	2,603,718
RIGHT OF USE LEASE ASSET, NET	247,953	257,187
GOODWILL AND INTANGIBLE ASSETS, NET	258,560	258,814
OTHER ASSETS	425,064	451,017
TOTAL ASSETS	<u><u>7,217,322</u></u>	<u><u>7,356,029</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	398,478	415,703
Accrued Compensation and Related Liabilities	443,091	467,256
Accrued Interest Payable	8,722	31,572
Line of credit	63,000	63,000
Current Portion of Long-Term Debt	15,328	20,328
Current Portion of Right of Use Lease Liability	57,649	59,156
Total Current Liabilities	<u>986,268</u>	<u>1,057,015</u>
RIGHT OF USE LEASE LIABILITY, NET	203,200	212,085
LONG-TERM DEBT, NET	1,955,778	1,961,914
OTHER LIABILITIES, NET	361,475	365,262
NET ASSETS		
Without donor restrictions	3,508,005	3,557,114
With donor restrictions	202,596	202,639
Total Net Assets	<u>3,710,601</u>	<u>3,759,753</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 7,217,322</u></u>	<u><u>\$ 7,356,029</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operational Summary. MHS generated an operating loss of \$75.2 million (5.5% operating loss) for the three months ended March 31, 2025 compared to an operating loss of \$19.4 million (1.4% operating loss) in 2024¹. Total operating revenues have increased from prior year, however several factors have led to increases in operating expense. These factors mainly impact salaries and wages, supplies and professional fees due to increases in employee pay rates, contract labor rates and usage, increasing costs within supplies and increased professional service rates from outside providers. Additionally, changes in the safety net assessment program (SNAP) in the State of Washington accounts for \$54.3 million negative impact on margin through March 31, since SNAP has not been recorded in 2025. Given these challenging circumstances, MultiCare management developed and implemented plans to improve revenue generation and address rising costs and are seeing incremental success with these plans. Initiatives include reducing contract labor reliance, recruitment and retention of employed staff, increase in surgical volumes, increased use of technology to optimize patient experience and improve capture of all revenue, reducing average inpatient lengths of stay where appropriate, review and optimization of other expense areas, especially supplies and purchased services, along with a number of other areas of focus, with the overall expectation of improving the operating margin of the health system moving forward.

Operating Revenue. Total operating revenue increased \$18.2 million (1.4%) to \$1.36 billion for the three months ended March 31, 2025 compared to \$1.34 billion in 2024. Reimbursement rate of 26.8% has decreased from 27.7% in the prior year, mostly driven by SNAP changes year over year. However revenues still increased overall due to improvements in commercial contract rates and increased provider visits.

Operating Expenses. Total operating expenses for the three months ended March 31, 2025 were \$1.43 billion, an increase of \$74.0 million (5.4%) compared to prior year. Inflationary factors account for most of the expense increase. Total salaries and wages increased \$65.1 million (9.9%) due to an increase in wage rates due to market conditions and increase in headcount. Other operating costs decreased \$55.5 million (49.6%) with the largest decrease from the estimated assessments from the SNAP program that have not been recorded in 2025. Though results show good improvements in contract labor costs compared to prior year, reliance on contract labor and contract labor rates remain a challenge. MHS continues to see higher supply expenses associated with high volumes and higher inflationary impacts in this area mainly with pharmaceuticals. Additionally, MHS experienced increases in purchased services and other costs due to inflationary impacts for technology licenses and fees and other required services.

Nonoperating Income. MHS recognized nonoperating income of \$23.7 million for the three months ended March 31, 2025, compared to nonoperating income of \$120.1 million for the same period in 2024. Investment performance generated a gain of \$24.8 million compared to \$73.6 million in the prior year. Swap cash settlements and fair value changes produced a loss of \$0.6 million in the current year compared to a gain of \$20.6 million in the prior year.

Net Income. Operating loss of \$75.2 million, combined with nonoperating income of \$23.7 million, produced a net loss of \$51.5 million for the three months ended March 31, 2025, compared to net income of \$100.7 million in 2024.

Balance Sheet / Financial Position. As of March 31, 2025, unrestricted cash and investments were \$2.41 billion, a decrease of \$224.2 million from December 31, 2024. The change is driven by capital spending and various cash usages in the first quarter.

As of March 31, 2025, total net assets decreased \$49.2 million to \$3.71 billion compared to \$3.76 billion as of December 31, 2024. Net assets without donor restrictions decreased \$49.0 million to \$3.51 billion as of March 31, 2025.

KEY BALANCE SHEET INDICATORS

	March 31, 2025	December 31, 2024
Days cash on hand	156	167
Cash to long-term debt	118.6%	129.0%
Long-term debt to capitalization	36.7%	36.5%