



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>).

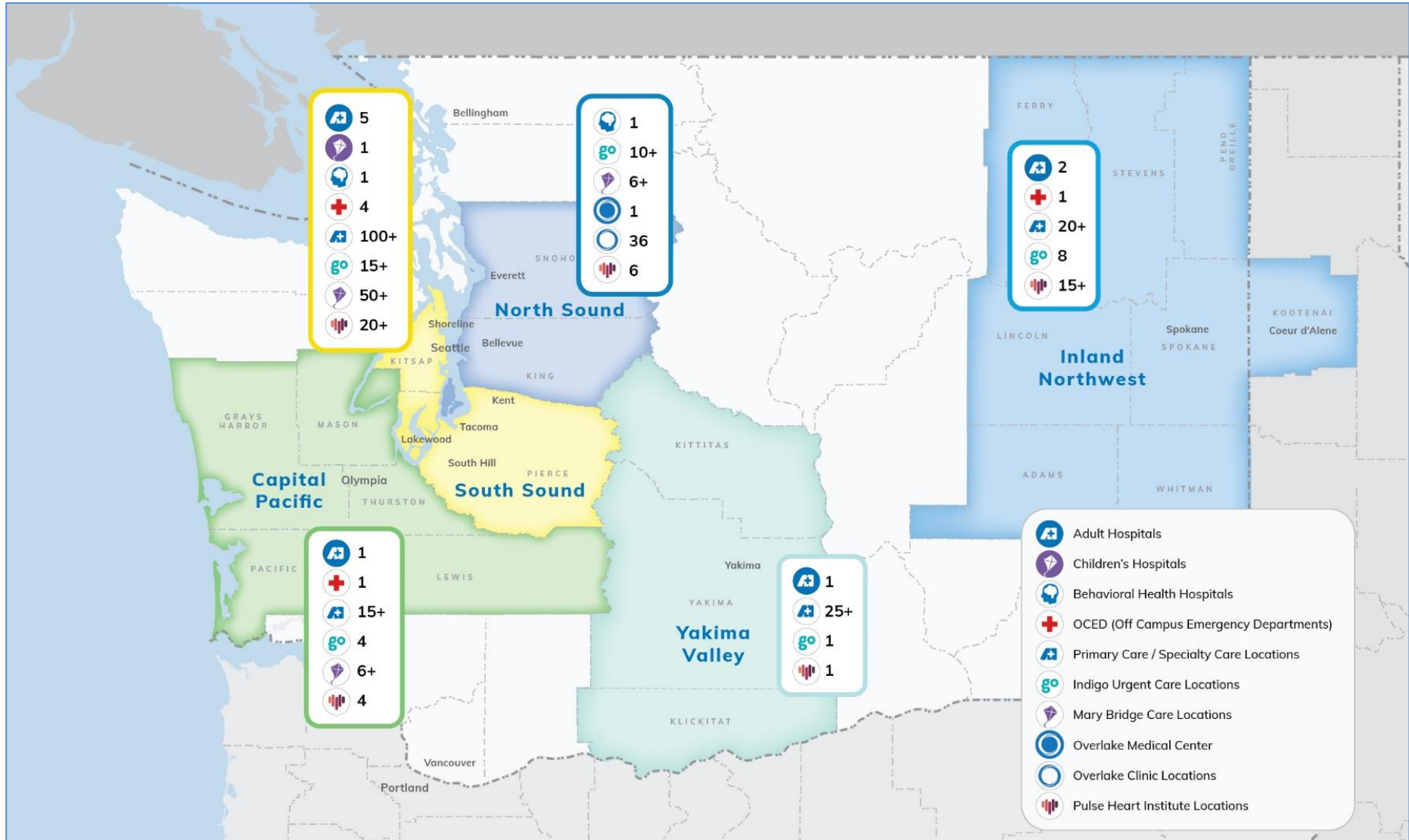
As of March 31, 2025, MHS was licensed to operate 2,577 inpatient hospital beds (2,926 including Overlake), including one hospital with 120 beds associated with a joint venture psychiatric hospital in Tacoma, Washington (Wellfound Behavioral Health Hospital). MHS operates eleven acute care facilities (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 | December 31, 2024 |
|---|----------------------------|----------------------------|
| | (Unaudited) | (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% |