



HEALTHPARTNERS, INC.

Consolidated Financial Statements and
Uniform Guidance Single Audit Report

Year Ended December 31, 2022

(With Independent Auditors' Reports Thereon)

HEALTHPARTNERS, INC.

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KPMG LLP
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Independent Auditors' Report

The Audit and Compliance Committee
HealthPartners, Inc.:

Report on the Audit of the Financial Statements

We have audited the financial statements of HealthPartners, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the *consolidated* financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

KPMG LLP

Minneapolis, Minnesota
March 30, 2023

HEALTHPARTNERS, INC.

Consolidated Balance Sheets

December 31, 2022 and 2021

(In thousands)

Assets	2022	2021
Current assets:		
Cash and cash equivalents	\$ 1,508,241	1,626,833
Investments	776,887	822,411
Investments whose use is limited	8,589	8,910
Accounts receivable	793,663	736,016
Other current assets	268,025	322,412
Total current assets	3,355,405	3,516,582
Investments whose use is limited	56,236	49,058
Other investments	1,309,940	1,434,930
Property, plant, and equipment, net	1,269,170	1,305,215
Operating lease right-of-use assets	184,674	178,404
Deferred compensation	127,221	144,698
Other	141,394	143,889
Total assets	\$ 6,444,040	6,772,776
Liabilities and Net Assets		
Current liabilities:		
Unpaid medical claims	\$ 296,445	275,852
Accounts payable	490,590	578,330
Provider payable	108,977	102,775
Salaries and employee benefits payable	426,430	420,182
Accrued real estate taxes, income taxes, and interest	33,353	35,730
Deferred revenue	54,275	56,941
Current portion of lease obligations	23,700	22,433
Current portion of long-term debt	37,127	137,341
Total current liabilities	1,470,897	1,629,584
Long-term debt – less current portion	646,474	686,515
Lease obligations	172,743	167,226
Deferred employee benefits	130,196	148,756
Other	143,994	119,306
Total liabilities	2,564,304	2,751,387
Net assets:		
Without donor restrictions	3,779,553	3,923,864
With donor restrictions	100,183	97,525
Total net assets	3,879,736	4,021,389
Total liabilities and net assets	\$ 6,444,040	6,772,776

See accompanying notes to consolidated financial statements.

HEALTHPARTNERS, INC.

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2022 and 2021

(In thousands)

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Premiums earned	\$ 4,323,323	3,962,593
Patient service revenue	3,564,374	3,445,268
Administrative service revenue	112,950	113,166
Other revenue	<u>218,211</u>	<u>216,780</u>
Total operating revenues	<u>8,218,858</u>	<u>7,737,807</u>
Operating expenses:		
Salaries and employee benefits	3,155,705	2,959,316
Medical claims	3,198,734	2,955,204
Supplies and other	1,429,906	1,331,315
Depreciation and amortization	186,707	184,981
Taxes and assessments	128,979	133,471
Interest	<u>31,131</u>	<u>33,870</u>
Total operating expenses	<u>8,131,162</u>	<u>7,598,157</u>
Operating income	<u>87,696</u>	<u>139,650</u>
Nonoperating (loss) income:		
Net investment (loss) gain	(142,043)	150,949
Other	<u>33,113</u>	<u>23,558</u>
Total nonoperating (loss) income	<u>(108,930)</u>	<u>174,507</u>
(Deficit) excess of revenues over expenses	(21,234)	314,157
Recognition of change in pension and postretirement funded status	(79,025)	96,351
Change in unrealized gains and losses on investments	(46,348)	(19,207)
Change in deferred tax liability	2,133	—
Other	<u>163</u>	<u>7,061</u>
(Decrease) increase in net assets without donor restrictions	<u>(144,311)</u>	<u>398,362</u>
Net assets with donor restrictions:		
Net investment (loss) income and realized (loss) gains	(3,123)	2,237
Change in beneficial interest of Foundations	185	95
Contributions	13,344	3,742
Net assets released from restrictions	(8,280)	(2,969)
Other	<u>532</u>	<u>13,190</u>
Increase in net assets with donor restrictions	<u>2,658</u>	<u>16,295</u>
Change in net assets	<u>(141,653)</u>	<u>414,657</u>
Net assets – beginning of year	<u>4,021,389</u>	<u>3,606,732</u>
Net assets – end of year	\$ <u><u>3,879,736</u></u>	\$ <u><u>4,021,389</u></u>

See accompanying notes to consolidated financial statements.

HEALTHPARTNERS, INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2022 and 2021

(In thousands)

	<u>2022</u>	<u>2021</u>
Cash flows provided by operating activities:		
(Decrease) increase in net assets	\$ (141,653)	414,657
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and change in unrealized gains and losses on investments	157,371	(19,207)
Change in pension and postretirement funded status	79,025	(96,351)
Loss (gain) on sale of property, plant, and equipment	454	(726)
Depreciation	186,253	185,707
Amortization	514	437
Decrease (increase) in:		
Accounts receivable	(57,647)	(101,744)
Other current assets	54,387	(119,232)
Deferred compensation	17,477	(13,222)
Other assets	2,495	(6,603)
(Decrease) increase in:		
Unpaid medical claims	20,593	20,077
Accounts payable	(87,740)	78,972
Provider payable	6,202	(14,668)
Accrued expenses	3,871	16,182
Deferred revenue	(2,666)	(24,194)
Deferred employee benefits	(98,710)	108,385
Other liabilities	25,813	(149,530)
Net cash provided by operating activities	<u>166,039</u>	<u>278,940</u>
Cash flows provided by (used in) investing activities:		
Purchases of investments and investments whose use is limited	(938,730)	(1,137,691)
Sales, maturities, and repayments of investments and investments whose use is limited	945,016	1,065,339
Purchases of property, plant, and equipment	<u>(150,662)</u>	<u>(126,902)</u>
Net cash used in investing activities	<u>(144,376)</u>	<u>(199,254)</u>
Cash flows (used in) provided by financing activities:		
Proceeds from issuance of long-term debt	—	100,000
Payments on long-term debt	<u>(140,255)</u>	<u>(136,730)</u>
Net cash used in financing activities	<u>(140,255)</u>	<u>(36,730)</u>
(Decrease) increase in cash and cash equivalents	(118,592)	42,956
Cash and cash equivalents – beginning of year	<u>1,626,833</u>	<u>1,583,877</u>
Cash and cash equivalents – end of year	\$ <u>1,508,241</u>	\$ <u>1,626,833</u>
Supplemental cash flow information:		
Cash paid for interest	\$ 31,363	33,777
Supplemental disclosure of noncash investing activities:		
Additions of property, plant, and equipment funded through accounts payable	\$ 12,249	8,958

See accompanying notes to consolidated financial statements.

HEALTHPARTNERS, INC.

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(In thousands)

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

HealthPartners, Inc. and subsidiaries (HP, the Company) is an integrated healthcare delivery system that provides healthcare services and coverage to HP insured and self-insured members as well as healthcare services to the general public throughout Minnesota and surrounding states. HP provides these services through a network of owned and leased primary and specialty care medical facilities, dental facilities, and owned hospitals, as well as contracting with various primary and specialty medical facilities and dental facilities, physician groups, hospitals, and related healthcare providers located primarily in the Twin Cities and Western Wisconsin areas.

The consolidated financial statements of HP include the following organizations:

Group Health Plan, Inc. (GHI)
HealthPartners, Inc. (HPI)
HealthPartners Insurance Company (HPIC)
HealthPartners Administrators, Inc. (HPAI)
Regions Hospital (Regions)
Park Nicollet Health Services (PNHS)
Lakeview Health
Hutchinson Health & Foundation (HH)
Hudson Hospital & Foundation (HHF)
Westfields Hospital & Foundation (WH)
Amery Regional Medical Center & Foundation (ARMC)
Olivia Hospital, Clinics & Foundation (Olivia)
HealthPartners Central Minnesota Clinics, Inc. (HPCMC)
Physicians Neck & Back Clinics, Inc. (PNBC)
Ramsey Integrated Health Services (IHS)
Capital View Transitional Care Center (CVTCC)
Dental Specialties, Inc. (DSI)
HPI-Ramsey
RH-Wisconsin, Inc. (RHW)
RHSC, Inc. (RHSC)
HealthPartners Services, Inc. (HPSI)
HealthPartners Associates, Inc. (HPA)
HealthPartners East Side Holding, LLC (HESH)
HealthPartners Institute (Institute)
Regions Hospital Foundation (RHF)

PNHS is the parent company of Park Nicollet Methodist Hospital (Methodist), Park Nicollet Clinic (PNC), PNMC Holdings, Park Nicollet Foundation (PNF), Park Nicollet Health Care Products (PNHCP), Park Nicollet Enterprises (PNE), Tria Orthopedic Center, LLC (TRIA), Oliva and HH.

HEALTHPARTNERS, INC.

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(In thousands)

Lakeview Health is the parent company of Lakeview Memorial Hospital Association, Inc. (LMHA), Lakeview Health Foundation (LHF), and Stillwater Medical Group (SMG).

HPI-Ramsey is the parent organization of Regions, Lakeview Health, IHS, CVTCC, RHF, and RHW.

RHW is the parent organization of HHF, WH and ARMC.

GHI and HPI are not-for-profit corporations licensed as health maintenance organizations (HMO) in Minnesota as well as being licensed to sell health plan products in surrounding states.

GHI, PNHS, Regions, Methodist, Lakeview Health, HH, LMHA, LHF, SMG, HHF, WH, ARMC, Olivia, PNC, PNF, PNHCP, PNBC, IHS, CVTCC, HPI-Ramsey, RHW, RHSC, Institute, and RHF are exempt from taxation under Section 501(c)(3) of the Internal Revenue Code (IRC). HPI is exempt under Section 501(c)(4) of the IRC. HESH and TRIA are limited liability corporations. All other organizations are for-profit or non-profit taxable organizations.

(b) Basis of Accounting

The consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP). All significant intercompany balances and transactions have been eliminated in consolidation.

(c) Use of Estimates

Preparation of these consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. HP considers some of the most important accounting policies that require estimates and management judgment to be those policies with respect to fair value of investments, implicit and explicit price concessions, premium stabilization programs, retirement benefits, general and professional liability claims, unpaid medical claims, and workers' compensation claims liabilities. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash balances on hand and deposited in financial institutions and are all highly liquid investments with an original maturity of three months or less. Cash and cash equivalents held for long term or restricted as to use are classified as investments and are excluded from cash and cash equivalents.

(e) Investments

Investments consist of fixed income securities and marketable equity securities. The investments are carried at fair value and are not included as investments whose use is limited or other investments. The fair value of all securities is based on quoted market prices for identical or similar securities.

Fixed maturity securities are classified as available-for-sale and realized gains and losses are recorded using the specific identification method. Changes in fair value, excluding other-than-temporary impairments, are recognized as a change in net assets. Fixed maturity investments are impaired when

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December 31, 2022 and 2021

(In thousands)

a decline in fair value is judged to be other-than-temporary. Fair value is calculated based on publicly available market information or other estimates determined by management. HP employs a systematic methodology that considers available quantitative and qualitative evidence in evaluating potential impairment of the Company's investments. If the cost of an investment exceeds its fair value, HP evaluates, among other factors, general market conditions, credit quality of debt instrument's issuers, and the duration and extent to which the fair value is less than cost. HP also evaluates whether we have plans to sell the security or it is more likely than not that HP will be required to sell the security before recovery. In addition, HP considers specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, changes in technology, and operational and financing cash flow factors. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded in other nonoperating investment income (loss), net and a new cost basis in the investment is established.

Premiums and discounts on fixed income securities are recognized in income on an accrual basis using the interest yield method. Interest on fixed income is recognized on an accrual basis. The adjustment method is used to amortize all asset-backed securities.

Marketable equity securities are carried at fair value with realized and unrealized gains and losses recognized as investment income. HP recognizes dividends on equity securities in investment income upon the declaration of the dividend.

(f) Investments Whose Use is Limited and Other Investments

Investments whose use is limited that are intended to be used for current operations, primarily to settle current debt obligations, are classified as current assets and are carried at fair value based on quoted market prices.

Investments whose use is limited and other investments that are not intended to be used for current operations are, therefore, classified as noncurrent assets and are carried at fair value based on quoted market prices.

(g) Liquidity and Availability

As of December 31, 2022, HP had a working capital surplus. Financial assets available for general expenditures within one year of the consolidated balance sheet date consist of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,508,241	1,626,833
Investments	2,086,827	2,257,341
Accounts receivable	<u>793,663</u>	<u>736,016</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,388,731</u>	<u>4,620,190</u>

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Notes to Consolidated Financial Statements

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(In thousands)

HP has investments whose use is limited for various purposes. These investments whose use is limited that are not available for general expenditures within the next year are not reflected in the amounts in the table above.

As part of HP's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds.

(h) Other Current Assets

Other current assets include pharmaceutical, medical, and surgical supplies inventories, which are valued at the lower of average cost or market.

(i) Property, Plant, and Equipment, Net

Property, plant, and equipment is recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the shorter of the estimated useful life of the asset or the lease term. The estimated useful lives of the Company's property and equipment are generally as follows:

Land improvements	5–40 years
Buildings and building improvements	10–40 years
Equipment	3–15 years
Leasehold improvements	5–15 years

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of the underlying asset.

(j) Leases

HP determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) asset and current portion and long-term portion of lease obligations in the consolidated balance sheets. Finance leases are included in noncurrent other assets, accounts payables and other liabilities in the consolidated balance sheets. In adopting and applying the standard, the Company elected to adopt the package of practical expedients, including not reassessing past lease accounting, not separating lease components from nonlease components, and not reassessing previously capitalized initial direct costs.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, we generally use the Company's incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably

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(In thousands)

certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

(k) Impairment of Long-Lived Assets

HP periodically reviews the carrying value of long-lived assets for potential impairment by comparing the carrying value of these assets to the estimated undiscounted future cash flows expected to result from the use of these assets. Should the sum of the related, expected future net cash flows be less than the carrying value, an impairment loss could be recognized dependent upon other considerations. HP did not recognize any impairment losses in 2022 and 2021.

(l) Long-term Debt – Deferred Financing Costs

Financing and legal costs incurred in connection with the issuance of long-term debt are amortized over the life of the related indebtedness using the effective-interest method, and are included as an offset to long-term debt on the consolidated balance sheets.

(m) Unpaid Medical Claims

Unpaid medical claims represents HP's best estimate of the cost of settling claims related to insured events that have occurred on or before the consolidated balance sheet date and are unpaid at year-end. The estimated liability includes the amount that will be required for future payments of claims that have been reported; claims related to insured events that have occurred, but that have not been reported; and unpaid claims processing expense. Unpaid claims processing expense is an estimate of the costs to record, process, and adjudicate unpaid claims.

The liability for unpaid medical claims for medical services purchased are developed using actuarial methods based upon historical submission and payment data, cost trends, customer and product mix, seasonality, utilization of healthcare services, contracted service rates, and other relevant factors. The estimates may change as actuarial methods change or as underlying facts upon which estimates are based change. Although considerable variability is inherent in such estimates, management believes the amount of unpaid medical claims is adequate. The estimates are continually reviewed and adjusted as necessary, as experience develops or new information becomes known; such adjustments are included in current operations.

Premium deficiencies are recognized when it is probable that expected claims and certain administrative expenses will exceed future premiums on existing medical insurance contracts without consideration of investment income. For purposes of premium deficiencies, contracts are deemed to be either short or long duration and are grouped in a manner consistent with the Company's method of acquiring, servicing, and measuring the profitability of such contracts. Once established, premium deficiencies are released commensurate with actual claims experience over the remaining life of the contract. There were no premium deficiencies at December 31, 2022 and 2021.

(n) Provider Payable

HP's contracts with hospitals, specialists, and primary care providers (Providers) include provisions for pay for performance and outcome recognition programs. These programs include goals such as generic drug use, optimal diabetes care, patient satisfaction, depression outcomes, colorectal

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Notes to Consolidated Financial Statements

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(In thousands)

screening, and others that are measured and reported on a quarterly and an annual basis. If the Providers exceed the goals that were agreed upon, Providers will receive shared savings payouts from HP.

(o) Revenue Recognition

(i) Premiums

Premiums are earned at contractual rates and are recognized in the period for which services are covered. If applicable, premiums are reported net of Medical Loss Ratio (MLR) rebates, reinsurance, and adjustments resulting from the Affordable Health Care for America Act (Health Care Reform Act) risk adjustment program. Unearned premiums received in advance of a coverage period are classified as deferred revenue in the consolidated balance sheets.

(ii) Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which HP expects to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs), and others and includes variable consideration for retroactive adjustments due to settlement of audits, reviews, and investigations. Generally, HP bills patients and third-party payers within days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by HP. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. HP believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in HP hospitals receiving inpatient acute care services. HP measures the performance obligation from admission into the hospital, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and HP does not believe it is required to provide additional goods or services to the patient.

HP determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with HP's policy, and/or implicit price concessions provided to uninsured patients. HP determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. HP determines its estimate of implicit price concessions based on historical collection experience with this class of patients.

Agreements with third-party payers provide for payments at amounts less than established charges.

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December 31, 2022 and 2021

(In thousands)

A summary of the payment arrangements with major third-party payers is as follows:

Medicare: Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic, or other factors. Certain services are paid based on a cost reimbursement methodologies subject to certain limits. Physical services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates.

Medicaid: Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of services, or per covered member.

Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

In addition, the contracts HP has with commercial payers also provide for retroactive audit and review of claims. Settlements with third-party payers for retroactive adjustments due to audits, review, or investigations are considered variable consideration and are included in the determination of estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer, and HP's historic settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known, or as years are settled or are no longer subject to such audits, reviews, and investigations.

HP uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for inpatient revenue and major payor classes and types of services provided for outpatient revenue. Based on the historical collection trends and other analyzes, HP believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance. HP also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. HP estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions.

Consistent with HP's mission, care is provided to patients regardless of their ability to pay. Therefore, HP has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts

HEALTHPARTNERS, INC.

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(In thousands)

billed to patients and the amounts HP expects to collect based on its collection history with those patients.

Patients who meet HP's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care was \$37,495 and \$34,749 in 2022 and 2021, respectively, and are not reported as revenue.

HP utilizes a process to identify and appeal certain settlements with certain payors. Reimbursement is adjusted in the year the settlement is finalized. During 2022 and 2021, appeals, cost report settlements, and other adjustments to prior year estimates resulted in an increase in patient service revenue of \$54,592 and \$57,282, respectively, in the consolidated statements of operations and changes in net assets.

Patient service revenue at established rates, less third-party payor contractual adjustments and implicit price concessions, for the years ended December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Payor type:		
Medicare	\$ 1,393,868	1,210,329
Medicaid	535,633	549,635
Third-party payor	1,593,707	1,587,186
Patients	<u>41,166</u>	<u>98,118</u>
Patient service revenue	<u>\$ 3,564,374</u>	<u>3,445,268</u>
Service type:		
Hospital – Inpatient	\$ 846,012	807,656
Hospital – Outpatient	855,571	801,805
Professional Services	1,815,709	1,789,104
Other	<u>47,082</u>	<u>46,703</u>
Patient service revenue	<u>\$ 3,564,374</u>	<u>3,445,268</u>

(p) Other Revenue

Other revenue is recognized in the period in which services are rendered or at a point in time and consists primarily of administrative support fees from self-insured employer groups, retail sales revenue, grant revenue, cafeteria revenue, and parking ramp revenue.

(q) Uncompensated Care

HP provides medical care without charge or at a reduced cost to patients who were determined to be unable to pay (implicit price concessions) and provided medical care to patients who were determined to be able, but unwilling to pay. Upon determining that a patient meets the established HP charity care

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criteria, the charges for services provided to the patient are determined to qualify as uncompensated care and are not reported as revenue.

(r) Income Taxes

HPIC, HPSI, HPA, HPAI, HPCMC, PNE, and DSI, (the Taxable Group) are subject to federal and state income taxes. The liability method is used in accounting for income taxes. Accordingly, deferred income tax assets and liabilities are recognized for the differences between the financial and tax reporting basis of assets and liabilities based on enacted tax rates and laws. The deferred income tax provision or benefit generally reflects the net change in deferred income tax assets and liabilities during the year. The current income tax provision reflects the tax consequences of revenues and expenses currently taxable or deductible on various income tax returns for the year reported.

Deferred tax assets of \$4,512 and \$9,147 have been recorded and included in other noncurrent assets in the consolidated balance sheets at December 31, 2022 and 2021, respectively. Deferred tax liabilities of \$0 and \$4,287 have been recorded and included in accrued real estate taxes, income taxes and interest in the consolidated balance sheets at December 31, 2022 and 2021, respectively. Income tax receivables of \$14,172 and \$10,873 at December 31, 2022 and 2021, respectively, have been recorded and included in accounts receivable, net in the consolidated balance sheets. Income tax payables of \$1,918 and \$200 at December 31, 2022 and 2021, respectively, have been recorded and included in accrued real estate taxes, income taxes, and interest in the consolidated balance sheets. Income tax (benefit) expense of (\$290) and \$6,283 has been recorded and included in other nonoperating (loss) income in the consolidated statements of operations and changes in net assets for the years ended December 31, 2022 and 2021, respectively.

Judgment is required in determining HP's effective tax rate and in evaluating its tax position. HP establishes accruals for uncertain tax positions when, despite the belief that HP's tax return positions are fully supportable, HP believes that its position may not be fully sustained, primarily given the risks associated with tax litigation or disputes. The uncertain tax position accruals are adjusted in light of changing facts and circumstances, such as the progress of tax audits, case law, and emerging legislation. HP's effective tax rate includes the impact of changes to the accruals for uncertain tax positions. HP classifies interest and penalties on tax-related matters as income and other tax expense in the consolidated statements of operations and changes in net assets. HP recorded no liabilities at December 31, 2022 or 2021 for unrecognized tax benefits.

(s) Risk Management

HP's investments are exposed to various risks, such as interest rate, market, cash flow, and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the values of investments, it is possible that changes in risks in the near term could materially affect the amounts reported in the accompanying consolidated balance sheets and statements of operations and changes in net assets.

HP is exposed to various risks of loss related to torts; theft of; damage to, and destructions of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant changes in HP's insurance coverages from 2021 to 2022.

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HP has established reserves for unpaid medical claims based on assumptions concerning a number of factors, including trends in healthcare costs, expenses, general economic conditions, and other factors. To the extent that actual claims experience is less favorable than estimated based on HP's underlying assumptions, HP's incurred losses would increase and future earnings could be adversely affected.

(t) Medical Loss Ratio

HP is subject to the minimum MLR rebate requirements of the Affordable Health Care for America Act (Health Care Reform Act). Under the regulations of the Health Care Reform Act, insured plans will be required to make premium rebate payments to its enrollees that are enrolled under certain health insurance policies if a specific minimum annual MLR is not met in the prior year. The required minimum MLR, as defined by the Health Care Reform Act for insured plans, is 85% for the large group and Medicare Risk markets and 80% for the individual and small group markets. HP recorded no liability for the years ended December 31, 2022 and 2021.

(u) Risk Adjustment

Risk Adjustment – The Health Care Reform Act established a permanent risk adjustment program to transfer funds from qualified individual and small group insurance plans with below average risk scores to plans with above average risk scores. Based on the risk of HP's qualified plan members relative to the average risk of members of other qualified plans in comparable markets, HP estimated its ultimate 2022 and 2021 risk adjustment receivable or payable and reflects the year-to-date impact as an adjustment to premiums earned. At December 31, 2022 and 2021, HP recorded a payable of \$40,337 and \$50,726, respectively, under the risk adjustment program and is included in accounts payable in the consolidated balance sheets.

(v) COVID-19

The COVID-19 pandemic and the associated governmental responses had an impact on both HP's care delivery services and health insurance products over the past several years. While the impact to HP stabilized in 2022, the future impact due to COVID-19 is uncertain at this time and will depend on the duration and severity of the pandemic.

As a way to increase cash flow to Medicare providers impacted by the COVID-19 pandemic, The Coronavirus Aid, Relief, and Economic Security (CARES Act), expanded the Medicare Accelerated and Advance Payment Program. The payments are made for services a healthcare entity has provided or will provide to its Medicare patients who are the healthcare entity's customers. Therefore, they are accounted for under Topic 606 as revenue once the services are provided to the patients. At December 31, 2022 and 2021, HP has an outstanding payable of \$6,182 and \$133,177, respectively.

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(2) Investments

The composition of the investment portfolios as of December 31, 2022 and 2021 is summarized as follows:

	<u>Investments</u>	<u>Investments whose use is limited (current)</u>	<u>Investments whose use is limited (noncurrent)</u>	<u>Other investments</u>	<u>Total</u>
December 31, 2022:					
Cash equivalents	\$ 12,266	8,589	25,415	211,427	257,697
Government agency securities	285,597	—	4,186	33,826	323,609
Asset-backed securities	113,974	—	—	23,100	137,074
Residential mortgage-backed securities	37,201	—	28	22,049	59,278
Commercial mortgage-backed securities	37,135	—	—	10,291	47,426
Corporate obligations	290,714	—	—	53,691	344,405
Common stocks/mutual funds	—	—	26,607	955,556	982,163
	<u>\$ 776,887</u>	<u>8,589</u>	<u>56,236</u>	<u>1,309,940</u>	<u>2,151,652</u>
	<u>Investments</u>	<u>Investments whose use is limited (current)</u>	<u>Investments whose use is limited (noncurrent)</u>	<u>Other investments</u>	<u>Total</u>
December 31, 2021:					
Cash equivalents	\$ 18,120	8,910	20,007	199,235	246,272
Government agency securities	320,143	—	1,884	69,301	391,328
Asset-backed securities	132,659	—	—	13,614	146,273
Residential mortgage-backed securities	32,924	—	25	22,976	55,925
Commercial mortgage-backed securities	18,678	—	—	4,473	23,151
Corporate obligations	299,887	—	—	62,621	362,508
Preferred securities	—	—	—	584	584
Common stocks/mutual funds	—	—	27,142	1,062,126	1,089,268
	<u>\$ 822,411</u>	<u>8,910</u>	<u>49,058</u>	<u>1,434,930</u>	<u>2,315,309</u>

Investments whose use is limited consists of long-term professional liability trust funds, donor restricted funds, and debt service reserve funds.

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Investment return for the years ended December 31, 2022 and 2021 is summarized as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 64,690	36,742
Net realized and unrealized (losses) gains on investments in earnings	(203,719)	117,472
Investment expenses	<u>(3,014)</u>	<u>(3,265)</u>
Total investment income (loss) and net realized and unrealized (losses) gains on investments in earnings	(142,043)	150,949
Change in unrealized gains and losses – fixed maturity securities	<u>(46,348)</u>	<u>(19,207)</u>
Total investment return without donor restrictions	<u>(188,391)</u>	<u>131,742</u>
Net realized and unrealized (losses) gains on investments in earnings	<u>(3,123)</u>	<u>2,237</u>
Total investment return with donor restrictions	<u>(3,123)</u>	<u>2,237</u>
Total investment return	\$ <u><u>(191,514)</u></u>	<u><u>133,979</u></u>

HP did not record any impairment losses in 2022 or 2021. Gross unrealized losses and fair values, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, including the noncredit portion of OTTI, as of December 31, 2022 and 2021, are as follows:

	<u>Less than 12 months</u>		<u>12 months or more</u>		<u>Total</u>	
	<u>Fair value</u>	<u>Unrealized loss</u>	<u>Fair value</u>	<u>Unrealized loss</u>	<u>Fair value</u>	<u>Unrealized loss</u>
December 31, 2022:						
Government agency securities \$	243,540	(3,886)	172,059	(9,368)	415,599	(13,254)
Asset-backed securities	73,117	(1,795)	49,929	(2,657)	123,046	(4,452)
Residential mortgage-backed securities	43,517	(2,191)	9,595	(1,083)	53,112	(3,274)
Commercial mortgage-backed securities	41,208	(1,727)	4,035	(258)	45,243	(1,985)
Corporate obligations	<u>210,290</u>	<u>(7,300)</u>	<u>98,101</u>	<u>(7,003)</u>	<u>308,391</u>	<u>(14,303)</u>
	\$ <u><u>611,672</u></u>	<u><u>(16,899)</u></u>	<u><u>333,719</u></u>	<u><u>(20,369)</u></u>	<u><u>945,391</u></u>	<u><u>(37,268)</u></u>

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	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
December 31, 2021:						
Government agency securities \$	372,691	(2,656)	7,309	(156)	380,000	(2,812)
Asset-backed securities	96,605	(631)	4,928	(40)	101,533	(671)
Residential mortgage-backed securities	16,363	(226)	3,342	(76)	19,705	(302)
Commercial mortgage-backed securities	6,416	(65)	1,162	(12)	7,578	(77)
Corporate obligations	170,686	(1,501)	5,111	(46)	175,797	(1,547)
	<u>\$ 662,761</u>	<u>(5,079)</u>	<u>21,852</u>	<u>(330)</u>	<u>684,613</u>	<u>(5,409)</u>

All investments in a gross unrealized loss position at December 31, 2022 and 2021 were investment grade. The investments in a gross unrealized loss position at December 31, 2022 and 2021 represent 43.94% and 13.93%, respectively, of the fair value of total investments in HP's portfolio.

The following paragraphs summarize HP's evaluation of investment categories with unrealized losses as of December 31, 2022 and 2021.

Government agency securities are temporarily impaired due to current interest rates and not credit-related reasons. HP expects to collect all principal and interest on these securities.

Asset-backed securities, residential mortgage-backed securities, and commercial mortgage-backed securities are impacted by both interest rates and the value of the underlying collateral. HP utilizes thresholds and discounted cash flow models using outside assumptions to determine if an OTTI is warranted.

Corporate obligation valuations are impacted by both interest rates and credit industry specific issues. HP recognizes OTTI due to credit issues when HP determines the security will not recover in a reasonable period of time. Unrealized losses are primarily due to the interest rate environment and certain industries falling out of favor.

(3) Fair Value of Financial Instruments

All financial instruments are carried at fair value.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

(a) Cash and Cash Equivalents

The carrying amount approximates fair value due to the short duration of these financial instruments.

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(b) Investments, Investments Whose Use is Limited, and Other Investments

The fair values are based on quoted market prices at the reporting date where available. For securities not actively traded, fair value is estimated based on investments with similar interest rates, credit quality, yield, and maturity.

(c) Fair Value Hierarchy

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. The three levels of the fair value hierarchy under GAAP are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that HP has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the valuation methodologies used in 2022.

Cash Equivalents

Valued daily based on subscription and redemption activity at a stable \$1 net asset value (NAV). Redemptions can occur daily at NAV and there are no restrictions to redemption or unfunded commitments.

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Mutual Funds, Common Stock, and Preferred Stock

Valued daily based on unadjusted quoted market prices from national exchanges.

Fixed Income

The fair values are estimated based on cash flows, discounted at current rates, for instruments of similar maturities and credit quality, or based on quoted market prices for similar issues.

Government Agency Securities, Asset-backed Securities, Residential Mortgage-backed Securities, Commercial Mortgage-backed Securities, Corporate Obligations, and Preferred Securities

Valued based on the closing price reported on the active market on which the individual securities are traded. For preferred securities classified as Level 3 securities, the fair value is based on a bid evaluated price.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although HP believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables present the level within the fair value hierarchy at which HP's invested assets are measured on a recurring basis at December 31, 2022 and 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2022:				
Cash equivalents	\$ 257,697	—	—	257,697
Fixed income:				
Government agencies	323,609	—	—	323,609
Asset-backed securities	—	137,074	—	137,074
Residential mortgage-backed securities	—	59,278	—	59,278
Commercial mortgage-backed securities	—	47,426	—	47,426
Corporate obligations	—	344,405	—	344,405
Preferred securities	—	—	—	—
Common stock/mutual funds	982,163	—	—	982,163
Total investment assets at fair value	<u>\$ 1,563,469</u>	<u>588,183</u>	<u>—</u>	<u>2,151,652</u>

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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2021:				
Cash equivalents	\$ 246,272	—	—	246,272
Fixed income:				
Government agencies	391,328	—	—	391,328
Asset-backed securities	—	146,273	—	146,273
Residential mortgage-backed securities	—	55,925	—	55,925
Commercial mortgage-backed securities	—	23,151	—	23,151
Corporate obligations	200	362,308	—	362,508
Preferred securities	584	—	—	584
Common stocks/mutual funds	1,089,268	—	—	1,089,268
Total investment assets at fair value	\$ <u>1,727,652</u>	<u>587,657</u>	<u>—</u>	<u>2,315,309</u>

HP did not have any transfers between levels during the years ended December 31, 2022 and 2021.

HP has no financial assets or liabilities that were measured at fair value on a nonrecurring basis at December 31, 2022 and 2021.

(4) Accounts Receivable

Accounts receivable at December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Patient service	\$ 445,080	422,393
Premiums	181,786	149,619
Other	166,797	164,004
Total	\$ <u>793,663</u>	<u>736,016</u>

Patient service accounts receivable are reduced by explicit and implicit price concessions, based on established guidelines for identifying uncollectible patient accounts. HP's management periodically assesses the explicit and implicit price concessions by taking into consideration, by payor category, the expected net collections, accounts receivable aging, historical collections experience, economic conditions, trends in healthcare coverage, and other collection indicators. The primary source of the implicit price concessions is the patient responsibility portion of commercial accounts. The primary source of the implicit price concessions is charges for uninsured patients. Patients who are insured are assessed separately for collectability from uninsured patients. The results of these implicit price concessions are used to establish the net realizable value of patient accounts receivable and the implicit price concessions. For premiums

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and other receivables, HP's policy is to set up implicit price concessions for all receivables over 90 days outstanding.

HP grants credit without collateral to its patients, most of whom are insured under third-party payor arrangements. The mix of health service receivables by payor at December 31, 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Medicare	22%	21%
Medicaid	8	8
Third-party payors	49	50
Patients	<u>21</u>	<u>21</u>
Total	<u>100%</u>	<u>100%</u>

(5) Property, Plant, and Equipment, Net

A summary of the costs and the related accumulated depreciation at December 31, 2022 and 2021 is as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land and land improvements	\$ 128,791	20,500	126,398	15,346
Buildings and building improvements	1,967,008	1,191,390	1,929,751	1,121,703
Equipment	1,556,748	1,251,515	1,531,208	1,238,781
Leasehold improvements	225,077	181,892	218,518	173,429
Construction in progress	36,843		48,599	
	<u>\$ 3,914,467</u>	<u>2,645,297</u>	<u>3,854,474</u>	<u>2,549,259</u>
Property, plant, and equipment, net		\$ <u>1,269,170</u>		\$ <u>1,305,215</u>

(a) Regions Hospital Campus

The majority of Regions' main campus is owned by Ramsey County and leased to Regions. The lease agreement grants Regions use of the property through December 2066 and requires Regions to: (i) provide care to the indigent of Ramsey County throughout the lease term; (ii) pay all taxes, utilities, maintenance, and insurance costs with respect to the property; (iii) use its best efforts to continue providing, and consult with the Ramsey County Board of Commissioners before discontinuing, its major or unique services, including, but not limited to, the trauma center, burn unit, graduate medical education, and research services; and (iv) not assign the lease to a for-profit corporation.

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The property leased from Ramsey County is included in Regions' net property, plant, and equipment. Under the lease, Regions is required to provide a minimum dollar amount of charity care to Ramsey County residents. In the event the value of charity care does not meet the lease requirement, Regions can fulfill the requirement by making capital improvements to Regions' property. Regions' compliance with the charity care requirement of the lease is based on the value of charity care provided and reduced by Ramsey County's direct cash support, if any.

(b) Construction in Progress

Construction in progress at December 31, 2022 and 2021 represents deposits on equipment purchases and costs incurred in connection with remodeling and building projects. At December 31, 2022 and 2021, HP did not record any capitalizable interest that was included in construction in progress.

(6) Other Assets – Goodwill and Other Intangible Assets

HP has a carrying value of goodwill of \$1,812 at December 31, 2022 and 2021, respectively, related to business acquisitions. In 2022 and 2021, HP recognized an impairment related to goodwill of \$0 and \$1,413, respectively, which is recorded in supplies and other in the accompany statements of operations and changes in net assets. The carrying value of other intangible assets is \$39 and \$45 at December 31, 2022 and 2021, respectively, related primarily to brand name and intellectual property. Both goodwill and intangible assets are included in other noncurrent assets.

(7) Unpaid Medical Claims

The following table represents gross incurred and paid medical claims development for the years ended December 31, 2022 and 2021.

<u>Date of service</u>	<u>Incurred medical claims for the years ended December 31</u>	
	<u>2021</u>	<u>2022</u>
2021	\$ 3,552,238	3,491,592
2022		<u>3,770,998</u>
Total		\$ <u>7,262,590</u>

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<u>Date of service</u>	<u>Cumulative paid medical claims for the years ended December 31</u>	
	<u>2021</u>	<u>2022</u>
2021	\$ 3,234,969	3,491,592
2022		<u>3,429,264</u>
Total		6,920,856
Less intercompany eliminations		<u>(45,289)</u>
Total outstanding liabilities for unpaid medical claims		<u>\$ 296,445</u>

Substantially all of the outstanding liabilities for unpaid medical claims at December 31, 2022 relate to the current year.

The table disclosing paid claims, incurred claims, and the balance in the unpaid medical claims, excluding eliminations, pharmacy rebates and reinsurance, for the years ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Balance – January 1, net	\$ 275,852	255,775
Add intercompany eliminations	<u>41,417</u>	<u>29,913</u>
Balance – January 1	317,269	285,688
Incurred related to:		
Current year	3,770,998	3,552,238
Prior year	<u>(57,772)</u>	<u>(64,203)</u>
Total incurred	<u>3,713,226</u>	<u>3,488,035</u>
Paid related to:		
Current year	3,429,264	3,234,969
Prior year	<u>259,497</u>	<u>221,485</u>
Total paid	<u>3,688,761</u>	<u>3,456,454</u>
Balance – December 31	341,734	317,269
Less intercompany eliminations	<u>(45,289)</u>	<u>(41,417)</u>
Balance – December 31	<u>\$ 296,445</u>	<u>275,852</u>

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As the unpaid medical claims includes various developed estimates, HP's actual claims experience may be more or less than HP's previously developed estimates. HP's unpaid medical claims liability as of December 31, 2021 and 2020 was decreased by \$57,772 and \$64,203, respectively, in the following year for claims that had occurred on or prior to those consolidated balance sheets. These adjustments resulted from HP's actual claims expense related to prior years totaling less than the estimates previously made by HP. The change in incurred claims is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims. In addition, the reserves are continually reviewed to reflect current conditions and claim trends, and any resulting adjustments are reflected in operating results in the year the revisions are made.

(8) Long-Term Debt

Long-term debt at December 31, 2022 and 2021 consisted of the following:

	2022	2021
HealthPartners, Inc. Senior Notes – Series 2020 (1)	\$ 108,640	109,610
HealthPartners, Inc. 2021 Line of credit agreement (2)	—	100,000
Health Care Facility Revenue Bonds – Series 2018A and B (3)	40,100	43,060
HealthPartners, Inc. Senior Notes – Series 2018 (4)	50,000	50,000
Health Care Facility Revenue Bonds – Series 2015A (5)	168,895	169,779
Health Care Facility Revenue Bonds – Series 2015B (6)	88,645	104,570
Health Care Facility Revenue Bonds – Series 2015A (7)	136,263	139,369
Health Care Facility Revenue Bonds – Series 2014B (8)	—	3,005
Health Care Facility Revenue Bonds – Series 2014A (9)	14,840	17,135
HealthPartners, Inc. Senior Notes – Series 2013 (10)	56,090	61,045
Hudson Hospital refunding revenue bonds – Series 2012 (11)	—	3,454
Westfields mortgage bonds payable – Series 2016A and B (12)	4,975	6,222
ARMC revenue bonds – Series 2021 (13)	18,871	20,862
Total debt prior to deferred financing costs	687,319	828,111
Deferred financing costs	(3,718)	(4,255)
Total debt	683,601	823,856
Less current portion	37,127	137,341
Long-term portion	\$ 646,474	686,515

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Annual principal payments due on the above debt are as follows:

Year ending December 31:	
2023	\$ 36,448
2024	38,217
2025	41,490
2026	43,201
2027	44,894
Thereafter	469,856
Unamortized bond premiums	<u>13,213</u>
Total	<u>\$ 687,319</u>

- 1) *The HealthPartners, Inc. Senior Notes* – Series 2020 were issued by HPI and the Obligated Group, which includes GHI, HPI, HPIC, HPAI, Regions, PNHS, Methodist, PNC, PNHCP, and PNMC Holdings (collectively, the Obligated Group). The bonds are payable in annual principal payments and semiannual interest payments through 2050 with an interest rate of 4.37% and are the sole obligation of HP and the Obligated Group. The Obligated Group's gross revenues were pledged toward repayment of the bonds. Financial costs are amortized over the life of the bonds. The debt agreements provide for certain financial covenants and also limit the amount of additional debt that can be incurred.
- 2) In 2021, HP established a credit agreement with two banks totaling \$250,000 to provide liquidity to HP. The facility is secured by the HealthPartners Master Trust indenture and has an expiration date of June 28, 2022. Advances under the credit agreement bear a variable rate based on the London Interbank Offered Rate (LIBOR).
- 3) *The Health Care Facility Revenue Refunding Bonds* – Series 2018A and 2018B were issued by the Housing and Redevelopment Authority of the City of Saint Paul (HRA) on behalf of Regions and the Obligated Group. The bond proceeds were used to construct Region's new birth center. The bonds are payable in annual installments through 2033 with a fixed interest rate of 3.41% and are the sole obligation of Regions and the Obligated Group. The Obligated Group's gross revenues were pledged toward repayment of the bonds. The debt agreements include covenants enumerating minimum debt service coverage requirements, along with restrictions on the incurrence of additional debt, sales of assets, mergers and consolidations, transactions with affiliates, creation of liens, and certain other matters.
- 4) *The HealthPartners, Inc. Senior Notes* – Series 2018 were issued by HP and the Obligated Group. The bonds are payable in annual principal payments and semiannual interest payments through 2048 with a fixed interest rate of 4.62% and are the sole obligation of HP and the Obligated Group. The Obligated Group's gross revenues were pledged toward repayment of the bonds. The debt agreements provide for certain financial covenants and also limit the amount of additional debt that can be incurred.

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- 5) *The Health Care Facility Revenue Refunding Bonds* – Series 2015A were issued by the Housing and Redevelopment Authority of the City of Saint Paul (HRA) on behalf of PNHS and the Obligated Group. Proceeds were used to refund the Series 2008C and Series 2009 PNHS Obligated Group bonds. The bonds are payable in annual installments through 2033 with fixed interest rate ranging from 4.00 to 5.00% and are the sole obligation of PNHS and the Obligated Group. The Obligated Group's gross revenues were pledged toward repayment of the bonds. The debt agreements provide for certain financial covenants and also limit the amount of additional debt that can be incurred.
- 6) *The Health Care Facility Revenue Refunding Bonds* – Series 2015B were issued by HRA on behalf of PNHS and the Obligated Group. Proceeds were used to refund the Series 2008C and Series 2009 PNHS Obligated Group bonds. The bonds are payable in annual installments through 2027 with fixed interest rate ranging from 1.041 to 4.189% and are the sole obligation of PNHS and the Obligated Group. The Obligated Group's gross revenues were pledged toward repayment of the bonds. The debt agreements provide for certain financial covenants and also limit the amount of additional debt that can be incurred.
- 7) *The Health Care Facility Revenue Refunding Bonds* – Series 2015A were issued by HRA on behalf of Regions and the Obligated Group. Proceeds were used to refund the Series 2006 Regions Obligated Group bonds. The bonds are payable in annual installments through 2033 with fixed interest rate ranging from 3.00 to 5.00% and are the sole obligation of Regions and the Obligated Group. The Obligated Group's gross revenues were pledged toward repayment of the bonds. The debt agreements provide for certain financial covenants and also limit the amount of additional debt that can be incurred.
- 8) *The Health Care Facility Revenue Refunding Bonds* – Series 2014B were issued by the Housing and Redevelopment Authority of the City of Saint Paul (HRA) on behalf of GHI and the Obligated Group. Proceeds were used to refund the series 2003 bonds. The bonds are payable in annual installments through 2022 with a fixed interest rate of 3.19% and are the sole obligation of GHI and the Obligated Group.
- 9) *The Health Care Facility Revenue Refunding Bonds* – Series 2014A were issued by the HRA on behalf of Regions. The bonds are payable in annual installments through 2028 with a fixed interest rate of 3.99% and are the sole obligation of the Obligated Group. The bond proceeds were used to refund the Series 1998 bonds for which the original proceeds of the bonds were used primarily for hospital facility construction, general facility refurbishing, and equipment acquisition. The Obligated Group's gross revenues were pledged toward repayment of the bonds. The debt agreements include covenants enumerating minimum debt service coverage requirements, along with restrictions on the incurrence of additional debt, sales of assets, mergers and consolidations, transactions with affiliates, creation of liens, and certain other matters.
- 10) *The HealthPartners, Inc. Senior Notes* – Series 2013 were issued by HP and the Obligated Group. The bonds are payable in annual principal payments and semiannual interest payments through 2030 with a fixed interest rate of 4.61% and are the sole obligation of HP and the Obligated Group. The Obligated Group's gross revenues were pledged toward repayment of the bonds. The

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debt agreements provide for certain financial covenants and also limit the amount of additional debt that can be incurred.

- 11) *Hudson Hospital Refunding Revenue Bonds Payable* – Series 2012 were issued by the Wisconsin Health and Educational Facilities on behalf of HH. The bonds are payable in monthly installments through 2029 with a fixed interest rate of 3.61% with substantially all of the mortgaged property of the hospital campus pledged as collateral on the Revenue Bonds. In 2022 the bonds were paid of early.
- 12) *Westfields Mortgage Bonds Payable* – WH mortgage bonds payable consisted of a \$6,854 Hospital Facilities Revenue Note, Series 2016A, and a \$3,224 Hospital Facilities Revenue Note, Series 2016B (collectively, the Westfields Notes). WH entered into this loan agreement with the Community Development Authority of the City of New Richmond, WI, and the Village of Star Prairie, WI. The Westfields Notes are payable in monthly installments through 2024 with a fixed interest rate of 2.99% and are collateralized by land, land improvements, and the building.
- 13) *ARMC Revenue Bonds* – Series 2021 were issued by the City of Amery, Wisconsin, the Town of Lincoln, Wisconsin and the Town of Black Brook, Wisconsin at a fixed interest rate of 2.45%. These revenue bonds are payable in monthly installments through 2031 and are secured by the hospital building and related property.

In 2002, HP established a credit agreement with five banks totaling \$250,000 to provide liquidity to HP. The facility is secured by the HealthPartners Master Trust indenture and has two tranches. Tranche A is \$175,000 and has an expiration date of June 27, 2024. Tranche B is \$75,000 and has an expiration date of June 27, 2025. Advances under the credit agreement bear a variable rate based on the Term Secured Overnight Financing Rate (Term SOFR). As of December 31, there was \$0 outstanding under the credit agreement.

HP was in compliance with all debt covenants as of December 31, 2022.

The debt agreements also require HP to maintain certain funds in trust accounts. Investments in the trusts are recorded at fair value. Such funds are included in investments whose use is limited in the consolidated balance sheet at December 31, 2022 and 2021 and were as follows:

	<u>2022</u>	<u>2021</u>
Funds held by trustee:		
Debt service reserve fund	\$ 1,678	1,671
Bond interest and principal fund	<u>8,589</u>	<u>8,910</u>
Total funds held by trustee	10,267	10,581
Less current portion	<u>8,589</u>	<u>8,910</u>
Long-term portion	<u>\$ 1,678</u>	<u>1,671</u>

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(9) Leases

The components of lease expense were as follows:

	<u>2022</u>	<u>2021</u>
Operating lease costs	\$ 32,666	35,096
Finance lease costs:		
Amortization of ROU assets	1,675	1,675
Interest on lease liabilities	<u>1,061</u>	<u>1,214</u>
Total finance lease costs	<u>2,736</u>	<u>2,889</u>
Total lease costs	<u>\$ 35,402</u>	<u>37,985</u>

Supplemental cash flow information related to leases was as follows:

	<u>2022</u>	<u>2021</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	\$ 32,552	34,533
Operating cash outflows from finance leases	1,061	1,214
Financing cash outflows from finance leases	2,500	2,492
ROU assets obtained in exchange for lease obligations:		
Operating leases	\$ 5,838	6,590

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Operating and finance lease ROU assets and lease liabilities were as follows:

	<u>2022</u>	<u>2021</u>
Operating leases:		
Right-of-use assets	\$ 184,674	178,404
Lease obligations current portion liability	23,700	22,433
Lease obligations long-term portion liability	172,743	167,226
Finance leases:		
Property and equipment	\$ 41,736	41,736
Accumulated depreciation	<u>(21,907)</u>	<u>(20,232)</u>
Property and equipment, net	<u>\$ 19,829</u>	<u>21,504</u>
Accounts payable – Short-term lease obligations	\$ 2,660	2,500
Other liabilities – Long-term lease obligations	<u>21,123</u>	<u>23,783</u>
Total finance lease liability	<u>\$ 23,783</u>	<u>26,283</u>

As of December 31, 2022 and 2021, the weighted average remaining lease term was 11.29 and 11.77 years, respectively, for operating leases and 25.69 and 24.91 years, respectively, for finance leases. The weighted average discount rate was 5.27% and 5.45% for the years ended December 31, 2022 and 2021, respectively, for operating leases and 4.16% and 4.36% for finance leases for 2022 and 2021, respectively.

Maturities of lease liabilities as of December 31, 2022 were as follows:

	<u>Operating leases</u>	<u>Finance leases</u>
2023	\$ 32,462	3,561
2024	30,029	3,175
2025	27,380	1,243
2026	23,874	1,243
2027	20,166	1,243
Thereafter	<u>137,057</u>	<u>23,561</u>
Total lease payments	270,968	34,026
Less imputed interest	<u>(74,525)</u>	<u>(10,243)</u>
Total	<u>\$ 196,443</u>	<u>23,783</u>

(10) Retirement Plans

HP provides several retirement programs for its various groups of employees.

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GHI, HPCMC, PNBC, RHSC, and HPA (the Group) have a noncontributory defined benefit cash balance plan covering their employees age 21 and over with a minimum of one year of service. Contributions to the plan are a function of the years of service, the level of compensation, and an interest rate credit. Plan assets are invested in a fund consisting of common stocks, bonds, and other marketable securities. The plan is funded in accordance with federal law and regulations.

Lakeview Health has a defined benefit pension plan covering substantially all of its employees. Pension benefits are based on years of service and the employees' compensation during their highest consecutive five-year compensation period. Lakeview Health funds contributions to the plan based on actuarial computations using the projected unit credit method.

HP uses a December 31 measurement date for the retirement plans.

The Plans' benefit obligation and funded status at December 31, 2022 and 2021, and changes for the years then ended, are as follows:

	<u>2022</u>	<u>2021</u>
Change in benefit obligation:		
Benefit obligation – beginning of year	\$ 694,624	708,021
Service cost	17,468	18,861
Interest cost	19,796	18,224
Actuarial gain (loss)	(125,167)	(16,751)
Benefits paid	(29,699)	(33,008)
Expenses	<u>(745)</u>	<u>(723)</u>
Benefit obligation – end of year	<u>\$ 576,277</u>	<u>694,624</u>
Change in plan assets:		
Fair value of plan assets – beginning of year	\$ 922,411	818,996
Actual return on plan assets	(154,203)	124,646
Employer contributions	2,500	12,500
Benefits paid	(29,699)	(33,008)
Expenses	<u>(745)</u>	<u>(723)</u>
Fair value of plan assets – end of year	<u>\$ 740,264</u>	<u>922,411</u>

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	<u>2022</u>	<u>2021</u>
Funded status:		
Funded status	\$ 163,987	227,786
Unrecognized net actuarial loss (gain)	17,679	(72,147)
Unrecognized prior service cost	<u>175</u>	<u>247</u>
Prepaid benefit cost	<u>\$ 181,841</u>	<u>155,886</u>
Amount recognized in the balance sheets consists of the following:		
Current assets – other	\$ 163,987	227,786
Noncurrent liabilities – deferred employee benefits	—	—
Amount recognized in net assets without donor restrictions:		
Net (gain) loss	\$ 17,679	(72,147)
Net prior service cost	<u>175</u>	<u>247</u>
Total amount recognized	<u>\$ 17,854</u>	<u>(71,900)</u>

	<u>2022</u>	<u>2021</u>
Weighted average assumptions as of December 31:		
Discount rate – the Group	5.70 %	3.40 %
Discount rate – Lakeview Health	5.69	3.57
Expected return on plan assets – the Group	6.75	6.75
Expected return on plan assets – Lakeview Health	5.75	6.50
Rate of compensation increase – the Group	3.00	3.00
Rate of compensation increase – Lakeview Health	3.50	4.50

The following benefit payments, which reflect expected future service, are expected to be paid:

Estimated benefit payments:	
2023	\$ 40,788
2024	42,673
2025	44,261
2026	44,258
2027	57,150
2028–2032	<u>239,345</u>
Total	<u>\$ 468,475</u>

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(In thousands)

(a) Plan Assets

HP has in place an Asset Allocation and Investment Policy Guidelines document that provides general oversight of the Plans' assets. The asset class investment return goals are broken down by the following asset classes: core fixed income, large cap equities, small cap equities, and international equities. In addition to the return objectives, each asset class has a minimum and maximum range and a targeted asset allocation percentage. In general, investment managers selected are expected to adequately diversify each portfolio in their efforts to maximize risk-adjusted performance. The Plans may use private placements, mutual funds, and commingled/collective funds periodically to gain exposure to certain asset classes.

HP pension plan weighted average asset allocations at December 31, 2022 and 2021 by assets category are as follows:

	<u>Target allocation</u>	<u>2022</u>	<u>2021</u>
Asset category:			
Equity securities	75.0 %	70.3%	73.4%
Debt securities	25.0	27.5	24.9
All other assets	—	2.2	1.7
	<u>100.0 %</u>	<u>100.0%</u>	<u>100.0%</u>
Employer contributions:			
Contributions expected to be paid during measurement year ended December 31, 2023		\$ 10,000	—

HP has classified its investments in the pension plans as collective/commingled funds, mutual funds, common stock (domestic and international), preferred stock, fixed income securities, and money market accounts.

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Notes to Consolidated Financial Statements

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The following tables present the level within the fair value hierarchy at which HP's invested assets are measured on a recurring basis at December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2022:				
Cash equivalents	\$ 15,184	—	—	15,184
Fixed income:				
Asset-backed securities	—	1,200	—	1,200
Government agencies	24,918	1,727	—	26,645
Mortgage-backed securities	—	14,831	—	14,831
Corporate obligations	—	19,976	—	19,976
Common stocks/mutual funds	<u>602,017</u>	<u>—</u>	<u>—</u>	<u>602,017</u>
Total investment assets in the fair value hierarchy	<u>\$ 642,119</u>	<u>37,734</u>	<u>—</u>	<u>679,853</u>
Total investments measured at net asset value *				<u>60,411</u>
Total investment assets			<u>\$ 740,264</u>	

* Measured at NAV and included only for reconciliation purposes. Valued based on the underlying market value of securities held in the funds as determined by the common/collective trust fund manager. The underlying asset values are determined using various inputs; however, the accounts are valued using the NAV as practical expedient to fair value of each account.

For certain investments, HealthPartners utilizes net asset value as a practical expedient to fair value. Below is a summary of investments accounted for at net asset value as of December 31, 2022:

	<u>Net asset value</u>	<u>Redemption frequency</u>	<u>Redemption notice</u>	<u>Unfunded commitments</u>
Commingled funds (a)	\$ 46,167	Monthly	1/2/5 days	None
Multi-strategy hedge fund (b)	<u>14,244</u>	Monthly/Quarterly/Semiannual	99/90/65 days	None
	<u>\$ 60,411</u>			

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(In thousands)

The following tables present the level within the fair value hierarchy at which HP's invested assets are measured on a recurring basis at December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2021:				
Cash equivalents	\$ 15,531	—	—	15,531
Fixed income:				
Asset-backed securities	—	4,101	—	4,101
Government agencies	34,931	1,641	—	36,572
Mortgage-backed securities	—	11,278	—	11,278
Corporate obligations	—	20,284	—	20,284
Common stocks/mutual funds	752,845	—	—	752,845
Total investment assets in the fair value hierarchy	\$ <u>803,307</u>	<u>37,304</u>	<u>—</u>	840,611
Total investments measured at net asset value *				<u>81,800</u>
Total investment assets			\$	<u><u>922,411</u></u>

* Measured at NAV and included only for reconciliation purposes. Valued based on the underlying market value of securities held in the funds as determined by the common/collective trust fund manager. The underlying asset values are determined using various inputs; however, the accounts are valued using the NAV as practical expedient to fair value of each account.

For certain investments, HealthPartners utilizes net asset value as a practical expedient to fair value. Below is a summary of investments accounted for at net asset value as of December 31, 2021:

	<u>Net asset value</u>	<u>Redemption frequency</u>	<u>Redemption notice</u>	<u>Unfunded commitments</u>
Commingled funds (a)	\$ 67,155	Monthly	1/2/5 days	None
Multi-strategy hedge fund (b)	<u>14,645</u>	Monthly/Quarterly/Semiannual	99/90/65 days	None
	\$ <u><u>81,800</u></u>			

(a) Commingled fund investments – This category includes investments in portfolios that may not be sold to investors other than “accredited investors” within the meaning of Regulation D under the Securities Act of 1933 (Securities Act), unless sold pursuant to another available exemption from the Securities Act. The price of these fund's shares is based on the portfolio's net asset value. The net asset value is determined by dividing the total value of the portfolio's investments and other assets, less any liabilities, by the total number of shares outstanding. For purposes of calculating

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net asset value, portfolio securities and other assets for which market quotes are readily available are valued at market value. Market value is generally determined on the basis of official closing prices or the last reported sales prices, or if no sales are reported, based on quotes obtained from quotation reporting systems, established market makers, or pricing services.

- (b) Multi strategy hedge fund – This category includes investments in the U.S. and global markets through a hedge fund structure.

HP did not have any transfers between levels during the years ended December 31, 2022 and 2021.

(b) Accumulated Benefit Obligation

Information for pension plans with an accumulated benefit obligation in excess of plan assets at December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Projected benefit obligation	\$ 576,277	694,624
Accumulated benefit obligation	553,093	662,999
Fair value of plan assets	740,264	922,411

(c) Components of Net Periodic Benefit Cost

The components of net periodic benefit cost for the retirement plans for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Service cost	\$ 17,468	18,861
Interest cost	19,796	18,224
Expected return on plan assets	(50,986)	(46,796)
Amortization of prior service cost	(72)	(72)
Recognized actuarial loss	—	5,086
Net periodic benefit cost	<u>\$ (13,794)</u>	<u>(4,697)</u>

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	<u>2022</u>	<u>2021</u>
Weighted average assumptions as of December 31:		
Discount rate – the Group	3.00 %	2.70 %
Discount rate – Lakeview Health	3.09	2.89
Expected return on plan assets – the Group	6.75	6.75
Expected return on plan assets – Lakeview Health	5.75	6.00
Rate of compensation increase – the Group	3.00	3.00
Rate of compensation increase – Lakeview Health	3.50	3.50

(d) Regions Plans

Substantially, all full-time employees of Regions are covered by Regions' defined contribution retirement plan or by the defined benefit plans administered by the Public Employees Retirement Association of the state of Minnesota (PERA).

Regions sponsors a defined contribution retirement plan covering all employees over the age of 21 who have completed one year of eligible service and are not covered by PERA. The plan provides for both a base contribution and a matching contribution funded by the employer based on the employees' participation in a qualifying 403(b) plan. The plan is a qualified plan under IRC Section 401(a) and satisfies the requirements of Section 401(m). Regions' contributions range from 4% to 6% of eligible employees' compensation. Total contributions to the plan were \$17,550 and \$17,587 in 2022 and 2021, respectively.

(e) GHI Plans

GHI sponsors two qualified defined contribution plans under various sections of the IRC, which are the GHI 403(b)(7) Plan and the GHI 401(k) Plan. Employee balances in the GHI 403(b)(7) Plan were frozen, effective July 3, 1996. Eligible employees of GHI can contribute 1.0% to 50.0% of annual compensation up to the maximum dollar limits established by the Internal Revenue Service with GHI matching the participants' contribution up to 7.5% of their salary. GHI made discretionary contributions to the GHI 401(k) Plan, for which GHI, HPCMC, RHSC, HPA, and PNBC are participants, of \$47,359 and \$44,982 in 2022 and 2021, respectively.

(f) PNHS Plans

PNHS contributes to various multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- (1) Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- (2) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

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- (3) If PNHS chooses to stop participating in some of its multiemployer plans, PNHS may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

PNHS's participation in these plans for the annual periods ended December 31, 2022 and 2021 is outlined in the following table. The zone status is based on information that PNHS received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are between 65% and 80% funded, and plans in the green zone are at least 80% funded.

Pension fund	EN/Pension plan number	Pension protection act zone status		FIP/RP status pending/implemented	Contributions for the years ended		Surcharge imposed	Expiration date of collective-bargaining agreement
		2022	2021		2022	2021		
Twin Cities Hospitals Minnesota Nurses Association	41-6184922	Green as of 1/1/2022	Green as of 1/1/2021	Yes *	11,099	10,245	No	5/31/2022
Twin Cities Hospitals Workers Pension Plan	41-1303906	Green as of 1/1/2022	Green as of 1/1/2021	No	831	828	No	2/28/2024

* The sponsor has commenced a funding improvement plan in order to meet funding requirements over a funding improvement period ending in 2022.

PNHS was listed in both the Twin Cities Hospitals Minnesota Nurses Association and the Twin Cities Hospitals Workers Pension Plan Form 5500 as providing more than 5% of the total contributions for 2021 and 2010.

PNHS offers a 401(k) and a 403(b) contributory savings plan covering substantially all employees. Discretionarily, PNHS matches a specified percentage of each employee's contribution up to a maximum of 4% of the individual's compensation. For 2022 and 2021, PNHS made contributory matches of 50%. In addition, PNHS makes contributions of 4.5% of a participant's compensation up to 100% of the social security wage base and 9.7% of any compensation in excess of 100% of the social security wage base up to a maximum wage base of \$305 in 2022 and \$290 in 2021. Plan contribution expense for PNHS was \$43,112 and \$41,163 in 2022 and 2021, respectively.

(g) WH Plans

WH has a defined contribution retirement plan covering substantially all employees who meet the requirement set forth in the plan. The eligible employees can elect to contribute, up to the maximum dollar limits established by the Internal Revenue Service, of their annual salary to the plan with WH matching the participants' contributions up to 5% of their salary. Contributions to the plan were \$1,055 and \$963 in 2022 and 2021, respectively.

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(h) HHF Plans

HHF has a defined contribution retirement plan for all its eligible employees. HHF contributes 3% of annual compensation for those plan participants contributing a minimum of 1% of their annual compensation. For those employees attaining 15 or more years of continuous service, HHF will contribute between 4% and 8% of the employees' annual compensation assuming the employee contributes an equal percentage. Contributions to the plan were \$855 and \$789 in 2022 and 2021, respectively.

(i) Lakeview Health Plans

LMHA has a defined contribution plan or 401(k) plan covering substantially all employees of LMHA who meet the requirements set forth in the plan. An employee becomes eligible to participate after completing one year of service, accumulating 1,000 hours of service, and attaining age 21. A participant may elect to defer compensation not to exceed a dollar limit, which is set by law. All employee contributions to the 401(k) plan are 100% vested. LMHA will make matching contributions to the 401(k) plan in the amount of 2% of the compensation that is contributed by the employee. Contributions to the 401(k) plan were \$2,287 and \$2,066 in 2022 and 2021, respectively.

SMG has a defined contribution 401(k) plan covering substantially all employees of SMG who meet the requirements set forth in the plan. A participant may elect to defer compensation not to exceed a dollar limit, which is set by law. All employee contributions to the 401(k) are 100% vested. SMG also has a profit sharing plan, where SMG has the discretion to determine contribution amounts. A participant is eligible after completing 1,000 hours of service and if the participant is employed on the last day of the plan year. Contributions to both the 401(k) plan and the profit sharing plan were \$750 and \$567 in 2022 and 2021, respectively.

(j) HH & Olivia Plans

HH & Olivia have a retirement savings plan for the benefit of its employees who attain minimum qualifications requirements as defined in the plan. Contributions are determined by the Board of Directors annually. The contributions are made to a trust, which holds and invests such funds. Participating employees are eligible to withdraw their respective vested benefits upon retirement, termination or disability. Contributions to the trust were \$2,244 and \$2,195 in 2022 and 2021, respectively.

(k) ARMC Plans

ARMC has a defined contribution retirement plan covering substantially all employees of ARMC who meet the requirement set forth in the plan. The eligible employees can elect to contribute, up to the maximum dollar limits established by the Internal Revenue Service, of their annual salary to the plan with ARMC matching the participants' contributions on a discretionary basis up to 3% of their salary. Contributions to the plan were \$760 and \$708 in 2022 and 2021, respectively.

(11) Postretirement Benefits

HP provides for postretirement benefit plans for its various groups of employees.

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December 31, 2022 and 2021

(In thousands)

Regions sponsors a defined benefit plan that provides postretirement medical and dental benefits to substantially all of Regions' employees hired prior to January 1, 1993, and retired by December 31, 2000. The plan is contributory for retirees below age 65 and noncontributory for retirees age 65 and older. In 1994, the plan was amended to eliminate subsidized coverage after age 65 for participants who retired after July 1, 1994. In 1999, the plan was amended to eliminate coverage for active employees who retired after December 31, 2000.

GHI sponsors a defined benefit plan that provides postretirement medical and dental benefits to GHI employees. As of January 1, 2006, new early retirees (ages 55 to 64) will not be allowed to purchase two single policies. Instead, they must purchase family coverage if they elect coverage for spouse or dependent. As of January 1, 2008, new nonunion early retirees (ages 55 to 64) will pay rates that are based on the actual experience of the early retiree group (i.e., retiree group rates).

PNHS extends health insurance coverage to certain union contract labor who elect to retire and begin receiving pension benefits at age 55 or older, until such time as the retiree is eligible for Medicare. PNHS also has a defined benefit postretirement health care plan covering certain former employees and spouses who satisfied certain eligibility requirements. No other employees will be included in this plan.

At December 31, 2022 and 2021, HP has recognized a liability of \$8,016 and \$9,416, respectively, in other liabilities in the accompanying consolidated balance sheets.

(12) Deferred Compensation Plan

HP offers certain employees nonqualified deferred compensation plans created in accordance with applicable provisions of the IRC. The plans permit qualifying employees to defer a portion of their salary until future years. The accumulated deferred compensation balance is not immediately available to employees until a certain criteria has been met depending on the specific deferred compensation plan.

All amounts of compensation deferred under the plans and all income attributable to those amounts (until paid or made available to the employee or other beneficiary) are solely the property and rights of HP (not restricted to the payment of benefits under the plan), subject only to the claim of general creditors. Participants' rights under the plans are equal to those of general creditors of HP in an amount equal to the fair market value of the deferred account for each participant. The related assets and liabilities are reported at fair value.

The assets for these plans at December 31, 2022 and 2021 had fair values of \$126,264 and \$143,471 respectively, and were entirely invested in Level 1 mutual funds and money market funds and are included in deferred compensation on the consolidated balance sheets. The liabilities for these plans at December 31, 2022 and 2021 were \$130,045 and \$147,562, respectively, and are included in deferred employee benefits in the consolidated balance sheets.

(13) Self-Insured Programs

HP has various self-insured programs covering professional liability, workers' compensation, and certain health and dental claims. Provisions for related losses on incurred claims are included as liabilities.

HEALTHPARTNERS, INC.

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(In thousands)

GHI, PNHS, Regions, Lakeview Health, HH, WH, HHF, Olivia, and ARMC have professional liability insurance programs providing coverage on a claims-made basis. GHI, PNHS, Regions, Lakeview Health, and Olivia have coverages that have a self-insured retention (SIR) limit of \$15,000 per occurrence in 2022 and 2021. HH, WH, HHF, and ARMC have coverages that have a limit of \$1,000 per occurrence and \$3,000 aggregate in 2022 and 2021. These coverages are purchased through Midwest Medical Insurance Company, Inc. GHI, PNHS, Regions, Lakeview Health, HH, and Olivia have purchased insurance policies with excess per claim and annual aggregate limits. GHI, PNHS, Regions, Lakeview Health, HH, and Olivia per claim limits in excess of the SIR limits are \$65,000 and \$75,000 in 2022 and 2021, respectively. WH, HHF, and ARMC are insured against losses in excess of these amounts through its participation in the mandatory Patients' Compensation Fund of the state of Wisconsin. The professional liability insurance policy is renewable annually and has been renewed by the insurance carrier for the annual period extending to February 1, 2023.

(14) Related-Party Transactions

HP has a 47.5% ownership interest in St. Francis Regions Medical Center (St. Francis) with Allina Health System and Essentia holding a 47.5% and 5.0% ownership interest, respectively, in St. Francis as well. HP's ownership interest is accounted for on the equity method and is included in other assets in the consolidated statements of financial position and in other revenue in the consolidated statements of operations and changes in net assets. At December 31, 2022 and 2021, HP's ownership interest in St. Francis was \$79,150 and \$78,932, respectively. HP's proportionate share in income of St. Francis was \$218 and \$8,800 in 2022 and 2021, respectively. At December 31, 2022 and 2021, St. Francis had total assets of \$220,689 and \$229,859 and total liabilities of \$52,818 and \$61,222, respectively (unaudited). For 2022 and 2021, St. Francis recorded total revenue of \$189,221 and \$194,015, total expenses of \$190,057 and \$175,550, and net (loss) income of (\$836) and \$18,465, respectively (unaudited).

(15) Provider Tax

The legislature of the state of Minnesota passed a law in 1992 requiring all healthcare providers to pay a tax on healthcare services they provide to patients. The funds collected from this tax help provide health insurance coverage to individuals who otherwise could not afford health insurance. In 2022 and 2021, the provider tax was 1.8%, respectively, of healthcare services, which is included within patient services revenue on the consolidated statements of operations and changes in net assets.

(16) Medical Care Surcharge

The legislature of the state of Minnesota passed a law in 1992 requiring all healthcare providers to pay a medical care surcharge. The purpose of the surcharge was to maintain the federal matching funds the state receives for the Medicaid program and to improve reimbursement to providers for Medicaid patients.

(17) Premium Tax

The legislature of the state of Minnesota passed legislation in 1992 requiring HMOs to pay 1% tax on premium revenue effective January 1, 1996. The funds collected from this tax help provide health coverage to individuals who otherwise could not afford health insurance. In 2022 and 2021, the premium tax for HMOs was 1% as determined by the State Finance Commissioner based on funds available in the Health Care Access Fund. HPIC, a subsidiary of HP, was assessed a 2% premium tax in 2022 and 2021.

HEALTHPARTNERS, INC.

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(In thousands)

(18) Minnesota Medical Assistance Program

In 2022, HP is subject to a minimum MLR of 85% with the State of Minnesota, acting through the Department of Health Services (the State), with all Medicaid products. HP has recorded a liability of \$47,128 related to this requirement in 2022. In 2020, in lieu of the MLR requirements, due to the COVID-19 pandemic, HP and other Managed Care Organizations (MCO's) in the State of Minnesota entered into an agreement with the State to establish a risk corridor surrounding an agreed-upon medical loss ratio for all Medical Assistance programs. Under terms of this agreement, the MCO's and the State have agreed to either have the MCO's return contribution if the medical loss ratio is below the risk corridor ratio or have the State provide additional contributions to the MCO's if the medical loss ratio is above the risk corridor ratio. In 2021, HP has recorded a liability related to this agreement in the amounts of \$36,673. Both MLR's and risk corridors are included in accounts payable in the consolidating balance sheets.

(19) Minnesota Capitalization Requirements

The legislature of the State of Minnesota enacted a bill (the Bill) relating to HMOs requiring, among other things, that HMOs maintain positive working capital, make certain deposits, and comply with certain net worth requirements. The Bill requires that existing HMOs maintain cash deposits equal to the greater of \$500 or 33% of their uncovered expenses in the preceding calendar year. The term "uncovered expenses" is defined as the costs of healthcare services that are covered by the HMO for which the enrollee would also be liable in the event of the organization's insolvency. The legislature of the State of Minnesota enacted a bill requiring that insurance companies maintain at least \$500 in securities as a guarantee that the obligations to policyholders will be performed. At December 31, 2022 and 2021, the depository requirements were satisfied through statutory deposits with Wells Fargo Bank Minnesota, NA.

The Bill also requires that existing HMOs and Accident and Health Insurance Companies maintain a "total adjusted capital to risk-based capital," defined as total admitted assets less total liabilities at the regulatory action level, which is greater than 150% of the risk-based capital authorized control level. On a consolidated basis, all HP-affiliated HMOs and Accident and Health Insurance Companies are in compliance with the above provisions at December 31, 2022 and 2021, respectively.

HEALTHPARTNERS, INC.

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(In thousands)

(20) Classification of Expenses

HP expenses are classified as follows:

	<u>2022</u>	<u>2021</u>
Healthcare services:		
Salaries and employee benefits	\$ 2,617,962	2,453,283
Medical claims	3,198,734	2,955,204
Supplies and other	1,208,452	1,113,398
Depreciation	149,685	148,742
Taxes and assessments	41,979	40,385
Interest	31,131	33,870
Total healthcare services	<u>7,247,943</u>	<u>6,744,882</u>
Administrative:		
Salaries and employee benefits	537,743	506,033
Supplies and other	221,454	217,919
Depreciation	37,022	36,239
Taxes and assessments	87,000	93,084
Total administrative	<u>883,219</u>	<u>853,275</u>
Total expenses	<u>\$ 8,131,162</u>	<u>7,598,157</u>

Healthcare Services includes costs incurred in providing healthcare services to both members of the Company's insurance operations as well as costs incurred in delivery care to patients in the Company's care delivery operations.

(21) Charity Care, Taxes, and Assessments

In furtherance of its charitable purpose, HP provides a variety of benefits to the community. HP maintains records to identify, measure, and estimate the cost for community service programs.

HP also conducts medical research and provides medical education programs in furtherance of its commitment to improving the healthcare available to the community.

HEALTHPARTNERS, INC.

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(In thousands)

HP also provides medical care without charge or at reduced cost to low-income community residents, primarily through: (a) the services to patients who express a willingness to pay but who are determined to be unable to pay and (b) participation in public program payments (primarily Medicare and Medicaid).

(a) Cost of Providing Charity Care (Also Referred to as Financial Assistance)

HP provides medical care without charge or at a reduced cost to residents of the communities that it serves through the provision of charity care. Policies have been established to identify charity care cases that meet certain guidelines for a patient's ability to pay for services. The cost of providing charity care is measured by applying a cost-to-charge ratio to the charges identified as charity care.

(b) Costs in Excess of Medicaid Payments

HP provides services to public enrollees (Medicaid). Such public programs typically reimburse at amounts less than cost.

The cost of charity care, community service, medical education, taxes, and assessments for the years ended December 31, 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Estimated costs in excess of public program payments:		
Medicare and Medicaid	\$ 535,408	386,141
Estimated cost of charity care	37,495	34,749
Community service	19,842	18,025
Medical education	17,031	16,637
Medical care surcharge	27,011	27,036
Premium tax	47,543	44,802
ACA taxes and assessments	753	1,185
Provider tax	76,082	75,204
Total cost of charity care, community service, medical education, taxes, and assessments	<u>\$ 761,165</u>	<u>603,779</u>

HEALTHPARTNERS, INC.

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(In thousands)

(22) Contingencies

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Government activity has increased with respect to investigations and allegations concerning possible violations of regulations by healthcare providers, which could result in the imposition of significant fines and penalties as well as significant repayments of previously billed and collected revenues for patient services. HP has a corporate compliance plan designed in accordance with federal guidelines. As a part of this plan, HP performs periodic internal reviews of its compliance with laws and regulations, and investigates and attempts to resolve and remedy reported or suspected incidents of material noncompliance with applicable laws, regulations, or policies on a timely basis. Management of HP believes that HP's compliance programs and procedures lead to substantial compliance with current laws and regulations.

HP periodically identifies potential documentation and coding compliance issues. When this occurs, HP follows up with an investigation and, where warranted, initiates disclosure, and repayment to the appropriate regulatory authorities. A provision would be made in HP's consolidated financial statements for possible fines, penalties, repayments, or adverse judgments in these matters to the extent the amount is reasonably determinable.

HP is involved in litigation and regulatory investigations and audits arising in the normal course of business. It is management's opinion that these matters will be resolved without material adverse effect on HP's consolidated balance sheet or operations and net assets.

(23) Subsequent Events

HP has evaluated all other subsequent events from the consolidated statements of financial position date through March 30, 2023, the date at which the consolidated financial statements were issued, and determined that there are no other items to disclose.



KPMG LLP
4200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Audit and Compliance Committee
HealthPartners, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the consolidated financial statements of HealthPartners, Inc., which comprise the consolidated balance sheets as of December 31, 2022, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 30, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered HealthPartners, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of HealthPartners, Inc. internal control. Accordingly, we do not express an opinion on the effectiveness of HealthPartners, Inc. internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HealthPartners, Inc.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HealthPartners, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HealthPartners, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Minneapolis, Minnesota
March 30, 2023



KPMG LLP
4200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

The Audit and Compliance Committee
HealthPartners, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited HealthPartners, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of HealthPartners, Inc.'s major federal programs for the year ended December 31, 2022. HealthPartners Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, HealthPartners, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of HealthPartners, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of HealthPartners, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to HealthPartners, Inc.'s federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on HealthPartners, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with



GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about HealthPartners, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding HealthPartners, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of HealthPartners, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of HealthPartners, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of HealthPartners, Inc. as of and for the year ended December 31, 2022, and have issued our report thereon dated March 30, 2023 which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

KPMG LLP

Minneapolis, Minnesota
September 28, 2023

HEALTHPARTNERS, INC.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance
Year ended December 31, 2022

Federal grantor/pass-through grantor/program or cluster title	Pass-through entity name	Pass-through entity identifying number	Federal Assistance Listing number	Total federal expenditures	Passed through to subrecipients
Research and Development Cluster:					
Direct Federal Funding:					
Department of Health and Human Services:					
Agency for Healthcare Research and Quality:					
Optimizing the Value of PROMs in Improving Care Delivery through Health Information Technology	N/A	N/A	93.226	\$ 296,947	—
Improving Recognition and Management of Hypertension in Youth: Comparing Approaches for Extending Effective CDS for use in a Large Rural Health System	N/A	N/A	93.226	440,150	167,841
National Science Foundation:					
SCISIPBIO: Constructing Heterogeneous Scholarly Graphs to Examine Social Capital During Mentored K Awardees Transition to Research Independence: Explicating a Matthew Mechanism	NA	NA	47.075	196,488	37,945
Eunice Kennedy Shriver National Institute of Child Health & Human Development:					
Treatment Initiation for New Episodes of Depression in Pregnant Women	NA	NA	93.865	799,716	488,203
Maternal COVID-19 Vaccination and Lactation Outcomes	NA	NA	93.865	106,437	52,720
National Institutes of Health:					
National Cancer Institute:					
Implementing Cancer Prevention Using Patient-Provider Clinical Decision Support	N/A	N/A	93.393	23,887	(3,291)
Metro-Minnesota Community Clinical Oncology Research Consortium (MMCORC)	N/A	N/A	93.399	3,165,516	—
Metro-Minnesota Community Clinical Oncology Research Consortium (MMCORC)	N/A	N/A	93.393	865,348	—
The Interplay of ENDS and Tobacco Control Policy: Impact on the Population Harms of Tobacco	N/A	N/A	93.399	115,047	27,131
National Institute on Aging:					
Hotspotting Cardiometabolic Disparities for Simulated Advances in Population Care	N/A	N/A	93.866	372,658	54,156
A Technology-Driven Intervention to Improve Early Detection and Management of Cognitive Impairment	N/A	N/A	93.866	445,166	—
Factors Associated with Healthcare Utilization Among Community-Dwelling Adults with Clinical Features of Dementia with Lewy Bodies	N/A	N/A	93.866	195,021	20,082
Development and Proof-of-Concept Trial of a Meaning and Theory-Based Physical Activity Intervention	N/A	N/A	93.866	252,148	—
A Technology-Driven Intervention to Improve Early Detection and Management of Cognitive Impairment	N/A	N/A	93.866	183,989	—
National Institute of Dental and Craniofacial Research:					
A Clinic-Randomized Trial of a Clinical Decision Support System to Improve Dental Provider Deliver of Brief Tobacco Interventions and Quitline Referrals	N/A	N/A	93.121	115,961	13,808
De-Implementing Opioid Use and Implementing Optimal Pain Management Following Dental Extractions	N/A	N/A	93.121	490,429	152,365
National Institute of Diabetes and Digestive and Kidney Disease:					
Reducing Clinical Inertia in Obesity Management of Diabetes in Primary Care: Cluster-Randomized Trial	N/A	N/A	93.847	611,232	—
A Technology-Driven Intervention to Improve Identification and Management of Chronic Kidney Disease in Primary Care	N/A	N/A	93.847	146,565	—
Reducing Clinical Inertia in Obesity Management of Diabetes in Primary Care:	N/A	N/A	93.847	36,996	—
National Heart, Lung, and Blood Institute:					
Reducing CV Risk in Prediabetes Patients Using EHR-Based Decision Support	N/A	N/A	93.837	(2,137)	(2,137)
A Team-Based and Technology Driven Adherence Intervention to Improve Chronic Disease Outcomes	N/A	N/A	93.837	494,283	—
Total Direct Funding				9,351,867	1,008,823
Indirect Federal Funding:					
Eunice Kennedy Shriver National Institute of Child Health & Human Development:					
Maternal Obesity, Milk Composition, and Infant Growth	University of Minnesota	P007776102	93.865	104,667	—
Maternal Health Care Utilization and Morbidity: The First 24 Months	University of Maine	USM22-01	93.865	27,711	—
Powered Hand Grip Orthosis for Functional Independence	Rush River Research Corporation	RRR20-HandGrip-01	93.865	12,502	—
Department of Defense- Army Medical Research Acquisition Activity:					
Minnesota Regional Spinal Cord Injury Model System	University of Minnesota	N009403601	93.433	77,182	—
National Institutes of Health:					
National Institute of Diabetes and Digestive and Kidney Diseases:					
Identifying Primary Care Practice Components Leading to Optimal Diabetes Care in Patient-Centered Medical Homes	University of Minnesota	N008464601	93.847	26,731	—
Epidemiology of Diabetes Interventions and Complications (EDIC)	Case Western Reserve University	RESS16353	93.847	83,983	—
Continuation of the Glycemia Reduction Approaches in Diabetes:					
A Comparative Effectives (GRADE) Study	The George Washington University	S-GRD1718-SC53	93.847	44,387	—
Emotional Distress in Comparative Effectiveness Trial of Diabetes Treatments (GRADE EDS)	The George Washington University	NA	93.847	77	—

HEALTHPARTNERS, INC.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Year ended December 31, 2022

Federal grantor/pass-through grantor/program or cluster title	Pass-through entity name	Pass-through entity identifying number	Federal Assistance Listing number	Total federal expenditures	Passed through to subrecipients
UroEDIC Bladder: Bladder Dysfunction in Type 1 Diabetes	University of Michigan	RES516464	93.847	\$ 17,539	—
Towards optimizing diabetes management and diagnosis by personalizing HbA1c targets	University of Cincinnati	013076-00002	93.847	6,952	—
Epidemiology of Diabetes Interventions and Complications (EDIC) Study	Case Western Reserve University	RES600202	93.847	98,426	—
National Institute of Arthritis and Musculoskeletal and Skin Diseases: BEAR-MOON: A Two Arm Noninferiority Blinded Randomized Clinical Trial: Comparing ACL Repair with BEAR Devices vs. Standard of Care Autograft Patellar Tendon ACL Reconstruction	Cleveland Clinic	1320-SUB	93.846	88,088	—
National Institute of Mental Health: Mental Health Research Network III	Kaiser Foundation Research Institute	2021444091	93.242	52,160	—
Mental Health Research Network III Digital Mindfulness Based Cognitive Therapy for Perinatal Depression	Kaiser Foundation Research Institute	2019117131	93.242	65,836	—
Mental Health Research Network III Impact and Implications of Rapid Transition to Virtual Mental Health Care during COVID-19	Kaiser Foundation Research Institute	RNG210861-HP	93.242	15,231	—
Optimizing Care to Prevent Diabetes and Promote Cardiovascular Health Among Younger Adults with Severe Mental Illness	Kaiser Foundation Research Institute	RNG211855-HP1-01	93.242	1,613	—
The National Center for Health and Justice Integration for Suicide Prevention – Signature	Michigan State University	RC114240HPI	93.242	32,113	—
The National Center for Health and Justice Integration for Suicide Prevention – Methods	Michigan State University	RC114239HPI	93.242	7,134	—
Evaluating Effectiveness and Implementation of a Risk Model for Suicide Prevention Across Health Systems	Kaiser Foundation Research Institute	OOS030617-HP1-01	93.242	29,674	—
National Institute of Neurological Disorders and Stroke: Network for Emergency Care Clinical Trials: Strategies to Innovate Emergency Care Clinical Trials Network (SIREN)-Network Clinical Center (HUB)	University of Minnesota	N005808602	93.853	5,326	—
Multi-arm Optimization of Stroke Thrombolysis (MOST) Stroke Trial	University of Cincinnati	011266-133367	93.853	10,628	—
Brain Oxygen Optimization in Severe Traumatic Brain Injury – Phase 3 (BOOST-3)	University of Michigan	SUBK11694CSPR-002	93.853	125,000	—
Fvlla for Acute hemorrhagic Stroke Administered at Earliest Time (FASTEST) Trial	University of Cincinnati	012765-133367	93.853	8,493	—
Anticoagulation in ICH Survivors for Prevention and Recovery (ASPIRE)	University of Cincinnati	012043-133367	93.853	3,000	—
National Institute of Aging: ASPIrin in Reducing the Effects on the Elderly eXTension	Hennepin Healthcare Research Institute	15233-06-03FFS	93.866	143,115	—
The Natural History of Cognitive Decline in Chronic Kidney Disease: Renal, Vascular and Alzheimer's Disease Contributions	Hennepin Healthcare Research Institute	15105-01	93.866	14,132	—
Advancing Geriatrics Infrastructure and Network Growth (AGING) Initiative	University of Massachusetts, Worcester	OSP2018110	93.866	34,006	—
NIA AD/ADRD Health Care Systems Research Collaboratory	Brown University	1385	93.866	132,733	—
Assessment of Frailty Phenotype and Functional Limitations to Improve Prediction of Subsequent Health Care Utilization in Older Community-Dwelling Adults	University of Minnesota	P008207801	93.866	42,799	—
Fracture Risk Prediction After Age 80 Years	University of Minnesota	P008517501	93.866	26,384	—
Prospective Study of the Gut Microbiome in Aging	Hennepin Healthcare Research Institute	15267-06-01FFS	93.866	6,600	—
Non-Fracture Fall Injuries and Long-Term Geriatric Consequences in Older Women and Men from a Cross-Cohort Study	University of Pittsburgh	AWD00002169 (134323-3)	93.866	366	—
AGS/AGING Learning, Educating, And Researching National Initiative Geriatrics ("LEARNING") Collaborative	American Geriatrics Society, Inc	1R25AG071488-01-HP	93.866	13,581	—
The Care Ecosystem Response to COVID-19: Accelerating Research on Dementia Care that Meets the Needs of Caregivers and Persons with Dementia during COVID-19	Regents of the University of California, San Francisco	13680SC	93.866	178,518	—
NIA AD/ADRD Health Care Systems Research Collaboratory	Brown University	X2111700UM	93.866	100,815	—
Virtual Reality Cognitive Therapy for Alzheimer's Disease	Claritytek Inc.	N/A	93.866	3,719	—
Calculator for Length of Use of Bisphosphonates (CLUB)	Augusta University Research	37845-4	93.866	15,167	—
National Institute on Drug Abuse: Suicide Prediction and Prevention for People at Risk for Opioid Use Disorder	Hennepin Healthcare Research Institute	15277-1	93.279	190,944	—
NorthStar Node of the Clinical Trials Network Reducing Stigma Toward People with Opioid Use Disorder Among Primary Care Clinicians	Hennepin Healthcare Research Institute	15280-1	93.279	43,955	—
NorthStar Node of the Clinical Trials Network	Hennepin Healthcare Research Institute	15258-1	93.279	890,692	—
NorthStar Node of the Clinical Trials Network	Hennepin Healthcare Research Institute	15249-04	93.279	17,667	—
National Institute of Dental and Craniofacial Research: National Dental PBRN COVID-19 Research (CORE) Registry	University of Alabama Birmingham	000521323-SC0007	93.121	(50)	—
The National Dental PBRN Administrative and Resource Center	University of Alabama Birmingham	000521323-SC0007	93.121	405,100	—
The National Dental PBRN Administrative and Resource Center	University of Alabama Birmingham	000521323-SC032	93.121	1,868	—
The National Dental PBRN Administrative and Resource Center	University of Alabama Birmingham	000521323-SC002	93.121	3,657	—
The National Dental PBRN Administrative and Resource Center	University of Alabama Birmingham	000521323-SC022	93.121	36,853	—
The National Dental PBRN Administrative and Resource Center	University of Alabama Birmingham	000521323-SC022	93.121	10,301	—
Implementing Dental Quality Measures in Practice	University of Texas Houston	SA002219	93.121	133,943	—
Randomized Trial of non-Surgical Therapy and Oral Hygiene Instruction to Reduce Risk of Infective Endocarditis	The Charlotte-Mecklenburg Hospital Authority d/b/a Atrium Health	13100310395 (A22-0011-S005)	93.121	16,470	—
Pediatric Adverse Event Risk Reduction for High Risk Medications in Children and Adolescents: Improving Pediatric Patient Safety in Dental Practices	University of Pittsburgh	AWD00006223 (138754-1)	93.121	4,061	—
Sex/Gender Influences on periodontal disease and diabetes: A population science approach, with software	Virginia Commonwealth University	FP00016691_SA001	93.121	6,820	—
A dental implant registry of treatment outcomes of implant therapy by practitioners in the National Dental Practice Based Research Network	University of Alabama Birmingham	N/A	93.121	43,486	—

HEALTHPARTNERS, INC.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance
Year ended December 31, 2022

Federal grantor/pass-through grantor/program or cluster title	Pass-through entity name	Pass-through entity identifying number	Federal Assistance Listing number	Total federal expenditures	Passed through to subrecipients
Effectiveness of Nicotine Replacement Therapy Sampling in Dental Practices	Hennepin Healthcare Research Institute	15429-6	93.121	\$ 14,875	—
The Effectiveness of Nicotine Replacement Therapy Sampling in Dental Practices	University of Alabama Birmingham	000529761-SC001	93.121	9,253	—
National Cancer Institute:					
Leveraging machine learning to improve risk prediction for chemotherapy induced neuropathy	Kaiser Foundation Research Institute	RNG210725-HPI	93.393	7,153	—
A New Prospective U.S. Cohort set within the Health Care System Institutions to Study Cancer	Henry Ford Health System	B30049HPI	93.RD	108,306	—
A New Prospective U.S. Cohort set within the Health Care System Institutions to Study Cancer	Henry Ford Health System	B30049HPI	93.RD	1,270,580	—
A Survey of Cannabis and Cannabidiol in Patients with Cancer in the State of Minnesota to Assess Prevalence, Utilization Patterns, Efficacy and Safety	University of Minnesota	P009038701	93.397	26,478	—
Implementing Universal Lynch Syndrome Screening across Multiple HealthCare Systems: Identifying Strategies to Facilitate and Maintain Programs in Different Organizational Contexts	Geisinger Clinic	646018HPI04	93.353	15,326	—
Wake Forest NCORP Resarch Base	Wake Forest University Health Services	363-32491-11000001232	93.279	15,000	—
National Heart, Lung, and Blood Institute:					
CV Wizard: Does a Prioritized, Point-of-Care Clinical Decision Support Tool Improve Guideline-Based CVD Risk Factor Control in Safety Net Clinics?	Kaiser Foundation Research Institute	OOS030182-HealthPartners	93.837	31,515	—
CV Wizard: Does a Prioritized, Point-of-Care Clinical Decision Support Tool Improve Guideline-Based CVD Risk Factor Control in Safety Net Clinics?	Kaiser Foundation Research Institute	OOS030182-HealthPartners	93.837	1,990	—
Comprehensive Proteomic Classifier for the Molecular Characterization of Pulmonary Sarcoidosis	University of Minnesota	N009035502	93.838	38,320	—
1/2, Clinical Coordinating Center for the Long-term Effectiveness of the Anti-obesity medication Phentermine: the Anti-obesity medication Phentermine: the LEAP Trial	Wake Forest University Health Services	1005-45116-11000000282	93.837	89,408	—
Home Blood Pressure Outcomes Evaluation Study (HOMESTEAD)	University of Minnesota	N009710501	93.837	7,419	—
Mechanistic Effects of Health Coaching to reduce COPD Hospitalizations	Mayo Clinic	HEA-271691/PO #67492192	93.838	685	—
Genetic Epidemiology of COPD	National Jewish Health	20073315	93.838	291,914	—
Home Based Rehabilitation for COPD	Mayo Clinic	HEA-238553-02	93.838	128,719	—
Increasing Adherence to Pulmonary Rehabilitation after COPD-related Hospitalizations	Mayo Clinic	HEA_247080/PO #67814876	93.838	104,612	—
1/2 ICECAP: Influence of Cooling duration on Efficacy in Cardiac Arrest Patients	University of Michigan	SUBK00012874-00	93.837	58,500	—
1/2, Clinical Coordinating Center for the Long-term Effectiveness of the Anti-obesity medication Phentermine: the LEAP Trial	University of Minnesota	1005-45116-11000001225	93.837	81,382	—
Office of the Director, National Institutes of Health:					
Trans-America Consortium of the Health Care Systems Research Network for the All of Us Research Program	Henry Ford Health System	B11170HPI	93.310	1,081,153	—
National Institute of Child Health and Human Development:					
Early Environmental Stressors for Emerging Cardiometabolic Risk	University of Minnesota	N007186301	93.865	12,548	(3,790)
Centers for Disease Control and Prevention:					
The Harvard TH Chan School of Public Health Center for Work, Health and Wellbeing	Harvard School of Public Health	115034-5119374	93.262	8,870	—
Clinical Trials Strategy Action Project	Minnesota Department of Health	186830	93.898	4,007	—
Iowa: CBDPR: Component A BD Steps II Core	University of Iowa	S00441-01	93.073	18,163	—
Total Indirect Funding				6,888,333	(3,790)
Total Research and Development Cluster				16,240,200	1,005,033
Other Programs:					
Direct Federal Funding:					
United States Agency for International Development (USAID):					
Connect Cooperative Development Project	N/A	N/A	98.002	1,444,532	—
Total Other Programs (Direct)				1,444,532	—

HEALTHPARTNERS, INC.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance
Year ended December 31, 2022

Federal grantor/pass-through grantor/program or cluster title	Pass-through entity name	Pass-through entity identifying number	Federal Assistance Listing number	Total federal expenditures	Passed through to subrecipients
Other Programs:					
Indirect Federal Funding:					
Health Resources and Services Administration:					
Primary Care	Hennepin County Medical Center	HS00000524	93.914	\$ 148,699	—
Medical Case Management	Hennepin County Medical Center	HS00000524	93.914	292,825	—
Total for ALN 93.914 HIV Emergency Relief Project Grants				441,524	—
Transportation	Hennepin County Medical Center	HS00000543	93.917	12,190	—
Administration	Hennepin County Medical Center	HS00000543	93.917	22,353	—
Total for ALN 93.917 HIV Care Formula Grants				34,543	—
Department of Defense-Army Medical Research Acq. Activity:					
Beta-Blockers for the Prevention of Acute Exacerbations of COPD	University of Alabama Birmingham	000507860-SC010	12.420	66,000	—
Surgical Timing and Rehabilitation (Star) for Multiple Ligament Knee Injuries (MLK)s: A Multicenter Integrated Clinical Trial	University of Pittsburgh	0056686 (413614-1)	12.420	17,800	—
Novel Strategies to Combat Post-Traumatic Osteoarthritis (PTOA)	Palo Alto Veterans Institute for Research	62332239-156499	12.420	101,107	2,079
Total for ALN 12.420 Military Medical Research and Development				184,907	2,079
EPA Programs Funding:					
Environmental Protection Agency:					
Testing the Dissemination of Fish Consumption Information	Minnesota Department of Health	197550	66.469	85,527	—
Total for ALN 66.469 Great Lakes Program				85,527	—
United States Department of Agriculture					
INFEWS/T1: Sustainable Urban Food (SUrF) Actions for environment, health, equity & resilience at the FEW Nexus): linking distributed urban agriculture, new technologies & behavioral nudges					
Total for ALN 10.310 Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers and Veteran Farmers and Ranchers	University of Minnesota	0002144282	10.310	66,421	—
				66,421	—
U.S. Department of Health & Human Services					
CARES Funding-Uninsured Relief Fund					
Total for ALN 93.461 COVID-19 Claims Reimbursement to Health Care Providers and Facilities for Testing, Treatment, and Vaccine Administration for the Uninsured	Health Resources and Services Administration (HRSA)	N/A	93.461	777,458	—
				777,458	—
CARES Funding-CARES Act PRF					
Total for ALN 93.498 COVID-19 Provider Relief Fund	Health Resources and Services Administration (HRSA)	N/A	93.498	6,896,416	—
				6,896,416	—
American Rescue Plan Funds for COVID-19 Testing and Mitigation					
Total for ALN 93.155 Rural Health Research Centers	Minnesota Department of Health	N/A	93.155	93,522	—
				93,522	—
Center for Disease Control & Prevention					
Midwest Center for Occupational Health and Safety Training Grant					
Total for ALN 93.262 Occupational Safety and Health Program	University of Minnesota	P009439001	93.262	259,247	—
				259,247	—
CDC Crisis Reponse Cooperative Agreement: COVID-19 Public Health workforces Supplemental Funding					
Total for ALN 93.354 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	Minnesota Department of Health	N/A	93.354	64,775	—
				64,775	—
Small Rural Hospital Improvement Program (SHIP)					
Total for ALN 93.301 Small Rural Hospital Improvement Grant Program	Minnesota Department of Health	N/A	93.301	244,084	—
				244,084	—
United States Department of Treasury					
City of Savage Youth Mental Health & Well Being					
Total for ALN 21.027 Coronavirus State and Local Fiscal Recovery Funds	City of Savage, Minnesota	SV4VDKN2V446	21.027	62,104	—
				62,104	—
Federal Communications Commission					
COVID-19 Telehealth Program					
Total for ALN 32.006 COVID-19 Telehealth Program	N/A	N/A	32.006	949,047	—
				949,047	—
Health Resources and Services Administration					
Rural Health Clinic COVID-19 Testing and Mitigation Program					
Total for ALN 93.697 Rural Health Clinic COVID-19 Testing Program		N/A	93.967	300,000	—
				300,000	—
Rural Health Clinic Vaccine Confidence Program					
Rural Health Clinic Vaccine Confidence Program	N/A	N/A	93.912	29,849	—
Rural Health Clinic Vaccine Confidence Program	N/A	N/A	93.912	148,587	—
Total for ALN 93.912 Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement				178,436	—
Total Other Programs				10,638,011	2,079
Total Expenditures of Federal Awards				\$ 28,322,743	1,007,112

See accompanying independent auditors' report and notes to the schedule of expenditures of federal awards.

HEALTHPARTNERS INC.

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2022

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes all federal award activity of HealthPartners, Inc. and its subsidiaries (HealthPartners, Inc.) under programs of the federal government for the year ended December 31, 2022.

The Schedule is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

(2) Indirect Cost Rates

Expenditures for federal programs are recognized using the costs accounting principles contained in the Uniform Guidance, *Cost Principles for NonProfit Organizations (2 CFR part 230)*. Under those cost principles, certain types of expenditures are not allowed or are limited as to reimbursement. Expenditures include a portion of costs associated with HealthPartners Institute activities (facilities and administrative costs or indirect costs), which are allocated to federal awards under negotiated formulas commonly referred to as facilities and administrative cost rates. HealthPartners Institute has negotiated Facilities and Administration rates from the Division of Cost Allocation and has elected not to use the 10% de minimis indirect cost rate as described in the Uniform Guidance. Other entities within HealthPartners, Inc. do not maintain a negotiated Facilities and Administration rates from the Division of Cost Allocation and have elected not to use the 10% de minimis indirect cost rate as described in the Uniform Guidance.

(3) COVID-19 Provider Relief Fund

The Provider Relief Fund (PRF) program is administered by the Health Resources and Services Administration to support eligible providers during the COVID-19 pandemic and was approved for funding originally under the Coronavirus Aid, Relief and Economic Securities Act. Funds were provided to eligible providers to support healthcare related expenses or lost revenues attributable to the Coronavirus without application but rather with terms and conditions. These terms and conditions required acceptance through an online portal or the funds were to be returned. HealthPartners, Inc. accepted the terms and conditions.

HEALTHPARTNERS INC.

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2022

The accompanying schedule of expenditures of Federal awards includes PRF for Reporting Period 3 (defined as payments received between January 1, 2021 and June 30, 2021) and Reporting Period 4 (defined as payments received between July 1, 2021 and December 31, 2021). The Tax Identification Number (TIN) for HealthPartners, Inc. entities that received PRF funds for Reporting Periods 3 and 4 are as follows:

Legal Entity	TIN
Group Health Plan, Inc. (HPMG)	41-0797853
Regions Hospital	41-0956618
Amery Regional Medical Center, Inc.	39-0908320
Hudson Hospital, Inc.	39-0804125
Westfields Hospital, Inc.	39-0808442
Lakeview Memorial Hospital Association, Inc.	41-0811697
Stillwater Medical Group	83-0379473
Hutchinson Health	84-1715908
HealthPartners RC	84-4261122
Physicians Neck & Back Clinics	27-0684883
Capital View Transitional Care Center	41-2011453
Park Nicollet Methodist Hospital	41-0132080
Park Nicollet Clinic	41-0834920
Park Nicollet Health Care Products	01-0638901
Tria Orthopaedic Center, LLC	20-0034003
Renville County Hospitals & Clinics	41-6005880

HEALTHPARTNERS INC.
Schedule of Findings and Questioned Costs
Year ended December 31, 2022

(1) Summary of Auditors' Results

- a. Type of report issued on whether the consolidated financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- b. Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- c. Noncompliance material to the financial statements: **No**
- d. Internal control deficiencies over major program disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- e. Type of report issued on compliance for major programs: **Unmodified**
- f. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- g. Major program:
 - R&D Cluster – Various ALN
 - COVID-19 Telehealth Program – ALN 32.006
 - COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution – ALN 93.498
- h. Dollar threshold used to distinguish between Type A and Type B programs: **\$849,682**
- i. Auditee qualified as a low-risk auditee: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

None