KAISER FOUNDATION HEALTH PLAN, INC., KAISER FOUNDATION HOSPITALS AND EACH OF THEIR SUBSIDIARIES AND AFFILIATES

Combined Financial Statements and
Additional Information

For the six months ended June 30, 2024 and 2023

(Unaudited)

**KAISER FOUNDATION HEALTH PLAN, INC.,
KAISER FOUNDATION HOSPITALS AND
EACH OF THEIR SUBSIDIARIES AND AFFILIATES**

Table of Contents

KAISER FOUNDATION HEALTH PLAN, INC.,
KAISER FOUNDATION HOSPITALS AND
EACH OF THEIR SUBSIDIARIES AND AFFILIATES

Combined Balance Sheets

June 30, 2024 and December 31, 2023

(In millions)

Assets	**2024**	**2023**
Current assets:		
Cash and cash equivalents	$ 1,753	$ 1,247
Current investments	9,355	8,970
Securities lending collateral	2,064	1,303
Broker receivables	297	425
Due from associated medical groups	37	392
Accounts receivable – net	6,129	4,378
Inventories – net and other current assets	2,481	2,383
Total current assets	22,116	19,098
Noncurrent investments	51,997	44,085
Land, buildings, equipment, and software – net	32,824	30,847
Pension and other retirement benefits asset	6,338	5,713
Operating lease right-of-use assets	1,266	1,225
Other long-term assets	2,359	1,454
Total assets	$ 116,900	$ 102,422

Liabilities and Net Worth	**2024**	**2023**
Current liabilities:		
Accounts payable and accrued expenses	$ 6,987	$ 6,234
Medical claims payable	3,575	3,184
Due to associated medical groups	1,535	1,070
Payroll and related charges	2,849	2,591
Securities lending payable	2,064	1,303
Broker payables	477	482
Other current debt	401	385
Other current liabilities	3,611	3,428
Total current liabilities	21,499	18,677
Long-term debt	12,041	10,567
Physicians’ retirement plan liability	9,734	9,413
Operating lease liabilities	1,046	1,017
Other long-term liabilities	3,900	3,220
Total liabilities	48,220	42,894
Net worth	68,680	59,528
Total liabilities and net worth	$ 116,900	$ 102,422

See accompanying notes to combined financial statements.

KAISER FOUNDATION HEALTH PLAN, INC.,
KAISER FOUNDATION HOSPITALS AND
EACH OF THEIR SUBSIDIARIES AND AFFILIATES

Combined Statements of Operations and Changes in Net Worth

Six months ended June 30, 2024 and 2023

(In millions)

		2024		2023
Revenues:				
Members' dues	$	36,867	$	32,181
Medicare		14,373		13,411
Copays, deductibles, and other		5,221		4,797
Total operating revenues		56,461		50,389
Expenses:				
Medical services		26,237		24,613
Hospital services		15,095		13,284
Outpatient pharmacy and optical services		6,507		5,525
Other benefit costs		4,238		3,803
Total medical and hospital services		52,077		47,225
Health Plan administration		2,541		2,190
Total operating expenses		54,618		49,415
Operating income		1,843		974
Other income and expense:				
Investment income – net		2,217		1,452
Interest expense and other income (expense) – net		769		861
Gain from acquisition		4,629		—
Total other income and expense		7,615		2,313
Net income		9,458		3,287
Change in pension and other retirement plans		(50)		(93)
Change in net unrealized gains on investments		(416)		22
Other		160		(5)
Change in net worth		9,152		3,211
Net worth at beginning of year		59,528		58,921
Net worth at end of period	$	68,680	$	62,132

See accompanying notes to combined financial statements.

KAISER FOUNDATION HEALTH PLAN, INC.,
KAISER FOUNDATION HOSPITALS AND
EACH OF THEIR SUBSIDIARIES AND AFFILIATES

Combined Statements of Operations and Changes in Net Worth

Three months ended June 30, 2024 and 2023

(In millions)

	2024	2023
Revenues:		
Members' dues	$ 18,865	$ 16,041
Medicare	7,317	6,699
Copays, deductibles, and other	2,877	2,425
Total operating revenues	29,059	25,165
Expenses:		
Medical services	13,187	12,300
Hospital services	7,982	6,431
Outpatient pharmacy and optical services	3,489	2,766
Other benefit costs	2,229	1,854
Total medical and hospital services	26,887	23,351
Health Plan administration	1,264	1,073
Total operating expenses	28,151	24,424
Operating income	908	741
Other income and expense:		
Investment income – net	774	912
Interest expense and other income (expense) – net	401	426
Gain from acquisition	12	—
Total other income and expense	1,187	1,338
Net income	2,095	2,079
Change in pension and other retirement plans	(27)	(41)
Change in net unrealized gains on investments	(119)	(186)
Other	(6)	(4)
Change in net worth	1,943	1,848
Net worth at beginning of quarter	66,737	60,284
Net worth at end of quarter	$ 68,680	$ 62,132

See accompanying notes to combined financial statements.

KAISER FOUNDATION HEALTH PLAN, INC.,

KAISER FOUNDATION HOSPITALS AND

EACH OF THEIR SUBSIDIARIES AND AFFILIATES

Combined Statements of Cash Flows

Six months ended June 30, 2024 and 2023

(In millions)

	2024	2023
Cash flows from operating activities:		
Net income	$ 9,458	$ 3,287
Adjustments to reconcile net income to net cash provided by by operating activities:		
Depreciation and software amortization	1,532	1,460
Other amortization	32	14
Gain recognized on investments – net	(1,657)	(832)
Gain from acquisition	(4,629)	—
Loss on land, buildings, equipment, and software – net	14	18
Releases of restricted donations	(14)	(6)
Changes in assets and liabilities:		
Accounts receivable – net	(775)	(93)
Due from associated medical groups	355	(42)
Other assets	32	182
Accounts payable and accrued expenses	495	295
Medical claims payable	77	365
Due to associated medical groups	468	373
Payroll and related charges	(81)	(189)
Medicare payments received in advance	—	2,182
Pension and other retirement liabilities	(672)	(279)
Physicians' retirement plan liability	321	278
Other liabilities	(47)	194
Net cash provided by operating activities	4,909	7,207
Cash flows from investing activities:		
Additions to land, buildings, equipment, and software	(1,697)	(1,754)
Proceeds from investments	16,808	12,304
Investment purchases	(20,261)	(16,903)
Increase in securities lending collateral	(761)	(331)
Broker receivables / payables	123	(223)
Issuance of notes receivable	(4)	(6)
Prepayment and repayment of notes receivable	43	37
Cash from acquisition	587	—
Other investing	25	(151)
Net cash used in investing activities	(5,137)	(7,027)
Cash flows from financing activities:		
Issuance of debt	242	141
Prepayment and repayment of debt	(262)	(151)
Increase in securities lending payable	761	331
Other financing	(7)	(3)
Net cash provided by financing activities	734	318
Net change in cash and cash equivalents	506	498
Cash and cash equivalents at beginning of year	1,247	718
Cash and cash equivalents at end of period	$ 1,753	$ 1,216
Supplemental cash flows disclosure:		
Cash paid for interest – net of capitalized amounts	$ 195	$ 170

See accompanying notes to combined financial statements.

(1) Description of Business

The accompanying combined financial statements include Kaiser Foundation Health Plan, Inc. and consolidated subsidiaries and affiliates (Health Plans) and Kaiser Foundation Hospitals and consolidated subsidiaries and affiliates (Hospitals) (collectively referred to herein as Health Plans and Hospitals). Health Plans and Hospitals is primarily comprised of not-for-profit corporations whose capital is available for charitable, educational, research, and related purposes.

Health Plans is primarily comprised of health maintenance organizations that are generally exempt from federal and state income taxes. At both June 30, 2024 and December 31, 2023, membership was 12.5 million. At June 30, 2024 and December 31, 2023, the percentage of enrolled membership in California was approximately 75% and 74%, respectively. The principal operating subsidiaries of Kaiser Foundation Health Plan, Inc. (Health Plan, Inc.) are:

Kaiser Foundation Health Plan of Colorado

Kaiser Foundation Health Plan of Georgia, Inc.

Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.

Kaiser Foundation Health Plan of the Northwest

Kaiser Foundation Health Plan of Washington

Independent Medical Groups (Medical Groups) cooperate with Health Plans and Kaiser Foundation Hospitals in conducting the Kaiser Permanente Medical Care Program. Health Plans contracts with Kaiser Foundation Hospitals and the Medical Groups to provide or arrange hospital and medical services for members. Kaiser Foundation Hospitals also contracts with the Medical Groups for certain professional services. Contract payments to the Medical Groups represent a substantial portion of the expenses for medical services reported in these combined financial statements. Payments from Health Plans and Kaiser Foundation Hospitals constitute substantially all of the revenues for the Medical Groups. Because the Medical Groups are independent and not controlled by Health Plans and Kaiser Foundation Hospitals, their financial statements are not combined or consolidated with Health Plans and Hospitals.

Risant Health, Inc., a consolidated affiliate of Kaiser Foundation Hospitals, is a not-for-profit organization that exists to expand and accelerate the adoption of value-based care in diverse, multi-payer, multi-provider, and community-based health system environments. On March 31, 2024, Geisinger Health and its subsidiaries (Geisinger) became the first health system to join Risant Health, Inc. (together referred to as Risant Health) and in June 2024 a definitive agreement was entered into for The Moses H. Cone Memorial Hospital and its affiliates (collectively referred to as Cone Health) to become the next health system to join Risant Health, Inc. as described in the *Acquisition of Geisinger and Cone Health Agreement* footnote. At June 30, 2024, membership for health systems within Risant Health was 0.6 million.

At both June 30, 2024 and December 31, 2023, the percentage of Health Plans and Kaiser Foundation Hospitals' total labor force covered under collective bargaining agreements was approximately 73%. At

June 30, 2024, approximately 3% of the workforce was covered under collective bargaining agreements that were scheduled to expire within one year. At June 30, 2024, approximately 1% of the workforce was under an expired agreement, and approximately 1% of the workforce was organizing and negotiating an agreement.

Health Plans and Hospitals strives to improve the health and welfare of the communities it serves through its Community Benefit investment programs. Community Benefit expenditures provide funding for programs that serve communities through research, community-based health partnerships, the provision of charity care to low-income patients, direct health coverage for low-income families, and collaboration with community clinics, health departments, and public hospitals.

Cost-based methods are used to account for losses incurred under the care and coverage by members and patient types qualifying for treatment as Community Benefit. Assigned members and patients must first prove eligibility based upon family income relative to the Federal Poverty Guidelines. Certain Community Benefit costs are determined using the out-of-pocket costs directly billed to patients or a cost-to-charge ratio applied to uncompensated charges associated with care provided to these patients.

For the year ended December 31, 2023, Community Benefit expenditures (at cost, net of approximately $6.7 billion of related revenues) were $3.1 billion, representing 3.1% of operating revenues.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

These financial statements are presented on a combined basis due to the operational interdependence of Health Plan, Inc. and Kaiser Foundation Hospitals and because their governing boards and management consist of substantially the same individuals. These combined financial statements have been prepared in accordance with GAAP. All material intercompany balances and transactions have been eliminated. Management has evaluated subsequent events through August 14, 2024, which is the date that these combined financial statements were issued.

(b) Cash and Cash Equivalents

Cash and cash equivalents include interest-bearing deposits purchased with an original or remaining maturity of three months or less. Cash and cash equivalents held by outside investment managers are classified as investments. Cash, cash equivalents, and investments that are restricted per contractual or regulatory requirements are classified as noncurrent investments.

(c) Investments

Investments including equity, U.S. Treasury, government agencies, money market funds, and other marketable debt securities are reported at fair value. Investments are categorized as current assets if they are designated to be available to satisfy current liabilities. Alternative investments are reported under the equity method. Certain investments are illiquid and are valued based on the most current information available. Impairment and recognized gains and losses, which are recorded on the specific identification basis, and interest, dividend income, and income from equity method alternative investments are included in investment income – net. Health Plans and Hospitals, excluding Risant Health, has designated a portion of its investments for the physicians' retirement plan liability related to defined retirement benefits provided for physicians associated with certain Medical Groups. These investments are unrestricted assets of Health Plans and Hospitals, excluding Risant Health. A portion of investment income that represents the expected return on the investments designated for the physicians' retirement plan has been recorded as a reduction in the provision for physicians' retirement plan benefits within interest expense and other income (expense) – net and is excluded from investment income – net, as described in the *Physicians' Retirement Plan* note.

Investments are regularly reviewed for impairment and a charge is recognized when the fair value is below cost basis. In its review of assets for impairment, management generally follows these guidelines:

- Substantially all investments are managed by outside investment managers who do not need Health Plans and Hospitals management preapproval for sales; therefore, substantially all declines in value below cost are recognized as impairment. Changes in estimated value for equity method alternative investments and equity investments that do not result in consolidation, are recognized in investment income – net. Therefore, these investments do not typically require impairment.
- For other securities, losses are recognized for known matters, such as bankruptcies, regardless of ownership period, and investments that have been continuously below book value for an extended period of time are evaluated for impairment.

All other unrealized losses and all unrealized gains on fixed income securities are included as changes in net worth.

Interest income is calculated under the effective interest method and included in investment income – net. Dividends are included in investment income – net on the ex-dividend date, which immediately follows the record date.

Health Plans and Hospitals investment transactions are recorded on a trade date basis.

(d) Securities Lending Collateral and Payable

Health Plans and Hospitals enters into securities lending agreements whereby certain securities from its portfolios are loaned to other institutions. Securities lent under such agreements remain in the portfolios of Health Plans and Hospitals. Health Plans and Hospitals receives a fee from the borrower under these agreements, which is recognized ratably over the period that the securities are lent. Collateral, primarily cash, is required at a rate of 102% of the fair value of securities lent and is carried as securities lending collateral. The obligation of Health Plans and Hospitals to return the cash collateral is carried as securities lending payable. The fair value of securities lending collateral is determined using level 1 or 2 inputs as appropriate, as defined in the *Summary of Significant Accounting Policies – Fair Value Estimates* note. The fair value of the loaned securities is monitored on a daily basis, with additional collateral obtained or refunded as the fair value of the loaned securities fluctuates.

(e) Broker Receivables and Payables

Broker receivables and payables represent current amounts for unsettled securities sales or purchases.

(f) Accounts Receivable – Net

Accounts receivable – net are comprised of members' dues, Medicare receivables, patient receivables, and other receivables.

(g) Inventories – Net

Inventories – net are carried at the lower of cost (generally first-in, first-out, or average price) or net realizable value.

(h) Land, Buildings, Equipment, and Software – Net

Land, buildings, equipment, and software – net are stated at cost less accumulated depreciation and amortization. Software, which includes internal and external costs incurred in developing or obtaining computer software for internal use, is capitalized. Qualifying costs incurred during the application development stage are capitalized. Interest is capitalized on facilities construction and internally developed software work in progress and is added to the cost of the underlying asset.

Depreciation and amortization begin when the project is substantially complete and ready for its intended use. Software is amortized on a straight-line basis over the estimated useful lives, generally ranging from three to seven years. Buildings and equipment are depreciated on a straight-line basis over the estimated useful lives of the various classes of assets, generally ranging from 3 to 40 years.

Management evaluates alternatives for delivering services that may affect the current and future utilization of existing and planned assets and could result in an adjustment to the carrying values or remaining lives of such land, buildings, equipment, and software in the future. Management evaluates and records impairment losses or adjusts remaining lives, where applicable, based on expected utilization, projected cash flows, and recoverable values.

Maintenance and repairs are expensed as incurred. Major improvements that increase the estimated useful life of an asset are capitalized. Upon the sale or retirement of assets, recorded cost and related accumulated depreciation are removed from the accounts, and any gain or loss on disposal is reflected in operations.

Management estimates the fair value of asset retirement obligations that are conditional on a future event if the amount can be reasonably estimated. Estimates are developed through the identification of applicable legal requirements, identification of specific conditions requiring incremental cost at time of asset disposal, estimation of costs to remediate conditions, and estimation of remaining useful lives or date of asset disposal.

(i) Medical Claims Payable

The cost of health care services is recognized in the period in which services are incurred. Medical claims payable consists of unpaid health care expenses to third party providers, which include an estimate of the cost of services provided to Health Plans' and Risant Health's members by the third party providers that have been incurred but not reported. The estimate for incurred but not reported claims is based on actuarial projections of costs using historical paid claims and other relevant data. Estimates are monitored and reviewed and, as claim payments are received, adjudicated, and paid, estimates are revised and are reflected in current operations. Such estimates are subject to actual utilization of medical services, changes in membership and product mix, claim submission and processing patterns, medical inflation, and other relevant factors. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided.

(j) Due to Associated Medical Groups

Due to associated medical groups consists primarily of unpaid medical expenses owed to the Medical Groups for medical services provided to members under medical services agreements with Health Plans. The cost of medical services is recognized by Health Plans in the period in which services are provided and is reflected as a component of medical and hospital services expenses.

(k) Self-Insured Risks

Costs associated with self-insured risks, primarily for professional, general, and workers' compensation liabilities, are charged to operations based upon actual and estimated claims. The portion estimated to be paid during the next year is included in current liabilities. The estimate for incurred but not reported self-insured claims is based on actuarial projections of costs using historical claims and other relevant data. Estimates are monitored and reviewed and, as settlements are made or estimates are revised, adjustments are reflected in current operations. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate payments for self-insured claims are dependent on future developments, management is of the opinion that the reserve for self-insured risks is adequate. Insurance coverage, in excess of the per occurrence self-insured retention, has been secured with insurers or reinsurers for specified amounts for professional, general, and workers' compensation liabilities. The limit and scope of the self-insured layer and the amounts of excess insurance purchased are reviewed each year, subject to management's analysis of actuarial loss projections and the price and availability of acceptable commercial insurance.

(l) Premium Deficiency Reserves

Premium deficiency reserves and the related expense are recognized when it is probable that expected future health care and maintenance costs under a group of existing contracts will exceed anticipated future premiums over the contract period. If applicable, premium deficiency reserves extending beyond one year are shown as a long-term liability. Expected investment income and interest expense are included in the calculation of premium deficiency reserves, as appropriate. The level at which contracts are grouped for evaluation purposes is generally by geographic region. The methods for making such estimates and for establishing the resulting reserves are reviewed and estimates are periodically updated, and any resulting adjustments are reflected in current operations. Given the inherent variability of such estimates, the actual liability could differ from the calculated amount. At June 30, 2024 and December 31, 2023, premium deficiency reserves were not material.

(m) Derivative Financial Instruments

Derivative financial instruments are utilized primarily to manage the interest costs and the risk associated with changing interest rates. Health Plans and Hospitals enters into interest rate swaps with investment or commercial banks with significant experience with such instruments. The changes in the fair value of these derivative instruments are included in investment income – net and settlement costs are recorded as interest expense or investment income – net.

Derivative financial instruments are utilized by Health Plans and Hospitals' investment portfolio managers. These instruments include futures, forwards, options, and swaps. The changes in fair value for these derivative financial instruments are included in investment income – net.

(n) Revenue Recognition

Revenues from contracts with customers include revenues from the following categories: members' dues, Medicare, copays, deductibles, and other revenues. Health Plans and Hospitals recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which Health Plans and Hospitals expects to be entitled in exchange for those goods or services. At contract inception, Health Plans and Hospitals assesses the promised goods or services in the contract and identifies the performance obligation for each promise to transfer a good or service (or bundle of goods or services) that is distinct. Revenue is recognized when performance obligations are satisfied by transferring control of the good or service provided. For the majority of Health Plans and Hospitals operations, the primary performance obligation is to provide access to health care services.

The consideration received for goods and services may include variable components. Variable consideration is included in the transaction price to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Members' Dues

Members' dues generally include amounts received from employer groups, individuals, and government entities. The service promised is access to health care services for a typical term of one year. Members' dues are generally based on a prepaid fee and billed on a monthly, fixed, per member per month basis. On June 30, 2022, California passed Assembly Bill (AB) 2724 allowing Health Plan, Inc. to contract directly with the Department of Health Care Services (DHCS) to serve Medi-Cal members in additional counties starting in 2024. The direct contract reduces administrative complexity and is intended to improve the members' experience, especially upon enrollment. The Medi-Cal direct contract with DHCS was effective January 1, 2024, in 32 counties in California where commercial coverage is offered. The per member per month capitation amounts associated with the contract are included within members' dues.

Significant variable consideration includes the following:

- *Commercial Risk Adjustment:* Health Plans participates in certain contracts with commercial large group plan sponsors that include provision for risk adjustment of members' dues based on comparative data provided by Health Plans as well as other health plan vendors participating in these same arrangements. Settlements are typically calculated and paid according to the contract provisions and final settlements are made after the contract terms expire. For the six months ended June 30, 2024 and 2023, dues subject to these risk adjustment arrangements comprise 1.6% and 2.7%, respectively, of total members' dues. For the six months ended June 30, 2024 and 2023, $23 million and $(1) million, respectively, have been recorded as reductions (additions) to revenue for these risk adjustment arrangements.

- *Affordable Care Act (ACA) Risk Adjustment Program:* The ACA Risk Adjustment Program provides for retrospective adjustment of revenue for non-grandfathered individual and small group market plans, whether inside or outside ACA exchanges. The ACA Risk Adjustment Program is designed such that payments to plans with higher relative risk are funded by transfers from plans with lower relative risk. For the six months ended June 30, 2024 and 2023, net revenue reductions to members' dues related to the ACA Risk Adjustment Program were $546 million and $253 million, respectively. At June 30, 2024 and December 31, 2023, net payables for Risk Adjustment settlements were $1.5 billion and $991 million, respectively. Receivables are recorded in accounts receivable – net and payables are recorded in accounts payable and accrued expenses on the combined financial statements.

Medicare

Medicare products, including the Medicare Advantage Program (Part C) plans with and without prescription drug coverage and Medicare supplemental products that supplement traditional fee-for-service Medicare coverage are provided. The majority of Medicare revenue is received from Part C. Medicare revenues are based on contracts to provide access to health care services to enrolled Medicare recipients.

Revenues for Part C plans include monthly capitated payments made from the Centers for Medicare & Medicaid Services (CMS), which vary based on member health status, demographic status, and other factors.

Revenues for Medicare also include a voluntary prescription drug benefit (Part D). Revenues for Part D include monthly capitated payments made from CMS, which are adjusted for health risk factor scores. Revenues for Part D also include amounts to reflect a portion of the health care costs for low-income Medicare beneficiaries and a risk-sharing arrangement to limit the exposure to unexpected expenses.

Medicare Part C and D revenue is subject to governmental audits and potential payment adjustments. CMS made certain audit methodology changes, effective April 3, 2023, that could create uncertainty in audit results for payment years 2018 and after.

Significant variable consideration includes the following:

- *Medicare Part C and D:* Adjustments related to annual settlements from CMS, changes in members risk scores, member demographics, and data reconciliations.

In connection with Medicare, members may have to pay copays and/or deductibles.

Copays, Deductibles, and Other

These revenues include copays and deductibles, third party Medicaid contracts, and other revenues.

Third party Medicaid contracts represent coverage to certain Medicaid enrollees through contracts with third parties known as plan partners and is recorded in copays, deductibles, and other revenues. Health Plans generally receives capitation payments on a monthly, fixed, per member per month basis. Health Plans satisfies its performance obligation and recognizes revenue ratably over the period in which enrollees are eligible to access health care services, which is generally over a one year period. For the six months ended June 30, 2024 and 2023, revenues related to third party Medicaid contracts were $274 million and $1.4 billion, respectively. As noted under *Members' Dues*, AB 2724 allowed Health Plan, Inc. to contract directly with DHCS to serve Medi-Cal members in additional counties in California in 2024 resulting in the associated revenues reported within members' dues. Medicaid revenues for enrollees that continue to be covered through contracts with plan partners are reported within third party Medicaid revenue.

Significant variable consideration includes the following:

- *Copays and Deductibles:* These are member cost share amounts due to Health Plans and Hospitals. Amounts due are based on contractual agreements and evidence of coverage documentation and are typically calculated and collected at the point of service. Amounts may be fixed per unit/service or vary based on venue of care, coverage, and/or whether certain maximum out of pocket or deductible thresholds have been met.

- *Third Party Medicaid Rate Retroactivity:* Periodic settlements from third party Medicaid plan partners based on rate retroactivity.

Collectibility Assessment

Health Plans and Hospitals generally collects payments for contracts with customers in advance of the services provided or in the month due, thus a collectibility assessment is typically not required. Health Plans and Hospitals includes an estimate of collectibility as an implicit price concession in the transaction price at contract inception and bases the amount of adjustments on a monthly evaluation of historical collection experience, aged accounts receivable, and current market conditions using a portfolio approach for certain revenue arrangements. If actual amounts of consideration ultimately received differ from the estimates, Health Plans and Hospitals adjusts these estimates, which would affect revenues in the period such variances become known.

Disaggregation of Revenue

Health Plans and Hospitals earns substantially all of its revenues from contracts with customers. Revenue not related to contracts with customers are included in other revenue in the table below.

For the six months ended June 30, contracts with customers revenue disaggregated by geographical markets and Risant Health were as follows (in millions):

	2024	2023
Geographical Markets:		
Northern California	$ 21,418	$ 19,484
Southern California	19,560	17,970
Colorado	2,226	2,120
Georgia	1,275	1,174
Hawaii	1,101	1,050
Mid-Atlantic	3,016	2,942
Northwest	2,720	2,642
Washington	2,361	2,467
Other	327	319
Total geographical markets	54,004	50,168
Risant Health	1,954	—
Total contracts with customers revenue	55,958	50,168
Other revenue	503	221
Total operating revenues	$ 56,461	$ 50,389

Contract Asset / Liability Balances

Health Plans and Hospitals generally satisfies its performance obligation when it provides access to health care services in exchange for consideration from its customers. The timing of Health Plans and Hospitals performance may differ from the timing of the customer's payment, which may result in the recognition of a contract asset or a contract liability. At both June 30, 2024 and December 31, 2023, there were no material contract assets with customers.

Health Plans and Hospitals contract liabilities, recorded in other current liabilities, were as follows (in millions):

	At June 30, 2024	At December 31, 2023
Opening (January 1)	$ 1,029	$ 976
Closing balance	1,054	1,029
Increase	$ 25	$ 53

For the six months ended June 30, 2024 and the year ended December 31, 2023, the majority of both contract liability balances at January 1, 2024 and 2023 of $1.0 billion and $976 million, respectively, were recognized.

Significant Judgments

Below is a summary of significant judgments related to the recognition of revenue that significantly affect the determination of the amount and timing of revenue for Health Plans and Hospitals.

For the performance obligation related to access to health care services, Health Plans and Hospitals transfers promised services by providing access to health care services over time. A time-elapsed output method is used for revenue recognition to measure progress because Health Plans and Hospitals transfers promised services by providing access to health care services over the period that the member is entitled to the services.

Determining a measure of progress requires management to make judgments that affect the timing of revenue recognized. Health Plans and Hospitals has determined that the above method provides a faithful depiction of the transfer of goods or services to the customer. Health Plans and Hospitals stands ready to provide coverage for health care services as needed and efforts are expended evenly throughout the period.

Practical Expedients

Health Plans and Hospitals has elected the following significant practical expedient:

- *Incremental costs of obtaining a contract:* Health Plans and Hospitals has elected to recognize the incremental costs of obtaining a contract (primarily brokerage commissions) as an expense when incurred as the time period of most contracts with customers is one year or less and renewal commission rates are commensurate with new commission rates.

Remaining Performance Obligations

The remaining performance obligations greater than one year relate to contracts with customers in which the transaction price is not yet determinable for future years as the members' dues rate has not yet been negotiated and is also dependent on membership volume. For the six months ended June 30, 2024 and 2023, the amount of revenues from contracts with customers with performance obligations greater than one year was $2.2 billion and $2.1 billion, respectively.

(o) Pension and Other Postretirement Benefits

Defined benefit pension and other postretirement benefit plans are actuarially evaluated and involve various assumptions. Critical assumptions include the discount rate and the expected rate of return on plan assets, and the rate of increase for health care costs (for postretirement benefit plans other than pension), which are important elements of expense and/or liability measurement. Other assumptions involve demographic factors such as retirement age, mortality, turnover, and the rate of compensation increases. Assumptions are evaluated annually, or when significant plan amendments occur, and modified as appropriate. Pension and other postretirement costs are allocated over the service period of the employees in the plans. The non-service cost components of net benefit expense for pension, other postretirement benefits, and the physicians' retirement plan are included in interest expense and other income (expense) – net.

A discount rate is used to determine the present value of the future benefit obligations. The discount rate is established based on the development of a sample bond portfolio consisting of high quality corporate bonds. From this portfolio, a spot rate curve is interpolated and used to derive a single discount rate.

Differences between actual and expected plan experience and changes in actuarial assumptions, in excess of a 10% corridor around the larger of plan assets or plan liabilities, are recognized into benefits expense over the expected average future service of active participants. Prior service costs and credits that arise from plan amendments are amortized into postretirement benefits expense over the expected average future service to full eligibility of active participants and pension benefits expense over the expected future service of active participants.

(p) Donations and Grants Made or Received

Donations and grants made or received, that are contributions, are recognized at fair value in the period in which a commitment is made unconditionally, or in the period that conditions placed on the donations or grants are met. A condition is present if there is a barrier that the recipient must overcome to be entitled to the assets, and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists.

(q) Income Taxes

Health Plans and Hospitals is primarily comprised of not-for-profit corporations exempt from income taxes under Internal Revenue Code Section 501(a) as organizations described in section 501(c)(3) and the laws of the states in which they operate. Accordingly, Health Plans and Hospitals is generally not subject to federal or state income taxes. Health Plans and Hospitals is subject to income taxes on unrelated business income. A limited number of Health Plans and Hospitals' affiliates are for profit entities and are subject to income taxes. For the six months ended June 30, 2024 and 2023, no significant income tax provision has been recorded.

(r) Use of Estimates

The preparation of these combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts. Estimated fair value and impairment of investments; Medicare revenue accruals; incurred but not reported medical claims payable; physicians' retirement plan liabilities; pension and other retirement plans; self-insured professional liabilities; self-insured general and workers' compensation liabilities; land, buildings, equipment, and software impairment and useful lives; and certain amounts accrued related to the ACA Risk Adjustment Program represent significant estimates. Actual results could differ materially from those estimates.

(s) Fair Value Estimates

The carrying amounts reported in the combined balance sheets for cash and cash equivalents, securities lending collateral, broker receivables, accounts receivable – net, accounts payable and accrued expenses, medical claims payable, due to associated medical groups, payroll and related charges, securities lending payable, and broker payables approximate fair value.

Investments, other than alternative investments, as discussed in the *Investments* note, are reported at fair value. The fair values of investments are based on quoted market prices, if available, or estimated using quoted market prices for similar investments. If listed prices or quotes are not available, fair value is based upon other observable inputs or models that primarily use market-based or independently sourced market parameters as inputs. In addition to market information, models incorporate transaction details such as timing of cash flows, including maturity. Fair value adjustments, including credit, liquidity, and other factors, are included, as appropriate, to arrive at a fair value measurement.

Health Plans and Hospitals utilizes a three-level valuation hierarchy for fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. For instruments classified in level 1 of the hierarchy, valuation inputs are quoted prices for identical instruments in active markets at the measurement date. For instruments classified in level 2 of the hierarchy, valuation inputs are directly observable but do not qualify as level 1 inputs. Examples of level 2 inputs include: quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; other observable inputs such as interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates; and market-correlated inputs that are derived principally from or corroborated by observable market data. For instruments classified in level 3 of the hierarchy, valuation inputs are unobservable inputs for the instrument. Level 3 inputs incorporate assumptions about the factors that market participants would use in pricing the instrument.

At June 30, 2024 and December 31, 2023, Health Plans and Hospitals held derivative financial instruments including interest rate swaps, as well as futures, forwards, options, and swaps within investment portfolios. The estimated fair values of derivative instruments were determined using level 2 inputs, including available market information and valuation methodologies, primarily discounted cash flows. Additional description and the fair value of derivative instruments are contained in the *Derivative Instruments* note.

(t) *Natural Classification of Expenses*

For the six months ended June 30, operating expenses classified by function in the combined statements of operations and changes in net worth are presented by their natural classifications as follows (in millions):

	2024					
	Salaries, wages, and benefits	Outside medical costs	Depreciation and software amortization	Pharmacy and supplies costs	Other operating expenses	Total operating expenses
Medical services	$ 3,387	$ 18,275	$ 581	$ 2,638	$ 1,356	$ 26,237
Hospital services	6,639	4,303	841	1,415	1,897	15,095
Outpatient pharmacy and optical services	1,137	202	48	4,831	289	6,507
Other benefit costs	450	3,669	11	130	(22)	4,238
Health Plan administration	883	—	51	51	1,556	2,541
Total operating expenses	$ 12,496	$ 26,449	$ 1,532	$ 9,065	$ 5,076	$ 54,618

	2023					
	Salaries, wages, and benefits	Outside medical costs	Depreciation and software amortization	Pharmacy and supplies costs	Other operating expenses	Total operating expenses
Medical services	$ 2,885	$ 17,375	$ 569	$ 2,391	$ 1,393	$ 24,613
Hospital services	5,329	4,701	761	1,207	1,286	13,284
Outpatient pharmacy and optical services	1,032	108	45	4,145	195	5,525
Other benefit costs	416	3,160	11	129	87	3,803
Health Plan administration	805	—	74	67	1,244	2,190
Total operating expenses	$ 10,467	$ 25,344	$ 1,460	$ 7,939	$ 4,205	$ 49,415

Some categories of natural class expenses are attributable to more than one function and require allocation, applied on a consistent basis. Outside medical costs include Medical Group costs and other outside medical costs. Property costs including depreciation are allocated on the basis of square footage. Indirect salaries and benefits are allocated on the basis of budgeted full time equivalent employees. Other expenses are assigned directly to specific functions as expenditures are made.

(u) *Liquidity and Availability of Resources*

Cash and cash equivalents, current investments, and accounts receivable – net, as reported on the combined balance sheets at June 30, 2024 and December 31, 2023, are the primary liquid resources used by Health Plans and Hospitals to meet general expenditure needs within the next year. As part of liquidity management, Health Plans and Hospitals' policy is to structure and manage its financial assets to be available to meet its general expenditure needs. Health Plans and Hospitals invests cash in excess of daily requirements in current investments. To help manage unanticipated liquidity needs, Hospitals has both a credit facility and commercial paper program, as described in the *Debt* note. Additionally, although intended to satisfy long-term obligations, 47% of noncurrent investments at June 30, 2024, could be utilized within the next year if necessary.

(v) Leases

Transactions give rise to leases when Health Plans and Hospitals receives substantially all the economic benefits from and has the ability to direct the use of specified property, plant, and equipment. Health Plans and Hospitals primarily has lessee activity that is classified as operating leases. Operating leases are included in operating lease right-of-use assets, other current liabilities, and operating lease liabilities in the combined balance sheets. Finance leases are included in land, buildings, equipment, and software – net, other current debt, and long-term debt in the combined balance sheets.

Right-of-use assets represent the right to use underlying assets for the lease term and lease liabilities represent obligations to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. When discount rates implicit in leases cannot be readily determined, Health Plans and Hospitals uses the applicable incremental borrowing rate at lease commencement to perform lease classification tests and to measure lease liabilities and right-of-use assets. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

Health Plans and Hospitals has agreements with lease and non-lease components (such as common area maintenance), and generally has elected to account for the lease and non-lease components as a single lease component. For certain leases, such as service contracts with real estate and supply contracts with equipment leases, the lease and non-lease components are accounted for separately. Health Plans and Hospitals elected not to recognize right-of-use assets and lease liabilities that arise from short-term leases (i.e. leases with terms of 12 months or less).

(w) Reclassifications

Certain reclassifications have been made in these combined financial statements to conform 2023 information to the 2024 presentation.

(3) Acquisition of Geisinger and Cone Health Agreement

Acquisition of Geisinger

On March 31, 2024, Risant Health, Inc. acquired and became the sole member of Geisinger Health through a member substitution (the “Transaction”). Geisinger comprises a physician-led, integrated health services organization that has as its main components: (i) an array of health services providers, including six wholly-controlled acute-care hospitals with multiple campuses, joint venture facilities, and a drug and alcohol treatment facility; (ii) multispecialty physician group practices; (iii) insurance operations, including a licensed health maintenance organization and a non-licensed, risk assuming Preferred Provider Organization; and (iv) a community-based medical college and degree-granting institution. Geisinger operates across Pennsylvania, with the most concentrated presence in central and northeastern Pennsylvania, outside the major metropolitan areas. The Transaction was designed to accelerate value-based care with leading community-based health systems to deliver high-quality, equitable health outcomes.

The Transaction did not involve the payment of consideration and resulted in an excess of assets contributed over liabilities assumed and was recorded at fair value under the acquisition method of accounting. The valuation of the assets contributed and liabilities assumed was based on estimated fair values at the date of the acquisition. The determination of the final fair values of assets contributed and liabilities assumed is complete at June 30, 2024. Measurement period adjustments recorded in the second quarter of 2024 to reflect refinements in fair value estimates were not material. The final contributed fair value of net assets of $4.8 billion was recognized in the combined statements of operations and changes in net worth for the six months ended June 30, 2024, as a gain from acquisition of $4.6 billion within other income and expense and a donor restricted gain of $177 million within other changes in net worth.

The following table presents the final fair value of Geisinger assets acquired and liabilities assumed as of the date of the acquisition (in millions):

Assets Acquired and Liabilities Assumed as of March 31, 2024		**Final Valuation**
Cash and cash equivalents	$	587
Current investments		420
Accounts receivable		976
Other current assets		271
Noncurrent investments		3,045
Land, buildings, equipment, and software		1,960
Operating lease right-of-use assets		67
Other long-term assets		902
Accounts payable and accrued expenses		(327)
Medical claims payable		(314)
Payroll and related charges		(339)
Other current debt		(14)
Other current liabilities		(233)
Long-term debt		(1,511)
Operating lease liabilities		(52)
Other long-term liabilities		(632)
Total contributed net assets	$	4,806

Acquired intangible assets of $403 million, primarily comprised of member relationships and trade name, are recorded in other long-term assets on the combined balance sheets as of June 30, 2024, of which $223 million is subject to amortization up to a period of 11 years.

The results of operations of Geisinger since the acquisition date of March 31, 2024, are included in the combined statements of operations and changes in net worth and include $2.0 billion of operating revenues, $15 million of net income, and $31 million of change in net worth.

The unaudited pro forma financial information shown below summarizes the combined results of operations for Health Plans and Hospitals as if the closing of the Transaction had been reported as of January 1, 2023 (in millions):

	Six months ended June 30,	
	2024	**2023**
Operating revenues	$ 58,505	$ 54,129
Net income	5,061	8,054
Change in net worth	4,580	8,164

The unaudited pro forma results include adjustments to reflect the gain on acquisition, amortization of acquired intangible assets, depreciation of the adjusted fair value of buildings, equipment, and software, other nonrecurring costs related to the Transaction, and the change in interest expense from the fair value adjustments related to the Geisinger debt assumed. The unaudited pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have been realized if the Transaction had taken place on January 1, 2023.

Cone Health Agreement

In June 2024, Risant Health, Inc. and The Moses H. Cone Memorial Hospital (the parent organization for the Cone Health system) entered into a definitive agreement for Risant Health, Inc. to become the sole corporate member of The Moses H. Cone Memorial Hospital through a member substitution. Cone Health is a not-for-profit health care system serving the Piedmont Triad of North Carolina. The agreement provides certain financial commitments by Risant Health, Inc. to Cone Health. Risant Health, Inc. will make available a minimum of $1.0 billion in capital, inclusive of Cone Health internally generated and Risant Health, Inc. funds, as necessary through the fifth anniversary of the closing date (“Capital Commitment Period”) to support investments in facilities, health equity, and other capital projects. Risant Health, Inc. will also assure funding up to $400 million during the Capital Commitment Period to support Cone Health’s transition and integration into Risant Health, Inc. including initial implementation of Risant Health, Inc.’s value-based platform and will assure funding up to $300 million in the ten years following the closing date to support Cone Health’s growth opportunities. The transaction is subject to regulatory approval.

(4) Investments

Management's methods for estimating fair value of financial instruments are discussed in the *Summary of Significant Accounting Policies – Fair Value Estimates* note.

At June 30, 2024, the estimated fair value of current investments by level was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Significant unobservable inputs level 3	Total
U.S. equity securities	$ 846	$ —	$ —	$ 846
Foreign equity securities	1	18	—	19
Debt securities issued by the U.S. government	—	2,255	—	2,255
Debt securities issued by U.S. government agencies and corporations	—	73	—	73
Debt securities issued by U.S. states and political subdivisions of states	—	54	—	54
Foreign government debt securities	—	47	—	47
U.S. corporate debt securities	—	2,096	—	2,096
Foreign corporate debt securities	—	814	—	814
U.S. agency mortgage-backed securities	—	1,914	—	1,914
Non-U.S. agency mortgage-backed securities	—	236	—	236
Other asset-backed securities	—	799	—	799
Short-term investment funds	—	199	—	199
Other	—	3	—	3
Total	$ 847	$ 8,508	$ —	$ 9,355

At June 30, 2024, the estimated fair value of noncurrent investments by level was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Significant unobservable inputs level 3	Total
U.S. equity securities	$ 2,718	$ 554	$ —	$ 3,272
Foreign equity securities	1,681	170	—	1,851
Global equity funds	—	3,808	—	3,808
Debt securities issued by the U.S. government	—	7,048	—	7,048
Debt securities issued by U.S. government agencies and corporations	—	363	—	363
Debt securities issued by U.S. states and political subdivisions of states	—	9	—	9
Foreign government debt securities	—	246	—	246
U.S. corporate debt securities	—	327	—	327
Foreign corporate debt securities	—	212	—	212
U.S. agency mortgage-backed securities	—	710	—	710
Non-U.S. agency mortgage-backed securities	—	2	—	2
Other asset-backed securities	—	128	—	128
Short-term investment funds	—	3,181	—	3,181
Other	—	359	35	394
	$ 4,399	$ 17,117	$ 35	21,551
Alternative investments:				
Absolute return				4,370
Private equity				21,304
Real assets				4,772
Total				$ 51,997

At December 31, 2023, the estimated fair value of current investments by level was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Significant unobservable inputs level 3	Total
U.S. equity securities	$ 727	$ —	$ —	$ 727
Foreign equity securities	16	—	—	16
Debt securities issued by the U.S. government	—	2,313	—	2,313
Debt securities issued by U.S. government agencies and corporations	—	70	—	70
Debt securities issued by U.S. states and political subdivisions of states	—	52	—	52
Foreign government debt securities	—	32	—	32
U.S. corporate debt securities	—	1,989	—	1,989
Foreign corporate debt securities	—	887	—	887
U.S. agency mortgage-backed securities	—	1,894	—	1,894
Non-U.S. agency mortgage-backed securities	—	192	—	192
Other asset-backed securities	—	626	—	626
Short-term investment funds	—	172	—	172
Total	$ 743	$ 8,227	$ —	$ 8,970

At December 31, 2023, the estimated fair value of noncurrent investments by level was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Significant unobservable inputs level 3	Total
U.S. equity securities	$ 2,368	$ 373	$ —	$ 2,741
Foreign equity securities	1,453	15	—	1,468
Global equity funds	—	3,189	—	3,189
Debt securities issued by the U.S. government	—	6,356	—	6,356
Debt securities issued by U.S. government agencies and corporations	—	181	—	181
Debt securities issued by U.S. states and political subdivisions of states	—	5	—	5
Foreign government debt securities	—	270	—	270
U.S. corporate debt securities	—	205	—	205
Foreign corporate debt securities	—	169	—	169
U.S. agency mortgage-backed securities	—	437	—	437
Non-U.S. agency mortgage-backed securities	—	1	—	1
Other asset-backed securities	—	12	—	12
Short-term investment funds	—	760	—	760
Other	—	79	—	79
	$ 3,821	$ 12,052	$ —	15,873
Alternative investments:				
Absolute return				2,990
Private equity				20,606
Real assets				4,616
Total				$ 44,085

At June 30, 2024, available-for-sale debt and other securities were as follows (in millions):

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Debt securities issued by the U.S. government	$ 9,224	$ 79	$ —	$ 9,303
Debt securities issued by U.S. government agencies and corporations	429	7	—	436
Debt securities issued by U.S. states and political subdivisions of states	61	2	—	63
Foreign government debt securities	277	16	—	293
U.S. corporate debt securities	2,371	52	—	2,423
Foreign corporate debt securities	994	32	—	1,026
U.S. agency mortgage-backed securities	2,583	41	—	2,624
Non-U.S. agency mortgage-backed securities	234	4	—	238
Other asset-backed securities	920	7	—	927
Short-term investment funds	3,380	—	—	3,380
Other	361	1	—	362
Total	$ 20,834	$ 241	$ —	$ 21,075

At December 31, 2023, available-for-sale debt and other securities were as follows (in millions):

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Debt securities issued by the U.S. government	$ 8,340	$ 329	$ —	$ 8,669
Debt securities issued by U.S. government agencies and corporations	240	11	—	251
Debt securities issued by U.S. states and political subdivisions of states	53	4	—	57
Foreign government debt securities	269	33	—	302
U.S. corporate debt securities	2,078	116	—	2,194
Foreign corporate debt securities	1,009	47	—	1,056
U.S. agency mortgage-backed securities	2,226	105	—	2,331
Non-U.S. agency mortgage-backed securities	188	5	—	193
Other asset-backed securities	631	7	—	638
Short-term investment funds	932	—	—	932
Other	79	—	—	79
Total	$ 16,045	$ 657	$ —	$ 16,702

Available-for-sale debt and other securities by contractual maturity and mortgage-backed and other asset-backed debt securities were as follows (in millions):

	At June 30, 2024		At December 31, 2023	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in one year or less	$ 4,346	$ 4,349	$ 1,891	$ 1,893
Due after one year through five years	7,109	7,156	6,383	6,530
Due after five years through ten years	2,780	2,824	2,279	2,396
Due after ten years	2,862	2,957	2,447	2,721
U.S. agency mortgage-backed securities	2,583	2,624	2,226	2,331
Non-U.S. agency mortgage-backed securities	234	238	188	193
Other asset-backed securities	920	927	631	638
Total	$ 20,834	$ 21,075	$ 16,045	$ 16,702

The carrying value of alternative investments, which may include absolute return, risk parity, real assets, and private equity, is reported under the equity method. The carrying value of alternative investments have been determined by management based on available data, including information provided by fund managers or the general partners. The underlying securities within absolute return and risk parity investments are typically valued using quoted prices for identical or similar instruments within active and inactive markets. The underlying holdings within private equity and real asset investments are valued based on recent transactions, operating results, and industry and other general market conditions. Certain investments are illiquid and are valued based on the most current information available, which may be less current than the date of these combined financial statements.

Absolute return investments use advanced investment strategies, including derivatives, to generate positive long-term risk adjusted returns. Real assets are defined as any economic resources that are directly used to create value, including investments within real estate, infrastructure, natural resources, and other tangible or intangible assets. Private equity investments consist of funds that make direct investments in private companies. Management meets with alternative investment fund managers periodically to assess portfolio performance and reporting and exercises oversight over fund managers. At June 30, 2024, Health Plans and Hospitals had original commitments related to alternative investments of $33.0 billion, of which $22.4 billion was invested, leaving $10.6 billion of remaining commitments. At December 31, 2023, Health Plans and Hospitals had original commitments related to alternative investments of $34.0 billion, of which $22.4 billion was invested, leaving $11.6 billion of remaining commitments.

For the six months ended June 30, investment income – net was comprised of the following (in millions):

	2024	2023
Impairments	$ (74)	$ (131)
Recognized gains	635	169
Recognized losses	(74)	(57)
Income from equity method alternative investments	942	460
Change in fair value from equity investments	592	761
Interest, dividends, and other income – net	553	539
Derivative gain (loss)	(3)	37
Total investment income – net	2,571	1,778
Less investment income included in interest expense and other income (expense) – net	(354)	(326)
Investment income – net	$ 2,217	$ 1,452

Absolute return, real assets, and private equity investments include redemption restrictions. Absolute return investments require 10 to 90 day written notice of intent to withdraw and are often subject to the approval and capital requirements of the fund manager. At June 30, 2024, absolute return investments of $1.8 billion were subject to lock-up periods of up to seven years. Real assets and private equity investments do not include provisions for redemption. Distributions will be received as the underlying investments of the funds are liquidated, which is expected over the next 11 years.

The majority of debt and equity securities or funds can be redeemed within 10 days. At June 30, 2024, equity investment funds of $4.0 billion were redeemable between 10 and 30 days. At June 30, 2024, equity investment funds of $298 million were redeemable between 30 days and one year. No debt or equity investments require a redemption period of greater than one year.

(5) Derivative Instruments

(a) Interest Rate Swaps

At June 30, 2024 and December 31, 2023, Health Plans and Hospitals had 23 and 18 agreements, respectively, to manage interest rate fluctuations (Interest Rate Swaps) with a total notional amount of $1.9 billion and $1.8 billion, respectively. At June 30, 2024 and December 31, 2023, the fair values of these agreements were $(74) million and $(67) million, respectively, and were recorded in other long-term liabilities. For the six months ended June 30, 2024 and 2023, Health Plans and Hospitals recorded $0 million and $1 million, respectively, in interest expense relating to the Interest Rate Swaps. For the six months ended June 30, 2024 and 2023, net changes in fair values totaled $2 million and $5 million, respectively, and were recorded in investment income – net.

These derivatives contain reciprocal provisions whereby if Health Plans and Hospitals' or the counterparties' credit rating was to decline to certain levels, provisions would be triggered requiring Health Plans and Hospitals or the counterparties to provide certain collateral. At June 30, 2024 and December 31, 2023, no collateral was required to be posted by either Health Plans and Hospitals or the counterparties.

(b) Derivatives Held in Investment Portfolios

At June 30, 2024 and December 31, 2023, Health Plans and Hospitals' portfolio managers held $33 million and $4 million, respectively, of futures, forwards, options, and swaps to attempt to protect certain investments against volatility. For the six months ended June 30, 2024 and 2023, net changes in fair values totaled $(11) million and $13 million, respectively, and were recorded in investment income – net. For the six months ended June 30, 2024 and 2023, gains resulting from derivative settlements totaled $6 million and $19 million, respectively, and were recorded in investment income – net.

(c) Information on Derivative Gain (Loss) and Fair Value

Management's methods for estimating fair value of financial instruments are discussed in the *Summary of Significant Accounting Policies – Fair Value Estimates* note.

Information on Derivative Gain (Loss) Mark-to-Market Valuation Recognized in Income

(In millions)

Derivatives not designated as hedging instruments	Statement of operations category	Gain (loss) recognized in income on derivatives for the six months ended June 30, 2024	2023
Interest rate swaps – related to debt	Investment income – net	$ 2	$ 5
Interest rate swaps – other	Investment income – net	—	(5)
Futures and forwards	Investment income – net	(11)	19
Options, rights, and warrants	Investment income – net	—	(1)
		$ (9)	$ 18

Information on Derivative Settlement Costs Recognized in Income

(In millions)

Derivatives not designated as hedging instruments	Statement of operations category	Gain (loss) recognized in income on derivatives for the six months ended June 30, 2024	2023
Interest rate swaps – related to debt	Interest expense and other income (expense) – net	$ —	$ (1)
Interest rate swaps – other	Investment income – net	4	(85)
Futures and forwards	Investment income – net	1	103
Options, rights, and warrants	Investment income – net	1	1
		$ 6	$ 18

Information on Fair Value of Derivative Instruments – Assets

(In millions)

Derivatives not designated as hedging instruments	Balance sheet category	Fair value at June 30, 2024	Fair value at December 31, 2023
Interest rate swaps – other	Noncurrent investments	$ 48	$ 25
Futures and forwards	Noncurrent investments	11	4
Options, rights, and warrants	Noncurrent investments	—	—
		$ 59	$ 29

Information on Fair Value of Derivative Instruments – Liabilities

(In millions)

Derivatives not designated as hedging instruments	Balance sheet category	Fair value at June 30, 2024	Fair value at December 31, 2023
Interest rate swaps – related to debt	Other long-term liabilities	$ 74	$ 67
Interest rate swaps – other	Other long-term liabilities	22	21
Futures and forwards	Other long-term liabilities	4	4
Options, rights, and warrants	Other long-term liabilities	—	—
		$ 100	$ 92

(6) Accounts Receivable – Net

Accounts receivable – net were as follows (in millions):

	At June 30, 2024	At December 31, 2023
Members' dues	$ 1,824	$ 1,441
Patient services	997	583
Medicare	1,201	334
Other	2,107	2,020
Total	$ 6,129	$ 4,378

At both June 30, 2024 and December 31, 2023, the allowances for bad debt were not material.

(7) Inventories – Net and Other Current Assets

Inventories – net and other current assets were as follows (in millions):

	At June 30, 2024	At December 31, 2023
Inventories – net	$ 1,473	$ 1,593
Prepaid expenses	735	601
Other	273	189
Total	$ 2,481	$ 2,383

Inventories – net consist primarily of pharmaceuticals and supplies.

(8) Land, Buildings, Equipment, and Software – Net

Land, buildings, equipment, and software – net were as follows (in millions):

	At June 30, 2024	At December 31, 2023
Land	$ 2,830	$ 2,761
Buildings and improvements	48,146	46,215
Furniture, equipment, and software	15,326	15,449
Construction and software development in progress	3,467	3,014
	69,769	67,439
Accumulated depreciation and amortization	(36,945)	(36,592)
Total	$ 32,824	$ 30,847

Health Plans and Hospitals capitalizes interest costs on borrowings incurred during the construction, upgrade, or development of qualifying assets. Capitalized interest is added to the cost of the underlying assets and is depreciated or amortized over the useful lives of the assets. During the six months ended June 30, 2024 and 2023, Health Plans and Hospitals capitalized $35 million and $39 million, respectively, of interest in connection with various capital projects.

(9) Medical Claims Payable

Activity in the liability for medical claims payable was as follows (in millions):

	At June 30, 2024	At December 31, 2023
Balances at January 1	$ 3,184	$ 2,976
Acquired business at 3/31/2024	314	—
Incurred related to:		
Current year	10,156	18,320
Prior years	(14)	272
Total incurred	10,142	18,592
Paid related to:		
Current year	7,642	15,639
Prior years	2,423	2,745
Total paid	10,065	18,384
Ending Balances	$ 3,575	$ 3,184

Amounts incurred related to prior years vary from previously estimated liabilities as the claims are ultimately adjudicated and paid. Liabilities are reviewed and revised as information regarding actual claims payments becomes known. Negative amounts reported for incurred related to prior years result from claims being adjudicated and paid for amounts less than originally estimated.

(10) Other Liabilities

Other current liabilities were as follows (in millions):

	At June 30, 2024	At December 31, 2023
Self-insured risks	$ 569	$ 569
Dues collected in advance	1,025	1,004
Physicians' retirement plan liability	314	314
Current portion of operating lease liabilities	334	322
Other	1,369	1,219
Total	$ 3,611	$ 3,428

Other long-term liabilities were as follows (in millions):

	At June 30, 2024	At December 31, 2023
Self-insured risks	$ 2,627	$ 2,213
Due to associated medical groups	339	337
Derivatives liability	99	92
Other	835	578
Total	$ 3,900	$ 3,220

(11) Debt

Debt was as follows (in millions):

	At June 30, 2024	At December 31, 2023
Tax-exempt revenue bonds and taxable bonds and notes:		
3.40% to 5.50% variable rate due through 2049	$ 1,955	$ 1,831
1.66% to 5.00% fixed rate due through 2051	10,390	9,033
Others at various rates due through 2047	97	88
Total	$ 12,442	$ 10,952
Other current debt:		
Commercial paper	$ 371	$ 369
Current portion of long-term debt	30	16
Long-term debt classified as a long-term liability	12,041	10,567
Total	$ 12,442	$ 10,952

The fair value of long-term debt is based on level 2 inputs for debt with similar risk, terms, and remaining maturities. At June 30, 2024 and December 31, 2023, the carrying amount of long-term debt (including the current portion of long-term debt) totaled $12.1 billion and $10.6 billion, respectively. At June 30, 2024 and December 31, 2023, the estimated fair value of long-term debt (including the current portion of long-term debt) was approximately $10.6 billion and $9.4 billion, respectively.

At both June 30, 2024 and December 31, 2023, repurchase of variable rate bonds totaling $1.5 billion may be required at earlier than stated maturity. These bonds may be remarketed rather than repurchased. Health Plans and Hospitals has provided self liquidity for the variable rate bonds with put provisions. Additionally, at both June 30, 2024 and December 31, 2023, Hospitals had the ability to finance the acquisition of up to $3.0 billion, of any unremarketed bonds that are put using an available long-term credit facility. At both June 30, 2024 and December 31, 2023, none of these variable rate demand bonds were classified in current liabilities.

At June 30, 2024 and December 31, 2023, $204 million and $243 million, respectively, of the above tax-exempt fixed-rate revenue bonds and taxable fixed-rate bonds represented a net unamortized premium balance. At June 30, 2024 and December 31, 2023, $(40) million and $(41) million of unamortized debt issuance cost was presented within long-term debt.

Scheduled principal payments remaining for each of the next five years and thereafter considering obligations subject to short-term remarketing as due according to their long-term amortization schedule were as follows (in millions):

2024	$	377
2025		31
2026		28
2027		1,012
2028		90
Thereafter		10,740
Total	$	12,278

Credit Facility

Hospitals’ credit facility of $3.0 billion terminates in September 2028. Various interest rate options are available under this facility. Any revolving borrowings mature on the termination date. Hospitals pays facility fees, which range from 0.03% to 0.13% per annum, depending upon Hospitals’ long-term senior unsecured debt rating. At June 30, 2024, the facility fee was at an annual rate of 0.04%. At both June 30, 2024 and December 31, 2023, no amounts were outstanding under this credit facility.

Hospitals’ revolving credit facility contains a financial covenant. Under the terms of this facility, Hospitals is required to maintain a ratio of total debt to capital, as defined.

Geisinger maintained a $450 million revolving credit facility and a $50 million line of credit facility. The revolving credit facility and line of credit facility were terminated on April 4, 2024 and April 2, 2024, respectively.

Taxable Commercial Paper Program

Hospitals maintains a commercial paper program providing for the issuance of up to $3.0 billion in aggregate maturity value of short-term indebtedness. The commercial paper is issued at a minimum principal amount of $100,000 and additional increments of $1,000 in excess thereof. The commercial paper will be sold at a discount from their face amounts, and may be issued with varying maturities up to a maximum of 270 days from the date of issuance. At June 30, 2024 and December 31, 2023, commercial paper of $371 million and $369 million, respectively, was outstanding under this program and is included within other current debt.

(12) Pension Plans

(a) Defined Benefit Plan

Health Plans and Hospitals, excluding Risant Health, has a defined benefit pension plan (Plan) covering substantially all their employees. Benefits are based on age at retirement, years of credited service, and average compensation for a specified period prior to retirement. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

For financial reporting purposes, the projected unit credit method is used. At June 30, 2024 and December 31, 2023, pension fund assets were held in a group trust. At June 30, 2024 and December 31, 2023, trust assets were invested in fixed-income and equity securities, with approximately 62% and 61%, respectively, of trust assets, net of liabilities, invested in alternative investments.

At December 31, 2023, the funded status of the Plan was as follows (in millions):

Change in projected benefit obligation (PBO):		
Benefit obligation at beginning of year	$	24,993
Service cost		1,310
Interest cost		1,258
Plan amendments		—
Net actuarial loss		1,843
Benefits paid		(1,016)
Benefit obligation at end of year	$	28,388
Accumulated benefit obligation at end of year	$	22,089
Change in Health Plans and Hospitals' share of trust assets:		
Fair value of plan assets at beginning of year	$	31,778
Actual return on plan assets		1,782
Contributions		326
Benefits paid		(1,016)
Fair value of plan assets at end of year	$	32,870
Funded status	$	4,483
Amounts recognized in the combined balance sheets consist of:		
Pension and other retirement benefits asset	$	4,483
	$	4,483
Amounts recognized in net worth:		
Net actuarial loss	$	3,131
Prior service cost		81
	$	3,212

The measurement date used to determine pension valuations was December 31.

The funded status of the Plan at December 31, 2023 and the change through June 30, 2024 were as follows (in millions):

Pension plan asset at December 31, 2023	$	4,483
Provision		(28)
Plan contributions		573
Plan amendments		-
Pension plan asset at June 30, 2024	$	5,028

For the six months ended June 30, pension expense (income) was as follows (in millions):

		2024		2023
Service cost	$	737	$	655
Interest cost		685		629
Expected return on plan assets		(1,394)		(1,357)
Amortization of net actuarial loss		—		(8)
Amortization of prior service cost		6		6
Net pension expense (income)		34		(75)
Other changes in plan assets and PBO recognized in net worth:				
Prior service cost		—		—
Amortization of net actuarial loss		—		8
Amortization of prior service cost		(6)		(6)
Total recognized in net worth		(6)		2
Total recognized in net periodic benefit cost and net worth	$	28	$	(73)

For the year ended December 31, 2023, the benefit obligation included a net actuarial loss of $1.8 billion, primarily due to the decrease in the discount rate used to determine the benefit obligation from 5.25% in 2022 to 5.05% in 2023.

Actuarial assumptions used were as follows:

	2024	2023
Discount rate at January 1 for calculating service cost	5.15%	5.33%
Discount rate at January 1 for calculating interest cost	4.97%	5.14%
Discount rate for calculating December 31 PBO	N/A	5.05%
Salary scale for calculating pension expense	4.20%	4.15%
Salary scale for calculating December 31 PBO	N/A	4.20%
Expected long-term rate of return on plan assets for calculating pension expense	7.50%	7.50%

During 2024, management expects to contribute approximately $573 million to the Plan.

The following benefit payments, which reflect expected future service, are expected to be paid (in millions):

2024	$	1,426
2025		1,503
2026		1,588
2027		1,683
2028		1,770
2029–2033		10,340

Explanation of Investment Strategies and Policies

A total return investment approach is employed for the Plan whereby the Plan invests in a mix of equity, fixed-income, and alternative asset classes to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long run. Risk tolerance is established through consideration of plan liabilities, plan funded status, and corporate financial condition. The investment portfolio will consist over time of a varying but diversified blend of equity, fixed-income, and alternative investments. Diversification includes such factors as geographic location, equity capitalization size and style, placement in the capital structure, and security type. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies, and quarterly investment portfolio reviews. The Plan's investment policy has restrictions relating to credit quality, industry/sector concentration, duration, concentration of ownership, and use of derivatives.

Capital Market Assumption Methodology

To determine the long-term rate of return assumption for plan assets, management incorporates historical relationships among the various asset classes and subclasses to be accessed over the investment horizon. Management's intent is to maximize portfolio efficiency. This will be accomplished by seeking the highest returns prudently available among the available asset classes. Overall portfolio volatility is managed through diversification among asset classes. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. From time to time, management reviews its long-term investment strategy and reconciles that strategy with the long-term liabilities of the Plan. This asset-liability study produces a range of expected returns over medium and long-term time periods. Those intermediate and long-term investment projections form the basis for the expected long-term rate of return on assets.

At June 30, 2024, the estimated fair value of total pension trust assets – net by level was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Total
Assets:			
Cash and cash equivalents	$ 397	$ 1,729	$ 2,126
Broker receivables	—	464	464
Securities lending collateral	—	738	738
U.S. equity securities	1,765	2,175	3,940
Foreign equity securities	1,392	—	1,392
Global equity funds	—	4,447	4,447
Debt securities issued by the U.S. government	—	5,636	5,636
Debt securities issued by U.S. government agencies and corporations	—	1	1
Debt securities issued by U.S. states and political subdivisions of states	—	125	125
Foreign government debt securities	—	209	209
U.S. corporate debt securities	—	4,630	4,630
Foreign corporate debt securities	—	625	625
U.S. agency mortgage-backed securities	—	338	338
Non-U.S. agency mortgage-backed securities	—	9	9
Other	—	246	246
Total assets	3,554	21,372	24,926
Liabilities:			
Broker payables	—	974	974
Securities lending payable	—	738	738
Other liabilities	94	188	282
Total liabilities	94	1,900	1,994
Fair value of pension trust assets – net	$ 3,460	$ 19,472	22,932
Investments measured at net asset value (NAV):			
Alternative investments:			
Absolute return			2,895
Private equity			29,793
Real assets			5,161
Total pension trust assets – net			$ 60,781

At June 30, 2024, Health Plans and Hospitals', excluding Risant Health, share of pension trust assets was 55.1%, or $33.5 billion. The remaining share of pension trust assets is for Medical Groups and a related party associated with Medical Groups.

At December 31, 2023, the estimated fair value of total pension trust assets – net by level was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Total
Assets:			
Cash and cash equivalents	$ 22	$ 2,283	$ 2,305
Broker receivables	—	334	334
Securities lending collateral	—	547	547
U.S. equity securities	1,724	2,341	4,065
Foreign equity securities	1,406	—	1,406
Global equity funds	—	3,541	3,541
Debt securities issued by the U.S. government	—	3,789	3,789
Debt securities issued by U.S. government agencies and corporations	—	1	1
Debt securities issued by U.S. states and political subdivisions of states	—	243	243
Foreign government debt securities	—	171	171
U.S. corporate debt securities	—	7,010	7,010
Foreign corporate debt securities	—	876	876
U.S. agency mortgage-backed securities	—	268	268
Non-U.S. agency mortgage-backed securities	—	10	10
Other	—	972	972
Total assets	3,152	22,386	25,538
Liabilities:			
Broker payables	—	764	764
Securities lending payable	—	547	547
Other liabilities	657	170	827
Total liabilities	657	1,481	2,138
Fair value of pension trust assets – net	$ 2,495	$ 20,905	23,400
Investments measured at net asset value (NAV):			
Alternative investments:			
Absolute return			2,600
Private equity			29,036
Real assets			4,934
Total pension trust assets – net			$ 59,970

At December 31, 2023, Health Plans and Hospitals', excluding Risant Health, share of pension trust assets was 54.8%, or $32.9 billion. The remaining share of pension trust assets is for Medical Groups and a related party associated with Medical Groups.

The change in fair value of pension trust assets for the six months ended June 30, 2024 is not reflected in the funded status of the pension and other retirement benefits. The change in fair value of pension trust assets will be reflected in the funded status at December 31, 2024, the measurement date of the pension benefit obligation.

The target asset allocations for calculating pension expense were as follows:

	2024 and 2023 target
Equity securities	18%
Debt securities	30%
Alternative investments	52%
Total	100%

Alternative investments, which include absolute return, real assets, and private equity, held in the pension trust are reported at NAV as a practical expedient for fair value. These investments are typically valued on a monthly or quarterly basis based on information provided by fund managers or general partners with an annual audit performed by an independent third party, but often have a lag in the availability of data. Management solicits valuation updates from fund managers and corroborating data from public markets to determine any needed fair value adjustments. Absolute return investments use advanced investment strategies, including derivatives, to generate positive long-term risk adjusted returns. Real assets are defined as any economic resources that are directly used to create value, including investments within real estate, infrastructure, natural resources, and other tangible or intangible assets. Private equity investments consist of funds that make direct investments in private companies. At June 30, 2024, the pension trust had original commitments related to alternative investments of $45.2 billion, of which $30.6 billion was invested, leaving $14.6 billion of remaining commitments. At December 31, 2023, the pension trust had original commitments related to alternative investments of $48.0 billion, of which $30.8 billion was invested, leaving $17.2 billion of remaining commitments.

Absolute return, real assets, and private equity investments include redemption restrictions. Absolute return investments require 10 to 90 day written notice of intent to withdraw and are often subject to the approval and capital requirements of the fund manager. At June 30, 2024, absolute return investments of $1.7 billion were subject to lock-up periods of up to seven years. Private equity and real asset agreements do not include provisions for redemption. Distributions will be received as the underlying investments of the funds are liquidated, which is expected over the next 11 years.

The majority of debt and equity securities can be redeemed within 10 days. At June 30, 2024, equity investment funds of $4.2 billion were redeemable between 10 and 30 days. At June 30, 2024, equity investment funds of $218 million were redeemable between 30 days and one year. No debt or equity investments require a redemption period of greater than one year.

(b) Defined Contribution Plans

Health Plans and Hospitals has defined contribution plans for eligible employees. Employer contributions and costs are typically based on a percentage of covered employees' eligible compensation. For the six months ended June 30, 2024 and 2023, plan expense was $262 million and $212 million, respectively.

(c) Multi-Employer Plans

Health Plans and Hospitals participates in a number of multi-employer defined benefit pension plans under the terms of collective bargaining agreements that cover some union-represented employees. Some risks of participating in these multi-employer plans that differ from single-employer plans include:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- Employers that choose to stop participating in a multi-employer plan may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

For the six months ended June 30, 2024 and 2023, Health Plans and Hospitals' participation in these plans is outlined in the table below. The "EIN/PN" column provides the Employer Identification Number (EIN) and the three-digit plan number (PN), if applicable. Unless otherwise noted, the most recent Pension Protection Act zone status available in 2024 and 2023 is for the plan's year-end in 2023 and 2022, respectively. The zone status is based on information that Health Plans and Hospitals obtained from publicly available information provided by the United States Department of Labor. 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. The "FIP/RP status pending/implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The "Health Plans and Hospitals' contributions to plan exceeded more than 5% of total contributions" columns represent those plans where Health Plans and Hospitals was listed in the plans' Forms 5500 as providing more than 5% of the total contributions for the plan years listed. The last column lists the expiration dates of the collective bargaining agreements to which the plans are subject. There have been no significant changes that affect the comparability of 2024 and 2023 employer expense.

KAISER FOUNDATION HEALTH PLAN, INC.,

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Notes to Combined Financial Statements

For the six months ended June 30, 2024 and 2023

		Pension Protection Act zone status		FIP/RP status pending /	(in millions) Health Plans and Hospitals' contributions June 30,		Surcharge	Health Plans and Hospitals' contributions to plan exceeded more than 5% of total contributions [1]		Expiration date of collective bargaining
Pension fund	EIN-PN	2023	2022	implemented	2024	2023	imposed	2023	2022	agreement
Southern California United Food and Commercial Workers Unions and Drug Employers Pension Fund[3]	516029925	Red	Red	Implemented	$ 4	$ 3	Yes	Yes	Yes	9/30/2025
Oregon Retail Employees Pension Trust[4]	936074377	Red	Red	Implemented	2	2	No	Yes	Yes	9/30/2027 (pharmacy techs) 10/31/2027 (radiologists)
IUOE Stationary Engineers Local 39 Pension Fund[2]	946118939	Green	Green	N/A	8	8	N/A	Yes	Yes	9/17/2021
Construction Laborers Pension Trust Fund for Southern California[4]	436159056	Green	Green	N/A	1	2	N/A	Yes	No	6/30/2015 - Extended (evergreen ext. - open terms)
Southwest Carpenters Pension Trust[4]	956042875	Green	Green	N/A	3	3	N/A	Yes	No	12/31/2020 - Extended (evergreen ext. - open terms)
Bay Area Painters & Tapers Non Bargaining Employees Retirement Plan and International Union of Painters and Allied trades (IUPAT Local 294 & 1237)[5]	946276501	Green	Green	N/A	1	1	N/A	Yes	No	6/30/2026 (Master) 8/31/2026 (Fresno Addendum)
IBEW Local 684 Pension Trust[5]	946442909	Green	Green	N/A	—	—	N/A	Yes	No	5/31/2027
International Painters and Allied Trades Industry Pension Fund (IUPAT Industry Pension Fund)	526073909	Red	Red	Implemented	1	1	No	No	No	6/30/2025
Carpenters Pension Trust Fund for Northern California	946050970	Red	Red	Implemented	5	5	No	No	No	6/30/2027
Other[4][5]	Various	Green	Green	N/A	7	6	N/A	No	No	7/31/2024 - 6/30/2027
Total expense					$ 32	$ 31				

(1) The majority of plans have a plan year end of December 31st and information is available via form 5500.

(2) Expired Agreement: IUOE Stationary Engineers Local 39 expired as of 9/17/2021.

(3) Notice of Critical Status received for Southern California United Food and Commercial Workers Unions and Drug Employers Pension Fund Plan Year of 2023 in Q2 2023. Surcharge imposed effective Q3 2023.

(4) Health Plans and Hospitals' contributions to the plan exceeds more than 5% of total contributions changes: Construction Laborers Pension Trust Fund for Southern California and Southwest Carpenters Pension Trust changed from "No" to "Yes" status in Q4 2023. Previously these trusts were reported in Other.

(5) Health Plans and Hospitals' contributions to the plan exceeds more than 5% of total contributions changes: Bay Area Painters & Tapers Non Bargaining Employees Retirement Plan & International Union of Painters and Allied trades (IUPAT Local 294 & 1237) and IBEW Local 684 Pension Trust changed from "No" to "Yes" status in Q1 2024. Previously these Trusts were reported in Other.

(13) Postretirement Benefits Other than Pensions

(a) Defined Benefit Plan

Certain employees may become eligible for postretirement health care and life insurance benefits while working for Health Plans and Hospitals, excluding Risant Health. Benefits available to retirees, through both affiliated and unaffiliated provider networks, vary by employee group. Postretirement health care benefits available to retirees include subsidized Medicare premiums, medical and prescription drug benefits, dental benefits, vision benefits, and contributions to health care savings accounts.

At December 31, 2023, the funded status of postretirement benefits was as follows (in millions):

Change in benefit obligation:		
Benefit obligation at beginning of year	$	3,438
Service cost		74
Interest cost		176
Plan amendments		111
Benefits paid or provided		(181)
Net actuarial loss		488
Benefit obligation at end of year	$	4,106
Change in plan assets:		
Fair value of plan assets at beginning of year	$	4,934
Actual return on plan assets		493
Contributions		90
Benefits paid or provided		(181)
Fair value of plan assets at end of year	$	5,336
Funded status	$	1,230
Amounts recognized in the combined balance sheets consist of:		
Pension and other retirement benefits asset	$	1,230
	$	1,230
Amounts recognized in net worth:		
Net actuarial gain	$	(322)
Prior service cost		112
	$	(210)

The measurement date used to determine postretirement benefits valuations was December 31.

The funded status of postretirement benefits at December 31, 2023 and the change through June 30, 2024 were as follows (in millions):

Postretirement benefits asset at December 31, 2023	$	1,230
Provision		45
Plan amendments		(2)
Plan contributions		—
Unfunded benefits paid or provided		37
Postretirement benefits asset at June 30, 2024	$	1,310

For the six months ended June 30, postretirement benefits expense (income) was as follows (in millions):

	2024	2023
Service cost	$ 46	$ 36
Interest cost	97	89
Expected return on plan assets	(188)	(192)
Amortization of net actuarial gain	(17)	(42)
Amortization of prior service credit	(36)	(48)
Postretirement benefits income	(98)	(157)
Other changes in plan assets and benefit obligations recognized in net worth:		
Prior service cost	2	—
Amortization of net actuarial gain	17	42
Amortization of prior service credit	36	48
Total recognized in net worth	55	90
Total recognized in net periodic benefit cost and net worth	$ (43)	$ (67)

During the six months ended June 30, 2024, employer contributions and benefits paid or provided were $37 million and $93 million, respectively. During the six months ended June 30, 2023, employer contributions and benefits paid or provided were $46 million and $91 million, respectively. During the six months ended June 30, 2024 and 2023, there were no participant contributions from active employees.

For the year ended December 31, 2023, the benefit obligation included a net actuarial loss of $488 million, primarily due to increases in the assumed healthcare cost trend rates and the decrease in discount rates used to determine the benefit obligation from 5.25% in 2022 to 5.05% in 2023.

Actuarial assumptions used were as follows:

	2024	2023
Discount rates at January 1 for calculating service cost	5.23%	5.39%
Discount rates at January 1 for calculating interest cost	4.95%	5.14%
Discount rate for calculating December 31 accumulated postretirement benefit obligation	N/A	5.05%
Expected long-term rate of return on plan assets for calculating benefits expense	6.25%	6.25%

The following were the assumed health care cost trend rates used to determine the December 31, 2023 benefit obligation and postretirement benefits expense for the six months ended June 30, 2024 and 2023:

	Basic medical pre-65/post-65	Prescription drug pre-65/post-65	Medicare Part D	Dental	Medicare Part A&B	Medicare Part C	Supplemental medical pre-65/post-65
Initial trends:							
Benefit obligation – 2023	6.00% / 5.20%	6.70%	3.60%	4.50%	8.00%	3.10%	6.00% / 5.20%
Benefit expense – 2023	5.75% / 4.95%	6.35%	4.50%	4.50%	4.00%	4.50%	5.75% / 4.95%
Benefit obligation – 2024	n/a / n/a	n/a	n/a	n/a	n/a	n/a	n/a / n/a
Benefit expense – 2024	6.00% / 5.20%	6.70%	3.60%	4.50%	8.00%	3.10%	6.00% / 5.20%
Ultimate trend rate	4.50% / 4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50% / 4.50%
First year at ultimate trend rate	2038 / 2031	2038	2026	n/a	2031	2026	2038 / 2031

The following benefit payments, which reflect expected future service, are expected to be paid or provided (in millions):

2024	$	185
2025		204
2026		225
2027		242
2028		218
2029-2033		1,247

Explanation of Investment Strategies and Policies

A total return investment approach is employed for the retirement benefit trust whereby the assets are invested in funds with underlying investments comprised of various asset classes to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long run. Risk tolerance is established through consideration of plan liabilities, plan funded status, and corporate financial condition. The investment portfolio will consist over time of a varying but diversified blend of investments. Diversification includes such factors as geographic location, equity capitalization size and style, placement in the capital structure, and security type. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies, and quarterly investment portfolio reviews. The retirement benefit trust investment policy has restrictions relating to credit quality, industry/sector concentration, duration, concentration of ownership, and use of derivatives.

Capital Market Assumption Methodology

To determine the long-term rate of return assumption for plan assets, management incorporates historical relationships among the various asset classes and subclasses to be accessed over the investment horizon. Management's intent is to maximize portfolio efficiency. This will be accomplished by seeking the highest returns prudently available among the available asset classes. Overall portfolio volatility is managed through diversification among asset classes. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. From time to time, management reviews its long-term investment strategy and reconciles that strategy with the long-term liabilities of the benefit plan. This asset-liability study produces a range of expected returns over medium and long-term time periods. Those intermediate and long-term investment projections form the basis for the expected long-term rate of return on assets.

At June 30, 2024, the estimated fair value of retirement benefit trust assets – net by level was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Total
Assets:			
Cash and cash equivalents	$ —	$ 65	$ 65
Broker receivables	—	24	24
U.S. equity securities	—	1,396	1,396
Debt securities issued by the U.S. government	—	202	202
Debt securities issued by U.S. states	—	30	30
Foreign government debt securities	—	57	57
U.S. corporate debt securities	—	1,234	1,234
Foreign corporate debt securities	—	163	163
Other	—	25	25
Total assets	—	3,196	3,196
Liabilities:			
Broker payables	—	34	34
Other liabilities	—	3	3
Total liabilities	—	37	37
Total fair value of retirement benefit trust assets	$ —	$ 3,159	3,159
Investments measured at NAV:			
Alternative investments:			
Risk parity			2,199
Total retirement benefit trust assets			$ 5,358

At December 31, 2023, the estimated fair value of retirement benefit trust assets – net by level was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Total
Assets:			
Cash and cash equivalents	$ 1	$ 37	$ 38
Broker receivables	—	11	11
U.S. equity securities	—	1,478	1,478
Debt securities issued by the U.S. government	—	217	217
Debt securities issued by U.S. states	—	37	37
Foreign government debt securities	—	26	26
U.S. corporate debt securities	—	1,261	1,261
Foreign corporate debt securities	—	144	144
U.S. agency mortgage-backed securities	—	11	11
Other	—	27	27
Total assets	1	3,249	3,250
Liabilities:			
Broker payables	—	28	28
Other liabilities	—	5	5
Total liabilities	—	33	33
Total fair value of retirement benefit trust assets	$ 1	$ 3,216	3,217
Investments measured at NAV:			
Alternative investments:			
Absolute return			—
Risk parity			2,119
Total retirement benefit trust assets			$ 5,336

The change in fair value of postretirement benefit trust assets for the six months ended June 30, 2024 was not reflected in the funded status of pension and other retirement benefits. The change in fair value of postretirement benefit trust assets will be reflected in the funded status at December 31, 2024, the measurement date of the postretirement benefit obligation.

The target asset allocations for calculating post retirement benefits expense were as follows:

	2024 target	2023 target
Equity securities	0%	32%
Debt securities	60%	30%
Alternative investments	40%	38%
Total	100%	100%

Alternative investments, which includes risk parity, held in the retirement benefit trust are reported at NAV as a practical expedient for fair value. These investments are typically valued on a monthly or quarterly basis based on information provided by fund managers or general partners with an annual audit performed by an independent third party, but often have a lag in the availability of data. Management solicits valuation updates from fund managers and corroborating data from public markets to determine any needed fair value adjustments. Risk parity funds use risk as the primary factor to allocate investments among asset classes.

(b) Multi-Employer Plans

Health Plans and Hospitals participates in multi-employer union-administered retiree medical health and welfare plans that provide benefits to some union employees. Benefits for retirees under these plans are negotiated as part of the collective bargaining process. For the six months ended June 30, 2024 and 2023, Health Plans and Hospitals' employer expense for current and retiree benefits was $60 million and $56 million, respectively.

(14) Physicians' Retirement Plan

Health Plan, Inc. provides defined retirement benefits for physicians associated with certain Medical Groups. Benefits are determined based on the length of service and level of compensation of each participant. The plan is unfunded and is not subject to the Employee Retirement Income Security Act.

At December 31, 2023, the accrued liability for physicians' retirement plan was as follows (in millions):

		2023
Change in projected benefit obligation:		
Physicians' retirement plan liability at January 1	$	8,587
Service cost		386
Interest cost		449
Net actuarial loss		585
Benefits paid		(280)
Physicians' retirement plan liability at December 31	$	9,727
Accumulated benefit obligation at end of year	$	7,812
Change in plan assets:		
Fair value of plan assets at the beginning of year	$	—
Company contributions		280
Benefits paid		(280)
Fair value of plan assets at end of year	$	—
Funded status	$	(9,727)
Amounts recognized in the combined balance sheets consist of:		
Noncurrent assets	$	—
Other current liabilities		(314)
Physicians' retirement plan liability		(9,413)
	$	(9,727)
Amounts recognized in net worth:		
Net actuarial gain	$	(101)

The measurement date used to determine physicians' retirement valuation was December 31.

A portion of the investments of Health Plans and Hospitals, excluding Risant Health, has been designated by management for the liabilities of the physicians' retirement plan. These investments are not held in trust or otherwise legally segregated and are not restricted even though it has been intended that these assets be used to pay the obligations of the physicians' retirement plan.

For purposes of the physicians' retirement plan expense, the expected return on assets is the portion of investment income that represents the expected return on the investments designated for the physicians' retirement plan. This amount is recorded as a reduction in the expense for the physicians' retirement plan within interest expense and other income (expense) – net and is excluded from investment income – net, as described below and in the *Summary of Significant Accounting Policies – Investments* note.

The accrued liability for the physicians' retirement plan at December 31, 2023 and the change through June 30, 2024 were as follows (in millions):

Accrued physicians' retirement plan liability at December 31, 2023	$	9,727
Provision		443
Payments		(122)
Accrued physicians' retirement plan liability at June 30, 2024		10,048
Less: current portion		(314)
Long-term portion of accrued physicians' retirement plan liability at June 30, 2024	$	9,734

For the six months ended June 30, physicians' retirement plan provision was as follows (in millions):

	2024	2023
Service cost	$ 208	$ 193
Interest cost	235	225
Amortization of net actuarial loss	—	—
Total benefit expense	443	418
Expected return on assets – investment income included in interest expense and other income (expense)– net	(354)	(326)
Net benefit expense	89	92
Other changes in projected benefit obligations recognized in net worth:		
Amortization of net actuarial loss	—	—
Total recognized in net worth	—	—
Total recognized in net periodic benefit cost and net worth	$ 89	$ 92

For the year ended December 31, 2023, the benefit obligation included a net actuarial loss of $585 million, primarily due to the decrease in the discount rate used to determine the benefit obligation from 5.30% in 2022 to 5.10% in 2023.

Actuarial assumptions used were as follows:

	2024	2023
Discount rate at January 1 for calculating service cost	5.23%	5.40%
Discount rate at January 1 for calculating interest cost	4.98%	5.19%
Discount rate for calculating December 31 PBO	N/A	5.10%
Salary scale for calculating pension expense	3.80%	3.80%
Salary scale for calculating December 31 PBO	N/A	3.80%
Expected long-term rate of return on designated investments for calculating benefit expense	7.50%	7.50%

The following benefit payments, which reflect expected future service, are expected to be paid (in millions):

2024	$ 314
2025	337
2026	362
2027	388
2028	415
2029–2033	2,507

(15) Leases

Health Plans and Hospitals leases land, medical office buildings, office space, data centers, and equipment, primarily under operating leases. The remaining lease term for leases primarily ranges from 1-15 years. Many leases contain renewal options. For those contracts where options are reasonably certain to be exercised, Health Plans and Hospitals recognizes renewal options as part of the right-of-use assets and lease liabilities.

At June 30, 2024 and December 31, 2023, operating lease right-of-use assets totaled $1.3 billion and $1.2 billion, respectively. At June 30, 2024 and December 31, 2023, the current portion of operating lease liabilities, totaling $334 million and $322 million, respectively, is included in other current liabilities in the combined balance sheets. At both June 30, 2024 and December 31, 2023, the long-term portion of operating lease liabilities, totaling $1.0 billion, is included in operating lease liabilities in the combined balance sheets.

For the six months ended June 30, the components of lease cost were as follows (in millions):

	2024	2023
Operating lease cost	$ 255	$ 251
Finance lease cost	6	7
Short-term lease cost	50	38
Variable lease cost	54	51
Total	$ 365	$ 347

For the six months ended June 30, other supplemental quantitative disclosures for operating leases were as follows (in millions):

		2024		2023
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows used for operating leases	$	(253)	$	(260)
Additions to right-of-use assets obtained in the period from operating leases	$	146	$	124
Weighted-average remaining lease term for operating leases (years):		5.43		5.52
Weighted-average discount rate for operating leases:		4.01%		3.32%

At June 30, 2024, the undiscounted future lease payments under non-cancelable operating leases, along with a reconciliation of the undiscounted cash flows to operating lease liabilities were as follows (in millions):

Lease Maturity		Operating leases
2024	$	197
2025		359
2026		297
2027		225
2028		164
Thereafter		303
Total lease payments		1,545
Less amount representing interest		(165)
Present value of undiscounted future cash flows	$	1,380

(16) Commitments and Contingencies

(a) Purchase Commitments

At December 31, 2023, minimum purchase commitments extending beyond one year were as follows (in millions):

2024	$	338
2025		277
2026		128
2027		42
2028		22
Thereafter		187
Total	$	994

During the six months ended June 30, 2024 and 2023, Health Plans and Hospitals' total purchases under contracts with minimum purchase commitments were $268 million and $284 million, respectively.

(b) Regulatory

Health plans are required to periodically file financial statements with regulatory agencies in accordance with statutory accounting and reporting practices. Health plans must comply with the various states' minimum regulatory net worth requirements generally under the regulation of the California Department of Managed Health Care and various state departments of insurance. Such requirements are generally based on tangible net equity or risk-based capital, and for California are calculated on the basis of combined net worth of Health Plans and Hospitals. At June 30, 2024 and December 31, 2023, the regulatory net worth, so defined, exceeded the aggregate regulatory minimum requirements by approximately $64.5 billion and $56.1 billion, respectively.

Health Plans and Hospitals is subject to numerous and complex laws and regulations of federal, state, and local governments, and accreditation requirements. Compliance with such laws, regulations, and accreditation requirements can be subject to retrospective review and interpretation, as well as regulatory actions. These laws and regulations include, but are not necessarily limited to, requirements of tax exemption, government reimbursement, government program participation, privacy and security, false claims, anti-kickback, accreditation, health care reform, controlled substances, facilities, and professional licensure. In recent years, government activity has increased with respect to compliance and enforcement actions.

In the ordinary course of business operations, Health Plans and Hospitals is subject to periodic reviews, investigations, and audits by various federal, state, and local regulatory agencies and accreditation agencies, including, without limitation, CMS, Department of Managed Health Care, U.S. Office of Personnel Management, Occupational Safety and Health Administration, Drug Enforcement Administration (DEA), State Boards of Pharmacy, Food and Drug Administration, Internal Revenue Service, National Committee for Quality Assurance, and state departments of insurance.

Health Plans and Hospitals' compliance with the wide variety of rules and regulations and accreditation requirements applicable to their business may result in certain remediation activities and regulatory fines and penalties, which could be substantial. Where appropriate, reserves have been established for such sanctions. While management believes these reserves are adequate, the outcome of legal and regulatory matters is inherently uncertain, and it is possible that one or more of the legal or regulatory matters currently pending or threatened could have a material adverse effect on the combined financial position or results of operations.

(c) Litigation

Health Plans and Hospitals is involved in lawsuits and various governmental investigations, audits, reviews, and administrative proceedings arising, for the most part, in the ordinary course of business operations. Lawsuits have been brought under a wide range of laws and include, but are not limited to, business disputes, employment and retaliation claims, claims alleging professional liability, improper disclosure of personal information, labor disputes, administrative regulations, the False Claims Act, information privacy and Health Insurance Portability and Accountability Act laws, mental health parity laws, and consumer protection laws. In addition, Health Plans indemnifies the Medical Groups against various claims, including professional liability claims.

Health Plans and Hospitals records reserves for legal proceedings and regulatory matters where available information indicates that at the date of the combined financial statements a loss is probable and the amount can be reasonably estimated. While such reserves reflect management's best estimate of the probable loss for such matters, Health Plans and Hospitals' recorded amounts may differ materially from the actual amount of any such losses.

In the opinion of management, based upon current facts and circumstances, and except as stated below with respect to particular matters, the resolution of these matters is not expected to have a material adverse effect on the combined financial position or combined results of operations of Health Plans and Hospitals. The outcome of litigation and other legal and regulatory matters is inherently uncertain, however, and it is possible that one or more of the legal or regulatory matters currently pending or threatened could have a material adverse effect on the combined financial position or combined results of operations of Health Plans and Hospitals.

Pursuant to civil subpoenas, Health Plans and Hospitals has provided documents and information to the U.S. Department of Justice (DOJ) and Department of Health and Human Services – Office of Inspector General relating to Medicare Part C risk adjustment practices, policies, and programs. On July 27, 2021, the Civil Division of the DOJ filed a notice indicating its intervention in certain aspects of lawsuits previously filed under seal against several Kaiser Permanente Medical Care Program entities. On October 25, 2021, the DOJ filed its complaint in intervention against those entities. The defendant entities intend to vigorously defend the case, but can provide no assurance as to the outcome and are currently unable to estimate a range of potential loss related to the litigation. An unfavorable outcome in the litigation could have a material adverse effect on the combined financial position or combined results of operations of Health Plans and Hospitals.

Additional Information (Unaudited):

Kaiser Foundation Health Plan, Inc., Kaiser Health Plan Asset Management, Inc.,
Kaiser Foundation Hospitals and Kaiser Hospitals Asset Management, Inc.
(Credit Group)

KAISER FOUNDATION HEALTH PLAN, INC.,
KAISER HEALTH PLAN ASSET MANAGEMENT, INC.,
KAISER FOUNDATION HOSPITALS AND
KAISER HOSPITALS ASSET MANAGEMENT, INC.
(CREDIT GROUP)[(1)]

Combined Balance Sheets

June 30, 2024 and December 31, 2023

(In millions)

Assets	**2024**	**2023**
Current assets:		
Cash and cash equivalents	$ 487	$ 163
Current investments	4,183	4,209
Securities lending collateral	2,064	1,303
Broker receivables	293	416
Due from associated medical groups	—	357
Accounts receivable – net	3,726	3,312
Due from affiliated organizations	397	3,417
Inventories – net and other current assets	1,872	2,015
Total current assets	13,022	15,192
Noncurrent investments	47,802	43,039
Land, buildings, equipment, and software – net	26,746	26,733
Pension and other retirement benefits asset	5,140	4,535
Operating lease right-of-use assets	947	971
Investments in subsidiaries	9,591	2,076
Noncurrent portion of due from affiliated organizations	5,854	5,729
Other long-term assets	2,466	743
Total assets	$ 111,568	$ 99,018

Liabilities and Net Worth	**2024**	**2023**
Current liabilities:		
Accounts payable and accrued expenses	$ 5,444	$ 5,205
Medical claims payable	2,652	2,510
Due to associated medical groups	1,347	941
Payroll and related charges	2,143	2,189
Securities lending payable	2,064	1,303
Broker payables	435	428
Other current debt	395	382
Other current liabilities	2,601	2,553
Total current liabilities	17,081	15,511
Noncurrent portion of due to affiliated organizations	2,400	2,398
Long-term debt	12,025	10,531
Physicians’ retirement plan liability	9,734	9,413
Operating lease liabilities	766	787
Other long-term liabilities	2,767	2,707
Total liabilities	44,773	41,347
Net worth	66,795	57,671
Total liabilities and net worth	$ 111,568	$ 99,018

[(1)] Entities which are obligated to make payments under various debt and guarantee agreements.

KAISER FOUNDATION HEALTH PLAN, INC.,
KAISER HEALTH PLAN ASSET MANAGEMENT, INC.,
KAISER FOUNDATION HOSPITALS AND
KAISER HOSPITALS ASSET MANAGEMENT, INC.
(Credit Group)[1]

Combined Statements of Operations and Changes in Net Worth

Six months ended June 30, 2024 and 2023

(In millions)

	2024	2023
Revenues:		
Members’ dues	$ 28,463	$ 24,870
Contract revenue from affiliated Health Plans	1,694	1,609
Medicare	11,007	10,398
Copays, deductibles, and other	3,192	3,598
Total operating revenues	44,356	40,475
Expenses:		
Medical services	19,005	18,050
Hospital services	13,670	12,843
Outpatient pharmacy and optical services	4,555	4,024
Other benefit costs	3,306	3,069
Total medical and hospital services	40,536	37,986
Health Plan administration	1,757	1,468
Total operating expenses	42,293	39,454
Income before equity in net income of subsidiaries	2,063	1,021
Equity in net income of subsidiaries	185	304
Gain from acquisition	4,629	—
Operating income	6,877	1,325
Other income and expense:		
Investment income – net	2,025	1,325
Interest expense and other income (expense) – net	528	610
Total other income and expense	2,553	1,935
Net income	9,430	3,260
Change in pension and other retirement plans	(50)	(93)
Change in net unrealized gains on investments	(416)	22
Other	160	(5)
Change in net worth	9,124	3,184
Net worth at beginning of year	57,671	57,118
Net worth at end of period	$ 66,795	$ 60,302

[1] Entities which are obligated to make payments under various debt and guarantee agreements.

KAISER FOUNDATION HEALTH PLAN, INC.,
KAISER HEALTH PLAN ASSET MANAGEMENT, INC.,
KAISER FOUNDATION HOSPITALS AND
KAISER HOSPITALS ASSET MANAGEMENT, INC.

(Credit Group)[1]

Combined Statements of Cash Flows

Six months ended June 30, 2024 and 2023

(In millions)

	2024	2023
Cash flows from operating activities:		
Net income	$ 9,430	$ 3,260
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and software amortization	1,300	1,285
Other amortization	20	(2)
Gain recognized on investments – net	(1,584)	(782)
Gain from acquisition	(4,629)	—
Loss on land, buildings, equipment, and software – net	12	15
Releases of restricted donations	(14)	(6)
Changes in assets and liabilities:		
Accounts receivable – net	(414)	48
Due from associated medical groups	357	—
Investments in subsidiaries	(60)	(331)
Due from affiliated organizations	340	318
Other assets	(163)	225
Accounts payable and accrued expenses	298	173
Medical claims payable	142	356
Due to associated medical groups	409	358
Payroll and related charges	(46)	(200)
Medicare payments received in advance	—	1,687
Pension and other retirement plans	(655)	(223)
Physicians' retirement plan liability	321	278
Other liabilities	(15)	57
Net cash provided by operating activities	5,049	6,516
Cash flows from investing activities:		
Additions to land, buildings, equipment, and software	(1,398)	(1,561)
Proceeds from investments	12,216	9,203
Investment purchases	(15,687)	(13,505)
Increase in securities lending collateral	(761)	(331)
Broker receivables / payables	130	(209)
Other investing	31	(151)
Net cash used in investing activities	(5,469)	(6,554)
Cash flows from financing activities:		
Issuance of debt	242	141
Prepayment and repayment of debt	(255)	(151)
Increase in securities lending payable	761	331
Other financing	(4)	(1)
Net cash provided by financing activities	744	320
Net change in cash and cash equivalents	324	282
Cash and cash equivalents at beginning of year	163	322
Cash and cash equivalents at end of period	$ 487	$ 604
Supplemental cash flows disclosure:		
Cash paid for interest – net of capitalized amounts	$ 182	$ 170

[1] Entities which are obligated to make payments under various debt and guarantee agreements.

Certain reclassifications have been made in the 2023 statement to conform to the 2024 presentation.