

## 2022 Year-End Financial Update From

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Executive Vice President and Chief Financial Officer

Today we released our 2022 year-end financial results, and I am writing to share details on our financial performance.

For 2022 overall, there was a 4.5% increase in our operating expenses while revenue increased by a modest 2.4%. Our expenses were driven by challenges experienced by the entire health care sector. These included higher costs for goods and services, increased labor costs due to labor shortages, higher demand for COVID-19 care and testing, and increases in care volume partly due to the resumption of deferred care.

For the year ending 2022, Kaiser Foundation Health Plan, Inc., Kaiser Foundation Hospitals, and their respective subsidiaries reported total operating revenues of \$95.4 billion compared to \$93.1 billion in 2021. Total operating expenses were \$96.7 billion compared to \$92.5 billion in the prior year. There was an operating loss of \$1.3 billion for the year compared to operating income of \$611 million in 2021.

Our capital spending totaled \$3.5 billion in 2022, which is consistent with our 2021 capital spending. During 2022, we opened 4 new medical offices. Kaiser Permanente now has 737 medical offices, 39 owned hospitals, and 43 retail and employee clinics. We also continued our long-standing commitment to improving the health of members and the communities we serve by investing \$2.8 billion in community health programs.

A downturn in the financial markets drove a loss in total other income and expense of \$3.2 billion in 2022 compared to a gain of \$7.5 billion in 2021. For 2022 overall, we experienced a net loss of \$4.5 billion compared to net income of \$8.1 billion in 2021.

Despite these financial challenges, Kaiser Permanente did not scale back services or waver from our mission as we continued our long-term and strategic investments in care and service improvements while taking action to curb expenses. We also grew Kaiser Permanente membership by nearly 36,000 members, totaling 12.6 million members in 2022.

Thank you for implementing innovative solutions and creating new efficiencies to help us manage our costs. Your efforts produced savings in many key areas, including discretionary spending, COVID-19 testing, and a reduced reliance on contract clinical workers by redesigning clinical hiring practices for faster recruiting and onboarding. We will continue to build on these best practices in 2023 and beyond.

**The year ahead**

Over the past 3 years, you have demonstrated resilience in the face of outside forces that have forever changed our world. As we focus on the future, it is important that we return to our pre-pandemic levels of financial performance with a strong emphasis on preventive care and quality outcomes. We must work together to close the gaps in access and service to improve the member experience and deliver on KP's affordability mission.

**As we transition out of the pandemic, careful management of expenses and adherence to 2023 budgets is critical. Responsible stewardship of our resources will position us to continue investing in our people, technology, and facilities; maintain our leading edge against our competitors; and navigate the dramatic changes in health care.**

**Thank you.**