# Management's Discussion and Analysis of Financial Condition and Results of Operations for Ascension

**As of and for the years ended June 30, 2024 and 2023**

Ascension

The following information should be read in conjunction with Ascension's consolidated financial statements and related notes to the consolidated financial statements.

# Introduction to Management's Discussion and Analysis

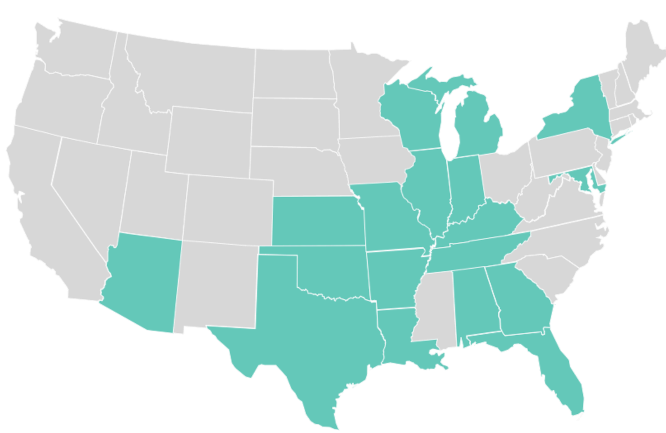
The purpose of Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is to provide a narrative explanation of the financial position and operational performance of Ascension (the System).

The MD&A includes the following sections:

- Organization and Mission
- Executive Overview
- Organizational Changes & Updates
- Select Financial Information

## Organization and Mission

Ascension is one of the nation's leading non-profit and Catholic health systems, with a Mission of delivering compassionate, personalized care to all, with special attention to persons living in poverty and those most vulnerable. As of June 30, 2024, the System included approximately 131,000 associates and 37,000 aligned providers, supporting our sites of care – including 136 hospitals and 39 senior living facilities – in 18 states and the District of Columbia, while providing a variety of healthcare-related services.



## Executive Overview

Similar to other U.S. healthcare providers, Ascension's operations and volumes were continuing to stabilize subsequent to the pandemic amidst broader inflationary and recessionary pressures within the U.S. economy. Ascension remains dedicated to improving the health and well-being of the communities we serve. During the first ten months of FY24 (April FY24 YTD), Ascension began to realize meaningful operational improvement from economic improvement plans focused on volume growth, improved rates and pricing and reduced costs, contributing to greater than a $1.1 billion increase in recurring operating performance compared to the prior year. In May and June 2024, operations were impacted by the May cybersecurity incident as further described below.

## Organizational Changes & Updates

### Organizational Changes

During the prior year, Ascension implemented changes to strengthen its operational leadership at both the national and market levels to improve hospital operations and ensure sustainability for the future. Additionally, in FY24, Ascension added two additional regional operating leaders that are each aligned to a subset of its Markets, providing operational oversight and strengthened alignment with Ascension's leadership team and in Market leadership. Ascension also continues to make strategic and purposeful decisions to improve the health of individuals and communities served, engage with consumers in where, when and how they need care, and support the shift to expanded ambulatory and telehealth presence. The organization's key changes to its portfolio are as follows:

On August 1, 2024, subsequent to the year ended June 30, 2024, Ascension Healthcare, a wholly owned subsidiary of Ascension, transitioned its sole corporate membership interest in its northern Michigan hospitals and related ancillary entities to MyMichigan Health.

In July 2024, subsequent to the year ended June 30, 2024, Presence Care Transformation Corporation (Presence), a wholly owned subsidiary of Ascension & Ascension Illinois, and Prime Healthcare Services, Inc. (Prime) signed an asset purchase agreement whereby Presence will sell substantially all assets and operations, including related clinical and other businesses, of nine hospitals and four senior living facilities in the greater Chicago, Illinois area to Prime. The transition is expected to be finalized after all necessary approvals are obtained.

In June 2024, Ascension Healthcare, a wholly owned subsidiary of Ascension, and UAB Health System Authority (UAB), signed a definitive agreement to transition all of Ascension's direct and indirect membership interest in the St. Vincent's Health System in Alabama to UAB. The transition is expected to be finalized after all necessary approvals are obtained.

In March 2024, Ascension Healthcare, a wholly owned subsidiary of Ascension, and Villa Investment Partners, LLC (Villa) signed a definitive agreement to transition certain assets and liabilities of Ascension Health senior care entities to Villa. The transition is expected to be finalized after all necessary approvals are obtained.

In February 2024, Ascension Via Christi Hospital Pittsburg, Inc. (Ascension Pittsburg) and Mercy Hospital Pittsburg, Inc. (Mercy) signed an asset purchase agreement where Ascension Pittsburg will transition certain assets and liabilities and primarily all operations to Mercy. The transition is expected to be finalized after all necessary approvals are obtained.

On February 1, 2024, Ascension Healthcare, a wholly owned subsidiary of Ascension, transitioned its sole corporate membership interest in Our Lady of Lourdes Memorial Hospital, Inc. in Binghamton, New York as well as related clinical and other business to The Guthrie Clinic.

In December 2023, Ascension St. Thomas, a wholly owned subsidiary of Ascension, and Lifepoint Health formed a joint venture to own Highpoint Health System, consisting of three hospitals and multiple affiliated clinics and sites of care, to expand access to high quality care and services in Northern Middle Tennessee.

On November 1, 2023, Ministry Health Care, Inc., a wholly owned subsidiary of Ascension, finalized the sale of its membership interest in Network Health Inc., a holding company that operates insurance companies and other non insurance operations in the state of Wisconsin, to Froedtert Health, Inc.

In October 2023, Ascension Healthcare and Ascension Michigan signed an integration and affiliation agreement with Henry Ford Health System (HFHS) whereby Ascension Healthcare will contribute the membership interest in its southeast and mid Michigan hospitals and related ancillary entities into HFHS in exchange for acquiring an interest in HFHS. This transaction is expected to be finalized after all necessary approvals are obtained.

On October 1, 2023, Gulf Coast Health System (GCHS), a wholly owned subsidiary of Ascension, completed the sale of substantially all assets, operations, and related clinical and other business associated with Providence Hospital in Mobile, Alabama (Providence) to University of South Alabama Health Care Authority.

Effective September 30, 2022, Ascension completed the sale of certain assets of its outreach laboratory business and transitioned management of hospital-based laboratories in certain markets to Laboratory Corporation of America Holdings. This transition supports expansion of laboratory services and implementation of advanced technology, providing for an enhanced consumer experience.

In addition to optimizing our acute care assets focused on patients with more complex needs, we continue to invest in accelerating growth through our ancillary services and ambulatory networks. One example is the growth of Ascension Rx, building upon our existing retail pharmacies through growth of specialty pharmacy and a nationwide mail order distribution center. Additional investments are also being made in our ambulatory surgery centers, imaging and outpatient physical therapy sites that enhance Ascension's footprint of service offerings and provide greater convenience to consumers.

## Cybersecurity Incidents

On February 21, 2024, Ascension became aware of a cybersecurity incident involving a third party clearinghouse impacting revenue cycle and payment management systems, insurance eligibility verifications and pharmacy billing for health systems, providers and payers across the country, including Ascension. Subsequent to the incident, Ascension has diversified its claim clearinghouses to better protect itself from future incidents. At this time, Ascension is not aware of any impact to patient care or breach of patient health information through our systems due to the third party attack.

On May 8, 2024, Ascension became aware of a cybersecurity attack impacting and interrupting access to some of its technology network systems. While there were disruptions to certain clinical operations for varying amounts of time, our care teams are trained for these types of disruptions and initiated established downtime procedures and protocols to minimize the impact to patient care delivery and continue to provide safe care to our patients.

Ascension responded immediately to the event, notified business partners to safeguard their electronic systems, initiated an investigation and remediation process with the assistance of third party experts and notified the appropriate authorities. In mid-June, Ascension completed the restoration of electronic health record (EHR) access across our ministries allowing clinical workflows to function similar to before the ransomware attack. Ascension has made significant progress towards and continues to remediate and restore all additional systems. Our investigation and analysis into this incident is ongoing and will likely be concluded during fiscal year 2025.

During Q3 and Q4 FY24, the combination of these incidents resulted in various disruptions related to healthcare services provided and/or revenue cycle processes, including claim submissions, payment processing and posting and insurance verification processes. Claims submission for certain patients treated during the downtime period remains in process and is expected to be completed in Q2 of FY25.

For FY24, the May cybersecurity attack resulted in reduced revenues from the associated business interruption from May 8 through June 30, 2024 along with costs incurred to remediate the issues and other business related expenses. Ascension's FY24 financial statements include estimated financial impacts incurred through June 30, 2024.

To partially mitigate the impact to cash flow, Ascension also collaborated closely to secure advance payments from CMS and other commercial payers for services provided (further information included within the Fixed Assets and Liquidity Resources section). Ascension has also accessed its short-term liquidity facilities (see further discussion on page 9) to provide additional cash flow relief while revenue cycle processes have been temporarily impacted by the cybersecurity incidents (further information included within the Fixed Assets and Liquidity Resources section).

# Select Financial Information

## (dollars in millions)

### Consolidated Operations

The following table reflects selected financial information on a consolidated basis for the ten months ended April 30, 2024 and 2023.

| | Ten months ended April 30, | |
|---|---|---|
| | **2024** | **2023** |
| Net Patient Service Revenue | $ 22,443 | $ 21,289 |
| Other Operating Revenue | 2,337 | 2,261 |
| Operating Expenses | 24,928 | 24,795 |
| Self-insurance Trust Fund Investment Return | 69 | 38 |
| **Income (Loss) from Recurring Operations** | **$ (79)** | **$ (1,207)** |
| Impairment and Nonrecurring Gains (Losses), net | $ (253) | $ (713) |
| **Income (Loss) from Operations** | **$ (332)** | **$ (1,920)** |
| Net Income (Loss), excl. Noncontrolling interests | $ (4) | $ (1,900) |
| **Recurring Operating Margin** | **(0.3%)** | **(5.1%)** |
| **Recurring Operating EBIDA Margin** | **4.2%** | **0.3%** |

Ascension reported a loss from recurring operations of $79 million or a -0.3% recurring operating income margin for the ten months ended April 30, 2024 as compared to a $1.2 billion loss from recurring operations for the comparable prior year period. Ascension also reported recurring operating EBIDA of $1.0 billion for April FY24 YTD and a recurring operating EBIDA margin of 4.2% as compared to recurring operating EBIDA of $70 million for the comparable period in the prior year.

With the inclusion of operating performance for the months of May and June 2024, which were unfavorably impacted by the May cybersecurity incident (further described below), a significant portion of Ascension's year over year financial improvements were reduced.

The following table reflects selected financial information on a consolidated basis for the fiscal years ended June 30, 2024 and 2023.

**Years ended June 30,**

| | 2024 | 2023 |
|---|---|---|
| Net Patient Service Revenue | $ 25,872 | $ 25,648 |
| Other Operating Revenue | 2,679 | 2,700 |
| Operating Expenses | 30,069 | 29,946 |
| Self-insurance Trust Fund Investment Return | 110 | 50 |
| **Income (Loss) from Recurring Operations** | **$ (1,408)** | **$ (1,549)** |
| Impairment and Nonrecurring Gains (Losses), net | $ (402) | $ (1,495) |
| **Income (Loss) from Operations** | **$ (1,809)** | **$ (3,044)** |
| Net Income (Loss), excl. Noncontrolling interests | $ (1,075) | $ (2,660) |
| **Recurring Operating Margin** | **(4.9%)** | **(5.5%)** |
| **Recurring Operating EBIDA Margin** | **(0.2%)** | **(0.1%)** |

For the year ended June 30, 2024 (FY24), Ascension reported a loss from recurring operations of $1.4 billion or a -4.9% recurring operating income margin as compared to a $1.5 billion loss from recurring operations for the prior year. Ascension also reported recurring operating EBIDA of -$62 million for FY24 and a recurring operating EBIDA margin of -0.2% as compared to recurring operating EBIDA of -$22 million for the prior year. Ascension reported a total operating loss of $1.8 billion for the year ended June 30, 2024 as compared to an operating loss of $3.0 billion for the prior year, representing an improvement of $1.2 billion. Inclusive of non-operating performance, Ascension's FY24 net loss, excluding noncontrolling interests, was $1.1 billion, a $1.6 billion improvement over the prior year.

In the midst of recent challenges, Ascension remains extremely focused on stewardship consistent with our Mission through the continued implementation of various economic improvement plans to enhance operational performance across the System. These plans have positioned Ascension to drive revenue growth that significantly exceeded the pace of our cost growth compared to the prior year for the first ten months of FY24 and still exceed cost growth for the entirety of FY24.

## Impairment and Nonrecurring Gains / Losses, Net

In connection solely with related affiliation and membership substitution agreements, as noted above within Organizational Changes, and resulting transition of certain assets and liabilities to held for sale within Ascension's consolidated balance sheet, Ascension recognized non-cash impairments and write-downs during FY24. During the year ended June 30, 2024, Ascension reported $402 million of impairment and nonrecurring losses, primarily attributable to the Ascension Michigan and Illinois markets.

## Volume Trends

For the ten months ended April 30, 2024, the System experienced a 2.0% same facility increase in overall volume, measured by equivalent discharges, compared to the same period in the prior year, representing the continuing measured recovery of volumes through the stabilization from the pandemic and other economic disruptions. Ascension's volume improvements were most notable in total discharges, emergency room visits and inpatient surgeries which increased 2.9%, 2.5%, and 2.0% respectively, on a same facility basis.

The following table reflects certain key patient volume information, on a consolidated basis, for the ten months ended April 30, 2024 and 2023, prior to the lower volumes in May and June due to the May cybersecurity incident.

**Ten months ended April 30,**

| Volume Metrics | 2024 | 2023 | Total Volume Incr/(Decr) |
|---|---|---|---|
| Equivalent Discharges | 1,316,566 | 1,312,126 | 0.3% |
| Total Discharges | 603,944 | 595,354 | 1.4% |
| Surgery Visits (IP) | 134,319 | 134,300 | 0.0% |
| Surgery Visits (OP) | 356,362 | 360,847 | (1.2%) |
| Emergency Room Visits | 2,585,908 | 2,542,520 | 1.7% |
| Encounters per Provider | 2,205 | 2,126 | 3.7% |

With the May cybersecurity incident, there were varying impacts to certain clinical services provided across our ministries in the months of May and June 2024. Specifically, certain procedural volumes were delayed or rescheduled while other types of volumes (e.g., emergency services) may have been reduced during downtime. In general, May and June same facility volumes averaged approximately 8-12% lower than the comparable prior year periods. While preliminary estimated volume indicators for the months of May and June are available through a manual collection process, these metrics may be adjusted, as needed, once the revenue cycle processes, including charge capture and billing, are completed. Final information regarding volume metrics for the entire fiscal year will be made available once those processes are completed, likely during Q2 of FY25.

The following table reflects select patient volume trend comparisons for the ten months ended April 30, 2024 and 2023. Due to the organizational changes noted, the most meaningful volume comparisons are on the same facility basis.

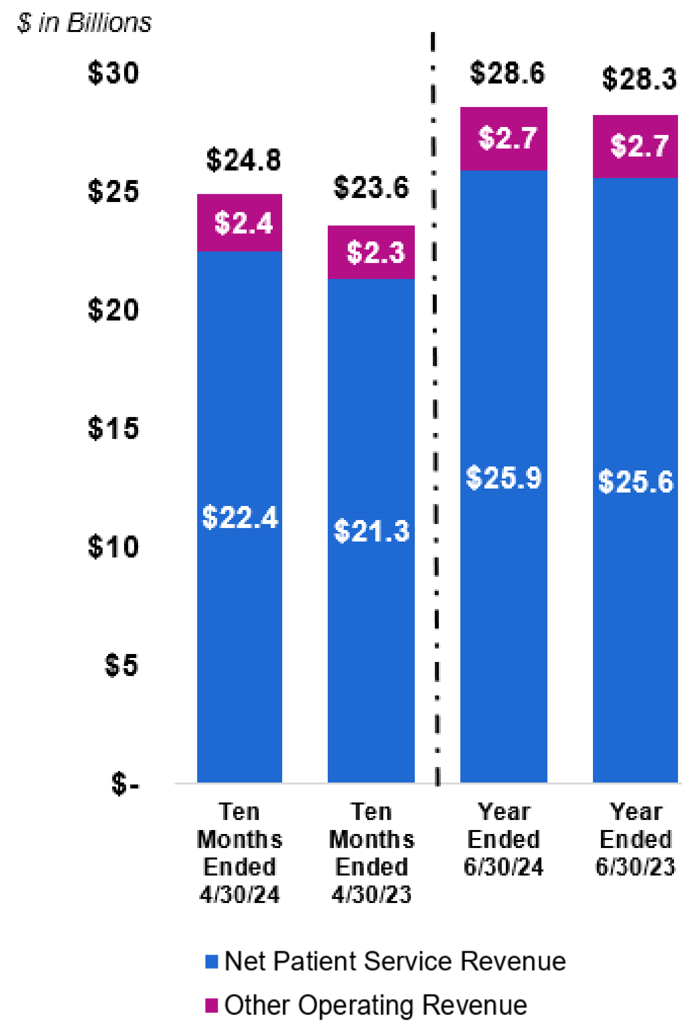
**Ten months ended April 30, 2024 and 2023**

| Volume Trends | Same Facility Volume Incr/(Decr) | Total Volume Incr/(Decr) |
|---|---|---|
| Equivalent Discharges | 2.0% | 0.3% |
| Total Discharges | 2.9% | 1.4% |
| Surgery Visits (IP) | 2.0% | 0.0% |
| Surgery Visits (OP) | 0.5% | (1.2%) |
| Emergency Room Visits | 2.5% | 1.7% |
| Encounters per Provider | 3.9% | 3.7% |

For April FY24 YTD, Ascension experienced moderate increases in same facility discharges, equivalent discharges, and emergency room visits over the prior year as noted above. Encounters per provider also increased 3.9%. Additionally, inpatient and outpatient surgery visits increased 2.0% and 0.5% on a same facility basis, respectively, for April FY24 YTD as compared to the same period in the prior year, demonstrating continued progress towards Ascension's economic improvement plans dedicated to service line growth. As part of these plans, Ascension is focused on building and growing service line volumes along with our strategies to strengthen ancillary services and our ambulatory footprint within our Markets.

## Total Operating Revenue

Total operating revenue increased by $1.2 billion or 5.2% for the ten months ended April 30, 2024 as compared to the same period in the prior year. With the inclusion of May and June, which were impacted by the May cybersecurity incident, FY24 operating revenue increased by $204 million or 0.7%.



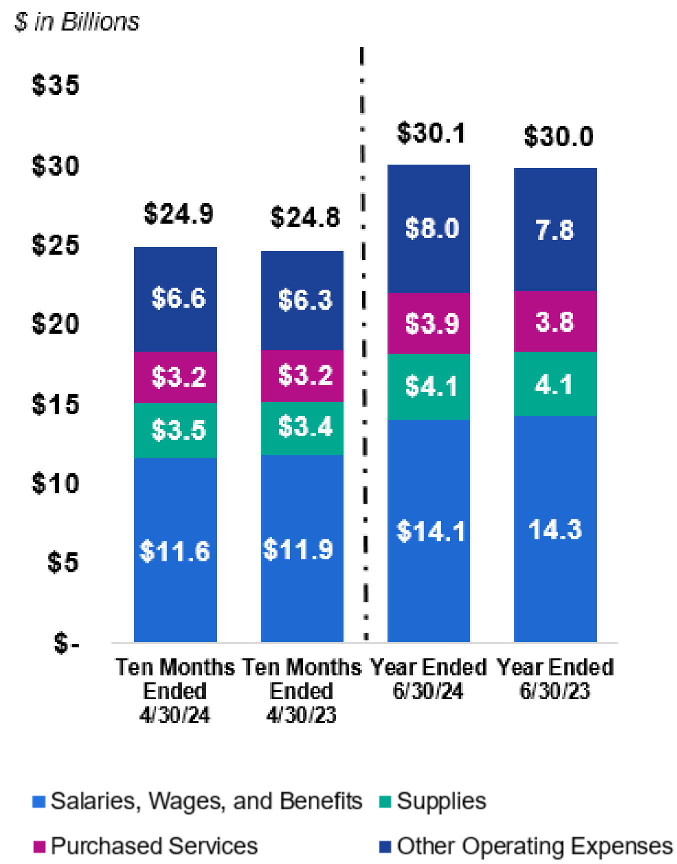

For April FY24 YTD, the System's net patient service revenue (NPSR) increased 5.4% overall from the comparable prior year period (6.5% same facility increase), and NPSR per equivalent discharge increased 5.1% (4.4% on a same facility basis). Aside from the previously mentioned overall volume increases, NPSR was impacted by a reduction in Medicaid payor mix and an increase in commercial and Medicare payor mix. The System's acute case mix index for April FY24 YTD remained at 1.84 as compared to the corresponding prior year period as the System expanded capacity and backfilled inpatient service volumes as other procedures continue to shift to outpatient settings. Additionally, in Q2 FY24, the System also recognized its share of a retrospective lump sum payment from HHS for hospitals participating in the 340B Drug Pricing Program from 2018 to 2022. While reimbursement rates have provided limited mitigation to escalating costs over the last two fiscal years, recent managed care negotiations with commercial payors have yielded larger increases, improving NPSR rates. NPSR rates for the ten months ended April 30, 2024 were also benefited by increased reimbursement through provider tax programs in certain Markets.

For the year ended June 30, 2024, with the inclusion of May and June, NPSR increased $224 million or 0.9% (2.2% on a same facility basis) over prior year. NPSR growth from the first ten months of the fiscal year was partially offset in May and June due primarily to lower revenues associated with the May cybersecurity incident.

Total other operating revenue increased by $76 million or 3.4% during the ten months ended April 30, 2024, as compared to corresponding period in the prior year. This increase is primarily due to higher pharmacy revenue from our specialty pharmacy services and higher insurance plan. Gains on sale declined as a significant gain was recognized in the prior year relative to the transaction to transition lab services along with lower lab service revenue as a result of the transition. Ascension has also reported a $48 million increase in COVID-19 funding primarily attributable to receipt of FEMA funding for prior contract labor spending for certain Markets.

For the year ended June 30, 2024, other operating revenue decreased by $20 million. The primary drivers of the year-over-year decrease with the incorporation of May and June activity were the continued lower lab service revenue as a result of the prior year transaction to transition lab services along with lower pharmacy services revenue growth as impacted by the May cybersecurity incident.

## Total Operating Expenses




Total operating expenses increased $133 million, or 0.5% during the ten months ended April 30, 2024 (or 1.8% on a same facility basis), as compared to the same period in the prior year. Consistent with the overall healthcare provider industry, sustained inflationary pressures have contributed to expense growth in recent periods; however, our economic improvement plans focused on cost containment have mitigated the inflationary impacts to the net increase of 0.5%, well below the comparable growth in operating revenue.

The System experienced a 0.2% increase in cost per equivalent discharge during the ten months ended April 30, 2024 (0.2% decrease on a same facility basis) as compared to the corresponding period in the prior year, primarily due to inflationary pressures impacting several expense categories. To continue countering these pressures, Ascension's economic improvement plans are focused on additional operating efficiencies and reducing the rate of expense growth to further align with total operating revenue.

With the inclusion of May and June, which were impacted by the May cybersecurity incident, FY24 operating expenses increased by $123 million or 0.4%. For FY24, cost per equivalent discharge increased 2.3% or 1.9% on a same facility basis.

Total salaries, wages and benefits decreased $199 million, or 1.4%, for the year ended June 30, 2024, compared to the prior year. The primary factors contributing to the decrease were the outsourcing of lab services, which began in Q2 FY23, along with the continuation of labor stabilization initiatives. Since the height of the staffing and labor challenges, the System's implementation of certain economic improvement plans has focused on stabilization of the workforce, resulting in reduced turnover and vacancy rates across the System. These plans have also contributed to a reduction of agency staffing rates while managing agency utilization to volume demands within our Markets. Further demonstrating improved efficiency, the System's average length of stay for FY24 has also improved 1.0% from the prior year while FTEs per adjusted occupied bed remained consistent with prior year. Partially offsetting these contributors, the average hourly wage rate has increased approximately 2.6% during FY24 driven by market and other wage adjustments, especially for clinical roles and the System incurred incremental salaries and wages in support of the cybersecurity event recovery. Benefits expense decreased $247 million from the prior year, reflective of lower defined contribution retirement plan costs and lower health and dental insurance costs for the System's associates and dependents attributable to reduced FTEs, certain one-time reductions and continued initiatives to mitigate expense growth. Ascension remains committed to: 1) attracting, rewarding and retaining the best talent, 2) providing career growth and development, 3) ensuring a culture of inclusion, flexibility and transparency and 4) supporting the transformation of care delivery models for the future. In FY24, Ascension's progress in these areas is demonstrated by a reduction of nursing turnover (1.7 percentage point decrease) along with a 2% improvement in overall favorability of associate experience as measured by Ascension's annual associate experience survey.

Supply expense increased $80 million, or 2.0%, during the year ended June 30, 2024, as compared to the prior year due primarily to higher surgical, implant, pharmaceutical, medical and blood product supplies. The increases were driven by increased high cost implant, surgical, procedural, oncology and hemophilia volumes in select Markets along with inflationary pricing pressures from vendors due to rising labor, raw material and shipping costs. These price pressures were moderated due to Ascension's economic improvement plan initiatives driving national contract supply savings and efforts from The Resource Group to mitigate supply chain disruptions in the current environment. Partially offsetting the increase in costs is the decrease in lab supplies with the transition to outsourced lab services beginning in Q2 FY23 and lower surgical and procedural volumes during the months of May and June.

Additionally, for the year ended June 30, 2024, the System experienced increases in purchased services and other operating expenses. Purchased services increased $61 million, or 1.6%, as compared to the prior year driven primarily by the transition to outsourced lab services beginning in Q2 FY23 and higher medical purchased service spend. These increases in purchased services were partially offset by reduced spending on dietary and environmental services and outsourced IT costs. Other operating expenses (including professional fees, insurance, provider tax, other operating expenses, and depreciation, amortization and interest) increased $181 million, or 2.3%, for FY24 as compared to prior year due primarily to an increase in contracted service fees for specialty physicians and increased expense for provider tax programs, more than offset by increased revenue. Other increases were attributable to cost of goods sold associated with the increased pharmacy revenue discussed above and claims expense associated with the increased insurance revenue discussed above. Partially offsetting these increases, depreciation and amortization expenses were reduced by the impact of asset impairments reported for certain Markets within FY23 and FY24. Additionally, insurance expense was also lower due to a prior year one-time negotiated settlement.

### Investment Return

Substantially all the System's cash and investments are invested in a broadly diversified portfolio that is managed by Ascension Investment Management (AIM), a wholly owned subsidiary of Ascension.

Ascension's total net investment gains reported within Non-operating gains / losses for the year ended June 30, 2024 were $1.0 billion; Ascension's comparable prior year investment income was $423 million.

Additionally, for FY24, Ascension also recognized $110 million of investment gains associated with the Self-insurance trust fund, reported within Income / Loss from Operations as compared to $50 million of investment gains for the same period in the prior year.

## Financial Position

While temporarily impacted by the cybersecurity incidents, Ascension's balance sheet and liquidity levels remain strong with sufficient liquidity to continue to provide care for patients. The following table reflects selected financial information on a consolidated basis.

| | 6/30/2024 | 4/30/2024 | 6/30/2023 |
|---|---|---|---|
| Current Assets ** | $8,959 | $8,455 | $6,470 |
| Long-Term Investments * | 18,695 | 19,277 | 19,418 |
| Property and Equipment | 8,486 | 8,855 | 9,942 |
| Other Assets | 4,567 | 4,622 | 4,628 |
| Total Assets | **$ 40,706** | **$ 41,209** | **$ 40,458** |

| | 6/30/2024 | 4/30/2024 | 6/30/2023 |
|---|---|---|---|
| Current Liabilities ** | $7,157 | $ 6,836 | $5,534 |
| Long-Term Liabilities | 9.727 | 9,470 | 10,104 |
| Total Liabilities | 16,883 | 16,306 | 15,638 |
| Net Assets | 23,823 | 24,903 | 24,820 |
| Total Liabilities and Net Assets | **$ 40,706** | **$ 41,209** | **$ 40,458** |

*Includes assets limited as to use and the noncontrolling interests of Investment Funds.

**Current Assets and Current Liabilities include assets and liabilities held for sale related to certain transactions that have not yet closed noted in the Organizational Changes section. Beginning in Q2 FY24, these assets and liabilities have been separately presented within Ascension's Consolidated Balance Sheet.

## Financial Assets and Liquidity Resources

The System's cash and investment position remains strong and includes highly liquid investments. Net unrestricted cash and investments were $15.3 billion at June 30, 2024, which were approximately 38% of the System's total assets. The System's days cash on hand were 194 days as of June 30, 2024, a decrease of 8 and 17 days, respectively since April 30, 2024 and June 30, 2023. The largest driver of the change in cash and investment position is the temporary increase in accounts receivable driven by the impacts of the cybersecurity incidents, which is expected to be reduced in FY25 as accounts receivable are collected. Additional information impacting liquidity is further discussed in this section.

With the size and scale of the System, Ascension aims to maintain a combination of short-term liquidity facilities up to $3 billion to provide enhanced liquidity resources as needed. As part of this strategy, Ascension continues to maintain a syndicated line of credit for general working capital purposes, totalling $1.0 billion. In June 2024, Ascension drew $250 million under the line of credit, which remained as an outstanding borrowing at June 30, 2024. The line is committed through November 18, 2024.

Additionally, subsequent to the year ended June 30, 2024, Ascension closed on a bank loan for $700 million with a one-year term and refinanced the line of credit draw into the new loan. Also in August 2024, Ascension set up an additional $500 million line of credit, which has a one year term and remains undrawn. The System also has access to up to a $1.0 billion taxable commercial paper program.

During FY24, Ascension received a total of approximately $874 million of advance payments from 1) Medicare and 2) other advance payment programs provided by certain commercial payers related to the disruptions from the cybersecurity incidents. At June 30, 2024, approximately $554 million of the advance payments remained outstanding and were recorded within long-term investments and current liabilities on the System's Consolidated Balance Sheet. The advance payments, which represent approximately 7 days cash on hand as of June 30, 2024, helped to mitigate the unfavorable cash flow impacts associated with the aforementioned cyber incidents as revenue cycle processes continue to ramp up. In accordance with the terms and conditions of the programs, recoupments began in FY24 with approximately $320 million already recouped.

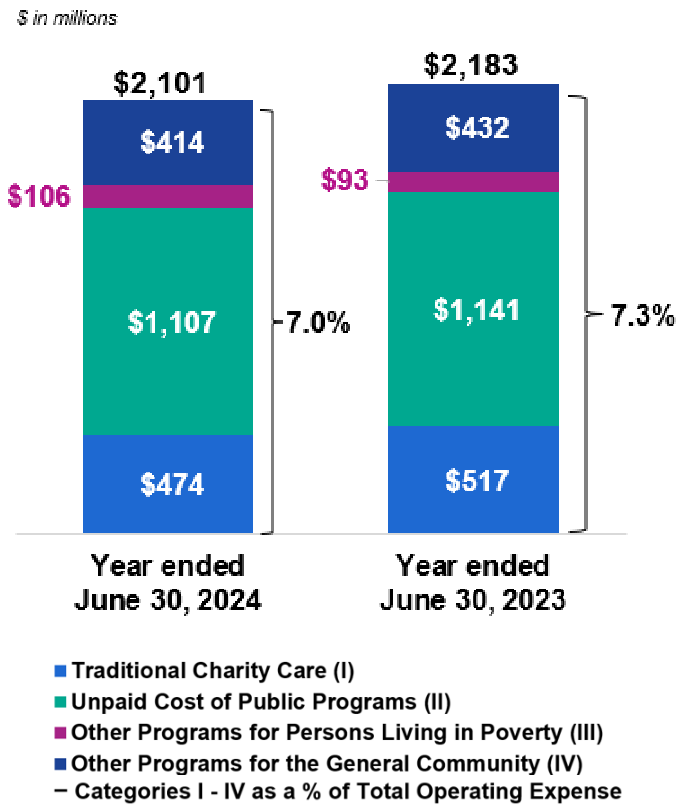
## Balance Sheet Ratios

| | 6/30/2024 | 4/30/2024 | 6/30/2023 |
|---|---|---|---|
| Days Cash on Hand | 194 | 202 | 211 |
| Net Days in Accounts Receivable ^ | 78.4 | 60.4 | 46.7 |
| Cash-to-Debt | 220.6% | 236.9% | 239.8% |
| Total Debt to Capitalization | 25.5% | 23.8% | 24.4% |

^Net days in accounts receivable has been calculated to include certain accounts receivable balances that have been classified as assets held for sale within the Consolidated Balance Sheet.

Net days in accounts receivable increased almost 32 days from 46.7 days at June 30, 2023, to 78.4 days at June 30, 2024 attributable to the recent cyber attacks noted above as Ascension has experienced temporary delays in billing for services provided along with receipt and posting of payments, contributing to a $1.1 billion increase over prior year in accounts receivable (or $1.5 billion, inclusive of amounts classified as held for sale).

## Care of Persons Living in Poverty and Community Benefit




Ascension provided approximately $2.1 billion in Care of Persons Living in Poverty and Other Community Benefit Programs for the year ended June 30, 2024, supported by our financial position. Through programs, donations, health education, trauma programs, free care and more, the organization's uncompensated care and other community benefits fulfill unmet needs in the communities we serve.

Ascension experienced a decrease in traditional charity care due to higher current year uncompensated care funding in select Markets and changes in charity care policies aligning to the end of the COVID-19 public health emergency.

The System also experienced a decrease in the unpaid cost of public programs (Category II) as a result of increased supplemental funding tied to changes to state programs in a few Markets, lower Medicaid gross charges in certain Markets and a lower cost ratio as noted above.