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

As of and for the three months ended September 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

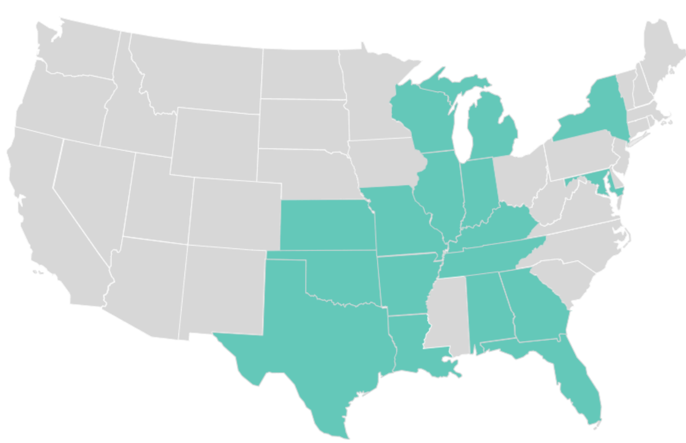
The purpose of Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is to provide a narrative explanation of the financial position and operational performance of Ascension (the System).

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 September 30, 2024, the System included approximately 128,000 associates and 33,000 aligned providers, supporting our sites of care – including 118 wholly owned and/or consolidated hospitals and 34 senior living facilities – in 17 states and the District of Columbia, while providing a variety of healthcare-related services. Through partnerships, Ascension also has an ownership interest in an additional 16 hospitals.



Executive Overview

Similar to other U.S. healthcare providers, Ascension's operations and volumes have continued to stabilize subsequent to the pandemic amidst broader inflationary and recessionary pressures within the U.S. economy. Additionally, Ascension has continued its recovery plans from the May 2024 cybersecurity incident, as further described below. While operations have improved significantly from May and June 2024, the recovery efforts continued during the three months ended September 30, 2024 (Q1 FY25) as further described below. To enable improvement from Ascension's FY24 operational performance, the System continues to realize meaningful operational advancements from economic improvement plans focused on volume growth, improved rates and pricing and efficiency levers. Ascension remains dedicated to improving the health and well-being of the communities we serve.

Organizational Changes & Updates

Organizational Changes

Ascension has implemented changes to strengthen its operational leadership at both the national and market levels to improve hospital operations and ensure sustainability for the future. These changes include the addition of three regional operating leaders that are each aligned to a subset of its Markets or horizontal business strategies, 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 November 1, 2024, subsequent to the quarter ended September 30, 2024, Ascension Healthcare, a wholly owned subsidiary of Ascension, transitioned Ascension's membership interest in the St. Vincent's Health System in Alabama to UAB Health System Authority (UAB).

On October 1, 2024, subsequent to the quarter ended September 30, 2024, Ascension Healthcare and Ascension Michigan, a wholly owned subsidiary of Ascension Healthcare, contributed the membership interest in its southeast and mid Michigan hospitals and related ancillary entities into Henry Ford Health System (HFHS) in exchange for acquiring a noncontrolling interest in HFHS.

In September 2024, Ascension Healthcare completed the transition of certain assets and liabilities of six Ascension

Health senior care entities to Villa Investment Partners, LLC (Villa).

On September 1, 2024, Ascension Via Christi Hospital Pittsburg, Inc. (Ascension Pittsburg) completed the sale of certain assets and all operations of Ascension Pittsburg to Mercy Hospital Pittsburg, Inc. (Mercy).

On August 1, 2024, Ascension Healthcare transitioned its sole corporate membership interest in its northern Michigan hospitals and related ancillary entities to MyMichigan Health.

In July 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.

On February 1, 2024, Ascension Healthcare 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.

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.

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. An 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 May 8, 2024, Ascension experienced 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 initiated established downtime procedures and protocols to minimize the impact to patient care delivery and continued to provide safe care to our patients.

In mid-June 2024, Ascension completed the restoration of electronic health record (EHR) access across our ministries allowing clinical workflows to function similar to before the ransomware attack. Our investigation and analysis into this incident is ongoing and will likely be concluded during fiscal year 2025. As our data analysis is completed, Ascension is committed to following all applicable laws and regulations to notify affected individuals and the appropriate regulatory bodies.

On February 21, 2024, Ascension was also impacted by a cybersecurity incident involving a third party clearinghouse affecting 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 due to this attack, and the clearinghouse's investigation of the breach of any patient health information is ongoing.

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 substantially be completed in Q2 of FY25. During Q4 FY24, the May cybersecurity attack resulted in lower volumes, reduced revenues from the associated business interruption along with costs incurred to remediate the issues and other business related expenses.

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. Ascension has also accessed its short-term liquidity facilities 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 three months ended September 30, 2024 and 2023.

	Three months ended September 30,	
	2024	**2023**
Net Patient Service Revenue	$ 6,445	$ 6,542
Other Operating Revenue	646	734
Operating Expenses	7,335	7,446
Self-insurance Trust Fund Investment Return	47	(20)
Income (Loss) from Recurring Operations	**$ (197)**	**$ (190)**
Impairment and Nonrecurring Gains (Losses), net	$ (24)	$ (3)
Income (Loss) from Operations	**$ (221)**	**$ (194)**
Net Income (Loss), excl. Noncontrolling interests	$ 387	$ (598)
Recurring Operating Margin	**(2.8%)**	**(2.6%)**
Recurring Operating EBIDA Margin	**1.7%**	**2.2%**

Ascension reported a loss from recurring operations of $197 million or a -2.8% recurring operating income margin for the three months ended September 30, 2024 as compared to a $190 million loss from recurring operations for the comparable prior year period. Ascension also reported recurring operating EBIDA of $118 million for Q1 FY25 YTD and a recurring operating EBIDA margin of 1.7% as compared to a recurring operating EBIDA of 2.2% for the comparable period in the prior year.

Inclusive of non-operating performance, Ascension's Q1 FY25 net loss, excluding noncontrolling interests, was $387 million, a $1.0 billion improvement over the comparable period of the prior year.

Ascension's Q1 FY25 operating results represent a significant improvement from the prior quarter (Q4 FY24) with a $1.2 billion reduction of the System's loss from recurring operations. 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 will position Ascension to drive revenue growth and promote efficiency of operations for FY25 and beyond.

Impairment and Nonrecurring Gains / Losses, Net

In connection 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 Q1 FY25. During the quarter ended September 30, 2024, Ascension reported $24 million of impairment and nonrecurring losses, primarily attributable to the Ascension Michigan market.

Volume Trends

For the quarter ended September 30, 2024, the System experienced a 0.8% same facility decrease in overall volume, measured by equivalent discharges, compared to the same period in the prior year. Volumes continue to ramp up from the varying levels of disruption to clinical services experienced in May and June 2024 as a result of the May cybersecurity attack, at which time the System experienced volumes averaging 8-12% lower than the comparable months from FY23. Demonstrating the continued strengthening of volumes after the incident, Ascension's same facility volumes for key indicators for Q1 FY25 were generally within 1.5% of the prior year for the comparable quarter with discharges and total surgeries decreasing slightly, or 1.4% and 0.6%, respectively. While slightly below the prior year, volumes for Q1 FY25 have exceeded expectations for the first quarter as the System has worked to reschedule procedural volumes that were delayed as a result of the cybersecurity attack. Ascension remains focused on continuing progress towards economic improvement plans dedicated to growth, including building service line volumes and strengthening ancillary services and the ambulatory footprint within our Markets.

The following table reflects certain key patient volume information, on a consolidated basis, for the three months ended September 30, 2024 and 2023.

Three months ended September 30,

Volume Metrics	2024	2023	Total Volume Incr/(Decr)
Equivalent Discharges	382,445	404,160	(5.4%)
Total Discharges	173,272	182,810	(5.2%)
Surgery Visits (IP)	38,510	40,962	(6.0%)
Surgery Visits (OP)	99,602	105,274	(5.4%)
Emergency Room Visits	725,653	777,453	(6.7%)
Encounters per Provider	644	652	(1.2%)

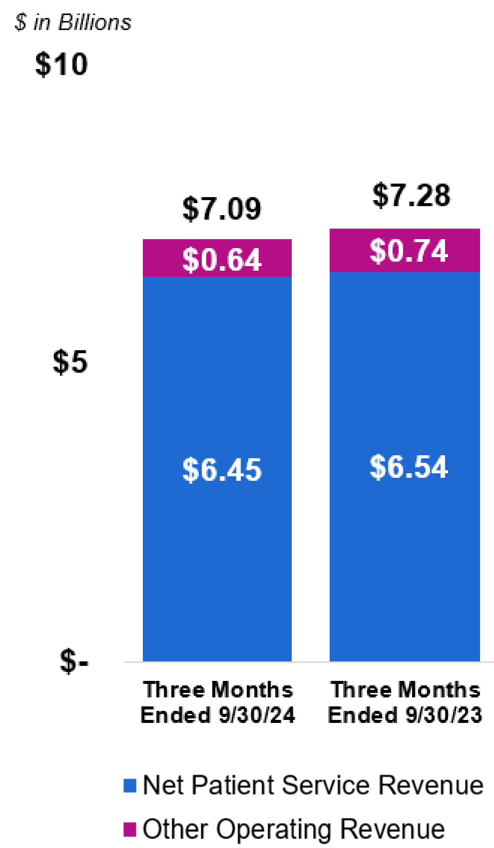
The following table reflects select patient volume trend comparisons for the three months ended September 30, 2024 and 2023. Due to the organizational changes noted, the most meaningful volume comparisons are on the same facility basis.

Three months ended September 30, 2024 and 2023

Volume Trends	Same Facility Volume Incr/(Decr)	Total Volume Incr/(Decr)
Equivalent Discharges	(0.8%)	(5.4%)
Total Discharges	(1.4%)	(5.2%)
Surgery Visits (IP)	(1.6%)	(6.0%)
Surgery Visits (OP)	(0.3%)	(5.4%)
Emergency Room Visits	(2.5%)	(6.7%)
Encounters per Provider	(0.9%)	(1.2%)

Total Operating Revenue

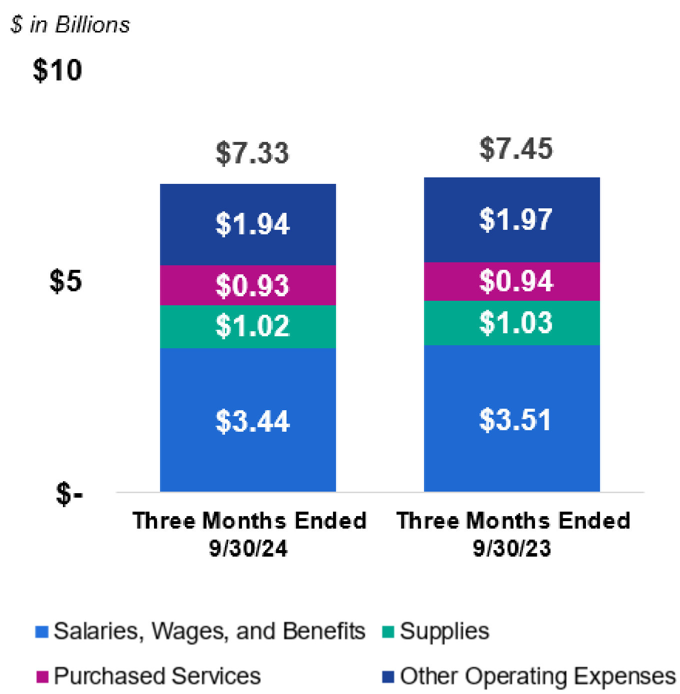
While total operating revenue decreased $184 million or 2.5% for the three months ended September 30, 2024 from the comparable period of the prior year, Ascension's same facility operating revenue, adjusted for comparability due to the portfolio changes, increased $86 million or 1.2% for Q1 FY25 compared to Q1 FY24. Additionally, Ascension's Q1 FY25 operating revenue increased over $925 million overall from the prior quarter, Q4 FY24, or over $1.0 billion on a same facility basis, demonstrating recovery progress from the May cybersecurity attack.



For Q1 FY25, the System's same facility net patient service revenue (NPSR) increased over $150 million or 2.4% overall from the comparable prior year period. Ascension's total net patient service revenue decreased $96 million or 1.5%, inclusive of the portfolio changes affecting FY25 noted in the Organizational Changes & Updates for recent divestitures. Same facility NPSR per equivalent discharge increased 3.2%. Aside from the previously mentioned overall volume changes, NPSR was impacted by a reduction in Medicaid payor mix and a slight increase in Medicare and commercial payor mix. The System's acute case mix index for Q1 FY25 remained at 1.81 as compared to the corresponding prior year quarter while the System expanded capacity and backfilled inpatient service volumes as other procedures continue to shift to outpatient settings. 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.

For the three months ended September 30, 2024, other operating revenue decreased by $88 million overall or $66 million on a same facility basis. The primary drivers of the year-over-year decrease were lower insurance-related joint venture income and a timing difference for Medicare Shared Savings Plan program revenues which were recognized in Q1 FY24 but are expected to be recognized in Q2 FY25. Partially offsetting these items, Ascension recognized additional FEMA funding for prior contract labor spending for select Markets and continued pharmacy services revenue growth.

Total Operating Expenses



Total operating expenses decreased $111 million, or 1.5% during the three months ended September 30, 2024 but increased $183 million or 2.6% 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 helped mitigate the inflationary impacts comparable to growth in operating revenue (on a same facility basis).

The System experienced a 3.3% increase in same facility cost per equivalent discharge during the three months ended September 30, 2024 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.

Total salaries, wages and benefits decreased $74 million, or 2.1%, for the three months ended September 30, 2024, compared to the prior year but increased $65 million or 1.9% on a same facility basis when adjusting for comparability associated with recent divestitures. The primary factor contributing to the same facility increase was an average hourly wage rate increase of approximately 1.4% from the comparable quarter in the prior year driven by market and other wage adjustments. Partially offsetting the rate increases were Ascension's labor efficiency initiatives focused on stabilization of staffing and the workforce, resulting in reduced turnover 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 has remained consistent with prior year. 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.

Total supply expense decreased $14 million, or 1.3%%, during the three months ended September 30, 2024, as compared to the prior year. On a same facility basis, supplies increased $31 million or 3.1% due primarily to increased high cost implant, surgical, procedural, and hemophilia volumes in select Markets along with inflationary pricing pressures. 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.

Additionally, for the three months ended September 30, 2024, the System experienced decreases in total purchased services and other operating expenses of $24 million. On a same facility basis, both purchased services and remaining other operating expenses increased. Same facility purchased services increased $32 million, or 3.5%, as compared to the prior year driven primarily by the higher spending on dietary and environmental services and medical purchased services. Other operating expenses (including professional fees, insurance, provider tax, other operating expenses, and depreciation, amortization and interest) increased $55 million, or approximately 2.9%, for Q1 FY25 on a same facility basis as compared to prior year due primarily to an increase in contracted service fees for specialty physicians and professional fees incurred related to the cybersecurity attack.

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 quarter ended September 30, 2024 were $730 million, representing a $1.2 billion improvement from Ascension's comparable prior year investment loss of $434 million.

Additionally, for Q1 FY25, Ascension also recognized $47 million of investment gains associated with the Self-insurance trust fund, reported within Income / Loss from Operations as compared to $20 million of investment losses 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 and are improving from the prior fiscal year end with sufficient liquidity to continue to provide care for patients. The following table reflects selected financial information on a consolidated basis.

	9/30/2024	6/30/2024
Current Assets	$9,774	$8,959
Long-Term Investments *	18,696	18,695
Property and Equipment	8,162	8,486
Other Assets	4,547	4,567
Total Assets	**$ 41,178**	**$ 40,706**

	9/30/2024	6/30/2024
Current Liabilities	$7,238	$7,157
Long-Term Liabilities	9,622	9,727
Total Liabilities	16,860	16,883
Net Assets	24,318	23,823
Total Liabilities and Net Assets	**$ 41,178**	**$ 40,706**

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

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 $15.4 billion at September 30, 2024, which were approximately 37% of the System's total assets. The System's days cash on hand were 200 days at September 30, 2024, an increase of 6 since June 30, 2024. The largest contributor to Ascension's 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, which was renewed subsequent to Q1 FY25 and is committed through November 18, 2027. In June, July and September 2024, Ascension drew $250 million, $400 million, and $300 million, respectively, under the line of credit, in which $300 million remained as an outstanding borrowing at September 30, 2024.

Additionally, in August 2024, Ascension closed on a bank loan for $700 million with a one-year term and refinanced $650 million of line of credit draws into the new loan with the entire loan balance remaining outstanding at September 30, 2024. Also in August 2024, Ascension set up an additional $500 million line of credit, which has a one-year term and was undrawn at September 30, 2024. In early October 2024, subsequent to September 30, 2024, Ascension drew $250 million on the line of credit.

The System also has access to up to a $1.0 billion taxable commercial paper program and on October 29, 2024, Ascension received $966 million from the issuance of commercial paper. The proceeds of the commercial paper issuance were used to repay the respective $300 million and $250 million outstanding balances on the lines of credit and $416 million of the $700 million bank loan. Also, on November 22, 2024, the remaining $284 million of the $700 million bank loan was repaid, leaving only the commercial paper of $966 million outstanding within Ascension's short-term liquidity facilities.

Beginning in Q3 FY24 through Q1 FY25, Ascension received a total of approximately $1.0 billion 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 September 30, 2024, approximately $161 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 two days cash on hand as of September 30, 2024, helped to mitigate the unfavorable cash flow impacts associated with the aforementioned cyber incidents as revenue cycle processes continue to ramp towards recovery. In accordance with the terms and conditions of the programs, recoupments began in FY24 with over $850 million already recouped.

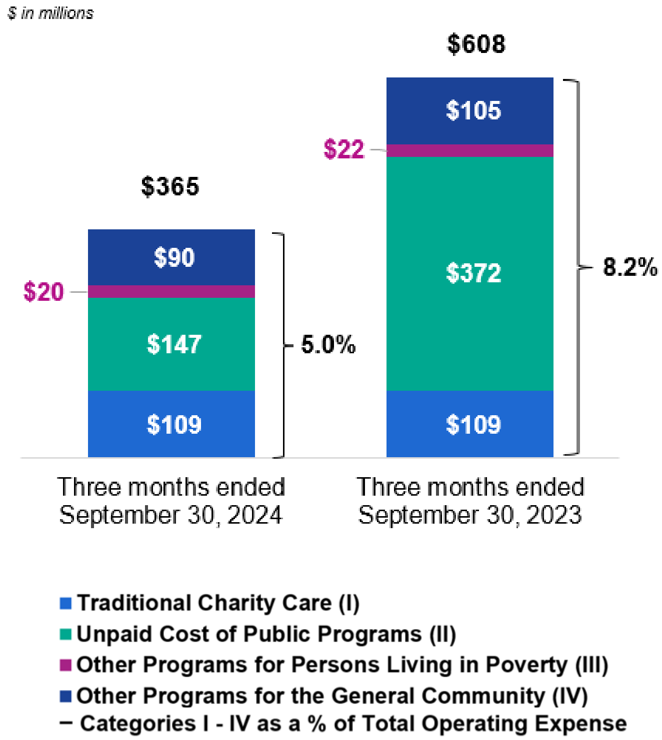
Balance Sheet Ratios

	9/30/2024	6/30/2024
Days Cash on Hand	200	194
Net Days in Account Receivable ^	72.6	78.4
Cash-to-Debt	200.4%	220.6%
Total Debt to Capitalization	27.0%	25.5%

^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 were 72.6 at September 30, 2024, representing an almost six day decrease from the end of FY24. While trending downward, net days in accounts receivable remain elevated at 72.6 days compared to approximately 47 days prior to the cybersecurity incidents that occurred in the second half of FY24. The increase in net days in accounts receivable late in the prior fiscal year is attributable to the cyber attacks noted above as Ascension has experienced temporary delays in billing for services provided along with receipt and posting of payments. Through restoration of its revenue cycle processes, Ascension continues to make substantial progress on the backlog of claims that developed due to the downtime from the cybersecurity incidents and expects these processes to be fully restored later in FY25.

Care of Persons Living in Poverty and Community Benefit



Ascension provided approximately $365 million in Care of Persons Living in Poverty and Other Community Benefit Programs for the three months ended September 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.

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 and lower Medicaid gross charges in certain Markets.