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

As of and for the six months ended December 31, 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

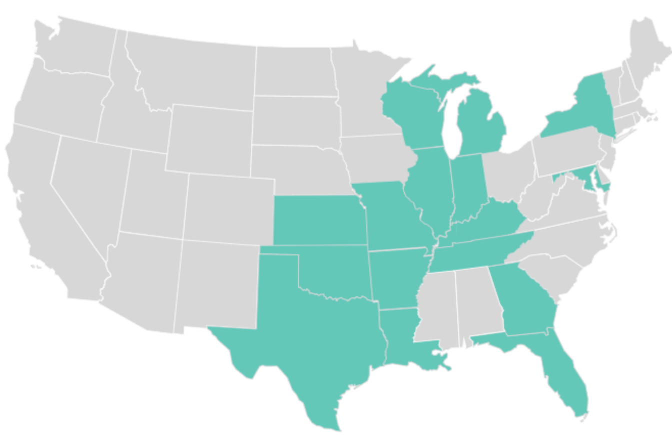
The purpose of Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is to provide a narrative explanation of the financial position and operational performance of Ascension (the System).

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 December 31, 2024, the System included approximately 106,000 associates and 26,000 aligned providers, supporting our sites of care – including 105 wholly owned and/or consolidated hospitals and 34 senior living facilities – in 16 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 26 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 six months ended December 31, 2024 (Q2 FY25 YTD) as noted below. To enable improvement from Ascension's prior year 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, 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.

On October 1, 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.

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.

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, 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 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. As a result, there were disruptions to certain clinical operations for varying amounts of time resulting in downtime procedures and protocols to continue providing safe care to our patients.

In mid-June 2024, Ascension completed the restoration of electronic health record (EHR) access across our ministries. Our investigation and analysis into this incident is substantially complete as of December 31, 2024. Notifications to government regulators and applicable state agencies were provided by December 31, 2024 and notifications to individuals are substantially complete as of this date.

During Q3 and Q4 FY24, the combination of the May cybersecurity attack and a February 2024 third party clearinghouse incident 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 to payors for patient treatment during the downtime period is substantially complete as of December 31, 2024 while collection efforts remain ongoing. During Q4 FY24, the May cybersecurity attack resulted in lower volumes, reduced revenues from the associated business interruption along with continued costs incurred to remediate the issues and other business related expenses. In FY25, Ascension's volume recovery has continued from the May cybersecurity attack and certain additional remediation and business related expenses have been incurred.

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 six months ended December 31, 2024 and 2023.

Six months ended December 31,

	2024	2023
Net Patient Service Revenue	$ 12,100	$ 13,535
Other Operating Revenue	1,396	1,482
Operating Expenses	13,845	15,028
Self-insurance Trust Fund Investment Return	36	52
Income (Loss) from Recurring Operations	**$ (313)**	**$ 40**
Impairment and Nonrecurring Gains (Losses), net	$ (51)	$ (196)
Income (Loss) from Operations	**$ (365)**	**$ (155)**
Net Income (Loss), excl. Noncontrolling interests	$ 277	$ (238)
Recurring Operating Margin	**(2.3%)**	**0.3%**
Recurring Operating EBIDA Margin	**2.4%**	**4.9%**

Ascension reported a loss from recurring operations of $313 million or a -2.3% recurring operating income margin for the six months ended December 31, 2024 as compared to income from recurring operations of $40 million for the comparable prior year period. Ascension also reported recurring operating EBIDA of $320 million for Q2 FY25 YTD and a recurring operating EBIDA margin of 2.4% as compared to a recurring operating EBIDA of 4.9% for the comparable period in the prior year.

Inclusive of non-operating performance, Ascension's Q2 FY25 YTD net income, excluding noncontrolling interests, was $277 million, a $515 million improvement over the comparable period of the prior year.

Ascension's Q2 FY25 YTD operating results continue to incorporate significant improvement from the last quarter of the prior fiscal year (Q4 FY24) that was impacted by the cybersecurity attack. Also impacting comparative performance for Q2 FY25 YTD, Ascension reported two favorable items in the first six months of the prior year: 1) higher gains on sale and 2) a retrospective 340B settlement payment. 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

During the six months ended December 31, 2024, Ascension reported $51 million of impairment and nonrecurring losses as compared to $196 million for the comparable prior year period. 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 primarily attributable to the Ascension Michigan market along with certain one-time costs for an employee benefit offering in the current year. Prior year impairment and non-recurring losses were attributable to the aforementioned organizational changes related to the Michigan market.

Volume Trends

For the six months ended December 31, 2024, the System experienced a 0.5% 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 Q2 FY25 YTD have generally increased 5-6% on a per day basis as compared to the comparable per day volumes during Q4 FY24 (quarter impacted by the cybersecurity attack). Ascension's same facility volumes for key indicators were also generally within 2.0% of the prior year for the comparable six months with discharges and total surgeries decreasing slightly, or 1.6% and 1.7%, respectively.

While slightly below the prior year, volumes for Q2 FY25 YTD have exceeded expectations for the first six months 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 six months ended December 31, 2024 and 2023.

Six months ended December 31,

Volume Metrics	2024	2023	Total Volume Incr/(Decr)
Equivalent Discharges	689,762	801,427	(13.9%)
Total Discharges	311,507	364,236	(14.5%)
Surgery Visits (IP)	70,243	81,098	(13.4%)
Surgery Visits (OP)	186,165	216,217	(13.9%)
Emergency Room Visits	1,358,919	1,572,525	(13.6%)
AECN Encounters per Provider*	1,260	1,315	(4.2%)

*Ascension Employed Clinician Network

The following table reflects select patient volume trend comparisons for the six months ended December 31, 2024 and 2023. Due to the organizational changes noted, the most meaningful volume comparisons are on the same facility basis.

Six months ended December 31, 2024 and 2023

Volume Trends	Same Facility Volume Incr/(Decr)	Total Volume Incr/(Decr)
Equivalent Discharges	(0.5%)	(13.9%)
Total Discharges	(1.6%)	(14.5%)
Surgery Visits (IP)	(1.9%)	(13.4%)
Surgery Visits (OP)	(1.6%)	(13.9%)
Emergency Room Visits	(2.1%)	(13.6%)
AECN Encounters per Provider	(1.3%)	(4.2%)

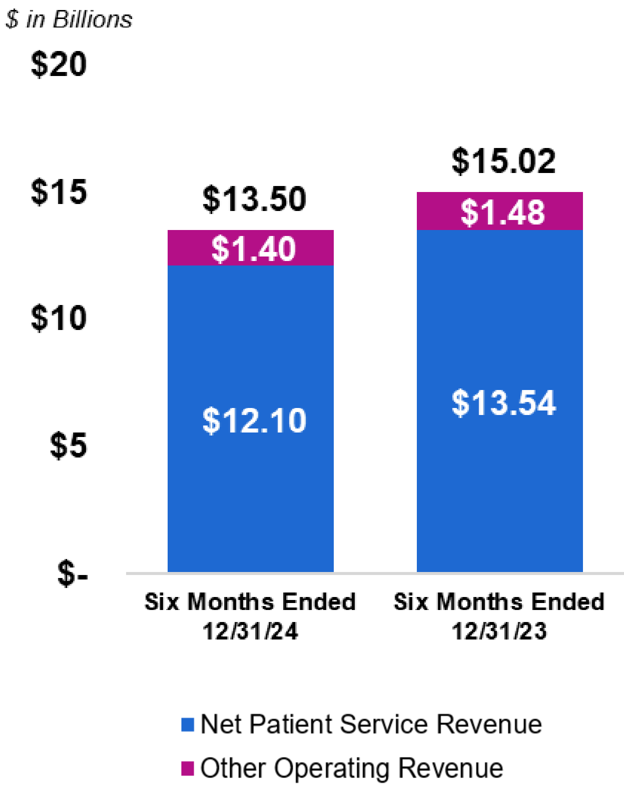
*Ascension Employed Clinician Network

The following table demonstrates select same facility patient volume per day trends for the six months ended December 31, 2024 as compared to the three months ended June 30, 2024 (Q4 FY24).

Volume Trends	Q2 FY25 YTD per Day Change from Q4 FY24
Equivalent Discharges	6.1%
Total Discharges	5.2%
Surgery Visits (IP)	6.1%
Surgery Visits (OP)	(1.2%)
Emergency Room Visits	4.9%
Encounters	5.3%

Total Operating Revenue

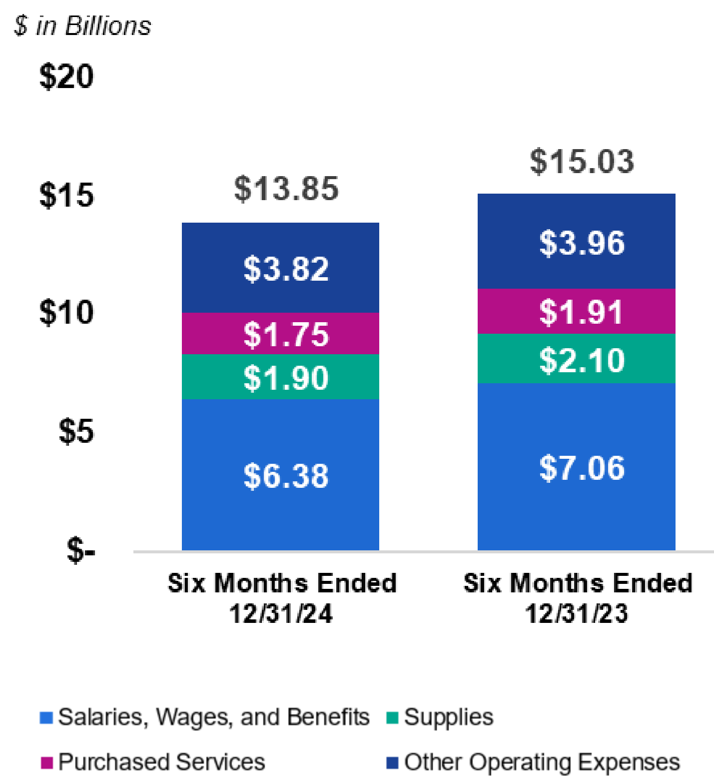
While total operating revenue decreased $1.5 billion or 10.1% for the six months ended December 31, 2024 from the comparable period of the prior year, Ascension's same facility total operating revenue, adjusted for comparability due to the portfolio changes, increased $197 million or 1.5% for Q2 FY25 YTD compared to Q2 FY24 YTD. Additionally, Ascension's Q2 FY25 operating revenue increased almost $1.3 billion overall from the last quarter of the prior fiscal year, Q4 FY24, on a same facility basis, demonstrating recovery progress from the May cybersecurity attack.



For Q2 FY25 YTD, the System's same facility net patient service revenue (NPSR) increased $80 million or 0.7% overall from the comparable prior year period. Driven by significant portfolio changes associated with recent divestitures noted in the Organizational Changes & Updates section, Ascension's total net patient service revenue decreased $1.4 billion or 10.6%. NPSR per equivalent discharge increased 3.9% overall. Aside from the previously mentioned overall volume changes, NPSR was impacted by a reduction in Medicaid payor mix and a slight increase in Medicare, commercial and self-pay payor mix. The System's acute case mix index for Q2 FY25 YTD increased slightly to 1.85 as compared to 1.83 in the corresponding prior year period 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. Contributing to the change in net revenue, Ascension recognized its share of a one-time retrospective 340B settlement in the prior year.

For the six months ended December 31, 2024, same facility other operating revenue increased $117 million while decreasing $85 million overall. The primary drivers of the year-over-year decrease were lower gains on sale associated with portfolio transitions. Partially offsetting these items, Ascension recognized additional FEMA funding for prior contract labor spending for select Markets and continued same facility pharmacy services revenue growth.

Total Operating Expenses



Total operating expenses decreased $1.2 billion, or 7.9% during the six months ended December 31, 2024 but increased $259 million or 1.9% 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.

The System experienced a 2.4% increase in same facility cost per equivalent discharge during the six months ended December 31, 2024 as compared to the corresponding period in the prior year, primarily due to inflationary pressures impacting several expense categories along with the aforementioned one-time and other business related expenses associated with the cybersecurity incident recovery. To continue countering inflationary 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 $682 million, or 9.7%, for the six months ended December 31, 2024, and decreased $20 million or 0.3% on a same facility basis when adjusting for comparability associated with recent divestitures compared to the prior year. The primary factors contributing to the same facility decrease were Ascension's labor efficiency initiatives focused on stabilization of staffing and the workforce, resulting in reduced turnover rates across the System along with lower health insurance benefit expenses. The labor efficiency 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 improved 1.2% over the prior year when measured on a same facility basis. Partially offsetting the decreases in salaries, wages and benefits, an average same facility hourly wage rate increase of approximately 2.5% from the comparable quarter in the prior year driven by market and other wage adjustments. 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 $200 million, or 9.5%, during the six months ended December 31, 2024, as compared to the prior year. On a same facility basis, supplies increased $46 million or 2.5% 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 six months ended December 31, 2024, the System experienced decreases in total purchased services and other operating expenses of $301 million. On a same facility basis, both purchased services and remaining other operating expenses increased $233 million or 4.3%. Same facility purchased services increased $55 million, or 3.2%, as compared to the prior year driven primarily by the higher spending on dietary and environmental services, medical purchased services and clinical engineering services. Other operating expenses (including professional fees, insurance, provider tax, other operating expenses, and depreciation, amortization and interest) increased $177 million, or approximately 4.8%, for Q2 FY25 YTD on a same facility basis as compared to prior year due primarily to an increase in contracted service fees for specialty physicians, professional fees incurred related to the cybersecurity attack and cost of goods sold related to retail and specialty pharmacy services.

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 six months ended December 31, 2024 were $758 million, representing a $715 million improvement from Ascension's comparable prior year investment income of $43 million.

Additionally, for Q2 FY25 YTD, Ascension also recognized $36 million of investment gains associated with the Self-insurance trust fund, reported within Income / Loss from Operations as compared to $52 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 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.

	12/31/2024	6/30/2024
Current Assets	$7,489	$8,959
Long-Term Investments *	18,504	18,695
Property and Equipment	8,223	8,486
Other Assets	5,820	4,567
Total Assets	**$ 40,037**	**$ 40,706**

	12/31/2024	6/30/2024
Current Liabilities	$6,673	$7,157
Long-Term Liabilities	9,218	9,727
Total Liabilities	15,891	16,883
Net Assets	24,145	23,823
Total Liabilities and Net Assets	**$ 40,037**	**$ 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 $15.0 billion at December 31, 2024, which were approximately 37% of the System's total assets. The System's days cash on hand were 207 days at December 31, 2024, an increase of 13 days since June 30, 2024. The largest contributor to changes in Ascension's cash and investment position is the temporary increase in accounts receivable driven by the impacts of the cybersecurity incidents, which has been reduced in FY25 as accounts receivable are collected. Offsetting other sources of cash, Ascension's cash position was reduced due to typical payments of accounts payable and accrued liabilities as well as capital spending. 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 is committed through November 18, 2027. While there were borrowings under the line of credit in FY25 to support the System's liquidity needs, the line was undrawn at December 31, 2024.

Additionally, in August 2024, Ascension set up an additional $500 million line of credit, which has a one-year term and was undrawn at December 31, 2024.

The System also has access to up to a $1.0 billion taxable commercial paper program and during Q2 FY25, Ascension received $992 million from the issuance of commercial paper. The proceeds of the commercial paper issuance were used to repay outstanding balances on the lines of credit and a bank loan, leaving only the commercial paper of $992 million outstanding within Ascension's short-term liquidity facilities at December 31, 2024. Subsequent to December 31, 2024, on February 12, 2025, Ascension paid off $150 million of the outstanding commercial paper balance.

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. The advance payments 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 all payments being fully recouped at December 31, 2024.

Balance Sheet Ratios

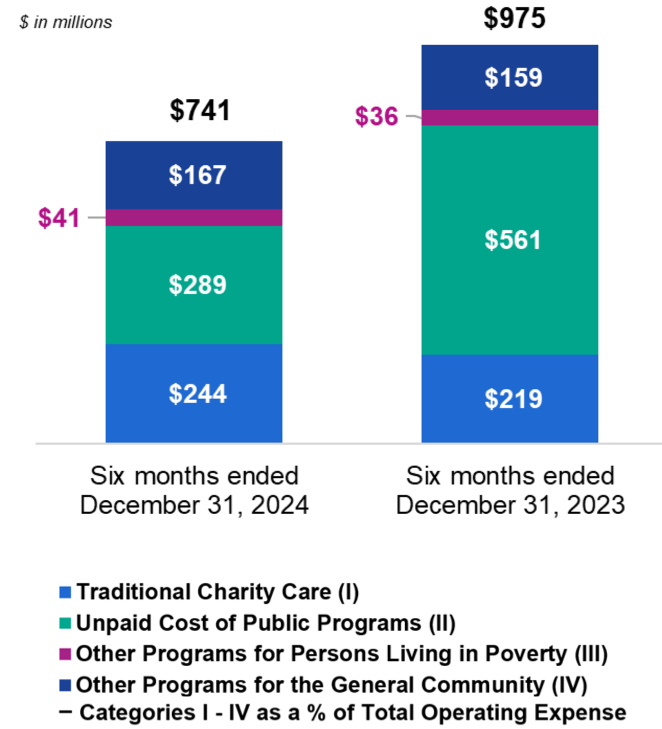
	12/31/2024	6/30/2024
Days Cash on Hand	207	194
Net Days in Account Receivable ^	60.6	78.4
Cash-to-Debt	211.1%	220.6%
Total Debt to Capitalization	25.5%	25.5%

^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 60.6 at December 31, 2024, representing an almost 18 day decrease from the end of FY24. While trending downward, net days in accounts receivable remain elevated at 60.6 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

(Same Facility Comparisons)



Ascension provided over $744 million in total Care of Persons Living in Poverty and Other Community Benefit Programs for the six months ended December 31, 2024 or $741 million on a same facility basis. 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 experienced a decrease in the same facility 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.