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

**As of and for the three months ended September 30, 2025 and 2024**

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

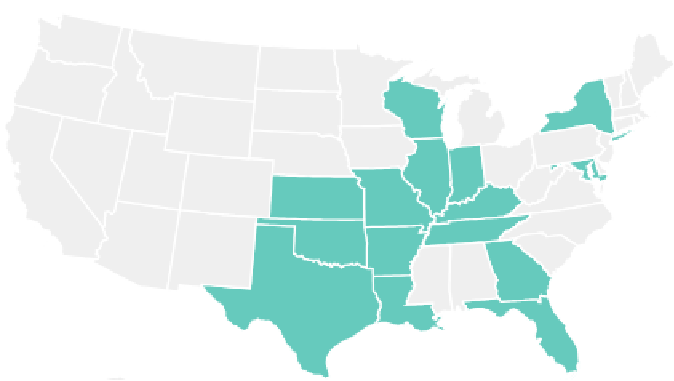
The purpose of Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is to provide a narrative explanation of the financial position and operational performance of Ascension (the System).

The MD&A includes the following sections:

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

# Organization and Mission

Ascension is one of the nation's leading nonprofit Catholic health systems, with a Mission to answer God's call to bring health, healing and hope to all. As of September 30, 2025, Ascension had approximately 97,000 associates and 23,100 aligned providers supporting care sites across 15 states and the District of Columbia. The System operates 91 wholly owned or consolidated hospitals and holds ownership interests in 29 additional hospitals through non controlling equity interest. Ascension also operates 26 senior living facilities and a variety of other care sites offering a range of healthcare services.



# Executive Overview

Similar to other U.S. healthcare providers, Ascension's operations and volumes continue to stabilize amidst broader inflationary pressures and changes in the healthcare landscape. To enable continued improvement in operational performance, Ascension continues to focus on community impact, quality and safety, operational rigor, talent, and consumer experience measures to strengthen its ability to provide high-quality care and serve its Mission.

# Organizational Changes & Updates

## Organizational Changes

Over recent fiscal years, Ascension has taken deliberate steps to strengthen operational leadership at both the national and market levels, reinforcing its commitment to excellence in hospital operations and ensuring long-term sustainability in a dynamic healthcare environment.

In June 2025, Ascension announced a significant leadership transition: Joseph Impicciche, JD, MHA, will retire as Chief Executive Officer at the end of the calendar year after more than two decades of dedicated service to Catholic healthcare and the Ascension Ministry. The Ascension Board of Directors has appointed Eduardo Conrado, current President, to succeed Mr. Impicciche as Chief Executive Officer effective January 1, 2026. Mr. Conrado has served as President of Ascension since 2023, overseeing enterprise strategy, operations and growth. He joined the organization in 2018 as Executive VIce President and Chief Digital Officer, later becoming Chief Strategy and Innovation Officer, where he helped lead transformation in care delivery, digital infrastructure and consumer engagement.

Under its evolving leadership, Ascension remains committed to improving the health of individuals and communities served, meeting consumers where, when, and how they seek care, and advancing the shift toward ambulatory, virtual, and community-based care models. These purposeful efforts are aligned with Ascension's vision to deliver compassionate, personalized, and high-quality care while responding to the changing needs of the populations it serves. The organization's key changes to its portfolio are as follows:

In July 2025, Ascension Healthcare and Ascension Michigan, a wholly owned subsidiary of Ascension Healthcare, completed the transition of its membership interest in four hospitals and certain related assets and operations in southwestern Michigan to Beacon Health System.

Effective June 30, 2025, Ascension Healthcare and Ascension Texas, a wholly owned subsidiary of Ascension Healthcare, acquired Cedar Park Regional Medical Center (Cedar Park) from Community Health Systems (CHS), including certain related facilities and services. With the acquisition, Ascension Healthcare became the sole corporate member of Cedar Park.

In June 2025, Ascension entered into a definitive agreement to acquire AMSURG, an ambulatory surgery development, management, and operations service company. This transaction is expected to be finalized after all necessary approvals are obtained.

In March 2025, certain Ascension senior living entities signed asset sale agreements to sell certain assets and primarily all operations to various purchasers. The transactions for the remaining transitioning entities are expected to be finalized after all necessary approvals are obtained.

On March 1, 2025, Presence Care Transformation Corporation (Presence), a wholly owned subsidiary of Ascension, sold 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 Healthcare Services, Inc.

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 its wholly owned subsidiary, Ascension Michigan 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 Healthcare 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 parallel with optimizing its acute care operations to better serve patients with complex needs, Ascension is accelerating growth through continued investments in ancillary services and an expanding ambulatory network. This includes the ongoing development of Ascension Rx, which builds on its existing retail pharmacy presence with the growth of specialty pharmacy services and the launch of a nationwide mail-order distribution center. The organization is also strengthening its ambulatory surgery capabilities through the planned acquisition of AMSURG, while expanding access to care through additional investments in imaging centers and outpatient physical therapy sites. These strategic initiatives enhance Ascension's overall service footprint, offering greater convenience and improved access for the communities it serves.

# Select Financial Information

**(dollars in millions, except as denoted)**

## Consolidated Operations (Pro Forma Presentation)

The following table represents a pro forma view of Ascension's operating performance for Q1 FY26 and the comparable three months in FY25 (Q1 FY25 YTD), adjusted for one time expenses and expense accruals incurred during Q1 FY26.

**Three months ended September 30,**

| | 2025 | 2024 |
|---|---|---|
| Net Patient Service Revenue | $ 5,388 | $ 6,445 |
| Other Operating Revenue | 748 | 646 |
| Operating Expenses | 6,139 | 7,335 |
| Self-insurance Trust Fund Investment Return | 35 | 47 |
| **Income (Loss) from Recurring Operations** | **$ 32** | **$ (197)** |
| **Recurring Operating Margin** | **0.5%** | **(2.8%)** |
| **Recurring Operating EBIDA Margin** | **5.3%** | **1.7%** |

**Non-GAAP Financial Measures** - Ascension has presented its consolidated financial statements and supplementary information for three months ended September 30, 2025 and 2024 in accordance with accounting principles generally accepted in the United States of America (GAAP). Certain financial measures presented herein as part of the operating results have been presented on a non-GAAP basis (e.g., normalized operating performance metrics). Any non-GAAP financial measures are in addition to, not a substitute for, measures of financial performance prepared in accordance with GAAP. Ascension believes the presentation of non-GAAP financial measures provides useful supplementary information to enhance the overall understanding of financial performance.

For the three months ended September 30, 2025, Ascension reported a gain from recurring operations of $32 million or a 5.3% recurring operating margin compared to a loss of $197 million or a 3.6% recurring operating margin for the comparable prior year period.

## Consolidated Operations

The following table reflects selected financial information on a consolidated basis for the three months ended September 30, 2025 and 2024.

| Three months ended September 30, | 2025 | 2024 |
|---|---|---|
| Net Patient Service Revenue | $ 5,388 | $ 6,445 |
| Other Operating Revenue | 748 | 646 |
| Operating Expenses | 6,257 | 7,335 |
| Self-insurance Trust Fund Investment Return | 35 | 47 |
| **Income (Loss) from Recurring Operations** | **$ (86)** | **$ (197)** |
| Impairment and Nonrecurring Gains (Losses), net | $ (2) | $ (24) |
| **Income (Loss) from Operations** | **$ (88)** | **$ (221)** |
| Net Income (Loss), excl. Noncontrolling interests | $ 338 | $ 387 |
| **Recurring Operating Margin** | **(1.4%)** | **(2.8%)** |
| **Recurring Operating EBIDA Margin** | **3.4%** | **1.7%** |

Ascension reported a loss from recurring operations of $86 million or a -1.4% recurring operating income margin for the three months ended September 30, 2025 as compared to a loss from recurring operations of $197 million for the comparable prior year period. Ascension also reported recurring operating EBIDA of $207 million for the three months ended September 30, 2025 and a recurring operating EBIDA margin of 3.4% as compared to a recurring operating EBIDA margin of 1.7% for the comparable period in the prior year.

Inclusive of non-operating performance, Ascension's net income, excluding noncontrolling interests, was $338 million for the three months ending September 30, 2025.

## Volume Trends

For the first quarter of fiscal year 2026 (ended September 30, 2025), Ascension demonstrated continued operational strength with an increase in patient volume.

Overall, the System reported a 1.4% increase in same-facility volume, measured by equivalent discharges, compared to the same quarter last year.

A strengthening trend is evident across most key performance indicators. On a quarter-over-quarter basis (Q1 FY26 vs. Q4 FY25), most same-facility key volume indicators rose by approximately 1.5% to 3.5%. Compared to the same quarter in the previous fiscal year (Q1 FY25), most same-facility key volume indicators increased by approximately 1.5% to 2.5%. The primary exceptions to this upward trend were outpatient surgeries and AECN encounters per provider, which declined year-over-year by 0.4% and 4.2%, respectively, and quarter-over-quarter by 1.5% and 0.7%. These overall gains reflect the continued impact of the organization's focus on executing its strategic imperatives.

In response to evolving patient needs, certain procedure volumes are strategically shifting to outpatient settings, a trend supported by the growth of Ascension's Ambulatory Surgery Center (ASC) partnerships.

The System remains keenly focused on its growth plans, specifically by building service line volumes, strengthening ancillary services, and expanding its ambulatory footprint to enhance patient access across its Markets.

Our commitment to a patient-centered experience is reflected in our consistently high satisfaction scores. For the first quarter of fiscal year 2026 (Q1 FY26), Ascension achieved a Net Promoter Score (NPS) of 81.6. This remarkable result builds on strong performance throughout the previous year, as the score remained above 80 for the entirety of fiscal year 2025. This achievement places Ascension among a select group of world-class experience brands, demonstrating the high level of trust patients place in our caregivers.

The following table reflects certain key patient volume information, on a consolidated basis, and not adjusted for divestitures, for the three months ended September 30, 2025 and 2024.

**Three months ended September 30,**

| Volume Metrics | 2025 | 2024 | Total Volume Incr/(Decr) |
|---|---|---|---|
| Equivalent Discharges | 271,251 | 382,445 | (29.0%) |
| Total Discharges | 122,960 | 173,272 | (29.1%) |
| Surgery Visits (IP) | 29,064 | 38,510 | (24.5%) |
| Surgery Visits (OP) | 75,112 | 99,602 | (24.6%) |
| Emergency Room Visits | 536,440 | 725,653 | (26.1%) |
| AECN Encounters per Provider* | 594 | 644 | (7.8%) |

*Ascension Employed Clinician Network

The following table reflects select patient volume trend comparisons for the three months ended September 30, 2025 and 2024 on a same facility basis which due to the organizational changes noted are the most meaningful volume comparisons.

**Three months ended September 30, 2025 and 2024**

| Volume Trends | Same Facility Volume Incr/(Decr) |
|---|---|
| Equivalent Discharges | 1.4% |
| Total Discharges | 2.7% |
| Surgery Visits (IP) | 1.4% |
| Surgery Visits (OP) | (0.4%) |
| Emergency Room Visits | 2.6% |
| AECN Encounters per Provider | (4.2%) |

*Ascension Employed Clinician Network

The following table reflects a quarter over quarter comparison of select patient volume for the three months ended September 30, 2025 and the three months ended June 30, 2025 on a same facility basis.

**Three months ended September 30 and June 30, 2025**

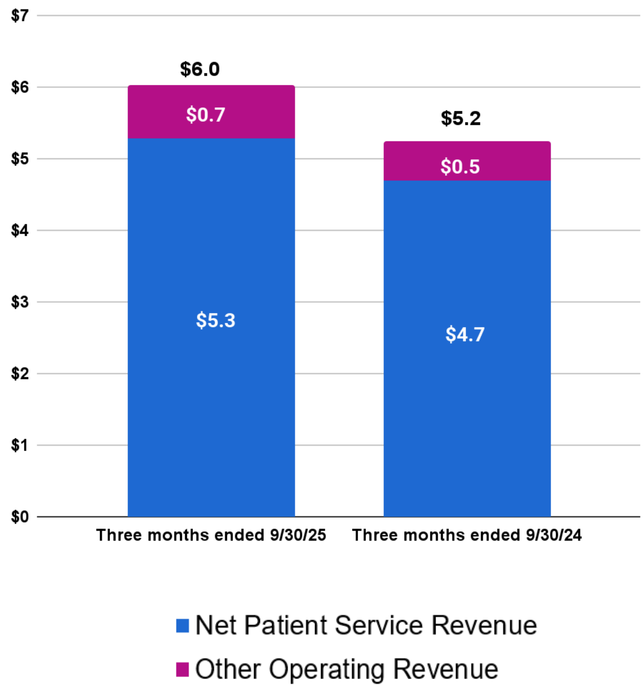
| Volume Trends | Same Facility Volume Incr/(Decr) |
|---|---|
| Equivalent Discharges | 3.5% |
| Total Discharges | 3.5% |
| Surgery Visits (IP) | 1.3% |
| Surgery Visits (OP) | (1.5%) |
| Emergency Room Visits | 1.4% |
| AECN Encounters per Provider | (0.7%) |

## Total Operating Revenue

Ascension's strategic focus and growth initiatives delivered strong core revenue performance in the first quarter of fiscal year 2026 (Q1 FY26). On a same-facility basis, which adjusts for recent portfolio changes, Ascension's total operating revenue increased by a substantial $778 million, or 14.8%, compared to the first quarter of the prior fiscal year (Q1 FY25).

This upward trajectory is consistent with the organization's ongoing strategic work, as demonstrated by the $359 million increase in operating revenue compared to the preceding quarter (Q4 FY25), also on a same-facility basis. The total reported operating revenue for the period decreased by $954 million, or 13.5%, a change primarily attributable to the non-comparable impact of portfolio adjustments.

*$ in Billions*
*(Same Facility Comparisons)*

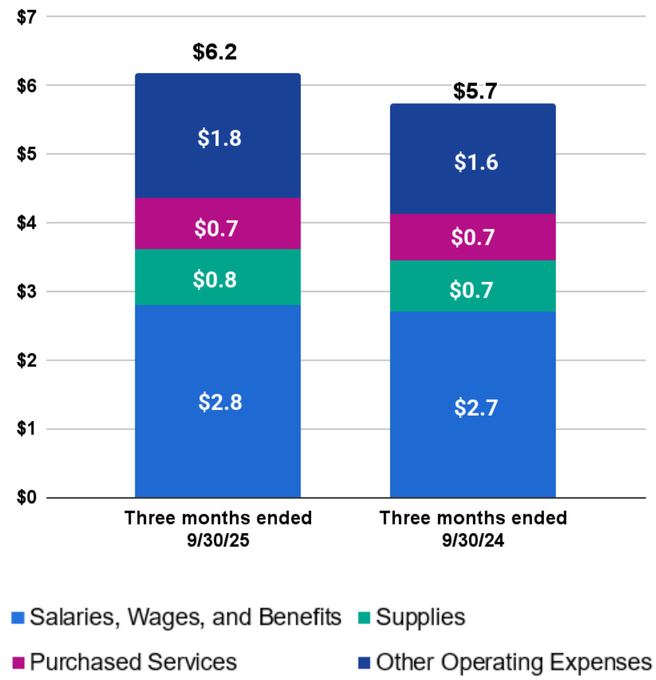



For the first quarter of FY26, the System's same facility net patient service revenue (NPSR) increased $585 million or 12.4% overall from the same quarter of the prior year. Driven by significant portfolio changes associated with recent divestitures noted in the Organizational Changes section, Ascension's total net patient service revenue decreased $1.1 billion or 16.4%. NPSR per equivalent discharge increased 17.9% overall or 10.8% on a same facility basis. Aside from the previously mentioned overall volume changes, NPSR was impacted by a reduction in Medicare and Medicaid payor mix and a slight increase in commercial and managed care payor mix. The System's acute case mix index for Q1 FY26 increased to 1.89 as compared to 1.81 in Q1 FY25 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, 2025, same facility other operating revenue increased $194 million and increased $102 million overall compared to the same period of the prior year. The primary drivers of the year-over-year increase were higher contracted service revenues for shared service support provided to certain entities recently divested from Ascension, increased joint venture income, primarily attributable to the new joint venture with HFHS, and continued same facility pharmacy services revenue growth. These increases in other operating revenue were partially offset by lower pandemic operating revenue, reduced insurance plan revenue, and lower reimbursement under the provider tax programs.

## Total Operating Expenses

*$ in Billions*
*(Same Facility Comparisons)*




During the three months ended September 30, 2025, Ascension reported a $1.1 billion (14.7%) reduction in total operating expenses, largely driven by the organization's successful execution of its portfolio optimization strategy. On a same facility basis, expenses rose by $451 million (7.9%) compared to the prior year, reflecting the System's ongoing response to rising patient acuity and volume, which are aligned with care delivery priorities and strategic service expansion. Same-facility cost per equivalent discharge increased 6.3% year-over-year and 3.9% sequentially from Q4 FY25, consistent with the increased acuity trends. Ascension continues to prioritize long-term value creation by advancing initiatives that enhance operational efficiency, strengthen workforce stability, and optimize cost alignment with revenue growth.

Total salaries, wages, and benefits decreased by $610 million (17.8%) for the quarter, primarily reflecting recent divestitures and organizational restructuring. On a same facility basis, these expenses rose by $105 million (3.9%), largely attributable to volume and acuity. Ascension also realized a 6.6% increase in average hourly wage rates, driven by continued investments in market competitiveness and retention efforts.

Ascension remains committed to being an employer of choice through its focus on:

1. Attracting, retaining, and rewarding top talent,
2. Fostering career development and advancement,
3. Promoting a culture of inclusion and transparency, and
4. Supporting the evolution of care delivery models.

Targeted labor efficiency initiatives contributed to measurable improvements across the System, including:

- Reduced turnover and improved nurse retention, with 90-day retention rising to approximately 88%,
- Lower health insurance benefit expenses, and
- Decreased reliance on agency staffing, supported by improved workforce stabilization and demand-based utilization strategies.

Average length of stay improved by 2.2%, even as patient acuity increased by 2.7%—further demonstrating enhanced care coordination and throughput efficiency.

Total supply expense declined by $195 million (19.1%) year-over-year. On a same facility basis, supply costs rose by $71 million (9.5%), primarily reflecting growth in interventional radiology, high cost implant and surgical volumes in select markets. These increases were strategically offset by national supply contracting efforts and the continued success of Ascension's economic improvement initiatives, led by The Resource Group to manage supply chain resiliency and reduce procurement costs.

Total purchased services and other operating expenses decreased by $272 million overall. On a same facility basis, these categories rose by $276 million (12.1%), driven in part by increased revenue cycle support related to receivable recovery following prior-year cybersecurity events, higher utilization of medical, dietary, and environmental services related to volume increases, and elevated provider tax and specialty physician service fees. These increases were partially offset by a decline in claims-related expenses and insurance expense.

## 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 three months ended September 30, 2025 were $569 million, representing a $161 million decrease from Ascension's comparable quarter of the prior year investment income of $730 million.

Additionally, for Q1 FY26, Ascension also recognized $35 million of investment gains associated with the Self-insurance trust fund, reported within Income / Loss from Operations as compared to $47 million of investment gains for the same quarter in the prior year.

## Financial Position

Ascension's balance sheet and liquidity levels remain strong, 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.

| | 9/30/2025 | 6/30/2025 |
|---|---|---|
| Current Assets | $5,658 | $5,834 |
| Long-Term Investments * | 19,410 | 19,450 |
| Property and Equipment | 8,510 | 8,452 |
| Other Assets | 6,338 | 6,125 |
| Total Assets | **$ 39,916** | **$ 39,860** |

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

| | 9/30/2025 | 6/30/2025 |
|---|---|---|
| Current Liabilities | $5,778 | $6,256 |
| Long-Term Liabilities | 8,651 | 8,671 |
| Total Liabilities | 14,429 | 14,927 |
| Net Assets | 25,487 | 24,933 |
| Total Liabilities and Net Assets | **$ 39,916** | **$ 39,860** |

## 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 September 30, 2025, which were approximately 38% of the System's total assets. The System's days cash on hand were 235 days at September 30, 2025, an increase of 7 days since June 30, 2025. 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 and debt payments. 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. The line was undrawn as of September 30, 2025 and June 30, 2025.

Additionally, in August 2025, Ascension renewed an additional $500 million line of credit, which has a one-year term and was undrawn at September 30, 2025.

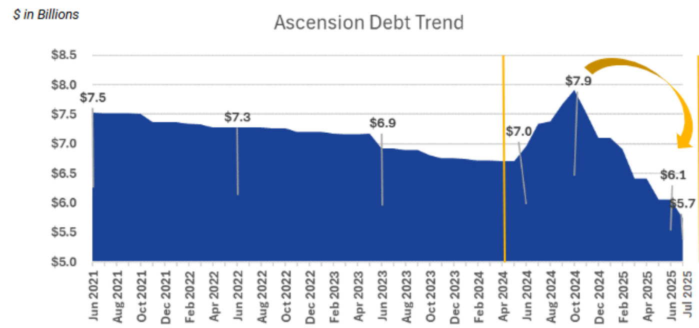
Ascension has continued to pay off approximately $319 million of the commercial paper during FY26, leaving outstanding commercial paper of approximately $50 million within Ascension's short-term liquidity facilities at September 30, 2025.

During the three months ended September 30, 2025, Ascension remediated approximately $42 million of hospital revenue bonds obligations in connection with divestitures.

### Balance Sheet Ratios

| | 9/30/2025 | 6/30/2025 |
|---|---|---|
| Days Cash on Hand | 235 | 228 |
| Net Days in Accounts Receivable ^ | 48.7 | 51.3 |
| Cash-to-Debt | 268.8% | 255.5% |
| Total Debt to Capitalization | 20.7% | 22.0% |

^ 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.




Ascension's focus on operational discipline continues to yield measurable results, highlighted by the 2.6-day reduction in Net Days in Accounts Receivable. The Days in Accounts Receivable stood at a strong 48.7 days as of September 30, 2025, primarily driven by the successful collection of previously aged acute and physician account balances. This operational step forward in working capital management directly contributes to Ascension's ongoing efforts to strengthen its overall balance sheet, alongside improving Days Cash on Hand, reducing debt (de-leveraging), and driving enhanced Core Operating performance.

## Community Impact

Delivering on its Mission, the organization advanced major initiatives to expand access, enhance quality, and strengthen community health across the country. Forty-one Ascension hospitals earned the 2025 CMS Overall Hospital Quality Star Ratings, recognizing excellence in patient safety, clinical outcomes, and experience. The Ascension Foundation's #GOALS Program received national recognition from the Lucy Family Institute for Data and Society for inspiring future clinicians through hands-on science education, an example of Ascension's commitment to shaping the healthcare workforce of tomorrow.

Across several states, Ascension continued to expand access to high-quality, specialized care through new facilities and programs that respond to community needs. In Tennessee, Ascension Saint Thomas opened a new Heart Center at Rutherford, celebrated ten years of advanced joint replacement services, and began construction on a new inpatient rehabilitation hospital in Clarksville. The ministry also opened the Midstate's first comprehensive women's cancer center in Nashville, providing integrated and patient-centered care for women facing complex diagnoses. In Indiana, Ascension St. Vincent earned a five-star CMS rating for its Heart Center, opened a Milk Express and Depot to support maternal and infant health, and became the first hospital in the state verified by the American Burn Association to care for both adult and pediatric patients in a single location.

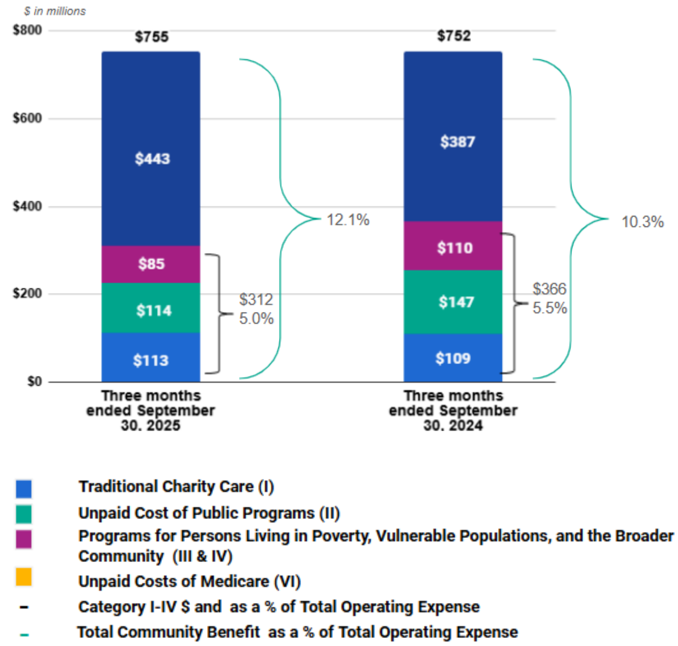
In other markets, Ascension advanced its Mission by investing in services that meet local needs. In Florida, Ascension Sacred Heart Pensacola earned Level IV Maternal Levels of Care accreditation, one of only ten hospitals statewide and the only one in its region with this distinction. The Dispensary of Hope also expanded its reach, providing uninsured patients with greater access to essential medications for chronic conditions. In Kansas, Ascension Via Christi clinicians continued their outreach through monthly Virtuity Cares Pop-Up Clinics, offering free medical care and screenings for underserved residents.

These milestones reflect Ascension's national commitment to improving health, advancing clinical excellence, and expanding access to compassionate care for all, particularly those most in need.

## Community Benefit

The System uses the following categories to report the costs of community benefit provided:

- **Traditional Charity Care**: The cost of providing healthcare services to individuals who cannot afford care due to limited financial resources, including those who are uninsured or underinsured.
- **Unpaid Cost of Public Programs (Excluding Medicare)**: The unreimbursed cost of caring for individuals covered by public programs that support people living in poverty and other vulnerable populations.
- **Programs for Persons Living in Poverty, Vulnerable Populations, and the Broader Community**: The unreimbursed costs of initiatives such as health promotion and education, community health clinics and screenings, and medical research that benefit both underserved individuals and the wider community.
- **Unpaid Costs of Medicare**: The unreimbursed cost of services provided to individuals covered by Medicare.




In the first three months of fiscal year 2026, Ascension contributed approximately $312 million in total Care of Persons Living in Poverty and Other Community Benefit Programs. This support included programs, charitable donations, health education, trauma services, and free care, addressing critical unmet needs across the communities it serves. In addition, Ascension reported almost a $443 million shortfall in Medicare reimbursement during the first quarter of FY26. Together, these efforts represent a total community benefit of approximately $755 million.

The decrease in the System's traditional charity care (Category I) and unpaid costs of public programs (Category II) was driven by divestitures completed since the prior year, enhanced supplemental funding associated with state program modifications in several Markets, and lower Medicaid gross charges in certain Markets.