

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

As of and for the six months ended December 31, 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

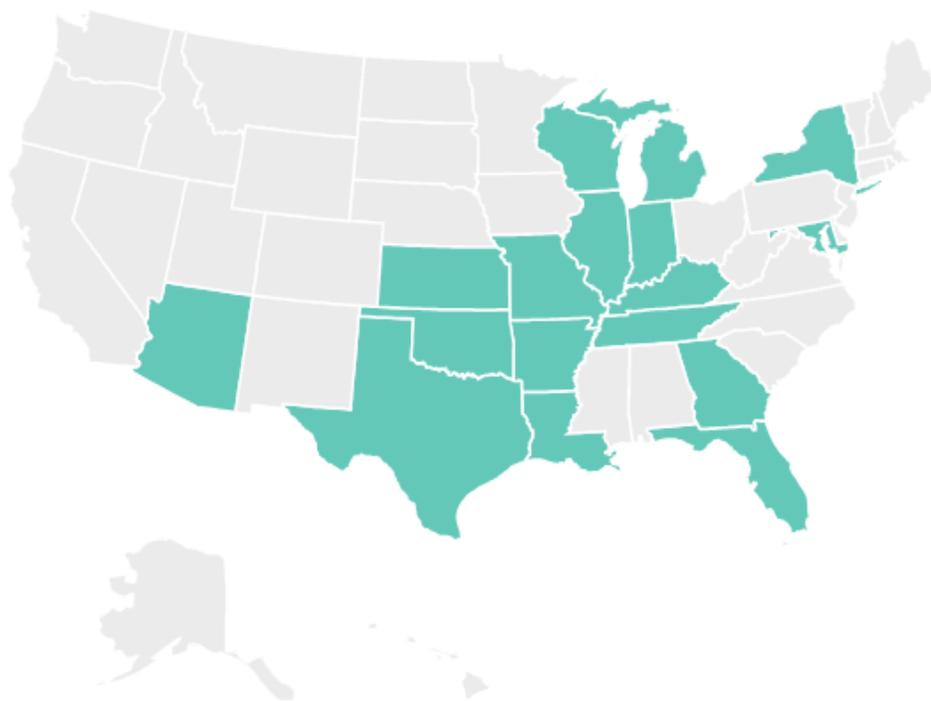
The purpose of Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is to provide a narrative explanation of the financial position and operational performance of Ascension (the System).

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 December 31, 2025, Ascension had approximately 97,000 associates and 23,400 aligned providers supporting care across 17 states and the District of Columbia. The System operates 90 wholly owned or consolidated hospitals and holds ownership interests in 29 additional hospitals through non controlling equity interest. Ascension also operates 22 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.

Effective January 1, 2026, Eduardo Conrado assumed the role of President and Chief Executive Officer, succeeding Joseph Impicciche, JD, MHA, who retired after more than two decades of dedicated service to Catholic healthcare and the Ascension Ministry. Mr. Conrado joined Ascension in 2018 as Executive Vice President and Chief Digital Officer and later became Chief Strategy and Innovation Officer. In these roles, he was instrumental in leading the transformation of 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 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

The following table represents a view of Ascension's operating performance for the first half of FY26 and the comparable six months in FY25 (Q2 FY25 YTD).

Six months ended December 31,

	2025	2024	Change
	As Recorded	As Recorded	As Recorded Comparison
Net Patient Service Revenue	\$ 10,690	\$ 12,100	\$(1,410)
Other Operating Revenue	1,443	1,396	47
Total Operating Revenue	12,133	13,496	(1,363)
Operating Expenses	12,296	13,845	(1,549)
Self-insurance Trust Fund Investment Return	56	36	20
Income (Loss) from Recurring Operations	\$(107)	\$(313)	\$206
Impairment and Nonrecurring Gains (Losses), net	\$(32)	\$(51)	\$19
Income (Loss) from Operations	\$(139)	\$(365)	\$226
Net Income (Loss), excl. Noncontrolling interests	\$608	\$277	\$331
Recurring Operating Margin	(0.9%)	(2.3%)	1.4%
Recurring Operating EBIDA Margin	4.1%	2.4%	1.7%

For the six months ended December 31, 2025, Ascension reported a loss from recurring operations of \$107 million or a -0.9% recurring operating margin compared to a loss of \$313 million or a -2.3% recurring operating margin for the comparable prior year period.

Inclusive of non-operating performance, Ascension's net income, excluding noncontrolling interests, was \$608 million for the six months ending December 31, 2025.

Volume Trends

Ascension maintained strong operational momentum during the first half of fiscal year 2026, ending December 31, 2025, driven by continued growth in patient volume. Same-facility volume, measured by equivalent discharges, increased 0.2% compared to the first half of the prior-year (YTD Q2 FY25). This positive trend was evident across most key performance indicators; however, same-facility outpatient surgeries and Ascension Employed Clinical Network (AECN) encounters per provider declined modestly year over year by 0.2% and 4.4%, respectively.

These results reflect continued progress in executing the organization's strategic initiatives. Ascension is aligning care delivery with evolving patient preferences, including the appropriate migration of select procedures to outpatient settings. Ongoing expansion of Ascension's Ambulatory Surgery Center partnerships supports this strategy by enhancing access to high-quality, convenient care.

Looking ahead, Ascension remains focused on advancing its growth strategy through continued investment in core service lines, expansion of ancillary services, and growth of its ambulatory footprint to better serve patients and communities across its Markets.

Ascension's commitment to a patient-centered experience continues to be reflected in consistently strong satisfaction scores. For the second quarter of fiscal year 2026, the organization achieved a Net Promoter Score of 82.4, representing a 0.8-point improvement from the prior quarter. This performance builds on sustained strength throughout fiscal year 2025, during which NPS remained above 80 in every quarter. Consistently high satisfaction scores reinforce Ascension's position as a world-class brand and underscore the trust patients place in its caregivers.

The following table reflects certain key patient volume information, on a consolidated basis (as recorded), also adjusted for acquisitions and divestitures (same facility), for the six months ended December 31, 2025 and 2024.

Six months ended December 31,

Volume Metrics	2025	2025	2024	2024	Change
	As Recorded	Same Facility	As Recorded	Same Facility	Same Facility
Equivalent Discharges	535,559	525,904	689,762	524,683	0.2%
Total Discharges	243,374	240,097	311,507	235,251	2.1%
Surgery Visits (IP)	57,932	57,312	70,243	56,357	1.7%
Surgery Visits (OP)	156,585	148,083	186,165	148,433	(0.2%)
Emergency Room Visits	1,076,097	1,060,131	1,358,919	1,054,069	0.6%
AECN Encounters per Provider*	1,185	1,185	1,260	1,239	(4.4%)

*Ascension Employed Clinician Network

Total Operating Revenue

Ascension's strategic focus and growth initiatives continued to deliver strong core revenue performance through the second quarter of fiscal year 2026 (YTD Q2 FY26). On a same-facility basis, which adjusts for recent portfolio changes, Ascension's total operating revenue increased by a substantial \$1.1 billion, or 10.3%, compared to the same time period of the prior fiscal year (YTD Q2 FY25).

The total reported operating revenue for the period compared to prior year decreased by \$1.4 billion, or 10.1%, a change primarily attributable to the non-comparable impact of portfolio adjustments.

in Billions
(Same Facility Comparisons)

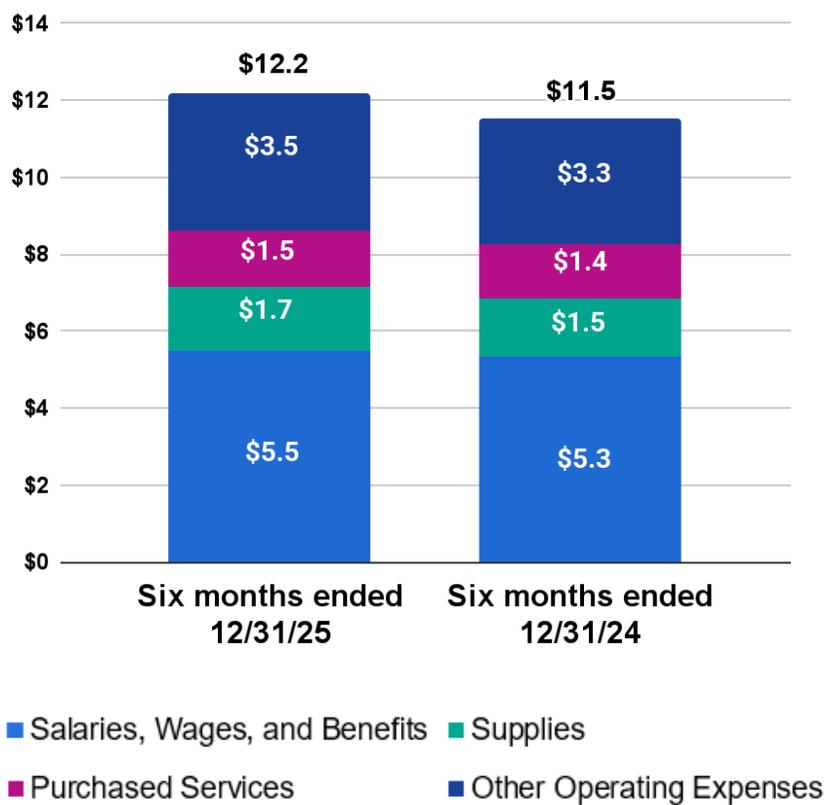


Through the second quarter of FY26, the System's same facility net patient service revenue (NPSR) increased \$867 million or 9.0% overall from the same time period of the prior year. Driven by significant portfolio changes associated with recent divestitures noted in the Organizational Changes section, Ascension's total net patient service revenue decreased \$1.4 billion or 11.7%. NPSR per equivalent discharge increased 13.8% overall or 8.7% 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 year-to-date through Q2 FY26 increased to 1.91 as compared to 1.85 year-to-date through Q2 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 six months ended December 31, 2025, same facility other operating revenue increased \$243 million compared to the same period of the prior year. The year-over-year increase in other operating revenue was primarily driven by three factors: higher contracted service revenues from shared support to recently divested Ascension entities, increased joint venture income (largely from the new HFHS venture), and continued growth in same-facility pharmacy services revenue.

Total Operating Expenses

\$ in Billions
(Same Facility Comparisons)



During the six months ended December 31, 2025, Ascension reported a \$1.5 billion (11.2%) reduction in total operating expenses, as the organization continues to execute its portfolio optimization strategy. On a same facility basis, expenses rose by \$610 million (5.3%) 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. This increase in same-facility expenses was more than offset by a 9.0% increase in same-facility net patient service revenue, contributing to a better margin. Consistent with the increased acuity, same-facility cost per equivalent discharge also increased 5.0% year-over-year. Ascension remains committed to 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 \$820 million (12.9%), primarily reflecting recent divestitures and organizational restructuring. These expenses rose by \$164 million (3.1%) on a same facility basis, largely attributable to volume, acuity, and investment in our associates. Ascension increased average hourly wage rates by 4.3% on a same facility basis, 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 stable nurse retention, with 90-day retention at approximately 88%,
- Lower health insurance benefit expenses, and

- Decreased reliance on agency staffing, supported by improved workforce stabilization and demand-based utilization strategies.

On a same facility basis, average length of stay decreased by 1.9% despite a 2.1% increase in patient acuity, demonstrating enhanced operational efficiency and quality of care.

Total supply expense declined by \$229 million (12.0%) year-over-year. On a same facility basis, supply costs rose by \$142 million (9.4%), primarily reflecting increased patient acuity and higher volume in specialty services, such as interventional radiology and high-cost implants. 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 \$500 million overall. On a same facility basis, these categories rose by \$303 million (6.5%), driven by elevated provider tax and specialty physician service fees.

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, 2025 were \$981 million, representing a \$223 million increase from Ascension’s comparable period of the prior year non-operating and investment income of \$758 million.

Additionally, for the first two quarters of FY26, Ascension recognized \$56 million of investment gains associated with the Self-insurance trust fund, reported within Income (Loss) from Operations as compared to \$36 million of investment gains for the same period 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.

	12/31/2025	6/30/2025
Current Assets	\$5,694	\$5,834
Long-Term Investments *	23,441	19,450
Property and Equipment	8,614	8,452
Other Assets	6,511	6,125
Total Assets	\$ 44,260	\$ 39,860

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

	12/31/2025	6/30/2025
Current Liabilities	\$5,843	\$6,256
Long-Term Liabilities	12,579	8,671
Total Liabilities	18,422	14,927
Net Assets	25,838	24,933
Total Liabilities and Net Assets	\$ 44,260	\$ 39,860

Financial Assets and Liquidity Resources

The System maintains a robust cash and investment position, which includes highly liquid assets. Net unrestricted cash and investments were \$18.2 billion at December 31, 2025, which were approximately 41% of the System's total assets. The System's days cash on hand was 284 days at December 31, 2025, an increase of 56 days since June 30, 2025. Ascension's cash position increased by 53 days due to the receipt of proceeds in November and December 2025 from the issuance of bonds as discussed below.

In Q2 FY26, Ascension successfully executed two significant bond issuances to support its financial strategy.

- November 2025: approximately \$2.1 billion in taxable bonds were issued. The proceeds were used to defease the remaining tax-exempt subordinate bonds, fund other corporate purposes, and fund cost of issuance.
- December 2025: approximately \$2.5 billion in tax-exempt bonds were issued through authorities in Indiana, Tennessee, and Texas. The proceeds including original issuance premium will be used to finance, refinance, or reimburse costs for capital projects and to refund previously issued tax-exempt bonds.

With the size and scale of the System, Ascension aims to maintain a combination of short-term liquidity facilities with authorization for up to \$3 billion outstanding 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 December 31, 2025 and June 30, 2025.

In August 2025, Ascension renewed an additional \$500 million line of credit, which has a one-year term and was undrawn at December 31, 2025.

In December 2025, Ascension increased its commercial paper program authorization from \$1 billion to \$2 billion. During FY26, Ascension has both issued and repaid commercial paper with net repayments of approximately \$319 million, leaving approximately \$50 million outstanding at December 31, 2025.

Balance Sheet Ratios

	12/31/2025	6/30/2025
Days Cash on Hand	284	228
Net Days in Accounts Receivable [^]	49.5	51.3
Cash-to-Debt	183.5%	255.5%
Total Debt to Capitalization	30.9%	22.0%

[^] Prior year net days in accounts receivable includes certain accounts receivable balances that have been classified as assets held for sale within the Consolidated Balance Sheet.

Ascension's commitment to operational discipline continues to yield tangible results, notably a 1.7 day year-over-year reduction in Net Days in Accounts Receivable. The Days in Accounts Receivable stood at a strong 49.5 days as of December 31, 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 and driving enhanced Core Operating performance.

Community Impact

Anchored in its mission to serve all, Ascension made continued progress during the quarter in expanding access to care, investing in advanced clinical capabilities, and responding to the evolving health needs of the communities it serves.

During the quarter, access to care expanded across key markets through targeted service-line growth, larger care teams, and new care settings. In Florida, Ascension opened an emergency care facility in Perdido Key and launched telehealth maternity services, extending care beyond traditional hospital settings. At Ascension St. John Owasso Hospital, the addition of midwives to the labor and delivery unit expanded maternity care options and improved access to personalized care for expectant mothers. Ascension broadened access to preventive services through the Ascension Saint Thomas mobile mammography program, bringing critical screening services directly to rural communities and younger populations.

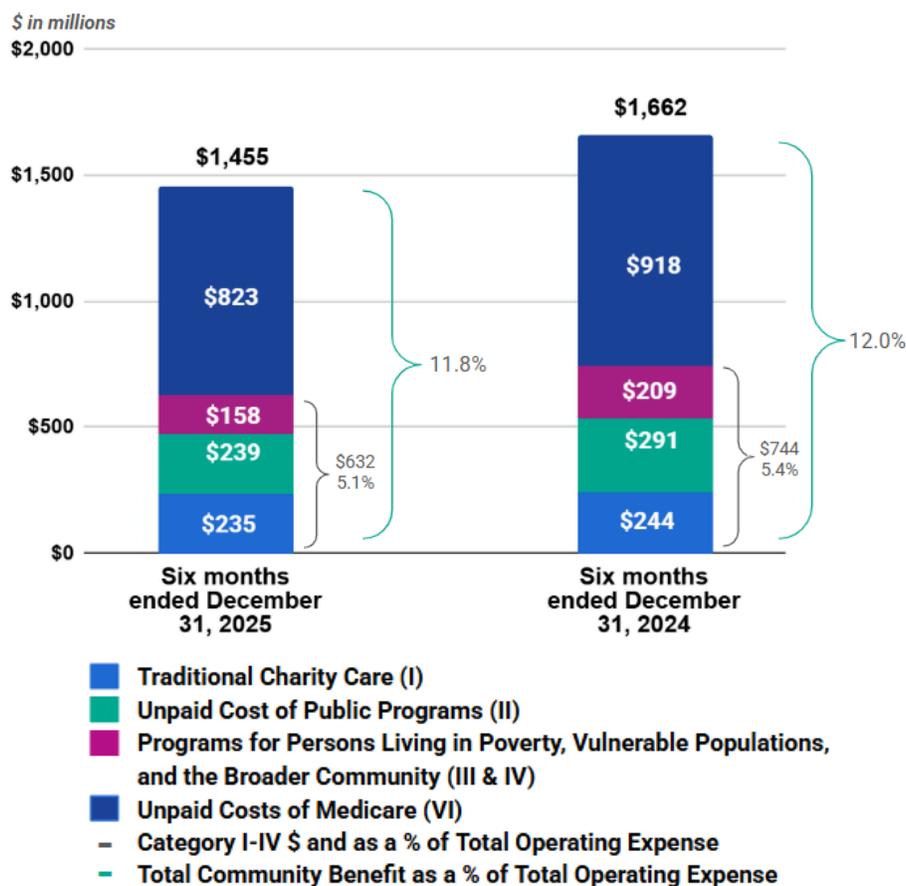
Ascension also invested in imaging and surgical technology to strengthen clinical capabilities. Ascension Sacred Heart facilities introduced PET and PET-CT imaging systems to enable earlier cancer diagnosis and treatment planning, while Dell Children's Medical Center unveiled a new intraoperative MRI surgical suite to support greater precision during complex procedures. These investments support higher-acuity care, improved outcomes, and more efficient care delivery across the system.

Ascension continues to address community health needs through programs focused on outreach, prevention, and social support. Medical Mission at Home events were held in multiple states, including Wisconsin and Indiana, providing free medical services to individuals without reliable access to care. In Indiana, Ascension St. Vincent teams partnered with community organizations to deliver Thanksgiving meals to seniors and strengthen food security efforts. In Florida, Ascension enhanced its navigator program to better support expectant and new mothers facing barriers to care.

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 six months of fiscal year 2026, Ascension contributed approximately \$632 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 a \$823 million shortfall in Medicare reimbursement through the second quarter of FY26. Together, these efforts represent a total community benefit of approximately \$1.5 billion.

The decrease in the System's traditional charity care (Category I), unpaid costs of public programs (Category II), and Programs for Persons Living in Poverty, Vulnerable Populations, and the Broader Community (Category III & IV) 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.