

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

As of and for the nine months ended March 31, 2026 and 2025



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

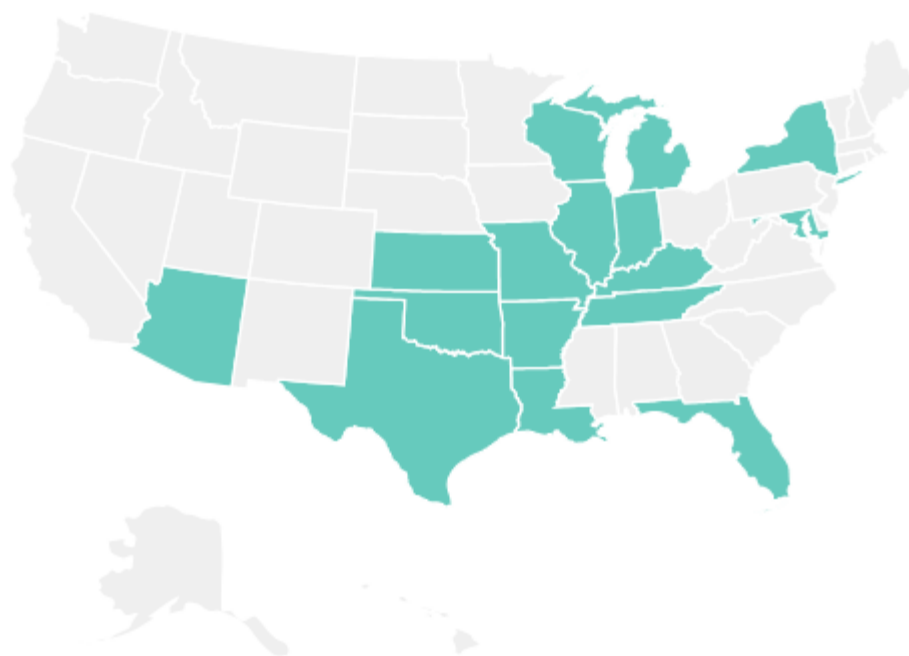
The purpose of Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is to provide a narrative explanation of the financial position and operational performance of Ascension (the System).

The MD&A includes the following sections:

- Organization and Mission
- Executive Overview
- Organizational Changes & Strategic 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 March 31, 2026, Ascension had approximately 97,300 associates and 25,300 aligned providers supporting care across 16 states and the District of Columbia. The System operates 90 wholly owned or consolidated hospitals and holds noncontrolling ownership interests in 29 additional hospitals. 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 & Strategic Updates

Ascension continues to execute a multi-year transformation strategy focused on portfolio optimization, expansion of ambulatory care, and enhanced consumer access. Over the recent fiscal years, the organization completed several transactions to realign its acute care footprint, invest in growth markets, and expand capabilities across the continuum of care.

Leadership Transition

Effective January 1, 2026, Eduardo Conrado was appointed President and Chief Executive Officer, succeeding Joseph Impicicche, JD, MHA, following his retirement after more than 20 years of service. Mr. Conrado brings experience in digital transformation, strategy, and innovation. He served on the Ascension Board of Directors from 2014 to 2018 and joined Ascension in 2018 as Executive Vice President and Chief Digital Officer, focused on digital and data strategy. He later served as Executive Vice President and Chief Strategy and Innovation Officer and as President from 2023 to 2025.

Completed Transactions (FY25-FY26)

- July 2025: Transitioned membership interest in four Michigan hospitals and other related healthcare operations to Beacon Health System
- June 2025: Acquired Cedar Park Regional Medical Center from Community Health Systems
- March 2025: Sold substantially all assets and operations of nine hospitals, four senior living facilities and certain other healthcare operations in the greater Chicago, Illinois area to Prime Healthcare Services, Inc.
- November 2024: transitioned membership interest in the St Vincent's Health System in Alabama to UAB Health System Authority
- October 2024: Contributed 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

Anticipated Transactions

- Acquisition of AMSURG (an ambulatory surgery development, management, and operations service company)

Strategic Direction & Growth Initiatives

Under its evolving leadership structure, Ascension is advancing a strategy focused on improving access, enhancing care delivery, and expanding lower-cost care settings.

Key priorities include:

- Expansion of ambulatory, virtual, and community-based care models
- Growth in ancillary services, including imaging and outpatient therapy

- Development of Ascension Rx, including specialty pharmacy services and a national mail-order platform
- Strengthening ambulatory surgery capabilities through the planned AMSURG acquisition

These initiatives are designed to improve patient access, enhance convenience, and support the organization's mission of delivering high-quality, personalized care.

Select Financial Information

(dollars in millions, except as denoted)

Consolidated Operations

The following table represents a view of Ascension's operating performance as recorded and on a same facility basis through March 31, 2026 and the comparable nine months in FY25.

Nine months ended March 31,

	2026	2025	Change		2026	2025	Change
	As Recorded	As Recorded	As Recorded Comparison		Same Facility	Same Facility	Same Facility Comparison
Net Patient Service Revenue	\$ 16,108	\$ 17,487	\$(1,379)		\$15,855	\$14,516	\$1,339
Other Operating Revenue	2,009	2,041	(32)		\$1,967	\$1,785	182
Total Operating Revenue	18,117	19,528	(1,411)		17,822	16,301	1,521
Operating Expenses	18,342*	19,959	(1,617)		18,147*	17,169	978
Self-insurance Trust Fund Investment Return	59	50	9		59	50	9
Income (Loss) from Recurring Operations	\$(166)	\$(381)	\$215		\$(266)	\$(818)	\$552
Impairment and Nonrecurring Gains (Losses), net	\$(37)	\$(85)	\$48		\$(38)	\$(59)	\$21
Income (Loss) from Operations	\$(203)	\$(466)	\$263		\$(304)	\$(877)	\$573
Net Income (Loss), excl. Noncontrolling interests	\$621	\$195	\$426		\$534	\$(112)	\$646
Recurring Operating Margin	(0.9%)	(2.0%)	1.1%		(1.5%)	(5.0%)	3.5%
Recurring Operating EBIDA Margin	4.3%	2.9%	1.4%		3.7%	0.5%	3.2%

* Operating expenses include incremental interest, \$33 million of which relates to taxable bonds issued in November 2025 to support an acquisition that has not yet closed and is not currently generating operating revenue. This expense is offset by investment income reported in net income.

For the nine months ended March 31, 2026, Ascension reported a loss from recurring operations of \$166 million or a recurring operating margin of (0.9%) compared to a loss of \$381 million or a recurring operating margin of (2.0%) for the comparable prior year period.

Inclusive of non-recurring and non-operating performance, Ascension's net income, excluding noncontrolling interests, was \$621 million for the nine months ending March 31, 2026. On a same facility basis, which adjusts for acquisitions and divestitures, this figure was \$534 million, an improvement of \$646 million from the prior year.

Volume Trends

Through the third quarter of fiscal year 2026, Ascension demonstrated sustained operational strength, fueled by a steady rise in patient volumes. Same-facility volume, measured by equivalent discharges, improved 0.3% compared to the same time period in the prior-year (YTD Q3 FY25). This upward momentum was reflected across most key performance indicators, though same-facility emergency room visits deviated slightly from the trend, with year-over-year declines of 0.4%. Emergency room visits align with the lower national trends observed during the viral respiratory season.

These volume trends demonstrate sustained progress in executing the organization's strategic initiatives. Ascension is evolving alongside patient preferences, prioritizing the shift of select procedures to outpatient settings. The continued growth of ambulatory surgery center partnerships remain a pillar of this strategy, driving broader access to high-quality, patient-centered care.

Looking ahead, Ascension remains committed to executing its growth strategy through continued investment in core service lines, the development of complementary ancillary services, and the expansion of its ambulatory footprint. These efforts are designed to strengthen service offerings and enhance the organization's ability to meet the diverse needs of 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 third quarter of fiscal year 2026, the organization achieved a Net Promoter Score (NPS) of 84.1, representing a 1.7-point improvement from the prior quarter. The improvement in Net Promoter Score reflects the organization's focus on hospitality, streamlined access, and seamless continuity of care. This performance builds on a year of steady momentum, during which Ascension consistently achieved a NPS of 80 or higher in every quarter of FY25. Positive patient feedback continues to bolster the Ascension brand, reflecting the vital trust and confidence patients place in 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 nine months ended March 31, 2026 and 2025.

Nine months ended March 31,

Volume Metrics	2026	2026	2025	2025	Change
	As Recorded	Same Facility	As Recorded	Same Facility	Same Facility
Equivalent Discharges	796,884	782,720	972,323	780,434	0.3%
Total Discharges	364,245	359,431	444,621	354,828	1.3%
Surgery Visits (IP)	85,663	84,766	99,583	83,484	1.5%
Surgery Visits (OP)	234,398	221,018	262,318	218,779	1.0%
Emergency Room Visits	1,602,523	1,578,755	1,947,784	1,584,370	(0.4%)
AECN wRVU*/Encounter/Provider	2.2	2.2	2.15	2.15	2.3%

*Worked Relative Value Units

Total Operating Revenue

Ascension's strategic focus and growth initiatives continued to support strong core revenue performance through the nine months ended March 31, 2026. On a same-facility basis, total operating revenue increased by \$1.5 billion, or 9.3%, compared to the same time period of the prior fiscal year.

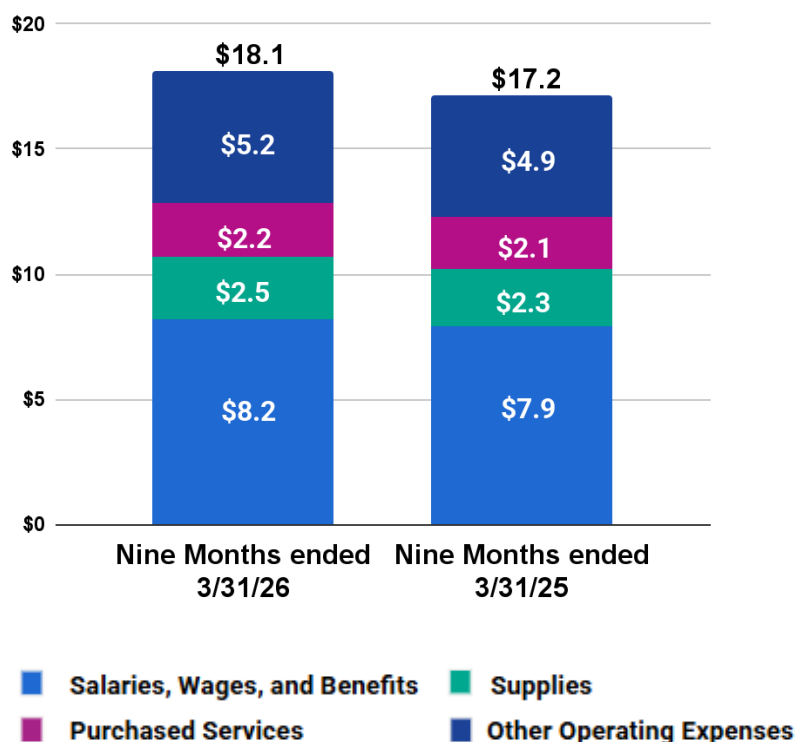


Through the third quarter of FY26, the System's same facility net patient service revenue (NPSR) increased \$1.4 billion or 9.2% overall from the same time period of the prior year. Driven by significant portfolio changes associated with recent divestitures noted in the Organizational Changes section, Ascension's total reported net patient service revenue decreased \$1.4 billion or 7.9%. NPSR per equivalent discharge increased 12.4% overall or 8.9% on a same facility basis. Aside from the previously mentioned overall volume changes, NPSR was impacted by a shift in payor mix. The System's acute case mix index year-to-date through Q3 FY26 increased to 1.92 as compared to 1.86 year-to-date through Q3 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 nine months ended March 31, 2026, same facility other operating revenue increased \$182 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 divested Ascension entities and continued growth in same-facility pharmacy services revenue.

Total Operating Expenses

\$ in Billions
(Same Facility Comparisons)



Total operating expenses declined by \$1.6 billion (8.1%) through the third quarter of FY26, reflecting the impact of completed transactions discussed above. On a same-facility basis, expenses increased by \$977 million (5.7%), with cost per equivalent discharge rising 5.4% compared to the prior year. This year-over-year growth primarily reflects targeted investments to support higher patient acuity and increased volumes, consistent with Ascension's care delivery priorities and strategic growth objectives. These expense increases were more than offset by a 9.2% rise in net patient service revenue, resulting in improved operating margins. Ascension continues to focus on long-term value creation through prioritization of operational efficiency, workforce stability, and cost-revenue alignment.

Total salaries, wages, and benefits rose by \$265 million (3.3%) on a same facility basis, largely attributable to volume, acuity, and investment in our associates. Ascension's average hourly wage rates increased by 3.2%, 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 1.5% despite a 2.7% increase in patient acuity, demonstrating enhanced operational efficiency and quality of care.

On a same facility basis, supply costs rose by \$214 million (9.5%), primarily reflecting increased patient acuity, higher volumes of specialty services such as high-cost implants, and rising pharmaceutical expenses. 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 rose by \$498 million (7.1%), on a same facility basis, driven by elevated provider tax, software license maintenance, 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 nine months ended March 31, 2026 were \$1.1 billion, representing a \$157 million increase from Ascension's comparable period of the prior year non-operating and investment income of \$910 million.

Additionally, through three quarters of FY26, Ascension recognized \$59 million of investment gains associated with the Self-insurance trust fund, reported within Income (Loss) from Operations as compared to \$50 million of investment gains for the same period in the prior year.

Financial Position

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.

	3/31/2026	6/30/2025	Change
Current Assets	\$5,909	\$5,834	\$75
Long-Term Investments *	23,386	19,449	3,937
Property and Equipment, net	8,706	8,452	254
Other Assets	6,621	6,125	496
Total Assets	\$ 44,622	\$ 39,860	\$4,762

	3/31/2026	6/30/2025	Change
Current Liabilities	\$6,334	\$6,256	\$78
Long-Term Liabilities	12,426	8,671	3,755
Total Liabilities	18,760	14,927	3,833
Net Assets*	25,862	24,933	929
Total Liabilities and Net Assets	\$ 44,622	\$ 39,860	\$4,762

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

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 March 31, 2026, which were approximately 41% of the System's total assets. The System's days cash on hand was 283 days at March 31, 2026, an increase of 55 days since June 30, 2025. Ascension's cash position increased by 56 days due to the receipt of proceeds in November and December 2025 and subsequent reimbursements from Project Funds 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 cost of issuance and fund other corporate purposes, including but not limited to a portion of a planned acquisition.
- 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 March 31, 2026.

In August 2025, Ascension renewed an additional \$500 million line of credit, which has a one-year term and was undrawn at March 31, 2026.

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 March 31, 2026.

Balance Sheet Ratios

	3/31/2026	6/30/2025	Change
Days Cash on Hand	283	228	55
Net Days in Accounts Receivable [^]	49.9	51.3	(1.4)
Cash-to-Debt	184.3%	255.5%	(71.2%)
Total Debt to Capitalization	30.8%	22.0%	8.8%

[^] 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 1.4 day year-over-year reduction in Net Days in Accounts Receivable. The Days in Accounts Receivable stood at a strong 49.9 days as of March 31, 2026, 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, Ascension continued to expand access through targeted growth and investments in key service lines and communities. In Tennessee, Ascension Saint Thomas Heart and Howell Allen Clinic opened a new location in Clarksville, and Ascension Saint Thomas River Park expanded its emergency department, nearly doubling capacity to meet growing demand. In Florida, Ascension Sacred Heart reopened its updated cardiology clinic and opened a new ambulatory surgery center in St. Augustine, further advancing more convenient, lower-cost care settings. Ascension St. John marked 100 years of serving communities in Oklahoma.

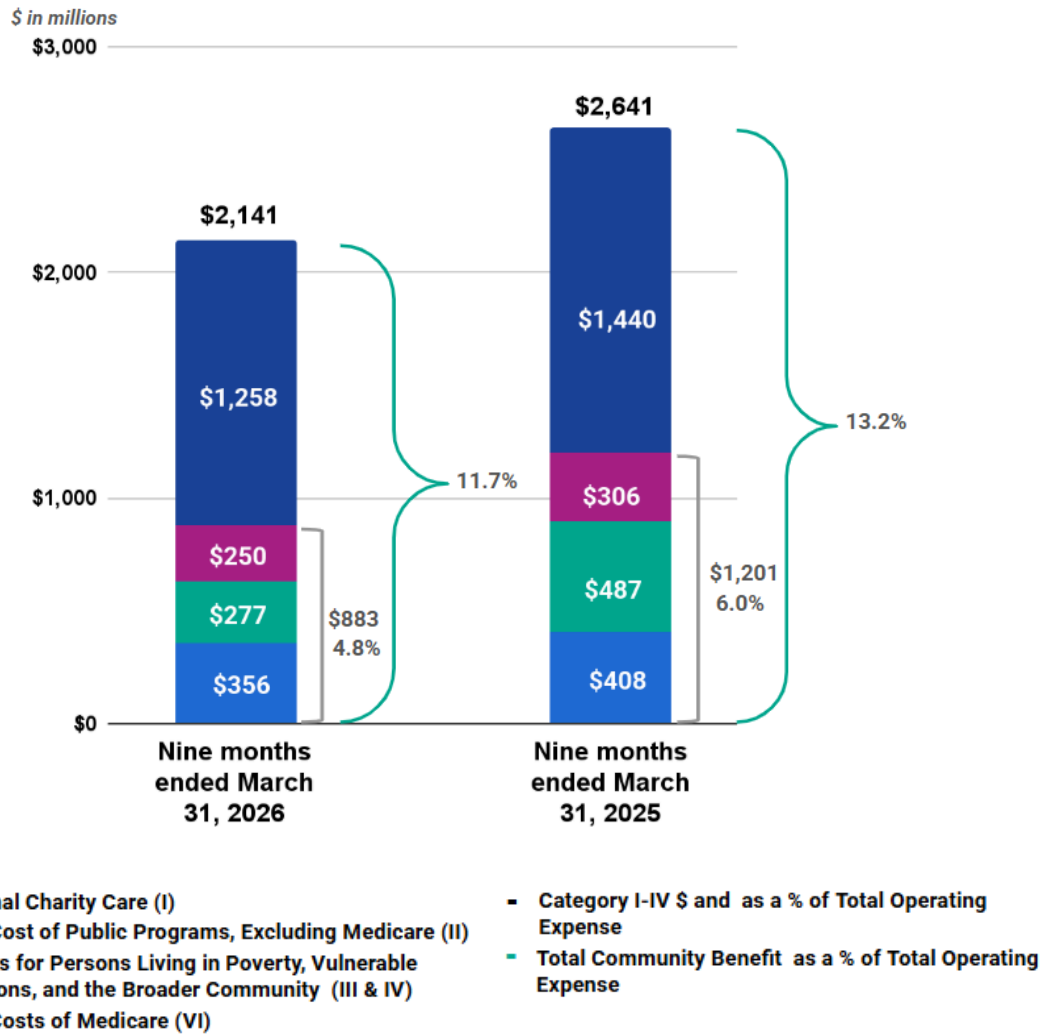
Ascension also expanded programs that address barriers to care and support community health needs. Ascension expanded medication access in Wisconsin and Illinois through Ascension Rx and Dispensary of Hope. In Wisconsin, four additional sites were added, and in Illinois, new sites were introduced in Hoffman Estates and Elk Grove Village. This work expands access to medications people rely on every day to manage conditions, treat illness, and stay healthy, and helps ensure that uninsured and low-income patients in our communities can get the medications they need without delay. In Oklahoma, Ascension St. John advanced workforce development through a student shadowing program and awarded nursing scholarships to support the next generation of caregivers. Preventive care efforts also expanded across multiple markets, including early cancer detection initiatives and free mammography services for uninsured women.

Ascension continued to advance quality and clinical excellence through targeted programs and recognition. Pediatric simulation training is being delivered across 13 Florida facilities to strengthen real-time care. In Indiana, Ascension St. Vincent Carmel earned international accreditation for its robotic surgery program, reflecting continued progress in advanced surgical care and patient outcomes.

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.



Through nine months of fiscal year 2026, Ascension contributed approximately \$883 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 nearly \$1.3 billion shortfall in Medicare reimbursement through the third quarter of FY26. Together, these efforts represent a total community benefit of approximately \$2.1 billion.

The decline in the System's traditional charity care (Category I), unpaid costs of public programs (Category II), Programs for Persons Living in Poverty, Vulnerable Populations, and the Broader Community (Categories III and IV), and unpaid Medicare costs was primarily attributable to divestitures completed since the prior year. Further reductions in charity care reflect enhanced supplemental funding associated with state program modifications in several markets, as well as lower Medicaid gross charges in select markets.