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

As of and for the twelve months ended June 30, 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

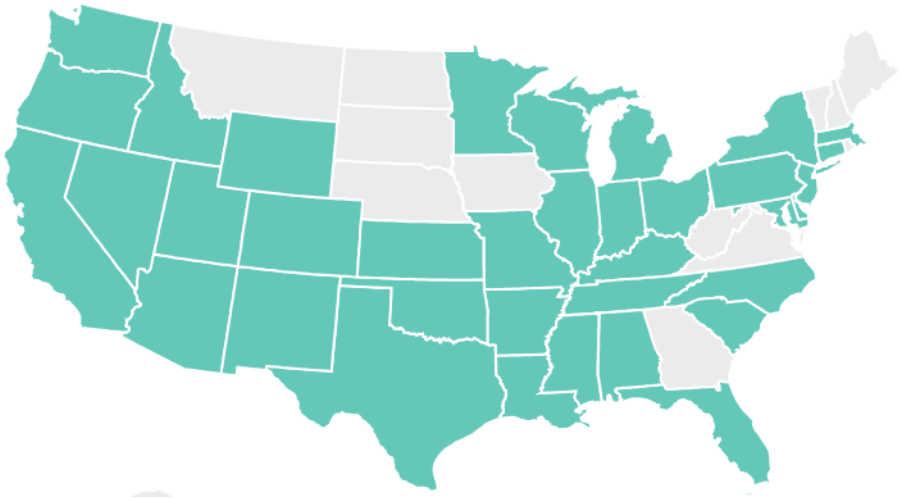
The purpose of Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is to provide a narrative explanation of the financial position and operational performance of Ascension (the System).

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 June 30, 2026, Ascension had approximately 98,100 associates and 27,000 aligned providers supporting care across 36 states and the District of Columbia. The System operates 91 wholly owned or consolidated hospitals and holds noncontrolling ownership interests in 27 additional hospitals. Ascension also operates 312 ambulatory surgery centers, 22 senior living facilities, and a variety of other care sites offering a range of healthcare services.



Executive Overview

Ascension remains focused on community impact, quality and safety, operational rigor, talent, and consumer experience as the foundation for strengthening its ability to deliver high-quality care and advance its Mission. These priorities continue to support steady operational performance, even as Ascension, like other U.S. healthcare providers, navigates ongoing inflationary pressures and a shifting healthcare landscape.

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 Impicciche, 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)

- June 2026: Acquisition of Ambulatory Topco, LLC, including its wholly owned subsidiaries and interest in controlled and non controlled affiliates (collectively, AmSurg) an ambulatory surgery development, management, and operations service company
- 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

- July 2026: Williamson Health's Board of Trustees voted to sell the Franklin, Tennessee-based community owned hospital system to Ascension Satin Thomas, Ascension's Tennessee affiliate.
- July 2026: Definitive agreement entered into with CVS Pharmacy, Inc. to sell membership interest in Mercy Care health plan to CVS.

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 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 June 30, 2026 and the comparable twelve months in FY25.

	Twelve months ended June 30,						
	2025	2026	Change		2025	2026	Change
	As Recorded	As Recorded	As Recorded Comparison		Same Facility	Same Facility	Same Facility Comparison
Net Patient Service Revenue	$22,537	$ 21,769	$(768)		$19,424	$21,458	$2,034
Other Operating Revenue	2,789	2,704	(85)		2,529	2,648	119
Total Operating Revenue	25,326	24,473	(853)		21,953	24,106	2,153
Operating Expenses	25,829	24,655*	1,174		22,912	24,399*	(1,487)
Self-insurance Trust Fund Investment Return	93	125	32		93	125	32
Income (Loss) from Recurring Operations	**$ (410)**	**$ (57)**	**$353**		**$(866)**	**$(168)**	**$698**
Recurring Operating EBIDA	**$837**	**$1,225**	**$388**		**$344**	**$1,104**	**$760**
Nonrecurring Gains (Losses), net	$(81)	$(63)	$18		$(61)	$(63)	$(2)
Income (Loss) from Operations	**$(491)**	**$(120)**	**$371**		**$(927)**	**$(231)**	**$696**
Net Income (Loss), excl. Noncontrolling interests	$918	$1,505	$587		$588	$1,414	$826
Recurring Operating Margin	**(1.6%)**	**(0.2%)**	**1.4%**		**(3.9%)**	**(0.7%)**	**3.2%**
Recurring Operating EBIDA Margin	**3.3%**	**5.0%**	**1.7%**		**1.6%**	**4.6%**	**3.0%**

* Operating expenses include incremental interest, $94 million, a portion of which relates to taxable bonds issued in November 2025 to support the AmSurg acquisition. The acquisition did not occur until several months after the bond issuance in June 2026, resulting in additional interest cost without the operating revenue from the acquired entity. This expense is offset by investment income earned on the bond proceeds and reported in net income. Operating expenses also include $37 million incremental expense related to the AmSurg transaction.

For the fiscal year ended June 30, 2026, Ascension reported a loss from recurring operations of $57 million or a recurring operating margin of (0.2%), reflecting a significant improvement from the $410 million recurring operating loss (1.6% margin) for the prior year. Adjusted for acquisitions and divestitures, same facility recurring operating income improved $698 million from the prior year.

Including non-recurring and non-operating performance, Ascension's net income, excluding non-controlling interest, was $1.5 billion for the fiscal year ended June 30, 2026 compared to $918 million for the prior year. Adjusted for acquisitions and divestitures, same facility net income was $1.4 billion, an improvement of $826 million from the prior year.

Volume Trends

Ascension maintained strong operational momentum through the fourth quarter of fiscal year 2026, driven by consistent growth in patient volumes. Same facility equivalent discharges improved 1.3% year over year. This upward momentum was reflected across most key performance indicators, including total discharges, surgery visits, and emergency room visits.

These volume trends demonstrate sustained progress in executing the organization's strategic priorities. By aligning with evolving patient preferences, Ascension continues to shift select procedures to outpatient settings while simultaneously expanding ambulatory surgery center partnerships. This comprehensive approach enhances care accessibility and reinforces the delivery of high quality, patient centered care.

Ascension's long-term growth strategy centers on investing in core service lines, the development of complementary ancillary services, and scaling its ambulatory network. These efforts ensure that the System continues to strengthen service offerings and enhance the organization's ability to meet the diverse needs of patients and communities across its markets.

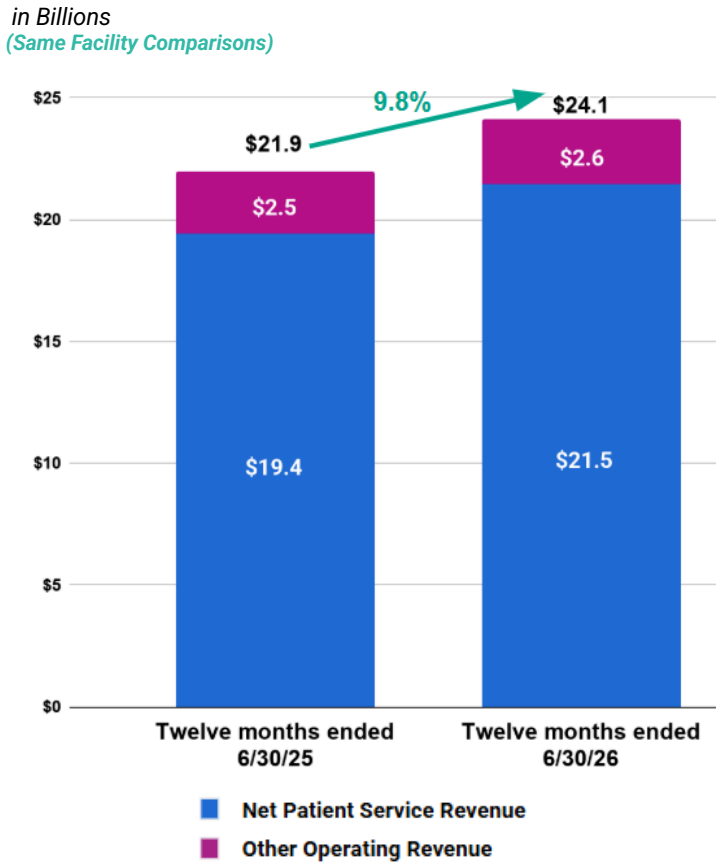
Ascension's commitment to patient-centered care continues to yield strong satisfaction results, culminating in an 83.3 Net Promoter Score (NPS) through the fourth quarter of fiscal year 2026. The Net Promoter Score reflects the organization's focus on hospitality, streamlined access, and seamless continuity of care. This performance builds on continued, steady momentum, as Ascension has consistently achieved a NPS of 80 or higher since the beginning of FY25. Consistent 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 twelve months ended June 30, 2026 and 2025.

	Twelve months ended June 30,				
Volume Metrics	**2025**	**2026**	**2025**	**2026**	**Change**
	As Recorded	**As Recorded**	**Same Facility**	**Same Facility**	**Same Facility**
Equivalent Discharges	1,237,654	1,070,725	1,038,102	1,051,872	**1.3%**
Total Discharges	564,953	485,327	472,003	478,863	**1.5%**
Surgery Visits (IP)	128,697	114,168	111,891	112,998	**1.0%**
Surgery Visits (OP)	338,618	407,885	292,424	296,725	**1.5%**
Emergency Room Visits	2,484,054	2,154,796	2,105,604	2,122,604	**0.8%**
AECN wRVU*/Encounter/Provider	2.3	2.2	2.2	2.2	**(0.6%)**
Case Mix Index	1.88	1.93	1.90	1.93	**1.7%**

Total Operating Revenue

Ascension's strategic growth initiatives continued to strengthen core revenue performance throughout the fiscal year ended June 30, 2026, yielding total operating revenue of $24.5 billion. On a same facility basis, total operating revenue was $24.1 billion, representing a $2.2 billion (9.8%) year over year increase.



For the fiscal year ended June 30, 2026, the System's same facility net patient service revenue (NPSR) increased $2.0 billion (10.5%) overall from the prior year. Ascension's total reported net patient service revenue decreased $768 million or 3.4%, driven by significant portfolio changes associated with recent divestitures noted in the Organizational Changes section.

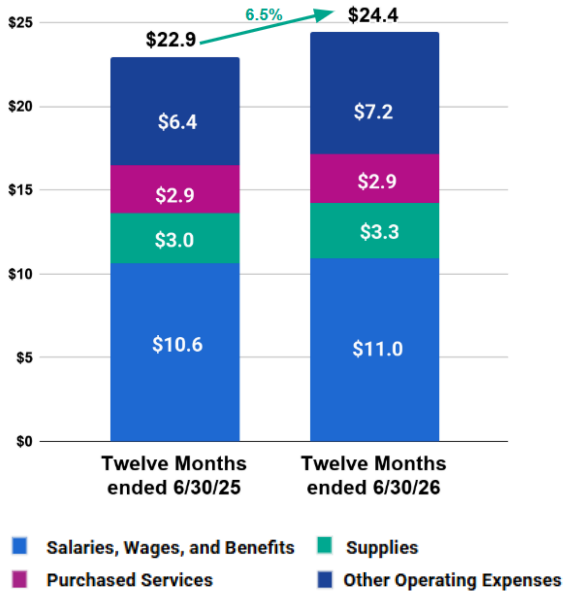
The System's same facility acute case mix index for FY26 increased to 1.93 as compared to 1.90 for FY25 as the System expanded capacity and procedures continue to shift to outpatient settings. This elevated acute case mix index indicates that the System is managing a complex patient population that requires a higher level of care and resources. Recent managed care negotiations with commercial payors have yielded larger increases, improving NPSR rates despite limited expense mitigation from reimbursement rates.

For the year ended June 30, 2026, same facility other operating revenue increased $119 million compared to the same period of the prior year. Key growth drivers include higher contracted service revenues from shared support to divested Ascension entities, continued growth in same-facility pharmacy services revenue, and an increase in income from unconsolidated entities.

Total Operating Expenses

$ in Billions

(Same Facility Comparisons)



Total operating expenses declined by $1.2 billion (4.5%) in FY26, reflecting the impact of completed transactions discussed previously. Same-facility expenses increased by $1.5 billion (6.5%) across all major categories excluding purchased services. These increases were offset by a 10.5% rise in same facility net patient service revenue, strengthening operating margins. The expense increases reflect strategic investments to accommodate higher patient acuity and increased volumes, consistent with Ascension's care delivery priorities and strategic growth objectives. Average length of stay decreased 6.8%, or 1.0% on a same facility basis, despite a 1.7% increase in patient acuity, demonstrating sustained operational efficiency and improved quality of care. Ascension remains committed to long-term value creation by driving operational efficiency, stabilizing its workforce, and keeping costs aligned with revenue.

Total salaries, wages, and benefits rose by $356 million (3.4%) on a same facility basis, largely attributable to patient volume and acuity, in addition to continued investment in our associates. Ascension's average hourly wage rates increased by 4.3%, reflecting ongoing commitment to maintain competitive market pay and improve retention efforts.

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

- Attracting, retaining, and rewarding exceptional talent,
- Fostering development and providing clear pathways for career advancement,
- Cultivating a transparent, inclusive, and supportive environment, and
- Driving the evolution of care delivery models.

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

- Lower turnover and stabilized nursing staff, highlighted by an 88% 90-day retention rate
- Reduced 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, supply costs increased $288 million, or 9.6%, driven by higher patient acuity, greater utilization of specialty services such as high-cost implants, and rising pharmaceutical expenses. Ascension continues to mitigate these industry-wide cost pressures through national supply contracting and ongoing supply chain resiliency and procurement initiatives led by The Resource Group, its economic improvement affiliate.

Total purchased services and other operating expenses rose by $779 million (9.6%), on a same facility basis, driven by elevated provider tax and specialty physician service fees.

Investment Return

Portfolio management by Ascension Investment Management (AIM) continues to drive robust investment performance across the system. Substantially all the System's cash and investments are invested in a broadly diversified portfolio that is managed by AIM, a wholly owned subsidiary of Ascension.

For the fiscal year ended June 30, 2026, Ascension's total net investment gains reported within Non-operating gains (losses) were $2.1 billion, representing a $274 million increase from Ascension's comparable period of the prior year non-operating and investment income of $1.8 billion.

Furthermore, for the year of FY26, Ascension recognized $125 million of investment gains associated with the Self-insurance trust fund (SITF), reported within Income (Loss) from Operations as compared to $93 million of SITF 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.

	6/30/2025	6/30/2026	Change
Current Assets	$5,834	$6,134	$300
Long-Term Investments	19,449	20,233	784
Property and Equipment, net	8,452	9,153	701
Other Assets	6,125	12,311	6,186
Total Assets	**$ 39,860**	**$ 47,831**	**$7,971**

	6/30/2025	6/30/2026	Change
Current Liabilities	$6,256	$6,595	$339
Long-Term Liabilities	8,671	12,648	3,977
Total Liabilities	14,927	19,243	4,316
Net Assets	24,933	28,588	3,655
Total Liabilities and Net Assets	**$ 39,860**	**$ 47,831**	**$7,971**

Financial Assets and Liquidity Resources

The System sustained a strong liquidity profile, backed by $15.1 billion in net unrestricted cash and investments as of June 30, 2026, representing approximately 32% of the System's total assets. Days cash on hand reached 233 days, an increase of 5 days since June 30, 2025.

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 an 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. In August 2025, Ascension renewed an additional $500 million line of credit, with a one-year term. This line of credit was terminated early on June 30, 2026 prior to its August 2026 natural termination date. No amounts were outstanding under these lines of credit at June 30, 2026 or 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 exceeding $400,000, leaving approximately $772,000 outstanding at June 30, 2026.

Balance Sheet Ratios

	6/30/2025	6/30/2026	Change
Days Cash on Hand	228	233	5
Net Days in Accounts Receivable^	51.3	46.7	(4.6)
Cash-to-Debt	255.5%	141.7%	(113.8%)
Total Debt to Capitalization	22.0%	31.1%	9.1%

^ 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 4.6 day year-over-year reduction in Net Days in Accounts Receivable. As of June 30, 2026, Net Days in Accounts Receivable reached 46.7 days, driven largely by targeted collections of aged acute and physician account balances. This improvement in working capital management contributes to Ascension's ongoing efforts to strengthen its overall balance sheet, alongside expanding cash reserves and driving enhanced core operating performance.

Community Impact

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

Across the ministry, Ascension expanded facilities, programs, and services in areas of growing community need, including emergency, women's health, behavioral health, and specialty care. Highlights included the opening of a new emergency department in Pace, Florida, plans for a new hospital and healthcare campus in Clarksville, Tennessee, the opening of Ascension Seton's new Women's Hospital in Austin, and a new behavioral health unit at Ascension St. Francis Hospital in Milwaukee.

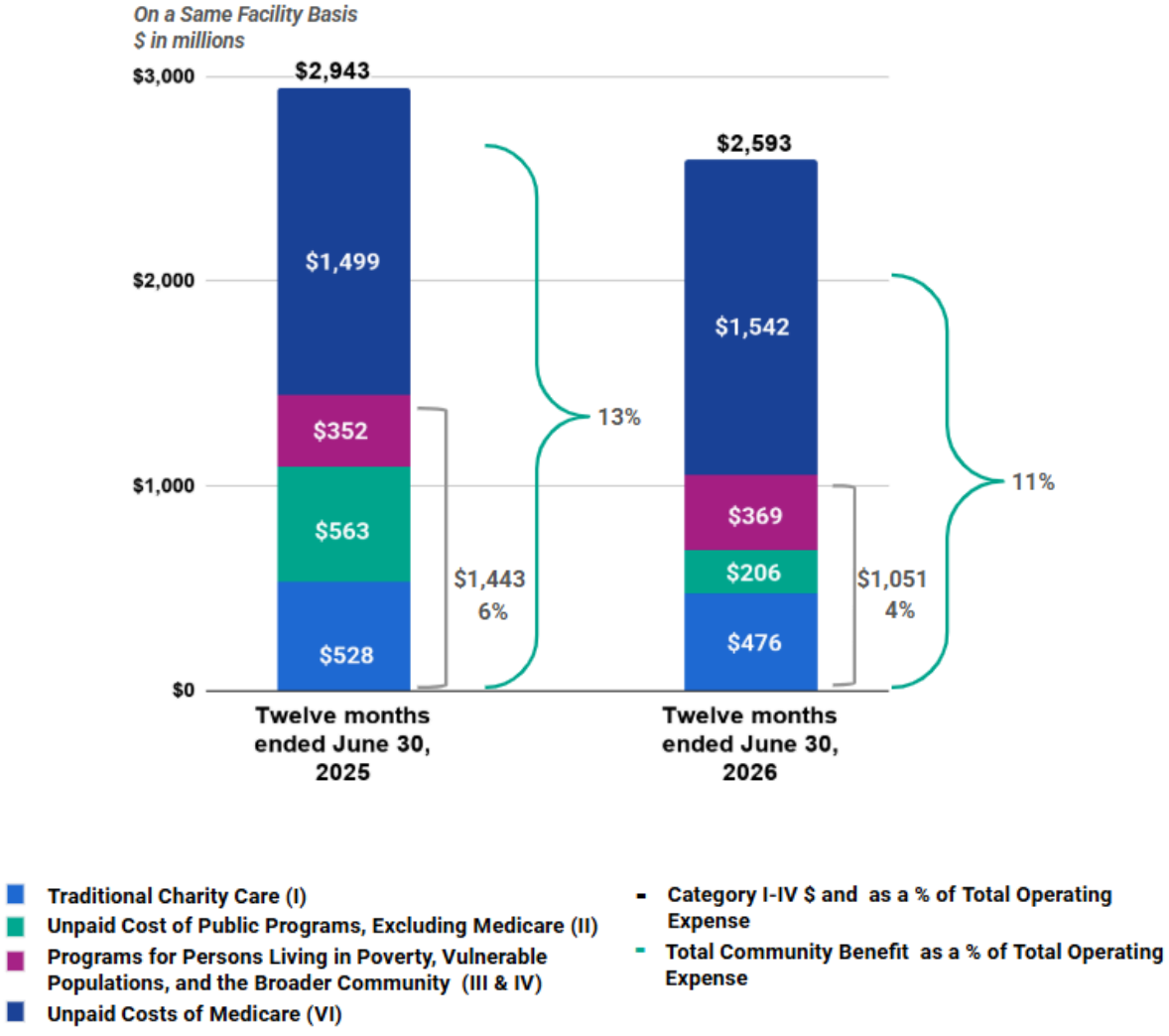
As part of its commitment to serving communities, Ascension hosted 17 Medical Mission at Home events this spring, providing more than 19,000 free healthcare services to over 4,200 people through the support of approximately 4,000 volunteers. Ascension also strengthened community-based initiatives focused on prevention and early detection. Ascension Sacred Heart launched a free mammogram program for uninsured women. In Tennessee, Ascension Saint Thomas' Mission in Motion mobile mammography bus brought breast cancer screenings directly into communities, while the second annual HerHealth360 event connected participants with screenings, education, and wellness resources.

The organization continued advancing clinical excellence through innovation, research, and specialty services. Ascension St. John Medical Center in Oklahoma launched a dedicated NICU helicopter transport program that significantly reduced travel times for critically ill newborns. Ascension Via Christi announced a new comprehensive breast care facility in Wichita. Ascension Wisconsin expanded access to medications with plans to open two new community pharmacies in Oshkosh. Surgical innovation continued across the ministry with the Austin area's first robotic colorectal procedure at Ascension Seton Cedar Park, the introduction of robotic nipple-sparing mastectomy in Indiana, and further expansion of robotic heart surgery programs.

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.



During fiscal year 2026, Ascension provided approximately $1.1 billion in total Care of Persons Living in Poverty and Other Community Benefit Programs. This funding supported charitable care, health education, trauma services, and free medical

care to address essential and previously unmet community needs. Additionally, Ascension recorded over $1.5 billion Medicare reimbursement shortfall through FY26, bringing its total community benefit contribution to more than $2.6 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 driven by reductions in charity care stemmed from increased supplemental funding due to state program adjustments and lower gross Medicaid charges in select markets.