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

As of and for the three months ended September 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

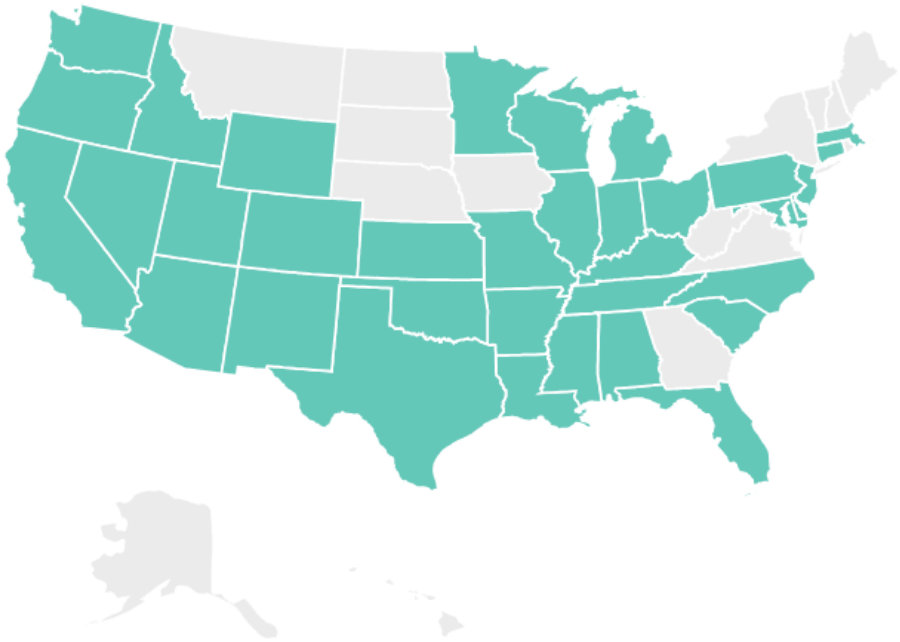
The purpose of Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is to provide a narrative explanation of the financial position and operational performance of Ascension (the System).

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 September 30, 2026, Ascension had approximately 98,500 associates and 27,700 aligned providers supporting care across 35 states and the District of Columbia. The System operates 91 wholly owned or consolidated hospitals and holds noncontrolling ownership interests in 32 additional hospitals. Ascension also operates 306 ambulatory surgery centers, 20 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-FY27)

- October 2026: Sale of membership interest in Mercy Care Health Plan to CVS Pharmacy, Inc. finalized
- June 2026: Acquisition of Ambulatory Topco, LLC, including its wholly owned subsidiaries and interest in controlled and noncontrolled 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.

Anticipated Transactions

- July 2026: Williamson Health's Board of Trustees voted to sell the Franklin, Tennessee-based community owned hospital system to Ascension Saint Thomas, Ascension's Tennessee affiliate
- October 2026: Definitive agreement entered into with Cedar Park, a Texas based hospital system, to acquire 3 healthcare facilities that provide hospital, urgent care, primary care, and onsite imaging services

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 through September 30, 2026 and the comparable three months in FY26.

	Three months ended September 30,		
	2025	**2026**	**Change**
Net Patient Service Revenue	$5,388	$ 5,890	$502
Other Operating Revenue	748	557	(191)
Total Operating Revenue	6,136	6,447	311
Operating Expenses	6,256	6,530	(274)
Self-insurance Trust Fund Investment Return	34	(3)	(37)
Income (Loss) from Recurring Operations	**$ (86)**	**$ (86)**	**$0**
Recurring Operating EBIDA	**$207**	**$229**	**$22**
Nonrecurring Gains (Losses), net	$(2)	$2	$4
Income (Loss) from Operations	**$(88)**	**$(84)**	**$4**
Net Income (Loss), excl. Noncontrolling interests	$338	$(34)	$(372)
Recurring Operating Margin	**(1.4%)**	**(1.3%)**	**0.1%**
Recurring Operating EBIDA Margin	**3.4%**	**3.6%**	**0.2%**

During the first quarter of FY27, Ascension reported recurring operating EBIDA of $229 million and a recurring operating loss of $86 million, resulting in a recurring operating margin of (1.3%). Results were consistent with the prior-year period, which also recorded a recurring operating loss of $86 million and a recurring operating margin of (1.4%).

Excluding the year-over-year impact of changes in self-insurance trust fund (SITF) investment income, recurring operating EBIDA would have shown an improvement of $60 million compared with the prior year period and, the recurring operating loss would have an improvement of $38 million year over year.

For the quarter ended September 30, 2026, Ascension reported a net loss of $34 million, excluding non-controlling interest, compared with net income of $338 million in the prior-year period. The year-over-year change was primarily driven by a $400 million decrease in non operating investment income.

Volume Trends

Driven by consistent growth in patient volumes, Ascension sustained operational momentum through the first quarter of fiscal year 2027. Total equivalent discharges rose 9.1% year-over-year, with positive trends observed across core performance metrics including total discharges, outpatient surgery visits, and emergency department visits. Most notably, outpatient surgery visits increased by 399.4% compared to the same period in the prior year, primarily due to the June 2026 acquisition of AMSURG which contributed 283,000 surgical visits to the FY27 first quarter total. Adjusted for the impact of the AMSURG acquisition, outpatient surgery visits increased 3.6% year over year.

These volume trends reflect continued progress in executing the organization's strategic priorities. To align with evolving patient preferences, Ascension continues to transition select procedures to outpatient settings while expanding its ambulatory surgery center partnerships. This comprehensive approach broadens healthcare accessibility and strengthens quality standards across care settings.

Ascension's long-term growth strategy focuses on investing in core service lines, developing complementary ancillary services, and scaling its ambulatory network. These initiatives are designed to strengthen service capabilities and support the system's capacity to address patient and community needs across regional markets.

Ascension's commitment to patient-centered care continues to drive positive satisfaction outcomes, highlighted by a Net Promoter Score (NPS) of 83.2 for the first quarter of FY27. This score reflects the organization's ongoing emphasis on high-touch hospitality, streamlined access to care, and seamless care coordination. Continuing a multi-year trend of strong performance, Ascension has consistently maintained an NPS of 80 or above since the start of FY25. Favorable patient feedback reinforces the Ascension brand and underscores the strong trust and confidence patients place in its clinical and caregiving teams.

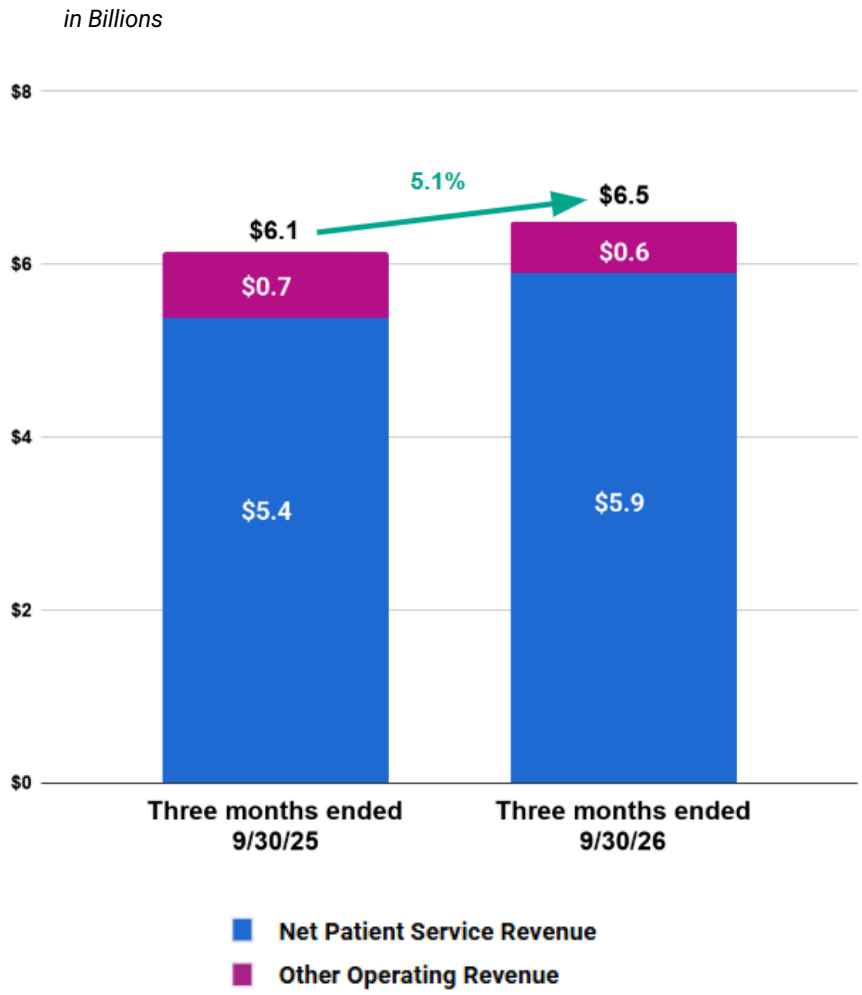
The following table reflects certain key patient volume information, on a consolidated basis, for the three months ended September 30, 2026 and 2025.

	Three months ended September 30,		
Volume Metrics	**2025**	**2026**	**Change**
Equivalent Discharges	271,251	295,872	**9.1%**
Total Discharges	122,960	127,173	**3.4%**
Surgery Visits (IP)	29,064	28,678	**(1.3%)**
Surgery Visits (OP)	75,112	375,082	**399.4%***
Emergency Room Visits	536,440	560,456	**4.5%**
AECN wRVU*/Encounter/Provider	2.2	2.2	**(1.2%)**
Case Mix Index	1.89	1.88	**(0.5%)**

*includes AmSurg volume

Total Operating Revenue

Ascension's strategic growth initiatives continued to strengthen core revenue performance through the quarter ended September 30, 2026, generating $6.5 billion in total operating revenue, reflecting an increase year-over-year of $311 million and 5.1%.



For the first quarter, the System's total reported net patient service revenue (NPSR) increased $502 million (9.3%) year-over-year. Acquisitions occurring in late FY26 are contributing to the increase in NPSR for the quarter.

The System's acute case mix index for FY27 remained stable at 1.88 for the quarter ended September 30, 2026, compared to 1.89 for the prior-year period, as capacity expanded and procedures continue to shift towards outpatient settings. The maintained case mix index reflects the continued management of a complex patient population requiring higher levels of care and resource utilization.

For the quarter ended September 30, 2026, other operating revenue decreased $191 million compared to the same period of the prior year. The decline was primarily driven by the expiration of transition service agreements associated with prior divestitures, lower revenue from unconsolidated entities related to a buy up gain in the prior year, and a decrease in the Medicare shared savings revenue recognized in the first quarter of FY27 compared with the same period in FY26.

Total Operating Expenses



In the first quarter of FY27, total operating expenses grew by $274 million (4.4%) mainly in the salaries, wages and benefits and supplies categories. These increases were offset by a 9.3% rise in net patient service revenue, strengthening operating margins. This growth was driven by strategic investments aimed at accommodating higher patient acuity and expanding service volumes, aligning directly with Ascension's strategic growth objectives and care delivery priorities. Despite stable patient acuity, the average acute length of stay dropped by 0.3% overall, demonstrating continued operational efficiency and high-quality care delivery. Ascension remains committed to driving long-term value by enhancing operational productivity, stabilizing its workforce, and maintaining disciplined cost alignment with revenue growth.

Total salaries, wages, and benefits rose by $182 million (6.5%), attributable to acquisitions and patient volume.

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.

Supply costs increased by $100 million, or 12.1%, driven by acquisitions and greater utilization of high-cost medical devices and catheters for minimally invasive procedures, 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.

Investment Return

Ascension Investment Management (AIM), a wholly owned subsidiary of Ascension, manages substantially all of the System's cash and investment assets through a broadly diversified portfolio designed to support sustained financial stability.

For the first quarter of FY27, Ascension generated $169 million in total net investment gains reported within Non-operating gains (losses). This reflects a $400 million decrease compared to the $569 million in non-operating investment returns recorded in the prior year period.

Additionally, Ascension recognized a $3 million loss associated with the Self-insurance trust fund (SITF), reported within Income (Loss) from Operations as compared to $34 million of SITF investment gains for the same period in the prior year.

Overall, performance during the period reflects broader volatility throughout global financial markets, driven by fluctuating energy prices and monetary policy adjustments.

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.

	6/30/2026	9/30/2026	Change
Current Assets	$6,134	$6,362	$228
Long-Term Investments	20,233	20,012	(221)
Property and Equipment, net	9,153	9,294	141
Other Assets	12,311	12,548	237
Total Assets	**$ 47,831**	**$ 48,216**	**$385**

	6/30/2026	9/30/2026	Change
Current Liabilities	$6,595	$6,881	$286
Long-Term Liabilities	12,648	12,710	62
Total Liabilities	19,243	19,591	348
Net Assets	28,588	28,625	37
Total Liabilities and Net Assets	**$ 47,831**	**$ 48,216**	**$385**

Financial Assets and Liquidity Resources

The System maintained a strong liquidity position as of September 30, 2026, supported by $15.1 billion in net unrestricted cash and investments, representing approximately 31% of the System's total assets. Days cash on hand stood at 219 days as of September 30, 2026, compared to 233 days at June 30, 2026, representing a 14-day decrease over the quarter primarily attributable to an increase in operating expenses per day due to the acquisition of AMSURG in June 2026.

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, totaling $1.0 billion, which is committed through November 18, 2027. No amounts were outstanding under the line of credit at September 30, 2026 or June 30, 2026.

Ascension maintains a taxable commercial paper program with authorization to issue up to $2 billion. Through the first quarter of FY27, Ascension has both issued and repaid commercial paper with net repayments of approximately $99,000, leaving approximately $674,000 outstanding at September 30, 2026.

Balance Sheet Ratios

	6/30/2026	9/30/2026	Change
Days Cash on Hand	233	219	(14)
Net Days in Accounts Receivable	46.7	48.2	1.5
Cash-to-Debt	141.7%	142.9%	1.2%
Total Debt to Capitalization	31.1%	30.9%	(0.2%)

As of September 30, 2026, the Cash-to-Debt ratio increased to 142.9%, representing an improvement of 1.2% from the prior quarter. Net Days in Accounts Receivable slightly increased to 48.2 days, approximating the levels preceding the 2024 cybersecurity attack. This stabilization in working capital management supports Ascension's ongoing efforts to strengthen its overall balance sheet, alongside expanding cash reserves and enhancing 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.

During the first quarter, Ascension advanced several projects to expand clinical capacity and strengthen services. In Texas, Ascension Seton Williamson continued construction on a new patient tower. In Florida, Ascension Sacred Heart opened a 40-bed inpatient rehabilitation facility. Ascension Via Christi broke ground on a new emergency department in east Wichita, Kansas, while Ascension Saint Thomas Hospital West began a $120 million campus renovation in Nashville.

Ascension also expanded programs designed to reach patients outside traditional hospital settings. In Wisconsin, Ascension partnered with Outreach Community Health Centers to launch a mobile health clinic in Milwaukee. In Florida, mobile mammography services provided breast cancer screenings, while Ascension St. Vincent in Indiana delivered dental care through its mobile clinic. In Oklahoma, Ascension St. John Nowata transitioned to a Rural Emergency Hospital designation, maintaining emergency and outpatient services for the surrounding community.

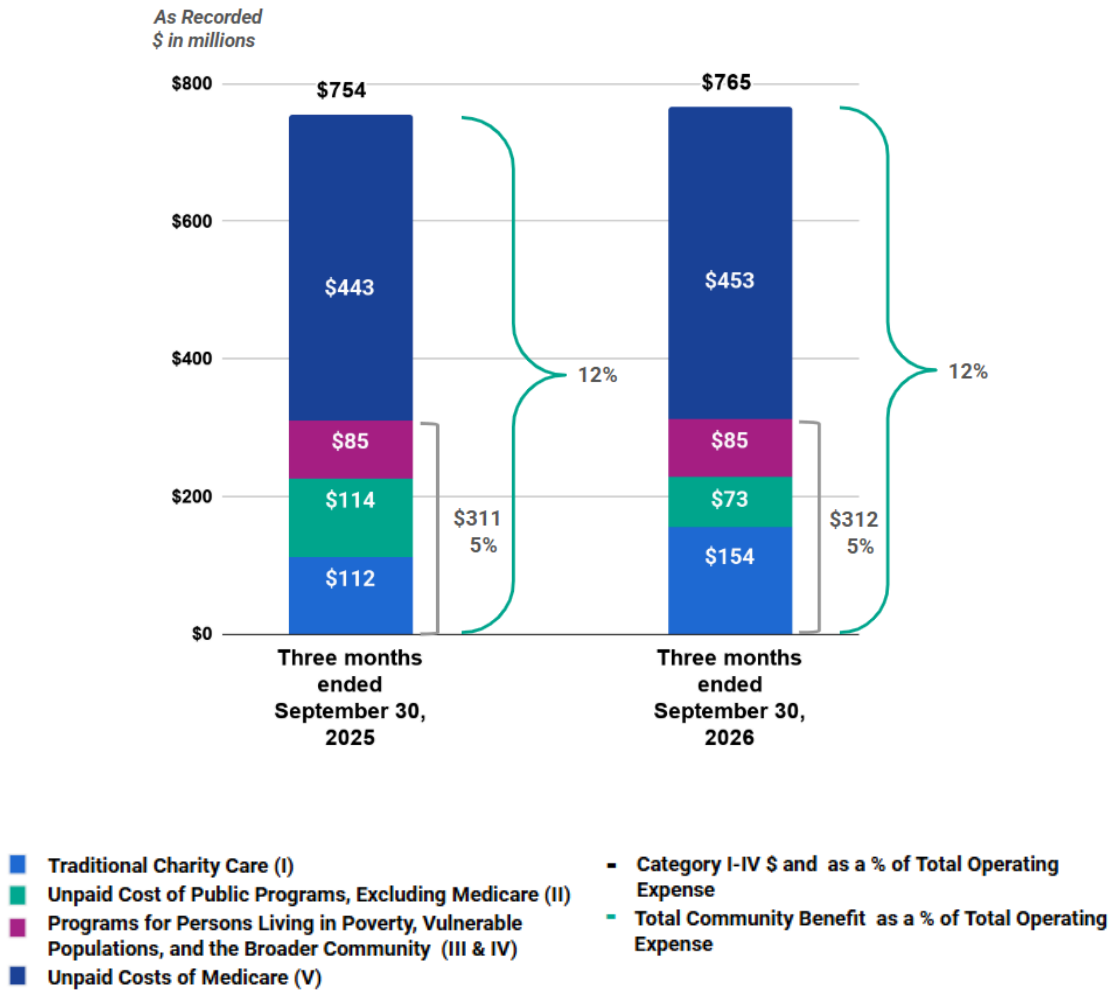
Specialty care and clinical partnerships remained areas of investment. Ascension St. Vincent Evansville in Indiana completed its 1,000th transcatheter aortic valve replacement procedure. In Kansas, Ascension Via Christi partnered with Hutchinson Regional Healthcare System to expand cardiovascular services. Ascension Sacred Heart also received grant funding to support rural healthcare services in Northwest Florida.

Across its markets, Ascension continued working with community organizations to address needs beyond clinical care. In Florida, Ascension St. Vincent's supported students and families through a back-to-school outreach event. In Oklahoma, Ascension St. John partnered with local organizations to address food insecurity and connect residents with nutritious food.

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 the first quarter of FY27, Ascension provided approximately $312 million in total Care of Persons Living in Poverty and Other Community Benefit Programs. This contribution supports financial assistance, health education, trauma services, and essential medical care to address unmet community needs. Combined with a $453 million Medicare reimbursement shortfall, the System's total community benefit contribution reached approximately $765 million.