



Corewell Health and Subsidiaries

Consolidated Financial Statements

As of and for the twelve months ended December 31, 2025

Corewell Health and Subsidiaries

Details of Consolidation

December 31, 2025



- I. Management's Discussion and Analysis
- II. Other Financial Information
 - A. Ratio Analysis
 - B. Liquidity Report
- III. Audited Consolidated Financial Statements
(prepared by Ernst & Young)

Corewell Health is a not-for-profit health system that provides health care and coverage with an exceptional team of 60,000+ dedicated people—including more than 11,500 physicians and advanced practice providers and more than 16,000 nurses providing care and services in 21 hospitals, 300+ outpatient locations and several post-acute facilities—and Priority Health, a provider-sponsored health plan serving roughly 1.3 million members. Through experience and collaboration, we are reimagining a better, more equitable model of health and wellness. The accompanying audited consolidated financial statements are summarized by the System’s Care Delivery, Coverage and other operations.

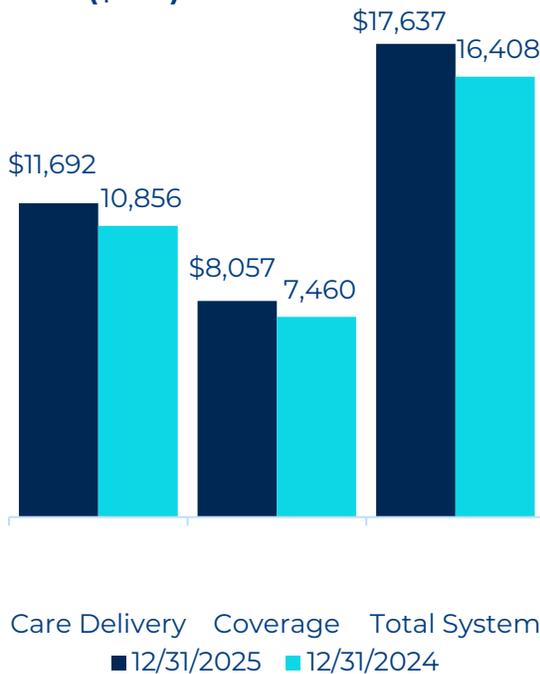
The purpose of Management’s Discussion and Analysis (MD&A) is to provide a narrative explanation of the consolidated financial statements of Corewell Health and Subsidiaries (the System) that highlights the overall financial disclosures, to provide the context of our financial condition, results of operations and cash flows. For benchmarking purposes, we utilize a 5-year average Moody’s median (Moody’s median) throughout the MD&A below, which are calculated medians for healthcare systems with Aa3 bond ratings as of the latest report.

Unless otherwise indicated, all financial information included herein relates to the System’s continuing operations, with dollar amounts expressed in millions. MD&A should be read in conjunction with the accompanying audited consolidated financial statements.

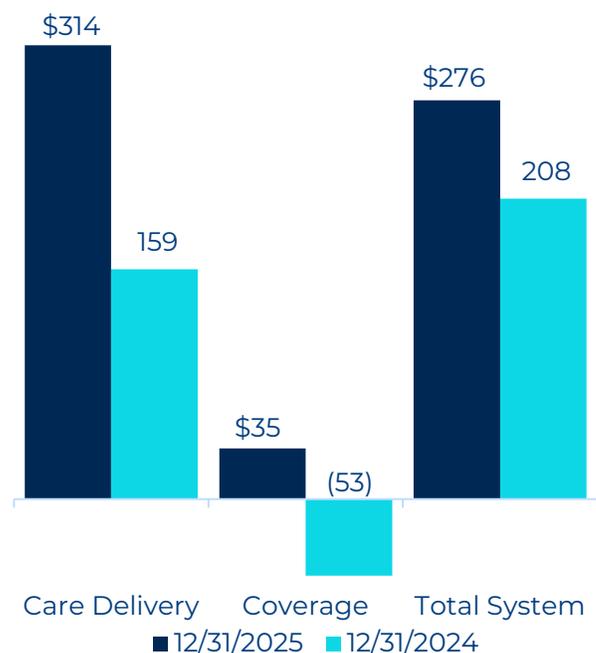
CONSOLIDATED CONDENSED OPERATING RESULTS

As of December 31, 2025, the System’s year-to-date operating margin was \$276.0 million, or 1.6% of net operating revenue, which is higher than prior year of 1.3%. Current year results include \$96 million of federal funding related to previous COVID-19 expenses.

Revenue (\$mm)



Operating Margin (\$mm)



*Note: The sum of Care Delivery and Coverage results do not equal the Total System due to the impact of intercompany eliminations and corporate-level activity.

CARE DELIVERY OPERATING RESULTS

Revenue and Reimbursement

As of December 31, 2025, Care Delivery's operating margin was \$314.3 million or 2.7%. Operating revenue of \$11.7 billion represents a 7.7% increase over the same period last year.

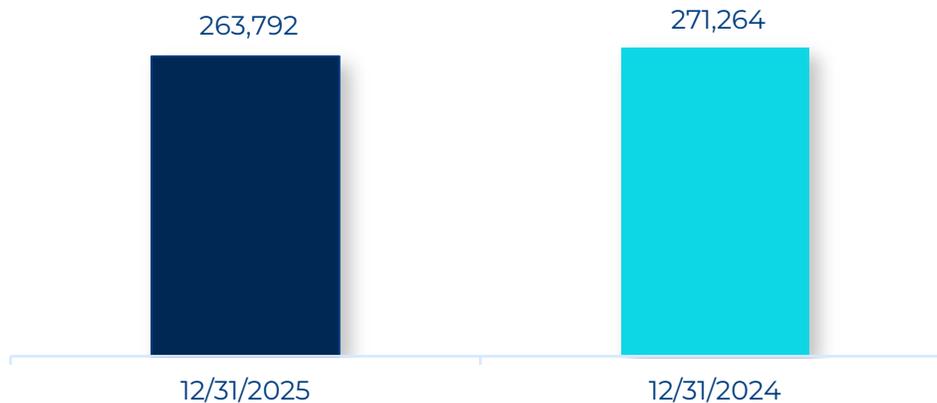
Care Delivery continues to experience a higher government payer mix compared to the Moody's median due to the population demographics in the State of Michigan. Additionally, the Moody's median includes all commercial payers and self-pay within one category, while the System results carve out Priority Health and self-pay from that bucket.

Corewell Health Payer Mix Based on Gross Patient Revenue			
	Actual	Change from Prior Year	Variance to Moody's Median
Medicare	46.5%	0.2%	1.4%
Medicaid	16.0%	(0.6)%	0.8%
Total Commercial	37.5%	0.4%	(2.2)%
Priority Health	5.8%	(0.5)%	
Commercial & Other	29.5%	1.1%	
Self Pay	2.2%	(0.2)%	

Volume and Mix Impact

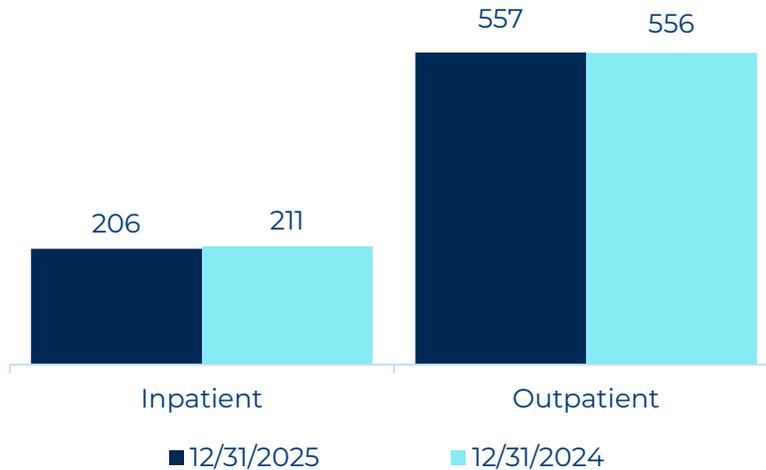
Throughout 2025, Care Delivery reported a continued shift from inpatient to outpatient services. Most acute hospital discharges and patient days were down from the prior year, with exceptions in the NICU department and newborn deliveries. Observation stays also had an uptick. While emergency department visits increased in 2025, inpatient admits from these visits were down from 2024.

Total Acute Discharges



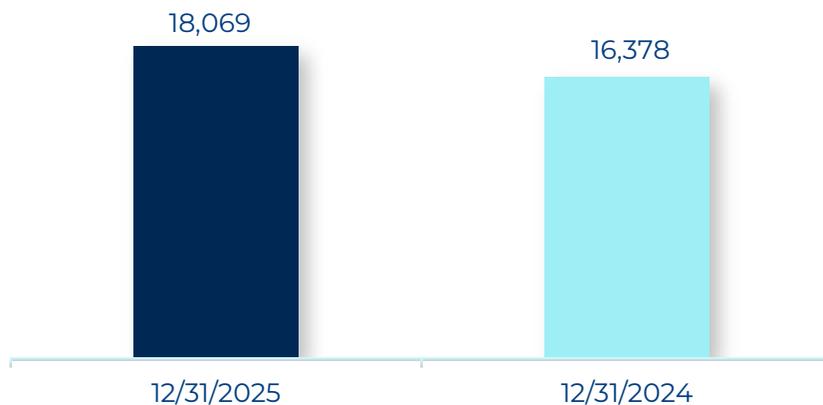
Surgeries also continue to shift from inpatient to outpatient, and the acuity and case mix index were higher in 2025. Care Delivery had an increase in quaternary care, including transplants, CAR-T, LVAD and ECMO cases.

Average YTD Surgeries per Business Day



Care Delivery Physician Services experienced an increase in encounters of 4.6% over prior year, reaching 9.7 million for the twelve months ended December 31, 2025. Additionally, Physician Services experienced a 10.3% growth in wRVUs. This growth includes the addition of roughly 70,000 wRVUs per quarter related to the alignment of regional definitions, as well as the acquisition of the Urgent Care facilities in the East market. Removing those additions, organic wRVU growth was 7.3%.

Total wRVUs (000's)



Operating Expenses

Care Delivery’s operating expenses reached \$11.4 billion, exceeding the prior year due to increased volumes and a more complex service mix. Salaries, wages, employee benefits, and supplies and other expenses increased by 7.0% from 2024. Key cost drivers included higher pharmacy expenses related to the higher 340B revenue, a supply-intensive procedural mix, and inflationary pressures.

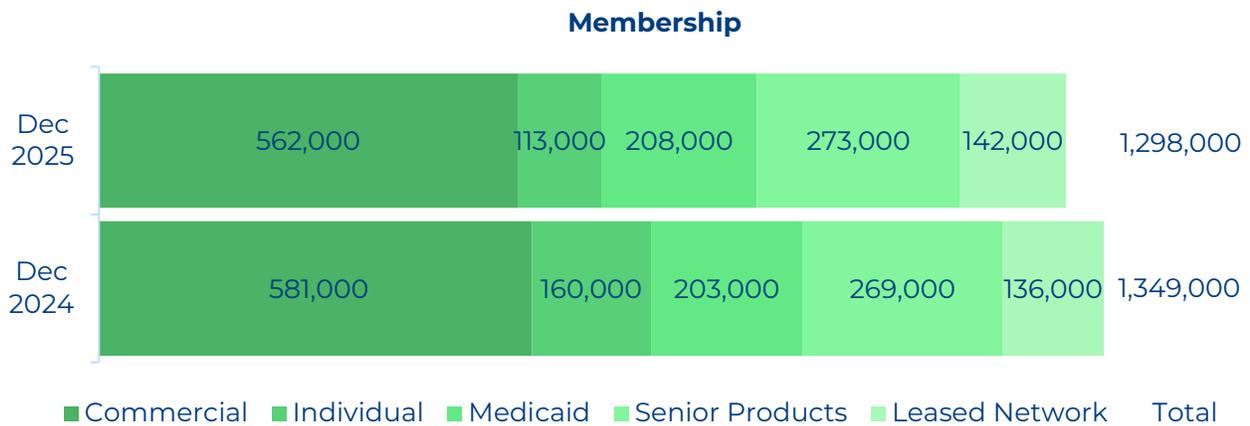
COVERAGE OPERATING RESULTS

Operating Summary

Priority Health's operating margin through December 31, 2025 was \$34.9 million or 0.4%, which is higher than previous year's operating loss of (0.7)%. Similar to other insurers, Priority Health's medical costs were elevated during the year, driven by increased inpatient claims, respiratory cases, and high-cost drugs, particularly chemo related injectables and GLP-1s. Results were further impacted by a negative premium yield variance experienced in the individual group due to lower value memberships than expected. In addition, Senior Products premium revenue inadequately covered our costs.

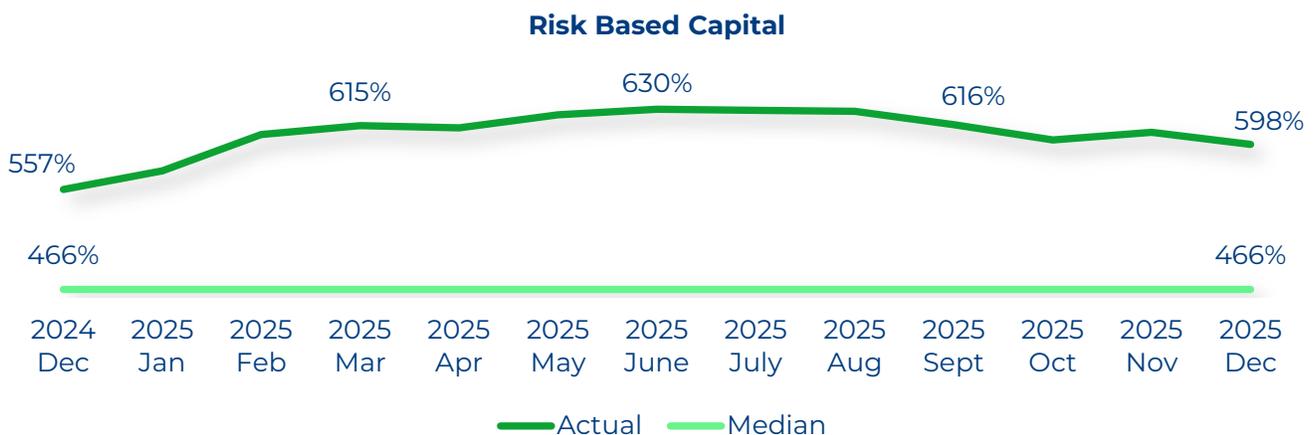
Membership

Coverage membership was lower than prior year by 3.8%. The decrease year over year was primarily due to an anticipated drop in individual membership resulting from 2025 premium adjustments.



Risk Based Capital (RBC)

Priority Health's risk-based capital is consistently higher than the median of 466%, which is based on data collected from seven similar sized health plans' December 31, 2024 statutory filings. RBC is directly impacted by operating results.

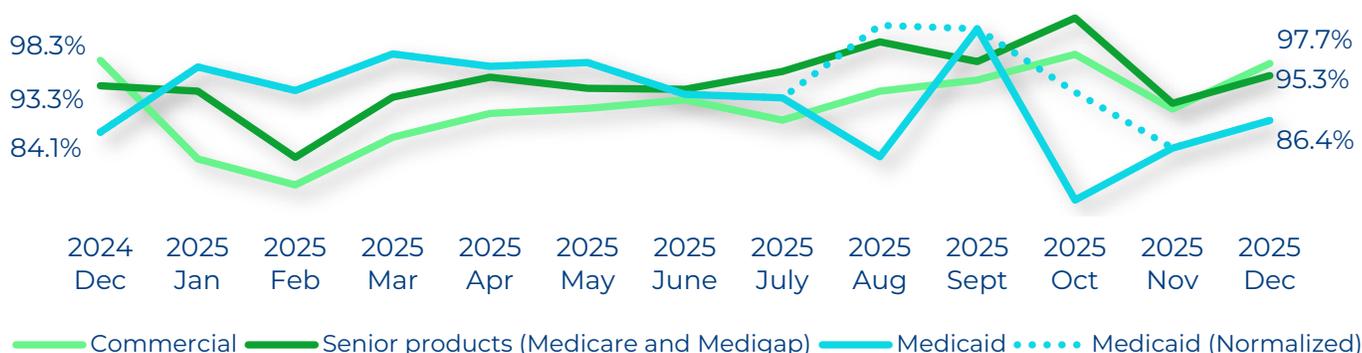


Cost Ratios

Priority Health's administrative cost ratio (ACR) was 9.4% year to date December 31, 2025, which is lower than prior year of 9.7%.

As of December 31, 2025, the medical cost ratio (MCR) was 91.0% and favorable to prior year of 91.6%. While membership counts are lower for Medicaid as shown previously, the System continues to experience a higher trend in the MCR for this population and the Medicare population. This is due to the fact that the membership we retained has higher utilization and complexity driving an increased MCR. Commercial group experiences lower MCR at the start of each premium year due to the seasonality and deductibles. In August and October, we received retroactive Medicaid uplifts as a result of rate advocacy efforts, which improved MCR. Normalized to exclude these uplifts, August MCR (105.2%) was consistent with September and October MCR (92.0%) trended downwards.

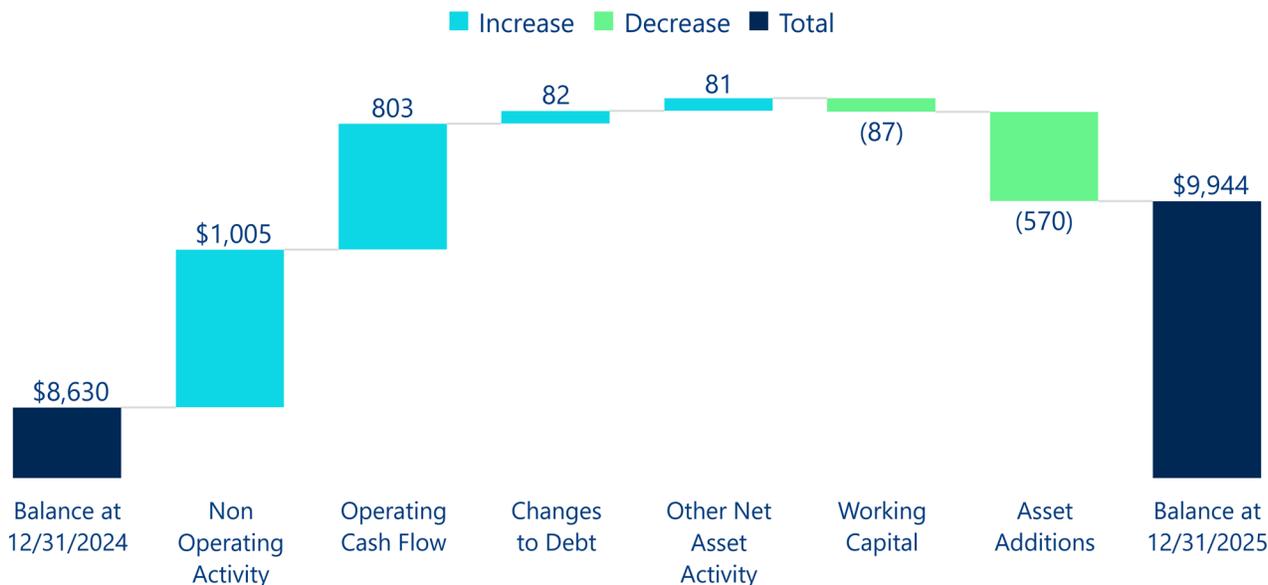
Medical Cost Ratio (Month to Date)



LIQUIDITY AND CASH FLOW

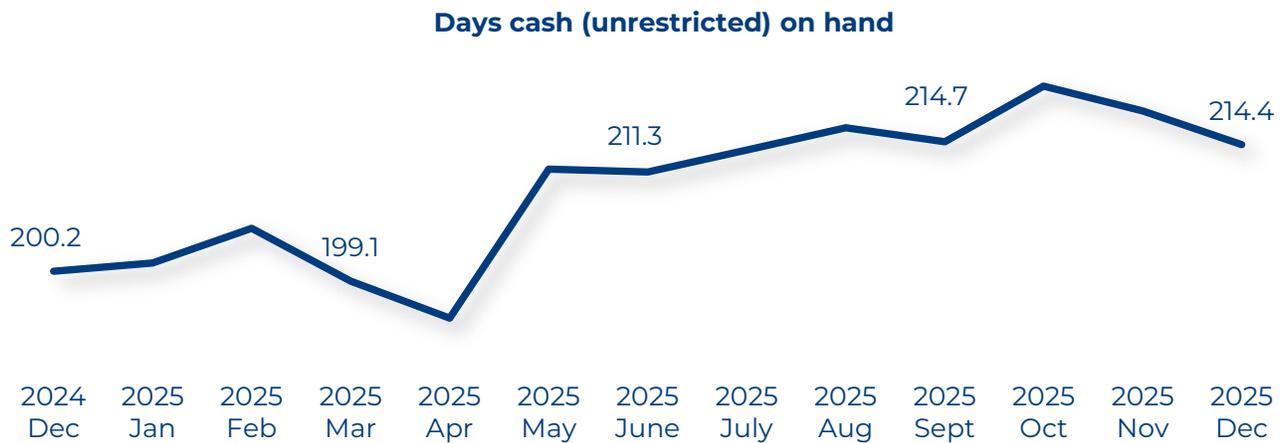
At December 31, 2025, total cash and investments for the System were \$9.9 billion, an increase of \$1.3 billion from December 31, 2024. The detail of this change is shown below.

Net Cash Flow (\$mm)



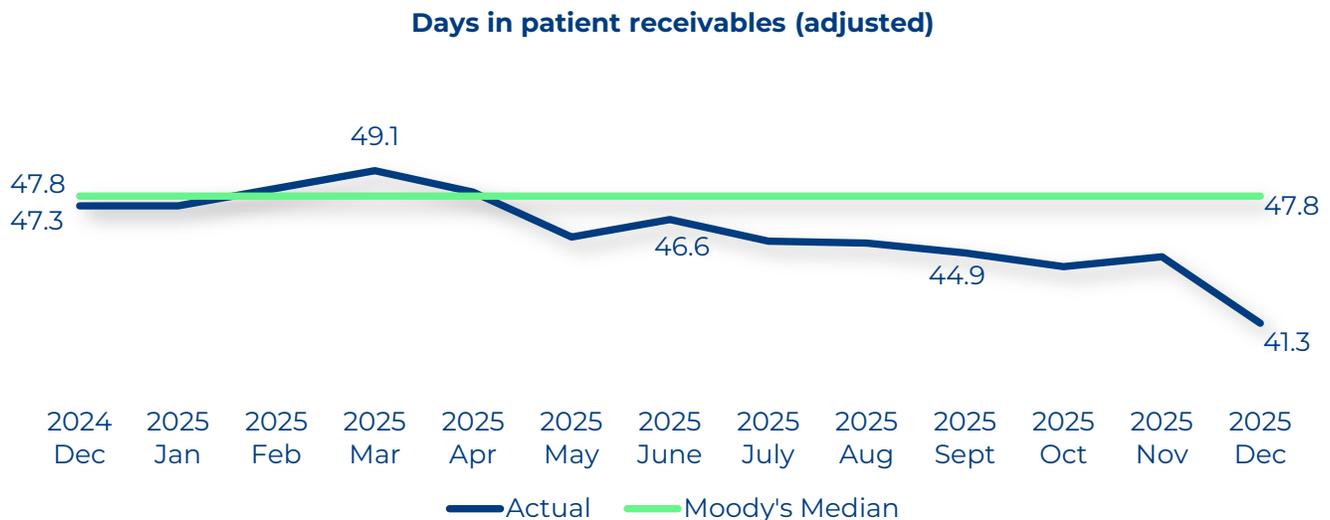
Days cash (unrestricted) on hand

Days cash on hand (DCOH) for the System increased 14.2 days to 214.4 as of December 31, 2025, from 200.2 days as of December 31, 2024. This is driven by operating cash, bonds issued in May 2025, and positive investment activity. The System also received \$76.9 million in philanthropic and grant contributions during 2025. This was partially offset by an increase in average daily expense of \$46.4 million year to date, compared to \$43.2 million at the end of 2024. DCOH is also lower than the Moody's median of 280.4 partly due to the inclusion of Priority Health. Excluding Priority Health, Care Delivery has 267.8 days cash on hand as of December 31, 2025.



Days in patient receivables (adjusted)

Days in patient accounts receivable improved to an average of 41 days, compared to 47 days in the prior year. This favorable trend is attributable to improved internal processes, resulting in an accelerated collection cycle and a significant reduction in the total outstanding accounts receivable balance.

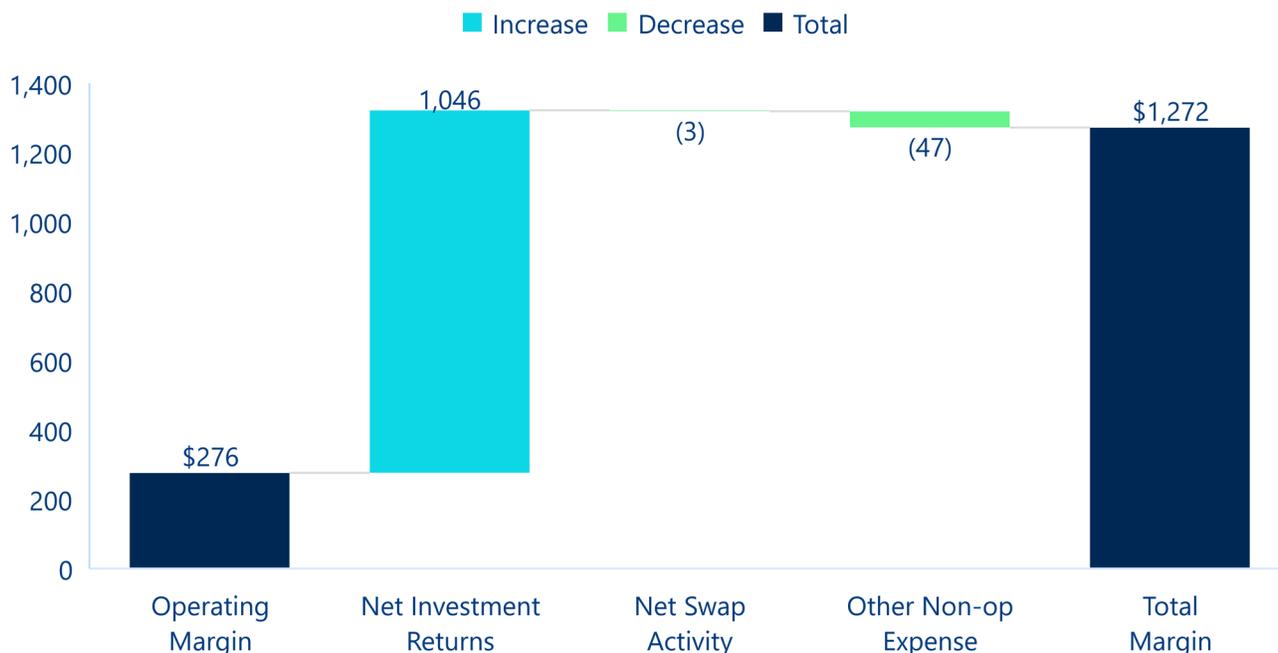


OTHER CONSOLIDATED KEY FINANCIAL INDICATORS

Total Margin

The System's excess of revenue over expenses was \$1.3 billion or 6.8% of total revenue. Total margin was \$351.1 million higher than the twelve months ended December 31, 2024, primarily as a result of investment gains and the increased operating margin discussed above. Net investment income was just over \$1.0 billion, compared to \$733.7 million in the prior year. This is a \$312.2 million increase from 2024 and represents the impact that market performance can have on the System's results.

Total Margin (\$mm)



Equity Structure

Debt balances of \$2.3 billion have increased slightly from the prior year end due to cash proceeds on new debt instruments of \$673 million, offset by payoffs of existing debt of \$588 million to diversify our debt portfolio and finance newly completed projects. Fund balance was approximately \$12.5 billion as of December 31, 2025 resulting in a debt to capitalization ratio of 16.8% for the System. As expected, this is lower than the Moody's median of 24.2% partly due to the inclusion of Priority Health. Excluding Priority Health, Care Delivery's debt to capitalization ratio was 19.1%. Total assets for the System were approximately \$18.5 billion.

Total Debt to Capitalization



Ratio Analysis - Total System

Year ended December 31, 2025



	Actual 2025	Actual 2024	Medians	
			S&P	Moody's
Profitability Ratios				
Operating margin	1.6%	1.3%	2.7%	2.0%
Total margin	6.8%	5.4%	6.6%	5.4%
EBITDA Margin	4.6%	4.4%	n/a	6.7%
Return on assets	6.9%	5.5%	n/a	4.0%
Liquidity Indicators				
Days in patient receivables (adjusted) [^]	41.3	47.3	48.6	47.8
Days cash (unrestricted) on hand	214.4	200.2	321.7	280.1
Current ratio	1.2	1.3	n/a	1.7
Cash to debt %	415.6%	373.6%	n/a	266.0%
Capital Structure				
Total debt to capitalization	16.8%	18.0%	20.5%	24.2%
Risk based capital (PH only)	598%	557%	n/a	466% (a)
Capital expenditures to depreciation	1.4	1.2	1.5	1.3

[^] Days in patient receivables adjusted to include Priority Health and remove the impact of interim and supplemental payments.

(a) Provider Sponsored Health Plan median consists of seven similar sized health plans. RBC median data is based on December 31, 2024 statutory filings.

Note: Moody's figures are medians for freestanding hospitals, single-state & multi-state healthcare systems with Aa3 bond ratings as of the 2024 report.

The figures represent a 5-year rolling average. Corewell Health's current rating from Moody's is Aa3.

S&P figures are medians for not-for-profit healthcare systems with AA bond ratings as of the 2024 report.

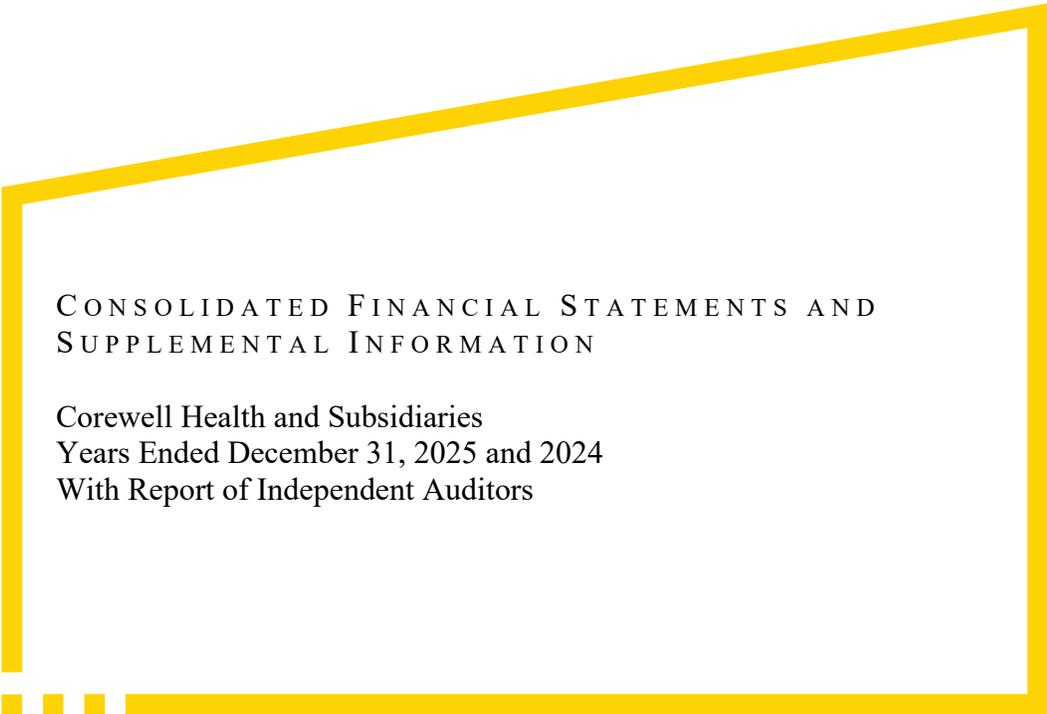
The figures represent a 5-year rolling average. Corewell Health's current rating from S&P is AA.

Corewell Health
Liquidity Worksheet*
December 31, 2025
(in thousands)

Assets				
	Assets With Same-Day Liquidity	Assets With Next-Day Liquidity	Assets > Next-Day Liquidity	Total
Cash & Cash Equivalents	\$ 8,207	\$ -	\$ -	\$ 8,207
S&P Rated Money Market Funds (> Am)	745,959	-	-	745,959
U.S. Treasury Debt Obligations (> 1 year)	-	428,440	-	428,440
U.S. Agencies (> 1 year)	-	267,792	-	267,792
Investment Grade Debt (not included above)	-	1,401,483	-	1,401,483
Equities	-	1,239,926	-	1,239,926
Non-Investment Grade Debt	-	35,449	-	35,449
Total	\$ 754,166	\$ 3,373,091	\$ -	\$ 4,127,257

Self-Liquidity Backed Debt				
	Same-Day Notice	Next-Day Notice	> Next-Day Notice	Total
Series 2015A Variable Rate Demand Obligation (Windows)	\$ -	\$ -	\$ 75,745	\$ 75,745
Series 2025C and 2025D Variable Rate Demand Obligation	-	-	196,335	196,335
Taxable Commercial Paper (authorized maximum \$300,000)	74,000	-	-	74,000
Total	\$ 74,000	\$ -	\$ 272,080	\$ 346,080

*The table represents assets that would be reasonably available to Corewell Health to satisfy a liquidity event. The table does not include assets held by subsidiaries that would not be reasonably available to satisfy a liquidity event, including assets held by Foundations and Priority Health, among others. Sources of liquidity comply with S&P self-liquidity requirements.



CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

Corewell Health and Subsidiaries
Years Ended December 31, 2025 and 2024
With Report of Independent Auditors



The better the question.
The better the answer.
The better the world works.



Shape the future
with confidence

Corewell Health and Subsidiaries
Consolidated Financial Statements and
Supplemental Information
Years Ended December 31, 2025 and 2024

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Report of Independent Auditors

The Board of Directors
Corewell Health and Subsidiaries

Opinion

We have audited the consolidated financial statements of Corewell Health and Subsidiaries (collectively, the System), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the System at December 31, 2025 and 2024, and the results of its operations and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the incurred and paid claims development prior to the most recent year and the average annual percentage payout of incurred claims disclosed in Note 4 to the consolidated financial statements be presented to supplement the financial statements. Such information is the responsibility of management, and although not part of the consolidated financial statements, is required by the Financial Accounting Standards Board (FASB), which considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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Supplemental Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information listed in the table of contents on pages 62–65 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis and the Other Financial Information but does not include the financial statements or our auditor’s report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Ernst + Young LLP

February 27, 2026

Corewell Health and Subsidiaries

Consolidated Balance Sheets (In Thousands)

	December 31	
	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,043,521	\$ 1,023,754
Short-term investments	454,647	451,204
Accounts receivable:		
Patients	967,715	1,016,837
Other	478,898	448,308
Estimated third-party payer settlements	338,956	348,453
Pledges receivable	33,599	29,685
Inventories	188,108	180,039
Prepaid expenses and other current assets	248,899	212,705
Total current assets	3,754,343	3,710,985
Investments	9,133,732	7,749,817
Property and equipment – net	4,420,080	4,265,036
Right-of-use assets – net	232,946	254,050
Other assets:		
Investments in joint ventures	85,557	79,262
Goodwill	70,027	81,702
Pledges receivable, less current portion	54,782	58,146
Prepaid pension costs	113,033	40,015
Other	609,224	573,720
	932,623	832,845
Total assets	\$ 18,473,724	\$ 16,812,733

Continued on next page.

Corewell Health and Subsidiaries

Consolidated Balance Sheets (continued)
(In Thousands)

	December 31	
	2025	2024
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,019,681	\$ 958,182
Salaries, wages, and related withholdings	774,199	749,190
Health plan claims payable	676,558	669,483
Estimated third-party payer settlements	94,434	100,969
Current maturities of long-term debt	64,739	131,039
Short-term debt	345,634	176,505
Current portion of lease obligations	50,054	49,215
Total current liabilities	<u>3,025,299</u>	<u>2,834,583</u>
Long-term debt, less current maturities	1,885,055	1,896,859
Lease obligations, less current portion	215,754	239,242
Professional liability accrual	334,579	295,508
Interest rate swaps	22,853	22,142
Other long-term liabilities	540,115	479,365
Total liabilities	<u>6,023,655</u>	<u>5,767,699</u>
Net assets:		
Controlling interest in net assets without donor restrictions	11,832,196	10,492,131
Noncontrolling interest in subsidiaries	100,114	90,053
Net assets without donor restrictions	<u>11,932,310</u>	<u>10,582,184</u>
Net assets with donor restrictions	517,759	462,850
Total net assets	<u>12,450,069</u>	<u>11,045,034</u>
Total liabilities and net assets	<u>\$ 18,473,724</u>	<u>\$ 16,812,733</u>

See accompanying notes.

Corewell Health and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets
(In Thousands)

	Year Ended December 31	
	2025	2024
Operating revenue		
Net patient service revenue	\$ 9,792,568	\$ 9,143,051
Premium revenue	7,388,980	6,905,880
Other	455,169	359,497
Total operating revenue	<u>17,636,717</u>	<u>16,408,428</u>
Operating expenses		
Salaries, wages, and employee benefits	6,317,199	5,931,934
Supplies and other	4,849,826	4,452,110
Healthcare claims expense	5,666,445	5,295,999
Depreciation and amortization	432,544	423,859
Interest	94,702	96,573
Total operating expenses	<u>17,360,716</u>	<u>16,200,475</u>
Net operating income	276,001	207,953
Other nonoperating revenue (expenses)		
Investment returns, net	1,045,862	733,676
(Loss) gain on interest rate swaps, net	(2,534)	14,228
Other expenses, net	(38,979)	(31,025)
Total other nonoperating revenue, net	<u>1,004,349</u>	<u>716,879</u>
Excess of revenue over expenses	1,280,350	924,832
Income attributable to noncontrolling interest	(8,067)	(3,603)
Excess of revenue over expenses	<u>\$ 1,272,283</u>	<u>\$ 921,229</u>

Continued on next page.

Corewell Health and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets (continued) (In Thousands)

	Year Ended December 31, 2025			Year Ended December 31, 2024		
	Total	Controlling	Noncontrolling	Total	Controlling	Noncontrolling
Net assets without donor restrictions						
Excess of revenue over expenses	\$ 1,280,350	\$ 1,272,283	\$ 8,067	\$ 924,832	\$ 921,229	\$ 3,603
Contributions	1,431	1,431	–	1,249	1,249	–
Expenditures for donor sponsored programs	(4,078)	(4,078)	–	(3,594)	(3,594)	–
Net assets released for capital acquisitions	6,473	6,473	–	8,054	8,054	–
Pension-related changes other than net periodic pension costs	62,339	62,339	–	73,494	73,494	–
Other	3,611	1,617	1,994	(18,144)	(19,469)	1,325
Increase in net assets without donor restrictions	1,350,126	1,340,065	10,061	985,891	980,963	4,928
Net assets with donor restrictions						
Contributions	75,435	75,435	–	88,950	88,950	–
Expenditures for donor sponsored programs	(56,252)	(56,252)	–	(60,637)	(60,637)	–
Investment returns	40,562	40,562	–	30,966	30,966	–
Net assets released for capital acquisitions	(6,473)	(6,473)	–	(8,054)	(8,054)	–
Other	1,637	1,637	–	19,024	19,024	–
Increase in net assets with donor restrictions	54,909	54,909	–	70,249	70,249	–
Increase in net assets	1,405,035	1,394,974	10,061	1,056,140	1,051,212	4,928
Net assets, beginning of year	11,045,034	10,954,981	90,053	9,988,894	9,903,769	85,125
Net assets, end of year	\$ 12,450,069	\$ 12,349,955	\$ 100,114	\$ 11,045,034	\$ 10,954,981	\$ 90,053

See accompanying notes.

Corewell Health and Subsidiaries

Consolidated Statements of Cash Flows (In Thousands)

	Year Ended December 31	
	2025	2024
Operating activities and other revenue		
Increase in net assets	\$ 1,405,035	\$ 1,056,140
Adjustments to reconcile increase in net assets to net cash provided by operating activities and other revenue:		
Donor restricted contributions and other net asset activity	(80,683)	(89,830)
Unrealized loss (gain) in market value of interest rate swaps	711	(14,233)
Unrealized gain in market value of trading securities	(376,736)	(272,715)
Unrealized gain on investments in joint ventures	(14,135)	(35,654)
Pension-related changes other than net periodic pension costs	(62,339)	(73,494)
Depreciation and amortization	432,544	423,859
Changes in operating assets and liabilities:		
Trading securities	(1,009,835)	(743,352)
Changes in patients accounts receivable, other accounts receivable inventories, prepaid expenses, third-party settlement receivables, and other operating assets	(84,891)	(114,894)
Changes in accounts payable and accrued expenses; accrued salaries, wages, and related withholdings; health plan claims payable; third-party settlement liabilities; and other operating liabilities	207,402	(117,579)
Other	3,886	(4,583)
Net cash provided by operating activities and other revenue	420,959	13,665
Investing activities		
Additions to property and equipment, net	(569,694)	(468,833)
Net cash acquired in acquisitions	–	(79,169)
Other	6,603	9,703
Net cash used in investing activities	(563,091)	(538,299)
Financing activities		
Donor restricted contributions and other net asset activity	80,683	89,830
Proceeds from issuance of long-term debt	673,022	20,486
Payments on long-term debt	(186,235)	(91,817)
Payments on debt extinguishment	(387,395)	–
Payments on cost of debt issuance	(3,492)	–
Payments on financing lease obligations	(13,898)	(12,335)
Net cash provided by financing activities	162,685	6,164
Increase (decrease) in cash, cash equivalents, and restricted cash	20,553	(518,470)
Cash, cash equivalents, and restricted cash at beginning of year	1,036,769	1,555,239
Cash, cash equivalents, and restricted cash at end of year	\$ 1,057,322	\$ 1,036,769
Noncash activities		
Right-of-use assets obtained in exchange for lease liabilities, net	\$ 33,044	\$ 75,279

See accompanying notes.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (In Thousands)

December 31, 2025

1. Significant Accounting Policies

The Reporting Entity and Principles of Consolidation

Corewell Health is a nonprofit Michigan corporation formed as a holding company to direct the activities of an integrated healthcare delivery system. The consolidated financial statements include the accounts of Corewell Health and its wholly owned or controlled subsidiaries (collectively, the System). The controlled subsidiaries include acute care campuses; various subsidiaries providing inpatient and outpatient acute care, long-term care, home healthcare, physician, and other services in their respective markets in Michigan; and Priority Health, a managed care health plan providing services to individuals in Michigan, Indiana, and Ohio. Additionally, the System currently has two wholly owned captive insurance companies. The companies, one offshore and one onshore, provide medical professional and general liability and other coverage to the System, its subsidiaries, and voluntary medical staff.

During 2024, the System completed two acquisitions. The System acquired the remaining membership interest from its previous operating partner in the joint venture limited liability company, Beaumont Urgent Care by Wellstreet, LLC, making it wholly owned by Corewell Health as of July 1, 2024. Priority Health acquired Physicians Health Plan of Northern Indiana (PHPNI) on December 1, 2024. Both transactions were evaluated and recorded following applicable business combination accounting. The System included the acquisitions in the consolidated financial statements and results of operations subsequent to the acquisition dates.

Basis of Consolidated Financial Statements

The consolidated financial statements include the accounts of all wholly owned, majority-owned, and majority-controlled organizations. For investments where the System owns less than a 20% ownership interest and does not exercise significant influence, the equity or the cost method of accounting is used. For investments whereby the System holds up to a 50% ownership interest and does exercise significant influence, the equity method of accounting is the only accounting method used. The System has eliminated all intercompany transactions and account balances in consolidation.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Significant Accounting Policies (continued)

Use of Estimates

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Although actual results could differ from these estimates, management believes estimated amounts recorded are reasonable and appropriate.

Mission Statement and Other Nonoperating Revenue and Expenses

The System's mission is to improve health, instill humanity, and inspire hope. Only those activities directly related to this mission are considered operating activities. Other activities that result in revenue or expenses unrelated to the primary mission are considered to be other nonoperating revenue and expenses.

Cash, Cash Equivalents, and Restricted Cash

Cash and cash equivalents include short-term, highly liquid investments with a maturity of three months or less when purchased. Highly liquid debt instruments with original, short-term maturities of less than 90 days that are included as part of the investment portfolio are excluded from cash equivalents as they are commingled with longer-term investments.

Amounts included in restricted cash represent those required to be set aside by a contractual agreement or for donor restricted purposes. Restricted cash is classified within investments on the consolidated balance sheets. Restricted cash included in investments represents the cash portion of the investments in Note 9 that are restricted by state insurance commissioner and by other state regulations.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Significant Accounting Policies (continued)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown on the consolidated statements of cash flows:

	December 31	
	2025	2024
Cash and cash equivalents	\$ 1,043,521	\$ 1,023,754
Restricted cash included in investments	13,801	13,015
	<u>\$ 1,057,322</u>	<u>\$ 1,036,769</u>

Short-Term Investments

Short-term investments primarily consist of debt securities and are internally designated as current assets because such amounts are available to meet the System's operating cash requirements.

Inventories

Inventories consist primarily of medical supplies and pharmaceuticals and are stated at the lower of cost or market, with cost being determined primarily on an average cost basis.

Investments and Investment Income

Investments include assets held by trustees under indenture, statutory requirements, and self-insurance agreements; health plan and foundation assets; and designated assets set aside by the Board of Directors (the Board) over which it retains control and may, at its discretion, subsequently use for other purposes. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value based on observable quoted prices. Mutual funds are recorded at fair value based on observable quoted prices.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Significant Accounting Policies (continued)

Corewell Health has investments measured at net asset value (NAV), including commingled funds, hedge funds, private capital, and real estate, which provide statements of fair market value on a lagged basis. Commingled funds that hold securities directly are stated at the fair value of the underlying securities, as determined by the administrator, based on readily determinable market values. Certain alternative investments, mainly hedge funds through limited partnerships, private capital, and real estate vehicles, are accounted for using the equity method based on their NAV per share.

All investments are considered to be trading securities. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in excess of revenue over expenses, unless the income or loss is restricted by donor or law. Gains and losses with respect to disposition of marketable securities are based on the specific-identification method. Investment income related to net assets with donor restrictions is added to or deducted from the appropriate net asset balance based on donor intent.

Investment securities purchased and sold are reported based on the trade date. Due to the period lag between the trade date and the settlement date, the System reports receivables for securities sold but not settled and reports liabilities for securities purchased but not settled. These receivables and payables are settled from within the investment portfolio.

Property and Equipment

Property and equipment are stated on the basis of cost or approximate fair value at the date of acquisition or donation. Included in property and equipment are costs for software developed for internal use. Depreciation is provided on a straight-line basis over the estimated useful lives of the property (3 to 70 years). Leasehold improvements are amortized over the lesser of the estimated useful lives of the assets or the length of the lease, except as required for common control leases. Interest cost incurred in connection with borrowings to finance major construction or facility expansion is capitalized during the construction period and subsequently amortized over the lives of the related assets.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Significant Accounting Policies (continued)

Right-of-Use Assets

Right-of-use assets under financing and operating lease obligations are amortized on a straight-line basis in accordance with lease accounting standards. Financing lease amortization is included within depreciation and amortization, and operating lease amortization is included within supplies and other expense on the accompanying consolidated statements of operations and changes in net assets.

Asset Impairment

The System considers whether indicators of impairment are present and performs the necessary test to determine whether the carrying value of an asset is appropriate. Impairment write-downs are recognized in operating income at the time the impairment is identified. No material asset impairments were recorded in 2025 or 2024.

Goodwill

In connection with business combinations, the System has recorded goodwill on the accompanying consolidated balance sheets. Goodwill represents the excess of the purchase price over the fair value of net tangible and identifiable intangible assets of acquired organizations. Goodwill is amortized using the straight-line method over ten years. The System evaluates goodwill for impairment at the entity level at the end of each reporting period, if an event or a circumstance indicates that the fair value of the entity may be less than its carrying amount. Impairment was not indicated during 2025 or 2024.

The following is a summary of the System's goodwill:

	December 31	
	2025	2024
Goodwill	\$ 122,126	\$ 120,889
Less accumulated amortization	(52,099)	(39,187)
	\$ 70,027	\$ 81,702

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Significant Accounting Policies (continued)

Total amortization expense was \$12,912 and \$8,877 in 2025 and 2024, respectively. An additional \$1,237 was recognized related to the acquisition of PHPNI during the year ended December 31, 2025.

Derivative Financial Instruments

The System has entered into interest rate swap agreements with certain banks to manage risks associated with changes in interest rates. The System records its derivative instruments as either assets or liabilities on the accompanying consolidated balance sheets at fair value. None of the System's current derivatives are designated as a hedge. Accordingly, both unrealized and realized derivative gains and losses related to the interest rate swaps are included in (loss) gain on interest rate swaps, net on the consolidated statements of operations and changes in net assets.

Other Long-Term Assets and Liabilities

Other long-term assets include deferred compensation investments, software hosting arrangements, capitalized implementation costs, long-term prepaid expenses, intangible rights, notes receivable, and excess liability insurance receivable. Other long-term liabilities include deferred compensation payable, commitments payable, and other reserves.

Net Assets

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature to a specific time period or purpose. Other donor imposed restrictions are perpetual in nature and are maintained by the System in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Significant Accounting Policies (continued)

Noncontrolling Interest in Subsidiaries

The System attributed gains of \$8,067 and \$3,603 for the years ended December 31, 2025 and 2024, respectively, to noncontrolling interests based on the ownership percentage of the noncontrolling interests in certain of the System's consolidated subsidiaries. These amounts are recognized in net assets without donor restrictions on the consolidated balance sheets, net of distributions.

Performance Indicator

The System's performance indicator (excess of revenue over expenses) includes all changes in net assets without donor restrictions other than contributions without donor restrictions and related expenditures for donor sponsored programs, net assets released for capital acquisitions, and certain changes in pension and postretirement healthcare obligations.

Net Operating Revenue

Net operating revenue is recognized in the period in which the System satisfies performance obligations under contracts by transferring goods or services to its customers. Net operating revenue is recognized in the amounts to which the System expects to be entitled, which are the transaction prices allocated to the distinct services. Net operating revenue for the System's healthcare delivery operations primarily consists of net patient service revenue, principally for patients covered by Medicare, Medicaid, commercial and managed care, and other health plans, as well as certain uninsured patients and other uninsured discount and charity programs. Net operating revenue for the System's health plan operations primarily consists of health insurance premium revenue for its members, who have obtained insurance coverage through commercial agreements, Medicare Advantage, Medigap, or Medicaid, and administrative services, which consist of self-funded health plans and other various ancillary administrative services.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Significant Accounting Policies (continued)

Charity Care

In support of its mission, the System provides various health-related services, at a loss, to the indigent and other residents in its service area. Policies have been established that define charity care and provide guidelines for assessing a patient's ability to pay. Evaluation procedures for charity care qualification have been established for those situations when previously unknown financial circumstances are revealed or when incurred charges are significant when compared with the individual patient's income and/or net assets. Because the System does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported in net patient service revenue. In addition, the System provides services to other medically indigent patients under various Medicare and Medicaid programs, which, in many instances, pay providers amounts that are less than the costs incurred for the services provided to the recipients.

The estimated costs of charity care and discounted care are \$75,336 and \$54,079 for the years ended December 31, 2025 and 2024, respectively. Costs are estimated using the ratio of each facility's costs to its charges applied to gross charity charges. These ratios are then applied to all System costs to determine the value of charity care. Any reimbursements are then deducted from the cost to arrive at the estimated cost of charity care.

Recently Adopted Accounting Standards

In August 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. (ASU) 2023-05, *Business Combinations – Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement*. This guidance addresses the accounting for contributions made to a joint venture, upon formation, in a joint venture's separate financial statements, and requires that a joint venture apply a new basis of accounting upon formation. This will result in the initial recognition of assets and liabilities at fair value upon formation of a joint venture. The guidance is effective for the System beginning January 1, 2025, and is prospective for joint venture formations. The System evaluated the standard and there is no impact to its consolidated financial statements or results of operations as of December 31, 2025.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Significant Accounting Policies (continued)

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This update was issued to enhance the transparency and decision usefulness of income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The guidance is effective for the System beginning January 1, 2025. The System evaluated the standard and determined there is no impact to its consolidated financial statements or results of operations as of December 31, 2025.

Forthcoming Accounting Pronouncements

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. This update was issued to simplify the estimation of credit losses on current accounts receivable and current contract assets. The guidance allows entities to elect a practical expedient to assume that the current condition as of the balance sheet date will remain unchanged for the remaining life of the asset when developing a reasonable and supportable forecast during the process of estimating credit losses. The guidance is effective for the System beginning January 1, 2026, with early adoption permitted. The System is evaluating the impact this guidance will have on its consolidated financial statements and results of operations.

In September 2025, the FASB issued ASU 2025-06, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Target Improvements to the Accounting for Internal-Use Software*. This update modernizes the accounting guidance on internal software capitalization. It shifts away from prescriptive/project stage capitalization methods and requires a more agile approach. The guidance is effective for the System beginning January 1, 2028, with early adoption permitted. The System is evaluating the impact this guidance will have on its consolidated financial statements and results of operations.

Reclassifications and Changes in Estimates

The 2024 investment tables in Note 9 and Note 15 have been adjusted to reclassify the presentation of certain investments for comparability to 2025. The effects of the footnote reclassifications did not impact the amounts reported in total net assets or the excess of revenue over expenses for the prior period included in the consolidated financial statements and results of operations.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Significant Accounting Policies (continued)

Subsequent Events

The System evaluated subsequent events after December 31, 2025 through February 27, 2026, representing the date that the accompanying consolidated financial statements were available to be issued.

The System entered into two business combination agreements during 2025. In July 2025, the System entered into a member agreement to acquire Group Health Cooperative of Eau Claire. The parties agreed upon an acquisition date of January 1, 2026. The System determined there is no impact to its consolidated financial statements or results of operations as of and for the year ended December 31, 2025.

In August 2025, the System and Quest Diagnostics Clinical Laboratories, Inc. entered into an agreement to form a joint venture to collectively provide outreach lab services. Effective January 1, 2026, the System contributed the assets associated with its outpatient laboratory operations in exchange for a 49% equity interest in the joint venture. The System determined there is not a material impact to its consolidated financial statements or results of operations as of December 31, 2025.

The System concluded that no material events or transactions occurred subsequent to December 31, 2025, other than the events described above, which provided additional evidence about conditions that existed at December 31, 2025, or after, requiring adjustment to or disclosure in the consolidated financial statements.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

2. Liquidity and Availability

Financial assets available for general expenditure within one year of December 31 include the following:

	2025	2024
Cash and cash equivalents	\$ 1,043,521	\$ 1,023,754
Patient receivables	967,715	1,016,837
Other receivables	478,898	448,308
Estimated third-party payer settlements	338,956	348,453
Investments	7,173,237	6,022,268
Endowment spending-rate distributions and appropriations	6,529	5,312
	\$ 10,008,856	\$ 8,864,932

The System has the ability to structure its financial assets to be available as its general expenditures and other obligations become due. Cash in excess of daily requirements is invested. The System maintains a revolving credit facility, as discussed in Note 11, with the ability to borrow up to \$200,000 in 2025 and 2024. As of December 31, 2025, \$199,900 was available under this credit agreement, with nothing outstanding related to the line of credit and \$100 outstanding related to the letters of credit. As of December 31, 2024, \$135,377 was available under this credit agreement, with \$64,075 outstanding related to the line of credit and \$548 outstanding related to the letters of credit. Corewell Health also has the availability of up to \$300,000 of taxable commercial paper. As of December 31, 2025 and 2024, \$226,000 was available to be issued, with \$74,000 issued and outstanding.

The System has certain investments where access to liquidity may be greater than one year. As such, these investments have been excluded from the amounts in the above table. The nature of these specific investments generally restricts the liquidity and availability of these investments to be available for general expenditure of the System within one year of the consolidated balance sheet date.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

3. Net Patient Service Revenue and Net Patient Accounts Receivable

Net patient service revenue is recorded at the amounts that reflect the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers, and others, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, patients and third-party payers are billed several days after the services are performed or shortly after discharge. Revenue is recognized as performance obligations are satisfied.

Performance obligations are based on the nature of the services provided. Revenue is recognized for performance obligations satisfied over time based on actual charges incurred in relation to total expected or actual charges. The System believes that this method provides an appropriate depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or continuing care services. Performance obligations for inpatient acute care services are measured from admission to the point when there are no further services required for the patient, which is generally the time of discharge. Performance obligations for continuing care services are satisfied over the defined period in the patient contract, typically monthly. Revenue for performance obligations satisfied at a point in time, which generally relates to patients receiving outpatient services, is recognized when (1) services are provided and (2) it is not likely that the patient requires additional services.

Because patient service performance obligations relate to contracts with a duration of less than one year, the System applies the exemption provided in the accounting standards and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The System utilizes the portfolio approach practical expedient for contracts related to net patient service revenue. The System accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. The portfolios consist of major payer classes for inpatient revenue and outpatient revenue. Based on historical collection trends and other analyses, the System has concluded that revenue for a given portfolio would not be materially different if accounted for on a contract-by-contract basis.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

3. Net Patient Service Revenue and Net Patient Accounts Receivable (continued)

The System has agreements with third-party payers that generally provide for payments to the System at amounts different from its established rates. For uninsured patients who do not qualify for charity or discounted care, the System recognizes revenue based on established rates, subject to certain discounts and implicit price concessions as determined by the System. The System determines the transaction price based on standard charges for services provided, reduced by explicit price concessions provided to third-party payers, discounts provided to uninsured patients in accordance with the System's policy, and implicit price concessions provided to uninsured patients. Explicit price concessions are based on contractual agreements, discount policies, and historical experience. Implicit price concessions represent differences between amounts billed and the estimated consideration the System expects to receive from patients, which are determined based on historical collection experience, current market conditions, and other factors.

Generally, patients who are covered by third-party payers are responsible for related co-pays, coinsurance, and deductibles, which vary in amount. The transaction price for patients with co-pays, coinsurance, and deductibles is estimated based on historical collection experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any explicit price concessions, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient revenue in the period of the change. For the years ended December 31, 2025 and 2024, adjustments arising from a change in the transaction price were not significant. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2025 and 2024, was not significant. As of December 31, 2025 and 2024, there are no known claims, disputes, or unsettled matters with any payer that would materially affect the System's revenue and have not been adequately provided in the accompanying consolidated financial statements.

The System is paid a prospectively determined rate for the majority of inpatient acute care and outpatient, skilled nursing, and rehabilitation services provided (principally Medicare, Medicaid, and certain insurers). These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Payments for capital are received on a prospective basis for Medicare and on a cost reimbursement methodology for Medicaid. Payments are received on a prospective basis for the System's medical education costs, subject to certain limits. The System is paid for cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the System and audits thereof by Medicare.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

3. Net Patient Service Revenue and Net Patient Accounts Receivable (continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation, as well as significant regulatory action and, in the normal course of business, the System is subject to contractual reviews and audits, including audits initiated by the Medicare recovery audit contractor program. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term. The System believes it is in compliance with applicable laws and regulations governing the Medicare and Medicaid programs and that adequate provisions have been made for any adjustments that may result from final settlements.

Settlements with third-party payers for retroactive revenue adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care using the expected value method. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer, and historical settlement activity, including an assessment to ensure it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such audit, review, or investigation. Patient service revenue on the accompanying consolidated statements of operations and changes in net assets was not materially affected in 2025 or 2024 by changes in estimated settlements from prior years.

The composition of net patient service revenue by major payer source for the years ended December 31 was as follows:

	Amount	Percentage
2025		
Medicare	\$ 3,428,092	35%
Medicaid	1,872,553	19
Commercial and managed care	4,354,385	45
Self-pay	137,538	1
Total all payers	\$ 9,792,568	100%
2024		
Medicare	\$ 3,028,619	33%
Medicaid	1,827,378	20
Commercial and managed care	4,217,836	46
Self-pay	69,218	1
Total all payers	\$ 9,143,051	100%

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

3. Net Patient Service Revenue and Net Patient Accounts Receivable (continued)

Patient accounts receivable consist of amounts due for healthcare services provided. The System grants credit without collateral to its patients, most of whom are local residents and insured under various third-party arrangements. The System's concentration of credit risk relating to patient receivables is limited due to the diversity of patients and payers. Patient receivables consist of amounts due from government programs, commercial insurance companies, other group insurance programs, and private pay patients.

The evaluation of implicit price concessions and the probable amount expected to be collected from patients is performed at a portfolio level; therefore, there is no expectation that further credit losses would need to be recorded. Historical credit loss percentages from write-offs and price concessions for patients are applied to the current patient receivable balance and recorded at the amount the System expects to collect. Management's expectation is that the historical credit loss experience is materially similar to the current expected credit losses given the relatively short payment cycle on these receivables and low realization percentage on such self-pay accounts as a percentage of gross charges. Management considers whether indicators of macro- or microeconomic shifts exist that would imply a deterioration or improvement in the historical loss rate should be considered in estimating the rate of current expected losses.

While the majority of expected credit loss exposure is measured in the implicit price concessions on amounts due from patients, the System also considers its credit loss experience on receivables for reimbursement from managed care and other third-party payers. Historically, the System has experienced immaterial write-offs related to accounts for bankrupt or insolvent payer entities; therefore, the System does not have a material reserve recorded for such third-party payers. The System is not aware of any other cash flow issues associated with its payers. While application of the current expected credit loss model requires evaluation of potential future credit losses on all non-self-pay accounts, management concludes that any potential impact is immaterial given the low frequency of bankruptcies on the overall third-party payer volume.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

3. Net Patient Service Revenue and Net Patient Accounts Receivable (continued)

The composition of net patient accounts receivable by major payer source as of December 31 was as follows:

	<u>2025</u>	<u>2024</u>
Medicare	26%	31%
Medicaid	8	9
Commercial and managed care	48	47
Self-pay	18	13
Total all payers	<u>100%</u>	<u>100%</u>

The System's policy is not to adjust the promised amount of consideration from patients and third-party payers for the effects of a significant financing component, due to the System's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payer pays for that service will be one year or less. However, the System does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

4. Premium Revenue and Healthcare Claims Expense

The System, through its health plan, contracts with various providers for the provision of certain healthcare services to its members. The System compensates providers for services under risk-savings/sharing programs, diagnosis-related group contracts and discounted charges, and fee-for-service arrangements. The System contracts for primary care and specialty physician services, hospital services, mental health services, certain ancillary services, and pharmacy benefits.

Healthcare costs are recognized as expenses when services are rendered and include an estimate of costs incurred but not reported (IBNR) at the consolidated balance sheet date. Under risk-savings/sharing programs, healthcare costs are recognized when the obligation is triggered under the providers' respective agreements. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

4. Premium Revenue and Healthcare Claims Expense (continued)

The System has various agreements with participating providers to furnish healthcare services to participating subscribers and their dependents. The agreements with certain participating providers call for reimbursement at various capitated rates or percentages of fees, less applicable member co-payments, coinsurance, or deductibles, on a current basis. The agreements provide for contingent reimbursement to participating providers based upon their adherence to quality and transformation of care metrics. Certain agreements also provide for gain or loss sharing based on the management of the cost and utilization of the membership within the provider network.

Premiums are billed and collected monthly from employer groups and members in Medicare, Medicaid, and commercial products. Premium revenue is recognized as income in the period members are entitled to receive services and is net of estimated uncollectible amounts and retroactive membership adjustments. Premiums receivable and reinsurance receivables are recorded at expected collectability, with reserves recognized based on product. Another layer of reserve is recorded based on a triangle of historical retroactive adjustments and write-offs.

The System's costs under provider arrangements are recognized as expenses when services are rendered and include an estimate of costs IBNR at the consolidated balance sheet date. Costs of healthcare and medical costs payable for healthcare services provided to members are estimated by management based on evaluations of providers' claims submitted and the provision for IBNR. The System estimates the IBNR amount using standard actuarial loss development methodologies applied to loss development data summarized on the basis of the month in which services are rendered and the month in which claims are paid, processed, or received and considers other items, including, without limitation, historical levels of denied claims, medical cost trends, seasonal patterns, and changes in membership mix. Those estimates are subject to the effects of trends in claim severity and frequency. Although considerable variability is inherent in such estimates, management believes that the reserves for IBNR are adequate. The estimates are continually reviewed and adjusted as necessary, as experience develops or new information becomes known.

Adjustments to previously recorded claims reserve estimates are recorded on the consolidated statements of operations and changes in net assets in the period in which the estimates are revised. Such reserve adjustments consist of remeasurements of claims estimates and could be material in the future. Given the nature of the healthcare costs and provider billing requirements, as defined by the participating providers' agreements, amounts accrued at December 31 are predominantly paid in the following year.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

4. Premium Revenue and Healthcare Claims Expense (continued)

Claims adjustment expenses are costs that are incurred in connection with the adjustment and recording of healthcare costs. On the consolidated statements of operations and changes in net assets, claims adjustment expenses are a component of salaries, wages, and employee benefits; supplies and other; and depreciation and amortization and totaled \$211,544 and \$217,341 in 2025 and 2024, respectively.

The following table provides a reconciliation of the beginning and ending balances of health plan claims payable as of December 31:

	2025	2024
Reserves at beginning of year	\$ 669,483	\$ 534,260
Less reinsurance recoverable	(9,689)	(3,923)
Reserves at beginning of year, net	659,794	530,337
Add provision for claims and claims adjustment expense occurring in:		
Current year	5,920,874	5,542,107
Prior years	(42,885)	(28,767)
Incurred losses during current year	5,877,989	5,513,340
Deduct payments for claims occurring in:		
Current year	5,273,167	4,916,767
Prior years	595,708	467,116
Claim payments during current year	5,868,875	5,383,883
Reinsurance recoverable	7,650	9,689
Reserves at end of year	\$ 676,558	\$ 669,483

The System has maintained capital and surplus, as determined in accordance with accounting practices prescribed or permitted by the Michigan Department of Insurance and Financial Services and the Indiana Department of Insurance, in which it is licensed, in excess of the minimum requirements. In 2025 and 2024, favorable development of previously recorded claims reserve estimates was experienced due to lower than expected medical expense trends and favorable shifts in the utilization and cost of services.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

4. Premium Revenue and Healthcare Claims Expense (continued)

The cumulative number of paid claims was 38,554 and 38,416 in 2025 and 2024, respectively. This measure includes medical service encounters plus pharmaceutical claims. The provided claims frequency amounts are not a precise tool for understanding utilization of medical services. They could be impacted by a variety of factors, including changes in provider billing practices, provider reimbursement arrangements, mixture of services, benefit design, and processing systems. The cumulative number of reported claims has been provided to comply with accounting standards and is not used by management in claims analysis. The cumulative number of reported claims may not be comparable to similar measures reported by other companies as there is no universal claims frequency metric.

The following tables provide information about incurred and paid claims development as of December 31, net of reinsurance:

		Cumulative Incurred Claims Net of Reinsurance		
		2025	2024	2023
Claims incurred year:				
	2025	\$ 5,920,874	\$ –	\$ –
	2024	5,499,222	5,542,107	–
	2023	5,128,579	5,126,641	5,155,408
		Cumulative Paid Claims Net of Reinsurance		
		2025	2024	2023
Claims incurred year:				
	2025	\$ 5,273,167	\$ –	\$ –
	2024	5,512,475	4,916,767	–
	2023	5,089,253	5,211,003	4,743,886

The information about incurred and paid claims development above is presented as required unaudited supplementary information.

Certain amounts related to 2024 were reclassified to be consistent with the 2025 presentation.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

5. Taxes and Government Fees

The System and most of its controlled subsidiaries are tax-exempt organizations, as described in Section 501(c)(3) of the Internal Revenue Code (IRC). Certain other subsidiaries are tax-exempt organizations under IRC Section 501(c)(4). Tax-exempt organizations are subject to income tax on any income from unrelated business activities and excise tax on highly paid individuals. The System also owns or controls certain taxable subsidiaries. Net deferred tax assets of \$46,024 and \$46,098 at December 31, 2025 and 2024, respectively, which are primarily related to net operating loss carryforwards, have respective valuation allowances of \$43,742 and \$39,243, respectively, recorded against them due to the uncertainty of realizing those benefits in the future, and are included in other long-term assets on the consolidated balance sheets.

6. Net Assets and Gifts With Donor Restrictions

Pledges receivable, which are unconditional promises to give cash and other assets, are recorded at fair value at the date the promise is received and are reported as contributions on the consolidated statements of operations and changes in net assets. If the gifts are received with donor stipulations that limit the use of the donated assets, the gifts are reported as net assets with donor restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reflected as contributions to net assets without donor restrictions in the accompanying consolidated financial statements. Management believes these are Level 2 measurements (as defined in Note 13) recorded on a nonrecurring basis.

The System recognizes allowances for uncollectible promises receivable based on history with donors and current conditions. As of December 31, 2025 and 2024, allowances recognized were \$6,275 and \$6,467, respectively.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

6. Net Assets and Gifts With Donor Restrictions (continued)

The System has received unconditional promises to give from donors, less allowances recognized, which include the following:

	December 31	
	2025	2024
In less than one year	\$ 34,728	\$ 30,934
In one to five years	41,095	46,096
In more than five years	130	1,380
	75,953	78,410
Less amounts representing interest	(3,001)	(4,943)
	72,952	73,467
Beneficial interest in perpetual pledge from Kent Community Hospital Foundation, less current portion of \$856 and \$838 in 2025 and 2024, respectively	15,429	14,364
Amount recognized on consolidated balance sheets	\$ 88,381	\$ 87,831

Endowment

The System's endowments consist of funds established for a variety of purposes. The endowments include donor restricted endowment funds and, as required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. As of December 31, 2025 and 2024, such endowments with donor restrictions were \$224,256 and \$193,946, respectively. Additionally, there were 15 unrestricted funds in 2025 and 2024 that were designated by the Board to function as a restricted fund, totaling \$72,338 and \$65,161 in 2025 and 2024, respectively.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the System to exercise ordinary and prudent care in good faith in its discretion to invest and appropriate some or all of the net appreciation or depreciation of investments. In the absence of a relevant law or donor stipulations, fiduciary responsibility to exercise ordinary care and prudence does not extend donor stipulations to the earnings or losses on investments. UPMIFA, along with other relevant state laws, guides the System's investment policies for restricted funds.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

7. Property and Equipment

Property and equipment include the following:

	December 31	
	2025	2024
Land and improvements	\$ 362,499	\$ 343,515
Buildings	4,475,100	4,291,160
Equipment	2,361,364	2,120,592
Software	872,668	845,872
Leasehold improvements	99,648	81,048
In progress:		
Software	75,366	50,576
Construction and equipment	122,472	115,660
	8,369,117	7,848,423
Less accumulated depreciation and amortization	(3,949,037)	(3,583,387)
	\$ 4,420,080	\$ 4,265,036

The amounts included in accumulated depreciation and amortization related to software approximate \$646,239 and \$568,077 at December 31, 2025 and 2024, respectively.

The System has several ongoing construction projects and purchase commitments. These projects will largely be funded from existing cash reserves. Outstanding purchase commitments to complete various construction and renovation projects approximate \$301,397 at December 31, 2025. Interest capitalized in 2025 and 2024 was not material.

The System has various hosting arrangements that provide access to software but do not include a software license. These arrangements are treated as service contracts, with implementation costs capitalized in alignment with internal-use software. The capitalized implementation costs are amortized over the term of the hosting arrangement, plus certain periods of options to extend the contract. The net capitalized implementation costs are classified within other long-term assets on the consolidated balance sheets, and the amortization is classified within supplies and other expense on the consolidated statements of operations and changes in net assets. At December 31, 2025 and 2024, capitalized gross implementation costs were \$38,226 and \$41,499 and accumulated amortization was \$21,185 and \$20,598, respectively.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

8. Leases

System as a Lessee

The System has the right to use certain buildings, equipment, and vehicles held under operating or financing lease contracts. Each contract is evaluated for the right to control the use of identified property for a period of time in exchange for consideration. When capitalizing lease contracts, the System applies the practical expedient to account for each separate lease component of a contract and its associated non-lease components as a single lease component for all underlying asset classes. Variable lease payments, not based on an index or a rate, are typically based upon the System's operations and are therefore not included in the lease liability. Variable payments are instead recognized in the period in which the achievement of the specified target that triggers the payment becomes probable. The System also applies the portfolio approach to certain groups of similar leases when it is reasonably expected that the application of the leases model to the portfolio would not differ materially from the application to individual leases. Short-term leases (12 months or less) are not subject to capitalization per the System's accounting policy. Included in the lease term are any renewal options reasonably certain of being exercised. The System uses a risk-free discount rate commensurate with the lease term to determine the present value of lease payments used to record the right-of-use asset and related lease liability.

The table below summarizes the components of lease cost by lease, followed by disclosure of weighted average remaining lease term and weighted average discount rate by type:

	Year Ended December 31	
	2025	2024
Finance lease cost:		
Amortization of right-of-use assets	\$ 13,348	\$ 11,422
Interest on lease liabilities	7,082	7,305
Operating lease cost	42,480	38,589
Short-term lease cost	6,121	8,004
Variable lease cost	18,512	18,275
Total lease cost	\$ 87,543	\$ 83,595
Weighted average remaining lease term – finance (years)	9.1	10.3
Weighted average remaining lease term – operating (years)	6.5	7.0
Weighted average discount rate – finance	7.2%	7.3%
Weighted average discount rate – operating	2.9%	2.7%

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

8. Leases (continued)

The following table presents supplemental cash flow information:

Cash paid for amounts included in the measurement of lease liabilities is as follows:

	Year Ended December 31	
	2025	2024
Operating cash flows for operating leases	\$ 37,516	\$ 35,365
Operating cash flows for finance leases	7,490	7,318
Financing cash flows for finance leases	13,898	12,335

The following table reconciles the undiscounted cash flows to the operating and financing lease liabilities recorded on the consolidated balance sheet at December 31, 2025:

	Operating Leases	Financing Leases
2026	\$ 41,410	\$ 20,555
2027	36,340	18,859
2028	29,921	17,179
2029	19,451	12,683
Thereafter	56,330	86,215
Total minimum lease payments	183,452	155,491
Less amount of lease payments representing interest	(14,958)	(58,177)
Present value of future minimum lease payments	168,494	97,314
Less current obligations under leases	(37,048)	(13,006)
Long-term lease obligations	\$ 131,446	\$ 84,308

Related-party financing leases primarily consist of two building lease agreements, with remaining terms varying from 12 to 16 years. As of December 31, 2025 and 2024, \$54,502 and \$56,126, respectively, remains outstanding under these agreements.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

8. Leases (continued)

System as a Lessor

The System has operating leases for real estate. The System also leases available space in its medical office buildings and certain other facilities to third parties, with lease terms ranging from 1 to 77 years. The System determines whether an arrangement contains a lease at the inception of the arrangement by assessing whether there is an identified asset and whether the arrangement conveys the right to control the use of the identified asset in exchange for consideration for a period of time. Certain variable lease payments are determined based on changes in facts and circumstances occurring after the commencement date, other than the passage of time. The System's lease terms include options to extend or terminate the lease when it is reasonably certain that the options will be exercised.

The System has lease agreements that require payments for lease and non-lease components and has elected to account for these as a single lease component provided that (1) the lease component and the associated non-lease components have the same timing and pattern of transfer, and (2) the lease component, if accounted for separately, would be classified as an operating lease.

Lease income is included in other operating revenue on the consolidated statements of operations and changes in net assets. Lease income for the years ended December 31, 2025 and 2024, was \$29,128 and \$27,293, respectively.

The aggregate future lease income for operating leases as of December 31, 2025, was as follows:

2026	\$ 13,315
2027	11,320
2028	9,235
2029	7,221
2030	4,693
Thereafter	66,044
Total	<u>\$ 111,828</u>

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

9. Investments

The carrying value of investments is as follows:

	December 31	
	2025	2024
Cash and cash equivalents	\$ 348,525	\$ 428,080
Short-term investments	461,141	451,808
Government securities and obligations	861,500	870,393
Corporate debt securities and obligations	723,758	783,645
Mortgage and other asset-backed securities	734,032	299,193
Mutual funds – domestic	1,077,706	737,338
Mutual funds – international	677,767	617,240
Mutual funds – global	357,938	207,581
Equities and exchange-traded funds	447,618	189,625
Commingled funds	1,957,019	2,330,583
Hedge funds	1,162,042	997,136
Private capital	757,268	384,190
Real estate	27,173	46,182
Beneficial interest in trusts	1,996	1,905
	9,595,483	8,344,899
Due to broker, net	(7,104)	(143,878)
	\$ 9,588,379	\$ 8,201,021

Amounts included on the consolidated balance sheets,
as follows:

Short-term investments	\$ 454,647	\$ 451,204
Investments	9,133,732	7,749,817
	\$ 9,588,379	\$ 8,201,021

The System's investments are exposed to various types and levels of risk. Fixed-income securities expose the System to interest rate risk, credit risk, and liquidity risk. As interest rates change, the value of many fixed-income securities is affected, particularly those with fixed interest rates and longer maturities. Credit risk is the risk that the obligor of the security will not fulfill its obligation. Liquidity risk is affected by the willingness of market participants to buy and sell a particular security.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

9. Investments (continued)

Equity securities expose the System to market risk, performance risk, and liquidity risk. Market risk is the risk associated with major movements of the equity markets, both domestic and international. Performance risk is the risk associated with a particular company's operating performance. Liquidity risk, as previously defined, tends to be higher for certain alternative investments and international and domestic small capitalization equity companies. The System's alternative investment risk is limited to the investment's carrying value.

Alternative investments include hedge funds, private capital, and real estate. Hedge funds seek to produce positive investment returns regardless of market direction. These investments utilize multi-strategy managers, as well as multi-manager investments in other hedge funds through a fund of one. Underlying investments can include equities, fixed income, commodities, currencies, and derivatives. Audited information is only available annually. Carrying values are based on NAV, which are reported monthly. Management obtains and considers the audited consolidated financial statements of the fund of one when evaluating the overall reasonableness of the NAV.

Private capital, which may include private equity, and private credit, as well as real estate, does not have a readily determinable market. Fair values are based on information provided by the fund managers using either a market approach or an income approach, each of which requires a significant degree of judgment. There is no active trading market for these investments, and they are for the most part illiquid. Investments in private capital are measured at NAV.

For hedge funds and private capital, and real estate investments, management reviews external information and may also use an investment consultant, in addition to using the System's own internal procedures. These procedures include a review of returns against benchmarks and discussions with the fund manager on performance, changes in personnel, changes in process, and evaluations of current market conditions.

Because of the inherent uncertainty of valuations of the hedge funds, private capital, real estate, and beneficial interests in trusts, values may differ materially from the values that would have been used had a ready market existed.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

9. Investments (continued)

The uses of investments are as follows:

	December 31	
	2025	2024
Unrestricted	\$ 6,566,817	\$ 5,474,706
For health plan operations	1,767,934	1,622,667
Board designated	567,084	512,997
For donor restricted purposes	560,748	476,359
For captive insurance operations	112,907	102,085
Restricted funds for condominium capital (by state)	4,020	3,782
Restricted funds (by state insurance commissioner)	6,038	5,711
Restricted funds (by Centers for Medicare & Medicaid Services agreement)	2,831	2,714
	\$ 9,588,379	\$ 8,201,021

Investment returns, net, as reported on the consolidated statements of operations and changes in net assets, consist of the following:

	Restricted		Year Ended December 31	
	Nonoperating	Funds	2025	2024
Investment income	\$ 249,722	\$ 6,208	\$ 255,930	\$ 264,637
Net realized gains on sale of investments	447,682	14,584	462,266	235,764
	697,404	20,792	718,196	500,401
Less investment management fees	(8,300)	(208)	(8,508)	(8,474)
	689,104	20,584	709,688	491,927
Net unrealized gains on investments held	356,758	19,978	376,736	272,454
	\$ 1,045,862	\$ 40,562	\$ 1,086,424	\$ 764,381

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

10. Investments in Joint Ventures

The following is a summary of investments in joint ventures, which were not consolidated, at December 31:

	Ownership	2025	2024
Metropolitan Behavioral Health	25%	\$ 20,645	\$ 14,751
Beaumont United Care Partners LLC	49	17,974	14,713
FMS Beaumont Health LLC	15	11,375	12,292
Beaumont ASHN LLC	10	9,832	9,593
North Flight Aero Med LLC	50	6,232	7,234
Vibra of Southeastern Michigan LLC	49	3,000	5,625
Select Medical	49	4,156	5,213
All others		12,343	9,841
		\$ 85,557	\$ 79,262

The investments in nonconsolidated entities include investments in partnerships that align with the System's core mission as indicated in Note 1. The System records a portion of investees' income, based on ownership. In 2025, \$20,407 of gains were recognized in other operating revenue and \$6,272 of losses were recognized in supplies and other expenses on the consolidated statement of operations and changes in net assets. In 2024, \$39,809 of gains were recognized in other operating revenue and \$4,155 of losses were recognized in supplies and other expenses on the consolidated statement of operations and changes in net assets. The System received distributions from these investees of \$8,671 and \$10,295 in 2025 and 2024, respectively.

Beaumont Urgent Care by Wellstreet, LLC became a wholly owned subsidiary of Corewell Health as of July 1, 2024, and the results of its operations subsequent to this date are included in the consolidated results for the System subsequent to this date.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

11. Borrowings

Obligated Group

The System operates under a Master Trust Indenture (MTI) that provides for issuance of long-term debt under an obligated group structure. The sole member of the System Obligated Group under the terms of the MTI, dated June 1, 1998, Conformed and Restated as of April 15, 2022, is Corewell Health. Certain of Corewell Health's subsidiaries are Designated Affiliates under the MTI (the Designated Affiliates). The System Credit Group consists of the System Obligated Group and the Designated Affiliates. In 2025, the System made changes to the MTI Credit Group, including moving certain Obligated Group members to a Designated Affiliate, among other changes to Designated Affiliates.

Long-term debt consists of the following obligations:

	December 31	
	2025	2024
System Credit Group		
Hospital Facilities Refunding Revenue Bonds:		
Series 2025A at an interest rate of 5.00%, maturing in varying amounts through 2046	\$ 191,795	\$ —
Series 2025B-1 at an interest rate of 5.00%, no maturity with a hard put in 2032	94,030	—
Series 2025B-2 at an interest rate of 5.00%, no maturity with a hard put in 2035	94,505	—
Series 2025C, variable rate demand bonds (2.35% at December 31, 2025), maturing in varying amounts through 2055	98,170	—
Series 2025D, variable rate demand bonds (2.40% at December 31, 2025), maturing in varying amounts through 2055	98,165	—
Series 2022A at interest rates from 4.00% to 5.00%, maturing in varying amounts through 2042	620,305	668,895
Series 2022B, floating rate note (4.07% at December 31, 2025), maturing in varying amounts through 2047	91,530	91,530
Series 2019A at an interest rate of 3.49%, maturing in 2049	353,390	353,390

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

11. Borrowings (continued)

	December 31	
	2025	2024
System Credit Group (continued)		
Hospital Facilities Refunding Revenue Bonds (continued):		
Series 2019B at interest rates from 2.50% to 3.12%, maturing in varying amounts through 2034	\$ 63,670	\$ 69,570
Series 2017A refunded in 2025	—	54,890
Series 2016A at interest rates from 4.00% to 5.00%, maturing in varying amounts through 2046	300,000	300,000
Series 2015A, variable rate demand bonds (3.57% at December 31, 2025), maturing in varying amounts through 2047	75,745	75,785
Series 2015B at an interest rate of 3.50%, maturing in varying amounts through 2030	19,535	23,075
Series 2014A, refunded in 2025	—	50,245
Series 2014B, refunded in 2025	—	40,025
Series 2012A, refunded in 2025	—	54,890
Series 2011B, refunded in 2025	—	103,770
Series 2008B, refunded in 2025	—	49,242
Loan, variable rate paid in full in 2025	—	9,346
Commercial paper program	74,000	74,000
Revolving credit facilities	—	64,075
Total System Credit Group	2,174,840	2,082,728
Other entities		
Loan, variable rate paid in full in 2025	—	14,426
Loan, variable rate paid in full in 2025	—	26,364
Other	58,762	27,000
	58,762	67,790
Total debt	2,233,602	2,150,518
Add net bond premium	72,983	63,280
Less current portion of bond premium	(9,863)	(8,776)
Less current maturities of principal	(54,876)	(122,263)
Less short-term debt	(346,080)	(176,785)
Add discount on short-term debt	446	280
Less debt financing costs	(11,157)	(9,395)
Total long-term debt	\$ 1,885,055	\$ 1,896,859

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

11. Borrowings (continued)

The System amortizes discounts and premiums on bonds issued using the bonds outstanding method over the lives of the bonds.

The following is a summary of the System's bond premiums and discounts:

	December 31	
	2025	2024
Premiums on debt	\$ 116,733	\$ 96,799
Discounts on debt	(757)	(996)
Less accumulated amortization	(42,993)	(32,523)
	\$ 72,983	\$ 63,280

In May 2025, the Michigan Finance Authority issued the Hospital Revenue Refunding Bonds Series 2025A, 2025B-1, 2025B-2, 2025C, and 2025D totaling \$576,665. The premium related to the issuance of the 2025 bonds was \$19,933. The Series 2025A bonds, totaling \$200,002, including premium, were issued with an initial term of 21 years. The Series 2025B-1 bonds, totaling \$100,004, including premium, were issued with an initial term of 7 years. The Series 2025B-2 bonds, totaling \$100,257, including premium, were issued with an initial term of 10 years. The Series 2025C and Series 2025D variable rate bonds supported by the System's self-liquidity, totaling \$98,170 and \$98,165, respectively, were issued with an initial term of 30 years. Proceeds were used to reimburse the System for certain projects and refinance Series 2008B, 2011B, 2012A, 2014A, 2014B, and 2017A bonds.

In May 2022, the Michigan Finance Authority issued the Hospital Revenue Refunding Bonds Series 2022A and 2022B, totaling \$890,890. The premium related to the issuance of the 2022 bonds was \$73,285. The Series 2022A bonds, totaling \$872,645, including premium, were issued with an initial term of 20 years. The Series 2022B bonds, totaling \$91,530, were issued with an initial term of 25 years. Proceeds were used to refund or defease certain amounts outstanding on the Beaumont Health Series 2012A, 2012Z, 2013A, 2014D, 2015A, 2016B, and 2017A bonds.

In October 2019, the Series 2019A and 2019B bonds were issued, totaling \$438,370. The Series 2019A fixed rate taxable bonds, totaling \$353,390, were issued by the System with an initial term of 30 years. The Series 2019B fixed rate taxable bonds, totaling \$84,980, were issued by the Kent Hospital Finance Authority as Hospital Revenue Refunding Bonds and have maturities with an initial term of 15 years.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

11. Borrowings (continued)

In December 2017, the Kent Hospital Finance Authority issued the Hospital Revenue Refunding Bonds Series 2017A totaling \$56,490. In May 2025, the Series 2017A Bonds were refinanced and replaced by the Series 2025 Bonds.

In February 2016, the Michigan Finance Authority issued the Hospital Revenue Bonds Series 2016A fixed rate bonds for total proceeds of \$300,000 for approved capital projects. Premium on issuance of the Series 2016A bonds was \$23,514, of which \$18,199 was acquired on February 1, 2022. The Series 2016A bonds have an initial term of 30 years.

In January 2015, the Kent Hospital Finance Authority issued the Hospital Revenue Refunding Bonds Series 2015A totaling \$78,400. The Series 2015A variable rate bonds are supported by the System's self-liquidity and have maturities with an initial term of 32 years. The 2015A bonds can be tendered on any day by the bondholders, and the System has up to 210 days to remarket the bonds, convert the bonds to a different mode, or pay the bonds in full. As such, the 2015A bonds are classified as short-term debt on the consolidated balance sheets. As of December 31, 2025 and 2024, no bonds had been tendered.

In February 2015, the 2015B taxable bonds, totaling \$50,000, were issued directly to an insurance company and have an initial term of 15 years.

In January 2014, the Kent Hospital Finance Authority issued the Hospital Revenue Refunding Bonds Series 2014A and 2014B Bonds, totaling \$111,850. In May 2025, the Series 2014A and Series 2014B Bonds were refinanced and replaced by the Series 2025 Bonds.

In January 2012, the Kent Hospital Finance Authority issued the Hospital Revenue Refunding Bonds Series 2012A, totaling \$56,490. In May 2025, the Series 2012A Bonds were refinanced and replaced by the Series 2025 Bonds.

In June 2011, the Kent Hospital Finance Authority issued the Hospital Revenue Refunding Bonds Series 2011B, totaling \$103,770. In May 2025, the Series 2011B Bonds were refinanced and replaced by the Series 2025 Bonds.

In April 2008, the Kent Hospital Finance Authority issued the Hospital Revenue and Refunding Bonds Series 2008B, totaling \$50,000. In May 2025, the Series 2008B Bonds were refinanced and replaced by the Series 2025 Bonds.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(In Thousands)

11. Borrowings (continued)

Other long-term debt consists primarily of term loans and other obligations related to the acquisition of property and equipment. In October 2024, the System entered into two credit agreements: a revolving line of credit of up to \$100,000 expiring October 27, 2027, and another revolving line of credit of up to \$100,000 expiring October 23, 2028. Interest is paid at a floating rate based on the designated Secured Overnight Financing Rate (SOFR) Index, plus an applicable margin. There was \$0 and \$64,075 as of December 31, 2025 and 2024, respectively, in principal outstanding on the line of credit.

In 2023, the Corewell Health Board approved issuing up to \$300,000 of taxable commercial paper. As of December 31, 2025, \$74,000 of commercial paper was issued. The maximum maturity for commercial paper is 270 days. As such, the commercial paper is classified as short-term debt on the consolidated balance sheets. Discount on the issuance of the commercial paper was \$757 and \$996 as of December 31, 2025 and 2024, respectively.

The System is required to meet certain debt coverage and other covenants. As of December 31, 2025, the System was in compliance with all covenants.

Principal maturities of long-term debt, due subsequent to December 31, 2026, according to the long-term amortization schedule, are as follows:

2027	\$ 174,255
2028	88,862
2029	59,786
2030	61,088
Thereafter	1,448,655

Interest paid on long-term debt totaled \$80,759 and \$89,595 in 2025 and 2024, respectively.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

12. Interest Rate Swaps

The System has entered into interest rate swap agreements to manage exposure to certain risks. The interest rate swap agreements utilized by the System effectively modify the System's exposure to interest rate risk. Certain interest rate swap agreements convert the System's floating rate debt to a fixed rate basis for the next 21 years, thus reducing the impact of interest rate changes on future interest expense. This involves the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreements, without an exchange of the underlying principal amount.

Outstanding interest rate swap agreements are as follows:

Notional Amount	Maturity Date	Rate Received	Rate Paid
\$ 251,520	January 2047	67.00% of SOFR (3.87% at December 31, 2025) plus 0.18%	Fixed rate of 3.698%
34,190	July 2031	62.40% of SOFR plus 0.36%	Fixed rate of 3.857%
1,700	January 2026	66.00% of SOFR plus 0.08%	Fixed rate of 3.853%

Guidance on fair value accounting stipulates that a credit valuation adjustment (CVA) be applied to the mark-to-market valuation position of interest rate swaps to more clearly capture the fair value of such instruments. As of December 31, 2025, the fair value of the interest rate swaps was a liability of \$22,853, which is net of CVA of \$511. As of December 31, 2024, the fair value of the interest rate swaps was a liability of \$22,142, which is net of CVA of \$553. Changes in the fair value of these derivative financial instruments are included on the accompanying consolidated statements of operations and changes in net assets within other nonoperating revenue (expenses).

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

12. Interest Rate Swaps (continued)

The System recorded the following activity within net assets without donor restrictions on the accompanying consolidated statements of operations and changes in net assets related to these derivative financial instruments:

	Year Ended December 31	
	2025	2024
(Loss) gain on interest rate swaps, net:		
Unrealized (loss) gain on interest rate swaps	\$ (711)	\$ 14,233
Realized loss on interest rate swaps	(1,823)	(5)
	<u>\$ (2,534)</u>	<u>\$ 14,228</u>

The System has used various derivative contracts in connection with certain prior obligations and investments. Although minimum credit ratings are required for counterparties, this does not eliminate the risk that the counterparty may fail to honor its obligations. Derivative contracts are subject to periodic mark-to-market valuations. A derivative contract may, at any time, have a positive or negative value to the System. In the event that the negative value reached certain thresholds established in the derivative contracts, the System is required to post collateral, which could adversely affect its liquidity. Collateral arrangements reduce the credit exposure and are considered in determining the CVA. There was no collateral posted at December 31, 2025 or 2024. The System's accounting policy is not to offset collateral amounts against fair value amounts recognized for derivative instrument obligations.

13. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting Standards Codification 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

13. Fair Value Measurements (continued)

Certain of the System's financial assets and financial liabilities are measured at fair value on a recurring basis, including money market, fixed-income, and equity instruments, and interest rate swap contracts. The three levels of the fair value hierarchy and a description of the valuation methodologies used for instruments measured at fair value are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date. Level 1 primarily consists of financial instruments, such as money market securities and listed equities.

Level 2 – Pricing inputs other than quoted prices included in Level 1 that are either directly observable or that can be derived or supported from observable data as of the reporting date. Instruments in this category include certain U.S. government agency and sponsored entity debt securities as well as corporate fixed-income securities and interest rate swap contracts.

Level 3 – Pricing inputs include those that are significant to the fair value of the financial asset or liability and are not observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 consists of private capital.

The carrying values of cash and cash equivalents, patient accounts receivable, other accounts receivable, and accounts payable and accrued expenses are reasonable estimates of fair value due to the short-term nature of these financial instruments. The carrying value of pledges receivable is estimated by management to approximate fair value. The fair values of the System's fixed rate bonds are based on quoted market prices for the same or similar issues and total \$1,718,065 and \$1,347,087 as of December 31, 2025 and 2024, respectively, and represent Level 2 measurements. The fair value of the System's variable rate debt approximates the carrying amount as of December 31, 2025 and 2024, and excludes the impact of third-party credit enhancements. The variable rate debt represents a Level 2 measurement.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

13. Fair Value Measurements (continued)

The fair values of the interest rate swap agreements are based on forward interest rate curves and reflect a credit spread adjustment in order to reflect the CVA for nonperformance risk. The CVA is derived from other comparably rated entities' bonds priced in the market. Due to the volatility of the capital markets, there is a reasonable possibility of significant changes in fair value and additional gains or losses in the near term subsequent to December 31, 2025. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the System believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

For instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest-level input that is significant to the fair value measurement in its entirety. The System's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including consideration of inputs specific to the asset.

Investments recorded at fair value include the following:

Cash and cash equivalents, certificates of deposit, on-the-run government securities, equity securities, exchange-traded funds, and mutual funds – Observable quoted prices for identical assets in active markets determine the fair value for these financial assets. As a result, these securities have been classified as Level 1 investments.

Asset-backed securities, mortgage-backed securities, off-the-run government securities, and corporate obligations – Observable inputs derived from quoted prices for similar assets in active markets determine the fair value of these financial assets. As a result, these securities have been classified as Level 2 investments.

Beneficial interest in trusts funds – The underlying investments in these funds, which consist primarily of securities with quoted prices in active markets, determine fair value for these financial assets. As a result, these immaterial funds have been classified as Level 2 investments.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

13. Fair Value Measurements (continued)

Alternative Investments

Commingled funds include investments primarily in marketable equity and equity-related securities, including domestic, international, global, and emerging market funds, as well as fixed income. The investment manager and administrator calculate the NAV. As investments in commingled funds are measured at NAV, they are excluded from the fair value hierarchy in the following tables. As of December 31, 2025, all commingled funds are redeemable in periods from one month to three years with 10 to 150 days' notice.

Hedge funds include alternative investments in marketable equity, convertible, fixed-income and debt securities, merger arbitrage, derivatives, credit, options, and certain illiquid securities. Some of the System's alternative investments in hedge funds, of approximately \$586,907 and \$526,802 as of December 31, 2025 and 2024, respectively, are accounted for using the equity method of accounting and are therefore excluded from the following fair value tables. The remainder of the hedge funds' fair values have been estimated using NAV and are therefore excluded from the fair value hierarchy in the following tables. Hedge funds include both redeemable and nonredeemable investments. As of December 31, 2025, all hedge funds are redeemable in periods from one quarter to four years with 30 to 90 days' notice.

Private capital funds include alternative investments in private equity, including leveraged buyouts, growth equity, and venture capital in a variety of industries, as well as private credit and private natural resources. Real estate funds include alternative investments in equity, equity-related, and debt securities in commercial and residential real estate. There is no active trading market for these investments, and they are for the most part illiquid. Fair value is based on the NAV per share provided by the fund managers and, therefore, private capital funds and real estate funds are excluded from the fair value hierarchy in the following tables. These investments are nonredeemable but receive distributions on liquidation of the investee's underlying assets. The System expects underlying assets in this category to be liquidated and distributed within 15 years. As of December 31, 2025 and 2024, unfunded commitments for private capital funds and real estate funds totaled approximately \$203,426 and \$218,632, respectively.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

13. Fair Value Measurements (continued)

The value of financial assets measured at fair value on a recurring basis was determined using the following inputs at December 31, 2025:

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Cash and cash equivalents	\$ 1,399,634	\$ 1,399,634	\$ –	\$ –
Short-term investments	461,141	–	461,141	–
Government securities and obligations	861,867	–	861,867	–
Corporate debt securities and obligations	726,232	–	726,232	–
Mortgage and other asset-backed securities	734,032	–	734,032	–
Mutual funds – domestic	1,482,153	1,482,153	–	–
Mutual funds – international	703,587	703,587	–	–
Mutual funds – global	372,938	372,938	–	–
Equities and exchange-traded funds	447,618	359,144	88,474	–
Beneficial interests in trusts	1,996	1,996	–	–
Total financial assets at fair value	7,191,198	\$ 4,319,452	\$ 2,871,746	\$ –
Investments measured at NAV:				
Commingled funds	1,957,019			
Hedge funds	575,135			
Private capital	757,268			
Real estate	27,173			
Total investments measured at NAV	3,316,595			
Due to broker, net	(7,104)			
	<u>\$ 10,500,689</u>			
Financial liabilities:				
Interest rate swap agreements	\$ 22,853	\$ –	\$ 22,853	\$ –
Total financial liabilities at fair value	\$ 22,853	\$ –	\$ 22,853	\$ –

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

13. Fair Value Measurements (continued)

The value of financial assets measured at fair value on a recurring basis was determined using the following inputs at December 31, 2024:

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Cash and cash equivalents	\$ 1,464,610	\$ 1,464,610	\$ –	\$ –
Short-term investments	451,808	20,380	431,428	–
Government securities and obligations	870,784	63,935	806,849	–
Corporate debt securities and obligations	785,766	5,615	780,151	–
Mortgage and other asset-backed securities	299,193	–	299,193	–
Mutual funds – domestic	1,077,842	1,077,842	–	–
Mutual funds – international	642,404	642,404	–	–
Mutual funds – global	221,405	221,405	–	–
Equities and exchange-traded funds	189,625	189,229	396	–
Beneficial interests in trusts	1,905	1,905	–	–
Total financial assets at fair value	6,005,342	\$ 3,687,325	\$ 2,318,017	\$ –
Investments measured at NAV:				
Commingled funds	2,330,583			
Hedge funds	470,334			
Private capital	384,190			
Real estate	46,182			
Total investments measured at NAV	3,231,289			
Due to broker, net	(143,878)			
	\$ 9,092,753			
Financial liabilities:				
Interest rate swap agreements	\$ 22,142	\$ –	\$ 22,142	\$ –
Total financial liabilities at fair value	\$ 22,142	\$ –	\$ 22,142	\$ –

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

14. Professional and General Liability and Other Insurance

Corewell Health self-insures primary medical professional and general liability claims, which is funded by actuarially computed premium payments with specific retention limits. Coverage is purchased on a claims-made basis from its wholly owned captive insurance company for claims more than the primary level of self-insurance. The captive limits its liability through the purchase of reinsurance from unrelated reinsurance companies. Amounts exceeding the insurance provided through self-insurance and the captive insurance company would be the responsibility of the System.

Malpractice and general liability claims have been asserted against the System by various claimants and are in various stages of discovery. Also, known and unknown incidents that have occurred through December 31, 2025, may result in the assertion of additional claims. Although the System is unable to precisely estimate the ultimate cost of settlements, management has accrued its best estimate for claims identified and an amount for potential claims IBNR based on historical experience. The estimated cost of claims is actuarially determined based upon past experience. The self-insured portion of the liability is discounted using a discount rate of 3.7% and 4.4% for 2025 and 2024, respectively. The portion of the liability related to the wholly owned captives is not discounted. Provisions for malpractice claims charged to operations amounted to \$124,304 and \$84,655 in 2025 and 2024, respectively, which include associated defense expense and changes to IBNR.

The System's risk management plan for other insurance is a combination of retained and commercially insured limits. The System has insurance contracts whereby it transfers the risk of exposure to potential losses arising from large claims. Management believes, after considering legal counsel and claim management advisors' evaluations of all actions and claims, that insurance coverage and accruals for estimated losses are adequate to cover expected settlements.

The following is a summary of the System's professional and general liability recognized on the consolidated balance sheets at December 31:

	<u>2025</u>	<u>2024</u>
Accounts payable and accrued expenses	\$ 98,806	\$ 81,003
Professional liability accrual	334,579	295,508
	<u>\$ 433,385</u>	<u>\$ 376,511</u>

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

15. Employee Benefit Plans

Defined Contribution Plans

The System maintains defined contribution retirement plans. Employer contributions to those 403(b) and 401(a) plans are based on either a percentage of a participant's contribution, a percentage of a participant's compensation, or a discretionary percentage of a participant's contribution. Contributions to the defined contribution plans were \$155,115 and \$147,929 in 2025 and 2024, respectively.

Deferred Compensation Plans

The System has multiple deferred compensation plans, in which the investment is recognized in other long-term assets and the payable is recognized in long-term liabilities on the consolidated balance sheets. The balances of these plans at December 31 are as follows:

	<u>2025</u>	<u>2024</u>
457(b) deferred compensation	\$ 406,859	\$ 343,542
457(f) deferred compensation	34,467	34,171
Other deferred compensation plans	14,370	17,067
	<u>\$ 455,696</u>	<u>\$ 394,780</u>

Defined Benefit Plans

Corewell Health sponsors four defined benefit plans. One plan is sponsored by Corewell Health West and three are sponsored by Corewell Health East. The plan sponsored by Corewell Health West is a defined benefit pension plan that covers a portion of Corewell Health West team members. The benefits are based on years of service and compensation. This defined benefit plan has been frozen, and no new participants are permitted.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

15. Employee Benefit Plans (continued)

Corewell Health East sponsors three defined benefit pension plans that cover a portion of Corewell Health East team members. One of the Corewell Health East plans changed from a traditional final average pay plan to a cash balance formula for future years of service effective January 1, 2008. Eligible team members now receive a credit of 5% of base pay earned for each year after 2007. Additionally, account balances increase through an annual interest credit. Effective January 1, 2016, the plan has been closed to new entrants. Corewell Health East also sponsors two other cash balance pension plans covering a portion of Corewell Health East team members. The plans provide a cash balance benefit with contributions based on years of service and compensation. Additionally, account balances increase through an annual interest credit. Effective July 1, 2013, the plans no longer accept new participants.

Contributions to Corewell Health's plans are sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, as amended, plus such additional amounts as may be determined to be appropriate from time to time.

The System recognizes the net funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligation) of its pension plans in either pension plan assets or accrued pension obligation on the consolidated balance sheets. The net funded status of the Corewell Health West pension plan was an asset of \$25,124 and \$19,828 at December 31, 2025 and 2024, respectively. The net funded status of the Corewell Health East pension plans was an asset of \$87,909 and \$20,187 at December 31, 2025 and 2024, respectively. The annual adjustment to net assets without donor restrictions represents the unrecognized actuarial losses, unrecognized prior service credits, and settlement gains, which will be subsequently recognized as net periodic pension cost. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same period will be recognized as a component of net assets without donor restrictions. Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as amounts recognized in net assets without donor restrictions.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

15. Employee Benefit Plans (continued)

A summary of the information related to the System's defined benefit plans is combined as follows:

	December 31	
	2025	2024
Change in benefit obligation		
Projected benefit obligation at beginning of year	\$ 1,905,310	\$ 1,974,059
Interest cost	104,181	99,132
Service cost	25,631	27,705
Actuarial losses (gains)	23,498	(58,773)
Benefits paid	(162,586)	(126,545)
Settlements	(12,119)	(10,268)
Projected benefit obligation at end of year	1,883,915	1,905,310
Change in net plan assets		
Fair value of plan assets at beginning of year	1,945,325	1,770,626
Actual return on plan assets	178,623	121,512
Employer contributions	47,705	190,000
Benefits paid	(162,586)	(126,545)
Settlement	(12,119)	(10,268)
Fair value of plan assets at end of year	1,996,948	1,945,325
Net funded status	\$ 113,033	\$ 40,015
Accumulated benefit obligation at end of year	\$ (1,865,625)	\$ (1,884,324)

Actuarial losses of \$23,498 related to 2025 increased the projected benefit obligation and are primarily attributable to negative financial assumption and demographic assumption changes.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

15. Employee Benefit Plans (continued)

The amounts included in net assets without donor restriction, including amounts arising during the year and amounts reclassified into net periodic benefit cost, as of December 31, are as follows:

	Net Gain (Loss)	Prior Service Credit	Total
2025			
Included in net assets – January 1, 2025	\$ 162,984	\$ (909)	\$ 162,075
Reclassified to net periodic benefit cost	(4,636)	73	(4,563)
Recognized due to settlement	(5,521)	–	(5,521)
Arising during the year	(52,255)	–	(52,255)
Included in net assets – December 31, 2025	<u>\$ 100,572</u>	<u>\$ (836)</u>	<u>\$ 99,736</u>

	Net Gain (Loss)	Prior Service Credit	Total
2024			
Included in net assets – January 1, 2024	\$ 236,553	\$ (984)	\$ 235,569
Reclassified to net periodic benefit cost	(4,572)	75	(4,497)
Recognized due to settlement	(5,310)	–	(5,310)
Arising during the year	(63,687)	–	(63,687)
Included in net assets – December 31, 2024	<u>\$ 162,984</u>	<u>\$ (909)</u>	<u>\$ 162,075</u>

The estimated amounts to be amortized from unrecognized net assets into net period benefit cost during 2026 are as follows:

Year ending December 31, 2026	
Amortization of prior service credits	\$ 74
Amortization of net actuarial gain	(3,737)
Net amount to be recognized in 2026	<u>\$ (3,663)</u>

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

15. Employee Benefit Plans (continued)

The following table provides the components of net periodic benefit cost for the System's plans included on the consolidated statements of operations and changes in net assets:

	Year Ended December 31	
	2025	2024
Components of net periodic benefit cost		
Interest cost	\$ 104,181	\$ 99,132
Service cost	25,631	27,705
Expected return on plan assets	(102,872)	(116,596)
Amortization of unrecognized prior service credit	(73)	(75)
Amortization of unrecognized net gain	4,636	4,572
Net periodic income	31,503	14,738
Settlement cost	5,521	5,310
Net pension cost	<u>\$ 37,024</u>	<u>\$ 20,048</u>

The components of net periodic benefit cost, other than service costs, are included in nonoperating expenses on the consolidated statements of operations and changes in net assets.

The assumptions used to determine the benefit obligation and net periodic benefit cost of the System's plans are set forth below:

	2025	2024
Weighted average assumptions used to determine benefit obligation as of December 31		
Discount rate	5.52%	5.69%
Rate of compensation increase	3.00	3.00
Weighted average assumptions used to determine net periodic benefit cost as of December 31		
Discount rate for periodic pension costs	5.63%	5.27%
Expected return on plan assets	5.09	6.13
Rate of compensation increase	5.00	3.00

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

15. Employee Benefit Plans (continued)

Disclosures About Investment Policies and Strategies

The System makes investment allocation decisions to achieve returns in excess of the plan's actuarial return assumption, while reducing the plan's funded status volatility and remaining consistent with its long-term investment horizon. The System establishes objectives, policies, and guidelines; allocates assets in an appropriate and prudent fashion in accordance with fiduciary requirements of the Employee Retirement Income Security Act of 1974; and ensures that plan assets are sufficient to meet the obligations of the plans as they come due.

The System controls and coordinates the investment management activities of the plans by engaging professional investment management firms that must adhere to policy guidelines and objectives. An independent investment consultant is used to measure and report on investment performance; to perform asset/liability modeling studies and recommend changes to objectives, guidelines, investment manager, or asset class structure; and to communicate current investment trends and issues.

Based on consideration of the plan's projected benefit obligation and long-term investment horizon, the plan's ability to tolerate risk is in the conservative-to-moderate range. Asset allocation is consistent with this level of risk, with assets diversified among multiple asset classes, with a larger exposure to fixed-income securities. Minimum and maximum ranges are established for each asset class to control risk and maximize the effectiveness of the plan's asset allocation strategy. Asset allocation is reviewed and rebalanced quarterly. Derivative instruments may only be utilized when consistent with the manager's stated style and objectives and may not be used for speculative purposes. Specific investment guidelines, restrictions, and investment return objectives exist for each asset class and corresponding investment manager. Certain investment strategies (swaps, puts, and calls) are deployed to extend duration of the plan's assets to achieve a closer match with the duration of the plan's liabilities or to reduce exposure during swings in interest rates. These techniques are designed to reduce the volatility in the plan's asset/liability ratios. The expected return on plan assets is determined by applying the target allocation in each asset category of plan investments to the anticipated return for each asset category based on historical and projected returns.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(In Thousands)

15. Employee Benefit Plans (continued)

The investment strategy for the System’s defined benefit plan is both to meet the liabilities of the plans as they become due and to maximize the return on invested assets within appropriate risk tolerances. The System’s pension plan asset allocations by major asset category are as follows:

Asset Category	Plan Assets at December 31		Target Asset Allocation
	2025	2024	
Cash and cash equivalents	5%	3%	0%–1%
Equity securities	55	71	31–68
Debt securities	40	26	16–53
Total	100%	100%	

The expected long-term rate of return on plan assets assumption is based on modeling studies completed with the assistance of the System’s actuaries and investment consultant. The models consider asset class allocation, asset class returns, inflation, and bond yields for both domestic and foreign markets. They are also calibrated to take into consideration historical experience, including a random variable to reflect real-life uncertainty of the future and to project many future economic scenarios. The consequences of adopting various investment policies on the future financial health of the plans under each of the scenarios are then evaluated. These studies, along with the historical market returns that the plans have generated, support the long-term asset return used by the System.

Projected benefits to be paid in the years subsequent to December 31, 2025, are as follows:

2026	\$ 199,486
2027	194,233
2028	193,589
2029	168,971
2030	161,454
Thereafter	733,096

The System’s funding policy is to contribute annually not less than the minimum required by applicable laws and regulations. The System contributed \$47,705 to the plans in 2025. Pension contributions are expected to be \$23,000 in 2026.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

15. Employee Benefit Plans (continued)

The following table presents the plan's assets and liabilities as of December 31, 2025, measured at fair value on a recurring basis within the fair value hierarchy as defined in Note 13:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 112,482	\$ 112,482	\$ –	\$ –
Government securities and obligations	336,016	–	336,016	–
Corporate debt securities and obligations	452,550	–	452,550	–
Mortgage and other asset-backed securities	31,974	–	31,974	–
Mutual funds – domestic	133,027	133,027	–	–
Mutual funds – global	20,640	20,640	–	–
Equities and exchange-traded funds	5,110	–	5,110	–
Total financial assets at fair value	<u>1,091,799</u>	<u>\$ 266,149</u>	<u>\$ 825,650</u>	<u>\$ –</u>
Investments measured at NAV:				
Commingled funds	620,906			
Hedge funds	28,232			
Private capital	321,257			
Real estate	<u>14,580</u>			
Total investments measured at NAV	984,975			
Due to broker, net	<u>(79,826)</u>			
	<u>\$ 1,996,948</u>			

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

15. Employee Benefit Plans (continued)

The following table presents the plan's assets and liabilities as of December 31, 2024, measured at fair value on a recurring basis within the fair value hierarchy as defined in Note 13:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 63,948	\$ 63,948	\$ —	\$ —
Government securities and obligations	131,559	1,245	130,314	—
Corporate debt securities and obligations	386,815	2,032	384,783	—
Mortgage and other asset-backed securities	14,149	—	14,149	—
Mutual funds – domestic	139,601	139,601	—	—
Mutual funds – international	4,251	4,251	—	—
Equities and exchange-traded funds	1,753	—	1,753	—
Total financial assets at fair value	<u>742,076</u>	<u>\$ 211,077</u>	<u>\$ 530,999</u>	<u>\$ —</u>
Investments measured at NAV:				
Commingled funds	881,376			
Hedge funds	99,698			
Private capital	275,355			
Real estate	<u>36,813</u>			
Total investments measured at NAV	1,293,242			
Due to broker, net	<u>(89,993)</u>			
	<u>\$ 1,945,325</u>			

The types of investments estimated using NAV are discussed in Note 13. As of December 31, 2025, the unfunded commitments related to the pension plan assets are \$50,591 for private capital funds.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

16. Functional Expenses

The following statement of functional expenses reports the System's operating expenses, as presented on the consolidated statements of operations and changes in net assets, by each of the System's major operating functions. Operating expenses that are attributable to more than one operating function have been allocated using a basis representative of the operating expenditure, such as patient volume, full-time equivalent, or facility size.

	Year Ended December 31, 2025			
	Care Delivery	Health Plan Coverage	Management and General	Total
Salaries, wages, and employee benefits	\$ 5,115,927	\$ 250,996	\$ 950,276	\$ 6,317,199
Supplies and other	4,323,905	334,384	191,537	4,849,826
Healthcare claims expense	–	5,666,445	–	5,666,445
Depreciation and amortization	315,394	43,006	74,144	432,544
Interest	90,475	1,077	3,150	94,702
Total operating expenses	\$ 9,845,701	\$ 6,295,908	\$ 1,219,107	\$ 17,360,716

	Year Ended December 31, 2024			
	Care Delivery	Health Plan Coverage	Management and General	Total
Salaries, wages, and employee benefits	\$ 4,845,397	\$ 224,524	\$ 862,013	\$ 5,931,934
Supplies and other	3,883,293	330,352	238,465	4,452,110
Healthcare claims expense	–	5,295,999	–	5,295,999
Depreciation and amortization	339,912	34,940	49,007	423,859
Interest	91,655	1,085	3,833	96,573
Total operating expenses	\$ 9,160,257	\$ 5,886,900	\$ 1,153,318	\$ 16,200,475

17. Legal

The System is party to lawsuits (including alleged medical professional liability claims) incidental to the operation of the hospitals. Management believes that the ultimate disposition of such litigation will not result in liabilities that are materially more than amounts currently accrued on the consolidated balance sheets of the System.

Corewell Health and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

17. Legal (continued)

A portion of the System's employees are covered by collective bargaining agreements that are either active or in the process of negotiations. As of December 31, 2025, approximately 17% of employees were represented by labor unions.

18. Consent Decree

In connection with the formation of Spectrum Health in 1997, the System agreed to be bound by the terms of a consent decree with a federal court. The consent decree contains a series of formal assurances to the west Michigan community with respect to the operation of the merged entity, Spectrum Health, now Corewell Health Blodgett and Corewell Health Butterworth (collectively, Corewell Health Grand Rapids). Although numerous requirements were imposed by the consent decree, the most restrictive terms expired in September 2004 (including the limitations on price increases). However, the following requirements will continue in perpetuity:

- Corewell Health Grand Rapids will target a five-year rolling average total margin that does not exceed the average of Moody's or Standard & Poor's upper quartile total margins for other health systems nationally.
- Corewell Health Grand Rapids has committed to establish a fund to provide healthcare programs for the underserved in the community, including services such as community-based clinics, immunization and preventive care, and health education programs. The Community Commitment fund will include a budgeted item in the amount of \$6,000 per year.
- The Community Commitment also opens the budget and pricing process of Corewell Health Grand Rapids to the public for both input in advance of the adoption of the budget and scrutiny of past performance. A permanent Finance Advisory Committee counsels the Finance and Audit Committee of the Corewell Health West Board of Directors during the budgeting process and prior to any budgetary recommendation to the Corewell Health Board of Directors.
- The Board of Directors of Corewell Health West will be representative of the community it serves.

As of December 31, 2025 and 2024, and for the years then ended, management believes the System is in compliance with the terms of the consent decree.

Supplemental Information

Corewell Health and Subsidiaries

Consolidating Balance Sheet (In Thousands)

December 31, 2025

	Corewell Health Credit Group	Non-Credit Group Members	Eliminating Entries	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 508,923	\$ 534,598	\$ –	\$ 1,043,521
Short-term investments	–	454,647	–	454,647
Accounts receivable:				
Patients	1,049,222	71,861	(153,368)	967,715
Other	72,441	415,212	(8,755)	478,898
Estimated third-party payer settlements	338,732	224	–	338,956
Pledges receivable	9,519	24,080	–	33,599
Inventories	186,729	1,379	–	188,108
Prepaid expenses and other current assets	172,627	76,272	–	248,899
Total current assets	2,338,193	1,578,273	(162,123)	3,754,343
Investments	7,036,012	2,097,720	–	9,133,732
Interest in recipient organization	489,622	34,112	(523,734)	–
Property and equipment – net	3,935,531	484,549	–	4,420,080
Right-of-use assets – net	208,356	24,590	–	232,946
Other assets:				
Due from subsidiaries	268,221	106,753	(374,974)	–
Investments in subsidiaries	144,552	3,822	(148,374)	–
Investments in joint ventures	53,649	37,720	(5,812)	85,557
Goodwill	2,443	67,584	–	70,027
Pledges receivable, less current portion	15,429	39,353	–	54,782
Prepaid pension costs	113,033	–	–	113,033
Other	559,893	53,696	(4,365)	609,224
Total assets	\$ 15,164,934	\$ 4,528,172	\$ (1,219,382)	\$ 18,473,724

Continued on next page.

Corewell Health and Subsidiaries

Consolidating Balance Sheet (continued) (In Thousands)

	Corewell Health Credit Group	Non-Credit Group Members	Eliminating Entries	Total
Liabilities and net assets				
Current liabilities:				
Accounts payable and accrued expenses	\$ 623,875	\$ 404,560	\$ (8,754)	\$ 1,019,681
Salaries, wages, and related withholdings	699,711	74,488	–	774,199
Health plan claims payable	–	829,927	(153,369)	676,558
Estimated third-party payer settlements	90,384	4,050	–	94,434
Current maturities of long-term debt	64,295	444	–	64,739
Short-term debt	345,634	–	–	345,634
Current portion of lease obligations	42,964	7,090	–	50,054
Total current liabilities	1,866,863	1,320,559	(162,123)	3,025,299
Due to subsidiaries	115,134	293,952	(409,086)	–
Long-term debt, less current maturities	1,821,030	64,025	–	1,885,055
Lease obligations, less current portion	199,227	16,527	–	215,754
Professional liability accrual	246,421	88,158	–	334,579
Interest rate swaps	22,853	–	–	22,853
Other long-term liabilities	530,412	14,067	(4,364)	540,115
Total liabilities	4,801,940	1,797,288	(575,573)	6,023,655
Net assets:				
Controlling interest in net assets without donor restrictions	9,839,396	2,247,101	(254,301)	11,832,196
Noncontrolling interest in subsidiaries	–	–	100,114	100,114
Net assets without donor restrictions	9,839,396	2,247,101	(154,187)	11,932,310
Net assets with donor restrictions	523,598	483,783	(489,622)	517,759
Total net assets	10,362,994	2,730,884	(643,809)	12,450,069
Total liabilities and net assets	\$ 15,164,934	\$ 4,528,172	\$ (1,219,382)	\$ 18,473,724

Corewell Health and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets (In Thousands)

Year Ended December 31, 2025

	Corewell Health Credit Group	Non-Credit Group Members	Eliminating Entries	Total
Operating revenue				
Net patient service revenue	\$ 10,377,415	\$ 879,819	\$ (1,464,666)	\$ 9,792,568
Premium revenue	–	7,981,864	(592,884)	7,388,980
Other	324,426	182,849	(52,106)	455,169
Total operating revenue	<u>10,701,841</u>	<u>9,044,532</u>	<u>(2,109,656)</u>	<u>17,636,717</u>
Operating expenses				
Salaries, wages, and employee benefits	5,220,122	1,692,197	(595,120)	6,317,199
Supplies and other	4,213,415	742,053	(105,642)	4,849,826
Healthcare claims expense	–	7,074,762	(1,408,317)	5,666,445
Depreciation and amortization	365,566	66,978	–	432,544
Interest	84,896	9,806	–	94,702
Total operating expenses	<u>9,883,999</u>	<u>9,585,796</u>	<u>(2,109,079)</u>	<u>17,360,716</u>
Total operating income (loss)	817,842	(541,264)	(577)	276,001
Other nonoperating revenue (expenses)				
Investment returns, net	814,570	231,292	–	1,045,862
Loss on interest rate swaps, net	(2,534)	–	–	(2,534)
Other expenses, net	(12,105)	(26,874)	–	(38,979)
Total other nonoperating revenue, net	<u>799,931</u>	<u>204,418</u>	<u>–</u>	<u>1,004,349</u>
Excess of revenue over (under) expenses	1,617,773	(336,846)	(577)	1,280,350
Income attributable to noncontrolling interest	–	–	(8,067)	(8,067)
Excess of revenue over (under) expenses	<u>\$ 1,617,773</u>	<u>\$ (336,846)</u>	<u>\$ (8,644)</u>	<u>\$ 1,272,283</u>

Continued on next page.

Corewell Health and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets (continued) (In Thousands)

	Corewell Health Credit Group	Non-Credit Group Members	Eliminating Entries	Total Controlling	Noncontrolling	Total
Net assets without donor restrictions						
Excess of revenue over (under) expenses	\$ 1,617,773	\$ (336,846)	\$ (8,644)	\$ 1,272,283	\$ 8,067	\$ 1,280,350
Contributions	–	1,431	–	1,431	–	1,431
Expenditures for donor sponsored programs	(37)	(4,041)	–	(4,078)	–	(4,078)
Net assets released for capital acquisitions	6,655	(182)	–	6,473	–	6,473
Pension-related changes other than net periodic pension costs	62,339	–	–	62,339	–	62,339
Other	657,074	(626,859)	(28,598)	1,617	1,994	3,611
Increase (decrease) in net assets without donor restrictions	2,343,804	(966,497)	(37,242)	1,340,065	10,061	1,350,126
Net assets with donor restrictions						
Contributions	22,315	53,120	–	75,435	–	75,435
Expenditures for donor sponsored programs	(13,738)	(42,514)	–	(56,252)	–	(56,252)
Investment returns	1,974	38,588	–	40,562	–	40,562
Interest in recipient organization	218,899	–	(218,899)	–	–	–
Net assets released for capital acquisitions	(264)	(6,209)	–	(6,473)	–	(6,473)
Other	16,522	304	(15,189)	1,637	–	1,637
Increase (decrease) in net assets with donor restrictions	245,708	43,289	(234,088)	54,909	–	54,909
Increase (decrease) in net assets	2,589,512	(923,208)	(271,330)	1,394,974	10,061	1,405,035
Net assets, beginning of year	7,773,482	3,654,092	(472,593)	10,954,981	90,053	11,045,034
Net assets, end of year	\$ 10,362,994	\$ 2,730,884	\$ (743,923)	\$ 12,349,955	\$ 100,114	\$ 12,450,069

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