



Corewell Health and Subsidiaries

Consolidated Financial Statements

As of and for the three months ended March 31, 2025

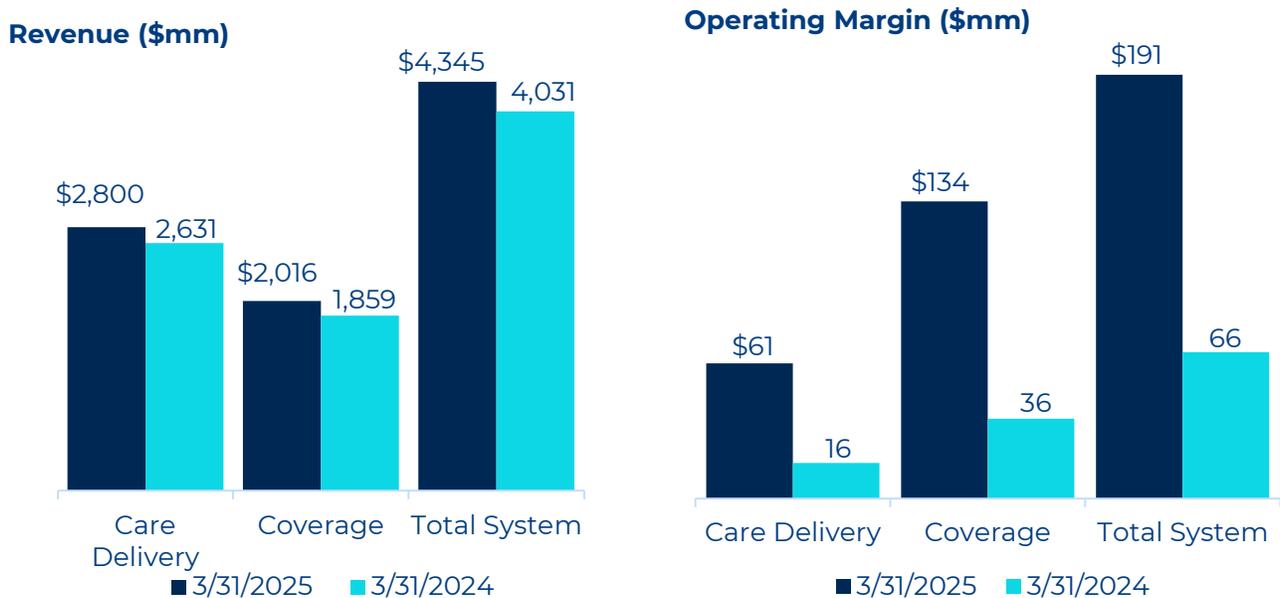
Corewell Health is a not-for-profit health system that provides health care and coverage with an exceptional team of 60,000+ dedicated people—including more than 12,000 physicians and advanced practice providers and more than 15,500 nurses providing care and services in 21 hospitals, 300+ outpatient locations and several post-acute facilities—and Priority Health, a provider-sponsored health plan serving more than 1.3 million members. Through experience and collaboration, we are reimagining a better, more equitable model of health and wellness. The accompanying unaudited 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 Moody’s median throughout the MD&A below, which are calculated medians for healthcare systems with Aa3 bond ratings as of the 2023 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 unaudited consolidated financial statements.

CONSOLIDATED CONDENSED OPERATING RESULTS

At March 31, 2025, the System’s year to date operating margin was \$191.3 million, or 4.4% of net operating revenue, which is higher than prior year of 1.6%. The System received \$21.1 million in philanthropic and grant contributions during the first quarter compared to prior year contributions of \$37.3 million.



CARE DELIVERY OPERATING RESULTS

Revenue and Reimbursement

At March 31, 2025, Care Delivery’s operating margin was \$60.7 million or 2.2%. Operating revenue of \$2.8 billion represents a 6.4% increase over the same period last year. In January 2025, the System received approximately \$16.0 million in FEMA funding from lagging COVID related claims, which is included in other operating revenue on the consolidated statement of changes in net assets.

Care Delivery experiences a higher government payer mix compared to the Moody’s median, due to the population demographics in the State of Michigan. While this mix was lower than the prior year, it continues to be higher than Moody’s. 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	Moody's Median
Medicare	46.2%	(0.7)%	1.6%
Medicaid	16.5%	(1.0)%	1.2%
Priority Health	6.0%	(0.3)%	
Commercial & Other	29.0%	0.8%	
Self Pay	2.3%	1.2%	
Total Commercial	37.3%	1.7%	(2.8)%

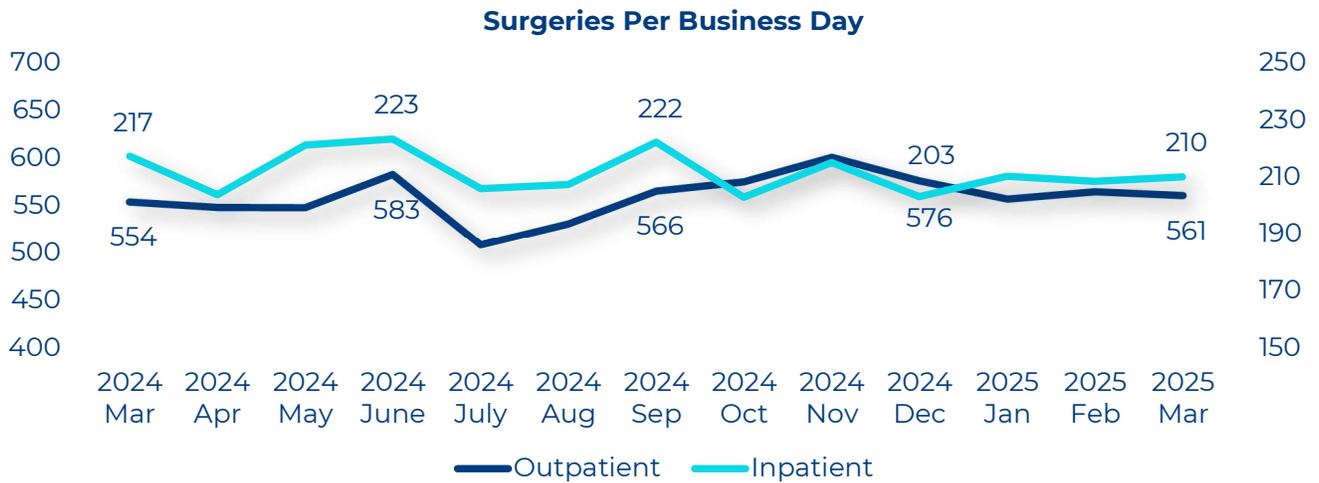
Volume and Mix Impact

During the first quarter of 2025, Care Delivery experienced high volumes due to admissions and length of stay related to seasonal respiratory illnesses as compared to the most recent preceding quarter. Although these cases are not usually high acuity, when they are, they tend to be short-term, resulting in an increase in discharges.

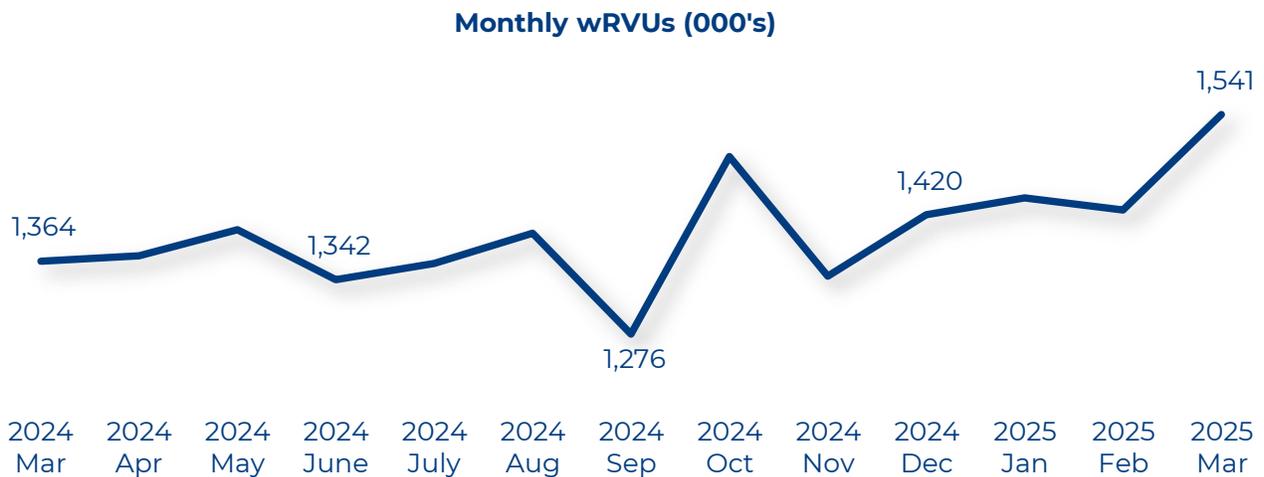
Monthly Acute Discharges



Care Delivery has experienced a trending shift in the mix from inpatient to outpatient surgeries per business day.



Care Delivery Physician Services experienced an increase in encounters, reaching 2.4 million for the three months ending March 31, 2025, compared to 2.3 million in the same period last year. Additionally, Physician Services experienced an 11% growth in wRVUs, rising from 4.0 million in the first quarter of 2024 to 4.4 million in the first quarter of 2025.



**Note: The integration of a joint venture in July 2024 resulted in an average monthly increase of approximately 45,000 wRVUs. Additionally, regional definitions of wRVUs were aligned effective January 2025, resulting in an estimated increase of approximately 70,000 wRVUs per quarter.*

Operating Expenses

Care Delivery's operating expenses reached \$2.7 billion, surpassing the previous year's figures due to increased volumes. The higher costs were driven by pharmacy expenses and supply-intensive procedures, with supplies and other expenses accounting for 45.6% of operating revenue, up by 0.7% compared to the same period last year. Although salaries, wages, and employee benefits have grown by 3.9% from the previous year, these costs have maintained a relatively consistent share of the revenue.

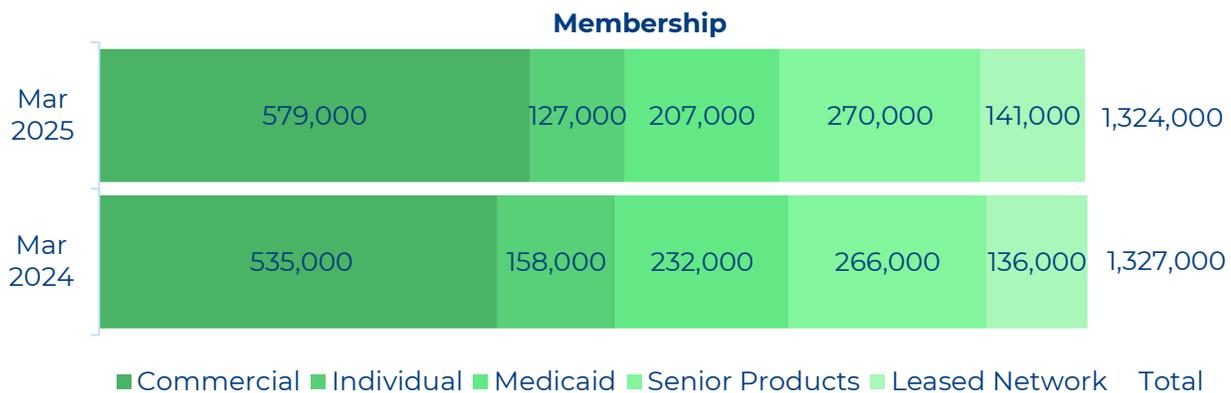
COVERAGE OPERATING RESULTS

Operating Summary

Priority Health’s operating margin for the first quarter of 2025 was \$133.6 million, or 6.6%, which is higher than the previous year’s margin of 1.9%. Historically, the insurance industry sees higher margins in the first quarter due to seasonal factors such as timing of member deductibles. Priority Health’s medical costs were elevated in the current year, driven by increased respiratory cases across all service categories. Despite these challenges, Priority Health maintained a strong position with 2025 premium adjustments consistent with industry trends.

Membership

Coverage membership decreased 0.2% from prior year primarily due to Medicaid redeterminations and an anticipated drop in individual membership resulting from 2025 premium adjustments. This was offset by an increase in Commercial group members due to the acquisition of PHP of Northern Indiana (PHPNI) in December 2024.



Risk Based Capital (RBC)

Priority Health’s risk based capital is consistently higher than the benchmark of 497%, which is based on data collected from seven similar sized health plans’ December 31, 2023 statutory filings. At March 31, 2025, the RBC of 615% is higher than prior year.

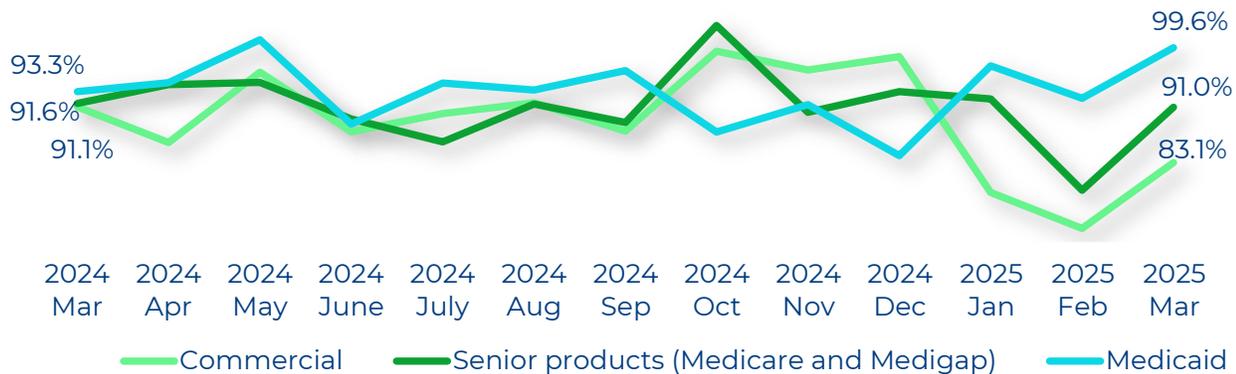


Cost Ratios

Priority Health’s administrative cost ratio (ACR) was 9.5% year to date March 31, 2025, which is generally consistent throughout the year.

The medical cost ratio (MCR) was 84.6% and favorable to prior year of 89.2% at March 31, 2025. While membership counts are lower for Medicaid as shown above, the System continues to experience a higher trend in the MCR for this population. This is due to the fact that the membership we retained has higher utilization and complexity driving an increased MCR. Alternatively, the commercial group experiences lower MCR at the start of each premium year due to the seasonality and deductibles.

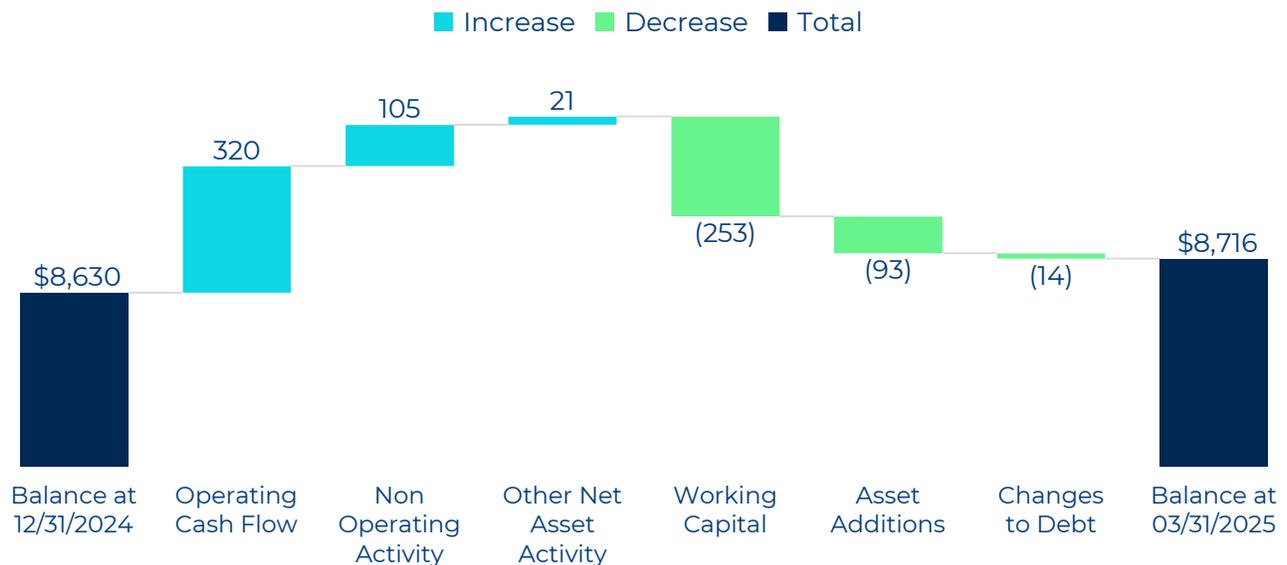
Medical Cost Ratio



LIQUIDITY AND CASH FLOW

At March 31, 2025, total cash and investments for the System were \$8.7 billion, an increase of \$85.5 million from December 31, 2024. The detail of this change is shown below.

Net Cash Flow (\$mm)



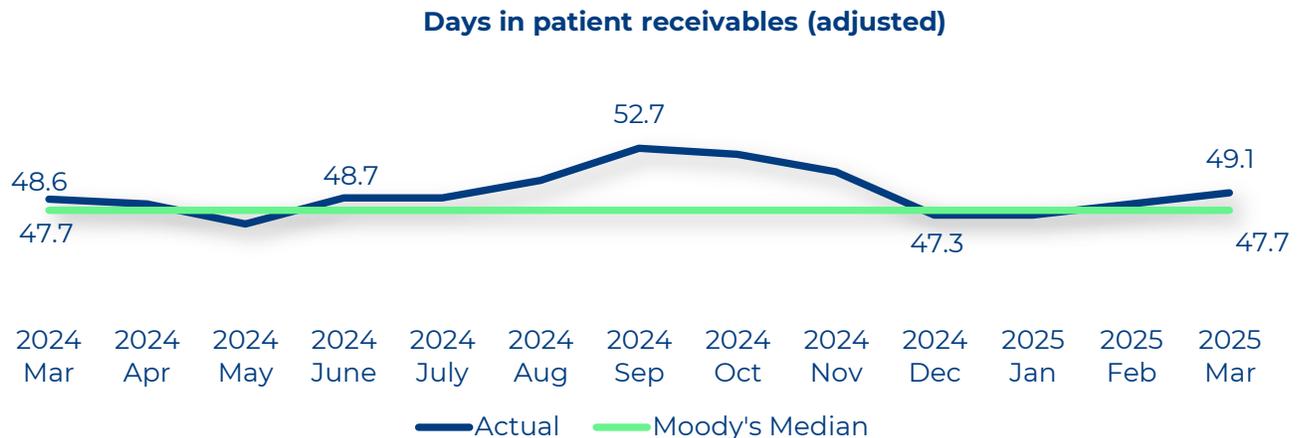
Days cash (unrestricted) on hand

Days cash on hand (DCOH) for the System decreased 1.1 days to 199.1 at March 31, 2025, from 200.2 days at December 31, 2024. This is driven by an increase in average daily expense of \$43.8 million year to date, compared to \$43.2 million at the end of 2024. DCOH is lower than the Moody’s median of 281.3 partly due to the inclusion of Priority Health. Excluding Priority Health, Care Delivery has 240.2 days cash on hand at March 31, 2025.



Days in patient receivables (adjusted)

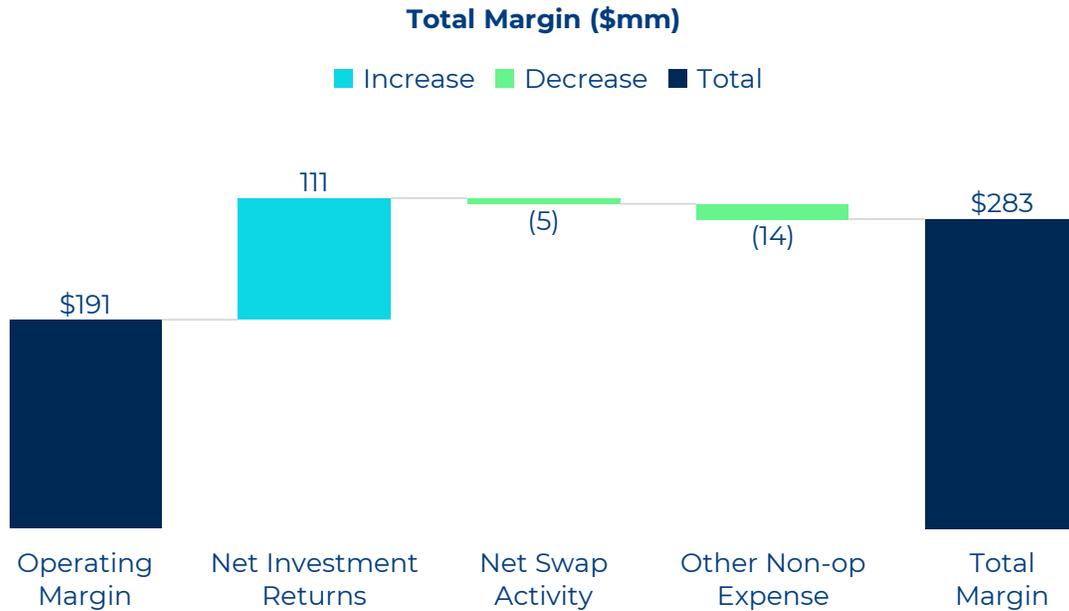
Days in patient receivables peaked in 2024 due to One Epic Ecosystem (OEE) going live for our East and South markets mid-year. As a result of focused work and additional resources in the revenue cycle, this trend came back down to our target by the end of the year. However, the system is seeing an increase in the first three months of 2025 of 1.8 days from December 31, 2024. This is driven by increased volumes described above.



OTHER CONSOLIDATED KEY FINANCIAL INDICATORS

Total Margin

The System’s excess of revenue over expenses was \$283.0 million or 6.4% of total revenue. Total margin was \$34.5 million lower than the three months ended March 31, 2024 and represents the impact that the investment market performance can have on our financial results.



Equity Structure

At March 31, 2025, debt balances of \$2.2 billion remain consistent to the prior year-end. Fund balance was approximately \$11.3 billion at March 31, 2025 resulting in a debt to capitalization ratio of 17.6% for the System. As expected, this is lower than the Moody’s 2023 Aa3 median of 24.9% partly due to the inclusion of Priority Health. Excluding Priority Health, Care Delivery’s debt to capitalization ratio was 20.0%. Total assets for the System were approximately \$16.9 billion.



Ratio Analysis - Total System

March 31, 2025



	Actual 2025	Actual 2024	Medians S&P	Moody's
Profitability Ratios *				
Operating margin	4.4%	1.6%	2.9%	2.3%
Total margin	6.4%	7.4%	6.3%	5.6%
EBITDA Margin	7.3%	5.2%	n/a	7.2%
Return on assets	6.8%	7.9%	n/a	4.1%
Liquidity Indicators				
Days in patient receivables (adjusted)^	49.1	47.3	48.7	47.7
Days cash (unrestricted) on hand	199.1	200.2	325.8	281.3
Current ratio	1.4	1.3	n/a	1.7
Cash to debt %	378.7%	373.6%	n/a	259.7%
Capital Structure				
Total debt to capitalization	17.6%	18.0%	21.0%	24.9%
Risk based capital (PH only)	615%	557%	n/a	497% (a)
Capital expenditures to depreciation	1.0	1.2	1.5	1.3

* Profitability ratios for prior year represent similar year to date periods as the actual ratios. The prior year ratios for liquidity and capital represent full year amounts as of 12/31.

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

(a) Provider Sponsored Health Plan benchmark consists of seven similar sized health plans. RBC benchmark data is based on December 31, 2023 statutory filings.

Note: Moody's figures are medians for freestanding hospitals, single-state & multi-state healthcare systems with Aa3 bond ratings as of the 2023 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 2023 report.

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

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

Assets				
	Assets With Same-Day Liquidity	Assets With Next-Day Liquidity	Assets > Next-Day Liquidity	Total
Cash & Cash Equivalents	\$ 10,450	\$ -	\$ -	\$ 10,450
S&P Rated Money Market Funds (> Am)	548,340	-	-	548,340
U.S. Treasury Debt Obligations (> 1 year)	-	461,214	-	461,214
U.S. Agencies (> 1 year)	-	234,188	0	234,188
Investment Grade Debt (not included above)	-	1,135,939	0	1,135,939
Equities	-	917,417	39,402	956,818
Non-Investment Grade Debt	-	20,726	-	20,726
Total	\$ 558,790	\$ 2,769,484	\$ 39,402	\$ 3,367,676

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
Taxable Commercial Paper (authorized maximum \$300,000)	74,000	-	-	74,000
Total	\$ 74,000	\$ -	\$ 75,745	\$ 149,745

*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 Balance Sheets

(in thousands)



	Actual March 31, 2025	Actual December 31, 2024
Cash and cash equivalents	\$ 1,012,519	\$ 1,023,754
Short term investments	455,729	451,204
Patient accounts receivable, net	1,086,378	1,016,837
Other accounts receivable, net	395,901	448,308
Pledges receivable	38,200	29,685
Inventory	178,330	180,039
Estimated third-party payor settlements	350,089	348,453
Prepaid expenses and other current assets	205,556	212,705
Total current assets	3,722,702	3,710,985
Investments	7,247,724	7,155,467
Donor and other restricted assets:		
Restricted investments	607,017	594,350
Pledges receivable	58,094	58,146
	665,111	652,496
Property and equipment, net	4,260,659	4,265,036
Right of use assets, net	252,251	254,050
Other assets:		
Investment in joint ventures	82,950	79,262
Goodwill, net	78,460	81,702
Prepaid pension costs	32,137	40,015
Other long term assets	572,832	573,720
	766,379	774,699
TOTAL ASSETS	\$ 16,914,826	\$ 16,812,733
Accounts payable and accrued expenses	\$ 1,089,135	\$ 958,182
Accrued salaries, wages and related withholdings	567,894	749,190
Health plan claims payable	525,015	669,483
Short term debt	178,790	176,505
Current maturities of long term debt	128,543	131,039
Lease liability, current portion	48,515	49,215
Estimated third-party payor settlements	91,045	100,969
Total current liabilities	2,628,937	2,834,583
Interest rate swaps	26,735	22,142
Long term debt, less current portion	1,884,476	1,896,859
Lease liability, less current portion	238,454	239,242
Professional liability accrual	308,555	295,508
Other long term liabilities	479,829	479,365
Net assets:		
Net assets without donor restrictions	10,774,802	10,492,131
Net assets with donor restrictions	473,368	462,850
Total System net assets	11,248,170	10,954,981
Non-controlling interest	99,670	90,053
Total net assets	11,347,840	11,045,034
TOTAL LIABILITIES AND NET ASSETS	\$ 16,914,826	\$ 16,812,733

Consolidated Statements of Activities

Three months ended March 31, 2025

(in thousands)



	Actual	Prior Year
<u>OPERATING REVENUE (net of deductions)</u>		
Net patient service revenue	\$ 2,393,063	\$ 2,190,685
Premium revenue	1,854,596	1,717,796
Other	97,574	122,389
Total operating revenue	4,345,233	4,030,870
<u>OPERATING EXPENSES</u>		
Salaries, wages and employee benefits	1,535,942	1,478,133
Supplies and other	1,142,934	1,043,120
Health care claims expense	1,347,877	1,298,494
Depreciation and amortization	104,148	120,638
Interest	23,079	24,745
Total operating expenses	4,153,980	3,965,130
Net operating income	191,253	65,740
<u>OTHER REVENUE (EXPENSE):</u>		
Investment returns, net	110,942	258,588
Gain (loss) on interest rate swaps, net	(4,986)	6,867
Other income (expense)	(5,230)	(9,991)
Total other revenue (expense)	100,726	255,464
EXCESS OF REVENUE OVER EXPENSES	291,979	321,204
Less: Excess of revenue (over) under expenses attributable to noncontrolling interest	(9,012)	(3,739)
EXCESS OF REVENUE OVER EXPENSES	\$ 282,967	\$ 317,465
Operating margin %	4.4%	1.6%
Total margin %	6.4%	7.4%

Consolidated Statements of Activities (continued)

Three months ended March 31, 2025
(in thousands)



	Actual	Prior Year
Net assets without donor restrictions:		
Excess of revenue over expenses attributable to System	\$ 282,967	\$ 317,465
Contributions	747	74
Expenditures for donor sponsored programs	(677)	(627)
Net assets released for capital acquisitions	2,101	4,874
Other	(2,467)	(2,303)
Increase attributable to Corewell Health	282,671	319,483
Excess of revenue over expenses attributable to non-controlling interests	9,012	3,741
Other changes	605	2,155
Increase attributable to non-controlling interests	9,617	5,896
Net assets with donor restrictions:		
Contributions	20,333	37,243
Expenditures for donor sponsored programs	(10,647)	(16,358)
Investment returns, net	16	16,050
Net assets released for capital acquisitions	(2,101)	(4,874)
Other	2,917	1,368
Increase in net assets with donor restrictions	10,518	33,429
Increase in net assets	302,806	358,808
Net assets, beginning of year	11,045,034	9,988,894
Net assets, end of period	\$ 11,347,840	\$ 10,347,702

Consolidated Statements of Cash Flows

Three months ended March 31, 2025

(in thousands)



	Actual	Prior Year
<u>OPERATING ACTIVITIES AND OTHER REVENUE</u>		
Change in net assets	\$ 302,806	\$ 358,808
Contributions and other net asset activity	(21,388)	(38,466)
Unrealized (gain) loss in market value of interest rate swaps	4,593	(6,771)
Unrealized (gain) loss in market value of trading securities	4,974	(128,354)
Unrealized (gain) loss on investments in joint ventures	(5,006)	-
Depreciation and amortization	104,148	120,638
Changes in operating assets and liabilities:		
Trading securities	(114,345)	(132,982)
Changes in net accounts receivable, inventories, prepaid expenses, and other operating assets	(1,004)	58,229
Changes in accounts payable, accrued expenses, accrued salaries and related withholdings, health plan claims payable, third-party settlement liabilities, and other operating liabilities	(200,085)	(136,654)
Other	(2,305)	(2,667)
Net cash provided by operating activities and other revenue	<u>72,388</u>	<u>91,781</u>
<u>INVESTING ACTIVITIES</u>		
Additions to property and equipment, net	(92,693)	(72,346)
Other	1,317	(1,209)
Net cash used in investing activities	<u>(91,376)</u>	<u>(73,555)</u>
<u>FINANCING ACTIVITIES</u>		
Contributions and other net asset activity	21,388	38,466
Proceeds from issuance of long term debt	50,483	-
Payment of long term debt	(61,127)	(10,728)
Payment of financing lease obligation	(2,915)	(2,319)
Net cash provided by financing activities	<u>7,829</u>	<u>25,419</u>
Increase in cash, cash equivalents, and restricted cash	(11,159)	43,645
Cash, cash equivalents, and restricted cash beginning of year	<u>1,036,769</u>	<u>1,555,239</u>
Cash, cash equivalents, and restricted cash end of period	<u>\$ 1,025,610</u>	<u>\$ 1,598,884</u>
<u>NON CASH ACTIVITIES</u>		
Right of use assets obtained in exchange for lease liabilities, net	\$ 10,308	\$ 40,889