



Corewell Health and Subsidiaries

Consolidated Financial Statements

As of and for the six months ended June 30, 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 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 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.

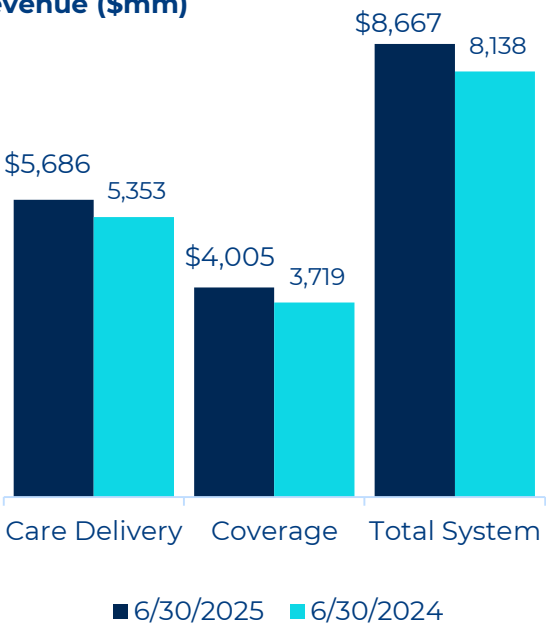
The purpose of Management's Discussion and Analysis (MD&A) is to provide a narrative explanation of the consolidated financial statements of Corewell Health and Subsidiaries (the System) that highlights the overall financial disclosures, to provide the context of our financial condition, results of operations 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.

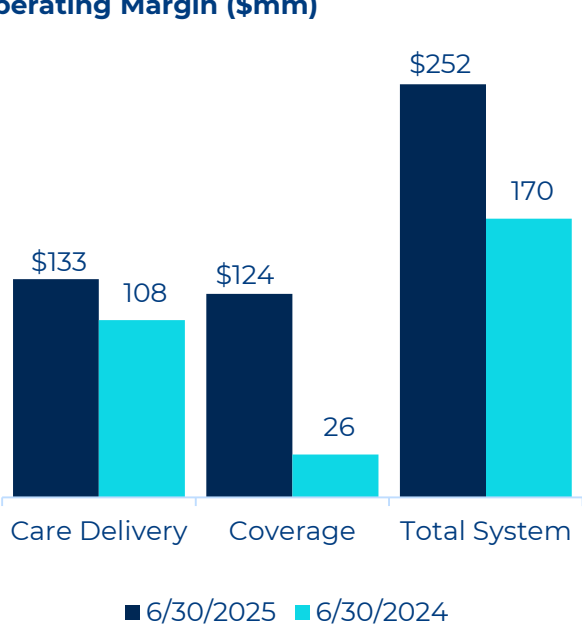
CONSOLIDATED CONDENSED OPERATING RESULTS

At June 30, 2025, the System's year to date operating margin was \$252.3 million, or 2.9% of net operating revenue, which is higher than prior year of 2.1%. The System received \$34.5 million in philanthropic and grant contributions during the first half of 2025 compared to contributions of \$38.6 million in the prior year.

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

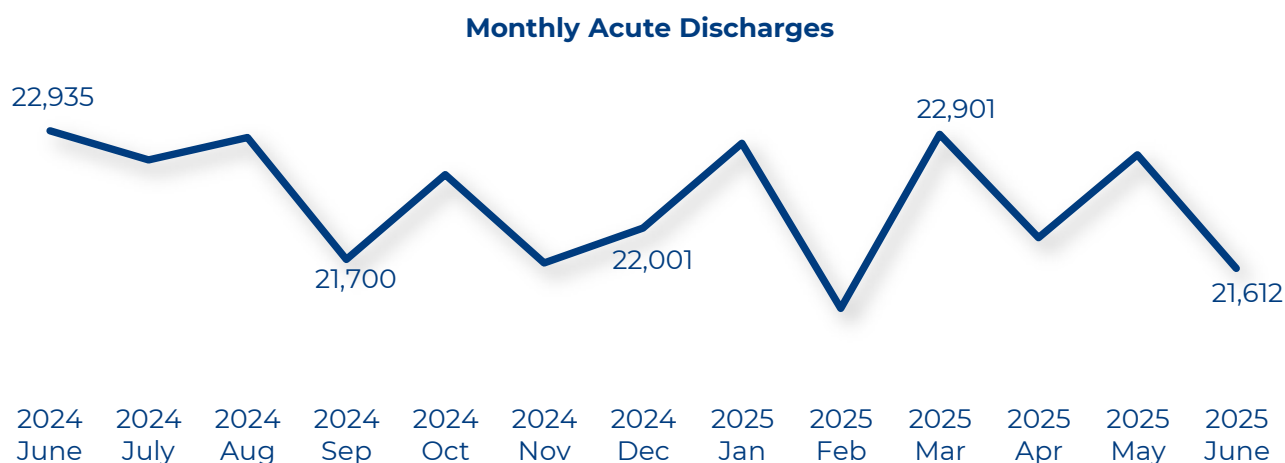
At June 30, 2025, Care Delivery's operating margin was \$133.2 million or 2.3%. Operating revenue of \$5.7 billion represents a 6.2% increase over the same period last year.

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	46.6%	0.0%	2.0%
Medicaid	16.3%	(0.7)%	1.0%
Total Commercial	37.1%	0.7%	(3.0)%
Priority Health	5.9%	(0.4)%	
Commercial & Other	29.1%	0.9%	
Self Pay	2.2%	0.4%	

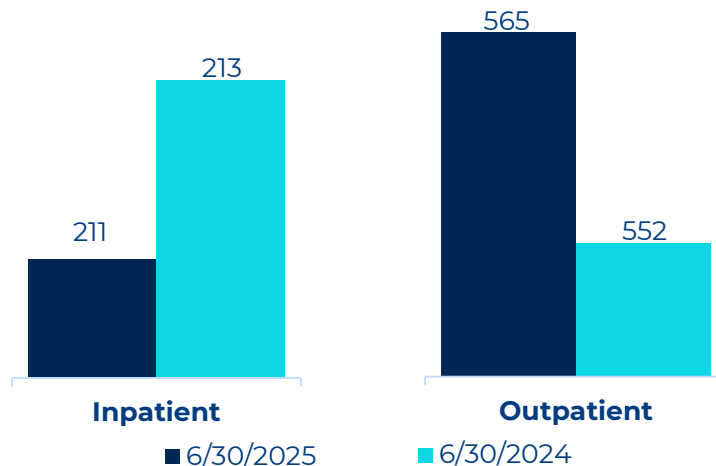
Volume and Mix Impact

In the first half of 2025, all Care Delivery markets reported higher outpatient volumes, largely driven by increased demand for surgical and pharmacy services.



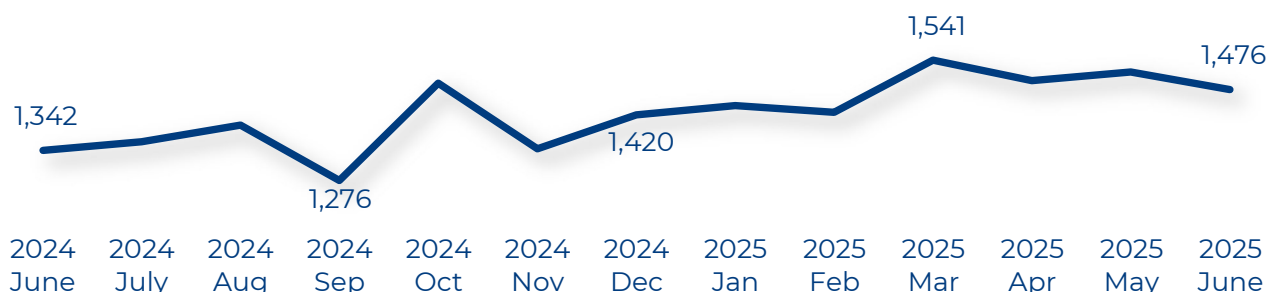
The decrease in acute discharge volume year over year is driven, in part, by a shift in the mix from inpatient to outpatient surgeries per business day.

Average YTD Surgeries per Business Day



Care Delivery Physician Services experienced an increase in encounters, reaching 4.8 million for the six months ended June 30, 2025, compared to 4.7 million in the same period last year. Additionally, Physician Services experienced a 10.0% growth in wRVUs, rising from 8.1 million in the first half of 2024 to 8.9 million in the first half of 2025. 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 5.6% from the six months ended June 30, 2024.

Monthly wRVUs (000's)



Operating Expenses

Care Delivery's operating expenses rose to \$5.6 billion, exceeding the prior year due to increased patient volumes and a more complex service mix. Key cost drivers included higher pharmacy expenses, a supply-intensive procedural mix, and inflationary pressures, reflected in the growing proportion of supplies and other expenses relative to operating revenue. While salaries, wages, and benefits increased by 5.2%, these costs maintained a relatively consistent proportion of operating revenue.

Care Delivery Expense YTD as % of Operating Revenue			
	Actual 6/30/2025	Actual 6/30/2024	Change from Prior Year
Supplies and other	45.8%	44.9%	0.8%
Salaries, wages and employee benefits	48.3%	48.6%	(0.3)%

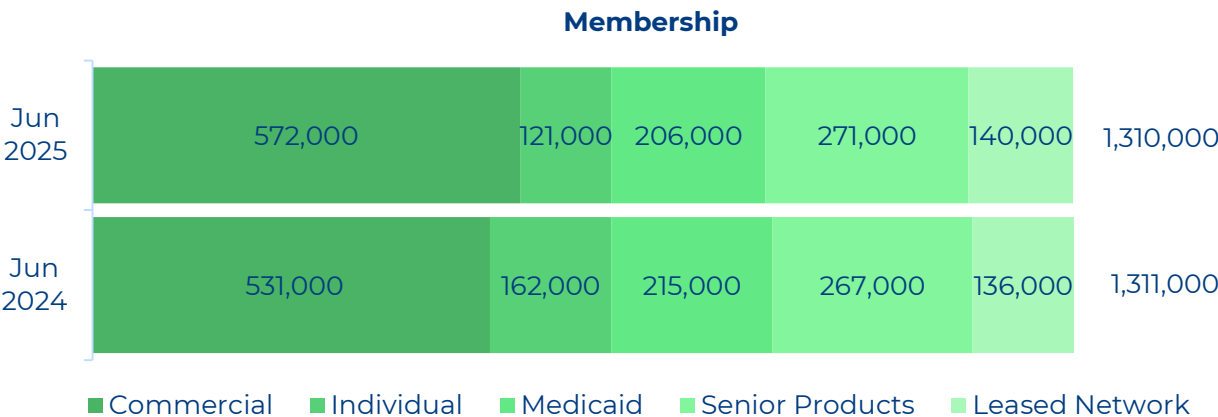
COVERAGE OPERATING RESULTS

Operating Summary

Priority Health's operating margin through June 30, 2025 was \$123.6 million or 3.1%, which is higher than previous year's margin of 0.7%. Historically, the insurance industry sees higher margins in the beginning of the year due to seasonal factors such as timing of member deductibles. Priority Health's medical costs are elevated in the current year, driven by increased inpatient claims, respiratory cases, and high-cost drugs, particularly chemo related injectables. In addition, Senior Products and Medicaid premium levels continue to inadequately cover our costs.

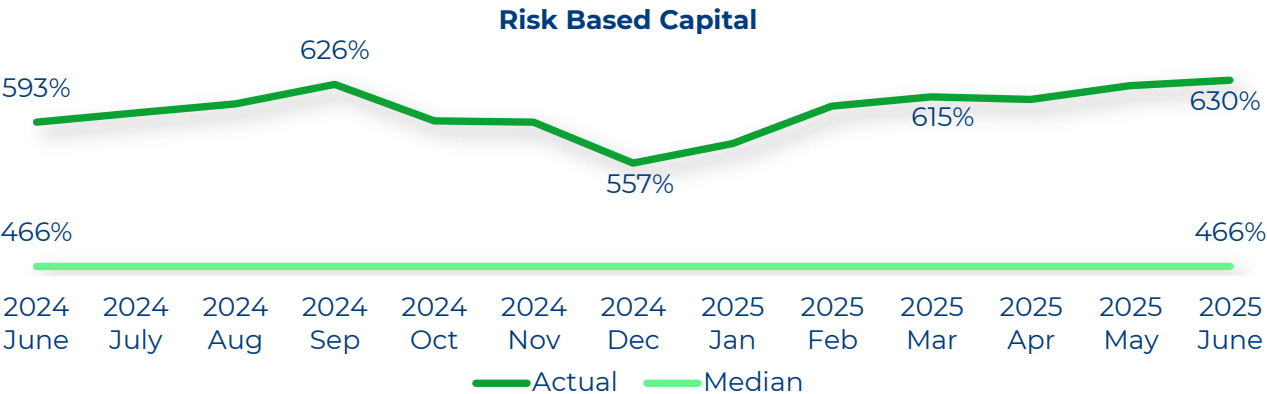
Membership

Coverage membership was lower than prior year by 0.1%. The decrease year over year was primarily due to an anticipated drop in individual membership resulting from 2025 premium adjustments. This is offset by an increase in Commercial group members driven by the acquisition of PHPNI in December 2024.



Risk Based Capital (RBC)

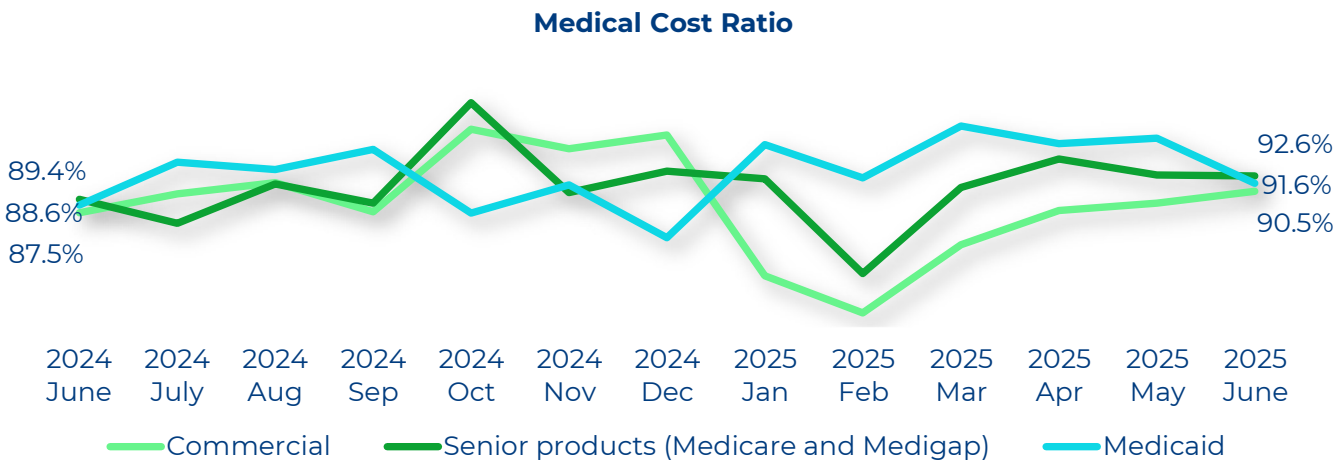
Priority Health's risk-based capital is consistently higher than the benchmark of 466%, which is based on data collected from seven similar sized health plans' December 31, 2024 statutory filings. RBC is directly impacted by operating results. At June 30, 2025, the RBC of 630% is higher than prior year.



Cost Ratios

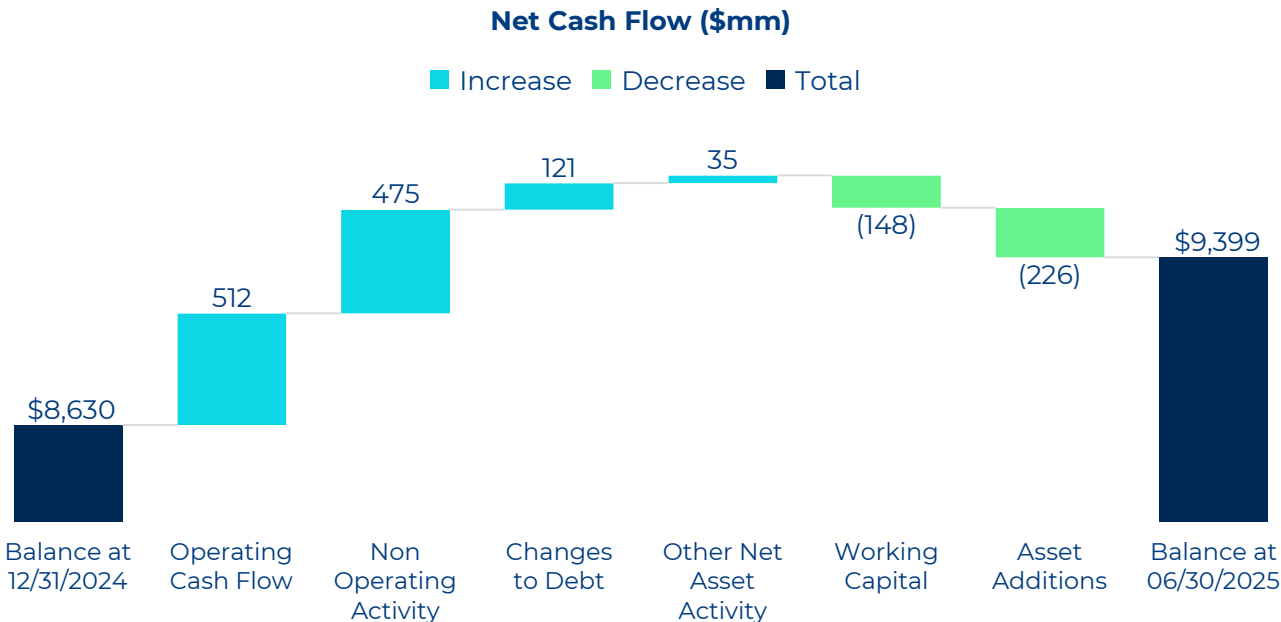
Priority Health's administrative cost ratio (ACR) was 9.6% year to date June 30, 2025, which is higher than prior year of 9.5% and generally consistent throughout the year.

As of June 30, 2025, the medical cost ratio (MCR) was 88.1% and favorable to prior year of 90.5%. 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.



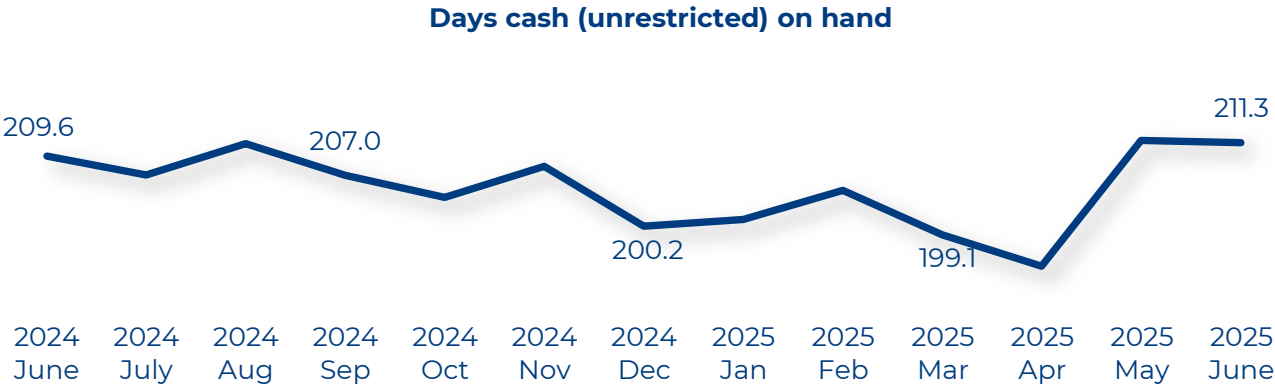
LIQUIDITY AND CASH FLOW

At June 30, 2025, total cash and investments for the System were \$9.4 billion, an increase of \$768.4 million from December 31, 2024. The detail of this change is shown below.



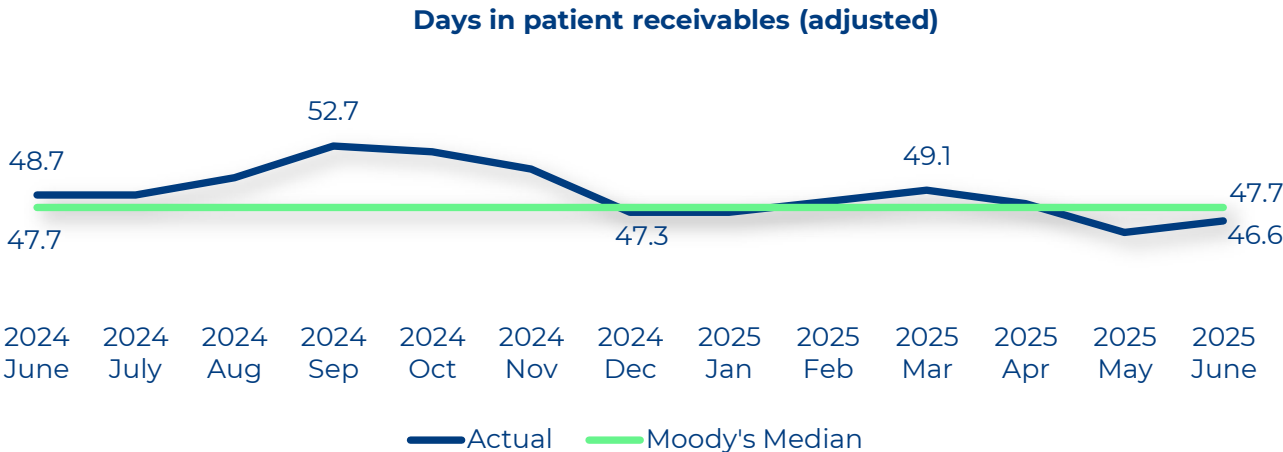
Days cash (unrestricted) on hand

Days cash on hand (DCOH) for the System increased 11.1 days to 211.3 at June 30, 2025, from 200.2 days at December 31, 2024. This is driven by operating cash, bonds issued in May 2025 and investment gains. This was partially offset by an increase in average daily expense of \$44.5 million year to date, compared to \$43.2 million at the end of 2024. DCOH is also lower than the Moody’s median of 281.3 partly due to the inclusion of Priority Health. Excluding Priority Health, Care Delivery has 255.6 days cash on hand at June 30, 2025.



Days in patient receivables (adjusted)

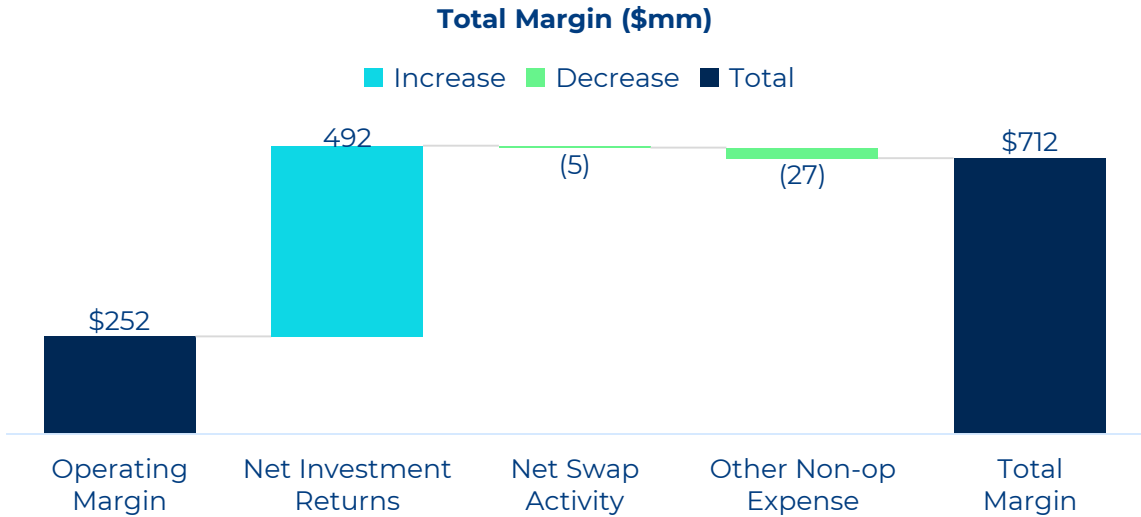
Days in patient receivables peaked in 2024 following the mid-year implementation of One Epic Ecosystem (OEE) in our East and South markets. Through targeted efforts we have successfully brought days in patient receivables back in line with our target.



OTHER CONSOLIDATED KEY FINANCIAL INDICATORS

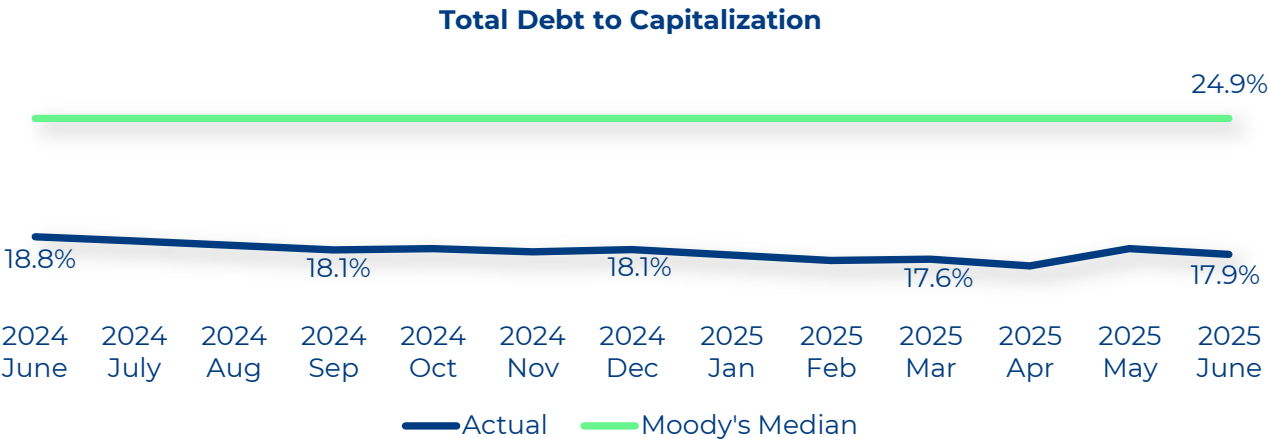
Total Margin

The System’s excess of revenue over expenses was \$712.0 million or 7.8% of total revenue. Total margin was \$202.2 million higher than the six months ended June 30, 2024, primarily as a result of investment gains and the increased operating margin discussed above. Net investment income was \$491.6 million, compared to gains of \$348.4 million in the prior year. This is a \$143.2 million swing from 2024 and represents the impact that market performance can have on the System’s results.



Equity Structure

Debt balances of \$2.3 billion have increased slightly from the prior year end due to net cash proceeds in the issuance of new bonds and the extinguishment of previous debt, meant to diversify our debt portfolio and finance newly completed projects. Fund balance was approximately \$11.8 billion at June 30, 2025 resulting in a debt to capitalization ratio of 17.9% 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 20.3%. Total assets for the System were approximately \$17.7 billion.



Ratio Analysis - Total System

June 30, 2025



	Actual 2025	Actual 2024	Medians S&P	Moody's
Profitability Ratios *				
Operating margin	2.9%	2.1%	2.9%	2.3%
Total margin	7.8%	6.0%	6.3%	5.6%
EBITDA Margin	5.9%	5.4%	n/a	7.2%
Return on assets	8.1%	6.2%	n/a	4.1%
Liquidity Indicators				
Days in patient receivables (adjusted)^	46.6	47.3	48.7	47.7
Days cash (unrestricted) on hand	211.3	200.2	325.8	281.3
Current ratio	1.4	1.3	n/a	1.7
Cash to debt %	385.9%	373.6%	n/a	259.7%
Capital Structure				
Total debt to capitalization	17.9%	18.0%	21.0%	24.9%
Risk based capital (PH only)	630%	557%	n/a	466% (a)
Capital expenditures to depreciation	1.1	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 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 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*
June 30, 2025
(in thousands)

	Assets			
	Assets With Same-Day Liquidity	Assets With Next-Day Liquidity	Assets > Next-Day Liquidity	Total
Cash & Cash Equivalents	\$ 7,362	\$ -	\$ -	\$ 7,362
S&P Rated Money Market Funds (> Am)	686,222	-	-	686,222
U.S. Treasury Debt Obligations (> 1 year)	-	450,226	-	450,226
U.S. Agencies (> 1 year)	-	302,466	0	302,466
Investment Grade Debt (not included above)	-	1,096,225	0	1,096,225
Equities	-	1,120,032	0	1,120,032
Non-Investment Grade Debt	-	20,653	-	20,653
Total	\$ 693,585	\$ 2,989,602	\$ -	\$ 3,683,186

	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.



Corewell Health and Subsidiaries Consolidated Financial Statements

As of and for the six months ended June 30, 2025

Consolidated Balance Sheets
(in thousands)



	Actual June 30, 2025	Actual December 31, 2024
Cash and cash equivalents	\$ 1,093,504	\$ 1,023,754
Short term investments	459,317	451,204
Patient accounts receivable, net	1,049,034	1,016,837
Other accounts receivable, net	398,880	448,308
Pledges receivable	39,050	29,685
Inventory	182,539	180,039
Estimated third-party payor settlements	376,897	348,453
Prepaid expenses and other current assets	191,097	212,705
Total current assets	3,790,318	3,710,985
Investments	7,846,051	7,155,467
Donor and other restricted assets:		
Restricted investments	642,807	594,350
Pledges receivable	58,408	58,146
	701,215	652,496
Property and equipment, net	4,292,173	4,265,036
Right of use assets, net	247,925	254,050
Other assets:		
Investment in joint ventures	82,692	79,262
Goodwill, net	76,422	81,702
Prepaid pension costs	51,967	40,015
Other long term assets	579,915	573,720
	790,996	774,699
TOTAL ASSETS	\$ 17,668,678	\$ 16,812,733
Accounts payable and accrued expenses	\$ 1,122,337	\$ 958,182
Accrued salaries, wages and related withholdings	679,748	749,190
Health plan claims payable	520,406	669,483
Short term debt	183,050	176,505
Current maturities of long term debt	68,511	131,039
Lease liability, current portion	48,519	49,215
Estimated third-party payor settlements	102,335	100,969
Total current liabilities	2,724,906	2,834,583
Interest rate swaps	26,701	22,142
Long term debt, less current portion	2,076,267	1,896,859
Lease liability, less current portion	235,118	239,242
Professional liability accrual	319,200	295,508
Other long term liabilities	493,018	479,365
Net assets:		
Net assets without donor restrictions	11,203,979	10,492,131
Net assets with donor restrictions	488,130	462,850
Total System net assets	11,692,109	10,954,981
Non-controlling interest	101,359	90,053
Total net assets	11,793,468	11,045,034
TOTAL LIABILITIES AND NET ASSETS	\$ 17,668,678	\$ 16,812,733

Consolidated Statements of Activities

Six months ended June 30, 2025

(in thousands)



	Actual	Prior Year
<u>OPERATING REVENUE (net of deductions)</u>		
Net patient service revenue	\$ 4,793,164	\$ 4,538,446
Premium revenue	3,683,484	3,439,903
Other	190,618	160,037
Total operating revenue	8,667,266	8,138,386
<u>OPERATING EXPENSES</u>		
Salaries, wages and employee benefits	3,095,687	2,943,078
Supplies and other	2,332,022	2,132,091
Health care claims expense	2,727,326	2,620,938
Depreciation and amortization	212,797	223,273
Interest	47,085	48,865
Total operating expenses	8,414,917	7,968,245
Net operating income	252,349	170,141
<u>OTHER REVENUE (EXPENSE):</u>		
Investment returns, net	491,575	348,375
Gain (loss) on interest rate swaps, net	(5,402)	9,606
Other income (expense)	(15,720)	(13,805)
Total other revenue (expense)	470,453	344,176
EXCESS OF REVENUE OVER EXPENSES	722,802	514,317
Less: Excess of revenue (over) under expenses attributable to noncontrolling interest	(10,809)	(4,477)
EXCESS OF REVENUE OVER EXPENSES	\$ 711,993	\$ 509,840
Operating margin %	2.9%	2.1%
Total margin %	7.8%	6.0%

Consolidated Statements of Activities (continued)

Six months ended June 30, 2025

(in thousands)



	Actual	Prior Year
Net assets without donor restrictions:		
Excess of revenue over expenses attributable to System	\$ 711,993	\$ 509,840
Contributions	925	252
Expenditures for donor sponsored programs	(1,418)	(1,742)
Net assets released for capital acquisitions	2,826	4,183
Other	(2,478)	(3,645)
Increase attributable to Corewell Health	711,848	508,888
Excess of revenue over expenses attributable to non-controlling interests	10,809	4,477
Other changes	497	2,186
Increase attributable to non-controlling interests	11,306	6,663
Net assets with donor restrictions:		
Contributions	33,559	38,389
Expenditures for donor sponsored programs	(24,434)	(31,159)
Investment returns, net	15,959	18,941
Net assets released for capital acquisitions	(2,826)	(3,933)
Other	3,022	2,044
Increase in net assets with donor restrictions	25,280	24,282
Increase in net assets	748,434	539,833
Net assets, beginning of year	11,045,034	9,988,894
Net assets, end of period	<u>\$ 11,793,468</u>	<u>\$ 10,528,727</u>

Consolidated Statements of Cash Flows

Six months ended June 30, 2025

(in thousands)



	Actual	Prior Year
<u>OPERATING ACTIVITIES AND OTHER REVENUE</u>		
Change in net assets	\$ 748,434	\$ 539,833
Contributions and other net asset activity	(34,600)	(39,226)
Unrealized (gain) loss in market value of interest rate swaps	4,559	(9,476)
Unrealized (gain) loss in market value of trading securities	(313,322)	(148,772)
Unrealized (gain) loss on investments in joint ventures	(6,269)	-
Depreciation and amortization	212,797	223,273
Changes in operating assets and liabilities:		
Trading securities	(433,548)	(134,226)
Changes in net accounts receivable, inventories, prepaid expenses, and other operating assets	(2,579)	72,579
Changes in accounts payable, accrued expenses, accrued salaries and related withholdings, health plan claims payable, third-party settlement liabilities, and other operating liabilities	(33,241)	6,752
Other	(2,638)	(4,333)
Net cash provided by operating activities and other revenue	139,593	506,404
<u>INVESTING ACTIVITIES</u>		
Additions to property and equipment, net	(226,363)	(206,974)
Other	1,603	1,197
Net cash used in investing activities	(224,760)	(205,777)
<u>FINANCING ACTIVITIES</u>		
Contributions and other net asset activity	34,600	39,226
Proceeds from issuance of long term debt	598,212	-
Payment of long term debt	(472,170)	(57,609)
Payment of financing lease obligation	(5,441)	(3,605)
Net cash provided by financing activities	155,201	(21,988)
Increase in cash, cash equivalents, and restricted cash	70,034	278,639
Cash, cash equivalents, and restricted cash beginning of year	1,036,769	1,555,239
Cash, cash equivalents, and restricted cash end of period	\$ 1,106,803	\$ 1,833,878
<u>NON CASH ACTIVITIES</u>		
Right of use assets obtained in exchange for lease liabilities, net	\$ 18,226	\$ 51,792