



# Corewell Health and Subsidiaries

## Consolidated Financial Statements

As of and for the nine months ended September 30, 2024

# CHIEF FINANCIAL OFFICER'S REPORT

As of and for the nine months ended September 30, 2024

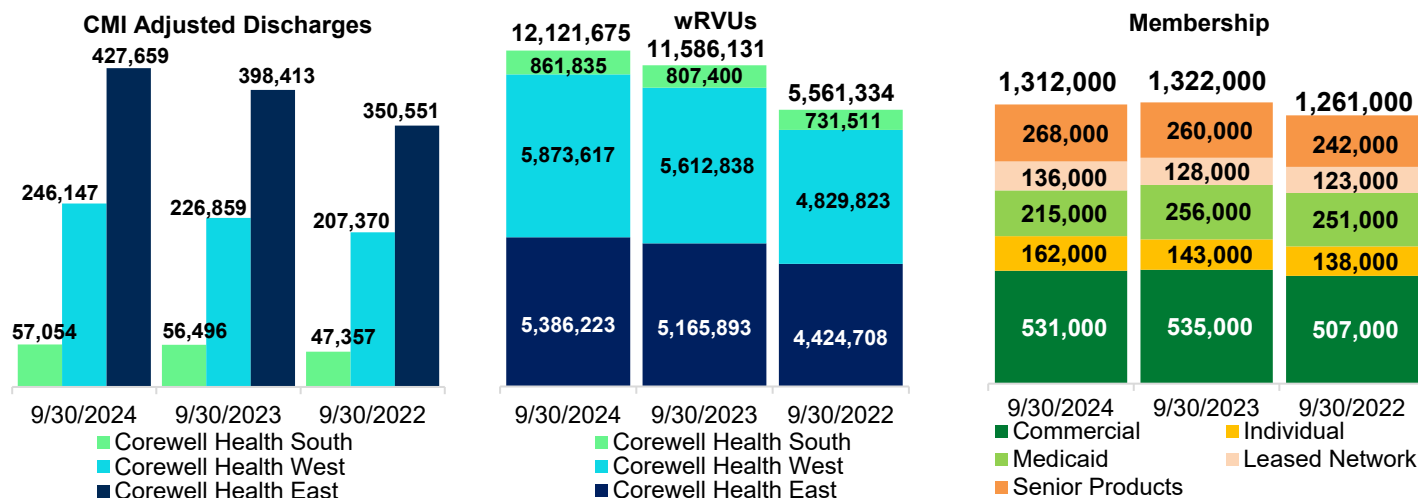


The enclosed package represents the consolidated financial statements for Corewell Health and Subsidiaries (the System). Corewell Health is a not-for-profit health system providing health care and services in 21 hospitals, 300+ outpatient locations and several post-acute facilities and coverage through Priority Health, a provider-sponsored health plan serving more than 1.3 million members. The accompanying financial statements summarize the System's care delivery, coverage, and other operations.

## VOLUME

**CARE DELIVERY** is experiencing higher acuity and pharmacy intensive service volumes across all markets. Case mix index (CMI) continues to improve from the prior year, indicating an increase in the complexity of case load. Physician Services wRVUs for the System grew 4.6% from prior year.

**COVERAGE** membership decreased 0.8% from prior year as of September 30, 2024. The decrease is primarily the result of Medicaid redeterminations.



## OPERATING MARGIN

The System's operating margin was \$211.8 million, or 1.7% of net operating revenue, which exceeded prior year of 1.4%.

**CARE DELIVERY'S** operating margin was \$118.4 million, or 1.5%, which exceeded prior year of 0.1%. Favorable operating results were driven by strong volumes as previously mentioned with improved labor utilization, offset by an increase in costs for the supply and pharmacy intensive procedural mix. Unfavorable payer mix shifts from Medicaid to self-pay and continued lower reimbursement has also impacted operating results.

**COVERAGE'S** operating margin was \$44.0 million, or 0.8%, which was behind prior year of 2.3%. Margin was lower than prior year due to continuing unfavorable medical yields, driven largely by an increase in pharmacy, injectables, and physician claim volumes.

## CHIEF FINANCIAL OFFICER'S REPORT

As of and for the nine months ended September 30, 2024



### TOTAL MARGIN

The System's excess of revenue over expenses was \$895.8 million or 6.9% of total revenue. Net other revenue of \$693.7 million was comprised primarily of \$717.0 million of net investment activity (interest, dividends, realized and unrealized gains/losses), offset by other non-operating expenses of \$21.8 million and net swap losses of \$1.5 million. The \$693.7 million net other revenue was \$294.5 million higher than September 30, 2023, driven by market activity.

### LIQUIDITY AND CASH FLOW

At September 30, 2024, total cash and investments for the System were \$8.8 billion, an increase of \$664.4 million from December 31, 2023. The increase to cash was driven by an increase in non-operating gains of \$695.5 million, operating cash flow margin of \$602.5 million, and other net asset contributions of \$51.4 million. These were offset by spend on property and equipment of \$311.7 million, a decrease in working capital of \$290.5 million, and net changes on long-term obligations of \$82.8 million.

### RATIOS

Days cash on hand for the System increased 1.9 days to 207.0 at September 30, 2024, from 205.1 days at December 31, 2023. This increase is driven by investment gains, offset by an increase in average daily expense. EBITDA margin was 4.9% and Priority Health's risk-based capital (RBC) was 626%.

### EQUITY STRUCTURE

Debt was approximately \$2.2 billion at September 30, 2024, and fund balance was approximately \$10.9 billion. The debt to capitalization ratio for the System was 18.1%. Total assets for the System were approximately \$16.7 billion.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Matthew E. Cox".

Matthew E. Cox  
Chief Financial Officer

**Ratio Analysis - Total System**  
September 30, 2024



	Actual 2024	Actual 2023	Medians	
			S&P	Moody's
<b>Profitability Ratios *</b>				
Operating margin	1.7%	1.4%	2.9%	2.3%
Total margin	6.9%	4.7%	6.3%	5.6%
EBITDA Margin	4.9%	5.4%	n/a	7.2%
Return on assets	7.2%	4.7%	n/a	4.1%
<b>Liquidity Indicators</b>				
Days in patient receivables (adjusted)^	52.7	46.6	48.7	47.7
Days cash (unrestricted) on hand	207.0	205.1	325.8	281.3
Current ratio	1.5	1.5	n/a	1.7
Cash to debt %	382.3%	345.5%	n/a	259.7%
<b>Capital Structure</b>				
Total debt to capitalization	18.1%	19.8%	21.0%	24.9%
Risk based capital (PH only)	626%	571%	n/a	497% (a)
Capital expenditures to depreciation	1.0	1.6	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\*  
September 30, 2024  
(in thousands)**

	<b>Assets</b>			
	<b>Assets With Same-Day Liquidity</b>	<b>Assets With Next-Day Liquidity</b>	<b>Assets &gt; Next-Day Liquidity</b>	<b>Total</b>
Cash & Cash Equivalents	\$ 10,019	\$ -	\$ -	\$ 10,019
S&P Rated Money Market Funds (> Am)	813,914	-	-	813,914
U.S. Treasury Debt Obligations (> 1 year)	-	384,192	-	384,192
U.S. Agencies (> 1 year)	-	-	315,138	315,138
Investment Grade Debt (not included above)	-	422,389	553,797	976,186
Equities	-	739,267	99,926	839,193
Non-Investment Grade Debt	-	-	585	585
	<b>\$ 823,932</b>	<b>\$ 1,545,847</b>	<b>\$ 969,447</b>	<b>\$ 3,339,226</b>

	<b>Self-Liquidity Backed Debt</b>			
	<b>Same-Day Notice</b>	<b>Next-Day Notice</b>	<b>&gt; Next-Day Notice</b>	<b>Total</b>
Series 2015A Variable Rate Demand Obligation (Windows)	\$ -	\$ -	\$ 75,785	\$ 75,785
Taxable Commercial Paper (authorized maximum \$300,000)	74,000	-	-	74,000
	<b>\$ 74,000</b>	<b>\$ -</b>	<b>\$ 75,785</b>	<b>\$ 149,785</b>

\*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 September 30, 2024	Actual December 31, 2023
Cash and cash equivalents	\$ 1,415,938	\$ 1,546,701
Short term investments	459,531	430,792
Patient accounts receivable, net	1,129,398	977,406
Other accounts receivable, net	307,228	436,136
Pledges receivable	44,260	30,750
Inventory	175,312	165,253
Estimated third-party payor settlements	356,005	394,498
Prepaid expenses and other current assets	165,151	175,723
<b>Total current assets</b>	<u>4,052,823</u>	<u>4,157,259</u>
Investments	6,915,310	6,148,863
Donor and other restricted assets:		
Restricted investments	587,605	539,636
Pledges receivable	34,352	34,083
	<u>621,957</u>	<u>573,719</u>
Property and equipment, net	4,202,838	4,184,249
Right of use assets, net	241,336	214,547
Other assets:		
Investment in joint ventures	49,746	66,212
Goodwill, net	69,579	40,424
Other long term assets	581,466	524,764
	<u>700,791</u>	<u>631,400</u>
<b>TOTAL ASSETS</b>	<u>\$ 16,735,055</u>	<u>\$ 15,910,037</u>
Accounts payable and accrued expenses	\$ 1,114,567	\$ 1,046,529
Accrued salaries, wages and related withholdings	576,514	683,514
Health plan claims payable	523,143	534,260
Short term debt	149,043	151,670
Current maturities of long term debt	147,583	165,771
Lease liability, current portion	38,096	39,473
Estimated third-party payor settlements	122,748	150,394
<b>Total current liabilities</b>	<u>2,671,694</u>	<u>2,771,611</u>
Interest rate swaps	38,181	36,375
Long term debt, less current portion	1,900,458	1,962,835
Lease liability, less current portion	235,760	205,140
Professional liability accrual	301,206	296,108
Accrued pension obligation	174,900	225,155
Other long term liabilities	483,696	423,919
Net assets:		
Net assets without donor restrictions	10,409,642	9,511,168
Net assets with donor restrictions	421,871	392,601
Total System net assets	<u>10,831,513</u>	<u>9,903,769</u>
Non-controlling interest	97,647	85,125
Total net assets	<u>10,929,160</u>	<u>9,988,894</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 16,735,055</u>	<u>\$ 15,910,037</u>

## Consolidated Statements of Activities

Nine months ended September 30, 2024

(in thousands)



	Actual	Prior Year
<b><u>OPERATING REVENUE (net of deductions)</u></b>		
Net patient service revenue	\$ 6,851,490	\$ 6,030,847
Premium revenue	5,170,096	4,865,792
Other	240,182	289,186
<b>Total operating revenue</b>	<b>12,261,768</b>	<b>11,185,825</b>
<b><u>OPERATING EXPENSES</u></b>		
Salaries, wages and employee benefits	4,434,908	4,178,950
Supplies and other	3,300,720	2,787,408
Health care claims expense	3,923,646	3,615,816
Depreciation and amortization	317,553	380,806
Interest	73,103	70,729
<b>Total operating expenses</b>	<b>12,049,930</b>	<b>11,033,709</b>
<b>Net operating income</b>	<b>211,838</b>	<b>152,116</b>
<b><u>OTHER REVENUE (EXPENSE):</u></b>		
Investment returns, net	717,047	386,950
Gain (loss) on interest rate swaps, net	(1,545)	20,164
Other income (expense)	(21,791)	(7,935)
<b>Total other revenue (expense)</b>	<b>693,711</b>	<b>399,179</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>905,549</b>	<b>551,295</b>
Less: Excess of revenue (over) under expenses attributable to noncontrolling interest	(9,726)	(9,829)
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ 895,823</b>	<b>\$ 541,466</b>
Operating margin %	1.7%	1.4%
Total margin %	6.9%	4.7%

## Consolidated Statements of Activities (continued)

Nine months ended September 30, 2024  
(in thousands)



	Actual	Prior Year
<b>Net assets without donor restrictions:</b>		
Excess of revenue over expenses attributable to System	\$ 895,823	\$ 541,466
Contributions	442	(879)
Expenditures for donor sponsored programs	(1,947)	(1,938)
Net assets released for capital acquisitions	6,462	17,097
Other	(2,306)	1,202
Increase attributable to Corewell Health	898,474	556,948
Excess of revenue over expenses attributable to non-controlling interests	9,726	9,829
Other changes	2,796	(721)
Increase attributable to non-controlling interests	12,522	9,108
<b>Net assets with donor restrictions:</b>		
Contributions	48,493	37,099
Expenditures for donor sponsored programs	(47,033)	(39,835)
Investment returns	31,888	18,114
Net assets released for capital acquisitions	(6,462)	(17,097)
Other	2,384	(1,090)
Increase (decrease) in net assets with donor restrictions	29,270	(2,809)
Increase in net assets	940,266	563,247
Net assets, beginning of year	9,988,894	9,010,675
Net assets, end of year	<u>\$ 10,929,160</u>	<u>\$ 9,573,922</u>



## Consolidated Statements of Cash Flows

Nine months ended September 30, 2024

(in thousands)



	Actual	Prior Year
<b><u>OPERATING ACTIVITIES AND OTHER REVENUE</u></b>		
Change in net assets	\$ 940,266	\$ 563,247
Contributions and other net asset activity	(51,367)	(36,488)
Unrealized (gain)/loss in market value of interest rate swaps	1,806	(25,546)
Depreciation and amortization	317,553	380,806
Changes in operating assets and liabilities:		
Trading securities		
Investments	(848,174)	(418,291)
Decrease (increase) in net accounts receivable, inventories, prepaid expenses, and other operating assets	21,805	(65,822)
Increase (decrease) in accounts payable, accrued expenses, accrued salaries and related withholdings, health plan claims payable, third-party settlement liabilities, and other operating liabilities	(135,675)	(16,727)
Other	(6,564)	1,802
<b>Net cash provided by operating activities and other revenue</b>	<b>239,650</b>	<b>382,981</b>
<b><u>INVESTING ACTIVITIES</u></b>		
Additions to property and equipment, net	(311,731)	(441,019)
Acquisition of subsidiary	(34,541)	-
Other	8,138	8,955
<b>Net cash used in investing activities</b>	<b>(338,134)</b>	<b>(432,064)</b>
<b><u>FINANCING ACTIVITIES</u></b>		
Contributions and other net asset activity	51,367	36,488
Proceeds from issuance of long term debt	12,186	8,600
Payment of long term debt	(88,884)	(75,932)
Payment of financing lease obligation	(6,138)	(5,614)
<b>Net cash used in financing activities</b>	<b>(31,469)</b>	<b>(36,458)</b>
<b>Increase (decrease) in cash, cash equivalents, and restricted cash</b>	<b>(129,953)</b>	<b>(85,541)</b>
<b>Cash, cash equivalents, and restricted cash beginning of year</b>	<b>1,555,239</b>	<b>1,930,223</b>
<b>Cash, cash equivalents, and restricted cash end of period</b>	<b>\$ 1,425,286</b>	<b>\$ 1,844,682</b>
<b><u>NON CASH ACTIVITIES</u></b>		
Right of use assets obtained in exchange for lease liabilities, net	\$ 84,304	\$ 35,000