



# Corewell Health and Subsidiaries

## Consolidated Financial Statements

As of and for the six months ended June 30, 2024

# CHIEF FINANCIAL OFFICER'S REPORT

As of and for the six months ended June 30, 2024

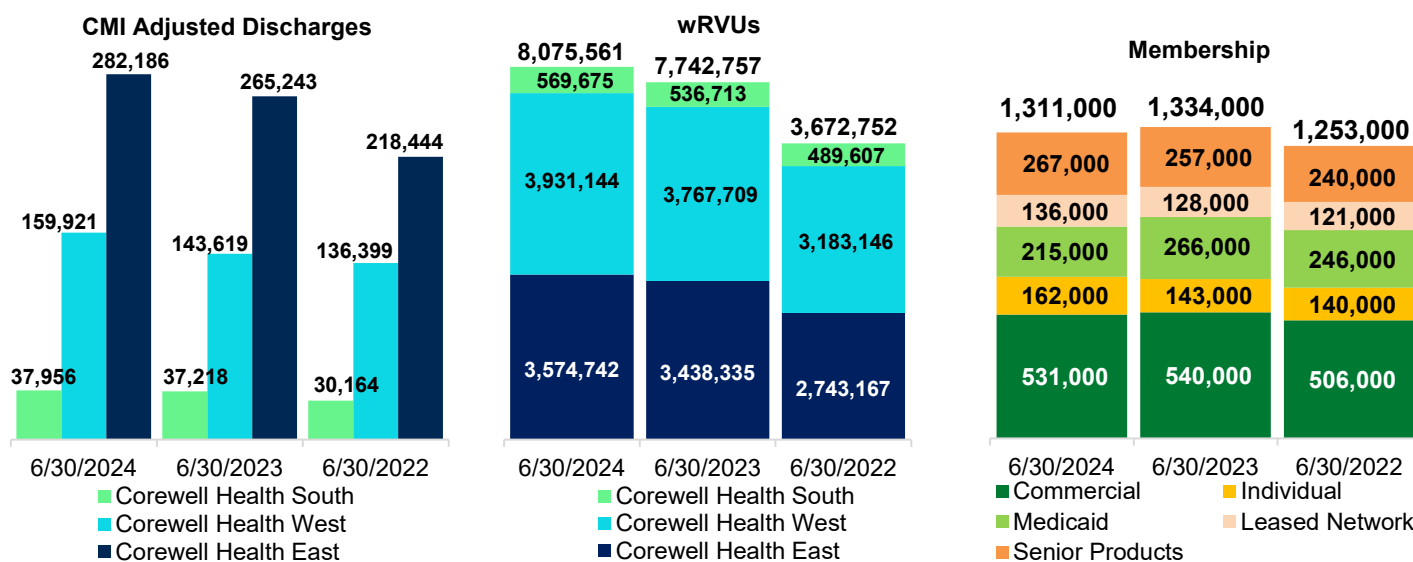


The enclosed package represents the consolidated financial statements for Corewell Health and Subsidiaries (the System). Corewell Health is a not-for-profit health system providing health care and services in 21 hospitals, 300+ outpatient locations and several post-acute facilities and coverage through 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 a higher mix of inpatient volumes as compared to the prior year. Physician Services wRVUs grew 4.3% from prior year.

**COVERAGE** membership decreased 1.7% from prior year as of June 30, 2024. The decrease is primarily the result of Medicaid redetermination.



## OPERATING MARGIN

The System's operating margin was \$170.1 million, or 2.1% of net operating revenue, which exceeded prior year of 1.7%.

**CARE DELIVERY'S** operating margin was \$108.3 million, or 2.0%, which exceeded prior year of 0.7%. Favorable operating results were driven by strong inpatient volumes in all markets with improved labor utilization. On a year to date basis, this is offset with unfavorable payer mix shifts to self pay and Medicare as well as lower than projected outpatient volumes in the South and East markets.

**COVERAGE'S** operating margin was \$26.2 million, or 0.7%, which was behind prior year of 2.4%. Margin was lower than prior year due to continuing unfavorable medical yields, primarily driven by high inpatient, physician services, and pharmacy.

## TOTAL MARGIN

The System's excess of revenue over expenses was \$509.8 million or 6.0% of total revenue. Net other revenue of \$344.2 million was comprised primarily of \$348.4 million of net investment activity (interest, dividends, realized and unrealized gains/losses) and net swap gains of \$9.6 million, offset by other non-operating expenses of \$13.8 million. The \$344.2 million net other revenue was \$115.3 million lower than June 30, 2023, driven by market activity.

# CHIEF FINANCIAL OFFICER'S REPORT

As of and for the six months ended June 30, 2024



## LIQUIDITY AND CASH FLOW

At June 30, 2024, total cash and investments for the System were \$8.7 billion, an increase of \$541.2 million from December 31, 2023. The increase to cash was driven by an increase in operating cash flow margin of \$442.3 million, non-operating gains of \$334.7 million, and other net asset contributions of \$39.2 million. These were offset by a decrease in spend on property and equipment of \$207.0 million, net changes on long-term obligations of \$61.2 million, and a decrease in working capital of \$6.8 million.

## RATIOS

Days cash on hand for the System increased 4.5 days to 209.6 at June 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 5.4%, which was lower than Moody's 2022 Aa3 median of 7.7%. Priority Health's risk-based capital (RBC) was 593%.

## EQUITY STRUCTURE

Debt was approximately \$2.2 billion at June 30, 2024, and fund balance was approximately \$10.5 billion. The debt to capitalization ratio for the System was 18.8%, which was lower than the Moody's 2022 Aa3 median of 26.0%. Total assets for the System were approximately \$16.4 billion.

Respectfully submitted,

A handwritten signature in blue ink that reads "Matthew E. Cox".

Matthew E. Cox  
Chief Financial Officer

## Ratio Analysis - Total System

June 30, 2024



	Actual 2024	Actual 2023	Medians S&P	Moody's
<b>Profitability Ratios *</b>				
Operating margin	2.1%	1.7%	3.4%	2.5%
Total margin	6.0%	7.3%	6.5%	5.9%
EBITDA Margin	5.4%	5.7%	n/a	7.7%
Return on assets	6.2%	7.6%	n/a	4.4%
<b>Liquidity Indicators</b>				
Days in patient receivables (adjusted)^	48.7	46.6	48.9	47.6
Days cash (unrestricted) on hand	209.6	205.1	327.9	277.3
Current ratio	1.5	1.5	n/a	1.7
Cash to debt %	374.4%	345.5%	n/a	252.4%
<b>Capital Structure</b>				
Total debt to capitalization	18.8%	19.8%	21.6%	26.0%
Risk based capital (PH only)	593%	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 2022 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 2022 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, 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	\$ 14,512	\$ -	\$ -	\$ 14,512
S&P Rated Money Market Funds (> Am)	1,121,200	8,170	-	1,129,370
U.S. Treasury Debt Obligations (> 1 year)	-	385,594	-	385,594
U.S. Agencies (> 1 year)	-	-	249,801	249,801
Investment Grade Debt (not included above)	-	153,560	523,455	677,015
Equities	-	726,319	116,866	843,185
Non-Investment Grade Debt	-	-	-	-
<b>Total</b>	<b>\$ 1,135,712</b>	<b>\$ 1,273,643</b>	<b>\$ 890,121</b>	<b>\$ 3,299,476</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>Total</b>	<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 June 30, 2024	Actual December 31, 2023
Cash and cash equivalents	\$ 1,825,304	\$ 1,546,701
Short term investments	440,239	430,792
Patient accounts receivable, net	1,027,605	977,406
Other accounts receivable, net	337,188	436,136
Pledges receivable	41,471	30,750
Inventory	175,324	165,253
Estimated third-party payor settlements	368,437	394,498
Prepaid expenses and other current assets	163,200	175,723
<b>Total current assets</b>	<b>4,378,768</b>	<b>4,157,259</b>
Investments	6,401,991	6,148,863
Donor and other restricted assets:		
Restricted investments	560,094	539,636
Pledges receivable	33,894	34,083
	<b>593,988</b>	<b>573,719</b>
Property and equipment, net	4,176,461	4,184,249
Right of use assets, net	233,715	214,547
Other assets:		
Investment in joint ventures	65,013	66,212
Goodwill, net	36,887	40,424
Other long term assets	546,496	524,764
	<b>648,396</b>	<b>631,400</b>
<b>TOTAL ASSETS</b>	<b>\$ 16,433,319</b>	<b>\$ 15,910,037</b>
Accounts payable and accrued expenses	\$ 1,168,786	\$ 1,046,529
Accrued salaries, wages and related withholdings	641,352	683,514
Health plan claims payable	535,993	534,260
Short term debt	149,045	151,670
Current maturities of long term debt	222,926	165,771
Lease liability, current portion	35,169	39,473
Estimated third-party payor settlements	125,442	150,394
<b>Total current liabilities</b>	<b>2,878,713</b>	<b>2,771,611</b>
Interest rate swaps	26,899	36,375
Long term debt, less current portion	1,846,294	1,962,835
Lease liability, less current portion	230,366	205,140
Professional liability accrual	287,589	296,108
Accrued pension obligation	191,652	225,155
Other long term liabilities	443,079	423,919
Net assets:		
Net assets without donor restrictions	10,020,057	9,511,168
Net assets with donor restrictions	416,882	392,601
Total System net assets	<b>10,436,939</b>	<b>9,903,769</b>
Non-controlling interest	91,788	85,125
Total net assets	<b>10,528,727</b>	<b>9,988,894</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 16,433,319</b>	<b>\$ 15,910,037</b>

## Consolidated Statements of Activities

Six months ended June 30, 2024

(in thousands)



	Actual	Prior Year
<b><u>OPERATING REVENUE (net of deductions)</u></b>		
Net patient service revenue	\$ 4,538,446	4,038,333
Premium revenue	3,439,903	3,233,033
Other	160,037	177,348
<b>Total operating revenue</b>	<b>8,138,386</b>	<b>7,448,714</b>
<b><u>OPERATING EXPENSES</u></b>		
Salaries, wages and employee benefits	2,943,077	2,762,187
Supplies and other	2,132,092	1,838,575
Health care claims expense	2,620,938	2,425,195
Depreciation and amortization	223,273	246,386
Interest	48,865	46,763
<b>Total operating expenses</b>	<b>7,968,245</b>	<b>7,319,106</b>
<b>Net operating income</b>	<b>170,141</b>	<b>129,608</b>
<b><u>OTHER REVENUE (EXPENSE):</u></b>		
Investment returns, net	348,375	465,390
Gain (Loss) on interest rate swaps, net	9,606	2,393
Other income (expense)	(13,804)	(8,343)
<b>Total other revenue (expense)</b>	<b>344,177</b>	<b>459,440</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>514,318</b>	<b>589,048</b>
Less: Excess of revenue (over) under expenses attributable to noncontrolling interest	(4,478)	(8,557)
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ 509,840</b>	<b>\$ 580,491</b>
Operating margin %	2.1%	1.7%
Total margin %	6.0%	7.3%

## Consolidated Statements of Activities (continued)

Six months ended June 30, 2024

(in thousands)



	Actual	Prior Year
<b>Net assets without donor restrictions:</b>		
Excess of revenue over expenses attributable to System	\$ 509,840	\$ 580,491
Contributions	251	272
Expenditures for donor sponsored programs	(1,742)	(1,362)
Net assets released for capital acquisitions	3,933	12,518
Other	(3,393)	15
Increase attributable to Corewell Health	508,889	591,934
Excess of revenue over expenses attributable to non-controlling interests	4,478	8,557
Other changes	2,185	(721)
Increase (decrease) attributable to non-controlling interests	6,663	7,836
<b>Net assets with donor restrictions:</b>		
Contributions	38,389	22,019
Expenditures for donor sponsored programs	(31,160)	(26,143)
Investment returns	18,940	13,614
Net assets released for capital acquisitions	(3,933)	(12,518)
Other	2,045	30
Increase (decrease) in net assets with donor restrictions	24,281	(2,998)
Increase in net assets	539,833	596,772
Net assets, beginning of year	9,988,894	9,010,675
Net assets, end of year	<u>\$ 10,528,727</u>	<u>\$ 9,607,447</u>



## Consolidated Statements of Cash Flows

Six months ended June 30, 2024

(in thousands)



	Actual	Prior Year
<b><u>OPERATING ACTIVITIES AND OTHER REVENUE</u></b>		
Change in net assets	\$ 539,833	\$ 596,772
Contributions and other net asset activity	(39,226)	(21,212)
Unrealized (gain)/loss in market value of interest rate swaps	(9,476)	(3,752)
Depreciation and amortization	223,273	246,386
Changes in operating assets and liabilities:		
Trading securities		
Investments	(282,998)	(500,588)
Decrease (increase) in net accounts receivable, inventories, prepaid expenses, and other operating assets	72,579	(67,107)
Increase (decrease) in accounts payable, accrued expenses, accrued salaries and related withholdings, health plan claims payable, third-party settlement liabilities, and other operating liabilities	6,752	82,948
Other	(4,333)	1,355
<b>Net cash provided by operating activities and other revenue</b>	<b>506,404</b>	<b>334,802</b>
<b><u>INVESTING ACTIVITIES</u></b>		
Additions to property and equipment, net	(206,974)	(299,922)
Other	1,197	5,709
<b>Net cash used in investing activities</b>	<b>(205,777)</b>	<b>(294,213)</b>
<b><u>FINANCING ACTIVITIES</u></b>		
Contributions and other net asset activity	39,226	21,212
Payment of long term debt	(57,609)	(56,407)
Payment of financing lease obligation	(3,605)	(3,838)
<b>Net cash used in financing activities</b>	<b>(21,988)</b>	<b>(39,033)</b>
<b>Increase (decrease) in cash, cash equivalents, and restricted cash</b>	<b>278,639</b>	<b>1,556</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>\$ 1,833,878</b>	<b>\$ 1,931,779</b>
<b><u>NON CASH ACTIVITIES</u></b>		
Right of use assets obtained in exchange for lease liabilities, net	\$ 51,792	\$ 17,740