Trinity Health, one of the largest faith-based, innovative health care organizations in the nation, reports a 4.2 percent net margin with excess of revenue over expenses of $959.7 million

Summary Highlights for the Fiscal Year Ended June 30, 2023

Trinity Health reported growth in operating revenue of 8.3 percent to $21.6 billion in fiscal year 2023, despite a reduction of $139.7 million in CARES Act Provider Relief Fund (“PRF”) grant revenue over prior year. Revenue growth was driven by the acquisitions of MercyOne in Iowa on September 1, 2022, North Ottawa Community Health System in Michigan on October 1, 2022, and Genesis Health System in Iowa and Illinois on March 1, 2023, (collectively the “Acquisitions”) which added $1.6 billion of operating revenue during fiscal year 2023, and was partially offset by the divestiture of St. Francis Medical Center (“SFMC”) on December 22, 2022, that reduced operating revenue by $78.9M compared to fiscal year 2022. Excluding the Acquisitions and divestiture of SFMC, operating revenue increased $147.3 million or 0.7 percent over the prior fiscal year, driven by an increase in net patient service revenue of $162.6 million due to improvements in payment rates and increased outpatient volumes, as well as a $32.6 million increase in premium and capitation revenue, primarily within our health plans and PACE programs. The increases were offset by a decrease in other revenue of $47.9 million, or 2.7 percent, inclusive of the decrease in PRF grant revenue but partially offset by other items including retail pharmacy revenue of $49.2 million.

On a same ministry basis, volumes as measured by case mix adjusted equivalent discharges (“CMAEDs”) increased 1.6 percent during fiscal year 2023 compared to the prior fiscal year. While inpatient volumes are stabilizing to a new normal that may not return to pre-pandemic levels, the majority of the Corporation’s revenue is comprised of outpatient and other non-patient revenue. The Corporation continues to diversify its business segments to shift towards ambulatory, home health, PACE, urgent care, specialty pharmacy and digital telehealth care in order to gain better position for balanced performance when individual segments are challenged.

Operating expenses increased $1.8 billion to $21.9 billion, or 8.9 percent during fiscal year 2023, with Acquisitions contributing $1.7 billion to the increase. Excluding the impact of the Acquisitions and divestiture of SFMC, operating expenses for fiscal year 2023 increased $178.9 million, or 0.9 percent. Total operating costs per case (as measured by CMAEDs) improved during the second half of fiscal year 2023 as the Corporation continues to tightly manage operating costs amid inflation. On a same facility basis, salaries, wages, and employee benefit costs rose $256.0 million, or 2.5 percent, with a 3.0 percent increase in salary rates and was partially offset by a 0.6 percent decrease in FTEs as aftershocks of the pandemic continue to drive industry wide staffing shortages and wage inflation. Rate increases were tempered by a $73.0 million reduction in executive compensation and $40.3 million of additional pharmacy rebates recognized in fiscal year 2023. Supply costs increased $59.3 million, or 1.7%, on a same facility basis compared to fiscal year 2022 due mainly to the increased retail pharmacy volume. Although overall supply costs increased, supplies per case and supplies as a percent of net patient service revenue decreased from prior year. On a same facility basis, increases were also incurred in purchased services, interest, occupancy, and other expenses, including an increase in provider taxes of $32.1 million, compared to prior year.

The Corporation continues to use strong cost controls over contract labor and other operational spending as colleague investment and utilization of its FirstChoice internal staffing agency promotes labor stabilization. On a same facility basis, contract labor costs decreased $250.0 million, or 40.6 percent compared to fiscal year 2022 which included unprecedented contract labor utilization as a result of the pandemic.
Downward pressure on margins during fiscal year 2023 was driven by controlled expense growth that is still slightly outpacing revenue growth, primarily premium labor rates and the overall impact of inflation on expenses across the board. Revenue also reflects the year over year $139.7 million reduction in PRF grant revenue. The Corporation reported operating losses before other items of $288.0 million (operating margin of [1.3] percent and operating cash flow margin of 3.9 percent) for fiscal year 2023 compared to operating losses before other items of $148.5 million (operating margin of [0.7] percent and operating cash flow margin of 4.8 percent) during the same period in the prior fiscal year. As compared to the fourth quarter of fiscal year 2022, and first and second quarters of fiscal year 2023 margins have shown improvement. As a response to the challenges faced in operating performance during fiscal year 2023, the Corporation is focused on clinical program growth, optimization and access, revenue improvement opportunities, labor retention, recruitment and stabilization, and continued cost alignment plans to improve operating performance which will continue into fiscal year 2024. In addition, the Corporation has launched a new innovative, virtual connected care delivery model using a 3-person team with on-site and virtual nursing named “TogetherTeam Virtual Connected Care” that will be implemented system-wide by the end of fiscal year 2024.

For fiscal year 2023, other items consisted of a $53.9 million dividend for the spin off and sale of a subsidiary held by a group purchasing organization that is accounted for under the cost method, and an $8.0 million gain for final settlement from the fiscal year 2022 sale of Gateway Health Plan, L.P. (“GHP”). The items were offset by $40.0 million of restructuring costs as a result of actions to reduce administrative costs, $82.3 million of restructuring costs related to the divestiture of SFMC which occurred on December 22, 2022, and $83.3 million of non-cash asset impairment charges. For fiscal year 2022, other items included a $128.7 million gain on the sale of GHP as the Corporation sold its 50 percent interest in GHP to the existing partner and parent owner, Highmark Ventures on August 31, 2021, as well as asset impairment charges of $113.9 million, and $72.6 million of restructuring charges to reduce administrative costs.

The Corporation reported non-operating income of $1.5 billion in fiscal year 2023 compared to non-operating losses of $1.2 billion in fiscal year 2022. This increase was driven by investment returns of 8.3 percent in fiscal year 2023 compared to losses of 8.4 percent in the prior fiscal year, a $1.7 billion increase over prior year. Investment results also drove the $572.1 million improvement in non-operating equity in earnings of unconsolidated affiliates. In addition, inherent contributions of $483.5 million were recorded during fiscal year 2023, with $468.1 million related to the acquisition of Genesis Health System, and the remainder related to the Grand Haven Acquisition. Excess (deficiency) of revenue over expenses for fiscal year 2023 totaled $959.7 million, net margin of 4.2 percent, compared to ($1.4) billion, net margin of (7.6) percent, in fiscal year 2022.

Highlights as of and for the year ended June 30, 2023, include:

• Total assets of $32.3 billion and net assets of $18.3 billion,
• Operating revenue growth of 8.3 percent to $21.6 billion compared to fiscal year 2022, including the impact of the Acquisitions and net of the SFMC divestiture,
• Operating cash flow before other items of $832.7 million, or 3.9% operating cash flow margin,
• Operating loss before other items of $288.0 million, or (1.3) percent operating margin,
• Excess of revenue over expenses of $959.7 million, net margin of 4.2 percent,
• Unrestricted cash and investments of $10.2 billion; days cash on hand of 178 days compared to 211 days for the year ended June 30, 2022, including CARES Act Medicare cash advances, of which $409.5 million were fully repaid during fiscal year 2023 (inclusive of advances acquired),
• Historical debt service coverage ratio of 2.24x compared to 1.1x required.
Introduction to Management's Discussion & Analysis

Trinity Health Corporation, an Indiana nonprofit corporation headquartered in Livonia, Michigan, and its subsidiaries ("Trinity Health" or the "Corporation"), controls one of the largest health care systems in the United States.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Corporation to make assumptions, estimates and judgments that affect the amounts reported in the financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. The Corporation considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its financial statements, including the following: recognition of net patient service revenue, which includes explicit and implicit price concessions; financial assistance; premium revenue; recorded values of investments and derivatives; goodwill; evaluation of long-lived assets for impairment; reserves for losses and expenses related to health care professional and general liabilities; and risks and assumptions for measurement of pension and retiree health liabilities. Management relies on historical experience and other assumptions, believed to be reasonable under the circumstances, in making its judgments and estimates. Actual results could differ materially from those estimates.

Certain statements constitute “forward-looking statements.” Such statements generally are identifiable by the terminology used such as “plan,” “expect,” “predict,” “estimate,” “anticipate,” “forecast” or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties, and other factors, many of which the Corporation is unable to predict or control, that may cause actual results, performance, or achievements to be materially different from those expressed or implied by forward-looking statements.

**Coronavirus Pandemic Ongoing Impacts** – Since March of 2020, the global COVID-19 pandemic has significantly affected the U.S. health care industry and the Corporation’s patients, communities, employees, and business operations to various degrees across the Corporation’s markets. The United States Federal Public Health Emergency (“PHE”) expired on May 11, 2023 and the pandemic appears to have transitioned to an endemic state, with periodic surges of COVID-19 cases anticipated in the future, similar to annual influenza surges. Inpatient volumes are stabilizing to a new normal that may not return to pre-pandemic levels, which includes a shift from inpatient care to ambulatory, home health, PACE, urgent care, specialty pharmacy and digital telehealth care. On a same facility basis, COVID-19 discharges were much lower during fiscal year 2023, with a 45% decrease, when compared to fiscal year 2022.

The Corporation’s service mix, revenue mix and patient volumes still endure negative impacts from broad economic factors spurred by the pandemic, such as an ongoing nationwide shortage of nursing staff, reduced consumer spending and rising inflation rates. Furthermore, the expiration of the PHE resulted in reduced payments from Medicare for patients diagnosed with COVID-19, as well as other revenue reductions and cost increases, and the cessation of pandemic related waivers on certain care delivery requirements and continuous enrollment of Medicaid beneficiaries, which will all put further financial strains on the U.S. health care industry and the Corporation. The Corporation’s response to these new and ongoing economic factors continues to require increased premium labor rates and use of contract labor staff, although contract labor costs during fiscal year 2023, on a same facility basis, are significantly lower by 40.6%, than the prior fiscal year. Labor and supply chain disruptions, including shortages, delays, and significant price increases in medical supplies, pharmaceuticals, and personal protective equipment, have impacted, and are expected to continue to impact the Corporation’s operations.
Cost increases outpacing revenue growth have put strains on the Corporation’s financial results and historical debt service coverage ratio. The Corporation’s historical debt service coverage ratio of 2.24 exceeded the 1.1 minimum threshold required for the twelve-month period ended June 30, 2023. Lingering risks and uncertainties spurred by the COVID-19 pandemic continue to impact the financial condition, results of operations and cash flows of the Corporation.

The Corporation continues to take various actions to mitigate the impact on operations from the negative ongoing economic factors. The Corporation is focused on clinical optimization and access, revenue growth opportunities, labor retention, recruitment, and stabilization, including utilization of its FirstChoice internal staffing agency to augment labor stabilization, new care delivery models, and continued cost reduction plans to mitigate the lingering impacts of COVID-19. Furthermore, the Corporation continues to control capital and reallocate resources to support its operations and clinicians.

The Corporation received Provider Relief Fund and Rural payments (collectively “PRF”) grants, under the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”), the Paycheck Protection Program and Health Care Enhancement Act, the Consolidated Appropriations Act and the American Rescue Plan Act, (collectively the “Acts”). Compliance with the Department of Health and Human Services (“HHS”) Provider Relief Fund General and Targeted Distribution Post-Payment Notice of Reporting Requirements is complex and subject to HHS audit. There can be no assurance that HHS will not challenge the Corporation’s compliance with these reporting requirements, however the Corporation believes it is in full compliance.

The Corporation recognized PRF grant revenue $0.8 million and $140.5 million during fiscal years 2023 and 2022, respectively. The Corporation believes the amount of PRF grants recognized as grant revenue is appropriate under the guidance from HHS.

In April 2020, the Corporation requested and received $1.6 billion of cash advances from accelerated Medicare payment requests under the CARES Act. The balance of Medicare cash advances outstanding as of June 30, 2022 was $389.5 million. As of June 30, 2023, the remaining balance was fully repaid.

Recent Developments

**Divestiture of 50% Interest in Gateway Health Plan, L.P., and Subsidiaries (“GHP”)** – Effective August 31, 2021, the Corporation, through its wholly owned subsidiary, Mercy Health Plan, sold its 50 percent interest in GHP, accounted for under the equity method, to the existing partner and parent owner, Highmark Ventures, Inc. As a result of the transaction, the Corporation received a $62.5 million dividend distribution on August 27, 2021. Furthermore, the Corporation recorded a gain on the sale of $128.7 million during fiscal year 2022 and an additional gain of $8.0 million related to final settlement during fiscal year 2023 in the consolidated statement of operations and changes in net assets.

**MercyOne & Mercy Health Network** – On September 1, 2022, the Corporation completed a transaction with CommonSpirit Health (“CSH”) through which (i) the Corporation acquired CSH’s 50% interest in Mercy Health Network (“MHN”), which is the sole member of Wheaton Franciscan Services Inc. (“WFSI”) and the MHN subsidiary that owns and controls Central Community Hospital (“CCH”), thereby becoming the sole corporate member of MHN, (ii) MHN became the sole corporate member of Catholic Health Initiatives-Iowa, Corp. d/b/a MercyOne Des Moines Medical Center (“MercyOne Des Moines”), a regional health care system located in Des Moines, Iowa, and (iii) Trinity Home Health Services d/b/a Trinity Health At Home, a subsidiary of the Corporation, acquired certain home care, hospice, and home infusion pharmacy operations from an affiliate of CSH located in the vicinity of Des Moines (“Iowa Home Care Assets”, and collectively with (i) and (ii), the “MercyOne Acquisition”). The completion of the acquisition marks a shared commitment to ensuring access to health care across Iowa. Operating as part of Trinity Health, MercyOne will retain its name and brand while enhancing more integrated and unified care in the communities it serves.

Cash paid to CSH in consideration for the MercyOne Acquisition totaled $633.9 million. Based on purchase price paid, goodwill of $27.1 million was recorded on the consolidated balance sheet as of June 30, 2023.

For the year ended June 30, 2023, the Corporation’s consolidated statements of operations and changes in net assets included operating revenue of $1,274.2 million, operating losses of $126.3 million, and deficiency of
revenue over expense of $104.7 million related to the operations of the MercyOne Acquisition.

**North Ottawa Community Health System (“Grand Haven”)** – The Corporation’s affiliate, Mercy Health Partners, completed a transaction with Grand Haven under which Mercy Health Partners became the sole member of Grand Haven on October 1, 2022. Grand Haven and its affiliates operate an acute care hospital, urgent care center, long-term care facility and provide hospice services in the communities surrounding Grand Haven, Michigan. The transaction will provide improved access to specialists, primary care, and health care services, while improving care delivery and access close to home in the Corporation’s West Michigan market. The fair value of identifiable assets acquired exceeded the fair value of liabilities assumed by $15.4 million which was recorded as an inherent contribution in nonoperating items in the consolidated statement of operations and changes in net assets for the year ended June 30, 2023.

For the year ended June 30, 2023, the Corporation’s consolidated statements of operations and changes in net assets included operating revenue of $48.0 million, operating income of $0.1 million and deficiency of revenue over expenses of $0.1 million related to the operations of Grand Haven.

**St. Francis Medical Center (“SFMC”)** – On December 22, 2022, the Corporation, through its subsidiary Maxis Health System (“Maxis”), transferred the membership interest of SFMC and certain subsidiaries as well as $14.5 million of cash, and certain inventory and equipment, to Capital Health System, Inc. (“Capital”). As a result of this transaction, restructuring costs of $82.3 million were incurred, primarily related to loss on sale, asset retirement obligations and transition benefits for colleagues.

For the years ended June 30, 2023 and 2022, the Corporation’s consolidated statements of operations and changes in net assets included operating revenue of $63.9 million and $142.8 million, respectively, and deficiency of revenue over expense of $98.2 million (inclusive of restructuring costs) and $39.4 million, respectively, related to the operations of SFMC.

**Genesis Health System** – On March 1, 2023, the Corporation and its affiliate, MHN, completed a transaction with Genesis Health System, an Iowa nonprofit corporation and Genesis Health System, an Illinois not-for-profit corporation (together “Genesis”), under which MHN became the sole member of each and acquired substantially all assets and liabilities except for certain foundation assets, liabilities, and net assets. Genesis and its affiliates operate four acute care hospitals, including two critical access hospitals, convenient care centers, physician practices, a long-term care facility joint venture, an independent living facility for seniors and hospice services in the communities in eastern Iowa and western Illinois. The fair value of identifiable assets acquired exceeded the fair value of liabilities assumed by $468.1 million which was recorded as an inherent contribution in nonoperating items in the consolidated statement of operations and changes in net assets for the fiscal year ended June 30, 2023.

For the year ended June 30, 2023, the Corporation’s consolidated statements of operations and changes in net assets included operating revenue of $262.4 million, operating losses of $7.6 million, and deficiency of revenue over expenses of $1.5 million related to the operations of Genesis.

The acquisitions of MercyOne, Grand Haven, and Genesis, are collectively referred to as the (“Acquisitions”).

### Results from Operations

#### Operating Losses Before Other Items

Trinity Health reported operating losses before other items of $288.0 million (operating margin of [1.3] percent and cash flow margin of 3.9 percent) for the fiscal year ended June 30, 2023 compared to losses of $148.5 million (operating margin of [0.7] percent and cash flow margin of 4.8 percent) for the fiscal year ended June 30, 2022.
Fiscal year 2023 included $0.8 million of PRF grant revenue compared to $140.5 million of PRF grant revenue in fiscal year 2022, or a $139.7 million reduction year over year.

Downward pressure on fiscal year 2023 margins was driven by controlled expense growth that is still slightly outpacing revenue growth, primarily driven by utilization of premium labor at higher rates and the overall impact of inflation on expenses across the board. As compared to the fourth quarter of fiscal year 2022 and earlier quarters of fiscal year 2023, margins have shown improvement as illustrated in the below chart.

On a same facility basis, volumes as measured by case mix adjusted equivalent discharges (“CMAEDs”) increased 1.6 percent, during fiscal year 2023 compared to fiscal year 2022.

As a response to the challenges faced in operating performance during fiscal years 2023 and 2022, the Corporation is focused on clinical optimization and access, revenue growth opportunities, labor retention, recruitment and stabilization, and continued cost reduction plans to improve operating performance which will continue into fiscal year 2024. In addition, The Corporation launched a new innovative care delivery model using a 3-person team with on-site and virtual nursing named “TogetherTeam Virtual Connected Care” that will be implemented system-wide by the end of fiscal year 2024.

**Revenue**

Total operating revenue of $21.6 billion increased $1.7 billion, or 8.3 percent, in fiscal year 2023 compared to fiscal year 2022. Revenue growth was driven by the Acquisitions which added $1.6 billion of operating revenue during fiscal year 2023 and was partially offset by the divestiture of SFMC that reduced operating revenue by $78.9M compared to fiscal year 2022. Excluding the Acquisitions and divestiture of SFMC, on a same facility basis, operating revenue increased $147.3 million or 0.7 percent over the prior fiscal year, with net patient service revenue increasing $162.6 million, or 1.0 percent, primarily due to improvements in payment rates and increased outpatient volumes. This was partially offset by an unfavorable shift in payer mix and case mix. In addition, premium and capitation revenue increased $32.6 million primarily within the Corporation’s health plans and PACE programs. These increases were offset by a decrease in other revenue of $47.9 million, or 2.7 percent, compared to the prior fiscal year on a same facility basis, primarily driven by the reduction in PRF grant revenue and partially offset by an increase in retail pharmacy revenue. The majority of the Corporation’s revenue is comprised of outpatient and other non-patient revenue, and the Corporation continues to diversify its business segments to gain better position for balanced performance when individual segments are challenged.

**Expenses**

Total operating expenses increased $1.8 billion to $21.9 billion or 8.9 percent in fiscal year 2023, with the Acquisitions accounting for $1.7 billion of the overall increase. Excluding the impact of the Acquisitions and divestiture of SFMC, on a same facility basis, operating expenses for the fiscal year ended June 30, 2023 increased...
$178.9 million, or 0.9 percent. Total operating costs per case (as measured by CMAEDs) improved 4% during the second half of fiscal year 2023 as the Corporation continues to tightly manage operating costs amid inflation. On a same facility basis, salaries, wages, and employee benefit costs rose $256.0 million, or 2.5 percent, with a 3.0 percent increase in salary rates and was partially offset by a 0.6 percent decrease in FTEs as aftershocks of the pandemic continue to drive industry wide staffing shortages and wage inflation. Rate increases were tempered by a $73.0 million reduction in executive compensation and $40.3 million of additional pharmacy rebates recognized in fiscal year 2023. Supply costs increased $59.3 million, or 1.7%, on a same facility basis compared to fiscal year 2022, primarily due to increased retail pharmacy volume. Although overall supply costs increased, supplies per case and supplies as a percent of net patient service revenue decreased from prior year. Increases were also report in purchased services, interest, occupancy, and other expenses, including an increase in provider taxes of $32.1 million, compared to prior year.

The Corporation continues to use strong cost controls over contract labor and other operational spending as colleague investment and utilization of its FirstChoice internal staffing agency promotes labor stabilization. On a same facility basis, contract labor costs decreased $250.0 million, or 40.6 percent, compared to fiscal year 2022 which included unprecedented levels of pandemic driven contract labor utilization. Contract labor costs for MercyOne Des Moines, one of the larger components of the MercyOne Acquisition, totaled $519.4 million and include the costs for colleagues that were leased from CSH for nearly all of fiscal year 2023, driving the overall increase in contract labor for the Corporation. Further expense reductions were seen in depreciation and amortization, with $31.3 million of savings recognized as asset lives were adjusted to reflect historical usage that differed from original estimates.

**Other Items**

For the fiscal year ended 2023, other items consisted of a $53.9 million dividend for the spin off and sale of a subsidiary held by a group purchasing organization in which the Corporation owns a 6% interest that is accounted for under the cost method and an $8.0 million gain for the final settlement from the fiscal year 2022 sale of GHP. These items were offset by $40.0 million of restructuring costs as a result of actions to reduce administrative costs, $82.3 million of restructuring costs related to the divestiture of SFMC, and $83.3 million of non-cash asset impairment charges primarily related to property and equipment, equity method investments in unconsolidated affiliates and other assets.

For the fiscal year ended 2022, other items included a $128.7 million gain on the sale of the Corporation’s 50 percent equity interest in GHP. Other items also included non-cash asset impairment charges of $113.9 million primarily related to aged buildings and structures, operating leased space and related furniture and equipment to be vacated or no longer used, and restructuring costs of $72.6 million primarily for administrative cost reductions.

Including other items, fiscal year 2023 operating losses totaled $431.7 million, an operating margin of (2.0) percent, compared to operating losses of $206.3 million, an operating margin of (1.0) percent, in fiscal year 2022.

**Nonoperating Items**

The Corporation reported non-operating income of $1.5 billion in fiscal year 2023 compared to non-operating losses of $1.2 billion in fiscal year 2022. The increase was driven by investment returns of $715.6 million, or 8.3 percent in fiscal year 2023, compared to losses of 8.4 percent during fiscal year 2022, a $1.7 billion increase over prior year. Investment returns also drove the $572.1 million improvement in equity in earnings of unconsolidated affiliates. In addition, inherent contributions of $483.5 million were recorded during fiscal year 2023, with $468.1 million related to the acquisition of Genesis, and the remainder related to the acquisition of Grand Haven. Conversely, net periodic retirement costs increased $112.7 million over the prior fiscal year which includes a plan termination settlement charge of $88.4 million in fiscal year 2023.

**Excess of Revenue over Expenses**

Excess of revenue over expenses for the fiscal year ended June 30, 2023 was $959.7 million (net margin of 4.2 percent) compared to deficiency of revenue over expenses of $1.4 billion (net margin of [7.6] percent), for the fiscal year ended June 30, 2022. The improvement was primarily due to an increase in nonoperating gains, particularly related to investment earnings, equity in earnings of unconsolidated affiliates and inherent contributions, partially offset by operating losses and a
net unfavorable impact of $85.9 million related to other items compared to the prior fiscal year.

**Balance Sheet**

Balance sheet ratios were impacted by the Corporation’s operating results, the Acquisitions and the divestiture of SFMC made during fiscal year 2023. The Corporation reported total assets of $32.3 billion as of June 30, 2023, which increased $1.2 billion, or 3.7 percent compared to June 30, 2022. This increase was primarily driven by the Acquisitions which contributed $1.8 billion of assets to the Corporation offset by the $633.9 million MercyOne purchase price. A reduction of $848.6 million in unrestricted cash and investments accounted for the majority of the additional decrease in total assets. The reduction in unrestricted cash and investments includes $936.7 million of capital expenditures, $471.7 million net payment for the MercyOne Acquisition, and $409.5 million of repayments of Medicare cash advances (inclusive of advances acquired in the MercyOne acquisition), partially offset by investment earnings.

Unrestricted cash and investments totaled $10.2 billion and $11.1 billion, or 178 days of cash on hand and 211 days of cash on hand, as of June 30, 2023 and June 30, 2022, respectively. The MercyOne Acquisition used eight days of unrestricted cash and investments, while the Genesis Acquisition generated 5 days of unrestricted cash and investments. Fiscal year 2022 includes seven days of cash generated from the sale of GHP. Net days in accounts receivable increased by 2.8 days to 45.3 days from June 30, 2022 to June 30, 2023.

Total liabilities of $14.0 billion decreased $269.8 million, or 1.9 percent compared to June 30, 2022. The Acquisitions added $655.0 million of total liabilities as of their acquisition dates. The consolidated decrease was primarily driven by the payment of Medicare cash advances of $409.5 million (inclusive of advances acquired), decreases in salaries, wages, and related liabilities of $132.5 million (mainly due to a reduction in number of days accrued and a reduction in accrued executive compensation), and a decrease in security lending obligation of $153.0 million. These decreases were partially offset by a net increase in commercial paper and debt of $322.1 million which includes the issuance $329.7 million of tax-exempt private placement bonds in fiscal year 2023 and $140.7 million of bonds acquired as part of the Genesis acquisition, partially offset by principal payments of $188.8 million. Debt to capitalization was 31 percent and 32 percent as of June 30, 2023 and June 30, 2022, respectively. The Corporation’s funded status of its defined benefit pension plans improved from a ratio of 98% for the year-ended June 30, 2022 to 101% for the year-ended June 30, 2023, largely driven by increases in discount rates used to measure plan liabilities.

**Statement of Cash Flows**

Cash, cash equivalents and restricted cash decreased $65.1 million during fiscal year 2023. During the fiscal year-ended June 30, 2023, operating activities used $432.4 million of cash which includes a $409.5 million repayment of Medicare cash advances, inclusive of advances acquired in the MercyOne acquisition. Investing activities provided $240.9 million of cash including $1.7 billion in net sales of investments, partially offset by $960.4 million for purchases of property and equipment and $532.8 million of net cash used for acquisitions. Financing activities provided $126.4 million of cash, primarily from the $193.5 million net impact of proceeds from issuance of debt offset by payments of debt.
TRINITY HEALTH
Liquidity Reporting
June 30, 2023

($ in millions)
(unaudited)

**ASSETS**

**Daily Liquidity**
Money Market Funds (Moody’s rated Aaa) $ 388
Checking and Deposit Accounts (at P-1 rated bank) 500
Repurchase Agreements -
U.S. Treasuries & Aaa-rated Agencies -
Dedicated Bank Lines 600
**Subtotal Daily Liquidity (Cash & Securities)** $ 1,488

Undrawn Portion of $600M Taxable Commercial Paper Program 500
**Subtotal Daily Liquidity Including Taxable Commercial Paper Program** $ 1,988

**Weekly Liquidity**
Exchange Traded Equity $ 3,108
Publicly Traded Fixed Income Securities Rated at least Aa3 and Bond Funds 1,841
Equity Funds 662
Other 186
**Subtotal Weekly Liquidity** 5,797

**TOTAL DAILY AND WEEKLY LIQUIDITY** $ 7,785

**Longer-Term Liquidity**
Funds, vehicles, investments that allow withdrawals with less than one-month notice 1,215
Funds, vehicles, investments that allow withdrawals with one-month notice or longer 3,274
**Total Longer-Term Liquidity** $ 4,489

**LIABILITIES (Self-liquidity Variable Rate Demand Bonds & Commercial Paper)**

**Weekly Put Bonds**
VRDO Bonds (7-day) $ 174

**Long-Mode Put Bonds**
VRDO Bonds (Commercial Paper Mode) 140

**Taxable Commercial Paper Outstanding** 100

**TOTAL SELF-LIQUIDITY DEBT AND COMMERCIAL PAPER** $ 414

Ratio of Daily and Weekly Liquidity to Self-Liquidity Debt and Commercial Paper 18.80
Trinity Health
Financial Ratios and Statistics (Unaudited)

<table>
<thead>
<tr>
<th>Financial Indicators</th>
<th>June 30, 2023</th>
<th>June 30, 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liquidity Ratios (as of June 30)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Days Cash on Hand</td>
<td>178</td>
<td>211</td>
</tr>
<tr>
<td>Days in Accounts Receivable, Net</td>
<td>45.3</td>
<td>42.5</td>
</tr>
<tr>
<td><strong>Leverage Ratios (as of June 30)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt to Capitalization</td>
<td>31%</td>
<td>32%</td>
</tr>
<tr>
<td>Cash to Debt</td>
<td>132%</td>
<td>150%</td>
</tr>
<tr>
<td><strong>Profitability Ratios (For the fiscal year ended June 30)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Margin before Other Items</td>
<td>(1.3%)</td>
<td>(0.7%)</td>
</tr>
<tr>
<td>Operating Cash Flow Margin before Other Items</td>
<td>3.9%</td>
<td>4.8%</td>
</tr>
<tr>
<td><strong>Statistical Indicators (For the fiscal year ended June 30)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rounded to nearest thousand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discharges</td>
<td>508,000</td>
<td>479,000</td>
</tr>
<tr>
<td>Patient Days</td>
<td>2,518,000</td>
<td>2,438,000</td>
</tr>
<tr>
<td>Outpatient Visits</td>
<td>21,981,000</td>
<td>20,047,000</td>
</tr>
<tr>
<td>Emergency Room Visits</td>
<td>2,041,000</td>
<td>1,913,000</td>
</tr>
<tr>
<td>Observation Cases</td>
<td>124,000</td>
<td>113,000</td>
</tr>
<tr>
<td><strong>Continuing Care</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home Health Admissions</td>
<td>79,000</td>
<td>85,000</td>
</tr>
<tr>
<td>Long-term Care Patient Days</td>
<td>513,000</td>
<td>485,000</td>
</tr>
</tbody>
</table>