This document is dated May 15, 2024

UNAUDITED QUARTERLY REPORT

For the Three and Nine-Month Periods Ended
March 31, 2024 and 2023

The information in this report
has been provided by
CommonSpirit Health

COMMONSPIRIT HEALTH

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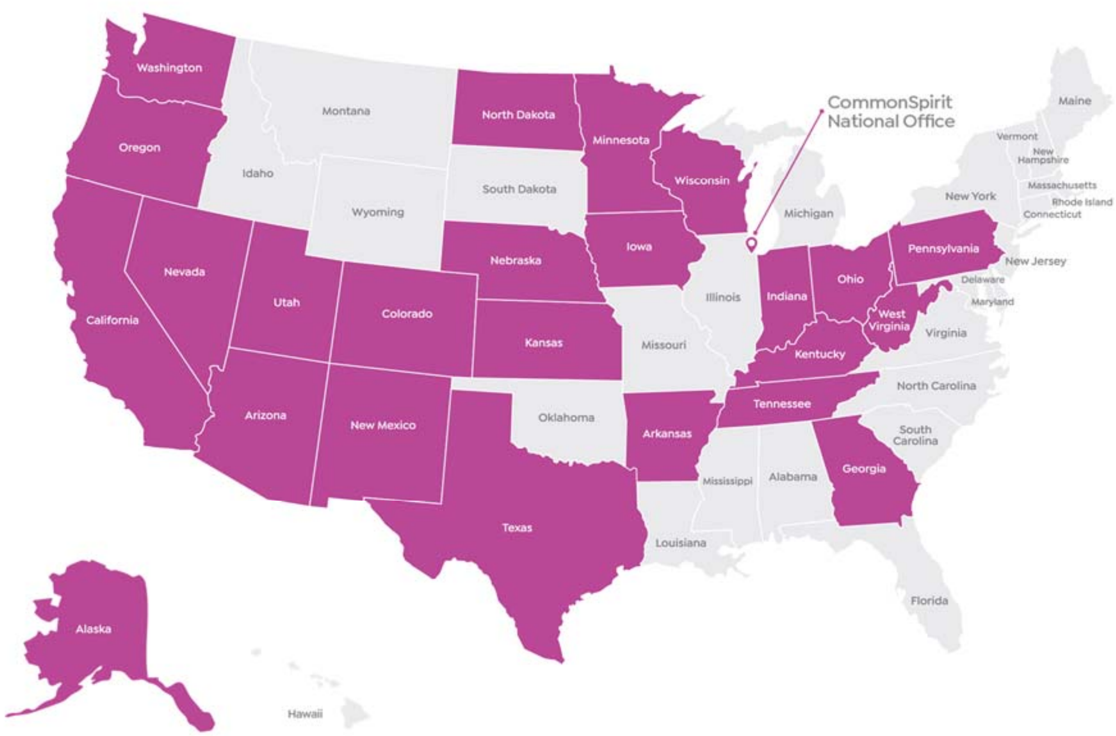
Management Discussion and Analysis of Financial Condition and Results of Operations

Overview

CommonSpirit Health is a Colorado nonprofit public benefit corporation exempt from federal and state income taxes. CommonSpirit Health is a Catholic health care system sponsored by the public juridic person, Catholic Health Care Federation ("CHCF").

CommonSpirit Health owns and operates health care facilities in 24 states and is the sole corporate member (parent corporation) of other primarily nonprofit corporations. CommonSpirit Health and substantially all of its direct affiliates and subsidiaries have been granted exemptions from federal income tax as charitable organizations under Section 501(c)(3) of the Internal Revenue Code. With its national office in Chicago, and a team of over 150,000 employees and over 25,000 physicians and advanced practice clinicians, as of May 15, 2024, CommonSpirit Health is comprised of approximately 2,250 care sites, including 142 hospitals, consisting of academic health centers, major teaching hospitals, and critical access facilities; community health services organizations; accredited nursing colleges; home health agencies; living communities; a medical foundation and other affiliated medical groups; and other facilities and services that span the inpatient and outpatient continuum of care. An additional 20 hospitals are operated through unconsolidated joint ventures. The unaudited condensed consolidated financial statements in Exhibit I include CommonSpirit Health and its direct affiliates and subsidiaries (together, "CommonSpirit", or the "System").



Forward-Looking Statements

Certain of the discussions in this document may include "forward-looking statements" which involve known and unknown risks and uncertainties inherent in the operation of health care facilities. Actual actions or results may differ materially from those presented herein, and past or current trends may not continue. Specific factors that might cause such differences include competition from other health care facilities in the service areas of CommonSpirit, federal and state regulation of health care providers, staffing shortages, organized labor initiatives, and reimbursement policies of the state and federal governments and managed care organizations. In particular, statements that are preceded by, followed by or include the word "believes," "estimates," "expects," "anticipates," "plans," "intends," "scheduled," or other similar expressions are or may constitute forward-looking statements.

CommonSpirit has presented its operating results for the three and nine-month periods ended March 31, 2024 and 2023, in accordance with accounting principles generally accepted in the United States of America ("GAAP") and on a non-GAAP basis for EBITDA (earnings before interest, tax, depreciation and amortization, and nonoperating income). The non-GAAP financial measures are in addition to, not a substitute for, measures of financial performance prepared in accordance with GAAP.

CommonSpirit believes that its presentation of non-GAAP financial measures provides useful supplementary information to and facilitates additional analysis by investors. CommonSpirit uses certain non-GAAP financial measures to enhance an investor's overall understanding of the financial performance and prospects for the future of CommonSpirit's ongoing business activities by facilitating comparisons of results of ongoing business operations among current, past and future periods.

Financial Highlights and Summary

CommonSpirit recorded operating losses of $365 million and $411 million during the three and nine-month periods ended March 31, 2024, compared to operating losses of $619 million and $1.0 billion during the same periods in the prior year. Normalized for the California provider fee program, operating losses for the three and nine-month periods ended March 31, 2024, were $365 million and $705 million, compared to normalized operating losses of $470 million and $1.1 billion during the same periods in the prior year. Operating results reflect the continued impact of salary and supply cost inflation increasing at a higher rate than payor reimbursement rates, partially offset by improved volume levels, length-of-stay, and productivity. The current year nine-month period results include a $234 million 340(b) program settlement from the Centers for Medicare and Medicaid Services ("CMS") related to underpayments in prior years, and the nine-month prior year results include $252 million of CARES Act Provider Relief Funding ("CARES PRF").

CommonSpirit's EBITDA increased to $169 million for the three-month period ended March 31, 2024, from a loss of $163 million during the same period in the prior year. The EBITDA margin for the three-month period ended March 31, 2024, increased to 1.8% from -2.0% for the same period in the prior year. Normalized for the California provider fee program, EBITDA for the three-month period ended March 31, 2024, was $169 million, or an EBITDA margin of 1.8%, compared to a loss of $14 million, or an EBITDA margin of -0.2%, during the same period in the prior year. The increase is primarily related to improved volume levels, length-of-stay and productivity, partially offset by continued staffing and revenue yield challenges, and general inflation.

CommonSpirit's EBITDA increased to $1.2 billion for the nine-month period ended March 31, 2024, from $392 million during the same period in the prior year. The EBITDA margin for the nine-month period ended March 31, 2024, increased to 4.3% from 1.6% for the same period in the prior year. Normalized for the California provider fee program, EBITDA for the nine-month period ended March 31, 2024, was $914 million, or an EBITDA margin of 3.3%, compared to $293 million, or an EBITDA margin of 1.2%, during the same period in the prior year. The increase is primarily related to improved volume levels, length-of-stay and productivity, and the CMS 340(b) program settlement, partially offset by $252 million in CARES PRF funds recorded in the prior year, continued staffing and revenue yield challenges, and general inflation.

For the three and nine-month periods ended March 31, 2024, CommonSpirit's volumes on an adjusted admission basis were favorable to the same periods in the prior year by 6.9% and 7.1%, respectively. On a same-store basis, adjusted admissions were favorable to the same periods in the prior year by 4.5% and 5.4%, respectively. Adjusted patient days for the three and nine-month periods ended March 31, 2024, were higher than the same periods in the prior year by 3.3% and 3.0%, respectively. The acute average length of stay (ALOS) of 4.91 days and 4.80 days for the three and nine-month periods ended March 31, 2024, was lower than the same periods in the prior year of 5.04 and 4.97, respectively, primarily due to continued length-of-stay reduction efforts.

Key Indicators Financial Summary					
	Three-Month Periods Ended March 31,				
($ in millions)	2024	2024*	2023	2023*	Change**
	As Recorded	As Adjusted	As Recorded	As Adjusted	As Adjusted Comparison
EBITDA	$ 169	$ 169	$ (163)	$ (14)	$ 183
Margin %	1.8%	1.8%	(2.0%)	(0.2%)	2.0%
Operating gain (loss)	$ (365)	$ (365)	$ (619)	$ (470)	$ 105
Margin %	(3.9%)	(3.9%)	(7.6%)	(5.6%)	1.7%
Excess (deficit) of revenues over expenses	$ 282	$ 282	$ (194)	$ (45)	$ 327
Margin %	2.8%	2.8%	(2.3%)	(0.5%)	3.3%

** Adjusted to normalize the California Provider Fee Program net income.*

*** Comparing March 31, 2024, as adjusted to the prior year as adjusted.*

Key Indicators Financial Summary					
	Nine-Month Periods Ended March 31,				
($ in millions)	2024	2024*	2023	2023*	Change**
	As Recorded	As Adjusted	As Recorded	As Adjusted	As Adjusted Comparison
EBITDA	$ 1,208	$ 914	$ 392	$ 293	$ 621
Margin %	4.3%	3.3%	1.6%	1.2%	2.1%
Operating gain (loss)	$ (411)	$ (705)	$ (1,014)	$ (1,112)	$ 407
Margin %	(1.5%)	(2.6%)	(4.0%)	(4.4%)	1.8%
Excess (deficit) of revenues over expenses	$ 762	$ 468	$ (353)	$ (451)	$ 919
Margin %	2.6%	1.6%	(1.4%)	(1.8%)	3.4%

** Adjusted to normalize the California Provider Fee Program net income.*

*** Comparing March 31, 2024, as adjusted to the prior year as adjusted.*

Acquisitions, Affiliations and Divestitures

In February 2024, CommonSpirit entered into an agreement to transfer two hospitals, along with associated clinics in San Francisco, to University of California, San Francisco. As of March 31, 2024, the associated assets and liabilities are classified as held for sale, within other current assets and other accrued liabilities – current, respectively, in the condensed consolidated balance sheets. The operations of the facilities held for sale are not material to the condensed consolidated statement of operations and changes in net assets.

In August 2023, CommonSpirit and AdventHealth effected an agreement to transition to direct management of their respective care sites that comprised Centura Health (the "Transition"), with CommonSpirit directly operating and managing its hospitals and affiliated clinics in Colorado, western Kansas, and Utah, and AdventHealth directly operating and managing its Adventist hospitals and their affiliated clinics in Colorado. The Transition did not have a material effect on the financial condition or operations of CommonSpirit, taken as a whole.

In May 2023, CommonSpirit acquired substantially all of the assets of a regional health system, including five hospitals, over 40 clinics, and other ambulatory services in Utah for total consideration of $705 million and initiation of a 15-year master lease agreement for real property on which the primary health care facilities are located, with minimum annual payments of approximately $95 million. The facilities acquired support the mission and strategy to better serve the health care needs of the communities in Utah.

In September 2022, CommonSpirit sold the facilities and assets of MercyOne, a regional health system in Iowa, to Trinity Health for a gross purchase price of $613 million. MercyOne had operated under a JOA between Trinity Health and CommonSpirit. A net loss on sale of $23 million was recognized in the nine-month period ended March 31, 2023.

Same-store results reported herein exclude the impact of the Utah transaction, the divestiture of MercyOne, and the San Francisco hospitals that are held for sale as noted above.

California Provider Fee Program

In September 2022, CMS approved the State Plan Amendment ("SPA") and allocation model previously submitted by the State of California for the 12-month provider fee program beginning January 1, 2022. With the culmination of the program as of December 31, 2022, the State of California submitted a SPA to CMS for approval of a new 24-month provider fee program beginning January 1, 2023. CMS approval of the new program was received in December 2023. As such, during the nine-month period ended March 31, 2024, CommonSpirit recognized provider fee net income from continuing operations of $749 million ($455 million related to the nine-month period ended March 31, 2024 and $294 million related to the six-month period ended June 30, 2023). CommonSpirit recorded $483 million in net provider fee income during the nine-month period ended March 31, 2023. As a result of the CMS approval timing, EBITDA, operating revenues, and expenses for the three-month period ended March 31, 2023 and the nine-month periods ended March 31, 2024 and 2023, have been adjusted where indicated in this report to normalize the California provider fee program revenue and expenses as though CMS approval had occurred as of January 1st.

Following is a summary of the impact of normalizing provider fee net income:

California Provider Fee Program	Three-Month Periods March 31,			Nine-Month Periods Ended March 31,		
($ in millions)	2024	2023	Change	2024	2023	Change
California Provider Fee as Recorded						
Net patient and premium revenues	$ 301	$ -	$ 301	$ 1,471	$ 943	$ 528
Operating expenses	151	11	140	722	460	262
Provider Fee net income	$ 150	$ (11)	$ 161	$ 749	$ 483	$ 266
Normalized California Provider Fee						
Net patient and premium revenues	$ 301	$ 284	$ 17	$ 904	$ 755	$ 149
Operating expenses	151	146	5	449	370	79
Provider Fee net income	$ 150	$ 138	$ 12	$ 455	$ 385	$ 70
Impact of Normalizing California Provider Fee						
Net patient and premium revenues	$ -	$ 284	$ (284)	$ (567)	$ (188)	$ (379)
Operating expenses	-	135	(135)	(273)	(90)	(183)
Provider Fee net income	$ -	$ 149	$ (149)	$ (294)	$ (98)	$ (196)

Cybersecurity Incident

On October 2, 2022, CommonSpirit experienced a ransomware attack ("the Cybersecurity Incident") that impacted certain of its IT systems. The Cybersecurity Incident had an estimated adverse financial impact of approximately $160 million in fiscal year 2023, which included lost revenues from the associated business interruption, the costs incurred to remediate the issues and other related business expenses, and is exclusive of any potential insurance related recoveries. We have notified and continue to consult with our insurance carriers and expect a significant portion of the amounts incurred to be covered by insurance, but are unable to predict the timing or amount of insurance recoveries at this time.

On February 21, 2024, CommonSpirit received notice from UnitedHealth Group ("UHG") that UHG's subsidiary Optum Solutions ("Optum") shut down certain of its IT systems and various services after a cyberattack on the Change Healthcare platform. In response, UHG/Optum/Change Healthcare and CommonSpirit disconnected connectivity between their enterprises. As a result, insurance benefits eligibility and verification and claims processing and administration functionalities in the majority of the CommonSpirit regions and markets have been and may continue to be disrupted. Most functionalities have been restored. The impact to revenue cycle and cash flows is not material to the condensed consolidated financial statements taken as a whole.

Results of Operations

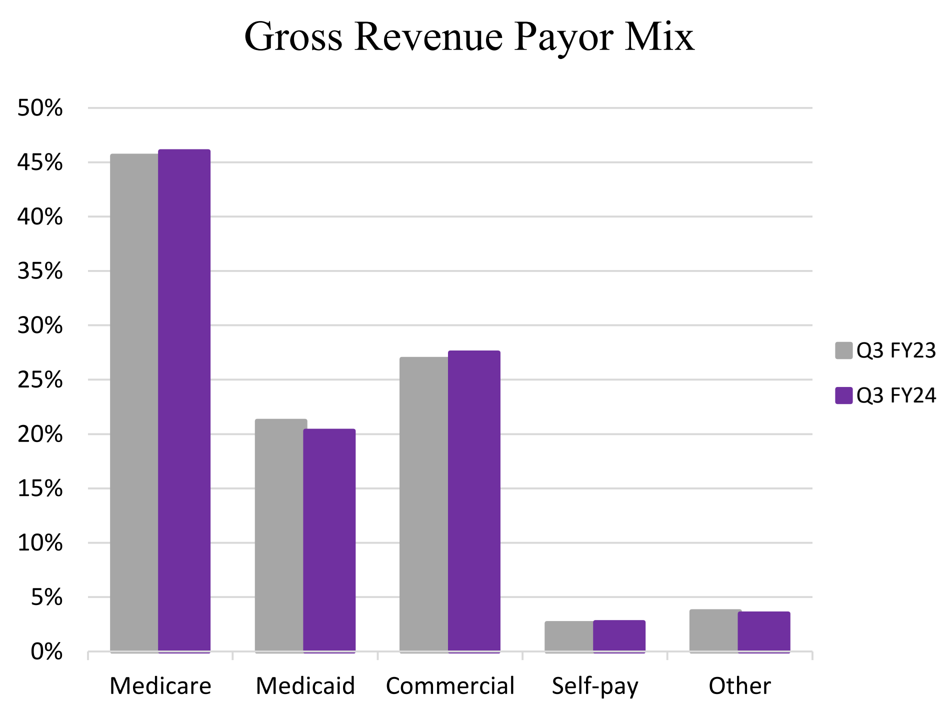
Operating Revenues and Volume Trends

Net patient and premium revenues increased $1.0 billion, or 13.4%, and $2.8 billion, or 11.6%, over the same periods in the prior year, for the three and nine-month periods ended March 31, 2024, respectively. Normalizing the California provider fee revenues, net patient and premium revenue increased $756 million, or 9.4%, and $2.4 billion, or 10.1%, over the same periods in the prior year, for the three and nine-month periods ended March 31, 2024, respectively. On a same-store basis, normalized net patient and premium revenues increased $574 million, or 7.1%, and $2.0 billion, or 8.5%, over the same periods in the prior year, for the three and nine-month periods ended March 31, 2024, respectively. Same-store normalized net patient and premium revenue per adjusted admission increased 2.6% and 2.9% over the same periods in the prior year, for the three and nine-month periods ended March 31, 2024, respectively.

Volumes	Three-Month Periods March 31,				Nine-Month Periods March 31,			
	2024	2023	Change	%	2024	2023	Change	%
Acute admissions	208,936	194,118	14,818	7.6%	619,867	580,558	39,309	6.8%
Adjusted admissions	426,821	399,375	27,446	6.9%	1,284,683	1,199,474	85,209	7.1%
Acute inpatient days	1,024,838	977,503	47,335	4.8%	2,973,281	2,886,976	86,305	3.0%
Adjusted patient days	2,175,563	2,105,633	69,930	3.3%	6,436,785	6,252,301	184,484	3.0%
Acute average length of stay	4.91	5.04	(0.13)	(2.6%)	4.80	4.97	(0.17)	(3.4%)
Outpatient visits	6,959,803	6,729,543	230,260	3.4%	20,852,553	20,030,059	822,494	4.1%
ED visits	1,005,446	947,719	57,727	6.1%	3,014,966	2,906,289	108,677	3.7%
Gross outpatient revenue as a % of total gross patient services revenue	50.9%	51.2%	(0.3%)	(0.3%)	51.6%	51.4%	0.2%	0.2%

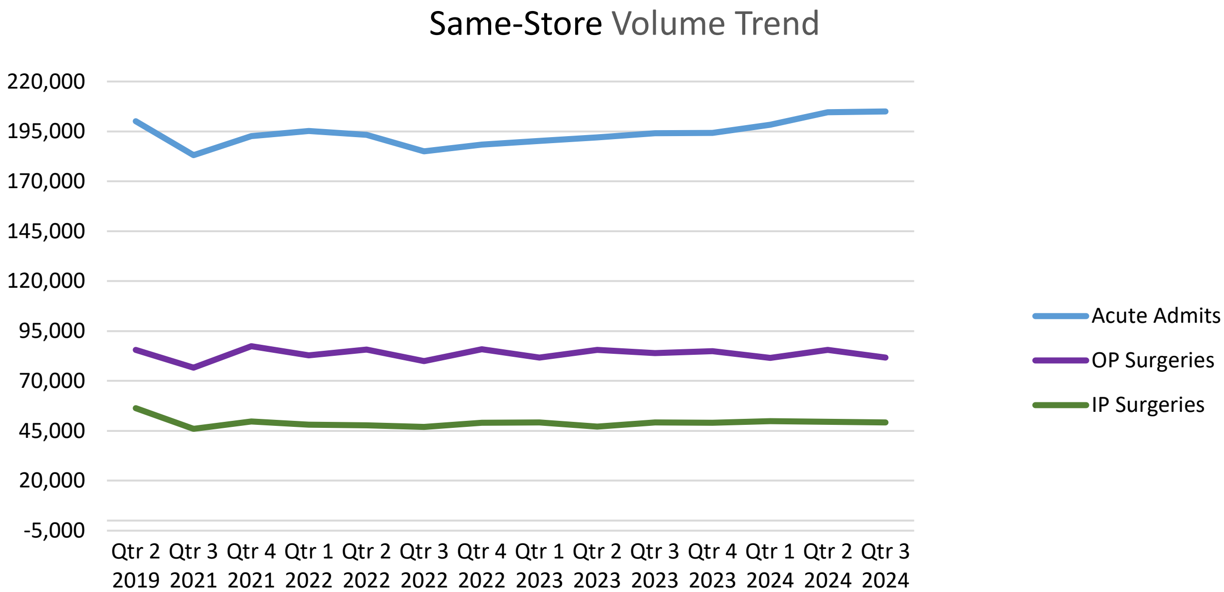
Same-Store Volumes								
	Three-Month Periods March 31,				Nine-Month Periods March 31,			
	2024	2023	Change	%	2024	2023	Change	%
Acute admissions	205,059	194,118	10,941	5.6%	608,040	576,569	31,471	5.5%
Adjusted admissions	417,199	399,375	17,824	4.5%	1,254,887	1,190,620	64,267	5.4%
Acute inpatient days	1,008,925	977,503	31,422	3.2%	2,925,754	2,863,806	61,948	2.2%
Adjusted patient days	2,134,322	2,105,633	28,689	1.4%	6,311,621	6,201,259	110,362	1.8%
Acute average length of stay	4.92	5.04	(0.12)	(2.4%)	4.81	4.97	(0.16)	(3.2%)
Outpatient visits	6,866,067	6,729,543	136,524	2.0%	20,560,987	19,728,066	832,921	4.2%
ED visits	984,313	947,719	36,594	3.9%	2,948,993	2,891,964	57,029	2.0%
Gross outpatient revenue as a % of total gross patient services revenue	50.7%	51.2%	(0.5%)	(0.5%)	51.4%	51.4%	0.0%	0.0%

Payor mix based on gross revenues for the nine-month period ended March 31, 2024, has slightly improved compared to the same period in the prior year. The following chart represents the gross revenue payor mix for consolidated operations for the nine-month periods ended March 31, 2024 and 2023:



Same-store adjusted admissions increased 4.5% and 5.4% during the three and nine-month periods ended March 31, 2024, respectively, compared to the same periods in the prior year.

The following table is a summary of key volume metrics on a same-store basis:



All other operating revenues increased $47 million, or 11.2%, but decreased $72 million, or -4.9%, from the same periods in the prior year, for the three and nine-month periods ended March 31, 2024, respectively. Same-store other operating revenues increased $46 million, or 11.1%, but decreased $101 million, or 6.8%, from the same periods in the prior year, for the three and nine-month periods ended March 31, 2024, respectively. The nine-month period decrease is primarily due to CARES PRF grant revenue totaling $252 million recorded during the nine-month period ended March 31, 2023, offset by an increase of $28 million in revenue from health-related activities, net. The nine-month period increase in revenue from health-related activities, net, is primarily related to improvements in operations and the financial market performance at joint ventures accounted for on the equity method.

Operating Revenues

($ in millions)	Three-Month Periods Ended March 31, 2024	2024*	2023	2023*	Change**
	As Recorded	As Adjusted	As Recorded	As Adjusted	As Adjusted Comparison
Net patient and premium revenues	$ 8,786	$ 8,786	$ 7,746	$ 8,030	$ 756
All other operating revenues	466	466	419	419	47
Total operating revenues	$ 9,252	$ 9,252	$ 8,165	$ 8,449	$ 803

** Adjusted to normalize the California Provider Fee Program revenues.*

*** Comparing March 31, 2024, as adjusted to the prior year as adjusted.*

Operating Revenues

($ in millions)	Nine-Month Periods Ended March 31, 2024	2024*	2023	2023*	Change**
	As Recorded	As Adjusted	As Recorded	As Adjusted	As Adjusted Comparison
Net patient and premium revenues	$ 26,550	$ 25,983	$ 23,782	$ 23,594	$ 2,389
All other operating revenues	1,390	1,390	1,462	1,462	(72)
Total operating revenues	$ 27,940	$ 27,373	$ 25,244	$ 25,056	$ 2,317

** Adjusted to normalize the California Provider Fee Program revenues.*

*** Comparing March 31, 2024, as adjusted to the prior year as adjusted.*

Operating Revenues by Region

The following tables present operating revenues by region for the three and nine-month periods ended March 31, 2024 and 2023. The results by region are presented consistent with the organization's recent consolidation of eight operating divisions into five regions, as shown below:

Operating Revenues By Region					
	Three-Month Periods Ended March 31,				
($ in millions)	2024	2024**	2023	2023**	Change***
	As Recorded	As Adjusted	As Recorded	As Adjusted	As Adjusted Comparison
Southern California	$ 1,814	$ 1,814	$ 1,511	$ 1,718	$ 96
Northern California	1,326	1,326	1,183	1,260	66
California	3,140	3,140	2,694	2,978	162
Southwest	1,213	1,213	1,132	1,132	81
Midwest	807	807	812	812	(5)
Central	2,020	2,020	1,944	1,944	76
Southeast	1,066	1,066	956	956	110
Texas	719	719	652	652	67
South	1,785	1,785	1,608	1,608	177
Mountain	983	983	748	748	235
Northwest	1,208	1,208	1,091	1,091	117
National Business Lines*	81	81	85	85	(4)
Others	4	4	2	2	2
Subtotal	9,221	9,221	8,172	8,456	765
Corporate Services	31	31	(7)	(7)	38
CommonSpirit Total	$ 9,252	$ 9,252	$ 8,165	$ 8,449	$ 803

** Includes Home Care and Senior Living Business Lines.*

*** Adjusted to normalize the California Provider Fee Program income.*

**** Comparing March 31, 2024, as adjusted to the prior year as adjusted.*

Operating Revenues By Region					
	Nine-Month Periods Ended March 31,				
($ in millions)	2024	2024**	2023	2023**	Change***
	As Recorded	As Adjusted	As Recorded	As Adjusted	As Adjusted Comparison
Southern California	$ 5,831	$ 5,415	$ 5,174	$ 5,036	$ 379
Northern California	4,104	3,953	3,768	3,718	235
California	**9,935**	**9,368**	**8,942**	**8,754**	**614**
Southwest	3,393	3,393	3,271	3,271	122
Midwest	2,436	2,436	2,243	2,243	193
Central	**5,829**	**5,829**	**5,514**	**5,514**	**315**
Southeast	3,138	3,138	2,828	2,828	310
Texas	2,140	2,140	1,957	1,957	183
South	**5,278**	**5,278**	**4,785**	**4,785**	**493**
Mountain	**2,889**	**2,889**	**2,235**	**2,235**	**654**
Northwest	**3,607**	**3,607**	**3,356**	**3,356**	**251**
National Business Lines*	239	239	277	277	(38)
Others	38	38	147	147	(109)
Subtotal	27,815	27,248	25,256	25,068	2,180
Corporate Services	125	125	(12)	(12)	137
CommonSpirit Total	$ 27,940	$ 27,373	$ 25,244	$ 25,056	$ 2,317

** Includes Home Care and Senior Living Business Lines.*

*** Adjusted to normalize the California Provider Fee Program revenues.*

**** Comparing March 31, 2024, as adjusted to the prior year as adjusted.*

Following are the significant performance drivers related to operating revenues normalized for the California Provider Fee for the nine-month period ended March 31, 2024, compared to the same period in the prior year:

- California – normalized operating revenues increased $614 million from the prior year, primarily due to higher normalized provider fee revenue, the 340(b) CMS settlement, a 4.4% increase in adjusted admissions, and higher Medicaid disproportionate share payments, partially offset by CARES PRF funds recorded in the prior year and continued revenue yield challenges.

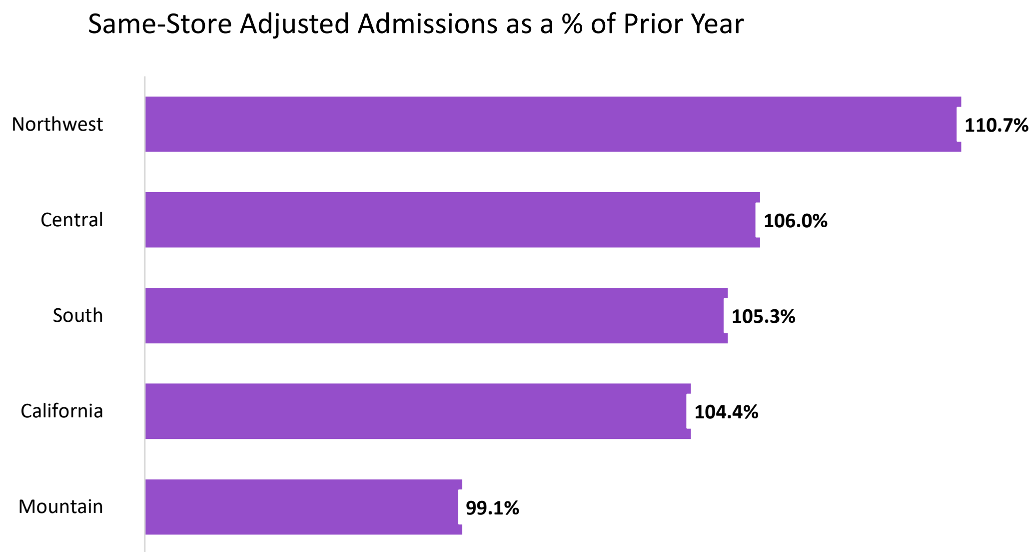
- Central – operating revenues increased $315 million from the prior year, primarily due to a 6.0% increase in adjusted admissions, the 340(b) CMS settlement, higher surgical volumes, and higher revenue from interests in health-related activities, partially offset by CARES PRF funds recorded in the prior year.

- South – operating revenues increased $493 million from the prior year, primarily due to higher volumes, with adjusted admissions increasing by 5.3% over the prior year, higher disproportionate share settlements, and the 340(b) CMS settlement, partially offset by CARES PRF funds recorded in the prior year and continued revenue yield challenges.

- Mountain – operating revenues increased $654 million from the prior year, primarily due to the Utah transaction in May 2023, partially offset by CARES PRF funds recorded in the prior year, continued revenue yield challenges, and lower volumes with same-store adjusted admissions decreasing by 0.9%.

- Northwest – operating revenues increased $251 million from the prior year, primarily due to a 10.7% increase in adjusted admissions and the 340(b) CMS settlement, partially offset by continued revenue yield challenges and CARES PRF funds recorded in the prior year.

The table below reflects the same-store adjusted admissions (excluding the impact of the San Francisco hospitals held for sale and the Utah and Iowa transactions) as a percentage of prior year, for the nine-month period ended March 31, 2024:



Uncompensated Care	Three-Month Periods Ended March 31,			Nine-Month Periods Ended March 31,		
($ in millions)	2024	2023	Change	2024	2023	Change
Uncompensated Care:						
Charity care, at customary charges	$ 550	$ 455	$ 95	$ 1,578	$ 1,443	$ 135
Charity care, at cost, net	$ 135	$ 113	$ 22	$ 391	$ 363	$ 28
Charity care, at cost, as a percentage of total expenses	1.4%	1.3%	0.1%	1.4%	1.4%	0.0%

Operating Expenses

Salaries and benefits increased $374 million, or 8.3%, and $960 million, or 7.2%, over the same periods in the prior year, for the three and nine-month periods ended March 31, 2024, respectively. On a same-store basis, salaries and benefits increased $306 million, or 6.8%, and $860 million, or 6.5%, over the same periods in the prior year, for the three and nine-month periods ended March 31, 2024, respectively, primarily due to higher salary costs, partially offset by FTE reductions implemented during fiscal year 2023. Salaries and benefits per adjusted admission on a same-store basis slightly increased 2.2% and 1.0%, from the same periods in the prior year, for the three and nine-month periods ended March 31, 2024, respectively.

Supplies increased $126 million, or 9.1%, and $239 million, or 5.8%, during the three and nine-month periods ended March 31, 2024, compared to the same periods in the prior year, respectively. On a same-store basis, supplies increased $94 million, or 6.8%, and $184 million, or 4.5%, during the three and nine-month periods ended March 31, 2024, over the same periods in the prior year, respectively. The increase is primarily due to volume increases, higher than anticipated inflation and higher pharmaceuticals. Supplies per adjusted admission on a same-store basis increased 2.2%, but decreased 0.8%, compared to the same periods in the prior year, for the three and nine-month periods ended March 31, 2024, respectively.

Purchased services and other increased $120 million, or 4.6%, and $498 million, or 6.8%, for the three and nine-month periods ended March 31, 2024, compared to the same periods in the prior year, respectively, when normalizing for the California provider fee program costs. On a normalized same-store basis, purchased services and other increased $75 million, or 2.9%, and $403 million, or 5.5%, compared to the same periods in the prior year, respectively. The increase is primarily due to higher normalized provider fee expense, medical and professional fees, hardware and software maintenance, collection agency costs, insurance costs, licenses fees, and out-of-network costs, partially offset by lower special charges and utilities costs.

Expense Management and Productivity	Three-Month Periods Ended March 31,				Nine-Month Periods Ended March 31,			
	2024	2024*	2023	2023*	2024	2024*	2023	2023*
	As Recorded	As Adjusted	As Recorded	As Adjusted	As Recorded	As Adjusted	As Recorded	As Adjusted
Expense Management:								
Supply expense as a % of net patient and premium revenue	17.1%	17.1%	17.8%	17.2%	16.3%	16.6%	17.2%	17.3%
Purchased services and other as a % of net patient and premium revenue	30.8%	30.8%	31.6%	32.2%	30.5%	30.1%	31.2%	31.0%
Capital expense as a % of net patient and premium revenue	6.1%	6.1%	5.9%	5.7%	6.1%	6.2%	5.9%	6.0%
Non-capital cost per adjusted admission	$ 21,282	$ 21,282	$ 20,852	$ 21,191	$ 20,808	$ 20,595	$ 20,719	$ 20,645
Productivity:								
Salaries, wages and benefits as a % of net patient and premium revenue	55.4%	55.4%	58.1%	56.0%	53.9%	55.1%	56.1%	56.6%
Number of FTEs	135,711	135,711	130,461	130,461	133,826	133,826	129,449	129,449
FTEs per adjusted admission	25.33	25.33	26.30	26.30	25.10	25.10	26.50	26.50

**Adjusted to normalize the California Provider Fee Program revenues and expense.*

Same-Store Expense Management and Productivity	Three-Month Periods Ended March 31,				Nine-Month Periods Ended March 31,			
	2024	2024*	2023	2023*	2024	2024*	2023	2023*
	As Recorded	As Adjusted	As Recorded	As Adjusted	As Recorded	As Adjusted	As Recorded	As Adjusted
Expense Management:								
Supply expense as a % of net patient and premium revenue	17.1%	17.1%	17.8%	17.2%	16.3%	16.7%	17.2%	17.3%
Purchased services and other as a % of net patient and premium revenue	30.9%	30.9%	31.6%	32.2%	30.6%	30.2%	31.2%	31.0%
Capital expense as a % of net patient and premium revenue	5.7%	5.7%	5.9%	5.7%	5.7%	5.8%	5.9%	6.0%
Non-capital cost per adjusted admission	$ 21,426	$ 21,426	$ 20,856	$ 21,195	$ 20,961	$ 20,743	$ 20,722	$ 20,647
Productivity:								
Salaries, wages and benefits as a % of net patient and premium revenue	55.8%	55.8%	58.1%	56.0%	54.3%	55.5%	56.1%	56.5%
Number of FTEs	133,491	133,491	130,605	130,605	131,596	131,596	128,404	128,404
FTEs per adjusted admission	25.91	25.91	26.33	26.33	25.69	25.69	26.46	26.46

**Adjusted to normalize the California Provider Fee Program revenues and expense.*

Operating Expenses

($ in millions)	Three-Month Periods Ended March 31, 2024	2024*	2023	2023*	Change**
	As Recorded	As Adjusted	As Recorded	As Adjusted	As Adjusted Comparison
Salaries and benefits	$ 4,871	$ 4,871	$ 4,497	$ 4,497	$ 374
Supplies	1,506	1,506	1,380	1,380	126
Purchased services and other	2,706	2,706	2,451	2,586	120
Depreciation and amortization	364	364	334	334	30
Interest expense, net	170	170	122	122	48
Total operating expenses	$ 9,617	$ 9,617	$ 8,784	$ 8,919	$ 698

** Adjusted to normalize the California Provider Fee Program expense.*

*** Comparing March 31, 2024, as adjusted to the prior year as adjusted.*

Operating Expenses

($ in millions)	Nine-Month Periods Ended March 31, 2024	2024*	2023	2023*	Change**
	As Recorded	As Adjusted	As Recorded	As Adjusted	As Adjusted Comparison
Salaries and benefits	$ 14,313	$ 14,313	$ 13,353	$ 13,353	$ 960
Supplies	4,325	4,325	4,086	4,086	239
Purchased services and other	8,094	7,821	7,413	7,323	498
Depreciation and amortization	1,098	1,098	1,051	1,051	47
Interest expense, net	521	521	355	355	166
Total operating expenses	$ 28,351	$ 28,078	$ 26,258	$ 26,168	$ 1,910

** Adjusted to normalize the California Provider Fee Program expense.*

*** Comparing March 31, 2024, as adjusted to the prior year as adjusted.*

Nonoperating Results

CommonSpirit recorded investment income, net, of $690 million and $1.3 billion during the three and nine-month periods ended March 31, 2024, compared to $443 million and $645 million during the same periods in the prior year, respectively.

Income tax expense was $11 million and $26 million during the three and nine-month periods ended March 31, 2024, compared to $8 million and $28 million during the same periods in the prior year, respectively.

The change in market value and cash payments of interest rate swaps was a favorable result of $34 million and $31 million during the three and nine-month periods ended March 31, 2024, compared to an unfavorable result of $12 million and a $44 million favorable result during the same periods in the prior year, respectively.

Net periodic postretirement costs amounted to $99 million and $165 million of expense during the three and nine-month periods ended March 31, 2024, compared to $3 million $8 million of income during the same periods in the prior year, respectively.

Nonoperating Results	Three-Month Periods Ended March 31,			Nine-Month Periods Ended March 31,		
($ in millions)	2024	2023	Change	2024	2023	Change
Investment income, net	$ 690	$ 443	$ 247	$ 1,300	$ 645	$ 655
Gain on early extinguishment of debt	8	-	8	8	-	8
Income tax expense	(11)	(8)	(3)	(26)	(28)	2
Change in fair value and cash payments of interest rate swaps	34	(12)	46	31	44	(13)
Other components of net periodic postretirement costs	(99)	3	(102)	(165)	8	(173)
Other	25	(1)	26	25	(8)	33
Total nonoperating income, net	$ 647	$ 425	$ 222	$ 1,173	$ 661	$ 512

The detail of investment earnings is as follows:

Investment income, net	Three-Month Periods Ended March 31,			Nine-Month Periods Ended March 31,		
($ in millions)	2024	2023	Change	2024	2023	Change
Net realized gains on sale of securities	$ 130	$ 89	$ 41	$ 318	$ 133	$ 185
Net unrealized gains on securities	480	306	174	784	371	413
Other, net of capitalized investment income	80	48	32	198	141	57
Total investment income, net	$ 690	$ 443	$ 247	$ 1,300	$ 645	$ 655

The presentation of realized and unrealized gains and losses is determined based on the cost basis at the original acquisition date of the securities.

Balance Sheet Metrics

The following table provides key balance sheet metrics for CommonSpirit:

Key Balance Sheet Metrics ($ in millions)	March 31, 2024	June 30, 2023	Change
Consolidated Balance Sheet Summary			
Total assets	$ 54,191	$ 51,872	$ 2,319
Total liabilities	$ 32,382	$ 30,733	$ 1,649
Total net assets	$ 21,809	$ 21,139	$ 670
Financial Position Ratios			
Unrestricted cash and investments	$ 15,913	$ 15,456	$ 457
Days cash on hand	162	166	(4)
Total debt	$ 19,038	$ 18,360	$ 678
Debt to capitalization	49.3%	49.2%	0.1%

Liquidity

Unrestricted cash and investments were $15.9 billion at March 31, 2024, and $15.5 billion at June 30, 2023. The increase is primarily due to financing money offset by weak operating cash flows. CommonSpirit is actively monitoring liquidity given the operational disruption related to inflationary pressures, cash flow disruptions related to denials, timing related to employee retention credits, grant revenues, provider fee receipts and payments, and pending insurance proceeds related to the cybersecurity incident.

Liquidity and Capital Resources ($ in millions)	March 31, 2024	June 30, 2023	Change
Cash	$ 2,382	$ 1,677	$ 705
Short-term investments	317	539	(222)
Long-term investments, excluding assets limited as to use	13,214	13,240	(26)
Total unrestricted cash and investments	$ 15,913	$ 15,456	$ 457

Capital Resources

Cash provided by operating activities totaled $889 million for the nine-month period ended March 31, 2024, compared to cash used of $1.8 billion for the same period in the prior year. Significant activity for the nine-month period ended March 31, 2024, includes the following:

- Investments increased $181 million during the nine-month period ended March 31, 2024, compared to $165 million during the same period in the prior year.
- Medicare advances withheld from Medicare fee-for-service payments were zero during the nine-month period ended March 31, 2024, compared to an $805 million decrease for the same period in the prior year.
- Accounts receivable, net, increased $623 million during the nine-month period ended March 31, 2024, compared to $766 million for the same period in the prior year.
- Provider fee program net receivables increased $499 million during the nine-month period ended March 31, 2024, compared to a $339 million increase for the same period in the prior year.
- Other accrued liabilities increased $404 million during the nine-month period ended March 31, 2024, compared to $143 million for the same period in the prior year.
- Accrued salaries and benefits increased $115 million during the nine-month period ended March 31, 2024, compared to a decrease of $117 million during the same period in the prior year.
- Prepaids and other current assets increased $155 million during the nine-month period ended March 31, 2024, compared to $120 million during the same period in the prior year.

Cash used in investing activities totaled $739 million for the nine-month period ended March 31, 2024, compared to $195 million during the same period in the prior year, primarily related to the following:

- Capital expenditures were $726 million during the nine-month period ended March 31, 2024, compared to $774 million during same period in the prior year. Such capital expenditures primarily relate to growth in ambulatory and inpatient services, general maintenance of facilities, equipment and systems additions and replacements, and various other capital improvements.
- Proceeds from the sale of assets were $57 million during the nine-month period ended March 31, 2024, compared to $553 million during the same period in the prior year, primarily due to the Iowa transaction in the prior year.
- Cash distributions from health-related activities were $53 million during the nine-month period ended March 31, 2024, compared to $131 million during the same period in the prior year.
- Investments in health-related activities were $87 million during the nine-month period ended March 31, 2024, compared to $56 million during the same period in the prior year.

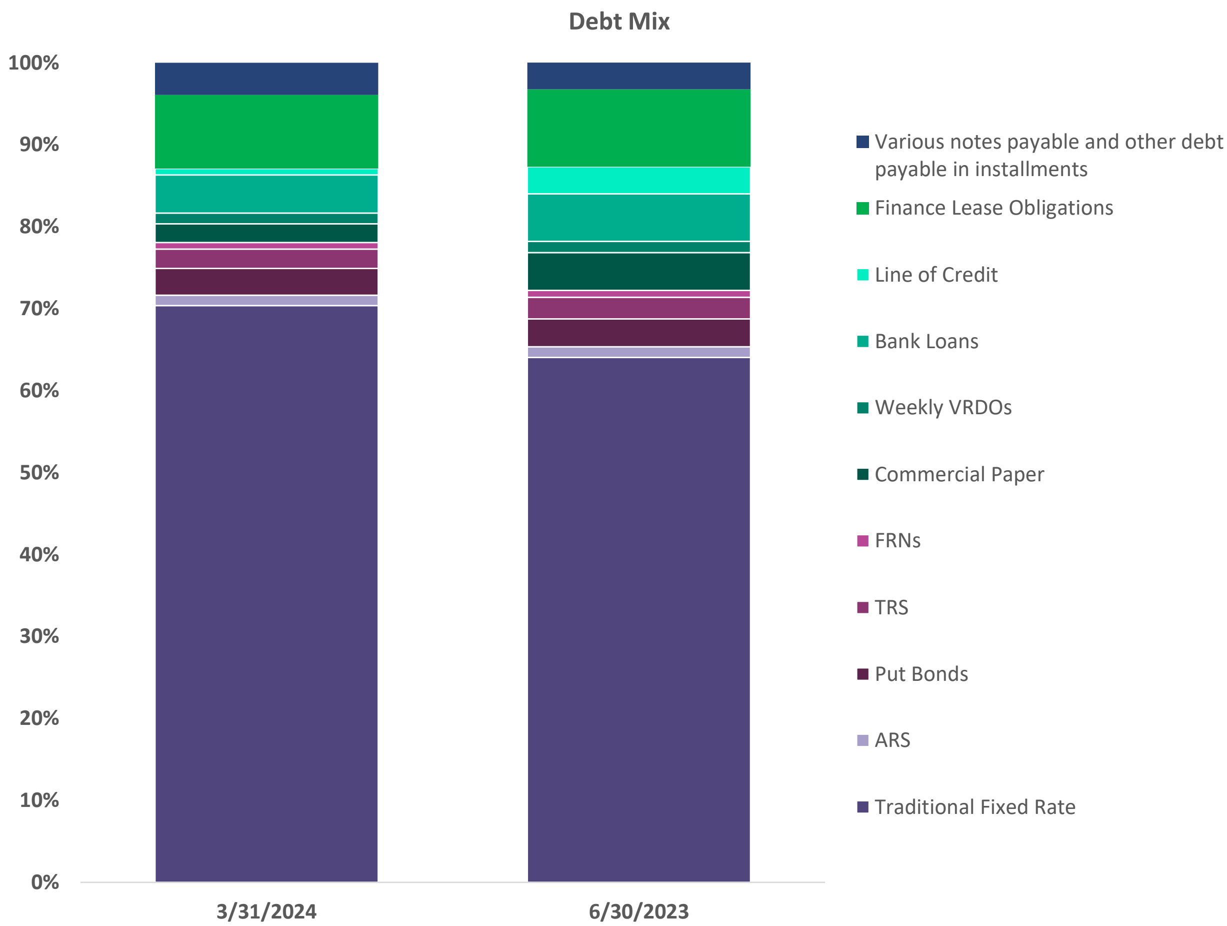
Cash provided by financing activities totaled $555 million for the nine-month period ended March 31, 2024, compared to $851 million for the same period in the prior year, primarily due to the following:

- Net borrowings of debt were $653 million during the nine-month period ended March 31, 2024, compared to $892 million during the same period in the prior year.
- Distributions to noncontrolling interests were $170 million for the nine-month period ended March 31, 2024, compared to $121 million during the same period in the prior year.

Debt Portfolio

The CommonSpirit Obligated Group represents approximately 88% of consolidated revenues of CommonSpirit as of March 31, 2024. The debt portfolio remains well diversified, with a high proportion of long-term fixed rate debt providing stability.

The chart below depicts CommonSpirit's debt mix as of March 31, 2024, as compared to June 30, 2023:



Strategic Focus and Priorities

In FY22, CommonSpirit launched CommonSpirit 2026, the ministry's five-year strategic road map. This framework effectively aligned all of CommonSpirit's mid- and long-range initiatives and workstreams, and their associated metrics, under three major pillars: Our People, Our Excellence and Our Future. CommonSpirit has been executing on these pillars and has achieved significant progress to date, with many initiatives already incorporated into the system's daily work.

With the leadership team complete with several new executive leaders now on board at CommonSpirit, and under the leadership of CEO Wright Lassiter III, the organization's efforts related to CommonSpirit 2026 have been infused with fresh perspectives and new strategies. Consistent with priorities identified for fiscal year 2024, the executive leadership team has framed priorities for the upcoming fiscal year 2025 that build on the CommonSpirit 2026 road map, shifting and elevating a few of the priorities to address the challenges ahead of CommonSpirit. These five areas have been identified to drive improvement in the next 12-18 months, to ensure the long-term financial sustainability of the ministry, finish out the 2026 strategic roadmap, and set the foundation for launching into a new strategic plan for CommonSpirit the following year:

- Achieve One CommonSpirit, by defining a unified culture, brand and operations, aligning approaches to increase efficiency and leverage scale;
- Ensure we are paid for the care we provide, through heightened work with payors and revenue cycle partners;
- Transform our portfolio through continued diversification in non-acute verticals, strategic capital deployment and other potential portfolio adjustments;
- Drive organic growth through expanded access points as well as better care coordination to facilitate consumers' utilization of our care networks; and
- Launch a new digital consumer experience, to enable increased access to care for those we serve.

Recent Accomplishments

Our People: At its core, this strategic pillar calls for the creation of an environment, culture, and programs that allow our people to flourish while answering their calling to care. To date, CommonSpirit has:

- Improved its ministry-wide Employee Engagement scores year-over-year (including Overall Employee Engagement, Resilience and Culture of Safety);
- Developed and offered a robust set of well-being benefits to all of its employees, including comprehensive mental health resources, financial planning resources, and an award-winning communications campaign;
- Sharpened its focus on employee retention by effectively addressing market-specific retention trends;
- Expanded its already successful national Nurse Residency (NNRP) and Nurse Fellowship programs to more markets, growing to nearly 60 sites (as of March 31, 2024) with over 900 nurse residents enrolled. To date, the NNRP retention rate is 93%. CommonSpirit is expanding this to social work fellowships and specialty tracks such as neonatal ICU, perinatal, pediatrics / pediatrics ICU, and behavioral health;
- With approximately 3,000 resident and fellow physician trainees, CommonSpirit and its affiliated academic partners comprise one of the nation's largest graduate medical education enterprises. Through our academic partnerships with Baylor College of Medicine, Creighton University School of Medicine, and Morehouse School of Medicine, CommonSpirit is committed to training a workforce of capable, socially-responsible and culturally competent physicians to function with excellence across clinical environments.
- The next level of improvement must come from transformative care models and tech-enabled services and care. Given CommonSpirit's size, the first steps include scaling our resilience, training, and residency programs across the System, and this work is well underway. The next stage is to leverage technology and innovation to change and augment how we deliver care.

Our Excellence: This strategic pillar affirms the need for the ministry's clinical, operational, and financial initiatives to generate consistent delivery of exceptional, whole-person care, while embracing the needs and circumstances of the diverse communities we serve. Recent actions and accomplishments include:

- **One CommonSpirit**: This defines our strategic imperative to rapidly complete the integration of all aspects of our ministry – clinical, operational, and technological – across our entire footprint while aligning our geographic markets. It requires us to further centralize or standardize processes to ensure the delivery of a consistently superior patient experience, while maintaining exceptional clinical standards. It also includes evolving the design and operating model of CommonSpirit, as well as cultivating a consistent identity and culture. Under the banner of *One CommonSpirit*, the following milestones have been reached:
    - **Refining the Operating Model:** Management consolidated eight operating divisions into five regions (California, Central, Mountain, Northwest, and South), taking a more market-based approach to enhance efficiency, further reduce overhead, and implement standardized leadership structures for the operating regions. The goal is to better leverage CommonSpirit's systemness and economies of scale nationally, yet execute on strategies locally. The operating model changes being implemented create clarity around decision rights and accountabilities for how CommonSpirit operates nationally and regionally, improving effectiveness as a system.
    - **Information Technology (IT) Roadmap:** Under the leadership of CommonSpirit's Chief Information Officer, a new IT Roadmap has been developed to facilitate efficiencies, streamline and reduce redundant technologies, generate economies of scale and enhance system capabilities. The roadmap is a comprehensive multi-year plan to address key infrastructure and software needs to align fragmented platforms and third-party applications. The roadmap identifies opportunities to lower long term costs, improve clinical and operational challenges, reduce staff and clinician burnout/turnover, increase speed to market, and realize a greater ROI through standardization of clinical platforms. Other technology investments are being made in data analytics, consumer engagement, quality, AI, and cybersecurity. Examples of how CommonSpirit is deploying AI under established governance oversight frameworks include integrating AI into our sepsis monitoring protocols and identifying potential stroke patients:
        - Since the sepsis program's inception in 2015, CommonSpirit has actively monitored approximately 20 million patients for sepsis resulting in reductions in sepsis mortality, saving lives and reducing time spent in the ICU.
        - CommonSpirit has used AI to identify potential stroke patients, resulting in critical time saved in stroke cases, reductions in length of stay for stroke patients and disability caused by stroke.
- **Financial Sustainability**: Maintaining financial strength is a critical component of excellence and supports the ministry's achievement of its strategic objectives. Some of the areas that CommonSpirit continues to build on to drive improved performance are through revenue and cost levers, as well as work to transform and enhance the portfolio.
    - One of the most critical levers is to receive the revenue and cash flow CommonSpirit is entitled to for services provided. We are focused on improving our revenue cycle function; clinical denials, clinical documentation, underpayment review, patient collections at the service site, outsourcing additional accounts to specialized vendors, and revenue cycle performance with our partners. The dynamics of payor-provider relationships also have to change. This includes being paid appropriately based on contracts CommonSpirit has in place, taking a firm stance on contract renewals so payors absorb a share of inflation, and the process and terms are improved and providers get paid for the care they deliver.
    - In terms of volume growth, better utilizing the costly physical and people resources CommonSpirit already has is the most efficient way to grow. CommonSpirit's Patient Connection Centers (PCC), which are discussed more below, use efficient resources to improve patient access and physician productivity, and our network integrity tools help improve care continuity within our network.
    - While CommonSpirit achieved its original goal of $2 billion in synergies, in light of continued inflationary and revenue pressures, the organization has identified a range of initiatives to further address and improve operating performance in 2024 and beyond, including supply chain, pharmacy, payor contracting and adherence, purchased services, and a range of other areas.

Our Future: This pillar defines the initiatives and workstreams needed to bridge the gaps between CommonSpirit's current state and the delivery system of the future, to create a seamless, convenient, high-quality and effective patient experience. Highlights here include focusing on personalized experiences for our patients, increasing access, optimizing our diverse portfolio, integrating across the care continuum, and appropriately scaling value-based care arrangements. Some highlights of this work include:

- **Portfolio Assessment and Management:** CommonSpirit is enhancing its portfolio analysis to focus on market essentiality in evaluating its portfolio of health care markets. This includes assessing each market's current position and market potential, defining market-based strategies, and aligning and prioritizing our capital investments for maximum impact. Although not the primary intent, this may result in acquisitions and divestitures where appropriate. An example of recent and ongoing actions includes the acquisition of the Holy Cross facilities in Utah in May 2023. Also, in February 2024, CommonSpirit entered into an agreement to transfer ownership of its San Francisco facilities to University of California San Francisco. Both parties expect to close this transaction subsequent to completion of the regulatory review process.
    - In addition to the horizontal alignment around markets and geographies, CommonSpirit is also focusing time and effort on aligning the portfolio vertically across several services. CommonSpirit has mature Home Health and Senior Living services where work is underway to better align with and support our markets' needs for the full continuum of care to best transition and serve our patients in the most appropriate care settings. Additionally, other services across the continuum such as ambulatory surgery and imaging are being explored to understand their potential as system verticals.

- **Essentiality in Key Markets:** Aligned with the portfolio work, CommonSpirit is focused on the needs and opportunities in each of our regions and markets and in most cases, addressing this through further development of our integrated delivery networks (IDNs), with a goal to increased access, capacity, and sustainable growth, improved market share, and financial improvement. Some initiatives in this area include:
    - **Improved Network Integrity and Growth**: CommonSpirit is enhancing efforts to track care continuity and enhance practice patterns, to ensure we are serving our patients in-network, and implementing solutions unique to each market when necessary. These efforts are enhanced by tools that provide consistent, detailed analysis and trending of data to assess continuity of care and network integrity, Patient Connection Centers and digital front door enhancements, and improved use of our electronic health records to facilitate referrals and follow up care. To date, all 36 of CommonSpirit's markets are using a range of these tools and results are provided and tracked on a quarterly basis.
    - **Enhancing the Continuum of Care and Focused Ambulatory Development**: CommonSpirit's goal is to seamlessly care for patients across all care settings, either at an individual care setting or by managing a patient's journey across multiple settings. To accommodate that, CommonSpirit continues to expand our ambulatory and virtual care points and enhance connections across the continuum of care. As clinical innovation drives the continued transition of a range of traditionally acute-care services to lower acuity settings, we are expanding ambulatory care capacity. From the period of July 1, 2023 through March 31, 2024, CommonSpirit has added 44 new ambulatory care cites, including primary care and specialty care clinics, outreach clinics, home health, labs, an ambulatory surgery center, and a physical therapy clinic. Additionally, CommonSpirit has a new partnership with LifePoint for behavioral health services with three new sites underway in Houston, Phoenix, and Tennessee and three additional sites to be announced within the year.
    - **Innovative Partnerships Advance Care Continuum:** CommonSpirit has a range of partnerships in areas such as novel care models in primary care, behavioral health, micro hospitals, hospitals at home, and other care models. New areas of focus include real time DME ordering to reduce patient wait times and lower LOS, and a new Generative AI partnership focused on leveraging data to create a more efficient supply chain. CommonSpirit supports diversification through a successful co-investment program where we may invest alongside leading venture firms in the companies we are partnering with. This program has had very strong results and has generated financial and operational returns.
    - **Aligning Services to Deliver a Differentiated Consumer Experience:** CommonSpirit is further aligning our services to meet and exceed consumers' evolving expectations. Initiatives underway include those to provide "one digital front door" to our services, which provides a consistent landing page and a search/schedule feature across all of our regions. In addition to CommonSpirit's patient connection

centers, which help connect patients to their providers through a single point of access, in April 2024, CommonSpirit launched the first phase of its Consumer Digital Experience on Commonspirit.org that will provide an integrated, consistent and seamless consumer experience. The reimagined digital experience features one content engine, one scheduling platform and the first ministry-wide Find a Doctor and Find a Location service, offering an intuitive way to compare and find the right provider and book an appointment with ease.

- CommonSpirit's Clinical Command Centers are another example of scaling resources, including innovative virtual hospital programs in the Puget Sound market and Care Across the Continuum in Arizona. For the period of July 1, 2023, through March 31, 2024, these programs provide integrated care, in-home monitoring, virtual visits, cardiac monitoring, virtual companions, or a virtual ICU to partner with bedside teams, hospitalist services supporting hospitals, consulting nurses, or a contact center supporting inpatient and outpatient sites, and after hour nurse triage, resulting in over $19 million in savings from operating costs, efficiency in processes, and improved patient metrics such as patient experience with over 918,000 hours monitored and the prevention of nearly 91,000 patient adverse events.

The specific initiatives and focus areas around the CommonSpirit 2026 strategic road map are expected to evolve further over time, as industry dynamics shift and the new leadership team refines its approaches and priorities. Updates to these priorities and specific accomplishments will continue to be highlighted in these quarterly reports as appropriate.

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Exhibit I

Unaudited Condensed Consolidated Financial Statements
for the Three and Nine-Month Periods Ended March 31, 2024 and 2023

(Attached)

COMMONSPIRIT HEALTH

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine-Month Periods Ended March 31, 2024 and 2023

COMMONSPIRIT HEALTH

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QUARTERLY FINANCIAL STATEMENTS

COMMONSPIRIT HEALTH

CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2024 AND JUNE 30, 2023 (in millions)

Assets	As of March 31, 2024 (Unaudited)	As of June 30, 2023
Current assets:		
Cash and cash equivalents	$ 2,382	$ 1,677
Short-term investments	317	539
Patient accounts receivable, net	5,523	4,899
Provider fee receivable	1,801	931
Other current assets	2,942	2,733
Total current assets	12,965	10,779
Long-term investments	16,991	16,483
Property and equipment, net	16,813	17,189
Right-of-use operating lease assets	1,608	1,676
Ownership interests in health-related activities	3,208	3,114
Other long-term assets, net	2,606	2,631
Total assets	$ 54,191	$ 51,872

(Continued)

COMMONSPIRIT HEALTH

CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2024 AND JUNE 30, 2023 (in millions)

Liabilities and Net Assets	**As of March 31, 2024 (Unaudited)**	**As of June 30, 2023**
Current liabilities:		
Current portion of long-term debt	$ 870	$ 1,966
Demand bonds subject to short-term liquidity arrangements	247	247
Accounts payable	1,311	1,342
Accrued salaries and benefits	1,674	1,512
Provider fee payables	713	342
Other accrued liabilities - current	3,929	3,473
Total current liabilities	8,744	8,882
Other liabilities - long-term:		
Self-insured reserves and claims	1,146	1,138
Pension and other postretirement benefit liabilities	2,362	2,255
Derivative instruments	83	77
Operating lease liabilities	1,516	1,586
Other accrued liabilities - long-term	610	648
Total other liabilities - long-term	5,717	5,704
Long-term debt, net of current portion	17,921	16,147
Total liabilities	32,382	30,733
Net assets:		
Without donor restrictions - attributable to CommonSpirit Health	19,590	18,960
Without donor restrictions - noncontrolling interests	1,013	1,062
With donor restrictions	1,206	1,117
Total net assets	21,809	21,139
Total liabilities and net assets	$ 54,191	$ 51,872

See notes to unaudited condensed consolidated financial statements.

COMMONSPIRIT HEALTH

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE THREE AND NINE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023 (in millions)

	Three-Month Periods Ended March 31,		Nine-Month Periods Ended March 31,	
	2024	2023	2024	2023
Operating revenues:				
Net patient revenue	$ 8,427	$ 7,417	$ 25,416	$ 22,760
Premium revenue	359	329	1,134	1,022
Revenue from health-related activities, net	71	71	167	139
Other operating revenue	378	333	1,174	1,272
Contributions	17	15	49	51
Total operating revenues	9,252	8,165	27,940	25,244
Operating expenses:				
Salaries and benefits	4,871	4,497	14,313	13,353
Supplies	1,506	1,380	4,325	4,086
Purchased services and other	2,706	2,451	8,094	7,413
Depreciation and amortization	364	334	1,098	1,051
Interest expense, net	170	122	521	355
Total operating expenses	9,617	8,784	28,351	26,258
Operating loss	(365)	(619)	(411)	(1,014)
Nonoperating income (loss):				
Investment income, net	690	443	1,300	645
Gain on early extinguishment of debt	8	-	8	-
Income tax expense	(11)	(8)	(26)	(28)
Change in fair value and cash payments of interest rate swaps	34	(12)	31	44
Other components of net periodic postretirement costs	(99)	3	(165)	8
Other	25	(1)	25	(8)
Total nonoperating income, net	647	425	1,173	661
Excess (deficit) of revenues over expenses	$ 282	$ (194)	$ 762	$ (353)
Less excesss of revenues over expenses attributable to noncontrolling interests	38	13	86	20
Excess (deficit) of revenues over expenses attributable to CommonSpirit Health	$ 244	$ (207)	$ 676	$ (373)

(Continued)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE THREE AND NINE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023 (in millions)

	Without Donor Restrictions			
	Attributable to CommonSpirit Health	Noncontrolling Interests	With Donor Restrictions	Total Net Assets
Balance, December 31, 2022	$ 18,572	$ 1,066	$ 1,128	$ 20,766
Excess (deficit) of revenues over expenses	(207)	13	-	(194)
Contributions	-	-	42	42
Net assets released from restrictions for capital	18	-	(18)	-
Net assets released from restrictions for operations and other	-	-	(15)	(15)
Other	(37)	(16)	(0)	(53)
Increase (decrease) in net assets	(226)	(3)	9	(220)
Balance, March 31, 2023	$ 18,346	$ 1,063	$ 1,137	$ 20,546
Balance, December 31, 2023	$ 19,146	$ 1,003	$ 1,164	$ 21,313
Excess of revenues over expenses	244	38	-	282
Contributions	-	-	31	31
Net assets released from restrictions for capital	10	-	(10)	-
Net assets released from restrictions for operations and other	-	-	(14)	(14)
Change in funded status of pension and other postretirement benefit plans	167	-	-	167
Other	23	(28)	35	30
Increase in net assets	444	10	42	496
Balance, March 31, 2024	$ 19,590	$ 1,013	$ 1,206	$ 21,809

(Continued)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE THREE AND NINE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023 (in millions)

	Without Donor Restrictions			
	Attributable to CommonSpirit Health	Noncontrolling Interests	With Donor Restrictions	Total Net Assets
Balance, June 30, 2022	$ 18,808	$ 1,079	$ 1,142	$ 21,029
Excess (deficit) of revenues over expenses	(373)	20	-	(353)
Contributions	-	-	88	88
Net assets released from restrictions for capital	28	-	(28)	-
Net assets released from restrictions for operations and other	-	-	(44)	(44)
Other	(117)	(36)	(21)	(174)
Decrease in net assets	(462)	(16)	(5)	(483)
Balance, March 31, 2023	$ 18,346	$ 1,063	$ 1,137	$ 20,546
Balance, June 30, 2023	$ 18,960	$ 1,062	$ 1,117	$ 21,139
Excess of revenues over expenses	676	86	-	762
Contributions	-	-	109	109
Net assets released from restrictions for capital	21	-	(21)	-
Net assets released from restrictions for operations and other	-	-	(36)	(36)
Change in funded status of pension and other postretirement benefit plans	167	-	-	167
Other	(234)	(135)	37	(332)
Increase (decrease) in net assets	630	(49)	89	670
Balance, March 31, 2024	$ 19,590	$ 1,013	$ 1,206	$ 21,809

See notes to unaudited condensed consolidated financial statements.

COMMONSPIRIT HEALTH

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023
(in millions)

	Nine-Month Periods Ended March 31, 2024	Nine-Month Periods Ended March 31, 2023
Cash flows from operating activities:		
Change in net assets	$ 670	$ (483)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Gain on early extinguishment of debt	(8)	-
Depreciation and amortization	1,098	1,051
Changes in equity of health-related entities	(196)	(202)
Restricted net assets in disposition	-	31
Net loss (gain) on sales of facilities and investments in unconsolidated organizations	(36)	(2)
Noncash operating expenses related to restructuring, impairment and other losses	180	-
Change in fair value of swaps	(29)	(63)
Noncash adjustments of pension and other postretirement benefit plans	57	75
Changes in certain assets and liabilities:		
Accounts receivable, net	(623)	(766)
Prepaid and other current assets	(155)	(120)
Changes in broker receivables/payables for unsettled investment trades	(19)	36
Provider fee assets and liabilities, net	(499)	(339)
Accounts payable	(49)	40
Accrued salaries and benefits	115	(117)
Medicare advances	-	(805)
Other accrued liabilities	404	143
Self-insured reserves and claims	(11)	(60)
Other, net	171	(37)
Cash provided by (used in) operating activities before net change in investments	1,070	(1,618)
Net increase in investments	(181)	(165)
Cash provided by (used in) operating activities	889	(1,783)

(Continued)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023
(in millions)

	Nine-Month Periods Ended March 31, 2024	2023
Cash flows from investing activities:		
Purchases of property and equipment	(726)	(774)
Investments in health-related activities	(87)	(56)
Business acquisitions, net of cash acquired	(21)	-
Proceeds from asset sales, net	57	553
Cash distributions from health-related activities	53	131
Other, net	(15)	(49)
Cash used in investing activities	(739)	(195)
Cash flows from financing activities:		
Borrowings	4,241	2,056
Repayments	(3,588)	(1,164)
Gain on early extinguishment of debt	8	-
Swaps cash collateral received	35	15
Distributions to noncontrolling interests	(170)	(121)
Contribution by noncontrolling interests	29	65
Cash provided by financing activities	555	851
Net increase (decrease) in cash and cash equivalents	705	(1,127)
Cash and cash equivalents at beginning of period	1,677	2,592
Cash and cash equivalents at end of period	$ 2,382	$ 1,465
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of capitalized interest	$ 475	$ 376
Supplemental schedule of noncash investing and financing activities:		
Property and equipment acquired through finance lease or note payable	$ 45	$ 44
Investments in health-related activities	$ 42	$ 40
Accrued purchases of property and equipment	$ 61	$ 58

See notes to unaudited condensed consolidated financial statements.

1. ORGANIZATION

CommonSpirit Health is a Colorado nonprofit public benefit corporation exempt from federal and state income taxes. CommonSpirit Health is a Catholic health care system sponsored by the public juridic person, Catholic Health Care Federation ("CHCF").

CommonSpirit Health owns and operates health care facilities in 24 states and is the sole corporate member (parent corporation) of other primarily nonprofit corporations. CommonSpirit Health and substantially all of its direct affiliates and subsidiaries have been granted exemptions from federal income tax as charitable organizations under Section 501(c)(3) of the Internal Revenue Code. As of March 31, 2024, CommonSpirit Health is comprised of approximately 2,250 care sites, consisting of 142 hospitals, including academic health centers, major teaching hospitals, and critical access facilities, community health services organizations, accredited nursing colleges, home health agencies, living communities, a medical foundation and other affiliated medical groups, and other facilities and services that span the inpatient and outpatient continuum of care. An additional 20 hospitals are operated through unconsolidated joint ventures. CommonSpirit Health also has offshore and onshore captive insurance companies. The accompanying condensed consolidated financial statements include CommonSpirit Health and its direct affiliates and subsidiaries (together, "CommonSpirit").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying condensed consolidated financial statements of CommonSpirit were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts of all wholly-owned affiliates and affiliates over which CommonSpirit exercises control or has a controlling financial interest, after elimination of intercompany transactions and balances. These unaudited condensed consolidated financial statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. For further information, refer to the audited consolidated financial statements as of and for the years ended June 30, 2023 and 2022. Operating results for the three and nine-month periods ended March 31, 2024, are not necessarily indicative of the results to be expected for the year ending June 30, 2024.

Reclassifications – Certain reclassifications and changes in presentation were made in the fiscal year 2023 condensed consolidated financial statements to conform to the fiscal year 2024 presentation.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. CommonSpirit considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its condensed consolidated financial statements, including the following: recognition of net patient revenue, which includes contractual discounts and adjustments; price concessions and charity care; other operating revenues; fair value of acquired assets and assumed liabilities in business combinations; recorded values of depreciable and amortizable assets, investments and goodwill; reserves for self-insured workers' compensation and professional and general liabilities; contingent liabilities; and assumptions for measurement of pension and other postretirement benefit liabilities. Management bases its estimates on historical experience and various other assumptions that it believes are reasonable under the particular circumstances. Actual results could differ from those estimates.

Patient Accounts Receivable and Net Patient Revenue – Patient service revenue is reported at the amounts that reflect the consideration CommonSpirit expects to be paid in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others, and include consideration for retroactive revenue adjustments due to settlement of audits and reviews. Generally, performance obligations for patients receiving inpatient acute care services and outpatient services are recognized over time as services are provided. Net patient revenue is primarily comprised of hospital and physician services.

Performance obligations are generally satisfied over a period of less than one year. As such, CommonSpirit has elected to apply the optional exemption provided in Financial Accounting Standards Board Accounting Standards Update ("ASU") No. 2015-14, *Revenue From Contracts with Customers (Topic 606)*, and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

CommonSpirit determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured and underinsured patients in accordance with CommonSpirit's financial assistance policy, and implicit price concessions provided to uninsured and underinsured patients. CommonSpirit determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. CommonSpirit determines its estimate of implicit price concessions based on its historical collection experience with these classes of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. CommonSpirit relies on the results of detailed reviews of historical write-offs and collections in estimating the collectability of accounts receivable. Updates to the hindsight analysis are performed at least quarterly using primarily a rolling 18-month collection history and write-off data. Subsequent changes to estimates of the transaction price are generally recorded as adjustments to net patient revenue in the period of the change.

Subsequent changes that are determined to be the result of an adverse change in a third-party payor's ability to pay are recorded as bad debt expense in purchased services and other in the accompanying condensed consolidated statements of operations and changes in net assets. Bad debt expense for the three and nine-month periods ended March 31, 2024 and 2023 was not significant.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements included in net patient revenue follows:

> Medicare: Payments for inpatient services are generally made on a prospectively determined rate based on clinical diagnosis. Certain facilities receive cost-based reimbursement. Hospital outpatient services are generally paid based on prospectively determined rates. Physician services are paid based upon established fee schedules.
>
> Medicaid: Payments for inpatient services are generally made on a prospectively determined rate based on clinical diagnosis or on a per case or per diem basis. Hospital outpatient services and physician services are paid based upon established fee schedules, a cost basis reimbursement methodology, or discounts from established charges.
>
> Commercial: Payments for inpatient and outpatient services provided to patients covered under commercial insurance policies are paid using a variety of payment methodologies, including per diem and case rates.
>
> Self-Pay and Other: Payment agreements with uninsured or underinsured patients, along with other responsible entities, including institutions, other hospitals and other government payors, are based on a variety of payment methodologies.

Net patient revenue includes estimated settlements under payment agreements with third-party payors. Settlements with third-party payors are accrued on an estimated basis in the period in which the related services are rendered and adjusted in future periods as final settlements are determined. These settlements are estimated and evaluated based on the terms of the payment agreement with the payor, correspondence from the payor, and historical settlement activity.

Special Charges **-** Included within purchased services and other are certain non-routine, nonrecurring costs that are unusual in nature. These costs, referred to as special charges, primarily relate to impairment of long-lived assets, certain contract termination costs, certain integration activities that are specific to long-term value capture efforts, and severance costs related to system-wide reductions in force. Amounts recorded for the three and nine-month periods ended March 31, 2024 and 2023, are not material to the condensed consolidated financial statements.

Subsequent Events **–** CommonSpirit has evaluated subsequent events occurring between the end of the most recent fiscal quarter and May 15, 2024, the date the unaudited condensed consolidated financial statements were issued. See Note 10.

3. ACQUISITIONS, AFFILIATIONS AND DIVESTITURES

California – In February 2024, CommonSpirit entered into an agreement to transfer two hospitals, along with associated clinics in San Francisco, to University of California, San Francisco. The associated assets and liabilites were classified as held for sale as of December 31, 2023 and continue as of March 31, 2024, to be recorded as held for sale, within other current assets and other accrued liabilites – current, respectively, in the associated condensed consolidated balance sheets. The operations of the facilities held for sale are not material to the condensed consolidated statement of operations and changes in net assets.

Colorado – In February 2023, CommonSpirit entered into an asset purchase agreement to acquire substantially all of the assets of a regional health system, including five hospitals, over 40 clinics, and other ambulatory services in Utah for total consideration of $705 million and initiation of a 15-year master lease agreement for real property on which the primary health care facilities are located, with minimum annual payments of approximately $95 million. This master lease agreement is recorded as a finance lease, within long-term debt in the condensed consolidated financial statements. The transaction closed in May 2023. The facilities acquired will support the mission and strategy to better serve the health care needs of the communities in Utah.

The following summarized the fair value estimate of the assets acquired and liabilities assumed as of the acquisition (in millions):

Current assets	$	34
Property and equipment, net		75
Right of us operating lease assets		1
Other long-term assets, net		610
Other accrued liabilities - current		(9)
Operating lease liabilities		(6)
Total contribution of net assets	$	705

In August 2023, CommonSpirit and AdventHealth effected an agreement to transition to direct management of their respective care sites that comprised Centura Health (the "Transition"), with CommonSpirit directly operating and managing its hospitals and affiliated clinics in Colorado, western Kansas and Utah, and AdventHealth directly operating and managing its Adventist hospitals and their affiliated clinics in Colorado. The Transition did not have a material effect on the financial condition or operations of CommonSpirit, taken as a whole.

Iowa – In September 2022, CommonSpirit sold the facilities and assets of MercyOne, a regional health system in Iowa, to Trinity Health for a gross purchase price of $613 million. MercyOne had operated under a Joint Operating Agreement between Trinity Health and CommonSpirit. A net loss on sale of $23 million was recognized in the nine-month period ended March 31, 2023.

4. COVID-19 PANDEMIC

The Provider Relief Funds ("CARES PRF") provided stimulus in the form of financial aid to cover extensive emergency funding to hospitals and providers through existing mechanisms to prevent, prepare for, and respond to COVID-19. For the nine-month period ended March 31, 2023, $252 million was recognized within other operating revenue as earned. No funds have been received and recognized as revenue in the nine-month period ended March 31, 2024.

Employee Retention Credits ("ERC") of $189 million, net, were recorded in the year ended June 30, 2023. No additional ERC revenue amounts have been recorded in the nine-month period ended March 31, 2024. These payroll tax credits relate to qualified wages paid from March 13, 2020, through September 30, 2021.

All grants and tax credits recorded are subject to subsequent audits by the applicable regulatory agencies providing the funds.

5. NET PATIENT REVENUE

Patient revenue, net of contractual discounts and adjustments and implicit price concessions, is comprised of the following (in millions):

	Three-Month Periods Ended March 31,		Nine-Month Periods Ended March 31,	
	2024	2023	2024	2023
Government	$ 4,611	$ 3,532	$ 13,799	$ 11,737
Contracted	3,609	3,270	9,868	9,263
Self-pay and other	207	615	1,749	1,760
	$ 8,427	$ 7,417	$ 25,416	$ 22,760

Government payor type includes Medicare fee for service, Medicare capitated, Medicare managed care fee for service, Medicaid fee for service, Medicaid capitated and Medicaid managed care fee for service patient accounts. Contracted payor type includes contracted rate payors and commercial capitated patient accounts.

The nine-month period ended March 31, 2024, includes $234 million of 340(b) program settlements from the Centers for Medicare and Medicaid Services ("CMS") related to underpayments in prior years.

6. OTHER CURRENT ASSETS

Other current assets consist of the following (in millions):

	As of March 31, 2024	As of June 30, 2023
Inventories	$ 834	$ 819
Receivables, other than patient accounts receivable	893	883
Broker receivables for unsettled investment trades	536	535
Assets held for sale	126	-
Prepaid expenses	487	440
Other	66	56
Total other current assets	$ 2,942	$ 2,733

7. CASH AND INVESTMENTS

CommonSpirit's cash and investments include consolidated membership interests in the CommonSpirit Health Operating Investment Pool, LLC, as of March 31, 2024 and June 30, 2023. Short-term and long-term investments also include assets limited as to use set aside by CommonSpirit for future long-term purposes as outlined below (in millions):

	As of March 31, 2024	As of June 30, 2023
Cash and cash equivalents	$ 2,382	$ 1,677
Short-term investments	317	539
Long-term investments	16,991	16,483
Total cash and investments	19,690	18,699
Less:		
Held for self-insured claims	1,931	1,885
Under bond indenture agreements for debt service	344	66
Donor-restricted	615	589
Other	887	703
Total assets limited as to use	3,777	3,243
Unrestricted cash and investments	$ 15,913	$ 15,456

8. FAIR VALUE MEASUREMENTS

CommonSpirit accounts for certain assets and liabilities at fair value or on a basis that approximates fair value. A fair value hierarchy for valuation inputs categorizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels and is determined by the lowest level of input that is significant to the fair value measurement in its entirety. These levels are:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. Financial assets in this category include money market funds, U.S. Treasury securities and listed equities.

Level 2: Pricing inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial assets and liabilities in this category generally include asset-backed securities, corporate bonds and loans, municipal bonds, and derivative instruments.

Level 3: Pricing inputs are generally unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The following represents assets and liabilities measured at fair value or at the NAV practical expedient on a recurring basis (in millions):

	March 31, 2024			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Cash and short-term investments	$ 2,908	$ 192	$ -	$ 3,100
U.S. government securities	738	772	-	1,510
U.S. corporate bonds	45	599	-	644
U.S. equity securities	1,521	1	-	1,522
Foreign government securities	-	70	-	70
Foreign corporate bonds	2	217	-	219
Foreign equity securities	1,384	3	-	1,387
Asset-backed securities	-	148	-	148
Private equity	-	-	119	119
Multi-strategy hedge funds		-	-	-
Real estate	10	1	-	11
Community Investment Program	-	-	189	189
Other investments	218	400	-	618
Assets measured at fair value	$ 6,826	$ 2,403	$ 308	9,537
Assets at NAV				10,153
Total assets				$ 19,690
Liabilities				
Derivative instruments	$ -	$ 106	$ -	$ 106
Other	1	-	90	91
Total liabilities	$ 1	$ 106	$ 90	$ 197

	June 30, 2023							
	Quoted Prices in Active Markets for Identical Instruments (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total	
Assets								
Cash and short-term investments	$	1,961	$	258	$	-	$	2,219
U.S. government securities		911		673		-		1,584
U.S. corporate bonds		44		598		-		642
U.S. equity securities		1,867		1		-		1,868
Foreign government securities		-		72		-		72
Foreign corporate bonds		4		224		-		228
Foreign equity securities		1,769		5		-		1,774
Asset-backed securities		-		172		-		172
Private equity		5		-		73		78
Multi-strategy hedge funds		1		-		-		1
Real estate		28		7		-		35
Community Investment Program		-		-		155		155
Other investments		169		267		-		436
Assets measured at fair value	$	6,759	$	2,277	$	228		9,264
Assets at NAV								9,435
Total assets							$	18,699
Liabilities								
Derivative instruments	$	-	$	135	$	-	$	135
Other		2		-		97		99
Total liabilities	$	2	$	135	$	97	$	234

Assets and liabilities measured at fair value on a recurring basis reflected in the table above are reported in short-term investments, long-term investments, current liabilities and other liabilities – long term in the accompanying condensed consolidated balance sheets.

The Level 2 and 3 instruments listed in the fair value hierarchy tables above use the following valuation techniques and inputs:

For marketable securities, such as U.S. and foreign government securities, U.S. and foreign corporate bonds, U.S. and foreign equity securities, mortgage and asset-backed securities, and structured debt, in the instances where identical quoted market prices are not readily available, fair value is determined using quoted market prices and/or other market data for comparable instruments and transactions in establishing prices, discounted cash flow models and other pricing models. These inputs to fair value are included in industry-standard valuation techniques, such as the income or market approach. CommonSpirit classifies all such investments as Level 2.

For private equity investments where no fair value is readily available, the fair value is determined using models that take into account relevant information considered material. Due to the significant unobservable inputs present in these valuations, CommonSpirit classifies all such investments as Level 3.

The fair value of collateral held under securities lending program is classified as Level 2. The collateral held under this program is placed in commingled funds whose underlying investments are valued using techniques similar to those used for the marketable securities noted above. Amounts reported do not include noncash collateral of $563 million and $561 million as of March 31, 2024 and June 30, 2023, respectively.

The fair value of assets and liabilities for derivative instruments, such as interest rate swaps classified as Level 2, is determined using an industry standard valuation model, which is based on a market approach. A credit risk spread (in basis points) is added as a flat spread to the discount curve used in the valuation model. Each leg is discounted and the difference between the present value of each leg's cash flows equals the fair value of the swap.

Related to investments valued using the NAV per share practical expedient, management also performs, on a regular basis when information is available, various validations and testing of NAV provided and determines that the investment managers' valuation techniques are compliant with fair value measurement accounting standards.

The following table and explanations identify attributes relating to the nature and risk of investments for which fair value is determined using a calculated NAV as of March 31, 2024 (in millions):

		NAV Practical Expedient	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private equity	(1)	$ 1,609	$ 1,225	-	-
Multi-strategy hedge funds	(2)	2,344	21	Weekly, Monthly, Quarterly, Semi-annually, Annually	3 - 90 days
Real estate	(3)	1,115	145	Quarterly	60 - 90 days
Commingled funds - debt securities	(4)	983	84	Daily, Monthly, Quarterly	1 - 90 days
Commingled funds - equity securities	(5)	4,102	16	Daily, Weekly, Bi-Weekly, Monthly, Quarterly	2 - 90 days
Total		$ 10,153	$ 1,491		

(1) This category includes private equity funds that specialize in providing capital to a variety of investment groups, including, but not limited to, venture capital, leveraged buyout, mezzanine debt, distressed debt, and other situations. There are no provisions for redemptions during the life of these funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated, estimated at March 31, 2024, to be over the next 14 years.

(2) This category includes investments in hedge funds that pursue diversification of both domestic and foreign fixed income and equity securities through multiple investment strategies. The primary objective for these funds is to seek attractive long-term, risk-adjusted absolute returns. Under certain circumstances, an otherwise redeemable investment or portion thereof could become restricted. The following table reflects the various redemption frequencies, notice periods, and any applicable lock-up periods or gates to redemption as of March 31, 2024:

Percentage of the Value of Category (2)			Redemption	Redemption	Redemption
		Redemption	Notice	Locked Up Until	Gate % of Account
Total	**Subtotal**	**Frequency**	**Period**	**(if applicable)**	**(if applicable)**
7.3%	7.3%	Annually	60 days	up to 2 years	up to 50.0%
47.9%	2.1%	Quarterly	45 days	up to 2 years	up to 20.0%
	29.7%	Quarterly	55- 65 days	up to 2 years	up to 12.5% - 25.0%
	16.1%	Quarterly	90 days	up to 1 year	up to 12.5% - 25.0%
30.4%	20.4%	Monthly	30 - 45 days	-	up to 16.7 - 25.0%
	10.0%	Monthly	90 days	-	up to 20.0%
3.4%	3.4%	Weekly	3 days	-	-
1.7%	1.7%	Daily	1 day	-	-
9.3%	9.3%	None	5 days	up to 2 years	-

(3) This category includes investments in real estate funds that invest primarily in institutional-quality commercial and residential real estate assets within the U.S. and investments in publicly traded real estate investment trusts. Investments representing 18% of the value of investments in this category do not have provisions for redemptions during the life of these funds. Distributions will be received as the underlying investments of the funds are liquidated, estimated at March 31, 2024, to be over the next 14 years.

(4) This category includes investments in commingled funds that invest primarily in domestic and foreign debt and fixed income securities, the majority of which are traded in over-the-counter markets. Also included in this category are commingled fixed income funds that provide capital in a variety of mezzanine debt, distressed debt and other special debt securities situations. Investments representing approximately 18% of the value of investments in this category do not have provisions for redemptions during the life of these funds. Distributions will be received as the underlying investments of the funds are liquidated, estimated at March 31, 2024, to be over the next seven years.

(5) This category includes investments in commingled funds that invest primarily in domestic or foreign equity securities with multiple investment strategies. A majority of the funds attempt to match or exceed the returns of specific equity indices.

9. OTHER LONG-TERM ASSETS, NET

Other long-term assets, net, consist of the following (in millions):

	As of March 31, 2024	As of June 30, 2023
Notes receivable, primarily secured	$ 60	$ 56
Goodwill	965	962
Intangible assets - definite-lived, net	115	123
Intangible assets - indefinite-lived	661	661
Donor-restricted assets	531	517
Other	274	312
Total other long-term assets, net	$ 2,606	$ 2,631

Goodwill is measured as of the effective date of a business combination as the excess of the aggregate of the fair value of consideration transferred over the fair value of the tangible and intangible assets acquired and liabilities assumed.

Intangible assets consist primarily of trademarks, trademark agreements, noncompete agreements, certificates of need, and other contracts, and are recorded at fair value using various methods based on the nature of the asset. Definite-lived intangible assets are amortized using the straight-line method over the estimated useful lives of the assets.

Goodwill and intangible assets whose lives are indefinite are not amortized and are evaluated for impairment at least annually or when circumstances indicate a possible impairment may exist. No impairment on goodwill or intangible assets was recorded for the nine-month periods ended March 31, 2024 and 2023.

The aggregate amortization expense related to intangible assets is $2 million and $8 million for the three and nine-month periods ended March 31, 2024 and 2023, respectively, and is recorded in depreciation and amortization on the accompanying condensed consolidated statements of operations and changes in net assets.

10. DEBT

2024 Financing Activity – In July 2023, CommonSpirit drew $265 million on its syndicated line of credit for the redemption in full of the Catholic Health Initiatives Series 2013 Taxable Bonds.

In August 2023, CommonSpirit entered into a $265 million term loan to refinance the $265 million draw on its syndicated line of credit.

In December 2023, CommonSpirit renewed a $65 million line of credit used to support its self-liquidity program scheduled to mature in December 2023, to June 2024.

In December 2023, CommonSpirit renewed a $345 million term loan scheduled to mature in April 2024, to December 2025.

In February 2024, CommonSpirit renewed two letters of credit used to support two series of VRDBs of $75 million each scheduled to expire in March 2024 to March 2027. This did not change the terms, provisions or classification of the VRDBs.

In March 2024, CommonSpirit drew $150 million on its syndicated line of credit for working capital purposes.

In March 2024, CommonSpirit issued $2.0 billion of taxable fixed rate bonds at par, with repayments of $775 million, $725 million and $489 million to be made in December 2031, 2034 and 2054, respectively. Proceeds were used to refund $1.0 billion of taxable fixed rate bonds, $545 million of commercial paper notes, $265 million of a taxable term loan, $156 million of outstanding balances on its syndicated line of credit, and pay cost of issuance expenses.

In March 2024, CommonSpirit issued $1.0 billion of tax-exempt fixed rate bonds, at a premium. Proceeds were used to refund $600 million of short-term loans, refund $19 million of tax-exempt fixed rate bonds, and reimburse prior capital expenditures and fund future capital expenditures. The bonds mature in December 2054.

In March 2024, CommonSpirit entered into a $250 million term loan. Proceeds were used to refund outstanding balances on its syndicated line of credit. The term loan is scheduled to mature in December 2025.

In March 2024, CommonSpirit entered into a $200 million term loan. Proceeds were used to refund outstanding balances on its syndicated line of credit. The term loan is scheduled to mature in March 2027.

In May 2024, CommonSpirit repaid $150 million of outstanding balances on its syndicated line of credit.

2023 Financing Activity – In October 2022, CommonSpirit issued $807 million of taxable fixed rate bonds at par, with repayments of $507 million and $300 million to be made in November 2027 and 2052, respectively. Proceeds were used to refund $800 million of taxable fixed rate bonds and pay cost of issuance expenses.

In October 2022, CommonSpirit issued $497 million of tax-exempt fixed rate bonds, at a premium. Proceeds were used to reimburse for prior capital expenditures and to fund future capital expenditures. The bonds mature in November 2052.

In November 2022, CommonSpirit drew $150 million on its syndicated line of credit for working capital purposes.

In December 2022, CommonSpirit drew $300 million on its syndicated line of credit for working capital purposes.

In December 2022, CommonSpirit issued $297 million of taxable commercial paper notes to redeem in full, the California Health Facilities Financing Authority Revenue Bonds, Series 2014B.

In March 2023, CommonSpirit renewed its $900 million syndicated line of credit. This credit facility expires March 2028.

In March 2023, CommonSpirit renewed and renegotiated its single bank line of credit facility used to issue standby letters of credit. The credit facility amount was reduced from $85 million to $35 million and will expire in March 2028.

In April 2023, CommonSpirit entered into two short-term loans of $350 million and $345 million with two separate banks. The two short-term loans are scheduled to mature in April 2024

In May 2023, CommonSpirit renewed the $90 million Colorado Health Facilities Authority Variable Rate Direct Placement bonds, Series 2013C to December 2028.

In May 2023, CommonSpirit redeemed in full $9 million of the Colorado Health Facilities Authority Variable Rate bonds, Series 2015A.

11. DERIVATIVE INSTRUMENTS

The following table shows the outstanding notional amount of derivative instruments measured at fair value, net of credit value adjustments, as reported in the accompanying condensed consolidated balance sheets (in millions):

	Maturity Date of Derivatives	Interest Rate		Notional Amount Outstanding		Fair Value
				As of March 31, 2024		
Derivatives not designated as hedges						
Interest rate swaps	2024 - 2047	3.2% - 4.0%	$	1,803	$	(106)
Total return swaps	2028 - 2030	SIFMA plus spread		451		-
Total derivative instruments				2,254		(106)
Cash collateral				-		23
Derivative instruments, net			$	2,254	$	(83)
				As of June 30, 2023		
Derivatives not designated as hedges						
Interest rate swaps	2024 - 2047	3.2% - 4.0%	$	1,877	$	(135)
Total return swaps	2024 - 2030	SIFMA plus spread		485		-
Total derivative instruments				2,362		(135)
Cash collateral				-		58
Derivative instruments, net			$	2,362	$	(77)

CommonSpirit held $1.8 billion notional amount of interest rate swaps and $451 million notional amount of total return swaps at March 31, 2024, which have a negative fair value of $106 million and a fair value deemed immaterial, respectively. CommonSpirit posted $23 million of collateral against the fair value of the interest rate swaps as of March 31, 2024.

CommonSpirit's interest rate swaps mature between 2024 and 2047. CommonSpirit has the right to terminate the swaps prior to maturity for any reason. The termination value would be the fair value or the replacement cost of the swaps, depending on circumstances. The derivative agreements have certain early termination triggers caused by an event of default or a termination event. The events of default include failure to make payment when due, failure to give notice of a termination event, cash on hand dropping below a specified number of days, and defaults under other agreements (cross-default provision). Termination events can include credit ratings dropping below a defined minimum credit rating threshold by either party.

CommonSpirit has $160 million notional of interest rate swaps that are insured and have a negative fair value of $16 million as of March 31, 2024. In the event the insurer is downgraded below a specified minimum credit rating, the counterparties have the right to terminate the swaps if CommonSpirit Health does not provide alternative credit support acceptable to them within 30 days of being notified of the downgrade. If both the insurer and CommonSpirit Health are downgraded below a specified minimum credit rating, the counterparties have the right to terminate the swaps.

CommonSpirit has $1.6 billion notional amount of interest rate swaps that are not insured, of which the counterparties have various rights to terminate $256 million notional. These include the outstanding notional amounts of $100 million and $96 million at each five-year anniversary date commencing in March 2028 and September 2028, respectively. Swaps in the outstanding notional amounts of $60 million have a mandatory put in March 2028. The termination value would be the fair value or the replacement cost of the swaps, depending on the circumstances. These interest rate swaps with the optional and mandatory put options have a negative fair value of $17 million as of March 31, 2024. The remaining uninsured swaps in the notional amount of $1.4 billion have a negative fair value of $73 million as of March 31, 2024.

In January 2024, CommonSpirit renewed a total return swap in the notional amount of $23 million to reduce interest expense associated with fixed rate debt. CommonSpirit receives a fixed rate and pays a variable rate of SIFMA, plus a spread. The total return swap will expire in January 2029.

12. LEASES

CommonSpirit enters into operating and finance leases primarily for buildings and equipment and determines if an arrangement is a lease at inception of the contract. For leases with terms greater than 12 months, CommonSpirit records the related right-of-use ("ROU") asset and lease liability at the present value of lease payments over the contract term using a risk-free interest rate, subject to certain adjustments. CommonSpirit does not separate contract lease and non-lease components except for a class of underlying assets related to supply agreements, which include associated equipment. Certain building lease agreements require CommonSpirit to pay maintenance, repairs, property taxes and insurance costs, which are variable amounts based on actual costs incurred during each applicable period. Such costs are not included in the determination of the ROU asset or lease liability. Lease costs also include escalating rent payments that are not fixed at commencement but are based on the Consumer Price Index or other measure of cost inflation. Future changes in the indices are included within variable lease costs. Certain leases include one or more options to renew the lease at the end of the initial term, with renewal terms that generally extend the lease at the then market rate of rental payment. Certain leases also include an option to buy the underlying asset at or a short time prior to the termination of the lease. All such options are at CommonSpirit's discretion and are evaluated at the commencement of the lease, with only those that are reasonably certain of exercise included in determining the appropriate lease term and lease type.

Following is supplemental condensed consolidated balance sheet information related to leases (in millions):

Lease Type	Balance Sheet Classification	As of March 31, 2024	As of June 30, 2023
Operating Leases:			
Operating lease ROU assets	Right-of-use operating lease assets	$ 1,608	$ 1,676
Operating lease obligations - current	Other accrued liabilities - current	258	264
Operating lease obligations - long-term	Other liabilities: Operating lease liabilities	1,516	1,586
Finance Leases:			
Finance lease ROU assets	Property and equipment, net	$ 1,622	$ 1,700
Current finance lease liabilities	Current portion of long-term debt	91	88
Long-term finance lease liabilities	Long-term debt, net of current portion	1,620	1,649

13. INTEREST EXPENSE, NET

The components of interest expense, net, include the following (in millions):

	Three-Month Periods Ended March 31,		Nine-Month Periods Ended March 31,	
	2024	2023	2024	2023
Interest and fees on debt	$ 180	$ 132	$ 549	$ 384
Capitalized interest expense	(10)	(10)	(28)	(29)
Interest expense, net	$ 170	$ 122	$ 521	$ 355

14. RETIREMENT PROGRAMS

Total expense for all CommonSpirit retirement and post retirement plans includes service cost components and other nonservice net benefit credits. Service costs are recorded in salaries and benefits on the accompanying unaudited condensed consolidated statements of operations and changes in net assets. Other nonservice net periodic benefit credits are recorded in nonoperating income (loss) in the unaudited condensed consolidated statements of operations and changes in net assets. Total retirement and post retirement plans expense includes the following (in millions):

	Three-Month Periods Ended March 31,		Nine-Month Periods Ended March 31,	
	2024	2023	2024	2023
Service cost	$ 183	$ 182	$ 539	$ 538
Other nonservice net benefit expense (credits)	99	(3)	165	(8)
Retirement and postretirement plans expense	$ 282	$ 179	$ 704	$ 530

15. COMMITMENTS, CONTINGENT LIABILITIES, GUARANTEES AND OTHER

The following summary encompasses matters related to litigation, regulatory and compliance matters, and developments thereto.

General – The health care industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, the rules governing licensure, accreditation, controlled substances, privacy, government program participation, government reimbursement, antitrust, anti-kickback, prohibited referrals by physicians, false claims, and in the case of tax-exempt organizations, the requirements of tax exemption. Management believes CommonSpirit is materially in compliance with all applicable laws and regulations of the Medicare and Medicaid programs. Compliance with such laws and regulations is complex and can be subject to future governmental interpretation as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs. Certain CommonSpirit entities have been contacted by governmental agencies regarding alleged violations of Medicare practices for certain services. Additionally, certain CommonSpirit entities have identified and self-disclosed potential instances of noncompliance with applicable regulations. In the opinion of management after consultation with legal counsel, the ultimate outcome of these matters will not have a material adverse effect on CommonSpirit's condensed consolidated financial statements.

In recent years, government activity has increased with respect to investigations and allegations of wrongdoing. In addition, during the course of business, CommonSpirit becomes involved in civil litigation. Management assesses the probable outcome of unresolved litigation and investigations and records contingent liabilities reflecting estimated liability exposure. Following is a discussion of matters of note.

Cybersecurity Incident – On October 2, 2022, CommonSpirit experienced a ransomware attack ("the Cybersecurity Incident") that impacted certain of its systems. Upon discovering the attack, CommonSpirit took immediate steps to protect its IT systems, contain the incident, begin an investigation, and maintain continuity of care. CommonSpirit engaged leading cybersecurity specialists to support its investigation, and notified law enforcement and the United States Department of Health and Human Services. In April 2023, CommonSpirit completed notifications to individuals whose data was potentially impacted by the Cybersecurity Incident.

The Cybersecurity Incident has had an estimated adverse financial impact of approximately $160 million to date, which includes lost revenues from the associated business interruption, the costs incurred to remediate the issues and other related business expenses, and is exclusive of any potential insurance related recoveries. We have notified and continue to consult with our insurance carriers, but are unable to predict the timing or amount of insurance recoveries at this time.

The organization is aware of lawsuits filed as potential class actions against CommonSpirit regarding the Cybersecurity Incident. There can be no assurance that the resolution of this matter will not affect the financial condition or operations of CommonSpirit, taken as a whole.

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