October 1, 2025

Vincent A. Sica, CEO
DeSoto Memorial Hospital
900 N. Robert Ave.
Arcadia, FL 34266

Re: Response to Request for Proposal Regarding the Proposed Transaction with DeSoto County Hospital District

Dear Mr. Sica:

Adventist Health System Sunbelt Healthcare Corporation ("**AdventHealth**") appreciates the opportunity to submit this letter of intent (together with all of its exhibits, collectively referred to herein as the "**LOI**") in response to the Request for Proposal ("**RFP**") issued by the DeSoto County Hospital District Board of Directors ("**DCHD**") (each of DCHD and AdventHealth a "**Party**" and collectively the "**Parties**"). The purpose of this LOI is to set forth certain nonbinding understandings and certain binding agreements between the Parties related to a potential transaction (the "**Potential Transaction**") that will ensure that DeSoto Memorial Hospital (the "**Hospital**", or "**DMH**") is operated in a manner that furthers DCHD's mission of delivering quality health care to the residents of DeSoto County for years to come.

AdventHealth is proud to present a comprehensive offer for the acquisition of DeSoto Memorial Hospital that represents a total transaction value surpassing $50 million. This includes a $30 million capital commitment to modernize facilities and expand services, the assumption of current net working capital to ensure continuity of operations, the assignment of an estimated $10 million in outstanding net debt, and the infusion of an estimated $12 million in cash to establish day-to-day financial stability. Together, these commitments reflect AdventHealth's confidence in DeSoto Memorial Hospital's future and its dedication to securing long-term, sustainable health care for the DeSoto community.

1. **Proposed Transaction; Term Sheet**. A non-binding summary of the key terms of the Potential Transaction (the "**Term Sheet**") proposed by AdventHealth is set forth on **Exhibit A** but shall not be binding on the Parties, it being understood that the final terms of the Potential Transaction will be set forth in one or more definitive agreements (collectively, the "**Definitive Agreement**"). The Term Sheet does not purport to include all of the closing conditions, covenants, indemnities, and other terms that would be contained in the Definitive Agreement, but, if accepted by DCHD, the Term Sheet will serve as the basis upon which the Parties will move forward with a period of due diligence and negotiation, with the aim of developing the Definitive Agreement.

2. **Response to Information Requests and Access to Additional Information**. The information regarding prospective bidder requested by the RFP, as well as AdventHealth's responses to many of the questions posed in the RFP is set forth in **Exhibit B**. In addition, to permit the prompt completion of due diligence investigation, from the date hereof, each Party will work

expeditiously and in good faith to timely grant to the other Party and the other Party's representatives reasonable access to books and records in accordance with mutually agreeable due diligence procedures. Each Party shall use reasonable efforts to provide timely responses to the other Party's reasonable due diligence requests and conduct due diligence in a manner that is as non-disruptive as possible to the normal business operations of the other Party. Subject to DCHD's timely response to AdventHealth's due diligence requests, AdventHealth will utilize its best efforts to complete due diligence within one hundred twenty (120) days following the LOI Execution Date.

3. **Timing**. The Parties will use good faith, commercially reasonable efforts to finalize and execute the Definitive Agreement, inclusive of all schedules and related exhibits, within one-hundred twenty (120) days following the date that DCHD executes this LOI (the "**Execution Date**"). The closing of the Potential Transaction ("**Closing**") shall occur on the last day of a month agreed upon by the parties in the second quarter of 2026, as long as all conditions are satisfied or waived. Because the value of the DCHD and Wholly Owned Subsidiary assets is less than the Hart-Scott-Rodino Act filing threshold, it will not be necessary to file pre-merger notification forms with the United States Department of Justice or Federal Trade Commission.

4. **Publicity**. Except as required by applicable law, no public release, announcement or statement to any third party concerning the Proposed Transaction shall be issued or made by any Party without the prior written consent of the other Party. In the event a Party is required by law to make an announcement concerning the Proposed Transaction, such Party shall provide the other Party with advance notice and, to the extent reasonably practicable, provide the other Party with the opportunity to review and comment upon the announcement in advance.

5. **Termination**. In the event that Definitive Agreement has not been executed within one-hundred twenty (120) days following the Effective Date, either party may terminate this LOI by providing not less than fifteen (15) days prior written notice to the other Party. This LOI shall terminate on the first to occur of (1) the termination date identified in a notice of termination provided in accordance with the foregoing sentence; (2) a termination date specified by mutual written agreement of the Parties or (3) the execution date of the Definitive Agreement. Any such termination will not affect the obligations of the Parties in Sections 4, 6, 7, 8, 10 and 11, which survive the termination of this LOI.

6. **Liability**. Neither the DCHD and the Hospital, nor its advisors will be liable to AdventHealth for any damages or expenses of any kind or type, unless AdventHealth is the selected Respondent and then, only to the extent set forth in the Definitive Agreement.

7. **Governing Law**. This LOI shall be governed by and construed in accordance with the laws of the State of Florida.

8. **Agreements Not Assignable**. Neither this LOI nor any of the rights, interests, or obligations hereunder shall be assigned by any Party without the prior written consent of the other Party. This LOI constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes any prior written or oral understandings or agreements. This LOI may be amended, modified, or supplemented only by written agreement of the Parties.

9. **Exclusivity.** The Parties agree that for so long as this LOI is in effect, neither of them will engage in discussions with any other party regarding a transaction that would result in the lease, sale or transfer of any portion of DCHD's or the Wholly Owned Subsidiaries' assets or membership interests or in the management, operation, joint venture or affiliation of the Hospital by or with a third party.

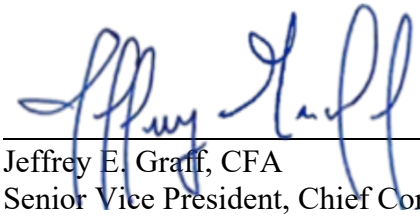
10. **Binding Effect**. This LOI embodies the present intent of the Parties regarding the Proposed Transaction and supersedes all prior agreements and understandings regarding the subject matter hereof, whether written or oral. Except for the representations and obligations contained in Sections 4, 5, 6, 7, 8, 9, 10 and 11, which shall be binding upon the Parties, this LOI shall not constitute a legally binding obligation of the Parties and will not otherwise create any rights in favor of any Party.

11. **Counterparts**. This LOI may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same document.

[signature page follows]

Sincerely,

ADVENTIST HEALTH SYSTEM SUNBELT HEALTHCARE CORPORATION

By: 

Jeffrey E. Graff, CFA
Senior Vice President, Chief Corporate Development Officer

Agreed and acknowledged by:

DESOTO COUNTY HOSPITAL DISTRICT BOARD OF DIRECTORS

By: _____

Vincent A. Sica
Chief Executive Officer

EXHIBIT A

TERMS

Term	**Description**
Definitive Agreement	• The Proposed Transaction will be memorialized in the Definitive Agreement. The Definitive Agreement will contain legally binding terms and conditions to be negotiated and mutually agreed upon. • The Definitive Agreement will specify the Closing date, subject to receipt of all regulatory and third-party approvals and the satisfaction of other conditions to closing agreed to by the Parties and set forth in the Definitive Agreement. • The Definitive Agreement will include representations/ warranties, indemnification, dispute resolution and other customary terms typical of agreements of this type as negotiated and agreed to by the Parties.
Transaction Structure RFP Section 4	• The Proposed Transaction will take the form of an asset purchase involving all of the real estate, facilities and other assets owned by DCHD and DCHD's wholly owned subsidiaries (the "**Wholly Owned Subsidiaries**"), provided, however that DCHD will retain all cash and investments (other than its interest in the Wholly Owned Subsidiaries and restricted cash accounts (reserve and excess reserve) associated with the USDA mortgage), which cash and investments shall be deemed "Excluded Assets" in the Definitive Agreement. • Subject to due diligence, AdventHealth will assume all known liabilities of DCHD and the Wholly Owned Subsidiaries, other than tort liabilities. • Although AdventHealth strongly prefers an asset purchase structure, in order to comply with the RFP, AdventHealth is also willing to negotiate a long-term pre-paid lease of all of the real estate, facilities and other assets of DCHD and the Wholly Owned Subsidiaries at a nominal rental amount.
Post-Closing Financial Commitments RFP Section 4	The Definitive Agreement will include a 7-year commitment of capital in the amount of $30 million for the funding of strategic capital improvements, technology modernization (including converting DeSoto Memorial Hospital (DMH) to AdventHealth's single instance of Epic EMR), community investments, and routine capital needs. In conjunction with AdventHealth's capital commitment, the Definitive Agreement will include operational commitments supporting expansion of local services, provider recruitment, improvement in quality and safety,

Term	Description
	and evaluation of opportunities for additional access points for the community. The cumulative impact of AdventHealth's capital and operational investment, with added support from the community, is to: • Expand local access to both high quality primary and specialty care, reducing the percentage of DeSoto residents who must travel outside the county for care, saving thousands of hours annually for patients and families. • Deploy modern clinical technology to DMH, including a fully integrated electronic medical record (EMR) that streamlines care coordination, reduces duplication, and improves safety. • Provide patients with a seamless digital experience through a secure online portal and the AdventHealth mobile app, enabling patients to schedule appointments, access test results, communicate with their care team, and manage their health anytime, anywhere. Woven into AdventHealth's financial and operational commitments is a clear focus on excellence in care delivery with measurable performance goals for DeSoto Memorial Hospital achieving: • CMS Overall Hospital Quality Star Rating of 4- or 5-stars • Leapfrog Hospital Safety Grade of an "A" • Top-quartile performance in Premier All Adult Inpatient Observed to Expected Mortality.
Purchase Price and Post-Closing Adjustments RFP Section 4	DeSoto Memorial Hospital has served its community faithfully for decades, often under challenging financial circumstances. Through careful consideration of those challenges, AdventHealth contemplates that the purchase price will be limited to the value of DCHD net working capital (NWC) at book value as of the Closing Date, subject to typical post-closing adjustments. This purchase price does not reflect a lack of value to the community, but rather the financial reality of DMH's balance sheet and the significant investment required to ensure its long-term stability and growth. AdventHealth is committed to supporting the long-term viability of providing acute care services in DMH's market. AdventHealth's proposal will include a 7-year commitment of capital in the amount of $30 million for the funding of strategic capital improvements, technology modernization, community investments, and routine capital needs.

Term	Description
	Further, in lieu of a cash purchase price in excess of NWC, AdventHealth will assume the liabilities of DCHD and the Wholly Owned Subsidiaries and make the post-closing financial commitments detailed above.
Employees RFP Criterion #1 and #8	AdventHealth intends to keep the existing workforce intact by retaining all employees in good standing and eligible for rehire by an AdventHealth institution. AdventHealth agrees to hire all active non-executive employees of the Hospital and the Wholly Owned Subsidiaries as of the closing in positions and compensation levels consistent with those then being provided by the Hospital and the Wholly Owned Subsidiaries, subject to standard onboarding requirements applicable to all new hires of AdventHealth. Such commitment shall extend until at least 90 days after the Closing. AdventHealth respects and is highly interested in learning more about the executive team (CEO, CFO, CNO) and their unique professional talents with the goal of retention. Additional due diligence, personal interviews, and discussion will be necessary to understand each executive's skill set, commitment, and intention to stay. These discussions will determine the executive leadership structure and specific roles required to serve in both interim and long-term capacities. AdventHealth intends to honor any existing conditions of severance or executive employee agreements at Closing should the executive not remain or be retained. AdventHealth shall provide benefits and establish terms and conditions of employment. AdventHealth shall honor prior service credit under current DCHD welfare plans for purposes of satisfying pre-existing condition limitations in AdventHealth's welfare benefit plans. With respect to employees covered by other qualified retirement plans of DCHD, AdventHealth shall honor prior length of service for purposes of eligibility and vesting in AdventHealth's retirement benefit plans to the degree permitted by AdventHealth's retirement benefit plans, but shall not make contributions to such plans with respect to prior service and shall not assume such other retirement plans. AdventHealth intends to assume DCHC's obligations for vacation and holiday pay benefits related to such employees. As to pre-existing conditions, AdventHealth reserves the right to better understand the existing benefit offerings in greater detail through the due diligence process with the intent that pre-existing conditions shall not be excluded unless employees have not satisfied the prior pre-existing condition exclusion period in equivalent insurance plans.
Hospital Name RFP Criterion #2	Since its founding in 1968, DeSoto Memorial Hospital has been a trusted source of health care and healing for Arcadia and the greater DeSoto County community. We recognize the hospital's long legacy of service

Term	Description
	and the deep sense of community and familiarity it holds for residents. It is important that we honor the hospital's history and connection to the community it serves, even as we look toward the future. As part of AdventHealth, a uniform branding strategy is deployed across the system using the master brand, "AdventHealth," followed by appropriate geographical locators. By using this strategy, our hospitals clearly and intentionally portray our nationally respected, mission-driven health care organization. Where our trusted brand is known for clinical excellence, delivery of whole-person care, and a faith-based mission of Extending the Healing Ministry of Christ. Following this consistent structure, renaming DeSoto Memorial Hospital to AdventHealth DeSoto would honor this standard by recognizing the hospital's role in serving the community while remaining tied to its legacy name. The "DeSoto" name remains a central part of the new naming recommendation, ensuring continuity for those who have, and will continue to think of this hospital as their own. This name would reflect both the community it has served for over 50 years (and the community it will continue to serve), as well as its new connection to a nationally recognized, faith-based health care organization. In addition, this will allow the benefits of familiarity, trust, brand clarity, and system connectivity.
Medical Staff Commitments RFP Criterion #3	Subject to due diligence review, AdventHealth will adopt the Hospital's medical staff bylaws (including peer review provisions), provided that the criteria for membership in the medical staff is consistent with criteria adopted at other AdventHealth institutions. Excluding physicians and other practitioners whose medical staff membership and/or clinical privileges have been terminated or not renewed by an AdventHealth institution, AdventHealth agrees to extend medical staff membership and clinical privileges for physicians and other practitioners at the Hospital who are in good standing as of the closing. AdventHealth will expressly forbid "economic credentialing."
Transaction Costs RFP Criterion #4	AdventHealth will pay for all reasonable transaction costs, including title policy, survey, filing fees, regulatory fees and recording taxes, except for those costs incurred by the DCHD Board for consulting and legal services.
Assumption of Contracts RFP Criterion #5	Subject to due diligence and any prohibitions on assignment or change of control, AdventHealth will assume all contracts held by DCHD and the Wholly Owned Subsidiaries, except for those determined to be potentially unlawful or unreasonable based on industry standards, including without limitation contracts that provide for compensation that is inconsistent with fair market value or that contain terms that are less favorable than those

Term	Description
	incorporated in existing AdventHealth supply chain and other regional or system contracts. In particular, the Proposed Transaction will be contingent on USDA's approval of the assignment of the USDA mortgage to AdventHealth post-closing. DCHD will collaborate with AdventHealth to obtain such approval.
Guaranty RFP Criterion #6	To the extent that AdventHealth utilizes a subsidiary to consummate the Proposed Transaction, AdventHealth will provide an unconditional guaranty of the commitments made in the Definitive Agreement.
Successors RFP Criterion #7	The Definitive Agreement will be binding on AdventHealth's successors and assigns.
Divestitures RFP Criterion #9	AdventHealth does not contemplate any scenario under which it would be required to divest the Hospital as a result of any DOJ/FTC consent decree. Thus, AdventHealth agrees that it does not anticipate divesting the Hospital as a result of any DOJ/FTC consent decrees or related issues.
Commitments to Maintain Services in the Community RFP Criterion #10 and Criterion #27	The Definitive Agreement will include the following commitments: (A) the scope of services currently performed at DeSoto Memorial Hospital will not be materially reduced (*e.g.,* DeSoto Memorial Hospital does not become a critical access hospital as such term is currently defined): (B) services that can reasonably and safely be performed at DeSoto Memorial Hospital, as determined in accordance with generally accepted standards for comparable community hospitals and based on the physician's independent medical judgement, and in the best interest of the patient, will be performed at DeSoto Memorial Hospital and not referred outside DeSoto County, Florida.
Annual Reporting RFP Criterion #16	AdventHealth will provide the DCHD Board with an annual report validating the fulfillment of the various commitments set forth in the Definitive Agreement, recognizing that the DCHD Board will be empowered by the Definitive Agreement to enforce such commitments.
Bad Debt and Charity Care RFP Criterion #20	For consistency and ease of administration, AdventHealth prefers to adopt AdventHealth's company-wide bad debt and charity care policies. Although our policies differ, we believe the differences continue to be generous and valuable to the DeSoto County community. In accordance of the RFP, we do remain flexible and look forward to continuing discussion on this topic with the DeSoto County Hospital District. Please reference Exhibit C and D.

Term	Description
Commitment to Maintain Acute Care Hospital RFP Criterion #27	The Definitive Agreement will commit AdventHealth to maintain the Hospital as an acute care hospital that is a "full service community care hospital," defined as a "registered Florida hospital that provides full service inpatient and outpatient care consistent with nationally accepted standards for the population served by the Hospital, both currently and in the future; specifically, such services shall include: emergency care, unscheduled and elective medical and surgical care with reasonably necessary ancillary support services and specialty consultative services."
Reinvestment of Cash Flows RFP Section #5	The AdventHealth capital allocation model is based on earning capital dollars at a predetermined percentage of Earnings Before Depreciation, Interest, Taxes, and Amortization (EBITDA), which is allocated within several categories. The percentage of EBITDA utilized within this methodology is adjusted periodically as approved by the AdventHealth CEO, generally ranging between 65% - 75%. The capital categories include: • Entity Capital: The annual capital budgeted for the entity category is based on the EBITDA of the entity and its subsidiaries. Capital within this category is intended to cover items that range from routine expenditures to new construction and is allocated for projects at the entity's discretion. • Division Capital: The capital within this category will be at the discretion of each Division's leadership. Capital within this category is intended to cover major capital expenditures that are not considered routine in nature. Entities will need to request an allocation from this category from Division leadership. • Strategic Capital: This category of capital is intended for use in acquiring new facilities, building new facilities, or major expansions. A strategic capital session is held periodically to allocate capital in this category to upcoming capital projects over a time period of several years. The timing of the strategic capital session and ultimate approval of projects is determined by the AdventHealth CEO. The advantages of the AdventHealth capital model include providing autonomy at the facility level to allocate capital to the highest value uses, while also providing access to additional capital for major capital projects without having to seek external funding.
Additional Commitments Regarding Investments in People/ Providers,	**Indigent Care Surtax:** AdventHealth seeks the support of the DeSoto County Hospital District in the exploration of amending the Indigent Care Surtax to extend its purpose and continuation beyond the Surtax's original life cycle of 2036 with the DeSoto County Board of County

Term	Description
Technology and Facilities RFP Section #5	Commissioners in order to promote access to healthcare services to those most in need. With the expansion: • The original intent of the "indigent care" surtax is fulfilled – direct healthcare becomes a reality; • Continuity of services is preserved, without disruption; • Every indigent care surtax dollar will be locally controlled, transparently used, and purpose-built for community care; • The community will have convenience and access to quality care in the neighborhood; not miles away. • Please reference Exhibit B – Proposed Transaction Structure for further commentary

Exhibit B

Organization Overview (Responding to RFP item 5A)

LEGACY OF WHOLE-PERSON CARE

AdventHealth, as a corporate entity, was formally founded in 1973 but has roots that date back to 1866 to a team of Seventh-day Adventist medical pioneers. During a time when many medical treatments were as harmful as the conditions they attempted to cure, our founders were considered revolutionaries for their belief that preventing disease was as important as treating it. These sanitariums, much like the one that Dr. J.A. Simmons opened in 1913 in Arcadia, became local community beacons that shaped the approach to public health.

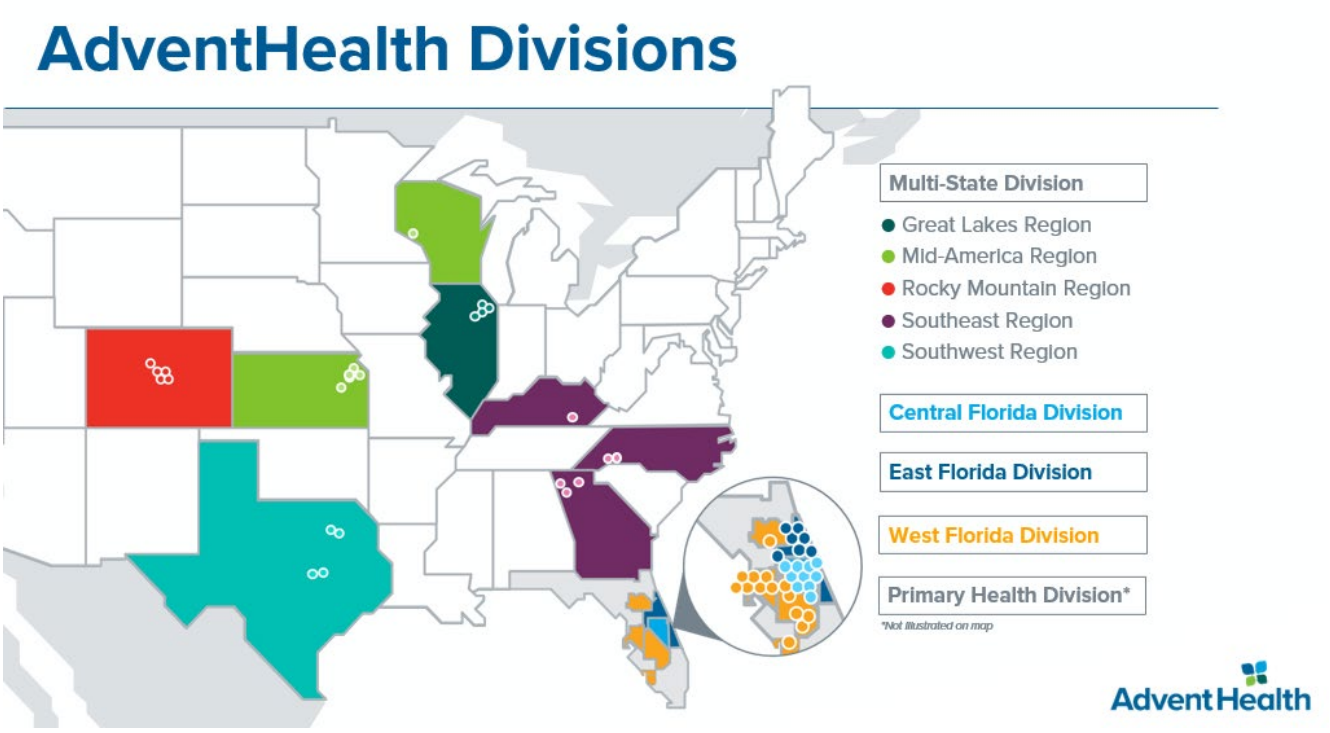
CULTURAL FRAMEWORK

AdventHealth's mission is to ***Extend the Healing Ministry of Christ*** in the communities that we serve. Our whole-person approach is designed to care for each person-body, mind and spirit and we strive to help consumers heal and be restored by fully participating in their care process. Reflected below, AdventHealth's Mission, Vision, Values and Service Standards guide everything we do as an organization across the health care continuum. This framework guides our culture which is not only our motivator, but our differentiator.

NATIONAL SIZE & SCOPE

Headquartered in Altamonte Springs, Florida, AdventHealth serves nearly nine million patients annually. AdventHealth is a connected network of care that focuses on whole-person health with more than 100,000 team members across a diverse national footprint caring for nearly nine million people annually across more than 2,000 care sites, including 56 hospitals, physician practices, ambulatory surgery centers, outpatient clinics, home health agencies, hospice centers, the AdventHealth App and more. In 2025, U.S. News & World Report named AdventHealth Orlando to its 2025-2026 Best Hospitals honor roll, a distinction awarded to only 20 hospitals nationwide. In addition, AdventHealth Orlando ranked # 1 in the state of Florida and # 1 in Orlando for the 15th consecutive year.

The map below reflects the locations of the AdventHealth acute care facility campuses organized by region. **Under the contemplated transaction, DeSoto Memorial Hospital would join the West Florida Division as a full-service community care hospital.**



ADVENTHEALTH IN FLORIDA **(Responding to RFP item 5B, 5Ba, 5Bb)**

AdventHealth has more than 100 years of health care experience in the Southeastern United States, and over five decades of continuous operations in Florida. Our model blends clinical integration, financial stewardship, and mission-driven leadership to serve a broad and diverse population—urban and rural, affluent and underserved.

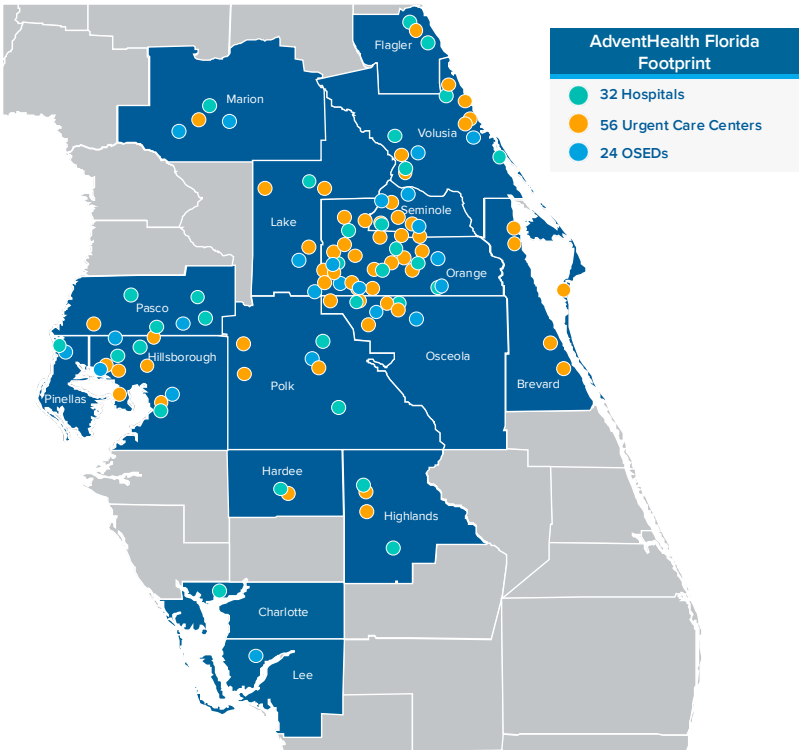
Whole-person care is a priority for the communities we serve in the state of Florida. **With facilities in 15 counties, and serving many more. AdventHealth's hospitals, outpatient practices, urgent care clinics, and other facilities make up an integrated network that supports the communities we serve in feeling whole at every age and stage of life.** AdventHealth currently has 32 hospitals in the state of Florida and is organized into three Divisions: East, Central, and West. In 2024, AdventHealth cared for more than 5.2 million patients in Florida, supported by a workforce of over 63,000 team members. This scale reflects both operational excellence and an unwavering commitment to community-based care.

We are deeply rooted in the communities we serve, including many that are medically underserved or socioeconomically vulnerable. AdventHealth invests significantly in programs that address access, affordability, and disparities in health outcomes. These include mobile health units, free and charitable clinics, maternal health programs, behavioral health initiatives, and community benefit investments tailored to social determinants of health.

The AdventHealth Florida network also includes:

- 2,400+ AdventHealth employed specialists and primary care physicians
- 24 off site emergency departments (OSEDs)
- 54 urgent care clinics (Centra Care)
- 35 lab care centers
- 117 outpatient rehab centers
- 41 medical office buildings
- 10 care pavilions & health parks (combined physician offices, imaging, and other health care services)
- 19 ambulatory surgery centers

- 15 infusion centers
- Graduate Medical Education



ADVENTHEALTH FLORIDA

2025 Snapshot

5.2M+
Patient Interactions

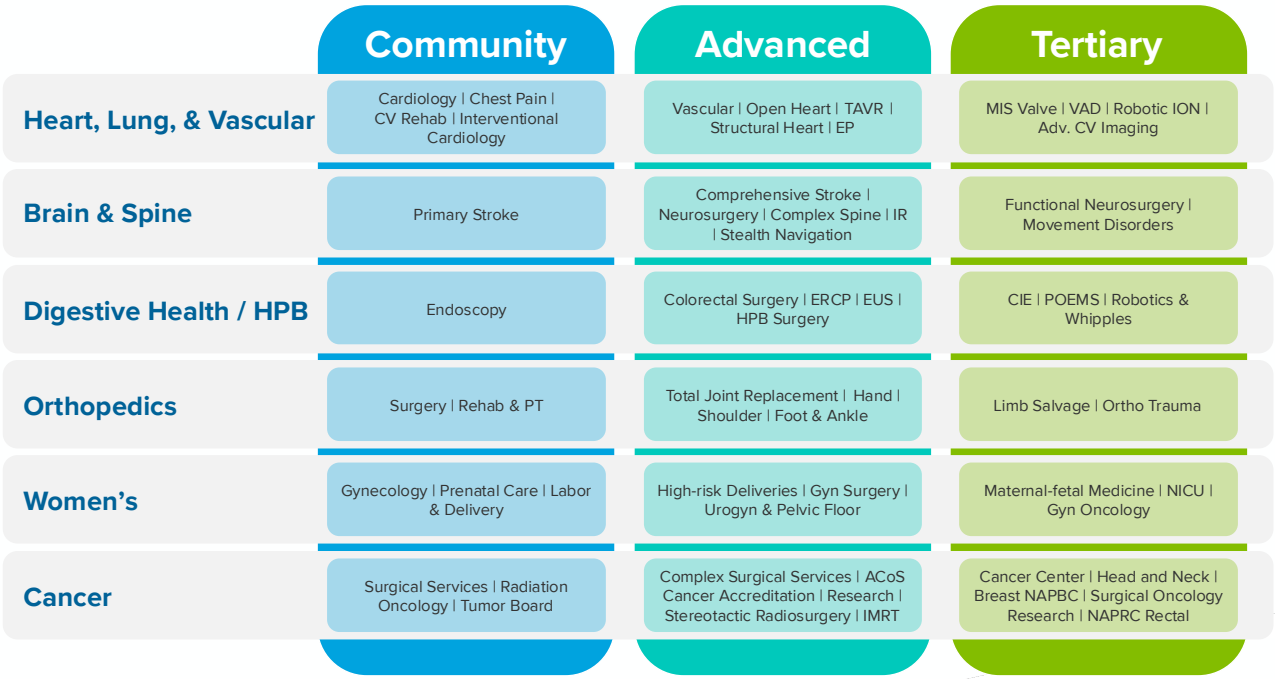
62K+
Team Members

Our robust network of care in the state of Florida has seen significant growth with a proven track record of delivering operational market excellence at the national, state, and local levels. **AdventHealth would support DeSoto Memorial Hospital in the continued development of programs and service line expansion to remain a full-service acute hospital.**

CONSUMER FOCUSED CONNECTED NETWORK

With access points in convenient locations, AdventHealth Medical Group is a network of over 2,400 physicians, advanced practice providers, residents, fellows, and faculty members across nine U.S. states who provide a continuum of care for patients' whole health. To support whole health at every age, AdventHealth Medical Group includes providers from primary care, pediatricians, and surgical specialists. In addition to in-person clinic visits, AdventHealth also provides virtual care options to increase access to care. One major benefit of AdventHealth Medical Group is that medical records remain securely accessible to any of our providers across the system. With one record, medical providers have immediate access to a patient's complete medical history to make more informed recommendations about care.

AdventHealth provides a comprehensive and robust variety of community, advanced, and tertiary health care services. Patients seeking care within AdventHealth's hospitals have access to the following:



AdventHealth also owns and operates a Primary Health Division that manages system-wide primary care, urgent care, and home care for the communities we serve. AdventHealth has physician practices, urgent care centers, home health agencies, hospice centers, and more. Within primary care, AdventHealth operates three distinct models of care:

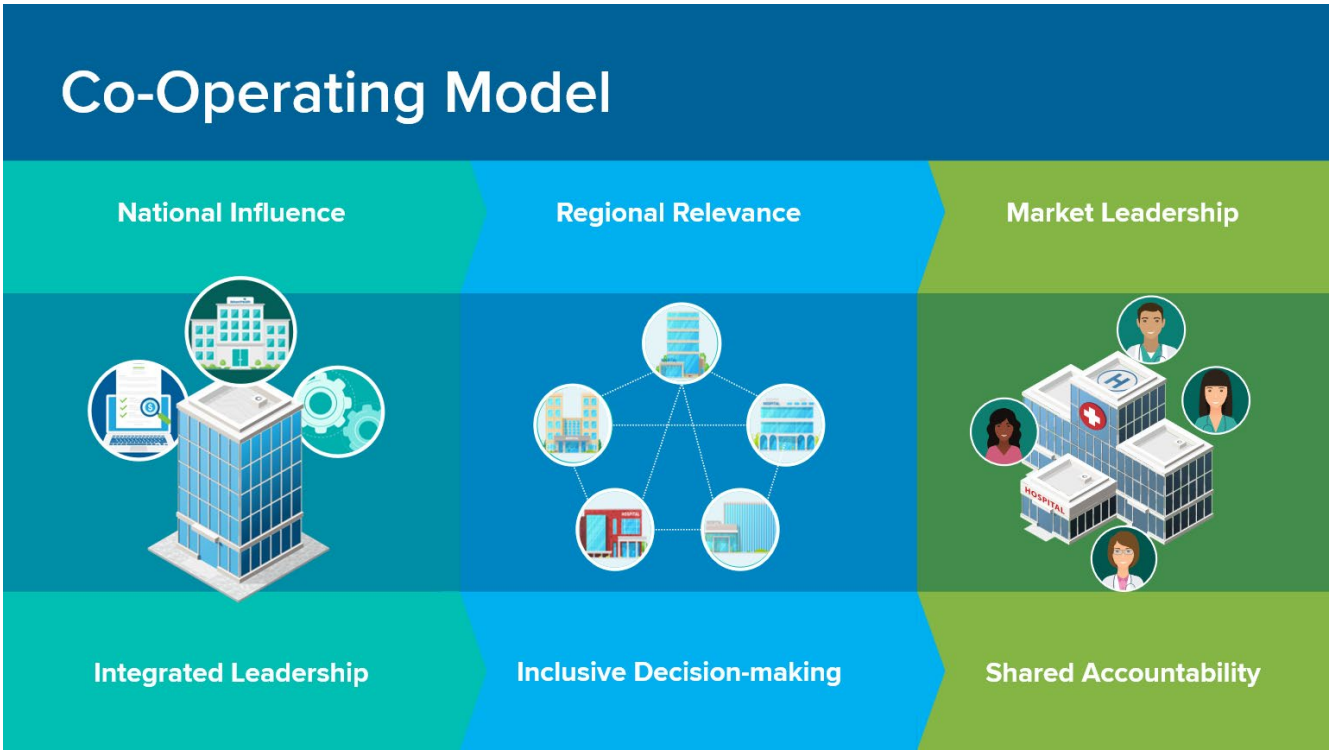
- Full Risk / Full Capitation Primary Care
- Value-Based / Fee-for Service – Limited up/down risk
- Retail / Fee-for service

AdventHealth is committed to establishing lifelong relationships that enable every person to live a life that is whole. AdventHealth strives to be the network of choice for consumers, payers, and providers with a goal of providing robust connected care throughout all the communities we serve. Wherever patients may enter our services, we promise to provide them with a connected experience. AdventHealth has a wide range of community, advanced, and tertiary hospitals. Through this consumer-focused connected network, patients can achieve higher levels of care wherever they live.

Proposed Transaction Structure (Responding to RFP item 5C, 5Ca, 5Cb, 5Cc, 5Cd, item 10, 16, 17, 19)

NATIONAL INFLUENCE & CO-OPERATING MODEL

AdventHealth's infrastructure and co-operating model allows us to connect our national scale and influence with our local and market leaders. The leaders at each facility have the authority to make decisions based on their market needs and are seen as advocates for their communities. This co-operating model visualized below allows us to lean into our size and scope, while providing local hospitals with the autonomy they need to support their communities.



A practical example of the co-operating model is found in the annual strategic growth planning and budget processes. A shared strategy and finance calendar coordinates key dates and activities among hospitals, Divisions, and corporate stakeholders. The process begins with environmental assessments, market data, and statistics provided to the hospital teams to aid in developing future plans. Institutes and West Florida Division strategy teams work together to develop strategic objectives that include capital and recruitment needs, which then inform the budget. Our local teams also provide strategies for service line development, volume assumptions, and tactics to achieve their strategic goals. This collaborative approach supports the development of clinical service lines and aims to enhance patient care, advance market position, and boost patient satisfaction. Operationally, teams collaborate regionally and statewide to share best practices, quality metrics, and innovative solutions across service lines.

OUTMIGRATION & STRATEGIC GROWTH

In DeSoto County, most patients are not staying local for their care. Research from the Agency for Health Care Administration (AHCA) shows that eight out of ten residents admitted as inpatients travel outside the county, and even in emergencies, more than half turn elsewhere for treatment. This outmigration highlights a critical challenge for the community. AdventHealth believes that health care must remain local to expand and enhance services so the community can count on receiving their care close to home.

The proposed agreement would include a commitment to long-term and sustained growth. **With a total transaction value surpassing $50 million, AdventHealth's vision ensures services are delivered at the scale the community deserves, and in a manner that preserves the legacy of DeSoto Memorial Hospital as a key health care access point in DeSoto County.** AdventHealth commits to expanding local services and recruiting providers to provide consistent and quality care locally. The result would be lower outmigration as patients increasingly seek care within DeSoto County. Long-term, AdventHealth will continue to evaluate opportunities for additional access points.

The AdventHealth West Florida Division engages in a collaborative strategic planning process that would include DeSoto Memorial Hospital and utilizes data to provide quality plans that guide growth. There is a West Florida Division-wide Growth Summit hosted every year that brings key leaders of the West

Florida Division together to discuss and share how each facility is planned to grow. This allows facilities to socialize their plans, share accountability and ensure alignment across the West Florida Division. In addition, each market has a dedicated leader who is focused on growing the business of their region. These business development leaders provide strategic insights, develop growth recommendations, and ensure clinical programs are performing at their highest capability in partnership with the facility executive team. In addition, each facility creates a one year and three-year growth plan. The structure ensures short-term agility and long-term strategic planning to capitalize on opportunities and react to market dynamics.

AdventHealth intends to nurture DeSoto Memorial Hospital to ensure continuity of care for the community while also elevating the level of service available to meet the growing health needs of its residents. AdventHealth will seek to maintain the hospital's essential role and expand its impact through intentional growth. This includes, but is not limited to, developing new clinical services tailored to the community's needs and actively recruiting physicians across specialties to broaden access to expert care. Additionally, AdventHealth plans to invest in modernizing facilities and technology to create a patient-centered environment where safe, high-quality care is consistently delivered.

COMMITMENT TO CARE FOR THE INDIGENT AND UNDERSERVED

AdventHealth is particularly experienced in expanding services to historically underserved populations, including Medicaid beneficiaries, rural residents, and racial and ethnic minority communities. We work closely with local health departments, federally qualified health centers (FQHCs), community-based organizations, and faith-based partners to ensure equitable access to care. DeSoto Memorial Hospital has a long-standing reputation for caring for the indigent community, and AdventHealth only wants to enhance that practice.

AdventHealth enters communities as permanent partners in improving the lives of those we serve. We approach whole-person care at many levels to benefit the communities we have the privilege of serving. Below is a summary of the impact AdventHealth has had in the West Florida Division market:

We are committed to excellence in providing high quality health care and acknowledge that in some cases an individual will not be financially able to pay for the services received.

AdventHealth maintains a system-wide Financial Assistance Policy that provides full charity care for patients up to 200% of the Federal Poverty Level (FPL) and partial assistance up to 300% of FPL. This standardized approach is applied across all facilities, ensuring equitable access, compliance with federal standards, and a reliable framework that can be scaled across diverse communities. Both organizations ensure that emergent care is always provided regardless of ability to pay, and both maintain processes to extend payment arrangements, financial counseling, and charity care as appropriate.

Exhibits C & D provide the AdventHealth Bad Debt and Charity Care Policy in full detail for review. Together, these policies reflect the shared mission of AdventHealth and DeSoto Memorial Hospital to serve as trusted partners in meeting the needs of the indigent and underserved with compassion and equity.

SUSTAINING HEALTH ACCESS THROUGH RESPONSIBLE TAX GOVERNANCE AND COMMUNITY PARTNERSHIP

AdventHealth is committed to advancing health care equity and access in DeSoto County, particularly for individuals and families without the means to pay for care. We recognize the unique challenges of delivering such services in rural and economically constrained settings and do not take this obligation lightly. **Our commitment is long-term—and sustainable care requires sustainable funding.**

While the current voter-approved Indigent Care Surtax has been used to service existing indebtedness of the hospital, its proceeds are, in practice, entirely dedicated to servicing debt obligations under a $20 million USDA loan that funded necessary infrastructure renovations. This structure was approved by the community and has laid the groundwork for future health expansion.

Under current conditions, **no Indigent Care Surtax funds are available for direct health care delivery to indigent populations. In order to promote access to health care services for those most in need, our proposal seeks the support of the DeSoto County Hospital District in the exploration of amending the Indigent Care Surtax to extend its purpose and continuation through the Surtax's original life cycle of 2036 with the DeSoto County Board of County Commissioners.**

Using the existing framework, it is an opportunity to continue what the community has already chosen, while finally unlocking the intended benefit: providing direct health care services to those most in need.

With the expansion:

- The original intent of the "indigent care" surtax is fulfilled—**direct healthcare becomes a reality**;
- Continuity of services is preserved, without disruption;
- Every indigent care surtax dollar will be **locally controlled, transparently used, and purpose-built for community care;**
- As feasible, the community will have convenience and access to quality care **in the neighborhood**, not in another county.

The residents of DeSoto County showed vision and compassion when they originally approved the indigent care surtax. If selected, we are asking for the District's support in further conversations with the County Commissioners to explore how to **extend the commitment — so that the health care so many require can be delivered and expanded.**

AdventHealth is honored to bring national scale and not-for-profit values to this effort so that the hospital can be an anchor in the community and provide quality health care. This expansion will preserve AdventHealth's ability to deliver accessible, high-quality care to all while sustaining the capital investments needed to enhance facilities and expand services that benefit the communities we serve.

Proposed Financial Structure (Responding to RFP item 5D, 5Da, 5Dai, 5Daii 5Db, 5Db1, 5Db2, item 15, 21)

ENHANCEMENT AND FINANCIAL RESOURCES

Over **the next seven years**, our organization is committed to a capital investment of **$30 million**, allocated across key areas to support the successful integration and growth of the acquired hospital. This investment includes:

- **People and Providers**: Recruitment, retention, and training programs for physicians, nurses, and clinical support staff, aligned with both current community health needs and future growth projections.
- **Facilities**: Targeted capital improvements to enhance patient care environments and expand service lines in alignment with strategic growth priorities.
- **Technology**: Implementation of industry-leading platforms including **Epic** (for clinical, revenue cycle, and patient engagement optimization) and **Workday** (for enterprise-wide human capital and financial management). AdventHealth is constantly working to improve access to care, and with an easy-to-use app, patients have access to their health care needs at any time of day. **The AdventHealth App allows** consumers to connect with their care team.

Other considerations contemplated in the proposed transaction include the assumption of net working capital to ensure continuity of operations, the assignment of $10 million in outstanding net debt, and the infusion of an estimated $12 million in cash to strengthen day-to-day financial stability. Together, these commitments reflect AdventHealth's confidence in DeSoto Memorial Hospital's future and its dedication to securing long-term, sustainable health care for the DeSoto community.

Beyond the initial seven-year capital commitment, AdventHealth will continue to invest in the hospital through its established enterprise capital planning model. This model ensures that strategic facility, technology, and clinical investments are evaluated and prioritized on an ongoing basis to support long-term growth, clinical excellence, and community needs.

AdventHealth's ability to commit to long-term capital investment is underpinned by its exceptional financial strength. As a health system with consistently strong financial results and high credit ratings from major agencies, **AdventHealth has the stability and resources necessary to sustain strategic investments well beyond the initial seven-year capital commitment. See Exhibits E & F**

CAPITAL AND REINVESTMENT MODEL

AdventHealth has a system-wide capital allocation model to ensure financial viability and reinvestment in growth in the communities we serve. A specific allocation is dedicated back to the hospital for facilities maintenance, and a portion is dedicated to strategic, hospital, and IT capital. This allows the West Florida Division and system to fund larger-scale network growth opportunities and gives autonomy to the hospital to make certain capital decisions for the operating needs of its hospital.

The AdventHealth capital allocation model is based on earning capital dollars at a predetermined percentage of Earnings Before Depreciation, Interest, Taxes, and Amortization (EBITDA), which is allocated within several categories. The percentage of EBITDA utilized within this methodology is adjusted periodically as approved by the AdventHealth CEO, generally ranging between 65% - 75%. The capital categories include:

- Entity Capital: The annual capital budgeted for the entity category is based on the EBITDA of the entity and its subsidiaries. Capital within this category is intended to cover items that range from routine expenditures to new construction and are allocated for projects at the entity's discretion.
- Division Capital: The capital within this category will be at the discretion of each Division's leadership. Capital within this category is intended to cover major capital expenditures that are not considered routine in nature. Entities will need to request an allocation from this category from Division leadership.
- Strategic Capital: This category of capital is intended for use in acquiring new facilities, building

new facilities, or major expansions. A strategic capital session is held periodically to allocate capital in this category to upcoming capital projects over a time period of several years. The timing of the strategic capital session and ultimate approval of projects is determined by the AdventHealth CEO.

Exhibits E illustrates AdventHealth's current financial capacity and the effectiveness of this capital planning model through historical investments in facilities, infrastructure, and clinical innovation across its national footprint.

Exhibits F provides an independent review of AdventHealth's credit profile from leading Credit Rating Agencies. Highlights of these reports include:

- Strong Financial Profile: the "AA" rating indicates that AdventHealth has solid financial metrics, including consistent operating performance, low leverage, and strong liquidity, such that it can comfortably meet its debt obligations. The current outlook for AdventHealth's "AA" rating is "Stable", suggesting the current financial trajectory lacks significant downside risks in the near-term.
- Revenue Defensibility & Geographic Diversification: AdventHealth benefits from geographic diversity and a presence in high-growth and stable markets, especially within Florida. This helps smooth out risk from any single market disruption.
- Strong Operating Performance & Cost Management: Despite external pressures (e.g. inflation, labor cost increases, pandemic effects), AdventHealth has managed to maintain stable operating margins, showing resilience and effective expense control.

CAPITAL INVESTMENTS IN NETWORK GROWTH

AdventHealth has demonstrated commitment to the West Florida Division markets in Tampa Bay, Ocala, Polk, and Sebring through significant capital investment in recent years. The most significant projects are outlined below:

EXISTING FACILITIES MASTER PLANNING

AdventHealth Heart of Florida completed a $7.5 million renovation in November 2023 to elevate the level of emergency care the hospital offers to the community. This expansion added 10 rooms to the existing ER after recognizing a greater need in the community than the original ER was able to meet. The expansion also included renovations of the outpatient and emergency registration areas to streamline the process, enabling patients to be seen and treated in a timely manner. This facility was acquired in September 2019.

AdventHealth Tampa is a 626-bed tertiary hospital in Tampa Bay. Back in October 2021, the campus opened the Taneja Center for Surgery. The $300 million facility is a six story, 300,000 square foot state-of-the-art facility. Since opening, this building has given the hospital the ability to prioritize surgical advancement with the addition of 18 operating rooms and 96 post-surgical and critical care patient beds. This was also a testament to AdventHealth's commitment to the community, with the building named in honor of a local family who received care at the facility.

AdventHealth Wesley Chapel is currently undergoing a large expansion project to meet the needs of its patients in Pasco County. Built in 2012, AdventHealth Wesley Chapel has been a staple in the East Pasco community providing quality care to its patients. By December 2025, it will have expanded its services to support the growing community of Pasco County. This project includes a new three-story wing, and a two-story infill, adding more than 80,000 square feet of new space. This will add 72 beds to the existing 169 beds, with two more 24-bed units in the

future. In addition, this project will enhance the operating rooms and endoscopy suites, add pre-op and post-op capacity, and advance imaging capabilities.

ACUTE CARE EXPANSION

AdventHealth Riverview opened in October 2024 to the South Hillsborough community. The 82-bed hospital opened with a connected 100,000 square foot medical office building. Riverview was designed to accommodate future growth while also meeting the current needs of the community. About 40% of the hospital is shelled to allow fast expansion as the community grows. This greenfield hospital is located 20 miles southeast from AdventHealth Tampa and provides access to the residents of South Hillsborough to quality care.

AdventHealth acquired ShorePoint Health Port Charlotte from Community Health Systems in March 2025, becoming **AdventHealth Port Charlotte**. The purchase included the 254-bed full-service hospital and its related businesses, physician clinic operations, and outpatient services. Implementing Epic and providing a seamless employee transition continues to be a top priority.

EMERGENCY CARE ACCESS

In April 2025, AdventHealth opened a new **off-site emergency department** at Meadow Pointe, Wesley Chapel. This marks the West Florida Division's 11th off-site emergency room in the West Florida Division. AdventHealth has continued to invest in the footprint to expand access to emergency care. These off-site emergency rooms are anywhere from 10 to 24 beds and include a full-service lab and imaging center. AdventHealth has opened seven off-site emergency rooms in the last five years in the West Florida Division. In January 2026, the 12th off-site emergency room will open in Heathbrook, Ocala.

Investment in people, facilities and technology structure (Responding to RFP item 5E, 5Ea, 5Eb, item 20, 22)

AdventHealth strives to be excellent in all that we do and the investment we make in our team members, at our facilities and by leveraging technology is the cornerstone of our success. These are long-term investments because for us it's missional, not episodic. Here are some examples of our approach:

AdventHealth Tampa is recognized by U.S. News & World Report as one of America's best hospitals in 13 types of care.
AdventHealth Ocala is recognized by U.S. News & World Report as one of America's best hospitals in 8 types of care.
AdventHealth Zephyrhills is recognized by U.S. News & World Report as one of America's best hospitals in 8 types of care

EMPLOYER OF CHOICE

AdventHealth aspires to be known as a place where team members thrive professionally and experience a sense of wholeness. We build a unique team member experience to engage minds and hearts while inspiring each person to reach their full potential in the delivery of whole-person care. Our culture ensures team members experience our service standards applied to their own well-being and that we value each other for who we are and for the unique experiences we bring to our collective mission and vision. Because AdventHealth is a national health care system, DeSoto Memorial Hospital employees would also have an opportunity, post-affiliation, to transfer within the AdventHealth family of facilities; thereby allowing opportunity across a broader geography and network of facilities.

We are on our way to becoming an employer of choice by 2030 offering competitive pay, opportunities for advancement, workforce development, and continuing education tuition reimbursement. **Forbes recognized AdventHealth as a Best in State employer in Florida and Glassdoor named AdventHealth as a "Best Place to Work" in 2025.** We are proud of how we care for our team members and consistently provide strategies to attract, train, and retain honoring those that are tenured in employment as well as those new in their careers. AdventHealth's resources will help DeSoto Memorial Hospital remain one of the largest employers in the community.

EXPERIENCE TURNING AROUND DISTRESSED HOSPITALS

As one of the leading health care systems in the country, AdventHealth has experience with multiple transactions of varying structure types, and understands the resources required to successfully complete a transaction such as the one proposed. Many resources are internal to the AdventHealth organization at the system and regional level, which allows for convenient implementation with little to no disruption at the local hospital level. These examples include:

- **AdventHealth Dade City:** In April 2018, AdventHealth purchased and began operating the previously known Pasco Regional Medical Center from Community Health Systems (CHS). From the time of acquisition through late 2022, AdventHealth invested over $30 million in renovations and service enhancements. These included upgraded diagnostic equipment, relocation of the MRI indoors, conversion of underutilized units into transitional care and surgical units, a new pre-op layout, and a newly constructed lobby, chapel, and expanded cafeteria. In 2024, AdventHealth Dade City served over 120,000 patients and offers comprehensive care to the community. Dade City has historically been a main provider for emergency care, primary care, digestive, diabetes and endocrine, ENT, men's health, wound care, imaging, and lab care. Since joining AdventHealth, Dade City has grown its clinical scope to include care offerings for stroke, heart and vascular, chest pain, orthopedic, urology, and women's health. By being connected to a larger network, the patients in Dade City have been able to receive care close to home and be part of a connected system that provides a full continuum of care. In addition, AdventHealth Dade City actively engages in community-based wellness, education, and preventative care programs at little to no cost. From its acquisition in 2018, AdventHealth has grown admissions from 1,400 to 5,300 (+269%), and surgeries from 765 to 1,800 (136%) as of 2024.

- **AdventHealth Ocala:** In August 2018, AdventHealth acquired Munroe Regional Medical Center from Community Health Systems. The hospital offers tertiary care, stroke services, surgical, emergency, and specialty programs. AdventHealth has been dedicated to growing services in the Ocala community and ensuring appropriate access to care. Since acquisition in 2018, AdventHealth has brought expanded ER care with the addition of one off-site emergency room with a third opening in January 2026. In addition, they have remained the only delivering hospital in Marion County and provide women's health services with a state-of-the-art NICU, maternal-fetal medicine, pediatric emergency room and inpatient unit, mother/baby unit, and enhanced family experience. Most recently, AdventHealth Ocala opened a new 60,000 sq ft on-campus Medical Office Building centralizing specialty care and providing greater access to key services such as neurosurgery, women's health, cardiovascular services, orthopedics, and more. In addition, AdventHealth has invested nearly $130 million in the community to support access, housing, nursing education, arts, and community connection. From its acquisition in 2018, AdventHealth has been able to grow admissions from 16,000 to 21,000 (+25%), and surgeries from 8,600 to 9300 (+8%) as of 2024.

- **AdventHealth Heart of Florida and Lake Wales:** In September 2019, AdventHealth purchased Heart of Florida Regional Medical Center along with Lake Wales Medical Center from Community Health Systems. Over six years, AdventHealth has invested more than $100 million in the Haines City and Lake Wales communities. This includes facility investments such as an expanded emergency department and support services, as well as growing emergency care into Winter Haven with a new free-standing emergency room. AdventHealth Heart of Florida has specialized in breast surgery, electrophysiology, orthopedics, general surgery, urology, and gastroenterology. In the Lake Wales community, AdventHealth has contributed over $25 million to expand hospitals services, to provide more access to care, and bring in high-end technology and physician staff to improve quality of care in the Lake Wales community. AdventHealth Lake Wales provides community care close to home by offering urology, gastroenterology, and general surgery services. AdventHealth also serves the community by sponsoring chamber activities, contributing to charity care, serving on the local community college board, and providing community health services. From its acquisition in 2019 through 2024, AdventHealth grew combined admissions from 4,400 to 14,000 (+217%), and surgeries from 2,000 to 7,500 (+262%) as of 2024.

  AdventHealth Port Charlotte: AdventHealth purchased and assumed operations of ShorePoint Health Port Charlotte from Community Health Systems in March 2025. AdventHealth acquired the hospital to bring its promise of whole-person care philosophy and broaden service offerings to the Southwest Florida region. The transaction included the transition of over 1,000 team members, 80 providers, and many outpatient clinics in and around the Port Charlotte area. AdventHealth Port Charlotte joined the West Florida Division, adding a full-service, Joint Commission-accredited facility with emergency care, stroke services, orthopedics, advanced cardiac care, open heart, neurosurgery, surgical, and maternal-child services as the only delivery hospital in Charlotte County. In the first 100 days, AdventHealth invested over $14 million in technology and service enhancement. In addition, the hospital transitioned from part-time locum dependency to fulltime providers in most specialties. AdventHealth has plans to continue investing in clinical service line expansion for many specialties, as well as supporting the community's health needs. Recruiting, growing, and retaining talent has also been a priority with significant investments towards team member benefits, leadership development and building a culture of compassion rooted in faith-based care.

AdventHealth's Physician Alignment (Responding to RFP item 5F, 5Fa, 5Fb, 5Fc, 5Fd)

Physician recruitment is a core priority to provide consistent care for a community. At AdventHealth, we work systematically to identify high-quality providers to serve our communities. AdventHealth prioritizes the recruitment, engagement, and retention of top-tier providers across our organization, leveraging several strategies that have proven successful over time.

RECRUITMENT

Over the past two years, AdventHealth Medical Group in the West Florida Division has hired an additional 200 providers to expand access to care across our service areas and respond to community needs. This rapid expansion of our employed medical group has resulted in a consistent approach:

1. **Lead with Culture –** Extending compassion in a culture that treats providers as partners embracing collaboration, quality, and high ethical standards.
2. **Leverage Physician Referrals and Relationships -** The best way to build the physician enterprise is to engage physicians and listen to their guidance.
3. **Competitive Compensation and Benefits** – Competition for talent demands the market standard for pay, but compensation is rarely the whole story. As an employer of choice for providers, total rewards must be considered.
4. **Flexibility** – Stages of life and other crucial matters require flexibility and creativity to meet the needs of the provider. This could mean a shift in duties, picking up extra shifts or stepping down hours to accommodate the needs of the individual provider.
5. **Strategic Efforts** – Intentional and innovative recruitment efforts to find the best talent.

ENGAGEMENT

Having shown the ability to recruit providers to AdventHealth Medical Group, the next step is to engage providers in a way that allows them to bring their whole self to work every day. Utilizing an annual engagement survey across both medical staff and medical group providers has resulted in higher transparency and top quartile engagement scores.

Under AdventHealth's Medical Group structure, each practice maintains a monthly practice operations council (POC) with a named leader of each POC. Each medical group maintains a Network Operations Council (NOC) and a region has a System Operating Council (SOC). AdventHealth is dedicated to being a clinical organization, and therefore we value our physicians' feedback, leadership, and knowledge. Engagement within AdventHealth means being involved at the level that the provider feels most comfortable. If a provider (regardless of their tenure or experience level) expresses interest in leadership, there is usually an opportunity for them to participate.

Each hospital has a set Medical Executive Committee with representation from both employed and independent aligned providers. Every year, there is a West Florida Division-wide retreat aligning both members of the Medical Executive Committee and Board of Directors representing each facility. The purpose of this retreat is to share organizational priorities and align strategies for the year ahead in a collaborative manner. There are several other steering committees and committees where physicians can engage in planning and discussion about clinical areas of interest.

In an effort to keep our physicians whole, AdventHealth coordinates a physician leadership program designed to grow and develop physician leaders across all specialties. Additionally, AdventHealth has a team dedicated to physician wellness. AdventHealth offers an employed psychologist, along with events and programs held throughout the year to engage physicians in their own well-being.

Each hospital facility across AdventHealth maintains its own medical staff bylaws.

ALIGNMENT WITH INDEPENDENTS

AdventHealth consistently invests in both independent and employed providers, regardless of the affiliated alignment model. Physicians are the engine that drives clinical excellence, and are the leaders of our care teams, culture and ultimately economic outcomes. As such, strong engagement and alignment with our entire physician organization is vital to our mutual success.

Maintain Support of the Local Economy (Responding to RFP item 5G, 5Ga, 5Gb)

COMMUNITY COMMITMENT

AdventHealth is dedicated to the communities we serve and to specifically providing access to care in rural communities. Community wellbeing is valued by AdventHealth, and that belief does not plan to change. We recognize that DeSoto County requires support for its communities, as well as ensuring a long-term commitment. AdventHealth is already a trusted health care resource for DeSoto County residents, with rural health clinics in Arcadia, an OB/GYN clinic, relationships with the local Sheriff's department, and employed providers who provide care to inmates at the county jail. **AdventHealth will continue to grow access to care in this market to ensure the community needs are met.**

An expectation of our hospital C-Suite team is to remain a key partner to the community. This requires them to live locally, be involved in community service, attend key community meetings, and ensure that the local hospital is well represented. This would include but is not limited to local rotary clubs, chamber meetings, boards, economic development committees, and other forums specific to each community. This is a consistent practice at all our owned and operated facilities.

MARKETING AND COMMUNICATIONS RESOURCES **(Responding to RFP item 5Gc)**

As part of our comprehensive transition strategy, a detailed communications and marketing plan will be developed and implemented to support the successful integration of DeSoto Memorial Hospital, if selected. This plan will be led by our experienced integration team with the support of national and regional marketing and communication teams. These teams are focused on change management, reputation management, internal and external communications, and leadership alignment to support the work during and after the transaction.

Our approach is intentionally proactive and structured. All messaging, timelines, and materials will be centrally developed, coordinated, and vetted with functional experts ensuring accuracy, consistency, clarity, and minimal burden on local teams. This allows hospital leadership and staff to remain focused on patient care and operational continuity, while we manage the communication strategy from planning through implementation. There will be a calendar of engagement activities shared proactively that will help support team members during the transition. These activities include, but are not limited to, town halls, benefits information sessions, and Day 1 go-live support.

We understand the importance of tone and timing during times of change. Our team will work closely with key stakeholders to ensure that messaging is aligned, culturally appropriate, and curated to be well received by all audiences from employees and physicians to patients and community partners.

Employee Considerations (Responding to RFP item 1, 8)

AdventHealth intends to keep the existing workforce intact by retaining all employees in good standing and eligible for rehire by an AdventHealth institution. AdventHealth agrees to hire all active non-executive employees of the Hospital and the Wholly Owned Subsidiaries as of the closing in positions and compensation levels consistent with those then being provided by the Hospital and the Wholly Owned Subsidiaries, subject to standard onboarding requirements applicable to all new hires of AdventHealth. Such commitment shall extend until at least 90 days after the closing.

AdventHealth will also provide employee benefits equivalent to similarly situated AdventHealth employees. However, AdventHealth reserves the right to better understand the existing benefit offerings in greater detail through the due diligence process with the intent that pre-existing conditions shall not be excluded unless employees have not satisfied the prior pre-existing condition exclusion period in equivalent insurance plans. Additionally, it would be AdventHealth's intent to recognize service credit for DeSoto Memorial Hospital employees including vacation and any previous employment at an AdventHealth facility. Vesting credit will be granted in the retirement plan.

In terms of executive management, AdventHealth envisions that most of the individuals in executive leadership positions would continue in same or similar roles based on competency and their desire to remain with the organization. We respect and are highly interested in learning more about the executive team and their unique professional talents to determine the appropriate leadership structure. It is important that we grow existing talent and keep these individuals serving in the community they love.

AdventHealth has both matrix and traditional management structures. Reporting relationships are determined in alignment with business needs. Across the system, certain executive leaders in a market may report to a corporate services leader (for example a Regional CEO may report to a Division CEO, or an IT leader may report to a corporate services IT leader). This structure empowers team members to further business objectives and receive operational, strategic and resource support based on specific market needs.

Branding (Responding to RFP item 2)

AdventHealth has defined brand standards when naming hospitals, drawing either from a location (county or city) or a legacy name, and utilizing market research and consumer perceptions to validate final brand names. A consistent naming structure across AdventHealth strengthens consumer confidence and helps patients quickly recognize the unified network of high-quality health care available to them, locally, regionally and across the country. It also aligns with a trusted brand known for clinical excellence, the delivery of whole-person care and a faith-based mission of Extending the Healing Ministry of Christ.

AdventHealth has a consistent and proven brand strategy of elevating legacy hospital brands, including:

- Bayfront Health Dade City acquired in 2017. The new name became AdventHealth Dade City.
- Munroe Regional Medical Center acquired in 2018. The new name became AdventHealth Ocala.
- Heart of Florida Regional Medical Center and Lake Wales Medical Center acquired in 2019. The new names became AdventHealth Heart of Florida and AdventHealth Lake Wales.
- ShorePoint Health Port Charlotte acquired in 2025. The new name became AdventHealth Port Charlotte.

AdventHealth DeSoto is the name that is being considered, reflecting both the community it has served for over 50 years (and the community it will continue to serve), as well as its new connection to a nationally recognized, faith-based health care organization. The "DeSoto" name remains a central part of the new naming recommendation, ensuring continuity for those who have, and will continue to think of this hospital as their own.

If given the opportunity, we look forward to working with all the key stakeholders to determine the most effective implementation plan including communication, timelines, and activation priorities.

Governance of Medical Staff (Responding to RFP item 3)

AdventHealth believes health care is a local enterprise guided by regional and national standards. In all the communities where AdventHealth has a presence, there is a local community operating board. The community operating board would have specific duties as outlined in the hospital's Operating Bylaws and would include issues such as the quality of care of the organization, medical staff issues, employee workforce matters, financial matters, and community relations. There are certain items for which AdventHealth would have final decision-making authority, working in collaboration with the local board, such as major building programs over a certain dollar threshold, any modification to the bylaws of the organization, acquisition or divestiture of real property, and the operating and capital budgets and strategic plans of the organization.

AdventHealth has a successful history of collaborating and seamlessly transitioning governance as demonstrated in previous transactions. We value the opportunity to learn more about the existing DeSoto Memorial Hospital medical staff bylaws, including credentialing and peer review, to determine if any changes need to occur.

Quality of Care (Responding to RFP item 18, 23)

CLINCAL EXCELLENCE

AdventHealth delivers world-class clinical care with uncommon compassion, consistent with our mission of Extending the Healing Ministry of Christ. A foundational culture of collaboration, communication and transparency provides the platform from which we deliver this exceptional whole-person care as we lead in safety through aligned systems, seamlessly connected networks, and shared strategies.
To achieve this promise, AdventHealth commits to the following measures of success:

- Ensure that every AdventHealth hospital achieves a four- or five-star rating in CMS' Overall Hospital Quality Star Rating. An "A" in the Leapfrog Hospital Safety Grade, and top-quartile performance in Premier All Adult Inpatient Observed to Expected Mortality.
- Quantify within our clinical team an increase in engagement, teamwork, and the safety of the patient environment, as well as a decrease in clinical turnover and burnout.
- Document measurable reductions in staff harm and ensure safety.

The strategic model to achieve these outcomes is visualized below:

The Quality and Safety Plan describes the multidisciplinary, systematic performance improvement framework developed to improve patient outcomes and reduce the risks associated with patient harm. This plan represents AdventHealth's commitment to deliver safe, timely, effective, efficient, equitable and person-centered care. The Quality and Safety Plan at AdventHealth supports our brand promise to "feel whole." It is a commitment to our mission, Extending the Healing Ministry of Christ.

Please reference Exhibit G for AdventHealth's Quality & Safety Plans.

Summary

AdventHealth is honored to submit this proposal in response to the DeSoto County Hospital District's RFP for the future of DeSoto Memorial Hospital. Our vision is rooted in a commitment to keep care local, broaden access, and grow as part of the DeSoto community. Through this partnership, **DeSoto Memorial Hospital remains a full-service acute care hospital, safeguarding essential services while expanding programs that meet the needs of patients close to home.**

To achieve this, AdventHealth is prepared to make a $30 million capital investment over seven years for facility enhancements, technology upgrades – including integration onto Epic EMR – and the recruitment and retention of physicians, nurses, and team members with a transaction value that surpasses $50 million. These investments will strengthen DeSoto Memorial Hospital's role as the community's trusted health anchor, reduce outmigration, and ensure long-term sustainability.

Equally important, AdventHealth's mission of Extending the Healing Ministry of Christ drives us to serve every patient with whole-person care, body, mind, and spirit while ensuring access for all. We will maintain charity care and indigent support policies as generous as current practices, partner with community organizations to serve underserved populations, and ensure that hospital leadership remains deeply

engaged with the local community. Our track record of revitalizing hospitals demonstrates our ability to transform struggling facilities into thriving centers of care that attract providers, improve quality, and fuel regional growth.

Together with the Hospital District, we will preserve the legacy of DeSoto Memorial Hospital while preparing it for the future. By keeping care local, investing in people and infrastructure, and growing with the community, AdventHealth will deliver stability, permanence and viability. We are committed to building a stronger and healthier future and look forward to the opportunity to advance the health and wholeness of this community.

AdventHealth

POLICY

Policy #	Policy Name
CW F 20.1	CW F 20.1 Bad Debt & Charity Allowance
Policy Location	**Responsible Department**
*Company-Wide Policies	Finance Administration
Executive Owner	**Original Creation Date**
Danny MYERS (CE-SVP Strategic Revenue AH)	07/28/1992
Policy Effective Date	**Policy Review Date**
01/05/2021	11/13/2014

I. **SCOPE:** This policy will apply to all entities within Adventist Health System. All exceptions should be approved in accordance with the exception process outlined later in this policy.

II. **PURPOSE:** To record accounts receivable at net realizable value. The allowance for bad debt and charity is expected to provide an estimate of accounts receivable as of the balance sheet date that will not be collected and will be written-off as a bad debt or charity in future periods.

III. **POLICY:** The allowance for bad debt and charity should be calculated and recorded on a monthly basis. This allowance should be sufficient to estimate the portion of accounts receivable (net of contractual allowances) that is not expected to be collected from self-pay patients, patient portions after insurance and payors. This policy contains a separate discussion for calculating bad debt and charity allowances for hospital accounts receivable and non-hospital accounts receivable. These calculations are performed using the Uniform Contractual Worksheet (the "UCW" or "template"). The bad debt and charity allowances calculated by the template for both hospital and non-hospital accounts receivable should be recorded on the general ledger at month-end

IV. **PROCEDURE/GUIDELINES:**

Hospital Accounts Receivable

The following discusses certain aspects of the methodology used for calculating the bad debt and charity allowances for hospital accounts receivable.

Eligible Accounts Receivable. Debit balance accounts receivable should be used when calculating the allowance. The accounts receivable should be organized by payor class and separated based on the age of the account (either less or greater than 150 days old).

Bad Debt Allowance Calculation. The bad debt allowance recorded for hospital accounts receivable should be calculated using the following formula:

- All net accounts receivable over 150 days
- Plus a percentage of discharged self-pay* balances 0 to150 days
- Plus a percentage of in-house self pay* balances
- Minus an estimate of Medicare accounts over 150 days that will be recovered on the cost report

- Minus a rolling 8 months of bad debt recoveries, net of collection expense
- Plus a percentage of estimated balance after insurance amounts that are 0 to 150 days

** Financial classes treated as self pay (such as charity) are also included in this calculation.*

Net Accounts Receivable Over 150 Days. This component of the formula represents billed debit balance accounts receivable in excess of 150 days, net of the allowance for contractual adjustments recorded on these accounts. Accounts are aged based on the discharge date for inpatients and the date of service for outpatients.

Discharged Self-Pay Balances Between 0 and 150 Days. To account for the low collection rate on self-pay accounts (and other payors treated as self-pay), the allowance for bad debt formula includes a separate component of the allowance for self-pay balances that have not aged past 150 days. This component of the formula is computed using debit balances for discharged self-pay accounts within the 0 to 150 days aging categories multiplied by an estimated uncollectible percentage of self-pay accounts. The estimated uncollectible percentage of self-pay accounts utilized requires approval by the Senior Hospital Finance Group, which is updated periodically based on collection trends.

In-house Self-Pay Balances. To account for the low collection rate on self-pay accounts (and other payors treated as self-pay), the allowance for bad debt formula includes a separate component of the allowance for self-pay accounts that have not yet been discharged (in-house). This component of the formula is computed using debit balances for in-house self-pay accounts multiplied by an established uncollectible percentage of self-pay accounts. The estimated uncollectible percentage of in-house self-pay accounts may vary from the estimated uncollectible percentage used for discharged self-pay accounts based on the historical experience of certain in-house self-pay accounts converting to other financial classes prior to discharge. The estimated uncollectible percentage of self-pay accounts utilized requires approved by the Senior Hospital Finance Group, which is updated periodically based on collection trends.

Medicare Accounts Greater Than 150 Days. The allowance for bad debt formula includes a credit for Medicare accounts over 150 days that are expected to be recovered as reimbursable bad debts through the cost report. This calculation should include only the patient portion of the bill that is expected to be reimbursed through the cost report and should exclude the non-allowed portion under current Medicare regulations.

Bad Debt Recoveries. The allowance for bad debt is reduced by an estimate for bad debt recoveries that are anticipated to be received from amounts that (1) have already been turned over to a collection agency as of the balance sheet date and (2) for accounts receivable that will be turned over to a collection agency in the future. It has been determined that a rolling 8 months of actual net recoveries is a reasonable proxy for the anticipated recoveries on accounts receivable balances at month-end. Net recoveries are determined based on the actual recovery less the collection fee that is paid on that recovery. Caution should be utilized in situations where these historical recoveries would not be a representative proxy for this credit. This could occur in situation where a shift in

policy has occurred on the timing of turning over accounts to the collection agency or an entity is winding down its accounts receivable. The exception process outlined below should be utilized if this situation exists.

B***alance After Insurance.*** The patient portion (balance remaining after the insurance payment) is not reclassified to a self-pay or separate financial class on certain patient accounting systems. For hospitals using such systems, the patient portion balance is estimated by including the accounts that are less than 150 days old and less than 35% of original charges for all payor categories excluding self-pay and charity. This calculation effectively classifies accounts as balance after insurance once the insurance payment has been received. The estimated uncollectible percentage of for these accounts requires approval by the Senior Hospital Finance Group, which is updated periodically based on collection trends.

New Hospitals or Entities. New hospitals or entities that have no net accounts receivable balances in excess of 150 days should consider requesting an exception to estimate an additional bad debt and charity allowance up until the point in time where a representative amount of accounts have aged past 150 days. This exception will properly match bad debt and charity expense and revenues during the first six to eight months of operation and result in a gradual increase in the allowance for bad debt during the first months of operation.

Non-Hospital Accounts Receivable

Non-hospital accounts receivable typically represent physician practices and home health agencies that do not use the hospital's patient accounts receivable system. As such, any patient-related accounts receivable recorded on the facility's general ledger that are not part of the hospital's patient accounting system should be included in a separate calculation for non-hospital accounts receivable (included in the UCW) to determine the required bad debt and charity allowance. The following discusses certain aspects of the methodology used for calculating the bad debt and charity allowances for non-hospital accounts receivable.

Eligible Accounts Receivable. Debit balance accounts receivable should be used when calculating the allowance. The accounts receivable should be organized by the type of non-hospital entity (i.e. clinic, home health agency, etc.) and then by payor class and separated based on the age of the account (either less or greater than 150 days old).

Bad Debt Allowance Calculation. The bad debt allowance recorded for other accounts receivable systems (referred to as "non-hospital accounts receivable") should be calculated using the following formula:

- Net accounts receivable over 150 days
- Plus a percentage of all self-pay balances between 0 and 150 days that is based on the entity's specific experience for write-offs on self-pay accounts receivable

V. DEFINITION(S):

Bad Debt and Charity Classification:
A combined bad debt and charity allowance as calculated is to be recorded separately on both the balance sheet and income statement. The bifurcation of the combined allowance should be calculated based on the historical split of bad debt and charity actual write-offs.

VI. EXCEPTION(S):

Any exceptions to the above policy should be approved by the finance committee chairman with notification to the Corporate Chief Financial Officer. The Senior Hospital Finance Group will meet twice a year to review any exceptions and evaluate for approval. It is anticipated that these two meetings will occur immediately prior to the mid-year interim close and the year-end close. Exceptions to the policy include establishing reserves in excess of or less than the amounts calculated by the formulas in the UCW.

AdventHealth

POLICY

Policy #	Policy Name
CW F 50.1	CW F 50.1 Financial Assistance
Policy Location	**Responsible Department**
*Company-Wide Policies	PFS Operations
Policy Owner	**Original Creation Date**
Katie MUNSEY (CP-Executive Director PFS)	03/01/2006
Policy Effective Date	**Policy Review Date**
01/24/2024	06/06/2025

Revisions to this policy are effective January 1, 2024. This policy also applies to any patient accounts with dates of service from January 1, 2024, through current date if the patient has submitted an application that is on file.

I. **SCOPE:** This Financial Assistance Policy (Policy) applies to all entities within AdventHealth. Refer to the AdventHealth website for Policy details, forms, and instructions. This Policy applies to any patient who submitted a Financial Assistance Application (Application). Applications can be re-processed retrospectively within eighteen (18) months of application date.

II. **PURPOSE:** AdventHealth is committed to excellence in providing high quality health care while serving the diverse needs of those living within our service area. AdventHealth is dedicated to the belief that medically necessary care should be accessible to all, regardless of race, color, sex, national origin, age, gender, gender identity, sexual orientation, geographic location, religion, cultural background, disability, physical mobility, ability to pay, or whether payment for services would be made under Medicare, Medicaid, or the Children's Health Insurance Program (CHIP). AdventHealth is committed to providing health care services and acknowledges that in some cases an individual will not be financially able to pay for the services received. This Policy is intended to comply with Section 501(r) of the Internal Revenue Code and the regulations promulgated thereunder, and shall be interpreted and applied in accordance with such regulations. This Policy has been adopted by the governing body of AdventHealth in accordance with the regulations under Section 501(r).

AdventHealth provides emergent care to individual patients without discrimination regardless of their ability to pay, ability to qualify for financial assistance, or the availability of third-party coverage. Emergent care is defined as a medical condition manifesting itself by acute symptoms of sufficient severity, which may include severe pain or other acute symptoms such that the absence of immediate medical attention could reasonably be expected to result in any of the following: a) serious jeopardy to the health of a patient; b) serious impairment of any bodily functions; and c) serious dysfunction of any bodily organ or part. This is inclusive of care related to such conditions post initial treatment. If third-party coverage is not available, AdventHealth offers financial assistance for those who qualify. Wherever possible, a determination of eligibility for financial assistance will be initiated prior to, or at the time of service by a hospital or other organization. AdventHealth or a related entity (a partnership providing emergent care or other medically necessary care in which AdventHealth has an ownership interest) will provide financial assistance to eligible patients receiving medically necessary care based on financial need.

The Policy provides guidelines for financial assistance, based on financial need, to eligible self-pay individual patients and eligible insured individual patients with balances remaining from emergent or other medically necessary services. This Policy also provides guidelines for discounted amounts that may be charged to all uninsured patients who receive medically necessary care.

Financial assistance is only available for emergent care or medically necessary care, except as may be determined in the sole discretion of AdventHealth on a case-by-case basis. Patients may apply for financial assistance in accordance with the guidelines set forth in this policy.

III. **POLICY:** Individuals receiving medically necessary care may be considered for financial assistance if the patient presents with any of the following:

- No third-party coverage is available.
- Medicare or Medicaid benefits have been exhausted or are considered not covered and the patient has no further ability to pay.
- Patient is insured but qualifies for assistance based upon financial need with respect to the individual's remaining balance after insurance, out-of-pocket, or all other payments from third parties.
- Patient meets local and/or state charity requirements.
- Patient is already eligible for assistance (e.g., Medicaid), but the services rendered are not covered.

A. The Policy, Application, and Plain Language Summary (Summary) of the Policy are transparent and available to the individuals served at any point in the care continuum in languages that are appropriate for the AdventHealth service area. In compliance with the Language Assistance Services Act, the documents are available in the primary languages of any populations with limited proficiency in English that constitute the lesser of 1,000 individuals or 5% of the members of the community served by the particular AdventHealth entity (limited proficiency in English populations meeting the criteria above will be referred to hereafter in this policy as the LEP-defined populations). Note: Translations may be available for organizations in communities with fewer than the above referenced populations if another organization had the requisite population.

- AdventHealth will prominently and conspicuously post complete and current versions of the following on their respective websites and provide paper copies to patients upon request:
    - Financial Assistance Policy (Policy)
    - Financial Assistance Application (Application) (including Patient/Applicant Financial Statement)
    - Plain Language Summary of the Financial Assistance Policy (Summary)
    - Methodology for calculating the maximum amount billed to uninsured patients for Amounts Generally Billed (AGB).
    - Physicians who do and do not participate in the AdventHealth Policy.
    - Contact information for AdventHealth Financial Assistance Representatives.
- The AdventHealth website will indicate that a copy of the Policy, Application, and Summary is available and how to obtain such copies in the primary languages of the LEP-defined populations.
- Signage declaring the availability of financial assistance will be conspicuously displayed in public locations in AdventHealth, including all admission and registration areas and the

Emergency Department. All signage denoting that financial assistance may be available will contain the following elements:

- The applicable website address where the Policy, Summary, and Application can be accessed.
- The telephone number and physical location individuals can call or visit to obtain copies of the Policy, Application, or Summary, or to obtain more information about these documents or the application process.

- Each AdventHealth entity will make paper copies of the Policy, Application, and the Summary available upon request and without charge, both in public locations in the hospital facility (including the Emergency Department and all admission and registration areas) and by mail. Paper copies will be available in English and in the primary languages of any LEP-defined populations. A paper copy of the plain language summary is available to patients as part of the intake or discharge process.

- Financial Assistance Representative Visits: Financial Assistance Representatives may, upon patient request, provide personal financial counseling to individuals admitted to an AdventHealth hospital who are classified as uninsured. Interpreters will be used, as indicated, to allow for meaningful communication with individuals who have limited English proficiency. Financial assistance eligibility criteria and discount information will be available in participating AHMG physician practices, urgent cares, and other settings.

- The Summary should be distributed in a reasonable manner to members of the community who are served by AdventHealth and are most likely to require financial assistance. An example would be the distribution of copies of the plain language summary to organizations in the community that address the health needs of low-income populations such as, but not limited to, Healthcare Navigators.

B. AdventHealth and the individuals served each hold accountability for the general processes related to the provision of financial assistance.

- AdventHealth Responsibilities:
  - AdventHealth has a Policy to evaluate and determine an individual's eligibility for financial assistance.
  - AdventHealth has a means of widely publicizing and communicating the availability of financial assistance to all individuals in a manner that promotes full participation by the individual.
  - AdventHealth workforce members in Patient Financial Services and Consumer Access understand the AdventHealth financial assistance policy and can direct questions regarding the policy to the proper representatives.
  - AdventHealth requires all contracts with third-party agencies who collect bills on behalf of AdventHealth to include legally binding written contract provisions that follow AdventHealth financial assistance policy.
  - The AdventHealth Revenue Cycle Department provides organizational oversight for the provision of financial assistance and the policies/processes that govern the financial assistance, billing, and collection processes.

- After receiving the individual's request for financial assistance, AdventHealth notifies the individual of the eligibility determination within a reasonable period.
- AdventHealth provides options for payment arrangements.
- AdventHealth upholds and honors individuals' right to appeal decisions and seek reconsideration.
- AdventHealth maintains (and requires billing contractors to maintain) documentation that supports the offer, an application, and provision of financial assistance for a minimum period of seven years.
- AdventHealth will periodically review and incorporate Federal Poverty Guidelines (FPG) published by the United States Department of Health and Human Services, where applicable.
- **For Colorado Facilities** – To determine if the patient can apply for Hospital Discounted Care (HDC), AdventHealth will first proactively screen for HDC for all uninsured patients for forty-five (45) days from the date of service or date of discharge, whichever is later, prior to billing a statement. If the patient's household income is at or below two hundred fifty percent (250%) of the FPG, the patient may qualify for discounts towards hospital-based care unless the patient declines screening prior to sending a statement. For insured patients, AdventHealth will screen upon request. If an uninsured patient does not want to be screened, the patient/guarantor must opt out of being screened each visit. We will continue to attempt to screen up to one hundred eighty (180) days post discharge. Our process will be to follow the requirements for HDC within our Colorado facilities.
- **For Illinois Facilities** – AdventHealth will proactively screen all uninsured patients for potential eligibility for coverage under Medicaid/public insurance programs and eligibility for financial assistance or other discounts under this Policy (unless the patient/guarantor declines to be screened). For insured patients, AdventHealth will screen upon request.

- Individual Patient Responsibilities
  - To be considered for a reduction in patient responsibility under the Policy, the individual must provide AdventHealth with the information and documentation necessary to apply for other existing financial resources that may be available to pay for health care, such as Medicare, Medicaid, third-party liability,etc.
  - To be considered for a reduction in patient responsibility under the Policy, the individual must provide AdventHealth with financial and other required information to determine eligibility. This may include completing the required application, provision of the requested supporting documentation, and cooperating fully with the information gathering and assessment process.
  - An uninsured patient who is not eligible for a one hundred percent (100%) reduction in charges based upon financial need will be billed no more than the AGB to individuals who have insurance covering such care and will cooperate with the entity to establish a reasonable payment resolution.
  - An uninsured patient who does not qualify for a one hundred percent (100%)

reduction in charges based upon financial need must make good-faith efforts to resolve their outstanding balance(s). The individual is responsible to promptly notify AdventHealth of any change in financial situation so that the impact of this change may be evaluated against policies governing the provision of financial assistance, their bills, or payment plan provisions.

C. Financial assistance eligibility determinations and the process of applying for financial assistance will be equitable, consistent, and timely.

- ***Identification of Potentially Eligible Individuals***. Requests for financial assistance willbe honored up to two hundred forty (240) days after the date of the first post-discharge billing statement, sent by mail or electronically to the patient, for the care provided.

    - Registration and pre-registration processes promote identification of individuals in need of financial assistance.

    - Financial Assistance Representatives will make best efforts to contact all uninsured inpatients during their stay or at time of discharge.

    - The AdventHealth Summary will be offered along with the Application form to every under-insured or uninsured individual upon intake or upon discharge from the hospital facility for emergent and/or inpatient care.

    - A conspicuous written notice will be included on all billing statements that notifies and informs recipients about the availability of financial assistance under the AdventHealth Policy and includes the following: 1) the telephone number of the AdventHealth Financial Assistance Department that can provide information about the Policy and the Application process; and 2) the website where copies of the Policy, the Application, and the Summary may be obtained.

    - Reasonable attempts will be made to notify individuals about the AdventHealth Policy and how the individual may obtain assistance with the Application. AdventHealth will use various resources to communicate with patients, including but not limited to, e-mail, statements, letters, phone calls, and face-to-face interactions.

    - The individual will be provided with at least one written notice, along with a copy of the plain language summary. These will notify and inform the individual that financial assistance is available for those who are eligible and that AdventHealth may engage in other specified extraordinary collection actions if the individual does not submit an Application or pay the amount due by a specified deadline. This deadline cannot be earlier than one hundred twenty (120) days from the date AdventHealth provides the first post-discharge billing statement for the care. The notice must be provided to the individual at least thirty (30) days before the deadline specified in the notice.

    - Every effort will be made to screen all uninsured patients receiving medically necessary care in our Illinois and Colorado hospital facilities for financial assistance unless they have declined to be screened.

- ***Requests for Financial Assistance.*** Requests or applications for financial assistance may

be received from multiple sources, including the patient, a family member, a community organization, church, a collection agency, caregiver, Administration, etc.

- Requests received from third parties will be directed to a Financial Assistance Representative.

- The Financial Assistance Representative will work with the third party to provide resources to assist the individual in the application process.

- ***Eligibility Criteria***

  - AdventHealth offers different types of discounts to uninsured patients receiving medically necessary care. Uninsured patients reporting incomes above four hundred percent (400%) of the Federal Poverty Guidelines, or for whom no income information is available, are eligible for a discount that reduces the balance to the AGB similar to individuals who have insurance coverage. This percentage will vary based on the specific entity or location and shall be updated annually in **Attachment 1**. Patients qualifying for this discount may receive greater discounts if they are determined to be eligible for other financial assistance under this policy.

  - To be eligible for a one hundred percent (100%) reduction on applicable balances (i.e. full write-off for uninsured patients and full write-off of the patient responsibility portion of balances after insurance) the individual's household income must be at or below two hundred fifty percent (250%) of the current Federal Poverty Guidelines for the prior twelve (12) months or full year preceding the date of service or the date a Financial Assistance Application is submitted, whichever is later. Alternatively, a patient may also qualify for a one hundred percent (100%) reduction on applicable balances when the unpaid portion of the patient's balance exceeds twenty-five percent (25%) of the annual family income, but only where the total annual family income is less than four hundred percent (400%) for our entities outside of Illinois.

  - **For Illinois entities,** a patient may also qualify for a one hundred percent (100%) reduction on the applicable balances when the unpaid portion of the patient's balance exceeds twenty percent (20%) of the annual family income, where the patient has qualified for financial assistance under the current Federal Poverty Guidelines within a twelve (12)-month period, and the patient's household income does not exceed six hundred percent (600%) of FPG for uninsured and four hundred percent (400%) for insured.

  - Patients with household incomes that exceed two hundred fifty percent (250%) of the current Federal Poverty Guidelines but are less than four hundred one percent (401%) shall be granted the below discounts:
    - Uninsured patients with household incomes between two hundred fifty-one percent (251%) and four hundred percent (400%) of Federal Poverty Guidelines would be granted a ninety-eight percent (98%) discount on applicable balances.
    - Insured patients with household incomes between two hundred fifty-one percent (251%) and four hundred percent (400%) of the Federal Poverty Guidelines and who possess out-of-pocket remaining balances may, at the discretion of the Financial Assistance Review Committee,

receive a seventy-five percent (75 %) discount off ONLY the remaining patient out-of-pocket balance, which represents the remaining balance after all other third-party payers have paid. The seventy-five percent (75%) reduction in out-of-pocket balance for these patients shall be considered financial assistance.

- Patients with household incomes that exceed four hundred one percent (401%) of the Federal Poverty Guidelines shall be granted the below discounts:
  - **For Illinois facilities** –Uninsured patients with household incomes between four hundred one percent (401%) and six hundred percent (600%) of Federal Poverty Guidelines would be granted an eighty-five percent (85%) discount on applicable balances.
  - For all other facilities, in the event the uninsured patient needs an elective service and has income greater than four hundred percent (400%) of Federal Poverty Guidelines, or for whom no income information is made available, they will be offered the consumer shoppable discount in accordance with CWF 50.5 Self Pay Discount policy, which is facility specific, updated annually, and published in the online shoppable estimator per CMS Price Transparency guidelines. For urgent and emergent services, uninsured patients with income greater than four hundred percent (400%) will receive the AGB discount.

- For urgent care visits in our CentraCare clinics, financial assistance would apply only to sick visits to which a hospital admission was experienced within a thirty (30)-day window after the urgent care visit. Assistance would also not apply to any self-pay balance related to a corporate agreement type of visit, any wellness visit, or vaccine visit for CentraCare.

- The amount charged to any uninsured patient for non-elective care will not exceed Amounts Generally Billed (AGB) to individuals who have insurance covering such care at each specific AdventHealth hospital. AdventHealth will determine its AGB by determining an AGB percentage and multiplying that percentage by the gross charges for the services provided to the individual. AdventHealth utilizes one of the five unique AGB Calculation types described in §1.501(r)-5(b)(3) and listed below:
  i. Lookback method Medicare only
  ii. Lookback method Medicare and private insurance
  iii. Lookback method Medicaid only OR Medicaid and private insurance
  iv. Prospective method Medicaid only
  v. Prospective method Medicare only

  - Each AdventHealth entity shall elect one of the five methods and calculate a discount annually, accordingly listed on **Attachment 1**. A document detailing AdventHealth's methodology for calculating AGB can also be found on the AdventHealth website or can be requested in person, by phone, or mail.

- Balances billed to an individual eligible for financial assistance under the AdventHealth financial assistance policy for any medical services will always be less than the gross charges for that service.

- In addition to evaluation of income level outlined above, an asset means test may also be applied to Medicare recipients only. This asset evaluation's purpose is to determine eligibility for financial assistance for applicants who are retired with fixed incomes less than or equal to two hundred fifty percent (250%) of the Federal Poverty Guidelines up to the max asset limits provided by the Center's for Medicare and Medicaid Services (CMS). An asset for the purposes of this policy evaluation shall represent any cash or cash-equivalents the applicant possesses in his or her bank(s) along with the value of certain non-retirement investment accounts (i.e., stocks, bonds, and real estate). However, the home applicants live in and one vehicle, including motor home or motorcycles, are excluded from the asset test. Furthermore, any household items are excluded from the calculation of assets. Notably, retirement accounts such as but not limited to 401(k), 401(a), 403(b) and/or 457(b) are not considered assets for purposes of the financial assistance asset test. These guidelines mirror the Medicare Savings Program and may be revised accordingly by the CMS. The specific details are found at Medicare Savings Programs | Medicare (www.medicare.gov/medicare-savings-programs).

    - The asset limit, if exceeded, shall disqualify an applicant from total write-off, at which point, less discount shall be applied for applicants with an FPL between two hundred fifty-one percent (251%) and four hundred percent (400%). The asset limits are included in **Attachment 2** – Asset limit.

- Income can be verified by using a personal financial statement or by obtaining copies of that applicant's most recent Form W-2, the most recently filed 1040 Tax Form, tax transcripts, bank statements or any other form of documentation that supports reported income. Income is defined as any of the following: a) wages and salary; b) child support; c) alimony; d) unemployment compensation; e) worker's compensation; f) veteran's pension; g) social security; h) pensions or annuities; i) dividends; j) interest on savings or bonds; k) income from estates or trusts; l) net rental income or royalties; m) net income from self- employment; n) contributions from any source, including any amount contributed toward the support of any individuals in the household as defined above.

- Documentation supporting income verification and available assets shall be maintained in patient files for future reference.

- In addition to relying on information obtained from the patient's Application and/or Patient/Applicant Financial Statement and any other documentation provided by the patient to support the patient's resources, AdventHealth may also rely on an additional Independent Eligibility Assessment (IEA) to substantiate the patient's resources, or may rely on third-party information to verify information supplied by the patient. That information may include documentation from credit reports available through the credit reporting bureaus and information regarding prior full year's income as reflected on Internal Revenue Service (IRS) tax transcript for verification of income through databases that organizations can use to verify employment and income information. These databases consist of large central repositories of payroll information in the United States, with millions of employers contributing payroll records. The income information from these tools assists in developing a full understanding of the individual's financial circumstances.

- IEA tools may be used to justify financial assistance eligibility. An IEA may use publicly available information consistent with applicable legal requirements, such as estimated household size and income amounts for the basis of determining financial assistance eligibility when a patient does not provide an assistance application or supporting documentation, or is otherwise uncooperative in providing financial assistance determination documentation. These tools include but are not limited to credit reports, other third-party asset information, and income verification which may be used to demonstrate financial need on the part of an uninsured patient without the completion of a financial assistance application.

    - Applications will be considered up to two hundred forty (240) days after the date the first post-discharge billing statement for the care provided.

- **Presumptive Eligibility**: Individuals who are uninsured and demonstrate one or more of the following will be deemed eligible for the most generous financial assistance without further scrutiny by AdventHealth, even in the absence of a completed Application:

    - Individual is self-identified as homeless.
    - Individual is deceased and has no known estate or spouse able to pay hospital balance or debt.
    - Individual is incarcerated for a felony.
    - Individual is mentally incapacitated with no one to act on the individual's behalf.
    - Individual is currently eligible for Medicaid but was not at the date of service.
    - Individual or child in the household is currently eligible for Medicaid (North Carolina Only).
    - Individual is eligible by the State to receive assistance under the Violent Crimes Victims Compensation Act or the Sexual Assault Victims Compensation Act.
    - Individual has via IEA been deemed to have a payment capability score of low or unknown. The IEA consists of algorithms that incorporate data from credit bureaus, demographic databases, and hospital specific data. The third-party credit report data and other publicly available data sources utilize a healthcare industry-recognized predictive model that is based on public record databases to calculate a socio-economic and financial capability score. Information gleaned from this IEA will constitute adequate documentation of financial need under this Policy to infer and classify individuals into respective economic means categories irrespective of whether complete documentation has been voluntarily provided.
    - Individual was previously approved for financial assistance and service date falls within twelve (12) months prior or twelve (12) months after original application approval date.
    - Additional eligibility criteria for Illinois facilities is required for enrollment in any of the following assistance programs:

- Women, Infants and Children Nutrition Program
- Supplemental Nutrition Program
- Illinois Free Lunch and Breakfast Program
- Low Income Home Energy Assistance Program
- Organized community-based programs providing access to medical care that assess and document limited low-income financial status as a criterion for membership
- Receipt of grant assistance for medical services

- For any individual presumed to be eligible for Financial Assistance in accordance with this policy, the same actions described in this Section C and throughout this policy would apply as if the individual had submitted a completed Application. However, some of the patient population may not engage in the traditional financial assistance application process. If the patient does not submit the Application, AdventHealth may choose to provide financial assistance in lieu of sending the patient to collections based upon the above referenced IEA.

- Every reasonable effort will be used to secure written income information, and if not provided, we will use the patient's attestation and stated income to determine eligibility if unable to verify through IEA.

- ***Method for Applying for Financial Assistance***

  - To apply for Financial Assistance, the individual must complete the AdventHealth Financial Assistance Application. Except as otherwise provided in this Policy, the individual will provide all supporting data required to verify eligibility, including supporting documentation verifying income. Acceptable forms of income verification include, but are not limited to, the most recent Form W-2, the most recently filed 1040 Tax Form, Tax Transcripts related to 4506-T requests, bank statements, and signed letters of support when household income is zero. If documents verifying an applicant's income are included, an approved financial assistance application will apply to dates of service twelve (12) months prior and twelve (12) months after approval date and will not have to be repeated. Service dates outside this window will require a new application for assistance.

  - An individual can obtain a copy of the AdventHealth Financial Assistance Application form by accessing it on the AdventHealth website, by requesting a free copy by mail, from the Financial Assistance Department, or by requesting a copy in person at any AdventHealth admission/registration location.

  - A completed AdventHealth Financial Assistance Application will be submitted to Patient Financial Services for processing. Proof of income (POI) may be required from the individual. In addition, Medicare beneficiaries are subject to an additional asset test in accordance with federal law. A review is completed to determine individual eligibility based on the individual's total resources, including but not limited to family income level, assets as required for Medicare patients and other pertinent information. POI is required for balances greater than $25,000 for insured patients. Written attestation will be accepted on uninsured patients and for balances under $25,000.

- **Actions that may be taken in the event of non-payment:**

  - One hundred twenty (120) days from the date the entity provides the first post-discharge billing statement for the care provided, AdventHealth may engage in ECAs including but not limited to selling debt to a third party (see section D of this policy for more information regarding debt sale) only after the following notifications have been provided to the individual at least thirty (30) days before initiating any ECAs: 1) a written notice, along with the plain language summary, is provided to the individual indicating that financial assistance is available for eligible individuals and stating the specific ECAs that may be initiated after a stipulated deadline (the deadline may not be earlier than thirty (30) days after the written notice is provided), and 2) a reasonable attempt is made to notify an individual about the AdventHealth financial assistance policy and how the individual may obtain assistance with the financial assistance application process.

  - If no Application has been submitted within one hundred twenty (120) days from the date the entity provides the first post-discharge billing statement for the care provided, and the stipulated deadline in the written notice has passed, AdventHealth may initiate ECAs. AdventHealth may still elect to provide financial assistance in absence of a Financial Assistance Application submitted if third-party sources, based on the Independent Eligibility Assessment, indicate credible evidence that the patient is eligible.

  - If an individual submits an incomplete Application within two hundred forty (240) days after the date of the first post-discharge billing statement for which the care is provided (application period), AdventHealth must take the following actions:

    - Suspend any ECAs.
    - Provide the individual with a written notice that describes the additional information and/or documentation required under the Policy or Application that the individual must submit within a reasonable time. The notice will contain contact information including the telephone number and physical location of the AdventHealth entity or department that can provide information about the Policy, as well as contact information of individuals who can provide assistance with the Application process or, alternatively, a non-profit organization or governmental agency that can provide assistance with the Application process.
    - If the Application is not completed by the deadline discussed above, the hospital may initiate or resume ECAs.
    - Liens attached to insurance (auto, liability, life, and health) that represent potential proceeds owed because of an individual's claim for which AdventHealth provided care are permitted in connection with the collection process. No other personal judgments or liens will be filed against financial assistance eligible individuals.
    - AdventHealth will make a minimum of two contact attempts to facilitate completion of an incomplete application before the normal collection cycle resumes.

- **Complete Financial Assistance Application Received:**

- If an individual submits a complete Application during the application period of two hundred forty (240) days after the date of the first post-discharge billing statement for the care provided, AdventHealth must take the following actions:

- Make and document the determination as to an individual's eligibility for Financial Assistance.
- Notify the individual in writing in a timely manner, generally within sixty (60) days after receiving a completed Application of the eligibility determination and the basis for the determination.
- Provide the individual with a billing statement (not required for a $0 balance billing statement) that indicates the amount owed as a financial assistance policy-eligible individual; describes how the individual can get information regarding the AGB for care; and how AdventHealth determined the amount the individual owes.
- Refund any excess payments to the individual, provided no other balances are due after applying financial assistance.
- Take all available measures to reverse any ECAs against the individual.
- Provide a written notification of denial to any individual determined ineligible for Financial Assistance and include both a reason for denial and the process and contact information for filing an appeal. If an individual disagrees with the denial, the individual may request an appeal in writing within forty-five (45) days of the denial. The appeal must include any additional relevant information that may assist in the appeal evaluation. A request for an appeal to overturn a denial will be reviewed monthly by the Financial Assistance Committee. Decisions reached by the Financial Assistance Committee will be communicated to the individual within sixty (60) days of the Financial Assistance Committee's review and will reflect the Committee's final decision.
- Upon receipt of a complete Application, AdventHealth may postpone determination of an individual's eligibility under its Policy if the individual has submitted an application for Medicaid assistance untilsuch time as Medicaid eligibility has been determined.

D. Patient Financial Services Responsibilities

- Financial Assistance Committee: Patient applications for financial assistance are reviewed by one or more members of the Financial Assistance Committee, which consists of a Financial Coordinator/Counselor, a Supervisor or Manager of Financial Assistance, a Director, and a Vice President or higher. The Financial Assistance Committee reviews borderline and non-routine financial assistance recommendations that require case-by-case review.

- Financial Assistance that exceeds $25,000 per account must be approved by the Finance Review Committee.

- Following review and approval by the Financial Assistance Committee, the approved Financial Assistance will be applied to the individual's account by Patient Financial Services.

- Patient Financial Services has the responsibility to determine if AdventHealth has made reasonable efforts to evaluate whether an individual is eligible under the Policy and whether the hospital may take action to engage in any ECAs.

- Billing agencies that contract with AdventHealth for collection services will follow this Policy with respect to all billing and collection matters.

- Selling an individual's debt to another party (other than a non-Extraordinary Collection Activity (Non-ECA) sale as described below) is considered an Extraordinary Collection ECA and should not be initiated until the required steps outlined above in Section C have been completed. With any proposed sale of debt, the master service agreement must be approved by the AdventHealth Senior Finance Council and submitted to the AdventHealth Contract Review Process before execution. Certain sales of debt are not considered ECAs. Non-ECA debt sales require that AdventHealth enter into a legally binding written agreement with the purchaser of the debt that stipulates the following:

    - The purchaser may not engage in any ECAs.
    - The purchaser is prohibited from charging interest on the debt over an IRS established rate.
    - The debt is returnable or recallable by AdventHealth upon a determination that the individual is financial assistance policy eligible.
    - If the debt is not recalled or returned, the purchaser must ensure that the individual does not pay more than he or she is personally responsible for as an eligible individual under the financial assistance policy.

E. Individual Payment Plans

- Reasonable payment plans will be offered to all patients. All collection activities will be conducted in accordance with federal and state laws governing debt collection practices. No interest will accrue to account balances while payments are being made unless the individual has voluntarily chosen to participate in a payment arrangement that bears interest applied by a third-party consumer financing lender.

- If an individual complies with the terms of his or her individually developed payment plan, no collection action will be taken.

F. Record-Keeping

- A paper or electronic record will be maintained reflecting authorization of financial assistance along with copies of all application and worksheet forms.

- Summary information regarding applications processed and financial assistance provided will be maintained in accordance with the records retention policy. Summary information includes the number of patients who applied for financial assistance at AdventHealth, how many patients received financial assistance, the amount of financial assistance provided to each patient, and the total bill for each patient.

- The cost of financial assistance will be reported annually in the Community Benefit Report. Financial Assistance (Charity Care) will be reported as the cost of care provided (not charges) using the most recently available operating costs and the associated cost-to-

charge ratio.

G. Subordinate to Law: The provision of financial assistance may now or in the future be subject to federal, state, or local law. Such law governs to the extent it imposes more stringent requirements than this policy.

IV. DEFINITION(S):

- **Participating Physician Providers:** See addendum to this policy for a listing of all physician providers who deliver emergent-related care at AdventHealth hospital facilities. The addendum specifies which providers are covered by this financial assistance policy and which are not. The listing of providers contained in addendum to the policy can be accessed online at the AdventHealth website. The provider listing is updated quarterly on the website to add new or missing information, correct erroneous information, and delete obsolete information. The date of the most recent update is included on the provider listing. AdventHealth may list names of individual doctors, practice groups, or any other entities that provide emergency or medically necessary care by the name used either to contract with the hospital or to bill patients for care provided.

- **Federal Poverty Level (FPL)**: Federal Poverty levels are issued every year by the Department of Health and Human Services (HHS) and are used to determine eligibility for programs and benefits provided by the federal government, such as but not limited to marketplace health insurance, Medicaid, or CHIP coverage. These income thresholds can be found here: https://www.healthcare.gov/glossary/federal-poverty-level-fpl/

- **Federal Poverty Guidelines (FPG)**: the U.S Department of Health and Human Services (HHS) sets the poverty guidelines. The guidelines are a simpler version of the thresholds set with the official poverty measure, mostly used by federal agencies to determine eligibility for public programs.

- **Amounts Generally Billed (AGB):** AdventHealth will determine its AGB by determining an AGB percentage and multiplying that percentage by the gross charges for the services provided to the individual. AdventHealth hospitals utilize one of the five unique AGB Calculation types described in §1.501(r)-5(b)(3) and listed below:
  - Lookback method Medicare only
  - Lookback method Medicare and private insurance
  - Lookback method Medicaid only OR Medicaid and private insurance
  - Prospective method Medicaid only
  - Prospective method Medicare only

- **Discount:** A reduction made from the gross amount or value of something.

- **Extraordinary Collection Actions (ECA):** Defined as actions taken by an entity against an individual related to obtaining payment of a bill for care covered under the entity's financial assistance policy that involve selling an individual's debt to another party, etc.

- **Gross Charges**: The total invoice amounts before insurance and other adjustments.

- **Medically Necessary:** 'Medically necessary' means any inpatient or outpatient hospital service, including pharmaceuticals or supplies provided by a hospital to a patient, covered under Title XVIII of the federal Social Security Act for beneficiaries with the same clinical presentation as the uninsured patient. A medically necessary service does not include any of the following: (1) non-medical services such as social and vocational services; (2) Elective cosmetic surgery, but not plastic surgery designed to correct disfigurement caused by injury, illness, or congenital defect or deformity.

- **Household:** One or more persons residing together in the same household whose needs, income, and

assets are included in the household budget, excluding roomers and boarders. Members include the applicant, legal spouse, dependent children, stepchildren, adopted children and blood relatives under twenty-five (25) years of age, unrelated minor children for whom the applicant or the applicant's spouse has legal guardianship or custody; legal guardian or parents of minor children, and minor siblings' children under the age of twenty-five (25). Students over twenty-five (25) years of age who are dependent on the family for over fifty percent (50%) support are also included in the household size.

- **Independent Eligibility Assessment (IEA):** Tools used to determine an individual's income.

- **Emergent:** Emergent care is defined as a medical condition manifesting itself by acute symptoms of sufficient severity, which may include severe pain or other acute symptoms such that the absence of immediate medical attention could reasonably be expected to result in any of the following: a) serious jeopardy to the health of a patient; b) serious impairment of any bodily functions; and c) serious dysfunction of any bodily organ or part. This is inclusive of care related to such conditions post initial treatment.

- **Elective**: Elective care is defined as a non-life threatening, non-emergent visit for both inpatient and outpatient levels of care. Typically, it is scheduled care that has been arranged in advance.

- **Urgent**: Admissions that do not go through the emergency room, where the patient's condition is stable enough to not require emergent care, but could become an emergency if not diagnosed or treated in a timely manner.

- **Limited English Proficient (LEP):** Individuals who do not speak English as their primary language and who have a limited ability to read, speak, write, or understand English.

V. EXCEPTION(S):

A. AdventHealth Retail Pharmacy

B. RxPlus / Expedien Rx Pharmacy

C. Non-AdventHealth Physicians

D. Non-AdventHealth Facilities

VI. REFERENCE(S):

VII. RELATED DOCUMENT(S) / ATTACHMENT(S):

Attachment 1: Self-Pay Discount/AGB Calculation

Attachment 2: Asset Test

Attachment 1 – Self Pay Discount / Amounts Generally Billed (AGB) Calculation Method

2025 AdventHealth Self Pay Discount/Amounts Generally Billed (AGB) Calculation Method	2025 Approved AGB Discount % (501r)	AGB Calculation Method
AdventHealth Hospital Billing		
Central Florida Division Hospitals		
AdventHealth Orlando*	89%	12-Month Comm+Mcare Lookback Method
West Florida Division Hospitals		
AdventHealth Heartland	84%	12-Month Comm+Mcare Lookback Method
AdventHealth Heart of Florida	84%	12-Month Comm+Mcare Lookback Method
AdventHealth Lake Wales	84%	12-Month Comm+Mcare Lookback Method
AdventHealth Sebring	84%	12-Month Comm+Mcare Lookback Method
AdventHealth Lake Placid	84%	12-Month Comm+Mcare Lookback Method
AdventHealth Wauchula	84%	12-Month Comm+Mcare Lookback Method
AdventHealth Tampa	84%	12-Month Comm+Mcare Lookback Method
AdventHealth Carrollwood	84%	12-Month Comm+Mcare Lookback Method
AdventHealth North Pinellas	84%	12-Month Comm+Mcare Lookback Method
AdventHealth Wesley Chapel	84%	12-Month Comm+Mcare Lookback Method
AdventHealth Zephyrhills	84%	12-Month Comm+Mcare Lookback Method
AdventHealth Dade City	84%	12-Month Comm+Mcare Lookback Method
AdventHealth Ocala	84%	12-Month Comm+Mcare Lookback Method
AdventHealth Specialty Care Connerton	84%	12-Month Comm+Mcare Lookback Method
AdventHealth Riverview	84%	12-Month Comm+Mcare Lookback Method
AdventHealth Port Charlotte	84%	12-Month Comm+Mcare Lookback Method
East Florida Division Hospitals		
AdventHealth Daytona Beach	78%	12-Month Comm+Mcare Lookback Method
AdventHealth Palm Coast	78%	12-Month Comm+Mcare Lookback Method
AdventHealth Palm Coast Parkway	78%	12-Month Comm+Mcare Lookback Method

AdventHealth DeLand	78%	12-Month Comm+Mcare Lookback Method
AdventHealth Fish Memorial	78%	12-Month Comm+Mcare Lookback Method
AdventHealth New Smyrna Beach	78%	12-Month Comm+Mcare Lookback Method
AdventHealth Waterman	78%	12-Month Comm+Mcare Lookback Method
MidAmerica Region Hospitals		
AdventHealth Shawnee Mission	84%	12-Month Comm+Mcare Lookback Method
AdventHealth South Overland Park	84%	12-Month Comm+Mcare Lookback Method
AdventHealth Durand	39%	12-Month Comm+Mcare Lookback Method
AdventHealth Ottawa	84%	12-Month Comm+Mcare Lookback Method
Great Laks Region Hospitals		
UCM AdventHealth Hinsdale	79%	12-Month Comm+Mcare Lookback Method
UCM AdventHealth La Grange	79%	12-Month Comm+Mcare Lookback Method
UCM AdventHealth GlenOaks	79%	12-Month Comm+Mcare Lookback Method
UCM AdventHealth Bolingbrook	79%	12-Month Comm+Mcare Lookback Method
Southeast Region Hospitals		
AdventHealth Manchester	83%	12-Month Comm+Mcare Lookback Method
AdventHealth Hendersonville	73%	12-Month Comm+Mcare Lookback Method
AdventHealth Gordon	90%	12-Month Comm+Mcare Lookback Method
AdventHealth Murray	90%	12-Month Comm+Mcare Lookback Method
AdventHealth Redmond	90%	12-Month Comm+Mcare Lookback Method
AdventHealth Polk	50%	12-Month Comm+Mcare Lookback Method
Southwest Region Hospitals		
Texas Health Huguley Hospital	76%	12-Month Comm+Mcare Lookback Method
Texas Health Mansfield	76%	12-Month Comm+Mcare Lookback Method
AdventHealth Central Texas	76%	12-Month Comm+Mcare Lookback Method
AdventHealth Rollins Brook	76%	12-Month Comm+Mcare Lookback Method
Rocky Mountain Region Hospitals		
AdventHealth Avista	78%	12-Month Comm+Mcare Lookback Method
AdventHealth Castle Rock	78%	12-Month Comm+Mcare Lookback Method

AdventHealth Littleton	78%	12-Month Comm+Mcare Lookback Method
AdventHealth Parker	78%	12-Month Comm+Mcare Lookback Method
AdventHealth Porter	78%	12-Month Comm+Mcare Lookback Method
AdventHealth Professional Billing		
AHMG / PC+ / AHIC / AHCC	Varies	12-Month Mcare Lookback Method

Attachment 2 – Asset Test

Note: The below limits are the Medicare Shared Savings Program resource limits and may be updated annually at Medicare Savings Programs | Medicare (www.medicare.gov/medicare-savings-programs)

Situation/Applicant	*Resource Limit*
Individual	***$9,660***
Married couple	***$14,470***

Audited Consolidated Financial Statements

December 31, 2023

AdventHealth

Table of Contents

Consolidated Balance Sheets

December 31, 2023 and 2022

(dollars in thousands)	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	$ 2,230,710	$ 602,891
Investments	6,036,304	6,090,304
Current portion of assets whose use is limited	473,224	450,606
Patient accounts receivable	1,370,051	1,394,202
Due from brokers	239,626	77,907
Estimated settlements from third parties	510,586	335,797
Other receivables	863,183	863,786
Inventories	321,469	321,835
Prepaid expenses and other current assets	158,645	185,882
	12,203,798	10,323,210
Property and Equipment	8,633,707	8,433,791
Operating Lease Assets	372,081	326,651
Assets Whose Use is Limited, net of current portion	435,280	398,803
Other Assets	1,770,464	1,764,502
	$ 23,415,330	$ 21,246,957
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	$ 2,179,632	$ 1,863,931
Estimated settlements to third parties	201,456	195,130
Due to brokers	269,645	103,659
Other current liabilities	723,650	665,635
Short-term financings	566,160	727,256
Current maturities of long-term debt	79,839	125,633
	4,020,382	3,681,244
Long-Term Debt, net of current maturities	3,370,855	3,146,598
Operating Lease Liabilities, net of current portion	341,893	270,325
Other Noncurrent Liabilities	601,740	644,529
	8,334,870	7,742,696
Net Assets		
Net assets without donor restrictions	14,803,298	13,241,885
Net assets with donor restrictions	227,861	217,604
	15,031,159	13,459,489
Noncontrolling interests	49,301	44,772
	15,080,460	13,504,261
Commitments and Contingencies		
	$ 23,415,330	$ 21,246,957

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Operations and Changes in Net Assets

For the years ended December 31, 2023 and 2022

(dollars in thousands)	2023	2022
Revenue		
Net patient service revenue	$ 16,003,402	$ 15,021,739
Other	790,254	678,689
Total operating revenue	16,793,656	15,700,428
Expenses		
Employee compensation	8,608,753	8,558,161
Supplies	2,569,786	2,474,928
Purchased services	1,186,228	1,142,819
Professional fees	1,086,115	1,163,105
Other	1,383,921	1,154,358
Interest	109,956	98,516
Depreciation and amortization	824,471	824,790
Total operating expenses	15,769,230	15,416,677
Income from Operations	1,024,426	283,751
Nonoperating Gains (Losses)		
Investment return	528,635	(1,159,315)
Gain on extinguishment of debt	82	31,929
Total nonoperating gains (losses)	528,717	(1,127,386)
Excess (deficiency) of revenue and gains over expenses and losses	1,553,143	(843,635)
Noncontrolling interests	(2,876)	5,714
Excess (Deficiency) of Revenue and Gains over Expenses and Losses Attributable to Controlling Interest	1,550,267	(837,921)

Continued on following page.

Consolidated Statements of Operations and Changes in Net Assets (continued)

For the years ended December 31, 2023 and 2022

(dollars in thousands)	2023	2022
CONTROLLING INTEREST		
Net Assets Without Donor Restrictions		
Excess (deficiency) of revenue and gains over expenses and losses	$ 1,550,267	$ (837,921)
Net assets released from restrictions for purchase of property and equipment	11,569	11,539
Change in unrealized gains and losses on assets whose use is limited	6,027	(5,812)
Other	(6,450)	11,732
Increase (decrease) in net assets without donor restrictions	1,561,413	(820,462)
Net Assets With Donor Restrictions		
Gifts and grants	28,513	50,813
Net assets released from restrictions for purchase of property and equipment or use in operations	(25,569)	(25,820)
Investment return	1,977	(154)
Other	5,336	(28,554)
Increase (decrease) in net assets with donor restrictions	10,257	(3,715)
NONCONTROLLING INTERESTS		
Net Assets Without Donor Restrictions		
Excess (deficiency) of revenue and gains over expenses and losses	2,876	(5,714)
Distributions	(2,639)	(2,478)
Other	4,292	(432)
Increase (decrease) in noncontrolling interests	4,529	(8,624)
Increase (Decrease) in Net Assets	1,576,199	(832,801)
Net assets, beginning of year	13,504,261	14,337,062
Net assets, end of year	$ 15,080,460	$ 13,504,261

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(dollars in thousands)	2023	2022
Operating Activities		
Increase (decrease) in net assets	$ 1,576,199	$ (832,801)
Depreciation and amortization	824,471	824,790
Amortization of deferred financing costs and original issue discounts and premiums	(26,060)	(27,610)
Gain on sale of entities	(64,383)	(67,589)
Gain on sale of property, equipment, and other assets	(2,066)	(40,839)
Gain on extinguishment of debt	(82)	(31,929)
Net realized and unrealized (gains) losses on investments	(376,016)	1,269,977
Unrealized (gains) losses on assets whose use is limited	(24,114)	67,170
Reclass of restricted gifts and grants and investment return	(30,490)	(50,659)
(Income) loss from equity method investments	(30,990)	50,390
Distributions from equity method investments	9,832	53,043
Changes in operating assets and liabilities:		
Patient accounts receivable	(1,205,090)	(1,349,815)
Other receivables	(11,990)	(62,500)
Other current assets	26,401	(49,274)
Other noncurrent assets	79,069	(20,295)
Accounts payable and accrued liabilities	296,690	(88,188)
Estimated settlements to third parties, net	(168,463)	(51,142)
Other current liabilities	159,502	(255,853)
Other noncurrent liabilities	(90,157)	29,176
Net cash provided by (used in) operating activities	942,263	(633,948)
Investing Activities		
Purchases of property and equipment	(1,080,845)	(1,018,508)
Proceeds from sale of property and equipment	62,547	11,506
Sales and maturities of investments	7,664,845	12,535,646
Purchases of investments	(7,234,829)	(12,179,504)
Due from brokers	(161,719)	47,837
Due to brokers	165,986	(21,065)
Sales, maturities, and uses of assets whose use is limited	989,532	1,035,041
Purchases of and additions to assets whose use is limited	(939,814)	(1,065,578)
Cash receipts on sold patient accounts receivable	1,241,834	1,070,040
Proceeds received for sale of entities, net	161,166	219,827
Return of capital from equity method investments	47,403	28,252
Consideration paid to acquire Health First, Inc. investment	(100,000)	–
Additional investment in Adventist Midwest Health, Inc.	(73,500)	–
Increase in other assets	(30,552)	(38,135)
Net cash provided by investing activities	712,054	625,359
Financing Activities		
Repayments of long-term borrowings	(126,118)	(492,202)
Proceeds from issuance of long-term borrowings	317,514	335,727
Repayments of short-term borrowings	(261,096)	(46,705)
Proceeds from issuance of short-term borrowings	100,000	252,721
Payment of deferred financing costs	(2,589)	(652)
Restricted gifts and grants and investment return	30,490	50,659
Net cash provided by financing activities	58,201	99,548
Increase in Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents	1,712,518	90,959
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of year	980,091	889,132
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents at End of Year	$ 2,692,609	$ 980,091
Supplemental Noncash Investing Activity		
Beneficial interest obtained in exchange for patient accounts receivable	$ (1,229,241)	$ (1,078,880)

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022 (dollars in thousands)

1. Significant Accounting Policies

Reporting Entity

Adventist Health System Sunbelt Healthcare Corporation d/b/a AdventHealth (Healthcare Corporation) is a not-for-profit healthcare corporation that owns and/or operates hospitals, physician offices, urgent care centers and other healthcare facilities, and a philanthropic foundation with various informal divisions (collectively referred to herein as the System). The System's 44 affiliated hospitals and related healthcare facilities are controlled through their by-laws, governing board appointments, or operating agreements. The System manages six additional hospitals within noncontrolled joint ventures. These 50 hospitals and the philanthropic foundation operate in 9 states – Colorado, Florida, Georgia, Illinois, Kansas, Kentucky, North Carolina, Texas, and Wisconsin.

AdventHealth Foundation, Inc. (Foundation) is a charitable foundation operated by Healthcare Corporation for the benefit of many of the hospitals that are divisions or controlled affiliates. Healthcare Corporation is the Foundation's member and appoints its board of managers. The Foundation engages in philanthropic activities.

Healthcare Corporation and the System are collectively controlled by the Lake Union Conference of Seventh-day Adventists, the Mid-America Union Conference of Seventh-day Adventists, the Southern Union Conference of Seventh-day Adventists, and the Southwestern Union Conference of Seventh-day Adventists.

Mission

The System exists solely to improve and enhance the local communities that it serves in harmony with Christ's healing ministry. All financial resources and excess of revenue and gains over expenses are used to benefit the communities in the areas of patient care, research, education, community service, and capital reinvestment.

Specifically, the System provides:

Benefit to the underprivileged, by offering services free of charge or deeply discounted to those who cannot pay, and by supplementing the unreimbursed costs of the government's Medicaid assistance program.

Benefit to the elderly, as provided through governmental Medicare funding, by subsidizing the unreimbursed costs associated with this care.

Benefit to the community's overall health and wellness through the cost of providing clinics and primary care services, health education and screenings, in-kind donations, extended education and research.

Benefit to the faith-based and spiritual needs of the community in accordance with its mission of extending the healing ministry of Christ.

Benefit to the community's infrastructure by investing in capital improvements to ensure the facilities and technology provide the best possible care to the community.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022 (dollars in thousands)

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of affiliated organizations that are controlled by Healthcare Corporation. Any subsidiary or other operations owned and controlled by divisions or controlled affiliates of Healthcare Corporation are included in these consolidated financial statements. Investments in entities that Healthcare Corporation has a significant influence, but does not control are recorded under the equity method of accounting. Income from unconsolidated entities is included in other operating revenue in the accompanying consolidated statements of operations and changes in net assets. All significant intercompany accounts and transactions have been eliminated in consolidation. Partial ownership by another entity in the net assets and results of operations of a consolidated subsidiary is reflected as noncontrolling interests in the accompanying consolidated financial statements.

Use of Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Recently Adopted Accounting Guidance

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* This ASU requires earlier recognition of credit losses on financing receivables and other financial assets in scope. For trade receivables, loans and held-to-maturity debt securities, entities will be required to estimate lifetime expected credit losses, resulting in earlier recognition of credit losses. For available-for-sale debt securities, entities will be required to recognize an allowance for credit losses rather than a reduction to the carrying value of the asset. In addition, entities will have to make more disclosures, including disclosures by year of origination for certain financing receivables. The System adopted the standard effective January 1, 2023, using a modified-retrospective approach. This standard did not have a material impact on the System's accompanying consolidated financial statements.

Recent Accounting Guidance Not Yet Adopted

In March 2023, the FASB issued ASU No. 2023-01, *Leases (Topic 842): Common Control Arrangements*. This ASU requires that leasehold improvements associated with arrangements between entities under common control, which are determined to be leases, be amortized by the lessee over the useful life of the leasehold improvements to the common control group as long as the lessee controls the use of the underlying asset through a lease. In addition, entities will be required to account for leasehold improvements associated with common control leases as a transfer through an adjustment to net assets when the lessee no longer controls the use of the underlying asset. This ASU will be effective for the System beginning in 2024. Management does not anticipate this guidance will have a material impact to the System's consolidated financial statements.

Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration the System expects to be due from patients and third-party payors in exchange for providing patient care. Providing patient care services is considered a single

performance obligation, satisfied over time, in both the inpatient and outpatient settings. Generally, the System bills the patients and third-party payors several days after services are performed or the patient is discharged from the facility.

Revenue for inpatient acute care services is recognized based on actual charges incurred in relation to total expected, or actual, charges. The System measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge.

As all the System's performance obligations relate to contracts with a duration of less than one year, the System is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially satisfied at the end of the reporting period, which are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

For patients covered by third-party payors, the System determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to those third-party payors. The System determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. The System is subject to retroactive revenue adjustments due to future audits, reviews, and investigations. Additionally, the System participates in certain state programs that provide supplemental Medicaid funding to partially offset unreimbursed Medicaid costs. These programs include a combination of intergovernmental transfers and federal matching dollars. They are typically approved by governmental agencies on an annual basis and, as such, funding for future years is not certain and subject to change. Contracts the System has with commercial payors also provide for retroactive audit and review of claims. Settlements with third-party payors for retroactive adjustments are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence with the payor, and the System's historical settlement activity, attempting to ensure that a significant revenue reversal will not occur when the final amounts are subsequently determined. Estimated settlements are adjusted in future periods as new information becomes available, or as years are settled or are no longer subject to such audits, reviews, and investigations. Net adjustments for prior-year cost reports and related valuation allowances, principally related to Medicare and Medicaid, resulted in increases to revenue of approximately $112,000 and $59,000 for the years ended December 31, 2023 and 2022, respectively.

Generally, patients covered by third-party payors are responsible for related deductibles and coinsurance, which is referred to as the patient portion. The System also provides services to uninsured patients and offers those uninsured patients a discount from standard charges in accordance with its policies.

Consistent with the System's mission, care is provided to patients regardless of their ability to pay. Therefore, the System has determined that it has provided implicit price concessions to uninsured patients and patients with other uninsured balances such as copays and deductibles. The difference between amounts billed to patients

For the years ended December 31, 2023 and 2022 (dollars in thousands)

and the amounts the System expects to collect based on its collection history with those patients is recorded as implicit price concessions, or as a direct reduction to net patient service revenue. Subsequent adjustments that are determined to be the result of an adverse change in the patient's or payor's ability to pay are recognized as bad debt expense. Bad debt expense for the years ended December 31, 2023 and 2022 was not material for the System, and is included within other expense in the accompanying consolidated statements of operations and changes in net assets, rather than as a deduction to arrive at revenue.

The System estimates the transaction price for the patient portion and services provided to the uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions.

The composition of net patient service revenue by primary payor is as follows:

	Year Ended December 31,			
	2023		2022	
	Amount	%	Amount	%
Managed Care	$ 8,652,597	54%	$ 7,837,129	52%
Medicare	2,419,455	15	2,504,454	17
Managed Medicare	2,843,810	18	2,485,974	16
Medicaid	458,025	3	576,351	4
Managed Medicaid	932,349	6	910,994	6
Self-pay	175,925	1	130,719	1
Other	521,241	3	576,118	4
	$ 16,003,402	100%	$ 15,021,739	100%

Charity Care

The System's patient acceptance policy is based on its mission statement and its charitable purposes and, as such, the System accepts patients in immediate need of care, regardless of their ability to pay. Patients that qualify for charity care are provided services for which no payment is due for all or a portion of the patient's bill. Therefore, charity care is excluded from net patient service revenue and the cost of providing such care is recognized within operating expenses.

The cost of charity care is calculated by applying a cost to gross charges ratio to uncompensated charges associated with providing charity care to patients and totaled $469,352 and $442,754 for the years ended December 31, 2023 and 2022, respectively. The System also receives certain funds to offset or subsidize charity care services provided. These funds are primarily received from various state sponsored programs. Funds received to offset or subsidize charity care services (included in net patient service revenue) were $157,979 and $299,914 for the years ended December 31, 2023 and 2022, respectively.

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Excess of Revenue and Gains over Expenses

The consolidated statements of operations and changes in net assets include excess of revenue and gains over expenses as the performance indicator, which is analogous to net income of a for-profit enterprise. Changes in net assets without donor restrictions that are excluded from the performance indicator may include transfers of net assets released from restrictions for the purpose of acquiring long-lived assets and other changes in net assets.

Contributed Resources

Resources restricted by donors for specific operating purposes or a specified time period are held as net assets with donor restrictions until expended for the intended purpose or until the specified time restrictions are met, at which time they are reported as other revenue. Resources restricted by donors for additions to property and equipment are held as net assets with donor restrictions until the assets are placed in service, at which time they are reported as transfers to net assets without donor restrictions. Gifts, grants, and bequests not restricted by donors are reported as other revenue.

Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents

Cash equivalents represent all highly liquid investments, including certificates of deposit and commercial paper with maturities not in excess of three months when purchased. Interest income on cash equivalents is included in investment return.

The following table provides a reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the statements of cash flows. Restricted cash and cash equivalents consist of funds included in assets whose use is limited. Certain of the System's investments are limited as to use through the terms of trust agreements, internal designation, under the terms of bond indentures, or the provisions of other contractual agreements.

	December 31,	
	2023	2022
Cash and cash equivalents	$ 2,230,710	$ 602,891
Restricted cash and restricted cash equivalents included in assets whose use is limited	461,899	377,200
Total cash, cash equivalents, restricted cash, and restricted cash equivalents shown in the statements of cash flows	$ 2,692,609	$ 980,091

Investments

Investments include marketable securities and other investments. Investments in debt and equity securities with readily determinable fair values are reported at fair value, based on quoted market prices, and are primarily designated as trading securities. The cost of securities sold is based on the average cost method.

Other investments include alternative investments, such as hedge funds, commingled funds, and private market funds, which determine fair value using net asset values (NAV). The value of such investments is estimated, and those estimates may change in the near term. The financial statements of the funds are audited annually by independent auditors. The System's risk is limited to its investment in the fund. Private market funds generally require capital commitments over an initial period of time and capital is returned as monetization events occur, outside of which invested funds

generally cannot be redeemed. Unfunded commitments related to private market funds were approximately $1,283,000 and $892,000 as of December 31, 2023 and 2022, respectively. Investments in private market funds are used to gain market exposure within private equity, credit, real estate, and infrastructure markets. Commingled funds are used to obtain the desired exposure targets within the investment portfolio. Hedge funds and commingled funds have redemption terms that range from daily to quarterly. The System does not presently intend to sell these investments in a secondary market prior to the end of the fund term.

Other investments may also include exchange-traded and over-the-counter derivative instruments that are held for trading purposes and act as economic hedges to manage the risk of the investment portfolio. These instruments, which primarily include futures, foreign currency exchange contracts, options, and swaps, are used to gain broad market exposure and additional exposure to equity markets, adjust the fixed-income portfolio duration, provide an economic hedge against fluctuations in foreign exchange rates, and generate investment returns. These derivative instruments are not designated as hedging instruments.

Investment return includes realized gains and losses, interest, dividends, and net change in unrealized gains and losses. The investment return on investments restricted by donor or law is recorded as increases or decreases to net assets with donor restrictions. Investment return earned on the System's self-insurance trust funds and employee benefits funds is recorded in other operating revenue.

Assets Whose Use is Limited

Certain of the System's investments are limited as to use through the terms of trust agreements, internal designation, or the provisions of other contractual arrangements. These investments are classified as assets whose use is limited in the accompanying consolidated balance sheets.

Sale of Patient Accounts Receivable

The System and certain of its member affiliates maintain a program for the continuous sale of certain patient accounts receivable to the Highlands County, Florida, Health Facilities Authority (Highlands) on a nonrecourse basis. Highlands has partially financed the purchase of the patient accounts receivable through the issuance of private placement, tax-exempt, variable-rate bonds (Bonds). Highlands had Bonds outstanding of $200,000 as of December 31, 2023 and 2022. The Bonds had an original put date of December 2022 and a final maturity date of November 2027. On February 1, 2022, the put date of the Bonds was extended to the final maturity date of November 2027. The System is the servicer of the receivables under this arrangement and is responsible for performing all accounts receivable administrative functions.

As of December 31, 2023 and 2022, the estimated net realizable value, as defined in the underlying agreements, of patient accounts receivable sold by the System and removed from the accompanying consolidated balance sheets was $805,773 and $818,366, respectively. The patient accounts receivable sold consist primarily of amounts due from government programs and commercial insurers. The proceeds received from Highlands consist of cash from the Bonds, a note on a subordinated basis with the Bonds, and a note on a parity basis with the Bonds. The note on a subordinated basis with the Bonds is in an amount to provide the required over-collateralization of the Bonds and was $50,000 at December 31, 2023 and 2022. The note on a parity basis with the Bonds is the excess of eligible accounts receivable sold over the sum of cash received and the subordinated note and was $555,773 and $568,366 at December 31, 2023 and 2022, respectively. These notes are included in other receivables in the accompanying consolidated balance sheets. Due to the nature

For the years ended December 31, 2023 and 2022 (dollars in thousands)

of the patient accounts receivable sold, collectability of the subordinated and parity notes is not significantly impacted by credit risk.

The notes on a parity and subordinated basis represent the System's beneficial interest in the receivables subsequent to the sale. Cash received at the time of sale is recognized within the consolidated statement of cash flows as part of operating activities. Any subsequent cash received on the beneficial interest is recognized within the consolidated statement of cash flows as part of investing activities.

Inventories

Inventories (primarily pharmaceuticals and medical supplies) are stated at the lower of cost or net realizable value using the first-in, first-out (FIFO) method of valuation, or a methodology that closely approximates FIFO.

Property and Equipment

Property and equipment are reported on the basis of cost, except for those assets donated, impaired, or acquired under a business combination, which are recorded at fair value. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Depreciation is computed primarily utilizing the straight-line method over the expected useful lives of the assets. Amortization of capitalized leased assets is included in depreciation expense and allowances for depreciation.

Goodwill

Goodwill represents the excess of the purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of the business acquired. These amounts are included in other assets (noncurrent) in the accompanying balance sheets and are evaluated for impairment when there is an indicator of impairment. Goodwill consists of the following:

	December 31,	
	2023	2022
Goodwill	$ 746,975	$ 744,677
Less: accumulated amortization	(207,253)	(133,046)
Goodwill, net	$ 539,722	$ 611,631

Goodwill is amortized over a period of ten years. Amortization expense for goodwill was $74,249 and $75,175 for the years ended December 31, 2023 and 2022, respectively, and is included in depreciation and amortization in the accompanying consolidated statements of operations and changes in net assets.

Interest in the Net Assets of Unconsolidated Foundations

Interest in the net assets of unconsolidated foundations represents contributions received on behalf of the System or its member affiliates by independent fund-raising foundations. As the System cannot influence the foundations to the extent that it can determine the timing and amount of distributions, the System's interest in the net assets of the foundations is included in other assets and changes in that interest are included in net assets with donor restrictions.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets. Where impairment is indicated, the carrying amount of these long-lived assets is reduced to fair value based on discounted net cash flows or other estimates of fair value.

Deferred Financing Costs
Direct financing costs are included as a reduction to the carrying amount of the related debt liability and are deferred and amortized over the remaining lives of the financings using the effective interest method.

Bond Discounts and Premiums
Bonds payable, including related original issue discounts and/or premiums, are included in long-term debt. Discounts and premiums are being amortized over the life of the bonds using the effective interest method.

Income Taxes
Healthcare Corporation and its affiliated organizations, other than North American Health Services, Inc. and its subsidiary (NAHS), are exempt from state and federal income taxes. Accordingly, Healthcare Corporation and its tax-exempt affiliates are not subject to federal, state, or local income taxes except for any net unrelated business taxable income.

NAHS is a wholly owned, for-profit subsidiary of Healthcare Corporation. NAHS and its subsidiary are subject to federal and state income taxes. NAHS files a consolidated federal income tax return and, where appropriate, consolidated state income tax returns. The current year provision for federal and state income tax for the year ended December 31, 2023 is approximately $1,140. There was no current year tax provision for the year ended December 31, 2022 due to the utilization of net operating loss carryforwards in 2022.

The Income Taxes Topic of the Accounting Standards Codification (ASC) 740, *Income Taxes* (ASC 740) prescribes the accounting for uncertainty in income tax positions recognized in financial statements. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. There were no material uncertain tax positions as of December 31, 2023 and 2022.

Reclassifications
Certain reclassifications were made to the 2022 consolidated financial statements to conform to the classifications used in 2023. These reclassifications had no impact on the consolidated excess of revenue and gains over expenses, changes in net assets, or cash flows previously reported.

2. Organizational Changes

Illinois Market Changes
Effective April 1, 2022, the System and Ascension finalized the unwinding of their AMITA Health partnership, the joint operating company serving the healthcare needs of residents of the greater Chicago area. The change did not have a material impact on the System's accompanying consolidated financial statements.

In September 2022, the System entered into an affiliation agreement with The University of Chicago Medical Center (UCMC), an unrelated third party, that became effective December 31, 2022 (Affiliation). UCMC is an integrated academic health system that includes hospitals, outpatient clinics, and physician practices throughout the Chicago metropolitan area, suburbs, and Northwest Indiana. The transaction resulted in UCMC holding a controlling, 51% membership interest in Adventist Midwest Health, Inc. which owns the System's four Illinois hospitals and related

facilities (Illinois Entities) as of December 31, 2022. The System continues to own a noncontrolling, 49% membership interest and manages Adventist Midwest Health, Inc. The System accounted for the transaction as a deconsolidation under ASC 810, *Consolidation*, as it ceased holding a controlling interest as of the transaction date. Net cash consideration of $219,827 was received by the System for the partial sale and the net carrying amount of the Illinois Entities' assets and liabilities sold, totaling $392,434, was deconsolidated. The System's remaining noncontrolling interest in Adventist Midwest Health, Inc. was measured at fair value totaling $240,196, represented noncash consideration, and is recognized as an equity method investment within other assets in the accompanying consolidated balance sheets. The fair value of the noncontrolling interest was estimated using a combination of the income approach and a market approach. This fair value measurement is based on significant inputs that are not observable in the market and thus represents a Level 3 measurement as defined in ASC 820, *Fair Value Measurement* (ASC 820). The resulting gain of $67,589 was recognized within other revenue in the accompanying consolidated statement of operations and changes in net assets for the year ended December 31, 2022. The portion of the gain attributable to the fair value measurement of the System's noncontrolling interest in the Illinois Entities totaled approximately $46,686. In January 2023, the System and UCMC contributed an aggregate $150,000 to Adventist Midwest Health, Inc. to fund additional working capital needs, of which the System contributed $73,500. In connection with the transaction, effective November 1, 2022, the Illinois Entities withdrew from the System's Obligated Group, as more fully described in Note 8.

Colorado Market Changes

In February 2023, the System and CommonSpirit Health (Sponsors) announced plans to end their joint operating agreement whereby Centura Health Corporation (Centura), a co-owned management company, managed the Sponsors' healthcare facilities in Colorado and Western Kansas (the Disaffiliation). The Disaffiliation was effective July 31, 2023. Following the Disaffiliation, the System operates its five hospitals and certain related healthcare facilities in Colorado and continues to control and consolidate those facilities. In accordance with the Disaffiliation, on August 1, 2023, the System received a payment from CommonSpirit of $46,327 in exchange for its membership interest in Centura. The Disaffiliation did not have a material impact on the System's consolidated financial statements. In connection with the Disaffiliation, the System is evaluating its ownership interest in another CommonSpirit Health related joint venture, the outcome of which is not expected to have a material impact to the System's consolidated financial statements.

Divestiture

In March 2023, the System sold its two skilled nursing facilities in Texas and Kansas. Net cash consideration of $15,426 was received by the System for the sale and the net carrying amount of the assets and liabilities sold, totaling $9,517, was deconsolidated. The resulting gain of $5,909 was recognized within other revenue in the accompanying consolidated statement of operations and changes in net assets for the year ended December 31, 2023.

In June 2023, the System sold its remaining skilled nursing facilities in Florida. Net cash consideration of $145,740 was received for the sale and the net carrying amount of the assets and liabilities sold, totaling $100,363, was deconsolidated. The resulting gain of $45,377 was recognized as other revenue in the accompanying consolidated statement of operations and changes in net assets for the year ended December 31, 2023. In connection with the sale, the System exercised its right to terminate a lease for a skilled nursing facility operated in Florida, recognizing a loss on disposal of the associated leasehold improvements and equipment. The loss on disposal along with

For the years ended December 31, 2023 and 2022 (dollars in thousands)

other related transaction costs totaled $18,393 and were recognized as other expense in the accompanying consolidated statement of operations and changes in net assets for the year ended December 31, 2023.

3. Investments and Assets Whose Use is Limited

Investments and assets whose use is limited are comprised of the following:

	December 31, 2023	2022
Debt securities		
U.S. government agencies and sponsored entities	$ 1,903,447	$ 3,104,617
Foreign government agencies and sponsored entities	239,776	185,143
Corporate bonds	49,175	52,761
Mortgage backed	145,887	38,079
Other asset backed	35,057	27,075
Short-term investments	495,490	35,424
Accrued interest	12,725	16,969
	2,881,557	3,460,068
Domestic equity securities	43	48,981
Exchange traded and mutual funds		
Domestic equity	642,359	779,259
Foreign equity	7,984	322,579
Fixed income	1,024,713	680,093
	1,675,056	1,781,931
Investments at NAV		
Hedge funds	1,154,466	747,082
Private market funds	403,312	208,866
Commingled funds	368,475	315,585
	1,926,253	1,271,533
Cash and cash equivalents – assets whose use is limited	461,899	377,200
	6,944,808	6,939,713
Less: assets whose use is limited	(908,504)	(849,409)
Investments	$ 6,036,304	$ 6,090,304

Notes to Consolidated Financial Statements

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Investment Derivatives

The fair value of investment derivative instruments and the associated notional amounts, presented gross, were as follows:

	December 31, 2023			
	Notional		Fair Value	
	Long	Short	Assets	Liabilities
Equity options	$ –	$ (63)	$ 216	$ (729)
Interest rate swaps	38,478	(27,926)	17,178	(10,422)
Futures	3,981,039	(442,077)	–	–
Foreign currency exchange contracts	268,551	(270,560)	1,646	(3,655)
Total derivative instruments, gross	$ 4,288,068	$ (740,626)	$ 19,040	$ (14,806)

	December 31, 2022			
	Notional		Fair Value	
	Long	Short	Assets	Liabilities
Equity options	$ 201	$ (582)	$ 201	$ (582)
Interest rate swaps	10,994	(21,452)	10,994	(21,452)
Futures	1,352,920	(235,312)	–	–
Foreign currency exchange contracts	39,476	(259,017)	1,297	(6,098)
Total derivative instruments, gross	$ 1,403,591	$ (516,363)	$ 12,492	$ (28,132)

The System posted collateral related to investment derivative instruments totaling $101,317 and $40,904 as of December 31, 2023 and 2022, respectively. Collateral is included in either cash and cash equivalents or investments in the accompanying consolidated balance sheets, depending on the type of collateral posted. The System had investment return related to investment derivative instruments of $68,933 and $(137,760) for the years ended December 31, 2023 and 2022, respectively.

Assets Whose Use is Limited

Assets whose use is limited includes investments held under trust agreements for settling payments under the professional and general liability program, and internally designated investments for employee retirement plans. Amounts to be used for the payment of current liabilities are classified as current assets.

A summary of the major limitations as to the use of assets whose use is limited consists of the following:

	December 31,	
	2023	2022
Self-insurance trust funds	$ 435,627	$ 421,917
Employee benefits funds	260,148	292,748
Other	212,729	134,744
	908,504	849,409
Less: amounts to pay current liabilities	(473,224)	(450,606)
	$ 435,280	$ 398,803

For the years ended December 31, 2023 and 2022 (dollars in thousands)

Investment Return and Unrealized Gains and Losses

Investment return from cash and cash equivalents, investments, and certain assets whose use is limited in the accompanying consolidated statements of operations and changes in net assets consisted of the following:

	Year Ended December 31, 2023	2022
Interest and dividend income	$ 164,720	$ 238,758
Net realized losses	(87,648)	(136,594)
Net change in unrealized gains (losses)	451,563	(1,261,479)
	$ 528,635	$(1,159,315)

4. Liquidity and Available Resources

The System's primary cash requirements consist of paying operating expenses, servicing debt, incurring capital expenditures related to the expansion and renovation of existing facilities, and acquisitions. Cash in excess of near-term working capital needs is invested as described in Notes 1 and 3. Primary cash sources are cash flows from operating and investing activities. Additionally, the System has access to public and private debt markets and maintains a revolving credit agreement and commercial paper program, as described in Note 8.

The System had 203 and 181 days cash and investments on hand at December 31, 2023 and 2022, respectively. Days cash and investments on hand is calculated as unrestricted cash and cash equivalents, investments, and due to brokers, net, divided by daily operating expenses (excluding depreciation and amortization expense). An adjustment was made for same store activity to remove the daily operating expenses of the Illinois Entities (Note 2) that were deconsolidated as of December 31, 2022 and the skilled nursing facilities that were divested during the first and second quarter of 2023 (Note 2).

Unrestricted cash and cash equivalents, investments, and due to brokers, net consist of the following:

	December 31, 2023	2022
Cash and cash equivalents	$ 2,230,710	$ 602,891
Investments	6,036,304	6,090,304
Due to brokers, net	(30,019)	(25,752)
	$ 8,236,995	$ 6,667,443
Adjusted unrestricted days cash and investments on hand	203	181

The System's financial assets also consist of patient accounts receivable totaling $1,370,051 and $1,394,202 as of December 31, 2023 and 2022, respectively. Other receivables, totaling $863,183 and $863,786 as of December 31, 2023 and 2022, respectively, are primarily comprised of the notes associated with the System's sale of patient accounts receivable, which is more fully described in Note 1. The System's financial assets are available as its general expenditures, liabilities, and other obligations come due.

For the years ended December 31, 2023 and 2022 (dollars in thousands)

Certain assets whose use is limited are to be used for current liabilities for self-insured programs and employee benefit funds and are more fully described in Note 3.

5. Property and Equipment

Property and equipment consist of the following:

	December 31, 2023	2022
Land and improvements	$ 1,072,127	$ 1,093,314
Buildings and improvements	7,192,977	6,946,339
Equipment	7,270,863	6,796,035
	15,535,967	14,835,688
Less: accumulated depreciation	(7,654,091)	(7,034,526)
	7,881,876	7,801,162
Construction in progress	751,831	632,629
	$ 8,633,707	$ 8,433,791

Certain hospitals have entered into construction contracts or other commitments for which costs have been incurred and are included in construction in progress. These and other committed projects will be financed through operations and proceeds of borrowings. The estimated costs to complete these projects approximated $487,600 at December 31, 2023.

The System capitalizes the cost of acquired software for internal use. Any internal costs incurred in the process of developing and implementing software are expensed or capitalized, depending primarily on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage. Capitalized software costs and estimated amortization expense in the table below exclude software in progress of approximately $43,200 and $61,500 at December 31, 2023 and 2022, respectively. The System implemented Epic, an electronic clinical and billing system, throughout 2022 and 2023. As the first locations went live with Epic in March 2022, the System began amortizing the project implementation costs, which totaled $52,905 and $27,500 as of December 31, 2023 and 2022, respectively, and are included in depreciation and amortization expense. Capitalized software costs and accumulated amortization expense, which are included in property and equipment in the accompanying consolidated balance sheets, were as follows:

	December 31, 2023	2022
Capitalized software costs	$ 666,523	$ 698,252
Less: accumulated amortization	(347,434)	(350,093)
Capitalized software costs, net	$ 319,089	$ 348,159

Estimated amortization expense related to capitalized software costs for the next five years and thereafter is as follows:

2024	$ 40,386
2025	33,592
2026	30,380
2027	21,038
2028	21,017
Thereafter	172,676

For the years ended December 31, 2023 and 2022 (dollars in thousands)

During periods of construction and periods of developing software, interest costs are capitalized. Interest capitalized approximated $8,400 and $8,800 for the years ended December 31, 2023 and 2022, respectively.

6. Other Assets

Other assets consist of the following:

	December 31, 2023	2022
Investments in unconsolidated entities	$ 1,033,291	$ 970,452
Goodwill	539,722	611,631
Interests in net assets of unconsolidated foundations	62,534	59,114
Notes and other receivables	71,500	60,445
Other noncurrent assets	63,417	62,860
	$ 1,770,464	$ 1,764,502

The System's ownership interest and carrying amounts of investments in unconsolidated entities consist of the following:

	Ownership Interest	December 31, 2023	2022
Health First, Inc.	27%	$ 363,010	$ 336,056
Adventist Midwest Health, Inc.	49%	320,076	240,196
Texas Health Huguley, Inc.	49%	213,155	204,437
Centura Health Corporation	– %	–	68,439
Other	5% – 50%	137,050	121,324
		$1,033,291	$ 970,452

Income or loss from unconsolidated entities totaled $30,990 and $(50,390) for the years ended December 31, 2023 and 2022, respectively, and is included in other operating revenue in the accompanying consolidated statements of operations and changes in net assets.

As described in Note 2, effective July 31, 2023, with the Disaffiliation, the System no longer holds an ownership interest in Centura Health Corporation. Prior to the Disaffiliation, the System held a 35% ownership interest in Centura Health Corporation.

As described in Note 2, effective December 31, 2022, the System sold a controlling interest in its Illinois Entities to UCMC. Its remaining noncontrolling interest in Adventist Midwest Health, Inc. is accounted for as an equity method investment.

On January 3, 2020, the System acquired a noncontrolling interest in Health First, Inc. (Health First). Health First is a community based not-for-profit healthcare system located in Brevard County, Florida and includes hospitals, insurance plans, a multi-specialty medical group, and outpatient and wellness services. The total consideration for the 27% noncontrolling interest acquired was $350,000. The System paid $125,000 at closing and a second payment of $125,000 was made in June 2021. The final payment of $100,000 was made in June 2023.

For the years ended December 31, 2023 and 2022 (dollars in thousands)

7. Leases

The System's leases primarily consist of real estate and medical equipment. The System determines whether an arrangement is a lease at contract inception. Lease assets and lease liabilities are recognized based on the present value of the lease payments over the lease term at the commencement date. Because most of the System's leases do not provide an implicit rate of return, the System uses a risk-free rate based on the daily treasury yield curve at lease commencement in determining the present value of lease payments. Lease assets exclude lease incentives received.

Most leases include one or more options to renew, with renewal terms that can extend the lease term from three months to thirty years. The exercise of such lease renewal options is at the System's sole discretion. For purposes of calculating lease liabilities, lease terms include options to extend or terminate the lease when it is reasonably certain that the System will exercise that option. Certain leases also include options to purchase the leased asset. The depreciable life of assets and leasehold improvements is limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

The System does not separate lease and non-lease components except for certain medical equipment leases. Leases with a lease term of 12 months or less at commencement are not recorded on the consolidated balance sheets. Lease expense for these arrangements is recognized on a straight-line basis over the lease term.

Operating and finance leases consist of the following:

	December 31, 2023	2022
Operating Leases		
Operating lease assets	$ 372,081	$ 326,651
Other current liabilities	$ 66,807	$ 75,436
Operating lease liabilities, net of current portion	341,893	270,325
Total operating lease liabilities	$ 408,700	$ 345,761
Finance Leases		
Property and equipment	$ 29,326	$ 16,729
Current maturities of long-term debt	$ 9,955	$ 7,452
Long-term debt, net of current maturities	16,132	10,749
Total finance lease liabilities	$ 26,087	$ 18,201

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022 (dollars in thousands)

Lease expense for lease payments is recognized on a straight-line basis over the lease term. The components of lease expense were as follows:

	December 31, 2023	2022
Operating lease expense	$ 122,386	$ 103,198
Variable lease expense	33,074	30,470
Short-term lease expense	18,117	48,202
Finance lease expense		
Amortization of lease assets	9,418	6,630
Interest on lease liabilities	902	400
Total lease expense	$ 183,897	$ 188,900

Lease term and discount rate were as follows:

	December 31, 2023	2022
Weighted-average remaining lease term:		
Operating leases	10.0 years	8.1 years
Finance leases	9.3 years	12.0 years
Weighted-average discount rate:		
Operating leases	3.0%	2.0%
Finance leases	3.1%	1.3%

The following table summarizes the maturity of lease liabilities under finance and operating leases for the next five years and the years thereafter, as of December 31, 2023:

	Operating Leases	Finance Leases	Total
2024	$ 83,474	$ 10,975	$ 94,449
2025	70,040	4,074	74,114
2026	58,681	4,097	62,778
2027	50,836	3,635	54,471
2028	43,583	2,388	45,971
Thereafter	184,673	4,826	189,499
Total lease payments	491,287	29,995	$ 521,282
Less: imputed interest	82,587	3,908	
Total lease liabilities	$ 408,700	$ 26,087	

Supplemental cash flow information related to leases was as follows:

	December 31, 2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 98,100	$ 107,746
Operating cash flows from finance leases	1,007	485
Financing cash flows from finance leases	9,396	8,047
Lease assets obtained in exchange for new operating lease liabilities	128,302	4,305
Lease assets obtained in exchange for new finance lease liabilities	15,799	801

For the years ended December 31, 2023 and 2022 (dollars in thousands)

8. Debt Obligations

Long-term debt consisted of the following:

	December 31, 2023	2022
Fixed-rate hospital revenue bonds, interest rates from 2.15% to 5.00%, payable through 2058	$ 3,202,185	$ 3,033,610
Other notes payable	6,414	7,537
Finance leases payable	26,087	18,201
Unamortized original issue premium, net	235,774	231,999
Deferred financing costs	(19,766)	(19,116)
	3,450,694	3,272,231
Less: current maturities	(79,839)	(125,633)
	$ 3,370,855	$ 3,146,598

Master Trust Indenture

Long-term debt has been issued primarily on a tax-exempt basis. Substantially all bonds are secured under a Master Trust Indenture (MTI), which provides for, among other things, the deposit of revenue with the master trustee in the event of certain defaults, pledges of accounts receivable, pledges not to encumber property, and limitations on additional borrowings. Certain affiliates controlled by Healthcare Corporation comprise the AdventHealth Obligated Group (Obligated Group). Members of the Obligated Group are jointly and severally liable under the MTI to make all payments required with respect to obligations under the MTI. The MTI requires certain covenants and reporting requirements be met by the System and the Obligated Group. At December 31, 2023 and 2022, the Obligated Group had total net assets of approximately $14,086,000 and $12,791,000, respectively.

Variable-Rate Bonds and Sources of Liquidity

Certain variable-rate bonds, totaling $466,160 and $474,535 as of December 31, 2023 and 2022, respectively, are classified as short-term financings in the accompanying consolidated balance sheets, and may be put to the System at the option of the bondholder. The variable-rate bond indentures generally provide the System the option to remarket the obligations at the then prevailing market rates for periods ranging from one day to the maturity dates. The obligations have been primarily marketed for seven-day periods during 2023, with annual interest rates ranging from 1.58% to 4.64%. Additionally, the System paid fees, such as remarketing fees, on variable-rate bonds during 2023.

The System has various sources of liquidity, including a revolving credit agreement (Revolving Note) with a syndicate of banks and a commercial paper program (CP Program). The Revolving Note is available for letters of credit, liquidity facilities, and general corporate needs, including working capital, capital expenditures, and acquisitions and has certain prime rate and SOFR-based pricing options. In October 2022, the System increased the capacity of its Revolving Note from $500,000 to $750,000 and extended the maturity date from December 2023 to October 2027. At December 31, 2023 and 2022, the System had approximately $3,500 committed to letters of credit under the Revolving Note. The System's CP Program allows for up to $500,000 of taxable, commercial paper notes (CP Notes) to be issued for general corporate purposes at an interest rate to be determined at the time of issuance.

2023 Debt Transactions

As of December 31, 2022, $152,721 was outstanding under the CP Program. During 2023, the System made draws and repayments under the CP Program which resulted in an overall repayment of amounts outstanding under the CP Program. The draws on the CP Program during the year had interest rates ranging from 4.92% to 5.35% and were used to finance certain costs of the acquisition, construction, and equipping of certain facilities. No amounts were outstanding under the CP Program as of December 31, 2023.

In July 2023, the System issued $227,075 of tax-exempt, fixed-rate put bonds at a premium with final maturity dates of 2057 and 2058 and a stated interest rate of 5.00%. The System used the bond proceeds for reimbursement of prior capital expenditures and acquisitions, some of which had been previously financed under the CP Program. In August 2023, the System issued $58,210 of tax-exempt, fixed-rate bonds at a premium with a final maturity date of 2036 and a stated interest rate of 5.00%. The System used the proceeds from the August 2023 bond issuance to refund a portion of previously issued put bonds which had a mandatory tender date in November 2023. There were immaterial impacts to the financial statements as a result of the early extinguishment of debt. As of December 31, 2023, the System had $100,000 outstanding under the Revolving Note, which is classified as short-term financings in the accompanying consolidated balance sheet.

2022 Debt Transactions

During the second quarter of 2022, the System issued fixed-rate bonds with par amounts totaling $335,007, final maturity dates ranging from 2029 to 2037, and stated interest rates ranging from 2.52% to 2.79%. The System used $296,007 of bond proceeds, along with other available funds, for repayment of fixed-rate and put bonds, which resulted in a gain on extinguishment of debt totaling $15,217 and is included in the accompanying consolidated statement of operations and changes in net assets for the year ended December 31, 2022. The System used the remaining $39,000 of bond proceeds to finance or refinance certain costs of the acquisition, construction, and equipping of certain facilities.

In connection with the Affiliation (Note 2), certain bonds were retired during the third and fourth quarters of 2022. As such, the System drew $152,721 under the CP Program. The System used $54,917 of CP Program proceeds for open market repurchases of fixed-rate bonds, $36,090 for repayment of variable-rate bonds and deposited $61,100 of CP Program proceeds, along with other available funds, into an irrevocable trust for the advance repayment of fixed-rate bonds and the related interest obligations through the respective call or put dates. These open market repurchases and advance payments resulted in an aggregate gain on extinguishment of debt totaling $16,712 and is included in the accompanying consolidated statement of operations and changes in net assets for the year ended December 31, 2022. Effective November 1, 2022, the Illinois Entities withdrew from the Obligated Group. As of December 31, 2022, $152,721 was outstanding under the CP Program with an interest rate of 4.68%, which was included in short-term financings in the accompanying consolidated balance sheet.

As of December 31, 2022, $100,000 was outstanding under the Revolving Note, which was classified as short-term financings in the accompanying consolidated balance sheet. The outstanding balance under the Revolving Note was subsequently repaid in January 2023.

For the years ended December 31, 2023 and 2022 (dollars in thousands)

Debt Maturities

The following represents the maturities of long-term debt, excluding finance leases disclosed in Note 7, for the next five years and the years thereafter:

2024	$ 79,839
2025	146,556
2026	329,400
2027	85,117
2028	288,827
Thereafter	2,278,860

Cash paid for interest, net of amounts capitalized, approximated $133,000 and $126,000 during the years ended December 31, 2023 and 2022, respectively.

9. Retirement Plans

Defined Contribution Plans

The System participates with other Seventh-day Adventist healthcare entities in a defined contribution retirement plan (Plan) that covers substantially all full-time employees who are at least 18 years of age. The Plan is exempt from the Employee Retirement Income Security Act of 1974 (ERISA). The Plan provides, among other things, that the employer contribute 2.6% of wages, plus additional amounts for highly compensated employees. Additionally, the Plan provides that the employer match 50% of an employee's contributions up to 4% of the contributing employee's wages, resulting in a maximum available match of 2% of the contributing employee's wages each year.

Contributions to the Plan are included in employee compensation in the accompanying consolidated statements of operations and changes in net assets in the amount of $230,858 and $215,809 for the years ended December 31, 2023 and 2022, respectively.

Defined Benefit Plan – Multiemployer Plan

Prior to January 1, 1992, certain of the System's entities participated in a multiemployer, noncontributory, defined benefit retirement plan, the Seventh-day Adventist Hospital Retirement Plan Trust (Old Plan) sponsored and administered by the North American Division of the General Conference of Seventh-day Adventists that is exempt from ERISA. The employer identification number of the Old Plan is 52-2000393. The risks of participating in multiemployer plans are different from single-employer plans in that: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (c) if an entity chooses to stop participating in the multiemployer plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as withdrawal liability.

During 1992, the Old Plan was frozen, and the Plan was established. The System, along with the other participants in the Old Plan, may be required to make future contributions to the Old Plan to fund any difference between the present value of the Old Plan benefits and the fair value of the Old Plan assets. Future funding amounts and the funding time periods have not been determined by the Old Plan

For the years ended December 31, 2023 and 2022 (dollars in thousands)

administrators. Based on the most recently available unaudited estimate of the funding shortfall, future funding requirements are probable, but have not been requested by the Old Plan administrators. Management believes the impact of any such future funding requirements will not have a material adverse effect on the System's consolidated financial statements.

The System was not required to and did not make any contributions to the Old Plan for the years ended December 31, 2023 or 2022.

The most recent available plan assets and actuarially determined benefit obligation for the Old Plan, which includes all participating employers, is as of January 1, 2023, and is as follows:

Total plan assets	$ 374,446
Actuarial present value of accumulated plan benefits (unaudited)	702,186
Funded status (unaudited)	53%

Defined Benefit Plan – Frozen Pension Plans

Certain of the System's entities sponsored noncontributory, defined benefit pension plans (Pension Plans) that have been frozen such that no new benefits accrue. The following table sets forth the remaining combined projected and accumulated benefit obligations and the assets of the Pension Plans at December 31, 2023 and 2022, the components of net periodic pension cost for the years then ended, and a reconciliation of the amounts recognized in the accompanying consolidated financial statements:

	Year Ended December 31, 2023	2022
Accumulated benefit obligation, end of year	$ 102,418	$ 101,229
Change in projected benefit obligation:		
Projected benefit obligation, beginning of year	$ 101,229	$ 142,168
Interest cost	5,559	4,092
Benefits paid	(8,914)	(9,279)
Actuarial losses (gains)	4,544	(35,752)
Projected benefit obligation, end of year	102,418	101,229
Change in plan assets:		
Fair value of plan assets, beginning of year	92,763	129,967
Actual return on plan assets	8,215	(27,925)
Benefits paid	(8,914)	(9,279)
Fair value of plan assets, end of year	92,064	92,763
Deficiency of fair value of plan assets over projected benefit obligation, included in other noncurrent liabilities	$ (10,354)	$ (8,466)

No plan assets are expected to be returned to the System during the fiscal year ended December 31, 2024.

For the years ended December 31, 2023 and 2022 (dollars in thousands)

Included in net assets without donor restrictions at December 31, 2023 and 2022 are unrecognized actuarial losses of $16,595 and $16,068, respectively, which have not yet been recognized in net periodic pension cost.

Changes in plan assets and benefit obligations recognized in net assets without donor restrictions include:

	Year Ended December 31, 2023	2022
Net actuarial (losses) gains	$ (795)	$ 1,499
Amortization of net actuarial losses	268	138
(Decrease) increase in net assets without donor restrictions	$ (527)	$ 1,637

The components of net periodic pension cost (benefit) were as follows:

	Year Ended December 31, 2023	2022
Interest cost	$ 5,559	$ 4,092
Expected return on plan assets	(4,466)	(6,328)
Recognized net actuarial losses	268	138
Net periodic pension cost (benefit)	$ 1,361	$ (2,098)

The assumptions used to determine the benefit obligation and net periodic pension cost for the Pension Plans are set forth below:

	Year Ended December 31, 2023	2022
Used to determine projected benefit obligation		
Weighted-average discount rate	5.25%	5.65%
Used to determine pension cost		
Weighted-average discount rate	5.65%	2.95%
Weighted-average expected long-term rate of return on plan assets	5.00%	5.00%

The Pension Plans' assets are invested in a portfolio designed to protect principal and obtain competitive investment returns and long-term investment growth, consistent with actuarial assumptions, with a reasonable and prudent level of risk. The Pension Plans' assets are managed solely in the interest of the participants and their beneficiaries. Diversification is achieved by allocating funds to various asset classes and investment styles and by retaining multiple investment managers with complementary styles, philosophies, and approaches.

During 2023, the weighted-average discount rate, which is determined using a cash flow matching approach, decreased to 5.25%, resulting in an actuarial loss of $3,994. The expected long-term rate of return on the Pension Plans' assets is based on historical and projected rates of return for current and planned asset categories and the target allocation in the investment portfolio. As of December 31, 2023, the target investment allocation for the Pension Plans was 70% debt securities and 30% equity securities. As of December 31, 2022, the target investment allocation for the Pension Plans was 70% debt securities, 27% equity securities, and 3% alternative investments.

For the years ended December 31, 2023 and 2022 (dollars in thousands)

The following table presents the Pension Plans' financial instruments as of December 31, 2023, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 12:

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 2,196	$ 2,196	$ –	$ –
Debt securities				
U.S. government agencies and sponsored entities	2,829	–	2,829	–
Corporate bonds	59,781	–	59,781	–
Equity securities				
Domestic equities	2,856	2,856	–	–
Foreign equities	1,494	1,494	–	–
Exchange traded funds				
Domestic equity	18,416	18,416	–	–
Foreign equity	4,492	4,492	–	–
Total plan assets	$ 92,064	$ 29,454	$ 62,610	$ –

The following table presents the Pension Plans' financial instruments as of December 31, 2022 measured at fair value on a recurring basis by the valuation hierarchy defined in Note 12:

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 3,338	$ 3,338	$ –	$ –
Debt securities				
U.S. government agencies and sponsored entities	26,523	–	26,523	–
Corporate bonds	37,312	–	37,312	–
Equity securities				
Domestic equities	2,986	2,986	–	–
Foreign equities	769	769	–	–
Exchange traded funds				
Domestic equity	14,476	14,476	–	–
Foreign equity	4,774	4,774	–	–
Alternative strategy mutual funds	2,585	2,585	–	–
Total plan assets	$ 92,763	$ 28,928	$ 63,835	$ –

For the years ended December 31, 2023 and 2022 (dollars in thousands)

The following represents the expected benefit plan payments for the next five years and the five years thereafter:

2024	$ 7,122
2025	7,312
2026	7,451
2027	7,625
2028	7,675
2029-2033	38,191

10. General and Professional Liability Program

The System maintains a self-insured revocable trust that covers its subsidiaries and their respective employees for professional and general liability claims within a specified level. A self-insured retention of $15,000 was established for the year ended December 31, 2003 and was increased to $20,000 effective April 1, 2020. Claims above the self-insured retention are insured by claims-made coverage issued by Adhealth Limited (Adhealth), a Bermuda-domiciled captive insurance company. Adhealth has purchased reinsurance through commercial insurers for the excess limits of coverage.

The professional and general liability trust funds are recorded in the accompanying consolidated balance sheets as assets whose use is limited in the amount of $435,627 and $421,917 at December 31, 2023 and 2022, respectively. The related accrued claims are recorded in the accompanying consolidated balance sheets as other current liabilities in the amount of $116,225 and $118,173 and as other noncurrent liabilities in the amount of $395,366 and $394,214 at December 31, 2023 and 2022, respectively. These liabilities are based upon actuarially determined estimates using a discount rate of 3.75% at December 31, 2023 and 2022. The related estimated insurance recoveries are recorded as other assets in the amount of $9,486 and $9,501 in the accompanying consolidated balance sheets at December 31, 2023 and 2022, respectively.

11. Commitments and Contingencies

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. There is significant government activity within the healthcare industry with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Compliance with such laws and regulations can be subject to future review and interpretation, as well as regulatory actions unknown or unasserted at this time. Management assesses the probable outcome of unresolved litigation and investigations and records contingent liabilities reflecting estimated liability exposure.

In addition, certain of the System's affiliated organizations are involved in litigation and other regulatory investigations arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters will be resolved without material adverse effect to the System's consolidated financial statements, taken as a whole.

See Note 14 for discussion of the COVID-19 pandemic and contingencies related to this significant event.

12. Fair Value Measurements

The System categorizes, for disclosure purposes, assets and liabilities measured at fair value, on a recurring basis, into a three-tier fair value hierarchy. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement, which should be determined based on assumptions that would be made by market participants.

In accordance with ASC 820, investments that are valued using NAV as a practical expedient are excluded from this three-tier hierarchy. For all other investments measured at fair value, the hierarchy prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Level inputs are defined as follows:

Level 1 – based on unadjusted quoted prices for identical assets or liabilities in an active market that the System has the ability to access.

Level 2 – based on pricing inputs that are either directly observable or that can be derived or supported from observable data as of the reporting date. Level 2 inputs may include quoted prices for similar assets or liabilities in non-active markets or pricing models whose inputs are observable for substantially the full term of the asset or liability.

Level 3 – based on prices or valuation techniques that require inputs that are both significant to the fair value of the financial asset or liability and are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. The System has no financial assets or financial liabilities with significant Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

For the years ended December 31, 2023 and 2022 (dollars in thousands)

Recurring Fair Value Measurements

The fair value of financial instruments measured at fair value on a recurring basis at December 31, 2023 was as follows:

	Total	Level 1	Level 2	Level 3
ASSETS				
CASH AND CASH EQUIVALENTS	$ 2,230,710	$ 1,721,376	$ 509,334	$ –
INVESTMENTS AND ASSETS WHOSE USE IS LIMITED				
Cash and cash equivalents	461,899	461,899	–	–
Debt securities				
U.S. government agencies and sponsored entities	1,903,447	–	1,903,447	–
Foreign government agencies and sponsored entities	239,776	–	239,776	–
Corporate bonds	49,175	–	49,175	–
Mortgage backed	145,887	–	145,887	–
Other asset backed	35,057	–	35,057	–
Short-term investments	495,490	–	495,490	–
Domestic equity securities	43	43	–	–
Exchange traded and mutual funds				
Domestic equity	642,359	642,359	–	–
Foreign equity	7,984	7,984	–	–
Fixed income	1,024,713	1,024,713	–	–
	5,005,830	2,136,998	2,868,832	–
Total	$ 7,236,540	$ 3,858,374	$ 3,378,166	$ –

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022 (dollars in thousands)

The fair value of financial instruments measured at fair value on a recurring basis at December 31, 2022 was as follows:

	Total	Level 1	Level 2	Level 3
ASSETS				
CASH AND CASH EQUIVALENTS	$ 602,891	$ 588,407	$ 14,484	$ –
INVESTMENTS AND ASSETS WHOSE USE IS LIMITED				
Cash and cash equivalents	377,200	377,200	–	–
Debt securities				
U.S. government agencies and sponsored entities	3,104,617	–	3,104,617	–
Foreign government agencies and sponsored entities	185,143	–	185,143	–
Corporate bonds	52,761	–	52,761	–
Mortgage backed	38,079	–	38,079	–
Other asset backed	27,075	–	27,075	–
Short-term investments	35,424	–	35,424	–
Domestic equity securities	48,981	48,981	–	–
Exchange traded and mutual funds				
Domestic equity	779,259	779,259	–	–
Foreign equity	322,579	322,579	–	–
Fixed income	680,093	680,093	–	–
	5,651,211	2,208,112	3,443,099	–
Total	$ 6,254,102	$ 2,796,519	$ 3,457,583	$ –

The following tables represent a reconciliation of financial instruments at fair value to the accompanying consolidated balance sheets as follows:

	December 31, 2023	December 31, 2022
Investments and assets whose use is limited measured at fair value	$ 5,005,830	$ 5,651,211
Hedge funds	1,154,466	747,082
Private market funds	403,312	208,866
Commingled funds	368,475	315,585
Accrued interest	12,725	16,969
Total	$ 6,944,808	$ 6,939,713
Investments	$ 6,036,304	$ 6,090,304
Assets whose use is limited:		
Current	473,224	450,606
Noncurrent	435,280	398,803
Total	$ 6,944,808	$ 6,939,713

For the years ended December 31, 2023 and 2022 (dollars in thousands)

The fair values of the securities included in Level 1 were determined through quoted market prices. The fair values of Level 2 financial assets were determined as follows:

Cash equivalents, U.S. and foreign government agencies and sponsored entities, corporate bonds, mortgage backed, other asset backed, and short-term investments – These Level 2 securities were valued through the use of third-party pricing services that use evaluated bid prices adjusted for specific bond characteristics and market sentiment.

13. Functional Expenses

The System's resources and activities are primarily related to providing healthcare services. Corporate services include certain administration, finance and accounting, human resources, legal, information technology, and other functions.

Additionally, the System implemented Epic, an electronic clinical and billing system, throughout 2022 and 2023. Certain of its locations went live with Epic in March 2022 and therefore, the System began expensing the project implementation costs, many of which are reflected as corporate services.

Expenses by functional classification for the year ended December 31, 2023 consist of the following:

	Healthcare Services	Corporate Services	Total
Employee compensation	$ 8,080,578	$ 528,175	$ 8,608,753
Purchased services and professional fees	1,975,997	296,346	2,272,343
Supplies	2,565,918	3,868	2,569,786
Other	2,184,720	133,628	2,318,348
Total	$ 14,807,213	$ 926,017	$ 15,769,230

Expenses by functional classification for the year ended December 31, 2022 consist of the following:

	Healthcare Services	Corporate Services	Total
Employee compensation	$ 8,065,070	$ 493,091	$ 8,558,161
Purchased services and professional fees	1,952,120	353,804	2,305,924
Supplies	2,469,024	5,904	2,474,928
Other	1,954,839	122,825	2,077,664
Total	$ 14,441,053	$ 975,624	$ 15,416,677

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022 (dollars in thousands)

14. Significant Events

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. Patient volumes and the related revenue for most services were impacted beginning in mid-March 2020 through early 2022 as various policies were implemented by federal, state, and local governments such as suspension of elective procedures and as COVID-19 volumes surged. Since that time, there have been gradual improvements in volumes and related revenues.

In response to COVID-19, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted on March 27, 2020. The CARES Act authorizes funding to hospitals and other healthcare providers through the Public Health and Social Services Emergency Fund (Provider Relief Fund). Grant payments from the Provider Relief Fund are intended to reimburse healthcare providers for healthcare related expenses and/or lost revenue attributable to the COVID-19 pandemic. The System began receiving Provider Relief Funds in April 2020. During the year ended December 31, 2023, Provider Relief Funds recognized by the System were not material. During the year ended December 31, 2022, the System recognized approximately $65,000 of Provider Relief Funds as other revenue in the accompanying consolidated statement of operations and changes in net assets. The System continues to monitor compliance with the terms and conditions of COVID-19 governmental funding as it relates to the System's ability to retain the distributions received to date.

The CARES Act provides for an expansion of the Medicare Accelerated and Advance Payment Program (Medicare Accelerated Payments), which allows inpatient acute care hospitals to request accelerated payments of up to 100% of their Medicare payment amount for a six-month period. In 2020, the System received approximately $446,000 of Medicare Accelerated Payments. Consistent with the terms and conditions of the program, repayments began in April 2021. During 2022, the System began making early repayments and the remaining balance was fully repaid as of December 31, 2022.

On May 11, 2023, the public health emergency (PHE) declaration for COVID-19 expired. Waivers introduced as part of the PHE eased certain administrative requirements, expanded the flexibility for delivery of certain healthcare services, such as telehealth, and allowed for various financial support to healthcare providers during the PHE. These waivers were intended to help healthcare providers respond to the COVID-19 pandemic. The System will continue to monitor compliance with the regulatory requirements that have been reintroduced following the PHE expiration.

15. Subsequent Events

The System evaluated events and transactions occurring subsequent to December 31, 2023 through February 27, 2024, the date the accompanying consolidated financial statements were issued. During this period, there were no subsequent events that required recognition in the accompanying consolidated financial statements nor were there any additional nonrecognized subsequent events that required disclosure.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022 (dollars in thousands)

16. Fourth Quarter Results of Operations (Unaudited)

The System's operating results for the three months ended December 31, 2023 are presented below:

Revenue	
Net patient service revenue	$ 4,300,771
Other	228,401
Total operating revenue	4,529,172
Expenses	
Employee compensation	2,252,128
Supplies	690,315
Purchased services	331,621
Professional fees	271,077
Other	403,049
Interest	29,437
Depreciation and amortization	215,589
Total operating expenses	4,193,216
Income from Operations	335,956
Nonoperating Gains	
Investment return	490,388
Excess of revenue and gains over expenses	826,344
Noncontrolling interests	(2,113)
Excess of Revenue and Gains over Expenses Attributable to Controlling Interest	824,231
Other changes in net assets without donor restrictions, net	11,935
Decrease in net assets with donor restrictions, net	(7,072)
Increase in Net Assets	$ 829,094

Report of Independent Auditors

The Board of Directors
Adventist Health System Sunbelt Healthcare Corporation
d/b/a AdventHealth

Opinion

We have audited the consolidated financial statements of Adventist Health System Sunbelt Healthcare Corporation (the System), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the System at December 31, 2023 and 2022, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Report of Independent Auditors

In performing an audit in accordance with GAAS, we:

• Exercise professional judgment and maintain professional skepticism throughout the audit.

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.

• Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

• Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Orlando, Florida
February 27, 2024

Audited Consolidated Financial Statements

December 31, 2024

AdventHealth

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Consolidated Balance Sheets

December 31, 2024 and 2023

(dollars in thousands)	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,970,963	$ 2,230,710
Investments	8,376,931	6,036,304
Current portion of assets whose use is limited	640,309	473,224
Patient accounts receivable	1,432,031	1,370,051
Due from brokers	242,052	239,626
Estimated settlements from third parties	554,249	510,586
Other receivables	1,089,550	863,183
Inventories	413,758	321,469
Prepaid expenses and other current assets	225,843	158,645
	14,945,686	12,203,798
Property and Equipment	9,418,262	8,633,707
Operating Lease Assets	358,343	372,081
Assets Whose Use is Limited, net of current portion	418,366	435,280
Other Assets	1,781,711	1,770,464
	$ 26,922,368	$ 23,415,330
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	$ 2,457,607	$ 2,179,632
Estimated settlements to third parties	241,696	201,456
Due to brokers	406,446	269,645
Other current liabilities	881,617	723,650
Short-term financings	459,480	566,160
Current maturities of long-term debt	78,791	79,839
	4,525,637	4,020,382
Long-Term Debt, net of current maturities	3,478,182	3,370,855
Operating Lease Liabilities, net of current portion	328,336	341,893
Other Noncurrent Liabilities	727,600	601,740
	9,059,755	8,334,870
Net Assets		
Net assets without donor restrictions	17,559,453	14,803,298
Net assets with donor restrictions	251,056	227,861
	17,810,509	15,031,159
Noncontrolling interests	52,104	49,301
	17,862,613	15,080,460
Commitments and Contingencies		
	$ 26,922,368	$ 23,415,330

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statements of Operations and Changes in Net Assets

For the years ended December 31, 2024 and 2023

(dollars in thousands)	2024	2023
Revenue		
Net patient service revenue	$ 18,544,709	$ 16,003,402
Other	1,265,598	790,254
Total operating revenue	19,810,307	16,793,656
Expenses		
Employee compensation	9,558,557	8,608,753
Supplies	2,923,783	2,569,786
Purchased services	1,347,045	1,186,228
Professional fees	1,102,703	1,086,115
Other	1,607,447	1,383,921
Interest	109,627	109,956
Depreciation and amortization	859,017	824,471
Total operating expenses	17,508,179	15,769,230
Income from Operations	2,302,128	1,024,426
Nonoperating Gains		
Investment return	414,639	528,635
Gain on extinguishment of debt	1,313	82
Contribution from business combination	21,695	–
Total nonoperating gains	437,647	528,717
Excess of revenue and gains over expenses	2,739,775	1,553,143
Noncontrolling interests	(3,054)	(2,876)
Excess of Revenue and Gains over Expenses Attributable to Controlling Interest	2,736,721	1,550,267

Continued on following page.

Consolidated Statements of Operations and Changes in Net Assets (continued)

For the years ended December 31, 2024 and 2023

(dollars in thousands)	2024	2023
CONTROLLING INTEREST		
Net Assets Without Donor Restrictions		
Excess of revenue and gains over expenses	$ 2,736,721	$ 1,550,267
Net assets released from restrictions for purchase of property and equipment	32,096	11,569
Change in unrealized gains and losses on assets whose use is limited	(1,465)	6,027
Other	(11,197)	(6,450)
Increase in net assets without donor restrictions	2,756,155	1,561,413
Net Assets With Donor Restrictions		
Gifts and grants	36,679	28,513
Net assets released from restrictions for purchase of property and equipment or use in operations	(38,098)	(25,569)
Investment return	3,978	1,977
Other	20,636	5,336
Increase in net assets with donor restrictions	23,195	10,257
NONCONTROLLING INTERESTS		
Net Assets Without Donor Restrictions		
Excess of revenue and gains over expenses	3,054	2,876
Distributions	(2,144)	(2,639)
Other	1,893	4,292
Increase in noncontrolling interests	2,803	4,529
Increase in Net Assets	2,782,153	1,576,199
Net assets, beginning of year	15,080,460	13,504,261
Net assets, end of year	$ 17,862,613	$ 15,080,460

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2024 and 2023

(dollars in thousands)	2024	2023
Operating Activities		
Increase in net assets	$ 2,782,153	$ 1,576,199
Increase in net assets from business combination	(21,695)	–
Depreciation and amortization	859,017	824,471
Amortization of deferred financing costs and original issue discounts and premiums	(28,648)	(26,060)
Gain on sale of entities	–	(64,383)
Loss (gain) on sale of property, equipment, and other assets	5,188	(2,066)
Gain on extinguishment of debt	(1,313)	(82)
Net realized and unrealized gains on investments	(258,715)	(376,016)
Unrealized gains on assets whose use is limited	(17,844)	(24,114)
Reclass of restricted gifts and grants and investment return	(40,657)	(30,490)
Income from equity method investments	(102,919)	(30,990)
Distributions from equity method investments	8,227	9,832
Changes in operating assets and liabilities:		
Patient accounts receivable	(1,451,426)	(1,205,090)
Other receivables	(129,100)	(11,990)
Other current assets	(158,501)	26,401
Other noncurrent assets	99,075	79,069
Accounts payable and accrued liabilities	239,259	296,690
Estimated settlements to third parties, net	(3,423)	(168,463)
Other current liabilities	136,636	159,502
Other noncurrent liabilities	47,117	(90,157)
Net cash provided by operating activities	1,962,431	942,263
Investing Activities		
Purchases of property and equipment	(1,489,964)	(1,080,845)
Proceeds from sale of property and equipment	3,004	62,547
Sales and maturities of investments	8,827,528	7,664,845
Purchases of investments	(10,909,440)	(7,234,829)
Due from brokers	(2,426)	(161,719)
Due to brokers	136,801	165,986
Sales, maturities, and uses of assets whose use is limited	320,818	989,532
Purchases of and additions to assets whose use is limited	(306,996)	(939,814)
Subsequent cash receipts on sold patient accounts receivable	1,294,603	1,241,834
Proceeds received for sale of entities, net	–	161,166
Return of capital from equity-method investments	51,249	47,403
Capital investment in equity-method investments	(31,950)	–
Consideration paid to acquire Health First, Inc. investment	–	(100,000)
Additional investment in Adventist Midwest Health, Inc.	–	(73,500)
Increase in other assets	(17,669)	(30,552)
Net cash (used in) provided by investing activities	(2,124,442)	712,054

Continued on following page.

Consolidated Statements of Cash Flows (continued)

For the years ended December 31, 2024 and 2023

(dollars in thousands)	2024	2023
Financing Activities		
Repayments of long-term borrowings	$ (161,781)	$ (126,118)
Proceeds from issuance of long-term borrowings	279,110	317,514
Repayments of short-term borrowings	(106,680)	(261,096)
Proceeds from issuance of short-term borrowings	–	100,000
Payment of deferred financing costs	(2,893)	(2,589)
Restricted gifts and grants and investment return	40,657	30,490
Net cash provided by financing activities	48,413	58,201
(Decrease) Increase in Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents	(113,598)	1,712,518
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of year	2,692,609	980,091
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents at End of Year	$ 2,579,011	$ 2,692,609
Supplemental Noncash Investing Activity		
Beneficial interest obtained in exchange for patient accounts receivable	$ (1,390,056)	$ (1,229,241)

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023 (dollars in thousands)

1. Significant Accounting Policies

Reporting Entity

Adventist Health System Sunbelt Healthcare Corporation d/b/a AdventHealth (Healthcare Corporation) is a not-for-profit healthcare corporation that owns and/or operates hospitals, physician offices, urgent care centers and other healthcare facilities, and a philanthropic foundation with various informal divisions (collectively referred to herein as the System). The System's 46 affiliated hospitals and related healthcare facilities are controlled through their by-laws, governing board appointments, or operating agreements. The System manages six additional hospitals within noncontrolled joint ventures. These 52 hospitals and the philanthropic foundation operate in 9 states – Colorado, Florida, Georgia, Illinois, Kansas, Kentucky, North Carolina, Texas, and Wisconsin.

AdventHealth Foundation, Inc. (Foundation) is a charitable foundation operated by Healthcare Corporation for the benefit of many of the hospitals that are divisions or controlled affiliates. Healthcare Corporation is the Foundation's member and appoints its board of managers. The Foundation engages in philanthropic activities.

Healthcare Corporation and the System are collectively controlled by the Lake Union Conference of Seventh-day Adventists, the Mid-America Union Conference of Seventh-day Adventists, the Southern Union Conference of Seventh-day Adventists, and the Southwestern Union Conference of Seventh-day Adventists.

Mission

The System exists solely to improve and enhance the local communities that it serves in harmony with Christ's healing ministry. All financial resources and excess of revenue and gains over expenses are used to benefit the communities in the areas of patient care, research, education, community service, and capital reinvestment.

Specifically, the System provides:

Benefit to the underprivileged, by offering services free of charge or deeply discounted to those who cannot pay, and by supplementing the unreimbursed costs of the government's Medicaid assistance program.

Benefit to the elderly, as provided through governmental Medicare funding, by subsidizing the unreimbursed costs associated with this care.

Benefit to the community's overall health and wellness through the cost of providing clinics and primary care services, health education and screenings, in-kind donations, extended education, and research.

Benefit to the faith-based and spiritual needs of the community in accordance with its mission of extending the healing ministry of Christ.

Benefit to the community's infrastructure by investing in capital improvements to ensure the facilities and technology provide the best possible care to the community.

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023 (dollars in thousands)

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of affiliated organizations that are controlled by Healthcare Corporation. Any subsidiary or other operations owned and controlled by divisions or controlled affiliates of Healthcare Corporation are included in these consolidated financial statements. Investments in entities that Healthcare Corporation has a significant influence over but does not control are recorded under the equity method of accounting. Income from unconsolidated entities is included in other operating revenue in the accompanying consolidated statements of operations and changes in net assets. All significant intercompany accounts and transactions have been eliminated in consolidation. Partial ownership by another entity in the net assets and results of operations of a consolidated subsidiary is reflected as noncontrolling interests in the accompanying consolidated financial statements.

Use of Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Recently Adopted Accounting Guidance

In March 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2023-01, *Leases (Topic 842): Common Control Arrangements*. This ASU requires that leasehold improvements associated with arrangements between entities under common control, which are determined to be leases, be amortized by the lessee over the useful life of the leasehold improvements to the common control group as long as the lessee controls the use of the underlying asset through a lease. The System adopted the standard effective January 1, 2024, using a prospective approach. This standard did not have a material impact on the System's accompanying consolidated financial statements.

Recent Accounting Guidance Not Yet Adopted

In August 2023, the FASB issued ASU No. 2023-05, *Business Combinations – Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement*. The ASU requires that joint ventures apply a new basis of accounting for contributions received upon formation. By applying a new basis of accounting, the joint ventures will recognize and initially measure its assets and liabilities at fair value. The amendments do not apply to the formations of entities determined to be not-for-profit entities or joint ventures that may be proportionately consolidated by one or more of the ventures. This ASU will be effective for the System beginning in 2025. Management does not anticipate this guidance will have a material impact to the System's consolidated financial statements.

Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration the System expects to be due from patients and third-party payors in exchange for providing patient care. Providing patient care services is considered a single performance obligation, satisfied over time, in both the inpatient and outpatient settings. Generally, the System bills the patients and third-party payors several days after services are performed or the patient is discharged from the facility.

Revenue for inpatient acute care services is recognized based on actual charges incurred in relation to total expected, or actual, charges. The System measures the performance obligation from admission into the hospital to the point when it is no

longer required to provide services to that patient, which is generally at the time of discharge.

As all the System's performance obligations relate to contracts with a duration of less than one year, the System is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially satisfied at the end of the reporting period, which are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

For patients covered by third-party payors, the System determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to those third-party payors. The System determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. The System is subject to retroactive revenue adjustments due to future audits, reviews, and investigations. Additionally, the System participates in certain state programs that provide supplemental Medicaid funding to partially offset unreimbursed Medicaid costs. These programs include a combination of intergovernmental transfers and federal matching dollars. They are typically approved by governmental agencies on an annual basis and, as such, funding for future years is not certain and subject to change. Contracts the System has with commercial payors also provide for retroactive audit and review of claims. Settlements with third-party payors for retroactive adjustments are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence with the payor, and the System's historical settlement activity, attempting to ensure that a significant revenue reversal will not occur when the final amounts are subsequently determined. Estimated settlements are adjusted in future periods as new information becomes available, or as years are settled or are no longer subject to such audits, reviews, and investigations. Net adjustments for prior-year cost reports and related valuation allowances, principally related to Medicare and Medicaid, resulted in increases to revenue of approximately $33,000 and $112,000 for the years ended December 31, 2024 and 2023, respectively.

Generally, patients covered by third-party payors are responsible for related deductibles and coinsurance, which is referred to as the patient portion. The System also provides services to uninsured patients and offers those uninsured patients a discount from standard charges in accordance with its policies.

Consistent with the System's mission, care is provided to patients regardless of their ability to pay. Therefore, the System has determined that it has provided implicit price concessions to uninsured patients and patients with other uninsured balances such as copays and deductibles. The difference between amounts billed to patients and the amounts the System expects to collect based on its collection history with those patients is recorded as implicit price concessions, or as a direct reduction to net patient service revenue. Subsequent adjustments that are determined to be the result of an adverse change in the patient's or payor's ability to pay are recognized as bad debt expense. Bad debt expense for the years ended December 31, 2024 and 2023 was not material for the System, and is included within other expense in the accompanying consolidated

For the years ended December 31, 2024 and 2023 (dollars in thousands)

statements of operations and changes in net assets, rather than as a deduction to arrive at revenue.

The System estimates the transaction price for the patient portion and services provided to the uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions.

The composition of net patient service revenue by primary payor is as follows:

	Year Ended December 31,			
	2024		2023	
	Amount	%	Amount	%
Managed Care	$10,304,858	55%	$ 8,652,597	54%
Medicare	2,545,341	14	2,419,455	15
Managed Medicare	3,407,333	18	2,843,810	18
Medicaid	434,023	2	458,025	3
Managed Medicaid	1,033,498	6	932,349	6
Self-pay	149,961	1	175,925	1
Other	669,695	4	521,241	3
	$18,544,709	100%	$ 16,003,402	100%

Charity Care

The System's patient acceptance policy is based on its mission statement and its charitable purposes and, as such, the System accepts patients in immediate need of care, regardless of their ability to pay. Patients that qualify for charity care are provided services for which no payment is due for all or a portion of the patient's bill. Therefore, charity care is excluded from net patient service revenue and the cost of providing such care is recognized within operating expenses.

The cost of charity care is calculated by applying a cost to gross charges ratio to uncompensated charges associated with providing charity care to patients and totaled $549,806 and $469,352 for the years ended December 31, 2024 and 2023, respectively. The System also receives certain funds to offset or subsidize charity care services provided. These funds are primarily received from various state sponsored programs. Funds received to offset or subsidize charity care services (included in net patient service revenue) were $215,389 and $157,979 for the years ended December 31, 2024 and 2023, respectively.

Other Operating Revenue

Other operating revenue within the consolidated statements of operations and changes in net assets includes grant revenue, unrestricted contributions, income or loss from equity method investments, gains and losses on sale of entities, and gains and losses on the sale of property and equipment.

During the COVID-19 pandemic, the System incurred significant expenses related to premium labor costs and the purchase of high-demand supplies, life-saving equipment, and personal protective equipment to help ensure the safety of its communities and applied for reimbursement from the Federal Emergency Management Agency (FEMA). During the year ended December 31, 2024, the System recognized grant revenue of $342,126 in other operating revenue, which represents public assistance funding from FEMA for the reimbursement of such costs. Subsequent to December 31, 2024, the System recognized an additional $222,285 of FEMA funding. Revenue is recognized upon FEMA obligating the funds and the completion of state and federal award reviews and approvals. No FEMA funding was recognized in 2023.

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023 (dollars in thousands)

Excess of Revenue and Gains over Expenses

The consolidated statements of operations and changes in net assets include excess of revenue and gains over expenses as the performance indicator, which is analogous to net income of a for-profit enterprise. Changes in net assets without donor restrictions that are excluded from the performance indicator may include transfers of net assets released from restrictions for the purpose of acquiring long-lived assets and other changes in net assets.

Contributed Resources

Resources restricted by donors for specific operating purposes or a specified time period are held as net assets with donor restrictions until expended for the intended purpose or until the specified time restrictions are met, at which time they are reported as other revenue. Resources restricted by donors for additions to property and equipment are held as net assets with donor restrictions until the assets are placed in service, at which time they are reported as transfers to net assets without donor restrictions. Gifts, grants, and bequests not restricted by donors are reported as other operating revenue.

Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents

Cash equivalents represent all highly liquid investments, including certificates of deposit and commercial paper with maturities not in excess of three months when purchased. Interest income on cash equivalents is included in investment return.

The following table provides a reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the statements of cash flows. Restricted cash and cash equivalents consist of funds included in assets whose use is limited. Certain of the System's investments are limited as to use through the terms of trust agreements, internal designation, under the terms of bond indentures, or the provisions of other contractual agreements.

	December 31,	
	2024	2023
Cash and cash equivalents	$ 1,970,963	$ 2,230,710
Restricted cash and restricted cash equivalents included in assets whose use is limited	608,048	461,899
Total cash, cash equivalents, restricted cash, and restricted cash equivalents shown in the statements of cash flows	$ 2,579,011	$ 2,692,609

Investments

Investments include marketable securities with readily determinable fair values which are measured at fair value, based on quoted market prices, and primarily designated as trading securities. The System uses trade date accounting where unsettled trades represent amounts due to or due from brokers and are presented as such on the accompanying balance sheets. The cost of securities sold is based on the average cost method. The System also invests in hedge funds, commingled funds, and private market funds, which determine fair value using net asset values (NAV). The value of such investments is estimated, and those estimates may change in the near term. The financial statements of the funds are audited annually by independent auditors.

Additionally, investments include exchange-traded and over-the-counter derivative contracts, which are recognized as assets or liabilities in the consolidated balances at fair value. Derivatives are not designated as hedging instruments. Investment return includes realized gains and losses, interest, dividends, and net change in unrealized gains and losses. See Note 3 for further discussion of investments.

The investment return on investments restricted by donor or law is recorded as increases or decreases to net assets with donor restrictions. Investment returns earned on the System's self-insurance trust funds and employee benefits funds are recorded in other operating revenue.

Assets Whose Use is Limited

Certain of the System's investments are limited as to use through the terms of trust agreements, internal designation, or the provisions of other contractual arrangements. These investments are classified as assets whose use is limited in the accompanying consolidated balance sheets.

Sale of Patient Accounts Receivable

The System and certain of its member affiliates maintain a program for the continuous sale of certain patient accounts receivable to the Highlands County, Florida, Health Facilities Authority (Highlands) on a nonrecourse basis. Highlands has partially financed the purchase of the patient accounts receivable through the issuance of private placement, tax-exempt, variable-rate bonds (Bonds). Highlands had Bonds outstanding of $150,000 and $200,000 as of December 31, 2024 and 2023, respectively. The Bonds have a put date and a final maturity date of November 2027. The System is the servicer of the receivables under this arrangement and is responsible for performing all accounts receivable administrative functions.

As of December 31, 2024 and 2023, the estimated net realizable value, as defined in the underlying agreements, of patient accounts receivable sold by the System and removed from the accompanying consolidated balance sheets was $851,226 and $805,773, respectively. The patient accounts receivable sold consist primarily of amounts due from government programs and commercial insurers. The proceeds received from Highlands consist of cash from the Bonds, a note on a subordinated basis with the Bonds, and a note on a parity basis with the Bonds. The note on a subordinated basis with the Bonds is in an amount to provide the required over-collateralization of the Bonds and was $37,500 and $50,000 at December 31, 2024 and 2023, respectively. The note on a parity basis with the Bonds is the excess of eligible accounts receivable sold over the sum of cash received and the subordinated note and was $663,726 and $555,773 at December 31, 2024 and 2023, respectively. These notes are included in other receivables in the accompanying consolidated balance sheets. Due to the nature of the patient accounts receivable sold, collectability of the subordinated and parity notes is not significantly impacted by credit risk.

The notes on a parity and subordinated basis represent the System's beneficial interest in the receivables subsequent to the sale. Cash received at the time of sale is recognized within the consolidated statement of cash flows as part of operating activities. Any subsequent cash received on the beneficial interest is recognized within the consolidated statement of cash flows as part of investing activities.

Inventories

Inventories (primarily pharmaceuticals and medical supplies) are stated at the lower of cost or net realizable value using the first-in, first-out (FIFO) method of valuation, or a methodology that closely approximates FIFO.

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023 (dollars in thousands)

Property and Equipment

Property and equipment are reported on the basis of cost, except for those assets donated, impaired, or acquired under a business combination, which are recorded at fair value. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Depreciation is computed primarily utilizing the straight-line method over the expected useful lives of the assets. Amortization of capitalized leased assets is included in depreciation expense and allowances for depreciation.

Goodwill

Goodwill represents the excess of the purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of the business acquired. These amounts are included in other assets (noncurrent) in the accompanying balance sheets and are evaluated for impairment when there is an indicator of impairment. Goodwill consists of the following:

	December 31,	
	2024	2023
Goodwill	$ 756,122	$ 746,975
Less: accumulated amortization	(280,993)	(207,253)
Goodwill, net	$ 475,129	$ 539,722

Goodwill is amortized over a period of ten years. Amortization expense for goodwill was $73,767 and $74,249 for the years ended December 31, 2024 and 2023, respectively, and is included in depreciation and amortization in the accompanying consolidated statements of operations and changes in net assets.

Interest in the Net Assets of Unconsolidated Foundations

Interest in the net assets of unconsolidated foundations represents contributions received on behalf of the System or its member affiliates by independent philanthropic foundations. As the System cannot influence the foundations to the extent that it can determine the timing and amount of distributions, the System's interest in the net assets of the foundations is included in other assets and changes in that interest are included in net assets with donor restrictions.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets. Where impairment is indicated, the carrying amount of these long-lived assets is reduced to fair value based on discounted net cash flows or other estimates of fair value.

Deferred Financing Costs

Direct financing costs are included as a reduction to the carrying amount of the related debt liability and are deferred and amortized over the remaining lives of the financings using the effective interest method.

Bond Discounts and Premiums

Bonds payable, including related original issue discounts and/or premiums, are included in long-term debt. Discounts and premiums are being amortized over the life of the bonds using the effective interest method.

Income Taxes

Healthcare Corporation and its affiliated organizations, other than North American Health Services, Inc. and its subsidiary (NAHS), are exempt from state and federal income taxes. Accordingly, Healthcare Corporation and its tax-exempt affiliates are not subject to federal, state, or local income taxes except for any net unrelated business taxable income.

NAHS is a wholly owned, for-profit subsidiary of Healthcare Corporation. NAHS and its subsidiary are subject to federal and state income taxes. NAHS files a consolidated federal income tax return and, where appropriate, consolidated state income tax returns. The provision for federal and state income tax for the years ended December 31, 2024 and 2023 is approximately $1,619 and $1,140, respectively.

The Income Taxes Topic of the Accounting Standards Codification (ASC) 740, *Income Taxes* (ASC 740) prescribes the accounting for uncertainty in income tax positions recognized in financial statements. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. There were no material uncertain tax positions as of December 31, 2024 and 2023.

Reclassifications

Certain reclassifications were made to the 2023 consolidated financial statements to conform to the classifications used in 2024. These reclassifications had no impact on the consolidated excess of revenue and gains over expenses, changes in net assets, or cash flows previously reported.

Business Combinations

The System accounts for transactions that represent business combinations in accordance with the *Not-for-Profit Entities, Business Combinations* Topic of the ASC (ASC 958-805), where the assets acquired and liabilities assumed are recognized and measured at their fair values on the acquisition date. Fair values that are not finalized are estimated and reported as provisional amounts. Subsequent changes to the provisional amounts will be recorded during the measurement period.

2. Organizational Changes

Florida Market Changes

On November 22, 2024, the System entered into an asset purchase agreement to acquire ShorePoint Health Port Charlotte, a 254-bed hospital, for approximately $265,000. The acquisition is scheduled to close on March 1, 2025, and includes the purchase of substantially all the property and equipment of the hospital, the related outpatient services, certain real estate in the area, and certain working capital.

North Carolina Market Changes

On July 18, 2024, the System entered into an agreement to sublease St. Luke's Hospital, Inc., a 25-bed critical access hospital, along with its rural health clinics and other related facilities in Polk County, North Carolina for an initial term of 20 years. The transaction became effective on October 1, 2024. As part of this transaction, St. Luke's Hospital, Inc. was renamed AdventHealth Polk.

The non-cash transaction was accounted for as a business combination. The System recorded the fair value of the assets acquired of $24,938 and the liabilities assumed of $3,243 as of October 1, 2024. The fair value of AdventHealth Polk's net assets of $21,695 was recognized in the consolidated statement of operations and changes in net

assets as a contribution from business combination and is included in nonoperating gains. The results of operations and changes in net assets for AdventHealth Polk were included in the System's consolidated financial statements beginning October 1, 2024.

Illinois Market Changes

During 2022, the System entered into an affiliation agreement with The University of Chicago Medical Center (UCMC), an unrelated third party. The transaction resulted in UCMC holding a controlling 51% membership interest in Adventist Midwest Health, Inc. which owns four Illinois hospitals and related facilities. The System continues to own a noncontrolling 49% membership interest (Note 6) and manages Adventist Midwest Health, Inc. In January 2023, the System and UCMC contributed an aggregate $150,000 to Adventist Midwest Health, Inc. to fund additional working capital needs, of which the System contributed $73,500.

Colorado Market Changes

In February 2023, the System and CommonSpirit Health (Sponsors) announced plans to end their joint operating agreement whereby Centura Health Corporation (Centura), a co-owned management company, managed the Sponsors' healthcare facilities in Colorado and Western Kansas (the Disaffiliation). The Disaffiliation was effective July 31, 2023. Following the Disaffiliation, the System operates its five hospitals and certain related healthcare facilities in Colorado and continues to control and consolidate those facilities. In accordance with the Disaffiliation, on August 1, 2023, the System received a payment from CommonSpirit of $46,327 in exchange for its membership interest in Centura. In connection with the Disaffiliation, effective July 31, 2024, the System withdrew its membership interest in another Centura related joint venture in exchange for a payment from CommonSpirit and related entities of $68,750. The Disaffiliation and the subsequent withdrawal of its membership interest in the related joint venture did not have a material impact on the System's consolidated financial statements.

Divestiture

In March 2023, the System sold its two skilled nursing facilities in Texas and Kansas. Net cash consideration of $15,426 was received by the System for the sale and the net carrying amount of the assets and liabilities sold, totaling $9,517, was deconsolidated. The resulting gain of $5,909 was recognized within other revenue in accompanying consolidated statement of operations and changes in net assets for the year ended December 31, 2023.

In June 2023, the System sold its remaining skilled nursing facilities in Florida. Net cash consideration of $145,740 was received for the sale and the net carrying amount of the assets and liabilities sold, totaling $100,363, was deconsolidated. The resulting gain of $45,377 was recognized as other revenue in the accompanying consolidated statement of operations and changes in net assets for the year ended December 31, 2023. In connection with the sale, the System exercised its right to terminate a lease for a skilled nursing facility operated in Florida, recognizing a loss on disposal of the associated leasehold improvements and equipment. The loss on disposal along with other related transaction costs totaled $18,393 and were recognized as other expense in the accompanying consolidated statement of operations and changes in net assets for the year ended December 31, 2023.

3. Investments and Assets Whose Use is Limited

The System's investment portfolio includes allocations to effect a diversified multi-asset strategy designed to achieve balanced risk contributions across asset classes. This strategy, by design, results in lower standalone risk exposure through its public market asset holdings. As such, to achieve the System's targeted risk-adjusted return profile, derivative instruments are used to increase the portfolio's notional exposure to align with the System's overall risk target. Derivatives are used in a systematic manner, adjusted based on market conditions, asset class volatility, and liquidity considerations, to manage risk and use capital efficiently.

The System holds investments in alternative investments, such as commingled and hedge funds, that utilize similar diversified multi-asset strategies. Commingled funds provide the System with information around the fund's investment strategy, exposure information, and underlying investment holding detail, while hedge funds do not provide the underlying investment holding detail. The fair value of these funds is determined using NAV calculated by a third-party administrator. The financial statements of the funds are audited annually by independent auditors. The System's risk is limited to its investment in the fund. Fund redemption terms range from daily to quarterly.

The System also invests in private market funds to gain exposure to private equity, credit, real estate, and infrastructure markets. Private market funds determine fair value using NAV calculated by a third-party administrator and the financial statements of the funds are audited annually by independent auditors. The System's risk is limited to its investment in the fund. Many private market funds held by the System require capital commitments over an initial period of time and capital is returned as monetization events occur, outside of which invested funds generally cannot be redeemed other than through secondary market transactions. Certain other private market funds held by the System have monthly and annual redemption terms. Unfunded commitments related to private market funds were approximately $1,883,000 and $1,283,000 as of December 31, 2024 and 2023, respectively. The System does not presently intend to sell its funds in a secondary market prior to the end of the fund term.

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023 (dollars in thousands)

Investments and assets whose use is limited are composed of the following:

	December 31, 2024	December 31, 2023
Debt securities		
U.S. government agencies and sponsored entities	$ 1,688,376	$ 1,903,447
Foreign government agencies and sponsored entities	1,194	239,776
Corporate bonds	44,640	49,218
Mortgage backed	38,879	145,887
Other asset backed	–	35,057
Short-term investments	224,419	495,490
Accrued interest	19,458	12,725
	2,016,966	2,881,600
Exchange traded and mutual funds		
Domestic equity	1,993,867	642,359
Foreign equity	4,445	7,984
Fixed income	1,511,363	1,024,713
	3,509,675	1,675,056
Investments at NAV		
Hedge funds	1,357,575	1,154,466
Private market funds	1,489,983	403,312
Commingled funds	453,359	368,475
	3,300,917	1,926,253
Cash and cash equivalents – assets whose use is limited	608,048	461,899
	9,435,606	6,944,808
Less: assets whose use is limited	(1,058,675)	(908,504)
Investments	$ 8,376,931	$ 6,036,304

Derivative instruments used in the System's investment portfolio include exchange-traded and over-the-counter contracts that are included in investments in the accompanying balance sheets. Derivative instruments involve counterparty credit risk, which is managed through frequent cash settlement, cash settlement upon dollar thresholds, and the requirement of the counterparty to post collateral for the benefit of the System. Similarly, the System posted collateral totaling $124,633 and $101,317 as of December 31, 2024 and 2023, respectively. Collateral posted by the System is included in either cash and cash equivalents or investments in the accompanying consolidated balance sheets, depending on the type of collateral posted. The System had investment return of $(113,694) and $68,933 related to investment derivatives for the years ended December 31, 2024 and 2023, respectively.

Derivative instruments consist of the following:

	December 31, 2024		
	Notional	Fair Value	
		Assets	Liabilities
Total return swaps	$ 1,923,110	$ 30,488	$ 7,839
Futures	5,223,530	–	–
Total derivate instruments	$ 7,146,640	$ 30,488	$ 7,839

For the years ended December 31, 2024 and 2023 (dollars in thousands)

	December 31, 2023		
	Notional	Fair Value	
		Assets	Liabilities
Options	$ 63	$ 216	$ 729
Interest rate swaps	38,478	17,178	10,422
Futures	4,423,116	–	–
Foreign currency exchange contracts	270,560	1,646	3,655
Total derivate instruments	$ 4,732,217	$ 19,040	$ 14,806

Assets Whose Use is Limited

Assets whose use is limited includes investments held under trust agreements for settling payments under the professional and general liability program and internally designated investments for employee retirement plans. Amounts to be used for the payment of current liabilities are classified as current assets.

A summary of the major limitations as to the use of assets whose use is limited consists of the following:

	December 31,	
	2024	2023
Self-insurance trust funds	$ 406,870	$ 435,627
Employee benefits funds	293,502	260,148
Other	358,303	212,729
	1,058,675	908,504
Less: amounts to pay current liabilities	(640,309)	(473,224)
	$ 418,366	$ 435,280

Investment Return and Unrealized Gains and Losses

Investment return from cash and cash equivalents, investments, and certain assets whose use is limited in the accompanying consolidated statements of operations and changes in net assets consisted of the following:

	Year Ended December 31,	
	2024	2023
Interest and dividend income	$ 281,894	$ 164,720
Net realized gains (losses)	141,304	(87,648)
Net change in unrealized gains and losses	(8,559)	451,563
	$ 414,639	$ 528,635

4. Liquidity and Available Resources

The System's primary cash requirements consist of paying operating expenses, servicing debt, incurring capital expenditures related to the expansion and renovation of existing facilities, and acquisitions. Cash in excess of near-term working capital needs is invested as described in Notes 1 and 3. Primary cash sources are cash flows from operating and investing activities. Additionally, the System has access to public and private debt markets and maintains a revolving credit agreement and commercial paper program, as described in Note 8.

For the years ended December 31, 2024 and 2023 (dollars in thousands)

The System had 224 and 203 adjusted days cash and investments on hand at December 31, 2024 and 2023, respectively. Days cash and investments on hand is calculated as unrestricted cash and cash equivalents, investments, and due to brokers, net, divided by daily operating expenses (excluding depreciation and amortization expense). An adjustment was made for same store activity to remove the daily operating expenses of the skilled nursing facilities that were divested during the first and second quarter of 2023 (Note 2).

Unrestricted cash and cash equivalents, investments, and due to brokers, net consist of the following:

	December 31, 2024	2023
Cash and cash equivalents	$ 1,970,963	$ 2,230,710
Investments	8,376,931	6,036,304
Due to brokers, net	(164,394)	(30,019)
	$10,183,500	$ 8,236,995
Adjusted unrestricted days cash and investments on hand	224	203

The System's financial assets also consist of patient accounts receivable totaling $1,432,031 and $1,370,051 as of December 31, 2024 and 2023, respectively. Other receivables, totaling $1,089,550 and $863,183 as of December 31, 2024 and 2023, respectively, are primarily composed of the notes associated with the System's sale of patient accounts receivable, which is more fully described in Note 1. The System's financial assets are available as its general expenditures, liabilities, and other obligations come due.

5. Property and Equipment

Property and equipment consist of the following:

	December 31, 2024	2023
Land and improvements	$ 1,173,567	$ 1,072,127
Buildings and improvements	7,719,888	7,192,977
Equipment	7,847,616	7,270,863
	16,741,071	15,535,967
Less: accumulated depreciation	(8,281,224)	(7,654,091)
	8,459,847	7,881,876
Construction in progress	958,415	751,831
	$ 9,418,262	$ 8,633,707

Certain hospitals have entered into construction contracts or other commitments for which costs have been incurred and included in construction in progress. These and other committed projects will be financed through operations and proceeds of borrowings. The estimated costs to complete these projects approximated $580,086 at December 31, 2024.

For the years ended December 31, 2024 and 2023 (dollars in thousands)

The System capitalizes the cost of acquired software for internal use. Any internal costs incurred in the process of developing and implementing software are expensed or capitalized, depending primarily on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage. Capitalized software costs and estimated amortization expense in the table below exclude software in progress of approximately $22,900 and $43,200 at December 31, 2024 and 2023, respectively. Capitalized software costs and accumulated amortization expense, which are included in property and equipment in the accompanying consolidated balance sheets, were as follows:

	December 31, 2024	2023
Capitalized software costs	$ 664,822	$ 666,523
Less: accumulated amortization	(349,550)	(347,434)
Capitalized software costs, net	$ 315,272	$ 319,089

Estimated amortization expense related to capitalized software costs for the next five years and thereafter is as follows:

2025	$ 40,104
2026	35,260
2027	23,861
2028	23,277
2029	23,263
Thereafter	169,507

During periods of construction and periods of developing software, interest costs are capitalized. Interest capitalized approximated $14,600 and $8,400 for the years ended December 31, 2024 and 2023, respectively.

6. Other Assets

Other assets consist of the following:

	December 31, 2024	2023
Investments in unconsolidated entities	$ 1,081,681	$ 1,033,291
Goodwill	475,129	539,722
Interests in net assets of unconsolidated foundations	74,133	62,534
Notes and other receivables	56,786	71,500
Other noncurrent assets	93,982	63,417
	$ 1,781,711	$ 1,770,464

For the years ended December 31, 2024 and 2023 (dollars in thousands)

The System's ownership interest and carrying amounts of investments in unconsolidated entities consist of the following:

	Ownership Interest	December 31, 2024	2023
Health First, Inc.	27%	$ 405,330	$ 363,010
Adventist Midwest Health, Inc.	49%	317,106	320,076
Texas Health Huguley, Inc.	49%	235,711	213,155
Other	5% – 70%	123,534	137,050
		$1,081,681	$1,033,291

While the System holds a greater than 50% ownership interest in certain other entities, it does not have a controlling financial interest in these entities through board representation or a majority voting interest and therefore accounts for them as equity method investments.

Income or loss from unconsolidated entities totaled $102,919 and $30,990 for the years ended December 31, 2024 and 2023, respectively, and is included in other operating revenue in the accompanying consolidated statements of operations and changes in net assets.

On January 3, 2020, the System acquired a noncontrolling interest in Health First, Inc. (Health First). Health First is a community based not-for-profit healthcare system located in Brevard County, Florida and includes hospitals, insurance plans, a multi-specialty medical group, and outpatient and wellness services. The total consideration for the 27% noncontrolling interest acquired was $350,000. The System paid $125,000 at closing and a second payment of $125,000 was made in June 2021. The final payment of $100,000 was made in June 2023.

7. Leases

The System's leases primarily consist of real estate and medical equipment. The System determines whether an arrangement is a lease at contract inception. Lease assets and lease liabilities are recognized based on the present value of the lease payments over the lease term at the commencement date. Because most of the System's leases do not provide an implicit rate of return, the System uses a risk-free rate based on the daily treasury yield curve at lease commencement in determining the present value of lease payments. Lease assets exclude lease incentives received.

Most leases include one or more options to renew, with renewal terms that can extend the lease term from two months to thirty years. The exercise of such lease renewal options is at the System's sole discretion. For purposes of calculating lease liabilities, lease terms include options to extend or terminate the lease when it is reasonably certain that the System will exercise that option. Certain leases also include options to purchase the leased asset. The depreciable life of assets and leasehold improvements is limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise. Leasehold improvements associated with lease agreements between the System's controlled affiliates are amortized over their useful life.

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023 (dollars in thousands)

The System does not separate lease and non-lease components except for certain medical equipment leases. Leases with a lease term of 12 months or less at commencement are not recorded on the consolidated balance sheets. Lease expense for these arrangements is recognized on a straight-line basis over the lease term.

Operating and finance leases consist of the following:

	December 31, 2024	December 31, 2023
Operating Leases		
Operating lease assets	$ 358,343	$ 372,081
Other current liabilities	$ 73,159	$ 66,807
Operating lease liabilities, net of current portion	328,336	341,893
Total operating lease liabilities	$ 401,495	$ 408,700
Finance Leases		
Property and equipment	$ 34,273	$ 29,326
Current maturities of long-term debt	$ 19,799	$ 9,955
Long-term debt, net of current maturities	9,593	16,132
Total finance lease liabilities	$ 29,392	$ 26,087

Lease expense for lease payments is recognized on a straight-line basis over the lease term. The components of lease expense were as follows:

	December 31, 2024	December 31, 2023
Operating lease expense	$ 133,134	$ 122,386
Variable lease expense	33,023	33,074
Short-term lease expense	20,532	18,117
Finance lease expense		
Amortization of lease assets	8,062	9,418
Interest on lease liabilities	740	902
Total lease expense	$ 195,491	$ 183,897

Lease term and discount rate were as follows:

	December 31, 2024	December 31, 2023
Weighted average remaining lease term:		
Operating leases	9.4 years	10.0 years
Finance leases	7.2 years	9.3 years
Weighted average discount rate:		
Operating leases	3.4%	3.0%
Finance leases	3.9%	3.1%

For the years ended December 31, 2024 and 2023 (dollars in thousands)

The following table summarizes the maturity of lease liabilities under finance and operating leases for the next five years and the years thereafter, as of December 31, 2024:

	Operating Leases	Finance Leases	Total
2025	$ 90,839	$ 19,767	$ 110,606
2026	73,535	2,980	76,515
2027	64,121	2,482	66,603
2028	53,907	1,199	55,106
2029	37,162	600	37,762
Thereafter	167,185	4,500	171,685
Total lease payments	486,749	31,528	$ 518,277
Less: imputed interest	(85,254)	(2,136)	
Total lease liabilities	$ 401,495	$ 29,392	

Supplemental cash flow information related to leases was as follows:

	December 31, 2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 105,754	$ 98,100
Operating cash flows from finance leases	807	1,007
Financing cash flows from finance leases	10,167	9,396
Lease assets obtained in exchange for new operating lease liabilities	83,761	128,302
Lease assets obtained in exchange for new finance lease liabilities	19,327	15,799

8. Debt Obligations

Long-term debt consisted of the following:

	December 31, 2024	2023
Fixed-rate hospital revenue bonds, interest rates from 2.15% to 5.00%, payable through 2059	$ 3,317,391	$ 3,202,185
Other notes payable	4,786	6,414
Finance leases payable	29,392	26,087
Unamortized original issue premium, net	226,460	235,774
Deferred financing costs	(21,056)	(19,766)
	3,556,973	3,450,694
Less: current maturities	(78,791)	(79,839)
	$ 3,478,182	$ 3,370,855

Master Trust Indenture

Long-term debt has been issued primarily on a tax-exempt basis. Substantially all bonds are secured under a Master Trust Indenture (MTI), which provides for, among other things, the deposit of revenue with the master trustee in the event of certain defaults, pledges of accounts receivable, pledges not to encumber property, and limitations on additional borrowings. Certain affiliates controlled by Healthcare Corporation comprise the AdventHealth Obligated Group (Obligated Group). Members of the Obligated Group are jointly and severally liable under the MTI to make

all payments required with respect to obligations under the MTI. The MTI requires certain covenants and reporting requirements be met by the System and the Obligated Group. At December 31, 2024 and 2023, the Obligated Group had total net assets of approximately $16,558,000 and $14,086,000, respectively.

Variable-Rate Bonds and Sources of Liquidity

Certain variable-rate bonds, totaling $459,480 and $466,160 as of December 31, 2024 and 2023, respectively, are classified as short-term financings in the accompanying consolidated balance sheets, and may be put to the System at the option of the bondholder. The variable-rate bond indentures generally provide the System the option to remarket the obligations at the then prevailing market rates for periods ranging from one day to the maturity dates. The obligations have been primarily marketed for seven-day periods during 2024, with annual interest rates ranging from 1.81% to 4.82%. Additionally, the System paid fees, such as remarketing fees, on variable-rate bonds during 2024.

The System has various sources of liquidity, including a $750,000 revolving credit agreement (Revolving Note) with a syndicate of banks and a $500,000 commercial paper program (CP Program). The Revolving Note which expires in October 2027, is available for letters of credit, liquidity facilities, and general corporate needs, including working capital, capital expenditures, and acquisitions and has certain prime rate and Secured Overnight Financing Rate-based pricing options. As of December 31, 2024, no amounts were outstanding under the Revolving Note. As of December 31, 2023, $100,000 was outstanding under the Revolving Note. At December 31, 2024 and 2023, the System had $3,500 committed letters of credit under the Revolving Note. The System's CP Program allows for up to $500,000 of taxable, commercial paper notes (CP Notes) to be issued for general corporate purposes at an interest rate to be determined at the time of issuance. No amounts were outstanding under the CP Program as of December 31, 2024 or 2023. Subsequent to December 31, 2024, the System made a draw of $250,000 on the CP Program.

2024 Debt Transactions

During 2024, the System issued $185,495 of tax-exempt, fixed-rate put bonds at a premium with a final maturity date of 2059 and a stated interest rate of 5.00%. The System also issued $71,365 of tax-exempt, fixed-rate serial bonds at a premium with maturity dates of 2029, 2034, and 2039 and a stated interest rate of 5.00%. The bond proceeds were used for reimbursement of prior capital expenditures and to refund a portion of previously issued bonds. There were immaterial impacts to the financial statements as a result of the early extinguishment of debt. In June 2024, the System repaid the $100,000 Revolving Note that was outstanding as of December 31, 2023.

2023 Debt Transactions

As of December 31, 2022, $152,721 was outstanding under the CP Program. During 2023, the System made draws and repayments under the CP Program, which resulted in an overall repayment of amounts outstanding under the CP Program. The draws on the CP Program during the year had interest rates ranging from 4.92% to 5.35% and were used to finance certain costs of the acquisition, construction, and equipping of certain facilities. No amounts were outstanding under the CP Program as of December 31, 2023.

In July 2023, the System issued $227,075 of tax-exempt, fixed-rate put bonds at a premium with final maturity dates of 2057 and 2058 and a stated interest rate of 5.00%. The System used the bond proceeds for reimbursement of prior capital expenditures and acquisitions, some of which had been previously financed under the CP Program. In August 2023, the System issued $58,210 of tax-exempt, fixed-rate bonds at a premium with a final maturity date of 2036 and a stated interest rate of 5.00%. The

For the years ended December 31, 2024 and 2023 (dollars in thousands)

System used the proceeds from the August 2023 bond issuance to refund a portion of previously issued put bonds which had a mandatory tender date in November 2023. There were immaterial impacts to the financial statements as a result of the early extinguishment of debt. As of December 31, 2023, the System had $100,000 outstanding under the Revolving Note, which is classified as short-term financings in the accompanying consolidated balance sheet.

Debt Maturities

The following represents the maturities of long-term debt, excluding finance leases disclosed in Note 7, for the next five years and the years thereafter:

2025	$ 58,992
2026	80,401
2027	77,734
2028	83,481
2029	66,624
Thereafter	2,954,945

Cash paid for interest, net of amounts capitalized, approximated $139,000 and $133,000 during the years ended December 31, 2024 and 2023, respectively.

9. Retirement Plans

Defined Contribution Plans

The System participates with other Seventh-day Adventist healthcare entities in a defined contribution retirement plan (Plan) that covers substantially all full-time employees who are at least 18 years of age. The Plan is exempt from the Employee Retirement Income Security Act of 1974 (ERISA). The Plan provides, among other things, that the employer contribute 2.6% of wages, plus additional amounts for highly compensated employees. Additionally, the Plan provides that the employer match 50% of an employee's contributions up to 4% of the contributing employee's wages, resulting in a maximum available match of 2% of the contributing employee's wages each year.

Contributions to the Plan are included in employee compensation in the accompanying consolidated statements of operations and changes in net assets in the amount of $257,548 and $230,858 for the years ended December 31, 2024 and 2023, respectively.

Defined Benefit Plan – Multiemployer Plan

Prior to January 1, 1992, certain of the System's entities participated in a multiemployer, noncontributory, defined benefit retirement plan, the Seventh-day Adventist Hospital Retirement Plan Trust (Old Plan) sponsored and administered by the North American Division of the General Conference of Seventh-day Adventists that is exempt from ERISA. The employer identification number of the Old Plan is 52-2000393. The risks of participating in multiemployer plans are different from single-employer plans in that: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (c) if an entity chooses to stop participating in the multiemployer plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as withdrawal liability.

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During 1992, the Old Plan was frozen, and the Plan was established. The System, along with the other participants in the Old Plan, may be required to make contributions to the Old Plan to fund any difference between the present value of the Old Plan benefits and the fair value of the Old Plan assets. During 2024, the administrators of the Old Plan notified the System of a required contribution of approximately $16,000, which was funded by the System in July 2024. The System was not required to and did not make any contributions to the Old Plan for the year ended December 31, 2023.

Based on the most recently available unaudited estimate of the Old Plan's funding shortfall, future funding requirements are probable but have not been requested by the Old Plan administrators. Management believes the impact of any such future funding requirements will not have a material adverse effect on the System's consolidated financial statements.

The most recent available plan assets and actuarially determined benefit obligation for the Old Plan, which includes all participating employers, is as of January 1, 2024, and is as follows:

Total plan assets	$ 328,334
Actuarial present value of accumulated plan benefits (unaudited)	688,585
Funded status (unaudited)	48%

Defined Benefit Plan – Frozen Pension Plans

Certain of the System's entities sponsored noncontributory, defined benefit pension plans (Pension Plans) that have been frozen such that no new benefits accrue. The following table sets forth the remaining combined projected and accumulated benefit obligations and the assets of the Pension Plans at December 31, 2024 and 2023, the components of net periodic pension cost for the years then ended, and a reconciliation of the amounts recognized in the accompanying consolidated financial statements:

	Year Ended December 31, 2024	2023
Accumulated benefit obligation, end of year	$ 94,600	$ 102,418
Change in projected benefit obligation:		
Projected benefit obligation, beginning of year	$ 102,418	$ 101,229
Interest cost	5,187	5,559
Benefits paid	(8,209)	(8,914)
Actuarial (gains) losses	(4,796)	4,544
Projected benefit obligation, end of year	94,600	102,418
Change in plan assets:		
Fair value of plan assets, beginning of year	92,064	92,763
Actual return on plan assets	(416)	8,215
Employer contributions	9,034	-
Benefits paid	(8,209)	(8,914)
Fair value of plan assets, end of year	92,473	92,064
Deficiency of fair value of plan assets over projected benefit obligation, included in other noncurrent liabilities	$ (2,127)	$ (10,354)

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No plan assets are expected to be returned to the System during the fiscal year ended December 31, 2025.

Included in net assets without donor restrictions at December 31, 2024 and 2023 are unrecognized actuarial losses of $16,448 and $16,595, respectively, which have not yet been recognized in net periodic pension cost.

Changes in plan assets and benefit obligations recognized in net assets without donor restrictions include:

	Year Ended December 31, 2024	2023
Net actuarial losses	$ (117)	$ (795)
Amortization of net actuarial losses	264	268
Increase (decrease) in net assets without donor restrictions	$ 147	$ (527)

The components of net periodic pension cost were as follows:

	Year Ended December 31, 2024	2023
Interest cost	$ 5,187	$ 5,559
Expected return on plan assets	(4,497)	(4,466)
Recognized net actuarial losses	264	268
Net periodic pension cost	$ 954	$ 1,361

The assumptions used to determine the benefit obligation and net periodic pension cost for the Pension Plans are set forth below:

	Year Ended December 31, 2024	2023
Used to determine projected benefit obligation		
Weighted average discount rate	5.75%	5.25%
Used to determine pension cost		
Weighted average discount rate	5.25%	5.65%
Weighted average expected long-term rate of return on plan assets	5.00%	5.00%

The Pension Plans' assets are invested in a portfolio designed to protect principal and obtain competitive investment returns and long-term investment growth, consistent with actuarial assumptions, with a reasonable and prudent level of risk. The Pension Plans' assets are managed solely in the interest of the participants and their beneficiaries. Diversification is achieved by allocating funds to various asset classes and investment styles and by retaining multiple investment managers with complementary styles, philosophies, and approaches.

During 2024, the weighted average discount rate, which is determined using a cash flow matching approach, increased to 5.75%, resulting in an actuarial gain of $4,607. The expected long-term rate of return on the Pension Plans' assets is based on historical and projected rates of return for current and planned asset categories and the

For the years ended December 31, 2024 and 2023 (dollars in thousands)

target allocation in the investment portfolio. As of December 31, 2024, the target investment allocation for the Pension Plans was 100% debt securities. As of December 31, 2023, the target investment allocation for the Pension Plans was 70% debt securities and 30% equity securities.

The following table presents the Pension Plans' financial instruments as of December 31, 2024, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 12:

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 1,700	$ 1,700	$ –	$ –
Debt securities				
U.S. government agencies and sponsored entities	5,180	–	5,180	–
Corporate bonds	85,593	–	85,593	–
Total plan assets	$ 92,473	$ 1,700	$ 90,773	$ –

The following table presents the Pension Plans' financial instruments as of December 31, 2023 measured at fair value on a recurring basis by the valuation hierarchy defined in Note 12:

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 2,196	$ 2,196	$ –	$ –
Debt securities				
U.S. government agencies and sponsored entities	2,829	–	2,829	–
Corporate bonds	59,781	–	59,781	–
Equity securities				
Domestic equities	2,856	2,856	–	–
Foreign equities	1,494	1,494	–	–
Exchange traded funds				
Domestic equity	18,416	18,416	–	–
Foreign equity	4,492	4,492	–	–
Total plan assets	$ 92,064	$ 29,454	$ 62,610	$ –

The following represents the expected benefit plan payments for the next five years and the five years thereafter:

2025	$ 7,232
2026	7,356
2027	7,513
2028	7,565
2029	7,603
2030-2034	37,171

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023 (dollars in thousands)

10. General and Professional Liability Program

The System maintains a self-insured revocable trust that covers its subsidiaries and their respective employees for professional and general liability claims within a specified level. A self-insured retention of $15,000 was established for the year ended December 31, 2003 and was increased to $20,000 effective April 1, 2020. Claims above the self-insured retention are insured by claims-made coverage issued by Adhealth Limited (Adhealth), a Bermuda-domiciled captive insurance company. Adhealth has purchased reinsurance through commercial insurers for the excess limits of coverage.

The professional and general liability trust funds are recorded in the accompanying consolidated balance sheets as assets whose use is limited in the amount of $406,870 and $435,627 at December 31, 2024 and 2023, respectively. The related accrued claims are recorded in the accompanying consolidated balance sheets as other current liabilities in the amount of $119,671 and $116,225 and as other noncurrent liabilities in the amount of $411,326 and $395,366 at December 31, 2024 and 2023, respectively. These liabilities are based upon actuarially determined estimates using a discount rate of 3.75% at December 31, 2024 and 2023. The related estimated insurance recoveries are recorded as other assets in the amount of $10,799 and $9,486 in the accompanying consolidated balance sheets at December 31, 2024 and 2023, respectively.

11. Commitments and Contingencies

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. There is significant government activity within the healthcare industry with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Compliance with such laws and regulations can be subject to future review and interpretation, as well as regulatory actions unknown or unasserted at this time. Management assesses the probable outcome of unresolved litigation and investigations and records contingent liabilities reflecting estimated liability exposure.

In addition, certain of the System's affiliated organizations are involved in litigation and other regulatory investigations arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters will be resolved without material adverse effect to the System's consolidated financial statements, taken as a whole.

12. Fair Value Measurements

The System categorizes, for disclosure purposes, assets and liabilities measured at fair value, on a recurring basis, into a three-tier fair value hierarchy. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement, which should be determined based on assumptions that would be made by market participants.

In accordance with ASC 820, investments that are valued using NAV as a practical expedient are excluded from this three-tier hierarchy. For all other investments measured at fair value, the hierarchy prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Level inputs are defined as follows:

Level 1 – based on unadjusted quoted prices for identical assets or liabilities in an active market that the System has the ability to access.

Level 2 – based on pricing inputs that are either directly observable or that can be derived or supported from observable data as of the reporting date. Level 2 inputs may include quoted prices for similar assets or liabilities in non-active markets or pricing models whose inputs are observable for substantially the full term of the asset or liability.

Level 3 – based on prices or valuation techniques that require inputs that are both significant to the fair value of the financial asset or liability and are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. The System has no financial assets or financial liabilities with significant Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023 (dollars in thousands)

Recurring Fair Value Measurements

The fair value of financial instruments measured at fair value on a recurring basis at December 31, 2024 was as follows:

	Total	Level 1	Level 2	Level 3
ASSETS				
Cash and cash equivalents	$ 1,970,963	$ 1,224,543	$ 746,420	$ –
Investments and assets whose use is limited cash and cash equivalents	608,048	608,048	–	–
Debt securities				
U.S. government agencies and sponsored entities	1,688,376	–	1,688,376	–
Foreign government agencies and sponsored entities	1,194	–	1,194	–
Corporate bonds	44,640	–	44,640	–
Mortgage backed	38,879	–	38,879	–
Short-term investments	224,419	–	224,419	–
Exchange traded and mutual funds				
Domestic equity	1,993,867	1,993,867	–	–
Foreign equity	4,445	4,445	–	–
Fixed income	1,511,363	1,511,363	–	–
	6,115,231	4,117,723	1,997,508	–
Total	$ 8,086,194	$ 5,342,266	$ 2,743,928	$ –

For the years ended December 31, 2024 and 2023 (dollars in thousands)

The fair value of financial instruments measured at fair value on a recurring basis at December 31, 2023 was as follows:

	Total	Level 1	Level 2	Level 3
ASSETS				
Cash and cash equivalents	$ 2,230,710	$ 1,721,376	$ 509,334	$ –
Investments and assets whose use is limited cash and cash equivalents	461,899	461,899	–	–
Debt securities				
U.S. government agencies and sponsored entities	1,903,447	–	1,903,447	–
Foreign government agencies and sponsored entities	239,776	–	239,776	–
Corporate bonds	49,218	–	49,218	–
Mortgage backed	145,887	–	145,887	–
Other asset backed	35,057	–	35,057	–
Short-term investments	495,490	–	495,490	–
Exchange traded and mutual funds				
Domestic equity	642,359	642,359	–	–
Foreign equity	7,984	7,984	–	–
Fixed income	1,024,713	1,024,713	–	–
	5,005,830	2,136,955	2,868,875	–
Total	$ 7,236,540	$ 3,858,331	$3,378,209	$ –

For the years ended December 31, 2024 and 2023 (dollars in thousands)

The following tables represent a reconciliation of financial instruments at fair value to the accompanying consolidated balance sheets as follows:

	December 31, 2024	2023
Investments and assets whose use is limited measured at fair value	$ 6,115,231	$ 5,005,830
Hedge funds	1,357,575	1,154,466
Private market funds	1,489,983	403,312
Commingled funds	453,359	368,475
Accrued interest	19,458	12,725
Total	$ 9,435,606	$ 6,944,808
Investments	$ 8,376,931	$ 6,036,304
Assets whose use is limited:		
Current	640,309	473,224
Noncurrent	418,366	435,280
Total	$ 9,435,606	$ 6,944,808

The fair values of the securities included in Level 1 were determined through quoted market prices. The fair values of Level 2 financial assets were determined as follows:

Cash equivalents, U.S. and foreign government agencies and sponsored entities, corporate bonds, mortgage backed, other asset backed, and short-term investments – These Level 2 securities were valued through the use of third-party pricing services that use evaluated bid prices adjusted for specific bond characteristics and market sentiment.

13. Functional Expenses

The System's resources and activities are primarily related to providing healthcare services. Corporate services include certain administration, finance and accounting, human resources, legal, information technology, and other functions.

Expenses by functional classification for the year ended December 31, 2024 consist of the following:

	Healthcare Services	Corporate Services	Total
Employee compensation	$ 8,956,892	$ 601,665	$ 9,558,557
Purchased services and professional fees	2,178,351	271,397	2,449,748
Supplies	2,919,316	4,467	2,923,783
Other	2,424,871	151,220	2,576,091
Total	$ 16,479,430	$ 1,028,749	$ 17,508,179

For the years ended December 31, 2024 and 2023 (dollars in thousands)

Expenses by functional classification for the year ended December 31, 2023 consist of the following:

	Healthcare Services	Corporate Services	Total
Employee compensation	$ 8,080,578	$ 528,175	$ 8,608,753
Purchased services and professional fees	1,975,997	296,346	2,272,343
Supplies	2,565,918	3,868	2,569,786
Other	2,184,720	133,628	2,318,348
Total	$ 14,807,213	$ 962,017	$ 15,769,230

14. Subsequent Events

The System evaluated events and transactions occurring subsequent to December 31, 2024 through February 27, 2025, the date the accompanying consolidated financial statements were issued. During this period, there were no subsequent events that required recognition in the accompanying consolidated financial statements. Nonrecognized subsequent events that required disclosure include the activity related to FEMA grant funding discussed in Note 1, Florida market changes discussed in Note 2, and the CP Program draw discussed in Note 8. There were no additional nonrecognized subsequent events that required disclosure.

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023 (dollars in thousands)

15. Fourth Quarter Results of Operations (Unaudited)

The System's operating results for the three months ended December 31, 2024 are presented below. These results include the recognition of $342,126 of FEMA funding in other operating revenue as discussed in Note 1.

Revenue	
Net patient service revenue	$ 4,871,155
Other (Note 1)	591,175
Total operating revenue	5,462,330
Expenses	
Employee compensation	2,424,742
Supplies	780,023
Purchased services	381,524
Professional fees	281,940
Other	442,761
Interest	28,390
Depreciation and amortization	220,537
Total operating expenses	4,559,917
Income from Operations	902,413
Nonoperating Gains (Losses)	
Investment return	(268,799)
Contribution from business combination	21,695
Total nonoperating losses, net	(247,104)
Excess of revenue and gains over expenses and losses	655,309
Noncontrolling interests	499
Excess of Revenue and Gains over Expenses and Losses Attributable to Controlling Interest	655,808
Other changes in net assets without donor restrictions, net	21,619
Decrease in net assets with donor restrictions, net	(14,830)
Increase in Net Assets	$ 662,597

Report of Independent Auditors

The Board of Directors
Adventist Health System Sunbelt Healthcare Corporation
d/b/a AdventHealth

Opinion

We have audited the consolidated financial statements of Adventist Health System Sunbelt Healthcare Corporation (the System), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the System at December 31, 2024 and 2023, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

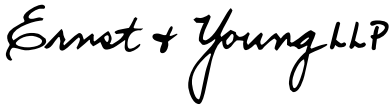
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Report of Independent Auditors

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



February 27, 2025

AdventHealth

Consolidated Interim Financial Statements

(Unaudited)

June 30, 2025

Table of Contents

AdventHealth
Consolidated Balance Sheets
(dollars in thousands)

	(Unaudited) June 30, 2025	December 31, 2024
ASSETS		
Current Assets		
Cash and cash equivalents	$ 2,533,886	$ 1,970,963
Investments	9,317,402	8,376,931
Current portion of assets whose use is limited	469,669	640,309
Patient accounts receivable	1,814,330	1,432,031
Due from brokers	114,611	242,052
Estimated settlements from third parties	292,715	554,249
Other receivables	976,863	1,089,550
Inventories	426,591	413,758
Prepaid expenses and other current assets	315,109	225,843
	16,261,176	14,945,686
Property and Equipment	10,137,697	9,418,262
Operating Lease Assets	469,733	358,343
Assets Whose Use Is Limited, net of current portion	386,371	418,366
Other Assets	2,112,320	1,781,711
	$ 29,367,297	$ 26,922,368
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	$ 2,547,770	$ 2,457,607
Estimated settlements to third parties	254,198	241,696
Due to brokers	114,333	406,446
Other current liabilities	1,029,712	881,617
Short-term financings	459,886	459,480
Current maturities of long-term debt	82,274	78,791
	4,488,173	4,525,637
Long-Term Debt, net of current maturities	3,707,467	3,478,182
Operating Lease Liabilities, net of current portion	432,456	328,336
Other Noncurrent Liabilities	757,221	727,600
	9,385,317	9,059,755
Net Assets		
Net assets without donor restrictions	19,675,999	17,559,453
Net assets with donor restrictions	255,228	251,056
	19,931,227	17,810,509
Noncontrolling interests	50,753	52,104
	19,981,980	17,862,613
Commitments and Contingencies		
	$ 29,367,297	$ 26,922,368

The accompanying notes are an integral part of these consolidated financial statements.

AdventHealth
Consolidated Statements of Operations and Changes in Net Assets
(dollars in thousands)

	(Unaudited) Three Months Ended June 30, 2025	2024
Revenue		
Net patient service revenue	$ 5,260,220	$ 4,614,903
Other	343,434	206,329
Total operating revenue	5,603,654	4,821,232
Expenses		
Employee compensation	2,644,623	2,373,317
Supplies	859,190	720,944
Purchased services	383,472	321,676
Professional fees	346,392	277,919
Other	450,110	416,503
Interest	26,475	28,006
Depreciation and amortization	235,998	215,002
Total operating expenses	4,946,260	4,353,367
Income from Operations	657,394	467,865
Nonoperating Gains		
Investment return	127,572	80,556
(Loss) gain on extinguishment of debt	(283)	1,394
Total nonoperating gains	127,289	81,950
Excess of revenue and gains over expenses	784,683	549,815
Noncontrolling interests	(540)	(980)
Excess of Revenue and Gains over Expenses Attributable to Controlling Interest	784,143	548,835

Continued on following page.

AdventHealth
Consolidated Statements of Operations and Changes in Net Assets (continued)
(dollars in thousands)

	(Unaudited) Three Months Ended June 30, 2025	2024
CONTROLLING INTEREST		
Net Assets Without Donor Restrictions		
Excess of revenue and gains over expenses	$ 784,143	$ 548,835
Net assets released from restrictions for purchase of property and equipment	1,663	2,306
Change in unrealized gains and losses on investments	753	(446)
Other	949	(7,991)
Increase in net assets without donor restrictions	787,508	542,704
Net Assets With Donor Restrictions		
Contributions	5,787	8,591
Net assets released from restrictions for purchase of property and equipment or use in operations	(4,228)	(4,388)
Investment return	2,044	717
Other	(574)	9,562
Increase in net assets with donor restrictions	3,029	14,482
NONCONTROLLING INTERESTS		
Net Assets Without Donor Restrictions		
Excess of revenue and gains over expenses	540	980
Distributions	(238)	(168)
Other	(2,830)	55
(Decrease) increase in noncontrolling interests	(2,528)	867
Increase in Net Assets	788,009	558,053
Net assets, beginning of period	19,193,971	15,572,508
Net assets, end of period	$ 19,981,980	$ 16,130,561

The accompanying notes are an integral part of these consolidated financial statements.

AdventHealth
Consolidated Statements of Operations and Changes in Net Assets
(dollars in thousands)

	(Unaudited) Six Months Ended June 30, 2025	2024
Revenue		
Net patient service revenue	$ 10,356,416	$ 8,947,081
Other	978,279	399,203
Total operating revenue	11,334,695	9,346,284
Expenses		
Employee compensation	5,231,246	4,726,895
Supplies	1,688,616	1,419,900
Purchased services	724,481	631,210
Professional fees	669,967	544,165
Other	884,769	744,765
Interest	53,949	54,375
Depreciation and amortization	460,463	415,669
Total operating expenses	9,713,491	8,536,979
Income from operations	1,621,204	809,305
Nonoperating Gains		
Investment return	487,581	222,884
(Loss) gain on extinguishment of debt	(283)	1,394
Total nonoperating gains	487,298	224,278
Excess of revenue and gains over expenses	2,108,502	1,033,583
Noncontrolling interests	(1,953)	(2,628)
Excess of Revenue and Gains over Expenses Attributable to Controlling Interest	2,106,549	1,030,955

Continued on following page.

AdventHealth
Consolidated Statements of Operations and Changes in Net Assets (continued)
(dollars in thousands)

	(Unaudited) Six Months Ended June 30, 2025	2024
CONTROLLING INTEREST		
Net Assets Without Donor Restrictions		
Excess of revenue and gains over expenses	$ 2,106,549	$ 1,030,955
Net assets released from restrictions for purchase of property and equipment	4,141	3,455
Change in unrealized gains and losses on investments	4,406	(2,271)
Other	1,450	(11,533)
Increase in net assets without donor restrictions	2,116,546	1,020,606
Net Assets With Donor Restrictions		
Contributions	16,432	18,438
Net assets released from restrictions for purchase of property and equipment or use in operations	(8,221)	(8,867)
Investment return	2,201	2,071
Other	(6,240)	14,592
Increase in net assets with donor restrictions	4,172	26,234
NONCONTROLLING INTERESTS		
Net Assets Without Donor Restrictions		
Excess of revenue and gains over expenses	1,953	2,628
Distributions	(462)	(409)
Other	(2,842)	1,042
(Decrease) increase in noncontrolling interests	(1,351)	3,261
Increase in Net Assets	2,119,367	1,050,101
Net assets, beginning of period	17,862,613	15,080,460
Net assets, end of period	$ 19,981,980	$ 16,130,561

The accompanying notes are an integral part of these consolidated financial statements.

AdventHealth
Consolidated Statements of Cash Flows
(dollars in thousands)

	(Unaudited) Six Months Ended June 30, 2025	2024
Operating Activities		
Increase in net assets	$ 2,119,367	$ 1,050,101
Depreciation and amortization	460,463	415,669
Amortization of deferred financing costs and original issue discounts and premiums	(14,692)	(14,725)
(Gain) loss on sale of property and equipment	(1,610)	11
Loss (gain) on extinguishment of debt	283	(1,394)
Net realized and unrealized gains on investments	(295,185)	(143,207)
Unrealized gains on assets whose use is limited	(16,092)	(6,438)
Restricted contributions and investment return	(18,633)	(20,509)
Income from equity-method investments	(47,101)	(54,653)
Distributions from equity-method investments	4,139	4,613
Changes in operating assets and liabilities:		
Patient accounts receivable	(922,022)	(729,090)
Other receivables	10,316	22,787
Other current assets	(80,753)	(132,891)
Other noncurrent assets	(23,969)	50,012
Accounts payable and accrued liabilities	23,433	74,758
Estimated settlements to third parties, net	274,036	255,215
Other current liabilities	127,507	145,519
Other noncurrent liabilities	(7,903)	(33,158)
Net cash provided by operating activities	1,591,584	882,620
Investing Activities		
Purchases of property and equipment, net	(982,535)	(723,607)
Cash paid for acquisitions	(321,567)	—
Sales and maturities of investments	5,667,278	4,070,576
Purchases of investments	(6,312,564)	(5,147,430)
Due from brokers	127,441	(142,366)
Due to brokers	(292,113)	286,403
Sales, maturities, and uses of assets whose use is limited	21,959	235,188
Purchases of and additions to assets whose use is limited	(18,237)	(242,434)
Subsequent cash receipts on sold patient accounts receivable	644,496	623,841
Capital investment in equity-method investments	(20,006)	—
Increase in other assets	—	(765)
Net cash used in investing activities	(1,485,848)	(1,040,594)

Continued on following page.

AdventHealth
Consolidated Statements of Cash Flows (continued)
(dollars in thousands)

	(Unaudited) Six Months Ended June 30, 2025	2024
Financing Activities		
Repayments of long-term borrowings	$ (48,969)	$ (48,133)
Proceeds from issuance of long-term borrowings	273,898	279,110
Payment of deferred financing costs	(1,380)	—
Repayments of short-term borrowings	—	(100,000)
Restricted contributions and investment return	18,633	20,509
Net cash provided by financing activities	242,182	151,486
Increase (Decrease) in Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents	347,918	(6,488)
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of period	2,579,011	2,692,609
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents at End of Period	$ 2,926,929	$ 2,686,121
Supplemental Non-cash Investing and Financing Activities		
Beneficial interest obtained in exchange for patient accounts receivable	$ (542,500)	$ (692,350)
Change in purchases of property and equipment included in accounts payable and accrued liabilities	58,242	13,582
Lease assets obtained in exchange for new operating lease liabilities	139,921	48,211
Lease assets obtained in exchange for new financing lease liabilities	14,782	424

The accompanying notes are an integral part of these consolidated financial statements.

1. Basis of Presentation

Reporting Entity

Adventist Health System Sunbelt Healthcare Corporation d/b/a AdventHealth (Healthcare Corporation) is a not-for-profit healthcare corporation that owns and/or operates hospitals, physician offices, urgent care centers, and other healthcare facilities, and a philanthropic foundation with various informal divisions (collectively referred to herein as the System). The System's 47 affiliated hospitals and related healthcare facilities are controlled through their by-laws, governing board appointments, or operating agreements. The System manages six additional hospitals within noncontrolled joint ventures. These 53 hospitals and the philanthropic foundation operate in 9 states – Colorado, Florida, Georgia, Illinois, Kansas, Kentucky, North Carolina, Texas, and Wisconsin.

AdventHealth Foundation, Inc. (Foundation) is a charitable foundation operated by Healthcare Corporation for the benefit of many of the hospitals that are divisions or controlled affiliates. Healthcare Corporation is the Foundation's member and appoints its board of managers. The Foundation engages in philanthropic activities.

Healthcare Corporation and the System are collectively controlled by the Lake Union Conference of Seventh-day Adventists, the Mid-America Union Conference of Seventh-day Adventists, the Southern Union Conference of Seventh-day Adventists, and the Southwestern Union Conference of Seventh-day Adventists.

Mission

The System exists solely to improve and enhance the local communities that it serves in harmony with Christ's healing ministry. All financial resources and excess of revenue and gains over expenses are used to benefit the communities in the areas of patient care, research, education, community service, and capital reinvestment.

Specifically, the System provides:

Benefit to the underprivileged, by offering services free of charge or deeply discounted to those who cannot pay, and by supplementing the unreimbursed costs of the government's Medicaid assistance program.

Benefit to the elderly, as provided through governmental Medicare funding, by subsidizing the unreimbursed costs associated with this care.

Benefit to the community's overall health and wellness through the cost of providing clinics and primary care services, health education and screenings, in-kind donations, extended education, and research.

Benefit to the faith-based and spiritual needs of the community in accordance with its mission of extending the healing ministry of Christ.

Benefit to the community's infrastructure by investing in capital improvements to ensure the facilities and technology provide the best possible care to the community.

Financial Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal and recurring nature. Operating results for the six months ended June 30, 2025 are not necessarily indicative of the results to be expected for the year

(dollars in thousands)

ending December 31, 2025. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2024.

Principles of Consolidation

The accompanying unaudited consolidated financial statements include the accounts of affiliated organizations that are controlled by Healthcare Corporation. Any subsidiary or other operations owned and controlled by divisions or controlled affiliates of Healthcare Corporation are included in these consolidated financial statements. Investments in entities that Healthcare Corporation has a significant influence, but does not control are recorded under the equity method of accounting. Income from unconsolidated entities is included in other operating revenue in the accompanying consolidated statements of operations and changes in net assets. All significant intercompany accounts and transactions have been eliminated in consolidation. Partial ownership by another entity in the net assets and results of operations of a consolidated subsidiary is reflected as noncontrolling interests in the accompanying consolidated financial statements.

Recently Adopted Accounting Guidance

In August 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2023-05, *Business Combinations – Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement*. The ASU requires that joint ventures apply a new basis of accounting for contributions received upon formation. By applying a new basis of accounting, the joint ventures will recognize and initially measure its assets and liabilities at fair value. The amendments do not apply to the formations of entities determined to be not-for-profit entities or joint ventures that may be proportionately consolidated by one or more of the ventures. The System adopted the standard effective January 1, 2025, using a prospective approach. This standard did not have a material impact on the System's accompanying consolidated financial statements.

Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents

Cash equivalents represent all highly liquid investments, including certificates of deposit and commercial paper with maturities not in excess of three months when purchased. Interest income on cash equivalents is included in investment return.

The following table provides a reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the statements of cash flows. Restricted cash and cash equivalents consist of funds included in assets whose use is limited. Certain of the System's investments are limited as to use through the terms of trust agreements, internal designation, or the provisions of other contractual agreements.

	June 30,	
	2025	**2024**
Cash and cash equivalents	$ 2,533,886	$ 2,250,464
Restricted cash and restricted cash equivalents included in assets whose use is limited	393,043	435,657
Total cash, cash equivalents, restricted cash, and restricted cash equivalents shown in the statements of cash flows	$ 2,926,929	$ 2,686,121

Reclassifications

The System may reclassify certain amounts for the prior year within the accompanying consolidated financial statements to conform to current classifications presented. There were no such reclassifications in the accompanying consolidated financial statements.

(dollars in thousands)

2. Organizational Changes

Business Combinations

The System accounts for transactions that represent business combinations in accordance with the *Not-for-Profit Entities, Business Combinations* Topic of the Accounting Standards Codification (ASC) (ASC 958-805), where the assets acquired and liabilities assumed are recognized and measured at their fair values on the acquisition date. Fair values that are not finalized are estimated and reported as provisional amounts. Subsequent changes to the provisional amounts will be recorded during the measurement period.

Florida Market Changes

On March 1, 2025, the System acquired ShorePoint Health Port Charlotte, a 254-bed hospital, which was renamed AdventHealth Port Charlotte and includes substantially all the property and equipment of the hospital, the related outpatient services, certain real estate in the area, and certain working capital.

The assets acquired and liabilities assumed were recorded based on their acquisition date fair values. Cash consideration was $259,780, which primarily represented the payment for the real and personal property and goodwill. Goodwill of $169,085 was included in other assets (noncurrent) in the consolidated balance sheet as of June 30, 2025 and represents the excess of the purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of the business acquired. The provisional amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed were as follows:

Assets		
Inventories	$	6,824
Prepaid expenses and other current assets		10,629
Property and equipment		93,875
Operating lease assets		9,564
Other assets		169,085
Total Assets		289,977
Liabilities		
Accounts payable and accrued liabilities	$	1,706
Other current liabilities		876
Current maturities of long-term debt		1,016
Long-term debt, net of current maturities		16,970
Operating lease liabilities, net of current portion		8,687
Other noncurrent liabilities		942
Total Liabilities		30,197
Fair Value of Net Assets Acquired	$	259,780

The results of operations and changes in net assets for AdventHealth Port Charlotte were included in the System's consolidated financial statements beginning March 1, 2025. AdventHealth Port Charlotte had total operating revenue of $66,156 and a deficiency of revenue and gains over expenses of $23,202 for the period from March 1, 2025 through June 30, 2025, which included certain integration and system implementation costs.

North Carolina Market Changes

On July 18, 2024, the System entered into an agreement to sublease St. Luke's Hospital, Inc., a 25-bed critical access hospital, along with its rural health clinics and other related facilities in Polk County, North Carolina for an initial term of 20 years. The transaction became effective on October 1, 2024. As part of this transaction, St. Luke's Hospital, Inc. was renamed AdventHealth Polk.

The non-cash transaction was accounted for as a business combination. The System recorded the fair value of the assets acquired of $24,938 and the liabilities assumed of $3,243 as of October 1, 2024. The fair value of AdventHealth Polk's net assets of $21,695 was recognized in the consolidated statement of operations and changes in net assets as a contribution from business combination and was included in nonoperating gains for the three months ended December 31, 2024. The results of operations and changes in net assets for AdventHealth Polk were included in the System's consolidated financial statements beginning October 1, 2024.

3. Net Patient Service Revenue

Overview

Net patient service revenue is reported at the amount that reflects the consideration the System expects to be due from patients and third-party payors in exchange for providing patient care. Providing patient care services is considered a single performance obligation, satisfied over time, in both the inpatient and outpatient settings. Generally, the System bills the patients and third-party payors several days after services are performed or the patient is discharged from the facility.

Revenue for inpatient acute care services is recognized based on actual charges incurred in relation to total expected, or actual, charges. The System measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge.

As all the System's performance obligations relate to contracts with a duration of less than one year, the System is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially satisfied at the end of the reporting period, which are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

For patients covered by third-party payors, the System determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to those third-party payors. The System determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. The System is subject to retroactive revenue adjustments due to future audits, reviews, and investigations. Additionally, the System participates in certain state programs that provide supplemental Medicaid funding to partially offset unreimbursed Medicaid costs. These programs include a combination of intergovernmental transfers and federal matching dollars. They are typically approved by governmental agencies on an annual basis and, as such, funding for future years is not certain and subject to change. Contracts the System has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence with the payor, and the System's historical settlement activity, attempting to ensure that a significant

(dollars in thousands)

revenue reversal will not occur when the final amounts are subsequently determined. Estimated settlements are adjusted in future periods as new information becomes available, or as years are settled or are no longer subject to such audits, reviews, and investigations. Net adjustments for prior-year cost reports and related valuation allowances, principally related to Medicare and Medicaid, resulted in an increase to revenue of approximately $15,903 and $20,910 for the three months ended June 30, 2025 and 2024, respectively, and approximately $18,847 and $26,234 for the six months ended June 30, 2025 and 2024, respectively.

Generally, patients covered by third-party payors are responsible for related deductibles and coinsurance, which is referred to as the patient portion. The System also provides services to uninsured patients and offers those uninsured patients a discount from standard charges in accordance with its policies.

Consistent with the System's mission, care is provided to patients regardless of their ability to pay. Therefore, the System has determined that it has provided implicit price concessions to uninsured patients and patients with other uninsured balances such as copays and deductibles. The difference between amounts billed to patients and the amounts the System expects to collect based on its collection history with those patients is recorded as implicit price concessions, or as a direct reduction to net patient service revenue. Subsequent adjustments that are determined to be the result of an adverse change in the patient's or payor's ability to pay are recognized as bad debt expense. Bad debt expense for the three and six months ended June 30, 2025 and 2024 was not material for the System, and is included within other expense in the accompanying consolidated statements of operations and changes in net assets, rather than as a deduction to arrive at net patient service revenue.

The System estimates the transaction price for the patient portion and services provided to the uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions.

The composition of net patient service revenue by primary payor is as follows:

	Three Months Ended June 30,			
	2025		2024	
	Amount	%	Amount	%
Managed Care	$ 2,924,516	56 %	$ 2,520,709	54 %
Medicare	721,094	14	632,424	14
Managed Medicare	972,702	18	861,737	19
Medicaid	130,096	2	84,645	2
Managed Medicaid	263,087	5	289,040	6
Self-pay	55,105	1	51,103	1
Other	193,620	4	175,245	4
Total net patient service revenue	$ 5,260,220	100 %	$ 4,614,903	100 %

(dollars in thousands)

	Six Months Ended June 30,			
	2025		2024	
	Amount	%	Amount	%
Managed Care	$ 5,713,930	55 %	$ 4,875,740	54 %
Medicare	1,438,249	14	1,278,707	14
Managed Medicare	1,923,162	19	1,709,177	19
Medicaid	242,436	2	176,080	2
Managed Medicaid	530,724	5	499,976	6
Self-pay	116,244	1	77,847	1
Other	391,671	4	329,554	4
Total net patient service revenue	$ 10,356,416	100 %	$8,947,081	100 %

Charity Care
The System's patient acceptance policy is based on its mission statement and its charitable purposes and, as such, the System accepts patients in immediate need of care, regardless of their ability to pay. Patients that qualify for charity care are provided services for which no payment is due for all or a portion of the patient's bill. Therefore, charity care is excluded from net patient service revenue and the cost of providing such care is recognized within operating expenses.

4. Investments

Investments include marketable securities with readily determinable fair values which are measured at fair value, based on quoted market prices, and primarily designated as trading securities. The System uses trade date accounting where unsettled trades represent amounts due to or due from brokers and are presented as such on the accompanying balance sheets. The cost of securities sold is based on the average cost method. The System also invests in hedge funds, commingled funds, and private market funds, which determine fair value using net asset values (NAV) calculated by a third-party administrator. The value of such investments is estimated, and those estimates may change in the near term. The financial statements of the funds are audited annually by independent auditors.

The System's investment portfolio includes allocations to effect a diversified multi-asset strategy designed to achieve balanced risk contributions across asset classes. This strategy, by design, results in lower standalone risk exposure through its public market asset holdings. As such, to achieve the System's targeted risk-adjusted return profile, derivative instruments are used to increase the portfolio's notional exposure to align with the System's overall risk target. Derivatives are used in a systematic manner, adjusted based on market conditions, asset class volatility, and liquidity considerations, to manage risk and use capital efficiently.

The System holds investments in alternative investments, such as commingled and hedge funds, that utilize similar diversified multi-asset strategies. Commingled funds provide the System with information around the fund's investment strategy, exposure information, and underlying investment holding detail, while hedge funds do not provide the underlying investment holding detail. The System's risk is limited to its investment in the fund. Fund redemption terms range from daily to quarterly.

The System invests in private market funds to gain exposure to private equity, credit, real estate, and infrastructure markets. The System's risk is limited to its investment in the fund. Many private market funds held by the System require capital commitments over an initial period of time and capital is returned as monetization events occur, outside of which invested funds generally cannot be redeemed other than through secondary market transactions. Certain other private market funds held by the System have monthly and annual redemption terms. Unfunded commitments related to private market funds were

(dollars in thousands)

approximately $2,085,000 and $1,883,000 as of June 30, 2025 and December 31, 2024, respectively. The System does not presently intend to sell its funds in a secondary market prior to the end of the fund term.

Investment return includes realized gains and losses, interest, dividends, and net change in unrealized gains and losses. The investment return on investments restricted by donor or law is recorded as increases or decreases to net assets with donor restrictions. Investment returns earned on the System's self-insurance trust funds and employee benefits funds are recorded in other operating revenue.

Derivative instruments used in the System's investment portfolio include exchange-traded and over-the-counter contracts, which are recognized as assets or liabilities in the consolidated balance sheets at fair value. Derivatives are not designated as hedging instruments. Derivative instruments involve counterparty credit risk, which is managed through frequent cash settlement, cash settlement upon dollar thresholds, and the requirement of the counterparty to post collateral for the benefit of the System. Similarly, the System posted collateral totaling $34,130 and $124,633 as of June 30, 2025 and December 31, 2024, respectively. Collateral posted by the System is included in either cash and cash equivalents or investments in the accompanying consolidated balance sheets, depending on the type of collateral posted. The System had investment return related to investment derivatives of $74,313 and $(21,918) for the three months ended June 30, 2025 and 2024, respectively, and $175,755 and $(51,708) for the six months ended June 30, 2025 and 2024, respectively.

Derivative instruments consist of the following:

	June 30, 2025		
	Notional	Fair Value	
		Assets	Liabilities
Total return swaps	$ 2,621,732	$ 21,412	$ –
Futures	1,180,833	–	–
Total derivative instruments	$ 3,802,565	$ 21,412	$ –

	December 31, 2024		
	Notional	Fair Value	
		Assets	Liabilities
Total return swaps	$ 1,923,110	$ 30,488	$ 7,839
Futures	5,223,530	–	–
Total derivative instruments	$ 7,146,640	$ 30,488	$ 7,839

5. Liquidity and Available Resources

The System's primary cash requirements consist of paying operating expenses, servicing debt, incurring capital expenditures related to the expansion and renovation of existing facilities, and acquisitions. Cash in excess of near-term working capital needs is invested as described in Note 4 and Note 7. Primary cash sources are cash flows from operating and investing activities. Additionally, the System has access to public and private debt markets and maintains a revolving credit agreement (Revolving Note) and commercial paper program (CP Program), as described in Note 6.

The System had 243 and 224 days cash and investments on hand at June 30, 2025 and December 31, 2024, respectively. Days cash and investments on hand is calculated as unrestricted cash and cash equivalents, investments, and amounts due to brokers, net, divided by a trailing twelve months of daily operating expenses (excluding depreciation and amortization expense).

(dollars in thousands)

Unrestricted cash and cash equivalents, investments, and due from (to) brokers, net consist of the following:

	June 30, 2025	December 31, 2024
Cash and cash equivalents	$ 2,533,886	$ 1,970,963
Investments	9,317,402	8,376,931
Due from (to) brokers, net	278	(164,394)
Total	$ 11,851,566	$ 10,183,500
Unrestricted days cash and investments on hand	243	224

The System's financial assets also consist of patient accounts receivable totaling $1,814,330 and $1,432,031 as of June 30, 2025 and December 31, 2024, respectively. Other receivables, totaling $976,863 and $1,089,550 as of June 30, 2025 and December 31, 2024, respectively, are primarily composed of the notes associated with the System's sale of patient accounts receivable. The System's financial assets are available as its general expenditures, liabilities, and other obligations come due.

Certain assets whose use is limited are to be used for current liabilities for self-insured programs and employee benefit funds.

6. Debt Obligations

2025 Debt Transactions

During the first quarter of 2025, the System drew $250,000 under the CP Program. The draws on the CP Program had interest rates ranging from 4.40% to 4.44%. In June 2025, the System repaid the $250,000 that was outstanding under the CP Program. No amounts were outstanding under the CP Program as of June 30, 2025. The System did not make any draws under the Revolving Note during 2025 and no amounts were outstanding under the Revolving Note as of June 30, 2025.

In June 2025, the System issued $250,000 of tax-exempt, fixed-rate put bonds at a premium with a final maturity date of 2060 and a stated interest rate of 5.00%. The bond proceeds were used for reimbursement of prior capital expenditures.

2024 Debt Transactions

As of December 31, 2023, the System had $100,000 outstanding under the Revolving Note. In June 2024, the System repaid the $100,000 Revolving Note that was outstanding as of December 31, 2023. No amounts were outstanding under the Revolving Note as of December 31, 2024. During 2024, the System did not make any draws under the CP Program and no amounts were outstanding under the CP Program as of December 31, 2024.

During 2024, the System issued $185,495 of tax-exempt, fixed-rate put bonds at a premium with a final maturity date of 2059 and a stated interest rate of 5.00%. The System also issued $71,365 of tax-exempt, fixed-rate serial bonds at a premium with maturity dates of 2029, 2034, and 2039 and a stated interest rate of 5.00%. The bond proceeds were used for reimbursement of prior capital expenditures and to refund a portion of previously issued bonds. There were immaterial impacts to the financial statements as a result of the early extinguishment of debt.

7. Fair Value Measurements

The System categorizes, for disclosure purposes, assets and liabilities measured at fair value, on a recurring basis, into a three-tier fair value hierarchy. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement, which should be determined based on assumptions that would be made by market participants.

In accordance with ASC 820, investments that are valued using NAV as a practical expedient are excluded from this three-tier hierarchy. For all other investments measured at fair value, the hierarchy prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Level inputs are defined as follows:

Level 1 – based on unadjusted quoted prices for identical assets or liabilities in an active market that the System has the ability to access.

Level 2 – based on pricing inputs that are either directly observable or that can be derived or supported from observable data as of the reporting date. Level 2 inputs may include quoted prices for similar assets or liabilities in non-active markets or pricing models whose inputs are observable for substantially the full term of the asset or liability.

Level 3 – based on prices or valuation techniques that require inputs that are both significant to the fair value of the financial asset or liability and are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. The System has no financial assets or financial liabilities with significant Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

(dollars in thousands)

The value of financial instruments measured at fair value and NAV on a recurring basis at June 30, 2025 was as follows:

	Fair Value Hierarchy			
	Level 1	**Level 2**	**Level 3**	**Total**
ASSETS				
Cash and cash equivalents	$ 951,755	$ 1,582,131	$ —	$ 2,533,886
Investments and assets whose use is limited				
Cash and cash equivalents	361,788	31,255	—	393,043
Debt securities				
U.S. government agencies and sponsored entities	—	2,928,842	—	2,928,842
Foreign government agencies and sponsored entities	—	1,154	—	1,154
Corporate bonds	—	17,884	—	17,884
Mortgage backed	—	34,755	—	34,755
Short-term investments	—	246,388	—	246,388
Exchange traded and mutual funds				
Domestic equity	957,093	—	—	957,093
Foreign equity	174,467	—	—	174,467
Fixed income	696,549	—	—	696,549
	$ 2,189,897	$ 3,260,278	$ —	5,450,175
Investments valued at NAV				
Hedge funds				2,466,382
Private market funds				1,707,395
Commingled funds				532,793
				4,706,570
Accrued interest				16,697
Total investments and assets whose use is limited				$ 10,173,442

(dollars in thousands)

The value of financial instruments measured at fair value and NAV on a recurring basis at December 31, 2024 was as follows:

	Fair Value Hierarchy			
	Level 1	**Level 2**	**Level 3**	**Total**
ASSETS				
Cash and cash equivalents	$ 1,224,543	$ 746,420	$ —	$ 1,970,963
Investments and assets whose use is limited				
Cash and cash equivalents	608,048	—	—	608,048
Debt securities				
U.S. government agencies and sponsored entities	—	1,688,376	—	1,688,376
Foreign government agencies and sponsored entities	—	1,194	—	1,194
Corporate bonds	—	44,640	—	44,640
Mortgage backed	—	38,879	—	38,879
Short-term investments	—	224,419	—	224,419
Exchange traded and mutual funds				
Domestic equity	1,993,867	—	—	1,993,867
Foreign equity	4,445	—	—	4,445
Fixed income	1,511,363	—	—	1,511,363
	$ 4,117,723	$ 1,997,508	$ —	6,115,231
Investments valued at NAV				
Hedge funds				1,357,575
Private market funds				1,489,983
Commingled funds				453,359
				3,300,917
Accrued interest				19,458
Total investments and assets whose use is limited				$ 9,435,606

(dollars in thousands)

The following table represents a reconciliation of financial instruments at fair value and NAV to the accompanying consolidated balance sheets as follows:

	June 30, 2025	December 31, 2024
Investments	$ 9,317,402	$ 8,376,931
Assets whose use is limited:		
Current	469,669	640,309
Noncurrent	386,371	418,366
Total	$ 10,173,442	$ 9,435,606

The fair values of the securities included in Level 1 were determined through quoted market prices. The fair values of Level 2 financial assets were determined as follows:

Cash equivalents, U.S. and foreign government agencies and sponsored entities, corporate bonds, mortgage backed, and short-term investments – These Level 2 securities were valued through the use of third-party pricing services that use evaluated bid prices adjusted for specific bond characteristics and market sentiment.

8. Commitments and Contingencies

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. There is significant government activity within the healthcare industry with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Compliance with such laws and regulations can be subject to future review and interpretation, as well as regulatory actions unknown or unasserted at this time. Management assesses the probable outcome of unresolved litigation and investigations and records contingent liabilities reflecting estimated liability exposure.

In addition, certain of the System's affiliated organizations are involved in litigation and other regulatory investigations arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters will be resolved without material adverse effect to the System's consolidated financial statements, taken as a whole.

Certain hospitals have entered into construction contracts or other commitments for which costs have been incurred and included in construction in progress. These and other committed projects will be financed through operations and proceeds of borrowings. The estimated remaining costs to complete these projects approximated $650,300 at June 30, 2025.

9. Other Operating Revenue

Other operating revenue within the consolidated statements of operations and changes in net assets includes grant revenue, unrestricted contributions, income or loss from equity method investments, gains and losses on sale of entities, and gains and losses on the sale of property and equipment.

During the COVID-19 pandemic, the System incurred significant expenses related to premium labor costs and the purchase of high-demand supplies, life-saving equipment, and personal protective equipment to help ensure the safety of its communities and applied for reimbursement from the Federal Emergency Management Agency (FEMA). During the three and six months ended June 30, 2025, the System recognized grant revenue of $73,279 and $455,973, respectively, in other operating revenue, which represents public assistance funding from FEMA for the reimbursement of such costs. Revenue is recognized upon FEMA obligating the funds and the completion of state and federal award reviews and approvals. No FEMA funding was recognized during the three and six months ended June 30, 2024.

(dollars in thousands)

10. Functional Expenses

The System's resources and activities are primarily related to providing healthcare services. Corporate services include certain administration, finance and accounting, human resources, legal, information technology, and other functions.

Expenses by functional classification for the three months ended June 30, 2025 consist of the following:

	Healthcare Services	Corporate Services	Total
Employee compensation	$ 2,504,338	$ 140,285	$ 2,644,623
Purchased services and professional fees	656,759	73,105	729,864
Supplies	857,827	1,363	859,190
Other	670,333	42,250	712,583
Total operating expenses	$ 4,689,257	$ 257,003	$ 4,946,260

Expenses by functional classification for the three months ended June 30, 2024 consist of the following:

	Healthcare Services	Corporate Services	Total
Employee compensation	$ 2,227,474	$ 145,843	$ 2,373,317
Purchased services and professional fees	534,623	64,972	599,595
Supplies	719,954	990	720,944
Other	618,335	41,176	659,511
Total operating expenses	$ 4,100,386	$ 252,981	$ 4,353,367

Expenses by functional classification for the six months ended June 30, 2025 consist of the following:

	Healthcare Services	Corporate Services	Total
Employee compensation	$ 4,954,499	$ 276,747	$ 5,231,246
Purchased services and professional fees	1,256,278	138,170	1,394,448
Supplies	1,685,718	2,898	1,688,616
Other	1,322,155	77,026	1,399,181
Total operating expenses	$ 9,218,650	$ 494,841	$ 9,713,491

Expenses by functional classification for the six months ended June 30, 2024 consist of the following:

	Healthcare Services	Corporate Services	Total
Employee compensation	$ 4,436,221	$ 290,674	$ 4,726,895
Purchased services and professional fees	1,043,390	131,985	1,175,375
Supplies	1,417,745	2,155	1,419,900
Other	1,140,794	74,015	1,214,809
Total operating expenses	$ 8,038,150	$ 498,829	$ 8,536,979

11. Subsequent Events

The System evaluated events and transactions occurring subsequent to June 30, 2025 through August 15, 2025, the date the accompanying consolidated financial statements were issued. During this period, there were no subsequent events that required recognition in the accompanying consolidated financial statements. Additionally, there were no nonrecognized subsequent events that required disclosure.

AdventHealth
Management's Discussion and Analysis of Financial Condition and Results of Operations
(dollars in thousands)

Forward-Looking Statements

The following information should be read with the unaudited consolidated financial statements and related notes included elsewhere in this report, as well as the System's 2024 audited financial statements. Certain of the discussions included in the Management's Discussion and Analysis section of the following document may include certain "forward-looking statements" that involve known and unknown risks and uncertainties inherent in the operation of healthcare facilities. In some cases, you can identify forward-looking statements by terms such as "plan," "expect," "believe," "estimate," "budget," or similar expressions intended to identify forward-looking statements. These statements reflect the current views of AdventHealth with respect to future events and are based on assumptions and subject to risks and uncertainties. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Government programs and restrictions, the economy and related impacts are all continually changing. Investors and potential investors should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement. AdventHealth undertakes no obligation to publicly update or revise any forward-looking statement as a result of new information, future events, or other information. In light of these risks, results could differ materially from those stated, implied, or inferred from the forward-looking statements contained in this particular disclosure for the quarter ended June 30, 2025.

Volume Trends

For the six months ended June 30, 2025, admissions and adjusted admissions increased by 2.3% and 4.3%, respectively, as compared to the six months ended June 30, 2024. Emergency room registrations increased 2.6% compared to the six months ended June 30, 2024. During the six months ended June 30, 2025, the System has experienced improved volumes, particularly in its growth markets. Additionally, length of stay has improved compared to the six months ended June 30, 2024, as the System continues to focus on operational improvements. These same store volume trends exclude the acquisitions of AdventHealth Polk and AdventHealth Port Charlotte, as discussed in Note 2, and AdventHealth Riverview, a newly constructed hospital that opened in October 2024.

Volume Trends
Same Store*

	Six Months Ended June 30,	
	2025	**2024**
Admissions	245,114	239,567
Observation status patients	66,597	61,297
Adjusted admissions	506,402	485,404
Emergency room registrations	841,014	819,476
Average length of stay (days)	4.71	4.80
Case mix	1.74	1.69

*Same store excludes the acquisitions of AdventHealth Polk and AdventHealth Port Charlotte, as discussed in Note 2, and AdventHealth Riverview, a newly constructed hospital that opened in October 2024.

(dollars in thousands)

Income from Operations

Adjusted income from operations totaled $1,165,231 and was 10.7% of adjusted total operating revenue for the six months ended June 30, 2025. An adjustment was made to exclude FEMA funding recognized during the six months ended June 30, 2025, as discussed in Note 9.

For the six months ended June 30, 2025, the System's adjusted total operating revenue of $10,878,722 and operating expenses of $9,713,491 increased 16.4% and 13.8%, respectively, compared to the same period in the prior year.

Income from Operations

	Six Months Ended June 30,	
	2025	**2024**
Income from operations	$1,621,204	$ 809,305
Less: FEMA funding	(455,973)	—
Adjusted income from operations	$ 1,165,231	$ 809,305
Adjusted income from operations as a percent of adjusted total operating revenue	10.7 %	8.7 %

The System's revenue growth during this period was driven by same store volume growth, multiple markets with increased capacity and expansion of advanced services. Growth in expenses during the period was less than the corresponding revenue growth as the System is focused on maintaining a sustainable cost structure and performance improvements in response to inflationary pressures. Additionally, the One Big Beautiful Bill Act (OBBBA), signed into law on July 4, 2025, includes significant health care policy changes that are expected to reduce federal healthcare spending, particularly within the Medicaid program and the ACA Marketplace. Provisions of the OBBBA have varying effective dates, beginning in 2026, and include health care policy changes. Management is monitoring the OBBBA, evaluating its potential impacts to future reimbursement, and has been implementing resiliency plans through its sustainable cost structure and performance improvement plans to ensure the continued growth of the System's mission.

(dollars in thousands)

Balance Sheet Ratios

The System had 243 and 224 days cash and investments on hand as of June 30, 2025 and December 31, 2024, respectively. Days cash and investments on hand is calculated as unrestricted cash and cash equivalents, investments and amounts due to brokers, net, divided by a trailing twelve months of daily operating expenses (excluding depreciation and amortization expense). Total debt to capitalization remained strong as of June 30, 2025, at 17.8% compared to 18.6% at December 31, 2024. Cash to total debt was 279% as of June 30, 2025 compared to 254% at December 31, 2024.

The System continues to focus on balance sheet improvement by adhering to its balance sheet planning model, which includes a strong operating focus and a self-regulating capital expenditure model that is based on a percentage of earnings before interest, taxes, depreciation, and amortization.

Balance Sheet Ratios

	June 30, 2025	December 31, 2024
Cash and cash equivalents	$ 2,533,886	$ 1,970,963
Investments	9,317,402	8,376,931
Due from (to) brokers, net	278	(164,394)
	$ 11,851,566	$ 10,183,500
Days cash and investments on hand	243	224
Total debt to capitalization	17.8%	18.6%
Cash to total debt	279%	254%

Community Benefit

The System exists solely to improve and enhance the local communities that it serves. The benefits provided to those communities, measured based on the cost to provide the care and services, for the six months ended June 30, 2025 and 2024 are included in the accompanying table. The System also provides benefits to the community's infrastructure by investing in capital improvements to help ensure the facilities and technology provide the best possible care to the community. The cost of capital improvements for the six months ended June 30, 2025 and 2024 was $982,535 and $723,607, respectively.

Community Benefit

	Six Months Ended June 30,	
	2025	2024
Benefits to the underprivileged	$ 643,622	$ 762,658
Benefits to the elderly	842,342	690,627
Benefits to the community's overall health and wellness	83,574	99,142
Benefits to the faith-based and spiritual needs of the community	17,783	16,478
	$ 1,587,321	$1,568,905

Extending the Healing Ministry of Christ

AdventHealth

FitchRatings

23 MAY 2025

Fitch Rates AdventHealth, FL Series 2025A and B Bonds 'AA'; Affirms IDR; Outlook Stable

Fitch Ratings - New York - 23 May 2025: Fitch Ratings has assigned a 'AA' rating to approximately $600 million of tax exempt, revenue bonds consisting of series 2025A and 2025B bonds expected to be issued by the Colorado Health Facilities Authority and the Highlands County Health Facilities Authority on behalf of the AdventHealth Obligated Group, Fl (AdventHealth).

Fitch has also affirmed the Issuer Default Rating (IDR) and the rating on various series of revenue bonds issued by and on behalf of AdventHealth at 'AA'. Fitch additionally affirmed the short-term rating supported by AdventHealth's self-liquidity at 'F1+'. The rating is mapped to AdventHealth's long-term 'AA' rating and supported by the system's sufficient liquidity reserves.

The Rating Outlook is Stable.

The bonds will be broken into various series. The 2025A's are expected to be fixed rate and include a put bond, and the 2025Bs are expected to be variable rate. Bond proceeds will fund prior and future capital projects and refund the series 2018B bonds. Bonds are expected to price the week of June 2 via negotiation.

The 'AA' rating reflects AdventHealth's sizable market presence across nine states, anchored by its Florida markets, and an exceptional financial profile, characterized by a history of strong operating results, sound levels of unrestricted liquidity, capital spending above depreciation, and a manageable debt burden. In 2024, AdventHealth's financial performance improved for a second straight year, with an operating EBITDA margin of 16.5% (inclusive of Federal Emergency Management Agency [FEMA} grant revenue).

Fitch's forward-looking scenario analysis shows AdventHealth maintaining operating EBITDA margins consistent with the strong operating risk assessment, while it absorbs the additional 2025 debt. Capital spending is expected by Fitch to remain above depreciation. Key adjusted leverage metrics show resiliency through Fitch's stress scenario, supporting the Stable Outlook.

SECURITY

The bonds are secured by a pledge of the obligated group's (OG) gross revenues. The OG represented 94.8% of the consolidated system's revenues and 87.4% of its assets in FY24.

KEY RATING DRIVERS

Revenue Defensibility - 'bbb'

Growing Clinical Presence in Strong Markets

AdventHealth is a sizable health system with a growing clinical footprint across nine states: Florida, Colorado, Kansas, Texas, Illinois, Wisconsin, Kentucky, North Carolina, and Georgia. AdventHealth's hospitals are generally located in areas with favorable demographics, which is reflected in AdventHealth's payor mix, with combined Medicaid and self-pay accounting for a relatively modest 14.9% of FY24 gross revenues. AdventHealth supports hospitals in these markets through a strategy of regional relevance, which includes growing an outpatient clinical network, aligning with and/or employing physicians and physician groups, establishing a primary care base, and partnering with other health care providers, such as skilled nursing providers, as needed.

Florida remains AdventHealth's largest market by far, accounting for over 70% of the consolidated system's 9,100 licensed beds and about 76.5% of its revenues (FY24). AdventHealth operates in about 13 Florida counties and maintains a leading inpatient market share of 36.7% across this service area. That market share has grown from 33.5% in 2021. AdventHealth's operations in Florida are divided into three divisions, in regions these that are essentially contiguous.

Central Florida is the largest region and includes Orange, Osceola, Seminole and south Lake counties. The region is centered around the greater Orlando area, where AdventHealth Orlando (AHO) serves as its high-end tertiary and quaternary flagship with about 1,200 staffed beds. The west division is the fastest growing region. It includes Hillsborough, Polk, Highlands and Marion counties and now stretches as far south as Lee County. AdventHealth has 14 hospitals in the region. On March 1, 2025, AdventHealth completed the acquisition of a 254-bed hospital in Port Charlotte, Florida from Community Health Systems, Inc., which fits in with AdventHealth's strategy to expand its clinical reach into new contiguous markets.

The multistate division, which includes four hospitals in Kansas, five hospitals in Colorado and six hospitals in the Southeast account for about 2,400 licensed beds and the bulk of the system's remaining revenues. The geographic diversity helps offset concerns about the concentration of its Florida operations.

AdventHealth assumed direct management and operation of its various hospitals and related facilities in Colorado on July 31, 2023 after a disaffiliation with Catholic Health Initiatives. The disaffiliation has provided the opportunity for AdventHealth to restructure management and services in that region, with the contribution margin improving from 2023 to 2024. AdventHealth has plans for further growth in that market, which Fitch views positively, given the strength of the area's demographics. Across its multistate division AdventHealth has effectively employed strategies individual to each market to grow volumes and improve the performance.

Operating Risk - 'aa'

Strong Operating Performance; Robust Capital Spending

AdventHealth's operating risk is very strong, with operating EBITDA margins averaging 12.5% over the last five years. That includes 2022 when the operating EBITDA margin declined to 7.7% as the system

dealt with the sector-wide challenges of higher agency staff use and cost, heightened turnover, and inflationary pressures. In addition, 2022 included $384 million spent on an Epic implementation.

In 2023, management focused on returning the organization to performance more in line with the historical trend, launching a $300 million improvement plan partially aimed at supply costs and overhead. The successful execution of the plan led to the operating EBITDA improving to 11.7% in 2023 and 16.5% (inclusive of FEMA grant revenues) in 2024. The results also include ongoing growth in patient volumes as total admissions, inpatient and outpatient surgeries, emergency room visits increased in both 2023 and 2024, as the length of stay trended down. Impressively, the improved performance was across most of AdventHealth's markets, as strategic initiatives in each market yielded results.

Fitch expects operating EBITDA margins to remain above 10%, as AdventHealth continues to execute on its growth strategy, realizes gains on efficiencies across the system (its group purchasing team has been particularly strong), and yields the benefits of its sizable investment in Epic.

Capital spending: AdventHealth invested more than $6.2 billion in capex in the last five years, including the Epic project, with capex averaging 159% of depreciation over this time. As a result, the average age of plant is a low 9.6 years. These capital investments were funded mostly through cash flow.

AdventHealth's capex policy is to spend 75% of operating EBITDA, with the ability to flex that down during times of economic stress. The model has led to capex remaining consistently above depreciation, even in more challenging years, and has supported both infrastructure investment and growth. Fitch expects the level of capex to remain consistent with historical levels. Capex over the next three to four years is expected by Fitch to include the building of new hospitals in three markets (Lenexa City Center, Lake Nona, and Minneola), and hospital expansions in Wesley Chapel, Littleton, Celebration, and Winter Garden. In addition, AdventHealth is undertaking a $644 million capital program at its flagship hospital campus in Orlando.

Financial Profile - 'aa'

Financial Profile Resilient Through Fitch's Stress Scenario

Fitch's forward-look shows AdventHealth's financial metrics remaining consistent with a strong financial profile assessment even in a stress case. Key adjusted leverage metrics remain above the 'aa' thresholds through Fitch's stress case scenario.

At YE 2024, AdventHealth reported unrestricted cash and investments of $10.2 billion, which was up about 24% year over year. This equated to about 234% cash-to-adjusted debt, up from 189% in the prior fiscal year, and days cash on hand of 223 days, also up from 201 days at YE 2023. Net adjusted debt to adjusted EBITDA (NADAE) has stayed favorably negative over the last five years and was at a negative 1.6x in 2024 (the negative NADAE indicates AdventHealth could pay down all its debt within a year). Maximum annua debt service coverage (as calculated by Fitch) was very strong at 15.6x in FY24.

Fitch's forward-look assumes operating EBITDA margins maintained above 10%, consistent with the strong operating risk assessment, incorporates the additional 2025 debt, and assumes capital spending remaining above depreciation. For the stress scenario, Fitch applied the standard operating and investment stresses in the early years followed by a recovery. Fitch's stress scenario shows that AdventHealth's key adjusted leverage metrics (cash-to-adjusted debt and NADAE) remain consistent with the 'aa' financial profile, within the context of AdventHealth's midrange revenue defensibility and strong operating risk assessments.

Asymmetric Additional Risk Considerations

No asymmetric risks informed the rating assessment outcomes.

Despite the increase in put bonds and variable debt with the 2025 bond issuance, AdventHealth's pro forma debt composition shows the majority of its debt (about 54%) as fixed rate to maturity. The system does not have any swaps.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/ Downgrade

--A prolonged decline in financial performance, such that operating EBITDA margins stabilize in the 8% to 9% range;

--Declines in unrestricted liquidity such that cash-to-adjusted debt is expected to remain closer to 120%.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--Ongoing strong levels of performance, including further growth and margin contribution from the multi-state division, such that capital-related ratios stabilize at superlative levels (e.g. cash-to-adjusted debt is expected to be sustained above 350%, through the stress case).

PROFILE

AdventHealth is a large, multistate health care organization with 55 hospitals, 9,100 beds, 58 urgent care centers, 27 offsite emergency departments, 17 home health and hospice agencies, and various health-related businesses in nine states. The consolidated system had total operating revenues of $19.8 billion in FY24, a 57% increase in five years with a significant portion of the increase from organic growth. Fitch analyzes the performance of the consolidated system.

President and CEO David Banks started two months ago, replacing Terry Shaw, who served as President and CEO since 2016. Mr. Banks has over 30 years of experience at AdventHealth, most recently serving as the chief strategy officer and senior executive vice president. Fitch notes AdventHealth's history of developing its senior leaders internally - Terry Shaw was promoted internally as well - through various initiatives, including leadership development and mentoring programs.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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Rating Actions

ENTITY/DEBT	RATING			RECOVERY	PRIOR
AdventHealth (FL)	LT IDR	AA ●	Affirmed		AA ●

ENTITY/DEBT	RATING		RECOVERY	PRIOR
• AdventHealth (FL) /General Revenues/ 1 LT	LT	AA ⊖	Affirmed	AA ⊖
• AdventHealth (FL) /Self-Liquidity/ 1 ST	ST	F1+	Affirmed	F1+

RATINGS KEY	OUTLOOK	WATCH
POSITIVE	⊕	⬘
NEGATIVE	⊖	⬙
EVOLVING	◈	◆
STABLE	⊖	

Applicable Criteria

U.S. Not-For-Profit Hospitals and Health Systems Rating Criteria (pub.12 Nov 2024) (including rating assumption sensitivity)

U.S. Public Sector, Revenue-Supported Entities Rating Criteria (pub.10 Jan 2025) (including rating assumption sensitivity)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Portfolio Analysis Model (PAM), v2.0.1 (1)

Additional Disclosures

Solicitation Status

Endorsement Status

AdventHealth Obligated Group (FL)	EU Endorsed, UK Endorsed

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch’s website.

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CREDIT OPINION
23 May 2025

Send Your Feedback

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AdventHealth Obligated Group

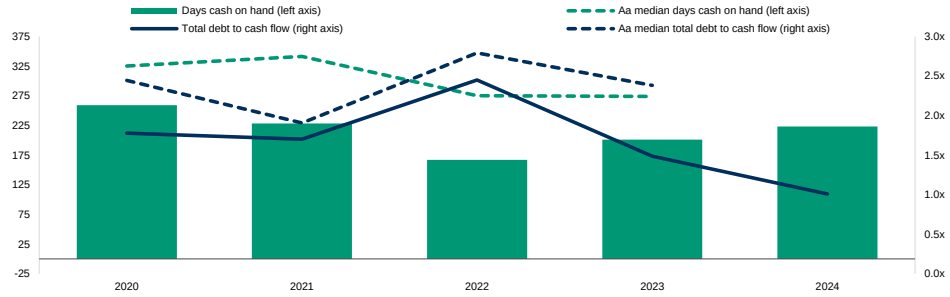
Update to credit analysis

Summary

AdventHealth (AH, Aa2 stable) will benefit from its large scale concentrated in favorable markets, and highly centralized model. A well-tenured management team continues to demonstrate its ability to manage growth and cut costs to realize very strong operating cash flow (OCF) margins and low operating leverage. This will provide AH with good cushion even amid potential federal policy changes. Days cash and cash to debt are very solid but will still remain below average for the rating. A disciplined approach to capital spend based on cash flow generation will support maintenance of these metrics. Atypical of multistate systems, revenues and cash flow will be heavily concentrated in Florida. AH will continue to invest in this and its other competitive, high growth markets. AH's VMIG 1 and P-1 ratings are based on strong daily liquidity and treasury management supporting the self-liquidity program.

Exhibit 1

Low debt to cash flow helps offset below-average days cash



Fiscal 2020 days cash metric includes Medicare Accelerated Payments of $446 million and deferred payroll taxes of $164 million. Fiscal 2021 days cash metric excludes Medicare Accelerated Payments of $265 million and deferred payroll taxes of $82 million. Both MAP and FICA balances were repaid in fiscal 2022.
Source: Moody's Ratings

Credit strengths

» Consistently strong OCF margins, highly integrated model and well-tenured management team

» Large scale and market presence in several good growth markets, particularly Central Florida

» Disciplined capital spending tied to EBIDA contributes to solid balance sheet metrics

» Limited exposure to pension liabilities

Credit challenges

» Solid days cash and cash to debt will be maintained but remain below similarly-rated peers

» Industry-wide rise in labor costs and ongoing shift to outpatient care require ongoing cost reductions

» Very high reliance on Florida, and in particular, Orlando, is atypical of multistate systems

» Presence of strong competition in all markets; although improving, CO and GA markets remain challenged

Rating outlook

The stable outlook reflects our view that margins will remain strong at around 12%-13% and debt to cash flow will be very low. The outlook also assumes AH will maintain days cash and cash to debt at target levels.

Factors that could lead to an upgrade

» Continued growth in scale and market presence

» Greater diversification of cash flow by market

» Significantly stronger cash metrics, including days cash above 350

» Sustained very strong OCF margins and very low leverage

» Short-term ratings (VMIG 1 and P-1): not applicable

Factors that could lead to a downgrade

» Inability to sustain strong double-digit OCF margins and debt to cash flow under 1.75x

» Days cash sustained below target levels of 230-250

» Additional growth initiatives that further dilute operating or balance sheet measures

» Short-term ratings (VMIG 1 and P-1): material decline in daily liquidity or overall credit quality

Key indicators

Exhibit 2

AdventHealth

	2020	2021	2022	2023	2024
Operating Revenue ($'000)	12,623,222	14,882,714	15,700,428	16,793,656	19,810,307
3 Year Operating Revenue CAGR (%)	7.8	10.7	9.7	10.0	10.0
Operating Cash Flow Margin (%)	11.6	12.1	7.7	11.7	16.5
PM: Medicare (%)	47.9	46.6	48.0	48.6	48.8
PM: Medicaid (%)	13.3	14.1	13.5	12.4	10.6
Days Cash on Hand	259	228	167	201	223
Unrestricted Cash and Investments to Total Debt (%)	242	220	176	234	267
Total Debt to Cash Flow (x)	1.8	1.7	2.4	1.5	1.0

Based on audited financial statements for AdventHealth for fiscal year ended December 31. Fiscal 2020 cash metrics include Medicare Accelerated Payments of $446 million and deferred payroll taxes of $164 million. Excluding these items, days cash on hand and unrestricted cash and investments to total debt would be about 239 days and 223%, respectively. Fiscal 2021 cash metrics include Medicare Accelerated Payments of $265 million and deferred payroll taxes of $82 million. Excluding these items, days cash on hand and unrestricted cash and investments to total debt would be about 219 days and 210%, respectively. Both MAP and FICA balances were repaid in fiscal 2022.
Source: Moody's Ratings

Profile

AdventHealth (AH) is a multi-state health system, headquartered in Altamonte Springs, FL. AH operates or manages 47 affiliated hospitals, six joint venture hospitals and other health care services in nine states – Colorado, Florida, Georgia, Illinois, Kansas, Kentucky, North Carolina, Texas and Wisconsin.

Detailed credit consideration

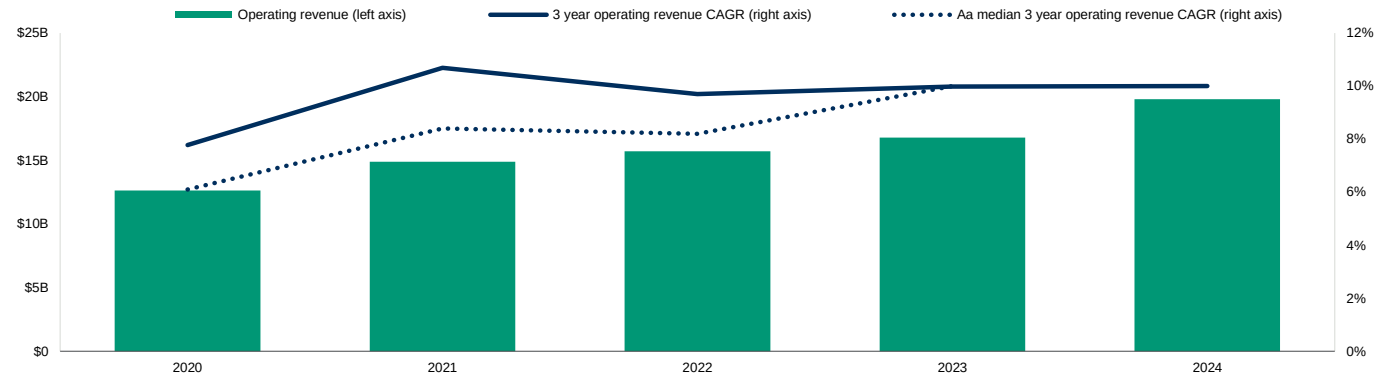
Market position

AH will benefit from its large and increasing scale, but its operations will be concentrated in Florida, which accounts for about 77% of 2024 revenues and nearly 87% of operating cash flow. Management reports that in the 12.5 FL counties it operates in, AH holds about 36% inpatient share compared to HCA and Orlando Health, with about 16% and 14% share, respectively. Statewide, HCA has the most inpatient share but AH's facilities provide more specialty services. AH plans to expand further in Florida, most recently acquiring a CHS facility in Port Charlotte. Favorably, same-store inpatient admissions continue to increase (7.4% between 2023-2024) and are above 2019 levels, highlighting growth in Florida. However, overall inpatient volumes will remain soft due to shifts to outpatient care.

In Colorado, AH will continue to rebuild infrastructure associated with its five standalone facilities (largely in South Denver) after the 2023 dissolution of its longstanding JOA with CommonSpirit. HCA's HealthONE leads this crowded Denver market, which includes Intermountain and UCHealth. Management aims for pre-dissolution profitability by 2027. AH also plans to restore margins at Redmond Regional after Atrium acquired the area's largest physician group. Management's commitment to improving margins is shown by selling a majority interest in its Illinois facilities to the University of Chicago.

Exhibit 3

Good organic growth, along with acquisitions, drive strong revenue growth



Source: Moody's Ratings

Operating performance and liquidity

AH's strong operating performance and low operating leverage will remain key credit strengths. An OCF margin of about 15% in fiscal 2024, excluding $342 million in FEMA funds, provides a good cushion against federal policy changes. The company aims to maintain OCF margins of 12%-13%, which would contribute to low debt-to-cash flow. Top-line growth of 8%-10% annually and centralized operations drive performance, while management targets $300 million in cost savings every two years. AH plans to spend about 75% of EBIDA on capital, reflecting its disciplined approach to capital spending.

Liquidity

Management anticipates that days cash will continue to show gradual improvement, likely attaining its target range of 230-250 days within the coming year. New money proceeds will represent reimbursement for prior capital. Although these are strong metrics, they would still remain well-below similarly rated peers.

Management will continue to shift investments to private activity markets, which would raise volatility risk levels. AH's current private activity allocation of 14% would rise to about 25% by fiscal 2027. Unfunded commitments related to private activity funds was $1.88 billion at the end of fiscal 2024. AH has a $500 million commercial paper (CP) program (the latter of which is backed by AH's own liquidity and discussed further below), providing ample liquidity for working capital, operating and routine capital needs.

Debt structure and legal covenants

AH will comfortably absorb additional debt, increasing by just over 10% from fiscal 2024 to fsical year end 2025. Pro-forma fiscal 2024 debt to revenues of 21% would be in line with the Aa2 median. Cash to debt will likely be maintained at current levels (~250%). In addition to principal repayments, AH plans to repay $250 million of (Q125) CP borrowings. However, management's targeted range of 230%-250%, similar to days cash, will still remain below similarly rated peers.

AH is gradually paying down its AR program which sells receivables to Highlands County, Florida, Health Facilities Authority on a non-recourse basis. Related to financing this program, Highlands County currently has about $150 million in debt outstanding (which, if included, would raise AH's total par debt by about 3.5%); this debt matures November 2027.

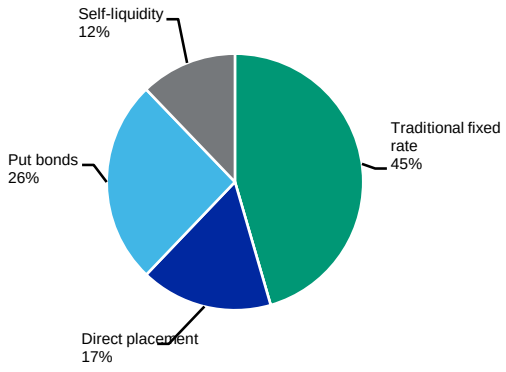
AH has very limited exposure to direct pension liabilities. However, AH does participate in a multi-employer pension plan, with an estimated unfunded liability of about $360 million at December 31, 2024.

Debt structure

Exhibit 4

Historical

Fiscal year end 2024

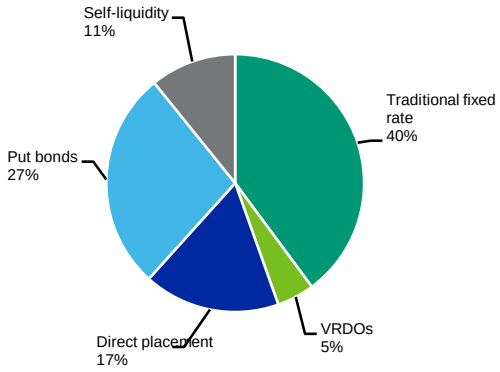


Data as of 12/31/25.
Source: Moody's Ratings

Exhibit 5

Proforma

Fiscal year end 2025



Data as of 12/31/25 including proposed 2025 debt issuance/refinancing.
Source: Moody's Rating's

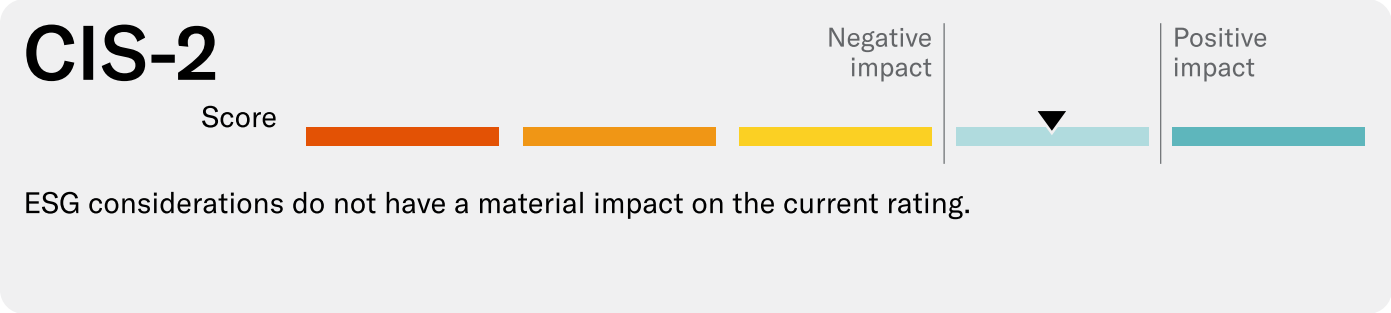
The system will continue to maintain its long-standing self-liquidity program, which supports payments on tendered bonds and CP notes that are not remarketed or rolled over. As of March 31, 2025, AH had approximately $2.7 billion of investments with same-day liquidity, which incorporates Moody's discounted assumptions and includes US treasuries and Aaa-rated agencies. This provided coverage for about $475 million in weekly VRDBs.

AH will have ample headroom under its MTI and bank loan financial covenants. MTI covenants include a 1.15x rate covenant in the most recent fiscal year measured annually, based on the annual debt service requirement. Per management, bank covenants on its private placement debt include the following: at least 1.15x rate covenant and 65 days cash on hand; no more than 65% debt to capitalization.

ESG considerations

AdventHealth Obligated Group (formerly Adventist Health System/Sunbelt Obligated Group)'s ESG credit impact score is CIS-2

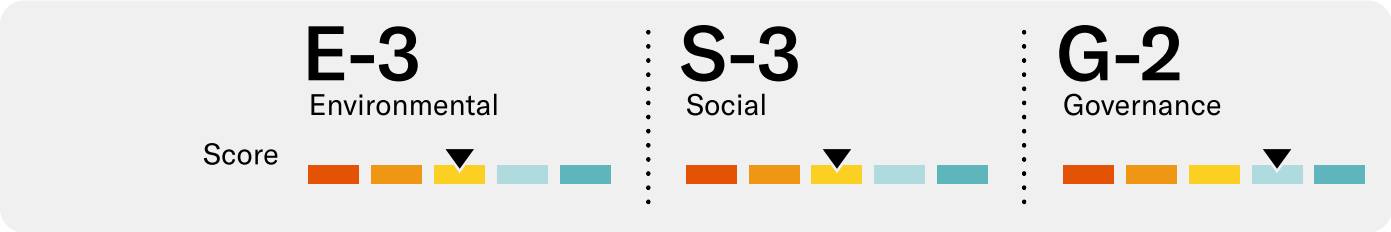
Exhibit 6
ESG credit impact score



Source: Moody's Ratings

ESG considerations have an immaterial credit impact on AdventHealth (AH). Although the system has moderate exposure to industry-wide demographic and societal trends as well as environmental risk due to its concentration in Florida, its large scale and track record of strong financial discipline as well as presence of unrestricted cash levels help to mitigate risks.

Exhibit 7
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Credit exposure to environmental risk is moderate, somewhat outside of sector norms. Although AH is a multi-state system, it has material concentration in Florida, which has elevated exposure to physical climate risk, including hurricanes.

Social

Credit exposure to social considerations is moderate, reflecting a balance of factors. Demographic and societal trend risk, mitigated in part by AH's scale, is consistent with the sector norm and reflects increasing industry reliance on governmental payers and the potential impact of regulatory issues. Industry-wide labor challenges also contribute to moderate human capital risk. AH's better than average customer relations score reflects the system's ability to manage relations with patients, communities, and payers because of its overall size and its favorable market position in Central Florida and presence in other high growth markets.

Governance

Credit exposure to overall governance considerations is in line with the sector. However, AH's positive financial strategy and risk management score is favorable to the sector average, reflecting a highly seasoned executive leadership team with a strong sense of financial discipline and accountability. The newly appointed CEO has held various leadership positions at AH over a 30 year period, most recently as chief strategy officer overseeing execution of its Vision 2030 goals. AH's historical track record of achieving very strong operating cash flow margins and low operating leverage supports the likelihood that these will be maintained.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

REPORT NUMBER 1445126

Research Update:

AdventHealth Obligated Group, FL Series 2025A Hospital Revenue Bonds Assigned 'AA' Long-Term Rating; Outlook Is Stable

May 23, 2025

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Overview

- S&P Global Ratings assigned its 'AA' long-term rating to the Colorado Health Facilities Authority's $287 million series 2025A hospital revenue bonds, issued for AdventHealth Obligated Group, Fla. (AdventHealth).
- At the same time, S&P Global Ratings affirmed its 'AA' long-term rating on several series of bonds issued by various issuers on behalf of AdventHealth.
- S&P Global Ratings also affirmed its 'AA/A-1+' dual rating on several variable-rate bonds issued on behalf of AdventHealth, and its 'A-1+' short-term rating on AdventHealth's taxable commercial paper (CP), based on AdventHealth's self-liquidity.
- The 'AA' long-term rating component reflects our opinion of AdventHealth's credit quality and the 'A-1+' short-term rating component reflects our assessment of AdventHealth's liquidity.
- The outlook on the 'AA' rating, where applicable, is stable.

Rationale

Security

Securing the bonds is a pledge of gross revenues from the obligated group, which includes a majority of the system's hospitals. The par amount on the series 2025A bonds totals $287 million, and when including $18.9 million of premium, total issuance is roughly $302 million. In addition, AdventHealth is planning on issuing variable-rate series 2025B debt totaling $211.5 million, to be rated under a separate rating report at a later time, and $88.5 million series 2025C bonds, which will be a nonrated private variable-rate structure and used to refund existing debt. We are considering all of the series 2025 debt issuance into our analysis and ratios. In total, AdventHealth will have roughly $515 million of new-money debt with this issuance and total pro forma debt will be approximately $4.45 billion, but considering maturing debt and the potential

paydown of some outstanding debt, management projects that by Dec. 31, 2025, total long-term debt outstanding will be approximately $4.34 billion.

The short-term ratings and the CP program rating reflect our opinion of AdventHealth's ample liquidity, sufficiency of liquid investment assets, available line of credit, and the detailed procedures articulated in its self-liquidity program. As of March 31, 2025, AdventHealth had $3.84 billion of discounted same-day available assets that cover its $709.5 million in self-liquidity-backed borrowings. We therefore consider AdventHealth to have ample reserves to cover its self-liquidity-backed debt.

Credit highlights

The rating reflects AdventHealth's broad geographic coverage and differentiated markets in nine states, many of which are exhibiting strong growth and demographic characteristics. Moreover, AdventHealth benefits from strong operating and financial dispersion, and in our opinion its consistently positive and improving operating trend, including excellent fiscal 2024 performance, reflects the system's experienced leadership team and the benefits of sound financial planning and execution, which should continue over the longer term. While there was a change in the CEO role due to Terry Shaw’s announced retirement, AdventHealth benefits from a deep bench of talent across the system, resulting in the internal appointment of a seasoned leader in David Banks as new president and CEO. Mr. Banks most recently served as group CEO for the primary health division and the multistate division. We expect a smooth transition and continuation of the successful strategy that has positioned AdventHealth as a leading multistate health system.

The rating further reflects our view of AdventHealth's favorable operating trends (even if excluding $342 million in one-time FEMA proceeds in fiscal 2024), characterized by historically strong earnings and cash flow, including positive operating results despite industry and macroeconomic challenges, which contributed to solid coverage of pro forma maximum annual debt service (MADS). In addition, AdventHealth benefits from very manageable pro forma debt-related metrics, including its leverage and debt burden, while maintaining a very low average age of plant. In our opinion, the overall financial profile exhibits many characteristics consistent with a 'AA' rated health system, and we believe its consistently above-average operating performance and cash flow offset its modest, although improving, liquidity and financial flexibility, which provides adequate cushion but below-median levels for the rating. Roughly two years ago, management committed to a balance-sheet recovery plan, with a goal of improving key liquidity and financial flexibility metrics, including increasing days' cash on hand to 210 days and unrestricted reserves-to-debt to over 2.0x by the end of 2024. Given its strong operating results and cash flow over the last two fiscal years, AdventHealth has easily exceeded its goal and has stabilized its liquidity to levels more consistent with historical trends.

Management indicates that AdventHealth's year-to-date operating results are continuing the strong trend as management executed on its strategic initiatives and performance plan. The recent release of the first-quarter financial results ended March 31, 2025, highlights operating revenue growth remained very strong, even when excluding additional one-time FEMA proceeds, and operating and EBITDA margins were above previous-year and budgeted expectations, indicating the underlying business base and trend remains strong. We also expect AdventHealth to continue to execute on its operating improvement and cost-reduction plans, while remaining focused on core strategic initiatives, including its partnership in Chicago with the University of Chicago Medical Center, and planned capital expansions in growth markets, which should allow for sustained demand and incremental improvement to its financial profile over the outlook period.

The rating further reflects our view of AdventHealth's:

- Broad geographic and financial dispersion, with many facilities in high-growth markets, particularly Florida, which generates over half of the system's operating revenue;
- Historically sound, predictable, and well-above median operating and cash flow margins, with strong performance in fiscal 2024 despite ongoing industry headwinds; and
- Extremely low average age of plant and a structured capital spending allocation process.

In our opinion, offsetting factors include AdventHealth's:

- Lower-than-median unrestricted reserves relative to operating expenses and pro forma long-term debt, although we recognize the strong growth experienced in these metrics in the last two fiscal years and management's measured approach to maintaining targeted thresholds;
- Challenging business environment, including heightened and evolving competitive landscape, particularly in the Florida market; and
- Continued project and execution risk of its capital plan, which is common when there are many ongoing capital projects, including new hospital construction in various markets.

Environmental, social, and governance

We view AdventHealth's social capital risk as lower in our rating analysis, as the system operates in several markets that have high population growth and favorable payer characteristics, leading to historically healthy earnings and cash. We view AdventHealth's social capital risk as low within our credit rating analysis, as the system operates in several markets with healthy demographic trends, such as population and employment growth, which helps drive volumes and maintain a healthy payor mix. That said, we recognize the system, like its peers, is subject to higher labor and salary pressures that are likely to remain relevant over the near term. We view AdventHealth's physical risk as elevated relative to our credit analysis, given the system maintains facilities in locations that may be prone to increased risks, such as severe weather-related events including hurricanes, flooding, wildfires, and potential drought conditions. In our view, the diversified location of AdventHealth's facilities help dampen this risk, as it is highly unlikely that the entire system would be affected simultaneously.

Finally, we view the system's governance factors as neutral within our credit rating analysis.

Outlook

The stable outlook reflects disciplined management, revenue diversity, and benefits of operating in regions with strong demographics, coupled with successful implementation to date of a targeted EBIDA and balance-sheet recovery plan, which should lead to continued incremental revenue growth and solid financial performance over the outlook period. Management's stated intention of maintaining capital spending within its capital allocation model and their ongoing strategy of taking a measured and balanced approach when considering additional debt or any future merger and acquisition activity also supports the stable outlook.

Downside scenario

Although not likely, as the overall financial profile remains steady with strong operating performance trends and AdventHealth's broad geographic and financial dispersion provides added stability, we could consider a negative outlook or lower rating action in the event of

sustained operating pressure, a material decline in reserves, or a significant change in the competitive landscape that results in a weakening of the enterprise profile. In addition, higher capital spending or a sizable debt issuance, especially with reduced cash flow, could affect the rating or outlook.

Upside scenario

We are unlikely to raise the rating over the outlook period due to an increasingly competitive landscape in various markets, and modest liquidity and financial flexibility compared with S&P Global Ratings' medians.

Credit Opinion

Enterprise Profile: Very Strong

Broad coverage provides economic and revenue diversity

AdventHealth has healthy geographic dispersion, with operations in nine states, including many high-growth markets, especially Florida, Colorado, Kansas, and Texas. Florida remains the economic engine of the system, with solid demographics and a growing presence through acquisition and construction. We do note competitive pressures in Florida continue to build, in part due to increasing consolidation and elevated capital spending for many across the state. However, we believe AdventHealth remains a very formidable competitor across its Florida markets and continues to strengthen its presence through affiliations and increasing access and expansion efforts. Although the Florida market remains a key contributor to consolidated system performance and the financial profile, AdventHealth maintains a diversified portfolio of facilities, with expansion occurring across the system either through new construction, acquisition, or joint ventures. In our opinion, the system's growing revenue and geographic diversity contributes to the very strong enterprise profile.

Focused expansion through acquisition, partnerships, and organic growth

AdventHealth's Central Florida division and the broader Florida market remain the heart of the system and make up over 70% of operating revenue. With strong population growth and a focus on population health, many of the system's capital plans and management efforts center on growing, unifying, and integrating clinical care and operations among the Central, East, and West Florida markets. Further integration is reflected in a management structure that consolidates the Florida regional operations to report up to one president and CEO of AdventHealth Florida. Management expects to have significant capital spending plans in all Florida divisions, and has recently completed several hospital expansions, with other projects in process or in the planning phase, with targeted completion over the next three years (2026-2028).

In addition to its work with the University of Chicago Medical Center, AdventHealth has pursued other partnerships or acquisitions over the last several years, including its most recent $265 million purchase of ShorePoint Health’s hospital in Port Charlotte, with the transaction closing in March 2025 (now called AdventHealth Port Charlotte, and recently added to the obligated group). The acquisition is part of AdventHealth’s West Florida division and the new facilities in Charlotte County would give the system its southernmost presence. Management has been

successful in integrating previous assets into the system and we anticipate the same for these new system assets. Other partnerships or acquisitions previously entered into include a 27% membership interest in Health First in Brevard County, and the acquisition of HCA Healthcare's 230-bed Redmond Regional Medical Center (renamed AdventHealth Redmond), in Rome, Ga. and the associated businesses, physician clinic operations, and outpatient services.

The multistate division contributed approximately 28% of AdventHealth's total operating revenues for the year ended Dec. 31, 2024. Several states in the multistate division are experiencing strong growth, and the system has expanded its presence or has identified further regional growth to accommodate for the continued demand for services, including in Colorado, Kansas, and North Carolina.

Opportunity in the Midwest with key partnership and strategy

AdventHealth has significant competition in many of its markets but continues to take steps to preserve or improve essentiality in each market. AdventHealth's Midwest region has been financially challenged, and the recent partnership with the University of Chicago Medical Center is an evolving strategy that provided an opportunity for better care coordination and to compete more effectively in the markets they serve. As the Chicago market continues to consolidate, management believes this strategy, with a focus on market stabilization that will include physician growth and alignment along with service line development, improved revenue recognition, and gained cost efficiencies, will allow its four hospitals to remain competitive and achieve improved financial performance more consistent with system expectations. Currently, this region represents the lowest margins in the AdventHealth system, but progress has been made since the partnership began, with cash flow trending favorably and with continued upside opportunity. Given the still-fragmented Chicago market, we believe further improvement is possible but will remain challenging, as there are many strong and consolidating competitors.

Senior leadership team maintaining core strategic vision under new CEO

We believe management responded well to the challenges faced across all its markets over the last several years, including various industry and macroeconomic pressures, and expanding capacity to provide much-needed access to care, while also preserving the financial stability of the organization.

AdventHealth has an experienced management team, in our view, with a successful record of strong financial operations, while keeping AdventHealth well-positioned as a leading multistate provider. Management has demonstrated a trend of strong financial and strategic planning with an ability to deliver on its planned expectations, and we believe the strategic vision, planning, and execution will continue under the leadership of its new CEO. AdventHealth continually updates its long-term strategic plan, outlining priorities including financial strength and growth, consumerism and connected network, value-based and risk payments, and clinical excellence.

Financial Profile: Very Strong

Operating performance continues to outperform and remains a core strength

AdventHealth's historical operating performance has been sound, in part due to the continued growth in many of the markets it serves, as well as success in implementing its core strategic

initiatives. Fiscal 2024 built upon the gains made in the previous year, with an excellent operating margin and cash flow. With strong business volume, disciplined management of expenses, including labor, and improved top line revenue, AdventHealth's overall cash flow as measured by EBIDA margin improved to 16.5% excluding FEMA funds (as measured by S&P Global Ratings), driving strong MADS coverage. Even when excluding $342 million in FEMA funds, the EBIDA margin would still be above that of the previous year. According to the interim statements, the favorable operating performance continued through the first quarter ended March 31, 2025, with an even stronger EBIDA margin, which is better than the target range needed to help fund their growth strategy while maintaining a sound overall financial profile. Management has indicated recent performance is in line with expectations, and while industry and competitive challenges remain, the fiscal 2025 EBIDA margin should be in line with recent performance.

In addition to further bending the cost curve, the next several years will require continued investments in hospital and ambulatory service expansion, clinical initiatives, and program growth, which will require continued capital and operating expenses to support AdventHealth's planned strategies. We also recognize that there are many variables that could disrupt performance, including increasing competitive threats, economic pressures, federal and state policy changes, and investment market performance. Nevertheless, we expect AdventHealth will continue to focus on closely matching staffing to actual volumes and careful management of overhead expenses, and we believe the system is well-positioned to balance its growth strategy with maintaining consistent financial performance and favorable business position in its core markets.

Improved liquidity and financial flexibility provide sufficient financial cushion for the rating

AdventHealth's unrestricted reserve-related metrics have rebounded significantly in the last two fiscal years, and while they provide sufficient financial flexibility, some metrics remain below median levels for the rating. As of fiscal 2024, unrestricted reserves were $10.3 billion, equal to 227 days' cash on hand and 229% of pro forma long-term debt. While there will always be the potential for variability in days' cash on hand, we recognize management's disciplined approach to its capital allocation formula and its demonstrated willingness to pull back if EBIDA is below expectations or if there is a need to improve liquidity and financial flexibility, which we view favorably.

Strategic priorities and ongoing growth support capital allocation methodology

AdventHealth maintains a metric-driven capital allocation process based on cash flow that helps moderate spending in weaker performance years. For 20 years (2001-2020), capital spending held relatively steady at 75% of EBDITA, but over the following two years (2021-2022) spending increased to 82% of EBDITA, helping to fund strategic growth opportunities. However, given the challenging operating conditions, management pivoted and reduced its spending allocation in fiscal 2023 to 60% and established a new spending target of 75% for 2024-2026, which takes into account the improved operating results and cash flow. Assuming AdventHealth achieves its projected earnings and cash flow (13% range EBIDA margin), these levels should provide sufficient resources for strategic priorities, although management should adjust accordingly if needed, as they continue to prioritize projects in key growth markets that have a strong return on investment.

Contingent liabilities

Approximately 62% of AdventHealth's bonds are fixed to maturity, including some direct-purchase bank loans. The remainder consist of 27% fixed-rate put bonds, 11% variable-rate demand bonds (VRDBs) backed by AdventHealth's self-liquidity, and $500 million of authorized CP, with no amounts outstanding as of Dec. 31, 2024.

Financial covenant requirements in AdventHealth's direct-purchase documents include maintenance of 1.15x debt service coverage, 65 days' cash on hand, and less than 65% debt-to-capitalization; however, there are no events of default leading to immediate acceleration. Should an event of default occur under the indenture, the banks would need at least 25% bondholder consent to accelerate the debt. We do not consider contingent liabilities a risk, given AdventHealth's consistent performance well above covenants, multiple bank relationships, diversified maturities, and proven market access.

Credit Snapshot

- Group rating methodology: Core.
- Organization description: AdventHealth operates 55 acute-care facilities spread throughout nine southern, midwestern, and mountain states (Florida, Georgia, Kentucky, North Carolina, Illinois, Wisconsin, Kansas, Colorado, and Texas).
- Swaps: None outstanding.
- Operating leases: AdventHealth is not materially reliant on operating leases, as its total long-term operating lease liability is $328 million, or roughly 7.4% of pro forma long-term debt at the end of fiscal 2024.

Ratings List	
New Issue Ratings	
US$287.015 mil hosp rev bnds (AdventHealth) ser 2025A due 11/15/2055	
Long Term Rating	AA/Stable
Ratings Affirmed	
Healthcare	
Adventist Hlth Sys/Sunbelt Obligated Grp, FL Health Care System Revenues	AA/Stable
Adventist Hlth Sys/Sunbelt Obligated Grp, FL Health Care System Revenues	A-1+

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

Quality and Safety

PLAN

CMS
CENTERS FOR MEDICARE & MEDICAID SERVICES
Star Rating

LEAPFROG
HOSPITAL
SAFETY GRADE

PREMIER
Mortality

AdventHealth


AdventHealth

Quality and Safety Plan

Table of Contents

Their work will be shown for what it is, because the day will bring it to light. It will be revealed with fire, and the fire will test the quality of each person's work.

1 Corinthians 3:13

Executive Summary

AdventHealth is committed to a comprehensive approach to improving health care quality and safety by aligning our mission, vision and values to create an environment that supports a dynamic, proactive and safe culture for patients, family members, visitors and our dedicated health care professionals.

The Quality and Safety Plan describes the multidisciplinary, systematic performance improvement framework developed to improve patient outcomes and reduce the risks associated with patient harm. This plan represents AdventHealth's commitment to deliver safe, timely, effective, efficient, equitable and person-centered care.

In our journey to achieve high reliability in the care and service we provide, AdventHealth has implemented system-wide efforts to improve outcomes and eliminate preventable harm and deaths through multiple quality and safety initiatives. Our commitment requires us to apply the science of reliability and human factors as we strive to provide evidence-based care consistently and reliably..

The High Reliability organization promotes a culture of safety, develops systems and processes that encourage safe behaviors, proactively works to avoid errors before they occur and demonstrates resilience when an error transpires. This plan is a high-level, action-oriented overview of quality and safety to be reviewed periodically. It seeks to include and collaborate with all regions, as well as joint venture partners, to the greatest extent allowed by the business rules governing the relationship of AdventHealth with these entities.

Purpose

The Quality and Safety Plan at AdventHealth supports our brand promise to "feel whole." It is a commitment to our mission, Extending the Healing Ministry of Christ. Our work and mission are rooted in the idea that we live in a broken world where we can help people feel whole. We believe health should be measured in terms of the whole person—body, mind and spirit. Our AdventHealth values guide our conduct, and they shape the way we build relationships with those inside and outside the organization. Our values align us around a common set of beliefs and standards that not only inform our work but also guide our behaviors and practices.

Our vision distinguishes us as a widely respected consumer-focused organization that engages individuals in their health by delivering Christ-centered, holistic, best-practice care across a connected, comprehensive continuum of services. Our vision is simply expressed through these dynamic concepts: Wholistic, Exceptional, Connected, Affordable, and Viable.

Our Mission

Extending the Healing Ministry of Christ

Our Values

- Quality and Service Excellence
- Community
- High Ethical Standards
- Stewardship
- Inclusiveness

Our Vision

We are widely respected as a consumer-focused organization that engages individuals in their health by delivering Christ-centered, holistic, best-practice care across a connected, comprehensive continuum of services.

Our vision is more simply expressed through dynamic concepts:

- Holistic
- Exceptional
- Connected
- Affordable
- Viable

Service Standards

AdventHealth has four service standards that are deeply embedded in our quality and safety efforts. It is through our service standards that we deliver exceptional care and outcomes.

Our service standards are:

- Keep Me Safe
- Love Me
- Make it Easy
- Own It

AdventHealth Clinical: 2030 Vision for Clinical Excellence

AdventHealth will deliver world-class clinical care with uncommon compassion, consistent with our mission of Extending the Healing Ministry of Christ. A foundational culture of collaboration, communication and transparency will provide the platform from which we will deliver this exceptional whole-person care as we lead in safety and clinical excellence through aligned systems, seamlessly connected networks and shared strategies.

To achieve clinical excellence in the short term, we will create:

- **(CE3) Improved Performance**
  Develop and implement strategies that drive safe, timely, effective, efficient, patient-centered and equitable whole-person care.
- **(CE3.1) Evidence-Based/Data-Driven**
  - Conscientiously use current evidence-based care in making decisions about the delivery of health care, including behavioral health.
  - Create an ongoing performance improvement program through an effective analytics, adoption and best-practice system.
- **(CE3.2) Harm Prevention**
  Reduce harm through building a culture of safety that achieves safe, reliable and effective care.
- **(CE3.3) Innovation**
  Integrate science, technology and research into clinical care.
- **(CE3.4) Variation Reduction**
  Optimally manage variation to improve the predictability and quality of outcomes.
- **(CE3.5) Value**
  Manage costs through the use of actionable data with a specific focus on behavioral health, emergency, critical care and hospital medicine, and care management.
- **(CE4) Empowered Clinical Workforce**
  Design and deploy a world-class clinical workforce through accelerated learning and optimized practice. Build an AdventHealth culture where team members have a voice, work on effective teams that identify and correct defects and leverage technology to facilitate human interaction.

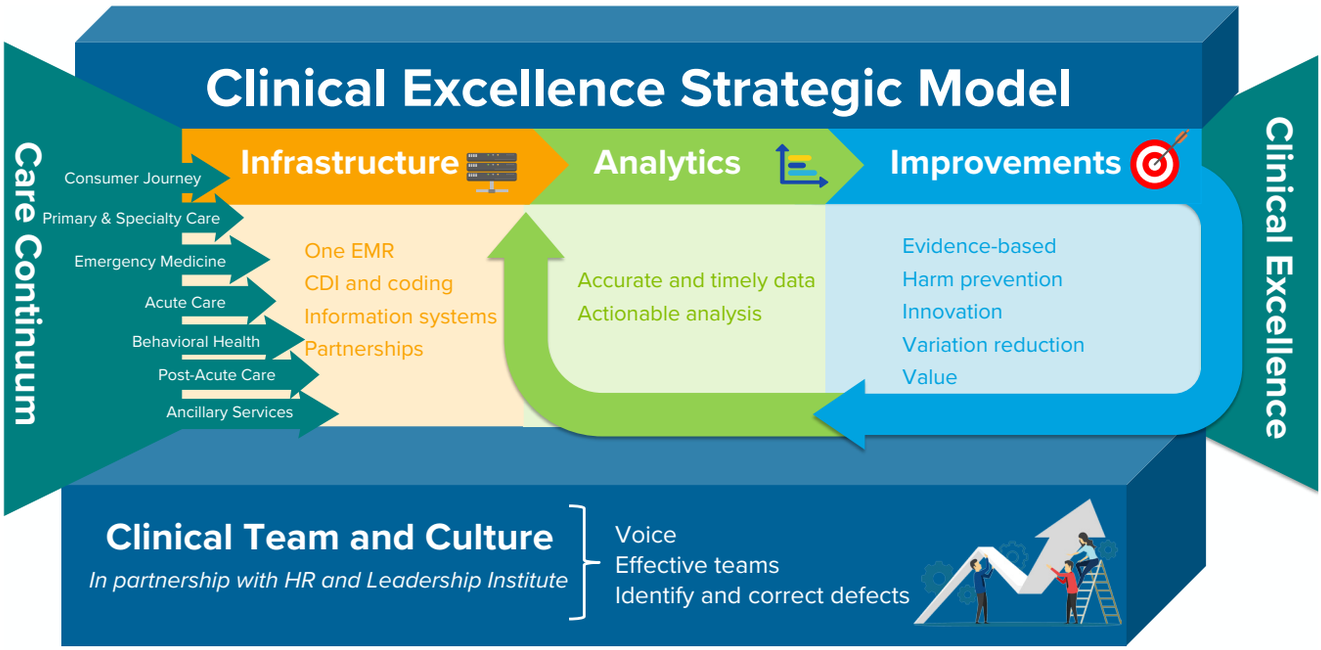
  AdventHealth Unit Culture:
  - Empower all team members to have a voice and speak up freely.
  - Promote a fair and just work environment.
  - Encourage teamwork: plan forward, reflect, communicate clearly and resolve conflict.
  - Regularly collect and learn from defects and successes.

Measures of Success

- Ensure that every AdventHealth hospital achieves a 4- or 5-star in CMS' Overall Hospital Quality Star Rating, an "A" in the Leapfrog Hospital Safety Grade, and top-quartile performance in Premier All Adult Inpatient Observed to Expected Mortality.
- Quantify within our clinical team an increase in engagement, teamwork, and the safety of the patient environment, as well as a decrease in turnover and burnout.
- Document measurable reduction of harm.

Improvements

- **Safety**
  Harm prevention
- **Quality**
  Evidence-based
  Innovation
  Variation Reduction
  Value = Quality/Cost



Safety

Safety is defined as the avoidance of a negative outcome, specifically from harm. AdventHealth defines safety as eliminating preventable harm or death. Safety is our number one priority.

Quality

Quality is the achievement of a positive outcome. It is achieving, and often exceeding, the highest standard of care for every patient, every time. AdventHealth defines quality as top-quartile performance.

In 2001, the Institute of Medicine (IOM) report **"Crossing the Quality Chasm—A New Health System for the 21st Century"** recommended six "aims for improvement" as part of the redesign of the American health care system. AdventHealth embraces the six aims as aspects of quality care:

Safety	Reducing harm by medical errors
Timeliness	Reducing waiting
Effectiveness	Avoiding overuse and underuse of resources and services
Efficiency	Reducing waste and total cost of care
Patient-centered	Accommodating individual patient needs when making care decisions and focusing on customer service
Equity	Closing racial and income gaps in health, working with the Chief Health Equity Officer

Scope

The scope of this Quality and Safety Plan is organization-wide, which includes but is not limited to:

- Patient safety
- Family and visitor safety
- Health care professional safety

Care Continuum

- Consumer journey
- Primary and specialty care
- Behavioral health
- Emergency medicine
- Acute care
- Post-acute care
- Ancillary services

Accreditation and Regulatory

Accreditation is a foundational aspect of quality and safety. All facilities will meet or exceed industry standards of accreditation across the continuum.

Examples:

DNV·GL

The Joint Commission

All facilities will meet or exceed the state and federal regulatory requirements under which they operate.

Examples:

CMS CENTERS FOR MEDICARE & MEDICAID SERVICES

AGENCY FOR HEALTH CARE ADMINISTRATION STATE OF FLORIDA

Roles and Responsibilities

Our aspirations are built from a firm foundation—the mission, vision, values, service standards and brand promise that undergird our work. Our service standards define how we interact with every consumer and every team member who walks through our doors. From the President to the patient, from the Board to the bedside, everyone has the responsibility to ensure quality and safety. Every member of the AdventHealth team is committed to exceeding the standard of care and preventing harm.

Governance and Leadership

Oversight and information sharing with the reporting structure for planning deliverables.

Health Care Accreditation Standards

The CEO, medical staff and clinical executives are responsible for Quality and Safety:

- Facility-wide quality assessment and performance improvement
- Training programs that support safety and quality
- The corrective action plans are successfully implemented

The facility has an organized medical staff that is accountable to the Board for Quality and Safety:

- The organized medical staff is accountable to the Board for the quality of care provided to patients
- The Board approves the structure of the organized medical staff

Corporate Governance

- **AdventHealth Board of Directors**
  The AdventHealth Board of Directors must assure patient care is safely delivered within the guidelines established by the medical staff and hospital leadership while meeting all standards and regulations. The board may delegate responsibilities to other committees, such as the Board Quality and Safety Committee.
- **Chief Executive Officer**
  The Chief Executive Officer is responsible for quality and safety within AdventHealth.
- **Chief Clinical Officer**
  The Chief Clinical Officer has corporate-wide responsibility for implementing initiatives and assuring the program is supported with appropriate resources and tools.
- **Chief Quality and Safety Officer**
  The Chief Quality and Safety Officer has corporate-wide responsibility for setting the vision and supporting safety and quality. This role ensures corporate-wide compliance with applicable laws and regulations affecting quality and safety. This Chief Quality and Safety Officer will collaborate with the AdventHealth Chief Medical Officer and Chief Nursing Executive, leaders of clinical programs, clinical support services, risk management, compliance and facility leaders to support innovation, promote best practices and implement standardized evidence-based practices and data-driven improvement across the organization.

Objectives and Goals

AdventHealth is widely respected for our clinically effective, integrated health care delivery system driven by our passion to strengthen communities.

Measures of Success

Each hospital is responsible for achieving the Measures of Success for Clinical Excellence, a set of three system-level goals established by senior leadership at the end of 2016 and integrated as the glide path toward the vision of exceptional care. The goals are:

- 4- or 5-star rating in the Centers for Medicare and Medicaid Star Program
- A letter grade “A” on the Leapfrog Hospital Safety Grade
- Top-quartile in Observed to Expected Performance for Premier In-Hospital Mortality, benchmarked by hospital size

All hospitals will undergo an assessment twice yearly, the Clinical Excellence Review, to evaluate progress toward achieving the goals of Leapfrog A, CMS 4- or 5-star rating and top-quartile performance with Premier Mortality. Hospitals that have not attained all three clinical imperatives will receive a customized Individual Improvement Plan.

Infection Prevention and Control

Infection prevention and control is integral to achieving quality and safety. Each hospital will have a current infection prevention and control plan to include monitoring, reporting and preventing health care-associated infections that align with this Quality and Safety Plan. Surveillance of and preparedness for emerging global infection-related health threats, including seasonal and pandemic influenza, will be included. This includes key domains of the pandemic response from the U.S. Department of Health and Human Services.

AdventHealth Infection Prevention strives to support AdventHealth entities in promoting patient, visitor, and workforce member safety by reducing the risk of acquiring and transmitting infections across the continuum of care. The program functions include but are not limited to assistance with:

1. Surveillance, reporting, and analysis of health care-associated infections (HAIs) and epidemiologically significant organisms
2. National Healthcare Safety Network (NHSN) training, data management and maintenance
3. Training of infection prevention tools and support during and after “Go-Live” as applicable
4. Identification and investigation of clusters of organisms and infections
5. Implementation of evidence-based interventions to prevent HAIs
6. Evaluation of methods and technologies to reduce transmission of pathogens
7. Creation and maintenance of infection prevention policies
8. Development and maintenance of educational programs regarding infection prevention for patients, infection preventionists, and health care personnel
9. Input for the content and scope of infection prevention, occupational health, and safety programs related to infection prevention, including regulatory and accreditation requirements.
10. Administration of ongoing programs and initiatives for continuous quality assessment, quality improvement, and infection risk reduction

Evidence-based Innovation and Variation Reduction

Quality and safety are the outputs of clinical outcomes and are driven through up-to-date evidence-based practice, practice-based evidence and the reduction of unnecessary care variation. Subject matter experts, coordinating with clinical decision support driven through the electronic medical record, enable the practice of evidence-based medicine. Clinical issues are identified at the bedside and are used to drive new ideas that lead to new processes and products.

The AdventHealth Clinical Innovation team facilitates the development, implementation, and sustainment of standardized clinical pathways. These clinical pathways are iterative, physician-led, evidence-backed, consensus-based and patient-centric pathways for a diverse patient population with a particular diagnosis or condition. The result of this work leads to the best possible outcomes and a reduction in unnecessary care variation.

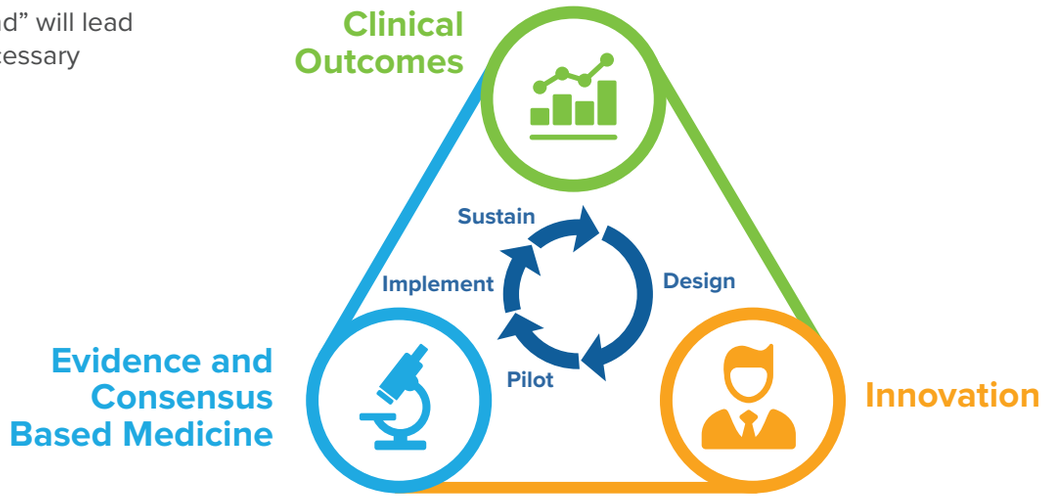
Evidence-based practice and practice-based evidence are imperative to providing patients with the best up-to-date care. Coordination with subject matter experts in clinical decision support is designed to facilitate following the guidance of a consensus-written algorithm. Strategic clinical issues are identified and selected. The three-pronged approach is the “Improvement Triad.” This includes:

- Following evidence and consensus-based medicine
- Innovation (new ideas, processes or products)
- Visibility of clinical outcomes through clinical data and real-time dashboards

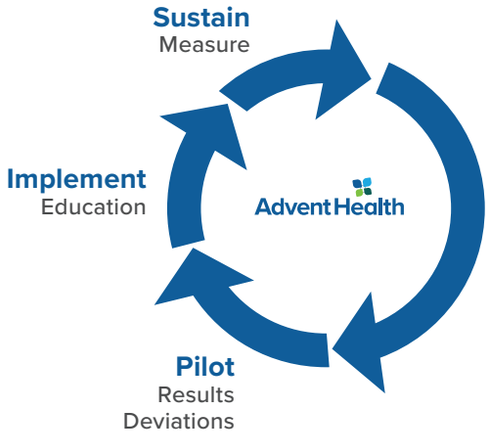
The approach to the improvement triad methodology involves engaging people, process, and technology in the Design, Pilot, Implementation, and Sustainment of five comprehensive initiatives for AdventHealth Clinical, as well as algorithms incubated in the acute care operations of various facilities.

Clinical improvement work will be prioritized to bring safety, quality and value to consumers, payors and AdventHealth as quickly as possible. Development of the pathways is focused by clinical needs and local requirements for the best patient care. The AdventHealth improvement triad algorithms include sepsis, cardiac care, glycemic care, perinatal care and a variety of supporting algorithms encompassing many clinical specialty areas.

This “Improvement Triad” will lead to a reduction in unnecessary care variation.



The method in the center of the triad, based on John Kotter’s Change Management, has been reliably successful.



Design
Evidence, Experience
- Literature
- Pertinent Data

Consensus Written Algorithm
- List Drafters

Vision Communication

Barriers:
- Identity
- Remove or Mitigate

Key Measures

Quality Performance Improvement Model

The Quality Performance Improvement model AdventHealth uses “Plan, Do, Study, Act (PDSA).” This cyclical model incorporates defining the opportunity, identifying the objective, collecting and measuring data, analyzing performance while comparing objectives, determining action steps and initiatives as appropriate based on performance, educating and re-measuring. Other process improvement methodologies and tools may be used, focusing on creating a culture of continuous quality improvement.

This cyclical model includes the following steps:

- **Plan**—A change aimed at quality improvement
- **Do**—The tasks required to implement the change, preferably on a small scale
- **Study**—The results of the change
- **Act**—To adopt or abandon the change

Model for Improvement

High Reliability Organization (HRO) Unit Culture

Unit culture is the physical and operational environment in which a team operates. The High Reliability Organization (HRO) Unit Culture program uses the Principles of HRO and the Framework for High Reliability in Health Care to give team members a voice and to inspire collaboration that identifies barriers to success. It promotes patient safety by leveraging unit leader training and technology to facilitate engagement and closed-looped communication.

The HRO Unit Culture Program is foundational in driving patient safety and quality outcomes at the unit level. Unit leaders engage in a leadership program centered around HRO principles, psychological safety, and just culture. As a result, team members are empowered to have a voice and speak up freely through technology; promoting a fair and just work culture.

Framework for High Reliability in Health Care

High Reliability Organization Principles

ANTICIPATION

Preoccupation with Failure
Anticipate risks and be mindful

Reluctance to Simplify
Be curious and avoid assumptions

Sensitivity to Operations
What are the pebbles in your shoes

CONTAINMENT

Commitment to Resilience
Get back in the saddle

Deference to Expertise
Empower the experts

Safety Culture Survey

AdventHealth conducts a Patient Safety Culture Survey annually to provide valuable insight to drive actionable improvements in culture, safety, and outcomes. For this survey, we have partnered with a third-party vendor, the survey includes the workforce within care environments, responses are confidential, and results will only be reported in aggregate where five or more responses are collected. Each hospital identifies strengths and opportunities with action plans implemented at the department level. A facility plan is provided through the Clinical Excellence Review. AdventHealth Clinical Patient Safety provides year-round support at PatientSafetyCultureSurvey@adventhealth.com

Patient Safety Education and Training

Patient Safety Academy

The AdventHealth Patient Safety Academy is a three-day, in-person symposium based on the Framework for High Reliability Healthcare.

The Patient Safety Academy is an intensive, interactive adult-learning workshop to prepare current and future leaders with the advanced knowledge, skills and attitudes necessary to provide industry-leading competency in patient safety for our hospitals and care locations across the continuum. To this end, nationally known speakers and internal subject matter experts are engaged to provide the content and guide activities and discussions. The goal is for the attendee to leave the Academy prepared to lead the care team in the practical application of patient safety principles. The AdventHealth Patient Safety Academy is approved by the Florida Board of Medicine (CME) and the American Nurses Credentialing Center (ANCC) for continuing education credit, as well as approved by IHI for credit towards CPPS certification. Certification agencies in other states and fields of study have reciprocally accepted our CEUs.

The Academy is open to anyone whose work places them in the role of Safety Champion, including but not limited to CMO, CNO, COO, Patient Safety Officer, Risk Manager, and Quality Leader.

For more information, please visit AdventHealth Patient Safety Academy (sharepoint.com)

Signature Safety Seminar

Due to heightened demand of the Patient Safety Academy, the AdventHealth Signature Safety Seminar was designed to provide more forward-facing leaders with the knowledge and training of the Framework for High Reliability Healthcare to effectively lead their teams with advanced focus on the expertise to improve patient safety.

The Signature Safety Seminar is an eight-hour in-person session hosted locally by the care site or region/division.

Topics discussed are:

- Framework for High Reliability Healthcare
- Leadership
- Culture
- Knowledge
- Learning Systems
- #FeelingWhole

The Executive team at the hosting region or facility is responsible for nominating the attendees to receive this safety training.

The AdventHealth Signature Safety Seminar is approved by the Florida Board of Medicine (CME) and the American Nurses Credentialing Center (ANCC) for continuing education credit.

If interested in hosting this training, please send a request to AdventHealth Clinical at

CORP.ClinicalPatientSafety@adventhealth.com

Mortality Learning System

The Mortality Learning System (MLS) is a tool designed to support facilities in understanding factors that impact quality, safety, and potential harm through retrospective mortality reviews. The MLS assists facilities in identifying patterns, trends and contributing factors that may affect care quality, revealing opportunities for improvement. This process deepens the understanding of safety-related issues and potential harms, creating a learning system focused on improving patient outcomes and driving safety enhancements.

Area of Focus: Soft-Tissue Robotic Assisted Minimally Invasive Surgery (RAMIS)

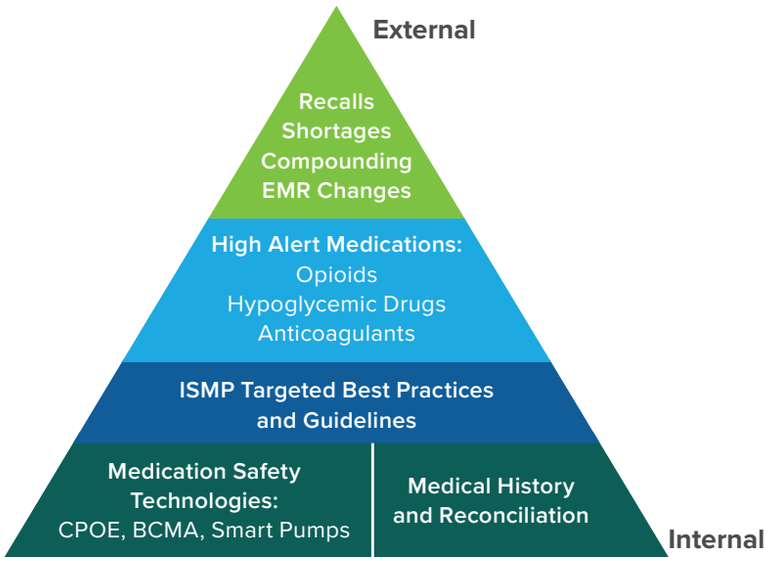
AdventHealth is dedicated to achieving excellence in robotic surgery through standardization of best practices, quality improvement and performance optimization across all facilities. To support this commitment, we focus on:

- **Standardization:** Adopt the systemwide guidelines that leverage best practices across all facilities, ensuring consistency and excellence in robotic surgical practices.
- **Center of Excellence in Robotic Surgery:** Encourage and support facilities in earning accreditation, aligning with our broader vision of becoming a network of excellence in robotic surgery.
- **Intraoperative Skills Assessment Program (CSATS):** Promote surgeon participation in the assessment program, which offers up to 20 continuing medical education (CME) credits per month, fostering continuous professional development and skill enhancement.
- **Performance Monitoring and Improvement:** Utilize the Soft-Tissue Robotic Dashboard to monitor, direct, and elevate surgical delivery and care, continuously improving patient outcomes.

Area of Focus: Medication Safety Model

The Medication Safety strategy is held on five medication safety principles which guide focused initiatives:

- Create, communicate and demonstrate a leadership-driven culture of safety
- Improve error detection, reporting, and use of derived information to improve medication safety
- Evaluate and implement medications safety technology within AdventHealth to reduce the risk of medication errors. Utilize data from the programs to maximize the proper and safe use of the technology



- Reduce the risk of errors with high-alert medications prescribed and administered to patients
- Maintain a controlled formulary that focuses on the safety of medications and staff education on formulary changes

The Medication Safety Model, created at AdventHealth, visually showcases foundational elements of safety that support safe medication systems to mitigate harm (see right).

Area of Focus: Imaging Safety

Imaging Modalities	Imaging Safety Areas of Focus	Imaging Safety Priorities
CT	CT	• Improve Quality
DEXA		• Standardize Access to Exams
Imaging Nursing		• Reduce Rate of Extravasation
Interventional Radiology (IR)		• Support Contrast of Reaction
Mammography		• Formalize Education
		• Implement BCMA for contrast
Nuclear Medicine/ Position Emission Tomography (PET)	Magnetic Resonance Imaging (MRI)	• Align with American College of Radiology and FDA MRI Safety Best Practices • Prevent thermal injury • Standardize environment • Improve quality control • Implement best practice staffing • Formalize education • Implement BCMA for contrast
Ultrasound		
X-Ray		
Magnetic Resonance Imaging (MRI)		

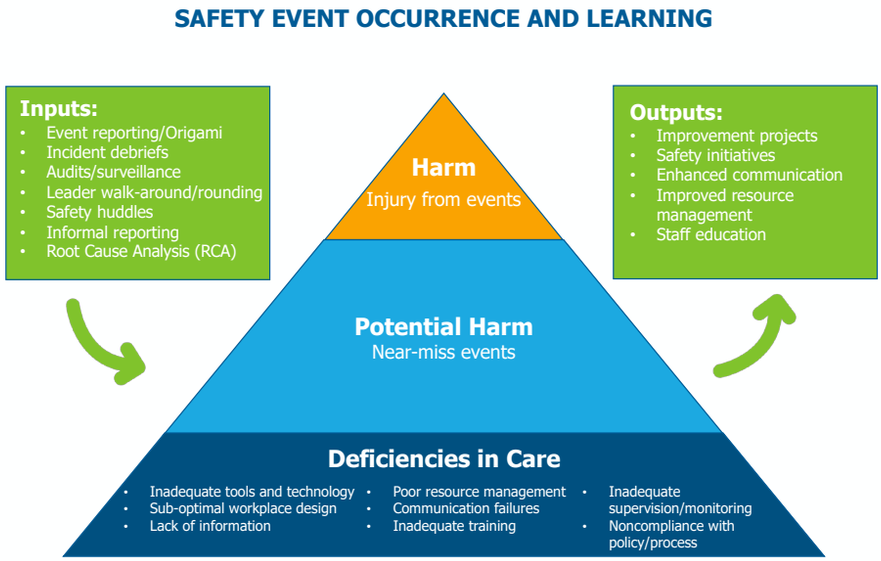
Area of Focus: Perinatal Safety

AdventHealth is committed to perinatal safety by enhancing care quality and standardization across all perinatal facilities. We are driving this focus through:

- **Education and training:** All obstetrical clinicians and providers will regularly participate in the OB educational learning system.
- **Certification and verification:** Achieve and maintain maternal level of care verification and Safe Sleep Certification.
- **Quality and safety monitoring:** Utilize the perinatal dashboard for continuous monitoring and opportunities for improvement.
- **Collaborative participation:** Actively participate in state and systemwide perinatal quality collaboratives.
- **Standardized policies:** Standardize policies and SOPs based on evidence-based practices.

Model and Framework of Safety Science Investigation

- Incident or Event
- Gather information
  - Data, narrative
  - Workplace walk-through
- Systematic stratification and approach: RCA2 HFACS
  - Root cause analysis and action(s)
  - Human Factors Analysis Classification System



Integrated Quality, Risk and Safety

"The roles of health care risk and quality professionals are evolving in health care organizations. In the past, the two functions often operated separately, and individuals responsible for each function had different lines of reporting—an organizational structure that further divided risk management and quality. Today, risk management and quality improvement efforts in health care organizations are rallying behind patient safety and finding ways to work together more effectively and efficiently to ensure that their organizations deliver safe, high-quality patient care and continue to minimize risks." —ECRI

Patient Safety, Risk, and Quality (ecri.org) published 11/18/2014

AdventHealth will strive for the functions of Risk and Quality, overlapping in Patient Safety, to synergistically work together to improve patient care.

Risk and Quality Functions Overlap in Patient Safety

Each facility will maintain a Risk Management program addressing the clinical functions of risk, including: grievances, claims, incident reporting, adverse events, event trends, patient rights, risk reduction strategies and participation in the Patient Safety Organization.

Source: https://www.ecri.org/components/HRC/Pages/RiskQual4.aspx?tab=2#figure

Patient Safety Organization

The Patient Safety and Quality Improvement Act (PSQIA) of 2005 established the ability for providers to utilize a Patient Safety Evaluation System with newly created Patient Safety Organizations (PSOs) designed to analyze data on a national scale and provide recommendations to improve patient safety and quality. To encourage reporting and analysis of medical errors, the PSQIA provides Federal privilege and confidentiality protections for patient safety information identified as Patient Safety Work Product.

AdventHealth launched one of the first federally-listed Patient Safety Organizations in the country in 2009. The role of AdventHealth PSO is to:

- Support the "voice" of our team members by creating a safe space for honest conversation and meaningful work
- Directly support and resource patient safety goals
- Provide individualized feedback and comparative analytics
- Improve patient safety and quality using multiple initiatives such as Perinatal Assessments, Intraoperative Technical Skill Assessments, and Quality Related Event analysis

Clinical Documentation Integrity

The purpose of Clinical Documentation Integrity (CDI) is to promote clear, concise, complete, accurate, and compliant clinical documentation. Clinical documentation is the foundation for managing the patient's medical record from admission to discharge. A complete medical record can prevent ambiguity and improve communication between health care providers.

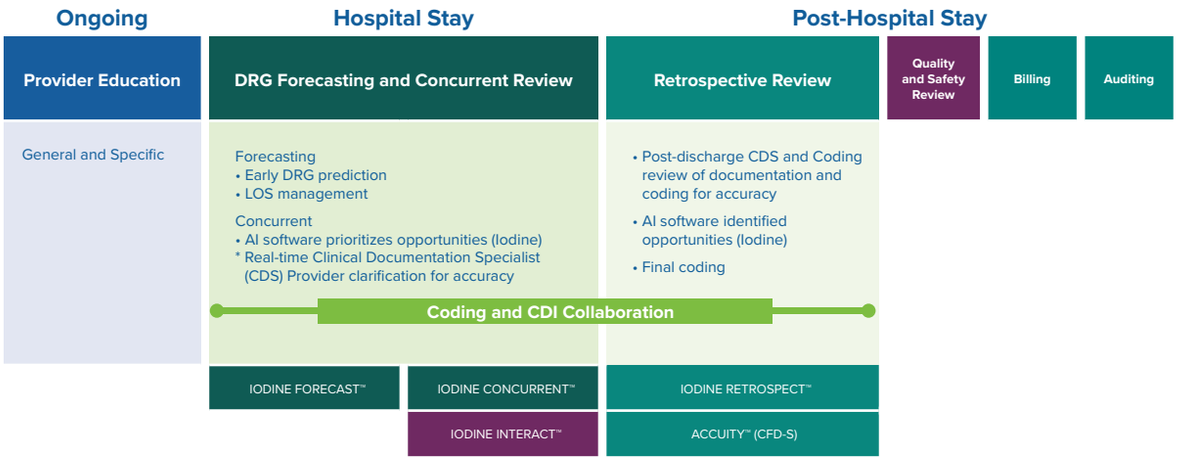
A Clinical Documentation Integrity Specialist reviews each record to clarify situations where the documentation is incomplete to support the patient's severity of illness and care. Clarifications may include diagnosis specificity, comorbidities, complications, treatments, or procedures.

CDI is well-poised to have multidisciplinary collaboration and to contribute to quality initiatives. CDI allows an increased recognition of comorbid conditions responsive to treatment, validates the care provided and supports compliance with quality and safety guidelines.

The accurate coded and abstracted data ensures our quality measures and outcomes are correct, which are reflected in:

- **CMS** overall hospital quality star rating
- **Leapfrog** hospital safety grade
- **Premier** all-adult inpatient observed to expected mortality ratio

CDI Process Overview



Care Management

AdventHealth Care Management is an interdisciplinary process where providers, nurses, care managers, and the health team coordinate complex medical and social factors to optimize patient outcomes. Among the goals of Care Management is reducing health care costs, allowing for optimal bed utilization and staffing, and reducing hospital-acquired conditions through an appropriate length of stay (LOS). The AdventHealth goal is to achieve a LOS performance at or better than the CMS Geometric Length of Stay (GMLOS) benchmark.

The LOS can be impacted through an initial evaluation within the next calendar day, physician-led multidisciplinary rounds, care management staffing seven days a week, having a post-acute strategy and identifying outliers.

AdventHealth Clinical offers a Corporate Care Management Scorecard in addition to extensive analytics for care management, length of stay, and readmission.

Summary

The question is: “What are we doing at AdventHealth about quality and safety of care?” Our simple summary is for every individual, every team and our organization to understand and declare the following:

- **One Individual—Voice**
  I know and practice the principles of High Reliability.
  I have a voice, and I am listened to. I can speak up safely.
- **Others—Effective Team**
  I am part of a team that cares about me. Teamwork involves planning, huddles, communication and handoffs, learning and measurement.
- **Organization—Identify and Correct Defects**
  Transparency: We are open and honest with all we do.
  Just Culture: Mistakes are handled fairly with an algorithm. People are held accountable.

Communication Plan

The Quality and Safety Plan (and subsequent updates) has been approved by the AdventHealth Nurse/Physician Advisory Council. It will be distributed to all clinical leaders, including the Board Quality and Safety Committee, C-suite, President’s Council, Clinical Summit, CMO/CNO Forums and Quality Directors.

Approval

Prepared: William R. Scharf, MD | Executive Clinical Director | Quality and Safety
Prepared: Jaclyn Jeffries, PharmD, CPh, CPPS | Executive Director, Safety
Reviewed and submitted: Jeffrey Kuhlman, MD, MPH, CPPS | Chief Quality and Safety Officer
Approved: J. Brent Box, MD | **Senior Vice President** | Chief Medical Officer
Approved: Trish Celano, MSN, RN | Senior Vice President | Chief Nursing Executive

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Appendix A: Roles and Responsibilities

Name	Title	Role(s)	Email	Phone
Tamara Adolph	System Clinical Documentation Integrity Director	Clinical Documentation Integrity	tamara.adolph@adventhealth.com	
Stacy Carson	Medication Safety Officer	Medication Safety	stacy.carson@adventhealth.com	
Tani Corey	Director Patient Safety Organization	Patient Safety	tani.corey@adventhealth.com	407-357-2276
Cynthia Nguyen Dang	Senior Performance Improvement Consultant	Performance Improvement	cynthia.dang@adventhealth.com	
David George	Director, Unit Culture	Unit Culture	david.george@adventhealth.com	
Ashleigh Gonzalez	Clinical Patient Safety Program Director	Mortality Learning System Perinatal Collaborative RAMIS Clinical Risk Reduction	ashleigh.gonzalez@adventhealth.com	
Xiomara Hewitt	Director Infection Prevention	Infection Prevention	xiomara.hewitt@adventhealth.com	407-357-2125
Vincent Hsu, MD	Executive Medical Director, Infection Prevention and Epidemiology	Infection Prevention and Epidemiology	vincent.hsu.MD@adventhealth.com	407-303-3659
Jaclyn Jeffries, PharmD, CPh, CPPS	Executive Director, Safety	Patient Safety Academy Safety Culture Survey Ancillary Care Services and Clinical Patient Safety	jaclyn.jeffries@adventhealth.com	
Jeffrey C. Kuhlman , MD	Chief Quality and Safety Officer	Oversight of all Quality and Safety Programs	jeffrey.kuhlman@adventhealth.com	
Bryan Lin	Project Manager III	Patient Safety and Quality Improvement	bryan.lin@adventhealth.com	
Rhonda Lovec-Theobald	Director, Clinical Quality Programs and Intel	Quality and Regulatory Clinical Analytics CMS Quality Reporting Programs Leapfrog Survey / Safety Grade Premier Quality Advisor Reporting Clinical Excellence Review (CER) Readmission and Sepsis QlikView Dashboards	rhonda.lovec-theobald@adventhealth.com	407-357-2127
Jeannine Nylaan	Corporate Executive Director of Care Management	Care Management	jeannine.nylaan@adventhealth.com	407-357-2634
Dennis Nunez	Clinical Analytics Manager	IT Clinical Analytics	dennis.nunez@adventhealth.com	

Name	Title	Role(s)	Email	Phone
Kelly Oliveras	Strategic Clinical Reporting Specialist	Quality and Safety Analytics	kelly.oliveras@adventhealth.com	
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Deva Rea	Infection Prevention Education Manager	Infection Prevention	deva.rea@adventhealth.com	407-303-4525
Tara Rhone	Senior Clinical Analyst	Infection Prevention	tara.rhone@adventhealth.com	407-776-5493
Christopher Riccard, MD	Vice President Hospital Medicine and Clinical Documentation Integrity	Clinical Documentation Integrity Hospital Medicine	christopher.riccard.MD@adventhealth.com	
Marisol Rivera	Executive Assistant	Executive Assistant to: Jaclyn Jeffries Jeffrey Kuhlman, MD Rhonda Lovec-Theobald William R. Scharf, MD	marisol.rivera@adventhealth.com	407-776-6689
Denver Sangrey	Business, Analyst, Quality and Safety	Quality and Safety Analytics	denver.sangrey@adventhealth.com	
Heukary Sonera	Quality and Reporting Clinical Specialist	Quality Clinical Reporting	heukary.sonera@adventhealth.com	
William R. Scharf, MD	Executive Clinical Director Quality and Patient Safety	Quality and Patient Safety Quality and Safety Plan Clinical Excellence Review Leapfrog Accreditation	william.scharf@adventhealth.com	407-357-2105
Mary Jo Thompson	Director Clinical Risk Management	Operations Quality Improvement	maryjo.thompson@adventhealth.com	407-357-2249
Lauryn Verica	Clinical Patient Safety Program Manager	Safety Culture Survey Patient Safety Academy	lauryn.verica@adventhealth.com	
Amy Zink	Director Imaging Safety	Imaging Safety	amy.zink@adventhealth.com	

Quality and Safety Help Hotline

407-776-6689

Jeffrey C. Kuhlman, MD, MPH, CPPS I Chief Quality & Safety Officer
William R. Scharf, MD I Executive Clinical Director, Quality & Safety
Jaclyn Jeffries, PharmD, CPh, CPPS I Executive Director, Safety
Marisol Rivera I Executive Assistant

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AdventHealth

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