

Financial Results

In fiscal 2023, MyMichigan Health continued to navigate ongoing labor challenges while delivering high quality patient care and maintaining a primary focus on the safety of its patients, providers, employees and communities. Patient volumes in most areas improved over the previous year activity, driving increased revenues; however, expenses also increased resulting in a loss in overall operating performance from our core operations for fiscal 2023. MyMichigan Health recognized \$21.9 million of COVID related grants which helped to mitigate the continued financial impact of the pandemic and related labor shortages. MyMichigan Health's financial condition remains very strong. This strength results from the underlying conservative principles we use to manage our assets and liabilities.

These principles include:

Strong Liquidity:

We have more than \$1.0 billion in investments at June 30, 2023, or the equivalent of approximately 293 Days Cash on Hand. We remain significantly above our target, which will help us to withstand the many uncertainties that we face in the healthcare industry.

Investment in Facilities and Technology:

In fiscal 2023, we invested more than \$31 million for the construction of the James T. and Elsa U. Pardee Cancer Wellness Center (Pardee Cancer Center) in Midland. The Pardee Cancer Center project is expected to be completed in fiscal 2024, with the total investment estimated at \$62 million. In Alma, \$13 million was invested in Alma's Perioperative Services Project during the fiscal year. This project is also expected to be completed in fiscal 2024, with a total investment of \$26 million. An investment of nearly \$9 million was made in fiscal 2023 for MyMichigan Health Park West Branch which opened in March 2023 for a total investment of over \$11 million.

Net Revenue Reserves:

We continue to be appropriately conservative in how we record net patient care revenue and maintain appropriate reserves for changes in estimates with respect to billing and third-party payor audits.

Conservative Funding of Our Pension Plan:

We have continued to fund our pension plans in excess of our requirements, contributing \$5 million to the plans in fiscal 2023. This has allowed us to continue to move towards our goal of aligning all retirement plans into a single retirement plan that is flexible and easy for employees to understand.

Strong Capital Structure:

Our debt-to-capitalization ratio of 24.3% as of June 30, 2023 continues to be lower than most organizations our size.

2023 (in millions)

Revenue (Amount We Charge for Our Services)	
For Patient Care and Other	\$3,459
Revenue Provisions	(2,123)
Total Operating Revenue (Amount We Receive from the Fees We Charge)	1,336
Expenses (What It Costs to Provide Services to Our Patients)	
Provide Compensation and Benefits to Our Employees	686
Pay Supplies, Insurance, Utilities and Other Services	555
Invest in Facilities and Equipment (Depreciation and Interest)	82
Ongoing Cost of Providing Services to Our Patients	1,323
Operating Income From Our Core Operations (Amount Left After Paying Expenses)	13
In Addition, We Received Interest Income and Realized Gains on Investments	17
Funds Available for Reinvesting in Programs, Equipment and Facilities	30
Inherent Contribution Sault Addition	
Other Income	3
Unrealized Market Adjustments for Investments	57
Pension Curtailment/Settlement	(5)
UMH Exit Fee	(93)
TOTAL (LOSS)/INCOME	\$(8)

2023 (in millions)

Charity Care: Contributions to Our Communities' Health	
Charity Care at Cost	\$15
Cost of Unreimbursed Medicare, Medicaid, and other public programs	86
Cost of Price Concessions	21
Total Cost of Uncompensated Care	122
Cost of Community Benefit	6
Total Contributions to Our Communities' Health	\$128

Financial Results

Continued

In fiscal 2023, net patient service revenue showed growth over the prior year. Higher patient volumes and a full fiscal year of MyMichigan Medical Center Sault (compared to only 6 months in fiscal 2022) had a positive impact on net patient service revenue. Also included in income was the recognition of COVID related grants in the amount of \$21.9 million which brought total operating revenue for the year to \$1.3 billion.

Fiscal 2023 operating results included the following significant expense-related items:

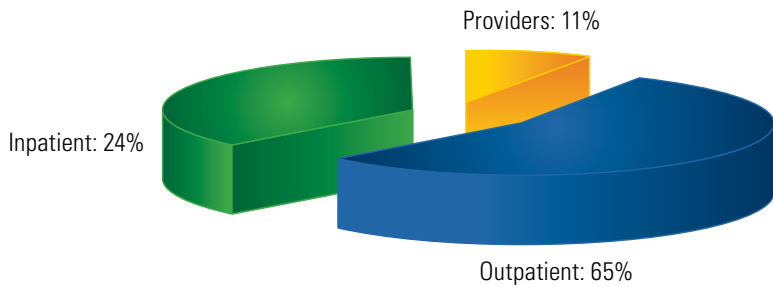
- Impact of the addition of MyMichigan Medical Center Sault midway through fiscal 2022, resulting in higher fiscal 2023 expenses of \$72.5 million;
- Impact of higher productive wages related to higher patient volumes as well as non-productive wages related to incentive: \$72.3 million (compensation and related benefits);
- Higher patient-related supplies, including patient-related pharmaceutical expenses: \$15.4 million; and
- Impact of increased travel, contract services, and maintenance contracts, offset by lower contract labor utilized in fiscal 2023: \$7.6 million.

Fiscal 2023 included the following significant, non-recurring items:

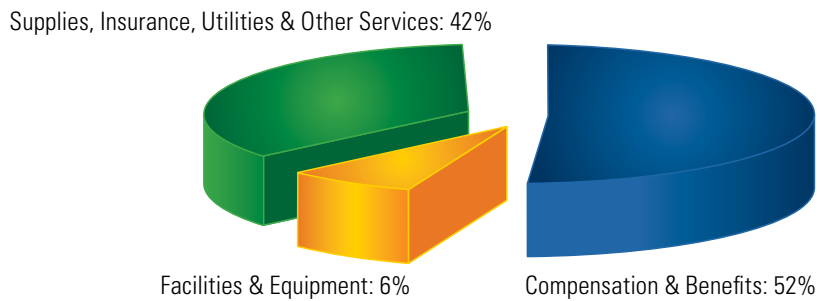
- Recognition of \$21.9 million of COVID related grants that favorably impacted our financial results;
- One-time, non-cash settlement charge related to pension remeasurement of \$5.3 million; and
- One-time UMH exit fee of \$92.5 million.

Overall, MyMichigan Health reported a Total Loss of approximately \$8 million, which includes \$57 million of unrealized investment gains as well as the one-time items listed above. Total Income, excluding unrealized investment gains and the non-recurring items listed above was \$11 million. As a not-for-profit, we reinvest our "Total Income" back into our communities to fund capital improvements, improve patient care, invest in our employees, and implement technology. This allows us to continue to provide excellent health services to the people in our communities and fulfill our purpose of "Creating Healthy Communities – Together."

Where We Receive Our Funds



How We Put Our Funds to Work



Capital Investment

(Money We Reinvest in Our Facilities, Technology and Equipment)
(in millions)

