

Financial Results

Fiscal 2022 brought more growth and change to MyMichigan Health as we added MyMichigan Medical Center Sault to our health system on January 1, 2022. MyMichigan Health continued to navigate the 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 decline in overall operating performance from our core operations for fiscal 2022. MyMichigan Health recognized \$25.9 million of COVID-related grants which helped to mitigate the continued financial impact of the pandemic. 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 over \$998 million in investments at June 30, 2022, or the equivalent of approximately 317 Days Cash on Hand. We remain significantly above our target, which will help us to withstand the many uncertainties that we currently face in the healthcare industry.

Investment in Facilities and Technology:

In fiscal 2022, we completed construction of the Alpena Patient Tower, investing an additional \$30 million in fiscal 2022 for a total investment of over \$63 million. An investment of nearly \$10 million was made in fiscal 2022 for the construction of a new emergency department in Bay City which opened in December 2021 for a total investment of over \$12 million. In Midland, another \$4 million was invested in the Pardee Cancer Center during the fiscal year. The Cancer Center project is expected to take approximately two years with the total investment estimated at \$62 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 \$14 million to the plans in fiscal 2022. The contributions, increased discount rate, and freeze of benefit accruals in fiscal 2022 positively impacted our balance sheet. We will continue to contribute to the plans to maintain appropriate funded levels.

Strong Capital Structure:

Our debt-to-capitalization ratio of 25.3% as of June 30, 2022 continues to be lower than most organizations our size.

2022 (in millions) 2021 (in millions)

	2022 (in millions)	2021 (in millions)
Revenue (Amount We Charge for Our Services)		
For Patient Care and Other	\$3,075	\$2,620
Revenue Provisions	(1,848)	(1,520)
Total Operating Revenue (Amount We Receive from the Fees We Charge)	1,227	1,100
Expenses (What It Costs to Provide Services to Our Patients)		
Provide Compensation and Benefits to Our Employees	614	546
Pay Supplies, Insurance, Utilities and Other Services	517	435
Invest in Facilities and Equipment (Depreciation and Interest)	75	67
Ongoing Cost of Providing Services to Our Patients	1,206	1,048
Operating Income From Our Core Operations (Amount Left After Paying Expenses)		
In Addition, We Received Interest Income and Realized Gains or (Losses) on Investments	263	28
Funds Available for Reinvesting in Programs, Equipment and Facilities		
Inherent Contribution Sault Addition	55	—
Other Income	5	5
Unrealized Market Adjustments for Investments	(365)	151
Pension Curtailment/Settlement	13	(16)
Loss From Early Extinguishment of Debt	=	(13)
TOTAL (LOSS)/INCOME	<u>\$(8)</u>	<u>\$207</u>

2022 (in millions)

Charity Care: Contributions to Our Communities' Health	
Charity Care at Cost	\$17
Cost of Unreimbursed Medicare, Medicaid, and other public programs	98
Cost of Price Concessions	12
Total Cost of Uncompensated Care	127
Cost of Community Benefit	5
Total Contributions to Our Communities' Health	<u>\$132</u>

Financial Results

Continued

In fiscal 2022, net patient service revenue showed growth over the prior year. Higher patient volumes and the addition of MyMichigan Medical Center Sault (\$59.0 million) had a positive impact on net patient service revenue. Also included in income was the recognition of COVID-related grants in the amount of \$25.9 million which brought total operating revenue for the year to \$1.2 billion.

Fiscal 2022 operating results included the following significant expense-related items:

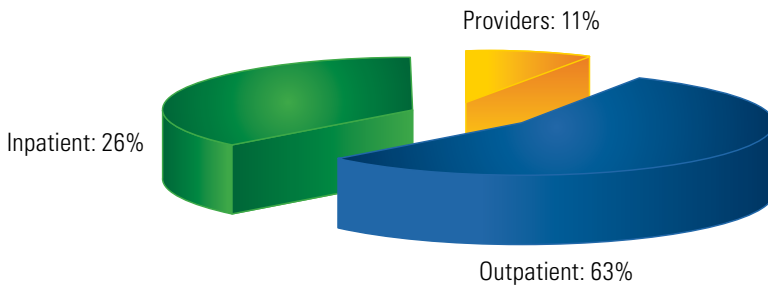
- Impact of the addition of MyMichigan Medical Center Sault: \$61.4 million (January-June);
- Impact of higher productive wages related to higher patient volumes and premium pay as well as non-productive wages related to incentive, retention and COVID leave pay: \$67.9 million (compensation and related benefits);
- Higher patient-related supplies, including pharmaceutical expenses and increased cost of medical supplies: \$23.0 million; and
- Impact of increased contract labor utilized in fiscal 2022: \$38.6 million

Fiscal 2022 included the following significant, positive non-recurring items:

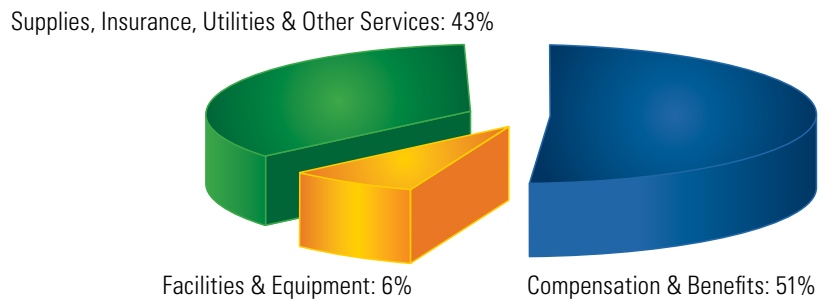
- Recognition of \$25.9 million of COVID-related grants that favorably impacted our financial results;
- Flood insurance settlement of \$4.3 million;
- One-time, non-cash curtailment related to pension freeze of \$12.5 million; and
- One-time inherent contribution from addition of Sault of \$55.2 million.

Overall, MyMichigan Health reported a Total Loss of approximately \$8 million, which includes \$365 million of unrealized investment losses as well as the one-time items listed above. Total Income, excluding unrealized investment losses and the non-recurring items listed above was \$259 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)

