

## Ascension Health

### Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following information should be read with Ascension Health's unaudited consolidated financial statements and related notes to the consolidated financial statements, as well as Ascension Health's June 30, 2009 audited consolidated financial statements.*

#### **Volume Trends and Net Patient Service Revenue**

For the three months ended September 30, 2009, Ascension Health experienced a 3.3% increase in equivalent discharges as compared with the three months ended September 30, 2008. Acute care admissions grew 0.9% from prior year. Outpatient revenue as a percentage of total gross patient service revenue increased from 44.8% for the three months ended September 30, 2008 to 45.9% for the three months ended September 30, 2009.

	<b>Volume Trends</b>	
	<b>Three Months Ended September 30,</b>	
	<b>2009</b>	<b>2008</b>
Acute Care Discharges	159,543	158,067
Total Discharges	172,439	170,458
Case Mix Index	1.45	1.46
Equivalent Discharges	319,327	309,134
Acute Average Length of Stay (days)	4.41	4.57
Emergency Room Visits	599,620	574,389
Surgical Visits (IP & OP)	135,601	134,193

Net patient service revenue grew 4.6% for the three months ended September 30, 2009 as compared with the three months ended September 30, 2008. Net patient service revenue per equivalent discharge increased 1.2%. Charity care measured at cost increased by approximately \$8 million or 10% for the three months ended September 30, 2009 as compared to the three months ended September 30, 2008.

#### **Income from Operations before Restructuring, Self-Insurance Trust Fund Investment Return, and Other Nonrecurring Expenses**

For the three months ended September 30, 2009, income from operations before restructuring, self-insurance trust fund investment return, and other nonrecurring expenses was \$162 million, a \$57 million or 54% increase over the same period in the prior fiscal year, with \$29 million of the \$57 million increase attributable to favorable investment returns included in Ascension Health's interest in Via Christi Health System, Inc., an unconsolidated entity.

Operating expenses per equivalent discharge for the three months ended September 30, 2009 increased 0.9% as compared to the three months ended September 30, 2008. Bad debt expense per equivalent discharge decreased 8.8%.

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### Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

#### Income from Operations

For the three months ended September 30, 2009, income from operations was \$211 million, an increase of \$157 million from the same period ended September 30, 2008. Self-insurance trust fund investment return of \$51 million is included in income from operations and represents a \$98 million increase from the same period ended in the prior fiscal year.

#### Excess (Deficit) of Revenues and Gains over Expenses and Losses

The excess (deficit) of revenues and gains over expenses and losses for the three months ended September 30, 2009 was \$673 million compared to the (deficit) of (\$569) million for the three months ended September 30, 2008 primarily due to a nonoperating investment return of \$471 million, an increase of \$1.0 billion as compared to the losses experienced in the same period ended in the prior fiscal year.

#### Balance Sheet Ratios

Ascension Health had 175 days of cash and investments on hand at September 30, 2009, which represents an increase of 17 days from June 30, 2009. The increase was driven primarily by favorable investment returns previously discussed partially offset by capital expenditures of \$104 million for the three months ended September 30, 2009.

Cash-to-senior debt and cash-to-debt were 178.9% and 147.6%, respectively, at September 30, 2009 as indicated in the following table, representing an increase compared to that at June 30, 2009. Ascension Health continues to focus significant efforts on maintaining a strong balance sheet.

Balance Sheet Ratios		
	September 30, 2009	June 30, 2009
Days Cash on Hand	175	158
Net Days in Accounts Receivable	48	47
Cash-to-Senior Debt	178.9%	161.3%
Cash-to-Debt (Senior and Subordinated)	147.6%	133.4%
Senior Debt to Capitalization	29.2%	30.9%
Debt to Capitalization	33.3%	35.1%