

Quarterly Financial Disclosure Statement
Six months ended June 30, 2024

Allina Health System



Allina Health volunteers shared information at Twin Cities Pride Festival about how the organization is committed to providing care for LGBTQIA+ patients.

For additional information please visit allinahealth.org.
Direct questions regarding disclosure information to treasury@allina.com.

TABLE OF CONTENTS

	Page
OFFICER’S CERTIFICATION.....	2
OVERVIEW OF ALLINA HEALTH.....	3
ALLINA HEALTH SYSTEM – CONSOLIDATED FINANCIAL STATEMENTS.....	25
ALLINA OBLIGATED GROUP – COMBINED FINANCIAL STATEMENTS.....	34
ALLINA HEALTH SYSTEM – CONSOLIDATING FINANCIAL STATEMENTS	37
CONSOLIDATED UTILIZATION.....	40
MANAGEMENT’S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS	41
DEBT AND INVESTMENT APPENDIX.....	46

Officer's Certification

I, the undersigned, being the Chief Financial Officer of Allina Health System (Allina Health), a Minnesota non-profit corporation, do hereby certify and declare that the accompanying interim consolidated financial statement of the Allina Health System and the Allina Obligated Group for the six months ended June 30, 2024, have been prepared in reasonable detail and are accurate in accordance with generally accepted accounting principles applied on a basis consistent with the accounting practices reflected in the annual financial statements.

These interim consolidated financial statements were developed by Allina Health and were not audited by an independent accounting firm.

Dated: August 14, 2024

By: /S/ Doug Watson

Doug Watson
Chief Financial Officer
Allina Health System

Overview of Allina Health

Introduction

Allina Health System, primarily doing business as Allina Health (“Allina Health”), is a Minnesota non-profit corporation and an integrated health care delivery network primarily serving the communities in the greater Minneapolis-St. Paul (the “Twin Cities”) metro area and the western part of Wisconsin. Allina Health is anchored by three Twin Cities metro area hospitals, Abbott Northwestern Hospital (“Abbott”), United Hospital (“United”) and Mercy Hospital (“Mercy”), and is supported by a network of community hospitals, including two critical access hospitals. Allina Health is staffed by employed physicians and a large, aligned provider network. With more than 26,000 full- and part-time employees as of June 30, 2024, Allina Health is one of the largest employers in Minnesota. Allina Health consolidated revenue for the six months ended June 30, 2024, was \$2.7 billion.

The Allina Health Mission, Purpose and Promise

A Deep Commitment to Mission

Allina Health stands firmly on its mission as a nonprofit health care provider:

Allina Health serves communities by providing exceptional care to prevent illness, restore health and provide comfort to all who entrust the organization with their care.

Purpose and Promise

Building on Allina Health's strong nonprofit mission, the organization is taking steps to further solidify a mission-driven culture through the declaration of a purpose and promise. Through the activation of the organization's purpose and promise, Allina Health will build a strong and differentiating culture that will be able to take on the headwinds facing non-profit health care in a successful and sustainable way.

Our Purpose | *Allina Health exists to enable the flourishing of humanity*

President and Chief Executive Officer Lisa Shannon declared Allina Health's flourishing purpose in early 2023. Allina Health and the health care industry have been through many unique challenges exacerbated by the COVID-19 pandemic and its ongoing impact. Looking ahead to the future of health care, it's clear that recovery and healing is needed for both those the organization serves and for those who serve a caring mission. Allina Health is creating a culture anchored in the flourishing of its team, patients, communities and the planet. To flourish, a person must feel that their whole self is valued, heard and supported. Allina Health seeks to create a sense of belonging so that each person can flourish in ways that are unique and meaningful to them.

Our Promise | All Together Better

Flourishing is not articulated through a medical diagnosis. It comes down to how patients feel. Allina Health's Promise captures how it should feel to work or receive care at Allina Health in an environment that fosters flourishing. When the organization's people and communities flourish, they should feel *All Together Better*. At Allina Health, All Together Better has a multi-dimensional meaning. It requires the full spectrum of services and teams to provide better care to those we serve. Health is about more than individuals, it's about the health of whole communities. By approaching care like this, better outcomes are achieved. Allina Health's *All Together Better promise* is a commitment to keep striving for a world in which all people and all communities flourish.

As Allina Health looks to the future of providing care for the communities it serves, the organization is engaging with care team members across the system to refresh our vision and values intended to guide the organization through 2035 and beyond.

Mission in Action

As a health care organization committed to improving health and preventing illness, Allina Health recognizes that health goes beyond a clinical diagnosis. In support of Allina Health's commitment to delivering holistic care, the organization seeks to identify unmet health-related social needs in the patients and communities Allina Health serves through the Health-Related Social Needs Program. The program is an evolution of the Accountable Health Communities Model, a five-year cooperative agreement with the Centers for Medicare and Medicaid Services (CMS) that demonstrated how identifying and addressing health-related social needs impacts health care quality, utilization and costs. Allina Health offered and completed more screenings than any other participating organization in the country, according to CMS, and now, the organization is transforming this work with the Health-Related Social Needs Program. The new program screens patients more efficiently and effectively to understand how social isolation, food insecurity, housing instability, difficulty paying utilities, access to transportation and safety make a difference in every patient's health. The program

has screened more than 873,000 patients since launching in 2022 across all clinic locations and admitted and observation patients across the system. With that information in hand, Allina Health care staff are able to connect patients with resources built to alleviate or address these needs. For example, patients experiencing urgent food needs at an Allina Health clinic may receive bagged meals for immediate support as well as a connection to a community resource to address food insecurity.

Allina Health by the Numbers

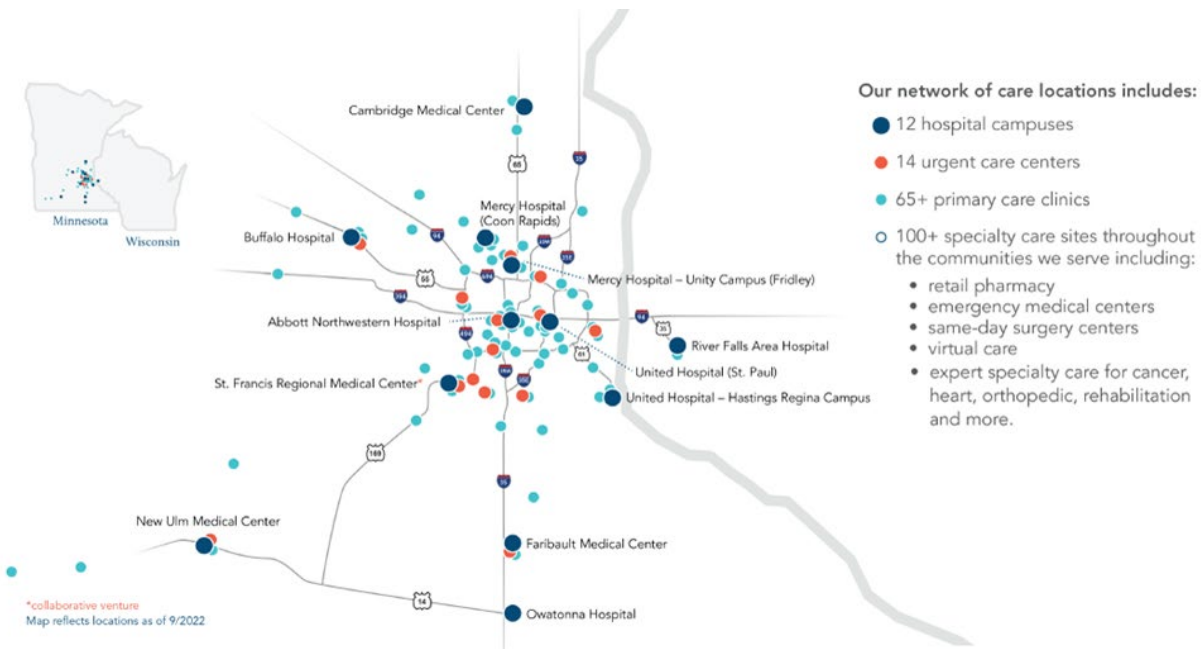
Allina Health owns and operates 11 hospital campuses and jointly owns and operates one other hospital. These include urban tertiary care, suburban community, and rural hospitals. Allina Health hospitals provided 48,334 inpatient admissions and 605,693 outpatient visits during the six months ended June 30, 2024. As of June 30, 2024, Allina Health hospitals had a licensed bed capacity of 2,451 acute care beds, 1,830 of which were staffed for inpatient services.

Allina Health provides clinical services with care delivered by expert providers through numerous market-leading clinical service lines and institutes. More than 600 primary care providers deliver care across Minnesota and western Wisconsin by way of more than 60 primary care clinic locations, as well as through virtual visits. For more specialized care needs, Allina Health employs and contracts with a wide range of specialists and sub-specialists, including but not limited to, cardiologists, neurologists, oncologists, orthopedic and sports medicine specialists, mental health and addiction, spine surgeons, general surgeons, pulmonologists, OB/GYNs, dermatologists and integrative health. In addition, hospital-based practices, such as hospitalists and intensivists help support the hospital campuses Allina Health operates.

Allina Health physicians and allied professionals generated 5,459,631 work RVUs during the six months ended June 30, 2024.

The Allina Integrated Medical (“AIM”) Network aligns Allina Health physicians, 1,500 independent medical physicians, and more than 20 hospitals to deliver market-leading quality and efficiency in patient care. The AIM Network helps power Allina Health as a comprehensive health care system with one of the largest physician networks in Minnesota.

The AIM Network is structured to contract with third-party payers under outcomes-based payment arrangements. The AIM Network is organized to provide a narrow network of Allina Health-aligned providers to share quality and cost-performance risk. The AIM Network has developed a set of performance measures and data-sharing mechanisms to enhance its performance under outcomes-based payment arrangements. One such arrangement that includes one of AIM Network’s Accountable Care Organization products is Metro MN, which partners with Blue Cross Blue Shield of Minnesota to optimize value-based care with strong capabilities, such as care management, and lower per-member per-month costs compared to market benchmarks.



A Leading Health Care Organization in the Region

Allina Health has a strong market position in key clinical service lines relative to its competitors. Allina Health's main strengths are in cardiovascular and neuroscience, with strong market competitive services in orthopedics. At Allina Health, patients have a go-to health care partner with convenient access to expert primary care providers at more than 60 primary care clinics. For more specialized needs, patients are connected with expert care teams from service lines like Allina Health Neuroscience, Spine and Pain Institute, which has quickly become a regional leader in complex care by aligning, coordinating and building upon the extensive talent and clinical programs across the system to create a patient-focused approach to care that supports a patient from disease prevention to quaternary care and post-acute to home care. Additionally, Allina Health Cancer Institute provides the seamless, comprehensive, whole person cancer care patients need, serving as a more connected alternative to the fragmented nature of oncology services in the Twin Cities.

Allina Health continues to have a stable and leading market share in the metropolitan area, with a 31.2% inpatient market share as of December 31, 2023.

As an integrated health care system that includes hospitals, employed physicians, emergency medical services, ambulatory care, pharmacy services, home care, hospice services and an automated electronic medical record system, Allina Health is a leader in health care in the Twin Cities area and greater Minnesota, and is well-positioned for the continued evolution of health care delivery.

Performance and Business Transformation

Allina Health has been steadfastly committed to transforming the organization's performance and business as nonprofit health systems across the country have navigated a confluence of negative economic and market factors including staffing shortages, increased cost of goods and services, declining reimbursements relative to expenses incurred, investment portfolio losses, supply chain challenges and other issues. The organization's focused response to these pressures began to show significant results in the final quarter of 2023 after experiencing operating and investment losses in 2022 and operating losses in 2023. Through the first half of 2024, financial performance has been better than planned due to many initiatives leading to improved revenue. This performance improvement is an important building block that empowers a continuation of this journey to post a breakeven operating margin by accelerating growth and cost improvement while structuring the organization for today's volatile health care environment.



Performance Transformation

Allina Health has partnered across the care continuum for years. In the post-pandemic environment, Allina Health has redoubled its efforts at performance transformation, partnering with market-leading collaborators which are dedicated to accelerating the system's population health efforts and enabling appropriate and timely discharge to post-acute care. Additionally, as of April 1, 2023, Allina Health has partnered with Huron Consulting Group, a nationally-recognized consultant, to support the organization's efforts to achieve key performance initiatives—including optimizing patient flow, labor productivity, fixed and variable labor benchmarking to ensure quality and efficiency, corporate overhead structures and associated administrative expenses, revenue cycle management and assessing optimal footprint to deliver on key care delivery strategies. In conjunction, Allina Health is developing in-house solutions where appropriate to improve performance and create a better experience for patients and teams faster than would otherwise be possible to support patients and the community. As an organization, Allina Health is on track to ramp up those in-house solutions and as a result, Allina Health's relationship with Huron will continue to evolve.

Allina Health's performance transformation requires a dual approach that focuses both on strategic growth and cost reduction to ensure sustainability. The organization remains focused on providing the most needed services to the communities we serve in an efficient and sustainable care delivery model.

Since the beginning of April 2023, Allina Health has made encouraging progress in transforming performance through numerous key initiatives including reducing spending on agency staff, reducing discretionary spending and more. Allina Health has made a concerted effort to expand access to skilled nursing facilities, reduce delays in patient transfers when appropriate and, ultimately, ensure patients receive the right level of care at the right place. This creates a better patient experience and improves access throughout the system. Since the start of April 2023, Allina Health decreased the average length-of-stay from 5.2 days to an average of 4.9 days for 2023, and an average of 4.8 days as of June 30, 2024.

Workforce planning remains a key focus for Allina Health as the organization creates innovative pathways and development opportunities to ensure patients receive care from Allina Health care teams, improving outcomes and reducing the need for agency resources. One recent example is a trio of new paid training programs for medical assistant apprentices, nursing assistants and surgical technologist apprentices that enable larger, more diverse pool of applicants by offering on-the-job training (See "Workforce Planning" for more).

Business Transformation

The region, like others, has seen an increase in proposed joint ventures, partnerships and mergers designed to adapt and strengthen organizations in the face of market headwinds. Like others, Allina Health routinely explores vertical and horizontal partnerships, joint ventures, mergers, combinations and other affiliations with similarly mission-driven people and organizations, including hospital systems, independent physician groups, payers, third-party consultants and managers, technology companies, retail entities, public or academic entities, investors and venture capital and other providers of clinical and administrative services, both regional and national. Partnerships may include divestitures or outsourcing of significant lines of business in compliance with applicable covenants.

Allina Health has developed a set of inviolable principles that guide consideration for potential partners. These principles will be a lens for leadership to use as they consider potential partners and whether those partnerships will be worth further analysis. These principles are meant to be broad, but also reflect a clear distillation of priorities. The principles are the following:

- Align culturally and strategically to improve care for Allina Health’s communities.
- Ensure communities across Allina Health’s footprint will continue to have access to high-quality, affordable, patient-centered care.
- Deliver continued commitment to excellent care.
- Yield demonstrably greater value than Allina Health could achieve on its own.

Changing Health Care for the Better: Our Five-Year Strategic Plan

A clear strategic focus is crucial to effectively serving patients and communities in a rapidly evolving health care marketplace. Recent industry dynamics, including the COVID-19 pandemic, inflation and staffing challenges have only strengthened the organization’s strategic resolve and emphasized the priorities set in place. Allina Health’s strategy is more important than ever and proves a need to accelerate the implementation of key initiatives. The headwinds in the health care industry will always change, and leadership remains confident that the organization’s strategic focus will not only guide the organization through challenging times but also position Allina Health for continued success in the future. Allina Health’s strategy is enabled by:

- Investing in Allina Health’s people and culture
- Delivering a seamless and inclusive experience
- Achieving clinical excellence
- Driving operational excellence
- Payer partnerships
- Diversifying the organization’s sources of revenue

The key enablers are critical to transforming the enterprise on multiple, interwoven dimensions. Allina Health is evolving from a holding company – created through acquisitions and organic growth over decades – to a highly aligned operating company by strengthening the organization’s functions and systemic capabilities. Allina Health is moving from primarily responding to illness to a more proactive approach as a high-value complex care coordinator by developing multi-channel access to care and engaging with the community and consumer. This shift in mindset enables Allina Health to address patient health concerns early and empower patients to live their healthiest lives.

Allina Health believes that investing in these imperatives will enable the organization to deliver high-value care in an integrated, coordinated and seamless fashion to patient populations increasingly defined by complex clinical and non-clinical issues.



Minnesota and western Wisconsin communities depend on Allina Health. With that dependency comes a responsibility to grow and adapt to the needs of patients and communities Allina Health serves, and to be more accessible while improving health care delivery. Allina Health's strategy will transform the organization's ability to deliver safe, high-quality care while creating a better experience for patients and enabling Allina Health to do so for generations to come.

Clinically Integrated Care Delivery Model

In October 2023, Allina Health implemented a new Clinically Integrated Care Delivery Model that brings together acute and ambulatory care under a unified leadership structure. This new structure sharpens the organization's focus on a patient's journey throughout the care continuum, allows leaders to co-create and co-lead, elevates the talents and expertise of providers, and seeks to break down silos and create opportunities for continuous improvement.

The new model takes a regional approach to care delivery with strong clinical leadership across all settings and systemwide support services. Dave Slowinske serves as President, Northeast Region with Robert Quickel, MD, vice president, Surgical Services, serving as his dyad partner, overseeing Mercy Hospital, United Hospital, Buffalo Hospital, Cambridge Medical Center, River Falls Area Hospital and many clinics in that geographic region. David Joos serves as President, Southwest Region with William Katsiyiannis, MD, president, Minneapolis Heart Institute, serving as his dyad partner, overseeing Abbott Northwestern Hospital, New Ulm Medical Center, Faribault Medical Center, Owatonna Hospital and many clinics in that region. Bill Evans serves as Vice President, Ambulatory Operations, supporting primary care, specialty care and urgent care clinics across both regions as well as ambulatory surgery centers.

Expanding and Growing Access to Value-Based Care

Allina Health is the community's most trusted health ally, where all people can access expert specialty and preventive care when, where and how they need it. This means leading the way in delivering the most effective treatments for the most complex health conditions, making it simple, seamless and affordable to access the full continuum of care so everyone Allina Health serves has the opportunity to get and stay well. Allina Health believes that by realizing this vision, communities will flourish.

Allina Health makes it easier and more seamless for patients to engage in their health by successfully delivering compassionate and empathetic care to patients across many diverse communities. Care teams understand how to meet patients where they are, getting them the care they need in the best way for them. They feel truly known by their care team because teams work to understand them beyond their diagnoses, personalizing care that addresses mental, social and physical health.

To support the health of its patients and communities, Allina Health is committed to delivering high-value care across the care continuum and performing on outcomes-based payment models. As a trusted health ally, Allina Health walks alongside individuals during their care journey to eliminate barriers and create a seamless health care experience. Expanding care management services, using data to inform best practices and collaborating with partners are key to transforming Allina Health's business as well as patient care.

Central to delivering access is our population health strategy and delivering a high-quality primary care model – a body of work Allina Health refers to as Primary Care Transformation. Primary Care Transformation is long-term improvement work focused on making practices more efficient while improving the experiences and well-being of providers and care team, as well as improving the overall care provided. This work is focused on the following key initiatives:

- Practice Optimization Program:
 - This program provides a robust training program for primary care providers and care team members, founded on value-based care delivery. Allina Health clinics receive at-the-elbow support from Practice Optimization Advisors, who are experts in leveraging data and skills in workflow optimization to ensure optimized quality performance as well as accurate documentation and appropriate utilization.

- The pilot of this program launched in October 2023 with 13 clinics and scaled up significantly since. All clinics will be live by September 2024. Early results of this model have yielded:
 - Improved provider and care team engagement
 - Ability to scale best practices across sites more efficiently
 - Improved quality performance
 - Increased accuracy of hierarchical condition category coding
- Primary Care Transformation Core team workgroups:
 - There are currently three initiatives aimed at improving primary care access and bandwidth, optimizing provider schedules and ensuring patients can see their provider when and how they need to.
 - Access Improvement
 - Pre-visit planning improvement
 - PCP Match

Finally, critical to the organization’s commitment to financial sustainability is fostering effective payer partnerships. As part of this strategy, Allina Health has entered into contracts with health plan insurance payers that reward enhancing quality, improving outcomes, addressing health disparities and reducing total cost of care. The contracts incentivize preventive and coordinated care to foster more proactive care and catalyze work to reduce the unacceptably high rates of health disparities across the community that we are working collectively and independently to eliminate. The organization has successfully built up the capabilities required to perform in quality and cost outcomes by advancing our ability to manage risk. Allina Health continues to expand its outcomes-based risk contract portfolio in a measured fashion to gain experience, manage risk factors within the organization’s sphere of influence and maintain a focus on providing value more broadly. Allina Health partners with payers who are truly invested in transforming and innovating care models and paying for outcomes while reducing administrative burden to all teams so they can spend more time delivering expert care. Allina Health is implementing a phased approach that aligns with the goal of pursuing outcomes-based risk contracts that build scale over time. Allina Health’s commitment to high quality, affordable care, equitable care outcomes and public health has resulted in care innovation, better health outcomes and public policy successes for the community it serves.



The Allina Health Cancer Institute is one way Allina Health is furthering seamless, comprehensive, patient-focused care.

Allina Health built one of the nation’s highest-performing health-related social needs programs, screening more than 873,000 patients in two years. All patients who request support for their needs have been navigated to appropriate Allina Health or community-based resources, yielding over a 54% need resolution rate at re-screening. Using the health-related social needs screening data, the organization has successfully collaborated with partners to address individual and community social determinants of health. Payer partners have provided funding for the launch of this program and continue to partner on innovative solutions to reduce identified health disparities in the community.

Allina Health’s value-based care journey is expected to result in better outcomes, lower premiums and improved access to care for patients while increasing the number of people in the community Allina Health serves and improving satisfaction for patients and provider teams. Also, health plans will grow and retain membership by offering competitively priced products and improved benefits to patients and employers. In an environment that requires health care organizations to be innovative and flexible, Allina Health’s commitment to enabling population health, advancing payer partnerships and delivering whole person health to all people has caused positive outcomes and pioneering care models for the collective communities we serve.

Allina Health and Aetna Health Plan

In January 2017, Allina Health and Aetna signed an agreement to create a jointly owned health plan company, Allina Health and Aetna Insurance Company (“AHAIC”), which provides an innovative health care option for employers and consumers in the greater Twin Cities area. This jointly owned health plan is intended to fully align the incentives and capabilities of a national insurer and major local health system in ways Allina Health expects to lead to improved health outcomes and cost management. The ownership structure for the partnership is designed to streamline the patient experience by combining the power of insurer and provider data, coordinating integrated care teams and providing health insurance benefits and administrative services. Allina Health’s investment in AHAIC is expected to create returns both from a financial and operational perspective.

The Minnesota Department of Commerce issued a Certificate of Authority for AHAIC in August 2017, which made AHAIC an officially licensed health insurance provider and was the first new insurance company to enter the Minnesota market in many years. AHAIC began offering large group (51 or more members) products in 2018 and began to offer a Medicare Advantage product in 2019. As of June 30, 2024, AHAIC total membership was approximately 47,000, including approximately 26,000 Medicare Advantage members.

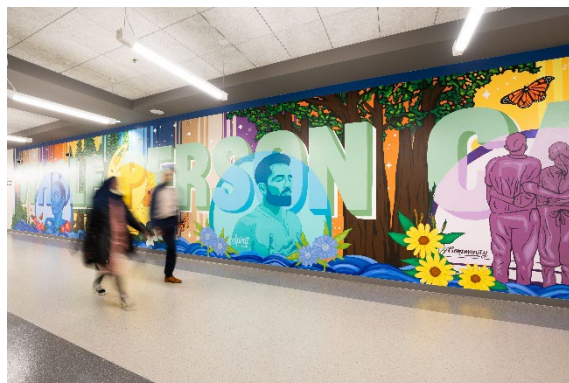
Driving Care Model Innovation

Allina Health is driving care model innovation to accommodate the needs of an ever-changing population. To do so successfully, Allina Health is focused on creating a patient-centric care model, with care management enabling integration across diagnosis, treatment and clinical support. Analytics and technology will improve the quality of care, lower the cost of care and increase accessibility while advancing care innovation through design-thinking and evidence-based care delivery.

Commitment to Safety and Quality. Safety and Quality are paramount to any care model and remain a key point of focus as Allina Health innovates. Allina Health’s commitment centers on preventing physical, emotional and psychological harm, and encouraging a culture where all care team members speak up and feel empowered. Allina Health has committed to a journey to zero preventable harm by adopting the successful systems of high-reliability organizations. To date, more than 88% of all Allina Health employees and 83% of all Allina Health providers have been trained in high reliability skills and tools. Key components of this journey include multi-tiered safety huddles to prioritize safety every day, a robust cause analysis program to learn from errors, and a systemwide safety champion program to role model and coach peers in high reliability skills. In addition, Allina Health has underscored the importance of sharing safety event learnings and actions throughout the organization to prevent recurrence and prioritized a safety culture assessment through deployment of the Agency for Healthcare Research and Quality (AHRQ) Safety Culture Survey. Since 2019, Allina Health reduced serious safety events by approximately 57% in the pursuit of zero preventable harm.

Care Coordinator. As a system, Allina Health strives to be a high-value, complex care coordinator for its patients and communities. Solving consumer issues, including the growing gap between consumer expectations and actual experience, also supports Allina Health’s future market role as a care coordinator by seamlessly connecting all the necessary services for a patient’s unique needs. To address this imperative, Allina Health is pursuing both enterprise-wide tactics and building specific capabilities to pursue a better consumer experience through:

- A next-generation approach to consumer experience design, including designing its cancer infusion centers and new clinics in partnership with patient advisors.
- Centralizing and investing in key points of care connection, such as the Customer Experience Center and Access Center, which help create seamless connections for all patients across the care continuum.
- Offering non-traditional services based on consumer demand and preferences, including improved telemedicine capabilities and Acute Hospital Care at Home (see “Innovation” below).



- Building out a portfolio of innovative products and services that align with Allina Health’s vision and principles.
- Prioritizing person-centered care with patients at the heart of an innovative care model.
- Educating and training staff on culturally appropriate practices, including gender-affirming care.
- Addressing disparities in key health outcomes, including increasing colorectal cancer screening rates and improving diabetes management for Black/African-American patients.

Innovation. Innovation is a key strategic initiative for Allina Health to identify alternative and emerging business opportunities to serve the patient, advance Allina Health’s organizational strategy and mission, and positively impact Allina Health’s operating results. Allina Health has identified key trends that will be a focus for innovation, driving at new care models, capabilities and consumer products.

One such innovative effort is Allina Health’s Acute Hospital Care at Home program. Launched during the height of the COVID-19 pandemic, Acute Hospital Care at Home is a new program designed to decrease length of stay and total cost of care, reduce readmissions, increase patient satisfaction and divert patients from the emergency department or urgent care. By bringing patient care to the home, Allina Health created capacity within hospital resources while bringing care directly to the patient. Following the success of the program, Allina Health has partnered with Flare Capital Partners to create Inbound Health, a new company that increases access to hospital-at-home and skilled nursing-at-home programs by scaling the model nationally. The company combines biometric monitoring, digital surveillance, in-home nursing and therapy, virtual visits with hospitalists and geriatricians and a comprehensive supply chain to deliver a safe and high-quality care program.

Allina Health’s virtual care services have continued to be a valuable option for patients following the exponential increase in demand with the start of the COVID-19 pandemic, totaling more than 470,000 virtual visits completed in 2023 alone. Virtual care services are often an entry point for patients into the Allina Health system and show strong trends of creating pathways for new attributed lives for the system. Allina Health’s suite of virtual care services have grown as consumer expectations have shifted to seek alternatives to in-person care and technology has improved, improving access, enhancing experience and lowering cost of care. Allina Health’s virtual care options include:

- scheduled virtual visits
- on demand virtual care
- online questionnaire-based virtual visits
- and more.

Scheduled virtual visits are offered by most ambulatory providers at Allina Health, including providers in the primary care, mental health, orthopedics, oncology and cardiology departments. Patients may also access on demand virtual care options via Virtual Urgent Care, where patients can connect directly with urgent care providers. In December 2023, Allina Health introduced on demand virtual orthopedic urgent care, the first offering of its kind in the market. Virtual urgent care is now available to Allina Health patients 24/7, in all 50 states. Allowing for maximum patient flexibility, patients may also access an asynchronous questionnaire-based visit, 24/7, and can expect provider responses within one hour, allowing patients to quickly get their medical needs met and to get back to their busy lives.

Allina Health has also made significant investments in its digital platform, empowering its patients with the information to make decisions and interact with its providers. Allina Health’s patient portal includes Patient Wisdom, a guided online platform for patients to share stories about themselves, their health and their care with their Allina Health care team through integration with the electronic health record. Relative to the national health care market, leadership believes that Allina Health’s digital capabilities are leading-edge, with strong offerings in digitized self-service like online bill pay through a partnership with Cedar as well as online scheduling and patient education.

Allina Health has dedicated \$80 million since 2017 to make investments in strategic management directed venture funds. The primary objectives of strategic management directed funds generally include increasing awareness into future market opportunities and trends, accessing a pipeline of vetted disruptors that will align with Allina Health’s strategy to deliver enhanced value and innovation, and gaining exposure to products and services that could accelerate disruption and drive performance. Building from these activities, Allina Health now has strong relationships with the

general partners and their strategic limited partners and, in August 2022, launched its own Strategic Direct Investment Program. This program allows for direct co-investment into select investments that meet the following objectives:

- the investment opportunity accelerates a key strategic initiative associated with Allina Health’s long-term Strategic Plan
- there is an opportunity for Allina Health to operationally collaborate with the direct investment company
- a top-tier venture fund has performed extensive due-diligence and valuation of the investment to determine strong financial return potential for Allina Health.

The first Strategic Direct Investment Program opportunity is KeyCare, an early-stage virtual care company designed to increase access, convenience and affordability of select health care service lines to communities. In March 2023, Allina Health and KeyCare began offering on demand 24/7 virtual urgent care. Allina Health expects to grow this strategic program in additional areas of Allina Health’s strategic priority.

Optimizing Allina Health’s Footprint

Optimizing Allina Health’s footprint is core to the organization’s ability to expand access to value-based care and lower total cost of care. To support this effort, Allina Health has enhanced multi-channel access to care in a variety of ways, including expanded virtual services and the introduction of the nationally recognized Home Hospital Care program which delivers safe, high-quality care in the comfort of the patient’s home.

Ambulatory surgery centers are an increasingly important offering in Allina Health’s care offerings, enabling efficient, cost-effective, high-quality care that is convenient for patients (see “Other Recent Initiatives and Developments – Ambulatory Surgery Center Strategy” below). Furthermore, Allina Health has focused on delivering complex care services, highlighted by the creation of the Allina Health Cancer Institute, which redefines traditionally fragmented cancer care to create a program that delivers comprehensive, expert, person-centric cancer care from diagnosis to survivorship (see “Other Recent Initiatives and Developments – Allina Health Cancer Institute” below).

Allina Health has integrated mental health and well-being into primary care practice to improve Allina Health’s ability to deliver excellent patient-focused care and support one of the highest needs in the community. That support has only increased with the creation of the Center for Integrated Mental Health and Addiction Care, a recently opened facility that transforms Allina Health’s mental health and addiction services by offering the entire care continuum in one convenient location (see “Other Recent Initiatives and Developments – Center for Integrated Mental Health and Addiction Care” below). True integration of Allina Health’s service lines and business units also requires unified workstreams and workforce. Allina Health is continually improving cohesion across all departments.

Diversity, Equity, Inclusion and Belonging and Sustainability

Allina Health has made significant strides in building the framework to make Diversity, Equity, Inclusion and Belonging (DEI&B) a priority for the organization. Following the murder of George Floyd, which occurred blocks from Allina Health’s headquarters and Abbott Northwestern Hospital, Allina Health has recommitted to taking an active role in supporting the South Minneapolis community, including those who have long faced discrimination.

Allina Health’s CEO Diversity, Equity, Inclusion and Belonging Council governs the organization’s DEI&B deliverables and is driving long-term sustainable results, which is tracked with a dashboard to ensure continued progress. Among the deliverables is an approach to ensure DEI&B is a leadership core competency. Allina Health also requests a land acknowledgement announcement be read at the start of system meetings to honor indigenous people and their traditional, ancestral and contemporary lands.

Allina Health’s DEI&B plan ensures the organization embeds DEI&B in its many roles as a provider, employer, community member, investor and purchaser. As an employer, Allina Health is committed to increasing and retaining employee diversity at all levels in the organization with a focus on leadership. Additional training on bias in hiring and bias in patient care is also provided to leaders throughout the organization to ensure that Allina Health’s culture is welcoming, supportive and collaborative. This includes building infrastructure throughout the organization to create accountability for achieving progress. For example, Allina Health features six Employee Resource Groups to provide opportunities to participate in courageous conversations around topics of inclusion and equity, to volunteer in the

community and to attend culturally responsive trainings. DEI&B work creates the strategies, plan and systemwide approach to help bring to life Allina Health’s commitment to providing and enhancing a workplace culture where all employees feel safe, respected and empowered to fulfill Allina Health’s mission.

As a provider, Allina Health is dedicated to eliminating health disparities and variations in quality of care, while improving access and consumer experience for all care services. From culturally responsive care training to building capability among staff in patient-facing roles to implementing innovative care models to better meet patient needs, Allina Health’s health equity strategy strives to provide equitable, inclusive care for all. An example is offering culturally responsive personal care products in inpatient units across the system, including shampoos, conditioners, lotions, and disposable hijabs. Allina Health strives to reduce obstacles to health such as poverty, discrimination and their consequences.

The organization continues to advocate for investments that create innovative solutions to achieve enduring improvements in access, quality and health outcomes. This includes partnering with policymakers, employers and community advocates to remove barriers to health equity and support the physical and social recovery of South Minneapolis. Allina Health spent \$23 million in 2023 with diverse, local suppliers, with that number projected to grow in the coming years.

In 2023, Allina Health joined the Healthcare Anchor Network, a coalition of more than 80 health systems across the country working collaboratively to sustainably support long-term health and well-being of our communities by effectively collaborating with community stakeholders, implementing strategies around inclusive, local hiring and inclusive, local purchasing and more. Allina Health continually seeks opportunities to ensure all investments align with the organization’s equity principles and values.

Impact Investments. With the approval of the Investment Committee of the Allina Health Board of Directors, Allina Health has created a separate portfolio and dedicated funds in the initial amount of \$30 million to make investments that create both positive social and environmental impact that is actively measured as well as positive financial return. The intent is to pursue the Allina Health organizational mission more effectively and use assets to generate impact toward improving the health of the communities it serves, while maintaining liquidity.



The new Midwell Apartments, located near Abbott Northwestern Hospital in South Minneapolis, is one example of Allina Health's impact investments come to life. The 86-unit building provides affordable housing following Allina Health’s impact investment with Greater MN Housing Fund.

As part of this work, Allina Health has committed to providing impact investments totaling \$23.6 million as of June 30, 2024. Of the \$23.6 million committed, \$16.6 million has been closed to Minnesota Inclusive Growth Fund (MIGF), Local Initiatives Service Corporation (LISC), MSP Equity Fund, Tundra Venture Capital Fund, Mni Sota Fund, Fortis Capital, Neighborworks Home Partners, Greater MN Housing Fund, Capita3 Fund II, Bread & Butter Fund IV, Little Earth, Groove Capital Fund II and First Children’s Finance. First Children’s Finance is a Minneapolis-based nonprofit that provides loans and business development assistance to childcare businesses serving low- and moderate-income families.

Sustainability efforts. As one of the region’s largest health care providers, taking care of the environment is critical to ensure good health for Allina Health’s patients, employees and community.

In 2020, Allina Health created a comprehensive sustainability program and in April 2021, Allina Health joined the Health Care Climate Challenge alongside more than 28,000 hospitals and health centers in 42 countries. In March 2023, Allina Health strengthened its commitment to care by formalizing a Climate Action Plan with the ambitious goals to reduce greenhouse gas emissions 50% by 2030 and reach net zero greenhouse gas emissions by 2050. With this plan, Allina Health also pledges to prepare for the impacts of extreme weather and to educate staff and communities on challenges and solutions related to climate and health.

At Allina Health, climate action includes both Allina Health’s overall approach and to a collection of efforts and projects occurring across the system and at individual business units to create and maintain a healthy environment. The organization’s energy and waste reduction efforts have saved Allina Health more than \$1 million annually.

Sustainability is also being considered through Allina Health’s commitment to Leadership in Energy and Environmental Design (LEED) certification for major new construction projects. See “Other Recent Initiatives and Developments – Abbott Northwestern Hospital Infrastructure Updates” below.

Practice Greenhealth, a national organization for environmental sustainability within health care, has recognized Allina Health for organizational efforts to reduce greenhouse gas emissions, implementation of climate resilient infrastructures and advocating for healthy communities. In 2023, Practice Greenhealth recognized Allina Health with a System for Change Award and 13 Allina Health sites with Greenhealth Partner for Change Awards for commitment to environmental improvements.

Workforce Planning

People bring Allina Health’s mission to life, which is why Allina Health is committed to investing in the organization’s talent by fostering a relationship-driven culture rooted in its values. As one of Minnesota’s largest employers, Allina Health recruits and retains exceptional people by offering valuable benefits that support the total well-being of its employees and their family members. Allina Health strives to empower and support employees so they can focus on delivering exceptional care. This further investment helps employees feel an even stronger connection to the organization and the work they do and help provide even better experiences and outcomes for patients.

At Allina Health, culture is a differentiator. Allina Health is mounting a robust talent acquisition campaign called [Careers with Purpose](#) to mitigate the national health care shortages and local workforce challenges, highlighting current employees and their purpose through video. Through this campaign, Allina Health is telling stories of how people across a variety of disciplines are finding purposeful careers in the organization.

Workforce planning is an essential part of Allina Health’s strategic plan to ensure patients receive the outstanding care they need for generations to come. Allina Health is engaging in numerous initiatives to support the organization’s workforce retention and recruitment both in the near term as well as the long term. In the near term, Allina Health has established sub-initiatives dedicated to compensation management, talent acquisition optimization, improved retention and more efficient agency utilization.

Allina Health’s long-term workforce planning initiatives focus on supporting the organization’s existing and incoming talent with more resources and training opportunities to support their growth and development, including plans for an RN residency program, improved orientation programs, and development programs for nurse leadership. In August 2023, Allina Health and the University of Minnesota School of Nursing signed a formal academic-practice partnership, or collaboratory, to generate, disseminate, and apply knowledge for the improvement of nursing practice, education, and patient outcomes. The collaboratory fosters creativity and innovation while enhancing nursing education and professional development, research, practice, diversity, inclusion and equity, and recruiting top nursing talent.

Allina Health continues to explore methods to identify workforce needs sooner and building and growing partnerships, including with educational institutions, to identify skilled, mission-driven individuals, as well as developing in-house expertise in coordinating staffing. Paid training programs, including the newly offered programs for medical assistant apprentices, nursing assistants and surgical technologist apprentices, are just one example of innovative workforce planning solutions. These new programs are designed to attract candidates who do not have the required certifications or experience for the roles by providing paid training with a combination of classroom time and hands-on work experience. These unique programs close education gaps and create more opportunities to hire from a larger, more diverse pool of applicants while augmenting the organization’s existing academic strategy to maintain and grow the workforce.

Allina Health’s all together better mentality is an integral part of the organization’s retention and culture-building efforts. Allina Health is proud to offer numerous support services and benefits to help employees access health care and well-being services. One example is through the Center for Provider Well-being, which is committed to promoting professional fulfillment through organizational and individual initiatives, research and education. The Center advances structures, processes, community and support so that every provider can flourish as a whole person. Through in-person and virtual resources, the Center offers coaching, counseling, peer support, group offerings, financial services, benefits support, quiet room, workstations and more. Allina Health also offers a variety of resources for all employees, including many new types of vendor support for anxiety, sleep and financial support, and offered well-being funds for all employees to use on well-being products, memberships, services or gift cards of their choice.



The Center for Provider-Well-being opened its physical space at Allina Health’s headquarters in Minneapolis Wednesday, Jan. 17.

Other Recent Initiatives and Developments

Investing In Abbott Northwestern Hospital, Our Quaternary Care Center

Allina Health’s Board of Directors has approved approximately \$200 million of capital expenditures for infrastructure updates at Abbott Northwestern Hospital to maintain its status as the premier quaternary hospital in the Allina Health system. In March 2022, the Allina Health Board of Directors approved an additional \$1.2 billion to include a new building that will include surgical and critical care services and will be constructed in the heart of the campus. The 10-story, approximately 575,000-square-foot building will replace the hospital’s existing operating rooms and create new care environments for patients, visitors and staff. Allina Health is partnering with Mortenson as the General Contractor for the project, which began in late 2022. Allina Health anticipates funding a portion of the capital expenditures associated with the new surgical and critical care services building with a portion of the proceeds of the Series 2023 Bonds. Richard M. Schulze and the Richard M. Schulze Family Foundation are helping to make this project possible with a \$25 million gift, the largest donation in the history of Allina Health.



Construction is underway at Abbott Northwestern Hospital for a new surgical and critical care services building on the campus in south Minneapolis.

A new Transportation HUB, now called the Purple Ramp, accounts for approximately \$77 million of the initial \$200 million in infrastructure updates and serves Abbott Northwestern Hospital as well as Allina Health’s headquarters and the Midtown Commons in South Minneapolis. The new structure, located at the southern end of the Abbott Northwestern Hospital campus, has been guided by Allina Health’s commitment to sustainability and supports multi-modal transportation options. The Purple Parking Ramp supports bikes and other non-vehicle transportation, and it improves the look, feel and safety of the street level. This new facility enhances the safety and usability of Chicago Avenue, a main thoroughfare in South Minneapolis, and the sidewalk along the Greenway, a bike highway that runs adjacent to the campus. Improvements include new lighting and a pollinator garden with native, pollinator-friendly plantings along the Purple Ramp’s 5,000-square-foot slope near the Midtown Greenway. The new pollinator habitat includes carefully selected plants based on their bloom time and ability to grow well and prevent erosion on a steep slope. Additionally, the roof of the structure will feature a community solar garden that is expected to come online in 2024.

Allina Health’s Board of Directors has approved up to \$149 million of capital expenditures for a Central Utility Plant (CUP) project that will upgrade the hospital’s utilities to 21st-century standards, with more reliable, energy-efficient technology. This undertaking will improve how the hospital heats and cools its buildings and sterilizes surgical instruments. The project has successfully received the necessary permits from the Minnesota Pollution Control Agency.

The MacMillan Education and Conference Center is a \$12 million addition to the Tenth Avenue Facility, made possible by the generosity of donors including Whitney and Elizabeth MacMillan. The site serves meeting, conference and educational needs for the entire Allina Health system, including a state-of-the-art simulation lab. The building is also available for use by community members and organizations.

Additional projects at Abbott Northwestern Hospital include an extensive remodel of the Piper Building to accommodate the Allina Health Cancer Institute, as well as build a new infusion center, compounding pharmacy and establish a link connection to Radiation Oncology and Oncology Clinic. See “Allina Health Cancer Institute” below.

Strategic Relationship with Optum

On Feb. 1, 2024, Allina Health and Optum announced a strategic relationship that enables Allina Health to leverage Optum’s innovative technology, resources and capabilities to build upon the organization’s existing Information Services and Revenue Cycle Management operations. This ensures Allina Health’s resources are prioritized toward direct care of the community and continued excellence in its administrative support to caregivers and patients. The relationship allows Allina Health to:

- continue advancing information systems solutions to improve the patient and provider experience
- streamline the billing experience for patients and providers by implementing industry-leading technologies and processes across revenue cycle operations
- adopt innovative technologies at an accelerated pace.

Approximately 2,000 Allina Health employees in Information Services and Revenue Cycle Management became employees of Optum effective May 5, 2024, while maintaining their respective roles in supporting Allina Health’s patients and providers. Both organizations are committed to ensuring a smooth transition for these team members while maintaining seamless operations.

Laboratory services agreement with Quest Diagnostics

In late June 2024, Allina Health and Quest Diagnostics announced a definitive agreement for Quest to acquire select assets of Allina Health’s laboratory services business and provide laboratory services in most ambulatory clinics across the system. This new relationship with Quest enables Allina Health to maintain excellent patient care, keep pace with rapidly evolving laboratory technology and reinvest non-profit resources to support the organization’s caring mission well into the future.

Following the transaction, patients can still expect a menu of point-of-care testing at their Allina Health primary care clinic. In addition, Allina Health urgent care sites will continue providing point-of-care tests plus more complex testing.

All in-scope, eligible laboratory employees in impacted locations received offers of employment from Quest, with nearly all accepting the offer. Both organizations are working closely to make this transition as smooth as possible for care teams and patients.

New Facilities in Cambridge

In December 2021, the Allina Health Board of Directors approved plans for state-of-the-art facilities to replace Cambridge Medical Center and redefine care in the community. In July of 2023, the project to build new facilities for Cambridge Medical Center was placed on hold as the organization navigates financial challenges. While there is no definitive timeline for the project right now, Allina Health remains committed to the Cambridge community and has

invested in facility improvements, technology and services at the existing campus to support patient care and the community, including adding state-of-the-art cardiac monitoring equipment and making structural improvements to the roof. Allina Health looks forward to creating and investing in the next generation of health care delivery services for the community when appropriate.

Center for Integrated Mental Health and Addiction Care

Allina Health is doubling down its commitment to mental health and addiction care with the Center for Integrated Mental Health and Addiction Care. The revolutionary facility, which opened to patients Feb. 29, 2024, transforms the delivery of mental health and addiction care by providing a comprehensive, connected and convenient location for patients and families, attached to Mercy Hospital – Unity Campus in Fridley. This highly integrated facility adds nearly 50,000 square feet of mental health and addiction care, with the full suite of Allina Health’s outpatient services as well as intensive day programs. The Center also brings community-centered programs together more closely to expand the capacity and reach of the organization’s collective mental health and addiction services, resulting in an enhanced model of providing safe, high-quality care for more patients in a specialized way.

The acquisition and renovation of the building that houses the Center for Integrated Mental Health and Addiction Care was funded by philanthropic giving led by the Allina Health Foundation.



The Center for Integrated Mental Health and Addiction Care is a highly integrated facility that is conveniently attached to Mercy Hospital, Unity Campus in Fridley.

Expanding Outpatient Services in the South Metro

Allina Health is transforming outpatient care options in the south metro with a new multi-specialty center and primary care clinic in the rapidly growing city of Lakeville. The new multi-specialty center brings the full Allina Health ambulatory platform to the south metro, including more than 20 specialties, such as orthopedics, oncology, women’s health and cardiology, as well as an ambulatory surgery center. The specialty center opened to patients April 29, 2024.



Allina Health Lakeville North Clinic welcomed its first patients Oct. 16, 2023.

Additionally, Allina Health expanded services at Allina Health Apple Valley Clinic and opened Allina Health Savage Urgent Care in March 2022. The new primary care clinic, Allina Health Lakeville North Clinic, welcomed its first patients Oct. 16, 2023. In total, these investments will add more than 100,000 square feet of new health care real estate to the area and dramatically increase access to primary and complex specialty care.

Expanding Outpatient Services in Eden Prairie

Allina Health plans to expand outpatient services in Eden Prairie, including improved access to primary care and a multi-specialty clinic. This is an important investment in the growing west metro community that will dramatically expand access to our care offerings in the area.

This advancement will create market-leading access to primary care and specialty presence, including improved access to women’s health, orthopedics and cardiovascular rehabilitation at our existing Allina Health – Eden Prairie Clinic

supported by Allina Health Minneapolis Heart Institute. The expanded services are anticipated to be available by early 2025.

Allina Health Cancer Institute

Established in 2021, the Allina Health Cancer Institute (AHCI) has rapidly established itself as a regional destination for comprehensive, innovative and compassionate care. Medical, surgical and radiation oncologists span the care continuum and partner with specialists that include genetic counselors, nutritionists, financial navigators, mental health counselors and many more to provide each patient with care tailored to their unique needs and circumstances.

It's a level of care that has achieved recognition by national and local organizations and publications. Among AHCI's recent achievements:

- Abbott Northwestern Hospital was included in *Newsweek's* 2024 list of the World's Best Specialized Hospitals in oncology.
- Abbott Northwestern, Mercy and United hospitals are each rated as "high performing" in *U.S. News & World Report's* 2024-25 Best Hospitals rankings in categories that include colon cancer surgery, lung cancer surgery, leukemia, lymphoma and myeloma, and prostate cancer surgery.

AHCI is committed to research, knowing that today's clinical trials are tomorrow's life-changing treatments. The Institute is on the forefront of medical innovation, currently engaging in numerous clinical research trials, including a first-of-its-kind trial that uses artificial intelligence (AI) and a blood draw to revolutionize cancer diagnosis and treatment.

AI is also at the center of another initiative launched by AHCI in June, which uses the technology to reexamine CT scans for nodules and lesions in the breast, liver and lung, helping to identify patients with missed, potentially significant findings. The technology helps ensure patients come in for diagnosis and treatment – saving lives, increasing efficiency, reducing malpractice, and ultimately reducing the total cost of care for patients.

AHCI has three nationally accredited comprehensive breast centers at Abbott Northwestern, Mercy and United hospitals. The Piper Breast Center Mercy Hospital is the first of its kind in the north metro and includes state-of-the-art screening, diagnostics and treatment for breast cancer, as well as breast cancer education, genetic counseling and high-risk breast cancer programs and includes the radiologist, oncology surgeon and medical oncologists all in one setting. Allina Health's multidisciplinary breast centers are also located at its other comprehensive cancer sites at Abbott Northwestern and United hospitals, and treatment is available at infusion centers located throughout the community.

Multidisciplinary, integrated care is also a pillar of AHCI's approach to both colorectal cancer care – where surgical, medical and radiation oncologists work closely with advanced practice providers, nurses, nurse navigators, cancer researchers and others to determine the most effective course of treatment – and skin cancer care, which brings together oncologists, dermatologists, social workers, cancer rehab specialists and others to serve patients.

Allina Health Ambulatory Surgery Center Strategy

Allina Health is committed to expanding its ambulatory surgery platform to enable efficient, cost-effective and high-quality consumer-facing care consistent with its payer strategies and intended to keep pace with rapidly evolving reimbursement models. The strategy, which involves commitment of capital and other resources, is aligned to advance Allina Health's vision as the high-value, integrated complex care coordinator for its community. This propels Allina Health as an organization that can deliver surgical care in all settings from complex surgery in a major metropolitan hospital to same day surgery in a community-based setting.

Since 2020, Allina Health has partnered with SCA Health to jointly own ambulatory surgery centers across the Allina Health service area with SCA Health running the centers' operations and strategically partnering to enable Allina Health to become the market share leader in surgery center space in the Twin Cities. SCA Health is a nationally

renowned group with a network of more than 250 ambulatory surgery centers performing more than one million procedures per year. WestHealth Surgery Center, one of Allina Health's first ambulatory surgery centers in partnership with SCA Health, was named the top ambulatory surgery center in the Twin Cities by Newsweek (#2 in Minnesota) in 2023.

As of June 2024, Allina Health's ambulatory surgery center portfolio features nine locations, including a first-to-market cardiovascular surgery center in Edina which opened in September 2022. The newest ambulatory surgery center within the Lakeville Specialty Center opened in February 2024.

Allina Health Neuroscience, Spine and Pain Institute

Allina Health Neuroscience, Spine and Pain Institute (AHNSPI) has quickly become a regional leader in this complex care, with more than 109,000 hospital visits for neurological and spine care in 2023. AHNSPI aligns, coordinates and builds upon the extensive talent and clinical programs across the system to create a patient-focused approach to care that supports a patient from disease prevention to quaternary care and post-acute to home care.

The Institute's level of expertise and quality of care has been recognized on a regional and global level:

- Abbott Northwestern Hospital was included in *Newsweek's* 2024 list of the World's Best Specialized Hospitals in neurosurgery and neurology.
- Abbot Northwestern Hospital was rated as "high performing" by *U.S. News & World Report's* 2024-25 Best Hospitals rankings for neurology & neurosurgery, back surgery and stroke.
- Mercy and United hospitals were similarly recognized as high performing" by *U.S. News & World Report* in the stroke category.

AHNSPI provides patients with access to a range of surgical and medical spine therapies – as well as interventional pain services – both at Allina Health's metro area hospitals as well as at its regional medical centers. Stroke patients and their families can access advanced care at Abbott Northwestern Hospital and United Hospital—both certified as Comprehensive Stroke Centers by DNV Healthcare—as well as at Mercy Hospital, a certified Primary Plus Stroke Center, and Mercy Hospital – Unity Campus, a certified Primary Stroke Center. Mercy Hospital is also an accredited Thrombectomy-Capable Stroke Center. Patients outside the Twin Cities metro area can also rely on top-of-the-line care at Minnesota Department of Health-certified acute stroke-ready facilities at Buffalo Hospital, Cambridge Medical Center, New Ulm Medical Center, Owatonna Hospital, Regina Hospital – Hastings, River Falls Area Hospital, and St. Francis Regional Medical Center. Through its telestroke program, offered at more than 30 hospitals throughout Minnesota, South Dakota and Wisconsin, AHNSPI is also able to connect patients and providers to an Allina Health neurologist at any time of day.

AHNSPI also features a Level 4 Epilepsy Center at Abbott Northwestern Hospital and neurocritical care units at Abbott Northwestern and United hospitals.

2024 Labor Negotiations

Negotiations began in June 2024 for a first contract for Mercy Hospital physicians who are represented by Doctors Council SEIU. Additionally, negotiations began in February 2024 for a first contract for primary and urgent care providers, also represented by Doctors Council SEIU. Management expects the negotiations for each contract will continue through at least the end of 2024.

Allina Health and the Association of Diagnostic Imaging Technologists (ADIT) began contract negotiations for technical employees at United Hospital on July 26, 2024.

Change Healthcare Cyberattack

Change Healthcare (Change), a division of UnitedHealth Group (UHG), was the subject of a cyberattack in late February 2024. Change provides electronic prescribing, electronic payment capability, insurance batch eligibility, and

electronic medical claims (billing) services to the System. As a result of the cyber event, Allina Health disconnected from Change, resulting in an inability to bill certain claims, verify insurance coverage and verify preauthorization status for hospital services. Allina Health also activated manual workarounds for affected areas. In late March, Allina Health began transitioning billing and insurance services back to Change. As of July 18, 2024, Allina Health is back to normal operations and is on track to repay all advances from payers.

Due to the inability to bill certain claims, Allina Health drew \$200,000,000 on an existing line of credit for liquidity purposes. On April 11, 2024, Allina Health paid back the full amount of the \$200,000,000 draw.

Updates to Credit Ratings Participation

In August 2023, Allina Health announced it ended its engagement with Moody's Investor Services (Moody's) for the rating of Allina Health bonds. The decision to end Moody's engagement was based on Allina Health's initiatives to reduce expenses and a determination that three ratings were not required or providing significant value to the organization. The decision was not made to prevent or cure a default or event of default (or reduce any applicable spread) under any debt agreement to which Allina Health is a party.

Allina Health expects to maintain two ratings and continues to engage Standard & Poor's Global Ratings ("S&P") and Fitch Ratings ("Fitch") to provide ratings with respect to Allina Obligated Group debt.

Allina Health has been informed that Moody's intends to continue to rate such debt for some period of time without any expected future communication from or information provided directly by Allina Health. Allina Health does not know how long Moody's will continue to rate Allina Health debt.

Credit Ratings

In April 2024, Fitch Ratings changed Allina Health's bond rating to A+. The outlook is stable.

In February 2024, Standard & Poor's Ratings Services changed the rating of Allina Health to A+. The outlook is stable.

The complete rating agency reports are available at dacbond.com; fitchratings.com; or standardandpoors.com.

Management Personnel

Following are the Executive Leadership Team members and their biographies (as of August 14, 2024):



Lisa Shannon (59) – President and Chief Executive Officer. In her role, Lisa Shannon helps drive exceptional clinical, operational and financial performance, so that Allina Health can deliver quality, affordable care to the communities it serves. The Allina Health Board of Directors appointed Ms. Shannon as the successor to Dr. Penny Wheeler as Chief Executive Officer effective January 1, 2022. Prior to Allina Health, Ms. Shannon served as president, Health System Delivery, for KentuckyOne Health, Kentucky's largest integrated health system. Before joining KentuckyOne Health, Ms. Shannon served in several executive leadership roles at Spectrum Health in Grand Rapids, Michigan, including three years as Chief Operating Officer. Ms. Shannon began her career as a clinical dietitian at The Community Hospital in Springfield, Ohio, and spent 10 years at OhioHealth Corporation in Columbus, rising to vice president of ambulatory services. She is a graduate of Bowling Green State University in Ohio and earned a Master's of Business Administration from Franklin University in Columbus, Ohio. Ms. Shannon places a great deal of value on community engagement. She currently serves on the Board of the Greater Twin Cities United Way and the University of St. Thomas Opus College of Business Strategic Board of Advisors.



Doug Watson (60) – *Executive Vice President, Chief Financial Officer*. Mr. Watson joined Allina Health in early 2024 to serve as interim Chief Financial Executive and was appointed Chief Financial Officer in June 1, 2024. He is responsible for ensuring that Allina Health resources are strategically managed to benefit patients and communities, today and into the future. Prior to joining Allina Health, Mr. Watson served in executive leadership roles for several large health care systems across the United States, most recently as interim Executive Vice President and System Chief Financial Officer at Sharp Healthcare. Previously, he served as Senior Vice President and System Chief Financial Officer of UnityPoint Health; Chief Financial Officer of the Southwest division of CommonSpirit; and Chief Operating Officer and Chief Financial Officer at PeaceHealth. Mr. Watson earned his Bachelor of Science in Business Administration in Accounting, Finance, and International Business from Chapman University in Orange, California. He is also a Certified Public Accountant and has extensive experience as a partner in several global health management consulting firms leading strategic, operational and transformative projects for healthcare clients. He serves as Board Member and Chair of the Internal Affairs Committee for Catholic Charities of Arizona.



Elizabeth Truesdell Smith (61) – *Senior Vice President, General Counsel and Secretary to the Allina Health Board of Directors*. Elizabeth Truesdell Smith has been practicing law for than more than two decades and has served as in-house counsel for Allina Health since December 2000. As general counsel, Ms. Truesdell Smith serves as the chief legal advisor to the health system and all of its operating units, subsidiaries, employees, boards and constituents. She also is the senior executive responsible for system clinical risk management and all insurance programs. Prior to her appointment as general counsel, she held the position of vice president of the Allina Health Law Department medical-legal team. Before joining Allina Health, Ms. Truesdell Smith practiced as a trial lawyer for eight years with a focus on hospital and health law, medical professional liability and medical products liability litigation defense. Ms. Truesdell Smith received her juris doctor from the University of Minnesota Law School in 1992 after earning a master's degree in public health with a health law and bioethics concentration from Boston University School of Public Health in 1989.



Christine Moore (54) – *Executive Vice President, Chief Administrative Officer*. Christine Moore leads the Human Resources, Philanthropy, DEI&B, Marketing, Communications, Public Affairs and Community Benefit and Engagement, Compliance and Security functions of Allina Health and is accountable for the organization's human resources and people strategies, which are critical to building and sustaining an engaged workforce committed to exceptional care and service. Prior to joining Allina Health in 2015, Ms. Moore served as an executive HR leader at Ecolab and Best Buy. She began her career at a management consulting agency. Ms. Moore earned a bachelor's degree in economics from Scripps College in Claremont, California, and she received her PhD in Organizational Psychology from Claremont Graduate University. She is on the board of the Montessori Center of Minnesota and the board of St. Catherine University.

In July 2024, Ms. Moore announced her departure from Allina Health effective in October after nearly 10 years of service.



Lawrence Cho (46) – *Senior Vice President, Chief Strategy and Growth Officer*. Lawrence Cho is responsible for advancing and sustaining Allina Health's innovation, strategic and growth initiatives, while prioritizing accelerating organizational performance. Before joining Allina Health in 2021, Mr. Cho was a member of Mayo Clinic's executive team. At Mayo Clinic, he held positions of chief operating officer for Mayo Clinic International, where he focused on expanding Mayo's model of care internationally, and chair of Corporate Development, where he led enterprise-wide strategic partnership and merger & acquisitions initiatives. Prior to joining Mayo Clinic, Mr. Cho held various finance, strategy and business development positions in industry-leading organizations of Medtronic, McKinsey & Company and General Mills. Mr. Cho earned both a bachelor's degree in neuroscience and economics and a Master of Business Administration from the University of Michigan. Past board memberships include the Make-A-Wish Foundation, Wolverine Venture Fund and Mu Performing Arts.



Hsieng Su, MD (57) – *Senior Vice President, Chief Medical Executive*. Dr. Hsieng Su serves as the senior executive responsible for clinical performance and advancing Allina Health’s safety, quality and population health journey. Prior to joining Allina Health in 2021, Dr. Su was at SSM Health-St. Louis as the Regional Chief Medical Officer, where she was an integral part of improving patient care by leading clinical teams across five specialty areas, creating a physician leadership development program, providing leadership to the SSM Health-St. Louis Institutional Review Board and research contracts with the affiliated academic university. She served as a board member of the Accountable Care Organization for the region. Dr. Su spent six years at Aurora St. Luke’s Medical Center in Milwaukee, Wisconsin, as the Chief Medical Officer prior to her time with SSM Health-St. Louis. Dr. Su holds an undergraduate degree in microbiology from the University of Washington, Seattle; a Master of Business Administration from the University of California, Irvine; earned a Master of Health Care Management from Harvard School of Public Health; and a doctorate of medicine from Georgetown University School of Medicine. She completed her internal medicine residency at Mayo Clinic, finished a preventative medicine fellowship at Mayo Clinic, and completed The Academy, GE Chief Medical Officer fellowship.



D’Andre Carpenter, DNP, RN (41) – *Senior Vice President, Chief Nursing Executive*. Dr. Carpenter is responsible for the development and implementation of strategies that improve patient satisfaction, operational excellence and clinical service delivery for the organization. He leads nursing workforce development and programs that promote the retention, recruitment, continuing education and development of clinical nurses and support services staff. Prior to joining Allina Health in 2023, Dr. Carpenter was senior vice president, system chief nursing officer at UnityPoint Health in Iowa, where he led system nursing practice and clinical care and led a nursing strategic plan that promoted a responsive, flexible, nursing workforce. Dr. Carpenter has held executive nursing leadership, clinical informatics and data analytics positions at Jefferson Health in Philadelphia, Baylor Scott & White health in Dallas and VCU Health System in Richmond, VA. Dr. Carpenter earned undergraduate degrees in Computer Science and Nursing; an Executive Master of Science in Information Systems Management and Master of Science in Nursing from Virginia Commonwealth University; and a Doctor of Nursing Practice degree from Old Dominion University. He currently serves on the Academy Fellowship Program Advisory Board for the Healthcare Management Academy in Arlington, VA, the Talent Innovation Advisory Board for AMN Healthcare in Dallas, and the Nursing Executive Advisory Board for AvaSure Health in Belmont, MI.



Dominica Tallarico (57) – *Executive Vice President, Chief Operating Officer*. Dominica Tallarico started at Allina Health in the new role of Executive Vice President and Chief Operations Officer on May 1, 2023. Dominica is responsible for implementing Allina Health’s strategic plans into daily operations to meet the organization’s objectives. Dominica most recently served as the executive vice president of the Illinois Market for the newly formed Advocate Health (previously Advocate Aurora Health). She was the executive leader responsible for acute and ambulatory strategy and operations in Illinois representing nine hospitals, a children’s hospital, 400 ambulatory sites of care and medical group clinics, 6,300 physicians of which nearly 1,800 are employed, and \$7 billion in revenues. During her tenure, she helped to strategically grow the organization’s acute and ambulatory network and sites of care, including population health capabilities and clinical service lines, serving two million people in Illinois. She is a strategic thought leader, cultivating innovation as evidenced through establishing innovative care models and partnerships including One Medical, Surgical Care Affiliates, MD Anderson affiliation, and digital consumer-facing products. Dominica holds a bachelor’s degree from Loyola University Chicago and a master’s degree in health administration from Rush University, and is a board member for Second Harvest Heartland.

System Governance

Allina Health is governed by a single Board of Directors (“Board”) that meets on a quarterly basis over a two-day period, including Committee meetings. The board oversees the operations of the entire Allina Health system. Allina Health’s regional hospitals have advisory councils, which function in an advisory capacity. Allina Health subsidiaries have separate boards which are subject to the reserved powers of the Allina Health Board.

In addition to the directors elected by the Board, the Chief Executive Officer of Allina Health serves ex-officio, with the right to vote. The bylaws prescribe three-year terms for elected directors and limit elected directors to three (3) successive terms. Upon a recommendation by the Governance & Nominating Committee, an elected director may be elected to serve for additional terms of one (1) to three (3) years.

The Board retains approval authority over all significant strategic and policy decisions. Many decisions are approved by the Board through its approval of the consolidated annual strategic and financial plan. Capital expenditures over a certain level and any significant debt incurrence require separate action by the Board.

The Allina Health Board has eight standing committees: Audit & Compliance; Human Resources & Compensation; Finance; Investment; Governance & Nominating; Philanthropy; Physician Governance; and Quality & Population Health.

Awards and Recognition

Allina Health is honored to be the recipient of numerous awards and certifications that recognize the organization's commitment to delivering safe, high-quality care, including:

- **U.S. News & World Report Best Hospitals 2024-25 Best Hospital rankings** named Abbott Northwestern (#1), Mercy (#3, tie) and United (#3, tie) hospitals best in Twin Cities. Abbott Northwestern Hospital remained the #2 hospital in Minnesota with Mercy and United hospitals tied for #5 in Minnesota. Rehabilitation services at Abbott Northwestern Hospital were ranked #47 in the country.
- Abbott Northwestern, Mercy and United hospital and St. Francis Regional Medical Center were recognized by the American Heart Association's Get With The Guidelines®– Stroke program. This is an in-hospital program for improving stroke care by promoting consistent adherence to the latest scientific treatment guidelines.
- The **2023 Practice Greenhealth Environmental Excellence Awards** recognized 13 Allina Health sites with their Partner for Change Award: Abbott Northwestern Hospital, Buffalo Hospital, Cambridge Medical Center, Courage Kenny Rehabilitation Institute in Golden Valley, Faribault Medical Center, Mercy Hospital, Mercy Hospital – Unity Campus, New Ulm Medical Center, Owatonna Hospital, River Falls Area Hospital, St. Francis Regional Medical Center, United Hospital and United Hospital – Hastings Regina Campus.

Visit allinahealth.org/about-us/awards-and-recognition to see more.

Allina Health System

Consolidated Balance Sheets

(Unaudited)
(Dollars in thousands)

Assets	June 30, 2024	December 31, 2023
Current assets:		
Cash and cash equivalents	\$ 234,457	227,248
Short-term investments	667,321	793,399
Patient accounts receivable	617,628	580,331
Inventories and supplies	103,762	101,741
Other current assets	271,346	227,021
Total current assets	1,894,514	1,929,740
Investments	1,743,422	1,667,312
Investments with limited uses	502,494	556,530
Operating lease right-of-use assets, net	236,872	216,413
Land, buildings, and equipment, net	1,544,557	1,510,090
Other assets	308,466	302,915
Total assets	\$ 6,230,325	6,183,000
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 583,555	583,753
Current portion of long-term debt	28,482	23,200
Current portion of operating lease liabilities	36,141	35,202
Revolving line of credit	150,000	180,000
Other current liabilities	213,927	172,844
Total current liabilities	1,012,105	994,999
Long-term debt	1,683,487	1,684,466
Operating lease liabilities	228,374	207,405
Other liabilities	204,606	194,710
Total liabilities	3,128,572	3,081,580
Net assets:		
Without donor restriction		
Controlling interest	2,851,701	2,868,724
Noncontrolling interest in subsidiaries	24,620	25,896
Total net assets without donor restrictions	2,876,321	2,894,620
With donor restriction	225,432	206,800
Total net assets	3,101,753	3,101,420
Total liabilities and net assets	\$ 6,230,325	6,183,000

See accompanying notes to consolidated financial statements.

Allina Health System

Consolidated Statements of Operations and Changes in Net Assets

(Unaudited)
(Dollars in thousands)

	Six Months Ended		Three Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenues:				
Patient service revenue	\$ 2,486,814	2,338,227	1,252,711	1,182,927
Other operating revenue	257,811	188,937	144,428	97,836
Total revenues	<u>2,744,625</u>	<u>2,527,164</u>	<u>1,397,139</u>	<u>1,280,763</u>
Expenses:				
Salaries and benefits	1,705,704	1,715,247	853,634	864,094
Supplies and services	732,928	677,193	393,233	352,855
Depreciation and amortization	104,660	104,045	53,399	51,808
Financing costs	32,893	33,296	17,337	16,842
State assessments and taxes	52,600	47,382	27,076	24,328
Utilities and maintenance	39,549	50,687	19,099	26,122
Other operating expenses	139,618	123,638	77,215	67,457
Total expenses	<u>2,807,952</u>	<u>2,751,488</u>	<u>1,440,993</u>	<u>1,403,506</u>
Operating loss before restructuring expenses	(63,327)	(224,324)	(43,854)	(122,743)
Restructuring expenses	48,221	—	19,355	—
Operating loss	<u>(111,548)</u>	<u>(224,324)</u>	<u>(63,209)</u>	<u>(122,743)</u>
Nonoperating gains (losses):				
Investment return	90,658	137,303	42,438	53,204
Gain (loss) on interest rate swap agreements	—	(1,899)	—	2,415
Other	(1,980)	(2,404)	(997)	(1,475)
Excess (deficiency) of revenues over expenses	(22,870)	(91,324)	(21,768)	(68,599)
Less (income) loss attributable to noncontrolling interests	(807)	(2,005)	(128)	(1,474)
Excess (deficiency) of revenues over expenses - attributable to controlling interests	<u>\$ (23,677)</u>	<u>(93,329)</u>	<u>(21,896)</u>	<u>(70,073)</u>

(continued)

Allina Health System

Consolidated Statements of Operations and Changes in Net Assets

(Unaudited)
(Dollars in thousands)

	Six Months Ended		Three Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net assets without donor restrictions, controlling interest:				
Excess (deficiency) of revenues over expenses	\$ (23,677)	(93,329)	(21,896)	(70,073)
Net assets released from restrictions for capital purposes	6,648	11,639	5,996	1,017
Other	6	(51)	21	(114)
(Decrease) increase in net assets without donor restrictions	<u>(17,023)</u>	<u>(81,741)</u>	<u>(15,879)</u>	<u>(69,170)</u>
Net assets without donor restrictions, noncontrolling interest:				
Excess (deficiency) of revenues over expenses	807	2,005	128	1,474
Distributions to noncontrolling interests	(2,253)	(2,200)	(1,222)	(1,182)
Other	170	(117)	(265)	(103)
Increase (decrease) in net assets without donor restrictions, noncontrolling interest	<u>(1,276)</u>	<u>(312)</u>	<u>(1,359)</u>	<u>189</u>
Net assets with donor restrictions:				
Contributions	14,237	5,260	6,520	4,164
Investment return	12,948	9,382	4,500	4,097
Net assets released from restrictions	(8,961)	(13,061)	(6,995)	(1,563)
Other	408	365	144	152
Increase (decrease) in net assets with donor restrictions	<u>18,632</u>	<u>1,946</u>	<u>4,169</u>	<u>6,850</u>
Increase (decrease) in net assets	333	(80,107)	(13,069)	(62,131)
Net assets at beginning of year	<u>3,101,420</u>	<u>3,226,125</u>	<u>3,114,822</u>	<u>3,208,149</u>
Net assets at end of quarter	<u>\$ 3,101,753</u>	<u>3,146,018</u>	<u>3,101,753</u>	<u>3,146,018</u>

See accompanying notes to consolidated financial statements.

Allina Health System

Consolidated Statement of Cash Flows

(Unaudited)
(Dollars in thousands)

	Six Months Ended	
	June 30, 2024	June 30, 2023
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 333	(80,107)
Adjustments to reconcile decrease in net assets to net cash and cash equivalents used in operating activities:		
Depreciation and amortization	104,660	104,045
Loss (gain) on sale of land, buildings, and equipment	534	(2,647)
Change in fair value of interest rate swaps	—	632
Change in realized and unrealized (gains) loss on investments, net	(52,356)	(112,120)
Restricted contributions including cash for long-lived assets	(14,237)	(5,260)
Earnings on unconsolidated entities	(9,316)	(7,337)
Distribution to noncontrolling interest	2,253	2,200
Distributions received from unconsolidated entities	118	15
Changes in assets and liabilities:		
Contracted Payer Advances	81,960	—
Patient accounts receivable and other current assets	(84,155)	(9,595)
Accounts payable and accrued expenses and other current liabilities	(41,075)	(82,042)
Other assets and liabilities	10,504	(2,652)
Net cash and cash equivalents used in operating activities	<u>(777)</u>	<u>(194,868)</u>
Cash flows from investing activities:		
Proceeds from sales of land, buildings, and equipment	339	22
Purchases of land, buildings, and equipment	(140,000)	(118,538)
Contributions of cash for long-lived assets	—	127
Sales (purchases) of investments, net	156,360	(87,884)
Investment in joint ventures	—	(2,659)
Net cash and cash equivalents provided by (used in) investing activities	<u>16,699</u>	<u>(208,932)</u>
Cash flows from financing activities:		
Restricted contributions, net	14,773	3,643
Distributions to noncontrolling interests	(2,253)	(2,200)
Proceeds from revolving lines of credit draws	200,000	189,000
Payments on lines of credit draws	(230,000)	(9,000)
Proceeds from issuance of long-term debt, including premium	10,167	403,863
Payment of deferred debt acquisition costs	—	(2,710)
Refinancing and principal payments of long-term debt	(1,400)	(279,011)
Net cash and cash equivalents (used in) provided by financing activities	<u>(8,713)</u>	<u>303,585</u>
Increase (decrease) in cash and cash equivalents	7,209	(100,215)
Cash and cash equivalents at beginning of year	<u>227,248</u>	<u>237,047</u>
Cash and cash equivalents at end of quarter	<u>\$ 234,457</u>	<u>136,832</u>

See accompanying notes to consolidated financial statements.

Allina Health System

Abridged Notes to the Consolidated Financial Statements

Six Months Ended June 30, 2024 and 2023

(Unaudited)

(Dollars in thousands)

1. Patient Revenue and Accounts Receivable

Patient service revenue is reported at the amount that reflects the consideration to which Allina Health expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (managed care and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. Performance obligations satisfied over time relate to inpatient acute care and outpatient services. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and Allina Health does not believe it is required to provide additional goods or services to the patient. Performance obligations for patients that are in house at period end generally complete within days or possibly weeks of period end, therefore are estimated on a pro rata basis.

Allina Health determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with Allina Health policy, and /or implicit price concessions provided to uninsured patients. Estimates of contractual adjustments and discounts, or explicit price concessions, are based on contractual agreements, discount policy (or policies), and historical experience. The estimate of implicit price concessions is based on historical collection experience.

Agreements with third-party payers typically provide for payments at amounts less than established charges. Payment arrangements with major third-party payers included Medicare, Medicaid and managed care payers.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge Allina Health's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon Allina Health. In addition, contracts with commercial payers also provide for retroactive audit and review of claims.

Settlements with third-party payers for retroactive adjustments due to audits, reviews, or investigations 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 payer, correspondence from the payer and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (i.e., new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Allina Health utilizes a process to identify and appeal certain settlements by government payers. Additional reimbursement is recorded in the year the appeal is successful.

Generally patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. Allina Health also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. Allina Health estimates the transaction price for patients with deductibles and coinsurance and from those who are 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. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

Allina Health provides care to patients regardless of their ability to pay. Therefore, Allina Health has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (e.g., co-pays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts Allina Health expects to collect based on its collection history with those patients.

Patients who meet Allina Health's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

2. Fair Value Disclosures

Allina Health determines the fair value of its financial instruments based on the fair value hierarchy established in the Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Level 1 Inputs: Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3 Inputs: Unobservable inputs for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability (including risk assumptions) developed based on the best information available in the circumstances.

Inputs and valuation techniques for significant other observable and significant unobservable inputs are:

For level 2 cash equivalents and fixed income assets that rely on significant other observable inputs and significant unobservable inputs, Allina Health employs multiple third-party information providers to help determine the fair value of the assets. Level 2 securities in separately managed accounts are held at Bank of New York Mellon ("BNYMellon"), who acts as Trustee and Custodian for the assets. As Custodian, BNYMellon uses multiple pricing services to value the assets. The investment managers utilize their own pricing services and valuation processes. Any significant discrepancies between Custodian and investment manager values are reconciled on a monthly basis by the managers and BNYMellon. Allina Health also employs an investment consultant who researches significant pricing differences between the manager and custodian. The consultant will notify the Custodian of any significant pricing issues.

For limited partnership assets and commingled monthly valued funds, Allina Health utilizes net asset value per share or its equivalent to determine the fair value of the assets. Allina Health has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) at the measurement date, subject to notification period and other requirements specific to each investee.

Allina Health's financial assets and liabilities that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2024, as displayed in the table below. Certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to amounts presented in the statements of consolidated balance sheets.

	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Cash and Cash Equivalents				
Cash	\$ 40,964	40,964	-	-
Money Market Funds	193,493	193,493	-	-
Total Cash and Cash Equivalents	\$ 234,457	234,457	-	-
Investments - Trading Securities				
Short-Term Fixed and Money Market	\$ 345,479	345,479	-	-
Equity	394,138	141,736	252,402	-
Fixed Income	1,282,693	453,983	828,710	-
Investments Accounted for at Net Asset Value	374,790			
Total Investments - Trading Securities	\$ 2,397,100	941,198	1,081,112	-
Total Direct and Impact Investments	\$ 13,643			
Total Unrestricted Cash and Investments	\$ 2,645,200	1,175,655	1,081,112	-
	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments with Limited Uses				
Short-Term Fixed Income	\$ 14,631	14,631	-	-
Money Market Fund	310,545	310,545	-	-
Equity	26,004	9,351	16,653	-
Fixed Income	77,052	28,233	48,819	-
Restricted Foundation Trusts	3,065	-	3,065	-
Investments Accounted for at Net Asset Value	71,197			
Total Investments with Limited Uses	\$ 502,494	362,760	68,537	-
Total Cash and Investments	\$ 3,147,694	1,538,415	1,149,649	-

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2024, is as follows:

	Net Asset Value*	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period	Redemption Settlement Period
Private Capital Funds	\$ 445,987	\$ 198,327	Not redeemable	NA	NA

*Includes restricted and unrestricted assets

Private Capital Funds represent investments in private equity, private credit, and real assets. These funds include diversified approach and include limited partnership investments in the following categories: health care services and information technology companies, venture capital investments in health care companies, early growth stage health care private equity investments, senior secured and floating rate loans to middle market U.S. companies, co-investments in intermediate-term opportunities sourced by absolute return, private capital, and real asset managers, value-add and opportunistic real estate, special situation and other opportunistic investments, distressed and opportunistic real estate investments, single family rental properties, investments in the financial services industry, investments in companies in the energy industry, and buyout investments globally. The value of the investments in this category has been estimated using the net asset value per share of the investments.

3. Derivative Instruments

Allina Health used interest rate swaps as a part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. Three of the four interest rate swaps were used to hedge identified debt and interest rate exposures and were not used for speculative purposes. One of the interest rate swaps was issued in advance of an expected debt issuance and was not tied directly to any outstanding debt. Interest rate swaps were recognized as either other long-term assets or other long-term liabilities in accordance with the netting provisions in the counterparty agreement and were measured at fair value.

Allina Health accounted for its interest rate swaps as required by accounting guidance for derivatives and hedging. Allina Health's interest rate swaps were not designated as effective hedges for accounting purposes. Gains or losses resulting from changes in the fair values of the interest rate swaps are reported as non-operating gains or losses. Any differences between interest received and paid under swap agreements are reported with the change in fair value of the swaps as non-operating gains or losses.

Effective June 29, 2023, Allina Health terminated all four interest rate swaps, for a total termination amount of \$30,184.

The following table provides details regarding the gains and (losses) from Allina Health's derivative instruments in the consolidated statements of operations, none of which were designated as hedging instruments.

	Amount of gain (loss) on change in fair value recognized as non-operating: interest rate swap agreements		Amount of interest paid to counterparty recognized as non-operating: interest rate swap agreements		Totals	
	Six Months ended June, 30		Six Months ended June, 30		Six Months ended June, 30	
	2024	2023	2024	2023	2024	2023
2009 B&C	\$ -	\$ (408)	\$ -	\$ (554)	\$ -	\$ (962)
2007C	-	253	-	(312)	-	(59)
2001	-	(477)	-	(401)	-	(878)
	\$ -	\$ (632)	\$ -	\$ (1,267)	\$ -	\$ (1,899)
	Three months ended June, 30		Three months ended June, 30		Totals	
	2024		2023		Three months ended June, 30	
	2024	2023	2024	2023	2024	2023
2009 B&C	\$ -	\$ 1,676	\$ -	\$ (204)	\$ -	\$ 1,472
2007C	-	1,164	-	(103)	-	1,061
2001	-	27	-	(145)	-	(118)
	\$ -	\$ 2,867	\$ -	\$ (452)	\$ -	\$ 2,415

4. Contingencies and Litigation

Laws and regulations governing the Medicare program are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Allina Health believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on its consolidated financial statements. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare program.

Allina Health is subject to various legal proceedings and claims that are incidental to its normal business activities. With respect to these actions, established reserves are fairly stated, though actual results could vary from the estimates and assumptions that were used.

5. Subsequent Events

Allina Health has evaluated subsequent events from the consolidated balance sheet date through August 14, 2024, the date at which the consolidated financial statements were distributed, and determined there are no other items to disclose.

Allina Obligated Group

Combined Balance Sheets

(Unaudited)
(Dollars in thousands)

Assets	June 30, 2024	December 31, 2023
Current assets:		
Cash and cash equivalents	\$ 216,931	210,885
Short-term investments	667,321	793,399
Patient accounts receivable	517,150	489,900
Inventories and supplies	101,541	99,513
Other current assets	226,950	186,373
Total current assets	<u>1,729,893</u>	<u>1,780,070</u>
Investments	1,655,233	1,586,220
Investments with limited uses	305,121	371,147
Beneficial interests in net assets of Allina Foundations	262,602	238,789
Operating lease right-of-use assets, net	115,866	119,570
Land, buildings, and equipment, net	1,343,389	1,324,757
Other assets	169,197	161,126
Total assets	<u>\$ 5,581,301</u>	<u>5,581,679</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 476,109	481,195
Current portion of long-term debt	21,575	21,575
Current portion of operating lease liabilities	16,532	16,659
Revolving line of credit	150,000	180,000
Other current liabilities	213,927	172,844
Total current liabilities	<u>878,143</u>	<u>872,273</u>
Long-term debt	1,672,287	1,676,751
Operating lease liabilities	109,964	113,416
Other liabilities	121,936	113,391
Total liabilities	<u>2,782,330</u>	<u>2,775,831</u>
Net assets:		
Without donor restriction	2,526,676	2,557,774
With donor restriction	272,295	248,074
Total net assets	<u>2,798,971</u>	<u>2,805,848</u>
Total liabilities and net assets	<u>\$ 5,581,301</u>	<u>5,581,679</u>

Allina Obligated Group

Combined Statements of Operations and Changes in Net Assets

(Unaudited)
(Dollars in thousands)

	Six Months Ended		Three Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenues:				
Patient service revenue	\$ 1,978,130	1,873,107	999,946	945,613
Other operating revenue	224,779	157,533	127,053	79,863
Total revenues	<u>2,202,909</u>	<u>2,030,640</u>	<u>1,126,999</u>	<u>1,025,476</u>
Expenses:				
Salaries and benefits	1,310,381	1,346,179	655,021	678,645
Supplies and services	643,731	599,363	349,584	312,024
Depreciation and amortization	86,760	88,804	43,801	43,920
Financing costs	29,309	29,235	15,461	14,806
Services provided by (to) related divisions	(70,358)	(65,412)	(33,337)	(32,007)
State assessments and taxes	42,610	39,655	21,925	20,505
Utilities and maintenance	36,043	47,175	17,500	24,599
Other operating expenses	109,697	94,384	61,500	51,586
Total expenses	<u>2,188,173</u>	<u>2,179,383</u>	<u>1,131,455</u>	<u>1,114,078</u>
Operating income (loss) before restructuring expenses	14,736	(148,743)	(4,456)	(88,602)
Restructuring expenses	<u>48,221</u>	<u>—</u>	<u>19,355</u>	<u>—</u>
Operating income (loss)	(33,485)	(148,743)	(23,811)	(88,602)
Nonoperating gains (losses):				
Investment return	88,747	135,409	41,506	52,431
Gain (loss) on interest rate swap agreements	—	(1,899)	—	2,415
Other	<u>(1,643)</u>	<u>(2,294)</u>	<u>(723)</u>	<u>(1,448)</u>
Excess of revenues over expenses	\$ <u>53,619</u>	<u>(17,527)</u>	<u>16,972</u>	<u>(35,204)</u>

(continued)

Allina Obligated Group

Combined Statements of Operations and Changes in Net Assets

(Unaudited)
(Dollars in thousands)

	Six Months Ended		Three Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net assets without donor restrictions:				
Excess (deficiency) of revenues over expenses	\$ 53,619	(17,527)	16,972	(35,204)
Net assets released from restrictions for capital purposes	—	127	—	17
Transfer net assets released to Obligated Group	7,663	11,512	6,996	1,000
Capital contributions to nonobligated group affiliates, net	(92,406)	(81,716)	(46,229)	(34,233)
Other	26	(155)	14	(194)
(Decrease) increase in net assets without donor restrictions	(31,098)	(87,759)	(22,247)	(68,614)
Net assets with donor restrictions:				
Contributions	—	164	—	45
Net assets released from restrictions	—	(135)	—	(17)
Change in beneficial interests in net assets of Allina Foundations	23,813	5,500	4,025	6,671
Other	408	364	144	151
Increase (decrease) in net assets with donor restrictions	24,221	5,893	4,169	6,850
(Decrease) increase in net assets	(6,877)	(81,866)	(18,078)	(61,764)
Net assets at beginning of year	2,805,848	2,960,430	2,817,049	2,940,328
Net assets at end of quarter	\$ 2,798,971	2,878,564	2,798,971	2,878,564

Allina Health System

Consolidating Balance Sheet

(Unaudited)
(Dollars in thousands)
June 30, 2024

Assets	Obligated Group	Other nonobligated	Eliminations	Allina Health System
Current assets:				
Cash and cash equivalents	\$ 216,931	17,526	—	234,457
Short-term investments	667,321	—	—	667,321
Patient accounts receivable	517,150	100,478	—	617,628
Inventories and supplies	101,541	2,221	—	103,762
Other current assets	226,950	44,396	—	271,346
Total current assets	1,729,893	164,621	—	1,894,514
Investments	1,655,233	88,189	—	1,743,422
Investments with limited uses	305,121	197,373	—	502,494
Beneficial interests in net assets of Allina Foundations	262,602	—	(262,602)	—
Operating lease right-of-use assets, net	115,866	121,006	—	236,872
Land, buildings, and equipment, net	1,343,389	201,168	—	1,544,557
Other assets	169,197	139,269	—	308,466
Total assets	\$ 5,581,301	911,626	(262,602)	6,230,325
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	\$ 476,109	107,446	—	583,555
Current portion of long-term debt	21,575	6,907	—	28,482
Current portion of operating lease liability	16,532	19,609	—	36,141
Revolving Line of Credit	150,000	—	—	150,000
Other current liabilities	213,927	—	—	213,927
Total current liabilities	878,143	133,962	—	1,012,105
Long-term debt	1,672,287	11,200	—	1,683,487
Operating lease liabilities	109,964	118,410	—	228,374
Other liabilities	121,936	82,670	—	204,606
Total liabilities	2,782,330	346,242	—	3,128,572
Net assets:				
Without donor restriction				
Controlling interest	2,526,676	325,025	—	2,851,701
Noncontrolling interest in subsidiaries	—	24,620	—	24,620
Total net assets without donor restrictions	2,526,676	349,645	—	2,876,321
With donor restriction	272,295	215,739	(262,602)	225,432
Total net assets	2,798,971	565,384	(262,602)	3,101,753
Total liabilities and net assets	\$ 5,581,301	911,626	(262,602)	6,230,325

Allina Health System

Consolidating Statement of Operations and Changes in Net Assets

(Unaudited)
(Dollars in thousands)

Six Months ended June 30, 2024

	<u>Obligated Group</u>	<u>Other nonobligated</u>	<u>Eliminations</u>	<u>Allina Health System</u>
Revenues:				
Patient service revenue	\$ 1,978,130	508,684	—	2,486,814
Other operating revenue	<u>224,779</u>	<u>15,941</u>	<u>17,091</u>	<u>257,811</u>
Total revenues	<u>2,202,909</u>	<u>524,625</u>	<u>17,091</u>	<u>2,744,625</u>
Expenses:				
Salaries and benefits	1,310,381	395,323	—	1,705,704
Supplies and services	643,731	89,197	—	732,928
Depreciation and amortization	86,760	17,900	—	104,660
Financing costs	29,309	3,584	—	32,893
Services provided by (to) related divisions	(70,358)	53,267	17,091	—
State assessments and taxes	42,610	9,990	—	52,600
Utilities and maintenance	36,043	3,506	—	39,549
Other operating expenses	<u>109,698</u>	<u>29,920</u>	<u>—</u>	<u>139,618</u>
Total expenses	<u>2,188,174</u>	<u>602,687</u>	<u>17,091</u>	<u>2,807,952</u>
Operating income (loss) before restructuring expenses	14,735	(78,062)	—	(63,327)
Restructuring expenses	<u>48,221</u>	<u>—</u>	<u>—</u>	<u>48,221</u>
Operating income (loss)	(33,486)	(78,062)	—	(111,548)
Nonoperating gains (losses):				
Investment return	88,747	1,911	—	90,658
Other	<u>(1,642)</u>	<u>(338)</u>	<u>—</u>	<u>(1,980)</u>
Excess (deficiency) of revenues over expenses	53,619	(76,489)	—	(22,870)
Less income attributable to noncontrolling interests	<u>—</u>	<u>(807)</u>	<u>—</u>	<u>(807)</u>
Excess (deficiency) of revenues over expenses - attributable to controlling interests	<u>\$ 53,619</u>	<u>(77,296)</u>	<u>—</u>	<u>(23,677)</u>

(continued)

Allina Health System

Consolidating Statement of Operations and Changes in Net Assets

(Unaudited)
(Dollars in thousands)

Six Months ended June 30, 2024

	<u>Obligated Group</u>	<u>Other nonobligated</u>	<u>Eliminations</u>	<u>Allina Health System</u>
Net assets without donor restrictions, controlling interest:				
Excess (deficiency) of revenues over expenses	\$ 53,619	(77,296)	—	(23,677)
Net assets released from restrictions for capital purposes	—	6,648	—	6,648
Transfer net assets released to Obligated Group	7,663	(7,663)	—	—
Capital contributions to nonobligated group affiliates, net	(92,406)	92,406	—	—
Other	26	(20)	—	6
(Decrease) increase in net assets without donor restrictions, controlling interest	<u>(31,098)</u>	<u>14,075</u>	<u>—</u>	<u>(17,023)</u>
Net assets without donor restrictions, noncontrolling interest:				
Excess (deficiency) of revenues over expenses	—	807	—	807
Distributions to noncontrolling interests	—	(2,253)	—	(2,253)
Other	—	170	—	170
Increase (decrease) in net assets without donor restrictions, noncontrolling interest	<u>—</u>	<u>(1,276)</u>	<u>—</u>	<u>(1,276)</u>
Net assets with donor restrictions:				
Contributions	—	14,237	—	14,237
Investment return	—	12,948	—	12,948
Net assets released from restrictions	—	(8,961)	—	(8,961)
Change in beneficial interests in net assets of Allina Foundations	23,813	—	(23,813)	—
Other	408	—	—	408
Increase (decrease) in net assets with donor restrictions	<u>24,221</u>	<u>18,224</u>	<u>(23,813)</u>	<u>18,632</u>
Increase (decrease) in net assets	(6,877)	31,023	(23,813)	333
Net assets at beginning of year	<u>2,805,848</u>	<u>534,361</u>	<u>(238,789)</u>	<u>3,101,420</u>
Net assets at end of quarter	<u>\$ 2,798,971</u>	<u>565,384</u>	<u>(262,602)</u>	<u>3,101,753</u>

Consolidated Utilization

	Six Months Ended		Year Ended	
	June 30 2024	June 30 2023	December 31 2023	December 31 2022
Hospitals				
Admissions *	48,334	46,230	93,531	89,671
Patient Days *	235,991	234,572	461,286	456,680
Average length of stay	4.8	5.2	4.9	5.1
Observation days	15,339	23,602	45,483	44,255
Licensed beds	2,451	2,451	2,451	2,451
Staffed beds	1,830	1,802	1,851	1,800
Outpatient visits	605,693	606,547	1,218,757	1,170,872
Emergency room visits	135,353	130,744	345,979	327,847
Inpatient surgical procedures	13,201	13,133	26,192	25,545
Outpatient surgical procedures	25,380	27,207	54,075	50,940
Ambulatory Surgery Center procedures	8,917	6,837	14,290	10,465
Total surgical procedures	47,498	47,177	94,557	86,950
Physicians and allied professionals				
Work RVUs	5,459,631	5,222,330	10,469,210	9,938,529
Ambulance transports	50,112	48,109	101,152	97,563

*results exclude newborns

Management's Discussion and Analysis of Results of Operations

Operating Results

Allina Health's operating margin before restructuring expenses was -2.3% for the six months ended June 30, 2024, compared to -8.9% operating margin for the same period in 2023. Allina Health's operating loss improved by \$161 million when compared to the same period in 2023.

Allina Health's Earnings Before Interest, Depreciation and Amortization (EBIDA) margin was 2.7% for the six months ended June 30, 2024, compared to -3.4% for the same period in 2023. Non-operating investment return and interest rate swap unrealized activity were consistent with market conditions.

EARNINGS SUMMARY	ALLINA HEALTH		OBLIGATED GROUP	
	Six Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
EBIDA	\$ 72.8	\$ (88.2)	\$ 130.6	(30.7)
Interest income	1.4	1.2	0.2	-
Financing costs	(32.9)	(33.3)	(29.3)	(29.2)
Depreciation and amortization	(104.7)	(104.0)	(86.8)	(88.8)
Operating (loss) income before non-recurring	(63.4)	(224.3)	14.7	(148.7)
Restructuring expenses	(48.2)	-	(48.2)	-
Operating (loss) income	(111.6)	(224.3)	(33.5)	(148.7)
Investment return	90.7	137.3	88.7	135.4
Interest rate swap agreements	-	(1.9)	-	(1.9)
Non-operating other	(2.0)	(2.4)	(1.6)	(2.3)
Excess of revenues over expenses	\$ (22.9)	\$ (91.3)	\$ 53.6	\$ (17.5)

Patient Service Revenue

Allina Health's total operating revenue increased \$217.5 million, or 8.6% for the six months ended June 30, 2024, as compared to 2023. Through June 30, 2024, 37.6% of patient revenue is inpatient revenue, compared to 37.2% in 2023.

PATIENT REVENUE	ALLINA HEALTH		OBLIGATED GROUP	
	Six Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Inpatient	\$ 935.1	\$ 869.3	\$ 938.6	\$ 870.1
Change	7.6%		7.9%	
Outpatient/Ambulatory	898.7	866.8	859.6	833.1
Change	3.7%		3.2%	
Clinic	639.8	589.6	171.9	162.0
Change	8.5%		6.1%	
Other patient revenue	13.2	12.5	8.0	7.9
Change	5.6%		1.3%	
Total Patient Service Revenue	\$ 2,486.8	\$ 2,338.2	\$ 1,978.1	\$ 1,873.1
Change	6.4%		5.6%	

Managed Care Relationships

Allina Health negotiates and contracts with managed care payers through a centralized payer relations function. Managed care payers accounted for 48.1% of Allina Health’s total patient service revenues before implicit price concessions for the six months ended June 30, 2024. Allina Health’s top three managed care payers comprise 40.5% of Allina Health’s revenue. Allina Health’s contract with its largest managed care payer (Blue Cross) expires on December 31, 2026. The contracts with Allina Health’s next three largest managed care payers have contracts expiring December 31, 2024 through December 31, 2026. Allina Health, separately and in conjunction with managed care payers, continues to redesign clinical processes and to develop evidenced-based guidelines in order to decrease costs and provide the demonstrable improvements in quality required by managed care.

ALLINA HEALTH PAYER MIX PERCENTAGE	Patient Revenue	
	June 30	
	2024	2023
Medicare	37.7%	35.9%
Medicaid	10.8	11.1
Contracted Payers	48.1	49.2
Self Pay	1.2	1.1
Other	2.2	2.7
Total	<u>100.0%</u>	<u>100.0%</u>

Uncompensated Care

Allina Health provides medical care without charge or at reduced cost to patients who live in the communities that it serves through the provision of charity care. Allina Health identifies patients that qualify for charity care based upon certain guidelines related to a patient’s ability to pay for services. The Allina Health hospitals provide a discount on billed charges for medically necessary care delivered to patients who are uninsured, underinsured and ineligible for government programs or otherwise medically indigent. New legislation that changed the uninsured discount rate hospitals provide to uninsured patients as well as requiring hospitals and health systems to screen for charity care eligibility was implemented on Nov. 1, 2023. This new legislation, combined with the unwinding of the Public Health Emergency, has led to a significant increase in uninsured discounts.

The estimated cost of providing charity care, by applying a cost to charge ratio to charges identified as charity care, for the six months ended June 30, 2024, and 2023 were \$7.9 million and \$10.1 million, respectively. The schedule below reflects uncompensated care at gross charges forgone.

UNCOMPENSATED CARE	ALLINA HEALTH	
	Six Months Ended	
	June 30	
	2024	2023
Uninsured Discount	\$ 65.0	\$ 23.1
Charity Care Discount	22.5	27.8
Implicit Price Concessions	47.0	41.7
Total Uncompensated Care	<u>\$ 134.5</u>	<u>\$ 92.6</u>
Change	45.2%	
Total Uncompensated Care as a % of		
Patient Charges before price concessions	1.8%	1.4%

Volume

Inpatient admissions increased by 4.6%, and inpatient surgeries increased 0.5% for the six months ended June 30, 2024 compared to 2023, while observation days decreased 35%. Total outpatient surgeries decreased 6.7%, offset by a 30.4% increase of surgeries at the ambulatory surgery centers. Outpatient visits decreased 0.1%. Clinic work RVUs increased 4.5%.

VOLUME STATISTICS	ALLINA HEALTH	
	Six Months Ended	
	June 30	
	2024	2023
Inpatient Hospital Admissions	48,334	46,230
Inpatient change from prior period	4.6%	
Observation Days	15,339	23,602
Observation days change from prior period	-35.0%	
Outpatient Visits	605,693	606,547
Outpatient change from prior period	-0.1%	
Average Length of Stay (days)	4.8	5.2
Hospital Patient Days	235,991	234,572
Patient days change from prior period	0.6%	
Hospital Occupancy (based on staffed beds)	70.9%	71.9%
Inpatient Surgeries	13,201	13,133
Outpatient Surgeries	25,380	27,207
Ambulatory Surgery Center Surgeries	8,917	6,837
Total Surgeries	47,498	47,177
Total surgeries change from prior period	0.7%	
Clinic Work RVUs	5,459,631	5,222,330
Work RVUs change from prior period	4.5%	
Total Case Mix	1.76	1.80
Medicare Case Mix	1.95	2.04

Market Share

Allina Health continues to hold its market leading position. The following market share data from the Minnesota Hospital Association (MHA) statistical database for the 11-county metropolitan hospital market is updated as of December 31, 2023.

MARKET SHARE STATISTICS	ALLINA HEALTH	
	December 31 2023	December 31 2022
Allina Metro Hospital Inpatient Market Share *	31.2%	30.6%
Change in Total Metro Market Volume**	4.3%	-2.9%
* Hospitals Include: Abbott Northwestern, United, Mercy and St. Francis		
** year over year change of the eleven county metro hospital inpatient market volume for the twelve months ending.		

Non-Operating Gains and Losses

Allina Health investments include a diversified portfolio of money market, fixed income, equity, private capital, and real asset investments. The total return on unrestricted long-term investments was 3.3% for the six months ended June 30, 2024, consistent with the market conditions for the period. To mitigate changes in interest rates on variable rate debt, Allina Health held fixed-payer swaps, which were marked to market prior to terminating the swaps effective June 30, 2023.

NON-OPERATING GAINS & LOSSES	ALLINA HEALTH		OBLIGATED GROUP	
	Six Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Interest and dividends	\$ 49.3	\$ 33.2	\$ 49.0	\$ 32.9
Realized gains on sales of investments	6.4	31.3	6.1	31.5
Unrealized gains (losses) on investments	35.0	72.8	33.6	71.0
Interest rate swap agreements - fair value	-	(0.6)	-	(0.6)
Interest rate swap agreements - counterparty interest	-	(1.3)	-	(1.3)
Other	(2.0)	(2.4)	(1.6)	(2.3)
Total non-operating	<u>\$ 88.7</u>	<u>\$ 133.0</u>	<u>\$ 87.1</u>	<u>\$ 131.2</u>

Balance Sheet and Cash Flow

Allina Health has a syndicated revolving line of credit in the amount of \$400 million. There was a \$189 million draw on the syndicated revolving line of credit in April 2023 which was used in connection with the redemption of the Series 2007C Bonds, Series 2009B Bonds and Series 2009C Bonds. The draw for redemption of the prior bonds is expected to be repaid by the end of 2024. Allina Health drew an additional \$200 million in March 2024 due to the inability to bill certain claims after the Change Healthcare cyberattack, and paid down that draw in April 2024. A paydown of \$30 million on the original draw in 2023 was made in June 2024. The outstanding draw as of June 30, 2024 was \$150 million.

Allina Health had 172 days cash on hand as of June 30, 2023, compared with 174 days at December 31, 2023. Amounts drawn on the line of credit are not included in the days cash on hand calculation.

Leverage was 37.3% as of June 30, 2024, compared to 37.1% as of December 31, 2023. Cash to debt is 146% as of June 30, 2024, compared to 147% at December 31, 2023.

The Obligated Group historical annual debt service coverage ratio is calculated in accordance with the Master Trust Indenture on a twelve month look back, using the three-year average of realized gains on purchases and sales of investments, and adjusted for nonrecurring restructuring expenses for June 30, 2024.

Allina Health capital spending was \$140 million for the six months ended June 30, 2024, compared to capital spending of \$118.5 million for the same time period in 2023.

BALANCE SHEET & LIQUIDITY STATISTICS	ALLINA HEALTH		OBLIGATED GROUP	
	June 30 2024	December 31 2023	June 30 2024	December 31 2023
Unrestricted cash & investments	\$ 2,645.2	\$ 2,688.0	\$ 2,539.5	\$ 2,590.5
Days cash on hand	172	174	210	212
Total Debt	\$ 1,712.0	\$ 1,707.7	\$ 1,693.9	\$ 1,698.3
Net assets without donor restrictions	\$ 2,876.3	\$ 2,894.6	\$ 2,526.7	\$ 2,557.8
Debt to capitalization *	37.3%	37.1%	41.1%	40.9%
Patient receivables	\$ 617.6	\$ 580.3	\$ 517.2	\$ 489.9
Days revenue in receivables, net	46	45	49	38
Cash to debt	146%	147%	141%	142%
Historical annual debt service coverage			4.8	5.8

*Obligated Group includes Letters of Credit and Surety indebtedness

Debt and Investment Appendix

Debt Structure

Allina Health holds a mix of both fixed and variable rate long-term debt. The following chart displays the structure and provides detail regarding credit enhancement and expiration of the credit agreement, if applicable.

Allina Health's current debt structure as of June 30, 2024					
Series	\$ Outstanding	Structure	Maturity	Credit Enhancement	Int. Rate*
2023A	181,500	Fixed Rate	2052	None	5.00%
2023B	181,500	Fixed Rate	2053	None	5.00%
2021 Taxable	302,323	Fixed Rate	2051	None	2.90%
2021	167,770	Fixed Rate	2040	None	4.00%
2019 Taxable	300,000	Fixed Rate	2049	None	3.89%
2019	50,525	Fixed Rate	2029	None	5.00%
2017 Taxable	150,000	Fixed Rate	2047	None	4.43%
2017A	58,500	Fixed Rate	2029	None	5.00%
2015 Taxable	250,000	Fixed Rate	2045	None	4.81%
	<u>\$ 1,642,118</u>	Total Bonds			
Other **	<u>69,851</u>				
	\$ 1,711,969	Total Debt			
Fixed Rate		\$ 1,642,118	95.9%		
Other		<u>69,851</u>	4.1%		
Total		\$ 1,711,969			

*Interest rates are interest cost only, and do not include premium/discount, administrative, credit facility, broker, or other costs related to the issuance of the bonds.

**Other debt includes unamortized deferred financing costs, premiums or discounts associated with fixed rate debt and other small notes and loans that are included in debt on the balance sheet.

Investment Pools

The Investment Committee, a committee of the Allina Health Board, is responsible for overseeing asset allocation studies; evaluating and selecting an independent investment consultant; developing investment objectives, guidelines, and performance measurement standards; evaluating and selecting investment managers; and reviewing and evaluating the results of each investment component and the overall performance of all invested funds.

Allina Health maintains its unrestricted investments in cash, cash equivalents and short-term fixed income (liquidity assets), which are utilized for liquidity and preservation of capital, and diversified long term investments (long-term assets), which are utilized for capital growth. The allocation between liquidity and long-term assets depends on the liquidity and strategic needs of the organization. The following table allocates assets based on investment strategy, and will vary from the audited footnote, which looks through the investment strategies to the underlying holdings.

Allina Health periodically reviews asset allocation to ensure that the organization is maintaining the appropriate liquidity, portfolio allocation, and to address shifts in market expectations. The Investment Committee of the Allina Health Board approved a new long-term asset allocation target in 2021, which is reflected in the following table. The Investment Committee determined it was appropriate to temporarily increase the liquidity in the portfolio in the fourth quarter of 2023, without adjusting the long-term asset allocation targets.

Unrestricted Cash and Investments - Asset Allocation					
Unrestricted Balances	Current Target	6/30/2024		6/30/2023	
Cash and Cash Equivalents		\$	234,457	\$	136,832
Short-Term Fixed Income	15.0%	27.7%	667,321	14.2%	372,588
Long-Term Assets	85.0%	72.3%	1,743,422	85.8%	2,255,887
		100.0%	2,410,743	100.0%	2,628,475
Total Unrestricted Assets			\$ 2,645,200		\$ 2,765,307
Asset Allocation - Asset Class					
	Current Target Allocation	6/30/2024 % of Long Term Assets	6/30/2024 % Total Unrestricted Investments	6/30/2023 % of Long Term Assets	6/30/2023 % Total Unrestricted Investments
Investment					
Global Equity	36.0%	22.7%	16.4%	37.9%	32.5%
Long/Short Equity Hedge Funds	0.0%	0.1%	0.1%	0.2%	0.2%
Global Fixed Income	46.0%	52.9%	38.3%	40.2%	34.5%
Alternatives	18.0%	24.2%	17.5%	21.6%	18.5%
Real Return	0.0%	0.1%	0.0%	0.1%	0.1%
Total Long-Term	100.0%	100.0%	72.3%	100.0%	85.8%

Summary of Key Financial Ratios

The table below is a summary of key financial ratios.

Indicators	Six Months Ended June 30,		Year Ended December 31,	
	2024	2023	2023	2022
Liquidity Ratios:				
Monthly DCOH*	147	158	143	193
Annual DCOH**	147	160	143	200
Traditional DCOH	172	183	174	226
Days Cash on Hand (Obligated Group)	210	198	212	222
Cash to Debt	146%	149%	147%	186%
Days Revenue in Receivables	46	44	45	46
VRDB Debt (in millions)	\$0	\$0	\$0	\$279
Monthly liquidity to VRDB debt	-	-	-	920%
Capital Structure Ratios:				
Historical Coverage Ratio (x) (Obligated Group)	4.8	1.8	5.8	2.1
Cushion Ratio (x) (Obligated Group)	32.8	34.8	77.2	35.9
Leverage (Obligated Group)	41.1%	40.2%	40.9%	37.8%
Leverage	37.3%	37.0%	37.0%	34.7%
Profitability Ratios:				
EBIDA Margin	2.7%	-3.4%	-1.0%	1.8%
Operating Margin	-2.3%	-8.9%	-6.2%	-3.4%
Net Income Margin	-0.8%	-3.6%	-3.2%	-8.0%
Revenue Growth	8.6%	6.9%	5.5%	0.6%

Note: All ratios are for Allina Health consolidated financial results, unless otherwise noted.
All ratios exclude restructuring and strike expenses, where applicable.
DCOH excludes draws on revolving lines of credit and proceeds on 364-day Term Loan.

* Days cash on hand available within 0 – 30 days

**Days cash on hand available within 0 – 365 days