



**CERTIFICATE OF HENRY FORD HEALTH SYSTEM**

Name of Bond Issue: Michigan Finance Authority Act 38 Facilities Senior Revenue Bonds (The Henry Ford Health Detroit South Campus Central Utility Plant Project) Series 2024 (Green Bonds)

CUSIP Number: 59447NAA4, 59447NAB2, 59447NAC0, 59447NAD8, 59447NAE6, 59447NAF3, 59447NAG1, 59447NAH9, 59447NAJ5, 59447NAK2, 59447NAL0, 59447NAM8, 59447NAN6, 59447NAP1, 59447NAQ9, 59447NAR7, 59447NAS5, 59447NAT3, 59447NAU0, 59447NAV8, 59447NAW6, 59447NAX4, 59447NAY2, 59447NAZ9, 59447NBA3, 59447NBB1, 59447NBC9, 59447NBD7, 59447NBE5

The undersigned hereby certifies that:

1. I am the Executive Vice President, Chief Financial and Business Officer of Henry Ford Health System (the “Corporation”) and as such, am the Disclosure Representative under that certain Continuing Disclosure Agreement, dated April 2, 2024 (“Disclosure Agreement”), executed and delivered by the Corporation and Digital Assurance Certification, L.L.C., as Dissemination Agent.

2. The Quarterly unaudited Credit Group Financial Statements for the period ending June 30, 2024 attached and delivered to the Dissemination Agent, is the Quarterly Report required to be submitted to the MSRB.

*Capitalized terms used herein and not otherwise defined shall have the meanings defined in the Disclosure Agreement.*

Dated: August 15, 2024

HENRY FORD HEALTH SYSTEM,  
as Disclosure Representative

By: 

Robin S. Damschroder  
Executive Vice President, Chief Financial  
and Business Development Officer

# Quarterly Financial Report



As of and for the Six Months Ended  
**June 30, 2024**

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# HENRY FORD HEALTH

## OVERVIEW

### Organizational Overview

Serving communities across Michigan and beyond, Henry Ford Health, a Michigan nonprofit corporation, and its affiliates (collectively, "Henry Ford Health") are committed to partnering with patients and members along their entire health journey, providing a full continuum of health services. Key assets include:

- Five acute care hospitals offering complex and specialty care, destination facilities for complex cancer and orthopedics and sports medicine, an inpatient behavioral health hospital, and 250+ care locations across southeast and central Michigan.
- 33,000 team members – among Michigan’s largest and most diverse employers – with nearly 6,000 physicians and researchers from the Henry Ford Medical Group (HFMG), Henry Ford Physician Network, and Jackson Health Network.
- Health Alliance Plan of Michigan and its subsidiaries, health insurance plans with more than three decades of integrated insurance operations and approximately 394,000 covered lives and products in nearly every market segment.
- An extensive network of ambulatory medical and health service centers, a dedicated substance abuse facility, behavioral health clinics, dialysis centers, home-based care programs, as well as pharmacy, eye care, and other retail-oriented services.
- A leading academic program – consistently ranked among the top five National Institutes of Health-funded institutions in Michigan – committed to cutting edge translational research and educating the next generation of health professionals.

### Mission, Vision, and Values

#### **Our Mission:**

To improve people’s lives through excellence in the science and art of healthcare and healing.

#### **Our Vision:**

We will be the trusted partner in health, leading the nation in superior care and value.

#### **Our Values:**



**Strategy**

In support of our mission and vision and through our strategic advantages of

- Providing tertiary-quaternary care in an academic environment
- Our focus on value-based care through our health plan and provider network
- A regionally distributed footprint across southeastern and south-central Michigan

Henry Ford Health’s strategic plan addresses health care industry trends and focuses on the domains of Engage, Innovate, and Grow.

**Strategic Plan 2024 - 2026**

 <p><b>Engage</b> To drive loyalty</p> <p><b>Consumers:</b> Deliver a consistent, easy, accessible, and convenient experience that delights unexpectedly.</p> <p><b>Team members:</b> Be the premier destination for Education and Talent, by providing a safe and inclusive work environment and enabling the development of extraordinary careers.</p>	 <p><b>Innovate</b> To transform</p> <p><b>Clinical care:</b> To improve outcomes to develop and scale breakthroughs in prevention, early detection, and state-of-the-art treatment through research and redesign efforts.</p> <p><b>Operations:</b> To reduce cost and improve quality and reliability through the utilization of technology to redesign care models and business functions.</p>	 <p><b>Grow</b> To increase impact</p> <p><b>Lives served:</b> Provide superior value and increase our patients and members use of our full suite of health care coverage, products and services.</p> <p><b>Destination care:</b> Harness the power of academic medicine to be the most preferred destination for complex care.</p>						
<p>Our success outcomes:</p> <table style="width: 100%; text-align: center;"> <tr> <td style="width: 33%;">Exceptional experience</td> <td style="width: 33%;">Compassionate, committed people</td> <td style="width: 33%;">Safest care &amp; best outcomes</td> <td style="width: 33%;">Affordable, efficient care</td> <td style="width: 33%;">Lives and services</td> <td style="width: 33%;">Net operating income</td> </tr> </table>			Exceptional experience	Compassionate, committed people	Safest care & best outcomes	Affordable, efficient care	Lives and services	Net operating income
Exceptional experience	Compassionate, committed people	Safest care & best outcomes	Affordable, efficient care	Lives and services	Net operating income			

## **Diversity, Equity, Inclusion, and Social Justice (DEIJ)**

Henry Ford Health is committed to addressing systemic racial, economic, and clinical barriers that influence social determinants of health, workforce culture, and community wealth building through a five-year plan. Following are key milestones achieved in each of the DEIJ pillars that have further advanced Henry Ford Health toward meeting its 2025 measurable commitments:



**Anti-Racism & Social Justice Advocacy:** Henry Ford Health staunchly supported ensuring voting rights and increased voter access and participation during the 2023 elections. The Government Affairs team tracked numerous voter rights bills that would significantly enhance participation in the election process and bolster voter education efforts. The bills tracked and supported, which have now become law, are: PA 81 (SB 367) - requiring at least nine days of early voting and allowing for early tabulation and preprocessing of absentee ballots; PA 82 (HB 370) - allows voters to fix clerical errors with their ballots and also requires prepaid postage for all absentee ballot applications and envelopes; PA 87 (HB 373) - allows U.S. passports, tribal photo ID cards, military ID cards, and student IDs as acceptable forms of identification for voting purposes; and PA 185 (HB 4568) - repeals the prohibition on hiring transportation assistance to the polls. Henry Ford Health security officers were also fully trained on restraint use and application protocols. Future new hire officers will also benefit from a Henry Ford Health University class as part of a new hire/field training program.

**Diverse Workforce & Inclusive Culture:** Launched the Culture of Belonging Survey in partnership with HFMG, yielding a 60% participation rate against a 63% benchmark; in collaboration with Michigan Works, conducted more than 60 hiring events across the state with a targeted focus on zip codes established in our Healthcare Anchor Network partnership; and completed the HFMG business unit-level diversity and inclusion strategic plan, including a robust environmental scan to understand HFMG’s diversity and inclusion landscape.



**Community Empowerment:** The Community Information Exchange 2023 target of 30% closed-loop referrals for Henry Ford Health patients who self-identified as food insecure or needing other social determinants of health assistance was met and exceeded, closing the year at 33.4%. For the Future of Health: Detroit project, Henry Ford Health has awarded \$173 million in diverse Tier 1 spend. Our investment portfolio has also shown remarkable growth, doubling the dollar assets invested with diverse managers from approximately 4% in 2022 to just over 8% in 2023.

The Healthcare Equity team established a Doula Program that offers services to pregnant patients with Medicaid Health Plans to help reduce the rate of maternal and infant mortality, particularly within the African American and Latinx birthing population. The program is believed to be the first of its kind in the country. Patients receive emotional, physical, and educational support before, during, and after pregnancy and childbirth.



**Henry Ford Health Sustainability Goals**

Environmental factors impact community health and Henry Ford Health recognizes that as a community partner we can influence many of these factors. Our sustainability goals are intended to simultaneously reduce greenhouse gas emissions, redress environmental injustices, and improve the health of the patients, employees, and communities we serve.

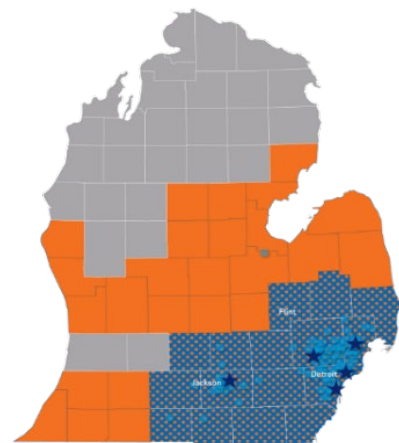
Henry Ford Health has established the following sustainability goals to be achieved by 2030:

- Reduce greenhouse gas emissions from operations by 50%, targeting net-zero by 2040
- Eliminate chemicals of concern from priority products
- Reduce waste sent to landfill by 50%
- Meet local or sustainable criteria for 30% of food purchases
- Increase annual investment in green and healthy infrastructure



**Service Area**

The map shows Henry Ford Health’s provider and health plan service area, as well as acute care facilities. The care delivery system spans southeast and central Michigan. The health plan serves that same area but also operates north and west of the care delivery system coverage area.



## HENRY FORD HEALTH HIGHLIGHTS

The following represents a sample of the awards, honors, clinical achievements, and strategic growth developments since the last financial report:

### Continuing our Mission - Future of Health Initiatives Update

As part of Henry Ford Health’s commitment to sustainability and environmental stewardship, the organization plans to construct a \$235 million electric system to heat and cool its new “Destination: Grand” hospital tower in Detroit, making the facility the second all-electric hospital in the country. Construction on the “Central Energy Hub” will begin in late 2024 with a completion date in spring of 2027. The 30,000-square-foot facility will feature a hot and chilled water pump system that will control the temperature at Henry Ford Health’s 1.2 million-square-foot tower, a shared services building, and a parking deck, limiting the use of natural gas to emergency back-up situations.



Henry Ford Health took a major step towards its “Destination: Grand” vision to transform its century-old flagship academic medical campus into a state-of-the-art facility, as demolition began on a now-vacant former office building on West Grand Boulevard in Detroit. Removal of the building is expected to last a few months and will pave the way for crews to start work on a vibrant and modernized new patient tower—a major component of Henry Ford Health’s Detroit hospital’s historic 1.2 million square-foot expansion that will include all private patient rooms with technology and comfort upgrades, and a three-floor world-class rehabilitation hospital through a partnership with Shirley Ryan AbilityLab. Construction on the new hospital and patient tower is expected to begin later this year with the opening in 2029.

Henry Ford Health, Michigan State University, and community leaders celebrated the groundbreaking of the 335,000 square-foot Henry Ford Health + Michigan State University Health Sciences Research Center in Detroit’s New Center neighborhood. The \$335 million research facility is scheduled to open in 2027 and will be the first physical materialization of the 30-year partnership signed between the



two Michigan institutions in 2021. The research center is a foundational component of the Future of Health: Detroit, a \$3 billion development between Henry Ford Health, Michigan State University, and Tom Gores and the Detroit Pistons that will reimagine and redefine health and well-being for the city of Detroit and beyond. The research center will also house the Nick Gilbert Neurofibromatosis Research Institute, named after Detroit-area philanthropists Dan and Jennifer Gilbert’s late son Nick, who passed away from neurofibromatosis in 2023.



## Growth and Excellence

- Henry Ford Health launched a clinically integrated network that unites the Henry Ford Medical Group and Jackson Health Network in a strategic restructuring of Henry Ford's value-based contracts. Currently referred to internally as the Henry Ford Health Clinically Integrated Network, this initiative brings us together to truly enhance the way we care for our collective patients.
- Henry Ford Health's transplant team, led by cardiac and transplant surgeon Kyle Miletic, M.D., performed Michigan's first beating heart transplant surgery. The patient, Ken Miller of Ferndale, Michigan, woke up on his 58th birthday to the news that he was the state's first beating-heart transplant recipient. Miller and his new heart are recovering well. Only about 70 beating-heart transplants have been performed in the United States to date.
- Henry Ford Health launched its first neurodiversity employment pilot program which provides training and career opportunities for neurodiverse adults, with the help of Delaware-based The Precisionists, Inc. Neurodiversity is a term that describes differences in the ways people's brains work. The program's inaugural participants are performing identity access management services for the organization's Information, Privacy and Security Office.
- Henry Ford Health has been recognized as a leader in lesbian, gay, bisexual, transgender and queer (LGBTQ+) healthcare and equity by the Human Rights Campaign Foundation. Patients, visitors and team members who identify as lesbian, gay, bisexual, transgender or queer will find industry-leading policies and practices dedicated to inclusion and equitable treatment at all five Henry Ford Health hospitals — each earning the "LGBTQ+ Healthcare Equality High Performer" designation in the Human Rights Campaign Foundation's 2024 Healthcare Equality Index. This is the fourth consecutive time Henry Ford has earned system-wide recognition in the biennial survey.
- Henry Ford Health's Detroit hospital was recognized by U.S. News & World Report in its inaugural list of "Best Regional Hospitals for Equitable Access" and joins a list of only 53 hospitals in the country lauded for providing high-quality care to underserved populations. The hospitals selected for the 2023 Best Regional Hospital designation met stringent criteria that included having a significant patient population from areas of greater socioeconomic deprivation, serving a substantial percentage of racial/ethnic minority patients, and demonstrating a commitment to Medicaid patients.
- Deepak Prabhakar, M.D., recognized nationally and internationally for his contributions to sports psychiatry and his research into suicide, health disparities, and healthcare worker distress, rejoins Henry Ford Health as Chair of the Department of Psychiatry and Behavioral Medicine. Dr. Prabhakar previously served as the Chief of Medical Staff at Sheppard Pratt, the nation's largest private, non-profit provider of mental health, substance use, special education, developmental disability, and social services.



## **Innovation and Community Support**

- Ensuring access to quality healthcare for the residents of Southwest Detroit is the mission of the Detroit-based Community Health and Social Services Center (CHASS), a mission supported by their long-standing partnership with Henry Ford Health. We congratulate Richard Bryce, D.O., Felix Valbuena, M.D., and Shaina Shetty, M.D. for their work toward securing new grant funding from the City of Detroit, enabling CHASS to expand its care delivery footprint.
- Henry Ford Health has partnered with Michigan Central to develop high-tech solutions for medical delivery issues as plans are underway for the health system's expansion of its Detroit hospital. Henry Ford Health is the second founding member of Michigan Central. The partnership is expected to focus on three pillars: Innovative Research and Development – working together on research to improve mobility and healthcare technologies; Community Engagement Initiatives – creating joint workforce development programs and introducing innovative solutions to meet local needs; Knowledge Sharing and Best Practices – Sharing insights and expertise on infrastructure, energy and mobility as Henry Ford Health's Detroit hospital expansion progresses.
- Henry Ford Health debuted its new advertising campaign titled "We Go For It" in a 60-second TV spot featuring the voice of Detroit Lions head coach Dan Campbell during the broadcast of the 2024 National Football League (NFL) Draft. The campaign draws inspiration from Campbell's unconventional approach to the game and his willingness to "go for it" on fourth down. The ad celebrates Henry Ford Health's Detroit heritage, reinforces its dedication to pushing the boundaries of what is possible in health care, highlights the system's commitment to statewide community partnerships aimed at delivering the healthcare of the future, and has been a fan favorite on Henry Ford Health social media.



## HENRY FORD HEALTH MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis is intended to provide a high-level overview of Henry Ford Health's consolidated financial performance for the six months ended June 30, 2024, with comparable prior-year information, including operational highlights. This document includes certain forward-looking comments based on management's beliefs; actual results could differ materially.

### Summary of Operating Results

Henry Ford Health reported consolidated operating income of \$152 million for the six months ended June 30, 2024, on consolidated revenue without donor restrictions of \$4.3 billion, providing an operating margin of 3.5%. Operating income before interest, depreciation, and amortization totaled \$285 million (6.7%).

Henry Ford Health drives continuous care delivery and process improvements through the "Transformation and Improvement Portfolios" (TIPs) program. With a rolling multi-year approach, TIPs is designed to ensure both timely execution and evolution over time. Each TIPs portfolio is scoped to drive value through improved quality, experience, and financial outcomes. TIPs replaces the "System Redesign & Transformation" program.

### Henry Ford Health Revenue

Total consolidated revenue without donor restrictions was \$4.3 billion for the six months ended June 30, 2024, up \$420 million (10.9%) from the six months ended June 30, 2023. Henry Ford Health recognized consolidated net patient service revenue of \$2.8 billion and consolidated health care premium revenue of \$1.2 billion for the six months ended June 30, 2024. Consolidated revenues associated with health care services provided by Henry Ford Health to members of its capitated insurance products are included in health care premium revenue. Consolidated net patient service revenue reflects amounts recognized from all other payors and patients.

<b>CONSOLIDATED REVENUE</b>		
(\$ in millions)		
	<u>6/30/2024</u>	<u>6/30/2023</u>
Net patient service revenue:		
Net patient service revenue before eliminations	\$ 3,214	\$ 2,819
Intercompany transactions eliminated	<u>(409)</u>	<u>(423)</u>
Net patient service revenue	2,805	2,396
Health care premiums	1,183	1,185
Other revenue	<u>289</u>	<u>276</u>
<b>Total revenue without donor restrictions</b>	<b><u>\$ 4,277</u></b>	<b><u>\$ 3,857</u></b>

Consolidated net patient service revenue increased \$409 million (17.1%) for the six months ended June 30, 2024, compared to the six months ended June 30, 2023. This was due to increased inpatient and professional volumes, increased pharmacy volume, and \$175 million in state-directed supplemental payments resulting from a 2023 federal policy decision. This rate increase brought the statewide average of Medicaid reimbursement rates to 58% of average commercial rates. Other components of this policy change included increased Medicaid taxes and the elimination of supplemental disproportionate share payments.

Consolidated health care premium revenue for the six months ended June 30, 2024, remained consistent with the six months ended June 30, 2023. Favorable mix of membership and increased premium rates offset the reduction in membership.

Product	HAP COVERED LIVES	
	6/30/2024	6/30/2023
Group insured commercial	133,605	141,236
Self funded	118,513	133,864
Medicare Advantage	83,659	85,973
Medicaid	32,364	39,513
Network leasing	17,828	18,093
Dual eligible	4,022	4,694
Individual	<u>3,985</u>	<u>5,108</u>
<b>Total</b>	<b><u>393,976</u></b>	<b><u>428,481</u></b>

Consolidated other revenue increased \$13 million (4.8%) for the six months ended June 30, 2024, compared to the six months ended June 30, 2023, due primarily to increased pharmacy revenue.

## Henry Ford Health Expenses

Consolidated total expenses increased \$311 million (8.2%) for the six months ended June 30, 2024, compared to the six months ended June 30, 2023. Following are explanations for the most significant components.

<b>CONSOLIDATED EXPENSES</b>		
(\$ in millions)		
	<u>6/30/2024</u>	<u>6/30/2023</u>
Salaries, wages, and employee benefits	\$ 1,705	\$ 1,607
Supplies	864	784
Health care provider expense	742	756
Other	<u>814</u>	<u>667</u>
<b>Total expenses</b>	<b><u>\$ 4,125</u></b>	<b><u>\$ 3,814</u></b>

Consolidated salaries, wages, and employee benefits increased by \$98 million (6.1%) for the six months ended June 30, 2024, compared to the six months ended June 30, 2023. This was primarily due to the impact of wage programs implemented during 2023 coupled with increased staffing to meet volume needs, partially offset by a decreasing reliance upon temporary agency staffing.

Consolidated supplies expense increased \$80 million (10.2%) for the six months ended June 30, 2024, compared to the six months ended June 30, 2023. This increase primarily relates to the increased volume in net patient service revenue and pharmacy volumes.

Consolidated health care provider expense decreased by \$14 million (1.9%) for the six months ended June 30, 2024, compared to the six months ended June 30, 2023. Stabilization in pharmacy cost trends is a major contributor to this decrease.

Consolidated other expense increased \$148 million (22.1%) for the six months ended June 30, 2024, compared to the six months ended June 30, 2023. \$80 million of the increase is attributable to increased provider tax expense aligning with increased revenue and the Medicaid supplemental payments, as well as increased other contracted services.

## Uncompensated Care

Henry Ford Health incurred \$335 million of uncompensated care for the six months ended June 30, 2024, compared to \$359 million for the six months ended June 30, 2023. The change is primarily attributable to the impact of the increase in Medicaid supplemental payments, net of Medicaid provider taxes, which reduce the unpaid cost of Medicare, Medicaid, and other public programs. Over the most recent 3-year period, inflation in cost of care for Medicaid enrollees has averaged 15%, while reimbursement increases have averaged only 4% to 6%. The increased supplemental payments begin to align Medicaid revenues with long-term inflation. Additionally, the reinstatement of Medicaid membership redeterminations has resulted in reduced Medicaid enrollment, contributing to the increase in implicit price concessions.

<b>CONSOLIDATED UNCOMPENSATED CARE COSTS</b>		
(\$ in millions)		
	<u>6/30/2024</u>	<u>6/30/2023</u>
Charity care at cost	\$ 31	\$ 37
Unpaid cost of Medicare, Medicaid, and other public programs	240	282
Implicit price concessions	<u>64</u>	<u>40</u>
<b>Total cost of uncompensated care</b>	<b><u>\$ 335</u></b>	<b><u>\$ 359</u></b>

## Nonoperating Items

### Investment Performance

Henry Ford Health maintains significant investments, including cash and cash equivalents, short-term investments, and long-term investments. Consolidated nonoperating investment return, net recognized during the six months ended June 30, 2024, was a return of \$138 million compared to \$114 million during the six months ended June 30, 2023. The increase in consolidated investment return, net is consistent with current market trends.

## Consolidated Balance Sheets

### Change Healthcare Impact

As previously reported, a cybersecurity incident involving Change Healthcare impacted Henry Ford Health's short-term ability to submit insurance claims and process insurance payments. To mitigate the impact of this incident, Henry Ford Health enrolled in two advance payment programs and received \$48 million. During the second quarter, claim volumes returned to normal levels and the advance payments were repaid. Insurance claims submission and remittance processing have returned to normal levels.

### Days Cash on Hand

Henry Ford Health days cash at June 30, 2024, totaled 140 days, compared to 144 days at December 31, 2023. The decrease was a result of an increase in expenses partially offset by the return on investments.

<b>CONSOLIDATED DAYS CASH ON HAND</b>		
(\$ in millions)		
	<b>6/30/2024</b>	<b>12/31/2023</b>
Cash and cash equivalents	\$ 731	\$ 704
Long-term investments	1,678	1,609
Assets limited as to use:		
The Foundation	379	367
Funds designated for deferred compensation	272	254
Funds board-designated for research, education, and other	<u>24</u>	<u>26</u>
Total funds without restrictions <b>[A]</b>	<u>\$ 3,084</u>	<u>\$ 2,960</u>
Total operating expenses (excluding depreciation and amortization) <b>[B]</b>	<u>\$ 4,020</u>	<u>\$ 7,519</u>
Total operating expenses per day <b>[B] / 182 for 2024 and 365 for 2023 = [C]</b> (excluding depreciation and amortization)	<u>\$ 22</u>	<u>\$ 21</u>
Days cash on hand <b>[A] / [C]</b>	<u>140</u>	<u>144</u>
Total funds without restrictions to total debt	<u>204 %</u>	<u>196 %</u>

## Long-Term Obligations

The following table sets forth Henry Ford Health's capitalization as of June 30, 2024 and December 31, 2023:

<b>CONSOLIDATED CAPITALIZATION</b>		
(\$ in millions)		
	<u>6/30/2024</u>	<u>12/31/2023</u>
Series 2016 Bonds <sup>(1)</sup>	\$ 783	\$ 783
Series 2019A Bonds <sup>(1)</sup>	228	228
Series 2022A Bonds <sup>(1)</sup>	300	300
Short term borrowings <sup>(2)</sup>	35	35
Other obligations	1	2
Financing lease payable	167	163
Total debt <sup>(3)</sup>	<u>\$ 1,514</u>	<u>\$ 1,511</u>
Total net assets without donor restrictions	<u>\$ 3,158</u>	<u>\$ 2,867</u>
<b>Total capitalization</b>	<u><b>\$ 4,672</b></u>	<u><b>\$ 4,378</b></u>
<b>Total debt / total debt capitalization</b>	<u><b>32%</b></u>	<u><b>35%</b></u>

(1) Par amount of bonds outstanding. Does not include unamortized premium or deferred issuance costs on the bonds.

(2) Borrowing on line of credit

(3) Includes current portion of long-term debt

During the second quarter, Henry Ford Health renewed and replaced \$425 million in expiring lines of credit, while also adding \$175 million of new credit facilities. Following is a summary of Henry Ford Health's line of credit facilities as of June 30, 2024:

<b>LINES OF CREDIT</b>	
(\$ in millions)	
<u>Facilities</u>	<u>Expiration</u>
\$ 75	May 19, 2025
100	April 30, 2026
150	May 19, 2026
75	April 19, 2027
200	April 26, 2027
<u>\$ 600</u>	



### Care Delivery and Insurance Operations

Net operating income (loss) for the six months ended June 30, 2024 and 2023, is reflected in the table below:

<b>CONSOLIDATED NET OPERATING INCOME (LOSS)</b>				
<b>(\$ in millions)</b>				
	<b>Care Delivery</b>	<b>Insurance Operations</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>June 30, 2024</b>				
Operating Revenue	\$ 3,468	\$ 1,224	\$ (415)	\$ 4,277
Operating Expenses	3,320	1,220	(415)	4,125
Operating Income	<u>\$ 148</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 152</u>
<b>June 30, 2023</b>				
Operating Revenue	\$ 3,062	\$ 1,228	\$ (433)	\$ 3,857
Operating Expenses	2,991	1,256	(433)	3,814
Operating Income (Loss)	<u>\$ 71</u>	<u>\$ (28)</u>	<u>\$ -</u>	<u>\$ 43</u>

### Utilization

Select utilization statistics as of and for the six months ended June 30, 2024 and 2023, are reflected in the table below:

<b>CONSOLIDATED UTILIZATION STATISTICS</b>		
	<b>6/30/2024</b>	<b>6/30/2023</b>
Licensed beds (including skilled nursing facility beds)	2,447	2,404
Available beds	2,097	1,984
Discharges (excluding newborns)	53,107	49,277
Patient days (excluding newborns)	289,640	271,141
Length of stay (excluding newborns)	5.45	5.50
All payor case mix index	1.87	1.89
Inpatient emergency room visits	31,154	29,434
Outpatient emergency room visits	187,099	184,594
Inpatient surgeries	10,586	9,965
Outpatient surgeries	27,841	26,684
Observation cases	14,140	16,180
Total outpatient visits (including emergency room, surgeries, and virtual visits)*	2,769,178	2,783,735

\* The 2023 metric was revised to match the 2024 measurement

# **HENRY FORD HEALTH<sup>SM</sup>** **CONSOLIDATED** **FINANCIAL** **STATEMENTS**

For the Six Months Ended  
June 30, 2024

**CONSOLIDATED BALANCE SHEETS**  
**AS OF JUNE 30, 2024 AND DECEMBER 31, 2023**  
(In thousands)

	<u>Unaudited 2024</u>	<u>Audited 2023</u>
<b>ASSETS:</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 730,845	\$ 704,270
Short-term investments	108	143
Patient care receivables	661,961	553,119
Health care premium receivables	23,012	14,603
Due from third-party payors	135,208	95,736
Other current assets	477,020	423,422
Current portion of assets limited as to use	<u>65,033</u>	<u>81,611</u>
Total current assets	2,093,187	1,872,904
LONG-TERM INVESTMENTS	1,678,111	1,608,569
ASSETS LIMITED AS TO USE	1,144,498	1,081,774
INVESTMENTS IN UNCONSOLIDATED ENTITIES	33,874	41,449
INTANGIBLE AND OTHER ASSETS—Net	28,638	29,168
GOODWILL—Net	26,494	26,494
RIGHT OF USE—OPERATING LEASE ASSETS	152,769	153,128
RIGHT OF USE—FINANCING LEASE ASSETS	144,301	142,546
PROPERTY, PLANT, AND EQUIPMENT—Net	<u>1,824,500</u>	<u>1,811,783</u>
<b>TOTAL ASSETS</b>	<u>\$ 7,126,372</u>	<u>\$ 6,767,815</u>

(continued)

**CONSOLIDATED BALANCE SHEETS**  
**AS OF JUNE 30, 2024 AND DECEMBER 31, 2023**  
(In thousands)

	<b>Unaudited 2024</b>	<b>Audited 2023</b>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>CURRENT LIABILITIES:</b>		
Short term borrowings	\$ 34,685	\$ 34,685
Accounts payable	433,615	423,245
Due to third-party payors	45,603	32,743
Medical claims and risk-sharing liabilities	261,760	229,891
Other liabilities and accrued expenses	332,113	384,523
Current portion of long-term obligations	19,677	20,644
Current portion of malpractice and general liability	40,741	40,741
Current portion of operating lease liabilities	27,096	26,000
Current portion of financing lease liabilities	<u>3,024</u>	<u>2,041</u>
Total current liabilities	1,198,314	1,194,513
DEFERRED COMPENSATION, POSTRETIREMENT, AND OTHER LIABILITIES	454,379	443,383
LONG-TERM OBLIGATIONS	1,376,401	1,379,289
MALPRACTICE AND GENERAL LIABILITY	170,379	156,286
LONG-TERM OPERATING LEASE LIABILITIES	139,452	140,998
LONG-TERM FINANCING LEASE LIABILITIES	<u>163,765</u>	<u>160,941</u>
Total liabilities	<u>3,502,690</u>	<u>3,475,410</u>
<b>NET ASSETS:</b>		
Without donor restrictions:		
Henry Ford Health	3,116,189	2,825,832
Noncontrolling interests	<u>42,157</u>	<u>40,878</u>
Total net assets without donor restrictions	3,158,346	2,866,710
With donor restrictions	<u>465,336</u>	<u>425,695</u>
Total net assets	<u>3,623,682</u>	<u>3,292,405</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 7,126,372</u></u>	<u><u>\$ 6,767,815</u></u>

See notes to consolidated financial statements.

(concluded)

**CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS  
FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023  
(In thousands)**

	<u>Unaudited 2024</u>	<u>Unaudited 2023</u>
<b>REVENUE WITHOUT DONOR RESTRICTIONS:</b>		
Net patient service revenue	\$ 2,805,176	\$ 2,396,207
Health care premiums	1,182,790	1,184,930
Other revenue	<u>288,995</u>	<u>275,733</u>
Total revenue without donor restrictions	<u>4,276,961</u>	<u>3,856,870</u>
<b>EXPENSES:</b>		
Salaries, wages, and employee benefits	1,704,547	1,607,039
Supplies	863,907	784,219
Health care provider expense	741,582	755,662
General and other administrative	304,393	207,906
Other contracted services	232,478	193,673
Depreciation and amortization	105,248	105,561
Repairs and maintenance	44,644	39,479
Plant operations	35,425	34,753
Rent and lease	29,067	29,846
Malpractice	36,425	31,316
Interest expense	<u>27,539</u>	<u>24,858</u>
Total expenses	<u>4,125,255</u>	<u>3,814,312</u>
<b>OPERATING INCOME</b>	<u>151,706</u>	<u>42,558</u>
<b>NONOPERATING ITEMS:</b>		
Investment return, net	137,689	113,577
Other components of net periodic pension cost	<u>(839)</u>	<u>(2,668)</u>
Total nonoperating items	<u>136,850</u>	<u>110,909</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	288,556	153,467
<b>LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	<u>1,449</u>	<u>770</u>
<b>EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO HENRY FORD HEALTH</b>	<u>\$ 287,107</u>	<u>\$ 152,697</u>

(Continued)

**CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS  
FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023  
(In thousands)**

	<u>Unaudited 2024</u>	<u>Unaudited 2023</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>		
Excess of revenue over expenses from consolidated operations	\$ 288,556	\$ 153,467
Net assets released from restrictions for capital	3,248	1,329
Distributions to noncontrolling interests	<u>(168)</u>	<u>(425)</u>
Increase in net assets without donor restrictions	<u>291,636</u>	<u>154,371</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS:</b>		
Return on restricted investments, net	19,490	13,660
Contributions and other	60,767	59,878
Net assets released from restrictions for operations	(37,368)	(43,142)
Net assets released from restrictions for capital	<u>(3,248)</u>	<u>(1,329)</u>
Increase in net assets with donor restrictions	<u>39,641</u>	<u>29,067</u>
<b>TOTAL INCREASE IN NET ASSETS</b>	331,277	183,438
<b>TOTAL NET ASSETS—Beginning of year</b>	<u>3,292,405</u>	<u>2,879,133</u>
<b>TOTAL NET ASSETS—End of period</b>	<u>\$ 3,623,682</u>	<u>\$ 3,062,571</u>

See notes to consolidated financial statements.

(Concluded)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023**  
(In thousands)

	<u>Unaudited 2024</u>	<u>Unaudited 2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 331,277	\$ 183,438
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation and amortization	105,248	105,561
Amortization of bond premium and deferred debt issue costs	(2,741)	(2,769)
Loss (gain) on sale or disposal of assets	956	(371)
Return on restricted investments	(19,490)	(13,660)
Restricted contributions and grants	(60,767)	(59,878)
Net realized and unrealized gains on investments	(156,997)	(132,488)
Distributions to noncontrolling interests	168	425
Change in assets and liabilities:		
Patient and health care premium receivables	(117,251)	(30,119)
Other current assets	(53,598)	(45,208)
Assets limited as to use	346	123,195
Investments in unconsolidated entities	10,322	3,858
Other assets	(532)	3,676
Accounts payable	11,122	15,713
Other liabilities	(60,243)	25,779
Due to/from third-party payors	(26,612)	(48,734)
Medical claims liability	31,869	18,784
Malpractice and general liability	14,093	(10,848)
Net cash provided by operating activities	<u>7,170</u>	<u>136,354</u>

(continued)

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023  
(In thousands)**

	<b>Unaudited 2024</b>	<b>Unaudited 2023</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to property	\$ (115,443)	\$ (135,287)
Proceeds from the sale or maturity of securities	151,686	660,018
Purchases of securities	(119,538)	(651,209)
Investment in unconsolidated subsidiaries	<u>(2,747)</u>	<u>(3,456)</u>
Net cash used in investing activities	<u>(86,042)</u>	<u>(129,934)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from short-term borrowings	34,685	-
Proceeds from short-term advances	17,194	-
Proceeds from long-term obligations	28,110	48,440
Payments of short-term borrowings	(34,685)	-
Payments of short-term advances	(17,194)	-
Payments of long-term obligations	(1,113)	(206)
Payments of finance lease liabilities	(1,639)	(1,364)
Distributions to noncontrolling interests	(168)	(425)
Return on restricted investments	19,490	13,660
Restricted contributions and grants	<u>60,767</u>	<u>59,878</u>
Net cash provided by financing activities	<u>105,447</u>	<u>119,983</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>26,575</b>	<b>126,403</b>
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<u><b>704,270</b></u>	<u><b>703,077</b></u>
<b>CASH AND CASH EQUIVALENTS—End of period</b>	<u><u><b>\$ 730,845</b></u></u>	<u><u><b>\$ 829,480</b></u></u>

See notes to consolidated financial statements.

(concluded)



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023 (Dollars in thousands)

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *The Organization*

Henry Ford Health System (the "Corporation") and its subsidiaries and affiliates (collectively, "Henry Ford Health") constitute a comprehensive health care system offering health care to the people of southeastern and south-central Michigan. Henry Ford Health provides medical, surgical, psychiatric, and rehabilitative services in inpatient and outpatient settings; conducts research activities; and engages in the education and training of residents, nurses, and allied health professionals. Henry Ford Health includes one of the nation's largest employed physician group practices. A significant portion of Henry Ford Health's revenues are derived through its health maintenance organization (HMO) and its subsidiaries.

The Corporation is a Michigan not-for-profit corporation that owns and operates two hospitals, Henry Ford Hospital (HFH) and Henry Ford West Bloomfield Hospital (HFWBH). The Corporation's subsidiaries also contribute to Henry Ford Health's comprehensive healthcare delivery network, the most significant of which are Henry Ford Wyandotte Hospital (HFWH), Henry Ford Macomb Hospital (HFMH), Henry Ford Jackson Hospital (HFJH), Health Alliance Plan of Michigan and Subsidiaries (HAP), Henry Ford Foundation (Foundation), and Onika Insurance Company, Ltd. (Onika).

Joint venture interests include Foote Health Center Associates (93% ownership), Northwest Detroit Dialysis Centers (56% ownership), and Macomb Regional Dialysis Centers, L.L.C. (60% ownership), which are consolidated.

In April 2023, HAP entered into an agreement whereby CareSource Holding III LLC, an Ohio not-for-profit limited liability company, acquired a 40% minority interest in HAP Empowered Holding LLC, a Delaware nonprofit limited liability company, for a payment of \$52,840. The purpose of this joint venture, which operates as HAP CareSource, is to develop new programs and products to better serve the people of Michigan and provide expansive and high quality health care coverage to more residents across the state. In August 2023, HAP CareSource received regulatory approval to move forward with the joint venture. As a result of this transaction HAP recorded a long-term liability of \$8,750 related to Medicaid membership, a fair value adjustment of \$4,443 and a noncontrolling interest in subsidiary of \$39,647. Henry Ford Health wholly consolidates HAP CareSource.

***Basis of Presentation***

The consolidated financial statements include the accounts of Henry Ford Health members as described above. The accounting and reporting policies of Henry Ford Health conform to accounting principles generally accepted in the United States of America (GAAP) for interim financial statements. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal and recurring nature. All intercompany transactions have been eliminated. Operating results for the six months ended June 30, 2024 are not necessarily indicative of the results that may be experienced during the year ending December 31, 2024. The footnotes to the consolidated statements are condensed and should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2023. The audited consolidated financial statements are available from the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access (EMMA) system, found at <http://emma.msrb.org>.

***Use of Estimates***

The preparation of the consolidated financial statements in conformity with GAAP requires that management make estimates and assumptions that affect the reported amounts. Actual results could differ from those estimates.

**2. NET PATIENT SERVICE REVENUE AND PATIENT CARE RECEIVABLES**

Net patient service revenue is reported at the amount that reflects the consideration to which Henry Ford Health expects to be entitled in exchange for providing patient care. These amounts are primarily due from patients and third-party payors and include variable consideration for retroactive revenue adjustments due to a subsequent audit or review process. Revenue is recognized as performance obligations are satisfied. Revenues associated with health care services provided by Henry Ford Health to members of its HMO are included in health care premiums in the consolidated statements of operations and changes in net assets.

Performance obligations are determined based on the nature of the services provided by Henry Ford Health. Generally, performance obligations satisfied over time relate to patients receiving inpatient services. Henry Ford Health measures the performance obligation from the point of hospital admission through discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and Henry Ford Health does not believe it is required to provide additional goods or services to the patient. Generally, performance obligations satisfied at a point in time relate to outpatient services and pharmacy revenue.

Because Henry Ford Health's performance obligations relate to contracts with a duration of less than one year, it has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-50-14(a), Revenue from Contracts with Customers, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. These unsatisfied or partially unsatisfied performance obligations are primarily related to inpatient services and the related contracts are generally completed upon discharge, which generally occurs shortly after the end of the reporting period.

Henry Ford Health determines the transaction price based on contractual terms for all services covered by insurance or in accordance with Henry Ford Health's policies with regard to uninsured patients. Henry Ford Health determines its estimate of implicit price concessions based on its historical collection experience with each class of patients using a portfolio approach as a practical expedient to account for patient contracts as a collective group rather than individually. The effects on the consolidated financial statements of using this practical expedient are not materially different from an individual contract approach.

The composition of net patient service revenue by payor for the six months ended June 30, 2024 and 2023, is as follows:

	2024		2023	
Medicare	\$ 1,188,678	42 %	\$ 1,046,537	44 %
Medicaid	462,735	16	405,715	17
Blue Cross	771,303	27	660,962	28
Self-pay	17,298	1	15,173	1
Commercial and other	<u>365,162</u>	<u>14</u>	<u>267,820</u>	<u>10</u>
Total	<u>\$ 2,805,176</u>	<u>100 %</u>	<u>\$ 2,396,207</u>	<u>100 %</u>

### **Reimbursement from Third-Party Payors**

Reimbursement from most payors for inpatient and outpatient services varies according to a patient classification system that is based on clinical, diagnostic, and other factors. Revenues under traditional Medicare and Medicaid programs, as well as Blue Cross, are based primarily on prospective payment systems. For Medicare, retrospectively determined non-claims-based revenues, such as indirect medical education, direct graduate medical education, disproportionate share hospital payments, allied health education payments, organ acquisition, and bad debt expense reimbursement, are estimated using historical trends and current factors. These revenues are reported on Medicare cost reports, which are subject to audit by Medicare auditors and administrative and judicial review, prior to final settlement.

These settlements can take several years to resolve. Because the laws, regulations, instructions, and rule interpretations governing Medicare reimbursement are complex and change frequently, the estimates recorded could change in subsequent periods. Medicaid revenues have the potential to be reduced based on an upper payment limit calculated through the Medicaid cost report, which is subject to review and adjustment by Medicaid auditors. Blue Cross revenues are also subject to a final settlement, where auditors reprice claims based on settlement rates. These represent the major payors included in patient care receivables at June 30, 2024 and December 31, 2023.

Settlements with third-party payors for retroactive adjustments are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and Henry Ford Health's 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 new information becomes available or as years are settled. Net patient service revenue of \$16,796 and \$41,350 related to prior-year settlements was recorded during the six months ended June 30, 2024 and 2023, respectively.

Generally, patients covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Henry Ford Health estimates the transaction price for these patients 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. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the six months ended June 30, 2024 and 2023, was not material to the consolidated financial statements.

Henry Ford Health demonstrates its exempt purpose by providing multiple services to support the health and well-being of the communities it serves. In addition to offering emergency services to the public 24 hours a day, seven days a week, Henry Ford Health provides health care services without charge or at amounts less than its established rates to patients who meet the criteria of its patient financial assistance policy. Charity care is reported at estimated cost using a cost-to-charge ratio methodology. Other major community benefit commitments include participating in public programs under which reimbursement is less than the cost of providing care, maintaining research programs focused on improving health care, offering community education and outreach in the form of free or low-cost clinics and health screenings, education, and donations to support external community programs.

The major components of community benefit for the six months ended June 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Charity care at cost	\$ 31,166	\$ 36,951
Unpaid cost of Medicare, Medicaid, and other public programs	240,248	282,272
Implicit price concessions	<u>63,539</u>	<u>40,021</u>
Total cost of uncompensated care	<u>\$ 334,953</u>	<u>\$ 359,244</u>

The change in total cost of uncompensated care is primarily attributable to the impact of the increase in Medicaid supplemental payments, net of Medicaid provider taxes, which reduce the unpaid cost of Medicare, Medicaid, and other public programs. Over the most recent 3-year period, inflation in cost of care for Medicaid enrollees has averaged 15%, while reimbursement increases have averaged only 4% to 6%. The increased supplemental payments begin to align Medicaid revenues with long-term inflation. Additionally, the reinstatement of Medicaid membership redeterminations has resulted in reduced Medicaid enrollment, contributing to the increase in implicit price concessions.

### 3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments, inclusive of invested assets limited as to use, include marketable debt and equity securities. Investments in debt and equity securities with readily determinable fair values are measured at fair value in the consolidated balance sheets. Hedge funds, commingled funds, private markets, and other investments structured as limited liability corporations and partnerships are valued at net asset value, as a practical expedient, which is calculated using the most recent consolidated financial statements. Henry Ford Health has classified all debt securities as trading.

Investment return, net includes interest, dividends, realized gains and losses, unrealized gains and losses, and expenses related to the management of the investments. Realized gains and losses on sales of investments as well as unrealized gains and losses are calculated using the specific-identification method and are included in investment return, net or return on restricted investments, net.

Total investment return, net on the investment portfolios for the six months ended June 30, 2024 and 2023, consisted of the following:

	<u>2024</u>	<u>2023</u>
Included in other revenue:		
Funds designated for malpractice and general liability	\$ 1,901	\$ 1,939
Funds designated for deferred compensation	19,261	20,609
Other miscellaneous interest	718	552
Included in nonoperating items:		
The Foundation	22,294	20,986
Interest, dividends, and realized and unrealized gains and from other unrestricted assets	<u>115,395</u>	<u>92,591</u>
Total	159,569	136,677
Investment return, net on restricted investments	<u>19,490</u>	<u>13,660</u>
Total investment return, net	<u>\$ 179,059</u>	<u>\$ 150,337</u>

#### 4. ASSETS LIMITED AS TO USE

Assets limited as to use as of June 30, 2024 and December 31, 2023, consisted of the following:

	<u>2024</u>	<u>2023</u>
Assets without donor restrictions:		
The Foundation	\$ 379,247	\$ 366,557
Funds held in trust	3,766	31,189
Funds designated for malpractice and general liability	62,833	56,854
Funds designated for deferred compensation	272,216	254,341
HAP statutory funds	2,301	2,310
Funds board designated for research, education, and other	<u>23,832</u>	<u>26,439</u>
Total assets without donor restrictions	<u>744,195</u>	<u>737,690</u>
Assets with donor restrictions:		
Perpetual in nature	143,434	147,787
Purpose restricted	268,412	239,583
Grants and pledges receivable	<u>53,490</u>	<u>38,325</u>
Total assets with donor restrictions	<u>465,336</u>	<u>425,695</u>
Total assets limited as to use	1,209,531	1,163,385
Less requirements for current liabilities	<u>65,033</u>	<u>81,611</u>
Noncurrent assets limited as to use	<u>\$ 1,144,498</u>	<u>\$ 1,081,774</u>

Onika had reserve deposits of \$29,692 and \$23,633 as of June 30, 2024 and December 31, 2023, respectively, under a reinsurance trust agreement and an agency agreement. These amounts are included above in funds designated for malpractice and general liability. The HAP statutory funds are required by insurance regulations.

## 5. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment as of June 30, 2024 and December 31, 2023, consisted of the following:

	<u>2024</u>	<u>2023</u>
Land and improvements	\$ 133,138	\$ 131,664
Building and improvements	2,278,392	2,261,900
Equipment	1,936,714	1,888,898
Construction in progress	<u>153,312</u>	<u>116,764</u>
Total	4,501,556	4,399,226
Less accumulated depreciation	<u>2,677,056</u>	<u>2,587,443</u>
Property, plant, and equipment—net	<u>\$ 1,824,500</u>	<u>\$ 1,811,783</u>

Internal use software is included above in equipment and construction in progress. The net book value was \$101,684 and \$109,442 at June 30, 2024 and December 31, 2023, respectively.



## 6. LONG-TERM OBLIGATIONS

Long-term obligations as of June 30, 2024 and December 31, 2023, consisted of the following:

Obligation	Maturity	Rate	2024	2023
Bonds Series 2016	2024 to 2046	Fixed 3.00%–5.00%	\$ 783,305	\$ 783,305
Bonds Series 2019A	2048 to 2050	Fixed 4.00%–5.00%	227,910	227,910
Bonds Series 2022A	2052 <sup>(1)</sup>	Fixed 2.65%–2.86%	300,000	300,000
Other obligations		Fixed 4.58%–4.80%	1,330	2,443
Deferred issuance costs, net			(6,577)	(6,779)
Unamortized bond premium			<u>90,110</u>	<u>93,054</u>
Total			1,396,078	1,399,933
Less current portion			<u>19,677</u>	<u>20,644</u>
Total long-term obligations			<u>\$ 1,376,401</u>	<u>\$ 1,379,289</u>

<sup>(1)</sup> Subject to mandatory tender and remarketing in 2032

The Henry Ford Health System Amended and Restated Master Trust Indenture dated September 1, 2016 created the Henry Ford Health Credit Group (the "Credit Group"). The Credit Group is comprised of the Henry Ford Health Obligated Group (the "Obligated Group"), Henry Ford Health Designated Affiliates (the "Designated Affiliates"), and Henry Ford Health Limited Designated Affiliates (the "Limited Designated Affiliates"). The Corporation, HFWH, HFMH, and HFJH are members of the Obligated Group. HAP (excluding its subsidiaries) and the Foundation are Designated Affiliates. There are currently no Limited Designated Affiliates. The agreement contains financial covenants relating to permitted debt, permitted encumbrances, permitted dispositions of cash and other assets, permitted guarantees, and permitted mergers and reorganizations.

On June 30, 2022 Henry Ford Health issued \$300,000 in Series 2022A hospital revenue bonds, with issuance costs of \$629. Henry Ford Health has received \$302,290 of the proceeds for reimbursement of approved costs while the remaining \$3,766 is held in trust as of June 30, 2024.

## 7. LEASES

Henry Ford Health utilizes operating and finance leases for medical and office buildings, medical equipment, and various other equipment. The initial lease liability is calculated as the present value of fixed payments not yet paid and variable payments that are based on a market rate or an index (e.g., Consumer Price Index), measured at commencement. The right of use (ROU) asset represents the lessee's right to use a specified asset for the lease term and is measured at the lease liability amount, adjusted for lease prepayment, lease incentives received, and the lessee's initial direct costs. The lease agreements generally require Henry Ford Health to pay maintenance, repairs, property taxes, and insurance costs, which are variable amounts based on actual costs incurred during each applicable period. Such costs are not included in the determination of the ROU asset or lease liability. Most leases include options to renew the lease at the end of the initial term. These options are evaluated at the commencement of the lease, and only those that are reasonably certain of being exercised are included in determining the appropriate lease term. Henry Ford Health's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

When readily determinable, Henry Ford Health uses the interest rate implicit in a lease to determine the present value of future lease payments. For leases where the implicit rate is not readily determinable, Henry Ford Health's incremental borrowing rate is utilized. The incremental borrowing rate is not a quoted rate and is derived by applying a spread over U.S. Treasury rates with a similar duration to Henry Ford Health's lease payments.

The components of lease cost and rent expense, included in general and other administrative expense, depreciation and amortization expense, rent and lease expense, and interest expense for the six months ended June 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Finance lease cost		
Amortization of ROU assets	\$ 3,169	\$ 3,024
Interest on lease liabilities	4,004	3,359
Operating lease cost	18,619	18,404
Short-term lease cost	5,494	6,790
Variable lease cost	6,781	5,998
Sublease income	<u>(528)</u>	<u>-</u>
Total lease cost	<u>\$ 37,539</u>	<u>\$ 37,575</u>

## 8. HENRY FORD HEALTH JOINT VENTURE

On October 13, 2023, Henry Ford Health signed an agreement with Ascension Healthcare and Ascension Michigan (collectively "Ascension") to form a joint venture that will bring together Ascension's southeast and mid-Michigan healthcare facilities and assets with Henry Ford Health's. This joint venture will best support the healthcare needs of the communities they serve, improving outcomes, expanding access, and ensuring equity for all. Supporting this mission will be a broad integrated care network focused on population health and community initiatives and supporting the region's most vulnerable populations, with a shared commitment to innovation, academic medicine, and advanced complex care. The combined organization will employ approximately 50,000 team members at more than 550 sites of care, including 13 acute care hospitals. The expanded organization, slated to be branded Henry Ford Health, will remain headquartered in Detroit.

Following is a partial list of the entities involved:

- Ascension Providence Rochester Hospital
- Ascension Providence Hospital
- Ascension River District Hospital
- Ascension St. John Hospital
- Ascension Macomb-Oakland Hospital
- Ascension Genesys Hospital
- Ascension Brighton Center for Recovery
- St. John Providence
- Ascension Eastwood Behavioral Health
- Seton Healthcare Corporation of Southeast Michigan
- Genesys Health System
- Genesys Ambulatory Health Services, Inc.

This transaction is subject to regulatory requirements, canonical approvals, and other closing conditions. The proposed joint venture is now under review by state and federal regulatory agencies.

## 9. SUBSEQUENT EVENTS

Pursuant to FASB ASC Topic 855-10, Subsequent Events — Overall, Henry Ford Health has evaluated subsequent events through August 15, 2024, the date the consolidated financial statements were issued, noting no such events occurred.

**HENRY**

**FORD**

**HEALTH** SM