

**COVID-19 DISCLOSURE
AND
MANAGEMENT DISCUSSION AND ANALYSIS
March 2024**

COVID-19 PANDEMIC DISCLOSURE

WVUHS is voluntarily providing this supplemental COVID-19 pandemic disclosure concurrently with providing the Quarterly Continuing Disclosure Report for the period ending March 31, 2024. This supplemental disclosure is for the purpose of providing additional information to the holders and potential holders of WVUHS Bonds and/or related debt. This supplemental disclosure is not required by any continuing disclosure agreement of WVUHS.

As a result of the CARES Act, as of March 31, 2024:

- WVUHS received approximately \$255M from the Medicare Advance Payments (MAP) provisions included in the CARES Act. And, as of March 31, 2024, WVUHS has repaid all of the MAP amounts previously received by WVUHS hospitals.
- WVUHS opted to participate in the FICA Employer portion deferral program included in the CARES Act. Total deferral in 2020 was approximately \$40M. As of March 31, 2024, WVUHS has repaid all of the deferred Employer FICA amounts previously received by WVUHS hospitals.

Ongoing impacts of the COVID-19 pandemic are reflected in Management's analysis of the financial statements through March 31, 2024. Based on current CMS/HHS guidance, WVUHS believes its hospitals have met the reporting requirements for "Period 1", "Period 2", "Period 3", "Period 4", "Period 5" and "Period 6" of CARES Act reporting. CARES Act Relief Funding previously reported by WVUHS is subject to potential audit and review.

MARCH 31, 2024 FINANCIAL OVERVIEW

Operating Margin for the first quarter of Fiscal Year (FY) 2024 (period ending March 31, 2024) was a positive \$27.3M (1.7% OM), which exceeded budget expectations, but is below prior year. As indicated in the FY 2024 key patient statistics by month chart below, most key patient volumes are at or above budget, including at Thomas Health (TH) and Princeton Community Hospital (PCH).

WVUHS

	January	February	March
Monthly Volume - Actual 2024			
Discharges (excl newborns)	13,971	14,245	15,064
Inpatient surgeries	2,448	2,450	2,433
Outpatient surgeries	8,703	8,777	9,008
ER visits	46,442	46,117	48,493
Monthly Volume - Budget 2024			
Discharges (excl newborns)	15,096	14,019	14,637
Inpatient surgeries	2,665	2,434	2,566
Outpatient surgeries	8,812	8,544	9,290
ER visits	46,383	44,468	47,312
2024 Monthly Volume = % of Budget			
	Jan	Feb	March
Discharges (excl newborns)	93%	102%	103%
Inpatient surgeries	92%	101%	95%
Outpatient surgeries	99%	103%	97%
ER visits	100%	104%	102%

STATEMENT OF REVENUE AND EXPENSE

Year to date, Gross Patient Revenue of \$4.4B was \$123M (2.9%) above budget and \$630M (16.57%) above prior year. Gross inpatient revenues were 2.4% above budget, and gross outpatient revenues were 2.8% above budget in line with key volume statistics. Total Case Mix Index for the first quarter 2024 was 0.4% below budget and 1.5% below prior year. Overall payer mix based on discharges saw an increase in Medicare of 2.6% and a reduction in Medicaid of 2.3% with the other payor categories remaining relatively consistent with prior year. Recent actions from specialty pharmacy manufacturers continue to negatively impact the 340B benefit as the health system works to implement multiple initiatives to partially offset those changes.

Total operating expenses of \$1.6B were \$14M (0.9%) above budget and \$164M (11.6%) above prior year. Primary pressures on operating expenses continue to be temporary staffing and employee benefit trends.

Below are notes related to Operating Expenses:

- Salaries, wages, and benefits represent 47% of total operating expenses. For the first quarter 2024, these costs of \$737M were \$5M (0.7%) above budget and \$127M (20.8%) above prior year. Hospital full time equivalents (FTE's) of 21,728 were 3.3% below budget, and the hospitals are now seeing the return from multiple initiatives to improve recruiting and increase staff retention. The negative FTE variance is offset by significantly reduced agency/temporary contract FTE's (see below). WVUHS has seen an increase in employee benefit spend primarily driven by an increase in covered lives as well as higher drug expense.
- Professional services expense of \$82.9M was \$5.7M (7.4%) above budget for the first quarter 2024 and **\$25.2M (23.3%) below prior year**. This was primarily driven by a focus on reducing the reliance on agency/temporary nurses (currently 550+ FTEs) and contract labor, which is declining from the 800+ agency nurses as of December 31, 2023. Balancing adequate staffing to keep services open against a reduction in the reliance on agency nurses remains a key priority for the hospitals. WVUHS is committed to safely and appropriately decreasing the usage of agency staffing in the coming fiscal year.
- Medical surgical supply expense of \$152.9M was \$6.9M (4.7%) above budget for the first quarter 2024 and \$8.4M (5.8%) above prior year. Primary factors were increased patient volume and inflation. Drugs & IV solutions expense of \$199.9M was \$3.1M (1.6%) above budget and \$14.6M (7.9%) above prior year primarily due to continued utilization of contract pharmacies to maximize the benefit opportunity for patients associated with the 340B program.

For the quarter ending March 31, 2024, the system had recognized a gain from investing activity (realized and unrealized) of \$62.1M which was above budget by \$43.1M (226.3%) and above prior year by \$21.7M (54.0%). Year to date total margin (excess revenues over expenses) recognized by WVUHS was \$92.1M which was \$446.2M (100.4%) above budget and \$29.2M (46.5%) above prior year.

BALANCE SHEET

Significant Balance Sheet items include the following:

- The total unrestricted cash and investments (including board designated funds) were \$2.2B as of March 31, 2024, up slightly compared to December 31, 2023, of \$2.0B. Days cash on hand as of March 31, 2024, was approximately 134 Days. Days cash on hand has remained steady since December 31, 2023, with an increase of 1 day.
- Net patient receivables were \$788M (51.2 days) as of March 31, 2024, compared to \$756.7M as of December 31, 2023. The increase is primarily due to the addition of TH and PCH, both of which have now converted to EPIC (Thomas go live May 1, 2024). WVUHS continues to see the impact of moving to an integrated electronic health record with the team focusing on optimization as it moves beyond the integration phase.
- Long term debt (current and non-current) of \$2B as of March 31, 2024, is comparable to December 31, 2023, year end. As of March 31, 2024, WVUHS total debt to capitalization was 42.13% and the MADS ratio was 3.81.

DISCLAIMER

The foregoing contains forward-looking statements regarding revenue and expenses based upon Management projections and estimates as of the date hereof. The length, duration, and severity of the pandemic, both in WVUHS' service area and globally, along with the reimbursement rates related to COVID-19 related patient care, investment performance, capital markets access, extent and timing of federal and state grants, reimbursements, and other contributions, if any, to compensate for estimated revenue losses and increased expenses, as are the level of attrition in elective procedures, expense increases, impact of changes in payer mix, and the potential rise in uninsured patients and charity care related to the effect of an economic downturn on demand for elective procedures and billing cycle. Actual results may vary materially from those anticipated. Accordingly, investors are cautioned not to place undue reliance on forward-looking statements. WVUHS expects to continue to post interim financials with a Management Discussion and Analysis on a quarterly basis as planned. WVUHS undertakes no obligation to update this disclosure.