

MANAGEMENT DISCUSSION AND ANALYSIS

December 2024

DECEMBER 31, 2024 FINANCIAL OVERVIEW

Operating Margin for the twelve months of Fiscal Year (FY) 2024 was a positive \$172.5M (2.55% OM), which exceeded budget expectations and prior year. As indicated in the FY 2024 key patient statistics by month chart below, most key patient volumes are at or above budget.

| | January | February | March | April | May | June | July | August | September | October | November | December |
|--|---------|----------|--------|--------|--------|--------|--------|--------|-----------|---------|----------|----------|
| Monthly Volume - Actual 2024 | | | | | | | | | | | | |
| Discharges (excl newborns) | 13,971 | 14,245 | 15,064 | 14,753 | 14,775 | 13,702 | 14,389 | 15,007 | 13,389 | 14,638 | 14,088 | 14,220 |
| Inpatient surgeries | 2,448 | 2,450 | 2,433 | 2,534 | 3,296 | 2,381 | 2,583 | 2,692 | 2,415 | 2,556 | 2,348 | 2,290 |
| Outpatient surgeries | 8,703 | 8,777 | 9,008 | 9,146 | 9,985 | 8,223 | 8,804 | 9,284 | 8,399 | 9,746 | 8,382 | 8,190 |
| ER visits | 46,442 | 46,117 | 48,493 | 47,208 | 49,505 | 46,972 | 49,603 | 49,882 | 49,418 | 50,120 | 46,791 | 49,330 |
| Monthly Volume - Budget 2024 | | | | | | | | | | | | |
| Discharges (excl newborns) | 15,096 | 14,019 | 14,637 | 14,378 | 14,674 | 13,912 | 14,518 | 15,076 | 14,230 | 15,586 | 14,283 | 14,622 |
| Inpatient surgeries | 2,665 | 2,434 | 2,566 | 2,619 | 2,660 | 2,501 | 2,642 | 2,730 | 2,609 | 2,821 | 2,539 | 2,581 |
| Outpatient surgeries | 8,812 | 8,544 | 9,290 | 9,061 | 9,393 | 8,968 | 8,781 | 9,417 | 8,684 | 9,609 | 8,801 | 8,876 |
| ER visits | 46,383 | 44,468 | 47,312 | 46,737 | 48,004 | 45,273 | 47,047 | 48,847 | 45,911 | 50,187 | 45,731 | 46,047 |
| 2024 Monthly Volume = % of Budget | | | | | | | | | | | | |
| | Jan | Feb | March | April | May | June | July | August | September | October | November | December |
| Discharges (excl newborns) | 93% | 102% | 103% | 103% | 101% | 98% | 99% | 100% | 94% | 94% | 99% | 97% |
| Inpatient surgeries | 92% | 101% | 95% | 97% | 124% | 95% | 98% | 99% | 93% | 91% | 92% | 89% |
| Outpatient surgeries | 99% | 103% | 97% | 101% | 106% | 92% | 100% | 99% | 97% | 101% | 95% | 92% |
| ER visits | 100% | 104% | 102% | 101% | 103% | 104% | 105% | 102% | 108% | 100% | 102% | 107% |

STATEMENT OF REVENUE AND EXPENSE

FY 2024, Gross Patient Revenue of \$18.1B was \$591M (3.4%) above budget and \$2.51B (16.05%) above prior year. Gross inpatient revenues were 0.8% above budget, and gross outpatient revenues were 5.9% above budget in line with key volume statistics. Total Case Mix Index for FY 2024 was 0.76% above budget and 1.6% above prior year. Overall payer mix based on discharges saw increases in Medicare and Blue Cross of 2.7% and 0.5%, respectively, and a reduction in Medicaid of 3.4% 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 \$6.6B were \$277.4M (4.4%) above budget and \$706M (12.0%) 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 46% of total operating expenses. For FY 2024, these costs of \$3B were \$72.2M (2.4%) above budget and \$375M (14.1%) above prior year. Hospital full time equivalents (FTEs) of 26,919 were 1.7% below budget, as the hospitals continue seeing the return from multiple initiatives to improve recruiting and retention. The favorable FTE variance is somewhat offset by agency/temporary contract FTEs (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 (utilization and pricing).
- Professional services expense of \$352.4M was \$58.6M (19.9%) above budget for FY 2024 and **\$63.6M (15.3%) below prior year**. This was primarily driven by a focus on reducing the reliance on agency/temporary nurses (currently 590+ FTEs) and contract labor, which is declining from the 800+ agency nurses as of December 31, 2023. Balancing adequate staffing to keep services fully staffed against a reduction in the reliance on agency nurses remains a top 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 \$632M was \$33.8M (5.6%) above budget for FY 2024 and \$53.1M (9.2%) above prior year. Primary factors were increased patient volume and inflation. Drugs & IV solutions expense of \$904.4M was \$112M (14.1%) above budget and \$140.4M (18.4%) above prior year primarily due to continued utilization of contract pharmacies to maximize the benefit opportunity for patients associated with the 340B program.

For FY 2024, the system had recognized a gain from investing activity (realized and unrealized) of \$152.4M which was above budget by \$81.4M (114.6%) and above prior year by \$44.1M (40.7%). Year to date total margin (excess revenues over expenses) recognized by WVUHS was \$337.2M which was \$133M (65.1%) above budget and \$112.1M (49.8%) above prior year.

BALANCE SHEET

Significant Balance Sheet items include the following:

- The total unrestricted cash and investments (including board designated funds) were \$2.4B as of December 31, 2024, up slightly compared to December 31, 2023, of \$2.0B. Days cash on hand as of December 31, 2024, was approximately 140 Days.
- Net patient receivables were \$744.6M (45.3 days) as of December, 2024, compared to \$756.7M as of December 31, 2023. The decrease is primarily due to the addition of TH and PCH, both of which have now converted to EPIC (Thomas successfully went 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 \$2.3B as of December 31, 2024, is comparable to December 31, 2023, year-end. As of December 31, 2024, WVUHS total debt to capitalization was 41.55% and the MADS ratio was 4.8.

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.