ASCENSION

Consolidated Interim Financial Statements and Supplementary Information (Unaudited)

For the Quarters and Six Months Ended December 31, 2018 and 2017

Ascension

Consolidated Interim Financial Statements
and Supplementary Information

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Contents

Ascension

Consolidated Balance Sheets
(Dollars in Thousands)

	December 31, 2018	June 30, 2018
Assets	(unaudited)	
Current assets:		
Cash and cash equivalents	**$ 921,688**	$ 850,958
Short-term investments	**78,982**	83,166
Accounts receivable	**3,130,127**	3,163,172
Inventories	**411,281**	414,169
Due from brokers *(see Notes 4 and 5)*	**101,603**	91,919
Estimated third-party payor settlements	**193,736**	129,693
Other *(see Notes 4 and 5)*	**1,040,366**	780,713
Total current assets	**5,877,783**	5,513,790
Long-term investments *(see Notes 4 and 5)*	**18,282,891**	19,404,559
Property and equipment, net	**10,443,082**	10,597,730
Other assets:		
Investment in unconsolidated entities	**1,163,509**	1,139,306
Capitalized software costs, net	**701,175**	793,322
Other *(see Notes 4 and 5)*	**1,072,091**	1,078,905
Total other assets	**2,936,775**	3,011,533
Total assets	**$ 37,540,531**	$ 38,527,612

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Consolidated Balance Sheets (continued)

(Dollars in Thousands)

	December 31, 2018	June 30, 2018
Liabilities and net assets	(unaudited)	
Current liabilities:		
Current portion of long-term debt	**$ 96,619**	$ 100,919
Long-term debt subject to short-term remarketing arrangements*	**932,600**	738,770
Accounts payable and accrued liabilities *(see Notes 4 and 5)*	**2,732,130**	2,915,838
Estimated third-party payor settlements	**653,523**	683,229
Due to brokers *(see Notes 4 and 5)*	**231,222**	253,264
Current portion of self-insurance liabilities	**247,275**	288,975
Other	**555,561**	407,496
Total current liabilities	**5,448,930**	5,388,491
Noncurrent liabilities:		
Long-term debt (senior and subordinated)	**6,822,674**	7,123,611
Self-insurance liabilities	**719,091**	756,028
Pension and other postretirement liabilities	**756,423**	914,045
Other *(see Notes 4 and 5)*	**1,285,313**	1,227,680
Total noncurrent liabilities	**9,583,501**	10,021,364
Total liabilities	**15,032,431**	15,409,855
Net assets:		
Unrestricted		
Controlling interest	**19,923,770**	20,446,065
Noncontrolling interests	**1,835,794**	1,930,466
Unrestricted net assets	**21,759,564**	22,376,531
Temporarily restricted	**519,165**	508,900
Permanently restricted	**229,371**	232,326
Total net assets	**22,508,100**	23,117,757
Total liabilities and net assets	**$ 37,540,531**	$ 38,527,612

*Consists of variable rate demand bonds with put options that may be exercised at the option of the bondholders, with stated repayment installments through 2047, as well as certain serial mode bonds with scheduled remarketing/mandatory tender dates occurring prior to June 30, 2019. In the event that bonds are not remarketed upon the exercise of put options or the scheduled mandatory tenders, management would utilize other sources to access the necessary liquidity. Potential sources include liquidating investments, a draw on the line of credit totaling $1 billion, and issuing commercial paper. The commercial paper program is supported by $300 million of the $1 billion line of credit.

The accompanying notes are an integral part of the consolidated financial statements.

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Consolidated Statements of Operations and Changes in Net Assets (unaudited) (continued)

(Dollars in Thousands)

	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Six Months Ended December 31, 2018	Six Months Ended December 31, 2017
Operating revenue:				
Net patient service revenue	**6,030,081**	5,339,612	**11,759,135**	10,544,803
Other revenue	**417,754**	415,512	**846,882**	759,072
Total operating revenue	**6,447,835**	5,755,124	**12,606,017**	11,303,875
Operating expenses:				
Salaries and wages	**2,565,396**	2,320,828	**5,082,886**	4,588,799
Employee benefits	**520,930**	500,943	**1,015,175**	944,609
Purchased services	**652,500**	564,290	**1,293,806**	1,108,920
Professional fees	**311,533**	307,671	**625,672**	609,117
Supplies	**964,998**	838,184	**1,854,205**	1,658,890
Insurance	**66,300**	55,258	**138,180**	113,104
Interest	**66,782**	56,361	**134,366**	111,363
Provider tax	**131,881**	123,679	**292,079**	246,894
Depreciation and amortization	**303,087**	272,896	**606,222**	541,778
Other	**618,570**	627,183	**1,273,584**	1,244,687
Total operating expenses before impairment, restructuring and nonrecurring losses, net	**6,201,977**	5,667,293	**12,316,175**	11,168,161
Income from operations before self-insurance trust fund investment return and impairment, restructuring and nonrecurring losses, net	**245,858**	87,831	**289,842**	135,714
Self-insurance trust fund investment return	**(35,078)**	12,991	**(25,596)**	27,282
Income from recurring operations	**210,780**	100,822	**264,246**	162,996
Impairment, restructuring and nonrecurring losses, net	**(25,358)**	(27,646)	**(42,430)**	(78,340)
Income from operations	**185,422**	73,176	**221,816**	84,656
Nonoperating gains (losses):				
Investment return	**(1,221,803)**	534,566	**(799,804)**	960,945
Other	**(36,964)**	(12,914)	**(36,466)**	(37,744)
Total nonoperating gains (losses), net	**(1,258,767)**	521,652	**(836,270)**	923,201
(Deficit) excess of revenues and gains over expenses and losses	**(1,073,345)**	594,828	**(614,454)**	1,007,857
Less noncontrolling interests	**(90,537)**	66,427	**(46,577)**	125,686
(Deficit) excess of revenues and gains over expenses and losses attributable to controlling interest	**(982,808)**	528,401	**(567,877)**	882,171

Continued on next page.

Ascension

Consolidated Statements of Operations and Changes in Net Assets (unaudited) (continued)

(Dollars in Thousands)

	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Six Months Ended December 31, 2018	Six Months Ended December 31, 2017
Unrestricted net assets, controlling interest:				
(Deficit) excess of revenues and gains over expenses and losses	**$ (982,808)**	$ 528,401	**$ (567,877)**	$ 882,171
Transfers to sponsors and other affiliates, net	**(1,185)**	(2,018)	**(2,859)**	(3,360)
Net assets released from restrictions for property acquisitions	**6,869**	7,701	**17,396**	17,106
Pension and other postretirement liability adjustments	**15,514**	16,911	**31,186**	34,750
Change in unconsolidated entities' net assets	**(9,003)**	4,836	**(789)**	5,506
Other	**(156)**	1,217	**6,762**	6,095
(Decrease) increase in unrestricted net assets, controlling interest	**(970,769)**	557,048	**(516,181)**	942,268
Gain (loss) from discontinued operations	**(2,345)**	1,467	**(6,114)**	6,248
(Decrease) increase in unrestricted net assets, controlling interest	**(973,114)**	558,515	**(522,295)**	948,516
Unrestricted net assets, noncontrolling interests:				
Excess (deficit) of revenues and gains over expenses and losses	**(90,537)**	66,427	**(46,577)**	125,686
Distributions of capital	**(59,567)**	(37,587)	**(86,706)**	(75,282)
Contributions of capital	**17,359**	28,972	**38,610**	51,582
Membership interest changes, net	**(2)**	-	**(2)**	1,563
Other	**4**	-	**3**	(2)
(Decrease) increase in unrestricted net assets, noncontrolling interests	**(132,743)**	57,812	**(94,672)**	103,547
Temporarily restricted net assets, controlling interest:				
Contributions and grants	**36,891**	28,546	**62,187**	49,310
Investment return	**(21,084)**	10,024	**(12,821)**	20,087
Net assets released from restrictions	**(16,885)**	(17,185)	**(38,578)**	(42,987)
Other	**(1,430)**	2,974	**(523)**	4,611
(Decrease) increase in temporarily restricted net assets, controlling interest	**(2,508)**	24,359	**10,265**	31,021
Permanently restricted net assets, controlling interest:				
Contributions	**697**	441	**2,005**	4,031
Investment return	**(5,925)**	2,349	**(3,862)**	4,275
Other	**(931)**	(441)	**(1,098)**	(670)
(Decrease) increase in permanently restricted net assets, controlling interest	**(6,159)**	2,349	**(2,955)**	7,636
(Decrease) increase in net assets	**(1,114,524)**	643,035	**(609,657)**	1,090,720
Net assets, beginning of period	**23,622,624**	20,861,809	**23,117,757**	20,414,124
Net assets, end of period	**$ 22,508,100**	$ 21,504,844	**$ 22,508,100**	$ 21,504,844

The accompanying notes are an integral part of the consolidated financial statements.

Ascension

Consolidated Statements of Cash Flows (unaudited)

(Dollars in Thousands)

	Six Months Ended December 31, 2018	Six Months Ended December 31, 2017
Operating activities		
(Decrease) increase in net assets	**$ (609,657)**	$ 1,090,720
Adjustments to reconcile (decrease) increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	**606,222**	541,778
Amortization of bond premiums and debt issuance costs	**(12,317)**	(8,580)
Loss (gain) on extinguishment of debt	**55**	9,944
Pension and other postretirement liability adjustments	**(31,186)**	(34,750)
Unrealized (gains) losses on investments, net	**902,301**	(489,112)
Change in fair value of interest rate swaps	**3,243**	(15,892)
Change in equity of unconsolidated entities	**(65,397)**	(49,542)
Gain on sale of assets, net	**(36,156)**	(41,815)
Impairment and nonrecurring expenses	**758**	1,776
Transfers to sponsor and other affiliates, net	**2,859**	3,360
Restricted contributions, investment return, and other	**(71,396)**	(65,948)
Other restricted activity	**(23,994)**	(14,295)
Distributions (contributions) of noncontrolling interest, net	**48,096**	23,700
Other	**(70)**	(114)
Increase (decrease) in:		
Short-term investments	**4,184**	(11,161)
Accounts receivable	**(12,488)**	(583,942)
Inventories and other current assets	**(42,468)**	(90,507)
Due from brokers	**(9,684)**	88,701
Investments classified as trading	**238,403**	(691,015)
Other assets	**(9,141)**	(67,273)
Increase (decrease) in:		
Accounts payable and accrued liabilities	**(171,406)**	(251,599)
Estimated third-party payor settlements, net	**(93,749)**	(83,707)
Due to brokers	**(22,042)**	117,882
Other current liabilities	**148,879**	98,272
Self-insurance liabilities	**(78,637)**	3,228
Other noncurrent liabilities	**(85,037)**	(98,602)
Net cash provided by (used in) continuing operating activities	**580,175**	(95,170)
Net cash used in discontinued operations	**(1,159)**	(6,079)
Net cash provided by (used in) operating activities	**579,016**	(101,249)

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Ascension

Consolidated Statements of Cash Flows (unaudited) (continued)

(Dollars in Thousands)

	Six Months Ended December 31, 2018	2017
Investing activities		
Property, equipment, and capitalized software additions, net	**$ (552,868)**	$ (445,258)
Proceeds from sale of property and equipment	**38,421**	14,148
Distributions from unconsolidated entities, net	**47,841**	168,195
Net proceeds from sale/acquisition of other assets	**-**	12,500
Net cash used by continuing investing activities	**(466,606)**	(250,415)
Net cash provided by discontinued operations - investing	**20,727**	-
Net cash used in investing activities	**(445,879)**	(250,415)
Financing activities		
Issuance of debt	**-**	332,907
Repayment of debt	**(85,146)**	(421,228)
Debt issuance costs paid	**-**	(1,780)
Decrease in assets under bond indenture agreements	**2,298**	16,775
Transfers to sponsors and other affiliates, net	**(2,859)**	(3,360)
Restricted contributions, investment return, and other	**71,396**	67,723
Distributions of noncontrolling interest, net	**(48,096)**	(23,700)
Net cash used in financing activities	**(62,407)**	(32,663)
Net increase (decrease) in cash and cash equivalents	**70,730**	(384,327)
Cash and cash equivalents at beginning of period	**850,958**	857,605
Cash and cash equivalents at end of period	**$ 921,688**	$ 473,278

The accompanying notes are an integral part of the consolidated financial statements.

1. Organization and Mission

Organizational Structure

Ascension Health Alliance, d/b/a Ascension (Ascension), is a Missouri nonprofit corporation formed on September 13, 2011. Ascension is the sole corporate member and parent organization of Ascension Health (d/b/a Ascension Healthcare), a Catholic national health system consisting primarily of nonprofit corporations that own and operate local healthcare facilities, or Ministry Markets, located in 21 states and the District of Columbia.

Ascension serves as the member or shareholder of various subsidiaries as listed below:

- Ascension Care Management
- Ascension Global Mission
- Ascension Healthcare
- Ascension Holdings
- Ascension Technologies
- Ascension Investment Management (AIM)
- Ascension Leadership Academy
- Ascension Associate Assistance Fund Ascension Ministry Service Center
- Ascension Ventures (AV)
- AV Holding Company
- Consulting Network
- The Resource Group
- Smart Health Solutions

Ascension is also the majority investor in Ascension Alpha Fund, LLC (Alpha Fund) as discussed in the Pooled Investment Fund note. Ascension and its member organizations are hereafter referred to collectively as the System.

Sponsorship

Ascension is sponsored by Ascension Sponsor, a Public Juridic Person. The Participating Entities of Ascension Sponsor are the Daughters of Charity of St. Vincent de Paul, St. Louise Province; the Congregation of St. Joseph; the Congregation of the Sisters of St. Joseph of Carondelet; the Congregation of Alexian Brothers of the Immaculate Conception Province, Inc. – American Province; and the Sisters of the Sorrowful Mother of the Third Order of St. Francis of Assisi – US/Caribbean Province.

1. Organization and Mission (continued)

Mission

The System directs its governance and management activities toward strong, vibrant, Catholic Ministries united in service and healing, and dedicates its resources to spiritually centered care which sustains and improves the health of the individuals and communities it serves. In accordance with the System's mission of service to those persons living in poverty and other vulnerable persons, each Ministry Market accepts patients regardless of their ability to pay. The System uses four categories to identify the resources utilized for the care of persons living in poverty and community benefit programs:

- Traditional charity care includes the cost of services provided to persons who cannot afford healthcare because of inadequate resources and/or who are uninsured or underinsured.

- Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons.

- Cost of other programs for persons living in poverty and other vulnerable persons includes unreimbursed costs of programs intentionally designed to serve the persons living in poverty and other vulnerable persons of the community, including substance abusers, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome.

- Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the persons living in poverty, including health promotion and education, health clinics and screenings, and medical research.

Discounts are provided to all uninsured and underinsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for financial assistance are not included in the cost of providing care of persons living in poverty and other community benefit programs. The cost of providing care to persons living in poverty and other community benefit programs is estimated by reducing charges forgone by a factor derived from the ratio of each entity's total operating expenses to the entity's billed charges for patient care. Certain costs such as graduate medical education and certain other activities are excluded from total operating expenses for purposes of this computation.

(Dollars in Thousands)

1. Organization and Mission (continued)

The amount of traditional charity care provided, determined on the basis of cost, was $266,072 and $303,130 for the six months ended December 31, 2018 and 2017, respectively. The amount of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost is reported in the accompanying supplementary information.

2. Significant Accounting Policies

Principles of Consolidation

All corporations and other entities for which operating control is exercised by the System or one of its member corporations are consolidated, and all significant inter-entity transactions have been eliminated in consolidation. Investments in entities where the System does not have operating control are recorded under the equity or cost method of accounting. Income from unconsolidated entities is included in consolidated excess of revenues and gains over expenses and losses in the accompanying Consolidated Statements of Operations and Changes in Net Assets as follows:

	Six Months Ended December 31,	
	2018	**2017**
Other revenue	**$ 55,485**	$ 36,229
Nonoperating gains	**314**	6,602

Use of Estimates

Management has made estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

2. Significant Accounting Policies (continued)

Fair Value of Financial Instruments

Carrying values of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of financial instruments measured at fair value are disclosed in the Fair Value Measurements note.

New Accounting Standards

The System adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the full retrospective method of application, and our accounting policies related to revenues were revised accordingly effective July 1, 2018, as discussed below. The most significant impact of adopting the new standard is to the presentation of the System's Consolidated Statements of Operations and Changes in Net Assets, where the provision for doubtful accounts is no longer a separate line item and net patient service revenue is presented net of estimated implicit price concessions (formerly referred to as bad debt allowance). The adoption of the new standard did not have an impact on the System's recognition of net revenues for any periods prior to adoption and eliminated the presentation of the allowance for doubtful accounts on the Consolidated Balance Sheets.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits with original maturities of three months or less.

Short-Term Investments

Short-term investments consist of investments with original maturities exceeding three months and up to one year.

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost or market value using first-in, first-out (FIFO) or a methodology that closely approximates FIFO.

2. Significant Accounting Policies (continued)

Long-Term Investments and Investment Return

Investments, excluding investments in unconsolidated entities, are measured at fair value, are classified as trading securities, and include pooled short-term investment funds; U.S. government, state, municipal and agency obligations; corporate and foreign fixed income securities; asset-backed securities; and equity securities. Investments also include alternative investments and other investments which are valued based on the net asset value of the investments, as further discussed in the Fair Value Measurements note. Investments also include derivatives held by the Alpha Fund, also measured at fair value, as discussed in the Pooled Investment Fund note.

Long-term investments include assets limited as to use of approximately $1,273,000 and $1,391,000 at December 31, 2018 and June 30, 2018, respectively, comprised primarily of investments placed in trust and held by captive insurance companies for the payment of self-insured claims and investments which are limited as to use, as designated by donors.

Purchases and sales of investments are accounted for on a trade-date basis. Investment returns consist of dividends, interest, and gains and losses. The cost of substantially all securities sold is based on the FIFO method. Investment returns, excluding returns of self-insurance trust funds, are reported as nonoperating gains (losses) in the Consolidated Statements of Operations and Changes in Net Assets, unless the return is restricted by donor or law. Investment returns of self-insurance trust funds are reported as a separate component of income from operations in the Consolidated Statements of Operations and Changes in Net Assets.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of the gift. Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. The range of estimated useful lives used in computing depreciation is as follows: buildings and leasehold improvements, 2 to 40 years; and equipment, 2 to 20 years. Depreciation expense for the six months ended December 31, 2018 and 2017 was $490,815 and $431,861 respectively.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

A summary of property and equipment at December 31, 2018 and June 30, 2018 is as follows:

	December 31, 2018	June 30, 2018
Land and improvements	**$ 1,249,155**	$ 1,252,833
Buildings and equipment	**18,733,264**	18,684,610
	19,982,419	19,937,443
Less accumulated depreciation	**10,183,697**	10,019,090
	9,798,722	9,918,353
Construction in progress	**644,360**	679,377
Total property and equipment, net	**$ 10,443,082**	$ 10,597,730

Several capital projects have remaining construction and related equipment purchase commitments of approximately $777,000 as of December 31, 2018.

Intangible Assets

Intangible assets primarily consist of goodwill and capitalized computer software costs, including internally developed software. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage, and the nature of the costs. Intangible assets are included in the Consolidated Balance Sheets as presented in the table that follows.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Capitalized software costs in the following table include software in progress of $106,930 and $143,562 at December 31, 2018 and June 30, 2018, respectively:

	December 31, 2018	June 30, 2018
Capitalized software costs	**$ 2,299,008**	$ 2,319,947
Less accumulated amortization	**1,597,833**	1,526,625
Capitalized software costs, net	**701,175**	793,322
Goodwill	**213,699**	212,061
Other, net	**21,471**	23,361
Intangible assets included in other assets	**235,170**	235,422
Total intangible assets, net	**$ 936,345**	$ 1,028,744

Intangible assets whose lives are indefinite, primarily goodwill, are not amortized and are evaluated for impairment at least annually or when circumstances indicate a possible impairment may exist, while intangible assets with definite lives, primarily capitalized computer software costs, are amortized over their expected useful lives. Amortization expense for these intangible assets for the six months ended December 31, 2018 and 2017 was $115,407 and $109,917, respectively.

During the year ended June 30, 2018, the System substantially completed a significant multi-year, System-wide enterprise resource planning project (Symphony). Capitalized costs of Symphony were approximately $363,000 at both December 31, 2018 and June 30, 2018 and are being amortized on a straight-line basis over the expected useful life of the software. Accumulated amortization of Symphony was approximately $215,027 and $195,000 at December 31, 2018 and June 30, 2018, respectively. See the Impairment, Restructuring, and Nonrecurring Losses discussion below for additional information about costs associated with Symphony.

2. Significant Accounting Policies (continued)

Noncontrolling Interests

The consolidated financial statements include all assets, liabilities, revenues, and expenses of entities that are controlled by the System and therefore consolidated. Noncontrolling interests in the Consolidated Balance Sheets represent the portion of net assets owned by entities outside the System, for those entities in which the System's ownership interest is less than 100%.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the System has been limited by donors to a specific time period or purpose. Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity, which include endowment funds. Temporarily restricted net assets and earnings on permanently restricted net assets, including earnings on endowment funds, are used in accordance with the donors' wishes, primarily to purchase equipment and to provide charity care and other health and educational services. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted.

Temporarily and permanently restricted net assets consist solely of controlling interests of the System.

Performance Indicator

The performance indicator is the excess of revenues and gains over expenses and losses. Changes in unrestricted net assets that are excluded from the performance indicator primarily include pension and other postretirement liability adjustments, transfers to or from sponsors and other affiliates, net assets released from restrictions for property acquisitions, and change in unconsolidated entities' net assets.

Operating and Nonoperating Activities

The System's primary mission is to meet the healthcare needs in its market areas through a broad range of general and specialized healthcare services, including inpatient acute care, outpatient services, long-term care, and other healthcare services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to the System's primary mission are considered to be nonoperating.

2. Significant Accounting Policies (continued)

Net Patient Service Revenue and Accounts Receivable

Net patient service revenue relates to contracts with patients and in most cases involve a third-party payor (Medicare, Medicaid, commercial and other managed care insurance companies) in which the System's performance obligations are to provide health care services. Net patient service revenues are recorded during the period in which obligations to provide health care services are satisfied at expected collectible amounts. Requirements to recognize revenue for inpatient services are generally satisfied over periods that average approximately five days and for outpatient services are generally satisfied over a period of less than one day. Revenue is accrued to estimate the amount of revenue earned to date for patients who have not been discharged and whose care services are not complete as of the reporting period.

We determine the transaction price based on gross charges for services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with our charity care policy, and implicit price concessions provided primarily to uninsured patients. Patients who have health care insurance may also have discounts applied related to their copayment or deductible. Implicit price concessions are recorded as a direct reduction to net patient service revenue and are based primarily on historical collection experience. We determine our estimates of contractual adjustments and discounts based on contractual agreements, our discount policies and historical experience. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and frequent changes in commercial and managed care contractual terms resulting from contract renegotiations and renewals.

Laws and regulations governing the Medicare and Medicaid programs 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. Adjustments to revenue related to prior periods increased net patient service revenue by $46,160 and $48,930 for the six months ended December 31, 2018 and 2017, respectively.

Settlements with third-party payers for retroactive revenue 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. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and our 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, or as years are settled or are no longer subject to such audits, reviews and investigations.

The percentage of net patient service revenue earned by payor for the periods ended December 31, 2018 and 2017, is as follows:

	December 31,	
	2018	**2017**
Medicare - traditional and managed	**36 %**	35 %
Medicaid - traditional and managed	**14**	12
Other commercial and managed care	**44**	45
Self-Pay and other	**6**	8
	100 %	100 %

Deductibles, copayments, and coinsurance under third-party payment programs which are the patient's responsibility are included within the primary payor category in the preceding table.

The System grants credit without collateral to its patients. Significant concentrations of accounts receivable as of December 31, 2018 and June 30, 2018, are as follows:

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

	December 31, 2018	June 30, 2018
Medicare - traditional and managed	**27 %**	27 %
Medicaid - traditional and managed	**12**	12
Other commercial and managed care	**42**	40
Self-Pay and other	**19**	21
	100 %	100 %

The primary collection risks relate to uninsured patient accounts, including patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient deductibles and copayments remain outstanding.

Implicit price concessions relate primarily to amounts due directly from patients. Estimated implicit price concessions are recorded for all uninsured accounts, regardless of the aging of those accounts. Accounts are written off when all reasonable internal and external collection efforts have been performed.

The estimates for implicit price concessions are based upon management's assessment of historical write-offs and expected net collections, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators. Management relies on the results of detailed reviews of historical write-offs and collections of revenues and accounts receivable as a primary source of information in estimating the collectability of our accounts receivable. Management updates the hindsight analysis at least quarterly, using primarily a rolling twelve-month collection history and write-off data. These routine, quarterly changes in estimates have not resulted in material adjustments to the valuations of accounts receivable or period-to-period comparisons of results of operations.

2. Significant Accounting Policies (continued)

Other Operating Revenue

Other operating revenue includes gains on sales of assets, retail pharmacy revenue, income from unconsolidated entities, premium revenue, net assets released from restrictions for operating purposes, and other nonpatient service revenue. Gains on sales of assets were $41,829 and $43,717

for the six months ended December 31, 2018 and 2017, respectively. Assets sold during the six months ended December 31, 2018 and 2017 included patient care equipment. The adoption of ASU 2014-09 did not have a material impact as it relates to other operating revenue.

Impairment, Restructuring, and Nonrecurring Losses

Long-lived assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets.

Where impairment is indicated, the carrying amount of these long-lived assets is reduced to fair value based on future discounted net cash flows or other estimates of fair value.

Nonrecurring expenses associated with Symphony primarily include deployment costs to implement Symphony in certain Health Ministries.

During the six months ended December 31, 2018, the System recorded total impairment, restructuring, and nonrecurring losses, net of $42,430. This amount was comprised primarily of one-time termination benefits and other restructuring expenses of $32,287, and other nonrecurring expenses of $10,143.

During the six months ended December 31, 2017, the System recorded total impairment, restructuring, and nonrecurring losses, net of $78,340. This amount was comprised primarily of $33,175 of nonrecurring expenses associated with Symphony, one-time termination benefits and other restructuring expenses of $35,600, and other nonrecurring expenses of $9,565.

2. Significant Accounting Policies (continued)

Amortization

Bond issuance costs, discounts, and premiums are amortized over the term of the bonds using a method approximating the effective interest method.

Capitalized software, including internally developed software, is amortized on a straight-line basis over the expected useful life of the software.

Income Taxes

The member healthcare entities of the System are primarily tax-exempt organizations under Internal Revenue Code Section 501(c)(3) or Section 501(c)(2), and their related income is exempt from federal income tax under Section 501(a). The System accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The System has determined that no material unrecognized tax benefits or liabilities exist as of December 31, 2018.

In compliance with the Tax Cuts and Jobs Act of 2017, enacted in December 2017, the federal components of the deferred tax assets were revalued from 35% to 21%. The valuation allowance related to these deferred tax assets remains valued at 21% in accordance with the Act.

Regulatory Compliance

Ascension periodically undergoes investigations or audits by federal, state and local agencies involving compliance with a variety of laws and regulations. These investigations seek to determine compliance with, among other things, laws and regulations relating to Medicare and Medicaid reimbursement, including billing practice for certain services. While no assurance can be given concerning the outcome of any current investigation, management believes that adequate reserves have been established, when available information indicates that a loss is probable and the range of loss can be reasonably estimated, and the outcome of any current investigations will not have a material effect on the financial statements of the System.

2. Significant Accounting Policies (continued)

Reclassifications

Certain reclassifications were made to the accompanying December 31, 2017 consolidated financial statements to conform to the December 31, 2018 presentation.

Subsequent Events

The System evaluates the impact of subsequent events, which are events that occur after the Consolidated Balance Sheet date but before the consolidated financial statements are issued, for potential recognition or disclosure in the consolidated financial statements as of the Consolidated Balance Sheet date. For the six months ended December 31, 2018, the System evaluated subsequent events through February 15, 2019, representing the date on which the accompanying consolidated financial statements were issued.

3. Organizational Changes

Business Combinations

Presence Health Network – Illinois

Effective March 1, 2018 (the Closing Date), certain entities formerly controlled by Presence Health Network (Presence) were acquired by Ascension Healthcare in a series of transactions. These transactions were accounted for as an acquisition in accordance with Accounting Standards Codification (ASC) Topic 958-805, *Business Combinations – Not-for-Profit Entities* and acquired assets and liabilities were recorded at fair value.

Third party valuation specialists assisted in the fair value determination of certain assets and liabilities. The preliminary fair value of the net assets of Presence totaling $770,955 was recognized in the Consolidated Statements of Operations and Changes in Net Assets for the year ended June 30, 2018 as a nonoperating contribution from business combination. The valuation of the acquired assets and liabilities was substantially complete as of June 30, 2018.

(Dollars in Thousands)

3. Organizational Changes (continued)

	Presence
Net working capital	$ 241,128
Long-term investments	713,389
Property and equipment	1,420,158
Investment in unconsolidated entities	14,420
Other long-term assets	45,771
Long-term debt	(1,106,782)
Self-insurance liabilities	(355,388)
Pension and other post retirement liabilities	(124,524)
Other long-term liabilities	(77,217)
Fair value of total net assets	$ 770,955

The fair value of net assets of $770,955 in the preceding table was recognized in the Consolidated Statement of Operations and Changes in Net Assets for the year ended June 30, 2018, as a nonoperating contribution from business combinations of $734,127, and contributions of unrestricted – noncontrolling, temporarily and permanently restricted net assets of $5,478, $17,853 and $13,497, respectively.

The following pro forma financial information presents the combined results of operations of Ascension and Presence for the six months ended December 31, 2017 as though the business combination transaction had occurred on June 30, 2016. This pro forma financial information is not necessarily indicative of the results of operations that would occur if these entities were consolidated into the System during those periods, nor is it necessarily indicative of future operating results.

(Dollars in Thousands)

3. Organizational Changes (continued)

	Six Months Ended December 31, 2017
Total operating revenue	$ **12,529,387**
Excess of revenues and gains over expenses and losses attributable to controlling interest	**888,042**
Increase in unrestricted net assets - controlling interest	**1,005,399**
Increase in unrestricted net assets - noncontrolling interests	**103,547**
Increase in temporarily restricted net assets	**23,726**
Increase in permanently restricted net assets	**7,345**

The pro forma excess of revenues and gains over expenses and losses and other changes in net assets above includes certain adjustments attributable to the business combination transactions.

Divestitures

Discontinued Operations

During the six months ended December 31, 2018 and 2017, Ascension, including certain of its wholly owned subsidiaries, completed the sale of, or undertook actions to sell or transfer ownership of, certain assets and liabilities.

On September 28, 2016, Our Lady of Lourdes Hospital at Pasco in Pasco, Washington, d/b/a Lourdes Health Network (Lourdes Health), a wholly owned subsidiary of Ascension Healthcare, and RCCH entered into an asset purchase agreement, whereby RCCH will purchase substantially all assets and assume certain liabilities associated with the operations of Lourdes Health.

Assets and liabilities of Lourdes Health's foundation will remain with Ascension Healthcare. The sale was completed on September 1, 2018.

3. Organizational Changes (continued)

Assets and liabilities associated with the Lourdes Health transaction were held for sale and qualified for discontinued operations as of June 30, 2018 and are included in other current assets and other current liabilities, respectively, in the System's Consolidated Balance Sheets. Assets held for sale were $33,184 while liabilities held for sale were $24,518 at June 30, 2018.

Net income of Lourdes Health, which include excess (deficit) of revenues over expenses, was included in the (loss) gain from discontinued operations in the Consolidated Statements of Operations and Changes in Net Assets. The (loss) gain from discontinued operations was ($6,114) and $6,248 for the six months ended December 31, 2018 and 2017, respectively. Total operating revenues of the entities were $23,702 and $72,252 for the six months ended December 31, 2018 and 2017, respectively.

Assets Held for Sale

On September 28, 2018, Ascension Healthcare entered into an asset sale agreement with Hartford HealthCare Corporation for the nonprofit system to acquire St. Vincent's Medical Center, an Ascension Healthcare subsidiary located in Bridgeport, Connecticut, and substantially all of its related operations (St. Vincent facilities). The sale is expected to close after obtaining all necessary regulatory approvals.

Assets and liabilities associated with the aforementioned transaction are designated as assets and liabilities held for sale and included in other current assets and other current liabilities, respectively, in the System's Consolidated Balance Sheets. Assets and liabilities held for sale were $260,976 and $18,290 respectively, at December 31, 2018. Net income of the St. Vincent facilities is included in the excess of revenues and gains over expenses and losses in the Consolidated Statements of Operations and Changes in Net Assets and is $45,004 and $48,150 for the six months ended December 31, 2018 and 2017, respectively. Revenues of the St. Vincent facilities total $242,202 and $256,652 for the six months ended December 31, 2018 and 2017, respectively.

Other

On November 2, 2017, Ascension and Ascension Ventures (collectively "Ascension") entered into a contribution and redemption agreement with Narayana Hrudayalaya Limited, Narayana Cayman

3. Organizational Changes (continued)

Holdings LTD and Health City Cayman Islands LTD for Ascension to sell its interest in Health City Cayman Islands Ltd. The transaction was completed on January 3, 2018.

4. Pooled Investment Fund

At December 31, 2018 and June 30, 2018, a significant portion of the System's investments consists of the System's interest in the Alpha Fund, a limited liability company organized in the state of Delaware. Certain System investments, including some held by the Health Ministries and their consolidated foundations, are managed outside of the Alpha Fund.

The Alpha Fund includes the investment interests of the System and other Alpha Fund members. AIM, a wholly owned subsidiary of the System, serves as the manager and primary investment advisor of the Alpha Fund, overseeing the investment strategies offered to the Alpha Fund's members.

AIM provides expertise in the areas of asset allocation, selection and monitoring of outside investment managers, and risk management. The Alpha Fund is consolidated in the System's financial statements.

The Alpha Fund's investments in certain alternative investment funds also include contractual commitments to provide capital contributions during the investment period, which is typically five years and can extend to the end of the fund term. During these contractual periods, investment managers may require the Alpha Fund to invest in accordance with the terms of the agreement.

Commitments not funded during the investment period will expire and remain unfunded. As of December 31, 2018, contractual agreements of the Alpha Fund expire between February 2019 and April 2024. The remaining unfunded capital commitments of the Alpha Fund total approximately $636,250 for 124 individual funds as of December 31, 2018. Due to the uncertainty surrounding whether the contractual commitments will require funding during the contractual period, future minimum payments to meet these commitments cannot be reasonably estimated. These committed amounts are expected to be primarily satisfied by the liquidation of existing investments in the Alpha Fund.

4. Pooled Investment Fund (continued)

In the normal course of business, the Fund enters into derivative contracts (derivatives) for trading purposes following Fund guidelines. Derivatives in which the Fund may invest include options, futures contracts, swaps, forward settling mortgage-backed securities, and index-based instruments. Advisers selected by AIM to manage the Fund's assets may actively trade futures contracts, options, and foreign currency forward contracts. AIM may direct these advisers to execute derivative transactions. These transactions are used to hedge against changes in the interest rates, security prices, currency fluctuations, and other market developments to manage risk or for the purposes of earning additional income. Derivatives are either exchange-traded or over the counter contracts. Exchange-traded derivatives are standard contracts traded on a regulated exchange. Over the counter contracts are private contracts negotiated with counterparties. See the Fair Value Measurements note for a discussion of how fair value for the Alpha Fund's derivatives is determined.

At December 31, 2018 and June 30, 2018, the gross notional value of Alpha Fund derivatives outstanding was approximately $8,670,000 and $7,215,000, respectively.

The fair value of Alpha Fund derivatives in an asset position was $60,898 and $27,533 at December 31, 2018 and June 30, 2018, respectively, while the fair value of Alpha Fund derivatives in a liability position was $97,134 and $71,584 at December 31, 2018 and June 30, 2018, respectively. These derivatives are included in long-term investments in the Consolidated Balance Sheets at December 31, 2018 and June 30, 2018.

Due from brokers and due to brokers on the Consolidated Balance Sheets at December 31, 2018 and June 30, 2018, represent the Alpha Fund's positions and amounts due from or to various brokers, primarily for security transactions not yet settled, and cash held by brokers for securities sold, not yet purchased.

(Dollars in Thousands)

5. Cash and Investments

The System's cash and investments are reported in the Consolidated Balance Sheets as presented in the table that follows. Total cash and investments, net, includes both the System's membership interest in the Alpha Fund and the noncontrolling interests held by other Alpha Fund members. System unrestricted cash and investments, net, represent the System's cash and investments excluding the noncontrolling interests held by other Alpha Fund members and assets limited as to use.

	December 31, 2018	June 30, 2018
Cash and cash equivalents	**$ 921,688**	$ 850,958
Short-term investments	**78,982**	83,166
Long-term investments	**18,282,891**	19,404,559
Subtotal	**19,283,561**	20,338,683
Other Alpha Fund assets and liabilities:		
In other current assets	**35,505**	38,161
In accounts payable and other accrued liabilities	**(14,608)**	(12,403)
In other noncurrent liabilities	**(36,423)**	(3,321)
Due (to) from brokers, net	**(129,619)**	(161,345)
Total cash and investments, net	**19,138,416**	20,199,775
Less noncontrolling interests of Alpha Fund	**1,614,886**	1,714,371
System cash and investments, including assets limited as to use	**17,523,530**	18,485,404
Less assets limited as to use:		
Under bond indenture agreement	**1,337**	3,635
Self-insurance trust funds	**577,038**	697,588
Temporarily or permanently restricted	**694,317**	689,988
Total assets limited as to use	**1,272,692**	1,391,211
System unrestricted cash and investments, net	**$ 16,250,838**	$ 17,094,193

(Dollars in Thousands)

5. Cash and Investments (continued)

The composition of cash and cash equivalents, short-term investments and long-term investments, which include certain assets limited as to use, is summarized as follows.

	December 31, 2018	June 30, 2018
Cash and cash equivalents and short-term investments	**$ 1,185,227**	$ 1,137,098
Pooled short-term investment funds	**463,926**	965,960
U.S. government, state, municipal and agency obligations	**2,671,011**	2,752,951
Corporate and foreign fixed income securities	**2,009,793**	1,983,790
Asset-backed securities	**1,999,257**	1,610,733
Equity securities	**5,040,724**	5,766,018
Alternative investments and other investments:		
Private equity and real estate funds	**2,332,711**	2,334,655
Hedge funds	**2,136,835**	2,325,236
Commodities funds and other investments	**1,444,077**	1,462,242
Total alternative investments and other investments	**5,913,623**	6,122,133
Total cash and cash equivalents, short-term investments, and long-term investments	**$ 19,283,561**	$ 20,338,683

Investment return recognized by the System for the six months ended December 31, 2018 and 2017, is summarized in the following table. Total investment return includes the System's return on certain investments held and managed outside the Alpha Fund and the investment return of the Alpha Fund. System investment return represents the System's total investment return, net of the investment return earned by the noncontrolling interests of other Alpha Fund members.

	Six Months Ended December 31, 2018	Six Months Ended December 31, 2017
Interest and dividends	**$ 168,004**	$ 134,766
Net gains (losses) on investments reported at fair value	**(993,404)**	853,461
Restricted investment return and unrealized gains (losses), net	**(16,683)**	24,362
Total investment return	**(842,083)**	1,012,589
Less return earned by noncontrolling interests of Alpha Fund	**(81,842)**	82,543
System investment return	**$ (760,241)**	$ 930,046

6. Fair Value Measurements

The System measures the fair value of assets and liabilities in accordance with FASB ASC 820, *Fair Value Measurement*. Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability at the measurement date. Assets and liabilities reported at fair value are classified and disclosed in one of the following four categories:

Level 1 – Quoted prices (unadjusted) that are readily available in active markets/exchanges for identical assets or liabilities.

Level 2 – Pricing inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 pricing inputs include prices quoted for similar assets and liabilities in active markets/exchanges or prices quoted for identical or similar assets and liabilities in markets that are not active. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Significant pricing inputs that are unobservable for the asset or liability, including assets or liabilities for which there is little, if any, market activity for such asset or liability. Inputs to determine the fair value of Level 3 assets and liabilities require management judgment and estimation.

Net Asset Value – Values are based on the calculated net asset value. The calculated net asset values for underlying investments are fair value estimates determined by an external fund manager based on quoted market prices, operating results, balance sheet stability, growth, and other business and market sector factors.

The System categorizes, for disclosure purposes, assets and liabilities measured at fair value in the consolidated financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs that are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability based on the best information available in the circumstances.

6. Fair Value Measurements (continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the asset or liability. The System's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

There were no significant transfers between Levels 1 and 2 during the six months ended December 31, 2018 and 2017.

As of December 31, 2018, and June 30, 2018, the assets and liabilities listed in the fair value hierarchy tables below use the following valuation techniques and inputs:

Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents and certain short-term investments include certificates of deposit, whose fair value is based on cost plus accrued interest. Significant observable inputs include security cost, maturity, and relevant short-term interest rates. Other short-term investments designated as Level 2 investments primarily consist of commercial paper, whose fair value is based on the income approach. Significant observable inputs include security cost, maturity, credit rating, interest rate, and par value.

Pooled Short-term Investment Fund

The pooled short-term investment fund is a short-term exchange traded money market fund primarily invested in treasury securities.

U S. Government, State, Municipal, and Agency Obligations

The fair value of investments in U.S. government, state, municipal, and agency obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, and issuer spreads.

6. Fair Value Measurements (continued)

Corporate and Foreign Fixed Income Securities

The fair value of investments in U.S. and international corporate bonds and foreign government bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads, and security-specific characteristics (e.g., such as early redemption options).

Asset-backed Securities

The fair value of U.S. agency, mortgage, and other asset-backed securities is primarily determined using techniques that are consistent with the income approach. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and observable broker/dealer quotes.

Equity Securities

The fair value of investments in U.S. and international equity securities is primarily determined using techniques that are consistent with the market and income approaches. The values for underlying investments are based on readily available quoted market prices or represent fair value estimates determined by an external fund manager based on market prices, operating results, balance sheet stability, growth, dividend, dividend yield, and other business and market sector fundamentals.

Alternative Investments and Other Investments

Alternative investments consist of private equity, hedge funds, private equity funds, commodity funds, and real estate partnerships. The fair value of private equity is primarily determined using techniques consistent with both the market and income approaches, based on the System's estimates and assumptions in the absence of observable market data. The market approach considers comparable company, comparable transaction, and company-specific information, including but not limited to restrictions on disposition, subsequent purchases of the same or similar securities by other investors, pending mergers or acquisitions, and current financial position and operating results. The income approach considers the projected operating performance of the portfolio company.

6. Fair Value Measurements (continued)

The fair value of hedge funds, private equity funds, commodity funds, and real estate partnerships is primarily determined using net asset values, which approximate fair value, as determined by an external fund manager based on quoted market prices, operating results, balance sheet stability, growth, and other business and market sector fundamentals.

Other investments include derivative assets and derivative liabilities of the Alpha Fund, whose fair value is primarily determined using techniques consistent with the market approach. Significant observable inputs to valuation models include the time value of money, counterparty credit risk, interest rates, Treasury yields, volatilities, credit spreads, maturity date, recovery rates, and the current market and contractual prices of the underlying financial instruments.

Benefit Plan Assets

The fair value of benefit plan assets is based on original investment into a guaranteed fund, plus guaranteed, annuity contract-based interest rates. Significant unobservable inputs to the guaranteed rate include the fair value and average duration of the portfolio of investments underlying annuity contract, the contract value, and the annualized weighted-average yield to maturity of the underlying investment portfolio.

Interest Rate Swap Assets and Liabilities

The fair value of interest rate swaps is primarily determined using techniques consistent with the income method. Under the income method, fair values are calculated based on present value of expected future cash flows using discount rates appropriate with risks involved.

Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates.

Investments Sold, Not Yet Purchased

The fair value of investments sold, not yet purchased is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark, constant maturity curves, and spreads.

(Dollars in Thousands)

6. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at December 31, 2018, for all financial assets and liabilities measured at fair value on a recurring basis in the System's consolidated financial statements:

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Cash equivalents	$ 42,914	$ 446	$ -	$ 43,360
Short-term investments	52,816	71,322	2,165	126,303
Pooled short-term investment funds	463,926	-	-	463,926
U.S. government, state, municipal and agency obligations	-	2,671,011	-	2,671,011
Corporate and foreign fixed income securities	-	1,957,757	15,058	1,972,815
Asset-backed securities	-	1,627,797	371,460	1,999,257
Equity securities	4,128,322	56,601	18,623	4,203,546
Alternative investments and other investments:				
Private equity and real estate funds	2,415	2,400	275,878	280,693
Commodities funds and other investments	(5,013)	(16,502)	1,527	(19,988)
Assets at net asset value:				
Corporate and foreign fixed income securities				36,978
Equity securities				837,178
Private equity and real estate funds				2,052,018
Hedge funds				2,136,835
Commodities funds and other investments				1,385,036
Cash and other investments not at fair value				1,094,593
Cash and investments				$ 19,283,561
Benefit plan assets, in other noncurrent assets	$ 441,345	$ -	$ 48,349	$ 489,694
Interest rate swaps, in other noncurrent assets	-	2,042	-	2,042
Investments sold, not yet purchased, in other noncurrent liabilities	36,423	-	-	36,423
Interest rate swaps, included in other noncurrent liabilities	-	112,136	-	112,136

(Dollars in Thousands)

6. Fair Value Measurements (continued)

For the three months ended December 31, 2018, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following:

	Short-term investments	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate Funds	Commodities Funds and Other Investments	Benefit Plan Assets
Three Months Ended December 31, 2018							
Beginning balance	$ 1,004	$ 30,671	$ 350,128	$ 11,806	$ 341,622	$ 13,900	$ 46,402
Total realized and unrealized gains (losses):							
Included in nonoperating gains (losses)	1,161	(1,441)	(6,823)	(1,944)	8,842	1,349	-
Included in changes in net assets	-	-	-	-	-	(9)	-
Purchases	-	7,055	112,045	25	12,465	524	4,200
Sales	-	(22,428)	(84,874)	(238)	(86,790)	(12,424)	(6,770)
Transfers into Level 3	-	1,724	8,066	9,556	-	2	8,252
Transfers out of Level 3	-	(523)	(7,082)	(582)	(258)	(1,815)	(3,735)
Ending balance	$ 2,165	$ 15,058	$ 371,460	$ 18,623	$ 275,878	$ 1,527	$ 48,349
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at December 31, 2018	$ -	$ (774)	$ (7,279)	$ (1,818)	$ -	$ 522	$ -

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

(Dollars in Thousands)

6. Fair Value Measurements (continued)

For the six months ended December 31, 2018, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following:

	Short-term investments	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate Funds	Commodities Funds and Other Investments	Benefit Plan Assets
Six Months Ended December 31, 2018							
Beginning balance	$ 1,130	$ 11,956	$ 305,278	$ 29,239	$ 295,109	$ 1,121	$ 47,827
Total realized and unrealized gains (losses):							
Included in nonoperating gains (losses)	1,035	27	(6,995)	(1,162)	29,822	17,851	-
Included in changes in net assets	-	-	-	-	-	2	-
Purchases	-	6,709	173,805	9,601	37,996	(1,203)	1,489
Settlements	-	-	-	-	-	-	-
Issuances	-	-	-	-	-	-	-
Sales	-	(4,875)	(105,043)	(309)	(86,790)	(14,429)	(3,618)
Transfers into Level 3	-	5,355	5,615	-	44	1	4,151
Transfers out of Level 3	-	(4,114)	(1,200)	(18,746)	(303)	(1,816)	(1,500)
Ending balance	$ 2,165	$ 15,058	$ 371,460	$ 18,623	$ 275,878	$ 1,527	$ 48,349
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at December 31, 2018	$ -	$ (772)	$ (7,545)	$ (989)	$ -	$ 522	

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

(Dollars in Thousands)

6. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2018, for all financial assets and liabilities measured at fair value on a recurring basis in the System's consolidated financial statements:

	Level 1	Level 2	Level 3	Total
June 30, 2018				
Cash equivalents	$ 43,822	$ 370	$ -	$ 44,192
Short-term investments	49,070	100,793	1,130	150,993
Pooled short-term investment funds	965,960	-	-	965,960
U.S. government, state, municipal and agency obligations	-	2,752,951	-	2,752,951
Corporate and foreign fixed income securities	-	1,971,834	11,956	1,983,790
Asset-backed securities	-	1,305,455	305,278	1,610,733
Equity securities	4,705,172	44,329	29,239	4,778,740
Alternative investments and other investments:				
Private equity and real estate funds	1,952	2,400	295,109	299,461
Commodities funds and other investments	(13,648)	(12,221)	1,121	(24,748)
Assets at net asset value:				
Corporate and foreign fixed income securities				-
Equity securities				987,278
Private equity and real estate funds				2,035,194
Hedge funds				2,325,236
Commodities funds and other investments				1,390,328
Cash and other investments not at fair value				1,038,575
Cash and investments				$ 20,338,683
Benefit plan assets, in other noncurrent assets	$ 453,193	$ 762	$ 47,827	$ 501,782
Interest rate swaps, in other noncurrent assets	-	1,930	-	1,930
Investments sold, not yet purchased, in other noncurrent liabilities	2,912	409	-	3,321
Interest rate swaps, included in other noncurrent liabilities	-	108,781	-	108,781

(Dollars in Thousands)

6. Fair Value Measurements (continued)

For the three months ended December 31, 2017, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following:

	Short-term investments	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate Funds	Commodities Funds and Other Investments	Benefit Plan Assets
Three Months Ended December 31, 2017							
Beginning balance	**$ 364**	**$ 28,719**	**$ 199,833**	**$ 936**	**$ 234,349**	**$ 8,139**	**$ 42,451**
Total realized and unrealized gains (losses):							
Included in income from operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Included in nonoperating gains (losses)	**23**	**524**	**1,877**	**(3)**	**10,754**	**16,468**	**-**
Included in changes in net assets	**-**	**-**	**-**	**-**	**-**	**33**	**-**
Purchases	**-**	**7,270**	**62,591**	**1**	**10,452**	**6,705**	**2,148**
Sales	**-**	**(5,210)**	**(41,154)**	**(97)**	**(30,786)**	**(70)**	**(2,666)**
Transfers into Level 3	**-**	**-**	**5,287**	**-**	**-**	**-**	**5,662**
Transfers out of Level 3	**-**	**(394)**	**-**	**-**	**-**	**-**	**(1,594)**
Ending balance	**$ 387**	**$ 30,909**	**$ 228,434**	**$ 837**	**$ 224,769**	**$ 31,275**	**$ 46,001**
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at December 31, 2017	**$ -**	**$ 315**	**$ 1,539**	**$ -**	**$ (6,243)**	**$ 19,596**	**$ -**

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

(Dollars in Thousands)

6. Fair Value Measurements (continued)

For the six months ended December 31, 2017, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following:

	Short-term investments	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate Funds	Commodities Funds and Other Investments	Benefit Plan Assets
Six Months Ended December 31, 2017							
Beginning balance	$ 345	$ 28,119	$ 193,211	$ 4,738	$ 241,420	$ 7,493	$ 54,698
Total realized and unrealized gains (losses):							
Included in income from operations	-	-	-	-	-	-	-
Included in nonoperating gains (losses)	42	782	5,039	(18)	20,918	16,787	-
Included in changes in net assets	-	-	-	-	-	39	-
Purchases	-	7,730	120,274	16	34,620	9,602	5,252
Issuances	-	-	-	-	38	-	-
Sales	-	(5,839)	(91,107)	(647)	(72,227)	(2,827)	(8,530)
Transfers into Level 3	-	117	1,017	-	-	181	8,919
Transfers out of Level 3	-	-	-	(3,252)	-	-	(14,338)
Ending balance	$ 387	$ 30,909	$ 228,434	$ 837	$ 224,769	$ 31,275	$ 46,001
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at December 31, 2017	$ -	$ 535	$ 2,602	$ -	$ (6,243)	$ (5,967)	$ -

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

(Dollars in Thousands)

7. Derivative Instruments

The System uses interest rate swap agreements to manage interest rate risk associated with its outstanding debt. Interest rate swaps with varying characteristics are outstanding under the System's Master Trust Indenture. These swaps have historically been used to effectively convert interest rates on variable rate bonds to fixed rates and rates on fixed rate bonds to variable rates.

At December 31, 2018 and June 30, 2018, the notional values of outstanding interest rate swaps were as follows:

	December 31, 2018	June 30, 2018
Ascension Health Alliance MTI	**$ 1,020,775**	$ 1,084,975

The System recognizes the fair value of its interest rate swaps in the Consolidated Balance Sheets as assets, recorded in other noncurrent assets, or liabilities, recorded in other noncurrent liabilities, as appropriate. The respective fair values of interest rate swaps in an asset and liability position for the System were as follows:

	December 31, 2018		June 30, 2018	
	Asset	Liability	Asset	Liability
Ascension Health Alliance MTI	**$ 2,042**	**$ 112,136**	**$ 1,930**	**$ 108,781**

The System's interest rate swap agreements include collateral requirements for each counterparty under such agreements, based upon specific contractual criteria, subject to master netting arrangements. Collateral requirements are calculated based on the System's credit ratings. The applicable credit rating is the Senior Credit Group long-term debt credit ratings (Senior Debt Credit Ratings), as obtained from each of two major credit rating agencies. Credit rating and the net liability position of total interest rate swap agreements outstanding with each counterparty determine the amount of collateral to be posted. No collateral was posted at December 31, 2018 and June 30, 2018.

7. Derivative Instruments (continued)

The System does not account for any of its interest rate swaps as hedges, and accordingly, all changes in the fair value of interest rate swaps are recognized in nonoperating gains (losses) in the accompanying Consolidated Statements of Operations and Changes in Net Assets. The System does not offset fair value amounts recognized for derivative instruments.

8. Retirement Plans

Defined-Benefit Plans

Certain System entities participate in defined-benefit pension plans (the System Plans), which are noncontributory, defined-benefit pension plans. Benefits are based on each participant's years of service and compensation. All of the System Plans' assets are invested in Trusts, which include the Master Pension Trust (the Trust) and other trusts (the Other Trusts). The System Plans' assets primarily consist of short-term investments, equity, fixed income, and alternative investments, consisting of various hedge funds, real estate funds, private equity funds, commodity funds, private credit funds, and certain other private funds. Contributions to the System Plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to participants.

The investments in these alternative investment funds may also include contractual commitments to provide capital contributions during the investment period, which is typically five years, and may extend to the end of the fund term. During these contractual periods, investment managers may require the System Plans to invest in accordance with the terms of the agreement. Commitments not funded during the investment period will expire and remain unfunded.

Most System defined benefit plans were frozen effective December 31, 2012. Two of the System Plans remain ongoing at December 31, 2018.

The assets of the System Plans are available to pay the benefits of eligible employees and retirees of all participating entities. In the event entities participating in the System Plans are unable to fulfill their financial obligations under the System Plans, the other participating entities are obligated to do so.

(Dollars in Thousands)

8. Retirement Plans (continued)

The following table provides the components of net periodic benefit costs for the System plans:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	**2017**	**2018**	**2017**
Components of net periodic benefit cost				
Service cost	**$ 170**	$ 2,719	**$ 341**	$ 5,889
Interest cost	**97,373**	85,284	**194,708**	258,807
Expected return on plan assets	**(179,428)**	(167,423)	**(358,855)**	(506,474)
Amortization of prior service credit	**(630)**	(685)	**(1,259)**	(2,054)
Amortization of actuarial loss	**16,523**	18,601	**33,057**	55,801
Net periodic benefit cost	**$ (65,992)**	$ (61,504)	**$ (132,008)**	$ (188,031)

9. Contingencies and Commitments

The System is involved in litigation and regulatory investigations arising in the ordinary course of business. Regulatory investigations also occur from time to time. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on the System's Consolidated Balance Sheet.

The System enters into agreements with non-employed physicians that include minimum revenue guarantees. The terms of the guarantees vary. The maximum amount of future payments that the System could be required to make under these guarantees is approximately $7,107.

The System entered into Master Service Agreements for information technology services provided by third parties. The maximum amount of future payments that the System could be required to make under these agreements is approximately $270,943.

9. Contingencies and Commitments (continued)

Guarantees and other commitments represent contingent commitments issued by Ascension Health Alliance Senior and Subordinate Credit Groups, generally to guarantee the performance of an affiliate to a third party in borrowing arrangements such as commercial paper issuances, bond financing, and other transactions. The terms of guarantees are equal to the terms of the related debt, which can be as long as 21 years. The following represents the remaining guarantees and other commitments of the Senior and Subordinate Credit Groups at December 31, 2018:

Hospital de la Concepción 2017 Series A debt guarantee	$	23,330
St. Vincent de Paul Series 2000 A debt guarantee		28,300
Other guarantees and commitments		32,600

Supplementary Information

Ascension

Schedule of Net Cost of Providing Care of Persons Living in Poverty and Other Community Benefit Programs (unaudited)

(Dollars in Thousands)

Six Months Ended December 31, 2018 and 2017

The net cost of providing care to persons living in poverty and other community benefit programs is as follows:

	Six Months Ended December 31, 2018	Six Months Ended December 31, 2017
Traditional charity care provided	**$ 266,072**	$ 303,130
Unpaid cost of public programs for persons living in poverty	**488,985**	526,079
Other programs for persons living in poverty and other vulnerable persons	**79,603**	101,169
Community benefit programs	**158,931**	146,346
Care of persons living in poverty and other community benefit programs	**$ 993,591**	$1,076,724

Management's Discussion and Analysis of Financial Condition and Results of Operations for Ascension

As of and for the six months ended December 31, 2018 and 2017

Ascension

The following information should be read in conjunction with Ascension's consolidated financial statements and related notes to the consolidated financial statements.

Introduction to Management's Discussion and Analysis

The purpose of Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is to provide a narrative explanation of the financial position and operations of Ascension (the System).

Unless otherwise indicated, all financial and statistical information included herein relates to continuing operations. MD&A includes the following sections:

- Strategic Direction
- Portfolio Changes
- Results of Operations — Consolidated
- Liquidity and Capital Resources

Strategic Direction

Ascension is driven by the changing consumer landscape to put our patients and their needs first. Providing care for all persons where, how and when they need it – that is the organization's strategic purpose.

With a commitment to the Mission, Vision and Values of Ascension, the organization is working to optimize and transform core healthcare operations while also creating new models of care that help meet the needs of the communities we serve.

Ascension continues to make strategic and purposeful investments to improve the health of individuals and communities served, engage with consumers in new ways and evaluate geographic presence. To best position itself for the future, the organization is connecting with consumers when and where they need care.

The organization has completed its transition from a holding company to an operating company – and is embarking on a new Mission-inspired Transformation to accelerate new services. In alignment with the Advanced Strategic direction, the Mission-inspired Transformation creates a roadmap for how Ascension will work to implement new strategies while reimagining health and wellness for the sustainability of our organization and to have an even greater impact on all those we serve.

Portfolio Changes

Effective September 28, 2018, Ascension executed a binding Asset Sale Agreement with Hartford HealthCare Corporation (HHC) for the sale of substantially all the assets of St. Vincent's Medical Center in Bridgeport, Connecticut. As part of HHC, St. Vincent's will continue to be a part of an organization that is trusted for the care it provides and for meeting the healthcare needs of the community.

On November 26, 2018, Ascension Sacred Heart Health System entered into a non-binding letter of intent to acquire Ardent Health Services' 80% interest in Bay Medical Center. Upon closing of the transaction, Bay Medical Center, in Panama City, Florida, will be wholly owned by and consolidated under the operations of Sacred Heart Health System.

Results of Operations – Consolidated

The following table reflects summary financial information, on a consolidated basis.

Select Financial Data (in millions)

	12/31/2018	6/30/2018		12/31/2018	6/30/2018
Current Assets	$ 5,878	$ 5,514	Current Liabilities	$ 5,449	$ 5,389
Long-Term Investments	18,283	19,405	Long-Term Liabilities	9,584	10,021
Property and Equipment	10,443	10,598	Total Liabilities	15,033	15,410
Other Assets	2,937	3,011	Net Assets	22,508	23,118
Total Assets	$ 37,541	$ 38,528	Total Liabilities and Net Assets	$ 37,541	$ 38,528

Select Financial Data (in millions)

Six months ended December 31,	2018	2017
Net Cost of Providing Care of Persons Living in Poverty and Other Community Benefit Programs	$ 994	$ 1,077
Total Operating Revenue	12,606	11,304
Income from Recurring Operations	264	163

Consistent with trends seen during the first quarter of the fiscal year, changes in the healthcare landscape and planned changes in the way that we provide services to our communities have resulted in expected shifts in volumes within our System. Over the past several years, Ascension has systematically been building capacity to manage the care of those we serve in a different manner, as we migrate from fee for service to fee for value and from inpatient to outpatient care. Ascension care delivery is evolving from treating people when they are sick to being a partner in the well-being of individuals – measuring the care we provide by the quality outcomes and experience to patients.

As this transition, and Ascension's investment in population health management and addressing the social determinants of health continues, changes to operating performance are expected. Ascension has experienced an increase in income from recurring operations of greater than 60% despite continued declines in volumes and changes in payor mix by implementing operational improvement initiatives and focusing on standardization.

On a consolidated basis, recurring operating margin was 2.1% for the six months ended December 31, 2018 compared to 1.4% for the same period in the prior year. The drivers impacting net patient service revenue are further discussed below. The net loss as of December 31, 2018 reflects unfavorable investment market performance.

The following table reflects certain patient volume information and key performance indicators, on a consolidated basis, for the six months ended December 31, 2018 and 2017.

Volume Trends and Key Performance Indicators

Six months ended December 31,	2018	2017
Volume Trends		
Equivalent Discharges	864,939	792,821
Total Admissions	407,984	377,558
Case Mix Index	1.67	1.66
Acute Average Length of Stay (days)	4.45	4.47
Emergency Room Visits	1,663,325	1,556,231
Surgery Visits (IP & OP)	325,435	306,249
Physician Office and Clinic Visits	7,351,403	6,768,004
Revenue (in millions)		
Total Operating Revenue	$ 12,606	$ 11,304
Net Patient Service Revenue	11,759	10,545
Key Performance Indicators		
Recurring Operating Margin	2.1%	1.4%
Recurring Operating EBITDA Margin	8.0%	7.3%
Operating EBITDA Margin	7.7%	6.6%

Total Operating Revenue

Total operating revenue increased $1.3 billion, or 11.5%, for the six months ended December 31, 2018, as compared to the same period in prior year primarily due to revenue recorded by Presence facilities acquired March 1, 2018. On a same facility basis, total operating revenue increased $167.2 million, or 1.5%.

Net Patient Service Revenue and Volume Trends

For the six months ended December 31, 2018, net patient service revenue, increased $1.2 billion or 11.5%. On a same facility basis, net patient service revenue increased $144.0 million, or 1.4%, compared to the same period in the prior year. Also, on a same facility basis, net patient service revenue per equivalent discharge increased 2.3% compared to the same period in the prior year, dampened by changes in payor mix and transition of services to outpatient settings.

For the six months ended December 31, 2018, equivalent discharges, inpatient admissions, emergency room visits, and inpatient surgeries increased 9.1%, 8.1%, 6.9%, and 2.7%, respectively, as compared to the same period in the prior year primarily due to the previously mentioned acquisition of Presence. On a same facility basis, equivalent discharges, inpatient admissions, emergency room visits, and inpatient surgeries decreased 0.9%, 3.4%, 3.1%, and 4.0%, respectively.

For the six months ended December 31, 2018, outpatient services as a percentage of total services provided increased 2.3% on a same facility basis compared to the same period in the prior year. Outpatient volumes increased 10.8% compared to the same period in the prior year primarily driven by an increase in physician office and clinic visits of 8.6%. On a same facility basis, outpatient visits increased 0.4%. Outpatient surgeries increased 8.0% compared to the same period in the prior year and increased 0.5% on a same facility basis.

Uncompensated Care

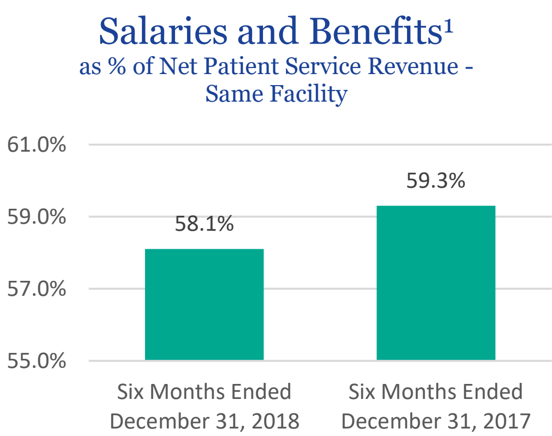
Ascension provided $994 million in Care of Persons Living in Poverty and other Community Benefit Programs for the six months ended December 31, 2018. Through programs, donations, health education, free care, and more, the organization’s uncompensated care and other community benefit fulfills unmet needs in communities across 21 states and the District of Columbia.

Total Operating Expenses

Total operating expenses increased $1.1 billion, or 10.3%, as compared to the same period in the prior year primarily due to the previously mentioned acquisition of Presence.

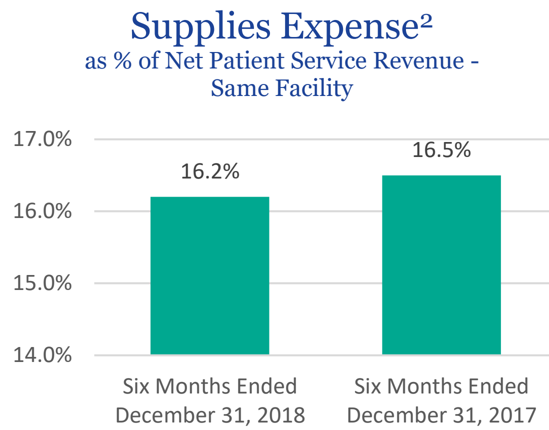
As volumes continue to shift to outpatient services, Ascension is managing its cost structure to align with revenues. On a same facility basis, total operating expenses decreased $17.0 million, or 0.2%, and cost per equivalent discharge increased only 0.7% compared to the previously mentioned increase in net patient service revenue per equivalent discharge of 2.3%.

- Total salaries, wages and benefits decreased $35.5 million, or 0.6%, compared to the same period in the prior year. Salaries, wages and benefits have been reduced by the transition of certain services being provided by external organizations. Focused initiatives addressing productivity and pay practices also resulted in greater efficiencies as well as less overtime and agency costs during the current year. Employed and contract labor per adjusted occupied bed has improved to 3.9 compared to 4.0 FTEs for the same period in the prior year. These decreases have been partially offset by moderate merit and cost of living adjustments and the employment of additional physicians. Salaries, wages, and benefits, including the purchased services labor component, as a percentage of net patient service revenue, has improved from 59.3% as of December 31, 2017 to 58.1% as of December 31, 2018.



[1] Includes the purchased services labor component and physician fees

- Supplies expense increased a modest $8.8 million, or 0.5%, as compared to the same period in the prior year due to ongoing focused supply contract management efforts despite rapidly increasing specialty and generic drug pricing and a higher intensity service mix. Supplies expense, as a percentage of net patient service revenue has improved from 16.5% for the six months ended December 31, 2017 to 16.2% for the six months ended December 31, 2018.



[2] Includes the purchased services supplies component

- Purchased services and professional fees increased $66.1 million, or 3.8%, as compared to the same period in the prior year primarily due to the transition of revenue services to a preferred provider partner organization and an increase in repair and maintenance expenses. There were offsetting decreases in salaries and wages, benefits, collection agency fees and other related operating costs for the transition of these services.

Impairment, Restructuring and Nonrecurring Losses

Net impairment, restructuring and nonrecurring losses were $42.4 million for the six months ended December 31, 2018, as compared to losses of $78.3 million during the six months ended December 31, 2017.

Investment Return

Ascension's long-term investments, excluding noncontrolling interests and long-term investments held by self-insurance programs, experienced a loss of 4.1%, or $723.8 million, for the six months ended December 31, 2018. Substantially all the System's cash and investments are invested in a broadly diversified portfolio that is managed by Ascension Investment Management (AIM), a wholly owned subsidiary of Ascension. The System has maintained a consistent investment strategy during the current fiscal year.

Total net investments under management by AIM are $36.8 billion at December 31, 2018.

Liquidity and Capital Resources

Net unrestricted cash and investments for the System were $16.3 billion at December 31, 2018 compared to $17.1 billion at June 30, 2018. The decrease is primarily due to investment losses and capital purchases offset by cash generated by operations for the six months ended December 31, 2018. Days cash on hand of 255 days decreased 13 days from June 30, 2018 to December 31, 2018 primarily due to items previously mentioned. Net days in accounts receivable improved 3 days from 51 days at June 30, 2018 to 48 days at December 31, 2018.

Cash-to-senior debt and cash-to-total debt remain strong at 209.2% and 207.0%, respectively, at December 31, 2018. Debt to capitalization was 28.3% at December 31, 2018.

Balance Sheet Ratios

	12/31/2018	6/30/2018
Days Cash on Hand	255	268
Net Days in Accounts Receivable	48	51
Cash-to-Senior Debt	209.2%	217.2%
Cash-to-Total Debt (Senior and Subordinated)	207.0%	214.7%
Senior Debt to Capitalization	28.1%	27.8%
Total Debt to Capitalization	28.3%	28.0%

Ascension

Consolidated Statistical Information
For the Six Months Ended

	December 31, 2018	December 31, 2017
Discharges by Service Type		
Acute Care	**367,583**	345,573
Psychiatric Care	**27,982**	21,551
Rehabilitation Care	**6,411**	4,825
Skilled Nursing Facility Care	**1,565**	957
Long Term Acute Care	**680**	290
Other L.T. Sub-Acute Care	**3,922**	4,375
Total Discharges by Service	**408,142**	377,571
Patient Days by Service Type		
Acute Care	**1,637,034**	1,545,592
Psychiatric Care	**194,646**	156,375
Rehabilitation Care	**73,987**	57,860
Skilled Nursing Facility Care	**746,513**	541,098
Assisted Living	**164,012**	133,368
Residential Living	**6,823**	6,882
Long Term Acute Care	**21,963**	9,402
Other L.T. Sub-Acute Care	**326,329**	177,170
Total Patient Days by Service	**3,171,307**	2,627,747
Newborn Births	**43,983**	41,680
Newborn Patient Days	**86,526**	83,733
Outpatient Visits (Includes ER Visits)	**15,198,198**	13,721,112
Surgical Visits - Outpatient	**223,683**	207,147
Emergency Room Visits	**1,663,325**	1,556,231
Full Time Equivalent Employees	**139,972**	131,994
Total Available Beds	**28,290**	22,951
Total Available Beds Excluding Bassinets	**27,137**	21,756