



Quarterly Financial Disclosure Statement
Twelve months ended December 31, 2022

Allina Health System



Leaders broke ground in Lakeville this summer for the new Allina Health Lakeville Specialty Center. The clinic, set to open in late 2023, is part of Allina Health's expansion in the south metro, which will also include a new primary care clinic. The new multi-specialty center will bring the full Allina Health ambulatory platform to the south metro, including more than 20 specialties, such as orthopedics, oncology, women's health and cardiology, as well as an ambulatory surgery center.

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

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Officer's Certification

I, the undersigned, being the Executive Vice President and Chief Financial Officer of Allina Health System (Allina Health), a Minnesota non-profit corporation, do hereby certify and declare that the accompanying interim consolidated financial statement of the Allina Health System and the Allina Obligated Group for the twelve months ended December 31, 2022, have been prepared in reasonable detail and are accurate in accordance with generally accepted accounting principles applied on a basis consistent with the accounting practices reflected in the annual financial statements.

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

Dated: February 14, 2023

By: /S/ Richard Magnuson

Richard Magnuson
Executive Vice President – Chief Financial Officer
Allina Health System

Overview of Allina Health

Introduction

Allina Health System, primarily doing business as Allina Health (“Allina Health”), is a Minnesota non-profit corporation and an integrated health care delivery network primarily serving the communities in the greater Minneapolis-St. Paul (the “Twin Cities”) metro area and the western part of Wisconsin. Allina Health is anchored by three Twin Cities metro area hospitals, Abbott Northwestern Hospital (“Abbott”), United Hospital (“United”) and Mercy Hospital (“Mercy”), and is supported by a network of community hospitals, including two critical access hospitals. Allina Health is staffed by employed physicians and a large, aligned provider network. With approximately 27,500 full- and- part-time employees, Allina Health is one of the largest employers in Minnesota. Allina Health consolidated revenue for the twelve months ended December 31, 2022, was \$4.9 billion.

The Allina Health Mission

We serve our communities by providing exceptional care, as we prevent illness, restore health and provide comfort to all who entrust us with their care.



Our Commitment to Whole Person Care



Whole Person Care is an approach that recognizes all factors impacting health are connected – mind, body, spirit and community.

A deep belief in the mission and commitment to Whole Person Care guides what Allina Health aspires to build as an organization. Allina Health employees care for more than the clinical needs of their patients, considering the non-clinical components of their patients' lives as they provide exceptional care “for the whole patient.” Whole Person Care for Us is an extension of Allina Health’s Whole Person Care efforts by fostering a relationship-driven culture with employees. Allina Health views its employees as its greatest asset and endeavors to support employees by giving them the freedom to focus on making a difference in people’s lives.

Whole Person Care in action

As a health care organization committed to improving health and preventing illness, Allina Health recognizes that health goes beyond a clinical diagnosis. In support of Allina Health’s commitment to Whole Person Care, the organization seeks to identify unmet health-related social needs in the patients and communities Allina Health serves through the Health-Related Social Needs Program. The program is an evolution of the Accountable Health Communities Model, a five-year cooperative agreement with Centers for Medicare and Medicaid Services that demonstrated how identifying and addressing health-related social needs impacts health care quality, utilization and costs. Allina Health offered nearly 600,000 screenings during the project, which ran June 5, 2018, to Jan. 31, 2022, and completed 266,948 screenings. Allina Health offered and completed more screenings than any other participating organization in the country and now, the organization is transforming this work with the Health-Related Social Needs Program. The new program screens patients more efficiently and effectively to understand how social isolation, food insecurity, housing instability, difficulty paying utilities, access to transportation and safety make a difference in every patient’s health. The program has screened more than 190,000 since launching in January 2022, and continues to grow throughout the organization, with the goal to screen all patients that visit an Allina Health site.

Allina Health by the Numbers

Allina Health owns and operates 11 hospital campuses and jointly owns and operates one other hospital. These include urban quaternary and tertiary care, suburban community, and rural hospitals. Allina Health hospitals provided 89,671 inpatient admissions and 1,419,100 outpatient visits during the twelve months ended December 31, 2022. As of December 31, 2022, Allina Health hospitals had a licensed bed capacity of 2,451 acute care beds, 1,800 of which were staffed for inpatient services.

Allina Health provides clinical services through its Allina Health Group (“AHG”) and hospital-based physicians, and employs 1,465 physicians, including approximately:

- 760 physicians in AHG, which controls and operates 60 clinics and operates the clinical service lines. AHG includes approximately 250 hospitalists in three hospitalist programs operated by Allina Health on the Abbott Northwestern, United and Mercy hospital campuses.
- 206 providers consisting of cardiologists, cardiothoracic and vascular surgeons within Allina Specialty Associates, Inc. (“ASA”), operating under the name Allina Health Minneapolis Heart Institute.
- 370 specialty physicians, including intensivists, perinatologists and psychiatrists in the Allina Health hospitals.

Allina Health physicians and allied professionals generated 9,938,529 work RVUs during the twelve months ended December 31, 2022. The Allina Integrated Medical (“AIM”) Network aligns Allina Health physicians, 2,000 independent medical physicians, and more than 20 hospitals to deliver market-leading quality and efficiency in patient care. Allina Health is a comprehensive health care system and has one of the largest physician networks in Minnesota.

A Leading Health Care Organization in the Region

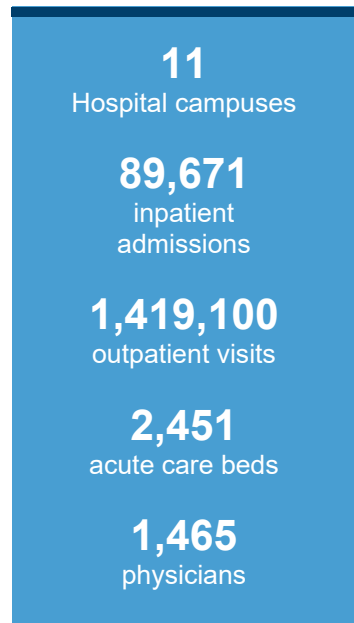
Allina Health has a strong market position in key clinical service lines relative to its competitors. Allina Health’s main strengths are in cardiovascular and neuroscience, with strong market competitive services in orthopedics. Allina Health also launched the new Allina Health Cancer Institute – predicated on a vision for seamless, comprehensive, whole person cancer care in response to the fragmented nature of oncology services in the Twin Cities.

The Twin Cities market has experienced stable population growth for the past several years. Allina Health continues to have a stable and leading market share in the metropolitan area, with a 30.8% inpatient market share as of June 30, 2022.

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

Our Vision for the Future of Health Care: The Whole Way to Better

In the United States, health care is too complex, too expensive and too fragmented. The result is a system that serves some patients well, some adequately and some hardly at all. Allina Health is implementing an ambitious, transformational initiative to challenge the health care status quo on multiple fronts. Allina Health calls this initiative “The Whole Way to Better.” The Whole Way to Better strategy is designed to transform the organization’s care model



and the underlying business model to deliver greater value and bring Whole Person Care to life. This strategic initiative will drive Allina Health toward population health, which leverages the full scope of the care continuum to improve patient health outcomes and experience.

Expanding and growing access to value-based care.

Allina Health is pioneering financial models such as value-based care, where the goal is to improve health rather than simply treat illness. That means advancing population health to deliver the right care to the right patient at the right time, to increase quality, safety, experience, access and affordability for all. Allina Health is also partnering with others who share its vision for creating more accessible and affordable care. See “Strategy – Expanding and Growing Access to Value-Based Care.”



Driving care model innovation. Whether it’s online, in the community or in a patient’s home, Allina Health knows that health care lives beyond the walls of hospitals and clinics. Allina Health is innovating clinical care to create a patient-centric Whole Person Care model for the future that meets patients where they are, ensuring a seamlessly connected experience throughout every care journey. Care model innovation will improve the quality of care, lower the cost of care and improve accessibility by applying evidence-based care delivery and utilizing technology and analytics. See “Strategy – Driving Care Model Innovation.”

Optimizing Allina Health’s footprint. Allina Health is taking steps to ensure that every part of the system works in coordination to create an effortless care delivery experience for patients. To do so, Allina Health is integrating key clinical service lines and continuing excellence in the organization’s quaternary and tertiary hospitals while positioning regional facilities to meet the needs of the community. This also means expanding and enhancing outpatient/ambulatory services, growing the organization’s ambulatory surgery center strategy, further integrated specialty service lines and expanded primary care coverage to include home as a hub of care. See “Strategy – Optimizing Allina Health’s Footprint.”

Strategy

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



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

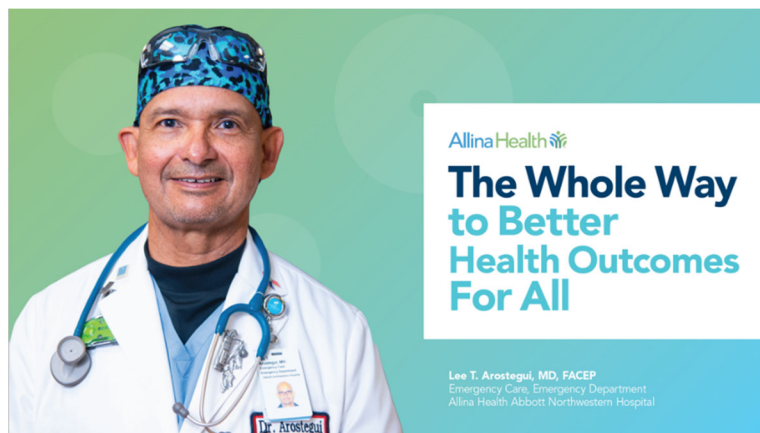
The key enablers are critical to transforming the enterprise on multiple, interwoven dimensions. Allina Health is evolving from a holding company – created through acquisitions and organic growth over decades – to a highly aligned operating company by strengthening the organization’s functions and systemic capabilities. The organization is leading in adopting a value-based economic model, moving from a primarily fee-for-service model to one driven by population health. Allina Health is moving from primarily responding to illness to a more proactive approach as a high value complex care coordinator by developing multi-channel access to care and engaging with the community and consumer.

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

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

Expanding and Growing Access to Value-Based Care

Allina Health is on a population health journey to support the patients and communities it serves with value-based care, leveraging the full scope of the care continuum to improve patient health outcomes by emphasizing the value of preventive medicine. To successfully improve the health of Minnesota and western Wisconsin communities, safe, high-quality care needs to be easily accessible and affordable for all. Allina Health is working to create a seamlessly integrated experience for all patients and their families, regardless of where they are in their care journey (see “Strategy – Optimizing Allina Health’s Footprint”).



To support the health of its patients and communities, Allina Health is philosophically committed to delivering high-value care and performing on outcomes-based payment models. Allina Health additionally believes that it must evolve the current reimbursement model so that it can be reimbursed for services that matter to its patients and help make care more efficient, effective and affordable. Expanding care management services, using data to inform best practices and collaborating with partners will be key to transforming Allina Health’s business as well as patient care.

The vision of Whole Person Care guides and reinforces this philosophy throughout the organization, from leadership to front-line providers. Leadership believes that expanding Allina Health’s portfolio of outcomes-based risk contracts will enable Allina Health to create and deliver value.

Allina Health recognizes that outcomes-based risk contracts are a necessary step to financial sustainability, especially in government payer segments. Allina Health has successfully built up the capabilities required to manage risk and does not want to lose those capabilities or halt the internal momentum to value-based care. Therefore, Allina Health plans to expand its outcomes-based risk contract portfolio in a measured fashion to gain experience, manage risk factors within the organization’s sphere of influence and maintain a focus on providing value more broadly. Allina Health is implementing a phased approach that aligns with Allina Health’s goal of pursuing outcomes-based risk contracts that build scale over time, with the goal of receiving a near-majority of patient service revenue under value-based arrangements in the coming years and achieving a material reduction in the growth of costs through provision of Whole Person Care.

This value-based care philosophy supports Allina Health's population health strategy. As part of this strategy, Allina Health has entered into contracts with health plan insurance payers (described below) that reward enhancing quality, improving outcomes, addressing health disparities and reducing total cost of care. Allina Health works with its health plan partners to establish contracts that have a positive impact for patients, Allina Health and health plan insurance payers.

This is expected to result in better outcomes, lower premiums and improved access to care for patients while increasing the number of people in the community Allina Health serves and improving satisfaction for providers and teams. Allina Health also structures payer contracts to earn additional incentives for producing good outcomes for its patients. Additionally, health plans will be able to grow and retain membership by offering competitively priced products and improved benefits to patients and employers.

Blue Cross and Blue Shield Agreement

In August 2020, Allina Health announced a seven-year agreement with Blue Cross and Blue Shield of Minnesota ("Blue Cross") that significantly advances Allina Health's payment model to support efforts to increase connected care and reduce health inequities. This value-based payment agreement is designed to provide enhanced value for insurance plan members while fostering even more high-quality care and healthy outcomes for patients.

The COVID-19 pandemic accelerated the realization that health care in the United States can and should be more sustainable, through better coordination, accessibility and affordability. The pandemic underscores the timeliness and importance of this agreement, as Allina Health has dramatically accelerated alternative modalities of care that are central to a value-based care model, including telehealth, Allina Health's Home Hospital Care Program, expansion of care management services and more. The agreement supports Allina Health's ability to meet patients where they are and deliver high-quality care in new ways.

Blue Cross is Allina Health's largest payer and Allina Health is Blue Cross' largest provider of care for its Minnesota members. Altogether, this agreement has the potential to positively impact the cost and quality of care for approximately 130,000 people. The agreement aims to reduce the cost trend of Blue Cross-specific care at Allina Health by 10 percent over five years. Notably, the portion of payments made by Blue Cross that are tied to achieving optimal patient outcomes are more than five times larger than what is outlined in typical outcomes-based risk arrangements. Moreover, a portion of Allina Health's revenue under the contract consists of fixed population health payments. Allina Health believes the sheer scale of this agreement will set a high bar for value-based care, driving innovation and transformation in health care.

Allina Health and HealthPartners Partnership

In April 2021, Allina Health announced a five-year partnership with HealthPartners, implementing value-based care across both organizations with the goal of providing improved outcomes, better access to care and lower premiums for members and patients.

The partnership builds on the two non-profit organizations' collaborative approach, including their work together over the past 12 years on the Northwest Metro Alliance, an accountable care organization ("ACO"). Started in 2010, the Northwest Metro Alliance brought together the HealthPartners health plan, four HealthPartners clinics, five Allina Health clinics, the RiverWay Pain Clinic, Mercy Hospital campuses in Coon Rapids and Fridley, as well as other affiliated specialists, all in an effort to improve the health of residents in the northwest metro area.

The value-based care partnership elevates the quality of care delivered over the quantity of care provided and has the potential to positively impact approximately 300,000 people. Reimbursement structures are directly connected to patient outcomes and improving quality of care based on specific measures, such as reducing hospital readmissions, improving coordination of care, ultimately leading to the improvement of both individual and community health. Additionally, the length of the partnership allows for a longer-term focus on population health strategies.

Allina Health and Aetna Health Plan

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

The Minnesota Department of Commerce issued a Certificate of Authority for AHAIC in August 2017, which makes AHAIC an officially licensed health insurance provider and was the first new insurance company to enter the Minnesota market in many years. AHAIC began offering large group (51 or more members) products in 2018 and began to offer a Medicare Advantage product in 2019. As of December 31, 2021, AHAIC total membership was approximately 33,700, including approximately 15,000 Medicare Advantage members.

Partnerships

Allina Health is here for patients and the community wherever they are in life, supporting patients throughout their entire care journey. Given that this journey typically occurs over multiple care settings and organizations, Allina Health maintains numerous partnerships at all levels of operations and routinely explores partnerships with similarly mission-driven people and organizations.

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

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

With these principles in mind, Allina Health continuously assesses its portfolio of assets and services with a view toward opportunities for partnerships, acquisitions and divestitures. This process of assessment includes ongoing discussions with various prospective affiliation partners – including independent physician groups, third party consultants and managers, technology companies, retail entities, venture capital and other providers of clinical and administrative services, both regional and national – about potential transactions (see “Driving Care Model Innovation – Innovation” below). Partnerships such as Allina Health’s new relationship with Navvis Healthcare dedicated to accelerating the system’s population health efforts, support the organization’s ability to transform key strategic initiatives faster than would otherwise be possible to support patients and the community.

Driving Care Model Innovation



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

Commitment to Safety and Quality. Safety and Quality are paramount to any care model and remains a key point of focus as

Allina Health innovates. Allina Health’s commitment centers on preventing harm and encouraging a culture where all employees speak up and feel empowered. Allina Health has committed to a journey to Zero Preventable harm by adopting the successful systems of high-reliability organizations. Key components of this journey include extending multi-tiered safety huddles across the system and engaging in a systemwide program that will provide each employee and provider with the language, tools and standardized processes to respond to and prevent both physical and emotional harm. Capital improvement funding—and a swift implementation timeline for security and facilities enhancements—have ensured we are delivering on a holistic, organizational approach to safer and more secure environments for patients and employees. To date, more than 90% of all Allina Health employees and providers have been trained in high reliability skills. In addition to training, a culture of safety survey was deployed in 2021 to assess and measure the organization’s safety culture, specifically asking questions about how safe employees feel to speak up for safety.

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

- A next-generation approach to consumer experience design, including designing its cancer infusion centers and new clinics in partnership with patient advisors.
- Centralizing and investing in key points of care connection, such as a state-of-the art Customer Experience Center and Access Center, that help create seamless connections for all patients across the care continuum.
- Offering non-traditional services based on consumer demand and preferences, including improved telemedicine capabilities and Home Hospital (see “Innovation” below).
- Building out a portfolio of innovative products and services that align with Allina Health’s vision and principles.
- Prioritizing person-centered care with patients at the heart of an innovative care model and patient-centered design with all new facilities, campus updates and projects.
- Emphasizing culturally appropriate care by including pronoun preference in the patient’s electronic health record.

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

One such innovative effort is Allina Health’s Home Hospital Care program. Launched during the height of the COVID-19 pandemic, Home Hospital Care is a new program designed to decrease length of stay and total cost of

care, reduce readmissions, increase patient satisfaction and divert patients from the emergency department or urgent care. By bringing patient care to the home, Allina Health created capacity within hospital resources while bringing care directly to the patient. Following the success of the program, Allina Health has partnered with Flare Capital Partners to create Inbound Health, a new company that will increase access to hospital-at-home and skilled nursing-at-home programs by scaling the model nationally. The company combines biometric monitoring, digital surveillance, in-home nursing and therapy, virtual visits with hospitalists and geriatricians, and a comprehensive supply chain to deliver a safe and high-quality care program.

Allina Health’s virtual care services has grown exponentially since the start of the COVID-19 pandemic, with 504,389 virtual visits completed in 2021. As consumer expectations have shifted and technology has improved, Allina Health has responded by offering many convenient alternatives to in-person care. Allina Health’s suite of virtual care services includes scheduled virtual visits, on demand virtual care, online visits/eVisits and more. Virtual care is an integral part in Allina Health’s population health journey, improving access, enhancing experience and lowering cost of care. Scheduled virtual visits are offered by most ambulatory providers at Allina Health, including providers in the primary care, mental health, orthopedics, oncology and cardiology departments. Patients may also access on demand virtual care options via Virtual Urgent Care and Virtual Mental Health, where patients can connect directly with an urgent care provider or licensed mental health consultant. There are plans to expand the on demand virtual care service offering to more specialties in the future, including orthopedics and Mother/Baby. Patients may also access Everyday Online, an asynchronous visit platform available 24 hours a day, every day of the year.

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

With the approval of the Investment Committee of the Allina Health Board of Directors in 2017, Allina Health dedicated funds in the initial amount of \$40 million to make investments in strategic management directed funds. In 2021, an additional \$40 million allocation was also approved. The intent of the strategic health care managed directed funds are to allow for unique insights into innovation in the healthcare venture space and two-way interaction with both the General Partners and other Strategic Limited Partners. The primary objectives of strategic management directed funds will generally include increasing awareness into future market opportunities and trends, accessing a pipeline of vetted disruptors that will align with Allina Health’s strategy to deliver enhanced value and innovation, and gaining exposure to products and services that could accelerate disruption and drive performance. One such result of these investments is Allina Health’s partnership with SilverCloud, a digital mental health Cognitive Behavioral Therapy platform that allows patients to have 24/7 access to an evidence-based online program at no cost to them.

Optimizing Allina Health’s Footprint

Optimizing Allina Health’s footprint is core to the organization’s ability to expand access to value-based care and lower total cost of care. To support this effort, Allina Health has enhanced multi-channel access to care in a variety of ways, including expanded virtual services and the introduction of the nationally recognized Home Hospital Care program which delivers safe, high-quality care in the comfort of the patient’s home. Ambulatory surgery centers are an increasingly important offering in Allina Health’s care offerings, enabling efficient, cost effective, high-quality care that is convenient for patients (see “Other Recent Initiatives and Developments – Ambulatory Surgery Center strategy” below). Furthermore, Allina Health has focused on delivering complex care services, highlighted by the creation of the Allina Health Cancer Institute, which redefines



traditionally fragmented cancer care to create a program that delivers comprehensive, expert, person-centric cancer care from diagnosis to survivorship (see “Other Recent Initiatives and Developments – Allina Health Cancer Institute” below). Allina Health has integrated mental health and well-being into primary care practice to improve Allina Health’s ability to deliver Whole Person Care and support one of the highest needs in the community. That support will only increase with the creation of the newly announced Center for Integrated Mental Health and Addiction Care, which will transform Allina Health’s mental health and addiction services by offering the entire care continuum in one convenient location (see “Other Recent Initiatives and Developments – Center for Integrated Mental Health and Addiction Care” below).

True integration of Allina Health’s service lines and business units also requires unified workstreams and workforce. Allina Health is continually improving cohesion across all departments with the support of:

Diversity, Equity, Inclusion and Belonging and Sustainability

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



Allina Health’s CEO Diversity, Equity, Inclusion and Belonging Council governs the organization’s DEI&B deliverables and is driving long-term sustainable results, which is tracked with a dashboard to ensure continued progress. Among the deliverables is an approach to ensure DEI&B is a leadership core competency. During 2022, all directors are required to participate in the Intercultural Development Index (IDI), an online assessment to benchmark a person’s intercultural competency. Allina Health has also created a land acknowledgement announcement to honor indigenous people and their traditional, ancestral and contemporary lands.

Allina Health strongly believes in the health equity definition developed by the Robert Wood Johnson Foundation, which says, “Everyone has a fair and just opportunity to be as healthy as possible. This requires removing obstacles to health such as poverty, discrimination, and their consequences, including powerlessness and lack of access to good jobs with fair pay, quality education and housing, safe environments, and health care.” Allina Health uses this definition as a framework for all health equity initiatives in an effort to create an impactful, sustainable strategy.

Allina Health’s Diversity, Equity, Inclusion and Belonging plan ensures the organization embeds DEI&B in its many roles as a provider, employer, community member and purchaser. As an employer, Allina Health is committed to increasing and retaining employee diversity at all levels in the organization with a focus on leadership. Additional training on bias in hiring and bias in patient care is also provided to leaders throughout the organization in order to ensure that Allina Health’s culture is welcoming, supportive and collaborative. Other highlights include: building infrastructure throughout the organization to support this work and to create accountability for achieving progress. For example, Allina Health’s Employee Resource Groups provide opportunities to participate in courageous conversations around topics of inclusion and equity, to volunteer in the community and to attend culturally responsive trainings. Anchoring to Whole Person Care, DEI&B work creates the strategies, plan and systemwide approach to help bring to life Allina Health’s commitment to providing and enhancing a workplace culture where all employees feel safe, respected and empowered to fulfill Allina Health’s mission.

As a provider, Allina Health is dedicated to eliminating health disparities and variations in quality of care, while improving access and consumer experience for all care services. From culturally responsive care training to building capability among staff in patient-facing roles to implementing innovative care models to better meet patient needs, Allina Health’s Health Equity strategy strives to provide equitable, inclusive care for all. The organization also

continues to advocate for investments that create innovative solutions to achieve enduring improvements in access, quality and health outcomes. This includes partnering with policymakers, employers and community advocates to remove barriers to health equity and support the physical and social recovery of South Minneapolis. Allina Health is working with suppliers and businesses who are interested in working with health systems on formalized programs to look at inequities in BIPOC and care with the goal to develop actions and responses. Allina Health continually seeks opportunities to ensure all investments align with the organization's equity principles and values.

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

As part of this work, Allina Health has committed to helping fund the Minnesota Inclusive Growth Fund (MIGF), designed to equip community small businesses and mission-driven small business lenders with the support required to meet the unique rebuilding and recovery needs of the communities they serve. Allina Health also partners with the Local Initiatives Support Corporation, known as LISC, to fund and support projects to revitalize communities and bring great economic opportunity to the community. In addition, Allina Health has committed to MSP Equity Fund and NeighborWorks Home Partners during the first quarter of 2022. Investments will continue to be sourced and funded over the course of the next two to five years, with the potential for growth of the fund over time.

Sustainability efforts. Caring for the environment is critical to ensure good health for Allina Health's patients, employees and community. At Allina Health, environmental sustainability refers both to Allina Health's overall approach and to a collection of efforts and projects occurring across the system and at individual business units to create and maintain a healthy environment. A Sustainability Steering Committee is working on an environmental sustainability strategic plan as well as working with staff members on energy and waste reduction efforts. Sustainability efforts have saved Allina Health more than \$1 million annually.

Allina Health is proud to be part of The Health Care Climate Challenge alongside 300 participants representing more than 28,000 hospitals and health centers in 42 countries to reduce health care's carbon footprint, prepare for the impacts of extreme weather and educate staff and the community about climate and health. Sustainability is also being considered through Allina Health's commitment to Leadership in Energy and Environmental Design (LEED) certification for major new construction projects, including the newly approved Surgical and Critical Care Pavilion. See "Other Recent Initiatives and Developments – Abbott Northwestern Hospital Infrastructure Updates" below.

Practice Greenhealth, a national organization for environmental sustainability within health care, recognized Allina Health two years running for organizational efforts to reduce gas emissions, implementation of climate resilient infrastructures and advocating for healthy communities. In 2022, Practice Greenhealth recognized 10 Allina Health hospital campuses as **Partners in Change** or **Partners** for commitment to environmental sustainability. See "Awards and recognition" below.

Workforce Planning

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

Workforce planning is an essential part of Allina Health's strategic plan to ensure the delivery of Whole Person Care for generations to come. Allina Health is engaging in numerous initiatives to support the organization's workforce retention and recruitment both in the near term as well as the long term. In the near term, Allina Health has established

century standards, with more reliable, energy-efficient technology. This undertaking will improve the way the hospital heats and cools its buildings and sterilizes surgical instruments.

Construction is nearing completion for the MacMillan Education and Conference Center, a \$12 million addition to the Tenth Avenue Facility that will serve meeting, conference and educational needs for the entire Allina Health system. Allina Health is also working with community members and organizations to identify how this space may benefit the community.

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

New Facilities in Cambridge

In December 2021, the Allina Health Board of Directors approved plans for state-of-the-art facilities to replace Cambridge Medical Center and redefine care in the community. The new facilities, which will include a hospital and clinic, will feature inpatient beds, an Emergency Department, operating rooms and expanded outpatient services. The plans include significant investments in outpatient mental health and addiction services, in response to a recent Community Health Needs Assessment for the Cambridge community that cited mental health and addiction care as the highest need. The new facility will be a hub of innovation for how to best deliver care based on the needs of the community, including bringing more specialty services closer to home.

The facilities will be located between Highway 65 and Xylite Street Northeast, about two miles from Cambridge Medical Center’s current location. The design process is currently underway.

Center for Integrated Mental Health and Addiction Care

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

Acquisition and renovation of the building that will become the Center for Integrated Mental Health and Addiction Care will be fully funded through a robust capital campaign led by Allina Health’s Philanthropy team. Renovations to the building are expected to begin in 2023, with an anticipated opening in early 2024.

Expanding Outpatient Services in the South Metro

Allina Health plans to transform outpatient care options in the south metro with a new multi-specialty center and primary care clinic in the rapidly growing city of Lakeville. Additionally, Allina Health expanded services at Allina Health Apple Valley Clinic and opened Allina Health Savage Urgent Care in March 2022. In total, these investments will add more than 100,000 square feet of new health care real estate to the area and dramatically increase access to primary and complex specialty care.

The new multi-specialty center will bring the full Allina Health ambulatory platform to the south metro, including more than 20 specialties, such as orthopedics, oncology, women’s health and cardiology, as well as an ambulatory surgery center. See “Allina Health Ambulatory Surgery Center Strategy.” The multi-specialty center and primary care clinic are expected to open in late 2023.

Allina Health Cancer Institute

Allina Health has committed substantial operational and capital resources to launch a novel organizational construct, fashioned after larger “hybrid” community and National Cancer Institute designated cancer centers. This Institute model is expected to enable Allina Health to align systemwide incentives, management responsibilities and decision making under a central function, with appropriate involvement from partners in this clinical service line. The Institute model, in addition to offering an expanded suite of oncology services, reflects Allina Health’s commitment to prevention and detection, clinical innovation and research partnership, substantial emphasis on tumor-specific specialization, the importance of physician alignment and the array of people and processes needed to deliver Whole Person Care. The model also reflects how a diverse and complex condition is managed across a network – balancing the programs that need to be concentrated and those that can be delivered close to home with equivalent quality. Allina Health expects that the Institute’s network will span the full care continuum and open opportunities for growth and collaboration that are expected to create enriching professional opportunities, highly distributed access for patients and top-decile clinical and experiential outcomes for Allina Health’s community.

A component of Allina Health Cancer Institute is a comprehensive breast center, which opened in the Mercy Hospital Specialty Center in April 2021. The first of its kind in the north metro area, the comprehensive breast cancer care program follows a multidisciplinary care model that aligns with the Piper Breast Centers at Abbott Northwestern and United hospitals. The Piper Breast Center Mercy Hospital includes state-of-the-art screening, diagnostics and treatment for breast cancer, as well as breast cancer education, genetic counseling and high-risk breast cancer programs and includes the radiologist, oncology surgeon and medical oncologists all in one setting. Allina Health’s multidisciplinary breast centers are also located at its other comprehensive cancer sites at Abbott Northwestern and United hospitals, and treatment is available at infusion centers located throughout the community.

Allina Health appointed Badrinath Konety, MD, as president of Allina Health Cancer Institute, overseeing the oncology programs and leadership teams, providing direction and collaboration for oncology-related innovation, research, philanthropy and the multidisciplinary nature of cancer care for all patients Allina Health serves.

Allina Health Ambulatory Surgery Center Strategy

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



In January 2020, Allina Health announced a joint venture with SCA Health to jointly own and for SCA Health to run the operations of ambulatory surgery centers across the Allina Health service area. In addition to management of the centers, SCA Health will be a strategic partner to Allina Health in order to become the market share leader in the surgery center space throughout the Twin Cities. SCA Health is a nationally renowned group with a network of more than 250 ambulatory surgery centers performing more than one million procedures per year. In 2020, the joint venture acquired three ambulatory surgery centers in addition to transitioning management for two existing centers in Edina and Plymouth. That acquisition brought the total to five surgery centers in the Allina Health system. In 2021, Allina

Health announced two additional surgery centers in Brooklyn Park and Edina. The Brooklyn Park ASC is the first de novo multi-specialty site with more than 18,000 square feet and five operating rooms, and it opened in June 2022. In September 2022, Allina Health introduced a first-to-market ambulatory surgery center in Edina focused on cardiovascular procedures performed by Minneapolis Heart Institute physicians. Allina Health also announced plans for further ASC expansion with a de novo site build in Lakeville. The multi-specialty center is scheduled to open in late 2023 as part of a broader Allina Health expansion into the south market. The Lakeville location will bring the total portfolio to eight surgery centers.

Allina Health Neuroscience, Spine and Pain Institute

Allina Health is investing in specialized neuroscience, spine and pain care with the implementation of an institute model. The institute model aligns, coordinates and builds upon the extensive talent, resources and clinical programs within Allina Health today. The Institute will deliver seamless neuroscience and spine care across Allina Health's geographic regions while creating focused sub-specialty programs at metro hospitals with the most high-tech and quaternary care based out of Abbott Northwestern Hospital.

Sanjay Pratap Singh, MD, FAAN, FANA, joined the organization in December as President of the Allina Health Neuroscience, Spine and Pain Institute. Dr. Singh will advance a fully integrated and comprehensive model of specialized care that guides the strategic alignment of the neurological care spectrum systemwide. He is developing enhanced relationships with key care providers to shape the overall clinical strategy of the Neuroscience, Spine and Pain Institute across the region.

Dr. Singh joins us from Creighton University School of Medicine, where he served as professor and chairman since 2010. He also served as Director of the Neurological Institute at CHI Health; Executive Medical Director of the Neuroscience Service Line at CHI Health; Director, CHI Health – Creighton University Epilepsy Center; and a member of the board of directors for the CHI Health Clinic.

Strategic collaboration with Owens & Minor

In August 2022, Allina Health announced an expanded partnership with Owens & Minor, a leading global health care solutions company, to create a unique integrated service model for supply chain resiliency. At the heart of the model is an integrated service center that will serve as the hub and central command for supply chain operations, combining communications, fulfillment, inventory management and distribution into an end-to-end solution built specifically for the needs of Allina Health's hospital and clinical care network, including its 6,000 associated and employed physicians. Deepening this relationship ensures Allina Health's providers and clinical staff have the products they need when they need them.

Minnesota Nurses Association 2022 Labor Negotiations

Allina Health and the Minnesota Nurses Association completed extended negotiations for contracts covering nurses at Abbott Northwestern, Mercy and United hospitals in December 2022. The union engaged in a three-day strike Sept. 12-15, 2022. All hospitals remained open and fully staffed during the strike. The financial impact is discussed in more detail in the management discussion and analysis section of the financial disclosure.

Allina Health Foundation

In April 2022, Allina Health aligned the organization's philanthropic strategy by creating a unified Allina Health Foundation. The Allina Health Foundation unites 12 independent foundations into one combined body, creating a seamless philanthropic experience that mirrors a seamless care delivery experience. The core focus of the Allina Health Foundation is to unite our fundraising strategy with the organization's overall strategic direction. This allows us to raise more philanthropic support and to focus the organization's fundraising on key priorities like the Center for Integrated Mental Health and Addiction Care, Allina Health Cancer Institute and Abbott Northwestern Hospital campus revitalization, while continuing to support all business units.

Changes to the Obligated Group

In December 2022, Allina Health undertook a disposition of its clinic operations and assets, establishing Allina Health Clinics, LLC, an entity of which Allina Health is the sole member. This disposition supported the organization's alignment with health care credit best practices, allowing Allina Health to continue to invest in people and technology that enables Whole Person Care. Allina Health Clinics, LLC, is not a member of the Obligated Group. The disposition resulted in no changes in operations of the clinics.

Credit Ratings

In December 2022, Moody's Investor Services updated Allina Health's bond rating to A1. The outlook is stable. In October 2022, Fitch Ratings affirmed Allina Health's bond rating of AA-. The outlook is stable. In December 2022, Standard & Poor's Ratings Services affirmed the AA- rating of Allina Health. The outlook is negative.

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

Management Personnel

Following are the Executive Leadership Team members and their biographies (as of Jan. 31, 2023):



Lisa Shannon (57) – *President and Chief Executive Officer*. Lisa Shannon has responsibility for Allina Health's hospitals, primary and specialty care divisions and information services. In her role, Ms. Shannon helps drive exceptional clinical, operational and financial performance, so that Allina Health can deliver quality, affordable care to the communities it serves. The Allina Health Board of Directors has appointed Ms. Shannon as the successor to Dr. Penny Wheeler as Chief Executive Officer as of January 1, 2022. Prior to Allina Health, Ms. Shannon served as president, Health System Delivery, for KentuckyOne Health, Kentucky's largest integrated health system. Before joining KentuckyOne Health, Ms. Shannon served in several executive leadership roles at Spectrum Health in Grand Rapids, Michigan, including three years as Chief Operating Officer. Ms. Shannon began her career as a clinical dietitian at The Community Hospital in Springfield, Ohio, and spent 10 years at OhioHealth Corporation in Columbus, rising to vice president of ambulatory services. She is a graduate of Bowling Green State University in Ohio, and earned a Master's of Business Administration from Franklin University in Columbus, Ohio. Ms. Shannon places a great deal of value on community engagement. She currently serves on the Board of the Greater Twin Cities United Way and the University of St. Thomas Opus College of Business Strategic Board of Advisors.



Richard Magnuson (60) – *Executive Vice President, Chief Financial Officer*. Mr. Magnuson was appointed Chief Financial Officer in January 2017. He is responsible for ensuring that Allina Health resources are deployed properly to enhance the quality, safety and effectiveness of the care Allina Health provides to its patients and communities. Prior to joining Allina Health, Mr. Magnuson was the Chief Financial Officer of City of Hope, based in California. Mr. Magnuson previously held various finance and executive positions with Group Health in Seattle, Washington, and Fletcher Allen Health Care in Burlington, Vermont. Mr. Magnuson also served Allina Health from 1987 to 2004 in a variety of financial leadership roles. In addition to Finance, Mr. Magnuson also has operational responsibility for Payer Relations and Contracting, Supply Chain Management and Revenue Cycle Management. In 2019, Mr. Magnuson was recognized by Minneapolis/St. Paul Business Journal as CFO of the Year for his work in helping streamline and improve the financial position of Allina Health. He earned his bachelor's degree at Augsburg College in Minneapolis in accounting and finance and his master's degree at the University of St. Thomas in Minneapolis.



Elizabeth Truesdell Smith (59) – *Senior Vice President, General Counsel and Secretary to the Allina Health Board of Directors.* Elizabeth Truesdell Smith is senior vice president, general counsel and secretary to the Allina Health Board of Directors. Ms. Truesdell Smith has been practicing law for more than two decades and has served as in-house counsel for Allina Health since December 2000. As general counsel, Ms. Truesdell Smith serves on the Executive Leadership Team and is the chief legal advisor to the health system and all of its operating units, subsidiaries, employees, boards and constituents. She also is the senior executive responsible for system clinical risk management and all insurance programs. Prior to her appointment as general counsel, she held the position of vice president of the Allina Health Law Department medical-legal team. Before joining Allina Health, Ms. Truesdell Smith practiced as a trial lawyer for eight years with a focus on hospital and health law, medical professional liability and medical products liability litigation defense. Ms. Truesdell Smith received her juris doctor from the University of Minnesota Law School in 1992 after earning a master's degree in public health with a health law and bioethics concentration from Boston University School of Public Health in 1989.



Sara J. Criger (61) – *Senior Vice President, Allina Health Operations.* Leading Acute Care Services, Sara Criger provides executive leadership support to Allina Health hospitals and key clinical service areas throughout the Allina Health system including Allina Health Emergency Medical Services and the Mental Health and Addiction Services Clinical Service Line. Prior to joining Allina Health in 2012, Ms. Criger held the position of vice president, HealthEast Care System, and CEO, St. Joseph's Hospital, where she also led HealthEast system responsibilities for cardiovascular, neurosciences and mental health service lines, as well as HealthEast Medical Laboratories and Hospice Care. Ms. Criger held several leadership positions during a 16-year career at Fairview Health Services, including vice president of ambulatory services, University of Minnesota Medical Center, Fairview, and president of Fairview Ridges Hospital and Clinics.

An active member of the community, Ms. Criger recently served as the Chair of the Minnesota Hospital Association Board of Directors and Executive Committee, and is the immediate past chair of the Life Source Board of Directors and Executive Committee. Ms. Criger holds a bachelor's degree in business administration from Western Connecticut State University and a master's degree in health services administration from the University of St. Francis in Illinois.



Christine Moore (53) – *Executive Vice President, Chief Human Resource Officer and Administrative Officer.* Christine Moore leads the Human Resources, Philanthropy, DEI&B, Marketing, Internal Communications, Public Affairs and Community Benefit and Engagement functions of Allina Health and is accountable for the organization's human resources and people strategies, which are critical to building and sustaining an engaged workforce committed to exceptional care and service. Prior to joining Allina Health in 2015, Ms. Moore served as an executive HR leader at Ecolab and Best Buy. She began her career at a management consulting agency. Ms. Moore earned a bachelor's degree in economics from Scripps College in Claremont, California, and she received her PhD in Organizational Psychology from Claremont Graduate University. She is on the board of the Montessori Center of Minnesota and the board of St. Catherine University.



Jonathan Shoemaker (52) – *Senior Vice President, Allina Health Operations and Chief Integration Officer.* In his recently expanded role, Jonathan Shoemaker has responsibility for Allina Health's delivery of seamless caregiver and patient experience, with accountability for information services, health information management, clinical engineering services, the Customer Experience Center, consumer insights and consumer research. Mr. Shoemaker joined Allina Health in 2005. His tenure with Allina Health has included driving the strategies and implementation of major technologies that help improve the delivery of care. These include Allina Health's electronic health records and health information exchange systems, as well as products for anesthesia, radiology, lab and hospice that make these areas of health care run more efficiently. Mr. Shoemaker has served as the committee chair for the State of Minnesota Standards and Interoperability Committee and currently serves on Minnesota's eHealth Advisory Committee representing large hospitals. Prior to joining Allina Health, Mr. Shoemaker held information services roles within hospital and

ambulatory settings. He also worked with a national consulting firm focusing on information technology.



Sarah Kleaveland Kupczak (59) – *Senior Vice President, Chief Compliance Officer*. As Chief Compliance Officer, Sarah Kleaveland Kupczak provides overall direction for the Allina Health Compliance, Privacy, Audit, Enterprise Risk Management and Human Research Projection Programs. Ms. Kleaveland Kupczak joined Allina Health in January 2020. Before joining Allina Health, she was the Regional Compliance Officer at Ascension, leading, developing and evolving the compliance function. Prior to this role, Ms. Kleaveland Kupczak held leadership positions at Wheaton Franciscan Healthcare as the Vice President, Corporate Compliance and Columbia St. Mary’s as Director, Risk and Compliance. Ms. Kleaveland Kupczak has a master’s degree and an ABD in Economics from the University of Michigan. She earned her law degree from University of Virginia School of Law following bachelor’s degrees in political science and economics at the University of Iowa.



David Slowinske (48) – *Senior Vice President, Allina Health Operations*. Dave Slowinske has the responsibility for system facilities and leads the Growth and Value Delivery performance pillars for Allina Health. He provides leadership support for clinical, operational and financial performance across Allina Health’s ambulatory services that include the Allina Health Medical Group, Allina Health Home and Community Services and the Allina Integrated Medical Network (AIMN). Mr. Slowinske joined Allina Health in 2012 as the Director of Operations for the Penny George Institute for Health and Healing. He also served as Vice President of Operations for Courage Kenny Rehabilitation Institute, orthopedic and spine clinical service lines and the Penny George Institute before moving into the role of Vice President of Operations for Allina Health Group. Mr. Slowinske has extensive experience improving operational performance and culture change within large integrated delivery systems. Prior to joining Allina Health, Mr. Slowinske held leadership roles with HealthPartners, Cardinal Health and Allegiance Healthcare. He has served the community through the American Cancer Society’s Minnesota State Leadership Council, and board of director roles with Westfield Hospital and Axis Healthcare. Mr. Slowinske holds a bachelor’s degree in business administration from Illinois Wesleyan University and a Master of Business Administration from DePaul University Kellstadt Graduate School of Business.



Lawrence Cho (45) – *Senior Vice President, Chief Strategy and Growth Officer*. Lawrence Cho is responsible for advancing and sustaining Allina Health’s innovation, strategic and growth initiatives, while prioritizing accelerating organizational performance. Before joining Allina Health in 2021, Mr. Cho was a member of Mayo Clinic’s executive team. At Mayo Clinic, he held positions of chief operating officer for Mayo Clinic International, where he focused on expanding Mayo’s model of care internationally, and chair of Corporate Development, where he led enterprise-wide strategic partnership and merger & acquisitions initiatives. Prior to joining Mayo Clinic, Mr. Cho held various finance, strategy and business development positions in industry-leading organizations of Medtronic, McKinsey & Company and General Mills. Mr. Cho earned both a bachelor’s degree in neuroscience and economics and a Master of Business Administration from the University of Michigan. Past board memberships include the Make-A-Wish Foundation, Wolverine Venture Fund and Mu Performing Arts.



John Misa, MD (54) – *Vice President, Chief Clinical Officer*. In his current role, Dr. John Misa provides clinical oversight of the Allina Health Group including primary care, surgical and procedural services, Mother/Baby (women’s health) and specialty services, and he serves as the Allina Integrated Medical Network (AIMN) President. Dr. Misa has been with Allina Health since 2019, first serving as the Vice President of Medical Operations for the Allina Health Group. Prior to joining Allina Health, Dr. Misa held various positions with Park Nicollet Health Services, including Senior Medical Director, Primary Care; and as an Internist. Dr. Misa holds a bachelor’s of degree in biology from The John Hopkins University and doctorate in medicine from Stony Brook University Health Sciences Center School of Medicine. He also completed an internal medicine residency at the University Of North Carolina Chapel Hill School of Medicine.



Hsieng Su, MD (55) – *Senior Vice President, Chief Medical Executive*. Dr. Hsieng Su serves as the senior executive responsible for clinical performance and advancing Allina Health’s safety, quality and population health journey. Prior to joining Allina Health in 2021, Dr. Su was at SSM Health-St. Louis as the Regional Chief Medical Officer, where she was an integral part of improving patient care by leading clinical teams across five specialty areas, creating a physician leadership development program, providing leadership to the SSM Health-St. Louis Institutional Review Board and research contracts with the affiliated academic university. She served as a board member of the Accountable Care Organization for the region. Dr. Su spent six years at Aurora St. Luke’s Medical Center in Milwaukee, Wisc., as the Chief Medical Officer prior to her time with SSM Health-St. Louis. Dr. Su holds an undergraduate degree in microbiology from the University of Washington, Seattle; a Master of Business Administration from the University of California, Irvine; earned a Master of Health Care Management from Harvard School of Public Health; and a doctorate of medicine from Georgetown University School of Medicine. She completed her internal medicine residency at Mayo Clinic, finished a preventative medicine fellowship at Mayo Clinic, and completed The Academy, GE Chief Medical Officer fellowship.

System Governance

Allina Health is governed by a single Board of Directors (“Board”) that meets on a quarterly basis and oversees the operations of the entire Allina Health organization. Allina Health’s regional hospitals have boards of trustees, which function in an advisory capacity. Allina Health subsidiaries have separate boards which are subject to the reserved powers of the Allina Health Board.

All directors are elected by the Board, with the exception of the Chief Executive Officer of Allina Health, who serves in an ex-officio role, with the right to vote.

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

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

Awards and Recognition

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

- **IBM Watson/Merative** named Allina Health a **Top 15 Health System** in the nation
- **U.S. News & World Report Best Hospitals** named Abbott Northwestern (#1), Mercy (#6) and United (#4) hospitals best in Twin Cities and Minnesota. Buffalo Hospital was recognized for the second year in pneumonia and for the first time in hip fracture. Also recognized for the first time were New Ulm Medical Center, River Falls Area Hospital and United Hospital – Hastings Regina campus for hip fracture.
- Abbott Northwestern, Mercy and United hospital and St. Francis Regional Medical Center were recognized by the American Heart Association’s Get With The Guidelines®– Stroke program. This is an in-hospital



program for improving stroke care by promoting consistent adherence to the latest scientific treatment guidelines.

- Abbott Northwestern, River Falls and United hospitals, and United Hospital – Hastings Regina Campus earned **Practice Greenhealth Partner for Change** recognition for “... superior performance in environmental sustainability, covering a range of different sustainability programs and activities. Winners have also made substantive progress on mercury elimination.”
- Buffalo Hospital, Cambridge Medical Center, Faribault Medical Center, Mercy Hospital, Owatonna Hospital and St. Francis Regional Medical Center earned **Practice Greenhealth Partner** recognition. “The Partner Recognition Award recognizes facilities that have a commitment to environmental improvements and have achieved progress in several areas of the organization.”

Allina Health System

Consolidated Balance Sheets

(Unaudited)
(Dollars in thousands)

Assets	December 31, 2022	December 31, 2021
Current assets:		
Cash and cash equivalents	\$ 237,047	613,453
Short-term investments	566,059	599,722
Patient accounts receivable	569,976	565,687
Inventories and supplies	105,205	92,784
Other current assets	172,511	148,288
Total current assets	1,650,798	2,019,934
Investments	2,203,099	2,527,402
Investments with limited uses	247,258	362,499
Operating lease right-of-use assets, net	173,140	178,701
Land, buildings, and equipment, net	1,427,289	1,273,891
Other assets	286,342	299,423
Total assets	\$ 5,987,926	6,661,850
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 583,254	583,301
Current portion of long-term debt	30,147	27,293
Current portion of operating lease liabilities	33,338	33,811
Current portion of Medicare Advance Payments	—	212,129
Other current liabilities	127,800	124,109
Total current liabilities	774,539	980,643
Long-term debt	1,583,518	1,609,890
Operating lease liabilities	188,299	161,521
Other liabilities	215,445	298,462
Total liabilities	2,761,801	3,050,516
Net assets:		
Without donor restriction		
Controlling interest	3,005,935	3,404,344
Noncontrolling interest in subsidiaries	25,020	—
Total net assets without donor restrictions	3,030,955	3,404,344
With donor restriction	195,170	206,990
Total net assets	3,226,125	3,611,334
Total liabilities and net assets	\$ 5,987,926	6,661,850

See accompanying notes to consolidated financial statements.

Allina Health System

Consolidated Statements of Operations and Changes in Net Assets

(Unaudited)
(Dollars in thousands)

	December 31, 2022	December 31, 2021	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021
Revenues:				
Patient service revenue	\$ 4,532,330	4,469,730	1,201,481	1,169,969
Other operating revenue	355,552	389,012	106,308	110,959
Total revenues	<u>4,887,882</u>	<u>4,858,742</u>	<u>1,307,789</u>	<u>1,280,928</u>
Expenses:				
Salaries and benefits	3,192,956	2,964,516	860,032	782,959
Supplies and services	1,208,361	1,144,916	330,394	306,640
Depreciation and amortization	200,270	194,909	51,733	52,250
Financing costs	57,504	47,196	15,268	12,996
State assessments and taxes	93,930	85,093	31,087	26,693
Utilities and maintenance	92,411	87,886	25,590	25,391
Other operating expenses	211,038	205,460	52,958	52,834
Total expenses	<u>5,056,470</u>	<u>4,729,976</u>	<u>1,367,062</u>	<u>1,259,763</u>
Operating income (loss) before strike expenses	(168,588)	128,766	(59,273)	21,165
Strike expenses	26,787	—	3,976	—
Operating income (loss)	<u>(195,375)</u>	<u>128,766</u>	<u>(63,249)</u>	<u>21,165</u>
Nonoperating gains (losses):				
Investment return	(223,225)	246,068	110,735	76,722
Gain (loss) on interest rate swap agreements	37,786	8,827	491	247
Nonservice periodic pension gains (losses)	7,825	3,684	7,825	3,684
Other	(5,109)	(6,290)	(1,976)	(1,789)
Excess (deficiency) of revenues over expenses	(378,098)	381,055	53,826	100,029
Less income attributable to noncontrolling interests	(1,449)	—	(1,449)	—
Excess (deficiency) of revenues over expenses - attributable to controlling interests	<u>\$ (379,547)</u>	<u>381,055</u>	<u>52,377</u>	<u>100,029</u>

Allina Health System

Consolidated Statements of Operations and Changes in Net Assets

(Unaudited)
(Dollars in thousands)

	December 31, 2022	December 31, 2021	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021
Net assets without donor restrictions, controlling interest:				
Excess (deficiency) of revenues over expenses	\$ (379,547)	381,055	52,377	100,028
Net assets released from restrictions for capital purposes	1,418	6,157	209	2,992
Amortization of unrealized loss on interest rate swap agreement	583	874	—	219
Other	(20,863)	23,233	(22,359)	3,949
(Decrease) increase in net assets without donor restrictions	(398,409)	411,319	30,227	107,188
Net assets without donor restrictions, noncontrolling interest:				
Excess (deficiency) of revenues over expenses	1,449	—	1,449	—
Distributions to noncontrolling interests	(2,232)	—	(2,232)	—
Other	25,803	—	25,803	—
(Decrease) increase in net assets without donor restrictions, noncontrolling interest	25,020	—	25,020	—
Net assets with donor restrictions:				
Contributions	18,520	26,562	10,251	12,709
Investment return	(12,493)	16,686	5,227	3,098
Net assets released from restrictions	(17,255)	(22,947)	(6,602)	(14,953)
Other	(592)	(13)	(679)	(325)
(Decrease) increase in net assets with donor restrictions	(11,820)	20,288	8,197	529
(Decrease) increase in net assets	(385,209)	431,607	63,444	107,717
Net assets at beginning of year	3,611,334	3,179,727	3,162,681	3,503,617
Net assets at end of year	\$ 3,226,125	3,611,334	3,226,125	3,611,334

See accompanying notes to consolidated financial statements.

Allina Health System

Consolidated Statement of Cash Flows

(Unaudited)
(Dollars in thousands)

	December 31, 2022	December 31, 2021
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (385,209)	431,607
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	200,270	194,909
Gain on sale of land, buildings, and equipment	(2,664)	(16,304)
Change in fair value of interest rate swaps	(47,294)	(21,549)
Realized and change in unrealized gains on investments, net	292,648	(223,605)
Restricted contributions including cash for long-lived assets	(18,520)	(26,551)
Earnings on unconsolidated entities	(7,315)	(13,635)
Distribution to noncontrolling interest	2,232	—
Distributions received from unconsolidated entities	3,385	5,693
Changes in assets and liabilities:		
Medicare Advance Payments	(212,129)	(115,159)
Patient accounts receivable and other current assets	(41,242)	(46,442)
Accounts payable and accrued expenses and other current liabilities	3,644	78,051
Other assets and liabilities	44,790	(67,793)
Net cash and cash equivalents (used in) provided by operating activities	<u>(167,404)</u>	<u>179,222</u>
Cash flows from investing activities:		
Proceeds from sales of land, buildings, and equipment	217	25,037
Purchases of land, buildings, and equipment	(351,221)	(188,967)
Contributions of cash for long-lived assets	690	11
Sales (purchases) of investments	180,559	(459,334)
Investment in joint ventures	(35,805)	(5,989)
Net cash and cash equivalents used in investing activities	<u>(205,560)</u>	<u>(629,242)</u>
Cash flows from financing activities:		
Restricted contributions, net	19,010	26,669
Change in outstanding checks payable	—	(27,905)
Distributions to noncontrolling interests	(2,232)	—
Payments of short-term debt and lines of credit draws	—	(100,000)
Proceeds from issuance of long-term debt, including premium	6,634	503,539
Payment of deferred debt acquisition costs	—	(12,929)
Refinancing and principal payments of long-term debt	(26,854)	(24,410)
Net cash and cash equivalents provided by (used in) financing activities	<u>(3,442)</u>	<u>364,964</u>
(Decrease) increase in cash and cash equivalents	(376,406)	(85,056)
Cash and cash equivalents at beginning of year	<u>613,453</u>	<u>698,509</u>
Cash and cash equivalents at end of year	<u>\$ 237,047</u>	<u>613,453</u>

See accompanying notes to consolidated financial statements.

Allina Health System

Abridged Notes to the Consolidated Financial Statements

Twelve Months Ended December 31, 2022 and 2021

(Unaudited)

(Dollars in thousands)

1. Patient Revenue and Accounts Receivable

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

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

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

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

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

Settlements with third-party payers for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care.

These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known, or as years are settled or are no longer subject to such audits, reviews, and investigations. Allina Health utilizes a process to identify and appeal certain settlements by government payers. Additional reimbursement is recorded in the year the appeal is successful.

Generally patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. Allina Health also provides service to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. Allina Health estimates

the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

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

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

2. Fair Value Disclosures

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

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

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

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

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

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

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

Allina Health's financial assets and liabilities that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at December 31, 2022, as displayed in the table below. Certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table

The Emerging Markets Equity Fund category includes funds that invest in emerging market equities. The net asset value of the fund has been estimated using the net asset value per share of the investments. The funds provide full disclosure of the underlying holdings.

The Global Equity Fund category includes a fund that invests in global equities. The net asset value of the fund has been estimated using the net asset value per share of the investment. The fund provides full disclosure of the underlying holdings.

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

Equity Long/Short Hedge Funds include investments in hedge funds that invest both long and short in primarily U.S. and global common stocks through a hedge funds structure. This category also includes a market neutral hedge fund and option writing strategy. The value of the investments in this category has been estimated using the net asset value per share of the investments.

The Emerging Market Debt Fund is an investment in a fund that invests in emerging market debt. The net asset value of the fund has been estimated using the net asset value per share of the investment.

Opportunistic Fixed Income Hedge Funds include investments in strategic fixed income and distressed debt hedge fund managers. These managers have the ability to invest across the capital structure and around the globe. The value of the investments in this category has been estimated using the net asset value per share of the investment.

3. Derivative Instruments

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

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

The following tables provide details regarding Allina Health's fair value of the derivative instruments:

Fixed Payer Interest Rate Swaps						
Swap	Balance Sheet Location	Fair Value Liability	Notional Outstanding	Rate Paid	Rate Received	Counterparty
2009B & C	Other liabilities	12,885	123,394	3.73%	% of Libor	JP Morgan
2009B & C	Other liabilities	4,312	41,131	3.74%	% of Libor	Wells Fargo
2007C	Other liabilities	7,147	114,475	3.58%	% of Libor	US Bank
2001	Other liabilities	5,208	44,460	5.17%	SIFMA	Goldman Sachs
Total		\$ 29,552	\$ 323,460			

As of December 31, 2022, Allina Health had no collateral posted related to the swaps.

Fair value swap valuations require non-performance risk (i.e., credit risk) to be included in the valuation. Non-performance risk is defined as the risk that the obligation will not be fulfilled and affects the value at which the liability is transferred. This non-performance risk is determined by adjusting the discounting rate by a credit spread as of the reporting date. The addition of the credit spread to the discounting rate reduces the reported liability. The fair value reported liability of the swaps is approximately \$1,409 less than the mark-to-market valuations.

The following table provides details regarding the gains and (losses) from Allina Health's derivative instruments in the consolidated statements of operations, none of which are currently designated as hedging instruments. The 1998A swap was designated as a hedging instrument until December 31, 2008.

Allina Health holds three outstanding interest rate swaps that are payable based on the London Interbank Overnight Rate ("LIBOR"), which is an interbank offered rate. The entities that regulate and supervise the publication of LIBOR have announced their intent to cease publication of one-week and two-month U.S. Dollar LIBOR tenors after December 31, 2021 and all other U.S. Dollar LIBOR tenors after June 30, 2023.

International Swaps and Derivatives Association, Inc. published the 2020 Interbank Offered Rate Fallbacks Protocol in October 2020, to which Allina Health adhered in September 2022, effectively replacing LIBOR in its interest rate swaps with a comparable market rate plus a spread to be determined when LIBOR is no longer published.

	Amount of gain (loss) on change in fair value recognized as non-operating: interest rate swap agreements		Amount of loss reclassified from unrestricted net assets into revenues over expenses as non-operating: interest rate swap agreements		Amount of interest paid to counterparty recognized as non-operating: interest rate swap agreements		Totals	
	Twelve Months ended Dec, 31		Twelve Months ended Dec, 31		Twelve Months ended Dec, 31		Twelve Months ended Dec, 31	
	2022	2021	2022	2021	2022	2021	2022	2021
2009 B&C	\$ 25,852	\$ 10,553	\$ -	\$ -	\$ (4,117)	\$ (5,448)	\$ 21,735	\$ 5,105
2007C	13,728	6,677	-	-	(2,790)	(3,782)	10,938	2,895
2001	7,654	4,125	-	-	(1,963)	(2,394)	5,691	1,731
1998A	60	194	(583)	(874)	(55)	(224)	(578)	(904)
	<u>\$ 47,294</u>	<u>\$ 21,549</u>	<u>\$ (583)</u>	<u>\$ (874)</u>	<u>\$ (8,925)</u>	<u>\$ (11,848)</u>	<u>\$ 37,786</u>	<u>\$ 8,827</u>
	Amount of gain (loss) on change in fair value recognized as non-operating: interest rate swap agreements		Amount of loss reclassified from unrestricted net assets into revenues over expenses as non-operating: interest rate swap agreements		Amount of interest paid to counterparty recognized as non-operating: interest rate swap agreements		Totals	
	Three months ended Dec 31		Three months ended Dec 31		Three months ended Dec 31		Three months ended Dec 31	
	2022	2021	2022	2021	2022	2021	2022	2021
2009 B&C	\$ 733	\$ 1,134	\$ -	\$ -	\$ (589)	\$ (1,367)	\$ 144	\$ (233)
2007C	433	1,192	-	-	(383)	(950)	50	242
2001	588	1,056	-	-	(291)	(590)	297	466
1998A	-	28	-	(218)	-	(38)	-	(228)
	<u>\$ 1,754</u>	<u>\$ 3,410</u>	<u>\$ -</u>	<u>\$ (218)</u>	<u>\$ (1,263)</u>	<u>\$ (2,945)</u>	<u>\$ 491</u>	<u>\$ 247</u>

4. Contingencies and Litigation

Allina Health is, from time to time, a defendant in various lawsuits arising in the ordinary course of business. Although the outcome of these lawsuits cannot be predicted with certainty, Allina Health believes the ultimate disposition of such lawsuits will not have a material adverse effect on Allina Health's financial condition.

Allina Health operates a Medicare and Medicaid billing compliance program designed to foster a culture that promotes prevention, detection and resolution of billing errors. It is a comprehensive program of policies, documentation, education, monitoring, reporting and enforcement designed to ensure to the maximum extent possible that claims submitted on behalf of the organization are accurate and supported by reliable documentation. The goal of Allina Health's compliance programs is to minimize the level of error and facilitate correction of errors as soon as they are detected. Detection of such errors may result in disclosures to various regulatory agencies from time to time, the outcomes of which cannot be predicted with certainty. It is possible that such disclosures could result in allegations of noncompliance with certain health care laws, which could ultimately involve material payments, fines and penalties. Nonetheless, management believes that these programs are functioning well and that they continuously improve Allina Health's compliance with billing requirements.

5. Subsequent Events

Allina Health has evaluated subsequent events from the consolidated balance sheet date through February 14, 2023, the date at which the consolidated financial statements were distributed, and other than disclosed below, determined there are no other items to disclose.

Allina Obligated Group

Combined Balance Sheets

(Unaudited)
(Dollars in thousands)

Assets	December 31, 2022	December 31, 2021
Current assets:		
Cash and cash equivalents	\$ 212,923	593,215
Short-term investments	566,059	599,722
Patient accounts receivable	483,930	557,438
Inventories and supplies	104,435	92,775
Other current assets	135,166	121,739
Total current assets	<u>1,502,513</u>	<u>1,964,889</u>
Investments	2,139,597	2,467,100
Investments with limited uses	78,491	179,255
Beneficial interests in net assets of Allina Foundations	223,059	233,184
Operating lease right-of-use assets, net	94,531	171,874
Land, buildings, and equipment, net	1,272,906	1,265,610
Other assets	147,356	169,910
Total assets	<u>\$ 5,458,453</u>	<u>6,451,822</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 494,599	552,871
Current portion of long-term debt	28,045	25,251
Current portion of operating lease liabilities	16,298	32,167
Current portion of Medicare Advance Payments	—	212,129
Other current liabilities	127,800	124,109
Total current liabilities	<u>666,742</u>	<u>946,527</u>
Long-term debt	1,578,315	1,609,637
Operating lease liabilities	108,847	156,883
Other liabilities	144,524	226,738
Total liabilities	<u>2,498,428</u>	<u>2,939,785</u>
Net assets:		
Without donor restriction	2,727,528	3,269,208
With donor restriction	232,497	242,829
Total net assets	<u>2,960,025</u>	<u>3,512,037</u>
Total liabilities and net assets	<u>\$ 5,458,453</u>	<u>6,451,822</u>

See accompanying notes to consolidated financial statements.

Allina Obligated Group

Combined Statements of Operations and Changes in Net Assets

(Unaudited)
(Dollars in thousands)

	December 31, 2022	December 31, 2021	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021
Revenues:				
Patient service revenue	\$ 4,476,576	4,428,703	1,184,918	1,155,214
Other operating revenue	304,570	350,338	92,662	101,403
Total revenues	<u>4,781,146</u>	<u>4,779,041</u>	<u>1,277,580</u>	<u>1,256,617</u>
Expenses:				
Salaries and benefits	3,166,066	2,942,598	852,298	776,778
Supplies and services	1,185,593	1,124,039	327,129	300,791
Depreciation and amortization	197,205	192,342	50,712	51,604
Financing costs	56,782	46,609	15,023	12,845
Services provided by (to) related divisions	(4,778)	(1,025)	474	965
State assessments and taxes	88,405	84,715	25,667	26,525
Utilities and maintenance	91,637	86,676	25,385	25,112
Other operating expenses	206,288	196,348	56,806	51,597
Total expenses	<u>4,987,198</u>	<u>4,672,302</u>	<u>1,353,494</u>	<u>1,246,217</u>
Operating income (loss) before strike expenses	(206,052)	106,739	(75,914)	10,400
Strike expenses	<u>26,787</u>	<u>—</u>	<u>3,976</u>	<u>—</u>
Operating income (loss)	(232,839)	106,739	(79,890)	10,400
Nonoperating gains (losses):				
Investment return	(216,840)	243,723	111,434	76,326
Gain (loss) on interest rate swap agreements	37,786	8,827	491	247
Nonservice periodic pension gains (losses)	7,825	3,684	7,825	3,684
Other	(4,775)	(5,158)	(1,974)	(1,776)
Excess (deficiency) of revenues over expenses	<u>\$ (408,843)</u>	<u>357,815</u>	<u>37,886</u>	<u>88,881</u>

Allina Obligated Group

Combined Statements of Operations and Changes in Net Assets

(Unaudited)
(Dollars in thousands)

	December 31, 2022	December 31, 2021	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021
Net assets without donor restrictions:				
Excess (deficiency) of revenues over expenses	\$ (408,843)	357,815	37,886	88,881
Net assets released from restrictions for capital purposes	690	6,990	19	3,405
Transfer net assets released to Obligated Group	853	—	203	—
Amortization of unrealized loss on interest rate swap agreement	583	874	—	219
Capital contributions to nonobligated group affiliates, net	16,258	15,503	6,731	(33,388)
Fund balance transfer from Obligated Group, net	(139,329)	—	(139,329)	—
Other	(11,892)	(25,840)	(11,439)	8,067
(Decrease) increase in net assets without donor restrictions	(541,680)	355,342	(105,929)	67,184
Net assets with donor restrictions:				
Contributions	1,335	7,085	585	3,178
Investment return	(226)	262	(226)	262
Net assets released from restrictions	(726)	(6,990)	(55)	(3,405)
Change in beneficial interests in net assets of Allina Foundations	(10,125)	19,931	8,667	705
Other	(590)	—	(677)	—
(Decrease) increase in net assets with donor restrictions	(10,332)	20,288	8,294	740
(Decrease) increase in net assets	(552,012)	375,630	(97,635)	67,924
Net assets at beginning of year	3,512,037	3,136,410	3,057,660	3,444,116
Net assets at end of year	\$ 2,960,025	3,512,040	2,960,025	3,512,040

Allina Health System

Consolidating Balance Sheet

(Unaudited)
(Dollars in thousands)
December 31, 2022

Assets	Obligated Group	Other nonobligated	Eliminations	Allina Health System
Current assets:				
Cash and cash equivalents	\$ 212,923	24,124	—	237,047
Short-term investments	566,059	—	—	566,059
Patient accounts receivable	483,930	86,046	—	569,976
Inventories and supplies	104,435	770	—	105,205
Other current assets	135,166	37,345	—	172,511
Total current assets	1,502,513	148,285	—	1,650,798
Investments	2,139,597	63,502	—	2,203,099
Investments with limited uses	78,491	168,767	—	247,258
Beneficial interests in net assets of Allina Foundations	223,059	—	(223,059)	—
Operating lease right-of-use assets, net	94,531	78,609	—	173,140
Land, buildings, and equipment, net	1,272,906	154,383	—	1,427,289
Other assets	147,356	138,986	—	286,342
Total assets	\$ 5,458,453	752,532	(223,059)	5,987,926
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	\$ 494,599	88,655	—	583,254
Current portion of long-term debt	28,045	2,102	—	30,147
Current portion of operating lease liability	16,298	17,040	—	33,338
Other current liabilities	127,800	—	—	127,800
Total current liabilities	666,742	107,797	—	774,539
Long-term debt	1,578,315	5,203	—	1,583,518
Operating lease liabilities	108,847	79,452	—	188,299
Other liabilities	144,524	70,921	—	215,445
Total liabilities	2,498,428	263,373	—	2,761,801
Net assets:				
Without donor restriction				
Controlling interest	2,727,528	278,407	—	3,005,935
Noncontrolling interest in subsidiaries	—	25,020	—	25,020
Total net assets without donor restrictions	2,727,528	303,427	—	3,030,955
With donor restriction	232,497	185,732	(223,059)	195,170
Total net assets	2,960,025	489,159	(223,059)	3,226,125
Total liabilities and net assets	\$ 5,458,453	752,532	(223,059)	5,987,926

Allina Health System

Consolidating Statement of Operations and Changes in Net Assets

(Unaudited)
(Dollars in thousands)

Twelve Months Ended December 31, 2022

	Obligated Group	Other nonobligated	Eliminations	Allina Health System
Revenues:				
Patient service revenue	\$ 4,476,576	55,754	—	4,532,330
Other operating revenue	304,570	21,188	29,794	355,552
Total revenues	4,781,146	76,942	29,794	4,887,882
Expenses:				
Salaries and benefits	3,166,066	26,890	—	3,192,956
Supplies and services	1,185,593	22,768	—	1,208,361
Depreciation and amortization	197,205	3,065	—	200,270
Financing costs	56,782	722	—	57,504
Services provided by (to) related divisions	(4,778)	(25,016)	29,794	—
State assessments and taxes	88,405	5,525	—	93,930
Utilities and maintenance	91,637	774	—	92,411
Other operating expenses	206,288	4,750	—	211,038
Total expenses	4,987,198	39,478	29,794	5,056,470
Operating income (loss) before strike expenses	(206,052)	37,464	—	(168,588)
Strike expenses	26,787	—	—	26,787
Operating income (loss)	(232,839)	37,464	—	(195,375)
Nonoperating gains (losses):				
Investment return	(216,840)	(6,385)	—	(223,225)
Gain (loss) on interest rate swap agreements	37,786	—	—	37,786
Nonservice periodic pension gains (losses)	7,825	—	—	7,825
Other	(4,775)	(334)	—	(5,109)
Excess (deficiency) of revenues over expenses	(408,843)	30,745	—	(378,098)
Less income attributable to noncontrolling interests	—	(1,449)	—	(1,449)
Excess (deficiency) of revenues over expenses - attributable to controlling interests	\$ (408,843)	29,296	—	(379,547)

Allina Health System

Consolidating Statement of Operations and Changes in Net Assets

(Unaudited)
(Dollars in thousands)

Twelve Months Ended December 31, 2022

	Obligated Group	Other nonobligated	Eliminations	Allina Health System
Net assets without donor restrictions:				
Excess (deficiency) of revenues over expenses	\$ (408,843)	29,296	—	(379,547)
Net assets released from restrictions for capital purposes	690	728	—	1,418
Transfer net assets released to Obligated Group	853	(853)	—	—
Amortization of unrealized loss on interest rate swap agreement	583	—	—	583
Capital contributions to nonobligated group affiliates, net	16,258	(16,258)	—	—
Fund balance transfer from Obligated Group, net	(139,329)	139,329	—	—
Other	(11,892)	(8,971)	—	(20,863)
Decrease in net assets without donor restrictions, controlling interest	(541,680)	143,271	—	(398,409)
Net assets without donor restrictions, noncontrolling interest:				
Excess (deficiency) of revenues over expenses	—	1,449	—	1,449
Distributions to noncontrolling interests	—	(2,232)	—	(2,232)
Other	—	25,803	—	25,803
(Decrease) increase in net assets without donor restrictions, noncontrolling interest	—	25,020	—	25,020
Net assets with donor restrictions:				
Contributions	1,335	17,185	—	18,520
Investment return	(226)	(12,267)	—	(12,493)
Net assets released from restrictions	(726)	(16,529)	—	(17,255)
Change in beneficial interests in net assets of Allina Foundations	(10,125)	—	10,125	—
Other	(590)	(2)	—	(592)
(Decrease) increase in net assets with donor restrictions	(10,332)	(11,613)	10,125	(11,820)
(Decrease) increase in net assets	(552,012)	156,678	10,125	(385,209)
Net assets at beginning of year	3,512,037	332,481	(233,184)	3,611,334
Net assets at end of year	\$ 2,960,025	489,159	(223,059)	3,226,125

Consolidated Utilization

	Twelve Months Ended		
	December 31 2022	December 31 2021	December 31 2020
Hospitals			
Admissions *	89,671	95,229	91,583
Patient Days *	456,680	451,604	407,519
Average length of stay	5.1	4.7	4.4
Observation days	44,255	32,716	27,340
Licensed beds	2,451	2,451	2,451
Staffed beds	1,800	1,775	1,778
Outpatient admissions	1,419,100	1,390,971	1,097,058
Emergency room visits	327,847	310,645	274,592
Inpatient surgical procedures	25,545	26,331	26,291
Outpatient surgical procedures	50,940	55,283	44,628
Ambulatory Surgery Center procedures	10,465	7,850	3,874
Total surgical procedures	86,950	89,464	74,793
Physicians and allied professionals			
Work RVUs	9,938,529	8,852,100	7,395,142
Ambulance transports	97,563	91,756	81,242

*results exclude newborns

Management’s Discussion and Analysis of Results of Operations

Operating Results

Allina Health’s operating margin before strike expenses was -3.4% for the twelve months ended December 31, 2022, compared to 2.7% for the same period in 2021. Operating income before strike expenses decreased by \$297.3 million when compared to the same period in 2021.

Allina Health received and recognized Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) Phase 4 Provider Relief funding of \$16.2 million as other revenue for the twelve months ended December 31, 2022.

In order to continue to serve the care needs of the community, Allina Health incurred \$26.8 million of incremental expenses related to the three-day strike in September called by the Minnesota Nurses Association (“MNA”). Allina Health and the MNA continue to negotiate for a new contract.

Allina Health’s Earnings Before Interest, Depreciation and Amortization and strike expenses (EBIDA) margin was 1.8% for the twelve months ended December 31, 2022, compared to 7.6% for the same period in 2021. Non-operating investment return and interest rate swap unrealized activity were consistent with market conditions.

EARNINGS SUMMARY	ALLINA HEALTH		OBLIGATED GROUP	
	Twelve Months Ended December 31		Twelve Months Ended December 31	
	2022	2021	2022	2021
EBIDA	\$ 85.1	\$ 369.7	\$ 46.2	345.4
Interest income	4.2	1.2	1.8	0.2
Financing costs	(57.5)	(47.2)	(56.8)	(46.6)
Depreciation and amortization	(200.3)	(194.9)	(197.2)	(192.3)
Operating income(loss) before strike exp.	(168.5)	128.8	(206.0)	106.7
Strike expenses	(26.8)	-	(26.8)	-
Operating (loss) income	(195.3)	128.8	(232.8)	106.7
Investment return	(223.2)	246.1	(216.8)	243.7
Interest rate swap agreements	37.8	8.8	37.8	8.8
Non-operating other	2.6	(2.6)	3.0	(1.4)
Excess of revenues over expenses	\$ (378.1)	\$ 381.1	\$ (408.8)	\$ 357.8

Uncompensated Care

Allina Health provides medical care without charge or at reduced cost to patients who live in the communities that it serves through the provision of charity care. Allina Health identifies patients that qualify for charity care based upon certain guidelines related to a patient's ability to pay for services. The Allina Health hospitals provide a discount on billed charges for medically necessary care delivered to patients who are uninsured, underinsured and ineligible for government programs or otherwise medically indigent.

The estimated cost of providing charity care, by applying a cost to charge ratio to charges identified as charity care, for the twelve months ended December 31, 2022, and 2021 were \$13.7 million and \$16.8 million, respectively. The schedule below reflects uncompensated care at gross charges forgone.

UNCOMPENSATED CARE	ALLINA HEALTH	
	Twelve Months Ended December 31	
	2022	2021
Uninsured Discount	\$ 48.4	\$ 42.0
Charity Care Discount	36.5	46.5
Implicit Price Concessions	105.1	98.5
Total Uncompensated Care	<u>\$ 190.0</u>	<u>\$ 187.0</u>
Change	1.6%	
Total Uncompensated Care as a % of Patient Charges before price concessions	1.5%	1.6%

Patient Service Revenue

Allina Health's total revenue increased \$27.2 million, or 0.6% for the twelve months ended December 31, 2022, as compared to 2021. Through December 31, 2022, 38.6% of patient revenue is inpatient revenue, compared to 40.1% in 2021.

PATIENT REVENUE	ALLINA HEALTH		OBLIGATED GROUP	
	Twelve Months Ended December 31		Twelve Months Ended December 31	
	2022	2021	2022	2021
Inpatient	\$ 1,751.2	\$ 1,790.9	\$ 1,750.6	\$ 1,790.1
Change	-2.2%		-2.2%	
Outpatient/Ambulatory	1,610.0	1,529.7	1,558.6	1,498.6
Change	5.2%		4.0%	
Clinic	1,154.8	1,129.9	1,151.6	1,123.7
Change	2.2%		2.5%	
Other patient revenue	16.3	19.3	15.8	16.2
Change	-15.5%		-2.5%	
Total Patient Service Revenue	<u>\$ 4,532.3</u>	<u>\$ 4,469.7</u>	<u>\$ 4,476.6</u>	<u>\$ 4,428.7</u>
Change	1.4%		1.1%	

Managed Care Relationships

Allina Health negotiates and contracts with managed care payers through a centralized payer relations function. Managed care payers accounted for 53% of Allina Health’s total patient service revenues before implicit price concessions for the twelve months ended December 31, 2022. Allina Health’s top three managed care payers comprise 37% of Allina Health’s revenue. Allina Health’s contract with its largest managed care payer (Blue Cross) expires on December 31, 2026. The contracts with Allina Health’s next two largest managed care payers expire on December 31, 2025 and December 31, 2024. Allina Health, separately and in conjunction with managed care payers, continues to redesign clinical processes and to develop evidenced-based guidelines in order to decrease costs and provide the demonstrable improvements in quality required by managed care.

The charts below show that payer mix has remained relatively stable.

ALLINA HEALTH PAYER MIX PERCENTAGE	Patient Revenue	
	December 31	
	2022	2021
Medicare	33.7%	32.6%
Medicaid	11.2	10.6
Contracted Payers	53.3	54.1
Self Pay	1.6	1.7
Other	0.2	1.0
Total	100.0%	100.0%

Volume

Inpatient admissions decreased by 5.8%, while inpatient surgeries decreased 3% for the twelve months ended December 31, 2022 compared to 2021, while observation days increased 35.3%. Total outpatient surgeries decreased 7.9% while outpatient hospital admissions increased 1.1%. Clinic work RVUs increased 12.3%.

VOLUME STATISTICS	ALLINA HEALTH	
	Twelve Months Ended December 31	
	2022	2021
Inpatient Hospital Admissions	89,671	95,229
Inpatient change from prior period	-5.8%	
Observation Days	44,255	32,716
Observation days change from prior period	35.3%	
Outpatient Hospital Admissions	1,419,100	1,390,971
Outpatient change from prior period	2.0%	
Average Length of Stay (days)	5.1	4.7
Hospital Patient Days	456,680	451,604
Patient days change from prior period	1.1%	
Hospital Occupancy (based on staffed beds)	69.5%	69.7%
Inpatient Surgeries	25,545	26,331
Outpatient Surgeries	50,940	55,283
Ambulatory Surgery Center Surgeries	10,465	7,850
Total Surgeries	86,950	89,464
Total surgeries change from prior period	-2.8%	
Clinic Work RVUs	9,938,529	8,852,100
Work RVUs change from prior period	12.3%	
Total Case Mix	1.74	1.72
Medicare Case Mix	2.10	2.08

Market Share

Allina Health continues to hold its market leading position. The following market share data from the Minnesota Hospital Association (MHA) statistical database for the 11 county metropolitan hospital market is updated as of June 30, 2022.

MARKET SHARE STATISTICS	ALLINA HEALTH	
	June 30 2022	December 31 2021
Allina Metro Hospital Inpatient Market Share *	30.8%	31.7%
Change in Total Metro Market Volume**	-3.3%	1.9%
<p>* Hospitals Include: Abbott Northwestern, United, Mercy, Regina and St. Francis</p> <p>** year over year change of the eleven county metro hospital inpatient market volume for the twelve months ending.</p>		

Non-Operating Gains and Losses

Allina Health investments include a diversified portfolio of money market, fixed income, equity, hedge funds, private capital, and real asset investments. The total return on unrestricted long-term investments was -9.4% for the twelve months ended December 31, 2022, consistent with the market conditions for the period. To mitigate changes in interest rates on variable rate debt, Allina Health has entered into fixed-payer swaps, which are marked to market.

NON-OPERATING GAINS & LOSSES	ALLINA HEALTH		OBLIGATED GROUP	
	Twelve Months Ended December 31		Twelve Months Ended December 31	
	2022	2021	2022	2021
Interest and dividends	\$ 54.6	\$ 37.0	\$ 54.3	\$ 37.0
Realized gains on sales of investments	94.9	61.8	94.1	61.2
Unrealized (losses) gains on investments	(372.7)	147.3	(365.2)	145.5
Interest rate swap agreements - fair value	47.3	21.5	47.3	21.5
Interest rate swap agreements - counterparty interest	(9.5)	(12.7)	(9.5)	(12.7)
Other	2.6	(2.6)	3.0	(1.4)
Total non-operating	\$ (182.8)	\$ 252.3	\$ (176.0)	\$ 251.1

Balance Sheet and Cash Flow

Allina Health has available lines of credit with three commercial banks totaling \$150 million. There were no draws on the lines of credit as of December 31, 2022. Allina Health also applied for, and received, funds through the Centers for Medicare & Medicaid Services (CMS) advance payment program in the amount of \$327 million in 2020. CMS began recoupment of the advanced funds in April 2021. Final repayment of the Advanced Medicare Payments occurred in September 2022.

Allina Health had 226 days cash on hand (DCOH) as of December 31, 2022, compared with 301 days at December 31, 2021.

Leverage increased to 34.7% as of December 31, 2022, from 32.5% at December 31, 2021. Cash to debt is 186% as of December 31, 2022, compared to 228% at December 31, 2021.

The historical annual debt service coverage ratio is calculated in accordance with the Master Trust Indenture on a twelve-month look back and adjusted for nonrecurring MNA Strike expenses for December 31, 2022.

Allina Health capital spending was \$327.2 million for the twelve months ended December 31, 2022, compared to capital spending of \$189 million for the same time period in 2021.

BALANCE SHEET & LIQUIDITY STATISTICS	ALLINA HEALTH		OBLIGATED GROUP	
	December 31 2022	December 31 2021	December 31 2022	December 31 2021
Unrestricted cash & investments	\$ 3,006.2	\$ 3,740.6	\$ 2,918.6	\$ 3,660.0
Days cash on hand	226	301	222	298
Total Debt	\$ 1,613.7	\$ 1,637.2	\$ 1,606.4	\$ 1,634.9
Net assets without donor restrictions	\$ 3,031.0	\$ 3,404.3	\$ 2,727.5	\$ 3,269.2
Debt to capitalization *	34.7%	32.5%	37.8%	34.0%
Patient receivables	\$ 570.0	\$ 565.7	\$ 483.9	\$ 557.4
Days revenue in receivables, net	46	46	40	46
Cash to debt	186%	228%	182%	224%
Historical annual debt service coverage **	2.6	5.9	2.2	5.6

*Obligated Group includes Letters of Credit and Surety indebtedness

**Allina Health's Master Trust Indenture allows the calculation of historical annual debt service coverage to be calculated using the three-year average of realized gains on purchases and sales of investments. If calculated using the twelve-month look back of realized gains, the historical annual debt service coverage ratio would be 2.5 and 2.1 as of December 31, 2022 for Allina Health and the Obligated Group, respectively.

Debt and Investment Appendix

Debt Structure

Allina Health holds a mix of both fixed and variable rate long-term debt. The following chart displays the structure, and provides detail regarding credit enhancement and expiration of the credit agreement, if applicable. Allina Health also hedges a portion of its variable rate interest risk through interest rate swaps. The December 31, 2022 valuations are given below, along with the swap rates and counterparties.

Allina Health's current debt structure as of December 31, 2022					
Series	\$ Outstanding	Structure	Maturity	Credit Enhancement	Int. Rate*
2021 Taxable	302,323	Fixed Rate	2051	None	2.90%
2021	167,770	Fixed Rate	2040	None	4.00%
2019 Taxable	300,000	Fixed Rate	2049	None	3.89%
2019	60,510	Fixed Rate	2029	None	5.00%
2017 Taxable	150,000	Fixed Rate	2047	None	4.43%
2017A	69,235	Fixed Rate	2029	None	5.00%
2015 Taxable	250,000	Fixed Rate	2045	None	4.81%
2009B	114,525	Daily VRDB	2035	JP Morgan LOC	3.62%
2009C	50,000	Weekly VRDB	2035	Wells Fargo LOC	3.60%
2007C	114,475	Weekly VRDB	2034	Wells Fargo LOC	3.61%
	<u>\$ 1,578,838</u>	Total Bonds			
Other ***	<u>34,827</u>				
	\$ 1,613,665	Total Debt			
Fixed Rate		\$ 1,299,838	80.6%		
Hedged Variable Rate**		279,000	17.3%	(2009B, 2009C, 2007C)	
Other		<u>34,827</u>	2.1%		
Total		\$ 1,613,665			

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

**There is a \$44,460 notional swap that does not have any underlying associated debt.

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

Allina Health provides liquidity support to its Variable Rate Demand Bonds through the use of bank issued letters of credit. The chart below outlines the termination triggers for ratings downgrades and the term out provisions related to the holding of bank bonds. Allina Health does not currently have any bank bonds, nor has Allina Health ever had bank bonds.

Liquidity Support							
Debt	Liquidity Support	Amount	Expiration	Termination Trigger - Rating	Term-Out Provisions	Counterparty	
2009B	Letter of Credit	\$ 114,525	January 2024	Allina Rating Less Than BBB	3 Year	JP Morgan	
2009C	Letter of Credit	50,000	November 2025	Allina Rating Less Than BBB	3 Year	Wells Fargo	
2007C	Letter of Credit	115,525	November 2025	Allina Rating Less Than BBB	3 Year	Wells Fargo	
		<u>\$ 280,050</u>					

Investment Pools

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

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

Allina Health periodically reviews asset allocation to ensure that the organization is maintaining the appropriate portfolio allocation, consider other asset classes and to address shifts in market expectations. The Investment Committee of the Allina Health Board approved a new asset allocation target in 2021, which is reflected in the following table. The move toward the asset allocation target with the long-term assets will occur over the next few years.

Unrestricted Cash and Investments - Asset Allocation					
Unrestricted Balances	Current Target	12/31/2022		12/31/2021	
Cash and Cash Equivalents		\$	237,047	\$	613,453
Short-Term Fixed Income	15.0%	20.4%	566,059	19.2%	599,722
Long-Term Assets	85.0%	79.6%	2,203,099	80.8%	2,527,402
		100.0%	2,769,158	100.0%	3,127,124
Total Unrestricted Assets		\$	<u>3,006,205</u>	\$	<u>3,740,577</u>
Asset Allocation - Asset Class					
	Current Target Allocation	12/31/2022 % of Long Term Assets	12/31/2022 % Total Unrestricted Investments	12/31/2021 % of Long Term Assets	12/31/2021 % Total Unrestricted Investments
Investment					
Global Equity	36.0%	35.7%	28.4%	35.5%	28.7%
Long/Short Equity Hedge Funds	0.0%	1.2%	1.0%	4.3%	3.5%
Global Fixed Income	46.0%	40.1%	31.9%	39.6%	32.0%
Alternatives	18.0%	22.8%	18.1%	15.2%	12.3%
Real Return	0.0%	0.2%	0.2%	5.4%	4.3%
Total Long-Term	100.0%	100.0%	79.6%	100.0%	80.8%

Summary of Key Financial Ratios

The table below is a summary of key financial ratios.

Indicators	Twelve Months Ended		Year Ended December 31,	
	December 31, 2022	2021	2020	2019
Liquidity Ratios:				
Monthly DCOH*	193	260	247	207
Annual DCOH**	200	282	269	230
Traditional DCOH	226	301	280	239
Days Cash on Hand (Obligated Group)	222	298	279	238
Cash to Debt	186%	228%	274%	227%
Days Revenue in Receivables	46	46	48	47
VRDB Debt (in millions)	\$279	\$280	\$281	\$282
Monthly liquidity to VRDB debt	920%	1154%	1011%	849%
Capital Structure Ratios:				
Historical Coverage Ratio (x) (Obligated Group)	2.2	5.6	4.8	4.7
Cushion Ratio (x) (Obligated Group)	36.6	47.6	40.0	36.7
Leverage (Obligated Group)	37.8%	34.0%	29.6%	31.1%
Leverage	34.7%	32.5%	28.2%	29.7%
Profitability Ratios:				
EBIDA Margin	1.8%	7.6%	4.7%	6.6%
Operating Margin	-3.4%	2.7%	-0.8%	1.4%
Net Income Margin	-8.0%	7.8%	1.7%	6.8%
Revenue Growth	0.6%	14.5%	-2.4%	2.3%

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

* Days cash on hand available within 0 – 30 days

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