

The Courage to Change Healthcare.™

Earnings Call Summary

Hospitals Edition—Q3 2024

November 14, 2024



A Siemens Healthineers Company

About the Earnings Call Summary

ECG has reviewed and summarized publicly traded hospital operators' earnings reports and call transcripts to highlight key industry trends and quarterly performance metrics.



Ardent Health Partners (ARDT) owns and operates a network of hospitals and clinics in the US.



Community Health Systems (CYH) owns, leases, and operates 71 general acute care hospitals and more than 1,000 other sites of care in the US.



HCA Healthcare owns and operates hospitals and related healthcare entities in the US. It operates general and acute care hospitals and outpatient healthcare facilities that offer medical and surgical services.



Tenet Healthcare Corporation (THC) operates as a diversified healthcare services company in the US. The company primarily serves two segments: (1) Hospital operations and services and (2) ambulatory care. It operates hospitals, ambulatory surgery centers, imaging centers, and surgical hospitals.



Universal Health Services (UHS) owns and operates 27 inpatient acute care hospitals, 333 inpatient behavioral health facilities, and a broad network of outpatient care facilities in 39 US states.

Notable Trends: Q3 2024

Organizations continue to experience robust demand for services, alongside decreasing contract labor and premium pay costs.

Revenue and EBITDA Growth

- Overall, organizations with favorable revenue and EBITDA figures attributed improved performance to continued demand for services, higher acuity levels, improved operational methodologies, and favorable payer mix results.
- Payer denials continue to put pressure on hospital systems across the country. Each organization noted a ramp-up in denials; however, there was not a material financial impact. Hospitals have noted that Medicare Advantage is the main contributor to insurance denials.
- Each organization noted that effective cost controls on premium pay and contract labor contributed to favorable profitability performance.

Labor and Workforce Management

- All organizations noted that contract labor-related expenses saw a dramatic decrease year over year. Each organization has mentioned that labor costs are “stabilizing” in the industry.
- Organizations have mentioned that wage inflation has stabilized. What was once a headwind is now subsiding and allowing for margin recovery.

Other Key Trends

- **Investment**
Expanded facility capacity and investments in de novo outpatient and ambulatory care offerings make up the main growth initiatives for each organization. Hospitals, surgery centers, and freestanding EDs continue to be of interest as investment opportunities.
- **Technology Enhancements**
AI and other future technologies are creating a path for each organization to realize greater operational efficiencies, such as optimizing labor efficiencies and improving scheduling for staff.

Q3 2024 Healthcare Mergers and Acquisitions (M&A) Activity



- Entered into an agreement with Carbon Health to acquire 10 urgent care locations in the Tucson, Arizona, area.
- CHS notes that it is continuing to divest \$1 billion in hospital assets.
- In August, Community Health completed the sale of Tennova Healthcare – Cleveland (Cleveland, TN) to Vitruvian Health (formerly Hamilton Health Care System) (Dalton, GA) for \$160 million.



- HCA acquired the remaining interest in Valesco, its JV with EmCare, a physician practice management firm. In April 2023, HCA increased its ownership of Valesco from 50.0% to 90.0%
- Announced in July 2024, HCA Healthcare is acquiring Manchester, NH-based Catholic Medical Center, a 330-bed regional health system. The deal is pending regulatory review.
- HCA divested Regional Medical Center of San Jose to Santa Clara county in August 2024 for \$175 million



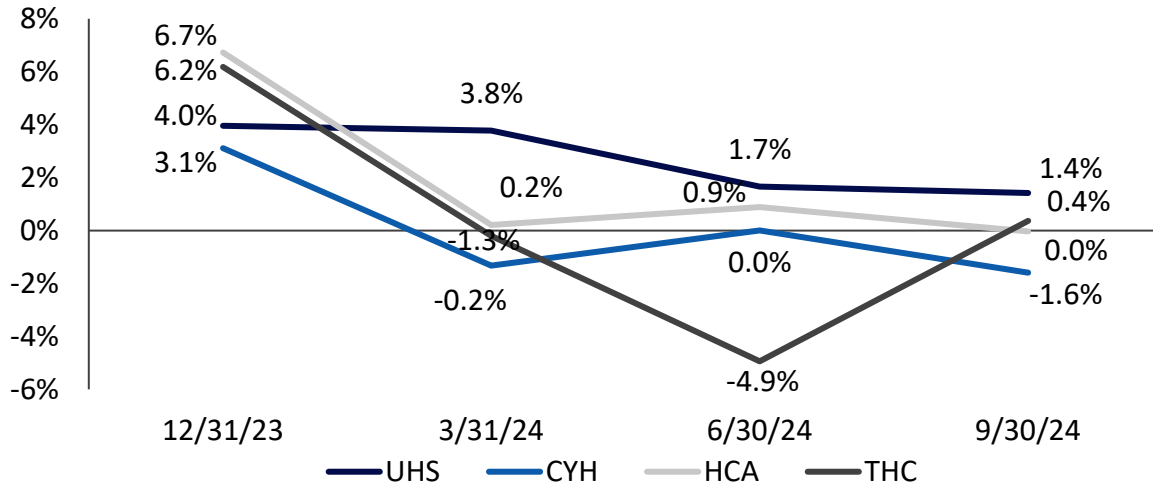
- On October 1, Tenet announced the completion of the sale of its 70% majority ownership interest in Alabama-based Brookwood Baptist Health to Orlando Health.
- Strengthened its strategic focus by continuing to prioritize capital investments in USPI through M&A.

Key Takeaway

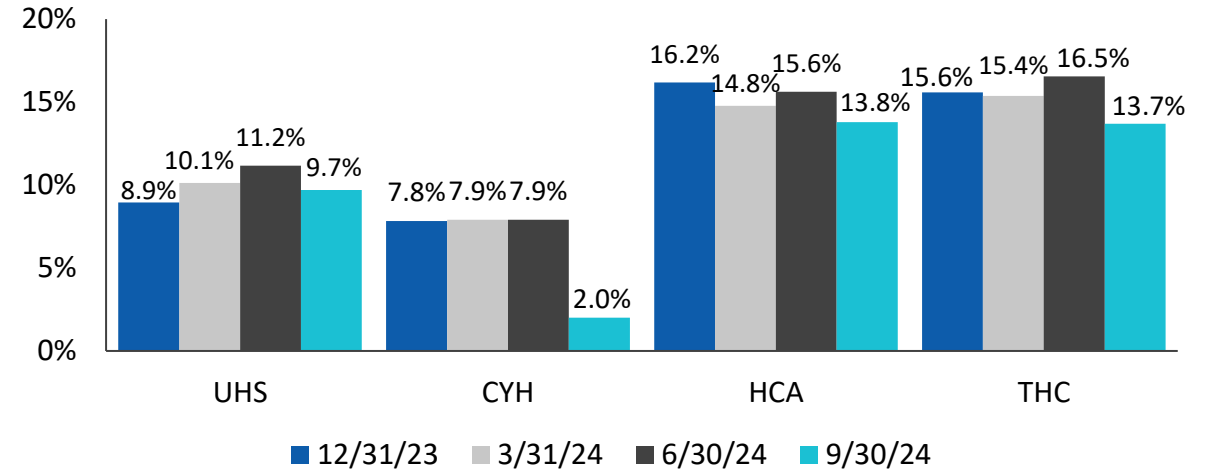
- Ardent, Community, HCA, and Tenet have emphasized that acquisition and divestiture activities are a key part of strategic growth and portfolio optimization plans. It is important to note that Universal Health Systems does not report on acquisition and divestiture opportunities.

Financial Performance: Select Metrics

Net Revenue Growth¹



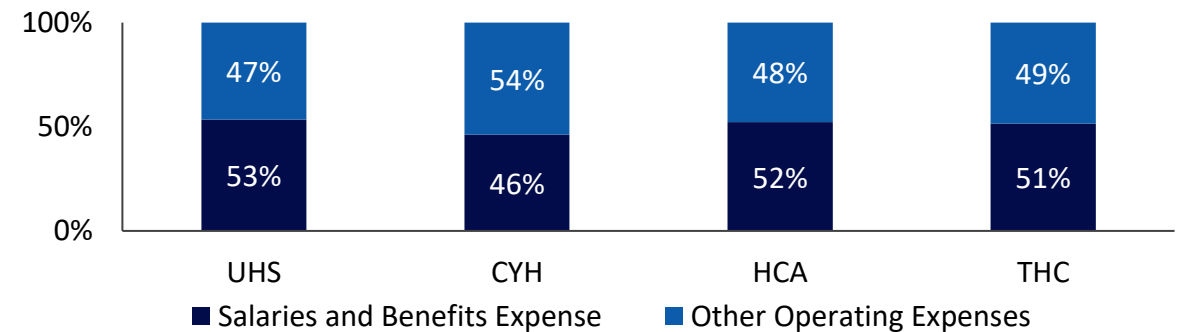
Quarterly Operating Margin



Key Takeaways

- Tenet operating performance was impacted by the sale of nine hospitals in Q1 2024.
- All the public hospital operators reported salaries and benefits expenses near 50% of total operating expenses. Each organization reported that salaries and wages decreased significantly when compared to Q3 2023.

TTM 9/30/2024 Salaries and Benefits as a Percentage of Total Expenses



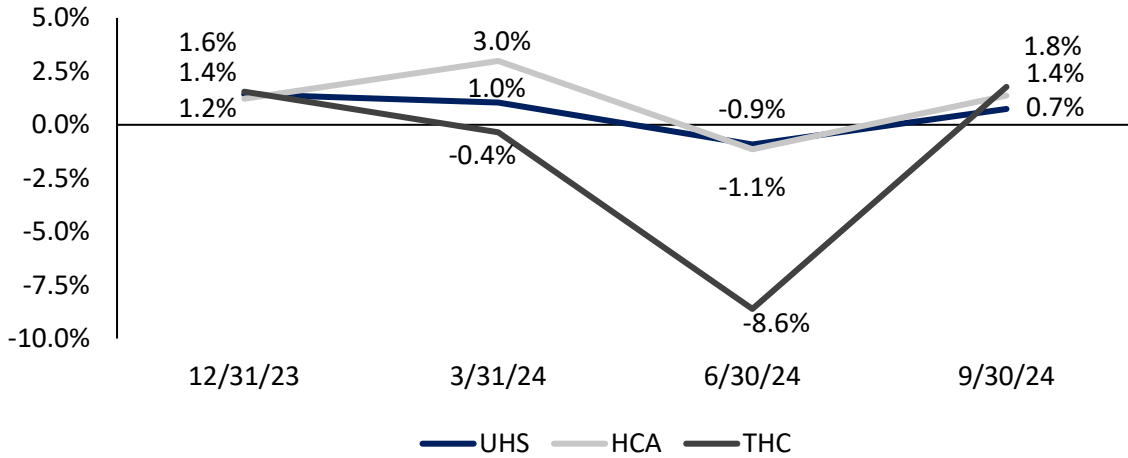
Source: S&P Capital IQ.

Note: ARDT went public on July 18, 2024. There is insufficient data available to incorporate ARDT into visual analyses.

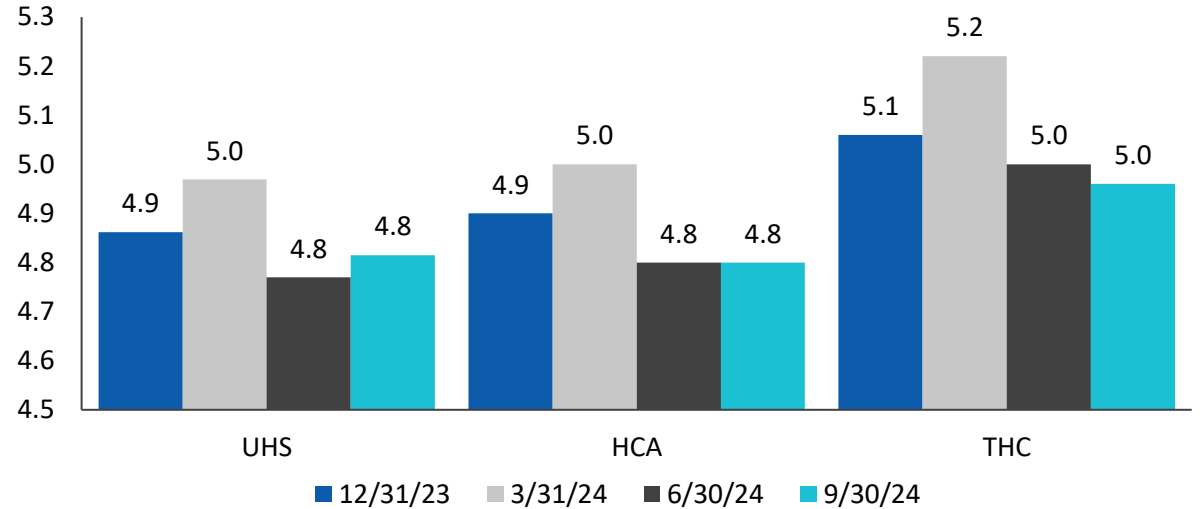
¹Information reported on a quarter-over-quarter basis.

Operating Performance: Select Metrics

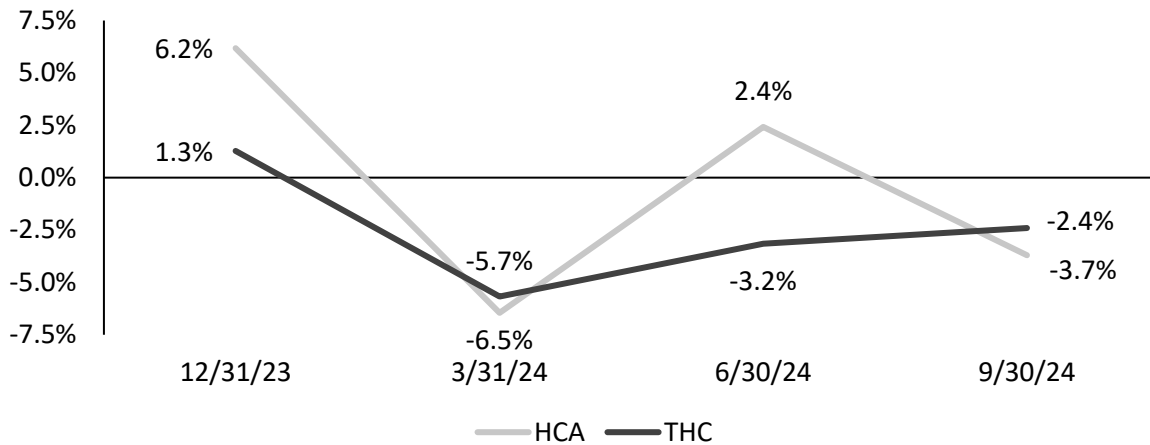
Inpatient Admissions Growth¹



Average Length of Stay (acute care)



Outpatient Surgery Procedures Growth¹



Hospital Operator	Licensed Beds
Universal Health Services	31,103
Community Health Systems	11,902
HCA Healthcare	49,890
Tenet Healthcare	14,142
Ardent Health	4,287
Total	111,324

Sources: S&P Capital IQ and investor relations reports.

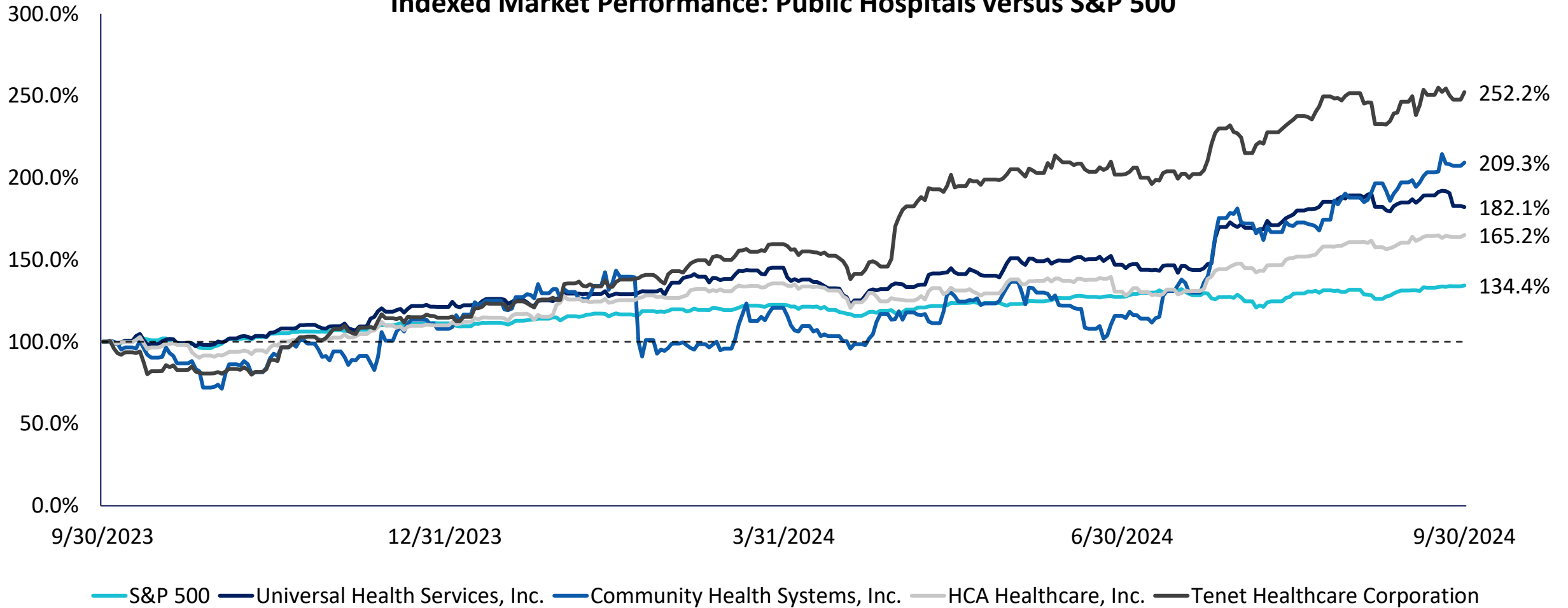
Notes: CHS does not provide quarterly operating metrics in its investor reports.

ARDT went public on July 18, 2024. There is insufficient data available to incorporate ARDT into visual analyses.

¹Information reported on a quarter-over-quarter basis.

Market Performance

Indexed Market Performance: Public Hospitals versus S&P 500



Source: S&P Capital IQ.

Note: ARDT went public on July 18, 2024. There is insufficient data available to incorporate ARDT into visual analyses.

ECG Mergers, Acquisitions, and Partnerships (MAP) Team Leadership

From our more than five decades of experience, we've learned that successful problem-solving requires deep industry knowledge and expertise; rigorous data and analytics; strategic foresight; political and organizational savvy; and, most importantly, practical solutions that get implemented.



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