

# Consolidated Financial Statements and Other Information

For The Period Ended March 31, 2026

**The Cleveland Clinic Foundation**  
d.b.a. Cleveland Clinic Health System



**CLEVELAND CLINIC HEALTH SYSTEM  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED MARCH 31, 2026**

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**CLEVELAND CLINIC HEALTH SYSTEM  
MANAGEMENT'S SUMMARY OF FINANCIAL PERFORMANCE  
FOR THE PERIOD ENDED MARCH 31, 2026**

The following summary describes the unaudited, consolidated financial results for the Cleveland Clinic Health System (System) for the quarters ended March 31, 2026 and 2025.

Operating income for the System for the first quarter of 2026 was \$173 million on total unrestricted revenues of \$4.7 billion, resulting in a 3.7% operating margin, as compared to operating income of \$53 million and a 1.3% operating margin in the first quarter of 2025. The System generated \$401 million in operating cash flow during the first quarter of 2026, an 8.5% operating cash flow margin, compared to \$263 million and a 6.2% operating cash flow margin in the first quarter of 2025. The System's operating income and operating cash flow in the first quarter of 2026 represent year-over-year increases of 227% and 52%, respectively. The improved operating performance in the first quarter of 2026 resulted from a 12.1% increase in operating revenues, supported by strong patient demand for both inpatient and outpatient services (in particular for complex levels of care at higher acuity). Operating expenses increased 9.3% over the same period, while labor-related costs were held to a 5.1% increase. Overall, the System reported an excess of revenues over expenses of \$135 million for the first quarter of 2026, a 2.9% total margin, compared to an excess of revenues over expenses of \$85 million, a 2.0% total margin, in the first quarter of 2025.

The following table summarizes patient utilization statistics for the System:

	For the three months ended March 31			
	2026	2025	Variance	%
Inpatient admissions <sup>(1)</sup>	69,967	69,535	432	0.6%
Patient days <sup>(1)</sup>	364,805	358,044	6,761	1.9%
Surgical cases				
Inpatient	21,578	20,827	751	3.6%
Outpatient	62,914	60,033	2,881	4.8%
	84,492	80,860	3,632	4.5%
Emergency department visits	240,484	251,672	-11,188	-4.4%
Clinic outpatient evaluation and management visits	2,096,244	2,065,430	30,814	1.5%
Total patient encounters	3,653,090	3,615,287	37,803	1.0%
(1) Excludes newborns				

**CLEVELAND CLINIC HEALTH SYSTEM  
MANAGEMENT'S SUMMARY OF FINANCIAL PERFORMANCE  
FOR THE PERIOD ENDED MARCH 31, 2026**

Total operating revenue increased \$509 million (12.1%) in the first quarter of 2026 compared to the same period in 2025. Revenue growth in 2026 includes increases of \$410 million in net patient service revenue, supported by a 1.0% increase in total patient encounters, including a strong inpatient case mix index that improved revenue quality. The System also benefited from recent year-over-year rate trends with managed care contracts that more adequately reflect inflationary pressures and the cost of high-acuity clinical operations. Net patient service revenue also increased due to a new Ohio physician state directed payment program that was approved by the Centers for Medicare and Medicaid Services in the first quarter of 2026 and expansion of the Ohio hospital state directed payment program that was effective in the third quarter of 2025. The state directed payment programs enhance reimbursement by leveraging federal matching funds for eligible physician and hospital services under the Ohio Medicaid program. Other unrestricted revenues increased \$98 million primarily due to growth in outpatient retail and specialty pharmacy revenues.

Total operating expenses increased \$389 million (9.3%) in the first quarter of 2026 compared to the same period in 2025. The increase in expenses is primarily due to the growth in patients served and inflationary trends that increased personnel costs and pharmaceutical expenses. The System has implemented initiatives to stabilize its workforce, including reduced reliance on agency personnel and premium labor, allowing the System to manage the year-over-year rate of growth in personnel costs to 5.1%. Hospital franchise fee expenses increased due to expanded Medicaid supplemental and support programs in Ohio, which also resulted in additional supplemental payment revenues. The System continues to implement cost reduction and efficiency initiatives to appropriately capture the scale-synergy opportunities across its global enterprise and to develop a lean cost structure that is aligned with patients served.

The following table summarizes the financial results of the System (\$ in millions):

	For the three months ended March 31			
	2026	2025	Variance	%
Total unrestricted revenue	\$ 4,725	\$ 4,216	\$ 509	12.1%
Operating income before interest, depreciation and amortization	\$ 401	\$ 263	\$ 138	52.4%
Operating cash flow margin	8.5%	6.2%		
Operating income	\$ 173	\$ 53	\$ 120	227.3%
Operating margin	3.7%	1.3%		
Net nonoperating gains and losses	\$ (37)	\$ 32	\$ (69)	-217.6%
Excess of revenues over expenses	\$ 135	\$ 85	\$ 50	60.0%
Total margin	2.9%	2.0%		

Gains and losses from nonoperating activities are recorded below operating income in the statement of operations. The System recognized net nonoperating losses of \$37 million in the first quarter of 2026 compared to net gains of \$32 million in the first quarter of 2025. Nonoperating losses in the first quarter of 2026 were primarily due to volatility in global financial markets.

CLEVELAND CLINIC HEALTH SYSTEM  
CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE PERIOD ENDED MARCH 31, 2026

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with confidence

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## Review Report of Independent Auditors

The Board of Directors  
The Cleveland Clinic Foundation

### Results of Review of Interim Financial Information

We have reviewed the accompanying consolidated financial statements of The Cleveland Clinic Foundation and controlled affiliates, d.b.a Cleveland Clinic Health System (the System), which comprise the consolidated balance sheet as of March 31, 2026, and the related statements of operations and changes in net assets and cash flows for the three-month period ended March 31, 2026, and the related notes (collectively referred to as the “interim financial information”).

Based on our review we are not aware of any material modifications that should be made to the accompanying interim financial information as of and for the three months ended March 31, 2026, for it to be in accordance with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial information of the System for the three-month period ended March 31, 2025, was not reviewed by us, and accordingly, we do not express any form of assurance on it.

### Basis for Review Results

We conducted our review in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

### Responsibilities of Management for the Interim Financial Information

Management is responsible for the preparation and fair presentation of the interim financial information in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of interim financial information that is free from material misstatement, whether due to fraud or error.

*Ernst & Young LLP*

May 15, 2026

**CLEVELAND CLINIC HEALTH SYSTEM  
CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE PERIOD ENDED MARCH 31, 2026**

**Consolidated Balance Sheets**  
*(\$ in thousands)*

	March 31 2026	December 31 2025
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,430,064	\$ 1,363,160
Patient receivables	2,142,492	2,053,599
Investments for current use	100,843	100,843
Other current assets	1,126,387	1,243,172
Total current assets	4,799,786	4,760,774
Investments:		
Long-term investments	13,694,608	13,399,917
Funds held by trustees	72,378	37,495
Assets held for self-insurance	190,322	180,574
Donor restricted assets	1,729,867	1,696,243
	15,687,175	15,314,229
Property, plant, and equipment, net	7,750,534	7,702,937
Other assets:		
Pledges receivable, net	163,899	142,050
Trusts and interests in foundations	102,403	100,698
Operating lease right-of-use assets	376,036	369,243
Other noncurrent assets	1,311,360	1,257,349
	1,953,698	1,869,340
<b>Total assets</b>	<b>\$ 30,191,193</b>	<b>\$ 29,647,280</b>

**CLEVELAND CLINIC HEALTH SYSTEM  
CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE PERIOD ENDED MARCH 31, 2026**

**Consolidated Balance Sheets (continued)**  
(\$ in thousands)

	March 31 2026	December 31 2025
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 829,869	\$ 849,587
Compensation and amounts withheld from payroll	725,187	816,628
Current portion of long-term debt	119,496	101,470
Variable rate debt classified as current	645,572	514,427
Other current liabilities	882,788	972,721
Total current liabilities	3,202,912	3,254,833
Long-term debt	5,606,060	5,244,652
Other liabilities:		
Professional and general insurance liability reserves	380,938	344,223
Accrued retirement benefits	196,421	193,387
Operating lease liabilities	327,453	314,117
Other noncurrent liabilities	951,206	958,435
Total liabilities	10,664,990	10,309,647
Net assets:		
Without donor restrictions	17,445,208	17,310,686
With donor restrictions	2,080,995	2,026,947
Total net assets	19,526,203	19,337,633
<b>Total liabilities and net assets</b>	<b>\$ 30,191,193</b>	<b>\$ 29,647,280</b>

See notes to consolidated financial statements.

**CLEVELAND CLINIC HEALTH SYSTEM  
CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE PERIOD ENDED MARCH 31, 2026**

**Consolidated Statements of Operations and Changes in Net Assets**

*(\$ in thousands)*

**Operations**

	Three Months Ended March 31	
	2026	2025
<b>Unrestricted revenues</b>		
Net patient service revenue	\$ 3,866,070	\$ 3,456,165
Premium revenue	165,111	164,061
Other	693,480	595,827
Total unrestricted revenues	4,724,661	4,216,053
<b>Expenses</b>		
Salaries, wages, and benefits	2,463,459	2,344,183
Supplies	437,708	387,363
Pharmaceuticals	734,762	652,730
Medical claims	72,069	75,924
Purchased services and other fees	342,622	279,932
Administrative services	69,169	52,818
Facilities	137,284	120,812
Insurance	66,406	39,098
	4,323,479	3,952,860
<b>Operating income before interest, depreciation, and amortization expenses</b>	401,182	263,193
Interest	47,774	41,281
Depreciation and amortization	180,563	169,100
<b>Operating income</b>	172,845	52,812
<b>Nonoperating gains and losses</b>		
Investment return	(33,906)	36,549
Derivative losses	(308)	(2,026)
Other, net	(3,212)	(2,705)
Net nonoperating gains and losses	(37,426)	31,818
<b>Excess of revenues over expenses</b>	135,419	84,630

*(continued on next page)*

**CLEVELAND CLINIC HEALTH SYSTEM  
CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE PERIOD ENDED MARCH 31, 2026**

**Consolidated Statements of Operations and Changes in Net Assets (continued)**  
(\$ in thousands)

**Changes in Net Assets**

	Three Months Ended March 31	
	2026	2025
<b>Changes in net assets without donor restrictions:</b>		
Excess of revenues over expenses	\$ 135,419	\$ 84,630
Donated capital	9	22
Net assets released from restriction for capital purposes	1,931	47,339
Retirement benefits adjustment	(406)	(799)
Foreign currency translation	(2,204)	2,005
Other	(227)	(1,897)
Increase in net assets without donor restrictions	134,522	131,300
<b>Changes in net assets with donor restrictions:</b>		
Gifts and bequests	88,613	65,944
Net investment (loss) income	(334)	8,820
Net assets released from restrictions used for operations included in other unrestricted revenues	(34,479)	(35,871)
Net assets released from restriction for capital purposes	(1,931)	(47,339)
Change in interests in foundations	1,311	(33)
Change in value of perpetual trusts	643	243
Other	225	200
Increase (decrease) in net assets with donor restrictions	54,048	(8,036)
Increase in net assets	188,570	123,264
Net assets at beginning of year	19,337,633	16,823,715
Net assets at end of period	\$ 19,526,203	\$ 16,946,979

See notes to consolidated financial statements.

**CLEVELAND CLINIC HEALTH SYSTEM  
CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE PERIOD ENDED MARCH 31, 2026**

**Consolidated Statements of Cash Flows**  
(\$ in thousands)

	Three Months Ended March 31	
	2026	2025
<b>Operating activities and net nonoperating gains and losses</b>		
Increase in net assets	\$ 188,570	\$ 123,264
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities and net nonoperating gains and losses:		
Loss on extinguishment of debt	795	-
Retirement benefits adjustment	406	799
Net realized and unrealized gains on investments	10,033	(76,929)
Depreciation and amortization	180,557	168,136
Foreign currency translation loss (gain)	2,204	(2,005)
Donated capital	(9)	(22)
Restricted gifts, bequests, and other	(90,567)	(66,154)
Accreted interest and amortization of bond premiums	(3,450)	(3,508)
Net loss in value of derivatives	100	1,669
Changes in operating assets and liabilities:		
Patient receivables	(90,061)	(85,113)
Other current assets	112,934	(108,476)
Other noncurrent assets	(65,110)	3,943
Accounts payable and other current liabilities	(190,003)	(160,869)
Other liabilities	49,340	41,273
Net cash provided by (used in) operating activities and net nonoperating gains and losses	105,739	(163,992)
<b>Financing activities</b>		
Proceeds from short-term borrowings	-	40,000
Proceeds from long-term borrowings	734,332	-
Payments for redemption of long-term debt	(130,405)	-
Principal payments on long-term debt	(71,973)	(84,895)
Debt issuance costs	(3,927)	-
Change in pledges receivables, trusts and interests in foundations	(20,415)	(23,847)
Restricted gifts, bequests, and other	90,567	66,154
Net cash provided by (used in) financing activities	598,179	(2,588)
<b>Investing activities</b>		
Expenditures for property, plant and equipment	(250,807)	(251,256)
Proceeds from sale of property, plant and equipment	-	10,000
Net change in cash equivalents reported in long-term investments	48,168	129,958
Purchases of investments	(3,177,237)	(1,250,263)
Sales of investments	2,746,389	1,273,011
Net cash used in investing activities	(633,487)	(88,550)
Effect of exchange rate changes on cash	(3,228)	1,805
Increase (decrease) in cash and cash equivalents	67,203	(253,325)
Cash, cash equivalents and restricted cash at beginning of year	1,371,443	1,026,968
Cash, cash equivalents and restricted cash at end of period	\$ 1,438,646	\$ 773,643

See notes to consolidated financial statements.

## **1. Basis of Presentation**

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal and recurring nature. For further information, refer to the audited financial statements and notes thereto for the year ended December 31, 2025.

## **2. Organization and Consolidation**

The Cleveland Clinic Foundation (Clinic) is a nonprofit, tax-exempt, Ohio corporation organized and operated to provide medical and hospital care, medical research, and education. The accompanying consolidated financial statements include the accounts of the Clinic and its controlled affiliates, d.b.a. Cleveland Clinic Health System (System). All significant intercompany balances and transactions have been eliminated in consolidation.

The System is the leading provider of healthcare services in northeast Ohio. The System operates 303 outpatient facilities and 21 hospitals with approximately 5,500 staffed beds. In the northeast Ohio area, the System operates fifteen hospitals, anchored by the Clinic. The System also operates 22 outpatient family health centers, nine ambulatory surgery centers, numerous physician offices located throughout northeast Ohio, and specialized cancer centers in Sandusky and Mansfield, Ohio. In southeast Florida, the System operates five hospitals, including an academic medical center, three outpatient family health centers, an outpatient family health and ambulatory surgery center, and numerous physician offices. In the United Kingdom, the System operates a hospital and two outpatient facilities in the central London area. In addition, the System operates a health and wellness center and a sports medicine clinic in Toronto, Canada, and a specialized neurological clinical center in Las Vegas, Nevada. Pursuant to agreements, the System also provides management services for Ashtabula County Medical Center, located in Ashtabula, Ohio, with approximately 120 staffed beds, and Cleveland Clinic Abu Dhabi, a multispecialty hospital offering a range of complex quaternary and general acute care services that is part of M42 Health's network of healthcare facilities located in Abu Dhabi, United Arab Emirates, with 364 staffed beds.

## **3. Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## **4. Net Patient Service Revenue and Patient Receivables**

Net patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled for providing patient care. These amounts are due from patients, third-party payors, and others and include variable consideration for retroactive revenue adjustments due to settlement of reviews and audits. Generally, the System bills the patients and third-party payors several days after the services are performed or shortly after discharge. Revenue is recognized as performance obligations are satisfied.

#### **4. Net Patient Service Revenue and Patient Receivables (continued)**

Performance obligations are determined based on the nature of the services provided by the System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The System believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services. The System measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. These services are considered to be a single performance obligation. Revenue for performance obligations satisfied at a point in time is recognized when services are provided and the System does not believe it is required to provide additional services to the patient.

Because all of its performance obligations relate to contracts with a duration of less than one year, the System has elected to apply the optional exemption provided in Financial Accounting Standards Board Accounting Standards Codification (ASC) 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The System is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to net patient service revenue. The System accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. The portfolios consist of major payor classes for inpatient revenue and outpatient revenue. Based on historical collection trends and other analyses, the System has concluded that revenue for a given portfolio would not be materially different from accounting for revenue on a contract-by-contract basis.

The System has agreements with third-party payors that generally provide for payments to the System at amounts different from its established rates. For uninsured patients who do not qualify for charity care, the System recognizes revenue based on established rates (charges), subject to certain discounts and implicit price concessions as determined by the System. The System determines the transaction price based on standard charges for services provided, reduced by explicit price concessions provided to third-party payors, discounts provided to uninsured patients in accordance with the System's policy, and implicit price concessions provided to uninsured patients. Explicit price concessions are based on contractual agreements, discount policies and historical experience. Implicit price concessions represent differences between amounts billed and the estimated consideration the System expects to receive from patients, which are determined based on historical collection experience, current market conditions and other factors.

#### **4. Net Patient Service Revenue and Patient Receivables (continued)**

Generally, patients who are covered by third-party payors are responsible for patient responsibility balances, including deductibles and coinsurance, which vary in amount. The System estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any explicit price concessions, 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. Adjustments arising from a change in the transaction price were not significant for in the first three months of 2026 or 2025.

The System is paid a prospectively determined rate for the majority of inpatient acute care and outpatient, skilled nursing, and rehabilitation services provided (principally Medicare, Medicaid, and certain insurers). These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Payments for capital are received on a prospective basis for Medicare and Medicaid. Payments are received on a prospective basis for the System's medical education costs, subject to certain limits. The System is paid for cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare Administrative Contractor.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation as well as significant regulatory action, and, in the normal course of business, the System is subject to contractual reviews and audits, including audits initiated by the Medicare Recovery Audit Contractor program. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term. The System believes it is in compliance with applicable laws and regulations governing the Medicare and Medicaid programs and that adequate provisions have been made for any adjustments that may result from final settlements.

Settlements with third-party payors for retroactive adjustments due to reviews and audits are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care in the period the related services are provided. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the System's historical settlement activity, including an assessment to ensure 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 reviews and audits. Adjustments arising from a change in estimated settlements were not significant in the first three months of 2026 or 2025.

The System provides care to patients who do not have the ability to pay and who qualify for charity care pursuant to established policies of the System. Charity care is defined as services for which patients have the obligation to pay but do not have the ability to do so. The System does not report charity care as net patient service revenue.

**4. Net Patient Service Revenue and Patient Receivables (continued)**

Net patient service revenue by major payor source for the three months ended March 31, 2026 and 2025 is as follows (in thousands):

	<b>Three Months Ended March 31, 2026</b>		<b>Three Months Ended March 31, 2025</b>	
Medicare	<b>\$ 1,475,419</b>	<b>38%</b>	\$ 1,352,058	39%
Medicaid	<b>544,552</b>	<b>14</b>	320,643	9
Managed care and commercial	<b>1,771,852</b>	<b>46</b>	1,720,873	50
Self-pay	<b>74,247</b>	<b>2</b>	62,591	2
Net patient service revenue	<b><u>\$ 3,866,070</u></b>	<b><u>100%</u></b>	<b><u>\$ 3,456,165</u></b>	<b><u>100%</u></b>

Medicaid revenues above include amounts related to Ohio Medicaid State Directed Payment programs that provide supplemental payments to eligible hospitals and physicians for inpatient and outpatient Medicaid managed care services.

**5. Premium Revenue and Medical Claim Expenses**

The System has value-based care delegated risk agreements to manage total cost of care for certain populations of patients. The agreements allow the System to provide care coordination and other population health management activities for attributed members participating in Medicare Advantage plans written by two national payors (the Contracted Plans). The agreements have a term of two years, expiring on December 31, 2026, and are renewable annually at the mutual discretion of the System and the Contracted Plans. During the term of both agreements, the Contracted Plans will allocate a percentage of premium (Delegated Premium) the Contracted Plans receive from the Centers for Medicare and Medicaid Services to the System. Delegated Premium is recognized as revenue in the month during which members are eligible to receive health care services. The System is responsible for both providing or arranging for the provision of medical services to attributed members. Medical claim expenses are recognized in the month during which the services are provided, including amounts for reported claims and an estimate of incurred but not reported claims using past experience adjusted for current trends. Estimates for medical claim expenses may be more or less than amounts ultimately paid when claims are settled. Such changes in estimates are recorded in the current period in the consolidated statements of operations and changes in net assets. Medical claim expenses on the consolidated statement of operations and changes in net assets exclude amounts related to services provided by System provider entities and include costs directly related to the administration of the agreements. The System entered into an additional delegated risk agreement with a national payor in the second quarter of 2026.

The agreements provide that, if medical claim expenses are lower than the Delegated Premium, then such amount constitutes a savings, which is shared between the System and the Contracted Plans. In the same manner, the agreements provide that, if medical claim expenses are higher than the Delegated Premium, then such amount constitutes a deficit, which is allocated between the System and the Contracted Plans.

## 6. Cash and Cash Equivalents

The System considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Cash equivalents are recorded at fair value in the consolidated balance sheets and exclude amounts held for long-term investment purposes and amounts included in long-term investment portfolios as those amounts are commingled with long-term investments.

The reconciliation of cash, cash equivalents, and restricted cash within the consolidated balance sheets that comprise the amount reported in the consolidated statements of cash flows at March 31, 2026 and December 31, 2025 is as follows (in thousands):

	<b>March 31 2026</b>	<b>December 31 2025</b>
Cash and cash equivalents	<b>\$ 1,430,064</b>	\$ 1,363,160
Restricted cash in investments	<b>8,582</b>	8,283
Total cash, cash equivalents, and restricted cash	<b><u>\$ 1,438,646</u></b>	<b><u>\$ 1,371,443</u></b>

Restricted cash in investments includes amounts held by the System’s captive insurance subsidiaries and restricted cash for various programs.

## 7. Fair Value Measurements

Fair value measurements are defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Authoritative guidance provides an option to elect fair value as an alternative measurement for selected financial assets and liabilities not previously recorded at fair value. The System did not elect fair value accounting for any assets or liabilities that are not currently required to be measured at fair value.

The framework for measuring fair value is comprised of a three-level hierarchy based upon the transparency of inputs to the valuation of an asset or a liability as of the measurement date. The three levels are defined as follows:

- Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

**CLEVELAND CLINIC HEALTH SYSTEM  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED MARCH 31, 2026**

**7. Fair Value Measurements (continued)**

The following tables present the financial instruments measured at fair value on a recurring basis as of March 31, 2026 and December 31, 2025, based on the valuation hierarchy (in thousands):

**March 31, 2026**

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and investments:				
Cash and cash equivalents	\$ 1,438,646	\$ —	\$ —	\$ 1,438,646
Money market funds	365,176	—	—	365,176
Fixed-income securities:				
U.S. treasuries	1,303,207	—	—	1,303,207
U.S. government agencies	—	429,814	—	429,814
U.S. corporate	—	892,417	—	892,417
Foreign	—	275,044	—	275,044
Fixed-income mutual funds	91,559	—	—	91,559
Common and preferred stocks:				
U.S.	255,231	—	—	255,231
Foreign	604,094	—	—	604,094
Equity mutual funds	84,926	—	—	84,926
Total cash and investments	4,142,839	1,597,275	—	5,740,114
Perpetual and charitable trusts	—	75,501	—	75,501
Investments in affiliates	—	—	80,970	80,970
Total assets at fair value	<u>\$ 4,142,839</u>	<u>\$ 1,672,776</u>	<u>\$ 80,970</u>	<u>\$ 5,896,585</u>

**CLEVELAND CLINIC HEALTH SYSTEM  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED MARCH 31, 2026**

**7. Fair Value Measurements (continued)**

**December 31, 2025**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Cash and investments:				
Cash and cash equivalents	\$ 1,371,443	\$ —	\$ —	\$ 1,371,443
Money market funds	413,344	—	—	413,344
Fixed-income securities:				
U.S. treasuries	1,207,520	—	—	1,207,520
U.S. government agencies	—	445,599	—	445,599
U.S. corporate	—	857,544	—	857,544
Foreign	—	195,349	—	195,349
Fixed-income mutual funds	150,482	—	—	150,482
Common and preferred stocks:				
U.S.	251,867	—	—	251,867
Foreign	726,901	29,152	—	756,053
Equity mutual funds	149,138	—	—	149,138
Total cash and investments	4,270,695	1,527,644	—	5,798,339
Perpetual and charitable trusts	—	75,107	—	75,107
Investments in affiliates	—	—	80,161	80,161
Total assets at fair value	<u>\$ 4,270,695</u>	<u>\$ 1,602,751</u>	<u>\$ 80,161</u>	<u>\$ 5,953,607</u>
<b>Liabilities</b>				
Interest rate swaps	\$ —	\$ 7,359	\$ —	\$ 7,359
Total liabilities at fair value	<u>\$ —</u>	<u>\$ 7,359</u>	<u>\$ —</u>	<u>\$ 7,359</u>

**7. Fair Value Measurements (continued)**

Financial instruments at March 31, 2026 and December 31, 2025 are reflected in the consolidated balance sheets as follows (in thousands):

	<b>March 31 2026</b>	<b>December 31 2025</b>
Cash, cash equivalents, and investments measured at fair value	<b>\$ 5,740,114</b>	\$ 5,798,339
Commingled funds measured at net asset value	<b>2,969,522</b>	2,355,110
Alternative investments measured at net asset value	<b>8,508,446</b>	8,624,783
Total cash, cash equivalents, and investments	<b><u>\$ 17,218,082</u></b>	<u>\$ 16,778,232</u>
Perpetual and charitable trusts measured at fair value	<b>\$ 75,501</b>	\$ 75,107
Interests in foundations	<b>26,902</b>	25,591
Trusts and interests in foundations	<b><u>\$ 102,403</u></b>	<u>\$ 100,698</u>

Investments in affiliates measured at fair value are reported in other noncurrent assets in the consolidated balance sheets.

Interest rate swaps are reported in other noncurrent liabilities in the consolidated balance sheets.

The following is a description of the System’s valuation methodologies for assets and liabilities measured at fair value.

Level 1 is based upon quoted market prices.

Level 2 is determined as follows:

Investments classified as Level 2 are primarily determined using techniques that are consistent with the market approach. Valuations are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs, which include broker/dealer quotes, reported/comparable trades, and benchmark yields, are obtained from various sources, including market participants, dealers, and brokers.

## **7. Fair Value Measurements (continued)**

The fair value of perpetual and charitable trusts in which the System receives periodic payments from the trust is determined based on the present value of expected cash flows to be received from the trust using discount rates ranging from 4.2% to 5.0%, which are based on Treasury yield curve interest rates or the assumed yield of the trust assets. The fair value of charitable trusts in which the System is a remainder beneficiary is based on the System's beneficial interest in the investments held in the trust, which are measured at fair value.

The fair value of interest rate swaps is determined based on the present value of expected future cash flows using discount rates appropriate with the risks involved. The valuations include a credit spread adjustment to market interest rate curves to appropriately reflect nonperformance risk. The credit spread adjustment is derived from other comparably rated healthcare entities' bonds. The System manages credit risk based on the net portfolio exposure with each counterparty.

Level 3 investments consist of start-up private medical technology companies. The fair value for each investment is determined using inputs from the most recent post-closing valuation or series funding. Other factors such as financial performance, projections and industry developments are also inputs used to support the fair value of each investment. The range of significant unobservable inputs is dependent on the nature and characteristics of each investment and may vary at each balance sheet date.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the System believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

## **8. Derivative Instruments**

The System has previously held various derivative financial instruments to manage the risk of rising interest rates on the System's variable rate debt by entering into various interest rate swap agreements. In February 2026, the System terminated all of the outstanding interest rate swap agreements. The System did not have a significant gain or loss on the termination of the swaps. The total notional amount of interest rate swaps was \$267.5 million at December 31, 2025.

During the term of these swap agreements, the System paid interest at a fixed rate, ranging from 3.04% to 5.12%, and received interest at a variable rate based on the Secured Overnight Financing Rate plus a spread. The swap agreements were not designated as hedging instruments. Net interest paid or received under the swap agreements is included in derivative losses in the consolidated statements of operations and changes in net assets.

**8. Derivative Instruments (continued)**

The following table summarizes the location and fair value for the System’s derivative instruments (in thousands):

<b>Balance Sheet Location</b>		<b>March 31 2026</b>	<b>December 31 2025</b>
Interest rate swap agreements	Other noncurrent liabilities	\$ —	\$ 7,359

The following table summarizes the location and amounts of derivative losses on the System’s derivative instruments (in thousands):

<b>Location of Loss Recognized</b>		<b>Three Months Ended March 31</b>	
		<b>2026</b>	<b>2025</b>
Interest rate swap agreements	Derivative losses	\$ (308)	\$ (2,026)

**9. Pensions and Other Postretirement Benefits**

As of March 31, 2026, the System maintains three defined benefit pension plans, including one tax-qualified funded plan and two unfunded plans. The CCHS Retirement Plan is a tax-qualified defined benefit pension plan that provides benefits to substantially all employees of the System who were hired before 2009, except those employed by Mercy Hospital and Union Hospital. All benefit accruals under the CCHS Retirement Plan ceased as of December 31, 2012. During 2025, the System merged two tax-qualified defined benefit pension plans related to Akron General and Indian River into the CCHS Retirement Plan, with the CCHS Retirement Plan being a single continuing pension plan. Akron General had a tax-qualified defined benefit plan covering substantially all of its employees who were hired before 2004 and meet certain eligibility requirements. All benefit accruals under the Akron General defined benefit plan ceased as of December 31, 2017. Indian River Hospital had a tax-qualified defined benefit plan covering substantially all of its employees who were hired before December 31, 2002, and meet certain eligibility requirements. All benefit accruals under the Indian River Hospital defined benefit plan ceased as of December 31, 2002. The benefits for the System’s tax-qualified defined benefit pension plan are provided based on age, years of service, and compensation. The System’s policy for its tax-qualified defined benefit pension plan is to fund at least the minimum amounts required by the Employee Retirement Income Security Act of 1974. The System maintains two unfunded, nonqualified defined benefit supplemental retirement plans, which cover certain professional staff and administrative employees.

**9. Pensions and Other Postretirement Benefits (continued)**

The System sponsors two noncontributory, defined contribution plans and three contributory, defined contribution plans covering active System employees. The Cleveland Clinic Investment Pension Plan (IPP) is a noncontributory, defined contribution plan that covers substantially all of the System's employees, except employees covered by the Cleveland Clinic Cash Balance Plan and certain employees of Indian River Hospital. The System's contribution to the IPP for participants is based upon a percentage of employee compensation and years of creditable service. The Cleveland Clinic Cash Balance Plan (CBP) is a noncontributory, defined contribution plan that covers certain professional and administrative employees not covered by the IPP. The System's contribution to the CBP is a percentage of employee compensation that is determined according to age. Prior to 2024, the System sponsored ten tax-qualified contributory, defined contribution plans covering active System employees. In 2024, the System established a new contributory, defined contribution plan and merged eight defined contribution plans related to various System entities into the new or existing plans. Accordingly, the System currently sponsors three tax-qualified contributory, defined contribution plans, including a plan that covers certain employees of Indian River Hospital and two plans that cover substantially all other employees of the System. The plans generally permit employees to make pretax, Roth and after-tax employee deferrals and to become entitled to certain employer matching contributions that are based on pretax and Roth employee contributions.

The components of net periodic benefit cost for defined benefit pension plans and defined contribution plan expenses are as follows (in thousands):

	<b>Three Months Ended March 31</b>	
	<b>2026</b>	<b>2025</b>
Amounts related to defined benefit pension plans:		
Service credit	\$ (382)	\$ (423)
Interest cost	16,719	17,909
Expected return on assets	(15,887)	(15,967)
Net amortization and deferral	(134)	(454)
Total defined benefit pension plans	<u>316</u>	<u>1,065</u>
Defined contribution plans	<u>131,302</u>	<u>126,453</u>
	<u><b>\$ 131,618</b></u>	<u><b>\$ 127,518</b></u>

The service credit component of net periodic benefit cost and defined contribution plan expenses are included in salaries, wages, and benefits in the consolidated statements of operations and changes in net assets. The components of net periodic benefit cost other than the service credit component are included in other nonoperating gains and losses in the consolidated statements of operations and changes in net assets.

## **10. Long-Term Debt**

In March 2026, pursuant to certain agreements between the System and the State of Ohio (State) acting by and through the Ohio Higher Education Facility Commission, the State issued \$552.6 million of fixed-rate Hospital Revenue Bonds (Series 2026A Bonds), which generated over \$600 million in bond proceeds, and \$131.1 million of variable-rate Hospital Revenue Refunding Bonds (Series 2026B Bonds) for the benefit of the System. Proceeds from the Series 2026A Bonds have been or will be used to finance certain capital expenditures of the System and pay the cost of issuance. Proceeds from the Series 2026B Bonds were used to refund the Series 2019F Bonds and pay the cost of issuance. The Series 2026B Bonds are supported by the System's self-liquidity.

In March 2026, the System established the Taxable Commercial Paper Notes, Series 2026 (Series 2026 CP Notes). The Series 2026 CP Notes may be issued from time to time in a maximum outstanding face amount of \$250 million and are supported by the System's self-liquidity. The System did not have any outstanding Series 2026 CP Notes at March 31, 2026. The Series 2026 CP Notes replaced the Taxable Hospital Revenue Commercial Paper Notes, Series 2014A (Series 2014A Notes), which were terminated on March 31, 2026. There were no outstanding Series 2014A Notes when the program was terminated.

## **11. Subsequent Events**

The System evaluated events and transactions occurring subsequent to March 31, 2026 through May 15, 2026, the date the unaudited consolidated financial statements were issued. During this period, there were no subsequent events requiring recognition in the consolidated financial statements, and there were no nonrecognized subsequent events requiring disclosure.

**CLEVELAND CLINIC HEALTH SYSTEM  
OTHER INFORMATION  
FOR THE PERIOD ENDED MARCH 31, 2026**

**Consolidating Balance Sheets**  
(\$ in thousands)

	March 31, 2026				December 31, 2025			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 1,070,339	\$ 359,725	\$ -	\$ 1,430,064	\$ 1,041,985	\$ 321,175	\$ -	\$ 1,363,160
Patient receivables, net	1,846,268	368,875	(72,651)	2,142,492	1,756,864	372,461	(75,726)	2,053,599
Due from affiliates	25,895	67,305	(93,200)	-	12,902	3,391	(16,293)	-
Investments for current use	-	100,843	-	100,843	-	100,843	-	100,843
Other current assets	893,065	252,627	(19,305)	1,126,387	975,361	275,666	(7,855)	1,243,172
Total current assets	3,835,567	1,149,375	(185,156)	4,799,786	3,787,112	1,073,536	(99,874)	4,760,774
Investments:								
Long-term investments	12,687,476	1,007,132	-	13,694,608	12,398,134	1,001,783	-	13,399,917
Funds held by trustees	72,378	-	-	72,378	37,495	0	-	37,495
Assets held for self-insurance	-	190,322	-	190,322	-	180,574	-	180,574
Donor restricted assets	1,620,134	109,733	-	1,729,867	1,589,022	107,221	-	1,696,243
	14,379,988	1,307,187	-	15,687,175	14,024,651	1,289,578	-	15,314,229
Property, plant, and equipment, net	5,887,412	1,863,122	-	7,750,534	5,807,118	1,895,819	-	7,702,937
Other assets:								
Pledges receivable, net	148,243	15,656	-	163,899	131,760	10,290	-	142,050
Trusts and beneficial interests in foundations	68,560	33,843	-	102,403	66,865	33,833	-	100,698
Operating lease right-of-use assets	125,600	250,436	-	376,036	127,456	241,787	-	369,243
Other noncurrent assets	1,283,966	142,765	(115,371)	1,311,360	1,224,907	147,754	(115,312)	1,257,349
	1,626,369	442,700	(115,371)	1,953,698	1,550,988	433,664	(115,312)	1,869,340
Total assets	\$ 25,729,336	\$ 4,762,384	\$ (300,527)	\$ 30,191,193	\$ 25,169,869	\$ 4,692,597	\$ (215,186)	\$ 29,647,280
<b>Liabilities and net assets</b>								
Current liabilities:								
Accounts payable	\$ 676,092	\$ 154,099	\$ (322)	\$ 829,869	\$ 701,118	\$ 148,790	\$ (321)	\$ 849,587
Compensation and amounts withheld from payroll	648,829	76,358	-	725,187	717,320	99,308	-	816,628
Current portion of long-term debt	110,521	8,975	-	119,496	92,601	8,869	-	101,470
Variable rate debt classified as current	606,263	39,309	-	645,572	475,118	39,309	-	514,427
Due to affiliates	18,425	29,132	(47,557)	-	1,247	16,376	(17,623)	-
Other current liabilities	715,120	240,450	(72,782)	882,788	777,731	270,822	(75,832)	972,721
Total current liabilities	2,775,250	548,323	(120,661)	3,202,912	2,765,135	583,474	(93,776)	3,254,833
Long-term debt	4,388,816	1,219,934	(2,690)	5,606,060	4,005,767	1,241,516	(2,631)	5,244,652
Other liabilities:								
Professional and general insurance liability reserves	207,581	173,357	-	380,938	189,979	154,244	-	344,223
Accrued retirement benefits	195,487	934	-	196,421	192,425	962	-	193,387
Operating lease liabilities	88,349	239,104	-	327,453	90,180	223,937	-	314,117
Other noncurrent liabilities	887,559	128,143	(64,496)	951,206	895,590	68,944	(6,099)	958,435
	1,378,976	541,538	(64,496)	1,856,018	1,368,174	448,087	(6,099)	1,810,162
Total liabilities	8,543,042	2,309,795	(187,847)	10,664,990	8,139,076	2,273,077	(102,506)	10,309,647
Net assets:								
Without donor restrictions	15,292,078	2,265,810	(112,680)	17,445,208	15,181,727	2,241,639	(112,680)	17,310,686
With donor restrictions	1,894,216	186,779	-	2,080,995	1,849,066	177,881	-	2,026,947
Total net assets	17,186,294	2,452,589	(112,680)	19,526,203	17,030,793	2,419,520	(112,680)	19,337,633
Total liabilities and net assets	\$ 25,729,336	\$ 4,762,384	\$ (300,527)	\$ 30,191,193	\$ 25,169,869	\$ 4,692,597	\$ (215,186)	\$ 29,647,280

Please refer to Management's Discussion and Analysis for a listing of the hospitals in the Obligated Group.

**CLEVELAND CLINIC HEALTH SYSTEM  
OTHER INFORMATION  
FOR THE PERIOD ENDED MARCH 31, 2026**

**Consolidating Statements of Operations and Changes in Net Assets**  
*(\$ in thousands)*

**Operations**

	Three Months Ended March 31, 2026				Three Months Ended March 31, 2025			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
<b>Unrestricted revenues</b>								
Net patient service revenue	\$ 3,367,861	\$ 737,767	\$ (239,558)	\$ 3,866,070	\$ 2,996,134	\$ 683,765	\$ (223,734)	\$ 3,456,165
Premium revenue	165,111	-	-	165,111	164,061	-	-	164,061
Other	607,191	155,323	(69,034)	693,480	534,594	121,597	(60,364)	595,827
Total unrestricted revenues	4,140,163	893,090	(308,592)	4,724,661	3,694,789	805,362	(284,098)	4,216,053
<b>Expenses</b>								
Salaries, wages, and benefits	2,166,340	454,345	(157,226)	2,463,459	2,046,434	443,027	(145,278)	2,344,183
Supplies	340,379	97,685	(356)	437,708	301,722	85,728	(87)	387,363
Pharmaceuticals	662,447	72,315	-	734,762	588,924	63,806	-	652,730
Medical claims	165,109	-	(93,040)	72,069	163,408	-	(87,484)	75,924
Purchased services and other fees	301,319	64,377	(23,074)	342,622	246,572	56,736	(23,376)	279,932
Administrative services	638	80,296	(11,765)	69,169	(6,031)	69,120	(10,271)	52,818
Facilities	99,273	38,325	(314)	137,284	87,043	34,237	(468)	120,812
Insurance	46,494	42,704	(22,792)	66,406	30,801	25,406	(17,109)	39,098
	3,781,999	850,047	(308,567)	4,323,479	3,458,873	778,060	(284,073)	3,952,860
Operating income before interest, depreciation, and amortization expenses	358,164	43,043	(25)	401,182	235,916	27,302	(25)	263,193
Interest	36,310	11,464	-	47,774	33,708	7,573	-	41,281
Depreciation and amortization	130,746	49,842	(25)	180,563	127,837	41,288	(25)	169,100
Operating income (loss)	191,108	(18,263)	-	172,845	74,371	(21,559)	-	52,812
<b>Nonoperating gains and losses</b>								
Investment return	(42,464)	8,558	-	(33,906)	20,338	16,211	-	36,549
Derivative losses	(308)	-	-	(308)	(2,026)	-	-	(2,026)
Other, net	(2,321)	(891)	-	(3,212)	(2,711)	6	-	(2,705)
Net nonoperating gains and losses	(45,093)	7,667	-	(37,426)	15,601	16,217	-	31,818
Excess (deficiency) of revenues over expenses	146,015	(10,596)	-	135,419	89,972	(5,342)	-	84,630

Please refer to Management's Discussion and Analysis for a listing of the hospitals in the Obligated Group.

**CLEVELAND CLINIC HEALTH SYSTEM  
OTHER INFORMATION  
FOR THE PERIOD ENDED MARCH 31, 2026**

**Consolidating Statements of Operations and Changes in Net Assets (continued)**  
*(\$ in thousands)*

**Changes in Net Assets**

	Three Months Ended March 31, 2026				Three Months Ended March 31, 2025			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
<b>Changes in net assets without donor restrictions:</b>								
Excess (deficiency) of revenues over expenses	\$ 146,015	\$ (10,596)	\$ -	\$ 135,419	\$ 89,972	\$ (5,342)	\$ -	\$ 84,630
Donated capital	9	-	-	9	22	-	-	22
Net assets released from restriction for capital purposes	1,165	766	-	1,931	46,203	1,136	-	47,339
Retirement benefits adjustment	(406)	-	-	(406)	(599)	(200)	-	(799)
Foreign currency translation	-	(2,204)	-	(2,204)	-	2,005	-	2,005
Other	(36,432)	36,205	-	(227)	(56,431)	54,534	-	(1,897)
Increase in net assets without donor restrictions	110,351	24,171	-	134,522	79,167	52,133	-	131,300
<b>Changes in net assets with donor restrictions:</b>								
Gifts and bequests	72,085	16,528	-	88,613	60,263	5,681	-	65,944
Net investment income	(1,644)	1,310	-	(334)	7,874	946	-	8,820
Net assets released from restrictions used for operations included in other unrestricted revenues	(30,836)	(3,643)	-	(34,479)	(31,996)	(3,875)	-	(35,871)
Net assets released from restriction for capital purposes	(1,165)	(766)	-	(1,931)	(46,203)	(1,136)	-	(47,339)
Change in interests in foundations	1,311	-	-	1,311	(33)	-	-	(33)
Change in value of perpetual trusts	677	(34)	-	643	346	(103)	-	243
Other	4,722	(4,497)	-	225	11,102	(10,902)	-	200
Increase (decrease) in net assets with donor restrictions	45,150	8,898	-	54,048	1,353	(9,389)	-	(8,036)
Increase in net assets	155,501	33,069	-	188,570	80,520	42,744	-	123,264
Net assets at beginning of year	17,030,793	2,419,520	(112,680)	19,337,633	14,348,346	2,548,049	(72,680)	16,823,715
Net assets at end of period	\$ 17,186,294	\$ 2,452,589	\$ (112,680)	\$ 19,526,203	\$ 14,428,866	\$ 2,590,793	\$ (72,680)	\$ 16,946,979

Please refer to Management's Discussion and Analysis for a listing of the hospitals in the Obligated Group.

**CLEVELAND CLINIC HEALTH SYSTEM  
OTHER INFORMATION  
FOR THE PERIOD ENDED MARCH 31, 2026**

**Consolidating Statements of Cash Flows**  
(\$ in thousands)

	Three Months Ended March 31, 2026				Three Months Ended March 31, 2025			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
<b>Operating activities and net nonoperating gains and losses</b>								
Increase in total net assets	\$ 155,501	\$ 33,069	\$ -	\$ 188,570	\$ 80,520	\$ 42,744	\$ -	\$ 123,264
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities and net nonoperating gains and losses:								
Loss on extinguishment of debt	795	-	-	795	-	-	-	-
Retirement benefits adjustment	406	-	-	406	599	200	-	799
Net realized and unrealized gains on investments	14,405	(4,372)	-	10,033	(63,629)	(13,300)	-	(76,929)
Depreciation and amortization	130,746	49,836	(25)	180,557	127,837	40,324	(25)	168,136
Foreign currency translation loss (gain)	-	2,204	-	2,204	-	(2,005)	-	(2,005)
Donated capital	(9)	-	-	(9)	(22)	-	-	(22)
Restricted gifts, bequests, and other	(74,073)	(16,494)	-	(90,567)	(60,576)	(5,578)	-	(66,154)
Transfers to (from) affiliates	36,429	(36,429)	-	-	56,428	(56,428)	-	-
Accreted interest and amortization of bond premiums	(3,496)	46	-	(3,450)	(3,552)	44	-	(3,508)
Net loss in value of derivatives	100	-	-	100	1,669	-	-	1,669
Changes in operating assets and liabilities:								
Patient receivables	(89,404)	2,418	(3,075)	(90,061)	(79,989)	(10,944)	5,820	(85,113)
Other current assets	64,163	(39,586)	88,357	112,934	(76,824)	(66,007)	34,355	(108,476)
Other noncurrent assets	(57,286)	(7,908)	84	(65,110)	2,119	1,728	96	3,943
Accounts payable and other current liabilities	(127,854)	(35,264)	(26,885)	(190,003)	(99,248)	(63,811)	2,190	(160,869)
Other liabilities	10,296	97,441	(58,397)	49,340	38,075	45,564	(42,366)	41,273
Net cash provided by (used in) operating activities and net nonoperating gains and losses	60,719	44,961	59	105,739	(76,593)	(87,469)	70	(163,992)
<b>Financing activities</b>								
Proceeds from short-term borrowings	-	-	-	-	40,000	-	-	40,000
Payments on short-term borrowings	-	-	-	-	-	-	-	-
Proceeds from long-term borrowings	734,332	59	(59)	734,332	-	70	(70)	-
Payments for advance refunding of long-term debt	(130,405)	-	-	(130,405)	-	-	-	-
Principal payments on long-term debt	(73,134)	1,161	-	(71,973)	(83,475)	(1,420)	-	(84,895)
Debt issuance costs	(3,927)	-	-	(3,927)	-	-	-	-
Change in pledges receivable, trusts and interests in foundations	(13,038)	(7,377)	-	(20,415)	(24,787)	940	-	(23,847)
Restricted gifts, bequests, and other	74,073	16,494	-	90,567	60,576	5,578	-	66,154
Net cash provided by (used in) financing activities	587,901	10,337	(59)	598,179	(7,686)	5,168	(70)	(2,588)
<b>Investing activities</b>								
Expenditures for property, plant and equipment	(214,095)	(36,712)	-	(250,807)	(221,534)	(29,722)	-	(251,256)
Proceeds from sale of property, plant and equipment	-	-	-	-	10,000	-	-	10,000
Net change in cash equivalents reported in long-term investments	22,118	26,050	-	48,168	119,188	10,770	-	129,958
Purchases of investments	(2,913,281)	(263,956)	-	(3,177,237)	(1,113,826)	(136,437)	-	(1,250,263)
Sales of investments	2,521,456	224,933	-	2,746,389	1,109,773	163,238	-	1,273,011
Transfers (to) from affiliates	(36,429)	36,429	-	-	(56,428)	56,428	-	-
Net cash (used in) provided by investing activities	(620,231)	(13,256)	-	(633,487)	(152,827)	64,277	-	(88,550)
Effect of exchange rate changes on cash	-	(3,228)	-	(3,228)	-	1,805	-	1,805
Increase (decrease) in cash and cash equivalents	28,389	38,814	-	67,203	(237,106)	(16,219)	-	(253,325)
Cash, cash equivalents and restricted cash at beginning of year	1,045,742	325,701	-	1,371,443	990,202	36,766	-	1,026,968
Cash, cash equivalents and restricted cash at end of period	\$ 1,074,131	\$ 364,515	\$ -	\$ 1,438,646	\$ 753,096	\$ 20,547	\$ -	\$ 773,643

Please refer to Management's Discussion and Analysis for a listing of the hospitals in the Obligated Group.

**CLEVELAND CLINIC HEALTH SYSTEM  
OTHER INFORMATION  
FOR THE PERIOD ENDED MARCH 31, 2026**

**Utilization**

The following table provides selected utilization statistics for the System:

	Year Ended December 31			Three Months Ended March 31	
	2023	2024	2025	2025	2026
Total Staffed Beds <sup>(1)</sup>	5,527	5,454	5,501	5,480	5,485
Percent Occupancy <sup>(1)</sup>	74.9%	77.8%	78.9%	81.0%	81.3%
Inpatient Admissions <sup>(1)</sup>					
Acute	258,731	265,459	269,144	67,033	67,738
Post-acute	9,591	9,467	9,578	2,502	2,229
Total	268,322	274,926	278,722	69,535	69,967
Patient Days <sup>(1)</sup>					
Acute	1,289,273	1,305,863	1,340,739	338,178	347,159
Post-acute	78,413	76,300	75,917	19,866	17,646
Total	1,367,686	1,382,163	1,416,656	358,044	364,805
Average Length of Stay					
Acute	4.90	4.93	4.97	5.02	5.11
Post-acute	8.19	8.09	7.98	7.99	8.01
Surgical Facility Cases					
Inpatient	80,049	84,213	85,266	20,827	21,578
Outpatient	232,066	241,509	250,347	60,033	62,914
Total	312,115	325,722	335,613	80,860	84,492
Emergency Department Visits	951,863	994,454	995,213	251,672	240,484
Outpatient Observations	68,572	72,956	73,513	18,866	20,100
Outpatient Evaluation and Management Visits	7,580,447	7,995,821	8,333,634	2,065,430	2,096,244
Total Encounters	13,999,363	14,448,678	14,688,252	3,615,287	3,653,090
Acute Medicare Case Mix Index - Health System	1.98	2.02	2.06	2.04	2.10
Acute Medicare Case Mix Index - Cleveland Clinic	2.99	3.09	3.20	3.17	3.23
Total Acute Patient Case Mix Index - Health System	1.91	1.95	2.00	1.99	2.02
Total Acute Patient Case Mix Index - Cleveland Clinic	2.84	2.93	3.01	2.99	3.03

<sup>(1)</sup> Acute and post-acute, including rehabilitative and psychiatric services within post-acute, but excluding newborns and bassinets.

**CLEVELAND CLINIC HEALTH SYSTEM  
OTHER INFORMATION  
FOR THE PERIOD ENDED MARCH 31, 2026**

**Utilization (continued)**

The following table provides selected utilization statistics for the Obligated Group:

	Year Ended December 31			Three Months Ended March 31	
	2023	2024	2025	2025	2026
Total Staffed Beds <sup>(1)</sup>	4,113	4,047	4,102	4,073	4,083
Percent Occupancy <sup>(1)</sup>	78.1%	80.2%	80.8%	83.0%	82.7%
Inpatient Admissions <sup>(1)</sup>					
Acute	196,482	199,981	200,428	49,983	50,300
Post-acute	5,938	5,828	5,564	1,439	1,293
Total	202,420	205,809	205,992	51,422	51,593
Patient Days <sup>(1)</sup>					
Acute	1,002,826	1,011,531	1,029,199	260,043	265,291
Post-acute	50,874	50,192	47,230	12,331	10,515
Total	1,053,700	1,061,723	1,076,429	272,374	275,806
Surgical Facility Cases					
Inpatient	62,661	64,636	64,571	15,834	16,294
Outpatient	187,565	195,903	203,199	48,841	50,486
Total	250,226	260,539	267,770	64,675	66,780
Emergency Department Visits	697,515	733,029	732,651	185,448	177,108
Outpatient Observations	53,109	57,114	58,082	14,807	15,957
Outpatient Evaluation and Management Visits	5,965,741	6,287,043	6,590,997	1,616,060	1,709,538
Total Encounters	10,915,549	11,299,331	11,577,138	2,838,001	2,875,455
Acute Medicare Case Mix Index	2.04	2.08	2.12	2.10	2.15
Total Acute Patient Case Mix Index	1.97	2.01	2.05	2.04	2.08

<sup>(1)</sup> Acute and post-acute, including rehabilitative and psychiatric services within post-acute, but excluding newborns and bassinets.

Please refer to Management's Discussion and Analysis for a listing of the hospitals in the Obligated Group.

**CLEVELAND CLINIC HEALTH SYSTEM  
OTHER INFORMATION  
FOR THE PERIOD ENDED MARCH 31, 2026**

**Payor Mix**

The following table shows payor mix as a percentage of gross patient service revenue for the System and Obligated Group as a whole:

**CLEVELAND CLINIC HEALTH SYSTEM  
Based on Gross Patient Service Revenue**

	<u>Year Ended December 31</u>			<u>Three Months Ended March 31</u>	
	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2025</u>	<u>2026</u>
<b><u>Payor</u></b>					
Managed Care and Commercial	34%	34%	34%	34%	33%
Medicare	51%	51%	51%	51%	52%
Medicaid	13%	12%	12%	12%	12%
Self-Pay & Other	2%	3%	3%	3%	3%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

**OBLIGATED GROUP  
Based on Gross Patient Service Revenue**

	<u>Year Ended December 31</u>			<u>Three Months Ended March 31</u>	
	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2025</u>	<u>2026</u>
<b><u>Payor</u></b>					
Managed Care and Commercial	37%	37%	37%	37%	35%
Medicare	49%	49%	50%	50%	51%
Medicaid	12%	12%	11%	11%	11%
Self-Pay & Other	2%	2%	2%	2%	3%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Please refer to Management’s Discussion and Analysis for a listing of the hospitals in the Obligated Group.

**CLEVELAND CLINIC HEALTH SYSTEM  
OTHER INFORMATION  
FOR THE PERIOD ENDED MARCH 31, 2026**

**Research Support**  
*(\$ in thousands)*

The Clinic funds the annual cost of research from external sources, such as federal grants and contracts and contributions restricted for research, and internal sources, such as contributions, endowment earnings and revenue from operations. The following table summarizes the sources of research support for the Clinic:

	Year Ended December 31			Three Months Ended March 31	
	2023	2024	2025	2025	2026
External Grants Earned					
Federal Sources	\$ 157,489	\$ 164,172	\$ 166,203	\$ 41,776	\$ 37,758
Non-Federal Sources	145,922	171,933	180,956	39,684	45,582
Total	303,411	336,105	347,159	81,460	83,340
Internal Support	100,549	105,725	97,771	26,707	28,615
Total Sources of Support	\$ 403,960	\$ 441,830	\$ 444,930	\$ 108,167	\$ 111,955

**CLEVELAND CLINIC HEALTH SYSTEM  
OTHER INFORMATION  
FOR THE PERIOD ENDED MARCH 31, 2026**

**Debt Service Coverage**  
*(\$ in thousands)*

The following table provides the Obligated Group's income available to pay maximum annual debt service of the Obligated group:

	Year Ended December 31			Three Months Ended March 31	
	2023	2024	2025	2025	2026
Excess of revenues over expenses	\$ 1,127,365	\$ 1,120,242	\$ 2,168,914	\$ 859,787	\$ 2,224,957
Plus depreciation, amortization and interest	569,116	620,076	645,769	637,816	651,280
Less increase in unrealized net gains on investments and earnings on alternative investments	(729,756)	(673,845)	(910,080)	(447,515)	(794,320)
(Less) plus (increase) decrease in fair value of derivative instruments	(1,815)	(10,981)	1,281	471	(288)
Actuarial gains and losses related to pension plans, gains and losses resulting from changes in foreign currency exchange rates and other	29,269	6,321	18,477	5,894	18,044
Funds available for debt service	\$ 994,179	\$ 1,061,813	\$ 1,924,361	\$ 1,056,453	\$ 2,099,673
Maximum annual debt service**	\$ 262,828	\$ 289,198	\$ 302,039	\$ 273,228	\$ 334,422
Maximum annual debt service coverage (x)	3.78	3.67	6.37	3.87	6.28

\*\*Maximum annual debt service is calculated based on the master trust indenture

**CLEVELAND CLINIC HEALTH SYSTEM  
OTHER INFORMATION  
FOR THE PERIOD ENDED MARCH 31, 2026**

**Other Key Ratios**

The following table provides selected key ratios for the System:

	Year Ended December 31			Three Months Ended March 31	
	2023	2024	2025	2025	2026
<b>Liquidity ratios</b>					
Days of cash on hand	316	315	323	302	323
Days of revenue in accounts receivable	53	48	47	49	49
<b>Coverage ratios</b>					
Cash to debt (%)	228.3	240.5	251.9	236.3	237.4
Interest expense coverage (x)	4.8	5.9	12.0	6.2	12.8
<b>Leverage ratios</b>					
Debt to cash flow (x)	6.2	5.2	2.8	5.0	2.8
Debt to capitalization (%)	27.5	26.6	25.3	26.3	26.8
Debt to revenue (%)	36.3	33.8	32.1	33.0	33.9
<b>Profitability ratios</b>					
Operating margin (%)	0.4	1.7	5.0	1.3	3.7
Operating cash flow margin (%)	5.5	6.8	9.6	6.2	8.5
Excess margin (%)	5.9	5.9	11.7	2.0	2.9
Return on assets (%)	3.7	3.8	7.8	1.3	1.8

Days of revenue in accounts receivable includes revenue associated with value-based care delegated risk agreements.

## **OVERVIEW**

**T**he Cleveland Clinic Health System (System) is a world-renowned provider of healthcare services that attracted patients from across the United States and from 174 other countries in 2025. The System operates 303 outpatient facilities and 21 hospitals, with approximately 5,500 staffed beds, globally. In the Northeast Ohio area, the System operates 15 hospitals, anchored by The Cleveland Clinic Foundation (Clinic). The System also operates 22 outpatient family health centers, nine ambulatory surgery centers, numerous physician offices located throughout Northeast Ohio, and specialized cancer centers in Sandusky and Mansfield, Ohio. In Southeast Florida, the System operates five hospitals, including an academic medical center, and 40 outpatient locations including three outpatient family health centers, an outpatient family health and ambulatory surgery center and numerous physician offices. In the United Kingdom, the System operates a hospital and two outpatient facilities in the central London area. In addition, the System operates a health and wellness center and a sports medicine clinic in Toronto, Canada and a specialized neurological clinical center in Las Vegas, Nevada. Pursuant to agreements, the System also provides management services for Ashtabula County Medical Center, located in Ashtabula, Ohio, with approximately 120 staffed beds, and Cleveland Clinic Abu Dhabi, a multispecialty hospital offering a range of complex quaternary and general acute care services that is part of M42 Health's network of healthcare facilities located in Abu Dhabi, United Arab Emirates with approximately 364 staffed beds.

**CLEVELAND CLINIC HEALTH SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD ENDED MARCH 31, 2026**

The following table sets forth the hospitals operated by the obligated issuers and their affiliates, together with each hospital's staffed bed count as of March 31, 2026:

	<b>Staffed Beds</b>
<b><u>OBLIGATED</u></b>	
Cleveland Clinic	1,259
Avon Hospital	126
Euclid Hospital	146
Fairview Hospital	498
Hillcrest Hospital	471
Lutheran Hospital	192
Martin North Hospital	244
Martin South Hospital	100
Marymount Hospital	258
Medina Hospital	148
Mentor Hospital	34
South Pointe Hospital	172
Tradition Hospital	177
Weston Hospital	258
	4,083
<b><u>NON-OBLIGATED</u></b>	
Akron General Medical Center	478
Children's Rehabilitation Hospital	25
Indian River Hospital	270
Lodi Hospital	20
London Hospital	184
Mercy Hospital	323
Union Hospital	102
	1,402
	<b>5,485</b>
<b>HEALTH SYSTEM</b>	

## AWARDS & RECOGNITION

The Clinic was named by *U.S. News and World Report* to the Honor Roll in its 2025-2026 edition of "America's Best Hospitals." The Honor Roll recognizes 20 top-performing hospitals based on rankings in various specialties and procedures, an honor the Clinic has received for 35 consecutive years. The Clinic was nationally ranked in 14 specialties, including eight in the top ten.

The publication also evaluated hospitals by state and metropolitan area with a methodology similar to that used to determine the national rankings. The Clinic was ranked as the best hospital in both the State of Ohio and the Cleveland metropolitan area, which includes the City of Cleveland and its surrounding counties. The report also ranked additional System hospitals in the top hospitals in the Cleveland metropolitan area and Ohio. Hillcrest Hospital ranked second in the Cleveland metropolitan area and fifth in Ohio. Fairview Hospital ranked third in the Cleveland metropolitan area and sixth in Ohio. Akron General

**CLEVELAND CLINIC HEALTH SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD ENDED MARCH 31, 2026**

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Medical Center, located in Summit County, was ranked first in the Akron metropolitan area and seventh (tie) in the State of Ohio. In Florida, Weston Hospital was ranked first in the Miami-Fort Lauderdale metro area and sixth in the State of Florida; Martin Health was ranked 21<sup>st</sup> in the State of Florida; and Indian River Hospital was ranked 28<sup>th</sup> in the State of Florida.

Cleveland Clinic Children's Hospital located on the Clinic's main campus earned national recognition in eleven out of eleven pediatric specialties ranked by U.S. News and World Report in its 2025-2026 edition of "Best Children's Hospitals." For 17 consecutive years, the Cleveland Clinic Children's Hospital has ranked among the nation's top 50 pediatric hospitals. Regionally, Cleveland Clinic Children's Hospital has also been ranked as the third best (tie) pediatric hospital in the Midwest and the third best (tie) in Ohio.

In February 2026, the Clinic was named the third-best hospital in the world by *Newsweek* as part of its "World's Best Hospitals 2026" list. *Newsweek* partnered with global research data company Statista to rank the leading hospitals in 32 countries. According to *Newsweek*, its rankings are based on data sources including: opinions from global medical experts; publicly available data on patient experience and hospital quality metrics; and patient reported outcome measures. Cleveland Clinic Abu Dhabi ranked first in the United Arab Emirates. Cleveland Clinic Abu Dhabi, Fairview Hospital and Weston Hospital ranked at numbers 119, 228 and 246 respectively, in the top 250 hospitals internationally, and four other System hospitals were listed among the best hospitals in the U.S.

In June 2025, *Newsweek* announced that Cleveland Clinic Children's was nationally ranked in all eight specialties in its "America's Best Children's Hospitals 2025" list, including second for Cardiology & Cardiac Surgery. The rankings are based on four data sources: peer recommendations for healthcare professionals; hospital quality metrics; patient experience survey results; and patient-reported outcome measures.

In September 2025, the Clinic was recognized among the top hospitals in the world in *Newsweek's* "World's Best Specialized Hospitals of 2026." The Clinic was ranked as the number one hospital in the world for both cardiology and urology care and among the world's best in all twelve specialties rated by *Newsweek*. In addition to cardiology and urology, ranked specialties include cardiac surgery, endocrinology, gastroenterology, neurology, neurosurgery, obstetrics and gynecology, oncology, orthopedics, pediatrics and pulmonology. Fairview Hospital, Hillcrest Hospital and Weston Hospital were also recognized among the world's best specialized hospitals in at least one specialty.

In *Newsweek's* separate "World's Best Smart Hospitals of 2026" list, the Clinic was ranked as the number two smart hospital in the world. In its rankings, *Newsweek* identified hospitals that implement new medical technologies and fundamentally rethink how patient care is provided using some of the most advanced technologies. The list highlights hospitals that lead in their use of artificial intelligence (AI), robotic surgery, digital imaging, telemedicine, smart buildings, information technology infrastructure and electronic medical records.

## CORPORATE GOVERNANCE

The Board of Directors of the Clinic is responsible for all of its operations and affairs and controls its property. The Board of Directors is also responsible for ensuring that the Clinic is organized, and at all times operated, consistent with its charitable mission and its status as an Ohio nonprofit corporation and tax-exempt charitable organization. The Board of Directors generally meets four times per year, including an annual meeting during which the Clinic's officers are elected and standing committees are appointed. The size of the Board of Directors can range between 15 to 30 Directors (currently there are 21 Directors). The Board of Trustees serves as an advisor to the Board of Directors. Trustees actively serve on the committees of the Board of Directors. At present, there are 74 active Trustees, two Professional Staff Trustees, 13 Emeritus Directors and six Emeritus Trustees. Directors and Trustees each serve four-year terms and are selected on the basis of their expertise and experience in a variety of areas beneficial to the Clinic.

The Board of Directors annually appoints certain committees to perform duties that it delegates to them from time to time, subject to ratification of such action by the Board of Directors. The current committees are as follows:



Members of the Committees are chosen based on the interests and skills of individual Board members and the needs of the particular Committee. Most Committees meet three or four times per year, though a few meet more often. Board members also have the opportunity to participate in regular discussions on Safety, Quality and Patient Experience, Research and Education, Community Relations and Government Relations. The Governance Committee is authorized to function as an Executive Committee. The Clinic is engaged in an ongoing review of its governance practices, as well as those of other top academic medical centers, to ensure the Clinic's governance structures function at a high level.

The System maintains a governance model for the Ohio and Florida regional hospitals that maintains separate boards of trustees for each hospital. The regional hospital boards provide local input on quality, patient safety and community health needs.

## STRATEGY

The System's mission statement is as follows:

Caring for life  
Researching for health  
Educating those who serve

The System's vision is to be the best place to receive care anywhere and the best place to work in healthcare. The System strives to serve more patients with the highest quality, compassionate care and to create a rewarding experience for caregivers. The System's values, updated in 2026, reflect how the System can deliver the best possible care and guide caregivers in how to care for patients and each other:

**Serve with heart:** Care for patients and each other with compassion and purpose.

**Succeed as one team:** Achieve excellence together as One Cleveland Clinic.

**Shape the future:** Advance care for all through courage and innovation.

The Clinic's Professional Staff is organized as an integrated academic group of practicing physicians, scientists and other health-related professionals. It is a unique model that continues to be conducive to the achievement of excellence in the delivery of health care services. The System's commitment to excellence, its integrated, academic group practice approach to the delivery of health care services and its commitment to the guiding principles established by its founders — namely, cooperation, compassion and innovation — enable the System to continue to attract and retain world-class physicians in all specialty areas to deliver world-class health care services to patients from throughout the world.

The System's strategy supports the mission and vision of the System, within an industry undergoing dramatic change. Anchoring the strategy is the System's belief that modern nonprofit healthcare organizations must tend to four care priorities: care for patients; care for caregivers; care for the organization; and care for the community.

The System's operating model aligns services and enhances quality, safety and patient experience across all System locations by creating organizational synergies and efficiencies needed in a challenging operating environment. The model is designed to optimize the System's footprint and provides a scalable framework to support strategic growth. In 2024, the System adopted a new enterprise, market-focused operating model to strengthen alignment, enhance performance and support disciplined growth across domestic and international markets.

The strategy to achieve the System's vision is organized around four focus areas:

<b>Transform Care</b>	Providing care that is consistent, continuous and customized.
<b>Empower Caregivers</b>	Ensuring a work environment that is safe, rewarding and team-based.
<b>Uplift Communities</b>	Focusing on prevention and solutions.
<b>Sustain Cleveland Clinic</b>	Controlling costs to allow for sustainable growth.

The strategic focus areas are aligned with the four care priorities and the operating model. Each focus area has multi-year strategic initiatives with various goals.

Overall, the System continues to identify and pursue ways to improve on every dimension of the enterprise's performance: the relentless pursuit of quality and safety; efficient organization and delivery of care; engaging environment for caregivers; development of new technologies; integration of research and education; and providing value to the patient. The System is committed to a path that responds to the changing healthcare environment and develops novel approaches that preserve excellence in care.

## **AFFILIATIONS AND PARTNERSHIPS**

The Clinic has entered into various affiliations with national and regional partners that are seeking to improve clinical quality, patient care, medical education and research. The goal of clinical affiliations is to provide value-added, high-quality clinical care to patients through the support, expansion and development of Institute-driven integrated care strategies. In addition, the Clinic has partnered with educational institutions with the goal of improving medical education and research.

In March 2021, the Clinic and International Business Machines Corporation (IBM) announced a planned ten-year partnership to establish the Discovery Accelerator, a joint Cleveland Clinic – IBM partnership with the mission of fundamentally advancing the pace of discovery in healthcare and life sciences through high performance computing on the hybrid cloud, AI and quantum computing technologies. As part of the collaboration, IBM installed its first private sector, on-premises IBM Quantum System One in the United States on the Clinic's main campus. The Quantum System One, IBM's commercial quantum computer, went online in the first quarter of 2023. This quantum program is designed to actively engage with universities, government, industry, startups and other relevant organizations and serve as the foundation of a new quantum ecosystem for life sciences.

In October 2024, the Clinic and the Cleveland Cavaliers, partnering with Bedrock Real Estate, broke ground on the Cleveland Clinic Global Peak Performance Center – an innovative sports performance center and training facility. Plans include the development of an interdisciplinary training center, which will be located on the Cuyahoga Riverfront in downtown Cleveland. The center, which is expected to open in

2027, plans to offer personalized expertise in training, treatment, nutrition and recovery from the Clinic's professional medical specialists.

In October 2024, the Clinic and Amazon One Medical announced a collaboration to expand access to high-quality coordinated care in the Cleveland area. Amazon One Medical, a hybrid virtual and in-person primary care organization, opened its first primary care office in affiliation with the Clinic in October 2025, offering same and next-day appointment availability, onsite lab services and virtual care support for members. The second Amazon One Medical location opened in January 2026. The Clinic and Amazon One Medical will determine additional locations for new facilities over the next several years. This new relationship ensures that patients have increased access to coordinated care through Amazon One Medical's innovative care model and the Clinic's network of specialists, hospitals and facilities.

In January 2025, the Clinic and Miami University announced a partnership to advance education in quantum computing. The partnership will establish Ohio's first specialized degree programs and research experiences in quantum computing. The partnership advances each institution's mission by delivering innovative, comprehensive educational offerings in quantum computing and its healthcare applications. In September 2025, the Clinic and Miami University announced an expansion of their partnership with a goal of supporting students and training the next generation of caregivers. The expanded partnership includes the naming of the Cleveland Clinic Health Sciences and Wellness facility at Miami University through a sponsorship and naming agreement.

In May 2025, the Clinic announced a partnership with Regent Surgical (Regent) to develop ambulatory surgery centers designed to enhance access, streamline care delivery and provide support for physicians and care teams. Ambulatory surgery centers offer convenient access for patients who need surgical care as an alternative to the traditional hospital setting. Regent works with health systems to develop, manage and operate surgery center partnerships with a focus on enhancing care quality, improving patient experience and driving operational excellence. The Clinic is the majority owner of the joint venture and will maintain a controlling interest in the partnership, which will offer syndication and co-investment opportunities to qualified physician investors aligned with certain centers within the partnership.

In February 2026, the PGA TOUR named the Clinic as the Official Healthcare Provider of the PGA TOUR and PGA TOUR Champions. The partnership runs through 2032, and beginning this season, Clinic clinicians and performance experts will be integrated into the PGA TOUR's Player Performance Center, which travels with the TOUR throughout the year. The Clinic will deliver integrated multi-disciplinary and performance-focused care that supports player longevity, resilience, and recovery. This partnership allows the Clinic to apply leading-edge insights, elevate wellness across the TOUR and advance the shared commitment to helping individuals perform at their highest potential on and off the course.

## **VALUE-BASED CARE RISK AGREEMENTS**

**T**he System participates in three value-based care risk agreements to manage populations of patients attributed to Clinic employed providers and independent providers in the Quality Alliance. The Quality Alliance is a clinically integrated provider network that integrates employed Clinic providers and independent physician practices with a goal of improving clinical quality and efficiency of patient care.

The agreements allow the Clinic to provide care coordination and other population health management activities for those attributed members participating in Medicare Advantage plans currently written by three national payors (the Contracted Plans).

The terms of the agreements are at least two years, expiring on December 31, 2026 or December 31, 2028. During the term of each agreement, the Contracted Plans will allocate a percentage of premium (Delegated Premium) the Contracted Plans receive from the Centers for Medicare and Medicaid Services to the Clinic. The Delegated Premium is allocated to a Clinic-specific medical cost fund. The Delegated Premium amounts have been determined based on a target medical loss ratio of total premium. The Clinic will also receive administrative fees from the Contracted Plans to coordinate patient care and other population health management activities with providers, either through a specified administrative fee or as part of the medical-cost premium delegation. In exchange for the Delegated Premium and administrative fees, the Clinic is responsible for both providing or arranging for the provision of medical services to assigned Contracted Plan members with the Quality Alliance and the agreed upon delegated activities. The Delegated Premium is recorded as premium revenue, while related medical claims costs and related administrative expenses are recorded as operating expenses in the consolidated statements of operations. Medical claims for services provided at System facilities are eliminated from net patient service revenue and medical claims expense in the consolidated financial statements.

The agreements provide that, if medical claim expenses are lower than the Delegated Premium allocated to the Clinic-specific medical cost fund, then such amount constitutes a savings, which is shared between the Clinic (as the risk bearing entity) and the Contracted Plans. In the same manner, the agreements provide that, if medical claim expenses are higher than the Delegated Premium allocated to the Clinic-specific medical cost fund, then such amount constitutes a deficit, which is allocated between the Clinic and the Contracted Plans. Such savings or deficit will be allocated appropriately amongst the provider groups in the Quality Alliance (including the Clinic). The Clinic has stop-loss insurance to manage against any significant deficits.

## **CLEVELAND INNOVATION DISTRICT**

**T**he Cleveland Innovation District (District) is designed to leverage talent and research across multiple world-class clinical and academic institutions to drive the next generation of healthcare technology. Created in collaboration with the State of Ohio, the District includes the Clinic, University Hospitals Health System, The MetroHealth System, Case Western Reserve University and Cleveland State University. The purpose of the District is to be a center of excellence to act as a catalyst for ongoing investment in Northeast Ohio, including the attraction of businesses and talent.

Included in the District is the Clinic's Sheikha Fatima bint Mubarak Global Center for Pathogen and Human Health Research (Global Pathogen Research Center), which will be located in new or renovated research facilities on the Clinic's main campus. In January 2021, the Clinic, the State of Ohio, JobsOhio and the Ohio Development Services Agency announced a partnership to support the Clinic's Global Pathogen Research Center. The Global Pathogen Research Center allows the Health System to significantly expand its global commitment to infectious disease research and translational programs and brings

together a research team focused on broadening the understanding of viral pathogens, virus-induced cancers, genomics, immunology and immunotherapies. See “EXPANSION AND IMPROVEMENT PROJECTS” for additional details on this project.

## **CLEVELAND CLINIC INNOVATIONS**

**C**leveland Clinic Innovations (CCI) encompasses commercial innovation, start-up company investments, licensing and healthcare technology partnership opportunities for the System.

CCI identifies, assesses and commercializes transformative solutions and intellectual property emulating from the System’s physicians and scientists. It focuses on three domain portfolios — therapeutics and diagnostics, medical devices and digital health — and employs a unique approach to assess, protect, build, test and market the most promising ideas of System caregivers. Since its inception in 2000, CCI has transacted over 970 technology licenses, has had over 2,900 patents issued and contributed to several of the System’s historical advancements.

A dedicated team within CCI focuses on investing in companies that align with organizational priorities and address healthcare white space opportunities to resolve pressing medical problems. The team transforms strategic licensed and patented solutions developed at the System into investible, stand-alone companies. Since 2000, CCI has formed a total of 109 spin-off companies, 38 of which are currently operational and 29 of which have been monetized.

CCI also supports certain outside-in partnerships and co-investment models with technology partners that advance key areas of innovation and transformation across the System’s operating model.

## **EXPANSION AND IMPROVEMENT PROJECTS**

**T**he System is investing in buildings, equipment and technology to better serve its patients. The System has the following expansion and improvement projects recently announced or currently in progress:

Neurological Institute Building – The Clinic is currently building a new Neurological Institute building on its main campus to accommodate the expansion of patient care, research and education. The approximately one million square-foot facility will centralize all neurological care on the main campus, bringing together services currently delivered in eight locations. Construction began in 2023, and the facility is scheduled to open in the first quarter of 2027. Services are expected to include digitized patient evaluations, imaging, neuro-simulation training, infusion therapy, neurodiagnostics and brain-mapping suites. The facility will also include research space dedicated to investigation and discovery of new therapies and will serve as the nucleus for neurology-related distance healthcare and digitized data processing and management. A portion of the construction costs are being raised through fundraising efforts and donations.

Cleveland Innovation District – The initial phase of the District opened in 2023 and includes approximately 45,000 square feet of remodeled space in existing research facilities to house leading-edge laboratories for many of the Clinic's growing research programs. The Clinic is also constructing two new research buildings totaling approximately 296,000 square feet on the Clinic's main campus. The new buildings, which are expected to be completed in the second quarter of 2026, will be dedicated to scientific investigation across the United States, the United Kingdom and United Arab Emirates and will feature research laboratories, dedicated classroom space and offices. For additional description of the District, associated partnerships and related projects refer to "CLEVELAND INNOVATION DISTRICT."

West Palm Beach – In December 2024, the System announced plans to build a new hospital in West Palm Beach, Florida. The plans for the new hospital include approximately 200 inpatient beds, an emergency department and a broad range of specialties, with the flexibility to adapt and add specialty care to meet the needs of the community. In addition to the new hospital, plans also include leasing space for a new outpatient location that will nearly quadruple the square footage of the existing health center in Palm Beach County. Additional outpatient services include chemotherapy and infusions, imaging, endoscopy and outpatient surgery. Construction of the hospital is expected to begin when initial fundraising goals are achieved.

Avon Campus – In June 2025, the System announced plans to expand both Avon Hospital and Richard E. Jacobs Family Health Center. The hospital expansion will include an additional bed tower, new operating rooms and expansion of imaging services, laboratory space and the emergency department. The expansion of the family health center will include more than 90 rooms for preventive and specialty care and expansion of cancer services, including radiation oncology. A new parking garage will also be added to accommodate the additional patients and caregivers accessing the campus. Construction is expected to begin in 2026 and be completed in 2029.

Fairview Hospital – In November 2025, the System started a construction renovation project at Fairview Hospital that includes a new cancer center, medical office building and parking structure to replace existing facilities. Construction is expected to be completed and open to patients and caregivers by the end of 2027.

Cleveland Clinic London – In November 2025, the System began renovation of a building in London located next to London Hospital that will be converted into an 81,000 square foot cancer center. The center will offer multidisciplinary cancer care including surgical oncology, medical oncology and hematology, as well as systemic cancer therapies, such as immunotherapy, chemotherapy, targeted therapies and radiotherapy. In addition to cancer care, Cleveland Clinic London plans to introduce a wider range of clinical services at the facility in the future. Construction is expected to be completed by the end of 2027.

## **INTERNATIONAL GROWTH**

**C**leveland Clinic London Hospital (London Hospital) opened on March 29, 2022. London Hospital has 184 beds, including 29 ICU beds, eight operating theaters and a 42-bed neurological rehabilitation unit. It provides comprehensive medical and surgical services with a special focus on cardiovascular, digestive, neurological and orthopedic care utilizing the latest technology. The hospital is located in central London with two outpatient facilities located near the hospital. In 2025, London Hospital announced an expansion of cancer services in a facility next to the hospital with construction expected to be completed by the end of 2027. For additional description of the project see “EXPANSION AND IMPROVEMENT PROJECTS.” The facilities are operated by Cleveland Clinic London Ltd, a private company limited by shares that is incorporated and domiciled in England and Wales. The Clinic through a subsidiary is the sole shareholder of London Hospital.

In addition to the London Hospital, the System’s international portfolio includes a health and wellness center and a sports medicine clinic in Toronto, Canada, and management services provided to Cleveland Clinic Abu Dhabi, which operates a multispecialty 364-staffed bed hospital offering critical and acute care services and a ten-story cancer treatment center located adjacent to the hospital tower.

## **CLEVELAND CLINIC CONNECTED**

**I**n 2017, the Clinic launched Cleveland Clinic Connected, a global affiliation program that aims to improve patient care delivery around the world by enabling healthcare providers both in the United States and internationally to access the Clinic's best practices. Facilities affiliated with the Clinic through the program will experience the Clinic model of care through the Clinic’s collaboration and guidance in the areas of quality, patient safety and best practices for patient care and engagement. Providers at the facilities have the option of consulting on complex cases for second opinions and guidance from the Clinic where legally permissible, and clients’ clinical and operational leaders at the facilities have access to clinical and executive education opportunities aimed at improving healthcare delivery. The Clinic also supports continuous improvement through the provision of advisory services across a spectrum of clinical and non-clinical areas.

Vinmec Healthcare System (Vinmec) in Vietnam, owned by Vingroup, currently has two Cleveland Clinic Connected member hospitals, including Vinmec Times City Hospital located in the northern city of Hanoi and Vinmec Central Park Hospital located in the southern city of Ho Chi Minh. In April 2025, the Clinic and Vingroup announced a collaboration to develop two new Vinmec hospitals designed to meet Cleveland Clinic Connected standards, incorporating the Clinic model of care, comprehensive specialties, facility design, advanced clinical centers and world-class technology. In August 2025, Central Asian University in Tashkent, Uzbekistan, became a provisional Cleveland Clinic Connected member respective to its future Central Asian University Hospital to be developed on its campus. The new hospital will be built to Cleveland Clinic Connected standards and is expected to join the program soon after completion.

In August 2025, the Clinic welcomed Radiochirurgia Zagreb in Croatia as the first European member of Cleveland Clinic Connected. Founded in 2016, Radiochirurgia Zagreb is Croatia's leading specialty hospital for early cancer diagnosis and treatment, utilizing advanced oncologic technologies.

Cleveland Clinic Connected has three domestic members, including Parrish Medical Center located on Florida's Space Coast in Brevard County, which became a member in March 2024; Columbus Regional Health, a health system that serves a ten-county region in southeastern Indiana, which became a member in January 2025; and Barton Health, a non-profit, community health system in the Lake Tahoe region, which became a member in July 2025.

## **SUSTAINABLE OPERATIONS**

**T**he System's sustainable operations program is designed to enhance the patient experience while reducing operating expenses. The System met its previous goal of becoming 20% more energy efficient by 2020 from a 2010 baseline on more than 20 million square feet of facilities and set a new goal in 2021 to make its facilities 40% more efficient by 2030.

Areas of focus for the System's sustainable operations initiatives include:

- **Energy Efficiency**: Using energy efficiently reduces operational expenses and supports the System's commitment to human and environmental health. The System actively engages caregivers in stewardship behaviors across the enterprise.
- **Waste Reduction**: The System strives to identify and embed operational processes that reduce waste and implement programs that divert waste from landfills via reusing, reprocessing, recycling and composting.
- **Better Buying**: The System is committed to selecting non-hazardous, efficient and low-waste alternatives and engaging its suppliers in stewardship practices.

The System is committed to designing and constructing safe, efficient buildings in which to work and heal and has incorporated stewardship practices from leading frameworks in its design guidelines, such as the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) criteria. Currently, the System has 20 LEED-certified buildings covering more than six million square feet, including seven projects that are certified LEED-Gold.

## **COMMUNITY BENEFIT**

**T**he Clinic and its hospital affiliates within the System are comprised of charitable, tax-exempt healthcare organizations. The System's mission includes addressing health service needs and providing benefits to the communities it serves. The tax-exempt members of the System must satisfy a community benefit standard to maintain their tax-exempt status. Community benefit reporting for the

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System conforms to Internal Revenue Service (IRS) requirements and is reported on the IRS Form 990, the information return required to be filed annually with the IRS by exempt organizations.

Community benefit includes activities or programs that improve access to health services, enhance public health, advance generalizable knowledge and relieve government burden. The primary categories for assessing community benefit include financial assistance, Medicaid shortfall, subsidized health services, community health improvement programs, research and education. The System provided \$1.49 billion in community benefits in 2024, which is the most current year that community benefit information is available for the System. The full community benefit report and additional community information are available on the Health System's website (<https://my.clevelandclinic.org/about/community/reports/benefit>).

The following table summarizes community benefits for the System:

**2024 CLEVELAND CLINIC HEALTH SYSTEM COMMUNITY BENEFIT \***

dollars in millions

Medicaid Shortfall**	\$ 608.2
Education***	357.9
Financial Assistance	337.7
Research***	147.3
Subsidized Health Services	28.7
Community Health	12.7
	<u>\$ 1,492.5</u>

\* Includes all System operations in Ohio, Florida and Nevada

\*\* Includes net Hospital Care Assurance Program receipts of \$7.2 million

\*\*\* Research and Education are reported net of externally sponsored funding of \$329.8 million.

**Community Health Needs Assessment**

The System completes comprehensive community health needs assessments (CHNA) and implementation strategy reports once every three years for each hospital facility in adherence with Internal Revenue Code Section 501(r). To gain an in-depth understanding of the community risk indicators, data from a number of sources is analyzed, and input is solicited from persons representing broad interest of the community, including those with special knowledge or expertise in public health.

Key CHNA needs identified throughout the System include:

- access to affordable healthcare (available services, internet access);
- behavioral health (substance use disorder and mental health);
- chronic disease prevention and management (heart disease, cancer, diabetes, asthma and obesity);
- maternal and infant mortality;
- socioeconomic issues (food insecurity, affordable and safe housing); and
- additional overarching community themes of health equity and medical research and professional health education.

The current CHNA reports and implementation strategies for the System hospitals are available on the Clinic's website ([www.clevelandclinic.org/CHNAReports](http://www.clevelandclinic.org/CHNAReports)).

### **Addressing Hunger in Greater Cleveland**

In December 2023, in collaboration with the City of Cleveland, Greater Cleveland Food Bank, University Hospitals Health System and The MetroHealth System, the Clinic announced a commitment to donate \$10.4 million over the next five years toward new programs that will help address food insecurity in Greater Cleveland communities. The Clinic's commitment will also be used to support local food partners, including donations to Greater Cleveland Food Bank and Children's Hunger Alliance and a grant to the Nourishing Power Network. In February 2026, the System announced a five-year, \$50 million commitment to reduce hunger and improve access to nutritious food across Ohio, Florida and Nevada through direct support to local food banks and community-based organizations that are providing food to those in need.

## **ENTERPRISE RISK MANAGEMENT**

**T**he System's Enterprise Risk Management (ERM) process is a formalized and systemic approach to the identification, assessment, prioritization and mitigation of risks. The process is closely aligned with the System's strategic objectives and long-range planning. The ERM process includes participation by executive risk owners, risk owners and risk contributors who report on the System's top risks to an Enterprise Risk Steering Committee on a monthly basis. Additionally, ERM reports to the Executive Team and the Audit and Conflict of Interest Committee of the Board of Directors at least two times per year. Risk identification is continuously conducted through annual senior leader risk interviews, ERM Steering Committee input, observations arising out of the business operations, activities of risk owners and industry insights identified by the System's ERM platform utilizing AI.

The ERM process results in nine broad top risk areas, which are separated into hierarchical risk categories and risks for evaluation, analysis and development of mitigation actions. This work is performed by the various risk owners. Risks have traditionally been scored for likelihood and impact. To enhance the risk rating, management has implemented a comprehensive quant-model application to overlay estimated values of top risks from the enterprise risk register onto the long-range (five-year) financial projections of the System. This activity includes risk simulation of the velocity, probability and scale of the unmitigated risks of the System into a risk-adjusted set of financial projections and key results to be used as part of

enterprise-wide strategic and financial planning, as well as informing the System of the most impactful risks in order to prioritize risk mitigation efforts.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

**S**ystem management regularly evaluates its internal control environment over the System's financial reporting processes through an initiative based upon concepts established in the Sarbanes-Oxley Act of 2002. The goals of the initiative are to ensure the integrity and reliability of financial information, strengthen internal control in the reporting process, reduce the risk of fraud and improve efficiencies in the financial reporting process. The initiative reviews all aspects of the financial reporting process, identifies potential risks and ensures that they have been mitigated utilizing a management self-assessment process. As a result of this initiative, System management issued a report on the effectiveness of its internal control over financial reporting as part of the issuance of its consolidated financial results for 2025, which is the 17<sup>th</sup> year the management report was completed. As part of the internal control evaluation process for 2025, certifications were completed by 128 members of System management, including top leadership. The System is one of the first nonprofit hospitals to issue a management report on the effectiveness of internal control over financial reporting, a step that further increases the transparency of the organization. There were no changes in internal controls over financial reporting during the three months ended March 31, 2026 that have materially affected, or are likely to materially affect, the internal controls over financial reporting for the System.

## **LIQUIDITY**

### **Cash and Investments**

**T**he majority of the System's cash and cash equivalents are held in operating bank accounts for general expenditures. The System is continually monitoring its forecasted operating performance and cash position using various scenarios and assumptions to ensure that there is sufficient liquidity to meet the cash needs of the organization.

The System's objectives for its long-term investment portfolio are to achieve a market return to enhance the purchasing power of the enterprise in excess of inflation, and to provide capital capacity to support ongoing reinvestment in its tripartite mission and related capital needs of the enterprise, including cost-effective access to the debt capital markets. The asset allocation of the portfolio is broadly diversified across global equity and global fixed income asset classes and alternative investment strategies and is designed to maximize the probability of achieving the long-term investment objectives at an appropriate level of risk while maintaining a level of liquidity to meet the needs of ongoing portfolio management. This allocation is formalized into a strategic policy benchmark that guides the management of the portfolio and provides a standard to use in evaluating the portfolio's performance.

Investments are primarily maintained in a master trust fund administered using a bank as custodian. The Cleveland Clinic Investment Office is charged with the day-to-day management of the System's

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investment portfolios and their strategic direction. These portfolios include the System's general short-term and long-term investment portfolios, its defined benefit pension fund and the captive insurance fund. The System has established formal investment policies that support the System's investment objectives and provide an appropriate balance between return and risk.

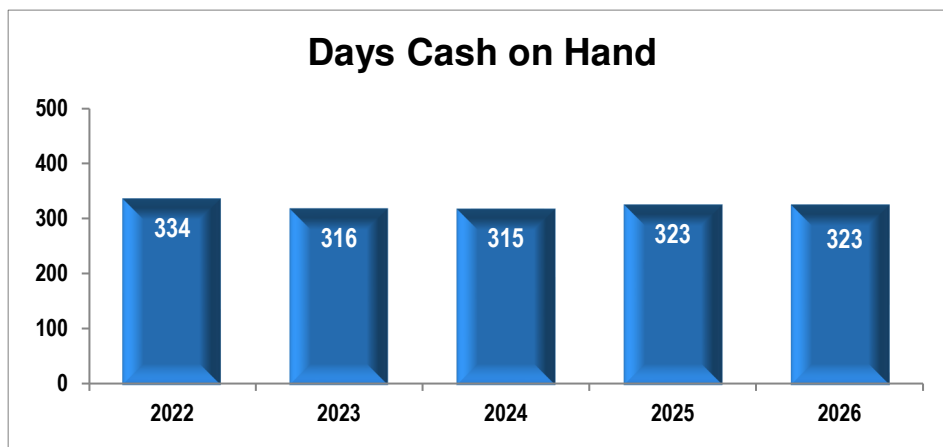
The following table summarizes the System's cash and investments in its operating accounts, general investment portfolios and captive insurance fund at March 31, 2026 and December 31, 2025:

**Cash and Investments  
(Dollars in thousands)**

	March 31, 2026		December 31, 2025	
Cash and cash equivalents	\$ 1,803,822	11%	\$ 1,784,787	11%
Fixed income securities*	3,648,997	21%	3,365,025	20%
Marketable equity securities*	3,256,817	19%	3,003,637	18%
Alternative investments	8,508,446	49%	8,624,783	51%
<b>Total cash and investments</b>	<b>\$ 17,218,082</b>	<b>100%</b>	<b>\$ 16,778,232</b>	<b>100%</b>
Less restricted investments**	(2,093,410)		(2,015,155)	
<b>Unrestricted cash and investments</b>	<b>\$ 15,124,672</b>		<b>\$ 14,763,077</b>	
Days cash on hand	323		323	

\* Fixed income securities and marketable equity securities include mutual funds and commingled investment funds within each investment allocation category.  
 \*\* Restricted investments include funds held by trustees, assets held for self-insurance and donor-restricted assets.

The following chart summarizes days cash on hand for the System at December 31 for the last four years and March 31, 2025:



At March 31, 2026, total cash and investments for the System (including restricted investments) were \$17.2 billion, an increase of approximately \$440 million from \$16.8 billion at December 31, 2025. This

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includes a \$362 million increase in unrestricted cash and investments in 2026. Since 2018, unrestricted cash and investments have increased from \$8.0 billion at December 31, 2018 to \$15.1 billion at March 31, 2026.

Included in the System's cash and investments are investments held for self-insurance. These investments totaled \$291.2 million at March 31, 2026, with an asset mix of 6% cash and short-term investments, 34% fixed income securities, 31% equity investments and 29% alternative investments. The asset mix reflects the need for liquidity and the objective to maintain stable returns utilizing a lower tolerance for risk and volatility consistent with insurance regulatory requirements.

The System invests in alternative investments to increase the portfolio's diversification. Alternative investments are primarily limited partnerships that invest in marketable securities, privately held securities, real estate and derivative products and are reported based on the net asset value of the investment.

Alternative investments at March 31, 2026 and December 31, 2025 consist of the following:

**Alternative Investments  
(Dollars in thousands)**

	March 31, 2026		December 31, 2025	
Hedge funds	\$ 4,380,097	51%	\$ 4,494,681	52%
Private equity/venture capital	4,128,349	49%	4,130,102	48%
Total alternative investments	\$ 8,508,446	100%	\$ 8,624,783	100%

Alternative investments have varying degrees of liquidity and are generally less liquid than the traditional equity and fixed income classes of investments. Over time, investors may earn a premium return in exchange for this lack of liquidity. Hedge funds typically contain redeemable interests and offer the most liquidity of the alternative investment classes. These investment funds permit holders periodic opportunities to redeem interests at frequencies that can range from daily to annually, subject to lock-up provisions that are generally imposed upon initial investment in the fund. It is common, however, that a small portion (5-10%) of withdrawal proceeds are held back from distribution pending the fund's annual audit, which can be up to a year away. Private equity/venture capital funds typically have non-redeemable partnership interests. Due to the inherent illiquidity of the underlying investments, the funds generally contain lock-up provisions that prohibit redemptions during the fund's life. Distributions from the funds are received as the underlying investments in the fund are liquidated. These investments have an initial subscription period, under which commitments are made to contribute a specified amount of capital as called for by the general partner of the fund. The System periodically reviews unfunded commitments to ensure adequate liquidity exists to fulfill anticipated contributions to alternative investments.

**Investment Return**

Investment return, including income on alternative investments, is reported as nonoperating gains and losses except for interest and dividends earned on assets held for self-insurance and amounts designated for current operations from board-designated endowment funds, which are included in other unrestricted revenues. The System maintains a board-designated endowment fund to support research and education

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activities of the System. Donor-restricted investment return on restricted investments is included in net assets with donor restrictions.

The System's long-term investment portfolio, which excludes assets held for self-insurance, reported positive investment return in the first three months of 2026 and 2025. The preliminary investment returns do not include all of the valuation adjustments of private equity investments that have not yet issued their final earnings reports.

Total investment return for the System is comprised of the following:

**Investment Return  
(Dollars in thousands)**

	For the three months ended March 31	
	2026	2025
Other unrestricted revenue:		
Interest income and dividends	\$ 1,166	\$ 1,193
Investment return designated for current operations	62,500	62,500
	63,666	63,693
Nonoperating gains and losses, net:		
Interest income and dividends	44,351	35,209
Net realized gains on sales of investments	144,793	77,164
Net change in unrealized (losses) gains on investments	(141,340)	6,185
Equity method loss on alternative investments	(9,208)	(11,727)
Investment management fees	(10,002)	(7,782)
Investment return designated for current operations	(62,500)	(62,500)
	(33,906)	36,549
Other changes in net assets:		
Investment (loss) income on restricted investments	(334)	8,820
Total investment return	\$ 29,426	\$ 109,062

**Operating Lines of Credit**

As of March 31, 2026, the System has a \$500 million revolving credit facility with no amounts drawn and \$500 million in available capacity. The agreement, which offers the System the ability to expand the credit facility to \$600 million, expires in 2028.

### **Long-term Debt**

At March 31, 2026, outstanding current and long-term debt for the System totaled \$6.4 billion, comprised of \$5,512 million in bonds and notes, \$282 million related to proceeds from sale-leaseback transactions, \$376 million in finance leases and \$235 million in unamortized net premium, offset by \$35 million of unamortized debt issuance costs. Bonds and notes are structured with approximately 82% fixed-rate debt and 18% variable-rate debt.

In March 2026, pursuant to certain agreements between the System and the State of Ohio (State) acting by and through the Ohio Higher Education Facility Commission, the State issued \$552.6 million of fixed-rate Hospital Revenue Bonds (Series 2026A Bonds), which generated over \$600 million in bond proceeds, and \$131.1 million of variable-rate Hospital Revenue Refunding Bonds (Series 2026B Bonds) for the benefit of the System. Proceeds from the Series 2026A Bonds have been or will be used to finance certain capital expenditures of the System and pay the cost of issuance. Proceeds from the Series 2026B Bonds were used to refund the Series 2019F Bonds and pay the cost of issuance. The Series 2026B Bonds are supported by the System's self-liquidity.

As of March 31, 2026, approximately \$462 million of variable-rate debt are bonds secured by irrevocable direct pay letters of credit or standby bond purchase agreements. Debt supported by letters of credit or standby bond purchase agreements that expire within one year, require repayment of a remarketing draw within one year, or contain a subjective clause that would allow the lender to declare an event of default and cause immediate repayment of such bonds are classified as current liabilities.

As of March 31, 2026, the System maintains \$532 million of variable-rate bonds supported by the System's self-liquidity. Debt supported by self-liquidity includes the Taxable Commercial Paper Notes, Series 2026 (described below), and certain variable-rate bonds that are remarketed in commercial paper or weekly mode. Bonds and notes supported by self-liquidity are classified as current liabilities. The System has sufficient liquidity within its investment portfolio to support self-liquidity debt.

In March 2026, the System established the Taxable Commercial Paper Notes, Series 2026 (Series 2026 CP Notes). The Series 2026 CP Notes may be issued from time to time in a maximum outstanding face amount of \$250 million and are supported by the System's self-liquidity. The System did not have any outstanding Series 2026 CP Notes at March 31, 2026. The Series 2026 CP Notes replaced the Taxable Hospital Revenue Commercial Paper Notes, Series 2014A (Series 2014A Notes), which were terminated on March 31, 2026. There were no outstanding Series 2014A Notes when the program was terminated.

The System is subject to certain restricted covenants associated with its debt, including provisions related to certain debt ratios, days cash on hand and other matters. The System was in compliance with these covenants at March 31, 2026.

The System through a United Kingdom subsidiary issued £665 million of sterling notes (2018 Sterling Notes) in 2018 pursuant to a private placement agreement. The proceeds of the 2018 Sterling notes were used to support expansion in London. The outstanding 2018 Sterling Notes have been converted to U.S. dollars in the consolidated balance sheet using exchange rates of \$1.32 and \$1.35 at March 31, 2026 and December 31, 2025, respectively.

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Outstanding long-term debt (including current portion) for the System as of March 31, 2026 and December 31, 2025 consist of the following:

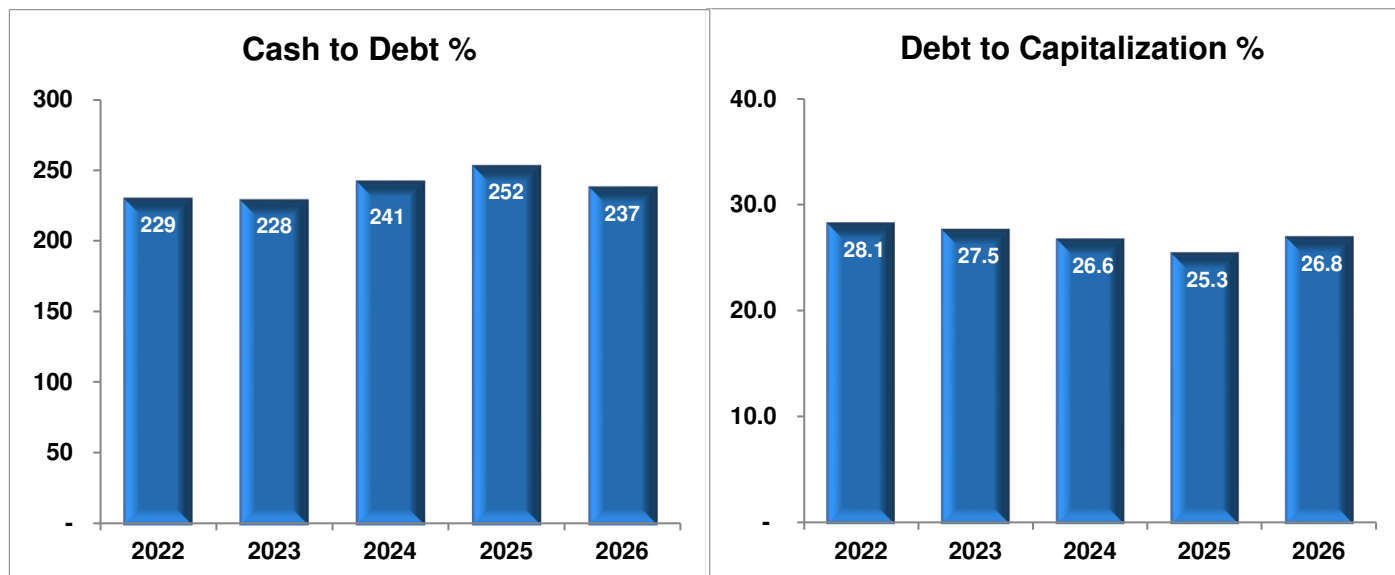
**Hospital Revenue Bonds and Notes  
(Dollars in thousands)**

Series	Type	Final Maturity	March 31 2026	December 31 2025
2026A Bonds	Fixed	2032	\$ 552,635	\$ —
2026B Bonds	Variable	2052	131,145	—
2024A Bonds	Fixed	2035	435,470	435,470
2021A Bonds	Fixed	2049	83,810	83,810
2021B Bonds	Fixed	2039	139,700	167,160
2019A Bonds	Fixed	2046	247,045	247,045
2019B Bonds	Fixed	2046	244,790	244,790
2019C Bonds	Fixed	2052	89,000	89,000
2019D Bonds	Variable	2052	119,340	119,340
2019E Bonds	Variable	2052	130,405	130,405
2019F Bonds	Variable	2052	—	130,405
2019G Bonds	Fixed	2042	240,185	240,185
2018 Sterling Notes <sup>1</sup>	Fixed	2068	879,252	897,229
2017A Bonds	Fixed	2043	629,240	662,765
2017B Bonds	Fixed	2043	155,920	157,735
2017C Bonds	Fixed	2032	4,775	5,455
2016 Private Placement	Fixed	2046	325,000	325,000
2014 Taxable Bonds	Fixed	2114	400,000	400,000
2013A Bonds	Fixed	2042	34,955	34,955
2013B Bonds	Variable	2039	201,160	201,160
2013 Keep Memory Alive Bonds	Variable	2037	42,260	42,260
2011B Bonds	Fixed	2031	12,205	14,300
2011C Bonds	Fixed	2032	44,155	44,155
2008B Bonds	Variable	2042	327,575	327,575
2003C Bonds	Variable	2035	41,905	41,905
Notes Payable	Varies	Varies	514	592
Financing arrangement	Varies	Varies	282,055	283,391
Finance Leases	Varies	Varies	376,438	378,349
			<b>\$ 6,170,934</b>	<b>\$ 5,704,436</b>

<sup>1</sup>Converted to U.S. dollars using foreign exchange rates at the period end date

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The following charts summarize cash-to-debt and debt-to-capitalization ratios for the System at December 31 for the last four years and at March 31, 2026:



**CONSOLIDATED RESULTS OF OPERATIONS**

**For the Quarters ended March 31, 2026 and 2025**

The following narrative describes the consolidated results of operations for the System for the quarters ended March 31, 2026 and 2025.

Operating income for the System in the first quarter of 2026 was \$172.8 million, resulting in an operating margin of 3.7%, as compared to operating income of \$52.8 million and an operating margin of 1.3% in the first quarter of 2025. The higher operating margin was due to a 12.1% increase in operating revenues, which outpaced a 9.3% increase in operating expenses. The System experienced nonoperating losses of \$37.4 million in the first quarter of 2026 compared to gains of \$31.8 million in the first quarter of 2025. The decrease from the prior year was primarily due to unfavorable investment returns in the first quarter of 2026 compared to the same period in 2025. Overall, the System reported an excess of revenues over expenses of \$135.4 million, a 2.9% total excess margin, in the first quarter of 2026 compared to \$84.6 million, a 2.0% total excess margin, in the first quarter of 2025.

The System's net patient service revenue increased \$409.9 million (11.9%) in the first quarter of 2026 compared to the same period in 2025. Total patient encounters increased 1.0% in the first quarter of 2026 compared to the same period in 2025, driven by a 1.1% increase in acute admissions, a 4.5% increase in total surgical cases and a 1.5% increase in outpatient evaluation and management visits. Net patient service revenue also increased due to a new Ohio physician state directed payment program that was approved by the Centers for Medicare and Medicaid Services in the first quarter of 2026 and expansion of the Ohio hospital state directed payment program that was effective in the third quarter of 2025. The

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state directed payment programs enhance reimbursement by leveraging federal matching funds for eligible physician and hospital services under the Ohio Medicaid program. The System also implemented annual rate increases on the System's managed care contracts that became effective in 2026.

Premium revenue increased \$1.1 million (0.6%) in the first quarter of 2026 compared to the same period in 2025. Premium revenue relates to Medicare Advantage delegated premium and risk agreements that were effective January 1, 2025. The System also records related medical claim expenses on the agreements. See "VALUE-BASED CARE RISK AGREEMENTS" for additional details.

Other unrestricted revenues increased \$97.7 million (16.4%) in the first quarter of 2026 compared to the same period in 2025. The increase in other unrestricted revenues was primarily due to a \$63.8 million increase in outpatient pharmacy revenue primarily due to higher utilization of outpatient and specialty drugs. Also contributing to the increase was \$13.2 million of revenue for insurance recoveries related to a water damage incident at Akron General Medical Center, which was fully offset by incurred expenses for clean-up and asset disposal costs, and an \$8.9 million increase in royalties and management services primarily related to international advisory services.

Total operating expenses increased \$388.6 million (9.3%) in the first quarter of 2026 compared to the same period in 2025. The growth in expenses was primarily due to the growth in patient volumes and inflationary trends that increased personnel, supplies and pharmaceutical expenses. The System continues to develop and implement cost reduction and containment initiatives designed to make a more affordable care model for patients and to enable investments in key strategic initiatives.

Salaries, wages and benefits increased \$119.3 million (5.1%) in the first quarter of 2026 compared to the same period in 2025. Salaries, excluding benefits, increased \$104.5 million (5.3%) primarily due to annual salary adjustments averaging 3% across the System that were awarded in the second quarter of 2025 and a 1.0% increase in full-time equivalent employees in the first quarter of 2026 compared to the same period in 2025. Benefit costs increased \$14.8 million (4.0%) during the same period primarily due to the growth in salaries and full-time equivalent employees.

Supplies expense increased \$50.3 million (13.0%) in the first quarter of 2026 compared to the same period in 2025. The increase in supplies was primarily due to increases in surgical cases and other patient encounters as well as recent inflationary cost trends for many supplies.

Pharmaceutical costs increased \$82.0 million (12.6%) in the first quarter of 2026 compared to the same period in 2025. The increase in pharmaceuticals was primarily due to recent inflationary trends and increased utilization in outpatient areas including retail and specialty pharmacy. The System also experienced a corresponding increase in outpatient pharmacy revenues related to the increased utilization.

Medical claims expenses decreased \$3.9 million (5.1%) in the first quarter of 2026 compared to the same period in 2025. Medical claims expenses relate to Medicare Advantage delegated premium and risk agreements that were effective January 1, 2025. The System also records premium revenue on the new agreements. Medical claims for services provided at System facilities are eliminated from both net patient

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service revenue and medical claims expense on the statement of operations. See "VALUE-BASED CARE RISK AGREEMENTS" for additional details.

Purchased services and other fees increased \$62.7 million (22.4%) in the first quarter of 2026 compared to the same period in 2025. The increase in purchased services was primarily due to increases in Ohio hospital franchise fee expenses. Hospital franchise fee expenses increased due to expanded Medicaid supplemental and support programs in Ohio, which also resulted in additional supplemental payment revenues.

Administrative services expenses increased \$16.4 million (31.0%) in the first quarter of 2026 compared to the same period in 2025. The increase in administrative services was related to increases in professional services and consulting fees for various strategic initiatives, including legal fees for the new Ohio physician state directed payment program and costs for the water damage incident at Akron General Medical Center.

Facilities expense increased \$16.5 million (13.6%) in the first quarter of 2026 compared to the same period in 2025. The increase in facilities expense was primarily due to an \$8.0 million increase in repair and maintenance costs and \$5.9 million increase utilities expenses.

Insurance expense increased \$27.3 million (69.8%) in the first quarter of 2026 compared to the same period in 2025. The increase in insurance expense was primarily due to an increase in estimated malpractice claim payments and related settlements. The System utilizes actuarial analysis that combines actual experience and industry statistics to estimate loss and loss adjustment expense reserves. The System's medical professional insurance program has been influenced by the impact of both regular and social inflation that has resulted in higher settlement amounts over the last few years.

Interest expense increased \$6.5 million (15.7%) in the first quarter of 2026 compared to the same period in 2025. The increase in interest expense was primarily due to interest expense related to new finance leases recorded in 2025 and a sale-leaseback financing arrangement in September 2025.

Depreciation and amortization expenses increased \$11.5 million (6.8%) in the first quarter of 2026 compared to the same period in 2025. Changes in depreciation included property, plant and equipment that was fully depreciated in 2025, offset by depreciation for property, plant and equipment that was acquired and placed into service in 2025 and 2026.

Gains and losses from nonoperating activities resulted in net losses to the System of \$37.4 million in the first quarter of 2026 compared to gains of \$31.8 million in the first quarter of 2025. Investment losses, net of appropriations from the board-designated endowment fund, were \$33.9 million in the first quarter of 2026 compared to gains of \$36.5 million in the same period in 2025 primarily driven by changes in financial markets. Derivative losses on interest rate swap agreements were \$0.3 million in the first quarter of 2026 compared to losses of \$2.0 million in the first quarter of 2025. The System terminated all of the outstanding interest rate swaps in February 2026. Other nonoperating gains and losses were unfavorable by \$0.5 million in the first quarter of 2026 compared to the same period in 2025 primarily due to losses on the extinguishment of debt.

**BALANCE SHEET – MARCH 31, 2026 COMPARED TO DECEMBER 31, 2025**

The following narrative describes the consolidated balance sheets for the System as of March 31, 2026 and December 31, 2025.

Cash and cash equivalents increased \$66.9 million (4.9%) from December 31, 2025 to March 31, 2026. The majority of the System's cash and cash equivalents are held in operating bank accounts and money market funds for general expenditures. The increase in cash equivalents is related to the timing of operating and financing cash flows and transfers to or from the investment portfolio to manage the liquidity needs of the System.

Patient accounts receivable increased \$88.9 million (4.3%) from December 31, 2025 to March 31, 2026. The increase in patient receivables was primarily attributable to the increase in net patient revenue in 2026 compared to 2025 and rate increases on the System's managed care contracts that became effective in January 2026. Payment delays and initial claim denials from managed care payors as well as billing delays with third-party billing/coding vendors, particularly for medical imaging services, have also contributed to the increase in patient accounts receivable. Patient accounts receivable also tend to be seasonally higher in the first quarter as many insurance plans have annual deductible requirements. These balances are generally more difficult to collect than traditional insurance payors. The System has various initiatives to enhance cash collection efforts and create efficiencies in the revenue cycle process. Days revenue outstanding for the System, which is calculated based on average daily revenue for the most recent quarter, was 47 days at December 31, 2025 and 49 days at March 31, 2026.

Investments for current use were unchanged from December 31, 2025 to March 31, 2026. Investments for current use include assets held for self-insurance that will be used to pay the current portion of estimated claim liabilities.

Other current assets decreased \$116.8 million (9.4%) from December 31, 2025 to March 31, 2026. The decrease in other current assets was primarily due to a \$217.8 million decrease in third-party receivables primarily driven by the timing of payments related to Ohio Medicaid supplemental payment programs that provide additional payments for eligible physician and hospital services under the Ohio Medicaid program. The decrease was partially offset by a \$92.0 million increase in prepaid expenses primarily due to information technology contracts and annual renewals of various agreements.

Unrestricted long-term investments increased \$294.7 million (2.2%) from December 31, 2025 to March 31, 2026. The increase in long-term investments was primarily due to transfers to and from operating cash based on the liquidity needs of the System. Investment return was not significant in the first quarter of 2026.

Funds held by trustees increased \$34.9 million (93.0%) from December 31, 2025 to March 31, 2026. The increase in funds held by trustees was primarily due to a \$21.1 million increase in collateral posted for commodity future holdings in the System's investment portfolio and a \$13.9 million increase in unexpended proceeds related to the Series 2026A bonds issued in March 2026. Funds held by trustees also include collateral posted with counterparties on various initiatives and programs of the System.

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Assets held for self-insurance increased \$9.7 million (5.4%) from December 31, 2025 to March 31, 2026. The increase in self-insurance assets was primarily due to insurance premiums received by the System's captive insurance companies from other System entities and investment returns on related investments in excess of claims paid by the System's captive insurance companies.

Donor-restricted assets increased \$33.6 million (2.0%) from December 31, 2025 to March 31, 2026. The increase in restricted assets was primarily from the receipt of donor-restricted gifts on restricted investments in excess of expenditures from restricted funds and investment losses.

Net property, plant and equipment increased \$47.6 million (0.6%) from December 31, 2025 to March 31, 2026. The System had expenditures for property, plant and equipment of \$250.8 million, offset by depreciation expense of \$180.6 million and foreign currency translation losses of \$20.8 million. Capital expenditures in 2026 include amounts paid on retainage liabilities recorded at December 31, 2025 and exclude assets acquired through finance leases and other financing arrangements. Retainage liabilities decreased \$10.1 million, and new finance leases totaled \$8.1 million in 2026. Expenditures for property, plant and equipment were incurred at numerous facilities across the System and included expenditures for strategic construction, expansion and technological investment, as well as replacement of existing facilities and equipment. For a description of a few of the System's current projects, refer to "EXPANSION AND IMPROVEMENT PROJECTS."

Pledges receivable increased \$21.8 million (15.4%) from December 31, 2025 to March 31, 2026. The increase in pledges receivable was due to new pledges received in 2026, offset by the reclassification of pledges receivable, due within one year, from long-term to current.

Trusts and interests in foundations increased \$1.7 million (1.7%) from December 31, 2025 to March 31, 2026. The increase in trusts and interests in foundations was comprised of a \$1.3 million increase in interests in community foundations and a \$0.4 million increase in perpetual and charitable trusts.

Operating lease right-of-use assets increased \$6.8 million (1.8%) from December 31, 2025 to March 31, 2026. The increase in operating lease right-of-use assets was primarily due the addition of new operating leases recorded during 2026 offset by the reduction in value of future lease payments through the recognition of operating lease expenses and changes in foreign currency exchange rates related to leases at London Hospital.

Other noncurrent assets increased \$54.0 million (4.3%) from December 31, 2025 to March 31, 2026. The increase in other noncurrent assets was primarily due to a \$39.1 million increase in long-term prepaid expenses related to payments on a sixteen-year sponsorship agreement and a \$20.2 million increase in investments in affiliates related to CCF Innovations and other System initiatives. The increases were partially offset by a \$5.1 million decrease in deferred compensation plan assets driven by changes in financial markets (corresponding decrease in noncurrent liabilities).

Accounts payable decreased \$19.7 million (2.3%) from December 31, 2025 to March 31, 2026. The decrease in accounts payable was primarily attributable to a \$10.1 million decrease in retainage liabilities for current construction projects and the timing of payment processing for trade payables.

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Compensation and amounts withheld from payroll decreased \$91.4 million (11.2%) from December 31, 2025 to March 31, 2026. The decrease in compensation and amounts withheld from payroll was primarily attributable to the payment of year-end accruals from 2025, timing of payroll and changes in employee benefit accruals.

Current portion of long-term debt increased \$18.0 million (17.8%) from December 31, 2025 to March 31, 2026. Changes in the current portion of long-term debt include the reclassification of regularly scheduled principal payments from long-term to current that are due within one year, offset by principal payments made in 2026.

Variable-rate debt classified as current increased \$131.1 million (25.5%) from December 31, 2025 to March 31, 2026. Variable-rate debt classified as current consists of long-term variable-rate bonds supported by the System's self-liquidity and bonds with letters of credit or standby bond purchase agreements that expire within one year, require repayment of a remarketing draw within one year or contain a subjective clause that would allow the lender to declare an event of default and cause immediate repayment of such bonds. The System does not expect to make principal payments on these bonds in the next year but classifies them as current for accounting purposes. The increase in variable-rate debt classified as current was due to the issuance of the Series 2026B Bonds in March 2026 that added \$131.1 million of bonds supported by the System's self-liquidity.

Other current liabilities decreased \$89.9 million (9.2%) from December 31, 2025 to March 31, 2026. The decrease in other current liabilities was primarily due to a \$36.6 million decrease in accrued interest payable related to debt that pays interest semi-annually in January and July of each year, a \$27.1 million decrease in third-party reserves and a \$20.9 million decrease in Ohio hospital franchise fee liabilities due to the timing of payments.

Long-term debt increased \$361.4 million (6.9%) from December 31, 2025 to March 31, 2026. The increase in long-term debt was primarily due to the issuance of the Series 2026A Bonds, which generated over \$600 million in bond proceeds. Long-term debt decreased \$130.4 million due to the redemption of the Series 2019F Bonds, which were refunded with the proceeds of the Series 2026B Bonds that are supported by the System's self-liquidity and recorded in variable rate debt classified as current. Additional decreases in long-term debt include \$18.0 million of foreign currency translation gains on the 2018 Sterling Notes and the reclassification of regularly scheduled principal payments from long-term to current for debt payments due within one year.

Professional and general insurance liability reserves increased \$36.7 million (10.7%) from December 31, 2025 to March 31, 2026. The increase in insurance liability reserves was due to expenses recorded for the accrual of claim reserve estimates in excess of claim liability payments.

Accrued retirement benefits increased \$3.0 million (1.6%) from December 31, 2025 to March 31, 2026. The increase in accrued retirement benefits was comprised of a \$4.4 million increase in other postretirement benefit liabilities offset by a \$1.4 million decrease in defined benefit pension plan liabilities.

Operating lease liabilities increased \$13.3 million (4.2%) from December 31, 2025 to March 31, 2026. The increase in operating lease liabilities was primarily due to the addition of new operating leases recorded in

2026 offset by the reclassification of operating lease payments from long-term to short-term and changes in foreign currency exchange rates related to leases at London Hospital.

Other noncurrent liabilities decreased \$7.2 million (0.8%) from December 31, 2025 to March 31, 2026. The decrease in other noncurrent liabilities was primarily due to the termination of all outstanding interest rate swap agreements in February 2026. The System did not have a significant gain or loss on the termination of the swaps.

Total net assets increased \$188.6 million (1.0%) from December 31, 2025 to March 31, 2026. Net assets without donor restrictions increased \$134.5 million (0.8%) primarily due to an excess of revenues over expenses of \$135.4 million and net assets released from restriction for capital purposes of \$1.9 million, offset by foreign currency translation losses of \$2.2 million and retirement benefit adjustments of \$0.4 million. Net assets with donor restrictions increased \$54.0 million (2.7%), primarily due to restricted gifts of \$88.6 million offset by assets released from restrictions of \$36.4 million.

## **FORWARD-LOOKING STATEMENTS**

**F**orward-looking statements contained in this report and other written reports and oral statements are made based on known events and circumstances at the time of release, and as such, are subject in the future to unforeseen uncertainties and risks. All statements regarding future performance, events or developments are forward-looking statements. It is possible that the System's future performance may differ materially from current expectations depending on economic conditions within the healthcare industry and other factors. Among other factors that might affect future performance are:

- The impact of executive orders from the President of the U.S. and regulatory, litigation or other actions from federal agencies that might affect the operations of the System, including reductions in federal funding for research, education or other programs or the ability of the System to provide adequate staffing of caregivers;
- The impact of a pandemic, epidemic or outbreak of an infectious disease such as COVID-19, including but not limited to (1) a quarantine, temporary shutdown, overburdening of facilities or diversion of patients, (2) bed, staffing or supply shortages, (3) reduced patient volumes and operating revenues, (4) the loss of employment and health insurance for a significant portion of the population, or (5) staffing reductions resulting from vaccination mandates of employees;
- Changes to the Medicare and Medicaid reimbursement systems resulting in reductions in payments and/or changes in eligibility of patients to qualify for Medicare and Medicaid;
- Legislative reforms or actions that reduce the payment for, and/or utilization of, and/or cost of providing, healthcare services, such as the One Big Beautiful Bill Act, the Patient Protection and Affordable Care Act and/or 340B drug discount program;
- Possible repeal and/or replacement of the Patient Protection and Affordable Care Act, and repeal of the individual mandate;

- Adjustments resulting from Medicare and Medicaid reimbursement audits, including audits initiated by the Medicare Recovery Audit Contractor program;
- Future contract negotiations between public and private insurers, employers and participating hospitals, including the System's hospitals, and other efforts by these insurers and employers to limit hospitalization costs and coverage;
- Increased competition in the areas served by the System and limited options to respond to the same in part due to uncertainty in the enforcement of antitrust laws;
- The ability of the System to integrate the hospitals in Florida into a regional health system;
- The ability of the System to access capital for the funding of capital projects;
- Availability of malpractice, cyber or other insurance at reasonable rates, if at all;
- The System's ability to recruit and retain professionals;
- The ability of the Clinic to continue developing the London Hospital and operate in that market;
- General economic and business conditions, internationally, nationally and regionally, including the impact of interest rates, inflation, foreign currencies, financial market conditions and volatility and increases in the number of self-pay patients;
- The increasing number and severity of cyber threats and the costs of preventing them and protecting patient and other data, including the risks pertaining to third parties who have access to the data;
- Unfavorable demographic trends in the Greater Cleveland area;
- Impact of federal and state laws on tax-exempt organizations relating to exemption from income taxes, sales taxes, real estate taxes, excise taxes and bond financing;
- Changes in federal and state employment laws and regulations, as well as interpretations of those laws and regulations by courts and governmental agencies;
- Management, utilization and increases in the cost of medical drugs and devices as technological advancement progresses without concurrent increases in federal reimbursement;
- Ability of the System to adjust its cost structure and reduce operating expenses; and
- Changes in accounting standards or practices.

The System undertakes no obligation to update or publicly revise these forward-looking statements to reflect events or circumstances that arise after the date of this report.



**Every life deserves world class care.**