DECLARATION OF MARIBETH PETRIZZI

Pursuant to 28 U.S.C. § 1746, I declare as follows:

1. My name is Maribeth Petrizzi. I am an attorney employed by the U.S. Federal Trade Commission ("FTC") in Washington, D.C. I am the Assistant Director of the Compliance Division in the FTC's Bureau of Competition ("Bureau"). The Compliance Division investigates persons and entities that may be violating the Clayton Act, specifically companies and persons that fail to properly file required notifications to the FTC under Section 7A of the Clayton Act, 15 U.S.C. § 18a, as amended, enacted as Title II of the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR Act"), the FTC Act, and other laws enforced by the FTC. I am tasked with overseeing the Compliance Division's investigation of LCMC Health's ("LCMC") and HCA Healthcare's ("HCA") ("Respondents") failures to file under the HSR Act for LCMC's acquisition of three hospitals: the Tulane Medical Center, Lakeview Hospital, and Lakeside Hospital ("Acquired Hospitals"), which reportedly occurred on January 3, 2023 ("Acquisition").
2. The Commission's efforts to evaluate the Acquisition have been frustrated by the fact that neither party submitted a premerger notification filing required under the HSR Act ("HSR Filing"). Because the parties have consummated the Acquisition, staff did not have any time to request documents and seek information about the Acquisition as it would had the parties submitted HSR Filings. For that reason, staff has requested that LCMC maintain the Acquired Hospitals and hold them separate from the LCMC system during its review.
3. I have read this declaration and the attached exhibits and confirm that the exhibits are true and correct copies of the original documents or are excerpts of the true and correct

copies. The facts set forth in this declaration are based on my personal knowledge or information that I have learned during the FTC's investigation into Respondents' failures to file the required HSR Filings.

Background on the FTC's knowledge of the Acquisition

4. The Bureau has limited information about LCMC, the Acquired Hospitals, and HCA because Respondents did not submit HSR Filings that would give the FTC extensive information about the Respondents, the Acquired Hospitals, and the details of the Acquisition before the Acquisition was consummated.
5. Based on information and belief, I am aware that LCMC is a New Orleans-based non-profit entity. Ex. 1 (Article from Healthcare Finance, January 3, 2023). Before the Acquisition, LCMC operated six hospitals in New Orleans: Children's Hospital, East Jefferson General Hospital, New Orleans East Hospital, Touro, University Medical Center New Orleans, and West Jefferson Medical Center. Ex. 2 (LCMC website, downloaded on April 19, 2023). HCA is a Nashville-based entity. Ex. 1.
6. Based on public information, it appears that the Acquisition was consummated on January 3, 2023, for $150 million. Ex. 1.

FTC review authority for certain proposed acquisitions

7. The FTC is tasked with enforcing the nation's antitrust laws. The HSR Act codified a premerger notification filing program to enhance the ability of the FTC and the U.S. Department of Justice (the "Agencies") to stop anticompetitive transactions before they are consummated.[1] The HSR Act's premerger notification and waiting requirements were

[1] S. Rep. No. 94-803, at 7 (1976).

enacted to provide the Agencies with a fair and reasonable opportunity to detect and investigate whether a proposed transaction may substantially lessen competition or tend to create a monopoly in violation of Clayton Section 7, or constitute an unfair method of competition in violation of Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, as amended ("FTC Act Section 5"), before it is consummated.

8. Under the HSR Act, parties to a transaction that satisfy certain financial thresholds must file premerger notification with the Agencies. These financial thresholds limit the HSR Act's filing requirements to transactions (1) worth more than a specific amount (known as the minimum size of transaction threshold) and (2) between parties of a specific size (known as the size of person test). At the time LCMC acquired the Acquired Hospitals in Louisiana, the minimum size of transaction threshold was $101 million, while, in this case, the size of person threshold required the acquiring person to have $202 million in net sales or total assets and the acquired person to have $20.2 million in total assets. Alternatively, the size of person test would have been met if the acquiring person only had $20.2 million in total assets or annual net sales and the acquired person $202 million in net sales or total assets.

9. Of relevance to this inquiry, the HSR Act has certain enumerated exemptions for transactions and persons that do not need to file notifications under the HSR Act. 15 U.S.C. § 18a(c)(1)-(12).[2] Additionally, the implementing rules provide additional exemptions. 16 CFR Part 802. Congress delegated to the antitrust agencies the authority to determine the precise breadth and particulars of the exemptions through the

[2] Hart-Scott-Rodino Antitrust Improvements Act of 1976, Pub. L. No. 94-435, § 201, 90 Stat. 1383, 1391−92 (1976).

rulemaking process[3] as well to determine whether additional exemptions should be granted. The Agencies have never determined through rulemaking or otherwise that a Certificate of Public Advantage ("COPA") exempts a transaction from HSR Filing.

10. When an HSR Filing is required, the parties must submit certain documentary materials and information relevant to the proposed transaction. 16 CFR §§ 803.1; Appendix A and B; *see also* 15 U.S.C. § 18a(d). Relatedly, the parties must then wait to close their transaction for up to 30 days to provide the FTC with the opportunity to investigate whether a proposed transaction may substantially lessen competition or tend to create a monopoly in violation of Clayton Section 7 or constitute an unfair method of competition in violation of FTC Act Section 5, before it is consummated. 15 U.S.C. § 18a(b)(1)(B); 16 CFR § 803.10(b).

11. Prior to the conclusion of this initial waiting period of up to 30 days, the FTC may require the submission of additional information or documentary materials relevant to the proposed transaction beyond that which the parties submitted in the premerger notification pursuant to a Request for Additional Information and Documentary Material (commonly known as a "Second Request"). 15 U.S.C. § 18a(e); 16 CFR § 803.20. Upon issuance of a Second Request, the parties must wait to close their transaction until up to 30 days after the FTC receives all the information and documentary materials that the parties are required to produce under the Second Request. 15 U.S.C. § 18a(e)(2); 16 CFR § 803.11(a)(2).

12. Accordingly, based on the public information I have reviewed, the size of the transaction at issue here meets the minimum thresholds to require the Respondents to submit HSR

[3] 15 U.S.C. §18a(d); S. Rep. No. 94-803, at 68.

Filings with the Agencies. Public information further indicates that the Respondents meet the size of person thresholds set by the HSR Act. LCMC's audited financial statements that appear on a database maintained by ProPublica show over $2.2 billion in revenue and $3.7 billion in assets in 2021. Ex. 3. HCA's 2022 10-K filing with the SEC, states that HCA generated $60.2 billion in revenue in 2022, meaning it is very likely that HCA had more than $202 million in net sales or total assets. Ex. 4. Of note, the Respondents have never stated that they *did not* exceed the size of person filing thresholds.

Respondents did not file under the HSR Act and observe the waiting period before consummating the Acquisition.

13. On January 3, 2023, news media reported that LCMC purchased the Acquired Hospitals from HCA. Neither entity submitted an HSR Filing with the FTC. Neither Respondent contacted the FTC to seek guidance as to whether the Acquisition qualified for an exemption or was likely to meet the financial reporting thresholds. Consequently, FTC staff did not learn about the transaction until early March.

14. According to a press release issued in early January, LCMC's chief executive officer, Gregory Feirn, announced that LCMC plans to "integrate our operations" with its three newly acquired hospitals. Ex. 5 (Fierce Health Care article, January 3, 2023). According to the article, this includes transitioning services from one former HCA hospital—Tulane Medical Center—to two of LCMC's other hospitals. The article further explains that Tulane University will repurpose these facilities for other uses. The LCMC website includes the Acquired Hospitals among its "nine hospital locations." Ex. 2.

15. On March 3, 2023, the premerger notification office ("PNO") notified counsel for LCMC, Mr. Ken Field ("Mr. Field"), that PNO had become aware of the Acquisition and requested information as to why LCMC did not file the required premerger notification

filing under the HSR Act. Ex. 6 (Email from Kathryn E. Walsh to Ken Field, March 3, 2023).

16. On March 14, 2023, Mr. Field responded stating only that "Attorney General Jeff Landry of Louisiana approved a Certificate of Public Advantage (COPA) under Louisiana Revised Statute 40:225411, et. seq., for LCMC Health's below referenced partnership with Tulane University. The COPA was granted prior to the closing of the transaction." Ex. 6 (Email from Ken Field to Kathryn E. Walsh, March 14, 2023).

17. On March 23, 2023, PNO followed-up with another email to Mr. Field noting that he did not explain why LCMC did not make an HSR Filing before the Acquisition. Also, PNO asked for an explanation of LCMC's HSR Act analysis and what the Louisiana COPA had to do with it. Ex. 6 (Email from Kathryn E. Walsh to Ken Field, March 23, 2023.)

18. On April 3, 2023, Mr. Field responded to PNO with an email that further explained that because Louisiana issued the COPA to LCMC prior to the Acquisition it established state action immunity and exempted the Acquisition from both the Clayton Act review and the requirement that LCMC make an HSR Filing. Ex. 6 (Email from Ken Field to Kathryn E. Walsh, April 3, 2023.)

19. On April 4, 2023, PNO sent another email to Mr. Field noting that PNO disagreed with Mr. Field's analysis. PNO added that, assuming the Acquisition met the statutory thresholds, the parties should have submitted an HSR Filing, and PNO requested that Mr. Field's client submit its HSR Filing as soon as possible. Ex. 6 (Email from Kathryn E. Walsh to Ken Field, April 4, 2023.)

20. On April 5, 2023, Mr. Field responded and requested the opportunity to discuss PNO's analysis. Ex. 6 (Email from Ken Field to Kathryn E. Walsh, April 5, 2023.)

21. On April 5, 2023, staff from the Compliance Division and the Mergers 4 Division – one of the divisions within the Bureau of Competition charged with analyzing possibly anticompetitive transactions, including those involving hospitals – sent a letter to Mr. Field explaining that two investigations were underway regarding the Acquisition: LCMC's failure to submit an HSR Filing and whether the Acquisition violates Section 7 of the Clayton Act, and Section 5 of the FTC Act. In addition, staff informed Mr. Field that staff required LCMC to agree to hold the newly acquired assets separate to prevent further integration pending our investigations and that a draft Hold Separate agreement would be forthcoming. Ex. 7 (Email from Christine Tasso to Ken Field, April 5, 2023); Ex. 8 (Letter from Christine Tasso and Adam Pergament to Ken Field, April 5, 2023).
22. On April 7, 2023, Ken Field responded to the April 5, 2023, letter and requested the opportunity to meet with the team during the week of April 10 to discuss the issues. Ex. 9 (Email from Ken Field to Christine Tasso, April 7, 2023.)
23. On April 11, 2023, staff from Compliance Division, Merger 4 Division, and the FTC's Office of General Counsel had a Zoom call with Mr. Field to attempt to gather more information on the facts of the Acquisition or LCMC's theory on why the HSR Act did not apply to LCMC, HCA and the Acquisition. Mr. Field essentially reiterated the immunity argument from the April 3, 2023, email, noting that LCMC's COPA made it immune from a competition inquiry and HSR Act notification requirements. FTC staff informed Mr. Field that, in their view, his interpretation of the law was incorrect. Additionally, FTC staff informed Mr. Field that he did not identify any exemptions in the HSR Act section 7A(c) which applied to the Acquisition.

24. FTC staff asked Mr. Field for more details about the Acquisition's structure to confirm that it fit within the HSR Act's requirements. Mr. Field did not provide any additional information about the details of the Acquisition and its structure. Mr. Field noted that the FTC may be "misinterpreting" the Acquisition but Mr. Field said he could not discuss the Acquisition's structure until after consulting with his client.

25. Mr. Field said he would consult with his client and get back to staff on Tuesday, April 18, 2023, with information on the Acquisition structure, whether his client would submit an HSR Filing under protest, and whether his client would consider signing a hold separate agreement.

26. Additionally, on the April 11, 2023, Zoom call, Bureau staff told Mr. Field that, as noted in the April 5, 2023 letter, he would soon receive a proposed Hold Separate Agreement with asset maintenance provisions. Staff noted that the FTC knows very little about the Respondents, the Acquisition, and the competitive environment in the geography around the Acquired Hospitals because the Respondents did not submit HSR Filings and observe the waiting period.

27. The FTC needs a Hold Separate Agreement to preserve the assets and prevent wasting of the Acquired Hospitals' assets or the possible removal of many clinical services from Tulane Medical Center and consolidation of the Acquired Hospitals with and into LCMC's hospital network. If the FTC determines there is competitive harm from the Acquisition and if there is not a Hold Separate Agreement in place, consumers may be harmed, and it may be complicated to successfully unwind the Acquisition, reconstitute Tulane Medical Center to its original form, and return the markets to a pre-Acquisition

state. For these reasons, it is standard practice for the FTC to seek a Hold Separate Agreement for consummated transactions.

28. On April 12, 2023, Bureau staff sent Mr. Field the proposed Hold Separate Agreement with asset maintenance provisions. Ex. 10 (Email from Jamie Towey to Ken Field, April 12, 2023), and Ex. 11 (Hold Separate Agreement).

29. On April 18, 2023, Bureau staff anticipated hearing from Mr. Field whether LCMC would make an HSR filing and agree to a Hold Separate Agreement, based on Mr. Field's earlier representations. But in a Zoom call including Bureau staff from the Compliance and Merger 4 Divisions, Mr. Field stated that he was not authorized to make any commitments.

30. At various points, Bureau staff indicated to Mr. Field that LCMC was not the only party that needed to submit an HSR Filing and asked Mr. Field for information about the other Respondent's counsel. On the April 11, 2023, Zoom call, Mr. Field could not divulge or did not know HCA's counsel. After additional prompting and another email, Ex. 12 (Email from Jamie Towey to Mr. Field, April 13, 2023), Mr. Field did divulge the identity of HCA's counsel.

31. Bureau staff spoke with HCA's counsel Sara Razi ("Ms. Razi") on April 14, 2023. She said (a) HCA does not believe that an HSR Filing was required because of Louisiana's COPA and the state action doctrine (about which she intends to provide additional information); and (b) while HCA might want to provide additional information about the structure of the transaction, she does not currently anticipate that HCA will make arguments about the transaction being non-reportable for reasons other than HCA's COPA interpretation.

Conclusion

32. FTC staff informed LCMC and HCA, through counsel, that their reasons for not submitting an HSR Filing were inconsistent with the law. Although parties are not required to submit HSR Filings if the size of the acquisition or size of the entities do not meet the statutory thresholds, Respondents never made an argument that the transaction did not meet these requirements, and based on public information, it appears that the Acquisition meets the relevant thresholds. Additionally, the HSR Act has enumerated exemptions in Section 7A(c) specifically excluding certain parties and types of transactions from the HSR Act premerger notification filing requirements. 15 U.S.C. § 18a(c). Respondents have never stated that they or the Acquisition itself falls within any of the specific 7A(c) exemptions, and I am not aware of the Acquisition falling within any of the specific 7A(c) exemptions. Nor have the Agencies determined that an exemption from the HSR Act should be granted when a state grants a COPA for a transaction.

33. It is vitally important for FTC staff's investigation into the Acquisition that a Hold Separate with asset maintenance provisions be put in place to preserve – to the extent possible – the competitive environment among the Acquired Hospitals and LCMC. If the Respondents meet the HSR thresholds, they are required by law to follow the HSR Act and its Rules to allow the FTC to assess the likely effects of the Acquisition. The FTC takes enforcement of the HSR Act seriously; transactions such as the Acquisition that fail to comply with the HSR Act are subject to civil penalties. If the FTC has reason to believe that the Acquisition may substantially lessen competition or tend to create a monopoly in violation of Clayton Section 7, or constitute an unfair method of

competition in violation of FTC Act Section 5, it may file a complaint to unwind the transaction.

34. Without this Court ordering that the Respondents comply with the HSR Act pursuant to 7A(g)(2) and putting in place a Hold Separate order as equitable relief, LCMC will continue to combine its assets and personnel with the Acquired Hospitals in a way that makes it hard to unwind the Acquisition prior to the Commission completing its review of the Acquisition and any applicable defenses.

Executed on April 20, 2023

Maribeth Petrizzi

Maribeth Petrizzi
Federal Trade Commission
600 Pennsylvania Avenue
Washington, DC 20580

EXHIBIT 1

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JAN 03 | MORE ON MERGERS & ACQUISITIONS (/RESOURCE-TOPIC/MERGERS-ACQUISITIONS)

LCMC Health acquires three hospitals from HCA for $150 million

The system will be putting $220 million into its newly acquired hospitals with emphasis on provider recruitment and new equipment.

Jeff Lagasse (/news/author/90301), *Associate Editor*
(/news/author/90301)

Photo: Mikolette/Getty Images

The Louisiana Department of Justice has given final approval to a deal in which LCMC Health has purchased three hospitals in Tulane, Louisiana, from HCA (/directory/hca) Healthcare for about $150 million. The New Orleans-based nonprofit now boasts nine hospitals after acquiring Tulane Medical Center, Lakeview Regional Medical Center and Tulane Lakeside Hospital from HCA.

As part of a partnership between LCMC and New Orleans-based Tulane University, the former will be putting $220 million into its newly acquired hospitals, focusing on new facilities and equipment, and on provider recruitment.

WHAT'S THE IMPACT?

The news was not greeted with universal acclaim. In October, before the deal was finalized, National Nurses United called on Louisiana Attorney General Jeff Landry to intervene in the deal, saying the consolidation would result in just two health systems in the New Orleans metropolitan area – which NNU said could potentially affect care quality.

In a letter (https://www.nationalnursesunited.org/sites/default/files/nnu/documents/NNU_Letter_to_AG_Landry_Tulane_MC_Final.pdf) to Landry, NNU said LCMC's acquisition "goes against the public interest, by leading to further consolidation, higher healthcare prices and cuts to vital services."

In the letter, NNU Southern Region Director Bradley Van Waus noted that LCMC's market share in the area would increase to 55%, warranting the "strictest scrutiny" by the Louisiana Department of Justice under the state's Certificate of Public Advantage (COPA) law, meant to guarantee agreements such as this one ensure healthcare is accessible, affordable and of high quality.

The Federal Trade Commission has warned that COPA laws often fail to provide adequate protections for communities faced with hospital mergers. In a 2022 study the FTC said, "The available evidence shows COPAs do not achieve the purported policy goals of reducing healthcare costs and improving quality. Instead, COPAs shield specific hospital transactions from vigorous antitrust enforcement, to the detriment of those very goals."

Nurses insisted that Louisiana live up to the intent of its COPA regulations, which state the Department of Justice "may not issue a certificate unless the department finds that the agreement is likely to result in lower healthcare costs or is likely to result in improved access to healthcare or higher quality healthcare without any undue increase in healthcare costs."

THE LARGER TREND

HCA Healthcare, meanwhile, announced (https://www.healthcarefinancenews.com/news/hca-build-five-new-hospitals-texas) last year that it would be building five new full-service hospitals in Texas to meet the state's growing population and need for healthcare services. The new facilities will complement the health system's already existing presence in several rapidly growing communities across Texas, HCA said.

The Nashville-based, for-profit health system has invested approximately $6.6 billion over the last five years, including other expansions currently in progress.

In June the FTC brought an administrative complaint (https://www.healthcarefinancenews.com/news/ftc-sues-block-merger-between-utah-rivals-hca-healthcare-and-steward-health-care-system) and a lawsuit in federal court to block the proposed merger between HCA Healthcare and

Steward Health Care System. The agency said the deal would eliminate the second- and fourth-largest healthcare systems in the Wasatch Front region, where approximately 80% of Utah's residents live.

HCA Healthcare announced a definitive agreement to acquire the operations (/directory/operations) of Steward Health Care's five Utah hospitals in September 2021. It also entered into an agreement to lease the related real estate from the owner following the closing. The hospitals were slated to become part of HCA Healthcare's Mountain Division, which includes hospitals in Utah, Idaho and Alaska.

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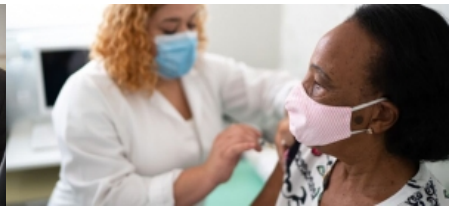
(mailto:Jeff.Lagasse@himssmedia.com)

News

Healthcare organizations ask HHS to delay quality measure reporting for ACOs

(/news/healthcare-organizations-ask-hhs-delay-quality-measure-reporting-acos)
The American Hospital Association and American Medical Association are among the 11 organizations signing the letter.



Ending racism in healthcare often begins with medical education - and is the target of a new national project

(/news/ending-racism-healthcare-often-begins-medical-education-and-target-new-national-project)
Inequities can be found in every facet of the industry, but targeting medical students and residents can help stem the tide.

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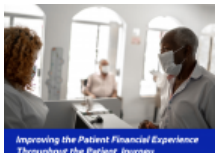

(https://cloud.emailhimss.org/improv the-patient-financial-experience-throughout-the-patient-journey)

While many healthcare providers believe that improving the patient financial experience is a critical step for their organization, few have done so successfully. Read this brief to learn strategies that increase patient ...

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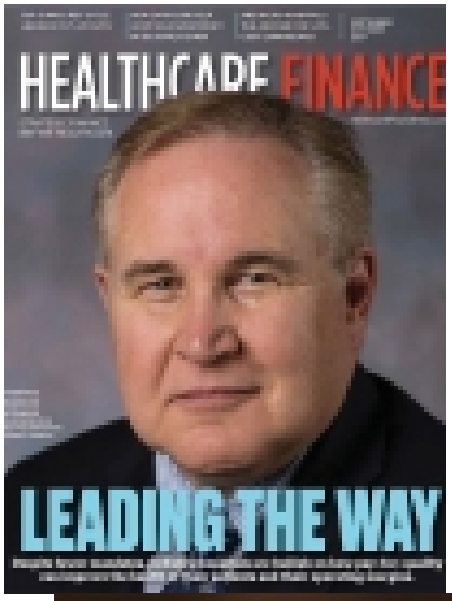

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EXHIBIT 2

About LCMC Health

We believe a hospital should actually be hospitable

We're a New Orleans-based, non-profit health system on a mission: to provide the best possible care for every person and parish in Louisiana and beyond, and to put a little more heart and soul into healthcare along the way. And that means we do things a little differently around here.

Treating people like family is the LCMC Health way, and it always has been. Founded by Louisiana's first freestanding children's hospital, we've grown into a healthcare system that's built to serve the unique needs of our communities and families across New Orleans, the Gulf Coast, and beyond.

We believe in treating the whole patient, not just the condition. When you visit an LCMC Health facility, you will get the care that is best for you and your family because we believe that shared beliefs and positive outlooks are what drive our exceptional care.

This is LCMC Health.

Mission: Health, care, and education beyond extraordinary.

Vision: Creating a culture of wellness.

Values: We bring heart and soul. We're in it together. We give a little extra.

Satisfaction Surveys & Ratings

Select Provider Network

Volunteer

Keeping You Well

Extraordinary Together

When we're faced with tough times, this family comes together and shares our experiences.

Our mission, vision and values | LCMC Health

We offer nine hospital locations: Children's Hospital, East Jefferson General Hospital, New Orleans East Hospital, Touro, University Medical Center New Orleans, West Jefferson Medical Center, Lakeview Hospital, Lakeside Hospital, and Tulane Medical Center. We also deliver world-class care close to home through a network of urgent care centers across the greater New Orleans area in addition to our physician practices. With over 2,800 board-certified physicians specializing in everything from head to toe, our community can count on us to provide the right care, right where they need it.

We've got a rich history, but our sights are set on what comes next. We're committed to leading the way to a healthier future for the Gulf Coast. That's why we partner with local universities to bring the latest in care to our patients, and to train the next generation of healthcare professionals that will make a difference right here in our communities.

Read Our Fact Sheet

All fact sheets

- Children's Hospital New Orleans
- East Jefferson General Hospital
- New Orleans East Hospital
- Touro
- University Medical Center New Orleans
- West Jefferson Medical Center

LCMC Health

1100 Poydras St.
New Orleans, LA 70163

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Access

LCMC Health is committed to providing individuals with disabilities equal opportunity to participate in and benefit from LCMC Health programs and services. We offer reasonable accommodations, including access to service animals, to ensure our programs and services are accessible to and usable by individuals with disabilities.

Service animals are welcome throughout all of our clinics and hospitals. We apply the Americans with Disabilities Act (ADA) requirements, which define a service animal as “one that is trained to do work or perform tasks for the benefit of a person with a disability.” Persons with service animals will be accommodated unless LCMC Health formally determines such service animal constitutes a "direct threat" or requires a "fundamental alteration" of its facilities or services.

ADA frequently asked questions | More information about service animals

EXHIBIT 3

LOUISIANA CHILDREN'S MEDICAL CENTER

Consolidated Financial Statements
and Supplementary Information
as of and for the Years Ended
December 31, 2021 and 2020,
and Independent Auditors Report

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

LAPORTE
CPAs & BUSINESS ADVISORS

LaPorte, APAC
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Metairie, LA 70005
504.835.5522 | Fax 504.835.5535
LaPorte.com

Independent Auditor's Report

To the Governing Board of Trustees
Louisiana Children's Medical Center

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the accompanying consolidated financial statements of Louisiana Children's Medical Center (the System) which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the System as of December 31, 2021 and 2020, and the results of their operations, changes in net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information
The supplemental consolidating balance sheets, statements of operations, and statements of changes in net assets as of and for the years ended December 31, 2021 and 2020 and the schedule of compensation, benefits, and other payments to agency head are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated May 27, 2022, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

A Professional Accounting Corporation

Metairie, LA
May 27, 2022

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Balance Sheets
December 31, 2021 and 2020 (in Thousands)

	2021	2020
Assets		
Current Assets		
Cash and Cash Equivalents	**$ 175,980**	$ 307,469
Patient Accounts Receivable	**220,721**	219,596
Other Receivables	**213,698**	162,150
Inventories	**47,908**	45,946
Prepaid Expenses and Other	**61,104**	59,638
Total Current Assets	**719,411**	794,799
Assets Limited as to Use		
Investments Designated for Capital Projects and Specific Programs	**1,415,219**	1,300,193
Restricted by Bond Indenture, Debt Service Reserve	**3,294**	8,086
Donor-Restricted Long-Term Investments	**15,794**	13,800
Restricted Other	**180**	189
Less: Amount Required for Current Obligations	**(973)**	(999)
Assets Limited as to Use, Net	**1,433,514**	1,321,269
Investments in Joint Ventures	**45,536**	46,868
Long-Term Portion of Prepaid Leases	**373,412**	388,164
Property, Plant, and Equipment, Net	**1,025,122**	916,308
Finance Lease Assets	**14,647**	12,268
Other Assets	**116,454**	81,894
Total Assets	**$ 3,728,096**	$ 3,561,570

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Balance Sheets (Continued)
December 31, 2021 and 2020 (in Thousands)

	2021	2020
Liabilities and Net Assets		
Current Liabilities		
Trade Accounts Payable	**$ 225,726**	$ 197,271
Accrued Salaries and Benefits	**89,627**	86,132
Current Portion of Medicare Advance Payments	**99,407**	46,394
Estimated Third-Party Payor Settlements	**76,091**	101,733
Deferred Revenue	**14,083**	57,584
Line of Credit	**50,000**	-
Current Finance Lease Liabilities	**1,663**	646
Other Current Liabilities	**54,946**	67,286
Total Current Liabilities	**611,543**	557,046
Medicare Advance Payments, Net of Current Portion	**-**	92,313
Bonds Payable, Net of Current Portion	**812,099**	566,854
Notes Payable	**28,000**	273,907
Finance Lease Liabilities	**13,340**	11,944
Deferred Revenue, Net of Current Portion	**167,919**	-
Other Long-Term Liabilities	**105,959**	115,001
Total Liabilities	**1,738,860**	1,617,065
Noncontrolling Interest	**1,157**	590
Net Assets		
Without Donor Restrictions	**1,973,401**	1,930,544
With Donor Restrictions		
Purpose Restrictions	**8,730**	7,373
Perpetual in Nature	**5,948**	5,998
Total Net Assets	**1,988,079**	1,943,915
Total Liabilities and Net Assets	**$ 3,728,096**	$ 3,561,570

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Statements of Operations
For the Years Ended December 31, 2021 and 2020 (in Thousands)

	2021	2020
Revenues, Gains, and Other Support Without Donor Restrictions		
Net Patient Service Revenues	**$ 2,047,713**	$ 1,680,899
Other Operating Revenues	**239,866**	315,104
Net Assets Released from Restrictions	**549**	369
Total Operating Revenues	**2,288,128**	1,996,372
Operating Expenses		
Employee Compensation and Benefits	**983,728**	774,906
Purchased Services	**278,400**	249,959
Professional Fees	**322,471**	281,571
Supplies and Other Expenses	**613,122**	477,571
Depreciation and Amortization	**114,119**	88,830
Interest Expense, Net	**16,770**	16,466
Total Operating Expenses	**2,328,610**	1,889,303
(Loss) Income from Operations	**(40,482)**	107,069
Investment Income	**111,003**	134,239
Inherent Contribution	**-**	74,892
Other Nonoperating Expense	**(3,587)**	(4,376)
Community Support, Net	**(25,276)**	(24,607)
Excess of Revenues over Expenses	**$ 41,658**	$ 287,217

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Statements of Changes in Net Assets
For the Years Ended December 31, 2021 and 2020 (in Thousands)

	2021	2020
Changes in Net Assets Without Donor Restrictions		
Excess of Revenues over Expenses	**$ 41,658**	$ 287,217
Excess of Revenues over Expenses Attributable to Noncontrolling Interests	**(617)**	(138)
Adjustment to Additional Minimum Pension Liability	**1,817**	(1,168)
Contribution of Right of Use Designated Equipment	**-**	2,184
Increase in Net Assets Without Donor Restrictions	**42,858**	288,095
Changes in Net Assets With Donor Restrictions		
Contributions and Grants	**3,979**	2,098
Investment Income	**971**	1,071
Net Assets Released from Restrictions	**(3,644)**	(1,816)
Increase in Net Assets With Donor Restrictions	**1,306**	1,353
Increase in Net Assets	**44,164**	289,448
Net Assets, Beginning of Year	**1,943,915**	1,654,467
Net Assets, End of Year	**$ 1,988,079**	$ 1,943,915

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020 (in Thousands)

	2021	2020
Cash Flows from Operating Activities		
Increase in Net Assets	**$ 44,164**	$ 289,448
Adjustments to Reconcile Increase in Net Assets		
to Net Cash Provided by Operating Activities		
Adjustment to Pension Liability	**(1,817)**	1,168
Noncontrolling Interest in Income of Consolidated		
Subsidiaries	**617**	138
Depreciation and Amortization	**114,119**	88,830
Depreciation Related to Community Support	**848**	842
Amortization of Debt Issuance Costs Included in Interest Expense	**(191)**	(568)
Contribution of Capital Assets	**-**	(2,184)
Equity in Earnings of Investments in Joint Ventures	**(4,848)**	(12,008)
Net Realized and Unrealized Investment Income	**(111,928)**	(136,500)
Inherent Contributions from Business Combinations	**-**	(74,892)
Payments on Finance Lease Liabilities	**1,433**	612
(Increase) Decrease in:		
Patient Accounts Receivable	**(1,125)**	4,841
Other Receivables and Supplemental Payments Receivable	**(51,133)**	32,848
Inventories	**(1,962)**	(8,864)
Prepaid Expenses	**(1,616)**	5,394
Other Assets	**(37,221)**	6,687
Increase (Decrease) in:		
Trade Accounts Payable	**25,982**	3,513
Accrued Salaries and Benefits	**3,495**	29,784
Third-Party Payor Settlements	**(64,942)**	141,012
Deferred Revenue	**113,552**	56,878
Other Liabilities	**(17,402)**	24,379
Net Cash Provided by Operating Activities	**10,025**	451,358
Cash Flows from Investing Activities		
Distributions of Earnings of Investments in Joint Ventures	**5,073**	12,008
Capital Expenditures	**(195,690)**	(192,470)
Acquisitions of Businesses, Net of Cash Acquired	**-**	(59,993)
Purchases of Investments	**(504,766)**	(636,492)
Proceeds from Sales of Investments	**504,466**	483,083
Net Cash Used in Investing Activities	**(190,917)**	(393,864)

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

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidated Statements of Cash Flows (Continued)
For the Years Ended December 31, 2021 and 2020 (in Thousands)

	2021	2020
Cash Flows from Financing Activities		
Proceeds from Issuance of Bonds	**254,405**	198,130
Premium Received from Issuance of Bonds	**-**	6,105
Proceeds from Note Payable	**6,701**	21,299
Borrowing (Repayment) of Line of Credit, Net	**50,000**	(100,000)
Repayments of Bonds Payable	**(6,915)**	(3,350)
Repayments of Notes Payable	**(253,000)**	-
Payments on Finance Lease Liabilities	**(1,433)**	(612)
Return of Capital from Investment in Subsidiary	**1,107**	10,318
Payments of Debt Issuance Costs	**(1,412)**	(4,479)
Distributions Paid to Noncontrolling Interest	**(50)**	(188)
Net Cash Provided by Financing Activities	**49,403**	127,223
Net (Decrease) Increase in Cash and Cash Equivalents	**(131,489)**	184,716
Cash and Cash Equivalents, Beginning of Year	**307,469**	122,753
Cash and Cash Equivalents, End of Year	**$ 175,980**	$ 307,469
Supplemental Disclosures of Cash Flow Information		
Cash Paid for Interest	**$ 36,320**	$ 34,547
Non-Cash Disclosures:		
Property, Plant, and Equipment Purchases in Accounts Payable	**$ 12,451**	$ 9,978

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

Note 1. Organization

Louisiana Children's Medical Center (LCMC Health) is a Louisiana non-stock, not-for-profit corporation that was incorporated in 2009, with its founding member being Children's Hospital (Children's). Through a Health Care System Agreement between LCMC Health, Children's and its subsidiaries, Touro Infirmary and its subsidiaries (Touro), and Cooperative Endeavor Agreements (CEAs) with University Medical Center Management Corporation (UMCMC) and West Jefferson Holdings, LLC and its subsidiary (West Jefferson) and Audubon Retirement Village (ARV), these parties have determined that together they can provide a continuum of care to the families of the Gulf South region. To further this mission, LCMC Health offers care through its formation of LCMC Health Holdings, Inc. which is doing business as East Jefferson General Hospital (EJGH). Other subsidiaries of LCMC Health include LCMC Health Anesthesia Corporation (LHAC), LCMC Health Clinical Services (LHCS), New Orleans Clinical Services (NOCS), LCMC Healthcare Partners (LHPL), and LCMC Health Clinical Support (LHCSP). All entities mentioned above are hereinafter collectively referred to as the System. LCMC Health functions as the System parent with reserve powers to be exercised to promote the best interests of the System and its affiliates. All corporate powers of the System are vested in the Board of Trustees of LCMC Health.

Children's is Louisiana's only full-service hospital operated exclusively for children. Located in New Orleans, Louisiana, Children's includes a 224-bed medical center providing care for infants, children, and adolescents from birth to 21 years of age.

Touro Infirmary is New Orleans' only community-based, not-for-profit, faith-based hospital. Touro Infirmary operates as a general acute care hospital with 299 staffed beds.

UMCMC operates University Medical Center New Orleans (UMC), a 446-bed public, research and academic hospital. UMC supports the programs, facilities and research and educational opportunities offered by Louisiana State University (LSU),

UMC has academic affiliation agreements with LSU, Tulane University, Xavier University, Dillard University, University of New Orleans, Delgado Community College, and other academic institutions to strengthen and enhance opportunities to achieve the State's medical education, clinical care and research goals as part of a collaborative academic medical center.

West Jefferson operates a 419-bed hospital located in Marrero, Louisiana providing general acute care along with clinical and other health care operations at various other locations in the New Orleans metropolitan area.

Through LSU, ARV operates the John J. Hainkel Jr. Home and Rehabilitation Center (Nursing Home) with the public purpose of establishing a Geriatric Training Nursing Facility where much needed graduate medical education will be conducted to train physicians and allied health professionals in the provision of care to the elderly and needy residents of Louisiana.

Note 1. Organization (Continued)

LCMC Health Holdings began providing health care services effective October 1, 2020, after effecting an asset purchase agreement with the Jefferson Parish Hospital Service District No. 2, Parish of Jefferson, State of Louisiana for the purchase of EJGH and certain of its affiliates.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements of the System include the activities of LCMC Health, Children's, Touro, EJGH, UMCMC, West Jefferson, LHAC, LHCS, ARV, NOCS, LHPL, and LHCSP. All significant intercompany transactions have been eliminated in consolidation.

The System also provides management services to New Orleans East Hospital (NOEH) as further described in Note 19. However, the activities of NOEH are not consolidated with the System because NOEH is a component unit of the City of New Orleans.

Financial statement preparation follows accounting principles generally accepted in the United States of America (U.S. GAAP), which requires the System to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period.

The System considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient revenue, which includes explicit and implicit pricing concessions, such as contractual allowances discounts, collectability assessment of outstanding accounts receivables, and charity care; losses and expenses related to the self-insured workers' compensation, professional liabilities, and employee health claims; assumptions regarding the fair values of assets and liabilities assumed in business combinations; and risks and assumptions for measurement of pension and other postretirement liabilities. Management bases its estimates on historical experience and various other assumptions that it believes are reasonable under the particular facts and circumstances. Actual results could differ from those estimates.

Note 2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with a remaining maturity of three months or less when purchased, excluding assets whose use is limited or restricted. Cash and cash equivalents held in investment trading accounts are classified as investments.

Inventories

Inventories are stated at the lower of first-in, first-out cost, or at its market value at the date of the consolidated balance sheets.

Assets Limited As to Use

Assets whose use is limited primarily include assets held by trustees indenture agreements, investments with donor restrictions, and designated assets set aside by the Board of Trustees (the Board) for future capital improvements and commitments, over which the Board retains control and may, at its discretion, subsequently use for other purposes.

These investments are recorded at fair value with changes in fair value recorded in the consolidated statements of operations. Fair value estimates are made at a specific point in time, based on market conditions and information about the investments. These estimates are subjective in nature and involve uncertainties and matters of judgment. Changes in assumptions could affect the estimates.

The investments in marketable alternative investments are valued by management at their equity in the net assets of the investment, which approximates fair value, utilizing the net asset valuation provided by the underlying investment companies, unless management determines some other valuation is more appropriate. Such fair value estimates do not reflect early redemption penalties or redemption restrictions as the System does not intend to sell such investments before the expiration of the early redemption periods.

Leases

Accounting Standards Update (ASU) 2016-02 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The adoption of ASU 2016-02 was accomplished using a modified retrospective method of application, with accounting policies related to leases revised accordingly, effective January 1, 2019, as discussed below.

The System determines if an arrangement is a lease at inception of the contract. Right-of-use assets represent the right to use the underlying assets for the lease term, and lease liabilities represent the obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The System uses its estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 2. Summary of Significant Accounting Policies (Continued)

Leases (Continued)
The System's operating leases are primarily for real estate, including off-campus outpatient facilities, medical office buildings, and corporate and other administrative offices. The System's real estate lease agreements typically have initial terms of 4 to 30 years. In line with this ASU, the System does not record right-of-use assets and lease liabilities on leases with an initial term of 12 months, or less, in the consolidated balance sheets.

The System's real estate leases may include one or more options to renew, with renewals extending the lease term for multiple years. The exercise of lease renewal options is at the System's sole discretion. In general, the System does not consider it reasonably likely that renewal options will be exercised; therefore, renewal options are generally not recognized as part of right-of-use assets and lease liabilities.

Certain of the System's lease agreements for real estate include rental payments adjusted periodically for inflation. These variable lease payments are recognized in supplies and other expenses, but are not included in the right-of-use asset or liability balances. The System's lease agreements do not contain any material residual value guarantees, restrictions, or covenants.

The System elected the practical expedient method that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes.

Property, Plant, and Equipment
Property, plant, and equipment are stated at cost, except for assets donated to the System. Donated assets are recorded at their estimated fair value at the date of donation.

Depreciation and amortization, which includes amortization of assets under capital lease and the amortization of prepaid operating leases related to the UMC CEA and WJ CEA, both of which are defined in Note 19, are computed on the straight-line basis over term of the operating leases and the estimated useful lives, or shorter of useful life or lease term for capital leases, as follows:

Land Improvements	10 - 20 Years
Buildings	15 - 40 Years
Leasehold Improvements	3 - 5 Years
Fixed Equipment	10 - 20 Years
Major Moveable Equipment	3 -10 Years

Note 2. Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

The System reviews its long-lived assets, including property and equipment and other intangibles, for impairment and determines whether an event or change in facts and circumstances indicates that their carrying amount may not be recoverable.

The System determines recoverability of the assets by comparing their carrying amount to the net future undiscounted cash flows that the asset is expected to generate or estimated fair values in the case of nonrevenue generating assets. When the carrying value of an asset exceeds the estimated recoverability, an asset impairment charge is recognized.

Prepaid Expenses and Other Assets

In accordance with the UMC CEA, advance rent payments, in the amount of $253,000, were made.

As of December 31, 2021 and 2020, the amounts classified as current were approximately $10,050 and are included within prepaid expenses and other on the consolidated balance sheets. As of December 31, 2021 and 2020, the amounts classified as non-current were approximately $205,634 and $215,683, respectively.

In accordance with the WJ CEA, an advance rent payment in the amount of $200,000 was made. As of December 31, 2021 and 2020, the amounts classified as current were approximately $4,444 and are included within prepaid expenses and other on the consolidated balance sheets. As of December 31, 2021 and 2020, the amounts classified as non-current were approximately $167,778 and $172,222, respectively.

Deferred Financing Costs and Original Issue Premium

As presented in Note 10, deferred financing costs, original issue premiums, and original issue discounts are netted with the related debt and are amortized over the period the obligation is outstanding using a method that approximates the interest method.

Deferred financing costs are presented net of accumulated amortization. Net deferred financing costs total approximately $7,960 and $7,067 at December 31, 2021 and 2020, respectively.

Original issue premiums are presented net of accumulated amortization. Net original issue premiums total approximately $23,171 and $24,291 at December 31, 2021 and 2020, respectively.

Note 2. Summary of Significant Accounting Policies (Continued)

Estimated Workers' Compensation, Professional Liability, and Employee Health Claims

The System records the provisions for estimated medical, professional, and general liability, and workers' compensation claims based upon actual claims incurred, combined with an estimate of claims incurred but not reported. Claims expense is reduced by amounts recoverable through stop-loss insurance purchased by the System. Estimates recorded for these self-insured liabilities incorporate the System's past experience, as well as other considerations including the nature of claims, industry data, relevant trends, and/or the use of actuarial information.

The System follows ASU 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries*, which clarifies that a health care entity should not net insurance recoveries against a related claim liability.

Pension and Other Postretirement Plans

The System recognizes the overfunded or underfunded status of its pension and other postretirement plans as an asset or liability in its consolidated balance sheets. Changes in the funded status of the pension and other postretirement plans are reported as a change in unrestricted net assets presented below the excess of revenues over expenses financial statement line item in the consolidated statement of changes in net assets in the year in which the changes occur.

Deferred Revenue

When the System receives payments for providing services in advance of it providing those services, recognition of revenue is deferred until the period in which the services are provided, and all obligations of the System are relieved.

Fair Value of Financial Instruments

The System accounts for certain assets and liabilities at fair value or on a basis that approximates fair value. A fair value hierarchy for valuation inputs prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels and is determined by the lowest level input that is significant to the fair value measurement in its entirety.

Note 2. Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (Continued)

These levels are:

Level 1 Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. Financial assets in this category primarily include listed equities.

Level 2 Pricing inputs 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 for which all significant inputs are observable, either directly or indirectly, as of the measurement date. Financial assets and liabilities in this category generally include asset-backed securities, corporate bonds and loans, municipal bonds, and interest rate swaps.

Level 3 Pricing inputs are generally unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. Financial assets in this category generally include alternative investments.

Derivatives and Financial Instruments

The System uses interest rate swap and basis swap agreements to manage interest costs and the risk associated with changing interest rates. The fair value of these instruments is recorded in other receivables or other current liabilities on an instrument by instrument basis depending on the current value in the consolidated balance sheets. While the System's primary objective for the use of these instruments is to manage its cash flow requirements, unrealized gains and losses in the fair value of such instruments are reflected in investment income or loss in the consolidated statements of operations in accordance with the *Accounting for Derivative Instruments and Hedging Activities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Patient Service Revenue

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 and third-party payors and include variable consideration for retroactive revenue adjustments due to settlement of reviews and audits as well as supplemental payments related to current period operations. Generally, the System bills the patients and third-party payors after the services are performed or shortly after discharge. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the System.

Note 2. Summary of Significant Accounting Policies (Continued)

Patient Service Revenue (Continued)

Revenue for performance obligations satisfied over time is recognized based on actual charges incurred, which is reduced by an amount that reflects the consideration expected to be received for the services provided based on historic collection patterns. 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. Management believes this method provides an accurate depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations.

The System recognizes revenue for performance obligations satisfied at a point in time, which generally relate to patents receiving outpatient services, when: (1) services are provided, and (2) the patient no longer requires additional services.

Because 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 FASB ASC 606-10-60-14(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 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. As provided for under the guidance, the System does not adjust the expected net revenue from patients and third-party payors for the effects of a significant financing component due to the expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less.

The System is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to 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 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.

Note 2. Summary of Significant Accounting Policies (Continued)

Patient Service Revenue (Continued)

Gross charges differ from actual pricing and generally do not reflect what a hospital is ultimately paid and, therefore, are not displayed in the consolidated statements of operations. The System has agreements with third-party payors that generally provide for payments at amounts different from the System's established rates. For uninsured patients who do not qualify for financial assistance, the System recognizes revenue based on established rates, subject to certain discounts and implicit price concessions in accordance with its policy.

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 patients in accordance with policy, and implicit price concessions provided to 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. 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 when new information is available. This includes provisions for third-party payor settlements and supplemental payments. Adjustments arising from a change in the transaction price were not significant in 2021 or 2020.

Settlements with third-party payors for retroactive adjustments due to review 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 using the most likely outcome method. The System records retroactive Medicare and Medicaid settlements based upon estimates of amounts that are ultimately determined through annual cost reports filed with and audited by the fiscal intermediary, correspondence from the payor and the System's historical settlement activity, including an assessment to ensure that it is probable that a significant revenue reversal in the amount of the 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 increased patient service revenue by approximately $20,203 and $9,233 in 2021 and 2020, respectively.

Note 2. Summary of Significant Accounting Policies (Continued)

Grants, Contributions, and Gifts With Donor Restrictions

From time to time, the System receives grants from individuals, private entities, and public entities. Revenues from grants (including contributions of capital assets) are recognized when all of the eligibility requirements, including time requirements, are met, and when there is reasonable assurance that the grants will be received. Grants may be restricted for either specific operating purposes or for capital purposes. Amounts are recorded as either operating or non-operating revenue based upon their nature.

Unconditional promises to give cash and other assets which are expected to be collected within one year are reported at fair value at the date the promise is received. Contributions that are expected to be collected in future years are recorded at fair value when the promise is made based on a discounted cash flow model. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give and indications of intentions to give are reported at fair value at the date the condition is met, or the gift is received. Gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When an externally-imposed restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions.

Certain net assets with donor restrictions have been restricted by donors to be maintained by the System in perpetuity.

Contributions for which the restrictions are met in the same period in which the unconditional promise to give is received are recorded as revenue without donor restrictions in the accompanying consolidated financial statements.

Operating and Nonoperating Activities

The System's primary mission is to meet the healthcare needs in its market area through a broad range of general and specialized healthcare services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that are peripheral to the System's primary mission are considered to be nonoperating.

Excess of Revenues over Expenses

Excess of revenues over expenses includes all changes in net assets without donor restrictions except for the effect of changes in accounting principles, net assets released from restrictions used for purchase of property and equipment, change in funded status of pension obligations, change in the non-controlling interests, funds donated from unconsolidated sources for purchases of property and equipment, and the donation of property and equipment from unconsolidated sources.

Note 2. Summary of Significant Accounting Policies (Continued)

Financial Assistance Program

The System provides medical care without charge or at reduced costs to residents of its community through the provision of financial assistance. The System follows ASU 2010-23, *Health Care Entities (Topic 954)*, which requires that costs be used as the measurement basis of financial assistance disclosures and that costs be identified as the direct and indirect costs of providing the financial assistance. The entities within the System each have their own unique policy for determining costs. They either: (1) assign direct costs of their financial assistance program and complement those direct costs with estimates determined from Medicare and Medicaid cost reporting methodologies, or (2) calculate a ratio of costs to usual and customary charges and apply that ratio to the usual and customary uncompensated charges associated with providing care to patients that qualify for financial assistance. The System also follows the new regulation under Section 501(r) as established by the Affordable Care Act, which requires policies for financial assistance, emergency medical care, and billing and collections.

During the years ended December 31, 2021 and 2020, estimated costs associated with providing financial assistance, throughout the System, were approximately $46,607 and $56,394, respectively.

Coronavirus Aid, Relief, and Economic Security Act

In response to the economic impact of COVID-19, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted by Congress and was subsequently signed into law on March 27, 2020. The CARES Act included a variety of economic assistance provisions for businesses and individuals. Under certain provisions in the CARES Act, the System received approximately $213,052 in Provider Relief Funds during the year ended December 31, 2020. Of that total, the System recognized approximately $160,952, which is included within other operating revenue for the year ended December 31, 2020. The System deferred recognition of the difference of approximately $52,100 as reflected on the consolidated balance sheet at December 31, 2020. For the year ended December 31, 2021, the System received approximately $3,000 and recognized approximately $55,072 of revenue related to Provider Relief Funds which is included within other operating revenue. During 2020, the System also deferred payment of approximately $22,796 for the employer portion of the Social Security payroll tax as allowed by the CARES Act. At least fifty percent (50%) of the deferred taxes were required to be paid by December 31, 2021, with the remainder to be paid by December 31, 2022. At December 31, 2021 and 2020, approximately $11,548 and $11,398 is included as a component of accrued salaries and benefits and $0 and $11,398 is included as a component of other long-term liabilities, respectively.

Note 2. Summary of Significant Accounting Policies (Continued)

Coronavirus Aid, Relief, and Economic Security Act (Continued)
Under the CARES Act, the System also received approximately $138,706 in advances under the Medicare Accelerated and Advance Payments Program (AAPP) in April 2020. Through the Continuing Appropriations Act, 2021, and Other Extensions Act that was enacted October 1, 2020, recoupment of these advances began one year after the date of the initial receipt of the advances. Recoupment continues until repaid in full, but no later than 17 months after recoupment begins. During the year ended December 31, 2021, approximately $39,300 was recouped.

The System has classified these advances as Medicare Advance Payments on its consolidated balance sheets. At December 31, 2021 and 2020, approximately $99,407 and $46,394, respectively, is classified as a current liability, with approximately $92,313 as a non-current liability at December 31, 2020.

Recently Adopted Accounting Pronouncements
Effective January 1, 2021, the System adopted ASU 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans-General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for defined benefit pension plans and other post-retirement plans. The System used a retrospective method to adopt ASU 2017-12 on January 1, 2021. There was no impact on the System's total excess of revenues over expenses or total net assets from adoption.

Effective January 1, 2021, the System adopted ASU 2020-01*, Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815),* which clarifies that the observable price changes in orderly transactions that should be considered when applying the measurement alternative in accordance with ASC 321 include transactions that require it to either apply or discontinue the equity method of accounting under ASC 323. ASU 2020-01 also addresses questions about how to apply the guidance in Topic 815, *Derivatives and Hedging*, for certain forward contracts and purchased options to purchase securities that, upon settlement or exercise, would be accounted for under the equity method of accounting. There was no impact on the System's total excess of revenues over expenses or total net assets from adoption.

Pending Accounting Pronouncements
In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance is effective for fiscal years beginning after June 15, 2021. The adoption of ASU 2020-07 is not expected to have a significant impact on the System's consolidated financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

Pending Accounting Pronouncements (Continued)

In 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 842): Disclosure by Business Entities abut Government Assistance*, which is intended to increase transparency in financial reporting by requiring business entities to disclose information about certain types of government assistance. ASU 2021-10 is effective for financial statements issued for annual periods beginning after December 15, 2021. The adoption of ASU 2021-10 is not expected to have an impact on the System's consolidated financial statements.

Income Taxes

LCMC Health, Children's, UMCMC, Touro, LHAC, ARV, LCMC Health Holdings, Inc., and certain of their respective subsidiaries, are not-for-profit entities under Section 501(c)(3) of the Code and are exempt from federal income taxation. West Jefferson and LHCS are considered disregarded entities for federal and state income tax purposes, with their profits and losses presented together with LCMC Health.

CCPI, a subsidiary of Touro, is a for-profit entity. The operations of CCPI have resulted in cumulative net operating losses for Federal income tax purposes of approximately $75,500, of which approximately $30,500 have no expiration as to their use while approximately $45,000 expire in varying amounts through 2036. No tax benefits related to these operating losses have been recognized in the accompanying consolidated financial statements.

Accounting for Uncertainty in Taxes

The System believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements. The statute of limitations remains open for tax years ended 2018 through 2020.

Note 3. Patient Service Revenues

The System has arrangements with patients and third-party payors that provide for payments to the System at amounts different from its established rates. A summary of the significant payment arrangements with major third-party payors follows:

Commercial

The System has also entered into contractual arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Inpatient and outpatient services rendered to patients covered by commercial insurance are reimbursed at prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. In general, there is a lower risk to the System on revenues recognized from commercial insurers in comparison to other third-party payors.

Note 3. Patient Service Revenues (Continued)

Medicaid

In the context of healthcare reform, effective February 1, 2012, Louisiana Medicaid introduced Bayou Health, a state-wide managed care Medicaid initiative. Medicaid recipients enroll in one of five available Bayou Health plans. The plans are all accountable to the Louisiana Department of Health (LDH) and to the State of Louisiana (State). There are differences between these plans, including their provider networks, referral policies, health management programs, services and incentives offered to participants. Medicaid recipients can select Bayou Health plan for enrollment.

The System's reimbursements from the Bayou Health plans follow the same methodology as Medicaid; that is, LDH's objective is to continue collecting all Medicaid hospital program services and costs through the annual cost report uniformly, whether the service is covered by traditional Medicaid fee for service or a Prepaid Plan.

All inpatient services, with the exception of transplants, rendered to Medicaid program beneficiaries are paid at prospectively determined per diem rates. Outpatient services rendered to Medicaid program beneficiaries are reimbursed either on a cost basis subject to certain limits or on a prospectively determined amount per procedure.

The state of Louisiana reimburses certain outpatient hospital services based on a percentage of actual cost. Since actual cost cannot be determined until after the fiscal year and the related cost report is completed, the hospitals estimate their cost-based reimbursement using prior year cost factors. The cost factors are adjusted for year-to-date changes in cost and volumes.

Transaction prices related to Medicaid revenues are more at risk of being increased or decreased in a period after the actual services were performed as described in the Third-Party Settlements section below.

Supplemental Payment Program

The System has collaborated with the State and units of local government in Louisiana to more fully fund the Medicaid program and to ensure the availability of quality healthcare services for the low income and needy residents in the community population.

The provision of this care directly to low income and needy patients will result in the alleviation of the expense of public funds the governmental entities would otherwise expend on such care, thereby allowing the governmental entities to increase support for the state Medicaid program up to Full Medicaid Pricing (FMP) and the Upper Payment Limit (UPL). The State's methodology must comply with its state plan with approval by the Centers for Medicare & Medicaid Services (CMS).

Note 3. Patient Service Revenues (Continued)

Supplemental Payment Program (Continued)
For the years ended December 31, 2021 and 2020, LCMC Health has recognized approximately $165,196 and $149,135, respectively, under the FMP/UPL program classifying it within net patient service revenue on the consolidated statements of operations. At December 31, 2021 and 2020, respectively, approximately $98,966 and $87,831 of these revenues were not yet collected and therefore included in other receivables in the consolidated balance sheets.

UMCMC, Touro, and West Jefferson qualify as disproportionate share providers and as teaching hospitals under the Medicaid regulations. As such, the System receives additional payments for Medicaid inpatients served. The Medicaid disproportionate share regulations are established by the LDH and are subject to review and approval by the Centers for Medicare and Medicaid Services. The System has included approximately $302,141 and $259,273 for Medicaid disproportionate share revenues in net patient service revenues, for the years ended December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, respectively, approximately $44,605 and $9,895 of these revenues were not yet collected and therefore included in other receivables in the consolidated balance sheets.

During 2021 and 2020, the System received approximately $6,010 and $5,318 from the State in the form of Graduate Medical Education Supplement Payment.

Effective January 1, 2019, the System entered in an agreement with the Louisiana Quality Network (LQN) to facilitate payments to the System under the State's Medicaid Managed Care Quality Incentive Program (Program). LDH amended its agreements with its MCOs to include quality-based performance measures and quality-based outcomes. With the expected achievement of the defined quality measures, LDH will fund the MCOs, who in turn will fund LQN, for the Managed Care Incentive Payment (MCIP). For each measurement year, LDH will evaluate the performance relative to the specific quality measures. In the event LDH finds a deficiency in the accomplishment of those performance measures, there is the potential for recoupment of the MCIPs.

Under the terms of the agreement with LQN, the System recognized estimated incentive payments for the years ended December 31, 2021 and 2020, of approximately $37,961 and $30,907, respectively, which is included within net patient service revenue. The System recorded a related receivable of approximately $22,917 and $17,691 within other receivables at December 31, 2021 and 2020, respectively.

Medicare
In general, the System is reimbursed under the Medicare Prospective Payment System (PPS) for acute care inpatient services provided to Medicare beneficiaries, and is paid a predetermined amount for these services based on the Diagnosis Related Group (DRG) assigned to the patient. However, supplemental settlement based on annual cost reports occurs later as described below.

Note 3. Patient Service Revenues (Continued)

Medicare (Continued)
The System qualifies as a disproportionate share provider and as a teaching hospital under the Medicare regulations. As such, the System receives additional payments for Medicare inpatients served.

Outpatient services rendered to Medicare program beneficiaries are generally reimbursed by the Outpatient Prospective Payment System (OPPS), which establishes a number of Ambulatory Payment Classifications (APC) for outpatient procedures in which the System is paid a predetermined amount for these procedures. However, supplemental settlement based on annual cost reports occurs later as described below.

Transaction prices related to Medicare revenues are more at risk of being increased or decreased in a period after the actual services were performed as described in the Third-Party Settlements section below.

Managed Medicare
Medicare Advantage Plans are a type of Medicare health plan offered by a private company that contracts with Medicare to provide Part A and Part B benefits. Managed Medicare reimbursement plans are typically offered by Health Maintenance Organizations, Preferred Provider Organizations, Private Fee-for-Service Plans or Special Needs Plans. The System has entered into agreements with these organizations to provide services to subscribers covered under these plans.

Inpatient and outpatient services rendered to managed care subscribers are reimbursed at prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. Transaction prices related to Managed Medicare revenues, generally, are more at risk of being increased or decreased in a period after the actual services were performed as described in the Third-Party Settlements section below.

Guarantor/Patient/Other
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. Current facts and historical patterns actually observed are used to estimate ongoing implicit price concessions.

Third-Party Settlements
As mentioned in Note 2, patient service revenue increased by approximately $20,203 and $9,233 in 2021 and 2020, respectively, due to changes in estimates resulting from the filing of cost reports; the removal of allowances previously estimated that are no longer necessary as a result of final settlements; years that are no longer subject to audits, reviews and investigations; revision if allowance estimates recorded in prior years relating to expected retroactive adjustments; and revisions based on updated information from the fiscal intermediary.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 3. Patient Service Revenues (Continued)

The table below shows the sources of patient service revenue for the years ended December 31st:

	2021			2020		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
Medicaid	$ 232,101	$ 235,579	$ 467,680	$ 212,780	$ 168,727	$ 381,507
UPL/FMP/MCIP	176,642	28,599	205,241	158,786	26,471	185,257
DSH	214,123	112,952	327,075	165,686	93,587	259,273
Medicare	125,622	123,806	249,428	228,174	109,634	337,808
Guarantor/Patient/Other	(2,344)	35,485	33,141	(5,576)	5,128	(448)
Other Third-Party						
Commercial	196,146	227,807	423,953	131,245	128,226	259,471
Managed Medicare	174,029	147,105	321,134	124,566	112,721	237,287
Eldercare	20,061	-	20,061	20,744	-	20,744
Net Patient Service Revenue	$1,136,380	$ 911,333	$2,047,713	$1,036,405	$ 644,494	$1,680,899

Note 4. Assets Limited as to Use

At December 31, 2021 and 2020, assets limited as to use are invested as allowed and consist of the following investment categories:

	2021	2020
Marketable Equity Securities	$ 796,154	$ 697,751
Other Fixed Income Securities	596,724	570,094
Money Market Funds, Certificates of Deposit, and Commercial Paper	39,946	52,874
Corporate Bonds	1,129	1,015
State of Israel Bonds	500	500
U.S. Government Securities	34	34
Total	$ 1,434,487	$ 1,322,268

At December 31, 2021, the System has approximately $38,027 in future commitments to current hedge fund managers. Some hedge fund managers have withdrawal restrictions established upon entering their funds which limit an investor's ability to withdraw amounts as a protection for their investments. There also may be fees associated with early withdrawal that generally lapse over defined time periods. These restrictions generally allow for quarterly withdrawals; however, in no case does the withdrawal limitation extend beyond one year.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 5. Derivative Instruments

The System entered into derivative instruments consisting of interest rate swap agreements. At December 31, 2021, the instruments consist of the following:

Trade Date	Maturity	Notional Amount	Hedged Rate		Derivative Rate	Counterparty
August 15, 2005 (amended December 5, 2016)	January 1, 2023	$ 5,100	6.125%		SIFMA Municipal Swap Index	Touro
April 24, 2015 (amended December 5, 2016)	October 1, 2023	$ 37,080	3.900%		SIFMA Municipal Swap Index plus the Spread	Touro
June 9, 2021	June 9, 2026	$ 79,610	6.35%	*	USD-LIBOR-BBA	Children's
June 9, 2021	June 9, 2026	$ 31,000	6.85%	*	USD-LIBOR-BBA	Children's
June 9, 2021	June 9, 2026	$ 53,585	6.85%	*	USD-LIBOR-BBA	Children's
June 9, 2021	June 9, 2026	$ 90,210	7.00%	*	USD-LIBOR-BBA	Children's

At December 31, 2020, the instruments consist of the following:

Trade Date	Maturity	Notional Amount	Hedged Rate		Derivative Rate	Counterparty
August 15, 2005 (amended December 5, 2016)	January 1, 2023	$ 8,935	6.125%		SIFMA Municipal Swap Index	Touro
April 24, 2015 (amended December 5, 2016)	October 1, 2023	$ 40,160	3.900%		SIFMA Municipal Swap Index plus a spread	Touro
April 1, 2014 (amended December 24, 2018)	October 1, 2023	$ 125,000	5.50%	*	USD-LIBOR-BBA	Children's
April 1, 2014 (amended December 24, 2018)	October 1, 2021	$ 128,000	5.50%	*	USD-LIBOR-BBA	Children's

* From the trade date to but not including October 1, 2019, 5.65%. From and including October 1, 2019 to the maturity date, 5.50%.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 5. Derivative Instruments (Continued)

Interest expense associated with the debt instruments was reduced by the realized gains and interest earnings from the swaps' effectiveness by approximately $14,544 and $13,930 in 2021 and 2020, respectively. At December 31, 2021 and 2020, certain of these agreements had carrying values (which approximates fair value) in an asset position of approximately $3,779 and $4,202, respectively, which are recorded in other receivables.

With respect to the derivative instruments held at December 31, 2021 and 2020, the System's exposure to credit-related losses in the event of nonperformance by counterparties is minimized because the counterparties are international banks with excellent credit ratings.

All derivative instruments are subject to market risk, which is the risk that future changes in market conditions may make an instrument less valuable or more onerous. Exposure to market risk is managed in accordance with risk limits set by the investment committee of the LCMC Health Board of Trustees and by monitoring performance by investment managers in accordance with specified investment guidelines.

Note 6. Leases

The following table presents the components of the System's right-of-use assets and liabilities related to leases and their classification in the consolidated balance sheets at December 31st:

Component of Lease Balances	Classification in Consolidated Balance Sheet	December 31, 2021	December 31, 2020
Assets			
Finance Lease Assets	Finance Lease Assets	$ 14,647	$ 12,268
Operating Lease Assets	Other Assets	61,133	47,147
Total Lease Assets		$ 75,780	$ 59,415
Liabilities			
Finance Lease Liabilities			
Current	Current Finance Lease Liabilities	$ 1,663	$ 646
Long-Term	Finance Lease Liabilities	13,340	11,944
Operating Lease Liabilities			
Current	Other Current Liabilities	7,117	7,636
Long-Term	Other Long-Term Liabilities	47,625	41,001
Total Lease Liabilities		$ 69,745	$ 61,227

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 6. Leases (Continued)

The following table presents the components of the System's lease costs and other information related to leases and their classification in consolidated statements of operations for the year ending December 31st:

	Year Ending December 31,	
	2021	2020
Finance Lease Cost:		
Amortization of Right-of-Use Assets Recorded in Depreciation and Amortization	$ 1,431	$ 887
Interest on Lease Liabilities Recorded in Interest Expense	405	268
Operating Lease Cost Recorded in Supplies and Other Expenses	10,105	7,469
Short-Term Lease Cost Recorded in Supplies and Other Expenses	14,122	13,861
Total Lease Cost	$ 26,063	$ 22,485
Other Information		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities		
Operating Cash Flows from Finance Leases	$ 405	$ 268
Operating Cash Flows from Operating Leases	9,177	6,761
Financing Cash Flows from Finance Leases	1,433	612
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities	3,810	13,302
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	23,224	17,859
Weighted-Average Remaining Lease Term--Finance Leases	12.8 years	13.8 years
Weighted-Average Remaining Lease Term--Operating Leases	7.9 years	8.8 years
Weighted-Average Discount Rate--Finance Leases	2.23%	2.03%
Weighted-Average Discount Rate--Operating Leases	3.00%	3.00%

Future maturities of lease liabilities at December 31, 2021, are presented in the following table:

	Operating Leases	Finance Leases
2022	$ 8,646	$ 2,024
2023	7,641	2,048
2024	6,789	2,071
2025	6,379	995
2026	6,178	1,020
Thereafter	27,354	8,924
Total Lease Payments	62,987	17,082
Less: Imputed Interest	(8,245)	(2,079)
Total Lease Obligations	54,742	15,003
Less: Current Obligations	(7,117)	(1,663)
Long-Term Lease Obligations	$ 47,625	$ 13,340

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 7. Property, Plant, and Equipment

At December 31st, property, plant, and equipment consisted of the following:

	2021	2020
Land and Land Improvements	$ 113,960	$ 112,855
Leasehold Improvements	1,524	1,442
Buildings	737,223	561,876
Fixed Equipment	177,437	175,979
Major Moveable Equipment	732,243	604,638
	1,762,387	1,456,790
Less: Accumulated Depreciation	(864,326)	(767,326)
Construction in Progress	127,061	226,844
Property, Plant and Equipment, Net	$ 1,025,122	$ 916,308

Depreciation expense on depreciable assets was approximately $101,283 and $76,008 for the years ended December 31, 2021 and 2020, respectively.

Note 8. Investments in Joint Ventures

The System has invested in various other joint ventures through Touro Infirmary and West Jefferson. Summarized financial information for the System's equity investments in its joint ventures, in approximation, for 2021 present equity earnings of $5,330, distributions of $6,837, capital contributions of $175, and total equity at December 31, 2021 of $45,536. For the year ended December 31, 2020, equity earnings of $12,008, distributions of $22,326, capital contributions of $-0-, and total equity at December 31, 2020 of $46,868.

Note 9. Line of Credit

In 2020, LCMC Health entered into a revolving line of credit agreement with J.P. Morgan Chase Bank, N.A. in an initial aggregate amount of $50,000. The revolver has an accordion feature providing for additional borrowing capacity up to $100,000. The initial revolving line of credit was executed on June 30, 2020 and the terms were subsequently modified in February 2021. In February 2022, the terms were amended to a revolving line up to $70,000. The interest rate on any advances on the line of credit was modified from LIBOR plus 1.00%, to the secured overnight financing rate (SOFR) plus an adjustment of ten basis points. Interest is payable quarterly. The Non-Usage Fee has been amended from fifteen basis points to ten basis points. The line of credit matures in February 2023. At December 31, 2021 and 2020, the outstanding balance was $50,000 and $-0-, respectively.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 10. Bonds Payable

At December 31st, bonds payable consist of the following tax-exempt revenue and refunding bonds issued by the Louisiana Public Facilities Authority on behalf of Touro and LCMC Health:

	2021	2020
Series 1993 Bonds Interest fixed at 6.125%, principal and interest payable annually through maturity on August 15, 2027.	$ 5,100	$ 8,935
Series 2015 Bonds Interest fixed at 3.90%, principal and interest payable annually beginning in 2020 through maturity in 2029.	37,080	40,160
Series 2015 A1 - Serial Bonds Interest fixed at 5.00%, payable semi-annually, beginning December 1, 2018. Principal payments begin June 1, 2036 through maturity on June 1, 2039.	27,515	27,515
Series 2015 A1 - Term Bonds Interest at 5% per annum, payable semi-annually, beginning December 1, 2018. Mandatory redemption beginning June 1, 2040 through maturity on June 1, 2045.	27,320	27,320
Series 2015 A1 - Term Bonds Interest at 4% per annum, payable semi-annually, beginning June 1, 2018. Mandatory redemption beginning June 1, 2040 through maturity on June 1, 2045.	25,000	25,000
Series 2015 A2 Bonds - Term Rate Mode Initial interest rate of 5.00% through June 1, 2025. Interest is payable semi-annually, beginning December 1, 2018. Mandatory redemption beginning June 1, 2036 through maturity on June 1, 2045.	75,140	75,140
Series 2015 A3 Bonds - Term Rate Mode Initial interest rate of 5.00% through June 1, 2023. Interest is payable semi-annually, beginning December 1, 2018. Mandatory redemption beginning June 1, 2036 through maturity on June 1, 2045.	27,095	27,095
Series 2017 Bonds - Index Rate Mode Initial Index Rate is SIFMA plus 0.65% (65 basis points). Interest is payable monthly beginning September 4, 2018. Mandatory sinking fund redemption beginning September 1, 2046 through maturity on September 1, 2057.	125,000	125,000

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 10. Bonds Payable (Continued)

	2021	2020
Series 2020A Bonds - Term Bonds Interest at 3% per annum, payable semi-annually, beginning December 1, 2020. Mandatory sinking fund redemption beginning June 1, 2046 through maturity on June 1, 2050.	55,000	55,000
Series 2020A Bonds - Term Bonds Interest at 4% per annum, payable semi-annually, beginning December 1, 2020. Mandatory sinking fund redemption beginning June 1, 2046 through maturity on June 1, 2050.	40,850	40,850
Taxable:		
Series 2020B Bonds - Term Bonds Interest at 2.282% per annum, payable semi-annually, beginning December 1, 2020. Early redemption allowed at a make-whole redemption price. Full principle due at maturity on June 1, 2030.	102,280	102,280
Series 2021 A1 Bonds - Fixed Rate Mode Interest of 6.35%, payable semi-annually Principal due at maturity in 2031	79,610	-
Series 2021-A1.2 Bonds - Fixed Rate Mode Interest at 6.85%, payable semi-annually Principal due at maturity in 2041	31,000	-
Series 2021-B1.1 - Fixed Rate Mode Interest at 6.85%, payable semi-annually Principal due at maturity in 2041	53,585	-
Series 2021-B1.2 - Fixed Rate Mode Interest at 7.00%, payable semi-annually Principal due at maturity in 2051	90,210	-
	801,785	554,295
Plus: Unamortized Original Issue Premium	23,171	24,291
Less: Unamortized Original Issue Discount	(37)	(55)
Less: Debt Issuance Costs, Net of Amortization	(7,960)	(7,067)
	816,959	571,464
Less: Current Maturities of Bonds Payable	(4,860)	(4,610)
Bonds Payable - Long-Term	$ 812,099	$ 566,854

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 10. Bonds Payable (Continued)

The current maturities of bonds payable are included within other current liabilities on the consolidated balance sheets.

At December 31, 2021, scheduled repayments of principal and sinking fund installments to retire the bonds are as follows:

2022	$	4,860
2023		3,230
2024		5,405
2025		5,614
2026		5,835
Thereafter		776,841
Total	$	801,785

Note 11. Notes Payable

Series 2014 Notes Payable
UMCMC entered into a trust indenture with the Bank of New York Mellon Trust Company relating to the issuance of the Series 2014 Notes totaling $253,000. Interest, at a rate of 7.25%, is payable on April 1st and October 1st. Maturity was set for April 1, 2024. In June 2021, these notes were paid in full upon the issuance of the Series 2021 Bonds that are presented within Note 10.

Fixed Rate Draw Note
UMCMC has a $28,000 fixed draw note with Bank of America, N.A. for purposes of funding the construction of a second parking garage on the UMCMC campus. The draws on the note bear interest from the borrowing date until they are paid in full, at a rate per annum equal to the Fixed Rate, as defined in the agreement. The interest rate at December 31, 2021 was 3.73%. Interest is payable semiannually on the first day of each April and October commencing on October 1, 2020. The note is scheduled to mature on March 20, 2025. It is secured on a parity with the Series 2021A Obligation.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 11. Notes Payable (Continued)

Fixed Rate Draw Note (Continued)
At December 31st, notes payable consists of the following:

	2021	2020
Series 2014 Notes Payable	$ -	$ 253,000
Less: Debt Issuance Costs, Net of Amortization	-	(392)
	-	252,608
Fixed Rate Draw Note	28,000	21,299
Non-Current Portion of Notes Payable	$ 28,000	$ 273,907

Note 12. Employee Retirement Plans

Defined Contribution Plans
The Louisiana Children's Medical Center Retirement Savings Plan (LCMCRS Plan) was formed by LCMC Health as a Section 403(b) defined contribution employee benefit plan.

The LCMCRS Plan is a single-employer defined contribution plan sponsored by LCMC Health covering all eligible employees of LCMC Health and the following participating affiliates: Children's, CHMPC, Touro Infirmary, Woldenberg, UMCMC, EJGH, LCMC Health Clinical Services d/b/a NOLA Physician Group and West Jefferson.

With the exception of Woldenberg, employer contributions are comprised of a nonelective contribution of 2% of each eligible employee's compensation, a qualified matching contribution of 50% on an eligible employee's contribution up to 4% of the employee's eligible earnings, and an employer discretionary contribution up to 3% of each participant's compensation. Contributions by these entities during the years ended December 31, 2021 and 2020, were approximately $21,710 and $16,843, respectively.

Eligible employees of Woldenberg who participate may make tax-deferred contributions; however, Woldenberg does not match any portion of the employee's contributions nor does it make any discretionary contribution.

CCPI and NOPS sponsor their own 401(k) defined contribution employee benefit plan.

Note 12. Employee Retirement Plans (Continued)

Defined Contribution Plans (Continued)

Employees of CCPI may contribute to the Plan through salary deferrals. CCPI makes qualified matching contributions of 100% of an eligible employee's contribution up to 3% of their eligible earnings, plus 50% of an eligible employee's contribution in excess of 3% of their eligible earnings up to 5% of their eligible earnings. Contributions by CCPI during the years ended December 31, 2021 and 2020, were approximately $891 and $793, respectively.

NOPS employees, too, may contribute to the Plan through salary deferrals. Eligible employees receive a non-elective safe harbor contribution of 3% of their compensation. In addition, NOPS matches 100% of an eligible employee's contribution up to 2% of the employee's eligible earnings. Contributions by NOPS during the year ended December 31, 2021 and 2020 were approximately $1,063 and $629, respectively.

ARV employees do not participate in any System sponsored plan.

Defined Benefit Pension Plan

Through December 31, 2015, Touro Infirmary's defined benefit pension plan (the Plan) covers substantially all full-time employees. The Plan is noncontributory and provides benefits that are based on the participants' years of service and level of compensation. Effective January 1, 2016, the Plan was amended to eliminate pay credits and to eliminate the addition of participants.

The funding policy is based on the minimum and maximum funding standards under the Employee Retirement Income Security Act of 1974, as amended by the Pension Protection Act of 2006, as well as the Highway and Transportation Funding Act, as determined by its consulting actuaries.

The System's consolidated financial statements include net periodic pension gain of approximately $216 for the year ended December 31, 2021 and net periodic pension expense of approximately $79 for the year ended December 31, 2020. Contributions of $820 and $2,760, respectively, were made during the years ended December 31, 2021 and 2020. As of December 31, 2021 and 2020, the System has unfunded liabilities associated with this plan totaling approximately $6,356 and $9,210, respectively.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 12. Employee Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

The tables that follow set forth the Plan's components of net periodic pension cost, change in projected benefit obligation, change in plan assets, funded status, and pension expense recognized by Touro Infirmary as of and for the years ended December 31, 2021 and 2020 using the projected unit credit method with salary progression.

	2021	2020
Change in Benefit Obligation		
Benefit Obligation at Beginning of Year	$ 40,909	$ 39,361
Interest Cost	907	1,170
Actuarial Loss	(1,286)	3,678
Benefits Paid	(2,948)	(3,300)
Benefit Obligation at End of Year	37,582	40,909
Change in Plan Assets		
Fair Value of Plan Assets at Beginning of Year	31,699	28,638
Actual Return on Plan Assets	1,655	3,601
Benefits Paid	(2,948)	(3,300)
Employer Contributions	820	2,760
Fair Value of Plan Assets at End of Year	31,226	31,699
(Underfunded) Status	$ (6,356)	$ (9,210)
Net Periodic Pension Cost		
Interest Cost	$ 907	$ 1,170
Actuarial Gain on Plan Assets	(1,655)	(3,601)
Net Amortization	532	2,510
Net Periodic (Gain) Cost	$ (216)	$ 79

Included in net assets at December 31st, are the following amounts that have not yet been recognized in net periodic postretirement benefit cost:

	2021	2020
Unrecognized Experience Loss	$ 10,521	$ 12,338
Total Accrued Benefit Cost	$ 10,521	$ 12,338

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 12. Employee Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

Amounts included in net assets at December 31, 2021, that are expected to be amortized into net periodic post-retirement cost during 2022 total approximately $225.

Weighted-average assumptions used to determine projected benefit obligations at December 31st were as follows:

	2021	2020
Discount Rate, Obligation	2.70%	2.30%
Discount Rate, Periodic Cost	2.30%	3.10%
Expected Return on Plan Assets	7.00%	7.00%
Cash Balance Interest Credit Rate	3.00%	3.00%

The defined benefit pension plan asset allocation as of the measurement date (January 1st) and the target asset allocation, presented as a percentage of total plan assets, were as follows:

	2021	2020	Target Allocation
Domestic Equity	24.5%	23.7%	23%
International Equity	17.9%	19.3%	18%
Fixed Income	27.3%	30.2%	30%
Cash/Short-Term Fixed Income	26.3%	23.0%	25%
Real Assets	4.0%	3.8%	4%

The Plan invests in a diversified mix of traditional asset classes, including equities, government and corporate fixed income debt securities, and cash and cash equivalents. The Plan's overall allocation is based on mean variance optimization modeling using certain assumptions regarding expected return, risk, and correlations among various asset classes. Asset allocation analysis considers various potential outcomes and probabilities of returns given current capital markets assumptions.

As discussed in Note 2, the System uses a fair value hierarchy for valuation inputs.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 12. Employee Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

The following tables set forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2021 and 2020:

2021	Level 1	Level 2	Total
Domestic Equity	$ 7,638	$ -	$ 7,638
International Equity	5,588	-	5,588
Fixed Income	1,585	6,948	8,533
Cash/Short-Term Fixed Income	8,205	-	8,205
Real Assets	1,262	-	1,262
Total	$ 24,278	$ 6,948	$ 31,226

2020	Level 1	Level 2	Total
Domestic Equity	$ 7,530	$ -	$ 7,530
International Equity	6,136	-	6,136
Fixed Income	3,304	6,259	9,563
Cash/Short-Term Fixed Income	7,271	-	7,271
Real Assets	1,199	-	1,199
Total	$ 25,440	$ 6,259	$ 31,699

In general, equity securities (both value and growth and active and passive) are utilized to provide expected returns above those of fixed income securities. Fixed income securities are utilized to provide a more stable and less volatile series of returns. The fixed income portfolio contains only securities considered investment grade by maintaining a rating of at least BAA/BBB by Moody's or Standard and Poor's rating agencies.

Professional money managers are delegated the day-to-day responsibility of managing individual portfolios within the context of certain diversification guidelines and to certain performance benchmark standards.

The Plan's investment consultant provides quarterly performance reports to evaluate the achievement of overall return expectations of total investments as well as each manager's contribution, both on the basis of absolute and relative performance standards.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 12. Employee Retirement Plans (Continued)

Defined Benefit Pension Plan (Continued)

The Plan's overall asset allocation is reviewed periodically to conform to current market conditions and expectations with regard to overall capital markets assumptions. Historical return patterns and correlations, expected return risk premium, and other multifactor considerations are utilized in the development of overall capital markets assumptions for the purpose of the Plan's asset allocation determinations.

Touro Infirmary expects to make contributions of approximately $-0- to the defined benefit pension plan in 2022.

At December 31, 2021 and 2020, Touro Infirmary's plan had accumulated benefit obligations of approximately $37,582 and $40,909, respectively.

Future benefit payments expected to be paid in each of the next five fiscal years and in the aggregate for the following five years as of December 31, 2021, are as follows:

2022	$	1,780
2023		1,830
2024		1,750
2025		1,820
2026		1,900
Thereafter		8,240
Total	$	17,320

Executive Benefit Plan

The System sponsors has benefits for both current and former members of senior management. These include supplemental executive retirement plans, deferred compensation plans and an executive employment retention plan, with specific vesting dates, providing the executive with tax deferral opportunities. The liabilities associated with these plans total approximately $240 and $325 at December 31, 2021 and 2020, respectively. These liabilities are presented on the consolidated balance sheets within accrued salaries. In addition, Children's and LCMC Health sponsor a 457(b)-investment account that can be utilized by senior management and certain employee medical providers. As of December 31, 2021 and 2020, the System's total liability for these plans is approximately $16,600 and $12,318, respectively, and is included in accrued salaries and benefits on the consolidated balance sheets. Related assets of approximately $16,600 and $12,318 at December 31, 2021 and 2020, respectively, are recorded in other assets on the consolidated balance sheets to fully settle these plan liabilities.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 13. Concentrations of Credit Risk

Patient accounts receivable are stated at estimated net realizable value. The System grants credit without collateral to its patients, most of who are Gulf South region residents and are insured under third-party payor agreements.

The mix of receivables from patients and third-party payors at December 31st, was as follows:

	2021		2020	
Medicare	20	%	26	%
Medicaid	29		26	
Other Third-Party Payors	46		44	
Patients/Guarantor/Other	4		3	
Workers' Compensation	1		1	
Total	100	%	100	%

Receivables from government-related programs (i.e., Medicare and Medicaid) represent the largest concentrated group of credit risk for the System, and management does not believe that there are any credit risks associated with these government programs. Commercial and managed care receivables consist of receivables from various payors involved in diverse activities and subject to differing economic conditions and do not represent any concentrated credit risks to the System.

The System records implicit pricing concessions for estimated losses resulting from a payors inability to make payments on accounts. The System estimates the implicit pricing concessions based on historical write-offs and the aging of the accounts. Accounts are written off when collection efforts have been exhausted. Management continually monitors and adjusts its allowances associated with its receivables.

The System periodically maintains cash in bank accounts in excess of insured limits. The System has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Note 14. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for purposes specific to healthcare programs and facilities totaling approximately $8,730 at December 31, 2021 and $7,373 at December 31, 2020, respectively.

Note 14. Net Assets with Donor Restrictions (Continued)

They are also comprised of endowments that are subject to the spending policy of the System totaling approximately $5,948 at December 31, 2021 and $5,998 at December 31, 2020, respectively.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The assets whose purpose was met and released totaled approximately $3,644 and $1,816 for the years ended December 31, 2021 and 2020, respectively.

Note 15. Endowment

The State of Louisiana enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective August 15, 2010, the provisions of which apply to endowment funds existing on or established after that date. The net assets classified as perpetual in nature have been determined to meet the definition of endowment funds under UPMIFA.

The System holds donor-restricted endowment funds established primarily to fund specified activities for and within the System and the medical community as a whole. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the State of Louisiana's UPMIFA as requiring the preservation of the fair value at the original gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the System classifies as net assets with donor restrictions - perpetual in nature (a) the original value of gifts donated as an endowment, (b) the original value of subsequent endowment gifts, and (c) accumulations to the endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual in nature are classified net assets with donor restrictions - purpose restricted until those amounts are appropriated for expenditure by the System in a manner consistent with the standard of prudence prescribed in UPMIFA.

In accordance with UPMIFA, the System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purpose of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the System, and (7) the System's investment policies.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 15. Endowment (Continued)

Endowment Investment and Spending Policies: The System has adopted investment and spending policies for endowment assets to achieve a disciplined, consistent management philosophy that accommodates reasonable and probable events. Preservation of capital and return on investment are of primary importance. The primary investment objective is to preserve financial assets generated through donor gifts, so that the proceeds may be distributed for the purposes intended by the donors and to the benefit of the System, at a level of risk deemed acceptable by the LCMC Health investment committee. To satisfy its long-term rate-of-return objectives, the System relies on a strategy outlined by its investment policy statement and includes purchases of bonds, stocks, and cash and cash equivalents.

The System's Endowment Net Asset Composition by fund type as of December 31, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetual in Nature	
Donor-Restricted Endowment Funds	$ -	$ -	$ 5,948	$ 5,948
Undesignated Funds	-	-	-	-
Total	$ -	$ -	$ 5,948	$ 5,948

A summary of the changes in the System's Endowment Net Assets for the year ended December 31, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetual in Nature	
Net Assets, Beginning of Year	$ -	$ -	$ 5,998	$ 5,998
Investment Return				
Net Appreciation (Realized and Unrealized)	-	-	(50)	(50)
Total Investment Return	-	-	(50)	(50)
Net Assets, End of Year	$ -	$ -	$ 5,948	$ 5,948

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 15. Endowment (Continued)

The System's Endowment Net Asset Composition by fund type as of December 31, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetual in Nature	
Donor-Restricted Endowment Funds	$ -	$ -	$ 5,998	$ 5,998
Undesignated Funds	-	-	-	-
Total	$ -	$ -	$ 5,998	$ 5,998

A summary of the changes in the System's Endowment Net Assets for the year ended December 31, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	Perpetual in Nature	
Net Assets, Beginning of Year	$ -	$ -	$ 5,992	$ 5,992
Contributions	-	-	6	6
Net Assets, End of Year	$ -	$ -	$ 5,998	$ 5,998

Note 16. Assets Held in Trust

Children's has been named the income beneficiary of a separate trust. Because the assets of the trust are not controlled by Children's and Children's does not have an irrevocable right to receive the income earned on the trust's assets, they are not included in Children's financial statements. The assets had a market value of approximately $4,134 and $4,235 at December 31, 2021 and 2020, respectively. Distributions of income are made at the discretion of the trustee. For the years ended December 31, 2021 and 2020, Children's recorded contribution income of approximately $197 and $130, respectively, received from the trust.

LOUISIANA CHILDREN'S MEDICAL CENTER

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 17. Functional Expenses

The System provides general health care services, both inpatient and outpatient, to patients in the Gulf South region. For the years ended December 31, 2021 and 2020, expenses related to providing these services are as follows:

	Program										
December 31, 2021	Adult	Pediatric	Medical Education	Physicians Group	Senior Care	Eliminations	Total	Management and General	Eliminations	Total	Fundraising	Total
Operating Expenses												
Employee Compensation and Benefits	$ 305,070	$ 141,471	$ 173,467	$ 174,894	$ 13,025	$ (13,222)	$ 794,705	$ 191,300	$ (3,145)	$ 188,155	$ 868	$ 983,728
Purchased Services	89,539	29,287	9,560	13,064	3,730	(2,393)	142,787	262,784	(130,335)	132,449	3,164	278,400
Professional Fees	64,146	53,892	181,253	19,388	145	(15,359)	303,465	18,529	-	18,529	477	322,471
Supplies and Other Expenses	237,608	65,027	204,697	21,370	3,302	(3,039)	528,965	85,557	(2,983)	82,574	1,583	613,122
Depreciation and Amortization	44,098	22,208	-	1,245	2,070	-	69,621	66,862	(22,557)	44,305	193	114,119
Interest	39	-	41	1	256	-	337	16,433	-	16,433	-	16,770
	$ 740,500	$ 311,885	$ 569,018	$ 229,962	$ 22,528	$ (34,013)	$ 1,839,880	$ 641,465	$ (159,020)	$ 482,445	$ 6,285	$ 2,328,610
Non-operating Expenses												
Community Support	$ 10,294	$ 29,238	$ 1,080	$ -	$ -	$ (15,336)	$ 25,276	$ 2,900	$ (2,900)	$ -	$ -	$ 25,276

	Program										
December 31, 2020	Adult	Pediatric	Medical Education	Physicians Group	Senior Care	Eliminations	Total	Management and General	Eliminations	Total	Fundraising	Total
Operating Expenses												
Employee Compensation and Benefits	$ 232,958	$ 121,309	$ 156,024	$ 116,108	$ 13,278	$ (9,279)	$ 630,398	$ 144,750	$ (1,449)	$ 143,301	$ 1,207	$ 774,906
Purchased Services	94,100	21,978	9,490	10,924	3,554	(2,613)	137,433	251,744	(141,926)	109,818	2,708	249,959
Professional Fees	33,776	44,860	175,917	13,852	53	(10,078)	258,380	22,962	-	22,962	229	281,571
Supplies and Other Expenses	154,998	53,541	200,073	13,249	2,632	(2,528)	421,965	57,411	(3,420)	53,991	1,615	477,571
Depreciation and Amortization	29,435	18,353	-	1,128	1,937	-	50,853	58,242	(20,421)	37,821	156	88,830
Interest	(7)	-	50	-	313	-	356	16,110	-	16,110	-	16,466
	$ 545,260	$ 260,041	$ 541,554	$ 155,261	$ 21,767	$ (24,498)	$ 1,499,385	$ 551,219	$ (167,216)	$ 384,003	$ 5,915	$ 1,889,303
Non-operating Expenses												
Community Support	$ 2,522	$ 19,998	$ 2,184	$ -	$ -	$ (97)	$ 24,607	$ -	$ -	$ -	$ -	$ 24,607

Note 18. Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to their short-term nature.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 18. Fair Value of Financial Instruments (Continued)

Assets and liabilities measured at fair value on a recurring basis at December 31, 2021 are summarized below:

Assets	Level 1	Level 2	Level 3	Total Fair Value
Marketable Equity Securities	$ 682,151	$ -	$ -	$ 682,151
Corporate Bonds	-	1,129	-	1,129
Other Fixed Income Securities	368,010	-	64,627	432,637
Money Market Funds	39,946	-	-	39,946
State of Israel Bonds	-	500	-	500
Interest Rate and Basis Swaps	-	3,779	-	3,779
Investments Measured at Fair Value	1,090,107	5,408	64,627	1,160,142
Investments Measured at NAV [(a)]				280,956
Total Investments at Fair Value				$ 1,441,098

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy.

Assets and liabilities measured at fair value on a recurring basis at December 31, 2020 are summarized below:

Assets	Level 1	Level 2	Level 3	Total Fair Value
Marketable Equity Securities	$ 583,111	$ -	$ -	$ 583,111
Corporate Bonds	-	1,015	-	1,015
Other Fixed Income Securities	398,411	-	36,670	435,081
Money Market Funds	52,874	-	-	52,874
State of Israel Bonds	-	500	-	500
Interest Rate and Basis Swaps	-	4,202	-	4,202
Investments Measured at Fair Value	1,034,396	5,717	36,670	1,076,783
Investments Measured at NAV [(a)]				252,101
Total Investments at Fair Value				$ 1,328,884

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy.

Note 18. Fair Value of Financial Instruments (Continued)

Purchases of investments measured at fair value for which the System has used Level 3 inputs to determine fair value for the years ended December 31, 2021 and 2020, were approximately $27,464 and $11,614, respectively. There were no transfers into or out of Level 3 investments for the years ended December 31, 2021 and 2020.

The System's measurements of fair value are made on a recurring basis and their valuation techniques for assets and liabilities recorded at fair value are as follows:

Investments - The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the investment.

Interest Rate and Basis Swap Agreements - The fair values of these agreements represent the estimated amount the System would pay to terminate these agreements at the reporting date, taking into account current interest rates and credit worthiness of the counterparty and the System.

Note 19. Commitments and Contingencies

The System has certain pending and threatened litigation and claims incurred in the ordinary course of business; however, management believes that the probable resolution of such contingencies will not exceed the System's recorded reserves or insurance coverage, and will not materially affect the consolidated financial position, results of operations, changes in net assets, or cash flows of the System.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, and reimbursement for patient services. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the System is in compliance with fraud and abuse, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Note 19. Commitments and Contingencies (Continued)

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Services (CMS) to implement so-called Recovery Audit Contractor (RAC) and Medicaid Integrity Contractor (MIC) programs on a permanent and nationwide basis. The programs use RACs and MICs to search for potentially improper Medicare and Medicaid payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts. A RAC or MIC may reopen an initial determination made on a claim between one and four years from the date of the initial determination when good cause exists.

The System will deduct from revenue amounts assessed under the RAC and MIC audits after the assessment and appeals process is complete until such time that estimates of net amounts due can be reasonably estimated. RAC and MIC assessments against the System are anticipated; however, the outcome of such assessments is unknown and cannot be reasonably estimated. Management has determined RAC and MIC assessments to be insignificant to date.

Operating UMC

UMCMC has assumed responsibility for operating UMC under the terms of a Cooperative Endeavor Agreement (CEA). The UMC CEA has an initial term of five years and will automatically renew for five-year terms, unless UMCMC provides at least two hundred seventy days' advance notice of its intent not to renew.

The UMC CEA also provides that LCMC Health shall be allowed to withdraw as a member of UMCMC prior to the expiration of the term of the UMC CEA. LCMC Health may withdraw as a member, without cause, upon providing sixty (60) days advance written notice to LSU; however, LCMC Health must act in good faith and with full consideration of UMCMC to be financially viable and sustainable.

Leases with UMC

With regards to the UMC CEA, UMCMC has entered into multiple lease agreements.

UMCMC entered into an Amended and Restated Master Hospital Lease Agreement with LSU for the leasing of UMC, whereby it is obligated to minimum annual rental payments of approximately $69,410.

The term of the UMC lease will be five years which will automatically renew for seven periods of five years each, for a total of thirty-five additional years, unless notice of non-renewal is provided. The annual rent payments for leasing UMC is subject to increase annually; however, that increase is limited to no more than 5% than the rent in the previous year. The annual lease payments for UMC will be reviewed and adjusted to the Fair Market Rental Value, as defined, every twenty years.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 19. Commitments and Contingencies (Continued)

Leases with UMC (Continued)

The Amended and Restated Master Hospital Lease Agreement required UMCMC to make advance lease payments towards the facility rental. Of this total, $110,000 is a prepayment of a portion of the future UMC rent payments, excluding UMC's ambulatory care building and its garage. UMCMC will receive an annual credit of approximately $5,500 against its rent obligation for UMC, for each of the first twenty years of the UMC lease term. The remaining $143,000 represents all future rent payments for UMC's ambulatory care building and its garage. This will be amortized over the forty-year term of the UMC lease.

Payment of rent by UMCMC under the Amended and Restated Master Hospital Lease Agreement is guaranteed by LCMC Health as long as they are the sole member of UMCMC.

UMCMC also entered into an Equipment Lease for an initial term of ten years with two separate and successive options to renew for a period of five years. UMCMC is responsible for lost and stolen equipment that is being leased and the cost associated with either replacing that equipment or reimbursing the lessor for the fair market value of that equipment.

Rent expense under the above Amended and Restated Master Lease and Equipment Lease totaled approximately $74,416 and $77,184 for the years ended December 31, 2021 and 2020, respectively.

In projecting minimum annual lease payments, UMCMC included a growth factor to its annual rents, calculated rent for UMC lease for only the first 20 years of its lease due to the provision of that rent being reviewed and adjusted to the Fair Market Rental Value, and included the application of the advance lease payment mentioned above.

Minimum annual rental payments, as of December 31, 2021 for the above mentioned leases, are as follows:

2022	$	71,540
2023		71,310
2024		71,317
2025		72,017
2026		72,724
Thereafter		647,616
Total	$	1,006,524

Note 19. Commitments and Contingencies (Continued)

Operating West Jefferson

As mentioned in Note 1, West Jefferson was formed for the purpose of operating assets leased to it by the District under the terms of a CEA and a Master Hospital Lease. The WJ CEA is entered into by West Jefferson, LCMC Health, and the District and shall remain in effect for an initial term of 45 years, with an option to renew for up to two additional 15-year terms.

Capital Commitments

Through the CEA, LCMC Health is committed to expending $340,000 on capital expenditures. LCMC Health and West Jefferson covenant that a minimum of $340,000 shall be expended for the capital expenditures for the facilities and for other related health care projects. During the term, an aggregate of (a) $95,000 shall be expended within the first five years of the commitment period, (b) $210,000 aggregate portion shall be expended within first 10 years of the commitment period, and (c) by September 30, 2030, the full amount of the commitment funds shall have been expended Children's guarantees to the District, to the extent necessary, that LCMC Health shall have sufficient funds to fulfill its obligations relative to this capital commitment.

For the five-year period ended September 30, 2020, LCMC exceeded its requirement of expending $95,000.

New Orleans East Hospital (NOEH)

On April 1, 2014, a CEA (NOEH CEA) was entered into between Parish Hospital Service District for Parish of Orleans dba New Orleans East Hospital (NOEH), Louisiana Children's Medical Center and Touro Infirmary. Louisiana Children's Medical Center and Touro Infirmary are collectively referred to as the Joint Parties throughout the NOEH CEA.

The NOEH CEA provides that the Joint Parties will manage and be responsible for the day-to-day operations of a 50-bed public hospital and emergency department. Touro Infirmary will serve in the primary role of managing and being responsible for the day-to-day operations of NOEH and to provide supplemental operational support for NOEH to support and enhance the continuity and viability of NOEH's operations for the citizens of Eastern New Orleans.

NOEH shall pay to the Joint Parties a fee that is comprised of annual management, revenue cycle management, and direct and indirect operating components. NOEH and the Joint Parties have agreed that operating revenues of NOEH, as defined, shall be the only source of funds for paying the fee.

Note 19. Commitments and Contingencies (Continued)

New Orleans East Hospital (NOEH) (Continued)
The Joint Parties may terminate the NOEH CEA prior to the expiration of its term; should the accumulated and unpaid fees and operational obligations of the Joint Parties reach $12,000; the Joint Parties are relieved of performing further their operational obligations.

Through the NOEH CEA, the System has recognized revenue of approximately $1,050 and $2,555, for the years ended December 31, 2021 and 2020, respectively, which is included within other operating revenues on the System's consolidated statements of operations. At December 31, 2021 and 2020, NOEH owes the System approximately $26,443 and $12,646, respectively, for both the revenue recognized as well as direct costs incurred by the System on behalf of NOEH. This amount is included within other receivables on the System's consolidated balance sheets.

Audubon Retirement Village
ARV executed a CEA for the operation of the Nursing Home. In conjunction with that CEA, ARV executed a lease agreement effective June 28, 2019 with LSU. The lease has an initial term of five years, with the opportunity to exercise two additional terms of five years, so that the maximum possible term of the lease is fifteen years. The annual rent is $876, payable in equal quarterly installments. The annual rent will increase 2.5% each year on the anniversary of the Commencement Date, with the Commencement Date being November 1, 2019.

East Jefferson General Hospital
As mentioned in Note 1, LCMC Health Holdings, Inc. executed an asset purchase agreement in 2020 for the purchase of EJGH and certain of its affiliates.

Consideration and Payments
The aggregate consideration to be paid upon closing for the purchased assets includes the Base Consideration of $90,000, minus Assumed Liabilities and Transaction Expenses for its Purchase Price. The Purchase Price will be modified through an agreement of a Working Capital Adjustment.

The Asset Purchase Agreement provides for the potential of up to $15,000 of Additional Consideration, payable over three years of $5,000 each, beginning in 2021. The condition to payment is tied to a measure of Indigent Care Costs. See Note 23 for further details.

Capital Commitments
Over the period of five years, effective October 1, 2020, LCMC Health, and/or one of its Affiliates, shall expend or commit to expend a minimum of One Hundred Million Dollars ($100,000) on Qualified Expenditures to support and improve health care access and delivery that benefits the residents of a defined Restricted Area.

Note 19. Commitments and Contingencies (Continued)

Professional and General Liability Insurance

Professional and general liability claims have been asserted against the System and are in various stages of developing. Events occurring through December 31, 2020 may result in the filing of additional claims. The System has a risk management program that provides professional and general liability coverage. Within the program, the System carries an umbrella policy for professional liability insurance coverage of $25,000 on a claims-made basis, with a self-insured retention of $1,000 per occurrence or medical incident and $4,500 in the aggregate. The umbrella policy provides an additional $25,000 of coverage on an occurrence basis for general liability insurance in excess of the same shared self-insured retention.

There is an additional excess umbrella liability policy in place that provides a single limit of $10,000 in excess of the two $25,000 limits described above.

Professional liability claims are limited through the System's participation in the Louisiana Patient's Compensation Fund (the Fund). The Fund was established through state legislation and statutorily limits each medical professional liability claim to $500. The System is self-insured for the first $100 of each claim. The remaining $400 of each claim is covered by the Fund.

The System has reflected its estimate of the ultimate liability for known and incurred but not reported claims in the accompanying consolidated financial statements. The estimated liability for professional liability claims, which was discounted at 2% at December 31, 2021 and 2020, respectively, was approximately $28,281 and $25,413. The current portion at December 31, 2021 and 2020 was approximately $11,024 and $9,544, respectively, and is included in other current liabilities. Undiscounted professional liability claims totaled approximately $29,973 and $26,928 at December 31, 2021 and 2020, respectively.

Estimated Employee Health and Workers' Compensation Claims

LCMC Health and its subsidiaries are covered under one health plan. The medical plan is self-insured up to $750 for non-domestic claims and fully self-insured for domestic claims. LCMC Health, Children's, Touro, West Jefferson, UMCMC, EJGH are self-insured for workers' compensation claims up to $800.

The System has a risk management program that provides excess coverage for non-domestic employee health claims and both domestic and non-domestic workers' compensation claims on an occurrence basis. The estimated liability for workers' compensation claims, discounted at 2% at December 31, 2021 and 2020, respectively, was approximately $12,951 and $12,090. Undiscounted workers' compensation claims totaled approximately $13,761 and $12,772 at December 31, 2021 and 2020, respectively. The estimated liability for employee health claims was approximately $6,233 and $4,527 at December 31, 2021 and 2020, respectively. The current portion of workers' compensation claims and employee health claims at December 31, 2021 and 2020 was $10,931 and $8,994, respectively, and is included in other current liabilities. Due to the short-term nature of these employee health claims liabilities, the fair value approximates the carrying value.

Note 19. Commitments and Contingencies (Continued)

Energy Asset Commitments

LCMC Health, with Children's, Touro and its affiliate Woldenberg Village, West Jefferson, UMCMC, EJGH, and ARV executed certain agreements with Bernhard Energy, LLC, together with its special purpose entity, Crescent City Energy Partners, LLC, (collectively, Bernhard) with detailed unconditional purchase obligations to Bernhard for energy optimization and design/build improvements, and also for thermal service charges comprised of capacity charges and both energy and non-energy asset operations and maintenance charges.

On March 26, 2021, LCMC Health closed on the long-term transaction with Bernhard for the energy improvements, system upgrades and energy services for the campuses of the entities described in the previous paragraph through individual energy concession agreements and other contracts. The terms of the agreements are 15 years and expire in March 2036. Depending on the type of an event of termination, termination fees may be owed, if early termination occurs.

In consideration for entering into these agreements, Bernhard paid LCMC Health's participating entities a sum total of approximately $176,716 upon the closing on March 26, 2021. Additionally, the participating entities made payments of approximately $59,599 to Bernhard on the closing date for Energy Optimization Services. The transaction resulted in net cash proceeds to the participating entities of approximately $117,116.

The concession services agreements specify responsibilities and obligations of Bernhard, LCMC Health, and the participating entities for the grant to Bernhard of rights over certain energy-related assets. In connection, Bernhard has guaranteed certain energy cost savings.

Under the provisions of the agreements in connection with ASC 842, Children's, Touro and EJGH are considered a lessor of certain energy assets to Bernhard. Lease proceeds from this agreement, as mentioned above, were deferred upon receipt. Revenue from these payments are being recognized on a straight line basis over the term of the contract and approximate $8,000 in 2021, which is included in other operating revenues in the statements of operations. Management's approximation of the value of the energy assets being leased, at inception, approximates $37,406, with associated accumulated depreciation of approximately $19,821 as of December 31, 2021. Depreciation expense of approximately $1,272, for the year ended December 31, 2021, is included in depreciation and amortization expense in the consolidated statement of operations. Additionally, $23,450 of costs recorded in construction in progress at December 31, 2021 relate to projects that are also part of the lease arrangements but which have not yet been placed in service.

LCMC Health and Children's Hospital have guaranteed certain payments to be made to Bernhard by the participating entities over the life of the agreement.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 19. Commitments and Contingencies (Continued)

Energy Asset Commitments (Continued)
As of December 31, 2021, the total of the fixed and determinable payments to be paid to Bernhard are as follows:

Year Ending December 31,	Amount
2022	$ 20,335
2023	24,734
2024	26,352
2025	27,031
2026	27,728
Thereafter	292,847
Total	$ 419,027

Note 20. Community Support

In furtherance of its charitable purpose, the System provides a broad range of community programs that are designed to meet the health needs of the community and are funded and resourced by the System. The System's Governing Board and hospital management teams work closely with local civic leaders and other healthcare providers to address the health care needs of the community.

Such community support programs include health seminars on a variety of health topics that are relevant to the health needs of the community including healthy eating, diabetes management, healthy aging, cancer support and survivorship, sexual abuse awareness, and smoking cessation. Other programs include benefits to the community such as health screenings, in-home caregiver services, counseling for patients and families, pastoral care, health enhancement and wellness programs, telephone information services, and the donation of space for use by community groups. The System also has a robust trauma prevention program including but not limited to, tourniquet training, Sudden Impact (targeting high school students), safety belt programs, and baby carrier programs.

The System provides benefits to Medicaid patients in the form of uncompensated patient care costs. The System also emphasizes the importance of higher education and funds the teaching of students and health professionals through a comprehensive graduate medical education program.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 20. Community Support (Continued)

Certain community support programs' revenues and expenses are excluded from operations and are shown, net, as community support on the consolidated statements of operations. This classification is driven by the magnitude of the programs and the knowledge that these programs are solely for the benefit of the community, not self-supporting or financially viable, and not a part of the System's operations. These programs, which are primarily pediatric centered, include the following: Children's Healthcare Assistance Plan (CHAP), Kids First physician practices, Children At Risk Evaluation (CARE) Center, Children's Research Institute, Limited Intervention Program, the Parenting Center, Ventilator Assisted Care Program, Safe Kids Coalition, Greater New Orleans Immunization Network, Ambulatory Clinical and Nutritional Support Services, the Miracle League, Cochlear Implant Program, and Autism Center. CHAP, one of the largest of these programs, is designed to assist families with income too high to qualify for Medicaid, but whose lack of resources limit their access to quality health care. In addition to CHAP, CHMPC increases the accessibility of health care to the indigent and underinsured through its Kids First pediatric primary care physician practices.

The revenues and expenses associated with these programs for the year ended December 31, 2021 are detailed as follows:

	2021								
	Research Institute	CHAP	CARE Center	Behavioral Health	LSU Research	LHCS	NOCS	Other	Total
Patient Revenues	$ -	$ 14,815	$ 1,395	$ 1,059	$ -	$ 6,549	$ -	$ 11,476	$ 35,294
Revenue Deductions	-	(14,815)	(1,034)	(843)	-	(4,696)	-	(8,305)	(29,693)
Other Revenues	272	-	365	172	-	105	-	2,583	3,497
Total Revenues	272	-	726	388	-	1,958	-	5,754	9,098
Total Expenses	1,615	3,575	2,003	2,068	2,116	3,618	970	18,409	34,374
Community Support, Net	$ (1,343)	$ (3,575)	$ (1,277)	$ (1,680)	$ (2,116)	$ (1,660)	$ (970)	$ (12,655)	$ (25,276)

The revenues and expenses associated with these programs for the year ended December 31, 2020 are detailed as follows:

	2020								
	Research Institute	CHAP	CARE Center	Behavioral Health	LSU Research	LHCS	NOCS	Other	Total
Patient Revenues	$ -	$ 15,640	$ 1,020	$ 681	$ -	$ 6,603	$ -	$ 9,424	$ 33,368
Revenue Deductions	-	(15,640)	(803)	(550)	-	(4,765)	-	(7,025)	(28,783)
Other Revenues	355	-	335	201	-	142	-	2,290	3,323
Total Revenues	355	-	552	332	-	1,980	-	4,689	7,908
Total Expenses	1,625	3,776	1,885	1,331	2,340	3,997	1,928	15,633	32,515
Community Support, Net	$ (1,270)	$ (3,776)	$ (1,333)	$ (999)	$ (2,340)	$ (2,017)	$ (1,928)	$ (10,944)	$ (24,607)

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 20. Community Support (Continued)

The expenses presented in the tables above, include direct expenses and an allocation of indirect expenses as follows:

	2021	2020
Direct Expenses	$ 27,600	$ 26,548
Indirect Expenses	6,774	5,967
Total Expenses	$ 34,374	$ 32,515

Indirect expenses represent estimates of patient care cost and allocated overhead using Medicare cost reporting methodologies.

Note 21. Pledges Receivable

Pledges receivable were discounted at the rate of 3.5% and are included within other receivables on the consolidated balance sheets. At December 31, 2021, pledges receivable were as follows:

Pledges Receivable	$ 2,205
Less: Discount of Long-Term Pledges	(146)
Total	$ 2,059

Amounts due in the years ended December 31st are as follows:

2022	$ 1,075
2023	563
2024	168
2025	93
Thereafter	306
Total	$ 2,205

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 22. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor, or other, restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and Cash Equivalents	$	175,980
Patient Receivables, Net		220,721
Other Receivables		213,698
Board Designated Assets Limited as to Use		1,415,219
Total	$	2,025,618

Note 23. Business Combinations

As further described in Note 1 and 19, LCMC Health Holdings, Inc. took ownership and began operating EJGH through an asset purchase agreement by Louisiana Health Holdings, Inc. and Jefferson Parish Hospital Service District No. 2 Parish of Jefferson, State of Louisiana effective October 1, 2020. The purchase price related to the acquisition consisted of $90,000 cash consideration. Also, as part of the transaction, the seller agreed to provide minimum working capital of $18,000. Any excess working capital above the minimum requirement was also contributed as part of the transaction. At the closing date, excess working capital above the required minimum working capital was $2,700 and that amount was paid to the District on the closing date. The agreement provides for a true-up of working capital, post-closing with any amounts below or in excess of the targeted working capital reimbursable to seller or buyer. Based on reconciliations post-closing, an additional amount is estimated to be paid to the District, in 2021, of approximately $14,661 and has been reflected as part of the purchase price outlined in the table below - Assets Acquired in Excess of Liabilities Assumed. Through the procedures performed by management, it was determined that the carrying value approximated fair value. The excess of the fair value of assets acquired over consideration paid (purchase price) and liabilities assumed has been reflected as an inherent contribution received within net assets as of the opening balance sheet date. Adjustments to the purchase price and opening balance sheet allocation are permitted within one year from the acquisition date. Any such adjustments would be an adjustment to the inherent contribution recorded as of December 31, 2020.

Further, the parties agreed on a contingent consideration payment of $15,000 over a three-year performance period, if EJGH meets certain indigent care cost measures. Also as part of the transaction, LCMC Health committed $100,000 of capital on behalf of EJGH over a five-year time period. As of October 1, 2020, management determined that EJGH's historic performance made it probable that the payment of contingent consideration in the amount of $15,000 will be required. As a result, this amount has been recognized as a liability as of December 31, 2020. See Note 19.

Notes to Consolidated Financial Statements (All amounts in Thousands)

Note 23. Business Combinations (Continued)

As of December 31, 2021, the first performance period resulted in EJGH owing $4,698 to the District. The remaining $10,000 for performance periods two and three remains accrued as EJGH determined these future payments are still probable. See Note 19.

In connection with the asset purchase, effective October 1, 2020, EGJH, through a member substitution agreement, became the sole member of Metairie Physician Services, Inc. (MPSI). No consideration was exchanged for this membership.

Assets Acquired in Excess of Liabilities Assumed:

	EJGH	MPSI	Total
Cash and Cash Equivalents	$ 28,439	$ 4,540	$ 32,979
Patient Accounts Receivable	30,225	769	30,994
Other Receivables	1,602	1,460	3,062
Supplemental Payments Receivable	8,259	-	8,259
Inventories	8,856	-	8,856
Prepaid Expenses	3,415	-	3,415
Property, Plant, and Equipment	159,351	-	159,351
Other Assets	11,960	-	11,960
Trade Accounts Payable	(13,402)	(828)	(14,230)
Accrued Salaries and Benefits	(3,402)	(912)	(4,314)
Current Portion of Medicare Advance Payments	(9,014)	-	(9,014)
Estimated Third-Party Payor Settlements	(2,814)	-	(2,814)
Deferred Revenue	(706)	-	(706)
Other Current Liabilities	(3,050)	-	(3,050)
Medicare Advance Payments, Net of Current Portion	(19,005)	-	(19,005)
Other Long-Term Liabilities	(8,828)	-	(8,828)
	191,886	5,029	196,915
Purchase Price	(122,023)	-	(122,023)
Inherent Contribution	$ 69,863	$ 5,029	$ 74,892

Certain liabilities pertaining to pre-acquisition contingencies, such as long-term indebtedness, pension liabilities, health care law liabilities, medical claim liabilities, environmental liabilities, and encumbrances have been excluded from the acquisition and remain with the District.

Note 24. Subsequent Events

Management evaluated subsequent events through the date the consolidated financial statements were available to be issued, May 27, 2022, and determined that no event occurred that requires accrual or disclosure. No other subsequent events occurring after May 27, 2022 have been evaluated for inclusion in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Balance Sheet
December 31, 2021 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	EJGH	Other	Eliminations	Consolidated
Assets									
Current Assets									
Cash and Cash Equivalents	$ 40,738	$ 39,957	$ 24,009	$ 59,744	$ 2,578	$ 5,209	$ 3,745	$ -	$ 175,980
Patient Accounts Receivable	1,594	32,771	40,105	70,619	35,645	38,957	2,310	(1,280)	220,721
Other Receivables	13,906	31,524	85,541	49,503	21,077	10,222	3,086	(1,161)	213,698
Inventories	3,248	6,844	7,576	12,992	7,199	10,049	-	-	47,908
Estimated Third-Party Payor Settlements	-	-	9,264	-	-	-	-	(9,264)	-
Prepaid Expenses and Other	7,636	4,440	4,838	31,214	7,521	4,849	606	-	61,104
Due from Related Parties	48,566	43,660	76,341	-	191	-	8,507	(177,265)	-
Total Current Assets	115,688	159,196	247,674	224,072	74,211	69,286	18,254	(188,970)	719,411
Assets Limited as to Use									
Investments Designated for Capital Projects and Specific Programs	-	81,101	1,334,118	-	-	-	-	-	1,415,219
Restricted by Bond Indenture, Debt Service Reserve	-	3,294	-	-	-	-	-	-	3,294
Donor-Restricted Long-Term Investments	-	12,655	3,139	-	-	-	-	-	15,794
Restricted Other	112	35	33	-	-	-	-	-	180
Less: Amount Required for Current Obligations	-	(973)	-	-	-	-	-	-	(973)
Assets Limited as to Use, Net	112	96,112	1,337,290	-	-	-	-	-	1,433,514
Investments in Joint Ventures	-	44,779	-	-	757	-	-	-	45,536
Long-Term Portion Prepaid Leases	-	-	-	205,634	167,778	-	-	-	373,412
Property, Plant, and Equipment, Net	120,815	121,658	405,366	84,109	120,999	156,182	15,993	-	1,025,122
Due from Related Party	550,676	39,546	71,026	-	1,051	19,694	-	(681,993)	-
Finance Lease Assets	-	-	-	-	3,266	-	11,381	-	14,647
Other Assets	39,854	18,540	26,964	2,281	8,585	18,796	1,434	-	116,454
Investments in Subsidiaries	1,990,461	-	-	-	-	-	-	(1,990,461)	-
Total Assets	$ 2,817,606	$ 479,831	$ 2,088,320	$ 516,096	$ 376,647	$ 263,958	$ 47,062	$ (2,861,424)	$ 3,728,096

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Balance Sheet (Continued)
December 31, 2021 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	EJGH	Other	Eliminations	Consolidated
Liabilities and Net Assets									
Current Liabilities									
Trade Accounts Payable	$ 22,572	$ 23,487	$ 48,479	$ 77,021	$ 27,465	$ 25,950	$ 3,047	$ (2,295)	$ 225,726
Accrued Salaries and Benefits	8,809	16,110	19,729	17,349	11,272	11,652	4,706	-	89,627
Current Portion of Medicare Advance Payments	-	17,237	455	46,247	17,041	18,279	148	-	99,407
Estimated Third-Party Payor Settlements	-	7,904	-	71,860	3,538	1,864	189	(9,264)	76,091
Due to Related Parties	104,913	2,701	4,700	57,458	1,847	330	5,501	(177,450)	-
Deferred Revenue	1,540	2,961	4,175	331	794	3,980	302	-	14,083
Line of Credit	50,000	-	-	-	-	-	-	-	50,000
Current Finance Lease Liabilities	-	-	-	-	981	-	682	-	1,663
Other Current Liabilities	4,473	9,665	7,176	12,788	7,374	13,189	281	-	54,946
Total Current Liabilities	192,307	80,065	84,714	283,054	70,312	75,244	14,856	(189,009)	611,543
Bonds Payable, Net of Current Portion	522,251	36,798	-	253,050	-	-	-	-	812,099
Notes Payable	-	-	-	28,000	-	-	-	-	28,000
Due to Related Parties	92,268	-	1,291	154,875	309,894	103,919	19,707	(681,954)	-
Finance Lease Liabilities	-	-	-	-	2,078	-	11,262	-	13,340
Deferred Revenue, Net of Current Portion	-	40,871	49,088	4,384	10,530	63,046	-	-	167,919
Other Long-Term Liabilities	37,292	18,110	21,995	6,361	9,606	10,969	1,626	-	105,959
Total Liabilities	844,118	175,844	157,088	729,724	402,420	253,178	47,451	(870,963)	1,738,860
Noncontrolling Interest	-	653	-	-	-	504	-	-	1,157
Net Assets									
Without Donor Restrictions	1,973,401	291,882	1,928,093	(213,628)	(25,773)	10,276	(389)	(1,990,461)	1,973,401
With Donor Restrictions									
Purpose Restrictions	87	5,690	2,953	-	-	-	-	-	8,730
Perpetual in Nature	-	5,762	186	-	-	-	-	-	5,948
Total Net Assets	1,973,488	303,334	1,931,232	(213,628)	(25,773)	10,276	(389)	(1,990,461)	1,988,079
Total Liabilities and Net Assets	$ 2,817,606	$ 479,831	$ 2,088,320	$ 516,096	$ 376,647	$ 263,958	$ 47,062	$ (2,861,424)	$ 3,728,096

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Balance Sheet
December 31, 2020 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	EJGH	Other	Eliminations	Consolidated
Assets									
Current Assets									
Cash and Cash Equivalents	$ 8,385	$ 75,083	$ 39,008	$ 122,369	$ 43,354	$ 17,173	$ 1,811	$ 286	$ 307,469
Patient Accounts Receivable	1,794	34,364	31,478	72,489	33,642	45,515	2,388	(2,074)	219,596
Other Receivables	(3,964)	40,440	80,581	14,387	17,491	11,377	2,261	(423)	162,150
Inventories	5,125	6,354	5,779	12,275	6,498	9,915	-	-	45,946
Estimated Third-Party Payor Settlements	-	-	13,136	-	-	-	55	(13,191)	-
Prepaid Expenses and Other	7,850	2,390	4,759	30,669	8,585	4,608	777	-	59,638
Due from Related Parties	-	24,383	101,433	-	-	-	188	(126,004)	-
Total Current Assets	19,190	183,014	276,174	252,189	109,570	88,588	7,480	(141,406)	794,799
Assets Limited as to Use									
Investments Designated for Capital Projects and Specific Programs	-	74,879	1,225,314	-	-	-	-	-	1,300,193
Restricted by Bond Indenture, Debt Service Reserve	-	3,292	33	4,761	-	-	-	-	8,086
Donor-Restricted Long-Term Investments	-	11,600	2,200	-	-	-	-	-	13,800
Restricted Other	127	62	-	-	-	-	-	-	189
Less: Amount Required for Current Obligations	-	(999)	-	-	-	-	-	-	(999)
Assets Limited as to Use, Net	127	88,834	1,227,547	4,761	-	-	-	-	1,321,269
Investments in Joint Ventures	-	45,886	-	-	982	-	-	-	46,868
Long-Term Portion Prepaid Leases	-	-	-	215,942	172,222	-	-	-	388,164
Property, Plant, and Equipment, Net	109,897	124,246	371,743	72,810	77,279	154,649	5,684	-	916,308
Due from Related Party	417,900	11,000	-	-	-	-	-	(428,900)	-
Finance Lease Assets	-	-	-	-	-	-	12,268	-	12,268
Other Assets	30,294	6,862	26,738	649	4,160	11,972	1,219	-	81,894
Investments in Subsidiaries	1,943,002	-	-	-	-	-	-	(1,943,002)	-
Total Assets	$ 2,520,410	$ 459,842	$ 1,902,202	$ 546,351	$ 364,213	$ 255,209	$ 26,651	$ (2,513,308)	$ 3,561,570

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Balance Sheet (Continued)
December 31, 2020 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	EJGH	Other	Eliminations	Consolidated
Liabilities and Net Assets									
Current Liabilities									
Trade Accounts Payable	$ 24,873	$ 24,113	$ 30,667	$ 85,149	$ 18,857	$ 15,501	$ 608	$ (2,497)	$ 197,271
Accrued Salaries and Benefits	9,328	14,533	17,044	17,148	10,832	13,295	3,952	-	86,132
Current Portion of Medicare Advance Payments	-	8,828	335	19,524	8,403	9,014	290	-	46,394
Estimated Third-Party Payor Settlements	-	10,756	-	93,736	8,044	2,388	-	(13,191)	101,733
Due to Related Parties	-	-	4,806	170,948	-	88,900	375	(265,029)	-
Deferred Revenue	-	-	3,950	33,920	19,000	486	228	-	57,584
Current Finance Lease Liabilities	-	-	-	-	-	-	646	-	646
Other Current Liabilities	3,930	10,602	6,224	12,719	9,046	23,691	1,074	-	67,286
Total Current Liabilities	38,131	68,832	63,026	433,144	74,182	153,275	7,173	(280,717)	557,046
Medicare Advance Payments, Net of Current Portion	-	16,655	785	40,273	15,215	19,005	380	-	92,313
Bonds Payable, Net of Current Portion	522,974	43,880	-	-	-	-	-	-	566,854
Notes Payable	-	-	-	273,907	-	-	-	-	273,907
Due to Related Parties	-	-	-	-	284,877	-	3,827	(288,704)	-
Finance Lease Liabilities	-	-	-	-	-	-	11,944	-	11,944
Other Long-Term Liabilities	28,707	24,893	18,707	9,488	13,471	18,529	2,091	(885)	115,001
Total Liabilities	589,812	154,260	82,518	756,812	387,745	190,809	25,415	(570,306)	1,617,065
Noncontrolling Interest	-	590	-	-	-	-	-	-	590
Net Assets									
Without Donor Restrictions	1,930,544	293,875	1,817,484	(210,461)	(23,532)	64,400	1,236	(1,943,002)	1,930,544
With Donor Restrictions									
Purpose Restrictions	54	5,305	2,014	-	-	-	-	-	7,373
Perpetual in Nature	-	5,812	186	-	-	-	-	-	5,998
Total Net Assets	1,930,598	304,992	1,819,684	(210,461)	(23,532)	64,400	1,236	(1,943,002)	1,943,915
Total Liabilities and Net Assets	$ 2,520,410	$ 459,842	$ 1,902,202	$ 546,351	$ 364,213	$ 255,209	$ 26,651	$ (2,513,308)	$ 3,561,570

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Statement of Operations
For the Year Ended December 31, 2021 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	EJGH	Other	Eliminations	Consolidated
Unrestricted Revenues, Gains, and Other Support									
Net Patient Service Revenues	$ -	$ 331,249	$ 395,341	$ 668,966	$ 312,098	$ 325,442	$ 32,870	$ (18,253)	$ 2,047,713
Other Operating Revenues	166,803	33,882	23,786	126,471	31,417	26,883	23,640	(193,016)	239,866
Net Assets Released from Restrictions	-	549	-	-	-	-	-	-	549
Total Operating Revenues	166,803	365,680	419,127	795,437	343,515	352,325	56,510	(211,269)	2,288,128
Operating Expenses									
Employee Compensation and Benefits	74,911	176,361	171,879	220,416	135,876	176,072	44,580	(16,367)	983,728
Purchased Services	36,545	59,882	66,550	100,552	65,299	76,739	5,561	(132,728)	278,400
Professional Fees	13,492	18,759	58,019	182,503	32,137	28,460	4,460	(15,359)	322,471
Supplies and Other Expenses	21,069	91,690	75,208	241,958	87,528	99,598	2,093	(6,022)	613,122
Depreciation and Amortization	22,557	20,784	24,554	29,374	17,964	20,258	1,185	(22,557)	114,119
Interest Expense (Income)	(115)	372	(12,918)	22,360	6,808	7	256	-	16,770
Total Operating Expenses	168,459	367,848	383,292	797,163	345,612	401,134	58,135	(193,033)	2,328,610
(Loss) Income from Operations	(1,656)	(2,168)	35,835	(1,726)	(2,097)	(48,809)	(1,625)	(18,236)	(40,482)
Investment Income (Loss)	(45)	6,481	104,047	-	520	-	-	-	111,003
Inherent Contribution	-	-	-	-	-	-	-	-	-
Other Nonoperating (Expense) Income	-	(344)	(35)	(361)	341	(3,188)	-	-	(3,587)
Equity in Earnings of Subsidiaries	47,459	-	-	-	-	-	-	(47,459)	-
Community Support, Net	(2,900)	(7,666)	(29,238)	(1,080)	(1,005)	(1,623)	-	18,236	(25,276)
Excess (Deficit) of Revenues over Expenses	$ 42,858	$ (3,697)	$ 110,609	$ (3,167)	$ (2,241)	$ (53,620)	$ (1,625)	$ (47,459)	$ 41,658

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Statement of Operations
For the Year Ended December 31, 2020 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	EJGH	Other	Eliminations	Consolidated
Unrestricted Revenues, Gains, and Other Support									
Net Patient Service Revenues	$ -	$ 303,550	$ 355,232	$ 639,117	$ 286,077	$ 77,957	$ 32,244	$ (13,278)	$ 1,680,899
Other Operating Revenues	180,550	63,288	45,700	142,031	41,942	7,164	17,322	(182,893)	315,104
Net Assets Released from Restrictions	-	369	-	-	-	-	-	-	369
Total Operating Revenues	180,550	367,207	400,932	781,148	328,019	85,121	49,566	(196,171)	1,996,372
Operating Expenses									
Employee Compensation and Benefits	71,394	157,451	151,878	198,252	118,577	46,074	42,008	(10,728)	774,906
Purchased Services	61,365	81,128	61,652	103,106	64,768	20,108	2,371	(144,539)	249,959
Professional Fees	16,711	18,012	49,241	177,902	29,804	(208)	187	(10,078)	281,571
Supplies and Other Expenses	12,409	66,016	63,835	235,005	79,065	24,632	2,557	(5,948)	477,571
Depreciation and Amortization	20,421	21,263	20,331	26,784	14,382	5,014	1,056	(20,421)	88,830
Interest Expense (Income)	(171)	645	(12,322)	21,680	6,328	(7)	313	-	16,466
Total Operating Expenses	182,129	344,515	334,615	762,729	312,924	95,613	48,492	(191,714)	1,889,303
(Loss) Income from Operations	(1,579)	22,692	66,317	18,419	15,095	(10,492)	1,074	(4,457)	107,069
Investment Income (Loss)	-	7,730	126,567	-	(58)	-	-	-	134,239
Inherent Contribution	-	-	-	-	-	74,892	-	-	74,892
Other Nonoperating (Expense) Income	-	(1,335)	(3,048)	(8)	15	-	-	-	(4,376)
Equity in Earnings of Subsidiaries	294,033	-	-	-	-	-	-	(294,033)	-
Community Support, Net	(4,362)	(1,757)	(19,998)	(2,184)	(765)	-	-	4,459	(24,607)
Excess (Deficit) of Revenues over Expenses	$ 288,092	$ 27,330	$ 169,838	$ 16,227	$ 14,287	$ 64,400	$ 1,074	$ (294,031)	$ 287,217

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Statement of Changes in Net Assets
For the Year Ended December 31, 2021 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	EJGH	Other	Eliminations	Consolidated
Changes in Net Assets Without Donor Restrictions									
Excess (Deficit) of Revenues over Expenses	$ 42,858	$ (3,697)	$ 110,609	$ (3,167)	$ (2,241)	$ (53,620)	$ (1,625)	$ (47,459)	$ 41,658
Excess (Deficit) of Revenues over Expenses Attributable to Noncontrolling Interests	-	(113)	-	-	-	(504)	-	-	(617)
Adjustment to Additional Minimum Pension Liability	-	1,817	-	-	-	-	-	-	1,817
Contribution of Right of Use Designated Equipment	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Assets Without Donor Restrictions	42,858	(1,993)	110,609	(3,167)	(2,241)	(54,124)	(1,625)	(47,459)	42,858
Changes in Net Assets With Donor Restrictions									
Contributions and Grants	70	342	3,567	-	-	-	-	-	3,979
Investment Income	-	971	-	-	-	-	-	-	971
Net Assets Released from Restrictions	(38)	(978)	(2,628)	-	-	-	-	-	(3,644)
(Decrease) Increase in Net Assets With Donor Restrictions	32	335	939	-	-	-	-	-	1,306
Increase (Decrease) in Net Assets	42,890	(1,658)	111,548	(3,167)	(2,241)	(54,124)	(1,625)	(47,459)	44,164
Net Assets, Beginning of Year	1,930,598	304,992	1,819,684	(210,461)	(23,532)	64,400	1,236	(1,943,002)	1,943,915
Net Assets, End of Year	$ 1,973,488	$ 303,334	$ 1,931,232	$ (213,628)	$ (25,773)	$ 10,276	$ (389)	$ (1,990,461)	$ 1,988,079

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER
Consolidating Statement of Changes in Net Assets
For the Year Ended December 31, 2020 (in Thousands)

	LCMC	Touro	Children's	UMCMC	West Jefferson	EJGH	Other	Eliminations	Consolidated
Changes in Net Assets Without Donor Restrictions									
Excess (Deficit) of Revenues over Expenses	$ 288,092	$ 27,330	$ 169,838	$ 16,227	$ 14,287	$ 64,400	$ 1,074	$ (294,031)	$ 287,217
Excess (Deficit) of Revenues over Expenses Attributable to Noncontrolling Interests	-	(138)	-	-	-	-	-	-	(138)
Adjustment to Additional Minimum Pension Liability	-	(1,168)	-	-	-	-	-	-	(1,168)
Contribution of Right of Use Designated Equipment	-	-	-	2,184	-	-	-	-	2,184
Increase (Decrease) in Net Assets Without Donor Restrictions	288,092	26,024	169,838	18,411	14,287	64,400	1,074	(294,031)	288,095
Changes in Net Assets With Donor Restrictions									
Contributions and Grants	-	692	1,406	-	-	-	-	-	2,098
Investment Income	-	1,071	-	-	-	-	-	-	1,071
Net Assets Released from Restrictions	(26)	(647)	(1,143)	-	-	-	-	-	(1,816)
(Decrease) Increase in Net Assets With Donor Restrictions	(26)	1,116	263	-	-	-	-	-	1,353
Increase (Decrease) in Net Assets	288,066	27,140	170,101	18,411	14,287	64,400	1,074	(294,031)	289,448
Net Assets, Beginning of Year	1,642,532	277,852	1,649,583	(228,872)	(37,819)	-	162	(1,648,971)	1,654,467
Net Assets, End of Year	$ 1,930,598	$ 304,992	$ 1,819,684	$ (210,461)	$ (23,532)	$ 64,400	$ 1,236	$ (1,943,002)	$ 1,943,915

See independent auditor's report.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Governing Board of Trustees
Louisiana Children's Medical Center
New Orleans, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Louisiana Children's Medical Center (LCMC Health) (the System), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 27, 2022.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the consolidated financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the System's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide and opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Metairie, LA
May 27, 2022

LOUISIANA CHILDREN'S MEDICAL CENTER
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended December 31, 2021

Agency Head
Greg Feirn, CEO

Purpose	Amount
Salary	$0
Benefits-Insurance	$0
Benefits-Retirement	$0
Deferred Compensation (CAA)	$0
Benefits-Executive Incentive	$0
Benefits-Administrative Retention	$0
Benefits-Vacation Payout	$0
Car Allowance	$0
Vehicle Provided by Government	$0
Cell Phone	$0
Dues	$0
Vehicle Rental	$0
Per Diem	$0
Reimbursements	$0
Travel	$0
Registration Fees	$0
Conference Travel	$0
Housing	$0
Unvouchered Expenses	$0
Special Meals	$0
Other	$0

* No compensation, reimbursements, nor benefits were paid to the agency head from public funds.

See independent auditor's report.

LOUISIANA CHILDREN'S MEDICAL CENTER

Schedule of Expenditures of Federal Awards
for the Year Ended December 31, 2021,
and Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Governing Board of Trustees
Louisiana Children's Medical Center
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Louisiana Children's Medical Center's (the System) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the System's major federal programs for the year ended December 31, 2021. The System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the System, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the System's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the System's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the System's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards , and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the System's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the System's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the System's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the System's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The System's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with Governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control overcompliance. Accordingly, no such opinion is expressed

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance
We have audited the financial statements of the System as of and for the year ended December 31, 2021, and have issued our report thereon dated May 27, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A Professional Accounting Corporation

Metairie, LA
September 26, 2022

LOUISIANA CHILDREN'S MEDICAL CENTER

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Grantor/Pass-Through Agency Program Title (per Assistance Listing Number)	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures Recognized Children's Hospital	Touro Infirmary	UMCMC	West Jefferson	East Jefferson	Audubon Retirement	LHAC	LCMC	Total	Passed Through to Subrecipients
U.S. Department of Justice												
Through: Louisiana Commission on Law Enforcement												
Crime Victim Assistance	16.575	2019-VA-03 5453 & 2020-VA-03-6149	$ 283,247	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 283,247	$ -
Crime Victim Assistance	16.575	2019-VA-03-5444 & 2020-VA-03-6140	70,936	-	-	-	-	-	-	-	70,936	-
Total U.S. Department of Justice			$ 354,183	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 354,183	$ -
U.S. Department of Transportation												
Highway Safety Cluster												
Through: Louisiana Highway Safety Commission												
National Priority Safety Program	20.616	2021-20-11	$ -	$ -	$ 209,831	$ -	$ -	$ -	$ -	$ -	$ 209,831	$ -
National Priority Safety Program	20.616	2022-20-11	-	-	22,866	-	-	-	-	-	22,866	-
State and Community Highway Safety	20.600	2021-55-10	-	-	101,377	-	-	-	-	-	101,377	-
State and Community Highway Safety	20.600	2022-55-10	-	-	15,392	-	-	-	-	-	15,392	-
Total Highway Safety Cluster			-	-	349,466	-	-	-	-	-	349,466	-
Total U.S. Department of Transportation			$ -	$ -	$ 349,466	$ -	$ -	$ -	$ -	$ -	$ 349,466	$ -
U.S. Department of Education												
Through: Louisiana Department of Education												
Special Education Grants to States	84.027A	PO#2000559762	$ 137,336	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 137,336	$ -
Total U.S. Department of Education			$ 137,336	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 137,336	$ -
U.S. Department of Health and Human Services												
Direct Award												
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	6 H76HA26800-08-01	$ -	$ -	$ 816,116	$ -	$ -	$ -	$ -	$ -	$ 816,116	$ -
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	6 H7CHA37237-01-01	-	-	31,073	-	-	-	-	-	31,073	-
Coronavirus Aid, Relief, and Economic Security Act (CARES Act)	93.498		37,771,118	28,048,703	96,572,989	48,873,680	-	657,635	815,228	-	212,739,353	-
Through: Louisiana Hospital Association												
National Bioterrorism Hospital Preparedness Program	93.889		15,161	-	-	-	-	-	-	-	15,161	-
Through: City of New Orleans												
HIV Emergency Relief Project Grants	93.914	K20-687 & K21-766	-	-	1,287,476	-	-	-	-	-	1,287,476	-
Healthy Start Initiative	93.926	K20-955 & K21-766	-	-	148,248	-	-	-	-	-	148,248	-
Research and Development Cluster												
Direct Award												
Defining the Role of Management Factors in Outcome Disparity in Pediatric T1D	93.847	1R21DK118643-02	70,275	-	-	-	-	-	-	-	70,275	-
Through: The University of Texas Health Science Center at Houston												
Blood Disorder Program: Prevention, Surveillance, and Research	93.080	NU27DD000020-01-00	17,263	-	-	-	-	-	-	-	17,263	-
Great Plains Regional Hemophilia Network	93.110	5H30MC24051-09 & 5H30MC24051-10	9,122	-	-	-	-	-	-	-	9,122	-
Through: Boston Children's Hospital												
COVID-19: Understanding COVID-19 among critically ill children in the Pediatric Acute Lung injury and Sepsis Investigator's (PALISI) Network	93.080	75D30120C07725 & 75D30121C10297	13,950	-	-	-	-	-	-	-	13,950	-

LOUISIANA CHILDREN'S MEDICAL CENTER

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2021

Federal Grantor/Pass-Through Agency Program Title (per Assistance Listing Number)	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures Recognized									Passed Through to Subrecipients
			Children's Hospital	Touro Infirmary	UMCMC	West Jefferson	East Jefferson	Audubon Retirement	LHAC	LCMC	Total	
U.S. Department of Health and Human Services (Continued)												
Research and Development Cluster (Continued)												
Through: The Board of Supervisors of Louisiana State University on behalf of its LSU Health Science Center												
Advanced Nurse Education-Sexual Assault Nurse Examiner Program	93.247	5 T96HP32497-03-00 & T96HP32497-02-00 & 6T96HP32497-04-01	17,910	-	16,587	-	-	-	-	-	34,497	-
Gulf South Minority/Underserved Clinical Trials Network (Gulf South M/U CTN)	93.399	5UG1CA189854-07 & 2UG1CA189854-08	121,994	-	-	-	-	-	-	-	121,994	-
Through: Washington University												
Sickle Cell Treatment Demonstration Program	93.365	5U1EMC27865-05-00 & 5U1EMC27865-06-00	41,757	-	-	-	-	-	-	-	41,757	-
Through: Emory University												
Hematopoietic Stem Cell Transplantation for Young Adults with Sickle Cell Disease-Clinical Coordinating Center	93.839	5U01HL128566-05	152	-	-	-	-	-	-	-	152	-
Through: The Research Institute at Nationwide Children's Hospital												
Integrative Proteomics & Metabolomics for Pediatric Glomerula Disease Biomarkers/CUREGN 2.0 - Midwest Pediatric Nephrology Consortium - PCC	93.847	5U01DK100866-08 & 5U01DK100866-09	19,713	-	-	-	-	-	-	-	19,713	-
Through: Louisiana State University Agricultural and Mechanical College												
Biomedical Research and Research Training	93.859	5U54GM104940-04 & 5U54GM104940-05	76,664	-	-	-	-	-	-	-	76,664	-
Pragmatic Evaluation of Events and Benefits of Lipid-lowering in Older Adults	93.866	1U19AG065188-01	-	-	12,873	-	-	-	-	-	12,873	-
Through: Olive View-UCLA Education and Research Institute												
COVID-19: COVID Evaluation of Risk for Emergency Departments	93.860	1U01CK000480-01 & 6U01CK000480-05-1	-	-	48,823	-	-	-	-	-	48,823	-
Through: Duke University												
Building and Deploying a Genomic-Medicine Risk Assessment Model for Diverse Primary Care Populations	93.172	5U01HG010231-03	-	-	140,990	-	-	-	-	-	140,990	-
ACTIV6: COVID-19 Outpatient Randomized Trial to Evaluate Efficacy of Repurposed Medications	93.350	3U24TR001608-05S4	-	-	38,120	-	-	-	-	-	38,120	-
Through: Hudson Alpha Institute for Biotechnology												
DNA Sequencing for Newborn Nurseries	93.172	5U01HG007301-07 Revised & 5U01HG007301-08	87,491	-	-	-	-	-	-	-	87,491	-
Through: The Regents of the University of California, San Francisco												
Primary Immune Deficiency Treatment Consortium	93.855	2U54AI082973	1,200	-	-	-	-	-	-	-	1,200	-
Through: Children's Hospital of Los Angeles/ University of Pittsburgh at Pittsburgh												
Randomized study of low versus moderate dose busulfan in transplant for severe combined immunodeficiency/Identifying Predictors of Poor Health-Related Quality-of-life among Pediatric Hematopoietic Stem Cell Donors	93.855	U01AI126612/ R01HL131731	1,400	-	-	-	-	-	-	-	1,400	-
Through: New England Research Institutes												
NIH Longitudinal Study for Multisystem Inflammatory Syndrome Therapies in Children	93.840	U24HL135691	158,205	-	-	-	-	-	-	-	158,205	-
Through: Ann & Robert H. Lurie Children's Hospital of Chicago												
IMPACCT: Infrastructure for Musculoskeletal Pediatric Acute Care Clinical Trials	93.846	1U01AR079113-01	1,286	-	-	-	-	-	-	-	1,286	-

LOUISIANA CHILDREN'S MEDICAL CENTER

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2021

Federal Grantor/Pass-Through Agency Program Title (per Assistance Listing Number)	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures Recognized									Passed Through to Subrecipients
			Children's Hospital	Touro Infirmary	UMCMC	West Jefferson	East Jefferson	Audubon Retirement	LHAC	LCMC	Total	
U.S. Department of Health and Human Services (Continued)												
Research and Development Cluster (Continued)												
Through: SE Louisiana Area Health Education Center												
Pediatric Care Coordination in EMS Agencies – Improving Child Health Outcomes in Louisiana (EMSC ICHOiL)	93.127	H34MC33242	31,821	-	-	-	-	-	-	-	31,821	-
Through: Tulane University												
Tulane University COVID Antibody and Immunity Network	93.394	1U54CA260581-01	-	-	55,154	-	-	-	-	-	55,154	-
Total Research and Development Cluster			670,203	-	312,547	-	-	-	-	-	982,750	-
Total U.S. Department of Health and Human Services			$ 38,456,482	$ 28,048,703	$ 99,168,449	$ 48,873,680	$ -	$ 657,635	$ 815,228	$ -	$ 216,020,177	$ -
U.S. Department of Homeland Security:												
Through: State of Louisiana												
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		$ 2,069,761	$ 1,510,166	$ 8,701,241	$ 1,548,009	$ -	$ 111,387	$ -	$ 1,525,776	$ 15,466,340	$ -
Total U.S. Department of Homeland Security			$ 2,069,761	$ 1,510,166	$ 8,701,241	$ 1,548,009	$ -	$ 111,387	$ -	$ 1,525,776	$ 15,466,340	$ -
Total Expenditures of Federal Awards			$ 41,017,762	$ 29,558,869	$ 108,219,156	$ 50,421,689	$ -	$ 769,022	$ 815,228	$ 1,525,776	$ 232,327,502	$ -

LOUISIANA CHILDREN'S MEDICAL CENTER

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Children's Hospital, Touro Infirmary and its Subsidiaries (Touro Infirmary), University Medical Center Medical Corporation (UMCMC), West Jefferson, East Jefferson General Hospital (East Jefferson), and LCMC Health under programs of the federal government for the year ended December 31, 2021 and is presented on the full accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the System, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the System.

Note 2. De Minimis Cost Rate

The System has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Assumptions

Costs and lost revenues related to the Provider Relief Fund (PRF) program are reported in the PRF reporting portal (the Portal). The forms reported in the Portal allowed for direct costs as well as General and Administrative Expenses (G&A) which was meant to capture expenses such as mortgage costs, rent, insurance, personnel, fringe benefits, utilities, and other similar costs that were not direct costs. To make a reasonable determination of these G&A expenses, management used the same methodology as used for developing estimates of similar costs for federal Cost Reporting.

LOUISIANA CHILDREN'S MEDICAL CENTER

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021

Part I - Summary of Auditor's Results

Financial Statement Section

Type of Auditor's Report Issued:	Unmodified
Internal Control over Financial Reporting:	
Material Weakness(es) Identified?	No
Significant Deficiency(ies) Identified not Considered to be Material Weakness?	None Reported
Noncompliance Material to Financial Statements Noted?	No

Federal Awards Section

Internal Control over Major Programs:	
Material weakness(es) identified?	No
Significant Deficiency(ies) Identified not Considered to be Material Weakness?	None Reported
Type of Auditor's Report Issued on Compliance for Major Federal Programs:	Unmodified
Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR 200.516(a)?	Yes

Identification of Major Programs:

Title	Assistance Listing No.
Provider Relief Fund	93.498

Dollar Threshold used to Distinguish between Type A and Type B Programs:	$1,742,456
Auditee Qualified as Low-Risk Auditee?	Yes

LOUISIANA CHILDREN'S MEDICAL CENTER

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2021

Part II - Schedule of Financial Statement Findings Section

None.

LOUISIANA CHILDREN'S MEDICAL CENTER

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2021

Part III - Federal Awards Findings and Questioned Costs Section

		Questioned Costs
DEPARTMENT OF HEALTH AND HUMAN SERVICES		
2021-001	Provider Relief Fund - Assistance Listing No. 93.498; Period 1 and 2 - Year ended December 31, 2021	

Criteria: Allowable costs include those incurred to prevent, prepare for, and respond to coronavirus, domestically or internationally, for necessary expenses to reimburse, through grants or other mechanisms, eligible health care providers for health care related expenses or lost revenues that are attributable to coronavirus.

Condition: Payroll benefits for East Jefferson General Hospital, a newly acquired hospital, were double counted in reporting allowable costs.

Cause: East Jefferson General Hospital is not on the same systems as the rest of the LCMC Health group. In making their unique estimate of payroll costs, a factor for estimating payroll fringe benefits was inadvertently made twice.

Effect: The cost of one of the estimates may be disallowed.

Questioned Costs: A sample of 60 allowable costs was selected for audit. The test found 2 payroll related expenses at East Jefferson General Hospital did not match the actual payments made because management made an additional estimate for payroll fringe benefits on top of the actual costs paid in the payroll disbursement. The additional estimate applied on top was for $2,041,939. **$ 2,041,939**

Perspective Information: LCMC Health obtained $212,266,461 of Provider Relief Funds in Period 1 and Period 2, but reported $314,904,645 in allowable expenses and lost revenues. Therefore, LCMC Health has $102,638,184 of "cushion" in costs and lost revenues claimed before any findings would result in monies needing to be returned back to the Department of Health and Human Services. The questioned costs relate to an entity that was acquired during Period 1 and 2 and which was operating under different general ledger software. It does not appear to be a systemic problem. Our sample of 60 items is not a statistically valid sample but represents the highest sample possible under our audit methodology.

Recommendation: LCMC Health should reconcile actual direct costs to amounts reported as allowable costs under the Provider Relief Fund Program. All reconciling items should be evaluated together to see if any items are repetitive.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding that benefits are double counted in the calculations. After LCMC Health's acquisition of East Jefferson General Hospital, certain processes were put in place to account for the allocation of benefit costs; however, the prior process continued as well. We will complete a reconciliation of underlying costs to reported amounts in future filings comparing estimated values used to ensure no double counting.

LOUISIANA CHILDREN'S MEDICAL CENTER

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2021

Part III - Federal Awards Findings and Questioned Costs Section (Continued)

2021-002 Provider Relief Fund - Assistance Listing No. 93.498; Period 1 and 2 - Year ended December 31, 2021

Criteria: Allowable costs include those incurred to prevent, prepare for, and respond to coronavirus, domestically or internationally, for necessary expenses to reimburse, through grants or other mechanisms, eligible health care providers for health care related expenses or lost revenues that are attributable to coronavirus.

Condition: A mathematical error was identified in East Jefferson General Hospital's worksheet calculations of allowable costs.

Cause: A reconciliation of direct cost subledgers to the summarized data reported for Provider Relief Funds was not performed. A formula error in the summarized data used for reporting was not identified.

Effect: The costs not supported by actual transactions may be disallowed.

Questioned Costs: A sample of 60 allowable costs was selected for audit. As part of our procedures to reconcile the underlying data we test to amounts reported related to Provider Relief Funds we identified a formula error in East Jefferson General Hospital's summary data. The impact was that certain payroll data for the months of October, November, and December 2021 were inadvertently counted twice. **$ 513,778**

Perspective Information: LCMC Health obtained $212,266,461 of Provider Relief Funds in Period 1 and Period 2, but reported $314,904,645 in allowable expenses and lost revenues. Therefore, LCMC Health has $102,638,184 of "cushion" in costs and lost revenues claimed before any findings would result in monies needing to be returned back to the Department of Health and Human Services. The questioned costs relate to an entity that was acquired during Period 1 and 2 and which was operating under different general ledger software. It does not appear to be a systemic problem. Our sample of 60 items is not a statistically valid sample but represents the highest sample possible under our audit methodology.

Recommendation: LCMC Health should reconcile actual direct costs to amounts reported as allowable costs under the Provider Relief Fund Program. All reconciling items should be evaluated together to see if any items are repetitive.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding that there is a formula error in one of the support documents calculating costs. We will conduct a reconciliation of supporting documentation to reported amounts in future filings to ensure that other such errors do not exist.

LOUISIANA CHILDREN'S MEDICAL CENTER

Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2021

Part I - Financial Statement Findings

None.

Part II - Federal Award Findings and Questioned Costs

None.

LCMC Health

1100 Poydras Street
2500 Energy Centre
New Orleans, LA 70163

LCMChealth.org

CORRECTIVE ACTION PLAN

September 28, 2022

Cognizant or Oversight Agency for Audit: DEPARTMENT OF HEALTH AND HUMAN SERVICES

Louisiana Children's Medical Center (LCMC Health) respectfully submits the following corrective action plan for the year ended December 31, 2021.

Name and address of independent public accounting firm:
LaPorte CPAs & Business Advisors
111 Veterans Boulevard, Suite 600
Metairie, LA 70005

Audit period: Year ended December 31, 2021

The findings from the year ended December 31, 2021 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
QUESTIONED COST
2021-001

Provider Relief Fund - Assistance Listing No. 93.498; Period 1 and 2 - Year ended December 31, 2021

Recommendation: LCMC Health should reconcile actual direct costs to amounts reported as allowable costs under the Provider Relief Fund Program. All reconciling items should be evaluated together to see if any items are repetitive.

Action Taken: Management agrees with the finding that benefits are double counted in the calculations. After LCMC Health's acquisition of East Jefferson General Hospital, certain processes were put in place to account for the allocation of benefit costs; however, the prior process continued as well. We will complete a reconciliation of underlying costs to reported amounts in future filings comparing estimated values used to ensure no double counting.

Who: Chris Frater, EJ Controller, prepare
Jared Stroderd, LCMC VP Finance, review

When: All amounts submitted for the next Provider Relief Fund Portal submission will be reviewed to ensure no duplicated costs are included, and a full review/reconciliation will be completed prior to year-end.

QUESTIONED COST
2021-002

Provider Relief Fund - Assistance Listing No. 93.498; Period 1 and 2 - Year ended December 31, 2021

Recommendation: LCMC Health should reconcile actual direct costs to amounts reported as allowable costs under the Provider Relief Fund Program. All reconciling items should be evaluated together to see if any items are repetitive.

Action Taken: Management agrees with the finding that there is a formula error in one of the support documents calculating costs. We will conduct a reconciliation of supporting documentation to reported amounts in future filings to ensure that other such errors do not exist.

Who: Chris Frater, EJ Controller, prepare
Jared Stroderd, LCMC VP Finance, review

When: All amounts submitted for the next Provider Relief Fund Portal submission will be reviewed to ensure no duplicated costs are included, and a full review/reconciliation will be completed prior to year-end.

If the Department of Health and Human Services has questions regarding this plan, please call Jared Stroderd at 504-896-2847.

Sincerely yours,

Jared Stroderd
Vice President of Finance & Analytics
LCMC Health

EXHIBIT 4

Excerpt from HCA Healthcare, Inc. 2022 Form 10-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to

Commission File Number 1-11239

HCA Healthcare, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**27-3865930**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
One Park Plaza Nashville, Tennessee	**37203**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's telephone number, including area code: (615) 344-9551

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	**Trading Symbol(s)**	**Name of Each Exchange on Which Registered**
Common Stock, $0.01 Par Value	**HCA**	**New York Stock Exchange**

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Auditor PCAOB ID Number: 42 Auditor Name: Ernst & Young LLP Auditor Location: Nashville, Tennessee, United States of America

As of January 31, 2023, there were 276,966,400 outstanding shares of the Registrant's common stock. As of June 30, 2022, the aggregate market value of the common stock held by nonaffiliates was approximately $36.171 billion. For purposes of the foregoing calculation only, Hercules Holding II and the Registrant's directors and executive officers have been deemed to be affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy materials for its 2023 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

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PART I

Item 1. ***Business***

General

HCA Healthcare, Inc. is one of the leading health care services companies in the United States. At December 31, 2022, we operated 182 hospitals, comprised of 175 general, acute care hospitals; five psychiatric hospitals; and two rehabilitation hospitals. In addition, we operated 126 freestanding surgery centers and 21 freestanding endoscopy centers. Our facilities are located in 20 states and England.

The terms "Company," "HCA," "HCA Healthcare," "we," "our" or "us," as used herein and unless otherwise stated or indicated by context, refer to HCA Healthcare, Inc. and its affiliates. The term "affiliates" means direct and indirect subsidiaries of HCA Healthcare, Inc. and partnerships and joint ventures in which such subsidiaries are partners. The terms "facilities" or "hospitals" refer to entities owned and operated by affiliates of HCA, and the term "employees" refers to employees of affiliates of HCA.

Our primary objective is to provide a comprehensive array of quality health care services in the most cost-effective manner possible. Our general, acute care hospitals typically provide a full range of services to accommodate such medical specialties as internal medicine, general surgery, cardiology, oncology, neurosurgery, orthopedics and obstetrics, as well as diagnostic and emergency services. Outpatient and ancillary health care services are provided by our general, acute care hospitals, freestanding surgery centers, freestanding emergency care facilities, urgent care facilities, walk-in clinics, diagnostic centers and rehabilitation facilities. Our psychiatric hospitals provide a full range of mental health care services through inpatient, partial hospitalization and outpatient settings.

Our common stock is traded on the New York Stock Exchange (symbol "HCA"). Through our predecessors, we commenced operations in 1968. HCA Healthcare, Inc. was incorporated in Delaware in October 2010. Our principal executive offices are located at One Park Plaza, Nashville, Tennessee 37203, and our telephone number is (615) 344-9551.

Available Information

We file certain reports with the Securities and Exchange Commission (the "SEC"), including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. The SEC maintains an Internet site at http://www.sec.gov that contains the reports, proxy and information statements and other information we file. Our website address is www.hcahealthcare.com. Please note that our website address is provided throughout this report as an inactive textual reference only. We make available free of charge, through our website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Exchange Act, as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The information provided on our website is not part of this report, and is therefore not incorporated by reference unless such information is specifically referenced elsewhere in this report.

Our Code of Conduct is available free of charge upon request to our Investor Relations Department, HCA Healthcare, Inc., One Park Plaza, Nashville, Tennessee 37203, and is also available on the Ethics and Compliance and Corporate Governance portion of our website at www.hcahealthcare.com.

Business Strategy

We are committed to providing the communities we serve with high quality, convenient and cost-effective health care while growing our business and creating long-term value for our stockholders. We strive to be the health care system of choice in the communities we serve by developing comprehensive networks locally and supporting these networks with enterprise expertise and economies of scale. Our strategy is organized around a framework that seeks to drive sustained growth by delivering operational excellence, attracting exceptional physicians and other health care professionals, developing comprehensive services; creating greater access, and coordinating higher quality care for patients.

To achieve these objectives, we align our efforts around the following growth agenda:

- grow our presence in existing markets;
- achieve industry-leading performance in clinical, operational and satisfaction measures;
- recruit and retain physicians and other health care professionals to meet the need for high quality health services;
- continue to utilize economies of scale to grow the Company; and
- pursue a disciplined development strategy.

Our strategy also emphasizes investments that advance our clinical systems and digital capabilities, transform care models with innovative care solutions, expand our workforce development programs and enhance our health care networks and partnerships.

Health Care Facilities

We currently own, manage or operate hospitals, freestanding surgery centers, freestanding emergency care facilities, urgent care facilities, walk-in clinics, diagnostic and imaging centers, radiation and oncology therapy centers, comprehensive rehabilitation and physical therapy centers, physician practices, home health, hospice, outpatient physical therapy home and community-based services providers, and various other facilities.

At December 31, 2022, we owned and operated 175 general, acute care hospitals with 48,508 licensed beds. Most of our general, acute care hospitals provide medical and surgical services, including inpatient care, intensive care, cardiac care, diagnostic services and emergency services. The general, acute care hospitals also provide outpatient services such as outpatient surgery, laboratory, radiology, respiratory therapy, cardiology and physical therapy. Each hospital has an organized medical staff and a local board of trustees or governing board comprised of members of the local community.

At December 31, 2022, we operated five psychiatric hospitals with 593 licensed beds. Our psychiatric hospitals provide therapeutic programs, including child, adolescent and adult psychiatric care and adolescent and adult alcohol and drug abuse treatment and counseling.

We also operate outpatient health care facilities, which include freestanding ambulatory surgery centers (“ASCs”), freestanding emergency care facilities, urgent care facilities, walk-in clinics, diagnostic and imaging centers, comprehensive rehabilitation and physical therapy centers, radiation and oncology therapy centers, physician practices and various other facilities. These outpatient services are an integral component of our strategy to develop comprehensive health care networks in select communities. Most of our ASCs are operated through partnerships or limited liability companies, with majority ownership of each partnership or limited liability company typically held by a general partner or member that is an affiliate of HCA.

Certain of our affiliates provide a variety of management services to our health care facilities, including patient safety programs, ethics and compliance programs, national supply contracts, equipment purchasing and leasing contracts, accounting, financial and clinical systems, governmental reimbursement assistance, construction planning and coordination, information technology systems and solutions, legal counsel, human resources services and internal audit services.

COVID-19

We believe the extent of COVID-19’s impact on our operating results and financial condition has been and could continue to be driven by many factors, most of which are beyond our control and ability to forecast. Because of these uncertainties, we cannot estimate how long or to what extent COVID-19 will impact our operations.

Summary Risk Factors

You should carefully read and consider the risk factors set forth under Item 1A, "Risk Factors," as well as all other information contained in this annual report on Form 10-K. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect us. If any of these risks occur, our business, financial position, results of operations, cash flows or prospects could be materially, adversely affected. Our business is subject to the following principal risks and uncertainties:

Risks related to COVID-19 and other potential pandemics:

- COVID-19 has affected, and may continue to affect, our operations. Further, COVID-19 could negatively impact our business, financial condition, and cash flows, particularly if it causes public health conditions and/or economic conditions to deteriorate.
- We are unable to predict the ultimate impact of the CARES Act (as defined below) and other stimulus and relief legislation or the effect that such legislation and other governmental responses intended to assist providers in responding to COVID-19 may have on our business, financial condition, results of operations or cash flows.
- The emergence and effects related to a potential future pandemic, epidemic or outbreak of an infectious disease could adversely affect our operations.

Risks related to our indebtedness:

- Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations.
- We may not be able to generate sufficient cash to service all of our indebtedness and may not be able to refinance our indebtedness on favorable terms. If we are unable to do so, we may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.
- Our debt agreements contain restrictions that limit our flexibility in operating our business.

Risks related to human capital:

- Our results of operations may be adversely affected by competition for staffing, the shortage of experienced nurses and other health care professionals and labor union activity.
- We may be unable to attract, hire and retain a highly qualified and diverse workforce, including key management.
- Our performance depends on our ability to recruit and retain quality physicians.

Risks related to technology, data privacy and cybersecurity:

- A cybersecurity incident or other form of data breach could result in the compromise of our facilities, confidential data or critical data systems. A cybersecurity incident or other form of data breach could also give rise to potential harm to patients; remediation and other expenses; and exposure to liability under HIPAA (as defined below), consumer protection laws, common law theories or other laws. Such incidents could subject us to litigation and foreign, federal and state governmental inquiries, damage our reputation, and otherwise be disruptive to our business.
- Our operations could be impaired by a failure of our information systems.
- Health care technology initiatives, particularly those related to sharing patient data and interoperability, may adversely affect our operations.
- We may not be reimbursed for the cost of expensive, new technology.

Risks related to governmental regulation and other legal matters:

- Our business and results of operations may be adversely affected by health care reform efforts. We are unable to predict whether, what, and when additional health reform measures will be adopted or implemented, and the effects and ultimate impact of any such measures are uncertain and may adversely affect our business and results of operations.

- Changes in government health care programs may adversely affect our revenues.
- If we fail to comply with extensive laws and government regulations, we could suffer penalties or be required to make significant changes to our operations.
- State efforts to regulate the construction or expansion of health care facilities could impair our ability to operate and expand our operations.
- We may incur additional tax liabilities.
- We have been and could become the subject of government investigations, claims and litigation.
- We may be subject to liabilities from claims brought against our facilities, which are costly to defend and may require us to pay significant damages if not covered by insurance.

Risks related to operations, strategy, demand and competition:

- Our hospitals and other facilities face competition for patients from other hospitals and health care providers.
- Any increase in the volume of uninsured patients or deterioration in the collectability of uninsured and patient due accounts could adversely affect our results of operations.
- If our volume of patients with private health insurance coverage declines or we are unable to retain and negotiate favorable contracts with private third-party payers, including managed care plans, our revenues may be adversely affected.
- Changes to physician utilization practices and treatment methodologies, third-party payer controls designed to reduce inpatient services or surgical procedures and other factors outside our control that impact demand for medical services may reduce our revenues.
- We may encounter difficulty acquiring hospitals and other health care businesses, encounter challenges integrating the operations of acquired hospitals and other health care businesses and/or become liable for unknown or contingent liabilities as a result of acquisitions.
- Our facilities are heavily concentrated in Florida and Texas, which makes us sensitive to regulatory, economic, public health, environmental and competitive conditions and changes in those states.
- Our business and operations are subject to risks related to climate change.
- We may be adversely affected if we are not able to achieve our environmental, social and governance (“ESG”) goals or otherwise meet the expectations of our stakeholders with respect to ESG matters.
- The industry trend toward value-based purchasing may negatively impact our revenues.

Risks related to macroeconomic conditions:

- Our overall business results may suffer during periods of general economic weakness.
- We are exposed to market risk related to changes in the market values of securities and interest rates.

Risks related to ownership of our common stock:

- There can be no assurance that we will continue to pay dividends.
- Certain of our investors may continue to have influence over us.

Sources of Revenue

Hospital revenues depend upon inpatient occupancy levels, the medical and ancillary services ordered by physicians and provided to patients, the volume of outpatient procedures and the charges or payment rates for such services. Reimbursement rates for inpatient and outpatient services vary significantly depending on the type of third-party payer, the type of service (e.g., medical/surgical, intensive care or psychiatric) and the geographic location of the hospital. Inpatient occupancy levels fluctuate for various reasons, many of which are beyond our control.

We receive payments for patient services from the federal government under the Medicare program, state governments under their respective Medicaid or similar programs, managed care plans (including plans offered through the American Health Benefit Exchanges ("Exchanges")), private insurers and directly from patients. Our revenues by primary third-party payer classification and other (including uninsured patients) for the years ended December 31, 2022, 2021 and 2020 are summarized in the following table (dollars in millions):

	Years Ended December 31,					
	2022	**Ratio**	**2021**	**Ratio**	**2020**	**Ratio**
Medicare	**$ 10,447**	**17.3%**	$ 10,447	17.8%	$ 10,420	20.2%
Managed Medicare	**9,201**	**15.3**	8,424	14.3	6,997	13.6
Medicaid	**2,636**	**4.4**	2,290	3.9	1,965	3.8
Managed Medicaid	**3,998**	**6.6**	3,124	5.3	2,621	5.1
Managed care and other insurers	**29,120**	**48.3**	30,295	51.6	26,535	51.5
International (managed care and other insurers)	**1,317**	**2.2**	1,336	2.3	1,120	2.2
Other	**3,514**	**5.9**	2,836	4.8	1,875	3.6
Revenues	**$ 60,233**	**100.0%**	$ 58,752	100.0%	$ 51,533	100.0%

Medicare is a federal program that provides certain hospital and medical insurance benefits to persons age 65 and over, some disabled persons, persons with end-stage renal disease and persons with Lou Gehrig's Disease. Medicaid is a federal-state program, administered by the states, that provides hospital and medical benefits to qualifying low-income individuals. All of our general, acute care hospitals located in the United States are eligible to participate in Medicare and Medicaid programs. Amounts received under Medicare and Medicaid programs are generally significantly less than established hospital gross charges for the services provided.

Our hospitals generally offer discounts from established charges to certain group purchasers of health care services, including private health insurers, employers, health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs") and other managed care plans, including health plans offered through the Exchanges. These discount programs generally limit our ability to increase revenues in response to increasing costs. See Item 1, "Business — Competition." For services under Medicare, Medicaid, HMOs, PPOs and other managed care plans, patients are generally responsible for any exclusions, deductibles or coinsurance features of their coverage. The amounts of such exclusions, deductibles and coinsurance continue to increase. Collection of amounts due from individuals is typically more difficult than from government health care programs or other third-party payers. We provide discounts to uninsured patients who do not qualify for Medicaid or for financial relief under our charity care policy. We may attempt to provide assistance to uninsured patients to help determine whether they may qualify for Medicaid, other federal or state assistance or charity care under our charity care policy. If an uninsured patient does not qualify for these programs, the uninsured discount is applied.

Medicare

In addition to the reimbursement reductions and adjustments discussed below, the Budget Control Act of 2011 (the "BCA") requires automatic spending reductions to reduce the federal deficit, resulting in a uniform percentage reduction across all Medicare programs of 2% per fiscal year. The Coronavirus Aid, Relief, and Economic Security ("CARES") Act and related legislation temporarily suspended these reductions through March 31, 2022 and reduced the sequestration adjustment from 2% to 1% from April 1 through June 30, 2022. The full 2% reduction resumed on July 1, 2022. The BCA sequestration has been extended through the first six months of 2032. In addition, the American Rescue Plan Act of 2021 ("ARPA") increased the federal budget deficit in a manner that triggers an additional sequestration mandated under the Pay As You Go Act of 2010 ("PAYGO Act"). As a result, a further payment reduction of up to 4% was required to take effect in January 2022. However, Congress has delayed implementation of this payment reduction until 2025. We anticipate that the federal deficit will continue to place pressure on government health care programs, and it is possible that future deficit reduction legislation will impose additional spending reductions.

Inpatient Acute Care

Under the Medicare program, we receive reimbursement under a prospective payment system ("PPS") for general, acute care hospital inpatient services. Under the hospital inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned Medicare severity diagnosis-related group ("MS-DRG"). MS-DRGs classify treatments for illnesses according to the estimated intensity of hospital resources necessary to furnish care for each principal diagnosis. MS-DRG weights represent the average resources for a given MS-DRG relative to the average

EXHIBIT 5

PROVIDERS

LCMC Health finalizes Tulane University hospital purchases with regulator's blessing

By **Dave Muoio** • Jan 3, 2023 11:10am

mergers and acquisitions | LCMC Health | HCA Healthcare | Tulane University

First announced in October, the deal brings Tulane Medical Center, Lakeview Regional Medical Center and Tulane Lakeside Hospital under the nonprofit system's belt. The purchase had been opposed by a major nurses' union. (Wikimedia Commons)

Updated Jan. 3

Louisiana regulators have signed off on nonprofit system LCMC Health's acquisition of three Tulane University hospitals from HCA Healthcare, allowing the organizations to finalize the pending deal.

The purchase was first announced in October and includes Tulane Medical Center, Lakeview Regional Medical Center and Tulane Lakeside Hospital. It was recently approved by the Louisiana Department of Justice, per the systems' announcement.

The integration of Tulane University's facilities with its new parent system will proceed across the next 12 to 24 months, according to the organizations. Operations will continue as normal during that time and all employees will continue to have jobs with LCMC.

"The shared vision between LCMC Health and Tulane University to provide unparalleled patient care and medical research advancements in Southeast Louisiana made this partnership a natural fit," LCMC Health CEO Greg Feirn said in the announcement. "As we integrate our operations, we are able to make locally-based decisions that best serve the comprehensive and specialty care needs of patients in our region."

The deal reportedly comes with a $150 million price tag and, according to LCMC, will be accompanied by a $220 million initial capital investment into the hospitals. The nonprofit system said it plans to transition “the majority of services” at the 235-bed Tulane Medical Center over to LCMC’s East Jefferson General Hospital and University Medical Center New Orleans over the 12- to 24-month period.

The state regulator signed off on the deal despite opposition from a major nurses' union, which warned of "unrestrained leverage over patients and healthcare workers" with HCA's exit from the New Orleans market.

Updated Oct. 31

Louisiana-based nonprofit system LCMC Health's bid to purchase three Tulane University hospitals could yield a duopoly in the New Orleans area and should be blocked by state regulators, National Nurses United (NNU) argued Friday.

The nurses' union penned a letter to Louisiana Attorney General Jeff Landry noting that the deal would increase LCMC's local market share to 55% and "warrants the strictest scrutiny by the Louisiana Department of Health."

LCMC's deal would include Tulane Medical Center, Lakeview Regional Medical Center and Tulane Lakeside Hospital and reportedly (https://www.nola.com/news/healthcare_hospitals/article_db0318d4-48ac-11ed-b030-2720555ecefe.html) run the nonprofit $150 million.

The three hospitals are currently majority owned by HCA Healthcare. The system's departure from the New Orleans market would give LCMC and competitor Ochsner Health "unrestrained leverage over patients and healthcare workers" as the two remaining major players.

"We fear this goes against the public interest, by leading to further consolidation, higher healthcare prices and cuts to vital services," NNU Southern Region Director Bradley Van Waus wrote to the attorney general (PDF) (https://www.nationalnursesunited.org/sites/default/files/nnu/documents/NNU_Letter_to_AG_Landry_Tulane_MC_Final.pdf). "If your office approves this deal, we ask for contract conditions requiring LCMC to maintain all facilities and services, along with incorporating RN and patient priorities into the final sale agreement."

The national union also called into question LCMC's plans to shift "the majority of services" away from Tulane Medical Center. NNU noted that the 235-bed hospital serves numerous low-income patients, performs specialized transplants and includes the state's only comprehensive stroke center.

LCMC and Tulane University had said in its announcement (see below) that it would be repurposing the Tulane Medical Center building and that the shift to other sites would increase access to comprehensive care in downtown New Orleans.

Still, NNU argued that the closure of Tulane Medical Center inpatient services and the market concentration together make it "clear" that the deal will not provide the price or access benefits necessary for LCMC to receive a certificate of public advantage.

“We cannot allow Louisianans to be at risk of reduced access to hospital care or even more prohibitive health care costs,” NNU President Ross. “We need a full and thorough review of the impacts of this increased consolidation of vital hospital services.”

LCMC and the university had said they expect the deal to be finalized either late this year or early next year pending regulatory review.

Oct. 11

LCMC Health plans to purchase three Tulane University hospitals from HCA Healthcare, according to a Monday release.

The deal for Tulane Medical Center, Lakeview Regional Medical Center and Tulane Lakeside Hospital will reportedly (https://www.nola.com/news/healthcare_hospitals/article_db0318d4-48ac-11ed-b030-2720555ecefe.html) run LCMC $150 million.

The system also committed to a $220 million initial capital investment across its hospitals to support new equipment and facilities, competitive provider hiring and other efforts surrounding standards of care and patient experience.

“With this transformational partnership, we can build on our strong history of collaboration with our academic partners, Tulane University and Louisiana State University, to do more for our patients, communities and region together than would be possible as separate organizations,” LCMC Health CEO Greg Feirn said in the announcement. “By joining forces, we will increase access to comprehensive and specialty care across our region, ensuring all our patients and communities receive extraordinary care, right here at home.”

LCMC said it is awaiting a regulatory review by the Louisiana Department of Justice over the next three months. The system and the university said they expect the deal to be finalized either late this year or early next.

All employees of the three hospitals would keep their jobs during the transition, according to the announcement, and see “new and expanded opportunities for growth and advancement.” Other investments stand to add an estimated 2,300 jobs throughout New Orleans and Louisiana, the organizations said.

The proposed arrangement would have “the majority of services” at the 235-bed Tulane Medical Center transition to LCMC’s East Jefferson General Hospital and University Medical Center New Orleans over a 12- to 24-month period.

This shift would increase downtown New Orleans’ access to comprehensive care and build new specialty care, innovation and academic medicine hubs in the Orleans and Jefferson parishes, the organizations said.

Plans for a repurposed Tulane Medical Center building will complement Tulane’s ongoing effort to revitalize the Charity Hospital building, which has been closed since Hurricane Katrina in 2005. The sites would support new research space and programs, a nurse training program and other educational initiatives, according to the announcement.

“Together with LCMC Health, we can combine our strengths to expand world-class academic medicine in the greater New Orleans area,” Tulane University President Michael Fitts said in the announcement. “Academic medical centers provide the most complex and high-quality care and are the birthplace of new treatments and technologies. This partnership will help drive clinical, educational, and economic innovation and growth that improves the quality of life across our entire region.”

LCMC was established in 2009 and currently manages six hospitals across the New Orleans area. The newly announced deal would bring its total to nine.

HCA has been the majority owner of Tulane Medical Center since 1995 and added the university’s other two hospitals to its system in 2005 and 2017. It will have just one hospital remaining in Louisiana should the sale go through.

The large hospital chain has told investors time and again (https://www.fiercehealthcare.com/hospitals/hca-healthcare-cfo-outlines-m-a-growth-strategy-post-covid-hurdles-facing-health-system) that it aims to expand the networks in its core markets while divesting from others. That approach has led to last year’s hospital selloffs in Georgia (https://www.fiercehealthcare.com/hospitals/georgia-hospital-shakeups-piedmont-looks-to-absorb-university-health-care-system-hca), trimmed down home care services (https://www.fiercehealthcare.com/hospitals/hca-sells-off-dozens-its-newly-acquired-home-care-locations-to-keep-focus-its-core),

expansions in Florida (https://www.fiercehealthcare.com/hospitals/hca-healthcare-building-three-new-acute-care-hospitals-florida) and an attempted deal (https://www.fiercehealthcare.com/providers/ftc-notches-another-antitrust-win-hca-healthcare-steward-health-care-call-5-hospital-sale) to acquire five Rocky Mountain area hospitals from Steward Health Care System.

Hospitals | Finance | Providers | Tulane Medical Center | National Nurses United

PROVIDERS

Report: Hospitals, payers making strides on price transparency compliance

By **Dave Muoio** • Apr 18, 2023 12:18pm

Price Transparency | Healthcare Costs | Turquoise Health

Nearly 5,400 of hospitals posted a machine-readable file and 183 payers uploaded pricing data as of the end of March, according to startup Turquoise Health's new state-of-the-industry report. (AndreBlais/Getty Images)

The payer and hospital price transparency landscape is “moving past the point of reluctant acceptance” as more healthcare organizations become compliant and vendors look to build on the available data, Turquoise Health CEO Chris Severn said in a state-of-the-industry report released by the price transparency data startup.

Nearly 5,400 hospitals, or 84% of the roughly 6,400 applicable hospitals, have posted a machine-readable file with pricing data as of the end of Q1 2023, according to the company’s second Price Transparency Impact Report (https://turquoise.health/impact_reports).

About 4,700 (74%) posted data negotiated rates, more than 4,500 (70.6%) have posted cash rates and over 4,600 (75.4%) have surgery rates available online, according to the report.

Those numbers are up from the company’s fall numbers, which listed about 4,900 (76%) hospitals with a machine-readable file, nearly 4,200 (65%) with negotiated rates and almost 4,100 (63%) with cash rates.

“The increased compliance numbers usher in a transformational era where data will be embedded in revenue cycle workflows, contract negotiations, and become an integral part of running a savvy healthcare organization,” Turquoise wrote in the latest report.

Payer compliance, though “far from perfect,” has increased at a faster rate than seen among hospitals, the company wrote.

Per the report, the initial 68 payers whose price transparency data was online rose to 111 by October, spiked to 164 just a month later and now sit at 183 as of the end of March.

Here Turquoise acknowledged the oft-reported volume and unwieldiness of the data released by payers, as well as some ambiguity regarding the true size of payers’ networks—all of which make the creation of third-party price comparison tools and other applications “more nuanced” than the provider side, the company wrote.

"If the government is aiming to require all insurance companies to publish the rates for all items and services, which we at Turquoise fully support, the output will, by nature, be nuanced and quite large," the company wrote.

That said, the information is still usable if third parties have approaches in place to refine the raw in-network data, the startup wrote.

"For example, our technical team employed a number of duplication reduction techniques to eliminate the rate-level redundancy that existed across 300+ Anthem files, yielding a 96.6% reduction in the number of negotiated rates," Turquoise said.

Another key milestone for the price transparency movement is the increasing number of startups and innovators flocking to the space. Turquoise said the past year has seen "a wave of venture funding flow into the early-stage market for price transparency," and specifically called out Milu Health (proactive health spend savings for patients and employers), Certainly Health (consumer-facing booking with set prices) and Finestra Health (crowdsourced price transparency data from patient bills) as its competitors of note.

"We anticipate these startups will grow in size and service offerings as [No Surprises Act] matures," Turquoise, which just closed its own Series A less than a year ago (https://www.fiercehealthcare.com/health-tech/turquoise-health-partners-komodo-health-big-data-cost-insights), wrote. "The notion that patients can book an appointment with knowledge of the cost in hand is transformational in an industry previously."

Turquoise's report includes over 5,000 hospitals' machine-readable files and 810 million negotiated rates published by healthcare organizations, with payer data representing all sites of service and over 95% of the country's commercially insured lives. Notably, its methodology (detailed in an October blog post (https://blog.turquoise.health/hospital-compliance-assessments/)) has led to somewhat higher compliance totals than those calculated by other watchdog groups (https://www.fiercehealthcare.com/providers/report-only-quarter-hospitals-analyzed-complied-key-price-transparency-rule).

Slow price transparency compliance has landed hospital groups on hot seat throughout the last couple of years.

The critiques have made their way to Congress (https://www.fiercehealthcare.com/providers/hospitals-feel-congressional-heat-over-compliance-price-transparency-rule), where last month several members of the House Energy and Commerce Committee's health subcommittee grilled price transparency experts (including Turquoise's Severn) on what's needed to bring more hospitals in line. He and others broadly advocated for greater standardization across the submitted files and more meaningful financial incentives for compliance.

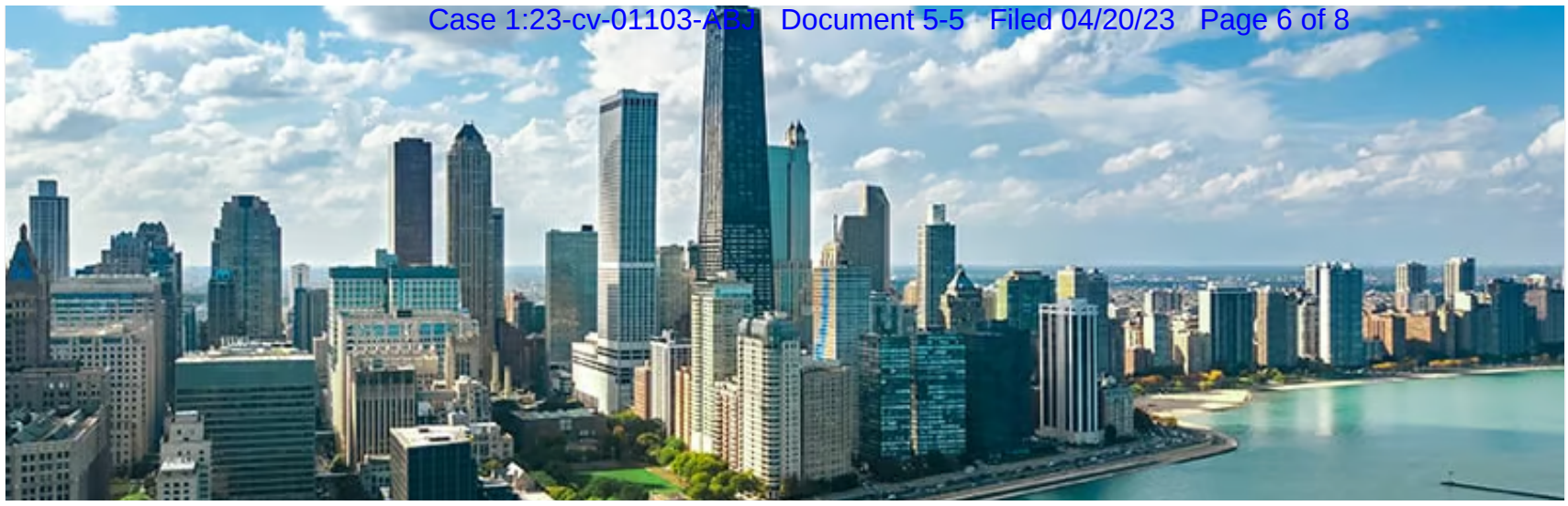
Health Tech | Payers | Hospitals | Regulatory | Providers

HEALTH TECH

HIMSS23 News Flash: The AI wave continues as eClinicalWorks integrates ChatGPT, TeleVox rolls out virtual assistant

By **Anastassia Gliadkovskaya, Annie Burky, Heather Landi** • Apr 18, 2023 12:00pm

Orion Health | HIMSS23 | Data Analytics | machine learning



The Fierce Healthcare editorial team is on the ground in the Windy City this week for the annual Healthcare Information Management and Systems Society Global Conference. (JaySi/iStock/Getty Images Plus/Getty Images)

CHICAGO—The Fierce Healthcare editorial team is on the ground in the Windy City this week for the annual Healthcare Information Management and Systems Society Global Conference.

Check back here throughout the week for the latest news, trends and developments at one of the industry's largest health tech conferences.

Tuesday, April 18 at 1:45 pm ET

Digital patient engagement technology company TeleVox, rolled out Iris, an AI-driven virtual agent.

Iris is accessible via web, voice and SMS interactions and embedded into TeleVox's HouseCalls Pro patient engagement workflows, according to the company. Utilizing Microsoft Azure OpenAI Service with its large-scale, generative AI models and other chat technology, Iris provides patients with quick access to information and easy completion of common tasks, improving patient access and self-service. Iris enables call deflection and reduces operational burden and costs for health systems, TeleVox said.

TeleVox developed Iris to set a new standard for conversational virtual assistants by surpassing current basic chatbots that utilize limited content, require extensive training, and lack an EHR-integrated, omnichannel experience. The company developed the virtual assistant to have dvanced AI capabilities and access to a vast range of published content so it can provide immediate responses to a wide range of patient queries.

By integrating voice, web chat and SMS capabilities into a single omnichannel experience, healthcare providers can offer self-service options to patients for a variety of common activities, reducing the burden on staff and increasing patient acquisition. Iris can be easily integrated with existing EHRs or deployed as a standalone solution, the company said.

Iris can provide easy access to information and provide automated self-service scheduling options. TeleVox plans to add other capabilities including bill-pay, prescription refill, provider search, patient education, symptom checker and procedure eligibility services.

Vik Krishnan, president of TeleVox, called Iris a "new generation of AI-enabled patient-provider communication."

"It marks a significant milestone in the evolution of patient engagement technology. The platform enables health systems to deliver the self-service experience that consumers expect today, and it integrates a full range of communication technologies, providing patients with the flexibility to engage with healthcare providers on their own terms. Healthcare organizations can also easily incorporate their website and other content into the automated system, providing patients with customized and easy-to-understand 'FAQ' content in natural language," Krishnan said.

Tuesday, April 18 at 7 am ET

eClinicalWorks introduces ChatGPT to EHRs and practice management solutions

Microsoft-backed OpenAI launched ChatGPT back in November and now there seems to be a tidal wave of AI-based innovation at health IT companies.

eClincalWorks, the developer of ambulatory electronic health record software, is integrating its EHR and practice management solutions with ChatGPT, cognitive services, and machine learning models from Azure OpenAI Service to enhance its technology offerings.

The company recently committed $100 million to Microsoft Azure cloud services. This significant investment gives eClinicalWorks access to the latest innovations available with Microsoft Cloud, the company said.

The news follows an announcement from Epic that it is stepping up its collaboration with Microsoft to run generative AI solutions like GPT-4 through Microsoft's OpenAI Azure Service (https://www.fiercehealthcare.com/health-tech/himss23-epic-taps-microsoft-integrate-generative-ai-ehrs-stanford-uc-san-diego-early).

The AI-enhanced offerings will deliver a conversational EHR that enables users to gather relevant patient information by asking the EHR questions in natural language, according to executives. Embedded cognitive services in the eClinicalWorks document management system will automate administrative tasks, such as document identification, auto-assignment, and document routing.

The new eClinicalWorks EHR copilot summarizes patient provider interactions to reduce administrative burdens and physician burnout. With eClinicalWorks' AI-based dictation service, Scribe, practices are saving an estimated hour each day. The eClinicalWorks EHR copilot will further enhance physician satisfaction and decrease time spent on administrative tasks, according to the company.

ClinicalWorks is exhibiting at HIMSS at booth #1267.

Monday, April 17 at 10 am ET

Symplr launches product suites in Connected Enterprise initiative

The healthcare operations software provider symplr today launches four product suites and announced the latest version of the company's Midas Care Management solution.

Symplr's four suites will be released as a part of its Connected Enterprise initiative to create efficiencies for health systems addressing staff retention, burnout, compliance and rising supply chain costs.

Symplr's Workforce Suite is a software-as-a-service (SaaS) solution designed to manage patient-centered approaches. The software company's Supply Chain Suite enforces product policies and ensures credentialing compliance. The company claims that its Quality Suite improved operational and clinical performance while its Credentialing Suite combines automated credentialing software with NCQA-accredited credentials verification organization services.

"The healthcare industry continues to face financial, workforce, and competitive pressures. The latest innovations to our software will help hospitals, health systems and other care delivery organizations optimize operations so that they can continue to excel, avoiding costly inefficiencies that waste precious resources," said Brian Fugere, Chief Product Officer of symplr, in a press release. "We're committed to helping our customer partners accelerate mission-critical outcomes including providing the best quality patient care."

The Houston, Texas-based company boasts an API Gateway including electronic health record integration and a common set of service to integrate workflows across solutions.

Monday, April 17 at 9 am ET

Philips, AWS partner to bring imaging tech to the cloud

Imaging tech company Royal Philips' HealthSuite Imaging solution is now available on Amazon Web Services (AWS). The two companies also plan to accelerate the development of cloud-based generative AI applications that will provide clinical decision support, help enable more accurate diagnoses and automate administrative tasks.

Philips executives say the availability of the HealthSuite Imaging solution on AWS is a new addition to the company's broad capabilities in enterprise informatics, enabling improved image access speeds, reliability and data orchestration for radiologists and clinicians across the entire imaging workflow – from diagnosis to therapy selection, treatment and follow-up.

"With healthcare systems under increasing pressure, the focus of clinicians' has shifted from technical specifications towards more efficient workflows that lead to accurate diagnoses – and that's what we are delivering here," said Shez Partovi, Philips' chief innovation and strategy officer and business leader enterprise information, in a press release. "By shifting from on-premises to the cloud, we can leverage the security, reliability, and unmatched breadth and depth of AWS to support healthcare organizations in their mission to deliver high-quality care while easing the burden on their staff."

Philips HealthSuite Imaging will use Amazon HealthLake Imaging to increase scale, deliver fast time to first image, enable easy re-use of images for machine learning and research and reduce medical imaging costs, the companies said.

Philips will also use Amazon Bedrock as part of its efforts to develop generative AI applications to advance PACS image processing capabilities and simplify clinical workflows and voice recognition. Amazon Bedrock will enable Philips to develop machine learning-based applications quickly and reduce model development costs versus building foundational models (FMs) from scratch or running multiple task-specific model development efforts.

Innovaccer unveils self-serve conversational AI assistant

Innovaccer, a Big Data company focused on value-based care, unveiled a conversational AI assistant and other new solutions aimed at providers at HIMSS23. See full story. (https://www.fiercehealthcare.com/health-tech/himss23-innovaccer-unveils-six-new-ai-solutions-vbc-providers)

Amazon launches new features for hospitals using Alexa devices

At HIMSS23 on Monday, Amazon announced a new suite of features tailored for providers using Alexa-enabled experiences at scale for hospitals.

The features are part of Alexa Smart Properties (ASP) for Healthcare, which provides device fleet management of Alexa-enabled devices to help reduce administrative burdens at hospitals. See full story (https://www.fiercehealthcare.com/health-tech/himss23-amazon-launches-new-features-hospitals-using-alexa-devices).

Monday, April 17 at 8 am ET

Orion Health launches scalable 'intelligent' data platform

Software company Orion Health kicks off HIMSS23 by unveiling its new Orchestral health intelligence platform, what is calls the first "out-of-the-box health-specific" data platform.

The health data solution can be cloud or on-premise hosted, and features include built-in machine learning, natural language processing, data de-identification, terminology service, patient indexing, data integration, elastically scalable, data analytics capabilities and zero downtime upgrades, according to the company.

Orion Health global CEO Brad Porter says the Orchestral solution sunsets the need for customers to cobble together multiple point solutions and components from different vendors, often built on antiquated technology. Orchestral provides a hub for all data, applications and services in a health system.

“This has all been made possible by utilizing modern tech such as Spark, Jupyter, Docker, Kubernetes, Kafka, Elastic Search, Postgres, microservice API’s, and much more. Orchestral is the most scalable intelligent data platform on the market, being not only able to store data for hundreds of millions of patients in the cloud but also able to scale right down to a MacBook or even a Raspberry Pi cluster," Porter said.

Orchestral is one of the three arms of Orion Health’s Unified Healthcare Platform. The company provides a digital care record or HIE as an integrated platform that consolidates patient data across care settings. These are used throughout multiple global health systems including 10 statewide health information exchanges in the U.S., according to the company.

Orion Health also provides a consumer engagement platform that integrates data, tools and services for end-to-end healthcare navigation and management.

Artificial intelligence is baked into Orchestral, allowing for out-of-the-box machine learning, natural language processing and algorithm management. The platform allows for simple viewing of the data and also the ability to integrate into other applications. Orchestral can ingest and store every type of data related to individual patients, healthcare providers. This includes structured and unstructured data from HL7 and FHIR standards, social determinants of health, genomics, environmental and behavioral health, executives said.

“Orchestral is the culmination of 30 years of Orion Health working with healthcare data and interoperability, handling hundreds of millions of patient’s records and on the journey to provide a truly intelligent health data platform for the future,” Porter said.

Digital Health | AI and Machine Learning | Telehealth | Payers | Providers | Hospitals | Practices | Retail | Finance | Regulatory | Health Tech | Artificial Intelligence | Interoperability

EXHIBIT 6

From: Field, Ken
To: Walsh, Kathryn E.
Cc: Jones, Robert L.; Petrizzi, Maribeth; Seidman, Mark
Subject: Re: HSR Question
Date: Wednesday, April 5, 2023 6:36:32 PM

Thank you, Kate.

Is there a time next week when we can meet to discuss the analysis with your team?

On Apr 4, 2023, at 5:31 PM, Walsh, Kathryn E. <kwalsh@ftc.gov> wrote:

[EXTERNAL]
Ken:

We disagree with your analysis below. Assuming your transaction met the statutory thresholds, you should have submitted an HSR filing. Please submit your HSR filing as soon as possible.

Thanks,
Kate

From: Field, Ken <ken.field@hoganlovells.com>
Sent: Monday, April 3, 2023 10:41 AM
To: Walsh, Kathryn E. <kwalsh@ftc.gov>
Subject: RE: HSR Question

Hi Kate,

On December 28, 2022, the State of Louisiana granted a Certificate of Public Advantage under La. R.S. 40:2254.1, et seq., approving the agreements and merger through which Tulane Medical Center, Lakeview Regional Medical Center, and Tulane Lakeside Hospital joined LCMC Health.

You asked whether Section 7A of the Clayton Antitrust Act of 1914, as amended by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, 15 USC 18(a), required the filing of a pre-merger notification and report form ("HSR" filing) prior to closing despite the transaction being approved under La. R.S. 40:2254.1.

The Louisiana legislature expressly and clearly articulated the purpose and intent of La. R.S. 40:2254.1 in the language of the statute: "granting the parties to the agreements, mergers, joint ventures, or consolidations state action immunity for actions that might otherwise be considered to be in violation of state antitrust laws, federal antitrust laws, or both."

We believe the state action immunity doctrine arising from *Parker v. Brown*, 317 U.S. 341 (1943) and subsequent cases effectively immunized and exempted the transaction from the Clayton Act and its

HSR filing amendments given Louisiana's approval under La. R.S. 40:2254.1, et seq., prior to the merger date. While we understand that the Commission strongly disfavors Certificates of Public Advantage and assertions of state action immunity, we also understand our position here is consistent with prior Commission actions in Certificate of Public Advantage matters, including matters in which I was directly involved and specifically engaged with the Commission on this issue.

Should you disagree, please let us know and share your analysis. We are happy to discuss in more detail as necessary.

Thank you,
Ken

Ken Field
Antitrust Partner, Health Care Antitrust Practice Leader

Hogan Lovells US LLP
Columbia Square
555 Thirteenth Street, NW
Washington, DC 20004-1109
Office +1 202 637 5869
Cell +1 703 927 8631
ken.field@hoganlovells.com

From: Walsh, Kathryn E. <kwalsh@ftc.gov>
Sent: Thursday, March 23, 2023 5:24 PM
To: Field, Ken <ken.field@hoganlovells.com>
Subject: RE: HSR Question

[EXTERNAL]
Ken:

Your March 14, 2023, email is not sufficient to explain why your client didn't file an HSR notification prior to its January 2023 acquisition noted below. Please explain your HSR analysis as to why the acquisition did not require an HSR notification. Additionally, please provide more detail on how the Louisiana COPA analysis exempts the acquisition from HSR notification.

Thanks,

Kate

From: Field, Ken <ken.field@hoganlovells.com>
Sent: Tuesday, March 14, 2023 2:43 PM
To: Walsh, Kathryn E. <kwalsh@ftc.gov>
Subject: HSR Question

Hi Kate,
Thank you for taking the time to speak with me by phone. As we discussed, I have changed firms but

I continue to represent LCMC Health in this matter.

By this email I also confirm, as you requested, that Attorney General Jeff Landry of Louisiana approved a Certificate of Public Advantage (COPA) under Louisiana Revised Statute 40:225411, et. seq., for LCMC Health's below referenced partnership with Tulane University. The COPA was granted prior to the closing of the transaction.

Thank you,
Ken

Ken Field
Partner

Hogan Lovells US LLP
Columbia Square
555 Thirteenth Street, NW
Washington, DC 20004-1109
Office: +1 202 637 5869
Cell: +1 703 927 8631
Email: ken.field@hoganlovells.com
www.hoganlovells.com

From: Walsh, Kathryn E. <kwalsh@ftc.gov>
Sent: Friday, March 3, 2023 11:49 AM
To: Field, Kenneth W. <kfield@jonesday.com>
Subject: HSR Question

** External mail **

Ken:

I understand Jones Day acted as Antitrust counsel to LCMC Health in the partnership with Tulane University in which Tulane Medical Center, Lakeview Regional Medical Center, and Tulane Lakeside Hospital were acquired from HCA Healthcare and joined LCMC Health. Could you walk me through the HSR analysis?

Thanks,
Kate

Kathryn E. Walsh
Deputy Assistant Director
Premerger Notification Office
Federal Trade Commission
(202) 326-2977

About Hogan Lovells
Hogan Lovells is an international legal practice that includes Hogan Lovells US LLP and Hogan Lovells International LLP. For more information, see www.hoganlovells.com.

From: Tasso, Christine
To: ken.field@hoganlovells.com
Cc: Towey, Jamie; Pergament, Adam; Walsh, Kathryn E.; Jones, Robert L.
Subject: LCMC/HCA, FTC File Nos. 231-0075 and 231-0076
Date: Wednesday, April 5, 2023 9:39:00 PM
Attachments: 2023.04.05 Letter to K. Field re LCMC-HCA (FTC FIle Nos. 231-0075 and 231-0076).pdf

---

Dear Ken,

Please see the attached letter regarding LCMC Health's acquisition of Tulane Medical Center, Lakeview Regional Medical Center, and Tulane Lakeside Hospital from HCA Healthcare.

Regards,

Christine

Christine Tasso
Federal Trade Commission
Bureau of Competition
400 7th Street, SW
Washington, DC 20024
Phone: (202) 326-2232
Email: ctasso@ftc.gov

EXHIBIT 8

UNITED STATES OF AMERICA
Federal Trade Commission
WASHINGTON, D.C. 20580

Adam Pergament
Mergers IV Division
Bureau of Competition
Phone: (202) 326-2647
Email: apergament@ftc.gov

Christine Tasso
Compliance Division
Bureau of Competition
Phone: (202) 326-2232
Email: ctasso@ftc.gov

Via email

April 5, 2023

LCMC Health
c/o Ken Field
Hogan Lovells US LLP
Columbia Square
555 Thirteenth Street, NW
Washington, DC 20004

Re: LCMC/HCA, FTC File Nos. 231-0075 and 231-0076

Dear Mr. Field:

The Commission has opened a nonpublic investigation into whether LCMC Health violated the requirements of the Hart-Scott-Rodino Premerger Notification Act, 15 U.S.C. § 18a, for failing to submit a pre-merger notification and report form in connection with LCMC Health's acquisition of Tulane Medical Center, Lakeview Regional Medical Center, and Tulane Lakeside Hospital (the "Acquired Hospitals") from HCA Healthcare (the "Transaction"). Further, the Commission is investigating whether the Transaction violates Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

We understand that LCMC Health closed the Transaction on or about January 3, 2023. We ask that LCMC Health cease any further integration of the Acquired Hospitals and hold them separate until the conclusion of the Commission's nonpublic investigations. We will be sending a proposed hold separate agreement shortly.

Pending completion of the investigations, LCMC Health (including all its agents, representatives, and consultants) should cease all document destruction activities with respect to matters that may be of relevance to this matter. This includes computer files, electronic correspondence, and all other written, recorded and graphic material of every kind, including but not limited to texts. Any destruction of relevant documents may violate 18 U.S.C. § 1505, which

makes it unlawful for anyone to influence, obstruct, or impede the due and proper administration of the law. Neither this letter, nor the existence of the nonpublic investigations, should be viewed as a determination by the Commission or its staff that a violation of law has occurred.

Sincerely,

/s/ Adam Pergament
Adam Pergament
Attorney
Bureau of Competition

/s/ Christine Tasso
Christine Tasso
Attorney
Bureau of Competition

Approved by:

/s/ Mark Seidman
Mark Seidman
Assistant Director, Mergers IV Division
Bureau of Competition
Federal Trade Commission

Approved by:

/s/ Maribeth Petrizzi
Maribeth Petrizzi
Assistant Director, Compliance Division
Bureau of Competition
Federal Trade Commission

Cc: Robert Jones
Kathryn E. Walsh
Jamie Towey

EXHIBIT 9

Towey, Jamie

From: Field, Ken <ken.field@hoganlovells.com>
Sent: Friday, April 7, 2023 3:23 PM
To: Tasso, Christine
Cc: Towey, Jamie; Pergament, Adam; Walsh, Kathryn E.; Jones, Robert L.
Subject: Re: LCMC/HCA, FTC File Nos. 231-0075 and 231-0076

Thank you, Christine.

I had asked Kate if we can schedule a meeting to discuss your analysis with regard to the state action issue. Now that it appears Mergers IV will be taking the lead, are you and your team available to meet with us on these issues?

On Apr 5, 2023, at 9:40 PM, Tasso, Christine <ctasso@ftc.gov> wrote:

[EXTERNAL]
Dear Ken,

Please see the attached letter regarding LCMC Health's acquisition of Tulane Medical Center, Lakeview Regional Medical Center, and Tulane Lakeside Hospital from HCA Healthcare.

Regards,

Christine

Christine Tasso
Federal Trade Commission
Bureau of Competition
400 7th Street, SW
Washington, DC 20024
Phone: (202) 326-2232
Email: ctasso@ftc.gov

<2023.04.05 Letter to K. Field re LCMC-HCA (FTC FIle Nos. 231-0075 and 231-0076).pdf>

EXHIBIT 10

From: Towey, Jamie
To: ken.field@hoganlovells.com
Cc: Bryson, Alexander James; Pergament, Adam; Petrizzi, Maribeth; Rodger, Stephen; Rohlck, Eric D.; Seidman, Mark; Tasso, Christine
Subject: LCMC/HCA, FTC File Nos. 231-0075 and 231-0076
Date: Wednesday, April 12, 2023 6:54:00 PM
Attachments: Draft LCMC Hold Separate (FTC 04.12.2023 Version).pdf

Ken,

Thank you for the information that you provided during our meeting yesterday. As promised, we are sending a draft hold separate agreement for discussion. Please feel free to reach out to us if you (or your client) have questions about the draft or if there are concepts in the draft that would be easier to discuss live. Based on your representations yesterday, you will provide us an update next Tuesday (April 18) on LCMC's plans for an HSR filing and its decision on a hold separate. What windows do you have available next Tuesday, so that we can select a time and block it off on our calendars?

Thanks,
Jamie (he/him)

Jamie R. Towey
Bureau of Competition | Federal Trade Commission
202.326.3727 (t) | 202.650.8352 (m)

EXHIBIT 11

LCMC Health's Agreement to Maintain Assets and Preserve Confidentiality and Competition

LCMC/HCA, FTC File Numbers 231-0075 and 231-0076

LCMC Health ("LCMC") agrees to comply with this Agreement to Maintain Assets and Preserve Confidentiality and Competition ("Agreement") to hold separate and maintain the viability of the Tulane Hospitals acquired from HCA Healthcare on January 3, 2023, pursuant to the following terms:

Definitions

1. The following definitions shall apply to this Agreement:

   a. "Acquisition Date" means January 3, 2023.

   b. "Effective Date" means (1) for activities or functions of the Tulane Hospitals that LCMC has not changed since the Acquisition Date, January 3, 2023; and (2) for activities or functions of the Tulane Hospitals that LCMC has changed since the Acquisition Date and listed in Exhibit A, April 5, 2023.

   c. "Health Plan" means any Person that pays, or arranges for payment, for all or any part of any hospital services for itself or for any other Person.

   d. "Hold Separate Period" means the period from the date this Agreement is executed by LCMC until termination of the Agreement.

   e. "LCMC" shall mean LCMC Health, its domestic and foreign parents, predecessors, successors, divisions, subsidiaries, affiliates, partnerships and joint ventures, and all directors, officers, employees, agents, and representatives of the foregoing. The terms "subsidiary," "affiliate," and "joint venture" refer to any Person in which there is partial (25% or more) or total ownership or control between LCMC and any other Person.

   f. "Person" means any natural person, corporation, partnership, association, governmental organization, or other legal entity, including all officers, members, predecessors, assigns, divisions, affiliates, and subsidiaries.

   g. "Preexisting Business" means LCMC hospital business existing prior to the acquisition of the Tulane Hospitals.

   h. "Tulane Hospitals" means the Tulane Medical Center in New Orleans, LA, the Tulane Lakeside Hospital in Metairie, LA, and the Lakeview Regional Medical Center in Covington, LA, which were acquired by LCMC from HCA Healthcare on January 3, 2023.

Asset Maintenance

2. During the Hold Separate Period, LCMC shall ensure that the Tulane Hospitals are operated and maintained in the ordinary course of business consistent with the practices on the Effective Date. In addition to any other steps necessary to comply with this section, LCMC shall:

   a. Take all actions necessary to maintain the full economic viability, marketability, and competitiveness of the Tulane Hospitals to minimize the risk of any loss of its competitive potential;

   b. Maintain all clinical services available on the Effective Date and not eliminate, transfer, consolidate, or reduce clinical services, equipment, or facilities and, without limitation, maintain office space, services, and any other assets or businesses relating to the Tulane Hospitals transferred to or controlled by LCMC as of the Effective Date;

   c. Not sell, transfer, encumber, or otherwise impair the assets used by the Tulane Hospitals and prevent the destruction, wasting, or deterioration of the Tulane Hospitals, except in the ordinary course of business, and not take any action that might create a material change in the operations of the Tulane Hospitals;

   d. Provide the Tulane Hospitals with sufficient capital to maintain the viability, competitiveness, and marketability of the business;

   e. Preserve the existing relationships with Health Plans, suppliers, customers, employees, governmental authorities, vendors, landlords, and others having business relationships with the Tulane Hospitals. In the event that a contract with the Tulane Hospitals expires during the term of this Agreement, the Tulane Hospitals shall offer to continue to do business on the same material terms as are in the contract for the remaining term of this Agreement;

   f. Permit the Tulane Hospitals to grant privileges to new physicians in the ordinary course of business and consistent with the practices and procedures in place at the Tulane Hospitals on the Effective Date; and

   g. Not modify, change, or cancel any physician privileges at the Tulane Hospitals, such that all physicians with privileges at the Tulane Hospitals on the Effective Date shall retain their privileges; *provided however*, that a Tulane Hospital may revoke privileges of any individual physician consistent with professional medical standards, and LCMC shall provide written notice to FTC staff within 24 hours of any revocation of privileges.

Hold Separate

3. During the Hold Separate Period, LCMC:

a. Shall not further consolidate, integrate or otherwise combine the services, locations, employees, operations, or businesses of the Tulane Hospitals into or with any of LCMC's other services, locations, employees, operations, or businesses;

b. Shall allow the Tulane Hospitals to operate separately, apart, and independently of LCMC's other businesses and assets as configured on the Effective Date, and vest the Tulane Hospitals with all rights, powers, and authority necessary to conduct business in a manner consistent with this Agreement;

c. Shall continue to keep separate those contracting activities of the Tulane Hospitals with Health Plans that are separate from the Pre-existing Business as of the Effective Date, including maintaining separate contracts for Health Plans of the Tulane Hospitals that are also customers of the Preexisting Business; and

d. From the Effective Date, shall create firewalls to prohibit employees of the:

i. Preexisting Business from disclosing price and cost information, including reimbursement rates, relating to the services offered by the Preexisting Business to employees of the Tulane Hospitals;

ii. Tulane Hospitals from disclosing price and cost information, including reimbursement rates, relating to the services offered by Tulane Hospitals to employees of the Preexisting Business; and

iii. Preexisting Business and the Tulane Hospitals from coordinating on any pricing-related decisions for services offered by either.

Employees of the Tulane Hospitals

4. LCMC shall maintain a workforce of physicians, nurses, and medical support staff for the Tulane Hospitals, that is at least equivalent in size, training, specialty, and expertise, to that of the business as of the Effective Date. It is further agreed that:

a. LCMC shall not terminate, or cause the termination of, any contract between the Tulane Hospitals and any employee except for good cause as allowed by contract. If a contract expires during the term of this Agreement, LCMC shall offer to continue to do business on the same material terms as are in the contract for the remaining term of this Agreement;

b. LCMC shall provide employee benefits to employees of the Tulane Hospitals that are at least equal to those provided as of the Effective Date. These benefits shall include regularly scheduled raises, bonuses, vesting of pension benefits (as permitted by law), and additional incentives reasonably necessary to preserve the viability, competitiveness, and marketability of the Tulane Hospitals;

c. For any employee of a Tulane Hospital terminated for good cause after the date this Agreement is executed by LCMC, LCMC shall provide written notice to FTC staff within 24 hours of any termination (including the cause for such termination); and

d. Consistent with past practice as of the Effective Date, the Tulane Hospitals shall replace any departing or departed employee with an individual who has similar experience, specialty, and expertise.

Cooperation With FTC Staff

5. LCMC shall cooperate with any reasonable request by FTC Staff for information regarding its compliance with the terms of this Agreement, including the following:

a. Thirty days after the date this Agreement is signed by LCMC, LCMC shall submit a report describing how it will implement and is implementing the terms of this Agreement and shall submit subsequent reports every 30 days thereafter until this Agreement terminates. Each report shall:

i. Describe how LCMC has complied and is complying with the terms of this Agreement;

ii. Provide sufficient information and documentation to enable FTC Staff to determine independently whether LCMC is in compliance with this Agreement;

iii. Be verified by a notarized signature or sworn statement of a person specifically authorized to perform this function on behalf of LCMC, as applicable, or self-verified in the manner set forth in 28 U.S.C. § 1746; and

iv. Be filed directly with the Bureau of Competition's Compliance Division at bccompliance@ftc.gov, with copies to Christine Tasso at ctasso@ftc.gov and Adam Pergament at apergament@ftc.gov.

b. For purposes of notifying FTC Staff as required in this Agreement, LCMC shall contact Christine Tasso and Adam Pergament at the emails listed above.

Miscellaneous

6. By signing this Agreement, LCMC represents and warrants that it can fulfill all the terms of this Agreement, and that it will cause all parents, subsidiaries, affiliates, and successors to effectuate full compliance with this Agreement.

7. LCMC understands that this Agreement shall be effective and enforceable from the date LCMC signs this Agreement until its termination.

8. Unless otherwise terminated in writing by FTC Staff, this Agreement shall remain in effect until the earlier of: (1) the termination or expiration of any applicable HSR waiting period confirmed

by FTC Staff; or (2) the date LCMC is released from any further hold-separate and asset maintenance obligation by a court of competent jurisdiction.

9. Nothing in this Agreement shall be construed to limit the type or scope of relief the Commission may seek, including relief to enjoin LCMC from exercising direction or control over the Tulane Hospitals during the pendency of any challenge to the acquisition brought by the Commission, or seeking relief that would require LCMC to unwind and return to the Tulane Hospitals any service or facility that may have been removed or modified since the Acquisition Date. Nothing in this Agreement shall be construed as a waiver by LCMC of any defense or challenge to any action by the Commission to enjoin LCMC from exercising direction or control over the Tulane Hospitals during the pendency of any challenge to the acquisition brought by the Commission, or to any Commission order to divest assets relating to the Tulane Hospitals; *provided, however*, that LCMC shall not challenge the validity of this Agreement or the authority of the FTC Staff to enter into this Agreement.

10. Signing this Agreement does not constitute an admission by LCMC that the acquisition of the Tulane Hospitals violates the law.

LCMC Health

_____
Name

Date: _____

Federal Trade Commission

_____
Holly L. Vedova
Director
Bureau of Competition

Date: _____

Exhibit A

[LCMC to provide]

EXHIBIT 12

Towey, Jamie

From: Towey, Jamie
Sent: Thursday, April 13, 2023 2:00 PM
To: ken.field@hoganlovells.com
Cc: Bryson, Alexander James; Pergament, Adam; Petrizzi, Maribeth; Rodger, Stephen; Rohlck, Eric D.; Seidman, Mark; Tasso, Christine
Subject: RE: LCMC/HCA, FTC File Nos. 231-0075 and 231-0076

Tracking:

Recipient	Delivery	Read
ken.field@hoganlovells.com		
Bryson, Alexander James	Delivered: 4/13/2023 2:00 PM	
Pergament, Adam	Delivered: 4/13/2023 2:00 PM	Read: 4/13/2023 2:14 PM
Petrizzi, Maribeth	Delivered: 4/13/2023 2:00 PM	
Rodger, Stephen	Delivered: 4/13/2023 2:00 PM	Read: 4/13/2023 2:02 PM
Rohlck, Eric D.	Delivered: 4/13/2023 2:00 PM	Read: 4/13/2023 2:00 PM
Seidman, Mark	Delivered: 4/13/2023 2:00 PM	
Tasso, Christine	Delivered: 4/13/2023 2:00 PM	

Ken,

We understood your position during our Tuesday meeting that it would be helpful for us to understand the transaction structure, but that you were not yet authorized to discuss it. We nonetheless believe that we should provide HCA with notice of our investigation so that HCA can make any preparations that would be appropriate. Assuming that you do not represent HCA, we plan to reach out to inform it that HSR civil penalties are accruing based on our assessment of the transaction from public sources.

If you have received authorization to discuss the transaction structure and feel that would inform our actions, please reach out to us as soon as you can.

Thanks,
Jamie (he/him)

From: Towey, Jamie
Sent: Wednesday, April 12, 2023 6:54 PM
To: ken.field@hoganlovells.com
Cc: Bryson, Alexander James <abryson@ftc.gov>; Pergament, Adam <apergament@ftc.gov>; Petrizzi, Maribeth <mpetrizzi@ftc.gov>; Rodger, Stephen <srodger@ftc.gov>; Rohlck, Eric D. <EROHLCK@ftc.gov>; Seidman, Mark <MSEIDMAN@ftc.gov>; Tasso, Christine <ctasso@ftc.gov>
Subject: LCMC/HCA, FTC File Nos. 231-0075 and 231-0076

Ken,

Thank you for the information that you provided during our meeting yesterday. As promised, we are sending a draft hold separate agreement for discussion. Please feel free to reach out to us if you (or your client) have questions about the draft or if there are concepts in the draft that would be easier to discuss live. Based on your representations yesterday, you will provide us an update next Tuesday (April 18) on LCMC's plans for an HSR filing and its decision on a

hold separate. What windows do you have available next Tuesday, so that we can select a time and block it off on our calendars?

Thanks,
Jamie (he/him)

Jamie R. Towey
Bureau of Competition | Federal Trade Commission
202.326.3727 (t) | 202.650.8352 (m)