

**ST. TAMMANY PARISH HOSPITAL
SERVICE DISTRICT NO. 2**

d/b/a SLIDELL MEMORIAL HOSPITAL

Financial Statements
December 31, 2021 and 2020



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**ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL**

Management's Discussion and Analysis

This section of St. Tammany Parish Hospital Service District No. 2's (Slidell Memorial Hospital, or SMH, or the Hospital) annual financial report presents background information and management's analysis of the Hospital's financial performance during the fiscal year that ended on December 31, 2021. This should be read in conjunction with the financial statements in this report.

Executive Summary

In 2021, Slidell Memorial Hospital continued to make strategic investments in physician alignment, service growth, and quality improvement to position the facility for the future. The SMH Physician Network has grown to a complement of 50 practitioners. Management and the Board of Commissioners are committed to a strategy of improving quality and cost through reducing variation in medical practice patterns and increasing access to primary care in the marketplace. Fiscal year 2021 proved to be difficult dealing with the COVID-19 pandemic. Despite these challenges and with a positive 3.5% EBIDA in 2021, these strategies are in keeping with the Mission: To Improve the Quality of Life in Our Community.

SMH signed a 20-year Joint Operating Agreement (JOA) with Ochsner Health System (OHS), effective January 1, 2016. The JOA creates collaboration between SMH and OHS to achieve more effective and efficient operations by maximizing the utility of our combined assets. The two organizations retain ownership and ultimate control of their assets, but contractual, clinical, and financial integration align incentives to become dispassionate about the location of services. The JOA is managed by a consolidated management team in order to establish a single culture and an enterprise mindset in decision making. The JOA creates a Strategy and Oversight Committee (SOC) with equal representation from SMH's Board of Commissioners and from OHS. The SOC represents the group through which the two organizations will collaborate on things like what services are delivered in the division, where those services are delivered, physician recruitment, and other strategic objectives. The JOA not only creates opportunity for significant cost reduction, but with critical mass in some services, the JOA becomes a quality improvement and growth strategy as well.

SMH Regional Cancer Center provides a comprehensive, disciplinary coordinated care model with services ranging from an appearance center, library, laboratory, pharmacy, outpatient chemotherapy and infusion service, and radiation oncology. The board-certified medical oncologists are providing care to the region. The provision of services allows patients to remain close to home with the support of family and the community. SMH's cancer program has been accredited by the American College of Surgeons Commission on Cancer since 1992. The Radiation Oncology Department has been accredited by the American College of Radiation Oncology since 2012.

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Management's Discussion and Analysis

Slidell Memorial Hospital is no different than most other community hospitals in the United States in struggling with the transformation of the healthcare delivery system from fee-for-service to fee-for-value. Without significant capital on the balance sheet, it is precarious to under-shoot or over-shoot the unknown glide-path of change. Moving too fast will erode revenues while increasing expenses associated with infrastructure to manage for value. Moving too slow will expose the organization on the backside of the conversion to risk of massive market share loss to early adopters of the transition to managing population utilization and cost. Here again, the JOA with OHS provides a partner with existing infrastructure and scale to be much more effective in this area as we align around the commitment to improving quality, improving access, lowering costs, and growing local services.

Financial Highlights

Net patient service revenue increased by 11% from the prior year. Acute admissions were up 11% over prior year and observation admits were up 0.7%. Cardiac catheterization patients were up 17.3% over prior year. Compared to prior year, emergency room visits were up 16.8%, surgeries were up 2.8%, infusion therapy visits were up 4.8%, and physician clinic visits down 2.2%. Payor mix stayed relatively the same as prior year.

In 2021, operating expenses before depreciation and amortization increased 4% from the prior year. This increase is primarily due to premium pay salary and contract agency usage, health insurance for employee claims, supply expense for COVID, and purchased services for Emergency Room coverage.

The Hospital's total net position increased by \$3.4 million in 2021. The assets of the Hospital exceeded liabilities at the close of the 2021 fiscal year by \$136.6 million. Of this amount, \$78 million (unrestricted net position) may be used to meet ongoing obligations to the Hospital's patients and creditors, and \$47.7 million is net investment in capital assets.

Overview of the Financial Statements

This annual report consists of four components - management's discussion and analysis (this section), the independent auditor's report, the financial statements, and supplementary information.

The financial statements of Slidell Memorial Hospital report the financial position of the Hospital and the results of its operations and its cash flows. The financial statements are prepared on the accrual basis of accounting. These statements offer short-term and long-term financial information about the Hospital's activities.

**ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
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Management's Discussion and Analysis

The *statements of net position* include all the Hospital's assets, deferred outflows, and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Hospital's creditors (liabilities) for both the current year and the prior year. They also provide the basis for evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital.

The current year's revenues and expenses are accounted for in the *statements of revenues, expenses, and changes in net position*. This statement measures the performance of the Hospital's operations over the past two years and can be used to determine whether the Hospital has been able to recover all its costs through its patient service revenue and other revenue sources.

The primary purpose of the *statements of cash flows* is to provide information about the Hospital's cash from operations, investing, and financing activities. The cash flow statement outlines where the cash comes from, what the cash is used for, and the change in the cash balance during the reporting period.

The annual report also includes notes to financial statements that are essential to gain a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

Financial Analysis of the Hospital

The *statements of net position* and the *statements of revenue, expenses, and changes in net position* report information about the Hospital's activities. These two statements report the net position of the Hospital and changes in them. Increases or improvements, as well as decreases or declines in net position, are one indicator of the financial state of the Hospital. Other non-financial factors that should also be considered include changes in economic conditions (including uninsured and working poor) and population growth.

**ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL**

Management's Discussion and Analysis

Net Position

A summary of the Hospital's statements of net position is presented in the following table:

	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019
	(In Thousands)		
Current and Other Assets	\$ 159,491	\$ 141,158	\$ 102,246
Capital Assets, Net	89,436	91,081	99,088
Deferred Outflows of Resources	605	401	465
Total Assets and Deferred Outflows of Resources	\$ 249,532	\$ 232,640	\$ 201,799
Long-Term Debt Outstanding	\$ 63,672	\$ 41,755	\$ 47,130
Other Liabilities	49,240	57,672	32,021
Total Liabilities	\$ 112,912	\$ 99,427	\$ 79,151
Net Investment in Capital Assets	\$ 47,772	\$ 44,352	\$ 47,941
Restricted	10,056	8,814	8,568
Unrestricted	78,792	80,047	66,139
Total Net Position	\$ 136,620	\$ 133,213	\$ 122,648

December 31, 2021

Long-term debt increased \$21.9 million in 2021 reflecting the effect of issuance of a new hospital indebtedness.

December 31, 2020

Long-term debt decreased \$5.3 million in 2020 reflecting the effect of scheduled payments.

December 31, 2019

Long-term debt decreased \$4.7 million in 2019 reflecting the effect of scheduled payments.

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
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Management's Discussion and Analysis

Summary of Revenues, Expenses, and Changes in Net Position

The following table presents a summary of the Hospital's historical revenues and expenses for each of the fiscal years ended December 31, 2021, 2020, and 2019:

	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019
	(In Thousands)		
Net Patient Service Revenue	\$ 209,835	\$ 188,357	\$ 191,197
Other Operating Revenue Excluding Interest Income	14,310	11,346	6,685
Total Operating Revenues	224,145	199,703	197,882
Operating Expenses before Depreciation/Amortization	216,238	207,617	187,714
Earnings before Interest, Depreciation, and Amortization (EBIDA) and Non-Operating Revenues (Expenses)	7,907	(7,914)	10,168
Depreciation and Amortization Expense	9,842	10,644	10,457
Operating Net (Loss) Income	(1,935)	(18,558)	(289)
Non-Operating Revenues (Expenses)			
Interest Income	214	445	1,719
Interest Expense	(1,559)	(1,520)	(1,739)
Bond Issuance Costs	(701)	(45)	(259)
Property Tax Revenue	5,697	4,696	4,505
CARES Act Funding	2,224	26,060	-
Other Expenses, Net	(533)	(513)	(1,289)
Change in Net Position	3,407	10,565	2,648
Total Net Position - Beginning of Year	133,213	122,648	120,000
Total Net Position - End of Year	\$ 136,620	\$ 133,213	\$ 122,648

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
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Management’s Discussion and Analysis

The following table represents the relative percentage of gross charges billed for patient services by payer for the fiscal years ended December 31, 2021, 2020, and 2019:

	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019
Medicare and Medicare HMO	54%	57%	56%
Medicaid	17%	15%	15%
Managed Care and Commercial Insurance	27%	26%	27%
Uninsured Patients	2%	2%	2%
Total Gross Charges	100%	100%	100%

Operating and Financial Performance

The following summarizes the Hospital’s statements of revenues, expenses, and changes in net position between 2021, 2020, and 2019:

- During 2021, the Hospital had 8,880 acute inpatient admissions. This is an increase of 11% from fiscal year 2020. In 2020, the Hospital had 7,996 acute inpatient admissions. This is an increase of 5.6% from fiscal year 2019.
- Emergency Room visits were 37,277 and 31,922 in 2021 and 2020, respectively, representing an increase of 16.8% in 2021 over 2020. There was a decrease of 18.8% in 2020 compared to fiscal year 2019.
- Cardiac catheterization patient volume increased 17.3% from fiscal year 2020. There was a decrease of 26.8% from 2019 to 2020.
- During 2021, net patient service revenue increased \$21.5 million, or 11%, from 2020. During 2020, net patient service revenue decreased \$2.8 million, or 1.5%, from 2019. This decrease is a result of a decrease in inpatient volumes from prior year.
- During 2021, salaries, wages, and benefits increased 8.3% from prior year due to increased premium pay and contract agency usage. In 2020, salaries, wages, and benefits decreased 2.5% from prior year.
- During 2021, supplies and materials increased approximately 10% compared to 2020, primarily due to inpatient and outpatient volume increases. In 2020, supplies and materials increased 2.1%, primarily due to Covid related supply expenses.
- In 2021, purchased services increased 26.9% from the prior year, due to increased volume for emergency room coverage and outsourced housekeeping.
- In 2021, other direct expenses decreased 14% from prior year, as a result of a decrease in the JOA expense and a decrease in the Inter-governmental Transfers (IGT) in 2021.

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
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Management's Discussion and Analysis

Performance Against Budget

	FY 2021 Budget	FY 2021 Actual	Favorable (Unfavorable) Variance
(In Thousands)			
Revenues			
Net Patient Service Revenue	\$ 199,624	\$ 209,835	\$ 10,211
Other Operating Revenue	10,154	14,310	4,156
Total Revenues	209,778	224,145	14,367
Operating Expenses			
Salaries, Wages, and Benefits	95,808	104,725	(8,917)
Supplies and Other	85,747	92,546	(6,799)
Professional and Contractual Services	15,572	18,966	(3,394)
Total Operating Expenses before Depreciation/Amortization and Non-Operating Revenues (Expenses)	197,127	216,237	(19,110)
EBIDA	12,651	7,908	(4,743)
Interest Income	240	214	(26)
Interest Expense	(1,383)	(1,559)	(176)
Bond Issuance Costs	-	(701)	(701)
Depreciation and Amortization	(10,530)	(9,842)	688
Property Tax Revenue	4,850	5,697	847
CARES Act Funding	-	2,224	2,224
Other Expenses, Net	(33)	(533)	(500)
Excess of Revenues Over Expenses	5,795	3,408	(2,387)
Increase in Net Position	\$ 5,795	\$ 3,408	\$ (2,387)

- Net patient service revenue was over budget for 2021 by 5.1%, as a result of volume increase in 2021 due to Covid-19 in 2020.
- Salaries, wages, and benefits were over budget for 2021 by 9.3%, also as a result of the increase in volumes.

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
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Management's Discussion and Analysis

Capital Assets

	Fiscal Year 2021	Fiscal Year 2020	Dollar Change	Percent Change
	(In Thousands)			
Land and Land Improvements	\$ 9,127	\$ 9,081	\$ 46	1%
Building and Leasehold Improvements	138,180	137,796	384	0%
Equipment	102,357	99,678	2,679	3%
Construction in Progress	3,012	47	2,965	6309%
Subtotal	252,676	246,602	6,074	2%
Less: Accumulated Depreciation	(163,240)	(155,522)	(7,718)	5%
Net Capital Assets	\$ 89,436	\$ 91,080	\$ (1,644)	-2%

Economic Factors and Next Year's Budget

The Hospital's Board and Management considered many factors when setting the fiscal year 2022 budget. Management will continue to focus on recruiting employed physicians in the primary care and specialty areas. In addition, the broad economy is significantly important in setting the 2022 budget, which takes into account market forces and environmental factors such as:

- The effect of general weakness in the broad economy signaling changes in employment, employment-related benefits, and ultimately managed care tightness on utilization and rates.
- Continuing federal budget deficit related cuts threatening critical programs that ensure services in the local community such as the 340B drug program.
- The State of Louisiana continues to face deficits that place Medicaid rates and other reimbursement methods at risk.
- SMH will continue investment in physician alignment and information systems that will be a key part of long-term success, if not survivability of hospitals, in an era of pay for performance, bundled payment, and/or accountable care organizations.
- The industry will continue to face growing utilization of costly technology without adequate reimbursement.
- The industry will continue to face the growing number of high-cost drugs, such as chemotherapy agents and new genetic custom specialty drugs, without adequate reimbursement.
- The industry will continue to face increased compliance costs due to pay for performance, HIPAA, and other regulations.

**ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
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Management's Discussion and Analysis

Contacting the Hospital's Financial Manager

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Hospital's finances. If you have any questions about this report or need additional financial information, please contact the Chief Financial Officer, Slidell Memorial Hospital, 1001 Gause Blvd., Slidell, LA 70458.

Independent Auditor's Report

To the Board of Commissioners
St. Tammany Parish Hospital Service District No. 2
d/b/a Slidell Memorial Hospital
Slidell, Louisiana

Report on the Audits of the Financial Statements

Opinions

We have audited the accompanying financial statements of the St. Tammany Parish Hospital Service District No. 2 d/b/a Slidell Memorial Hospital (the Organization) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the St. Tammany Parish Hospital Service District No. 2 d/b/a Slidell Memorial Hospital, as of December 31, 2021 and 2020, and the respective changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 opinions. 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 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 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 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 Organization'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through ix be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Organization's basic financial statements. The schedule of compensation paid to board of commissioners is presented for the purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 compensation paid to board of commissioners is fairly stated, in all material respects, in relation to the basic 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 June 27, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Organization'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 Organization's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
June 27, 2022

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL
Statements of Net Position
December 31, 2021 and 2020

	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and Cash Equivalents	\$ 74,394,650	\$ 87,027,959
Patient Accounts Receivable, Net of Allowances for Uncollectible Accounts of \$7,164,340 and \$7,376,199 in 2021 and 2020, Respectively	13,450,666	14,615,805
Assets Whose Use is Limited, Required for Current Liabilities	6,221,468	5,036,747
Inventories	4,849,997	4,253,073
Prepaid Expenses and Other Receivables	7,897,940	10,967,193
Total Current Assets	106,814,721	121,900,777
Assets Whose Use is Limited or Restricted		
Under Agreements for Capital Improvements and Debt Service	30,747,697	3,077,723
By Board for Master Facility Project	20,000,000	14,000,000
By State Department of Workers' Compensation	700,000	700,000
By Board Direction	143,145	135,413
Total Assets Whose Use is Limited or Restricted	51,590,842	17,913,136
Capital Assets		
Land and Improvements	9,127,212	9,081,292
Buildings and Improvements	138,179,555	137,795,750
Equipment	102,357,183	99,678,458
Construction in Progress	3,012,448	47,454
	252,676,398	246,602,954
Less: Accumulated Depreciation	(163,240,369)	(155,522,142)
Capital Assets, Net	89,436,029	91,080,812
Other Assets, Net	1,085,867	1,344,594
Total Assets	248,927,459	232,239,319
Deferred Outflows of Resources	604,656	401,086
Total Assets and Deferred Outflows of Resources	\$ 249,532,115	\$ 232,640,405

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL
Statements of Net Position (Continued)
December 31, 2021 and 2020

	2021	2020
Liabilities and Net Position		
Current Liabilities		
Trade Accounts Payable	\$ 2,706,206	\$ 3,308,685
Salaries, Wages, and Benefits Payable	4,104,845	5,740,568
Accrued Paid Time Off Payable	3,680,452	3,594,337
Accrued Interest and Other Expenses	21,936,557	22,850,707
Medicare Advanced Payments	10,601,858	16,802,597
Amounts Due Within One Year on Bonds Payable	4,370,000	3,585,000
Amounts Due Within One Year on Hospital Indebtedness	1,840,000	1,790,000
	<hr/>	<hr/>
Total Current Liabilities	49,239,918	57,671,894
Hospital Indebtedness, Less Amounts Due Within One Year	10,390,000	12,230,000
Bonds Payable, Less Amounts Due Within One Year	53,281,591	29,525,000
	<hr/>	<hr/>
Total Liabilities	112,911,509	99,426,894
Net Position		
Net Investment in Capital Assets	47,771,904	44,351,898
Restricted for:		
Debt Service	9,356,355	8,114,470
Workers' Compensation	700,000	700,000
Unrestricted	78,792,347	80,047,143
	<hr/>	<hr/>
Total Net Position	136,620,606	133,213,511
	<hr/>	<hr/>
Total Liabilities and Net Position	\$ 249,532,115	\$ 232,640,405

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2021 and 2020

	2021	2020
Revenues		
Net Patient Service Revenue	\$ 209,834,606	\$ 188,356,796
Other Revenue	14,309,749	11,346,325
Total Revenues	224,144,355	199,703,121
Operating Expenses		
Salaries and Wages	89,864,153	83,275,177
Employee Benefits	14,861,071	13,395,764
Supplies and Materials	49,258,852	44,726,376
Other Direct Expenses	43,287,206	50,366,379
Professional Fees	3,052,421	3,313,138
Purchased Services	15,913,863	12,540,485
Depreciation and Amortization	9,841,667	10,643,841
Total Operating Expenses	226,079,233	218,261,160
Operating Loss	(1,934,878)	(18,558,039)
Non-Operating Revenues (Expenses)		
Interest Income	214,135	445,253
Interest Expense	(1,558,614)	(1,519,751)
Bond Issuance Costs	(700,848)	(45,107)
Property Tax Revenue	5,696,680	4,695,973
CARES Act Funding	2,224,073	26,059,922
Other Expenses, Net	(533,453)	(513,084)
Total Non-Operating Revenues, Net	5,341,973	29,123,206
Change in Net Position	3,407,095	10,565,167
Net Position, Beginning of Year	133,213,511	122,648,344
Net Position, End of Year	\$ 136,620,606	\$ 133,213,511

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Cash Received from Patient Services	\$ 194,350,327	\$ 199,229,412
Cash Paid to or On Behalf of Employees	(107,674,920)	(88,439,019)
Cash Paid for Supplies and Services	(109,066,518)	(110,636,494)
Cash Received from Federal and State Programs	25,193,763	15,005,987
Net Cash Provided by Operating Activities	2,802,652	15,159,886
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(8,196,884)	(2,636,846)
Bond Premium	4,794,017	-
Proceeds from Issuance of Bonds	33,265,000	-
Principal Payments on Long-Term Debt	(5,572,426)	(5,290,000)
Payments to Refund Bonds	(10,020,242)	-
Costs of Bond Issuance	(700,848)	(45,107)
Dedicated Property Tax Revenue Received	4,344,522	4,579,189
CARES Act Proceeds	2,224,073	26,059,922
Interest Payments	(1,489,229)	(1,467,918)
Net Cash Provided by Capital and Related Financing Activities	18,647,983	21,199,240
Cash Flows from Investing Activities		
Investment in Joint Venture	(787,810)	(870,272)
Interest Earned on Investments	214,135	445,253
Net Cash Used in Investing Activities	(573,675)	(425,019)
Increase in Cash and Cash Equivalents	20,876,960	35,934,107
Cash and Cash Equivalents, Beginning of Year	104,643,442	68,709,335
Cash and Cash Equivalents, End of Year	\$ 125,520,402	\$ 104,643,442
Reconciliation to Statement of Net Position		
Cash and Cash Equivalents	\$ 74,394,650	\$ 87,027,959
Cash and Cash Equivalents included in Assets Whose Use is Limited, Required for Current Liabilities	30,982,607	3,480,070
Cash and Cash Equivalents included in Assets Whose Use is Limited or Restricted	20,143,145	14,135,413
Total Cash and Cash Equivalents	\$ 125,520,402	\$ 104,643,442

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2021 and 2020

	2021	2020
Reconciliation of Operating Loss to Net Cash		
Provided by Operating Activities		
Operating Loss	\$ (1,934,878)	\$ (18,558,039)
Adjustments to Reconcile Operating Loss to Net		
Cash Provided by Operating Activities		
Depreciation and Amortization	9,841,667	10,643,841
Provisions for Bad Debts	13,822,401	12,691,917
Changes in Operating Assets and Liabilities		
Patient Accounts Receivable	(12,657,262)	(10,776,234)
Inventories and Other Operating Assets	2,472,329	(4,180,018)
Accounts Payable and Accrued Expenses	(2,540,866)	8,535,822
Medicare Advanced Payments	(6,200,739)	16,802,597
Net Cash Provided by Operating Activities	\$ 2,802,652	\$ 15,159,886

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

**ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL**

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

Organization and Nature of Operations

Slidell Memorial Hospital (the Hospital) is a non-profit corporation organized as St. Tammany Parish Hospital Service District No. 2 (the District), a political subdivision of the State of Louisiana as established in Act 180 of the 1984 Regular Session of the Legislature, as amended, and is exempt from federal and state income taxes. The governing authority of the District is the St. Tammany Parish Hospital Service District No. 2 Board of Commissioners (the Board), which are appointed by a cross-section of representatives of city, parish, and state government bodies. The Board is authorized to oversee the assets and govern the operations of the District. The Hospital operates a full service acute care community hospital located in Slidell, Louisiana.

Reporting Entity

The basic financial statements present the Hospital and its component units, entities for which the Hospital is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, the following blended component unit is appropriately presented as a fund of the primary government.

Slidell Memorial Hospital Foundation, Inc. (the Foundation) is a Louisiana non-profit corporation exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Foundation's sole member is the District. The Foundation is operated by the District.

The Hospital and the Foundation are collectively referred to as the Organization. There are no other organizations or agencies whose financial statements should be included and presented with these financial statements.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated non-exchange transactions (principally, government grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions. Government-mandated non-exchange transactions that are not program specific, investment income, and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Organization first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available. All significant inter-entity accounts have been eliminated in the accompanying financial statements.

**ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL**

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

The determination of the allowance for uncollectible accounts receivable and amounts estimated to be recovered from third-party payors are particularly sensitive estimates and are subject to change.

Cash and Cash Equivalents

Cash and cash equivalents are recorded at fair value. The Organization reports short-term, highly liquid investments whose use is not limited (that are both readily convertible to known amounts of cash and mature within three months or less from date of purchase) as cash equivalents.

Inventories

Inventories, which consist primarily of drugs and supplies, are valued at the lower of cost (first-in, first-out method) or market.

Capital Assets

Land, buildings, and equipment acquisitions are recorded at historical cost except for assets donated to the Organization. Donated assets are recorded at fair value on the date of donation. Depreciation of buildings and equipment is computed using the straight-line method in amounts sufficient to amortize the cost of these assets over their estimated useful lives.

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted consist of cash and investments reported at fair value with gains and losses included in the statements of revenues, expenses, and changes in net position.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, consisting of property and equipment and cost in excess of net assets acquired, for impairment and determines whether an event or change in facts and circumstances indicates that their carrying amount may not be recoverable. The Organization determines recoverability of the assets by comparing the carrying value of the asset to net future undiscounted cash flows that the asset is expected to generate. The impairment recognized is the amount by which the carrying amount exceeds the fair market value of the asset. There were no asset impairments recorded during 2021 and 2020.

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Joint Venture Agreement

During August of 2018, the Organization entered into a joint venture agreement with St. Tammany Parish Hospital, Ochsner Clinic Foundation, and Hospital Holdings Corporation to join a newly established entity, NSR Louisiana, LLC, that will provide inpatient rehabilitation services at a facility located in Lacombe, Louisiana. Under the terms of the agreement, the Organization will have a 30% ownership interest in NSR Louisiana, LLC. The initial cash contribution to capital of the Organization was \$237,000. The Organization's ownership interest of \$1,085,867 and \$1,344,594 as of December 31, 2021 and 2020, respectively, is included in other assets, net on the statements of net position.

During July of 2019, the Organization entered into a joint venture agreement with St. Tammany Parish Hospital, Ochsner Clinic Foundation, and Louisiana Health Care Group, LLC to establish a new entity, Northshore Extended Care Hospital, LLC, that will provide skilled nursing services at a facility in Lacombe, Louisiana. The Organization was required to fund an initial capital contribution of \$317,400 which resulted in a 16% ownership interest. The Organization's ownership interest of \$-0- and \$-0- as of December 31, 2021 and 2020, respectively, is included in other assets, net on the statements of net position.

Net Patient Service Revenue and Related Receivables

Net patient service revenue and the related accounts receivable are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. The Organization provides care to patients even though they may lack adequate insurance or may be covered under contractual arrangements that do not pay full charges. As a result, the Organization is exposed to certain credit risks. The Organization manages such risk by regularly reviewing its accounts and contracts, and by providing appropriate allowances. Provisions for bad debts are reported as offsets to net patient service revenues consistent with reporting practices for governmental entities.

Medicare and Medicaid Reimbursement Programs

The Hospital is reimbursed under the Medicare Prospective Payment System for acute care inpatient services provided to Medicare beneficiaries and is paid a predetermined amount for these services based, for the most part, on the Diagnosis Related Group (DRG) assigned to the patient. In addition, the Hospital is paid prospectively for Medicare inpatient capital costs based on the federal specific rate. The Hospital qualifies as a disproportionate share provider under the Medicare regulations. As such, the Hospital receives an additional payment for Medicare inpatients served. Except for Medicare disproportionate share reimbursement and Medicare bad debts, there is no retroactive settlement for inpatient costs under the Medicare inpatient prospective payment methodology.

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Medicare and Medicaid Reimbursement Programs (Continued)

The Hospital is paid a prospective per diem rate for Medicaid inpatients. The per diem rate is based on a peer grouping methodology, which assigns a per diem rate to each hospital in the peer group.

Medicare outpatient services (excluding clinical lab and outpatient therapy) are reimbursed by the Outpatient Prospective Payment System (OPPS), which establishes a number of Ambulatory Payment Classifications (APC) for outpatient procedures in which the Hospital is paid a predetermined amount per procedure. Medicaid outpatient services (excluding ambulatory surgery, therapy, and clinical lab) were reimbursed at 85.84% of the lower of cost or charges as of December 31, 2021 and 2020. Medicare and Medicaid outpatient clinical lab and Medicaid ambulatory surgery and outpatient therapy services are reimbursed based upon the respective fee schedules.

Effective January 1, 2019, the Organization entered in an agreement with the Quality and Outcome Improvement Network (QOIN) to facilitate payments to these entities under the State of Louisiana's Medicaid Managed Care Quality Incentive Program (Program). The Louisiana Department of Health (LDH) amended its agreements with its contracted Managed Care Organizations (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 the network that the hospitals contract with for this 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 the QOIN, the Organization recognized approximately \$3.4 million and \$3.7 million of estimated incentive payments for the years ended December 31, 2021 and 2020, respectively, which is included within other revenue.

Retroactive cost settlements, based upon annual cost reports, are estimated for those programs subject to retroactive settlement and recorded in the financial statements. Final determination of retroactive cost settlements to be received under the Medicare and Medicaid regulations is subject to review by program representatives. The difference between a final settlement and an estimated settlement in any year is reported as an adjustment of net patient service revenue in the year the final settlement is made. Adjustments to estimated settlements resulted in an increase to net patient service revenue of approximately \$196,000 in 2021, and an increase to net patient service revenue of approximately \$138,000 in 2020. See Note 3 for further information.

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Grants and Contributions

From time to time, the Hospital and the Foundation receive grants from the state of Louisiana, as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Coronavirus Aid, Relief, and Economic Security Act

In response to the economic impact of COVID-19, the Coronavirus Aid, Relief, and Economic Security Act (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. The District suspended non-emergent or non-critical surgeries, procedures and appointments beginning in mid-March through early-May in 2020 due to COVID-19. The CARES Act established a Provider Relief Fund to be used for economic support of healthcare entities in connection with health care-related expenses or lost revenues attributable to COVID-19 and treatment of uninsured COVID-19 patients. Health care entities such as the District would recognize these funds as subsidies that are subject to eligibility requirements. For the year ended December 31, 2021 and 2020, respectively, the District received approximately \$2.2 million and \$17.3 million through the Provider Relief Fund program. Based on the terms of the Provider Relief Fund program and the guidance provided by the United States Department of Health and Human Services (HHS), the District recognized this funding as revenue for the years ended December 31, 2021 and 2020. In accordance with Governmental Accounting Standards Board (GASB) Technical Bulletin 2020-1, this amount is recognized as non-operating revenue in the statement of revenues, expenses, and changes in net position. HHS continues to issue new reporting requirements for the Provider Relief Fund program, which may impact the recognition of these funds in future periods.

The District also received funds through the Coronavirus Relief Fund program, which was funded through United States Department of Treasury to states and eligible local governments. These funds are considered voluntary nonexchange transactions that are subject to eligibility requirements and recognized when expended for its intended purpose. For the year ended December 31, 2020, the District received approximately \$8.7 million through the Coronavirus Relief Fund program, which is recognized as non-operating revenue in the statement of revenues, expenses, and changes in net position.

Under the CARES Act, the District also received \$16,802,597 in advances under the Medicare Accelerated and Advance Payments Program (AAPP) in April 2020. Through the Continuing Appropriations Act, 2021 and Other Extensions Act (the CA Act) that was enacted October 1, 2020, the District will not be subject to recoupment of its Medicare payments for a period of one year from the date it received its AAPP payments. Starting on the date that is one year from its receipt of the AAPP payments, repayment will be made out of the District's future Medicare payments.

**ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL**

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Restricted Resources

When the Organization has both restricted and unrestricted resources available to finance a particular program, it is the Organization's policy to use restricted resources before unrestricted resources.

Net Position

In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended, net position is classified into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets

This component of net position consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted

This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted

All other net position is reported in this category.

Employee Health and Workers' Compensation Insurance

The Organization is self-insured for hospitalization and workers' compensation claims. Estimated amounts for claims incurred but not reported are calculated based on claims experience and, together with unpaid claims, are included in accrued interest and other expenses on the statements of net position.

Statements of Revenues, Expenses, and Changes in Net Position

All revenues and expenses directly related to the delivery of health care services are included in operating revenues and expenses in the statements of revenues, expenses, and changes in net position. Non-operating revenues and expenses consist of revenues and expenses related to financing and investing type activities and result from non-exchange transactions or investment income.

**ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL**

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Property Tax Revenues

The Hospital receives dedicated property tax revenues in amounts sufficient to fund annual debt maturities of the general obligation bonds and related interest costs (see Note 7). Such revenues are considered non-operating in the accompanying statements of revenues, expenses, and changes in net position. Unexpended property tax revenues are accumulated in a restricted fund held in trust and are exclusive of governmental debt service.

Compensated Absences

The Organization's employees earn paid time off at varying rates depending on years of service. The estimated amount of paid time off as termination payments is reported as a component of the current liability for salaries, wages, and benefits payable in both 2021 and 2020.

Recently Issued Accounting Principles - Adopted

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of GASB 89 is to establish accounting requirements for interest cost incurred before the end of a construction period. The District implemented GASB 89, effective January 1, 2021, with no impact on the financial statements.

Recently Issued Accounting Principles - Not Yet Adopted

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of GASB 87 is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Management is evaluating the potential impact of adoption on the Organization's financial statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of GASB 96 is to better meet the information needs of the financial statement users by improving accounting and financial reporting for these arrangements. This Statement establishes uniform accounting and financial reporting requirements for these arrangements, improves the comparability of financial statements among governments that have entered into such arrangements, and enhances the understandability, reliability, relevant and consistency of information about such arrangements. Management is evaluating the potential impact of adoption on the Organization's financial statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

**ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL**

Notes to Financial Statements

Note 2. Cash and Assets Whose Use is Limited or Restricted

Custodial Credit Risk - Deposits: Statutes authorize the Organization to invest in direct obligations of the U.S. Government, certificates of deposit of state banks and national banks having their principal office in the State of Louisiana, and any other federally insured investments, guaranteed investment contracts issued by a financial institution having one of the two highest rating categories published by Standard & Poor's or Moody's, and mutual or trust fund institutions registered with the Securities and Exchange Commission (provided the underlying investments of these funds meet certain restrictions). The Organization's cash, cash equivalents, and certificates of deposit included in cash and cash equivalents and assets whose use is limited on its statements of net position, as of December 31, 2021 and 2020, were entirely covered by federal depository insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the Organization's name.

Concentration of Credit Risk: As required under GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an Amendment of GASB Statement No. 3, concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. GASB 40 further defines an at-risk investment to be one that represents more than five percent (5%) of the fair value of the total investment portfolio and requires disclosure of such at-risk investments. GASB 40 specifically excludes investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments from the disclosure requirement. At December 31, 2021 and 2020, the Organization had no investments requiring concentration of credit risk disclosure.

Assets Whose Use is Limited or Restricted: The terms of the Organization's bond issues require certain funds to be maintained on deposit with the trustee. The funds on deposit with the trustee, funds designated by the Board for capital improvements, and donated funds restricted by donor stipulations, as of December 31, 2021 and 2020, were as follows:

	2021	2020
Current Assets		
Dedicated Property Tax Revenue, Under Bond Indenture	\$ 6,221,468	\$ 5,036,747
Total	\$ 6,221,468	\$ 5,036,747
Non-Current Assets		
Dedicated Property Tax Revenue and Amounts Under Bond Indenture	\$ 30,747,697	\$ 3,077,723
By Board for Master Facility Project	20,000,000	14,000,000
By State Department of Workers' Compensation	700,000	700,000
By Board Direction	143,145	135,413
Total	\$ 51,590,842	\$ 17,913,136

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL

Notes to Financial Statements

Note 3. Third-Party Payor Arrangements

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. During both of the years ended December 31, 2021 and 2020, approximately 72% of the Hospital's gross patient service charges were derived from services provided to Medicare and Medicaid program beneficiaries. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Revenue derived from the Medicare program is subject to audit and adjustment by the fiscal intermediary and must be accepted by the United States Department of Health and Human Services before settlement amounts become final. Revenue derived from the Medicaid program is subject to audit and adjustment and must be accepted by the State of Louisiana, Department of Health before the settlement amount becomes final. The fiscal intermediary has completed its review of estimated Medicare settlements for fiscal years ended through December 31, 2017. The fiscal intermediary has completed its review of estimated Medicaid settlements for fiscal years ended through December 31, 2015. Annually, management evaluates the recorded estimated settlements and adjusts these balances based upon the results of the intermediary's audit of filed cost reports and additional information becoming available. Although the fiscal intermediary has not completed its audits (or reopened the review) of the estimated settlements for the years ended December 31, 2018 through December 31, 2021 for Medicare and for the years ended December 31, 2016 through December 31, 2021 for Medicaid, the Hospital does not anticipate significant adverse adjustments to the recorded settlements for those years.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and managed care organizations. The basis for payment to the Hospital under these arrangements includes prospectively determined daily rates and discounts from established charges.

Estimated settlements due from third-party payors are approximately \$38,000 and due to third-party payors are approximately \$2,400,000 for the years ended December 31, 2021 and 2020, respectively, and are included in accrued interest and other expenses on the statements of net position.

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL

Notes to Financial Statements

Note 4. Net Patient Service Revenue

Net patient service revenue for the years ended December 31, 2021 and 2020 was as follows:

	2021	2020
Gross Patient Service Revenue		
Medicare	\$ 340,822,780	\$ 363,701,199
Medicaid	235,770,859	197,611,882
Medicare HMO	438,869,806	368,537,074
Managed Care/Commercial	374,107,931	339,357,461
Self Pay/Uninsured	21,667,224	18,676,730
Total	1,411,238,600	1,287,884,346
Contractual Adjustments	(1,173,347,760)	(1,079,015,001)
Charity Care	(14,233,833)	(7,820,632)
Provisions for Bad Debts	(13,822,401)	(12,691,917)
Total	\$ 209,834,606	\$ 188,356,796

Note 5. Community Benefits

As a community health care provider, the Hospital's stated mission is "To Improve the Quality of Life in our Community". As such, total revenue includes that revenue generated from direct patient care, rentals from various medical office buildings, and sundry revenue related to the operation of the Hospital and its member organizations.

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. As shown in Note 4, charity care provided during the years ended December 31, 2021 and 2020 measured at established rates totaled \$14,233,832 and \$7,820,632, respectively.

The Hospital has also entered into a series of agreements related to funding healthcare for low-income populations which are detailed in Note 12.

The Hospital also sponsors or participates in numerous activities to benefit the community. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Annually, the Hospital sponsors several health fairs and programs regarding such issues as diabetes, breast cancer, smoking cessation, nutrition, exercise, cardiology, women's health, parenting skills, development topics, etc., to provide the community access to health-related information. Also, the Hospital provides health screenings at no cost, or a reduced cost, to the community. These include prostate cancer, cholesterol, colorectal, skin cancer, glucose, and thyroid screenings.

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL

Notes to Financial Statements

Note 5. Community Benefits (Continued)

During 2021, the SMH Community Outreach Center held 37 free or low-cost health education programs with 345 attendees. Also, during 2021, SMH performed free or low-cost health screens for 1,362 people. The total lives touched through community outreach programs, classes, and events was 24,008.

During 2020, the SMH Community Outreach Center held 32 free or low-cost health education programs with 515 attendees. Also, during 2020, SMH performed free or low-cost health screens for 3,401 people. The total lives touched through community outreach programs, classes, and events was 23,563.

The Hospital encourages its employees to volunteer for charitable organizations and to participate in fundraising activities and, in some cases, pays employees to perform public services such as health screenings and health works educational events. During the Covid-19 Pandemic, the Community Outreach team assisted with temperature checks at local schools and community events, as needed.

The Hospital encourages its employees to volunteer for charitable organizations and to participate in fundraising activities and, in some cases, pays employees to perform public services such as health screenings.

Note 6. Leases

Operating Commitments

The future minimum lease payments at December 31, 2021 for noncancelable operating leases are as follows:

Year Ending December 31,	Operating Leases
2022	\$ 484,938
2023	422,769
2024	258,431
2025	234,072
2026	232,217
Thereafter	153,080
Total	\$ 1,785,507

The Hospital also leases medical and administrative equipment under operating leases with terms that vary from month-to-month to five years. Total rental expense included in other direct expenses on the statements of revenues, expenses, and changes in net position was \$833,082 and \$886,588 for the years ended December 31, 2021 and 2020, respectively.

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL

Notes to Financial Statements

Note 6. Leases (Continued)

Rental Income

The Hospital leases space to physicians through a combination of cancelable and noncancelable lease agreements accounted for as operating leases. Rental income earned under these agreements was \$1,415,123 and \$1,480,144 for the years ended December 31, 2021 and 2020, respectively.

The future minimum lease payments to be received on noncancelable leases are summarized as follows:

Year Ending December 31,	Amount
2022	\$ 1,199,906
2023	769,130
2024	515,832
2025	207,611
2026	28,645
Total	<u>\$ 2,721,124</u>

Note 7. Long-Term Debt

A summary of the Hospital's long-term debt outstanding is as follows:

	2021	2020
General Obligation Bonds	\$ 57,651,591	\$ 33,110,000
Hospital Indebtedness	12,230,000	14,020,000
Total Long-Term Debt	<u>\$ 69,881,591</u>	<u>\$ 47,130,000</u>

The following table, for the years ended December 31, 2021 and 2020, summarizes the changes in long-term debt:

	2021	2020
Balance of Long-Term Debt at January 1,	\$ 47,130,000	\$ 52,420,000
Less: Refunding of Bonds	(9,735,000)	-
Less: Repayment of Bonds and Notes Payable	(5,375,000)	(5,290,000)
Plus: Bond Premium	4,596,591	-
Plus: 2021 General Obligation Refinancing	10,155,000	-
Plus: General Obligation Refunding Bonds, Series 2021	23,110,000	-
Balance of Long-Term Debt at December 31,	<u>\$ 69,881,591</u>	<u>\$ 47,130,000</u>

**ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL**

Notes to Financial Statements

Note 7. Long-Term Debt (Continued)

The details and balances of long-term debt at December 31, 2021 and 2020 are presented in the following table:

	2021	2020
General Obligation Bonds, Series 2011	\$ -	\$ 325,000
General Obligation Bonds, Series 2012	780,000	11,265,000
General Obligation Refunding Bonds, Series 2012	1,910,000	2,520,000
Hospital Indebtedness, Series 2013	2,730,000	4,020,000
Refunding Taxable Bonds, Series 2014	270,000	355,000
Refunding Tax Exempt Bonds, Series 2014	2,070,000	2,920,000
Hospital Indebtedness, Series 2018	9,500,000	10,000,000
General Obligation Refunding Bonds, Series 2019 #1	7,020,000	7,925,000
General Obligation Refunding Bonds, Series 2019 #2	7,740,000	7,800,000
General Obligation Bonds, Series 2021 Refinancing	10,155,000	-
General Obligation Bonds, Series 2021	23,110,000	-
Plus: Unamortized Premium, Net	4,596,591	-
Total Long-Term Debt	69,881,591	47,130,000
Less: Amounts Due Within One Year	6,210,000	5,375,000
Total, Net of Amounts Due Within One Year	\$ 63,671,591	\$ 41,755,000

General Obligation Bonds

The Hospital's general obligation bonds are payable from the annual levy and collection of unlimited ad valorem taxes on all the taxable property located within the boundaries of St. Tammany Hospital Service District No. 2 sufficient to pay such bonds in principal and interest as they mature.

Series 2011 and 2012

On April 30, 2011, the voters of St. Tammany Parish approved a referendum authorizing the Hospital to issue up to \$25 million of general obligation bonds for the purpose of constructing, improving, and expanding its facilities, including new emergency room services, cardiology services, and the conversion of existing semi-private rooms into private rooms.

The Hospital issued the first of this series of general obligation bonds on August 4, 2011, in the amount of \$9.8 million. Scheduled interest rates over the term of the 2011 bonds range from 2% to 4.75%.

**ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL**

Notes to Financial Statements

Note 7. Long-Term Debt (Continued)

General Obligation Bonds (Continued)

Series 2011 and 2012 (Continued)

The Hospital issued Series 2012 general obligation bonds in the amount of \$15.2 million on March 1, 2012. Scheduled interest rates over the term of the 2012 bonds range from 2% to 3.125%.

Interest on the general obligation bonds is payable semi-annually on March 1st and September 1st each year. The Series 2004 bonds mature in annual installments on March 1st each year until 2024 and can be called for early redemption after March 1, 2014. The Series 2009 bonds mature in annual installments on March 1st each year until 2029 and can be called for early redemption after March 1, 2019. The Series 2011 bonds also mature in annual installments due on March 1st each year from 2013 until 2036 and can be called for redemption in full or in part on or after March 1, 2021. The Series 2012 bonds mature in annual installments due on March 1st each year from 2015 until 2032 and can be called for redemption in full or in part on or after March 1, 2022.

Series 2021

On April 24, 2021, the voters of St. Tammany Parish approved a referendum authorizing the Hospital to issue up to \$23.11 million of general obligation bonds for the purpose of constructing, acquiring, extending and improving advanced surgical suites, intensive care and isolation patient rooms; new technology and cardiology services and related health care facilities of the District; and acquiring equipment and furnishings.

In July 2021, the Hospital issued \$23,110,000 of general obligation bonds, Series 2021. Scheduled interest rates over the term of the 2021 bonds range from 4% to 5%.

All of the Hospital's general obligation bonds are secured by a pledge of dedicated property tax millages described in Note 1.

General Obligation Refunding Bonds

Series 2012

On May 30, 2012, the Hospital issued \$5,980,000 of general obligation refunding bonds, Series 2012. The bonds were issued for the purpose of refunding a portion of the Hospital's outstanding Series 2004B general obligation bonds. The refunding bonds bear interest at a rate of 2.20%. Interest is payable semi-annually on March 1st and September 1st each year. The bonds mature in annual installments on March 1st of each year until 2024. The bonds are not callable for early redemption.

The loss incurred in connection with the advanced refunding of the Hospital's Series 2004B general obligation bonds has been deferred and is being amortized over the life of the refunding bond issue. Amortization of this deferred loss was \$41,815 at December 31, 2021 and 2020. Amortization is included in interest expense.

**ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
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Notes to Financial Statements

Note 7. Long-Term Debt (Continued)

General Obligation Refunding Bonds (Continued)

Series 2014

In January 2014, the Hospital issued \$815,000 of general obligation refunding taxable bonds, Series 2014. The bonds were issued for the purpose of refunding the Hospital's outstanding Series 2004C taxable general obligation bonds. The refunding taxable bonds bear interest at a rate of 3.06%. Interest is payable semi-annually on March 1st and September 1st each year. The bonds mature in annual installments on March 1st of each year until 2024. The bonds are not callable for early redemption.

In January 2014, the Hospital issued \$7,650,000 of general obligation refunding tax-exempt bonds, Series 2014. The bonds were issued for the purpose of refunding the Hospital's outstanding Series 2004A and 2004B general obligation bonds. The refunding tax-exempt bonds bear interest at a rate of 1.86%. Interest is payable semi-annually on March 1st and September 1st each year. The bonds mature in annual installments on March 1st of each year until 2024. The bonds are not callable for early redemption.

The loss incurred in connection with the advanced refunding of the Hospital's Series 2004A, 2004B, and 2004C general obligation bonds has been deferred and is being amortized over the life of the refunding bond issue. Amortization of this deferred loss was \$4,570 at December 31, 2021 and 2020. Amortization is included in interest expense.

Series 2019

In January 2019, the Hospital issued \$8,985,000 of general obligation refunding bonds, Series 2019. The bonds were issued for the purpose of advance refunding \$8,750,000 of the Hospital's outstanding Series 2009 general obligation bonds with maturities from 2020 through 2029. The refunding tax-exempt bonds bear interest at a rate of 3.05%. Interest is payable semi-annually on March 1st and September 1st each year. The bonds mature in annual installments on March 1st of each year until 2029. The bonds are not callable for early redemption.

The resources provided by the issuance of the bonds were placed in escrow and the bonds were called for redemption effective March 1, 2019, at which time the refunded bonds were considered defeased and the liability removed from long-term debt. The advanced refunding was undertaken to reduce total debt service payments over 10 years by approximately \$580,000 with an economic gain of approximately \$500,000.

The loss incurred in connection with the advanced refunding of the Series 2009 general obligation bonds has been deferred and is being amortized over the life of the refunding bond issue. Amortization of this deferred loss was \$2,085 at December 31, 2021 and 2020. Amortization is included in interest expense.

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Notes to Financial Statements

Note 7. Long-Term Debt (Continued)

General Obligation Refunding Bonds (Continued)

Series 2019, Taxable

In October 2019, the Hospital issued \$7,910,000 of taxable general obligation refunding bonds, Series 2019. The bonds were issued for the purpose of advance refunding \$7,400,000 of the Hospital's outstanding Series 2011 general obligation bonds with maturities from 2022 through 2036. The refunding bonds bear interest at a rate between 2.00% and 3.44%. Interest is payable semi-annually on March 1st and September 1st each year. The bonds mature in annual installments on March 1st of each year until 2036. The bonds maturing in March 2030 and after are callable for early redemption.

The resources provided by the issuance of the bonds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The refunded bonds are considered defeased and the liability removed from long-term debt. The advanced refunding was undertaken to reduce total debt service payments over 16 years by approximately \$480,000 with an economic gain of approximately \$370,000.

The loss incurred in connection with the advanced refunding of the Series 2011 general obligation bonds has been deferred and is being amortized over the life of the refunding bond issue. Amortization of this deferred loss was \$15,649 at December 31, 2021 and 2020. Amortization is included in interest expense.

Series 2021

In March 2021, the Hospital issued \$10,155,000 of general obligation refunding bonds, Series 2021. The bonds were issued for the purpose of advance refunding \$9,735,000 of the Hospital's outstanding Series 2012 general obligation bonds with maturities from 2023 through 2032. The refunding bonds bear interest at a rate between 0.35% and 2.35%. Interest is payable semi-annually on March 1st and September 1st each year. The bonds mature in annual installments on March 1st of each year until 2032. Only the March 2032 bond is callable for early redemption, at any time on or after March 1, 2031.

The resources provided by the issuance of the bonds were placed in escrow and the bonds were called for redemption effective March 1, 2022, at which time the refunded bonds were considered defeased and the liability removed from long-term debt. The advanced refunding was undertaken to reduce total debt service payments over 10 years by approximately \$338,000 with an economic gain of approximately \$300,000.

The loss incurred in connection with the advanced refunding of the Series 2012 general obligation bonds has been deferred and is being amortized over the life of the refunding bond issue. Amortization of this deferred loss was \$17,552 at December 31, 2021. Amortization is included in interest expense.

**ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
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Notes to Financial Statements

Note 7. Long-Term Debt (Continued)

Hospital Indebtedness Obligations

On November 1, 2013, the Hospital issued \$10 million of hospital indebtedness obligations to finance the cost of constructing, acquiring, and/or improving hospital facilities and equipment for the Hospital. The obligations bear interest at a rate of 2.99% and are payable in annual installments through July 1, 2023. The obligations are not callable for redemption prior to their stated maturity dates. The obligations are secured by a pledge of the net income, revenues, and receipts of the Hospital.

On August 9, 2018, the Hospital issued \$11 million of hospital indebtedness obligations to finance the cost of constructing, acquiring, and/or improving hospital facilities, equipment, and furnishings, including, but not limited to, computer hardware and software upgrades for the Hospital. The obligations bear interest at a rate of 3.7% and are payable in annual installments through July 1, 2028. The obligations are secured by a pledge of the net income, revenues, and receipts of the Hospital.

Combined Existing Debt Service Commitments

Principal and interest payments due on general obligation bonds and notes payable outstanding as of December 31, 2021 are as follows:

Year Ending December 31,	Principal	Interest
2022	\$ 6,210,000	\$ 2,279,293
2023	6,475,000	1,987,153
2024	5,725,000	1,820,441
2025	4,942,000	1,620,515
2026	5,019,000	1,460,341
2027 - 2031	15,694,000	5,021,717
2032 - 2036	11,320,000	2,536,927
Thereafter	9,900,000	810,400
Total	\$ 65,285,000	\$ 17,536,787

Note 8. Employee Benefits

The Hospital and its member organizations maintain qualified defined contribution retirement and deferred compensation plans which provide benefits for eligible employees. Beginning in April 2002, the Hospital initiated a combined deferred compensation and contributory employee savings plan for full-time employees. Each employee's interest in a previous plan was fully vested and was transferred over to the new plan.

**ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
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Notes to Financial Statements

Note 8. Employee Benefits (Continued)

The retirement plan provides a discretionary employer match of participant elective deferrals up to 4%, beginning January 1, 2006, rather than contributions based on salaries. Plan participants who attained age 50 as of September 26, 2005, and were contributing 8% at that time, continue to receive the employer match up to 8% of their elective deferral. Employees are eligible to participate at their date of hire. Participants are immediately vested in their contributions plus actual earnings thereon.

Vesting in the Hospital's contribution is based on years of service. After three years of eligible service, the employee is 100% vested. Prior to that time, the employee is 0.0% vested.

The total eligible payroll for the years ended December 31, 2021 and 2020 was approximately \$83 million and \$79 million, respectively. During the years ended December 31, 2021 and 2020, the Hospital and member organizations made required contributions to the plan of \$2,336,601 and \$1,974,155, respectively.

Note 9. Risk Management and Regulatory Matters

Risk Management

The Hospital participates in the Louisiana Patients' Compensation Trust Fund (PCF) for insurance coverage on professional liability (medical malpractice) claims. As a participant, the Hospital has a statutory limitation of liability which provides that no award can be rendered against it in excess of \$500,000, plus interest and costs. The PCF provides coverage on a claims occurrence basis for claims over \$100,000 and up to the \$500,000 statutory limitation. The Hospital is self-insured with respect to the first \$100,000 of each claim.

The Hospital also participates in the Louisiana Hospital Association Trust Fund (LHA Trust Fund), which provides general liability coverage up to \$1,000,000 per claim. The LHA Trust Fund also insures excess general liability claims in excess of \$1,000,000, but limited to \$9,500,000 per claim. The Hospital's insurance coverage under the LHA Trust Fund is subject to a deductible of \$100,000 on a claims-made basis.

The Hospital is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against the Hospital and are currently in various stages of litigation. As of December 31, 2021 and 2020, the Hospital has recorded professional and general liability accruals totaling \$1,725,349 and \$1,590,797, respectively, as an estimated provision for both asserted claims and for claims incurred but not reported.

These provisions are included as a component of accrued interest and other expenses on its statements of net position. Additional claims may be asserted against the Hospital arising from services provided to patients through December 31, 2021, exceeding these coverage limits; however, management believes it has adequately provided for them.

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
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Notes to Financial Statements

Note 9. Risk Management and Regulatory Matters (Continued)

Risk Management (Continued)

The Hospital is self-insured for workers' compensation up to \$1,000,000 per claim, and employee health up to \$300,000 per claim. A liability is recorded when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. Liabilities for claims incurred are re-evaluated periodically to take into consideration claims incurred but not reported, recently settled claims, frequency of claims, and other economic and social factors. The Hospital carries commercial insurance which provides coverage for workers' compensation and employee health claims in excess of the self-insured limits.

As of December 31, 2021, the Hospital has recorded workers' compensation and employee health accruals totaling \$1,335,031 and \$707,870, respectively, as an estimated provision for both asserted claims and for claims incurred but not reported. These provisions are included as a component of accrued interest and other expenses on its statements of net position.

As of December 31, 2020, the Hospital has recorded workers' compensation and employee health accruals totaling \$1,352,167 and \$640,836, respectively, as an estimated provision for both asserted claims and for claims incurred but not reported. These provisions are included as a component of accrued interest and other expenses on its statements of net position.

Changes in the Hospital's aggregate claims liability for professional, general liability, workers' compensation, and employee health, which are included in accrued interest and other expenses on the accompanying statements of net position, were as follows for the years ended December 31, 2021 and 2020:

Year Ended December 31,	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Year End
2021	\$ 3,583,800	\$ 9,427,724	\$ 9,243,274	\$ 3,768,250
2020	\$ 2,970,874	\$ 8,883,325	\$ 8,270,399	\$ 3,583,800

Regulatory Matters

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.

**ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
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Notes to Financial Statements

Note 9. Risk Management and Regulatory Matters (Continued)

Regulatory Matters (Continued)

Management believes that the Organization 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.

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Services (CMS) to implement a so-called Recovery Audit Contractor (RAC) program on a permanent and nationwide basis. The program uses RACs to search for potentially improper Medicare payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year ago but not longer than three years ago. Once a RAC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare reimbursement in an amount estimated to equal the overpayment.

A five-state pilot program concluded in March 2008, with a nationwide rollout of the RAC effort done in phases beginning in 2009. The experiences during the pilot found far more overpayments than underpayments.

Similarly, the CMS created new entities titled Audit Medicaid Integrity Contractors (MIC) in order to continue its efforts to ensure the highest integrity of its healthcare programs. The goal of the provider audits is to identify overpayments and to ultimately decrease the payment of inappropriate Medicaid claims. The MIC is to review claims submitted by all types of Medicaid providers, including all settings of care and types of services, with most audits taking place at staff headquarters and on occasion on-site at a provider's place of business.

The Organization was the subject of ongoing RAC and MIC audits during 2021 and 2020, and deducts from revenue amounts assessed under the RAC audits at the time a notice is received, until such time that estimates of net amounts due can be reasonably estimated. Annual net assessments against the Organization have not been significant through December 31, 2021.

In March 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. The PPACA has created sweeping changes across the healthcare industry, including how care is provided and paid for. A primary goal of this comprehensive reform legislation is to extend health coverage to uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. Management of the Hospital is studying and evaluating the anticipated effects and developing strategies needed to prepare for implementation and is preparing to work cooperatively with other consultants to optimize available reimbursement.

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Notes to Financial Statements

Note 10. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of who are local residents and are often insured under third-party payor agreements. The mix of receivables from patients and third-party payors, net of contractual allowances and discounts, at December 31, 2021 and 2020, was as follows:

	2021	2020
Medicare	20%	11%
Medicaid	8%	12%
Medicare HMO	34%	17%
Managed Care and Other Payors	35%	43%
Patients	3%	17%
Total	100%	100%

Note 11. Changes in Capital Assets

Capital asset activity for the fiscal year ended December 31, 2021 was as follows:

	Balance December 31, 2020	Additions	Transfers/ Deletions	Balance December 31, 2021
Capital Assets Not Being Depreciated				
Land	\$ 6,504,181	\$ 45,919	\$ -	\$ 6,550,100
Construction in Process	47,454	3,012,449	(47,454)	3,012,449
Total Capital Assets Not Being Depreciated	6,551,635	3,058,368	(47,454)	9,562,549
Capital Assets Being Depreciated				
Land Improvements	2,577,111	-	-	2,577,111
Buildings	137,795,750	383,805	-	138,179,555
Equipment	99,678,458	4,817,050	(2,138,322)	102,357,186
Total Capital Assets Being Depreciated	240,051,319	5,200,855	(2,138,322)	243,113,852
Less Accumulated Depreciation for:				
Land Improvements	1,906,489	73,562	-	1,980,051
Buildings	82,162,325	3,554,539	-	85,716,864
Equipment	71,453,328	6,213,567	(2,123,441)	75,543,454
Total Accumulated Depreciation	155,522,142	9,841,668	(2,123,441)	163,240,369
Capital Assets Being Depreciated, Net	84,529,177	(4,640,813)	(14,881)	79,873,483
Total Capital Assets, Net	\$ 91,080,812	\$ (1,582,445)	\$ (62,335)	\$ 89,436,032

**ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
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Notes to Financial Statements

Note 11. Changes in Capital Assets (Continued)

Capital asset activity for the fiscal year ended December 31, 2020 was as follows:

	Balance December 31, 2019	Additions	Transfers/ Deletions	Balance December 31, 2020
Capital Assets Not Being Depreciated				
Land	\$ 6,504,181	\$ -	\$ -	\$ 6,504,181
Construction in Process	359,789	47,454	(359,789)	47,454
Total Capital Assets Not Being Depreciated	6,863,970	47,454	(359,789)	6,551,635
Capital Assets Being Depreciated				
Land Improvements	2,577,111	-	-	2,577,111
Buildings	136,575,373	1,220,377	-	137,795,750
Equipment	100,306,816	2,096,755	(2,725,113)	99,678,458
Total Capital Assets Being Depreciated	239,459,300	3,317,132	(2,725,113)	240,051,319
Less Accumulated Depreciation for:				
Land Improvements	1,825,794	80,695	-	1,906,489
Buildings	78,394,321	3,768,004	-	82,162,325
Equipment	67,015,348	6,795,142	(2,357,162)	71,453,328
Total Accumulated Depreciation	147,235,463	10,643,841	(2,357,162)	155,522,142
Capital Assets Being Depreciated, Net	92,223,837	(7,326,709)	(367,951)	84,529,177
Total Capital Assets, Net	\$ 99,087,807	\$ (7,279,255)	\$ (727,740)	\$ 91,080,812

Note 12. Louisiana Medicaid Collaboration and Cooperative Endeavor Agreements

The Organization routinely provides a substantial amount of uncompensated care to patients in its service area. For the years ended December 31, 2021 and 2020, management estimated that the total costs associated with providing uncompensated care were in excess of \$14.2 million and \$7.8 million, respectively.

To improve or expand allowable healthcare services for Medicaid beneficiaries or low income, uninsured patients, during 2021 and 2020, the Organization entered into a series of collaborative agreements and cooperative endeavors designed to allow additional Medicaid funds for providing these services in the community.

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Notes to Financial Statements

**Note 12. Louisiana Medicaid Collaboration and Cooperative Endeavor Agreements
(Continued)**

These agreements are detailed below:

Upper Payment Limit (UPL) Collaborations: The Organization is collaborating with participating hospital service districts (HSDs) to invoice and receive UPL payments. The Centers for Medicare and Medicaid Services (CMS) have previously approved Medicaid State Plan Amendments (SPA), submitted by the Louisiana Department of Health (LDH), which provides for reimbursement to non-rural, non-state public hospitals up to the Medicare inpatient upper payment limits.

A funding program is established by contributing a portion of the UPL payments that result from SPAs to the other HSDs, including the Organization, for the purpose of ensuring that adequate and essential healthcare services are accessible and available to low-income and/or indigent citizens and medically underserved non-rural populations in Louisiana in a manner defined in the agreement. Funding for each participating hospital service district is based upon a formula utilizing each district's reported Medicaid patient days.

Physicians' UPL Agreement with the Louisiana Department of Health (LDH). On December 8, 2011, the Organization entered into an agreement with LDH which was approved by CMS. Under the program, LDH began making payments under the Physician's Supplemental Payment Program for non-state-owned public hospitals for dates of service effective July 1, 2010. The purpose of this program is to enhance payments to physicians employed or contracted by the public hospitals. Slidell Memorial Hospital agreed to transfer funds to LDH to be used as Medicaid matching funds for the purpose of making physician supplemental payments and providing the state with additional resources to assist in the medical costs to the state.

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
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Notes to Financial Statements

Note 12. Louisiana Medicaid Collaboration and Cooperative Endeavor Agreements
(Continued)

Physicians' UPL Agreement with the Louisiana Department of Health (LDH) (Continued).

These matching funds are comprised of (1) an amount to be utilized as the "Non-Federal share" of the supplemental payments for services provided by the identified physician and other healthcare professionals, and (2) the "state retention amount," which is 22.5%, effective September 2016, of the "Non-Federal share", for the state to utilize in delivering healthcare services. In turn, LDH agrees to make supplemental Medicaid payments to the Hospital. The supplemental payments include the "Non-Federal share" and the "Federal funds" generated by the "Non-Federal share" payments. The total amount of the supplemental payments is intended to represent the difference between the Medicaid payments otherwise made to these qualifying providers and the Average Community Rate for these services.

Summary. During 2021, in accordance with the funding provisions of the above agreements, the Organization recognized \$18,906,859 as an offset to Medicaid contractual adjustments resulting in a corresponding increase in net patient service revenue. Payments to LDH were \$3,000,000, \$4,367,999, and \$3,820,357 in conjunction with the Low Income and Needy Care Collaboration Agreement, the Physicians' UPL and the UPL Collaboration, respectively. The payments are being amortized monthly over the effective terms of the agreements with the total amount of \$11,188,356 recognized as other direct expenses during 2021.

During 2020, in accordance with the funding provisions of the above agreements, the Organization recognized \$15,473,586 as an offset to Medicaid contractual adjustments resulting in a corresponding increase in net patient service revenue. Payments to LDH in conjunction with the Low Income and Needy Care Collaboration Agreement totaled \$12,300,000, which is being amortized monthly over the effective term of the agreement. A total of \$12,300,000 was recognized as other direct expenses during 2020. The Organization also recognized \$4,370,534 as other direct expenses, funds paid or payable to LDH under the terms of the Physicians' UPL agreement during 2020 as income was recognized from the Medicaid Supplemental Payments.

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Notes to Financial Statements

**Note 12. Louisiana Medicaid Collaboration and Cooperative Endeavor Agreements
(Continued)**

Physician Rate Enhancement Program

LDH has implemented a supplemental payment program for non-state-owned public hospitals, such as the Organization, to enhance Medicaid fee for service payments to physicians employed by or contracted to provide services at such hospitals. LDH contracts with the Healthy Louisiana Program (formerly known as Bayou Health Program) managed care organizations, including those currently under contract with LDH, specifically, Aetna Better Health of Louisiana, Community Care Health Plan of Louisiana, Inc. (Healthy Blue), AmeriHealth Caritas Louisiana, Inc., Louisiana Healthcare Connections, Inc., and UnitedHealthcare of Louisiana, Inc., to provide core benefits and services for individuals enrolled in the Healthy Louisiana Program (Medicaid enrollees) that are compensated by specified monthly capitation rates on a per member per month (PMPM) basis.

To ensure uniform reimbursement in the Medicaid program for physician services, provide greater opportunity and incentives for managed care organizations contracted with LDH to provide services to Medicaid beneficiaries to improve recipient health outcomes, add benefits for Medicaid enrollees, and support the health care safety-net for low income and needy patients, LDH increased the PMPM rate for reimbursement of physician services to include the full Medicaid pricing (FMP) component of the Mercer Rate Methodology (enhanced PMPM rate) for safety-net physicians to receive rates more consistent with their fee-for-service payments (referred to herein as Physician Rate Enhancement Funds and the Physician Rate Enhancement Program).

Physician Rate Enhancement Funds can be paid to a hospital political subdivision, such as the Organization, that elects to provide the state match for the federal funding associated with these Physician Rate Enhancement Funds, if an assignment agreement is in place between the hospital and a physician group that has contracted with the hospital to provide inpatient and outpatient physician services and is eligible to receive Physician Rate Enhancement Funds as a result of such services. The Organization obtained assignments from several physician groups that have contracted with the Organization to provide inpatient and outpatient services to the Organization's patients. As a result of these assignments, the Organization received Physician Rate Enhancement Funds from the five managed care organizations participating in the Healthy Louisiana Program, totaling \$9,334,550 and \$10,051,501, which is included in other revenue for the years ended December 31, 2021 and 2020, respectively.

**ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
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Notes to Financial Statements

Note 13. Combining Blended Component Unit Information

The following tables include condensed combining statements of net position information for the Hospital and its component units as of December 31, 2021 and 2020:

	December 31, 2021			
	Slidell Memorial Hospital	Slidell Memorial Hospital Foundation, Inc.	Eliminations	Total
Current Assets	\$ 134,427,531	\$ -	\$ -	\$ 134,427,531
Assets Whose Use is Limited	23,978,032	-	-	23,978,032
Capital Assets, Net	89,436,029	-	-	89,436,029
Other Assets, Net	1,085,867	-	-	1,085,867
Deferred Outflows of Resources	604,656	-	-	604,656
Total Assets and Deferred Outflows of Resources	\$ 249,532,115	\$ -	\$ -	\$ 249,532,115
Liabilities and Net Position				
Current Liabilities	\$ 49,239,918	\$ -	\$ -	\$ 49,239,918
Long-Term Debt - Less Amounts Due Within One Year	63,671,591	-	-	63,671,591
Net Position	136,620,606	-	-	136,620,606
Total Liabilities and Net Position	\$ 249,532,115	\$ -	\$ -	\$ 249,532,115
	December 31, 2020			
	Slidell Memorial Hospital	Slidell Memorial Hospital Foundation, Inc.	Eliminations	Total
Current Assets	\$ 121,900,777	\$ -	\$ -	\$ 121,900,777
Assets Whose Use is Limited	17,913,136	-	-	17,913,136
Capital Assets, Net	91,080,812	-	-	91,080,812
Other Assets, Net	1,344,594	-	-	1,344,594
Deferred Outflows of Resources	401,086	-	-	401,086
Total Assets and Deferred Outflows of Resources	\$ 232,640,405	\$ -	\$ -	\$ 232,640,405
Liabilities and Net Position				
Current Liabilities	\$ 57,671,894	\$ -	\$ -	\$ 57,671,894
Long-Term Debt - Less Amounts Due Within One Year	41,755,000	-	-	41,755,000
Net Position	133,213,511	-	-	133,213,511
Total Liabilities and Net Position	\$ 232,640,405	\$ -	\$ -	\$ 232,640,405

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
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Notes to Financial Statements

Note 13. Combining Blended Component Unit Information (Continued)

The following table includes condensed combining statement of revenues, expenses, and changes in net position information for the Hospital and its component units for the year ended December 31, 2021:

	Year Ended December 31, 2021			
	Slidell Memorial Hospital	Slidell Memorial Hospital Foundation, Inc.	Eliminations	Total
Revenues				
Net Patient Service Revenue	\$ 209,834,606	\$ -	\$ -	\$ 209,834,606
Other Revenue	14,309,749	-	-	14,309,749
Total Revenues	224,144,355	-	-	224,144,355
Operating Expenses				
Salaries and Wages	89,864,153	-	-	89,864,153
Employee Benefits	14,861,071	-	-	14,861,071
Supplies and Materials	49,258,852	-	-	49,258,852
Other Direct Expenses	43,287,206	-	-	43,287,206
Professional Fees	3,052,421	-	-	3,052,421
Purchased Services	15,913,863	-	-	15,913,863
Depreciation and Amortization	9,841,667	-	-	9,841,667
Total Operating Expenses	226,079,233	-	-	226,079,233
Operating Loss	(1,934,878)	-	-	(1,934,878)
Non-Operating Revenues (Expenses)				
Interest Income	214,135	-	-	214,135
Interest Expense	(1,558,614)	-	-	(1,558,614)
Bond Issuance Costs	(700,848)	-	-	(700,848)
Property Tax Revenue	5,696,680	-	-	5,696,680
CARES Act Funding	2,224,073	-	-	2,224,073
Other Income (Expense)	(533,453)	-	-	(533,453)
Total Non-Operating Revenues, Net	5,341,973	-	-	5,341,973
Change in Net Position	3,407,095	-	-	3,407,095
Net Position, Beginning of Year	133,213,511	-	-	133,213,511
Net Position, End of Year	\$ 136,620,606	\$ -	\$ -	\$ 136,620,606

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
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Notes to Financial Statements

Note 13. Combining Blended Component Unit Information (Continued)

The following table includes condensed combining statement of revenues, expenses, and changes in net position information for the Hospital and its component units for the year ended December 31, 2020:

	Year Ended December 31, 2020			
	Slidell Memorial Hospital	Slidell Memorial Hospital Foundation, Inc.	Eliminations	Total
Revenues				
Net Patient Service Revenue	\$ 188,356,796	\$ -	\$ -	\$ 188,356,796
Other Revenue	11,413,970	-	(67,645)	11,346,325
Total Revenues	199,770,766	-	(67,645)	199,703,121
Operating Expenses				
Salaries and Wages	83,275,177	-	-	83,275,177
Employee Benefits	13,395,764	-	-	13,395,764
Supplies and Materials	44,723,761	-	2,615	44,726,376
Other Direct Expenses	50,352,720	83,919	(70,260)	50,366,379
Professional Fees	3,313,138	-	-	3,313,138
Purchased Services	12,540,485	-	-	12,540,485
Depreciation and Amortization	10,643,841	-	-	10,643,841
Total Operating Expenses	218,244,886	83,919	(67,645)	218,261,160
Operating Loss	(18,474,120)	(83,919)	-	(18,558,039)
Non-Operating Revenues (Expenses)				
Interest Income	444,906	347	-	445,253
Interest Expense	(1,519,751)	-	-	(1,519,751)
Bond Issuance Costs	(45,107)	-	-	(45,107)
Property Tax Revenue	4,695,973	-	-	4,695,973
CARES Act Funding	26,059,922	-	-	26,059,922
Other Income (Expense)	(513,084)	-	-	(513,084)
Total Non-Operating Revenues, Net	29,122,859	347	-	29,123,206
Change in Net Position	10,648,739	(83,572)	-	10,565,167
Net Position, Beginning of Year	122,564,772	83,572	-	122,648,344
Net Position, End of Year	\$ 133,213,511	\$ -	\$ -	\$ 133,213,511

Cash flows generated by the aggregate blended components separately from the Hospital have not been material and are not presented.

**ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL**

Notes to Financial Statements

Note 14. Deferred Outflows of Resources

The Hospital has recorded deferred outflows of resources of \$604,656 and \$401,086 at December 31, 2021 and 2020, respectively, related to deferred bond losses resulting from refunding bond issuances.

Note 15. Current Economic Conditions

Management continues to monitor the potential impact of COVID-19 and the coronavirus on its operations and financial results. Actions taken by local, state, and federal governments have helped to mitigate the spread of the coronavirus. However, potential surges in COVID-19 cases could negatively impact future financial results of the District.

The current economic conditions continue to present hospitals with difficult circumstances and challenges, which in some cases have resulted in large declines and unanticipated declines in the fair value of investments and other assets, constraints on liquidity, and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Hospital.

Unemployment rates have made it difficult for certain patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in asset values, including allowances for accounts receivable that could negatively impact the Hospital's ability to meet debt covenants or maintain sufficient liquidity.

Note 16. Joint Operating Agreement

On July 2, 2015, the Organization signed a Joint Operating Agreement (JOA) with Ochsner Clinic Foundation (owners and operators of Ochsner Medical Center - Northshore) and Ochsner Health Systems (collectively, OHS) in order to accomplish over time the following clinical integration and healthcare delivery goals: continuing the charitable and public service missions; optimizing delivery of healthcare beyond what any of the parties can do alone so that community based primary and secondary services can be efficiently performed; reducing costs and improving quality and operational efficiencies beyond what any of the parties can do alone by integrating SMH and OHS clinical and administrative systems; pooling complementary clinical resources to improve quality outcomes and keeping care local and reducing outmigration of care from the community beyond what any of the parties can do alone; and accessing and efficiently utilizing capital.

**ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL**

Notes to Financial Statements

Note 16. Joint Operating Agreement (Continued)

The parties intend to operate the JOA coordinated operations as a coordinated delivery system, a clinically integrated system, and a financially integrated collaboration. The parties will integrate financially by sharing all financial risk as well as the rewards of their collaboration in accordance with the JOA.

Financial consideration as a result of this agreement is based on a pre-established and pre-defined combined adjusted operating income (SMH and OHS) for the area of service as defined by the agreement.

Beginning January 1, 2016 and for each year thereafter during the term of the agreement, the parties will share all combined adjusted operating income or loss based on pre-established percentages. For the years ended December 31, 2021 and 2020, the Organization recognized expenses of approximately \$11.1 million and \$12.8 million, respectively, as a result of the JOA, which is included in other direct expenses on the statements of revenues, expenses, and changes in net position.

The agreement will continue for a term of twenty years, and will automatically renew for one-year terms thereafter.

OTHER SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL
Schedule of Compensation Paid to Board of Commissioners
For the Year Ended December 31, 2021

Commissioner		Current Term	Compensation
Joseph DiGiovanni, Jr.	Chairman	7/1/19 - 6/30/23	\$ 7,700
Larry P. Englande, Sr.	Vice Chairman	12/19/18 - 6/30/25	5,100
Daniel J. Ferrari, Sr.		7/1/17 - 6/30/21	3,500
Georgia M. Johnson, RN		7/1/18 - 6/30/22	4,200
Walter J. Lane, PhD		1/4/21 - 6/30/22	4,500
Robert C. Mercadel, MD		12/14/18 - 6/30/22	1,500
Matthew K. Miller, MD		1/1/21 - 12/31/21	2,900
Tommy C. Morris, PhD		7/1/21 - 6/30/25	2,600
Shawn M. Paretti, CPCU		7/31/19 - 6/30/23	3,200
Kirsten R. Stanley-Wallace, JD	Secretary/Treasurer	7/31/19 - 6/30/23	4,600
Vasanth K. Bethala, MD	Commissioner Emeritus	1/1/21 - 12/31/21	<u>2,300</u>
Total			<u><u>\$ 42,100</u></u>

See independent auditor's report.