



Ernst & Young LLP  
1401 McKinney Street  
Suite 2400  
Houston, TX 77010

Tel: +1 713 750 1500  
Fax: +1 713 750 1501  
ey.com

September 30, 2022

To: The Louisiana Legislative Auditor

Re: Ochsner LSU Health System of North Louisiana– Uniform Guidance Audit (Agency ID 11196)

We are resubmitting the completed package for Ochsner LSU Health System of North Louisiana for the year ended June 30, 2021. Additional time was needed to ensure the audit was conducted in accordance with Uniform Guidance and federal program requirements. The OMB granted a six-month extension for Uniform Guidance audits for June 30, 2021, year-ends until September 30, 2022. Extension requests were previously submitted for Ochsner Clinic Foundation and Subsidiaries to the State Legislative Auditor requesting an extension to September 30, 2022, to align with the OMB due date."

Thank you.

Cassie Johnson  
Senior Manager  
Ernst & Young, LLP

AUDITED CONSOLIDATED FINANCIAL STATEMENTS,  
REPORTS, SUPPLEMENTARY INFORMATION, AND  
SCHEDULE REQUIRED BY THE UNIFORM GUIDANCE

Ochsner LSU Health System of North Louisiana and Subsidiaries  
Years Ended June 30, 2021 and 2020  
With Reports of Independent Auditors

Ernst & Young LLP



Ochsner LSU Health System of North Louisiana and Subsidiaries

Audited Consolidated Financial Statements, Reports,  
Supplementary Information, and Schedule Required by the Uniform Guidance

Years Ended June 30, 2021 and 2020

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Ernst & Young LLP  
3900 Hancock Whitney Center  
701 Poydras Street  
New Orleans, LA 70139

Tel: +1 504 581 4200  
Fax: +1 504 596 4233  
ey.com

## Report of Independent Auditors

Management and The Board of Directors  
Ochsner LSU Health System of North Louisiana and Subsidiaries

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Ochsner LSU Health System of North Louisiana and Subsidiaries, which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

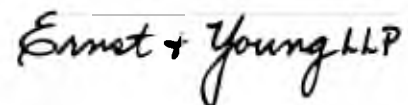
In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ochsner LSU Health System of North Louisiana and Subsidiaries as of June 30, 2021 and 2020, and the consolidated results of their operations and changes in net assets, and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. We have not performed any procedures with respect to the audited consolidated financial statements subsequent to October 21, 2021. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated October 21, 2021 on our consideration of Ochsner LSU Health System of North Louisiana and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ochsner LSU Health System of North Louisiana and Subsidiaries' 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 Ochsner LSU Health System of North Louisiana and Subsidiaries' internal control over financial reporting and compliance.



October 21, 2021, except for our report  
on the Schedule of Expenditures of  
Federal Awards, for which the date is  
September 27, 2022

Ochsner LSU Health System of North Louisiana and Subsidiaries

Consolidated Balance Sheets

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 79,131,287	\$ 128,302,700
Patient accounts receivable, net	77,987,427	66,231,963
Other receivables	73,399,119	27,743,929
Inventory	24,907,568	20,489,948
Other current assets	6,529,808	6,715,410
Total current assets	<u>261,955,209</u>	<u>249,483,950</u>
Property and equipment, net	135,894,653	99,002,598
Investments in unconsolidated affiliates	2,412,998	—
Other assets	7,440,324	8,295,990
Total long-term assets	<u>145,747,975</u>	<u>107,298,588</u>
Total assets	<u>\$ 407,703,184</u>	<u>\$ 356,782,538</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Current portion of capital leases	\$ 42,268	\$ 426,662
Current portion of notes payable	1,323,785	1,065,103
Accounts payable and accrued expenses	64,914,896	54,902,424
Accrued compensation and benefits	25,888,033	21,030,910
Medicare advance payments received and deferred revenue	68,600,722	65,517,170
Due to related parties	73,174,591	96,937,523
Total current liabilities	<u>233,944,295</u>	<u>239,879,792</u>
Long-term liabilities:		
Long-term capital leases, net of current portion	—	42,268
Long-term note payable, net of current portion	1,578,798	1,746,505
Other long-term liabilities	29,830,348	2,017,441
Total liabilities	<u>265,353,441</u>	<u>243,686,006</u>
Net assets	142,349,743	113,096,532
Total liabilities and net assets	<u>\$ 407,703,184</u>	<u>\$ 356,782,538</u>

*See accompanying notes.*

Ochsner LSU Health System of North Louisiana and Subsidiaries  
Consolidated Statements of Operations and Changes in Net Assets

	<b>Year Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Operating revenues:		
Patient service revenues	\$ 930,387,802	\$ 796,248,170
Other operating revenues	96,149,903	55,808,864
Total operating revenues	1,026,537,705	852,057,034
Operating expenses:		
Salaries and wages	286,284,867	244,857,519
Employee benefits	51,153,089	39,123,027
Supplies	204,655,247	168,351,204
Professional fees	226,976,676	205,327,175
Purchased services	77,822,028	65,898,683
Leases	67,230,744	62,136,728
Depreciation	15,965,290	8,126,019
Other	67,778,140	41,336,555
Total operating expenses	997,866,081	835,156,910
Income from operations	28,671,624	16,900,124
Nonoperating revenues:		
Contributions	568,084	10,345,597
Other revenues, net	13,503	6,557,704
Total nonoperating revenues	581,587	16,903,301
Change in net assets	29,253,211	33,803,425
Net assets at beginning of year	113,096,532	79,293,107
Net assets at end of year	\$ 142,349,743	\$ 113,096,532

*See accompanying notes.*

Ochsner LSU Health System of North Louisiana and Subsidiaries

Consolidated Statements of Cash Flows

	<b>Year Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Operating activities</b>		
Change in net assets	\$ 29,253,211	\$ 33,803,425
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,965,290	8,126,019
Loss from equity method investments	1,683,349	–
Increase in accounts receivable, net	(11,755,464)	(7,760,768)
(Increase) decrease in other receivables	(45,655,190)	18,998,089
Increase in inventory	(4,417,620)	(10,700,800)
Decrease (increase) in other assets	1,041,268	(5,431,663)
Increase in accounts payable	20,247,367	10,896,634
(Decrease) increase in Medicare advance payments and deferred revenue	3,083,552	65,517,170
Increase in other current/noncurrent liabilities	27,770,639	–
(Decrease) increase in due to related party	(23,762,932)	28,319,443
Net cash provided by operating activities	13,453,470	141,767,549
<b>Investing activities</b>		
Purchases of property and equipment	(56,326,742)	(68,232,539)
Investments in unconsolidated affiliates	(4,096,347)	–
Net cash used in investing activities	(60,423,089)	(68,232,539)
<b>Financing activities</b>		
Advances on line-of-credit	–	134,231,648
Payments on line-of-credit	–	(134,231,648)
Payments on notes payable	(1,817,400)	(7,409,702)
Payments on outstanding capital leases	(384,394)	(646,038)
Net cash used in financing activities	(2,201,794)	(8,055,740)
Net (decrease) increase in cash and cash equivalents	(49,171,413)	65,479,270
Cash and cash equivalents at beginning of year	128,302,700	62,823,430
Cash and cash equivalents at end of year	\$ 79,131,287	\$ 128,302,700
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the year for interest	\$ 165,494	\$ 773,236
<b>Supplemental noncash investing and financing activities</b>		
Property purchases included in accounts payable	\$ 2,006,364	\$ 7,384,136
Equipment acquired through capital lease and debt financing	\$ 1,908,375	–

See accompanying notes.



# Ochsner LSU Health System of North Louisiana and Subsidiaries

## Notes to Consolidated Financial Statements

June 30, 2021

### 1. Summary of Significant Accounting Policies

#### Organization

Ochsner LSU Health System of North Louisiana (OLHS-NL) was organized in August 2018 for the purpose of, among other things, operating two hospitals located in Shreveport and Monroe, Louisiana (Hospitals) owned by Louisiana State University and Agricultural and Mechanical College (LSU), through one or more of OLHS-NL's subsidiary entities (i.e., University Health Shreveport, L.L.C. d/b/a Ochsner LSU Health Shreveport, and BRFHH Monroe, L.L.C. d/b/a Ochsner LSU Health Monroe (Hospital Subsidiary Entities)), as part of a public/private partnership between OLHS-NL, the State of Louisiana, and LSU (Parties). Pursuant to the Cooperative Endeavor Agreement (CEA) entered into among the Parties, the purpose of the public/private partnership is for OLHS-NL to operate an academic medical center, for the public purpose of operating the Hospitals in a manner that promotes, enhances, and supports and is consistent with the state of Louisiana's and LSU's historical commitment to providing high-quality safety net services to the State's most vulnerable populations. OLHS-NL is a private, nonprofit corporation under Louisiana law. OLHS-NL's bylaws grant LSU and Ochsner Clinic Foundation (Ochsner) the right to appoint an equal number of members to the OLHS-NL Board of Directors. Given their representation on the board, the transactions described below that are between OLHS-NL and LSU or Ochsner subsidiaries are considered related party transactions.

Effective October 1, 2018, the membership interest in BRF Hospital Holdings d/b/a Ochsner LSU Hospitals (BRFHH), which is the sole member of the two Hospital Subsidiary Entities (BRFHH and the Hospital Subsidiary Entities are collectively referred to as OLH Subsidiary Entities), was transferred to OLHS-NL pursuant to a Membership Interest Transfer Agreement (MITA) between OLHS-NL and Biomedical Research Foundation of Northwest Louisiana (BRF). As part of the private/public partnership, an Academic and Clinical Collaboration Agreement (ACCA) between LSU and OLHS-NL was executed to, among other things, integrate the clinical activity and align the missions of the Hospitals and OLPG for the benefit of the collaborative service area. Effective October 1, 2018, LSU Health Sciences Center-Shreveport Faculty Group Practice d/b/a Ochsner LSU Physician Group (OLPG) amended its governance documents to make OLHS-NL its sole member. In April of 2020, OLHS-NL added a third Hospital Subsidiary Entity Ochsner LSU Health Shreveport-St. Mary Medical Center, L.L.C. (OLHS-SMMC), and by letter agreement between Ochsner, OLHS-NL, and LSU the parties agreed that OLHS-SMMC is subject to all of the same terms and conditions applicable to the existing Hospital Subsidiaries under the parties' CEA.

# Ochsner LSU Health System of North Louisiana and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### Basis of Presentation and Principles of Consolidation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The consolidated financial statements include the accounts of OLHS-NL and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated upon consolidation.

#### Nature of Operations

Effective October 1, 2018, OLHS-NL entered into the CEA with LSU and the State of Louisiana. In accordance with the terms of the CEA, OLHS-NL assumed responsibility for the management and operation of the Hospitals and associated outpatient clinics in North Louisiana beginning on October 1, 2018. The CEA has an initial term of 10 years and shall automatically renew for 2 successive 5-year terms for a total term of 20 years.

OLHS-NL and the OLH Subsidiary Entities also entered into a Professional Services Agreement (PSA) with OLPG effective October 1, 2018, whereby OLPG agrees to supply LSU physicians and nonphysician practitioners to provide professional medical and administrative services to the Hospitals. The term of the PSA is for ten years and shall automatically renew for two successive five-year terms. In accordance with the terms of the PSA, OLHS-NL recorded expenses and OLPG recorded equal amounts of revenue for professional medical services for the years ended June 30, 2021 and 2020. These intercompany transactions eliminate in the consolidated financial statements of OLHS-NL.

To secure the services of along with the right to bill and collect for the LSU physicians and nonphysician practitioners provided under the PSA and certain other agreements, OLHS-NL's subsidiary entity OLPG entered into a Faculty Services Agreement (FSA) with LSU effective October 1, 2018. Pursuant to the FSA, LSU (i) makes certain of its physicians and nonphysician practitioners available to OLPG for the provision of services under the PSA and certain other agreements and (ii) assigns these physicians and nonphysician practitioners' rights to bill and collect under the PSA and the other agreements to OLPG. In exchange for these services and right to bill and collect for them, OLPG pays LSU in accordance with an agreed-upon budget and reconciliation process during the term of the FSA. The term of the FSA is for ten years and shall automatically renew for two successive five-year terms. In accordance with the terms of the FSA, OLPG recorded expenses of \$111,426,700 and \$89,935,632 for the amounts incurred to LSU for the years ended June 30, 2021 and 2020, respectively.

# Ochsner LSU Health System of North Louisiana and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

The OLH Subsidiary Entities and LSU also entered into an Academic Affiliation Agreement (AAA) effective October 1, 2018. Under the AAA, LSU makes its physicians and residents in training available to the Hospitals. In turn, the hospital subsidiaries provide financial support to LSU. The term of the AAA is for ten years and shall automatically renew for two successive five-year terms. In accordance with the terms of the AAA, included in professional fees OLHS-NL's hospital subsidiaries recorded expenses of \$86,000,000 for the financial support provided to LSU for each of the years ended June 30, 2021 and 2020.

OLHS-NL, the OLH Subsidiary Entities, and LSU also entered into a Shared Services Agreement (SSA) effective October 1, 2018. Under the terms of the SSA, OLHS-NL and the OLH Subsidiary Entities provide various support services (e.g., laundry, medical records archives, landscaping, maintenance, etc.) to LSU and LSU provides various support services (e.g., utilities, security, auxiliary units, storage, etc.) to OLHS-NL and the OLH Subsidiary Entities. The term of the SSA is for ten years and shall automatically renew for two successive five-year terms. The aggregate value of the services to LSU expensed for the years ended June 30, 2021 and 2020, under the agreements is \$9,937,304 and \$10,582,594, respectively.

BRFHH, of which OLHS-NL is the sole member, and the State of Louisiana also entered into a Master Hospital Lease (Hospital Lease) effective October 1, 2018, pursuant to which BRFHH leases the Hospitals from the State of Louisiana in exchange for rental payments. The Hospital Lease has an initial term of 10 years and shall automatically renew for 2 successive 5-year terms for a total of 20 years. The Hospital Lease requires the payment of an annual base rent of \$41,827,876 payable in two equal installments. The base rent will be adjusted annually for changes in the consumer price index. However, there will be no adjustments below the fixed minimum rent established at the initial Hospital Lease date. The rent expense for the Hospital Lease was \$42,957,097 and \$42,381,272 for the years ended June 30, 2021 and 2020, respectively.

BRFHH also entered into an Equipment Lease for Shreveport Hospital and an Equipment Lease for Monroe Hospital (Equipment Leases) effective October 1, 2018. Under the Equipment Leases, BRFHH leases certain equipment from the State of Louisiana that is used in the operation of the Hospitals. The initial terms of the Equipment Leases are for 10 years and shall automatically renew for 2 successive 5-year terms for a total of 20 years each. The Equipment Leases require payment of annual base rent of \$6,405,311 for the equipment for the Hospitals. The annual base rent payments are payable in two equal installments. The base rent will be adjusted for changes in the consumer price index. However, there will be no adjustments below the fixed minimum rent established in the initial Equipment Leases date. The rent expense for the Equipment Leases was \$6,576,092 and \$6,490,056 for the years ended June 30, 2021 and 2020, respectively.

# Ochsner LSU Health System of North Louisiana and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### **1. Summary of Significant Accounting Policies (continued)**

OLHS-NL, its hospital subsidiaries, and OLH Operational Management Company (Manager), a subsidiary of Ochsner, entered into a Manager Services Agreement (MSA) effective October 1, 2018. Under the MSA, OLHS-NL and its hospital subsidiaries retained Manager for the purpose of providing certain management services, billing and collection services, and administration support as needed for efficient and cost-effective operation of the Hospitals consistent with the shared charitable mission of the Parties. The initial term of the MSA is 10 years and will automatically renew for 2 successive 5-year terms for a total of 20 years. The expense recorded under the MSA for the years ended June 30, 2021 and 2020 was \$27,136,164 and \$23,363,064, respectively.

OLHS-NL, OLPG, and Clinical Operational Management Company, L.L.C. (Administrator), a subsidiary of Ochsner, entered into an Administrative Services Agreement (ASA) effective October 1, 2018. Under the ASA, OLHS-NL and OLPG retained Administrator for the purpose of providing certain management, administrative, and other non-clinical services and support to enable OLPG to fulfill its obligations under various services agreement and improve faculty practice operations consistent with and in support of the shared charitable mission of the Parties. The initial term of the ASA is 10 years and will automatically renew for 2 successive 5-year terms for a total of 20 years. The expense recorded under the ASA for the years ended June 30, 2021 and 2020, was \$3,803,586 and \$3,117,649, respectively.

### **Use of Estimates**

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

Cash and cash equivalents include all checking accounts and savings accounts.

### **Inventories**

Inventories consist primarily of drugs, medical supplies, and general supplies and are stated at the lower of cost (using the first-in, first-out method) or net realizable value.

# Ochsner LSU Health System of North Louisiana and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### **1. Summary of Significant Accounting Policies (continued)**

#### **Property and Equipment**

Property improvements and additions are recorded at cost and capitalized and depreciated on the straight-line basis over the estimated useful lives of the related assets, which range from 3 to 40 years. Equipment under capital lease obligations is depreciated using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment.

When assets are retired or otherwise disposed, the costs and related accumulated depreciation are removed from the accounts and any resulting gains or losses are recognized by OLHS-NL for that period.

#### **Implementation Costs of Hosting Arrangement That is a Service Contract**

OLHS-NL entered into a hosting arrangement for computer services. The initial implementation costs under this arrangement are recorded in other assets to be capitalized and amortized over the term of the agreement, which is ten years. Unamortized costs were \$7,734,872 and \$8,856,000 as of June 30, 2021 and 2020, respectively. The amortized cost is expensed as a purchased service.

#### **Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of**

OLHS-NL reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairments have been recognized for the years ended June 30, 2021 or 2020.

#### **Income From Operations**

The statement of operations includes the line item entitled change in net assets, which represents OLHS-NL's performance indicator, as well income from operations, which represents an intermediate measure of performance. Operating revenues include, but are not limited to, patient revenues and payments from the State of Louisiana for the uncompensated cost of care. Changes in net assets that are excluded from income from operations include grant revenue, contributions, interest income, and other nonoperating activities.

# Ochsner LSU Health System of North Louisiana and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### **1. Summary of Significant Accounting Policies (continued)**

#### **Patient Service Revenue**

Patient service revenue is reported at the amount that reflects the consideration OLHS-NL expects to be entitled for providing patient care. These are amounts due from patients, third-party payors (including managed care payors and government programs), and others, and include variable consideration for retroactive revenue adjustments due to settlement of reviews and audits. Generally, OLHS-NL bills the patients and third-party payors after the services are performed or shortly after discharge. Revenue is recognized as performance obligations are satisfied.

OLHS-NL determines performance obligations based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized on actual charges incurred in relation to total expected or actual charges. OLHS-NL believes this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Those services satisfied over time relate to patients receiving inpatient acute services and the performance obligation is measured by OLHS-NL from admission into the hospital until the time that it is no longer required to provide services to the patient, which is generally at the time of discharge. These services are considered a single performance obligation and revenue is recognized when the services are provided and satisfy the performance obligation. Management believes this method provides a depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

As the organization's performance obligations relate to contracts with a duration of less than one year, OLHS-NL has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 606-10-60-14(a), and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which usually occurs within days or weeks of the end of the reporting period.

Under this guidance, OLHS-NL does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the expectation that the period between the time of service is provided to the patient and the time that payment is received from the patient or third-party payor will be one year or less.

# Ochsner LSU Health System of North Louisiana and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### **1. Summary of Significant Accounting Policies (continued)**

OLHS-NL utilizes the portfolio approach practical expedient in ASC 606 for contracts related to patient service revenue. These contracts are accounted for as a collective group within each portfolio rather than individual contracts. The contracts are grouped based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. The portfolios consist of major payor classes for inpatient and outpatient revenue. Based on historical analysis and collection trends, OLHS-NL concluded that revenue for a portfolio would not be materially different if the accounting for revenue was performed on a contract-by-contract basis.

OLHS-NL has agreements with third-party payors that provide for payments that vary from the established rates of OLHS-NL. For uninsured patients who do not qualify for charity care, revenue is recognized based on established rates, subject to certain discounts and implicit price concessions according to OLHS-NL's policy. The transaction price is determined by OLHS-NL based on standard charges for services provided and reduced by explicit price concessions provided to third-party payors, discounts provided to uninsured patients according to policy, and implicit price concessions provided to uninsured patients. The explicit price concessions are based on contractual agreements, discount policies, and historical experience. Implicit price concessions represent differences between amounts billed and the estimated consideration OLHS-NL expects to receive from patients, which are determined based on historical collection trends, current market conditions, and other factors.

#### **Managed Care Incentive Payments**

OLHS-NL participates in the Managed Care Incentive Payment (MCIP) program which provides incentive payments for achieving quality metrics that increase access to health care, improve the quality of care, and enhance the health of the members of the Managed Care Organization. OLHS-NL received payments in the years ended June 30, 2021 and 2020 of approximately \$15,070,000 and \$16,400,000, respectively, under the MCIP program.

#### **Charity Care**

OLHS-NL provides care to patients who meet certain criteria established under its charity care policy without expected reimbursements or at reimbursement rates substantially lower than its usual and customary charges. Charity care is not reported as net revenues because OLHS-NL does not pursue collection of amounts determined to qualify as charity care. OLHS-NL estimates its

# Ochsner LSU Health System of North Louisiana and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### **1. Summary of Significant Accounting Policies (continued)**

costs of care provided under its charity care programs by applying a ratio of direct and indirect costs to charges to the gross forgone charges associated with providing care to charity patients. OLHS-NL's gross charity care charges include only services provided to patients who are unable to pay and qualify under OLHS-NL's charity care policies. The ratio of cost to charges is calculated based on OLHS-NL's total expenses divided by gross patient revenue. During the years ended June 30, 2021 and 2020, the estimated costs incurred by OLHS-NL to provide care to patients who met certain criteria under its charity care policy were \$25,145,130 and \$13,913,406, respectively.

### **Other Operating Revenue**

Other operating revenue includes pharmacy revenue, Provider Relief Funds, quality incentive revenue, physician contract services, affiliated services revenue, and various miscellaneous sources of revenue.

### **Estimated Workers' Compensation, Professional and General Liability, and Employee Health Claims**

OLHS-NL is self-insured for workers' compensation, professional and general liability, and employee health claims. The provisions for estimated workers' compensation, professional liability, and employee health claims include estimates for the ultimate costs for both reported claims and claims incurred but not reported. These estimates incorporate OLHS-NL's past experience, as well as other considerations, including the nature of claims, industry data, relevant trends, and the use of actuarial information.

### **Contributions**

Contributions received are recorded as with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statements of activities as net assets released from restrictions.

During the years ended June 30, 2021 and 2020, OLHS-NL received no contributions with donor restrictions. As of June 30, 2021 and 2020, OLHS-NL had no net assets with donor restrictions.



# Ochsner LSU Health System of North Louisiana and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### Income Taxes

OLHS-NL qualifies as a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and, except for unrelated business income, is exempt from federal income taxes pursuant to Section 501(a) of the Internal Revenue Code. Pursuant to Louisiana law, this exemption also applies to Louisiana state income and franchise taxes. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition on the accompanying consolidated balance sheet.

#### Concentration of Credit Risk

OLHS-NL grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements.

#### Risks and Uncertainties

OLHS-NL's business could be impacted by continuing price pressure on new and renewal business, OLHS-NL's ability to effectively control health care costs, additional competitors entering OLHS-NL's markets, and federal and state legislation in the area of health care reform. Changes in these areas could adversely impact its operations in the future.

#### Pending Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update No. (ASU) 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires companies that lease assets to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on its balance sheet. The pronouncement will also require additional disclosures about the amount, timing, and uncertainty of cash flows arising from leases. As discussed in Note 15, OLHS-NL issued taxable bonds during the first quarter of fiscal year 2022 upon which issuance the provisions of ASU 2016-02 became effective for OLHS-NL which it adopted using a modified retrospective approach. The primary effect of the new standard was recording right-of-use assets and obligations for current operating leases of approximately \$363,000,000.

# Ochsner LSU Health System of North Louisiana and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications primarily relate to the grouping of amounts previously reported separately on the consolidated balance sheets and statements of operations. These reclassifications had no impact to the amounts reported as total assets, total liabilities, or net assets at June 30, 2020 and no impact to the amounts reported as income from operations or change in net assets at June 30, 2020.

### 2. Patient Service Revenue

A summary of the basis of payment arrangements with third-party payors follows:

#### Medicare and Medicaid

Inpatient acute care services related to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicare inpatient rehabilitation services are also paid at prospectively determined rates per discharge, based on a patient classification system. Psychiatric services rendered to Medicare beneficiaries are reimbursed on a prospectively determined rate per day. Outpatient services to Medicare beneficiaries are paid on a prospectively determined amount per procedure. Medicare skilled nursing care is paid on a prospectively determined amount per diem based on a patient classification system. The Medicare program's share of indirect medical education costs is reimbursed based on a stipulated formula. The Medicare program's share of direct medical education costs is reimbursed based on a prospectively determined amount per resident. Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined per diem rates. Outpatient services rendered to Medicaid program beneficiaries are reimbursed either on a cost basis subject to certain limits or on a prospectively determined amount per procedure.

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

## Ochsner LSU Health System of North Louisiana and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **2. Patient Service Revenue (continued)**

Provisions for third-party payor settlements and adjustments are estimated in the period related services are provided and adjusted in future periods as additional information becomes available and final settlements are determined. At June 30, 2021 and 2020, included in other accounts receivable are payables of \$-0- and \$299,984 and estimated receivables of \$7,456,583 and \$5,043,326, respectively, related to OLHS-NL's agreements with third-party payors (including Medicare and Medicaid). Revenues/losses recognized during the years ended June 30, 2021 and 2020, related to prior year changes in estimates were revenue of \$5,627,200 in the current year and loss of \$5,185,245 in the prior year. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Consequently, there is at least a reasonable possibility that recorded estimates could change by a material amount.

#### **Medicaid Supplemental Payment Program**

The CEA provides state funding commitments for indigent patient care in amounts determined by the Louisiana Department of Health. As a result, the Hospitals received \$288,040,099 and \$299,924,585 in CEA-related payments during the years ended June 30, 2021 and 2020, respectively. Revenue is recognized based on a systematic method over the term of the agreement year to which it relates, which ends with the State's fiscal year-end of June 30 each year. The Hospitals recognized \$143,600,188 and \$134,070,592 in disproportionate share (DSH) revenues and \$144,439,911 and \$160,099,395 in Full Medicaid Payment (FMP) revenues, which are included in net patient service revenue related to the services provided under the CEA for the years ended June 30, 2021 and 2020, respectively.

#### **Managed Care**

OLHS-NL has also entered into contractual arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Inpatient and outpatient services rendered to managed care subscribers are reimbursed at prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Ochsner LSU Health System of North Louisiana and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**2. Patient Service Revenue (continued)**

The mix of net revenues from patients and third-party payors for the years ended June 30 was as follows:

	<u>2021</u>	<u>2020</u>
Commercial and other	\$ 178,482,955	\$ 159,591,384
Medicaid	575,336,856	491,331,276
Medicare	176,567,991	145,325,510
Patient service revenue	<u>\$ 930,387,802</u>	<u>\$ 796,248,170</u>

**3. Patient Accounts Receivable**

At June 30, OLHS-NL's net patient accounts receivable balances were due from the following sources:

	<u>2021</u>	<u>2020</u>
Commercial and other	\$ 38,201,930	\$ 32,273,480
Medicaid	27,278,012	20,112,011
Medicare	12,507,485	13,846,472
Total patient accounts receivable – net	<u>\$ 77,987,427</u>	<u>\$ 66,231,963</u>

**4. Liquidity and Availability**

Financial assets available for general expenditure within one year of June 30 included the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 79,131,287	\$ 128,302,700
Patients accounts receivable	77,987,427	66,231,963
Other receivables	65,942,536	23,000,591
	<u>\$ 223,061,250</u>	<u>\$ 217,535,254</u>

OLHS-NL also maintains a \$40.0 million credit line as discussed in Note 6.

## Ochsner LSU Health System of North Louisiana and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 5. Property – Net

OLHS-NL’s investment in property at June 30 is as follows:

	<b>2021</b>	<b>2020</b>
Land	\$ 1,060,654	\$ –
Buildings and leasehold improvements	53,584,555	16,571,872
Equipment, furniture, and fixtures	82,323,031	52,137,627
Construction-in-progress	43,669,775	59,225,983
Total property – at cost	180,638,015	127,935,482
Less accumulated depreciation	44,743,362	28,932,884
Property – net	\$ 135,894,653	\$ 99,002,598

Capital lease assets are included within equipment, furniture, and fixtures above. The following is an analysis of the equipment under capital lease at June 30:

	<b>2021</b>	<b>2020</b>
Equipment	\$ 8,789,934	\$ 8,789,934
Less accumulated depreciation	8,378,186	7,485,659
	\$ 411,748	\$ 1,304,275

#### 6. Line-of-Credit

OLHS-NL has a \$40,000,000 line-of-credit outstanding with a financial institution. This line-of-credit is secured by the accounts receivable of OLHS-NL and bears interest from the date advanced until repaid at the London Interbank Offered Rate (LIBOR) rate, plus the applicable margin. Interest on the loan is paid in arrears on each interest payment date. At June 30, 2021 and 2020, there were no amounts outstanding on the line of credit.

#### 7. Notes Payable

As part of the formation and member interest transfer agreement on October 1, 2018, OLHS-NL assumed various notes payable with interest rates ranging from 5.42% to 7.03% and maturity dates ranging from March 2022 to April 2024. The total notes payable outstanding were \$2,902,583 and \$2,811,608 at June 30, 2021 and 2020, respectively.

Ochsner LSU Health System of North Louisiana and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**8. Leases**

As described in Note 1, OLHS-NL has entered into master hospital lease and equipment lease agreements under the CEA.

Aggregate payments on operating lease obligations outstanding at June 30, 2021, are as follows:

Year ending June 30:	
2022	\$ 51,714,577
2023	51,382,495
2024	51,258,542
2025	50,960,615
2026	50,974,053
2027 and after	138,476,215
Total	<u>\$ 394,766,497</u>

**9. Functional Expenses**

OLHS-NL provides general health care services primarily to residents within its geographic area.

**Functional Expenses for the  
Year Ended June 30, 2021**

	<b>Health Care Services</b>	<b>General and Administrative</b>	<b>Total</b>
Salaries and wages	\$ 260,139,545	\$ 26,145,322	\$ 286,284,867
Employee benefits	45,460,010	5,693,079	51,153,089
Supplies	201,972,907	2,682,340	204,655,247
Professional fees	225,575,325	1,401,351	226,976,676
Purchased services	72,837,694	4,984,334	77,822,028
Leases	62,645,507	4,585,237	67,230,744
Depreciation	15,965,290	—	15,965,290
Other	40,829,946	26,948,194	67,778,140
	<u>\$ 925,426,224</u>	<u>\$ 72,439,857</u>	<u>\$ 997,866,081</u>

Ochsner LSU Health System of North Louisiana and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**9. Functional Expenses (continued)**

	<b>Functional Expenses for the Year Ended June 30, 2020</b>		
	<b>Health Care Services</b>	<b>General and Administrative</b>	<b>Total</b>
Salaries and wages	\$ 221,307,509	\$ 23,550,010	\$ 244,857,519
Employee benefits	35,368,596	3,754,431	39,123,027
Supplies	168,351,015	189	168,351,204
Professional fees	204,926,736	400,439	205,327,175
Purchased services	60,409,310	5,489,373	65,898,683
Leases	60,078,740	2,057,988	62,136,728
Depreciation	8,126,019	–	8,126,019
Other	24,759,248	16,577,307	41,336,555
	<u>\$ 783,327,173</u>	<u>\$ 51,829,737</u>	<u>\$ 835,156,910</u>

**10. Related-Party Transactions**

Certain members of the OLHS-NL Board of Directors and senior staff are affiliated with organizations that may provide services to OLHS-NL and its affiliates. OLHS-NL has a policy and procedures for identifying potential conflicts of interest and for periodically obtaining documentation and independent reviews of its insurance program, maintaining banking relationships with multiple financial institutions, and obtaining formal bids on all significant purchases to ensure that all transactions with related parties are at fair market value.

At June 30, 2021, OLHS-NL owed Ochsner and LSU \$6,253,104 and \$66,921,487, respectively, for services provided to OLHS-NL. At June 30, 2020, OLHS-NL owed Ochsner and LSU \$26,481,714 and \$70,455,809, respectively, for services provided to OLHS-NL. These amounts are presented on the consolidated balance sheets as due to related parties.

**11. Insurance Programs**

Professional liability claims are limited by Louisiana statute to \$500,000 per occurrence, the first \$100,000 of which is payable by the health care provider and the remainder of which is payable by the Patient's Compensations Fund (the Fund) for participants in the Fund.

# Ochsner LSU Health System of North Louisiana and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### **11. Insurance Programs (continued)**

OLHS-NL is self-insured for group health insurance and pays all claims up to \$200,000 per person. A stop loss policy pays claims in excess of this amount. OLHS-NL is also self-insured for workers' compensation liability up to the deductible of its excess workers' compensation policy of \$150,000 per claim.

OLHS-NL has reflected its estimate of the ultimate liability for known and incurred but not reported claims in the accompanying consolidated financial statements. The estimated liability for professional claims is \$3,817,231 and \$4,034,883 for June 30, 2021 and 2020, respectively, and is presented on the balance sheets as other long-term liabilities and accounts payable and accrued expenses.

### **12. Retirement Plans**

OLHS-NL has a defined contribution plan under Internal Revenue Service Code Section 401(k) that covers substantially all full-time employees who are over the age of 21 and who have met eligibility requirements. Discretionary contributions by the Hospitals include matching contributions to the employee 401(k) plan up to certain limits of compensation. Total employer contributions were \$7,901,931 and \$7,395,351 for the years ended June 30, 2021 and 2020, respectively.

### **13. Commitments and Contingencies**

OLHS-NL is involved in various legal actions and claims that arose as a result of events that occurred in the normal course of operations. The ultimate resolution of these matters is not ascertainable at this time; however, management is of the opinion that any liability or loss in excess of insurance coverage resulting from such litigation will not have a material effect upon the consolidated financial position of OLHS-NL.

The health care industry as a whole is subject to numerous complex laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Such compliance with laws and regulations in the health care industry has come under increased government scrutiny. OLHS-NL is party to various legal proceedings and potential claims arising in the ordinary course of its business. Management of OLHS-NL believes the reserves it has established for these issues are adequate and does not believe, based on current facts and circumstances and after review with counsel, that these matters will have a material adverse effect on its consolidated statements of financial position or results of operations.



# Ochsner LSU Health System of North Louisiana and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 14. COVID-19

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 (COVID-19) outbreak a pandemic and declared a national public health emergency followed by state emergency declarations. There have been resulting effects that negatively impacted OLHS-NL's financial condition, including decisions to defer elective procedures and other medical treatments at OLHS-NL. Patient volumes were most significantly reduced in April 2020. In response, OLHS-NL took appropriate measures to respond to the anticipated revenue shortfalls. In late May 2020 as states relaxed restrictions on non-essential and elective procedures, patient volumes began to improve. The ultimate impact of these matters to OLHS-NL and its financial condition is presently unknown as the duration of the pandemic is undetermined.

Sources of pandemic relief include the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which was enacted on March 27, 2020, and the Paycheck Protection Program and Health Care Enhancement Act (PPHCE Act), which was enacted on April 24, 2020. Together the CARES Act and the PPHCE Act include \$175,000,000,000 in funding to hospitals and other health care providers through the Public Health and Social Services Emergency Fund (PHSSEF). Grant payments from the PHSSEF are intended to reimburse health care providers for lost revenue and increased expenses due to the pandemic. Beginning in April and through June 2020, OLHS-NL had received approximately \$13,900,000 through the PHSSEF, of which OLHS-NL recognized approximately \$13,900,000 as other revenue on the accompanying consolidated statement of operations and changes in net assets for the year ended June 30, 2020. In July 2020, additional PHSSEF funds of approximately \$80,700,000 were received, of which OLHS-NL recognized approximately \$52,900,000 as other revenue on the accompanying consolidated statement of operations and changes in net assets for the year ended June 30, 2021. The remaining payments of approximately \$27,800,000 are recorded in Medicare advance payments received and deferred revenue on the accompanying consolidated balance sheet as of June 30, 2021. OLHS-NL recognizes grant payments as income when there is reasonable assurance that the grant conditions are met. These estimates could change materially based on lost revenue or expenses related to COVID-19 as well as the evolving grant compliance guidance provided by the government.

The CARES Act provides for an expansion of the Medicare Accelerated and Advance Payment Program (Accelerated Payment Program), which allows inpatient acute care hospitals to request accelerated payments of up to 100% of their Medicare payment amount for a six-month period. In April 2020, OLHS-NL received approximately \$65,500,000 from the Accelerated Payment Program before the Centers for Medicare & Medicaid Services (CMS) paused to reevaluate pending and new applications in light of direct payments made available through the PHSSEF.

## Ochsner LSU Health System of North Louisiana and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **14. COVID-19 (continued)**

Such accelerated payments are interest free for inpatient acute care hospitals for 12 months, and the Accelerated Payment Program requires CMS to recoup the payments by withholding future Medicare fee-for-service payments for claims until the full accelerated payment has been recouped. The Accelerated Payment Program currently requires that any outstanding balances be recouped at 25% of Medicare payments for the first 11 months, and if a balance still remains, the recoupment increases to 50% for 6 months. After that time, the remaining balance will be repaid or be subjected to a 10.25% annual interest rate. The amount received is recorded as a contract liability in Medicare advance payments received and deferred revenue and Other long-term liabilities on the accompanying consolidated balance sheet as of June 30, 2021, and as of this date, CMS has recouped \$7,362,806.

The CARES Act also allows for deferred payment of the employer portion of certain payroll taxes between March 27, 2020 and December 31, 2020, with 50% due December 31, 2021, and the remaining 50% due December 31, 2022. OLHS-NL began deferring these payroll tax payments in April 2020. As of June 30, 2021 and 2020, OLHS-NL had deferred payroll tax payments of approximately \$9,800,000 and \$3,100,000, respectively, which are included in accrued compensation and benefits and Other long-term liabilities on the accompanying consolidated balance sheets.

Due to the evolving nature of the COVID-19 pandemic, the ultimate impact to OLHS-NL and its financial condition is presently unknown.

#### **15. Subsequent Events**

Management has evaluated subsequent events through the date that the accompanying consolidated financial statements were available to be issued, October 21, 2021. In July 2021, OLHS-NL issued \$325,000,000 of taxable bonds bearing interest at a rate of 2.510%. The bonds have a maturity date of May 15, 2031, with interest payable in May and November each year.

# Reports Required by the Uniform Guidance



Ernst & Young LLP  
3900 Hancock Whitney Center  
701 Poydras Street  
New Orleans, LA 70139

Tel: +1 504 581 4200  
Fax: +1 504 596 4233  
ey.com

## Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Management and The Board of Directors  
Ochsner LSU Health System of North Louisiana and Subsidiaries

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Ochsner LSU Health System of North Louisiana and Subsidiaries, which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 21, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Ochsner LSU Health System of North Louisiana and Subsidiaries' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ochsner LSU Health System of North Louisiana and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Ochsner LSU Health System of North Louisiana and Subsidiaries' internal control.

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

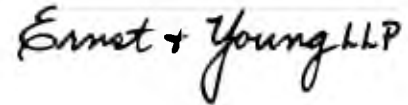
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



October 21, 2021



Ernst & Young LLP  
3900 Hancock Whitney Center  
701 Poydras Street  
New Orleans, LA 70139

Tel: +1 504 581 4200  
Fax: +1 504 596 4233  
ey.com

## Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Management and The Board of Directors  
Ochsner LSU Health System of North Louisiana and Subsidiaries

### **Report on Compliance for Each Major Federal Program**

We have audited Ochsner LSU Health System of North Louisiana and Subsidiaries' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Ochsner LSU Health System of North Louisiana and Subsidiaries' major federal programs for the year ended June 30, 2021. Ochsner LSU Health System of North Louisiana and Subsidiaries' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Ochsner LSU Health System of North Louisiana and Subsidiaries' major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ochsner LSU Health System of North Louisiana and Subsidiaries' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Ochsner LSU Health System of North Louisiana and Subsidiaries' compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Ochsner LSU Health System of North Louisiana and Subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### ***Other Matters***

Our audit of the major federal program identified as Assistance Listing Number 93.461 – COVID-19 – HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund included certain audit procedures for the compliance requirement associated with activities allowed or unallowed that were limited to tests of compliance that reimbursements received, or expected to be received, related to health services allowed under this federal program. Our audit of compliance was not designed to test or provide assurance on the determination of whether a service was medically necessary, obtained through a legally appropriate referral, properly performed, rendered in a quality manner from a clinical perspective, adequately supervised, accurately documented and classified (i.e., that the correct medical bill code assigned represents the health service performed), or rendered and billed by non-sanctioned individuals. Performing procedures related to these matters is not within our professional expertise. Additional information on the nature of our procedures is available in the AICPA Audit and Accounting Guide, *Health Care Entities*. Our audit procedures for the compliance requirement associated with eligibility were limited to tests of compliance that services reimbursed, or expected to be reimbursed, were for individuals who received a temporary member identification number from the third-party service provider used by Health Resources and Services Administration (HRSA) to identify a lack of active health care coverage.

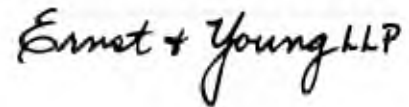
### **Report on Internal Control Over Compliance**

Management of Ochsner LSU Health System of North Louisiana and Subsidiaries is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ochsner LSU Health System of North Louisiana and Subsidiaries' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ochsner LSU Health System of North Louisiana and Subsidiaries' internal control over compliance.

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

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

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



September 27, 2022



# Supplementary Information

Ochsner LSU Health System of North Louisiana and Subsidiaries

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Federal Grantor/Program Title/ <i>Pass Through Grantor</i>	Assistance Listing Number	Pass-Through Number	Total Expenditures	Expenditures to Subrecipients
<b>U.S. Department of Health and Human Services</b>				
COVID-19 – HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461		\$ 3,560,634	\$ –
COVID-19 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		13,942,445	–
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease – <i>LSU Health Science Center</i>	93.918	2H76HA00679-22-00	97,466	–
COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) – <i>State of Louisiana Governor’s Office of Homeland Security and Emergency Preparedness</i>	97.036	1786-5288	14,477,455	–
<b>Total U.S. Department of Health and Human Services</b>			<b>32,078,000</b>	<b>–</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 32,078,000</b>	<b>\$ –</b>

*See Notes to Schedule of Expenditures of Federal Awards.*

Ochsner LSU Health System of North Louisiana and Subsidiaries

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

**1. Summary of Significant Accounting Policies**

**Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of Ochsner LSU Health System of North Louisiana and Subsidiaries and is presented on the accrual basis of accounting. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the consolidated financial statements of Ochsner LSU Health System of North Louisiana and Subsidiaries. For purposes of the SEFA, federal awards include any assistance provided by a federal agency, directly or indirectly, in the form of grants, contracts, cooperative agreements, loan and loan guarantees, or other non-cash assistance. The SEFA does not include payments received under the traditional Medicare and Medicaid reimbursement programs, as these programs are outside the scope of the Uniform Guidance. There were no donated goods and personal protective equipment received from federal sources that required recognition or disclosure in the notes to the SEFA.

**2. Indirect Costs**

Ochsner LSU Health System of North Louisiana and Subsidiaries does not use the 10 percent de minimis indirect cost rate provided for in the Uniform Guidance.

**3. Provider Relief Fund**

The amount presented on the SEFA for Assistance Listing Number 93.498, COVID-19 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution (PRF Funds), is for the year ended June 30, 2021. The amount presented reconciles to the Provider Relief Fund (PRF) information reported to HRSA as follows:

Name of Reporting Entity for HRSA Reporting Period 1 PRF Report	Reporting Entity Tax Identification Number	Type of Distribution	Total Other Provider Relief Fund Expenses Reported	Total Lost Revenues Reported	Total
Ochsner LSU Health System of North Louisiana	831605004	General	\$ 13,942,445	\$ –	\$ 13,942,445

## Ochsner LSU Health System of North Louisiana and Subsidiaries

### Notes to Schedule of Expenditures of Federal Awards (continued)

#### **3. Provider Relief Fund (continued)**

Health and Human Services (HHS) has indicated the PRF Funds on the SEFA be reported corresponding to reporting requirements of the HRSA PRF Reporting Portal. Payments from HHS for PRF are assigned to 'Payment Received Periods' (each, a Period) based upon the date each payment from the PRF was received. Each Period has a specified Period of Availability and timing of reporting requirements. Entities report into the HRSA PRF Reporting Portal after each Period's deadline to use the funds (i.e., after the end of the Period of Availability).

The SEFA includes \$13,942,445 of PRF Funds received from HHS between April 10, 2020 through June 30, 2020. In accordance with guidance from HHS, this amount is presented as Period 1. Such amount was recognized as other operating revenues in Ochsner LSU Health System of North Louisiana and Subsidiaries' consolidated financial statements as shown in the SEFA in the year ended June 30, 2021.

#### **4. Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

In fiscal year 2021, Ochsner LSU Health System of North Louisiana and Subsidiaries received approval from the State of Louisiana Governor's Office of Homeland Security and Emergency Preparedness for three project worksheets related to the reimbursement of eligible expenditures of \$14,191,527 incurred in previous fiscal years. These previous years' expenditures are included in the SEFA in the current year in accordance with guidance provided by the Department of Homeland Security.

# Schedule Required by the Uniform Guidance

Ochsner LSU Health System of North Louisiana and Subsidiaries

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

       **Yes**        X   **No**

Significant deficiency(ies) identified?

       **Yes**        X   **None reported**

Noncompliance material to financial statements noted?

       **Yes**        X   **No**

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

       **Yes**        X   **No**

Significant deficiency(ies) identified?

       **Yes**        X   **None reported**

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

       **Yes**        X   **No**

Ochsner LSU Health System of North Louisiana and Subsidiaries

Schedule of Findings and Questioned Costs (continued)

For the Year Ended June 30, 2021

Identification of major federal programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.461	COVID-19 – HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund
93.498	COVID-19 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution
97.036	COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs:

\$962,340

Auditee qualified as low-risk auditee?

       Yes

  X   No

**Section II – Financial Statement Findings**

No matters were reported.

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.

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