

**LOUISIANA STATE UNIVERSITY SCHOOL
OF MEDICINE IN NEW ORLEANS
FACULTY GROUP PRACTICE d/b/a
LSU HEALTHCARE NETWORK**

Management's Discussion and Analysis,
Financial Statements as of and
for the Years Ended June 30, 2024 and 2023
and Independent Auditor's Report



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Independent Auditor's Report

To the Board of Directors of
Louisiana State University School of Medicine in
New Orleans Faculty Group Practice
d/b/a LSU Healthcare Network

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Louisiana State University School of Medicine in New Orleans Faculty Group Practice, a Louisiana non-profit corporation, d/b/a LSU Healthcare Network (LSUHN), and its blended component units LSUHN Billing, LLC and University Medical Group, LLC (UMG), collectively referred to as the Organization, as of June 30, 2024 and 2023 and for the years then ended, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and 2023, and the changes in net 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 audits. 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.

Auditor's Responsibilities 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 GAAS 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 GAAS 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 5 through 13 be presented to supplement the basic financial statements. Such information, 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 audits 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2024 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 and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
August 29, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

LSU HEALTHCARE NETWORK

Management's Discussion and Analysis

This section of the Louisiana State University School of Medicine in New Orleans Faculty Group Practice, a Louisiana non-profit corporation, d/b/a LSU Healthcare Network's (LSUHN), annual financial report presents management's discussion and analysis of financial performance during the fiscal year (FY) ended June 30, 2024. It should be read in conjunction with the financial statements in this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of five components - Management's Discussion and Analysis of Financial Condition and Operating Results (this section), the Independent Auditor's Report, the Financial Statements, and the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.

The *Financial Statements* of LSU Healthcare Network report the financial position of LSUHN and its blended component units 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 LSUHN's activities.

The *Statements of Net Position* include all of LSUHN's and its blended component units' assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to LSUHN's creditors (liabilities) for the year and also provide the basis for evaluating the capital structure of LSUHN and assessing its liquidity and financial flexibility.

All of the current year's revenues and expenses are accounted for in the *Statements of Revenues, Expenses, and Changes in Net Position*. The statements measure the performance of LSUHN's operations and can be used to determine whether LSUHN has been able to recover all of 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 LSUHN's cash from operating, investing, and financing activities. The cash flow statements outline where the cash comes from, what the cash is used for, and the change in the cash balance during the reporting period.

The audit report also includes the *Notes to the Financial Statements* which 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.

LSU HEALTHCARE NETWORK

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE HEALTHCARE NETWORK

During FY2024, overall productivity (based on work Relative Value Units (RVU) as defined by Centers for Medicare and Medicaid Services (CMS)) was slightly higher than FY2023, 3.9% variance. Net collections (not matched to those RVUs) was up slightly, 0.4%. For FY2025, revenue is budgeted to be comparable to FY2024.

During FY2025, we anticipate transition of clinic management of our two clinics on the Westbank mid-year for FY25, to hospital-based clinics operated by Louisiana Children's Medical Center (LCMC). Non physician employees of those clinical units will be employed by LCMC and billing for services at the new clinic will be split, with professional services continuing to be billed by LSUHN and facility billing by LCMC. This transition was expected to occur last FY but experienced delays. During FY2025, we anticipate changing our Metairie clinic footprint. One floor will be vacating its existing building entirely, occupying space in a new clinic very nearby in the Metairie area as well as space in our existing Campus Clinic on the LSUHSC campus. The other two floors in our current Metairie clinic may be consolidated into a single floor. In addition to Urology (due to the move from Metairie), we are also anticipating new or expanded services in our Campus clinic, including Rheumatology returning to the HN clinics and an expansion of general Neurology services and Endocrinology.

During FY2025, we will increase our support of the LSU Allied Health Department by including them in our instance of the EPIC E M R. That rollout is expected to begin after the first of calendar year 2025.

LSUHN continued, during FY2024, to operate clinic sites in the New Orleans area in medical office buildings adjacent to Touro, East Jefferson Hospital, West Jefferson Hospital, as well as a private clinic in Baton Rouge.

LSUHN's physicians provide services in hospital-based clinics at University Medical Center of New Orleans, St. Charles Clinic with LCMC, Ochsner Kenner, East Jefferson, Our Lady of the Lake in Baton Rouge, and University Medical Center in Lafayette.

UMG operated in FY2024 under a new, one-year operating agreement, that began in January 2024. The new agreement changed the model from one of full risk for physician services (Part B), to one of shared risk for full medical (Part C, including both physician and hospital, but excluding pharmacy). Though estimated revenue is accrued in UMG's financial reports, no revenue will actually be paid for calendar year 2024 until mid-year 2025 (likely the beginning of FY26). This change under the new agreement will impact the timing of cash flows for FY2024, specifically attributing to the decrease in Cash Received from Capitation Revenue as reflected in the Statement of Cash Flows.

LSU HEALTHCARE NETWORK

Management's Discussion and Analysis

A summary of LSUHN's Statements of Net Position is presented in the following table:

Condensed Statements of Net Position June 30, 2024, 2023, and 2022

	June 30,		
	2024	2023	2022
	(Dollars in Thousands)		
Assets			
Current and Other Assets	\$ 119,832	\$ 109,114	\$ 100,615
Capital Assets	1,036	1,324	1,676
Total Assets	\$ 120,868	\$ 110,438	\$ 102,291
Liabilities			
Other Liabilities	\$ 22,748	\$ 25,617	\$ 24,312
Debt Outstanding	10,396	10,676	16,844
Total Liabilities	33,144	36,293	41,156
Net Position			
Net Investment in Capital Assets	1,090	1,324	1,676
Unrestricted	86,634	72,821	59,458
Total Net Position	87,724	74,145	61,135
Total Liabilities and Net Position	\$ 120,868	\$ 110,438	\$ 102,291

During FY2024, total assets were \$120.9 million compared to \$110.4 million during FY2023. The increase in total assets is primarily due to the increase in patient accounts receivable of \$3.0 million and in investments of \$10.2 million. Total liabilities were \$33.1 million compared to \$36.3 million during FY2023. The decrease in total liabilities is primarily due to the decrease in the long-term lease liabilities of \$1.3 million.

FY2023 is the first presented year for the subscription assets and liabilities as a result of Governmental Accounting Standards Board (GASB) 96 implementation. FY2022 is the first presented year for right-of-use assets and lease liabilities as a result of Governmental Accounting Standards Board (GASB) 87 implementation.

LSU HEALTHCARE NETWORK

Management's Discussion and Analysis

A summary of LSUHN's Statements of Revenues, Expenses, and Changes in Net Position is presented in the following table:

Condensed Statements of Revenues, Expenses, and Changes in Net Position For the Years Ended June 30, 2024, 2023, and 2022

	Years Ended June 30,		
	2024	2023	2022
	(Dollars in Thousands)		
Operating Revenues			
Net Patient Service Revenue	\$ 137,250	\$ 137,896	\$ 134,337
Capitation Revenue	11,493	20,546	18,249
Total Operating Revenues	148,743	158,442	152,586
Operating Expenses			
Operating and Administrative	136,549	136,440	135,440
Medical Claims Expense	8,253	14,698	13,750
Depreciation and Amortization	323	383	520
Total Operating Expenses	145,125	151,521	149,710
Income from Operations	3,618	6,921	2,876
Non-Operating Income (Expenses)			
Grant Revenue	-	-	23
Contribution to LSU Health Sciences Center	-	-	(452)
Interest Income and Other Income and Expenses, Net	9,961	6,089	(9,232)
Change in Net Position	13,579	13,010	(6,785)
Net Position, Beginning of Year	74,145	61,135	67,920
Net Position, End of Year	\$ 87,724	\$ 74,145	\$ 61,135

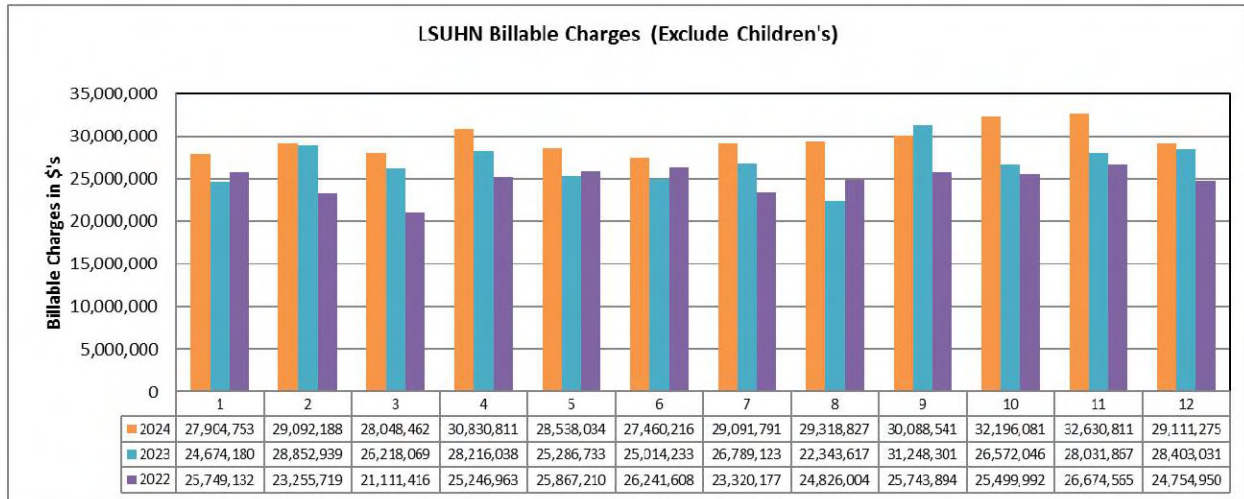
During FY2024, the practice generated 92.3% of its total revenues from patient care, with the other 7.7% being derived primarily from capitation revenue from UMG. Operating expenses for FY24 are \$145.1 million, which contains \$108.9 million of net revenues returned to LSU Health Sciences Center. Operating expenses for FY23 are \$151.5 million, which contains \$108.3 million of net revenues returned to LSU Health Sciences Center.

LSU HEALTHCARE NETWORK

Management's Discussion and Analysis

In FY2024, overall cash collections for Patient Services was relatively flat, 0.4% overall, with a 10% decrease in the LSUHN non-contract business offset by a 4.3% increase in the contract business. Children's Hospital New Orleans (Children's) revenue was relatively flat, 0.7% up from FY2023.

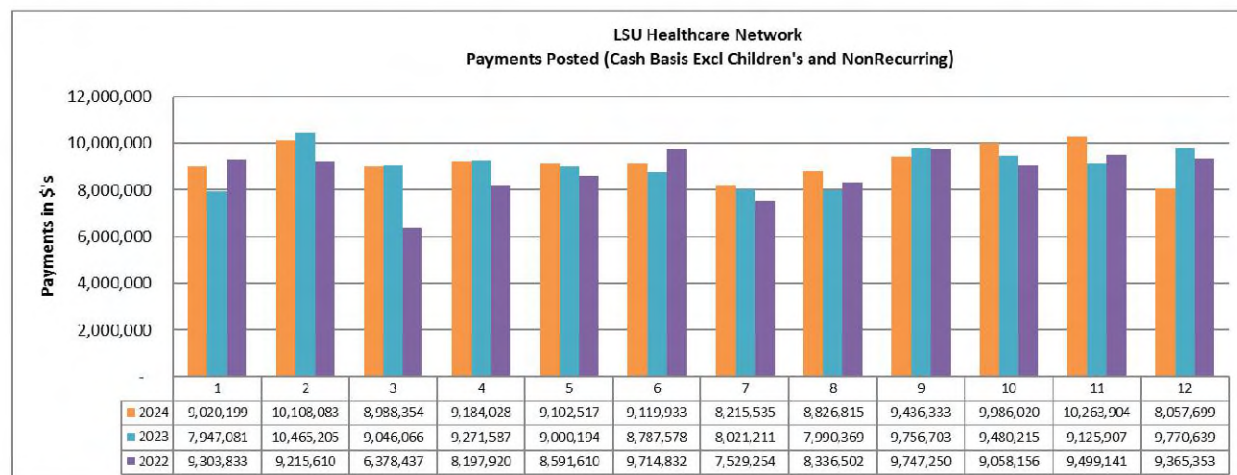
The following chart shows the trend in billable charges for fiscal years 2024, 2023, and 2022:



LSU HEALTHCARE NETWORK

Management's Discussion and Analysis

The following chart shows the trend in payments for Patient Services for fiscal years 2024, 2023, and 2022:



LSUHN continues to provide care to patients formerly seen in the public hospital system in New Orleans, Baton Rouge, and Lafayette, without regard to their ability to pay for those services. During the fiscal years ended June 30, 2024 and 2023, charity charges entered into the billing system and adjusted off were \$15.5 million and \$11.9 million, respectively.

The following table represents the relative percentage of gross charges billed for Patient Services by payor, excluding activity for Medicare Advantage for UMG, for the fiscal years ended June 30, 2024 and 2023:

	FY2024	FY2023
Medicaid	41 %	44 %
Free Care/Indigent	4	4
Medicare	29	28
Managed Care/Insurance	22	20
Self-Pay	4	4
Total Gross Charges	100 %	100 %

LSU HEALTHCARE NETWORK

Management's Discussion and Analysis

OPERATING AND FINANCIAL PERFORMANCE

Capital assets remained relatively consistent for FY2024 compared to FY2023.

Capital Asset Summary (In Thousands)

	As of FY2024	As of FY2023	Dollar Change	Total % Change
Office Furniture and Telephones	\$ 669	\$ 669	\$ -	0 %
Computers and Related Equipment	1,552	1,552	-	0
Medical Equipment	2,823	2,788	35	1
Leasehold Improvements	1,378	1,378	-	0
Buildings	786	786	-	0
License Fees	3,358	3,358	-	0
Total at Historical Cost	10,566	10,531	35	0
Less: Accumulated Depreciation and Amortization	(9,530)	(9,206)	(324)	4
Capital Assets, Net	\$ 1,036	\$ 1,325	\$ (289)	(22) %
	As of FY2023	As of FY2022	Dollar Change	Total % Change
Office Furniture and Telephones	\$ 669	\$ 669	\$ -	0 %
Computers and Related Equipment	1,552	1,552	-	0
Medical Equipment	2,788	2,777	11	0
Leasehold Improvements	1,378	1,405	(27)	(2)
Buildings	786	786	-	0
License Fees	3,358	3,414	(56)	(2)
Total at Historical Cost	10,531	10,603	(72)	(1)
Less: Accumulated Depreciation and Amortization	(9,206)	(8,926)	(280)	3
Capital Assets, Net	\$ 1,325	\$ 1,677	\$ (352)	(21) %

LSU HEALTHCARE NETWORK

Management's Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A budget was presented and approved by the Board of Directors in June 2024 for FY2025. This budget was rolled out to all the practice managers and will be reviewed quarterly to compare actual expenses vs. budget.

CONTACTING THE PRACTICE'S FINANCIAL MANAGER

This financial report is designed to provide our customers and creditors with a general overview of LSUHN's finances. If you have questions about this report or need additional financial information, please contact the Director of Accounting, LSU Healthcare Network, 478 S. Johnson Street, Suite 601, New Orleans, LA 70112.

REPORT OF MANAGEMENT'S RESPONSIBILITY

The management of LSUHN is responsible for the preparation and integrity of the financial information presented in this report. The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board, and include amounts based on judgments and estimates made by management. Management also prepares the other information included in the report and is responsible for its accuracy and consistency with the financial statements. The financial statements have been audited by the independent accounting firm of LaPorte, A Professional Accounting Corporation (LaPorte), who was given unrestricted access to all financial records and related data, including the minutes of all meetings of the Board of Directors.

The Board of Directors, through its Executive Finance Committee (the Committee), provides oversight to the financial reporting process. Integral to this process is the Committee's review and discussion with management of the monthly financial statements and the external auditors for the annual financial statements.

LSUHN maintains a system of internal control over financial reporting, which is designed to provide reasonable assurance that transactions are executed as authorized and accurately recorded and that assets are properly safeguarded, and also to provide reasonable assurance to our management and the Board of Directors regarding the reliability of our financial statements. The internal control system includes:

- A documented organizational structure and division of responsibility.
- Established policies and procedures that are regularly communicated and that demand high ethical conduct from all employees.

LSU HEALTHCARE NETWORK

Management's Discussion and Analysis

LSUHN's Executive Finance Committee monitors the operations and internal control system and reports findings and recommendations to management and the Board of Directors as appropriate. Corrective actions are taken to address control deficiencies and other opportunities for improvement as they are identified.

Louisiana State University School of Medicine in New Orleans Faculty Group Practice (d/b/a LSU Healthcare Network)



J. Christian Winters, MD
Chief Executive Officer

BASIC FINANCIAL STATEMENTS

LSU HEALTHCARE NETWORK
Statements of Net Position
June 30, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 14,032,617	\$ 14,263,204
Patient Accounts Receivable (Net of Allowance for Doubtful Accounts of \$8,944,313 and \$7,304,851, Respectively)	15,514,850	12,482,227
Inventory	88,395	90,663
Prepaid Expenses	308,887	385,377
Other Receivables	705,063	960,275
Total Current Assets	30,649,812	28,181,746
Capital Assets, Net	1,036,402	1,324,378
Other Assets		
Right-of-Use Assets	2,571,134	4,217,285
Subscription Assets	2,119,855	2,410,853
Deposits	221,191	221,190
Investments, at Fair Value	84,269,856	74,082,549
Total Other Assets	89,182,036	80,931,877
Total Assets	\$ 120,868,250	\$ 110,438,001

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

LSU HEALTHCARE NETWORK
Statements of Net Position (Continued)
June 30, 2024 and 2023

	2024	2023
Liabilities and Net Position		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 2,552,866	\$ 1,359,551
Medical Claims Payable	30,970	1,369,345
Due to LSU Health Sciences Center	15,526,104	16,306,988
Current Portion of Lease Liabilities	1,196,453	1,617,522
Current Portion of Subscription Liabilities	257,394	260,222
Line of Credit	10,396,609	10,675,730
Total Current Liabilities	29,960,396	31,589,358
Lease Liabilities, Net of Current Portion	1,344,508	2,606,477
Subscription Liabilities, Net of Current Portion	1,839,368	2,096,762
Total Liabilities	33,144,272	36,292,597
Net Position		
Net Investment in Capital Assets	1,089,668	1,324,378
Unrestricted	86,634,310	72,821,026
Total Net Position	87,723,978	74,145,404
Total Liabilities and Net Position	\$ 120,868,250	\$ 110,438,001

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

LSU HEALTHCARE NETWORK
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2024 and 2023

	2024	2023
Operating Revenues		
Net Patient Service Revenue, Net of Provision for Bad Debts of \$9,755,916 and \$7,202,422, Respectively	\$ 137,250,298	\$ 137,895,670
Capitation Revenue	11,492,446	20,546,132
Total Operating Revenues	148,742,744	158,441,802
Operating Expenses		
Personnel - Salaries and Benefits	7,893,317	7,562,249
Leased Employees - Non-Faculty	1,115,373	1,077,504
Medical Drugs and Supplies	1,419,011	1,192,011
Medical Claims Expense	8,252,575	14,697,984
General and Administrative	17,242,909	18,293,069
Net Revenues Returned to LSU Health Sciences Center	108,878,594	108,315,863
Depreciation	323,309	383,430
Total Operating Expenses	145,125,088	151,522,110
Income from Operations	3,617,656	6,919,692
Non-Operating Income (Expenses)		
Investment Income and Other Expenses, Net	9,849,762	6,004,989
Other Income	111,156	85,985
Total Non-Operating Income (Expenses), Net	9,960,918	6,090,974
Changes in Net Position	13,578,574	13,010,666
Net Position, Beginning of Year	74,145,404	61,134,738
Net Position, End of Year	\$ 87,723,978	\$ 74,145,404

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

LSU HEALTHCARE NETWORK
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Cash Received from Clinic Operations	\$ 134,217,675	\$ 135,275,678
Cash Received from Capitation Revenue	11,492,446	20,546,132
Cash Payments for Personnel	(8,937,816)	(9,548,669)
Cash Payments for Net Revenues Returned to LSU Health Sciences Center	(109,659,478)	(106,775,425)
Cash Payments for Supplies and General and Administrative	(15,457,439)	(17,726,923)
Cash Payments for Medical Claims	(9,590,950)	(14,472,525)
Net Cash Provided by Operating Activities	2,064,438	7,298,268
Cash Flows from Capital and Related Financing Activities		
Payments on Line of Credit	(279,121)	(6,168,725)
Payments of Lease Liabilities	(1,493,959)	(1,621,379)
Payments of Subscription Liabilities	(260,222)	(252,365)
Purchase of Capital Assets	(35,333)	(162,466)
Net Cash Used in Capital and Related Financing Activities	(2,068,635)	(8,204,935)
Cash Flows from Investing Activities		
Interest and Dividends, Net of Fees and Taxes Paid	2,195,597	1,720,075
Proceeds from Sale of Investments	18,612,741	27,694,506
Purchase of Investments	(21,034,727)	(27,373,142)
Cash Paid for Deposits	(1)	-
Net Cash (Used in) Provided by Investing Activities	(226,390)	2,041,439
Net (Decrease) Increase in Cash and Cash Equivalents	(230,587)	1,134,772
Cash and Cash Equivalents, Beginning of Year	14,263,204	13,128,432
Cash and Cash Equivalents, End of Year	\$ 14,032,617	\$ 14,263,204
Supplemental Disclosures of Non-Cash Capital and Related Financing Activities		
Reclassification of Capital Asset to Subscription Asset	\$ -	\$ 85,000
Right-of-Use Asset Written Off - Lease Termination	\$ 187,079	\$ -
Lease Liability Written Off - Lease Termination	\$ 189,612	\$ -

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

LSU HEALTHCARE NETWORK
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2024 and 2023

	2024	2023
Reconciliation of Income from Operations to		
Net Cash Provided by Operating Activities		
Income from Operations	\$ 3,617,656	\$ 6,919,692
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities		
Depreciation	323,309	383,430
Amortization of Right-of-Use Assets	1,457,072	1,820,539
Amortization of Subscription Assets	290,998	280,522
Loss on Disposal of Fixed Assets	-	45,924
Provision for Bad Debt	9,755,916	7,202,422
(Increase) Decrease in Operating Assets		
Patient Accounts Receivable, Net	(12,788,539)	(9,822,414)
Inventory	2,268	(24,667)
Prepaid Expenses	76,490	125,556
Other Receivables	255,212	224,168
Increase (Decrease) in Operating Liabilities		
Accounts Payable and Accrued Expenses	1,193,315	(1,622,900)
Medical Claims Payable	(1,338,375)	225,459
Due to LSU Health Sciences Center	(780,884)	1,540,537
Net Cash Provided by Operating Activities	\$ 2,064,438	\$ 7,298,268

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

LSU HEALTHCARE NETWORK

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

Reporting Entity

Louisiana State University School of Medicine in New Orleans Faculty Group Practice, a Louisiana non-profit corporation, d/b/a LSU Healthcare Network (LSUHN), supports the LSU Health Sciences Center (LSUHSC) in carrying out its medical, educational, and research functions. The Board of Directors consists of seven (7) members who are representatives of the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (LSU), the LSUHSC, and the LSU School of Medicine in New Orleans, as well as eight (8) public or community members who are not employees of LSU and are nominated by either the Nominating Committee or any member of the Board of Directors. Upon dissolution of LSUHN, any remaining assets would be distributed to the Board of Supervisors of LSU or its successor for distribution to the LSU School of Medicine in New Orleans or to the Louisiana State University Health Foundation. LSUHN provides health care to the general public including, but not limited to, the delivery of physician medical services and other healthcare services to individuals. LSUHN receives compensation for these services from the Medicare and Medicaid programs, certain commercial insurance carriers, health maintenance organizations, preferred provider organizations, and directly from patients.

LSUHN's activities include billing for services provided at University Medical Center and University Hospital in Lafayette, both of which participate in cooperative endeavor agreements with the State of Louisiana, and the public clinics serviced by LSUHSC. In August 2011, LSUHN and LSUHSC (through the Board of Supervisors of LSU) entered into a restated and amended agreement pursuant to the Uniform Affiliation Agreement. The agreement establishes support of the Board of Supervisors of LSU and LSUHSC-NO in the attainment of its mission and goals, particularly as they relate to the LSUHSC-NO Schools of Medicine, Allied Health Professions, Dentistry, Nursing, and Public Health (collectively, the Health Professional Schools) in their clinical practices.

LSUHN remains a private entity under Louisiana Revised Statute (R.S.) 17:3390 but is combined with the Louisiana State University System for financial reporting purposes and is included in the basic financial statements of the Louisiana State University System together with its blended component units which are described below.

Basis of Accounting

The financial statements of LSUHN have been prepared using the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Codification.

LSU HEALTHCARE NETWORK

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Accounting Standards

Blended Component Units

LSUHN follows the requirements under GASB Codification 2600, *Reporting Entity and Component Unit Presentation and Disclosure*. The financial statements include the accounts of LSUHN and its blended component units: University Medical Group, LLC and LSUHN Billing, LLC. The significant intercompany transactions and balances have been eliminated. The activities of the blended component units of LSUHN are as follows:

University Medical Group, LLC - University Medical Group, LLC (UMG) is a wholly-owned component unit of LSUHN. UMG directly contracts with New Orleans Physician Hospital Organization, Inc. d/b/a People's Health, a Medicare Advantage Plan (PHN) under capitated arrangements to provide physician healthcare services to PHN members who select UMG physicians in the UMG network. UMG operates primarily in the New Orleans, Louisiana metropolitan area.

The purpose of UMG is to pursue risk contracts in which providers accept capitated payments, through People's Health Network, for healthcare services. UMG has two primary goals: (1) to gain and protect market share for its providers, and (2) to generate and distribute surpluses in the event that capitation payments received exceed the cost of healthcare services provided.

LSUHN Billing, LLC - LSUHN is the sole member of LSUHN Billing, LLC (LSUHN Billing). LSUHN Billing was formed in December 2007 for use by the billing company that handles Baton Rouge and Lafayette billing.

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.

Estimates also affect the reported amounts of revenues and expenses during the reporting period. Estimates which are significant for LSUHN include contractual and bad debt allowances and the liability for medical claims payable. Accordingly, actual results could differ from those estimates.

Income Taxes

LSUHN is a non-profit corporation organized under the laws of the State of Louisiana. It is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) of 1986, and qualifies as a support organization, as defined in Section 501(a) of the IRC.

LSU HEALTHCARE NETWORK

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

LSUHN and its blended component units believe they have appropriate support for any tax positions taken and, as such, do not have any uncertain tax positions that are material to the financial statements. Penalties and interest assessed by income taxing authorities, if any, would be included in operating expenses.

Cash and Cash Equivalents

LSUHN considers all highly liquid investments in money market funds and investments available for current use with an original maturity of three months or less to be cash equivalents. Amounts are recorded at fair value.

Patient Receivables

Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the services provided, less an estimate made for contractual adjustments or discounts provided to third-party payors. The estimated contractual allowance amounted to \$23,596,528 and \$20,254,273 as of June 30, 2024 and 2023, respectively.

Patient receivables due directly from the patients, net of any third-party payor responsibility, are carried at the net charge for the service provided less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. LSUHN does not charge interest on patient receivables. Patient receivables are written off as bad debt expense when deemed uncollectible. Provision for bad debts was \$9,755,916 and \$7,202,422 for the years ended June 30, 2024 and 2023, respectively.

LSUHN participates in state Medicaid supplemental payment programs (Upper Payment Limit and Full Medicaid Payment) which are not subject to the allowances established by management.

UMG has stop-loss insurance coverage with an unaffiliated insurer for charges that exceed certain limits. Amounts recoverable from the unaffiliated insurer are included in patient accounts receivable on the accompanying statements of net position.

Capital Assets

Capital assets are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the assets, which range from 3 to 5 years.

LSU HEALTHCARE NETWORK

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of net position. Unrealized gains and losses are included in the changes in net position. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investment earnings, including realized gains and losses on investments, interest and dividends, and changes in unrealized gains and losses, are included in non-operating income.

Leases

GASB Statement No. 87, *Leases*, was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement required recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contracts.

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

LSUHN's operating leases are primarily for real estate, including outpatient facilities, medical office buildings, and corporate and other administrative offices. LSUHN's real estate lease agreements typically have initial terms of 2 to 5 years. In line with this Statement, LSUHN does not record right-of-use assets and lease liabilities on leases with an initial term of 12 months, or less, in the statements of net position.

LSUHN's real estate leases may include one or more options to renew, with renewals extending the lease term for multiple years. The exercise of lease renewal options is at LSUHN's sole discretion. In general, LSUHN does not consider it reasonably likely that renewal options will be exercised; therefore, renewal options are generally not recognized as part of right-of-use assets and lease liabilities. The useful life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

LSUHN elected the practical expedient method that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. LSUHN also elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial indirect costs for existing leases.

LSU HEALTHCARE NETWORK

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Medical Claims Payable

The unpaid medical claims liability of UMG represents management's best estimate of the ultimate net cost of all reported and unreported claims incurred, but not paid, during the reporting period. The estimate is based on actuarial projections of the historical development of claims incurred but not reported and case-basis estimates of claims reported prior to the end of the reporting period.

The estimate of the unpaid medical claims liability was based on the best data available to UMG; however, because of the limited number of members covered by UMG, the estimates are subject to a significant degree of inherent variability. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Although management believes the estimate of the unpaid medical claims liability is reasonable under the circumstances, it is possible that UMG's actual incurred claims expense will not conform to the assumptions inherent in the determination of the liability; accordingly, the ultimate settlement of the claims may vary significantly from the estimate included in the accompanying financial statements.

During the year ended June 30, 2024, UMG recognized favorable development of claims incurred but not reported of approximately \$144,000 due to changes in estimates of the unpaid medical claims liability. These changes in estimates resulted from the actual frequency and severity of claims differing from original estimates.

Net Position

Net position is reported in 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 capital assets, including restricted capital assets, net of accumulated depreciation and amortization, 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.

Restricted - This component of net position consists of constraints placed on net assets use through external constraints 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 - This component of net position consists of net assets that do not meet the definition of the other components of net position described above.

LSU HEALTHCARE NETWORK

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Operating versus Non-Operating Revenue and Expenses

LSUHN distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with LSUHN's principal ongoing operations. The principal operating revenue of LSUHN is for patient services. Operating expenses include patient services expense, general and administrative expenses, supply and other expenses, and depreciation and amortization expenses. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Patient Service Revenue Net of Contractual Adjustments and Allowances

LSUHN has agreements with third parties that provide payments at amounts different from its established rates. Net patient service revenue is reported in the financial statements at the estimated net amounts realizable from patients, third-party payors, and others for services rendered. Major third-party payor arrangements include the Medicaid and Medicare programs.

LSUHN has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations, and Coordinated Care Networks (CCN). The basis for payments to LSUHN under these agreements includes prospectively determined rates per office visit and discounts from established charges.

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare and Medicaid Services (CMS) to implement Recovery Audit Contractor (RAC) and Medicaid Integrity Contractor (MIC) programs on a permanent and nationwide basis no later than 2010. CMS uses RACs and MICs to search for potentially improper Medicare and Medicaid payments that may have been made to healthcare providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year in the past but not longer than three years. Once a RAC or MIC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare or Medicaid reimbursement in an amount estimated to equal the overpayment.

LSUHN will deduct from revenue amounts assessed under the RAC and MIC audits at the time a notice is received until such time that estimates of net amounts due can be reasonably estimated. RAC and MIC assessments are anticipated; however, the outcome of such assessments is unknown and cannot be reasonably estimated.

The Louisiana Medicaid agency currently contracts with six (6) private entities to manage care for most of the State's Medicaid enrollees. These entities contract with the Louisiana Department of Health and Hospitals and serve as CCNs. The CCNs coordinate care for Medicaid eligible adults with disabilities not enrolled in Medicare, children younger than 19, their parents, and pregnant women, allowing them to choose their own CCN. As better rates were negotiated with the CCNs, the Upper Payment Limit (UPL) has transitioned to an enhanced fee schedule for state entities, payable as part of individual claims payments, not in lump sum format in arrears.

LSU HEALTHCARE NETWORK

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Charity Care

LSUHN bills for services provided to patients in hospitals that participate in cooperative endeavor agreements with the State of Louisiana without regard to their ability to pay for those services. LSUHN does not pursue collection of charges generated from providing services to patients that are determined to qualify for charity care and, as a result, these charges are not reported as revenue. The hospital and clinic partners of LSUHN determine when the criteria are met for a patient to qualify for charity care, at which point the charges are written off. The records are maintained by each of these hospital and clinic partners. For the years ended June 30, 2024 and 2023, charity charges totaled \$15,501,900 and \$11,904,145, respectively.

Capitation Revenue

UMG, the wholly-owned blended component unit of LSUHN, has entered into an agreement with PHN whereby UMG has authorized PHN to contract with purchasers of healthcare services for the delivery of healthcare services to covered members.

UMG receives capitated payments as compensation for a commitment to provide healthcare services to covered members. Capitation payments are recognized as revenue during the period in which UMG is obligated to provide healthcare services to these members.

Medical Claims Expense

UMG contracts with various physicians, physician groups, and other ancillary providers in its network under the terms of primary/specialty care physician agreements or other ancillary agreements for the purpose of providing healthcare services on behalf of PHN. Based on the terms of the agreements, medical expense is recognized either during the period in which UMG is obligated to provide medical services for members, or during the period in which medical services are incurred by members.

Note 2. Deposits, Investments, and Investment Income

Investments

LSUHN's investment policy allows for investing available funds in cash and cash equivalents, marketable securities (including publicly traded equity and fixed income securities), and mutual funds. LSUHN invested in hedging instruments which are included in alternative assets in the schedules below. At June 30, 2024 and 2023, LSUHN's investments included equities and debt securities with maturity dates ranging from 0 to 10 years.

LSU HEALTHCARE NETWORK

Notes to the Financial Statements

Note 2. Deposits, Investments, and Investment Income (Continued)

Investments (Continued)

The cost and fair value of investments at June 30, 2024 and 2023 were as follows:

June 30, 2024	Fair Value	Cost	Unrealized Gain (Loss)
Cash and Short-Term	\$ 644,239	\$ 647,396	\$ (3,157)
Equities	53,541,902	46,129,188	7,412,714
Mutual Funds	16,810,823	14,547,295	2,263,528
Fixed Income	6,198,323	6,095,861	102,462
Alternative Assets	7,074,569	6,642,515	432,054
Total	\$ 84,269,856	\$ 74,062,255	\$ 10,207,601

June 30, 2023	Fair Value	Cost	Unrealized Gain (Loss)
Cash and Short-Term	\$ 768,618	\$ 771,992	\$ (3,374)
Equities	46,129,188	38,657,734	7,471,454
Mutual Funds	14,547,295	15,582,772	(1,035,477)
Fixed Income	5,994,933	6,448,725	(453,792)
Alternative Assets	6,642,515	6,965,771	(323,256)
Total	\$ 74,082,549	\$ 68,426,994	\$ 5,655,555

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Concentration of Credit Risk

LSUHN invests in money market funds which are not insured or guaranteed by the U.S. Government; however, management believes the credit risk related to these investments is minimal. LSUHN's investment policy is to maintain a reasonable diversification of investment assets between asset classes and investment categories at all times using a conservative-moderate approach to the allocation.

LSU HEALTHCARE NETWORK

Notes to the Financial Statements

Note 2. Deposits, Investments, and Investment Income (Continued)

Investments (Continued)

Concentration of Credit Risk (Continued)

LSUHN places no limits on the amount that may be invested with one issuer. Issuers comprising 5% or more of LSUHN's investments at June 30, 2024 and 2023 were as follows:

June 30, 2024	Percent
Fidelity 500 Index Fund	27%
Vanguard Total Bond Market Index Fund - Adm	10%
Fidelity International Index Fund	6%
iShares Core MSCI Emerging Markets ETF	5%
June 30, 2023	Percent
Fidelity 500 Index Fund	14%
Vanguard Total Bond Market Index Fund - Adm	7%

LSUHN categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

LSUHN has the following recurring fair value measurements as of June 30, 2024 and 2023:

June 30, 2024	Level 1	Level 2	Level 3	Net Balance
Cash and Short-Term	\$ 644,239	\$ -	\$ -	\$ 644,239
Equities	53,541,902	-	-	53,541,902
Mutual Funds	16,810,823	-	-	16,810,823
Fixed Income	6,052,832	145,491	-	6,198,323
Alternative Assets	4,448,130	-	2,626,439	7,074,569
Total	\$ 81,497,926	\$ 145,491	\$ 2,626,439	\$ 84,269,856
June 30, 2023	Level 1	Level 2	Level 3	Net Balance
Cash and Short-Term	\$ 631,280	\$ 137,338	\$ -	\$ 768,618
Equities	46,129,188	-	-	46,129,188
Mutual Funds	14,547,295	-	-	14,547,295
Fixed Income	5,324,182	670,751	-	5,994,933
Alternative Assets	4,129,151	-	2,513,364	6,642,515
Total	\$ 70,761,096	\$ 808,089	\$ 2,513,364	\$ 74,082,549

LSU HEALTHCARE NETWORK

Notes to the Financial Statements

Note 2. Deposits, Investments, and Investment Income (Continued)

Investments (Continued)

The following table presents a reconciliation of changes in fair value of financial assets classified as Level 3 for the years ended June 30, 2024 and 2023:

	2024	2023
Alternative Assets		
Balance, Beginning of the Year	\$ 2,513,364	\$ 2,500,000
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Realized Gains (Losses)	-	-
Unrealized Gains on Securities		
Still Held at Year End	113,075	13,364
Purchases	-	-
Sales	-	-
Settlements	-	-
Balance, End of the Year	\$ 2,626,439	\$ 2,513,364

Alternative assets classified as level 3 are reported at fair value using net asset value per share (or equivalent) as of June 30, 2024.

Note 3. Capital Assets

Capital asset activity for fiscal years ended June 30, 2024 was as follows:

June 30, 2024	Beginning Balance	Additions	Deletions	Ending Balance
Office Furniture and Fixtures	\$ 669,451	\$ -	\$ -	\$ 669,451
Computers and Related Equipment	1,551,964	-	-	1,551,964
Medical Equipment	2,787,546	35,333	-	2,822,879
Leasehold Improvements	1,378,392	-	-	1,378,392
Building	785,862	-	-	785,862
License Fees	3,357,547	-	-	3,357,547
Total at Historical Cost	10,530,762	35,333	-	10,566,095
Less: Accumulated Depreciation and Amortization	(9,206,384)	(323,309)	-	(9,529,693)
Capital Assets, Net	\$ 1,324,378	\$ (287,976)	\$ -	\$ 1,036,402

LSU HEALTHCARE NETWORK

Notes to the Financial Statements

Note 3. Capital Assets (Continued)

Capital asset activity for fiscal years ended June 30, 2023 was as follows:

June 30, 2023	Beginning Balance	Additions	Deletions	Ending Balance
Office Furniture and Fixtures	\$ 669,451	\$ -	\$ -	\$ 669,451
Computers and Related Equipment	1,551,964	-	-	1,551,964
Medical Equipment	2,776,542	133,736	(122,732)	2,787,546
Leasehold Improvements	1,404,659	-	(26,267)	1,378,392
Building	785,862	-	-	785,862
License Fees	3,413,816	28,731	(85,000)	3,357,547
Total at Historical Cost	10,602,294	162,467	(233,999)	10,530,762
Less: Accumulated Depreciation and Amortization	(8,926,028)	(383,430)	103,074	(9,206,384)
Capital Assets, Net	\$ 1,676,266	\$ (220,963)	\$ (130,925)	\$ 1,324,378

Depreciation and amortization expense amounted to \$323,309 and \$383,430 for the years ended June 30, 2024 and 2023, respectively.

Note 4. Leases

The following table presents the components of LSUHN's right-of-use assets and liabilities related to leases and their classification in the statements of net position at June 30, 2024 and 2023:

Component of Lease Balances	Classification in Statements of Net Position	June 30, 2024	June 30, 2023
Right-of-Use Assets	Other Assets	\$ 2,571,134	\$ 4,217,285
Liabilities			
Lease Liabilities			
Current	Current Liabilities	\$ 1,196,453	\$ 1,617,522
Long-Term	Long-Term Liabilities	1,344,508	2,606,477
Total Lease Liabilities		\$ 2,540,961	\$ 4,223,999

Lease expense of \$1,457,073 and \$1,820,538 is recorded in general and administrative expenses in the statements of revenues, expenses, and changes in net position for the years ended June 30, 2024 and 2023, respectively.

LSU HEALTHCARE NETWORK

Notes to the Financial Statements

Note 4. Leases (Continued)

There were no variable lease expenses. The weighted average lease term of right-of-use assets is 1.58 years and the weighted average discount rate is 1.41%, as of June 30, 2024. Operating cash outflows from right-of-use assets were \$1,569,939 and \$1,719,597 for the years ended June 30, 2024 and 2023, respectively.

Future maturities of lease liabilities at June 30, 2024 are presented in the following table:

Year Ending June 30,	Amount
2025	\$ 1,249,494
2026	837,321
2027	264,869
2028	270,166
2029	<u>22,551</u>
Total Lease Payments	2,644,401
Less: Imputed Interest	103,440
Total Lease Obligations	<u>2,540,961</u>
Less: Current Obligations	<u>1,196,453</u>
Long-Term Lease Obligations	<u><u>\$ 1,344,508</u></u>

Note 5. Subscription-Based Information Technology Arrangements

LSUHN has entered into subscription-based information technology arrangements (SBITAs) involving document management software, cloud backup services software, film access and storage software, and electronic health record storage software.

The total costs of LSUHN's subscription assets are recorded as \$2,664,359 and \$2,736,609, less accumulated amortization of \$544,503 and \$325,756, respectively, at June 30, 2024 and 2023.

LSU HEALTHCARE NETWORK

Notes to the Financial Statements

Note 5. Subscription-Based Information Technology Arrangements (Continued)

The future subscription payments under SBITA agreements are as follows:

Year Ending June 30,	Subscription Payments		
	Principal	Interest	Total
2025	\$ 257,394	\$ 31,498	\$ 288,892
2026	258,325	27,358	285,683
2027	261,369	23,244	284,613
2028	265,551	19,062	284,613
2029	265,260	14,854	280,114
Thereafter	788,863	19,618	808,481
Total	\$ 2,096,762	\$ 135,634	\$ 2,232,396

Note 6. Line of Credit

On May 1, 2019, LSUHN executed an agreement allowing LSUHN to borrow up to \$20,500,000 collateralized by investments held by LSUHN. Any borrowings under this agreement bear interest at a variable rate unless LSUHN specifically requests a fixed rate. As of June 30, 2024, the outstanding balance was \$10,396,609, at an interest rate of 6.48%. Interest expense on the line of credit totaled \$631,755 and \$663,174 for the years ended June 30, 2024 and 2023, respectively. This agreement expires April 30, 2025 but may be terminated by either party at any time.

Note 7. Capitation Revenue

UMG recognizes an accrual for retroactive changes from CMS for revenue resulting from changes in risk score adjustments for prior periods. UMG estimates \$105,271 of risk score adjustments for the year ended June 30, 2024 which PHI expects to receive from CMS in fiscal year 2025.

Note 8. Concentrations

LSUHN provides services in New Orleans, Metairie, LaPlace, Baton Rouge, and Lafayette. LSUHN grants credit to its patients, some of whom are insured under third-party payor agreements. LSUHN routinely obtains assignment of, or is otherwise entitled to receive patients' benefits from Medicare, Medicaid, and other third-party payors.

LSU HEALTHCARE NETWORK

Notes to the Financial Statements

Note 8. Concentrations (Continued)

The mix of receivables from its patients and third-party payors at June 30, 2024 and 2023 was as follows:

	2024	2023
Medicaid	39 %	42 %
Commercial	28	26
Medicare	22	23
Self-Pay	11	9
Total	100 %	100 %

UMG operates in the network for United Healthcare. The network provides covered medical services under certain Medicare Advantage HMO, POS, and PPO plans; and it provides prescription drug plans to covered members located in southeast Louisiana.

As discussed in Note 1, UMG operates under a management services agreement with United Healthcare. The management service and participation agreements require payments from United Healthcare equivalent to the percentage of capitation revenue actuarially determined for the payment of medical claims, with no charges for management fees. The agreements stipulate that United Healthcare is responsible for management services for the network. The amended agreements have been renewed through December 31, 2024.

Currently, all contracts between UMG and third-party payors are executed through United Healthcare. UMG earned 100% of capitation revenue from United Healthcare. United Healthcare contracts with LSUHN for Medicare and Medicaid Services under a Medicare Advantage contract.

Under the terms of the Medicare Advantage contract, United Healthcare has agreed to provide medical services to Medicare enrollees in return for capitated payments. UMG offers membership under the products Choices 65, Choices Plus, Secure Health, Choices Platinum, and Choices Premium. The contract automatically renews for successive periods of one year unless written notice of intention not to renew is given. The contract has been renewed through December 31, 2024. Approximately 100% of United Healthcare's revenue is earned under contracts for these products. A significant modification to, or termination of, this arrangement could have a material effect on UMG's results of operations and financial condition.

LSU HEALTHCARE NETWORK

Notes to the Financial Statements

Note 9. 401(k) Plan

LSUHN operates a safe-harbor plan, whereby each year, participants may elect to contribute a percentage of their annual compensation to the plan, up to the maximum allowed by the IRC. Participants who have attained age 50 before the end of the plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or contribution plans. The safe harbor matching contribution provides for an employer match equal to 100% of the participant's contribution to a maximum of 6% of the participant's compensation. At its discretion, LSUHN may make additional contributions up to 5% of the participant's compensation to the 401(k) plan for the benefit of participating employees. For the years ended June 30, 2024 and 2023, 401(k) plan expenses were \$273,681 and \$280,565, respectively.

Note 10. Malpractice Insurance Coverage

The physicians contracted to LSUHN by LSUHSC are provided professional liability coverage by LSUHSC in accordance with the provisions of R.S. 40:1299.39 et seq. for the services provided under the Uniform Affiliation Agreement. These provisions provide the physician with coverage on malpractice claims up to \$500,000 per occurrence, which is the limit on medical malpractice claims under current state law. LSUHN maintains its own malpractice insurance with an outside third party to cover its licensed professionals not covered by LSUHSC. LSUHN also participates in the Louisiana Patient Compensation Fund.

Note 11. Related-Party Transactions

In accordance with the Amended and Restated Uniform Affiliation Agreement with LSUHSC, LSUHN provides management services, nursing services, technical support services, clerical services, billing and collection services, and other support personnel as necessary to operate a healthcare delivery system. LSUHSC provides professional services of clinical faculty and, in exchange, LSUHN returns all net revenue, according to the formula in the agreement, to LSUHSC. Net revenues incurred to be returned to LSUHSC were \$108,878,594 and \$108,315,863 for the years ended June 30, 2024 and 2023, respectively, with amounts owed under the Amended and Restated Uniform Affiliation Agreement at June 30, 2024 and 2023 totaling \$15,417,916 and \$16,306,988, respectively.

LSU HEALTHCARE NETWORK

Notes to the Financial Statements

Note 11. Related-Party Transactions (Continued)

In addition, LSUHSC provides general support services for LSUHN to operate, such as faculty for LSUHN senior management, computer network, and email accounts. LSUHN reimburses LSUHSC for these services. Amounts paid for general support services were \$2,517,371 and \$2,751,527 during the years ended June 30, 2024 and 2023, respectively. As of June 30, 2024 and 2023, \$281,083 and \$219,964, respectively, was due to LSUHSC for general support services. These amounts are included in accounts payable and accrued liabilities on the statements of net position.

On December 13, 2018, the Board of Directors resolved to provide the LSU School of Medicine \$20,500,000 for the renovation and development of faculty offices in the renovated Interim Louisiana Hospital. LSUHN paid the LSU School of Medicine \$452,356 during the year ended June 30, 2022, fully satisfying its commitment at June 30, 2022.

Note 12. Commitments and Contingencies

LSUHN has certain other pending and threatened litigation and claims incurred in the ordinary course of business; however, management believes that the probable resolution of such contingencies will not exceed LSUHN's insurance coverage, and will not materially affect the financial position of LSUHN or the results of its operations.

LSUHN contracts with Acadiana Computer Systems (ACS) as a third-party billing company. The contract rate for net cash collections for ACS is 9.75% for contracted business and 5.0% for private business. Medicaid supplemental payments (UPL/FMP) are billed at the same rates but only up to \$500,000 during the contract's annual term.

LSU HEALTHCARE NETWORK

Notes to the Financial Statements

Note 13. Combining Schedules

The following table includes condensed combining statements of net position and revenues, expenses, and changes in net position information for LSUHN and its active blended component units as of and for the years ended June 30, 2024 and 2023:

June 30, 2024	LSUHN and LSUHN Billing	UMG	Eliminations	Total
Current Assets	\$ 18,851,471	\$ 11,798,341	\$ -	\$ 30,649,812
Capital Assets, Net	1,036,402	-	-	1,036,402
Other Assets	100,368,359	-	(11,186,323)	89,182,036
Total Assets	\$ 120,256,232	\$ 11,798,341	\$ (11,186,323)	\$ 120,868,250
Total Liabilities	\$ 32,532,254	\$ 612,018	\$ -	\$ 33,144,272
Net Position	87,723,978	11,186,323	(11,186,323)	87,723,978
Total Liabilities and Net Position	\$ 120,256,232	\$ 11,798,341	\$ (11,186,323)	\$ 120,868,250
Operating Revenues	\$ 137,250,298	\$ 11,492,446	\$ -	\$ 148,742,744
Depreciation and Amortization	323,309	-	-	323,309
Other Operating Expenses	136,378,351	8,423,428	-	144,801,779
Operating Income	548,638	3,069,018	-	3,617,656
Non-Operating Revenues (Expenses)	13,029,936	502,905	(3,571,923)	9,960,918
Change in Net Position	\$ 13,578,574	\$ 3,571,923	\$ (3,571,923)	\$ 13,578,574

June 30, 2023	LSUHN and LSUHN Billing	UMG	Eliminations	Total
Current Assets	\$ 19,187,735	\$ 8,994,011	\$ -	\$ 28,181,746
Capital Assets, Net	1,324,378	-	-	1,324,378
Other Assets	88,546,277	-	(7,614,400)	80,931,877
Total Assets	\$ 109,058,390	\$ 8,994,011	\$ (7,614,400)	\$ 110,438,001
Total Liabilities	\$ 34,912,986	\$ 1,379,611	\$ -	\$ 36,292,597
Net Position	74,145,404	7,614,400	(7,614,400)	74,145,404
Total Liabilities and Net Position	\$ 109,058,390	\$ 8,994,011	\$ (7,614,400)	\$ 110,438,001
Operating Revenues	\$ 137,895,670	\$ 20,546,132	\$ -	\$ 158,441,802
Depreciation and Amortization	383,430	-	-	383,430
Other Operating Expenses	136,349,548	14,789,132	-	151,138,680
Operating Income	1,162,692	5,757,000	-	6,919,692
Non-Operating Revenues (Expenses)	11,847,974	332,179	(6,089,179)	6,090,974
Change in Net Position	\$ 13,010,666	\$ 6,089,179	\$ (6,089,179)	\$ 13,010,666

LSU HEALTHCARE NETWORK

Notes to the Financial Statements

Note 14. Subsequent Events

Management has evaluated subsequent events through August 29, 2024, the date that the financial statements were available to be issued, and has determined that no events have occurred that require disclosure in these financial statements.

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

To the Board of Directors of
Louisiana State University School of Medicine in
New Orleans Faculty Group Practice
d/b/a LSU Healthcare Network

We have audited, in accordance with the 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 financial statements of Louisiana State University School of Medicine in New Orleans Faculty Group Practice, a Louisiana non-profit corporation, d/b/a LSU Healthcare Network (LSUHN), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise LSUHN's basic statements, and have issued our report thereon dated August 29, 2024.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether LSUHN's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Metairie, LA
August 29, 2024

LSU HEALTHCARE NETWORK
Schedule of Findings
For the Year Ended June 30, 2024

A. Summary of Auditor's Results

Financial Statements

- | | |
|---|---------------|
| 1) Type of auditor's report. | Unmodified |
| 2) Internal control over financial reporting and compliance and other matters | |
| a) Material weaknesses identified? | No |
| b) Significant deficiencies identified not considered | |
| c) to be material weaknesses? | None reported |
| d) Noncompliance material to the financial statements noted? | No |

B. Findings Related to the Financial Statements

None.

LSU HEALTHCARE NETWORK
Schedule of Prior Audit Findings
For the Year Ended June 30, 2024

A. Findings Related to the Financial Statements

None.

B. Findings and Questioned Costs Related to Major Federal Award Programs

None.