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September 30, 2022

To: The Louisiana Legislative Auditor

Re: Ochsner Clinic Foundation and Subsidiaries– Uniform Guidance Audit (Agency ID 10561)

We are resubmitting the completed package for the Uniform Guidance Audit for Ochsner Clinic Foundation and Subsidiaries for the year ended December 31, 2021. Additional time was needed to ensure the audit was conducted in accordance with Uniform Guidance and federal program requirements. The OMB due date of December 31, 2021 year-end audits was 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

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

Ochsner Clinic Foundation and Subsidiaries
Years Ended December 31, 2021 and 2020
With Reports of Independent Auditors

Ernst & Young LLP

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Ochsner Clinic Foundation and Subsidiaries

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

Years Ended December 31, 2021 and 2020

Contents

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Report of Independent Auditors

Management and The Board of Directors
Ochsner Clinic Foundation and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Ochsner Clinic Foundation and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*. 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 Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 of 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 Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Company'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 Company'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.

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Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to April 22, 2022. The 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 April 22, 2022 on our consideration of the Company'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 Company'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 Company's internal control over financial reporting and compliance.

Ernst + Young LLP

April 22, 2022, except for our report
on the Schedule of Expenditures of
Federal Awards, for which the date is
September 29, 2022

Ochsner Clinic Foundation and Subsidiaries

Consolidated Balance Sheets
(In Thousands)

	December 31 2021	December 31 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 624,403	$ 550,786
Assets limited as to use required for current liabilities	7,474	7,755
Patient accounts receivable	392,490	375,137
Other receivables	410,546	303,962
Inventories	175,335	158,404
Prepaid expenses and other current assets	79,342	68,086
Estimated third-party payor settlements	56,445	70,461
Total current assets	1,746,035	1,534,591
Assets limited as to use:		
By Board for capital improvements, charity, research, and other	1,587,225	1,475,802
Under bond indenture agreements	81,373	100,131
Under self-insurance trust fund	7,472	9,092
Donor-restricted long-term investments	124,437	116,045
Total assets limited as to use	1,800,507	1,701,070
Less assets limited as to use required for current liabilities	7,474	7,755
Noncurrent assets limited as to use	1,793,033	1,693,315
Investments in unconsolidated affiliates, real estate, and other	113,211	81,868
Property – net	1,825,950	1,766,755
Right of use assets from operating leases	453,604	281,810
Goodwill and intangible assets	155,077	108,062
Other assets	31,669	87,436
Total assets	$ 6,118,579	$ 5,553,837

Ochsner Clinic Foundation and Subsidiaries

Consolidated Balance Sheets (continued)

(In Thousands)

	December 31 2021	2020
Liabilities and net assets		
Current liabilities:		
Accounts payable	$ 386,747	$ 298,468
Accrued salaries, wages, and benefits	377,871	306,141
Deferred revenue	204,587	124,245
Estimated third-party payor settlements	6,494	7,374
Notes payable – current	200,000	98,430
Long-term debt and bonds payable – current portion	21,651	20,339
Operating lease current liabilities	83,039	54,508
Other current liabilities	108,241	112,671
Total current liabilities	1,388,630	1,022,176
Pension and postretirement obligations	127,149	202,867
Bonds payable	1,714,883	1,728,902
Long-term debt	161,612	171,857
Operating lease long-term liabilities	368,492	239,586
Other long-term liabilities	233,440	455,619
Total liabilities	3,994,206	3,821,007
Commitments and contingencies *(Notes 9 and 22)*		
Net assets:		
Without donor restrictions	1,968,600	1,590,252
Noncontrolling interest	1,327	1,530
Total net assets without donor restrictions	1,969,927	1,591,782
Net assets with donor restrictions	154,446	141,048
Total net assets	2,124,373	1,732,830
Total liabilities and net assets	$ 6,118,579	$ 5,553,837

See notes to financial statements.

Ochsner Clinic Foundation and Subsidiaries

Consolidated Statements of Operations
(In Thousands)

	Year Ended December 31	
	2021	**2020**
Revenues:		
Patient service revenue	$ 4,167,785	$ 2,897,546
Premium revenue	435,040	392,525
Other operating revenue	1,296,062	1,197,084
Net assets released from restrictions used for operations	9,156	7,473
Total revenues	5,908,043	4,494,628
Expenses:		
Salaries and wages	2,611,017	1,937,321
Benefits	283,878	205,617
Medical services to outside providers	215,999	170,078
Medical supplies and services	1,274,879	940,811
Other operating expenses	1,092,073	872,003
Depreciation and amortization	212,354	167,922
Interest	79,194	65,961
Total expenses	5,769,394	4,359,713
Operating income	138,649	134,915
Non-operating gains (losses):		
Inherent contribution from business combination	–	416,909
Investment and other realized gains – net	103,738	41,276
Unrealized gains on investments – net	62,282	44,492
Loss on early extinguishment of debt	–	(6,754)
Pension credit	1,145	1,543
Total non-operating gains	167,165	497,466
Excess of revenues over expenses	305,814	632,381
Attributable to noncontrolling interest	686	(372)
Excess of revenues over expenses:		
Attributable to the Ochsner Clinic Foundation	$ 306,500	$ 632,009

See notes to financial statements.

Ochsner Clinic Foundation and Subsidiaries

Consolidated Statements of Changes in Net Assets

(In Thousands)

	Year Ended December 31	
	2021	**2020**
Changes in net assets without donor restrictions		
Excess of revenues over expenses:		
Attributable to Ochsner Clinic Foundation	$ 306,500	$ 632,009
Net assets released from restrictions used for capital acquisitions	5,369	4,265
Investment (loss) income	(3,080)	83
Noncontrolling interest	(203)	1,530
Pension-related changes other than net periodic pension costs	66,999	(58,517)
Other	2,560	–
Increase in net assets without donor restrictions	378,145	579,370
Changes in net assets with donor restrictions		
Contributions	19,759	25,377
Investment income	8,164	4,179
Net assets with donor restrictions acquired in business combination	–	1,922
Net assets released from restrictions used for:		
Operations	(9,156)	(7,473)
Capital acquisitions	(5,369)	(4,265)
Increase in net assets with donor restrictions	13,398	19,740
Increase in net assets	391,543	599,110
Net assets – beginning of year	1,732,830	1,133,720
Net assets – end of year	$ 2,124,373	$ 1,732,830

See notes to financial statements.

Ochsner Clinic Foundation and Subsidiaries

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended December 31 2021	2020
Operating activities		
Increase in net assets	$ 391,543	$ 599,110
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Pension-related changes other than net periodic pension costs	(66,999)	58,517
Depreciation and amortization	212,354	167,922
Loss on early extinguishment of debt	–	6,754
Loss from equity-method investments, net of cash received	2,277	8,869
Net realized and unrealized gains on investments	(169,628)	(89,698)
Inherent contribution on business combination	–	(416,909)
Restricted net assets acquired in business combination	–	(1,922)
Non-controlling interest acquired in business combination	–	(1,158)
Other, net	1,017	1,029
Changes in operating assets and liabilities, net of acquisitions:		
Patient accounts receivable	(14,333)	(3,933)
Other current and noncurrent assets	(77,836)	(173,005)
Accounts payable	87,086	(1,440)
Accrued expenses and other liabilities	(96,018)	364,631
Net cash provided by operating activities	269,463	518,767
Investing activities		
Purchases of assets whose use is limited and other investments	(694,716)	(1,313,635)
Sales and maturities of assets whose use is limited and other investments	676,243	1,026,648
Capital expenditures	(308,023)	(348,942)
Acquisition of businesses, net of cash acquired of $4,199 and $139,050 in 2021 and 2020, respectively	(52,122)	138,739
Other	15,599	24,735
Net cash used in investing activities	(363,019)	(472,455)
Financing activities		
Proceeds (payments) on line of credit	101,570	(1,000)
Repayment of bonds payable and long-term debt	(29,815)	(326,105)
Proceeds from bonds payable and long-term borrowings	–	772,553
Payment of debt financing costs	–	(7,224)
Payments on finance lease obligations	(14,537)	(14,211)
Proceeds from lease guarantee	13,000	–
Proceeds from contributions restricted for long-term investments	2,843	2,346
Other	482	–
Net cash provided by financing activities	73,543	426,359
Net (decrease) increase in cash, cash equivalents, and restricted cash	(20,013)	472,671
Cash, cash equivalents, and restricted cash – beginning of year	770,709	298,038
Cash, cash equivalents, and restricted cash – end of year	$ 750,696	$ 770,709

See notes to financial statements.

1. Summary of Significant Accounting Policies

Organization

Ochsner Clinic Foundation (OCF or Ochsner) d/b/a Ochsner Health, located in New Orleans, Louisiana, is a not-for-profit institution that, either directly or through its fully owned subsidiaries, owns and operates an acute care hospital known as Ochsner Medical Center (OMC), an 11-story clinic building, a 134-room hotel, and related medical facilities located on a main campus in Jefferson Parish at the western end of New Orleans. OCF owns Ochsner Medical Center West Bank and Ochsner Baptist Medical Center, which are operated as remote campuses of OMC. It also owns and operates health centers throughout southeast Louisiana; owns a hospital in Baton Rouge, Louisiana, that operates as Ochsner Medical Center Baton Rouge; owns a hospital in Slidell, Louisiana, that operates as Ochsner Medical Center – North Shore; owns a hospital in Kenner, Louisiana, that operates as Ochsner Medical Center – Kenner; operates a hospital in Raceland, Louisiana, known as Ochsner St. Anne General Hospital; operates a hospital in Bay St. Louis, Mississippi, that operates as Ochsner Hancock Medical Center; operates a hospital in Morgan City, Louisiana, known as Ochsner St. Mary; and owns several fitness centers that operate as Ochsner Fitness Center. OCF also provides management assistance and support for a hospital in Houma, Louisiana, known as Leonard J. Chabert Medical Center (Chabert); for a hospital in Luling, Louisiana, known as St. Charles Parish Hospital (SCPH); for a hospital in Chalmette, Louisiana, known as St. Bernard Parish Hospital (SBPH); and for hospitals and clinics located in Shreveport, Louisiana, and Monroe, Louisiana, known as Ochsner LSU Health System of North Louisiana (OLHS-NL). On October 1, 2020, OCF merged with Lafayette General Health, which was rebranded as Ochsner Lafayette General (OLG). OLG operates 7 hospitals in the Acadiana region of Louisiana, including Ochsner Lafayette General Medical Center, Ochsner Lafayette General Surgical Hospital, Ochsner Lafayette General Orthopaedic Hospital, Ochsner University Hospital & Clinics, Ochsner Abrom Kaplan Memorial Hospital, Ochsner Acadia General Hospital, and Ochsner St. Martin Hospital. On April 7, 2021, OCF acquired 100% of the membership interests in Louisiana Women's Healthcare Associates (LWHA), a women's health care provider located in Baton Rouge, Louisiana. Refer to Note 4 for additional discussion of the OLG and LWHA transactions.

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 Ochsner, its wholly owned subsidiaries, and its controlled affiliates.

1. Summary of Significant Accounting Policies (continued)

All intercompany accounts and transactions have been eliminated upon consolidation. The assets of any member of the consolidated group may not be available to meet the obligations of other members in the group, except as disclosed in Notes 11, 12, and 13.

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 on the balance sheet include investments with a maturity of three months or less when purchased, excluding amounts whose use is limited by board designation, under bond indenture agreements, or under self-insurance agreements.

The following table provides a reconciliation of cash, cash equivalents, cash equivalents whose use is limited by board designation, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statements of cash flows for the years ended December 31:

	2021	2020
	(In Thousands)	
Cash and cash equivalents	$ 624,403	$ 550,786
Assets limited as to use:		
By Board for capital improvements, charity, research, and other	44,920	119,792
Under bond indenture agreements	81,373	100,131
Cash, cash equivalents, and restricted cash	$ 750,696	$ 770,709

1. Summary of Significant Accounting Policies (continued)

Inventories

Inventories are stated at the lower of first-in, first-out cost or net realizable value.

Pledges Receivable

Unconditional promises to give are recognized as revenues at their fair values in the period received. Pledges receivable are recorded net of necessary discounts and allowances. The current portion of pledges receivable is recorded in other receivables and the noncurrent portion is recorded in other assets in the consolidated balance sheets.

Pledges receivable as of December 31 are expected to be realized as follows (in thousands):

	2021	2020
In one year or less	$ 10,118	$ 9,338
Between one and five years	12,222	13,958
Greater than five years	3,457	4,978
	25,797	28,274
Less discount (ranging from 0.00% to 3.13% at December 31, 2021 and 2020) and allowance for uncollectible pledges	(1,766)	(4,734)
Pledges receivable – net	$ 24,031	$ 23,540

Investments

Investments held by Ochsner are included in assets limited as to use in the consolidated balance sheets. Substantially all of Ochsner's investments are designated as other-than-trading investments. Investments in equity securities and fixed income funds of the U.S. government and government agencies with readily determinable fair values, and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investments also include investments in private equity funds, hedge funds, real estate funds, offshore fund vehicles, and funds of funds structured as limited liability corporations or partnerships or trusts. These investments are termed alternative investments in the notes to the consolidated financial statements and are accounted for under the equity method, which approximates fair value. These funds invest in certain types of

1. Summary of Significant Accounting Policies (continued)

financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments, which involve varying degrees of risk, may result in loss due to changes in the market (market risk).

Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in excess of revenues over expenses unless the income or loss is restricted by donor or law.

If management believes a decline in the value of a particular investment is temporary, the decline is included in change in net unrealized gains (losses) on investments on the consolidated statements of operations.

If the decline is evaluated as being other than temporary, the carrying value of the investment is written down and an impairment loss is recorded in non-operating gains and losses in the consolidated statements of operations. Ochsner did not record impairment losses on investment securities for the years ended December 31, 2021 or 2020.

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements, self-insurance trust agreements, investments restricted by donors, and designated assets set aside by the Board of Trustees (the Board) primarily for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities have been classified in the consolidated balance sheets as current assets.

Property – Net

Property improvements and additions are recorded at cost and capitalized and depreciated on the straight-line basis over the following estimated useful lives of the assets:

	Years
Land improvements	5–25
Buildings and building improvements	9–40
Leasehold improvements	5–20
Equipment, furniture, and fixtures	2–20

1. Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

Ochsner evaluates the carrying value of long-lived assets to be held and used when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. There were no impairment charges on long-lived assets recognized for the years ended December 31, 2021 or 2020.

Goodwill and Intangible Assets

Intangible assets consist primarily of trade name, licenses, trademark, and employment contracts. Goodwill represents the excess of the fair value of the consideration conveyed in the acquisition over the fair value of net assets acquired. Goodwill and indefinite-lived intangible assets arising from business combinations are not amortized, but rather are tested for impairment at least annually at the reporting unit level. Impairment is the condition that exists when the carrying amount of goodwill or intangible assets exceeds its implied fair value. Additional impairment assessments may be performed on an interim basis if OCF encounters events or changes in circumstances that would indicate that it is more likely than not that the carrying value of goodwill or intangible assets has been impaired. OCF has selected October 31 as its annual testing date and has determined that it has one reporting unit, which is the consolidated entity.

The first step in the impairment process is to estimate the fair value of the reporting unit and then compare it to the carrying value, including goodwill. If the fair value exceeds the carrying value, no further action is required and no impairment loss is recognized. OCF determined that the use of the income and market approaches were the most appropriate methods of measuring fair value of the reporting unit. These are considered Level 3 valuations in the valuation hierarchy described in Note 5.

1. Summary of Significant Accounting Policies (continued)

Under the income approach, fair value is estimated using a discounted cash flow analysis. Under the market approach, fair value is estimated using a guideline company method and a comparable transaction method. Both the income approach and the market approach require significant assumptions to determine the fair value of the reporting unit. The significant assumptions used in the income approach include estimates of future revenues, profits, capital expenditures, working capital requirements, operating plans, industry data, and an appropriate discount rate for the reporting unit. The significant assumptions used in the market approach include the determination of appropriate market comparables and estimated multiples of net revenue and earnings before interest, taxes, depreciation, and amortization. OCF engaged a third-party valuation firm to assist in these fair value calculations. OCF performed Step 1 of the impairment test using a quantitative impairment analysis and concluded the fair value exceeded the carrying value, and no further action was required for 2021 or 2020.

Deferred Revenue

Deferred revenue primarily includes amounts related to payments received in advance of services rendered for Ochsner's electronic health records (EHR) services agreements (see Note 17) and Medicare Accelerated and Advance Payment Program (AAPP) payments received under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (see Note 2).

Deferred Financing Costs

In connection with the issuance of bonds and long-term debt, certain financing costs are being amortized over the respective lives of the bonds and long-term debt. These costs are approximately \$16.9 million and \$17.8 million net of accumulated amortization at December 31, 2021 and 2020, respectively, and are included as a reduction to bonds payable and long-term debt in the accompanying consolidated balance sheets.

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

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

1. Summary of Significant Accounting Policies (continued)

Accounting for Pension and Other Postretirement Plans

Ochsner recognizes the overfunded or underfunded status of its pension and other postretirement plans as an asset or a liability in its consolidated balance sheets. Changes in the funded status of the pension and other postretirement plans are reported as a change in net assets without donor restrictions presented below the excess of revenues over expenses financial statement line item in the consolidated statement of changes in net assets in the year in which the changes occur.

Noncontrolling Interest in Consolidated Subsidiaries

Ochsner has entered into multiple joint venture and partnership arrangements for which the ownership interest is less than 100%, but the entities are controlled by Ochsner and, therefore, consolidated. The consolidated financial statements include all assets, liabilities, revenues, and expenses of these entities. Noncontrolling interests in the consolidated balance sheets represent the portion of net assets owned by other entities.

Net Assets

Resources are classified for reporting purposes as net assets without donor restrictions and net assets with donor restrictions, according to the absence or existence of donor-imposed restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those whose use by OCF has not been limited by donors and are available for general operating use. Board-designated net assets are net assets without donor restrictions that have been set aside by the Board for specific purposes.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those assets, including contributions and accumulated investment returns, whose use by OCF has been limited by donors to a specific time, period, or purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity to provide a permanent source of income. Donor-restricted gifts are recorded as an addition to net

1. Summary of Significant Accounting Policies (continued)

assets with donor restrictions in the period received. Earnings on donor-restricted gifts are recorded as investment income in net assets with donor restrictions and subsequently used in accordance with the donor's designation.

Consolidated Statements of Operations

For purposes of presentation, all revenues and expenses are reported as operating except for investment income, the loss from early extinguishment of debt, pension costs or credits, unrealized gains and losses – net, and inherent contribution from business combination which are reported as non-operating.

Excess of Revenues Over Expenses

The consolidated statements of operations include excess of revenues over expenses, which represents Ochsner's performance indicator. Changes in net assets without donor restriction, which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions used to acquire property and equipment, and pension-related changes other than net periodic pension costs.

Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration Ochsner expects to be entitled for providing patient care. These amounts are 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, Ochsner bills the patients and third-party payors after the services are performed or shortly after discharge. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Ochsner. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. Ochsner believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services. Ochsner measures the performance obligation from admission into the hospital to the point when it is no longer required to provide

1. Summary of Significant Accounting Policies (continued)

services to that patient, which is generally at the time of discharge. These services are considered to be a single performance obligation. Revenue for performance obligations satisfied at a point in time is recognized when services are provided. Management believes this method provides a faithful depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations.

Because its performance obligations relate to contracts with a duration of less than one year, Ochsner has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-60-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

As provided for under the guidance, Ochsner 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 the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less.

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

Ochsner has agreements with third-party payors that generally provide for payments at amounts different from Ochsner's established rates. For uninsured patients who do not qualify for charity care, Ochsner recognizes revenue based on established rates, subject to certain discounts and implicit price concessions in accordance with policy. Ochsner determines the transaction price based on standard charges for services provided, reduced by explicit price concessions provided to third-party payors, discounts provided to uninsured patients in accordance with policy, and

1. Summary of Significant Accounting Policies (continued)

implicit price concessions provided to uninsured patients. Explicit price concessions are based on contractual agreements, discount policies, and historical experience. Implicit price concessions represent differences between amounts billed and the estimated consideration Ochsner expects to receive from patients, which are determined based on historical collection experience, current market conditions, and other factors.

Generally, patients who are covered by third-party payors are responsible for patient responsibility balances, including deductibles and coinsurance, which vary in amount. Ochsner estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any explicit price concessions, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Adjustments arising from a change in the transaction price were not significant in 2021 or 2020.

Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a possibility that recorded estimates will change by a material amount.

Charity Care

Ochsner provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Records of charges foregone for services and supplies furnished under the charity care policy are maintained to identify and monitor the level of charity care provided. Because Ochsner does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Ochsner estimates its costs of care provided under its charity care programs by applying a ratio of direct and indirect costs to charges to the gross foregone charges associated with providing care to charity patients. Ochsner's gross charity care charges include only services provided to patients who are unable to pay and qualify under Ochsner's charity care policies. The ratio of cost to charges is calculated based on Ochsner's total expenses divided by gross patient revenue. During the years ended December 31, 2021 and 2020, the estimated costs incurred by Ochsner to provide care to patients who met certain criteria under its charity care policy were approximately $45.2 million and $39.8 million, respectively.

1. Summary of Significant Accounting Policies (continued)

Community Benefit

Ochsner and four other health care providers have formed nonprofit organizations with the purpose of creating a vehicle to provide services to low-income and needy patients. Expenditures recorded by Ochsner to fund the organizations for the years ended December 31, 2021 and 2020, were approximately $39.0 million and $78.4 million, respectively. In 2020, OCF made a $5.0 million payment to OLHS-NL to promote common charitable goals through the support of educational opportunities for medical and clinical professionals in the provision of health care services for low-income and needy patients. These expenditures are included in other operating expenses in the consolidated statements of operations.

Other Operating Revenue

Other operating revenue includes pharmacy revenue, rental revenue, durable medical equipment rentals and sales, gift shop revenues, revenue from joint operating agreements and management agreements, income from equity-method investees, fitness center revenue, hotel revenue, EHR hosting services revenue, revenue from Provider Relief Funds (see Note 2), and revenues from other miscellaneous sources.

Medicaid Managed Care Incentive Payment Program

The Medicaid Managed Care Incentive Payment (MCIP) program was established during 2019 by the Louisiana Department of Health to achieve quality reforms that increase access to health care, improve the quality of care, and enhance the health of members of the Louisiana Medicaid managed care organizations. Contracted hospitals receive payments from an accountable care organization based on their participation and contribution to the outcomes. During 2021 and 2020, Ochsner recognized $53.4 million and $39.4 million, respectively, of MCIP revenue, which is recorded in other operating revenue based on the milestones achieved by the program and has a $33.2 million and $31.0 million receivable included in other receivables on the accompanying balance sheets at December 31, 2021 and 2020, respectively.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported within net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated

1. Summary of Significant Accounting Policies (continued)

assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. Contributions for which restrictions are met in the same period in which the unconditional promise to give is received are recorded as unrestricted revenue.

Fair Value of Financial Instruments Other Than Investments

The following methods and assumptions were used by Ochsner in estimating the fair value of its financial instruments:

Current Assets and Liabilities

Ochsner considers the carrying amounts of financial instruments classified as current assets and liabilities to be a reasonable estimate of their fair values.

Income Taxes

The majority of Ochsner and its subsidiaries qualify as tax-exempt organizations under Section 501(a) and are described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes. Any federal income taxes associated with the for-profit entities are not material to Ochsner's consolidated financial statements. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the accompanying consolidated balance sheets. The statute of limitations remains open for tax years 2018 through 2021 in Ochsner's main tax jurisdictions.

Concentration of Credit Risk

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

Risks and Uncertainties

Ochsner's business could be impacted by continuing price pressure on new and renewal business, Ochsner's ability to effectively control health care costs, additional competitors entering Ochsner'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.

1. Summary of Significant Accounting Policies (continued)

Pending Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update No. (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. For assets held at amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available for sale debt securities, credit losses should be measured in a manner similar to current GAAP; however, Topic 326 will require that credit losses be presented as an allowance rather than as a write-down. The provisions of ASU 2016-13 are effective for Ochsner starting January 1, 2023. Management is currently evaluating the impact of this pronouncement on Ochsner's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The amendments in this update eliminate Step 2 from the goodwill impairment test in an effort to simplify the subsequent measurement of goodwill. Step 2 requires determining the fair value at the impairment testing date of assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. The provisions of ASU 2017-04 are effective for Ochsner starting January 1, 2023, and early adoption is permitted. Management is currently evaluating the impact of this pronouncement on Ochsner's consolidated financial statements.

In November 2021, the FASB issued ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities* (PBEs). The amendment allows a non-PBE lessee to make an accounting policy election by class of underlying asset (rather than on an entity-wide basis) to use a risk-free rate as the discount rate when the rate implicit in the lease is not readily determinable. The provisions of ASU 2021-09 are effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. Management is currently evaluating the impact of this pronouncement on Ochsner's consolidated financial statements.

2. COVID-19 Pandemic

In March 2020, the World Health Organization (WHO) declared the novel coronavirus disease (COVID-19) a pandemic. The Centers for Disease Control and Prevention (CDC) confirmed its spread to the United States and it was declared a national public health emergency, followed by several state emergency declarations, and the Centers for Medicare & Medicaid Services (CMS) issuing guidance regarding elective procedures. Several national and international travel restrictions were put in place and the governors in the states in which Ochsner has operations issued executive orders postponing non-essential or elective surgeries. In May 2020, elective surgeries were resumed as governmental order restrictions on elective surgeries were modified.

Ochsner worked with federal and Louisiana state officials to help fund the completion of three previously shelled floors of Ochsner Medical Center's critical care tower that added approximately 100 new ICU beds for COVID-19 patients. These additional beds allowed Ochsner to manage both the new increase in hospitalized COVID-19 patients as well as maintaining normal operations needed to meet the health care needs of the community. Ochsner received federal aid from the Federal Emergency Management Agency (FEMA) for reimbursement of the build-out of the hospital for these new ICU beds and to cover the cost to maintain an adequate inventory of personal protective equipment. Ochsner is still in the process of applying for federal aid from FEMA for other disaster-related expenses. Ochsner received reimbursement of $61.2 million and $68.2 million from FEMA during 2021 and 2020, respectively, as a partial reimbursement of these claims. This is included in other revenue in the consolidated statement of operations and the funds will be subject to audit by FEMA.

Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Ochsner received $296.0 million in 2020 in advances through the Medicare Accelerated and Advance Payment Program (AAPP). Such advances are interest free for inpatient acute care hospitals for 29 months, and the AAPP requires CMS to recoup 25% of monthly Medicare traditional payments through February 2022 and 50% of monthly Medicare traditional payments through September 2022, with a small amount due early in 2023. The AAPP currently requires that any outstanding balances remaining after 29 months must be repaid or be subjected to a 4% annual interest rate. The recoupment started in April 2021 for Ochsner. As a result, $190.7 million and $105.3 million of these advances in 2021 and 2020, respectively, are classified as short term and are included in deferred revenue, and $0.5 million and $190.7 million in 2021 and 2020, respectively, are classified as long-term and are included in other long-term liabilities on the consolidated balance sheets.

2. COVID-19 Pandemic (continued)

Ochsner also received $19.4 million and $211.4 million in 2021 and 2020, respectively, of Provider Relief Funds from the CARES Act. The Department of Health and Human Services (HHS) has issued reporting requirements regarding utilization of the funds granted from the Provider Relief Funds under the CARES Act, which states that OCF must demonstrate that the funds have been used for health care-related expenses attributable to COVID-19 or lost revenue. In accordance with Ochsner's calculations based on HHS's most recent guidance, Ochsner believes it can retain the Provider Relief Funds and has recognized the full $19.4 million and $211.4 million in 2021 and 2020, respectively, in other operating revenue in the accompanying statements of operations. In the event that future HHS guidance changes or HHS does not agree with Ochsner's calculations, Ochsner could have to refund a portion of these funds.

The CARES Act also allowed for a deferral of payments of the employer portion of Social Security taxes during 2020. Ochsner deferred $67.0 million of the employer portion of Social Security taxes, which is included in accrued salaries, wages, and benefits in the consolidated balance sheet. Ochsner repaid $31.6 million in January 2022 with the remainder to be paid in 2022. In 2020, $38.8 million and $28.2 million was included in accrued salaries, wages, and benefits and other long-term liabilities, respectively, in the consolidated balance sheet.

The COVID-19 pandemic could still negatively impact OCF's operations and financial condition, and the ultimate impact is unknown.

3. Hurricane Impact

On August 29, 2021, Hurricane Ida made landfall at Port Fourchon, Louisiana, approximately 50 miles south of New Orleans, Louisiana, as a Category 4 hurricane causing catastrophic damage. Over 70 of Ochsner's owned and managed facilities suffered damage and a loss of revenue related to the damage. The greatest damage was in Houma, Louisiana, and the Bayou Region, which experienced substantial property damage. All damaged facilities were reopened and fully operational as of December 31, 2021.

Ochsner incurred expenses of approximately $48.6 million to respond to the hurricane including supplies, housing, food, fuel, repairs, and other employee assistance. Of these expenses, $41.1 million are included in other operating expenses and $7.5 million are included in medical supplies and services in the consolidated statement of operations.

3. Hurricane Impact (continued)

Ochsner maintains insurance for both property damage and business interruption and has continued to work with national consulting firms to assist in the insurance claims adjustment and FEMA application processes. Hurricane Ida resulted in property damage to various Ochsner facilities and negatively impacted OCF's operations.

4. Business Combinations, Strategic Partnerships, and Affiliation Agreements

Business Combinations

On April 7, 2021, Ochsner acquired 100% of the membership interests in LWHA, a for-profit entity. LWHA is Louisiana's largest private practice dedicated to women's health care located in Baton Rouge, Louisiana. The transaction was accounted for using the acquisition method of accounting.

As a result of the acquisition, Ochsner recognized goodwill based on the consideration transferred in excess of the net of the acquisition-date fair value of the identifiable assets acquired and liabilities assumed.

On October 1, 2020, Ochsner acquired OLG, a non-profit organization. The transaction was structured as a member substitution arrangement whereby Ochsner became the sole corporate member of OLG without the transfer of consideration. The transaction was accounted for using the acquisition method of accounting.

4. Business Combinations, Strategic Partnerships, and Affiliation Agreements (continued)

In accordance with ASC 958-805, *Not-for-Profit Entities – Business Combinations*, Ochsner recognized an inherent contribution as the excess of the acquisition date fair values of the assets acquired and liabilities assumed over the consideration transferred. The fair values are summarized as follows (in thousands):

Consideration transferred	$ –
Fair values of assets acquired and liabilities assumed:	
Cash and cash equivalents	109,038
Patient and other receivables	99,468
Other current assets	48,095
Property and equipment	323,094
Intangible assets	24,725
Other noncurrent assets	362,971
Accounts payable, accrued and other current liabilities	(179,421)
Long-term debt	(244,517)
Other long-term liabilities	(123,464)
Fair value of assets acquired and liabilities assumed	419,989
Less non-controlling interest	(1,158)
Total inherent contribution	$ 418,831
Classification of total inherent contribution:	
Without restrictions	$ 416,909
With restrictions	1,922
	$ 418,831

The fair value of the net assets without restriction totaling $416.9 million was recognized as a nonoperating contribution in the consolidated statement of operations for the year ended December 31, 2020.

For the period from October 1, 2020 through December 31, 2020, total operating revenue and excess revenue over expenses attributable to OLG were $218.7 million and $5.0 million, respectively.

4. Business Combinations, Strategic Partnerships, and Affiliation Agreements (continued)

Unaudited proforma results had the acquisition of OLG occurred as of January 1, 2020 would have resulted in a total of operating revenue and excess revenue over expenses of $5,126.6 million and $231.9 million, respectively, for the year ended December 31, 2020. In calculating these unaudited proforma numbers, the effects of the inherent contribution and loss on extinguishment of debt associated with the transaction have been excluded, and the effects of the incremental depreciation expense related to adjustments to property and equipment, amortization associated with the acquired intangible assets, and a net reduction in interest expense as a result of the refinancing of OLG's debt have been included.

During 2021 and 2020, Ochsner completed several physician practice acquisitions, none of which were material to the results of operations.

Strategic Partnerships and Affiliation Agreements

In recent years, Ochsner has entered into several strategic partnership and affiliation agreements. They are a component of Ochsner's efforts to increase local access to care, improve quality, reduce the cost of health care, and share best practices and resources in order to improve the health of Louisiana communities.

Ochsner has Joint Operating Agreements (JOAs) with St. Tammany Health System (STHS), Terrebonne General Medical Center (TGMC), and Slidell Memorial Hospital (SMH). These JOAs are intended to coordinate resources with the goal of lowering costs, improving quality, and creating a seamless clinical environment for patients in each of their respective local regions.

STHS, TGMC, and SMH all remain public hospitals governed by their respective Boards. Ochsner is financially integrated with these hospitals and recognizes other operating revenue or other operating expense related to the JOAs in its consolidated statements of operations.

Ochsner also provides management assistance and support for Chabert, SCPH, SBPH, Rush Health Systems (Rush), and OLHS-NL. Under the management agreements for Chabert, SCPH, and SBPH, Ochsner receives management fees and any excess of revenues over expenses generated by each of these facilities annually, as well as reimbursement of purchased services incurred on behalf of the facilities. Under the management agreements of Rush and OLHS-NL, Ochsner is reimbursed for certain costs that it incurs in managing the entities, as well as a management fee for OLHS-NL. Ochsner recognized $83.6 million and $94.2 million of management service fees in 2021 and 2020, respectively, which is included in other revenue on the consolidated statements of operations.

4. Business Combinations, Strategic Partnerships, and Affiliation Agreements (continued)

On June 17, 2021, Ochsner and Rush announced the signing of a shared mission agreement pursuant to which Ochsner will become the sole corporate member of Rush. Rush is a health care system comprised of 7 hospitals and more than 30 clinics located in Mississippi and Alabama. Closing is expected to take place in August 2022. An interim management services agreement was also executed whereby Ochsner provides management services to Rush and employs certain Rush executives. The management agreement became effective on October 4, 2021.

Subsequent Event

Ochsner entered into an agreement to lease Jennings American Legion Hospital, a 49 bed acute care hospital, two clinics, and equipment in Jefferson Davis Parish, Louisiana. Effective April 1, 2022, Ochsner acquired certain assets and assumed certain liabilities. Ochsner will make lease payments of approximately $1.5 million annually over the initial 10-year lease term and has committed to spend an additional $30.5 million in capital improvements over the initial 10-year lease term.

5. Assets Limited as to Use and Related Fair Value Measurements and Disclosures

Short-Term Investments

ASC 820, *Fair Value Measurement*, establishes a common definition for fair value to be applied to U.S. GAAP requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements.

ASC 820 establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2 – Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3 – Unobservable inputs for the asset or liability.

5. Assets Limited as to Use and Related Fair Value Measurements and Disclosures (continued)

Ochsner endeavors to utilize the best available information in measuring fair value. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. Transfers into and transfers out of the hierarchy levels are recognized as if they had taken place at the end of the reporting period. There were no transfers between Level 1 and Level 2 in the years ended December 31, 2021 or 2020.

Assets and Liabilities Measured at Fair Value

Recurring Fair Value Measurements

The fair values of assets measured at estimated fair value on a recurring basis are estimated as described in the preceding section. These estimated fair values and their corresponding fair value hierarchy in accordance with ASC 820 are summarized as follows (in thousands):

	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)[a]	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Estimated Fair Value
December 31, 2021				
Money market funds	$ 92,778	$ –	$ –	$ 92,778
Fixed income investments	702,413	–	–	702,413
Marketable equity securities	334,801	–	–	334,801
Total	$ 1,129,992	$ –	$ –	$ 1,129,992
December 31, 2020				
Money market funds	$ 142,416	$ –	$ –	$ 142,416
Fixed income investments	797,167	–	–	797,167
Marketable equity securities	294,274	–	–	294,274
Total	$ 1,233,857	$ –	$ –	$ 1,233,857

5. Assets Limited as to Use and Related Fair Value Measurements and Disclosures (continued)

[a]Valuation of these securities classified as Level 1 is based on unadjusted quoted prices in active markets that are readily and regularly available. Investments classified as Level 1 include mutual funds that are publicly traded.

Alternative investments and other investments of approximately $666.8 million and $462.3 million at December 31, 2021 and 2020, respectively, are not included in these tables since they are accounted for using the equity method of accounting and not measured at fair value. As of December 31, 2021 and 2020, real estate investments of approximately $6.6 million and $7.6 million, respectively, are not included in these tables since they are accounted for at cost.

Investment income and other gains and losses are classified as non-operating and comprise interest and dividend income of approximately $30.1 million and $17.1 million and realized net gains on sales of securities of approximately $73.6 million and $24.1 million for 2021 and 2020, respectively. Unrealized gains on alternative investments were approximately $58.3 million and $13.2 million during 2021 and 2020, respectively, and unrealized gains on investments other than alternative investments were approximately $4.0 million and $31.3 million during 2021 and 2020, respectively.

6. Patient Service and Premium Revenue

A summary of the significant payment arrangements with major 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.

6. Patient Service and Premium Revenue (continued)

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, Ochsner 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. Ochsner believes it is in compliance with applicable laws and regulations governing the Medicare and Medicaid programs and that adequate provisions have been made for any adjustments that may result from final settlements.

Settlements with third-party payors for retroactive adjustments due to review and audits are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care in the period the related services are provided. Ochsner records retroactive Medicare and Medicaid settlements based upon estimates of amounts that are ultimately determined through annual cost reports filed with and audited by the fiscal intermediary, correspondence from the payor and Ochsner's historical settlement activity, including an assessment to ensure that it is probable that a significant revenue reversal in the amount of the cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such reviews and audits. Adjustments arising from a change in estimated settlements increased patient service revenue by $25.1 million and $8.8 million in 2021 and 2020, respectively.

Medicaid Supplemental Payment Program

Since December 2010, Ochsner's hospitals and eight other hospitals (Baton Rouge General Medical Center, CHRISTUS Health Shreveport-Bossier, CHRISTUS St. Frances Cabrini Hospital, CHRISTUS Ochsner St. Patrick Hospital, Glenwood Regional Medical Center, Ochsner LSU Health Shreveport, Rapides Regional Medical Center, and Tulane University Hospital and Clinic) entered into public private partnerships with the State and several units of local government in Louisiana (Jefferson Parish Hospital Service District No. 2, Natchitoches Hospital District

6. Patient Service and Premium Revenue (continued)

No. 1, Jefferson Parish Human Services Authority, Terrebonne Parish Hospital Service District #1, Southern Regional Medical Corporation, Hospital Service District No. 3 of the Parish of Allen, Savoy Medical Center, Hospital Service District No. 1 of Iberia Parish, St. Tammany Parish Hospital Service District No. 1, St. Tammany Parish Hospital Service District No. 2, Hospital Service District No. 1 of St. Charles Parish, Hospital Service District of the Parish of St. Bernard, Lafourche Parish Hospital Service District No. 2, and Vermilion Parish Hospital Service District #2) to more fully fund the Medicaid program (the Program) to ensure services remain available to low-income and needy patients in the respective communities.

These public private partnerships enable the governmental entities to increase support for the Uncompensated Care Cost (UCC) program for hospital services to the Medicaid and uninsured populations, the Medicaid Upper Payment Limits (UPL) programs for physician services to the Medicaid fee-for-service population, and the Full Medicaid Payment (FMP) program for physician services to the Medicaid managed care population. Each State's UCC and UPL methodology must comply with its State plan and be approved by CMS. Under the UCC and UPL programs, federal matching funds are not available for Medicaid payments that exceed a provider's individual UPL or UCC entitlement.

Under the FMP program, Medicaid Managed Care Organizations are contracted to pay increased reimbursement for physician services that more closely aligns the reimbursement rates for the Medicaid managed care population with the equivalent total reimbursement rates for the Medicaid fee-for-service population.

In 2021 and 2020, Ochsner recognized approximately \$416.6 million and \$165.6 million, respectively, in patient service revenue related to the Program and recorded accounts receivable of approximately \$78.2 million and \$41.5 million as of December 31, 2021 and 2020, respectively. Such amounts are included in other receivables in the accompanying consolidated balance sheets.

Ochsner Lafayette General collaborated with the State of Louisiana, assuming operational responsibility for LSU's teaching hospital, Ochsner University Hospitals & Clinics in Lafayette, Louisiana. The Cooperative Endeavor Agreement (CEA) provides for direct graduate medical education payments and indirect medical education reimbursement (DGME and IME) to the hospital. The DGME and IME payment rules establish "caps" on the number of residency positions that are reimbursable but allow the caps (the Residency Caps) to be shared among and/or affiliated to other hospitals under certain circumstances. In order for LSU to continue to effectively provide

6. Patient Service and Premium Revenue (continued)

the LSU graduate medical education programs, LSU transferred certain Residency Caps to the hospitals. The hospitals also receive other cost-based funding and UCC payments for the unreimbursed costs of health care services to Medicaid and self-pay/uninsured patients in a given State fiscal year. Ochsner recognized a total of $46.5 million and $15.5 million during 2021 and 2020, respectively, after the acquisition of OLG on October 1, 2020, as a component of net patient service revenue.

Humana Inc.

Ochsner entered into a provider contract with Humana Inc. to provide services for its commercial and senior members on a fee-for-service basis for physician services and at prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates for hospital services. Also, Ochsner provided services to approximately 43,000 senior members under a capitation contract for both physician and hospital services. Premium revenue from Humana Inc. under the capitation contract approximated $435.0 million and $392.5 million in 2021 and 2020, respectively, and is included in premium revenue in the accompanying consolidated statements of operations. Expenses for medical services to outside providers under the capitation contract approximated $216.0 million and $170.1 million in 2021 and 2020, respectively, and are included in medical services to outside providers in the accompanying consolidated statements of operations.

Managed Care

Ochsner 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.

6. Patient Service and Premium Revenue (continued)

The table below shows the sources of patient service revenue for the years ended December 31 (in thousands):

	2021	2020
Commercial	$ 1,832,921	$ 1,384,592
Medicare	673,226	522,608
Medicaid	991,263	539,311
Managed Medicare	624,641	419,656
Guarantor/patients/other	45,734	31,379
Patient service revenue	$ 4,167,785	$ 2,897,546

7. Patient Accounts Receivable

At December 31, Ochsner's patient accounts receivable balances were due from the following sources (in thousands):

	2021	2020
Commercial	$ 235,935	$ 215,546
Medicare	50,088	62,771
Medicaid	44,369	39,368
Managed Medicare	48,114	45,382
Guarantor/patients/other	13,984	12,070
Total patient accounts receivable – net	$ 392,490	$ 375,137

8. Liquidity and Availability

Financial assets available for general expenditure within one year of December 31 include the following (in thousands):

	2021	2020
Cash and cash equivalents	$ 624,403	$ 550,786
Patient accounts receivable	392,490	375,137
Other receivables	410,546	303,962
Assets limited to use by Board for capital improvements, charity, research, and other	1,587,225	1,475,802
	$ 3,014,664	$ 2,705,687

Ochsner has assets limited as to use held by trustees under self-insurance trust agreements and investments restricted by donors. These investments are not reflected in the amounts above.

As part of Ochsner's liquidity management plan, cash in excess of daily requirements for general expenditures is invested in long-term investments. Ochsner's long-term investment portfolio contains money market funds and other liquid investments that can be drawn upon, if necessary, to meet liquidity needs.

Ochsner also maintains credit lines totaling $350.0 million as discussed in Note 11.

9. Property – Net

Ochsner's investment in property at December 31 is as follows (in thousands):

	2021	2020
Land and improvements	$ 188,642	$ 157,521
Buildings and leasehold improvements	1,664,651	1,559,638
Equipment, furniture, and fixtures	1,724,090	1,591,627
Construction-in-progress	154,923	161,834
Total property – at cost	3,732,306	3,470,620
Less accumulated depreciation	1,906,356	1,703,865
Property – net	$ 1,825,950	$ 1,766,755

9. Property – Net (continued)

Depreciation expense including amortization of finance lease assets totaled approximately $208.2 million and $167.4 million for the years ended December 31, 2021 and 2020, respectively.

At December 31, 2021 and 2020, Ochsner has purchase commitments totaling approximately $124.7 million and $102.2 million, respectively, toward additional capital expenditures.

10. Goodwill and Intangible Assets

On August 31, 2001, Alton Ochsner Medical Foundation and Ochsner Clinic LLC effected a merger transaction resulting in the creation of OCF and the net assets of Ochsner Clinic LLC being acquired by Alton Ochsner Medical Foundation.

The cost to acquire Ochsner Clinic LLC was allocated to the assets acquired and liabilities assumed according to their estimated fair values. In addition, the carrying values of certain other assets and liabilities of Ochsner Clinic were changed to reflect management's estimate of fair value under purchase accounting.

Ochsner has also completed other acquisitions that have resulted in additional goodwill and intangible assets.

On October 1, 2020, in connection with the acquisition of OLG, Ochsner recorded $24.7 million of identified intangible assets, which is comprised of $20.3 million and $4.4 million related to trade names and licenses, respectively. The estimated useful life of the trade names is 10 years and there is an indefinite life on the licenses. There was no goodwill recorded in this transaction. See Note 4 for additional information.

In 2021, in connection with the acquisition of LWHA, Ochsner recorded $8.6 million of identified intangible assets, which is comprised of $4.9 million and $3.7 million related to LWHA's trade name and non-compete agreements, respectively. The estimated useful life of the trade name is 5 years and the estimated useful life of the non-compete agreements is 2 years. Ochsner recorded goodwill of $41.4 million related to this transaction. See Note 4 for additional information.

10. Goodwill and Intangible Assets (continued)

Amounts recorded as goodwill and other indefinite and definite-lived intangible assets as of December 31 are as follows (in thousands):

	2021	2020
Goodwill	$ 114,983	$ 72,411
Trade name – intangible assets	$ 32,408	$ 31,232
Other – intangible assets	7,686	4,419
	$ 40,094	$ 35,651

11. Notes Payable

Ochsner has loan agreements with banks that provide two credit lines with maximum borrowings of $350.0 million. The lines of credit currently expire on June 1, 2022 and November 14, 2022. The lines are general obligations of Ochsner that are secured by all present and future accounts receivable of Ochsner and a mortgage of certain property. As of December 31, 2021 and 2020, Ochsner had borrowings outstanding under these arrangements of approximately $200.0 million and $98.4 million, respectively. The interest rate on outstanding borrowings is based on the London Interbank Offered Rate (LIBOR) and, consequently, fluctuates from month to month.

All amounts are classified as current at December 31, 2021 and 2020.

12. Bonds Payable

At December 31, bonds payable consisted of the following tax-exempt and taxable bonds (in thousands). The tax-exempt revenue bonds were issued by the Louisiana Public Facilities Authority (LPFA) on behalf of Ochsner. The taxable bonds were issued by Ochsner.

	2021	2020
Series 2020 tax-exempt bonds issued by the LPFA October 2020, due serially 2026–2037, then 2044–2050, annual interest rates ranging from 3.00% to 5.00%	$ 385,005	$ 385,005
Series 2020 private placement bonds, due in 2046, annual interest rates ranging from 3.46% to 4.32%	350,000	350,000
Series 2017 tax-exempt bonds issued by the LPFA May 2017, due serially 2020–2037, then on term in 2042 and 2046, annual interest rates ranging from 4.00% to 5.00%	411,495	416,340
Series 2016 tax-exempt bonds issued by the LPFA May 2016, due serially 2023–2036, then on term in 2041 and 2047, annual interest rates ranging from 3.00% to 5.00%	154,060	154,060
Series 2015 tax-exempt bonds issued by the LPFA August 2015, due serially 2016–2035, then on term in 2040 and 2047, annual interest rates ranging from 2.00% to 5.00%	101,880	104,245
Series 2015 taxable bonds issued June 2015, due in 2045, annual interest rate at 5.90%	252,820	252,820
Total	1,655,260	1,662,470
Plus unamortized net bond premium	82,436	89,500
Less deferred financing costs	15,233	15,858
Less current portion	7,580	7,210
Non-current portion of bonds payable	$ 1,714,883	$ 1,728,902

12. Bonds Payable (continued)

All of the bonds included in the table above are general obligations of Ochsner. The security includes a pledge of all present and future accounts receivable of Ochsner and a mortgage of certain property.

Also, under the terms of the bond indenture, Ochsner is required to make certain deposits of principal and interest with a trustee. Such deposits are included with assets limited as to use in the consolidated financial statements. The bond indenture also places limits on the incurrence of additional borrowings by Ochsner and requires that it satisfy certain measures of financial performance as long as the bonds are outstanding. Ochsner was in compliance with these requirements at December 31, 2021 and 2020.

At December 31, 2021, scheduled repayments of principal and sinking fund installments to retire the bonds payable for the next five fiscal years are as follows (in thousands):

Years ending December 31:	
2022	$ 7,580
2023	13,615
2024	15,335
2025	121,810
2026	18,745

13. Long-Term Debt

A summary of long-term debt at December 31 is as follows (in thousands):

	2021	2020
Working capital note, due May 2026 (subject to six additional 5-year extensions), including accrued interest at rates varying from 0.22% to 0.64% during 2021 with a rate of 0.61% as of December 31, 2021	$ 9,139	$ 9,097
Note payable 4.61% Senior Secured Note, entered into March 2013, due March 2033	4,702	5,014
Note payable 5.26% Senior Secured Note, entered into December 2013, due December 2028	35,547	39,641
Note payable 5.09% Senior Secured Note, entered into July 2014, due August 2034	59,505	62,769
Promissory note entered into September 2018, due September 2023 with interest at 2.47%	27,424	27,424
Premium Financing Agreement, due April 2022 with interest at 2.49%	4,473	3,937
Clearview land purchase, entered into October 2020, due in installments through March 2045	35,083	35,083
Software, equipment, and other loans, due varying dates in 2021-2030	1,525	3,925
Total long-term debt	177,398	186,890
Less deferred financing costs	1,715	1,904
Less current portion	14,071	13,129
Non-current portion of long-term debt	$ 161,612	$ 171,857

St. Anne

On May 1, 2006, Ochsner entered into lease and management services agreements with Lafourche Parish Hospital Service District No. 2 (Lafourche), which owned and operated St. Anne General Hospital and related facilities (St. Anne) of Raceland, Louisiana. Under the agreements, Ochsner leases the St. Anne buildings and facilities, purchased working capital and certain equipment of St. Anne, and operates the hospital for a specified period of time. As part of the agreement, Ochsner

13. Long-Term Debt (continued)

entered into an unsecured note payable with Lafourche for the purchase of its working capital and equipment for $7.1 million. On June 1, 2015, Ochsner and Lafourche executed an amendment in which the aggregate principal and accrued interest amount of approximately $8.4 million was extended to 2026 with six 5-year renewal options, to coincide with the lease agreement. The interest rate on the working capital note, based on the 5-Year Yield Tax Exempt Insured Revenue Bond Rate published by Bloomberg, was 0.61% and 0.23% at December 31, 2021 and 2020, respectively. All amounts are classified as noncurrent at December 31, 2021 and 2020, and are included in long-term debt on the consolidated balance sheets.

March 2013 Note Payable

Pursuant to its purchase of two Medical Office Buildings on November 15, 2012, OCF entered into a loan in the principal amount of $7.0 million on March 12, 2013. The loan is secured by first mortgage liens on medical office building properties at 1850 East Gause Boulevard (North Shore Medical Office Building 1) and 105 Medical Center Drive (North Shore Medical Office Building 2), both in Slidell, Louisiana, and both in close proximity to Ochsner Medical Center – North Shore. The loan is in the form of a Senior Secured Note bearing interest at the fixed annual rate of 4.61%. Principal and interest payments are due monthly based upon a 20-year (240-month) amortization period and actual/360-day interest period.

December 2013 Note Payable

Ochsner entered into a loan in the principal amount of $63.0 million on December 30, 2013. The loan is secured by first mortgage liens on Ochsner facilities at 2005 Veterans Memorial Boulevard, Metairie, Louisiana, and 1950 Gause Boulevard, Slidell, Louisiana. The loan is in the form of a Senior Secured Note bearing interest at the fixed annual rate of 5.26%. Principal and interest payments are due monthly based upon a 15-year (180-month) amortization period and actual/360-day interest period.

July 2014 Note Payable

Ochsner entered into a loan in the principal amount of $80.0 million on July 31, 2014. The loan is secured by first mortgage liens on Ochsner facilities at 17000 Medical Center Drive, Baton Rouge, Louisiana, and 16777 Medical Center Drive, Baton Rouge, Louisiana. The loan is in the form of a Senior Secured Note bearing interest at the fixed annual rate of 5.09%. Principal and interest payments are due monthly based upon a 20-year (240-month) amortization period and actual/360-day interest period.

13. Long-Term Debt (continued)

September 2018 Promissory Note

OCF entered into a promissory note with CHRISTUS Health for the principal amount of approximately $27.8 million on September 1, 2018, in connection with Ochsner's equity method investment in CHRISTUS Health Southwestern Louisiana. The CHRISTUS Health promissory note bears stated interest of 2.47% on the outstanding principal balance. The security includes a pledge of all present and future accounts receivable of OCF and a mortgage of certain property. Interest-only payments are due quarterly with the first payment due on October 1, 2018, based upon a 5-year fixed interest payment amortization period. The balance of the outstanding principal is due on a 5-year maturity date of September 1, 2023, and actual/360-day interest period.

At December 31, 2021, scheduled repayments of long-term debt for the next five fiscal years are as follows (in thousands):

2022	$	14,071
2023		35,977
2024		9,001
2025		9,474
2026		9,972

14. Employee Benefit Plans

Defined Benefit Pension Plan

Certain employees of Ochsner and its subsidiaries are covered under a defined benefit pension plan (the Defined Benefit Plan). The Defined Benefit Plan is noncontributory and provides benefits that are based on the participants' credited service and average compensation during the last five years of covered employment. As of December 31, 2006, benefit accruals ceased for all plan participants under age 40 and those over age 40 who elected to freeze their retirement plan benefits. Ochsner made an additional change to the Defined Benefit Plan, and as of December 31, 2009, benefit accruals ceased for all plan participants under age 55 with less than 10 years of service (rounded to the nearest 6 months). Physician/executive participants are frozen as of December 31, 2009, regardless of age or service. Participants who were not frozen as of December 31, 2009, accrued benefits until the earlier of age 65 or December 31, 2015. No new participants are allowed

14. Employee Benefit Plans (continued)

to enter the Defined Benefit Plan. Ochsner makes contributions to its qualified plan that satisfy the minimum funding requirements under the Employee Retirement Income Security Act of 1974. These contributions are intended to provide not only for benefits attributed to services rendered to date but also those expected to be earned in the future.

The following table sets forth the changes in benefit obligations, changes in plan assets, and components of net periodic benefit cost (in thousands):

	December 31	
	2021	**2020**
Change in benefit obligation:		
Benefit obligation – beginning of year	$ 651,274	$ 600,290
Interest cost	16,059	19,371
Actuarial (gain) loss	(10,678)	71,636
Benefits paid	(31,495)	(40,023)
Benefit obligation – end of year	625,160	651,274
Change in plan assets:		
Fair value of plan assets – beginning of year	465,754	449,520
Actual return on plan assets	73,599	35,476
Employer contributions	7,371	20,781
Benefits paid	(31,495)	(40,023)
Fair value of plan assets – end of year	515,229	465,754
Funded status	$ (109,931)	$ (185,520)

14. Employee Benefit Plans (continued)

	December 31 2021	December 31 2020
	(In Thousands)	
Amounts recognized in the consolidated balance sheets consist of:		
Pension and postretirement obligations	$ (109,931)	$ (185,520)
Amounts recognized in net assets without donor restrictions:		
Net actuarial loss	$ 290,342	$ 357,414
Total amounts recognized	$ 290,342	$ 357,414
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions:		
Net (gain) loss	$ (54,179)	$ 67,751
Recognized loss	(12,893)	(10,678)
Total amounts recognized	$ (67,072)	$ 57,073

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

	2021	2020
Weighted average discount rate	2.82%	2.48%

Net periodic pension benefit for the years ended December 31 includes the following components (in thousands):

	2021	2020
Interest cost	$ 16,059	$ 19,370
Expected return on plan assets	(30,097)	(31,591)
Amortization of net loss	12,893	10,678
Net periodic pension benefit	$ (1,145)	$ (1,543)

14. Employee Benefit Plans (continued)

Weighted average assumptions used to determine net periodic pension cost for the years ended December 31 were as follows:

	2021	2020
Weighted-average discount rate	2.48%	3.27%
Expected return on plan assets	6.60	7.20

The fair values of the Defined Benefit Plan assets at December 31 are included in the tables below (in thousands).

	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Observable Identical Assets and Liabilities (Level 1)[a]	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Estimated Fair Value
2021				
Money market funds	$ 22,254	$ –	$ –	$ 22,254
Fixed income investments	30,970	–	–	30,970
Marketable equity securities	39,466	–	–	39,466
Total	$ 92,690	$ –	$ –	$ 92,690
2020				
Money market funds	$ 25,708	$ –	$ –	$ 25,708
Fixed income investments	24,995	–	–	24,995
Marketable equity securities	70,324	–	–	70,324
Total	$ 121,027	$ –	$ –	$ 121,027

[a] Valuation of these securities classified as Level 1 is based on unadjusted quoted prices in active markets that are readily and regularly available.

14. Employee Benefit Plans (continued)

These tables do not include Level 2 or 3 alternative investments of $422.5 million and $344.8 million at December 31, 2021 and 2020, respectively, which are measured at fair value using net asset value as a practical expedient.

The Defined Benefit Plan asset allocation as of the measurement dates (December 31, 2021 and 2020) and the target asset allocation, presented as a percentage of total plan assets, were as follows:

	2021	**2021 Target Allocation**	**2020**
Debt securities	14%	20%	14%
Equity securities	49	50	60
Private equity/venture capital	7	8	3
Hedge funds	21	20	16
Natural resources/REITs	5	2	2
Other	4	–	5

Asset allocations and investment performance are formally reviewed at regularly scheduled meetings several times during the year by the Investment Committee of Ochsner. Ochsner utilizes an investment consultant and multiple managers for different asset classes. The Investment Committee takes into account liquidity needs of the plan to pay benefits in the short term and the anticipated long-term obligations of the Defined Benefit Plan.

The primary financial objectives of the Defined Benefit Plan are to (1) provide a stream of relatively predictable, stable, and constant earnings in support of the Defined Benefit Plan's annual benefit obligations and (2) preserve and enhance the real (inflation-adjusted) value of the assets of the Defined Benefit Plan. The long-term investment objectives of the Defined Benefit Plan are to (1) attain the average annual total return assumed in the Defined Benefit Plan's most recent actuarial assumptions (net of investment management fees) over rolling five-year periods, (2) outperform the Defined Benefit Plan's custom benchmark, and (3) outperform the median return of a pool of retirement funds to be identified in conjunction with Ochsner's investment consultant.

14. Employee Benefit Plans (continued)

The asset allocation is designed to provide a diversified mix of asset classes, including U.S. and foreign equity securities, fixed income securities, real estate investment trusts (REITs), natural resources, cash, and funds to hedge against deflation and inflation. Risk management practices include various criteria for each asset class, including measurement against several benchmarks, achievement of a positive risk-adjusted return, and investment guidelines for each class of assets that enumerate types of investment allowed in each category.

The Ochsner Retirement Plan Statement of Investment Policies and Objectives provides for a range of minimum and maximum investments in each asset class to allow flexibility in achieving the expected long-term rate of return. Historical return patterns and correlations, consensus return forecast, and other relevant financial factors are analyzed to check for reasonableness and appropriateness of the asset allocation to ensure that the probability of meeting actuarial assumptions is reasonable. Ochsner Treasury staff oversees the day-to-day activities involving assets of the Defined Benefit Plan and the implementation of any changes adopted by the Investment Committee.

Ochsner currently does not expect to make a contribution to the Defined Benefit Plan in 2022.

For 2021 and 2020, Ochsner's Defined Benefit Plan had accumulated benefit obligations of approximately $625.2 million and $651.3 million, respectively.

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

Years ending December 31:	
2022	$ 33,823
2023	35,080
2024	36,247
2025	37,025
2026	37,816
2027–2031	189,368
	$ 369,359

14. Employee Benefit Plans (continued)

Defined Contribution Plans

All employees of Ochsner meeting eligibility requirements may participate in the Ochsner Clinic Foundation 401(k) Plan (the Plan). Ochsner may annually elect to make a retirement contribution on behalf of eligible employees in an amount up to 2% of the participant's annual eligible compensation. In addition, Ochsner may annually elect to make a match for eligible employees of 50% of the first 4% the employees contribute into the Plan. At December 31, 2021 and 2020, Ochsner has accrued approximately $47.0 million and $38.5 million, respectively, for matching and retirement contributions to the Plan for the 2021 and 2020 fiscal years, respectively.

Certain Ochsner employees are also covered under a 457(f) plan. The 457(f) plan was created to replace 100% of the benefit target for employees under age 65 as of December 31, 2009, whose benefits in the Defined Benefit Plan were frozen. The participant pays taxes at vesting and payout occurs at the later of age 65 or retirement. Participants of the 457(f) plan also participate in the 401(k) contributions. OCF's accompanying consolidated balance sheets reflect a liability of approximately $14.8 million and $14.9 million for the 457(f) plan at December 31, 2021 and 2020, respectively.

15. Endowment Funds and Net Assets With Donor Restrictions

Ochsner has 1,091 donor-restricted funds established for a variety of purposes. Endowment funds are classified and reported based on donor-imposed restrictions as net assets with donor restrictions. Net assets with donor restrictions include funds dedicated to Medical Education, Nursing Education, Pastoral Care, Biomedical Research, Cancer Research, Cardiology Research, Transplant Research, and Alzheimer's Research, and other purposes.

ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which the state of Louisiana enacted on July 1, 2010.

UPMIFA requires that Ochsner preserve the historic dollar value of the donor-restricted endowed funds. As a result of this interpretation, Ochsner classifies as net assets with donor restrictions the aggregate fair market value of (1) an endowment fund at the time it became an endowment fund, (2) each subsequent donation to the fund at the time it is made, and (3) each accumulation made

15. Endowment Funds and Net Assets With Donor Restrictions (continued)

pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in the permanent endowment is available for appropriation for expenditure by Ochsner in a manner consistent with the standard for expenditure prescribed by UPMIFA. Net assets with donor restriction available for appropriations as of December 31, 2021 and 2020, total approximately $11.1 million and $10.1 million, respectively.

Restricted Net Assets as of December 31, by Purpose

	2021	2020
	(In Thousands)	
Research	$ 45,761	$ 39,184
Education	14,917	13,150
Other	93,768	88,714
Total	$ 154,446	$ 141,048

Endowment Net Asset Composition by Type of Fund as of December 31, 2021

	Without Donor Restriction	With Donor Restriction	Total
		(In Thousands)	
Donor-restricted funds	$ –	$ 58,794	$ 58,794
Board-designated funds	1,920	–	1,920
Total	$ 1,920	$ 58,794	$ 60,714

Endowment Net Asset Composition by Type of Fund as of December 31, 2020

	Without Donor Restriction	With Donor Restriction	Total
		(In Thousands)	
Donor-restricted funds	$ –	$ 49,111	$ 49,111
Board-designated funds	1,704	–	1,704
Total	$ 1,704	$ 49,111	$ 50,815

15. Endowment Funds and Net Assets With Donor Restrictions (continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2021

	Without Donor Restriction	With Donor Restriction	Total
		(In Thousands)	
Beginning balance	$ 1,704	$ 49,111	$ 50,815
Investment gain	246	7,874	8,120
Contributions	–	2,044	2,044
Appropriations for expenditures	(30)	(235)	(265)
Ending balance	$ 1,920	$ 58,794	$ 60,714

Changes in Endowment Net Assets for the Year Ended December 31, 2020

	Without Donor Restriction	With Donor Restriction	Total
		(In Thousands)	
Beginning balance	$ 1,583	$ 44,084	$ 45,667
Investment gain	143	4,072	4,215
Contributions	–	2,337	2,337
Appropriations for expenditures	(22)	(1,382)	(1,404)
Ending balance	$ 1,704	$ 49,111	$ 50,815

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or current law requires Ochsner to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of December 31, 2021 or 2020.

15. Endowment Funds and Net Assets With Donor Restrictions (continued)

Return Objectives and Risk Parameters

Ochsner has investment and spending practices for endowment assets that intend to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Ochsner must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The policy allows the endowment assets to be invested in a manner that is intended to produce results that exceed the price and yield results of the allocation index while assuming a moderate level of investment risk. Ochsner expects its endowment funds to provide a rate of return that preserves the gift and generates earnings to achieve the endowment purpose.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Ochsner relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and interest and dividend income. Ochsner uses a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints to preserve capital.

Spending Policy and How the Investment Objectives Relate to Spending Policy

It is Ochsner's objective to establish a payout rate from endowment accounts that provides a stable, predictable level of spending for the endowed purposes that will increase with the rate of inflation, and to continue to invest in accordance with policy goals of providing for a rate of growth in the endowment earnings that meets or exceeds the rate of inflation. The annual spending appropriation will be subject to a minimum rate of 4% and a maximum rate of 7% of each endowment fund's current market value. Net assets with donor restrictions include the spending appropriation and investment income of the endowments and are pending appropriation for expenditure consistent with the specific purpose of the fund.

16. Equity Method Investments, Joint Ventures, and Non-Controlling Interest

Ochsner's investment in unconsolidated affiliates at December 31 and its income from equity method investees for the years then ended are as follows (in thousands):

	Ownership Interest	Investment in Equity Investees	Equity in Income (Loss) of Equity Investees
2021			
Southeast Louisiana Homecare LLC	25%	$ 4,493	$ (405)
Louisiana Extended Care Hospital of Kenner, LLC	25	–	–
OSR Louisiana, LLC	49	–	–
Ochsner-Acadia, LLC	25	6,075	(283)
OMC West JV, LLC	49	4,121	5
NSR Louisiana LLC	30	311	(290)
North Shore Extended Care Hospital, LLC	16	–	–
CHRISTUS Health Southwestern Louisiana	40	56,703	930
Lafayette General Endoscopy Center, Inc.	50	–	1,977
Acadiana Radiation Therapy, LLC	50	2,957	1,835
Acadian Homecare, LLC	33	449	56
SafeSource Direct, LLC	49	6,654	(3,347)
2112 Holdings, LLC	50	22,943	176
South Rampart Pharma, LLC	21	4,421	(164)
		$ 109,127	$ 490
2020			
Southeast Louisiana Homecare LLC	25%	$ 4,898	$ (671)
Louisiana Extended Care Hospital of Kenner, LLC	25	–	–
OSR Louisiana, LLC	49	–	–
Ochsner-Acadia, LLC	25	6,359	438
OMC West JV, LLC	49	4,829	417
NSR Louisiana LLC	30	601	(269)
North Shore Extended Care Hospital, LLC	16	–	(131)
CHRISTUS Health Southwestern Louisiana	40	55,773	(8,184)
Lafayette General Endoscopy Center, Inc.	50	1,387	175
Acadiana Radiation Therapy, LLC	50	3,330	777
Acadian Homecare, LLC	33	508	56
South Rampart Pharma, LLC	15	3,584	2,685
		$ 81,269	$ (4,707)

16. Equity Method Investments, Joint Ventures, and Non-Controlling Interests (continued)

Ochsner has multiple joint ventures whose results are not material to the consolidated financial statements. These joint ventures were created for the purposes of long-term care, rehabilitation, behavioral health, ambulatory services, manufacturing of personal protective equipment, development of new alternative pain medications, and property management.

As part of the acquisition of OLG, Ochsner acquired a joint venture in MTS/LGH Therapy Services, LLC (MTS) to operate a physical therapy clinic in Lafayette, Louisiana. Ochsner has a 50% ownership interest in the joint venture and records noncontrolling interest on the consolidated balance sheets and consolidated statements of operations.

As part of the acquisition of OLG, Ochsner acquired a joint venture in Oil Center Surgical Plaza, LLC (OCSP) to operate an ambulatory surgical center in Lafayette, Louisiana. Ochsner has a 50% ownership interest in the joint venture and records noncontrolling interest on the consolidated balance sheets and consolidated statements of operations.

On January 4, 2021, Ochsner formed a joint venture, Ochsner Kidney Care, LLC, with NRC Louisiana, L.L.C., to open and operate renal dialysis centers in Louisiana. Ochsner owns a 70% membership interest in the joint venture and includes its results in the consolidated financial statements. As a result of this joint venture, Ochsner records noncontrolling interest on the consolidated balance sheets and consolidated statements of operations. The results of the joint ventures' operations were not material to Ochsner's consolidated financial statements in 2021 or 2020.

Supplemental cash flow information:

In 2021, Ochsner formed 2112 Holdings, LLC with St. Tammany Health System. Ochsner contributed a newly built facility and five major pieces of medical equipment totaling approximately $45.4 million in exchange for a 50% stake in the joint venture. Ochsner received payment of $21.3 million and has a receivable of $1.4 million from St. Tammany Health System for their 50% share.

17. Electronic Health Records Services Agreements

In order to develop a better clinical integration and provide cost savings for its partners, Ochsner entered into EHR service and hosting agreements to implement and support a common EHR system. In previous years, Ochsner implemented its EHR system at STHS, TGMC, SMH, Ochsner-Acadia, Louisiana Extended Care Hospital of Kenner, LLC, Northshore Extended Care Hospital, and Titus Regional Medical Center. During 2021, Ochsner implemented its EHR system at Louisiana Behavioral Health and Rush Health Systems. Ochsner continues to host and maintain these systems. Other operating revenue associated with these agreements totaled $35.4 million and $25.9 million for the years ended December 31, 2021 and 2020, respectively.

18. Ochsner Health Plan

Ochsner formed a new entity, Ochsner Health Plan, Inc., to offer a new Medicare Advantage plan to eligible patients. Louisiana residents in the Greater New Orleans and Greater Baton Rouge areas eligible for Medicare had the opportunity to enroll in Medicare Advantage benefit plans offered by the new Ochsner Health Plan for calendar year 2022. Ochsner enrolled approximately 1,900 members into the plan for coverage beginning January 1, 2022. In 2021, attributable to Ochsner Health Plan, Inc., Ochsner recorded an approximate $11.7 million premium deficiency reserve, an accrual for future policy losses, within medical services to outside providers on the accompanying consolidated statement of operations.

19. Leases

Ochsner leases property and equipment under finance and operating leases. For leases with terms greater than 12 months, Ochsner records the related assets and obligations at the present value of lease payments over the term. Many of Ochsner's leases include rental escalation clauses and renewal options that are factored into the determination of lease payments, when appropriate. Ochsner elected the practical expedient to use the risk-free interest rate to discount the lease payments when leases do not provide a readily determinable implicit interest rate.

19. Leases (continued)

The following table presents Ochsner's lease-related assets and liabilities (in thousands):

	Balance Sheet Classification	December 31 2021	December 31 2020
Assets:			
Operating leases	Right-of-use assets from operating leases	$ 453,604	$ 281,810
Financing leases	Property – net	119,041	126,227
Total lease assets		$ 572,645	$ 408,037
Liabilities:			
Current:			
Operating leases	Operating lease current liabilities	$ 83,039	$ 54,508
Financing leases	Other current liabilities	7,586	8,288
Noncurrent:			
Operating leases	Operating lease long-term liabilities	368,492	239,586
Financing leases	Other long-term liabilities	104,157	107,598
Total lease liabilities		$ 563,274	$ 409,980
Weighted-average operating leases remaining lease term		9 years	10 years
Weighted-average finance leases remaining lease term		18 years	17 years
Weighted-average operating lease discount rate		3.6%	2.4%
Weighted-average finance lease discount rate		7.4%	6.2%

The table below summarizes the components of lease cost by lease type for the years ended December 31 (in thousands):

Lease Costs

	2021	2020
Operating lease cost	$ 128,322	$ 87,845
Amortization of finance lease assets	7,012	10,117
Interest on lease liabilities	5,944	6,466

19. Leases (continued)

Maturities of Lease Liabilities

The following schedule summarizes Ochsner's future annual minimum rental commitments on outstanding leases as of December 31, 2021 (in thousands):

	Lease Obligations	
	Finance	**Operating**
2022	$ 13,165	$ 98,482
2023	11,573	92,845
2024	10,576	77,948
2025	10,114	67,980
2026	9,804	59,341
Thereafter	137,150	338,434
Total minimum lease payments	192,382	735,030
Less amounts representing interest	(80,639)	(283,499)
	111,743	451,531
Less current maturities	(7,586)	(83,039)
Lease obligations – noncurrent	$ 104,157	$ 368,492

Ochsner entered into an agreement in December 2020 for a new clinic location in Metairie, Louisiana. Ochsner's lease is expected to commence late in 2022 when construction of the new facility is finished, at which point Ochsner will record a right of use asset and lease liability. Ochsner will make lease payments of approximately $8.5 million annually with annual escalations, and guarantee a residual value of $104.0 million at the end of the initial 23-year lease term. During the construction period, Ochsner will receive $84.0 million from the lessor for Ochsner to manage construction of the improvements of the facility.

19. Leases (continued)

Supplemental cash flow information related to leases is as follows:

Cash paid for amounts included in the measurement of operating lease liabilities was $123.3 million and $60.8 million in operating cash outflows for operating leases for the years ended December 31, 2021 and 2020, respectively.

Right-of-use assets obtained in exchange for lease obligations were $171.8 million and $52.8 million in operating leases for the years ended December 31, 2021 and 2020, respectively.

Operating Leases – Lessor

Ochsner leases office space to other businesses. Lease terms generally range from one to four years, with options of renewal for additional periods. All such property leases provide for minimum annual rentals, and all rental revenue has been recorded on a straight-line basis. Following is a schedule by year of future minimum rental payments under noncancelable operating leases as of December 31, 2021 (in thousands):

Years ending December 31:	
2022	$ 11,652
2023	9,013
2024	8,071
2025	7,612
2026	7,007
Thereafter	33,247
Total minimum lease payments to be received	$ 76,602

20. Functional Expenses

Ochsner provides general health care services primarily to residents within its geographic location.

	Functional Expenses as of December 31, 2021						
	Health Care Services	Medical Education	Research	Fitness Center	Hotel	General and Administrative	Total
	(In Thousands)						
Salaries, wages, and benefits	$2,271,315	$ 31,791	$ 19,579	$ 7,177	$ 1,550	$ 563,483	$2,894,895
Medical services to outside providers	215,999	–	–	–	–	–	215,999
Medical supplies and services	1,274,792	32	32	21	2	–	1,274,879
Other operating expenses	457,117	9,286	3,332	4,395	1,847	616,096	1,092,073
Depreciation and amortization	87,278	727	638	1,318	356	122,037	212,354
Interest	4,344	–	–	–	157	74,693	79,194
	$4,310,845	$ 41,836	$ 23,581	$ 12,911	$ 3,912	$ 1,376,309	$5,769,394

	Functional Expenses as of December 31, 2020						
	Health Care Services	Medical Education	Research	Fitness Center	Hotel	General and Administrative	Total
	(In Thousands)						
Salaries, wages, and benefits	$1,640,771	$ 30,283	$ 17,908	$ 5,648	$ 1,572	$ 446,756	$2,142,938
Medical services to outside providers	170,078	–	–	–	–	–	170,078
Medical supplies and services	940,248	–	551	8	4	–	940,811
Other operating expenses	295,264	6,680	3,268	4,074	1,372	561,345	872,003
Depreciation and amortization	68,114	673	605	931	443	97,156	167,922
Interest	6,082	–	–	–	163	59,716	65,961
	$3,120,557	$ 37,636	$ 22,332	$ 10,661	$ 3,554	$ 1,164,973	$4,359,713

21. Supplemental Disclosures of Cash Flow Information

	Year Ended December 31 2021	2020
	(In Thousands)	
Cash paid for interest (net of amounts capitalized)	$ 79,037	$ 54,670
Details of business acquisitions:		
Fair value of assets	$ 71,130	$ 967,702
Fair value of liabilities	(14,809)	(547,402)
Noncontrolling interest	–	(1,158)
	(56,321)	(419,142)
Total inherent contribution	–	418,831
Cash acquired in acquisition	4,199	139,050
Acquisition of business, net of cash acquired	$ (52,122)	$ 138,739
Supplemental noncash investing and financing activities:		
Property purchases included in accounts payable	$ 28,740	$ 29,076
Property purchases financed by finance leases and long-term debt	$ 1,357	$ 37,434

22. Commitments and Contingencies

Professional and General Liability Insurance

Professional and general liability claims have been asserted against Ochsner by various claimants. The claims are in various stages of processing, and some may ultimately be brought to trial. Incidents occurring through December 31, 2021, may result in the assertion of additional claims.

Ochsner participates in a risk management program to provide for professional and general liability coverage.

Under this program, Ochsner carries professional and general liability insurance coverage for up to $65.0 million each of annual aggregate claims subject to certain deductible provisions. Ochsner is self-insured with respect to the first $3.0 million of each claim for professional liability with an annual aggregate exposure of $7.0 million. General liability claims are subject to a retention

22. Commitments and Contingencies (continued)

of \$1.0 million per claim and \$2.0 million annual aggregate. Ochsner also carries additional coverage on certain leased and managed hospitals that carry similar coverage with lower self-retention and aggregate levels.

Professional liability claims are limited by Louisiana statute to \$500,000 per patient, the first \$100,000 of which is payable by the health care provider and the remainder of which is payable by the Patient's Compensation Fund (the Fund) for participants in the Fund. The Fund was established by the Medical Malpractice Act (the Act), which was enacted in 1975 by the state of Louisiana. The Act established the Fund and limited recovery in medical malpractice cases to \$500,000. The limitation on recovery has been challenged and, to date, successfully defended in the courts. Expenditures recorded by Ochsner for participation in the Fund for the years ended December 31, 2021 and 2020, were approximately \$26.5 million and \$24.6 million, respectively, and are included in other operating expenses in the accompanying consolidated statements of operations.

Ochsner has an established trust fund held by a financial institution. Disbursements are made from the trust fund for self-insured professional and general liability claims, claims administration costs, and legal fees. The amounts to be contributed to the trust funds are determined annually by an independent actuary. The trust fund assets for Ochsner in the aggregate totaled approximately \$7.5 million and \$9.1 million at December 31, 2021 and 2020, respectively. The trust fund assets are included in assets limited as to use under self-insurance trust fund in the accompanying consolidated balance sheets. The estimated liability recorded by Ochsner in the aggregate for claims, based on the actuarial report, is approximately \$15.4 million with no estimated reinsurance recoveries at December 31, 2021, and \$19.0 million with no estimated reinsurance recoveries at December 31, 2020. The estimated liability is included in other current liabilities and other long-term liabilities in the accompanying consolidated balance sheets. The estimated liability for Ochsner was discounted at approximately 2.5% at both December 31, 2021 and 2020. If the risk management program is terminated, the trust fund balances, if any, revert to Ochsner after satisfaction of outstanding claims. Any proceeds from such a reversion would be used to reduce future costs for liability coverage.

22. Commitments and Contingencies (continued)

Estimated Workers' Compensation and Employee Health Claims

Ochsner is self-insured for workers' compensation and employee health and dental claims. The estimated liability for workers' compensation and employee health and dental claims totaled approximately $36.4 million and $35.5 million at December 31, 2021 and 2020, respectively, which is included in accrued salaries, wages, and benefits; other current liabilities; and other long-term liabilities in the accompanying consolidated balance sheets.

Property Insurance

Ochsner carries property insurance coverage through third-party insurers. The policy limits are $750.0 million each occurrence and are subject to a deductible of $250,000 per occurrence. The Named Wind sublimit is $160.0 million per occurrence. The Named Wind deductible is 3% (combined for property damage and time element), subject to a minimum of $500,000 and a maximum of $51.5 million. The Flood sublimit is $50.0 million aggregate for Special Flood Hazard Areas. The Flood deductible for Special Flood Hazard Areas is $1.0 million per occurrence. Ochsner also carries coverage on certain community hospitals with self-retention and aggregate levels.

Contingencies

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. Ochsner and its subsidiaries are parties to various legal proceedings and potential claims arising in the ordinary course of their business. Management of Ochsner 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.

The Tax Relief and Health Care Act of 2006 authorized a permanent program involving the use of third-party recovery audit contractors (RACs) to identify Medicare and Medicaid overpayments and underpayments made to providers. RACs are compensated based on the amount of both overpayments and underpayments they identify by reviewing claims submitted to Medicare for

22. Commitments and Contingencies (continued)

correct coding and medical necessity. Payment recoveries resulting from RAC reviews are appealable through administrative and judicial processes. Payment recoveries and denials resulting from RAC reviews can be appealed through administrative and judicial processes, and management intends to pursue the reversal of adverse determinations where appropriate. In addition to overpayments that are not reversed on appeal, Ochsner will incur additional costs to respond to requests for records and to pursue the reversal of payment denials. Ochsner expects the RACs will continue to seek CMS approval to review additional issues.

Management of Ochsner believes that the reserves it has established for RAC reviews, which are included in other long-term liabilities in the accompanying consolidated balance sheets, are adequate but cannot predict with certainty the impact of the Medicare and Medicaid RAC program on its future consolidated results of operations or cash flows.

Commitments

Ochsner has a minimum obligation to purchase medical supplies from the joint venture (JV) SafeSource Direct, LLC over the 20-year agreement term, beginning in May 2023. The following schedule summarizes Ochsner's future annual minimum purchase commitment (in thousands):

Years ending December 31:	
2022	$ –
2023	5,767
2024	8,767
2025	8,942
2026	9,117

Ochsner's total obligation over the 20-year term is $210.1 million.

As a component of the SafeSource JV, Ochsner has entered into a guarantee agreement in order to assure the residual value of the JV's property upon lease expiration. The term of the guarantee is one 10-year term with two optional 10-year renewal terms. As of December 31, 2021, Ochsner has a guarantee liability of $13.0 million, which is a component of other long-term liabilities.

23. Subsequent Events

Ochsner has evaluated subsequent events through April 22, 2022, the date the accompanying consolidated financial statements were issued.

Reports Required by the Uniform Guidance

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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 Clinic Foundation 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 (*Government Auditing Standards*), the financial statements of Ochsner Clinic Foundation and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 22, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ochsner Clinic Foundation 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 Clinic Foundation and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Ochsner Clinic Foundation 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 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 Ochsner Clinic Foundation 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.

Ernst + Young LLP

April 22, 2022

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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 Clinic Foundation and Subsidiaries

Report of Independent Auditors on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Ochsner Clinic Foundation and Subsidiaries' compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Ochsner Clinic Foundation and Subsidiaries' major federal programs for the year ended December 31, 2021. Ochsner Clinic Foundation and Subsidiaries' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Ochsner Clinic Foundation and Subsidiaries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Ochsner Clinic Foundation and Subsidiaries' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Ochsner Clinic Foundation and Subsidiaries' internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs and identified below. Our opinion on each major federal program is not modified with respect to this matter.

Finding Number	Assistance Listing Number	Program Name	Compliance Requirement
2021-001	93.498	COVID-19 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	Reporting

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

Ochsner Clinic Foundation and Subsidiaries is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Ochsner Clinic Foundation and Subsidiaries' corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

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

Finding Number	Assistance Listing Number	Program Name	Compliance Requirement
2021-001	93.498	COVID-19 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	Reporting

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

Government Auditing Standards requires the auditor to perform limited procedures on Ochsner Clinic Foundation and Subsidiaries' response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Ochsner Clinic Foundation and Subsidiaries' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Ochsner Clinic Foundation and Subsidiaries is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Ochsner Clinic Foundation and Subsidiaries' corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

Ernst + Young LLP

September 29, 2022

Supplementary Information

Ochsner Clinic Foundation and Subsidiaries

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Federal Expenditures	Total Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Agriculture:						
Pass-Through From:						
University of Louisiana Monroe						
Delta Health Care Services Grant Program	10.874	22-037-841408836	$ 65,596	$ –	$ 65,596	$ –
Total U.S. Department of Agriculture			**65,596**	**–**	**65,596**	**–**
U.S. Department of Defense:						
Pass-Through From:						
Mayo Clinic Cancer Center						
Military Medical Research and Development	12.420	W81XWH-15-1-0293	39,520	–	39,520	–
University of Pittsburgh						
Military Medical Research and Development	12.420	W81XWH-17-2-0073	1,410	–	1,410	–
Total 12.420			40,930	–	40,930	–
Total U.S. Department of Defense			**40,930**	**–**	**40,930**	**–**
U.S. Department of the Treasury:						
COVID-19 – Coronavirus Relief Fund	21.019		–	75,724	75,724	–
Total U.S. Department of the Treasury			**–**	**75,724**	**75,724**	**–**
Federal Communications Commission:						
COVID-19 – COVID-19 Telehealth Program	32.006		–	293,463	293,463	–
Total Federal Communications Commission			**–**	**293,463**	**293,463**	**–**
National Science Foundation:						
Pass-Through From:						
Bioinfoexperts LLC						
Engineering	47.041	2027424	8,880	–	8,880	–
Total National Science Foundation			**8,880**	**–**	**8,880**	**–**
U.S. Department of Health and Human Services:						
Pass-Through From:						
Mount Sinai Medical Center of Florida, Inc.						
Research and Training in Complementary and Integrative Health	93.213	4UH3AT009149-02	10,765	–	10,765	–
New York University School of Medicine						
Research and Training in Complementary and Integrative Health	93.213	5UH3AT009844-04	9,384	–	9,384	–
Total 93.213			20,149	–	20,149	–
Alcohol Research Programs	93.273		31,770	–	31,770	31,770
Drug Abuse and Addiction Research Programs	93.279		333,671	–	333,671	29,111

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Federal Expenditures	Total Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Health and Human Services: (continued)						
Pass-Through From:						
Duke University						
Trans-NIH Research Support	93.310	3U2COD023375-04S1	$ 47,326	$ –	$ 47,326	$ –
Pass-Through From:						
Duke University						
National Center for Advancing Translational Sciences	93.350	3U24TR001608-05S4	1,038	–	1,038	–
Pass-Through From:						
City of Hope/Beckman Research Institute						
Cancer Cause and Prevention Research	93.393	5U01CA214254-04	40,311	–	40,311	–
Pass-Through From:						
Brigham and Women's Hospital						
Cancer Treatment Research	93.395	1U10CA180821	1,536	–	1,536	–
Vyriad, Inc.						
Cancer Treatment Research	93.395	5R44CA221461-03	6,816	–	6,816	–
Total 93.395			8,352	–	8,352	–
Pass-Through From:						
Fred Hutchinson Cancer Research Center						
Cancer Centers Support Grants	93.397	1P20CA252733-01	51,041	–	51,041	–
Pass-Through From:						
Eastern Cooperative Oncology Group						
Cancer Control	93.399	3U10CA37403	7,430	–	7,430	–
LSU Health Sciences Center						
Cancer Control	93.399	5UG1CA189854-07	296,008	–	296,008	–
LSU Health Sciences Center						
Cancer Control	93.399	5UG1CA189854-08	126,368	–	126,368	–
Total 93.399			429,806	–	429,806	–
COVID-19 – HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461		–	8,670,941	8,670,941	–
COVID-19 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		–	210,340,658	210,340,658	–

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Federal Expenditures	Total Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Health and Human Services: (continued)						
Pass-Through From:						
Brigham and Women's Hospital						
Cardiovascular Diseases Research	93.837	5U01HL130163-04	$ 227	$ –	$ 227	$ –
Duke University/Duke Clinical Research Institute						
Cardiovascular Diseases Research	93.837	5U10HL084904-12 REVISED	798	–	798	–
University of Alabama at Birmingham						
Cardiovascular Diseases Research	93.837	5U01HL120338-06	37,509	–	37,509	–
Inova Health Care Services on behalf of its Office of Research at Inova						
Cardiovascular Diseases Research	93.837	1R01HL154768-01	1,495	–	1,495	–
Columbia University Health Sciences						
Cardiovascular Diseases Research	93.837	5R01HL130500-04	53,442	–	53,442	30,784
Northwestern University						
Cardiovascular Diseases Research	93.837	5R01HL126117-04	496	–	496	–
Yale University						
Cardiovascular Diseases Research	93.837	7U01HL125511-02	12,765	–	12,765	–
Cleveland Clinic Lerner COM-CWRU						
Cardiovascular Diseases Research	93.837	5UM1HL088955-13	137,185	–	137,185	–
Duke University						
Cardiovascular Diseases Research	93.837	5U01HL134679-02	18,974	–	18,974	–
Icahn School of Medicine at Mount Sinai						
Cardiovascular Diseases Research	93.837	5U01HL088942-14	7,433	–	7,433	–
Total 93.837			270,324	–	270,324	30,784
Pass-Through From:						
Icahn School of Medicine At Mount Sinai on behalf of the Prime Recipient Research Triangle Institute						
Lung Diseases Research	93.838	1OT2HL156812-01	56,119	–	56,119	–
The University of Manitoba on behalf of The University of Pittsburgh on behalf of the Prime Recipient Research Triangle Institute						
Lung Diseases Research	93.838	1OT2HL156812-01	24,361	–	24,361	–
Covence, Inc.						
Lung Diseases Research	93.838	1OT2HL156812-01	3,521	–	3,521	–
Global Coalition for Adaptive Research						
Lung Diseases Research	93.838	1OT2HL156812-01	3,861	–	3,861	–
Vanderbilt University Medical Center						
Lung Diseases Research	93.838	1OT2HL156812-01	3,434	–	3,434	–
The Administrators of the Tulane Educational Fund d/b/a Tulane University						
Lung Diseases Research	93.838	5R01HL061007-16	10,981	–	10,981	–
Total 93.838			102,277	–	102,277	–

Ochsner Clinic Foundation and Subsidiaries

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Federal Expenditures	Total Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Health and Human Services: (continued)						
Pass-Through From:						
University of Alabama at Birmingham						
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	5U01DK115997-04	$ 12,831	$ –	$ 12,831	$ –
The University of Iowa						
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	3U01DK108334-07S1	9,004	–	9,004	–
College of Charleston						
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	1R15DK124846-01	45	–	45	–
The University of Texas - MD Anderson Cancer Center						
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	1U01DK126365-01	31,979	–	31,979	–
The University of Texas - MD Anderson Cancer Center						
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	5U01DK126365-02	46,309	–	46,309	–
The University of Texas - MD Anderson Cancer Center						
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	5U01DK108328-07	5,281	–	5,281	–
Total 93.847			105,449	–	105,449	–
Pass-Through From:						
Mayo Clinic Jacksonville						
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	2U01NS080168-08	28,285	–	28,285	–
University of Cincinnati on behalf of Columbia University Health Sciences						
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	5U01NS095869-02	10,079	–	10,079	–
National Coordinating Center University of Cincinnati on behalf of University of Cincinnati Emergency Medicine						
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	7U01NS100699-03	1,488	–	1,488	–
National Coordinating Center University of Cincinnati on behalf of The Regents of the University of Michigan						
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1U01NS099043-01A1	10,455	–	10,455	–
National Coordinating Center University of Cincinnati on behalf of Yale University						
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1U01NS106513-01A1 REVISED	8,872	–	8,872	–
National Coordinating Center University of Cincinnati on behalf of Beth Israel Deaconess Medical Center, Inc.						
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1U01NS110728-01 REVISED	797	–	797	–
National Coordinating Center University of Cincinnati on behalf of Stanford University						
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	5U01NS102289-02	7,729	–	7,729	–
Total 93.853			67,705	–	67,705	–

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Federal Expenditures	Total Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Health and Human Services: (continued)						
Pass-Through From:						
Duke University on behalf of Duke Clinical Research Institute						
Allergy and Infectious Diseases Research	93.855	2UM1AI104681-08 REVISED	$ 2,240	$ –	$ 2,240	$ –
Duke University						
Allergy and Infectious Diseases Research	93.855	5UM1AI104681-09	6,728	–	6,728	–
John Hopkins University						
Allergy and Infectious Diseases Research	93.855	5U01AI134591-05	17,036	–	17,036	–
John Hopkins University						
Allergy and Infectious Diseases Research	93.855	5U01AI138897-03	15,194	–	15,194	–
The University of North Carolina at Chapel Hill						
Allergy and Infectious Diseases Research	93.855	5R01AI143910-03	10,413	–	10,413	–
Benaroya Research Institute at Virginia Mason						
Allergy and Infectious Diseases Research	93.855	3UM1AI109565-07S1	2,859	–	2,859	–
Total 93.855			54,470	–	54,470	–
Pass-Through From:						
The Board of Supervisors of LSU and A&M College on behalf of Louisiana State University Health Science Center – New Orleans						
Biomedical Research and Research Training	93.859	5U54GM104940-04	19	–	19	–
Pass-Through From:						
The University of North Carolina At Chapel Hill						
Child Health and Human Development Extramural Research	93.865	5R01HD086139-05	9,417	–	9,417	–
Trustees of Indiana University						
Child Health and Human Development Extramural Research	93.865	7R01HD086007-04	134	–	134	–
The Board of Trustees of the University of Alabama for the University of Alabama at Birmingham on behalf of George Washington University						
Child Health and Human Development Extramural Research	93.865	5U10HD036801-22	84,600	–	84,600	–
The University of Alabama for the University of Alabama at Birmingham						
Child Health and Human Development Extramural Research	93.865	1R01HD102962-01	13,216	–	13,216	–
The University of Alabama for the University of Alabama at Birmingham						
Child Health and Human Development Extramural Research	93.865	1R01HD098132-01A1	9,718	–	9,718	–
Total 93.865			117,085	–	117,085	–
Pass-Through From:						
Duke University						
Aging Research	93.866	1U19AG065188-01	26,990	–	26,990	–
Pass-Through From:						
Louisiana Hospital Association's Research and Education Foundation (LHAREF)						
COVID-19 – National Bioterrorism Hospital Preparedness Program	93.889	Unknown	–	205,195	205,195	–

Ochsner Clinic Foundation and Subsidiaries

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Research and Development Cluster	Other Federal Expenditures	Total Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Health and Human Services: (continued)						
Pass-Through From:						
The Administrators of the Tulane Educational Fund d/b/a Tulane University						
Assistance Programs for Chronic Disease Prevention and Control	93.945	5U18DP006523-02-00	$ 25,647	$ –	$ 25,647	$ –
Pass-Through From:						
The Board of Supervisors of Louisiana State University & A&M College						
PPHF Geriatric Education Centers	93.969	5 U1QHP33071-03-00	424,882	–	424,882	–
Total U.S. Department of Health and Human Services			**2,158,312**	**219,216,794**	**221,375,106**	**91,665**
U.S. Department of Homeland Security						
Pass-Through From:						
State of Louisiana Governor's Office of Homeland Security and Emergency Preparedness						
COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	Unknown	–	78,813,208	78,813,208	–
Total U.S. Department of Homeland Security			**–**	**78,813,208**	**78,813,208**	**–**
Total Expenditures of Federal Awards			**$ 2,273,718**	**$ 298,399,189**	**$ 300,672,907**	**$ 91,665**

See accompanying notes to schedule of expenditures of federal awards.

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 Clinic Foundation 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 Clinic Foundation 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 Clinic Foundation 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 December 31, 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 (TIN)	Type of Distribution	Total Nursing Home Infection Control and Other Provider Relief Fund Expenses Reported	Total Lost Revenues Reported	Total
Ochsner Medical Center	720502505	General and Targeted	$ 15,142,259	$ 125,412,478	$ 140,554,737
Ochsner Medical Center – Kenner, LLC	205432782	General and Targeted	–	36,658,231	36,658,231
Ochsner Medical Center – Northshore, LLC	271770321	General	2,178,377	8,470,969	10,649,346
Ochsner Medical Center – Baton Rouge	201729674	General	–	25,605,455	25,605,455
Ochsner Medical Center – Hancock, LLC	822869576	General and Targeted	–	6,654,030	6,654,030
Ochsner Clinic, LLC	720276883	General	–	46,226,198	46,226,198
Ochsner Morgan City, LLC	842237042	Targeted	–	12,447,839	12,447,839
Ochsner Bayou, LLC	204670876	Targeted	2,682,901	3,804,029	6,486,930
Ochsner Mississippi, LLC	753009725	General	–	786,685	786,685
Total PRF expenditures			$ 20,003,537	$ 266,065,914	$ 286,069,451

Name of Reporting Entity for HRSA Reporting Period 2 PRF Report	Reporting Entity TIN	Type of Distribution	Total Nursing Home Infection Control and Other Provider Relief Fund Expenses Reported	Total Lost Revenues Reported	Total
Ochsner Medical Center	720502505	Infection Control and General	$ 6,450,976	$ 133,512,781	$ 139,963,757
Ochsner Medical Center – Kenner, LLC	205432782	Targeted	–	43,007,056	43,007,056
Ochsner Medical Center – Northshore, LLC	271770321	Targeted	2,652,546	8,470,969	11,123,515
Ochsner Medical Center – Baton Rouge	201729674	Targeted	–	25,963,056	25,963,056
Ochsner Bayou, LLC	204670876	Targeted	2,023,318	4,280,711	6,304,029
Total PRF expenditures			$ 11,126,840	$ 215,234,573	$ 226,361,413

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 $171,511,064 of PRF Funds received from HHS between April 10, 2020 through June 30, 2020 and $38,829,594 of PRF Funds received from HHS between July 1, 2020 and December 31, 2020 for a total of $210,340,658. In accordance with guidance from HHS, these amounts are presented as Period 1 and Period 2, respectively. Such amounts were recognized as other operating revenues in Ochsner Clinic Foundation and Subsidiaries' consolidated financial statements as shown in the SEFA in the year ended December 31, 2020.

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

In fiscal year 2021, Ochsner Clinic Foundation and Subsidiaries received approval from the State of Louisiana Governor's Office of Homeland Security and Emergency Preparedness for 5 project worksheets related to the reimbursement of eligible expenditures of $58,864,152 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 Clinic Foundation and Subsidiaries

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 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?	X **Yes**	______ **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)?	X **Yes**	______ **No**

Identification of major federal programs:

Assistance Listing Numbers	**Name of Federal Program or Cluster**
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

Dollar threshold used to distinguish between Type A and Type B programs: $3,000,000

Auditee qualified as low-risk auditee? X **Yes** ____ **No**

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

Finding 2021-001

Internal control deficiency and noncompliance over the calculation of lost revenues attributable to Coronavirus.

Identification of the federal program:

Assistance Listing Number 93.498:

- COVID-19 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution
- U.S. Department of Health and Human Services
- Federal award identification number – Not Applicable
- Federal award year:
    - Period 1 – January 1, 2020 to June 30, 2021
    - Period 2 – January 1, 2020 to December 31, 2021

Criteria or specific requirement (including statutory, regulatory or other citation):

Title 2, Subtitle A Chapter II Part 200 Subpart D 200.303 Internal controls. The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The terms and conditions of the award requires the recipient to submit reports as the secretary of HHS determines are needed to ensure compliance with conditions that are imposed on the payment, and such reports shall be in such form, with such content, as specified by the secretary of HHS in future program instructions directed to all recipients.

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2021-001 (continued)

Condition:

Ochsner Clinic Foundation and Subsidiaries incorrectly reported lost revenues attributable to Coronavirus in the HRSA PRF Reporting Portal (the "Portal") due to errors made in the calculation of lost revenues by an overstatement of lost revenues of $6,927,991.

Cause:

Management did not have effective internal controls in place to ensure the reported lost revenues attributable to Coronavirus reported in the Portal were free from error.

Effect or potential effect:

The calculation of lost revenues attributable to Coronavirus was reported incorrectly in the Portal.

Questioned costs:

None.

Context:

During our testing over reporting, we obtained a listing of 14 PRF reports submitted to the Portal and selected a sample of 10. We observed the calculation of lost revenues attributable to Coronavirus included errors in 8 PRF reports which impacted the calculated lost revenue in the amount of $6,927,991. Total lost revenues submitted in the Portal were $281,349,325 for Period 1 and Period 2. Management's control regarding the review of the PRF report and the supporting calculation did not identify these errors when submitting the Period 1 and Period 2 submissions into the Portal. The errors had no impact on meeting the requirements to retain the funding received.

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2021-001 (continued)

Identification as a repeat finding, if applicable:

No.

Recommendation:

We recommend that management develop and implement effective internal controls to ensure accurate reporting in the Portal. This will ensure the calculation of lost revenues attributable to Coronavirus is reported correctly.

Views of responsible officials:

This administrative error overstated lost revenues and did not result in a refund of funds to HRSA. In future reporting periods, management will add an additional layer of review of detail calculations before submission through the portal. Management will correct the lost revenues attributable to Coronavirus in the next Portal submission.

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