

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

Financial Statements

December 31, 2024 and 2023



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

Management's Discussion and Analysis

This section of St. Tammany Parish Hospital Service District No. 2's (Slidell Memorial Hospital, or SMH, or the Hospital) annual financial report presents background information and management's analysis of the Hospital's financial performance during the fiscal year that ended on December 31, 2024. This should be read in conjunction with the financial statements in this report.

Executive Summary

In 2024, Slidell Memorial Hospital continued to make strategic investments in physician alignment, service growth, and quality improvement to position the facility for the future. Management and the Board of Commissioners are committed to a strategy of improving quality and cost through reducing variation in medical practice patterns and increasing access to primary care in the marketplace. Fiscal year 2024 proved to be a year of growth showing a significant increase in the volume of healthcare services provided to the community. With a positive 6.5% EBIDA in 2024, these strategies are in keeping with the Mission: We serve, heal, lead, educate, and innovate.

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

Effective July 1, 2023, the JOA was amended for a period continuing until December 31, 2038, automatically renewing for subsequent 5 year terms. The amendment also changed the financial relationship between the parties to be addressed by the Strategic Partnership Agreement.

Effective July 1, 2023, the Organization entered into a Strategic Partnership Agreement with Ochsner Clinic Foundation for Ochsner to provide administrative services to support the Organization with operations and the delivery of health care services. Additionally, Ochsner Medical Center - Northshore was leased to Slidell Memorial and is now operated as a satellite hospital of Slidell Memorial called Slidell Memorial Hospital East, together as the Hospital. All data concerning the operations and performance of the Hospital includes data from Slidell Memorial Main and East, effective July 1, 2023. Ochsner is reimbursed for certain costs that it incurs in providing services to the Organization and also receives administrative service fees.

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Management's Discussion and Analysis

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

Slidell Memorial Hospital is no different than most other community hospitals in the United States in struggling with the transformation of the healthcare delivery system from fee-for-service to fee-for-value. Without significant capital on the balance sheet, it is precarious to under-shoot or over-shoot the unknown glide-path of change. Moving too fast will erode revenues while increasing expenses associated with infrastructure to manage for value. Moving too slow will expose the organization on the backside of the conversion to risk of massive market share loss to early adopters of the transition to managing population utilization and cost. The revised JOA and new Strategic Partnership Agreement with OHS further enhances the ability to align incentives and our commitment to improving quality, improving access, lowering costs, and growing local services.

Financial Highlights

Net patient service revenue increased by 17% from the prior year. Acute admissions and adjusted patient days were up 28% and 24%, respectively, from prior year. Compared to prior year, emergency room visits were up 25%, surgeries were up 18%, outpatient imaging visits were up 16%, infusion therapy visits were down 9%, and radiation center visits were down 6%. Payor mix stayed relatively the same as prior year.

In 2024, operating expenses before depreciation and amortization increased 14% from the prior year. This increase is primarily due to increased Inter-government Transfer payments and administrative service fees to Ochsner.

The Hospital's total net position increased by \$17.7 million in 2024. The assets of the Hospital exceeded liabilities at the close of the 2024 fiscal year by \$171.1 million. Of this amount, \$92.3 million (unrestricted net position) may be used to meet ongoing obligations to the Hospital's patients and creditors, and \$69.3 million is net investment in capital assets.

Overview of the Financial Statements

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

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

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Management's Discussion and Analysis

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

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

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

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

Financial Analysis of the Hospital

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

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Management's Discussion and Analysis

Net Position

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

	Fiscal Year 2024	Fiscal Year 2023, Restated	Fiscal Year 2022
	(In Thousands)		
Current and Other Assets	\$ 155,180	\$ 186,867	\$ 155,474
Capital and ROU Assets, Net	201,610	193,377	95,063
Deferred Outflows of Resources	372	424	514
Total Assets and Deferred Outflows of Resources	\$ 357,162	\$ 380,668	\$ 251,051
Long-Term Debt Outstanding	\$ 45,172	\$ 50,547	\$ 56,727
Other Liabilities	135,046	172,823	51,203
Deferred Inflows of Resources	5,872	3,967	1,906
Total Liabilities and Deferred Inflows of Resources	\$ 186,090	\$ 227,337	\$ 109,836
Net Investment in Capital Assets	\$ 69,339	\$ 64,148	\$ 58,932
Restricted	9,045	8,743	8,678
Unrestricted	92,688	80,440	73,605
Total Net Position	\$ 171,072	\$ 153,331	\$ 141,215

December 31, 2024

Current and other assets decreased \$31.7 million due to current year increase in expense payments and pay down of liabilities. Capital and right-of-use assets increased \$8.2 million in 2024 reflecting the expansion of the Hospital's infrastructure.

December 31, 2023

Current and other assets increased \$31.4 million due to increased patient accounts receivables. Capital and right-of-use assets increased \$86.7 million in 2023 reflecting the effect of new lease agreements.

December 31, 2022

Long-term debt decreased \$6.9 million in 2022 reflecting the effect of scheduled payments.

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Management's Discussion and Analysis

Summary of Revenues, Expenses, and Changes in Net Position

The following table presents a summary of the Hospital's historical revenues and expenses for each of the fiscal years ended December 31, 2024, 2023, and 2022:

	Fiscal Year 2024	Fiscal Year 2023, Restated	Fiscal Year 2022
	(In Thousands)		
Net Patient Service Revenue	\$ 365,246	\$ 311,533	\$ 236,988
Other Operating Revenue	33,326	30,975	16,695
Total Operating Revenues	398,572	342,508	253,683
Operating Expenses before Depreciation and Amortization	372,637	326,136	243,626
Earnings before Interest, Depreciation, and Amortization (EBIDA) and Non-Operating Revenues (Expenses)	25,935	16,372	10,057
Depreciation and Amortization Expense	16,517	13,705	10,724
Operating Net Income (Loss)	9,418	2,667	(667)
Non-Operating Revenues (Expenses)			
Interest Income	6,711	5,810	1,840
Interest Expense	(6,026)	(3,676)	(1,728)
Bond Issuance Costs	-	-	(12)
Property Tax Revenue	5,617	6,238	4,961
Other Expenses, Net	2,021	1,077	180
Change in Net Position	17,741	12,116	4,574
Total Net Position - Beginning of Year	153,331	141,215	136,641
Total Net Position - End of Year	\$ 171,072	\$ 153,331	\$ 141,215

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

The following table represents the relative percentage of gross charges billed for patient services by payer for the fiscal years ended December 31, 2024, 2023, and 2022:

	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022
Medicare and Medicare HMO	57%	57%	56%
Medicaid	13%	14%	15%
Managed Care and Commercial Insurance	28%	28%	27%
Uninsured Patients	2%	1%	2%
Total Gross Charges	100%	100%	100%

Operating and Financial Performance

The following summarizes the Hospital's statements of revenues, expenses, and changes in net position between 2024, 2023, and 2022:

- During 2024, the Hospital had 13,147 acute inpatient admissions. This is an increase of 27.6% from fiscal year 2023. In 2023, the Hospital had 10,304 acute inpatient admissions. This is an increase of 18.5% from fiscal year 2022.
- Emergency Room visits were 62,683 and 50,043 in 2024 and 2023, respectively, representing an increase of 25.3% in 2024 over 2023 and an increase of 24.5% in 2023 over 2022.
- Cardiac catheterization patient volume decreased 46.3% from fiscal year 2023. There was an increase of 9% from fiscal year 2022.
- During 2024, net patient service revenue increased \$53.7 million, or 17%, from 2023. During 2023, net patient service revenue increased \$74.5 million, or 31%, from 2022. This increase is a result of increased volume.
- During 2024, salaries, wages, and benefits decreased 17% from prior year due to decreased workforce resulting from the partnership with Ochsner. In 2023, salaries, wages, and benefits decreased 9% from prior year due to decreased premium pay and contract agency usage
- During 2024, supplies and materials increased approximately 40% compared to 2023, primarily due to inpatient and outpatient volume increases. In 2023, supplies and materials increased 31%, primarily due to inpatient and outpatient volume increases.
- In 2024, purchased services decreased 68% from the prior year, due to decreased purchased services from Ochsner. In 2023, purchased services increased 27% from the prior year, due to increased emergency department professional fees and increased purchased services from Ochsner.
- In 2024, other direct expenses increased 43% from prior year, as a result of increased administrative service fees to Ochsner. In 2023, other direct expenses increased 131% from prior year, as a result of increased Inter-government Transfer payments.

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Management's Discussion and Analysis

Performance Against Budget - Current Year

	FY 2024 Budget	FY 2024 Actual	Favorable (Unfavorable) Variance
(In Thousands)			
Revenues			
Net Patient Service Revenue	\$ 344,047	\$ 365,246	\$ 21,199
Other Operating Revenue	14,187	33,326	19,139
Total Revenues	358,234	398,572	40,338
Operating Expenses			
Salaries, Wages, and Benefits	72,367	87,671	(15,304)
Supplies and Other	242,308	277,109	(34,801)
Professional and Contractual Services	18,817	7,857	10,960
Total Operating Expenses before Depreciation and Amortization	333,492	372,637	(39,145)
EBIDA	24,742	25,935	1,193
Interest Income	4,948	6,711	1,763
Interest Expense	(5,006)	(6,026)	(1,020)
Depreciation and Amortization	(16,355)	(16,517)	(162)
Property Tax Revenue	5,600	5,617	17
Other Expenses, Net	(241)	2,021	2,262
Excess of Revenues Over Expenses	13,688	17,741	4,053
Increase in Net Position	\$ 13,688	\$ 17,741	\$ 4,053

- Net patient service revenue was over budgeted revenue for 2024 by 6%, as a result of increases in outpatient volume.
- Operating expenses were over budget for 2024 by 12%, as a result of increased administrative service fees to Ochsner and increased inpatient and outpatient volume.

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

Performance Against Budget - Prior Year, as previously reported

	FY 2023 Budget	FY 2023 Actual	Favorable (Unfavorable) Variance
(In Thousands)			
Revenues			
Net Patient Service Revenue	\$ 249,741	\$ 311,533	\$ 61,792
Other Operating Revenue	13,015	30,975	17,960
Total Revenues	262,756	342,508	79,752
Operating Expenses			
Salaries, Wages, and Benefits	115,897	105,407	10,490
Supplies and Other	119,452	195,090	(75,638)
Professional and Contractual Services	20,962	25,639	(4,677)
Total Operating Expenses before Depreciation/Amortization and Non-Operating Revenues (Expenses)	256,311	326,136	(69,825)
EBIDA	6,445	16,372	9,927
Interest Income	2,502	5,810	3,308
Interest Expense	(1,593)	(3,422)	(1,829)
Depreciation and Amortization	(11,294)	(13,304)	(2,010)
Property Tax Revenue	5,400	6,237	837
Other Expenses, Net	570	1,077	507
Excess of Revenues Over Expenses	2,030	12,770	10,740
Increase in Net Position	\$ 2,030	\$ 12,770	\$ 10,740

- Net patient service revenue was over budget for 2023 by 25%, as a result of increases in outpatient volume.
- Operating expenses were over budget for 2023 by 27%, as a result of increased Inter-government Transfer payments and increased inpatient and outpatient volume.

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Management's Discussion and Analysis

Capital Assets - Current Year

	Fiscal Year 2024	Fiscal Year 2023	Dollar Change	Percent Change
(In Thousands)				
Land and Land Improvements	\$ 9,326	\$ 9,289	\$ 37	0%
Building and Leasehold Improvements	183,937	144,189	39,748	28%
Equipment	111,364	99,642	11,722	12%
Construction in Progress	1,400	27,554	(26,154)	-95%
Software	98	-	98	100%
Subtotal	306,125	280,674	25,451	9%
Less: Accumulated Depreciation	(182,709)	(172,512)	(10,197)	6%
Net Capital Assets	\$ 123,416	\$ 108,162	\$ 15,254	14%

Capital Assets - Prior Year

	Fiscal Year 2023	Fiscal Year 2022	Dollar Change	Percent Change
(In Thousands)				
Land and Land Improvements	\$ 9,289	\$ 9,127	\$ 162	2%
Building and Leasehold Improvements	144,189	141,645	2,544	2%
Equipment	99,642	99,266	376	0%
Construction in Progress	27,554	5,913	21,641	366%
Subtotal	280,674	255,951	24,723	10%
Less: Accumulated Depreciation	(172,512)	(162,352)	(10,160)	6%
Net Capital Assets	\$ 108,162	\$ 93,599	\$ 14,563	16%

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

Management's Discussion and Analysis

Economic Factors and Next Year's Budget

The Hospital's Board and Management considered many factors when setting the fiscal year 2024 budget. Management will continue to recruit physicians in the primary care and specialty areas in order to provide care to the community. In addition, the broad economy is significantly important in setting the 2024 budget, which takes into account market forces and environmental factors such as:

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

Contacting the Hospital's Financial Manager

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

Independent Auditor's Report

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

Report on the Audits of the Financial Statements

Opinions

We have audited the accompanying financial statements of the St. Tammany Parish Hospital Service District No. 2 d/b/a Slidell Memorial Hospital (the Organization) as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the St. Tammany Parish Hospital Service District No. 2 d/b/a Slidell Memorial Hospital, as of December 31, 2024 and 2023, and the respective changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the Organization restated its previously issued financial statements to correct an error in the recording of a lease agreement. As a result, certain account balances have been restated. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Organization's basic financial statements. The schedule of compensation paid to board of commissioners is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation paid to board of commissioners is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2025 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
June 21, 2025

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL
Statements of Net Position
December 31, 2024 and 2023

	2024	2023 (Restated)
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and Cash Equivalents	\$ 80,985,884	\$ 91,562,910
Patient Accounts Receivable, Net of Allowances for Uncollectible Accounts of \$10,191,030 and \$11,724,191 in 2024 and 2023, respectively	33,868,559	30,636,131
Assets Whose Use is Limited, Required for Current Liabilities	4,484,125	5,400,626
Inventories	3,422,584	7,144,238
Prepaid Expenses and Other Receivables	11,496,966	16,437,955
Total Current Assets	134,258,118	151,181,860
Assets Whose Use is Limited or Restricted		
Under Agreements for Capital Improvements and Debt Service	3,860,625	15,258,851
By Board for Master Facility Project	10,984,361	16,482,800
By State Department of Workers' Compensation	700,000	700,000
By Board Direction	221,723	165,932
Total Assets Whose Use is Limited or Restricted	15,766,709	32,607,583
Capital Assets		
Land and Improvements	9,325,803	9,288,533
Buildings and Improvements	183,936,661	144,189,535
Equipment	111,363,563	99,641,525
Software	98,295	-
Construction in Progress	1,399,685	27,554,065
Less: Accumulated Depreciation	(182,707,532)	(172,511,591)
Capital Assets, Net	123,416,475	108,162,067
Right-of-Use Assets	78,193,144	85,215,042
Long-Term Lease Receivable	3,750,490	2,154,058
Other Assets, Net	1,404,862	923,843
Total Assets	356,789,798	380,244,453
Deferred Outflows of Resources	371,962	423,757
Total Assets and Deferred Outflows of Resources	\$ 357,161,760	\$ 380,668,210

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL
Statements of Net Position (Continued)
December 31, 2024 and 2023

	2024	2023 (Restated)
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Trade Accounts Payable	\$ 2,979,215	\$ 3,043,779
Accrued Employee Compensation	5,758,371	4,665,690
Accrued Vacation	2,452,576	2,355,702
Accrued Interest and Other Expenses	36,384,859	71,035,239
Current Portion of Lease Obligation	3,566,990	4,347,994
Amounts Due Within One Year on Bonds Payable	3,085,000	4,065,000
Amounts Due Within One Year on Hospital Indebtedness	1,857,000	1,660,000
Total Current Liabilities	56,084,011	91,173,404
Hospital Indebtedness, Less Amounts Due Within One Year	4,983,000	6,840,000
Lease Obligation, Less Amounts Due Within One Year	78,961,807	81,649,468
Bonds Payable, Less Amounts Due Within One Year	40,189,110	43,706,789
Total Liabilities	180,217,928	223,369,661
Deferred Inflows of Resources	5,872,160	3,967,353
Net Position		
Net Investment in Capital Assets	69,338,674	64,147,941
Restricted for:		
Debt Service	8,344,750	8,043,151
Workers' Compensation	700,000	700,000
Unrestricted	92,688,248	80,440,104
Total Net Position	171,071,672	153,331,196
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 357,161,760	\$ 380,668,210

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2024 and 2023

	2024	2023 (Restated)
Revenues		
Net Patient Service Revenue, Net of Provision for Bad Debts of \$16,005,026 and \$14,805,564 in 2024 and 2023, respectively	\$ 365,245,861	\$ 311,533,237
Other Revenue	33,326,211	30,975,155
Total Revenues	398,572,072	342,508,392
Operating Expenses		
Salaries and Wages	76,505,833	93,168,065
Employee Benefits	11,165,577	12,239,261
Supplies and Materials	94,108,366	67,539,272
Other Direct Expenses	183,000,357	127,550,409
Professional Fees	133,042	3,027,309
Purchased Services	7,723,642	22,611,564
Depreciation and Amortization	16,516,837	13,704,855
Total Operating Expenses	389,153,654	339,840,735
Income from Operations	9,418,418	2,667,657
Non-Operating Revenues (Expenses)		
Interest Income	6,711,292	5,810,059
Interest Expense	(6,025,552)	(3,675,932)
Property Tax Revenue	5,616,406	6,237,643
Other Expenses, Net	2,019,912	1,077,168
Total Non-Operating Revenues, Net	8,322,058	9,448,938
Change in Net Position	17,740,476	12,116,595
Net Position, Beginning of Year	153,331,196	141,214,601
Net Position, End of Year	\$ 171,071,672	\$ 153,331,196

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL
Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	2024	2023 (Restated)
Cash Flows from Operating Activities		
Cash Received from Patient Services	\$ 394,712,075	\$ 309,382,212
Cash Paid to or on Behalf of Employees	(114,899,568)	(61,021,689)
Cash Paid for Supplies and Services	(285,222,827)	(228,830,332)
Cash Received from Federal and State Programs	3,788,268	6,624,790
Net Cash (Used In) Provided by Operating Activities	(1,622,052)	26,154,981
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(25,461,705)	(24,853,961)
Principal Payments on Long-Term Debt	(5,725,000)	(6,475,000)
Lease Liability	(2,637,497)	(2,983,096)
Dedicated Property Tax Revenue Received	5,317,906	5,877,642
Federal Grant Proceeds	1,538,893	167,289
Interest Payments	(6,406,436)	(3,786,825)
Net Cash Used in Capital and Related Financing Activities	(33,373,839)	(32,053,951)
Cash Flows from Investing Activities		
Investment in Joint Venture	-	918,893
Interest Earned on Investments	6,362,990	6,086,262
Net Cash Provided by Investing Activities	6,362,990	7,005,155
Change in Cash and Cash Equivalents	(28,632,901)	1,106,185
Cash and Cash Equivalents, Beginning of Year	122,641,122	121,534,937
Cash and Cash Equivalents, End of Year	\$ 94,008,221	\$ 122,641,122
Reconciliation to Statement of Net Position		
Cash and Cash Equivalents	\$ 80,985,884	\$ 91,562,910
Cash and Cash Equivalents Included in Assets Whose Use is Limited, Required for Current Liabilities	1,816,253	1,813,154
Cash and Cash Equivalents Included in Assets Whose Use is Limited or Restricted	11,206,084	29,265,058
Total Cash and Cash Equivalents	\$ 94,008,221	\$ 122,641,122

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2024 and 2023

	2024	2023 (Restated)
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by Operating Activities		
Operating Income	\$ 9,418,418	\$ 3,067,856
Adjustments to Reconcile Operating Income (Loss) to Net Cash (used in) Provided by Operating Activities		
Depreciation and Amortization	16,516,837	13,304,656
(Gain) Loss on Disposal of Capital Assets	(118,810)	88,730
Provisions for Bad Debts	16,005,026	14,805,564
Changes in Operating Assets and Liabilities		
Patient Accounts Receivable	(19,237,454)	(31,204,775)
Inventories and Other Operating Assets	8,971,018	(11,476,327)
Accounts Payable and Accrued Expenses	(33,177,087)	37,569,277
Net Cash (Used In) Provided by Operating Activities	\$ (1,622,052)	\$ 26,154,981

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

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

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

Organization and Nature of Operations

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

Reporting Entity

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

Basis of Accounting

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

Use of Estimates

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

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

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

Notes to Financial Statements

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

Cash and Cash Equivalents

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

Inventories

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

Capital Assets

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

Assets Whose Use is Limited or Restricted

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

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, consisting of property and equipment and cost in excess of net assets acquired, for impairment and determines whether an event or change in facts and circumstances indicates that their carrying amount may not be recoverable. The Organization determines recoverability of the assets by comparing the carrying value of the asset to net future undiscounted cash flows that the asset is expected to generate. The impairment recognized is the amount by which the carrying amount exceeds the fair market value of the asset. There were no asset impairments recorded during 2024 and 2023.

Right-of-Use Assets

Right-of-use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-of-use lease assets are amortized on a straight-line basis over the life of the related lease.

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

Notes to Financial Statements

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

Deferred Inflows of Resources

The deferred inflows of resources associated with leases is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow is recognized in a systematic and rational manner over the term of the lease.

Joint Venture Agreement

During August of 2018, the Organization entered into a joint venture agreement with St. Tammany Parish Hospital, Ochsner Clinic Foundation, and Hospital Holdings Corporation to join a newly established entity, NSR Louisiana, LLC, that will provide inpatient rehabilitation services at a facility located in Lacombe, Louisiana. Under the terms of the agreement, the Organization will have a 30% ownership interest in NSR Louisiana, LLC. The Organization's ownership interest of \$1,404,862 and \$923,843 as of December 31, 2024 and 2023, respectively, is included in other assets, net on the statements of net position.

During July of 2019, the Organization entered into a joint venture agreement with St. Tammany Parish Hospital, Ochsner Clinic Foundation, and Louisiana Health Care Group, LLC to establish a new entity, Northshore Extended Care Hospital, LLC, to provide skilled nursing services at a facility in Lacombe, Louisiana. The Organization held a 16% ownership interest. The Organization's ownership interest was \$-0- as of December 31, 2023. During the year ended December 31, 2024, Northshore Extended Care Hospital, LLC, ceased operations.

Net Patient Service Revenue and Related Receivables

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

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

Notes to Financial Statements

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

Medicare and Medicaid Reimbursement Programs

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

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

Medicare outpatient services (excluding clinical lab and outpatient therapy) are reimbursed by the Outpatient Prospective Payment System (OPPS), which establishes a number of Ambulatory Payment Classifications (APC) for outpatient procedures in which the Hospital is paid a predetermined amount per procedure. Medicaid outpatient services (excluding ambulatory surgery, therapy, and clinical lab) were reimbursed at 85.84% of the lower of cost or charges as of December 31, 2024 and 2023. Medicare and Medicaid outpatient clinical lab and Medicaid ambulatory surgery and outpatient therapy services are reimbursed based upon the respective fee schedules.

Effective January 1, 2019, the Organization entered into an agreement with the Quality and Outcome Improvement Network (QOIN) to facilitate payments to these entities under the State of Louisiana's Medicaid Managed Care Quality Incentive Program (Program). The Louisiana Department of Health (LDH) amended its agreements with its contracted Managed Care Organizations (MCOs) to include quality-based performance measures and quality-based outcomes. With the expected achievement of the defined quality measures, LDH will fund the MCOs, who in turn will fund the network that the hospitals contract with for this Managed Care Incentive Payment (MCIP). For each measurement year, LDH will evaluate the performance relative to the specific quality measures. In the event LDH finds a deficiency in the accomplishment of those performance measures, there is the potential for recoupment of the MCIPs. Under the terms of the agreement with the QOIN, the Organization recognized approximately \$8.6 million and \$6.2 million of estimated incentive payments for the years ended December 31, 2024 and 2023, respectively, which is included within other revenue.

Retroactive cost settlements, based upon annual cost reports, are estimated for those programs subject to retroactive settlement and recorded in the financial statements. Final determination of retroactive cost settlements to be received under the Medicare and Medicaid regulations is subject to review by program representatives.

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

Notes to Financial Statements

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

Medicare and Medicaid Reimbursement Programs (Continued)

The difference between a final settlement and an estimated settlement in any year is reported as an adjustment of net patient service revenue in the year the final settlement is made. Adjustments to estimated settlements resulted in an increase to net patient service revenue of approximately \$812,000 and \$145,000 in 2024 and 2023, respectively. See Note 3 for further information.

Grants and Contributions

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

Restricted Resources

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

Net Position

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

Net Investment in Capital Assets

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

Restricted

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

Unrestricted

All other net position is reported in this category.

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

Notes to Financial Statements

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

Employee Health and Workers' Compensation Insurance

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

Statements of Revenues, Expenses, and Changes in Net Position

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

Property Tax Revenues

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

Compensated Absences

The Organization's employees earn paid time off at varying rates depending on years of service. The estimated amount of paid time off as termination payments is reported as a component of the current liability for salaries, wages, and benefits payable in both 2024 and 2023.

Recently Issued Accounting Principles - Adopted

The Organization adopted the provisions of GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. The primary objective of the Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections. The adoption of the pronouncement did not have a material effect on the Organization's financial statements.

The Organization adopted the provisions of GASB Statement No. 101, *Compensated Absences*. The Statement updates the recognition and measurement guidance for compensated absences. The adoption of the pronouncement did not have a material effect on the Organization's financial statements.

Recently Issued Accounting Principles - Not Yet Adopted

The GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires new disclosure requirements about concentrations and constraints to state and local governmental entities that could affect their programs and services or a government's ability to meet its obligations. The Statement is effective for fiscal years beginning after June 15, 2024.

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

Notes to Financial Statements

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

Recently Issued Accounting Principles - Not Yet Adopted (Continued)

The GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of the Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The Statement is effective for fiscal years beginning after June 15, 2025.

The GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of the Statement is to provide users of government financial statements with essential information about certain types of capital assets. The Statement is effective for fiscal years beginning after June 15, 2025.

Management is currently determining the expected impact of implementation of the above standards on the financial statements and notes to the financial statements.

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

Custodial Credit Risk - Deposits: Statutes authorize the Organization to invest in direct obligations of the U.S. Government, certificates of deposit of state banks and national banks having their principal office in the State of Louisiana, and any other federally insured investments, guaranteed investment contracts issued by a financial institution having one of the two highest rating categories published by Standard & Poor's or Moody's, and mutual or trust fund institutions registered with the Securities and Exchange Commission (provided the underlying investments of these funds meet certain restrictions). The Organization's cash, cash equivalents, and certificates of deposit included in cash and cash equivalents and assets whose use is limited on its statements of net position, as of December 31, 2024 and 2023, were entirely covered by federal depository insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the Organization's name.

Concentration of Credit Risk: As required under GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an Amendment of GASB Statement No. 3, concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. GASB 40 further defines an at-risk investment to be one that represents more than five percent (5%) of the fair value of the total investment portfolio and requires disclosure of such at-risk investments. GASB 40 specifically excludes investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments from the disclosure requirement. At December 31, 2024 and 2023, the Organization had no investments requiring concentration of credit risk disclosure.

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

Notes to Financial Statements

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

Assets Whose Use is Limited or Restricted: The terms of the Organization's bond issues require certain funds to be maintained on deposit with the trustee. The funds on deposit with the trustee, funds designated by the Board for capital improvements, and donated funds restricted by donor stipulations, as of December 31, 2024 and 2023, were as follows:

	2024	2023
Current Assets		
Dedicated Property Tax Revenue, Under Bond Indenture	\$ 4,484,125	\$ 5,400,626
Total	\$ 4,484,125	\$ 5,400,626
Non-Current Assets		
Dedicated Property Tax Revenue and Amounts Under Bond Indenture	\$ 3,860,625	\$ 15,258,851
By Board for Master Facility Project	10,984,361	16,482,800
By State Department of Workers' Compensation	700,000	700,000
By Board Direction	221,723	165,932
Total	\$ 15,766,709	\$ 32,607,583

Note 3. Third-Party Payor Arrangements

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. During the years ended December 31, 2024 and 2023, approximately 70% of the Hospital's gross patient service charges were derived from services provided to Medicare and Medicaid program beneficiaries. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

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

Notes to Financial Statements

Note 3. Third-Party Payor Arrangements (Continued)

Revenue derived from the Medicare program is subject to audit and adjustment by the fiscal intermediary and must be accepted by the United States Department of Health and Human Services before settlement amounts become final. Revenue derived from the Medicaid program is subject to audit and adjustment and must be accepted by the State of Louisiana, Department of Health before the settlement amount becomes final. The fiscal intermediary has completed its review of estimated Medicare settlements for fiscal years ended through December 31, 2020. The fiscal intermediary has completed its review of estimated Medicaid settlements for fiscal years ended through December 31, 2019. Annually, management evaluates the recorded estimated settlements and adjusts these balances based upon the results of the intermediary's audit of filed cost reports and additional information becoming available. Although the fiscal intermediary has not completed its audits (or reopened the review) of the estimated settlements for the years ended December 31, 2021 through December 31, 2023 for Medicare and for the years ended December 31, 2020 through December 31, 2023 for Medicaid, the Hospital does not anticipate significant adverse adjustments to the recorded settlements for those years.

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

Estimated settlements due from third-party payors are \$1,878,749 and \$934,954 for the years ended December 31, 2024 and 2023, respectively, and are included in accrued interest and other expenses on the statements of net position.

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

Notes to Financial Statements

Note 4. Net Patient Service Revenue

Net patient service revenue for the years ended December 31, 2024 and 2023 was as follows:

	2024	2023
Gross Patient Service Revenue		
Medicare	\$ 458,604,478	\$ 398,374,202
Medicaid	286,062,675	255,002,444
Medicare HMO	801,729,088	651,619,280
Managed Care/Commercial	626,119,288	524,862,377
Self Pay/Uninsured	44,006,949	26,978,618
Total	2,216,522,478	1,856,836,921
Contractual Adjustments	(1,825,795,009)	(1,502,352,387)
Admin Allowance	(6,738,418)	-
Charity Care	(2,738,164)	(28,145,733)
Provisions for Bad Debts	(16,005,026)	(14,805,564)
Total	\$ 365,245,861	\$ 311,533,237

Note 5. Community Benefits

Charity Care

As a community health care provider, the Hospital's stated mission is "We serve, heal, lead, educate, and innovate." As such, total revenue includes that revenue generated from direct patient care, rentals from various medical office buildings, and sundry revenue related to the operation of the Hospital and its member organizations.

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care provided during the years ended December 31, 2024 and 2023 measured at established rates totaled \$44,759,470 and \$28,145,733, respectively.

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

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

Notes to Financial Statements

Note 5. Community Benefits (Continued)

Community Outreach - Unaudited

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

During 2024, the SMH Community Outreach Center held 144 free or low-cost health education programs with 1,300 attendees. Also, during 2024, SMH performed free or low-cost health screens for 5,250 people. The total lives touched through community outreach programs, classes, and events was 53,979.

During 2023, the SMH Community Outreach Center held 51 free or low-cost health education programs with 1,165 attendees. Also, during 2023, SMH performed free or low-cost health screens for 4,164 people. The total lives touched through community outreach programs, classes, and events was 56,474.

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

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

Note 6. Leases

The District as Lessee

The Organization leases various office facilities and medical equipment in the course of providing services to patients. As described in Note 14, during the year ended December 31, 2023, the Organization entered into a lease agreement with Ochsner Health System to lease the Ochsner Medical Center - Northshore.

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

Notes to Financial Statements

Note 6. Leases (Continued)

The District as Lessee (Continued)

The following tables present the components of the Organization's right-of-use assets and accumulated amortization at December 31, 2024 and 2023:

December 31, 2024	Asset Amount	Accumulated Amortization	Net Value
Facilities	\$ 70,398,525	\$ (7,227,753)	\$ 63,170,772
Medical Equipment	17,539,808	(2,517,436)	15,022,372
Total	\$ 87,938,333	\$ (9,745,189)	\$ 78,193,144

December 31, 2023	Asset Amount	Accumulated Amortization	Net Value
Facilities	\$ 70,398,525	\$ (2,467,913)	\$ 67,930,612
Medical Equipment	18,509,940	(1,225,510)	17,284,430
Total	\$ 88,908,465	\$ (3,693,423)	\$ 85,215,042

The following tables present a summary of changes in the Organization's lease liabilities during the year ended December 31, 2024 and 2023:

	December 31, 2023	Additions/ Changes	Retirements/ Payments	December 31, 2024	Due Within One Year
Lease Liabilities	\$ 85,997,462	\$ -	\$ (3,468,665)	\$ 82,528,797	3,566,990

	December 31, 2022	Additions/ Changes	Retirements/ Payments	December 31, 2023	Due Within One Year
Lease Liabilities	\$ 1,473,247	\$ 86,414,874	\$ (1,890,659)	\$ 85,997,462	\$ 4,347,994

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

Notes to Financial Statements

Note 6. Leases (Continued)

The District as Lessee (Continued)

Principal and interest payments due on lease liabilities over the next five years and thereafter are as follows:

Year Ending December 31,	Principal	Interest
2025	\$ 3,566,990	\$ 4,018,173
2026	3,911,033	3,829,200
2027	4,172,490	3,625,387
2028	4,413,148	3,420,679
2029	4,803,074	3,179,156
2030-2034	30,965,289	11,679,143
2035-2038	30,696,773	2,716,803
Total	\$ 82,528,797	\$ 32,468,541

The District as Lessor

The District, as lessor, has entered into lease agreements involving certain office space, expiring at various intervals through 2027.

The following is a summary of the balances associated with the lessee transactions recorded at December 31st:

	December 31, 2024	December 31, 2023
Lease Receivable		
Current	\$ 2,278,431	\$ 1,801,357
Non-Current	3,750,490	2,154,058
Total Lease Receivable	\$ 6,028,921	\$ 3,955,415
Deferred Inflows - Leases	\$ 5,872,160	\$ 3,697,353

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

Note 7. Long-Term Debt

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

	2024	2023
General Obligation Bonds	\$ 43,274,110	\$ 47,771,789
Hospital Indebtedness	6,840,000	8,500,000
Total Long-Term Debt	<u>\$ 50,114,110</u>	<u>\$ 56,271,789</u>

The following table, for the years ended December 31, 2024 and 2023, summarizes the changes in long-term debt:

	2024	2023
Balance of Long-Term Debt at January 1,	\$ 56,271,789	\$ 63,201,915
Less: Repayment of Bonds and Notes Payable	(5,725,000)	(6,475,000)
Less: Amortization of Bond Premium	(432,679)	(455,126)
Balance of Long-Term Debt at December 31,	<u>\$ 50,114,110</u>	<u>\$ 56,271,789</u>

The details and balances of long-term debt at December 31, 2024 and 2023 are presented in the following table:

	2024	2023
General Obligation Refunding Bonds, Series 2012	\$ -	\$ 650,000
Refunding Taxable Bonds, Series 2014	-	95,000
Refunding Tax Exempt Bonds, Series 2014	-	295,000
Hospital Indebtedness, Series 2018	6,840,000	8,500,000
General Obligation Refunding Bonds, Series 2019 #1	4,335,000	5,225,000
General Obligation Refunding Bonds, Series 2019 #2	6,505,000	6,930,000
General Obligation Bonds, Series 2021 Refinancing	8,215,000	9,140,000
General Obligation Bonds, Series 2021	20,980,000	21,765,000
Plus: Unamortized Premium, Net	<u>3,239,110</u>	<u>3,671,789</u>
Total Long-Term Debt	50,114,110	56,271,789
Less: Amounts Due Within One Year	<u>4,942,000</u>	<u>5,725,000</u>
Total, Net of Amounts Due Within One Year	<u>\$ 45,172,110</u>	<u>\$ 50,546,789</u>

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

Note 7. Long-Term Debt (Continued)

General Obligation Bonds

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

Series 2021

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

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

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

General Obligation Refunding Bonds

Series 2012

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

The loss incurred in connection with the advanced refunding of the Hospital's Series 2004B general obligation bonds has been deferred and is being amortized over the life of the refunding bond issue. Amortization of this deferred loss was \$6,969 and \$41,815 at December 31, 2024 and 2023, respectively. Amortization is included in interest expense.

Series 2014

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

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

Note 7. Long-Term Debt (Continued)

General Obligation Refunding Bonds (Continued)

Series 2014 (Continued)

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

The loss incurred in connection with the advanced refunding of the Hospital's Series 2004A, 2004B, and 2004C general obligation bonds has been deferred and is being amortized over the life of the refunding bond issue. Amortization of this deferred loss was \$762 and \$4,570 at December 31, 2024 and 2023, respectively. Amortization is included in interest expense.

Series 2019

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

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

The loss incurred in connection with the advanced refunding of the Series 2009 general obligation bonds has been deferred and is being amortized over the life of the refunding bond issue. Amortization of this deferred loss was \$2,085 at December 31, 2024 and 2023. Amortization is included in interest expense.

Series 2019, Taxable

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

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Notes to Financial Statements

Note 7. Long-Term Debt (Continued)

General Obligation Refunding Bonds (Continued)

Series 2019, Taxable (Continued)

The resources provided by the issuance of the bonds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The refunded bonds were called for redemption on March 1, 2021 and are considered defeased and the liability removed from long-term debt. The advanced refunding was undertaken to reduce total debt service payments over 16 years by approximately \$480,000 with an economic gain of approximately \$370,000.

The loss incurred in connection with the advanced refunding of the Series 2011 general obligation bonds has been deferred and is being amortized over the life of the refunding bond issue. Amortization of this deferred loss was \$15,649 at December 31, 2024 and 2023. Amortization is included in interest expense.

Series 2021

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

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

The loss incurred in connection with the advanced refunding of the Series 2012 general obligation bonds has been deferred and is being amortized over the life of the refunding bond issue. Amortization of this deferred loss was \$26,330 at December 31, 2024 and 2023. Amortization is included in interest expense.

Hospital Indebtedness Obligations

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

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

Note 7. Long-Term Debt (Continued)

Combined Existing Debt Service Commitments

Principal and interest payments due on general obligation bonds and notes payable outstanding as of December 31, 2024 are as follows:

Year Ending December 31,	Principal	Interest
2025	\$ 4,942,000	\$ 1,620,515
2026	5,019,000	1,460,341
2027	4,997,000	1,293,915
2028	4,657,000	1,125,189
2029	3,390,000	966,462
2030 - 2034	12,000,000	3,390,000
2035 - 2039	8,540,000	1,458,878
2040 - 2041	3,330,000	134,600
Total	\$ 46,875,000	\$ 11,449,900

Note 8. Employee Benefits

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

The retirement plan provides a discretionary employer match of participant elective deferrals up to 4%, beginning January 1, 2006, rather than contributions based on salaries. Employees are eligible to participate at their date of hire. Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the Hospital's contribution is based on years of service. For contributions made prior to 1/1/2024, the employee is 100% vested after three years of eligible service. Prior to that time, the employee is 0.0% vested. For contributions made after 1/1/2024, the employee is 20% vested after two years of eligible service, 40% vested after three years, 60% vested after four years, 80% vested after five years and 100% vested after six years of eligible service.

The total eligible payroll for the years ended December 31, 2024 and 2023 was approximately \$77 million and \$85 million, respectively. During the years ended December 31, 2024 and 2023, the Hospital and member organizations made required contributions to the plan of \$-0- and \$2,171,679, respectively. At December 31, 2024, the Hospital had an amount payable to the plan of \$1,260,160 to be paid in the subsequent year.

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Notes to Financial Statements

Note 9. Risk Management and Regulatory Matters

Risk Management

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

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

The Hospital is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against the Hospital and are currently in various stages of litigation. As of December 31, 2024 and 2023, the Hospital has recorded professional and general liability accruals totaling \$2,531,826 and \$2,222,548, respectively, as an estimated provision for both asserted claims and for claims incurred but not reported.

These provisions are included as a component of accrued interest and other expenses on its statements of net position. Additional claims may be asserted against the Hospital arising from services provided to patients through December 31, 2024, exceeding these coverage limits; however, management believes it has adequately provided for them.

The Hospital is self-insured for workers' compensation up to \$750,000 per claim, and employee health up to \$300,000 per claim. A liability is recorded when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. Liabilities for claims incurred are re-evaluated periodically to take into consideration claims incurred but not reported, recently settled claims, frequency of claims, and other economic and social factors. The Hospital carries commercial insurance which provides coverage for workers' compensation and employee health claims in excess of the self-insured limits.

As of December 31, 2024, the Hospital has recorded workers' compensation and employee health accruals totaling \$1,532,778 and \$698,441, respectively, as an estimated provision for both asserted claims and for claims incurred but not reported. These provisions are included as a component of accrued interest and other expenses on its statements of net position.

As of December 31, 2023, the Hospital has recorded workers' compensation and employee health accruals totaling \$1,449,281 and \$462,094, respectively, as an estimated provision for both asserted claims and for claims incurred but not reported. These provisions are included as a component of accrued interest and other expenses on its statements of net position.

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

Note 9. Risk Management and Regulatory Matters (Continued)

Risk Management (Continued)

Changes in the Hospital's aggregate claims liability for professional, general liability, workers' compensation, and employee health, which are included in accrued interest and other expenses on the accompanying statements of net position, were as follows for the years ended December 31, 2024 and 2023:

Year Ended December 31,	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Year End
2024	\$ 4,133,923	\$ 4,114,798	\$ 3,485,676	\$ 4,763,045
2023	4,106,595	6,680,730	6,653,402	4,133,923

Regulatory Matters

The health care industry is subject to numerous laws and regulations of federal, state, and local governments; compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers.

Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Organization is subject to similar regulatory reviews, management believes the Organization is not the subject of any investigation at this time, and the outcome of any such regulatory review will not have a material adverse effect on the Organization's financial position.

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

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Notes to Financial Statements

Note 9. Risk Management and Regulatory Matters (Continued)

Regulatory Matters (Continued)

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

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

The Organization was the subject of ongoing RAC and MIC audits during 2024 and 2023, and deducts from revenue amounts assessed under the RAC audits at the time a notice is received, until such time that estimates of net amounts due can be reasonably estimated. Annual net assessments against the Organization have not been significant through December 31, 2024.

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

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

Note 10. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of who are local residents and are often insured under third-party payor agreements. The mix of receivables from patients and third-party payors, net of contractual allowances and discounts, at December 31, 2024 and 2023, was as follows:

	2024	2023
Medicare	15%	18%
Medicaid	13%	12%
Medicare HMO	31%	31%
Managed Care and Commercial Insurance	37%	34%
Uninsured Patients	4%	5%
Total	100%	100%

Note 11. Changes in Capital Assets

Capital asset activity for the fiscal year ended December 31, 2024 was as follows:

	Balance December 31, 2023	Additions	Transfers/ Deletions	Balance December 31, 2024
Capital Assets Not Being Depreciated				
Land	\$ 6,711,422	\$ 165,000	\$ (313,089)	\$ 6,563,333
Construction in Process	27,554,065	24,595,066	(50,749,446)	1,399,685
Total Capital Assets Not Being Depreciated	34,265,487	24,760,066	(51,062,535)	7,963,018
Capital Assets Being Depreciated				
Land Improvements	2,577,111	185,359	-	2,762,470
Buildings	144,189,535	39,747,126	-	183,936,661
Equipment	99,641,525	11,869,678	(147,640)	111,363,563
Software	-	98,295	-	98,295
Total Capital Assets Being Depreciated	246,408,171	51,900,458	(147,640)	298,160,989
Less Accumulated Depreciation for:				
Land Improvements	2,112,131	70,838	2,891	2,185,860
Buildings	93,106,268	3,974,787	(1,241)	97,079,814
Equipment	77,293,192	6,276,862	(131,815)	83,438,239
Software	-	3,619	-	3,619
Total Accumulated Depreciation	172,511,591	10,326,106	(130,165)	182,707,532
Capital Assets Being Depreciated, Net	73,896,580	41,574,352	(17,475)	115,453,457
Total Capital Assets, Net	\$ 108,162,067	\$ 66,334,418	\$ (51,080,010)	\$ 123,416,475

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

Note 11. Changes in Capital Assets (Continued)

Capital asset activity for the fiscal year ended December 31, 2023 was as follows:

	Balance December 31, 2022	Additions	Transfers/ Deletions	Balance December 31, 2023
Capital Assets Not Being Depreciated				
Land	\$ 6,550,100	\$ 161,322	\$ -	\$ 6,711,422
Construction in Process	5,913,060	24,648,479	(3,007,474)	27,554,065
Total Capital Assets Not Being Depreciated	12,463,160	24,809,801	(3,007,474)	34,265,487
Capital Assets Being Depreciated				
Land Improvements	2,577,111	-	-	2,577,111
Buildings	141,644,731	2,605,957	(61,153)	144,189,535
Equipment	99,265,859	445,678	(70,012)	99,641,525
Total Capital Assets Being Depreciated	243,487,701	3,051,635	(131,165)	246,408,171
Less Accumulated Depreciation for:				
Land Improvements	2,050,628	61,503	-	2,112,131
Buildings	89,361,927	3,752,183	(7,842)	93,106,268
Equipment	70,939,272	6,388,513	(34,593)	77,293,192
Total Accumulated Depreciation	162,351,827	10,202,199	(42,435)	172,511,591
Capital Assets Being Depreciated, Net	81,135,874	(7,150,564)	(88,730)	73,896,580
Total Capital Assets, Net	\$ 93,599,034	\$ 17,659,237	\$ (3,096,204)	\$ 108,162,067

Note 12. Louisiana Medicaid Collaboration and Cooperative Endeavor Agreements

The Organization routinely provides a substantial amount of uncompensated care to patients in its service area. For the years ended December 31, 2024 and 2023, management estimated that the total costs associated with providing uncompensated care were in excess of \$44.7 million and \$28.1 million, respectively.

To improve or expand allowable healthcare services for Medicaid beneficiaries or low income, uninsured patients, during 2024 and 2023, the Organization entered into a series of collaborative agreements and cooperative endeavors designed to allow additional Medicaid funds for providing these services in the community.

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

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

These agreements are detailed below:

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

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

Effective July 1, 2022, the UPL program was replaced with the Full Directed Payment program (also Money Follows the Person or MFP). The Organization accrues MFP payments based on annual estimates provided by the Louisiana Department of Health. Payments received are subject to a reconciliation process based on actual utilization during the contract rating period and will make payment adjustments, as necessary. In 2024 and 2023, the Organization received approximately \$47.0 million and \$40.3 million, respectively, in net proceeds under this program. The funds are included in net patient service revenue in the statements of revenues, expenses, and changes in net position.

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

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

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Notes to Financial Statements

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

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

The total amount of the supplemental payments is intended to represent the difference between the Medicaid payments otherwise made to these qualifying providers and the Average Community Rate for these services.

Summary: During 2024, payments to LDH were \$84.7 million in conjunction with the various Medicaid collaboration and cooperative endeavor agreements. The payments are being amortized monthly over the effective terms of the agreements with the total amount recognized as other direct expenses during 2024.

During 2023, payments to LDH were \$42.6 million in conjunction with the various Medicaid collaboration and cooperative endeavor agreements. The payments are being amortized monthly over the effective terms of the agreements with the total amount recognized as other direct expenses during 2023.

Physician Rate Enhancement Program

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

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

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Notes to Financial Statements

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

Physician Rate Enhancement Program (Continued)

The Organization enrolls its employed physicians and several independent contractor physician groups in the program to receive Physician Rate Enhancement Funds. The Organization elects to provide the state match for the federal funding associated with these Physician Rate Enhancement Funds. The Organization recognized Physician Rate Enhancement Funds from the six managed care organizations participating in the Healthy Louisiana Program, totaling \$400,000 and \$1,036,325, which is included in other revenue for the years ended December 31, 2024 and 2023, respectively.

Note 13. Deferred Outflows of Resources

The Hospital has recorded deferred outflows of resources of \$371,962 and \$423,757 at December 31, 2024 and 2023, respectively, related to deferred bond losses resulting from refunding bond issuances.

Note 14. Joint Operating Agreement

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

Effective July 1, 2023, the JOA was amended for a period continuing until December 31, 2038, automatically renewing for subsequent 5 year terms. The amendment also changed the financial relationship between the parties to be addressed by the Strategic Partnership Agreement.

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

Notes to Financial Statements

Note 14. Joint Operating Agreement (Continued)

Effective July 1, 2023, the Organization entered into a Strategic Partnership Agreement with Ochsner Clinic Foundation for Ochsner to provide administrative services to support the Organization with operations and the delivery of health care services. Additionally, Ochsner Medical Center - Northshore was leased to Slidell Memorial and is now operated as a satellite hospital of Slidell Memorial called Slidell Memorial Hospital East. Ochsner is reimbursed for certain costs that it incurs in providing services to the Organization and also receives administrative service fees. For the years ended December 31, 2024 and 2023, the Organization recognized expenses of approximately \$76.5 million and \$58.5 million, respectively, as a result of the JOA which is included in other direct expenses on the statements of revenues, expenses, and changes in net position.

Note 15. Correction of an Error and Restatement

During the year ended December 31, 2024, the Organization corrected an error related to the valuation of their right-of-use lease assets and lease liabilities. The Organization has restated its 2023 financial statements. The impact of the error correction is presented in the following tables.

Statement of Net Position:

Description	As Previously Reported	As Restated	Increase (Decrease)
Right-of-Use Assets	\$ 76,902,465	\$ 88,908,464	\$ 12,005,999
Accumulated Depreciation - ROU Assets	\$ 3,293,223	\$ 3,693,422	\$ 400,199
Lease Obligation, Long-Term	\$ 69,389,685	\$ 81,649,468	\$ 12,259,783
Total Net Position	\$ 153,985,179	\$ 153,331,196	\$ (653,983)

Statement of Revenues, Expenses and Changes in Net Position:

Description	As Previously Reported	As Restated	Increase (Decrease)
Depreciation and Amortization	\$ 3,102,457	\$ 3,502,656	\$ 400,199
Income from Operations	\$ 3,067,856	\$ 2,667,657	\$ (400,199)
Interest Expense	\$ 1,906,530	\$ 2,160,314	\$ 253,784
Change in Net Position	\$ 12,770,578	\$ 12,116,595	\$ (653,983)

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Notes to Financial Statements

Note 16. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued, June 21, 2025 and determined that no events occurred that requires disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

OTHER SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL
Schedule of Compensation Paid to Board of Commissioners
For the Year Ended December 31, 2024

Commissioner	Current Term	Compensation
Larry P. Englande, Sr., Chairman	2018-2025	\$ 6,000
Joseph DiGiovanni, Jr., Vice Chairman	2015-2027	5,000
Walter J. Lane, PhD, Secretary/Treasurer	2021-2026	3,600
Georgia M. Johnson, RN	2018-2026	6,600
Tommy C. Morris, Jr., PhD	2021-2025	5,400
James W. Newton, MBA	2023-2027	3,700
Kirsten R. Stanley-Wallace, JD	2019-2027	3,500
Robert C. Mercadel, MD	2018-2026	1,700
Matthew K. McElveen, MD	2023-2024	<u>1,200</u>
Total		<u><u>\$ 36,700</u></u>

See independent auditor's report.

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of St. Tammany Parish Hospital Service District No. 2 d/b/a Slidell Memorial Hospital (the Organization) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated June 21, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our 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 *Governmental Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script, appearing to read "LaForte".

A Professional Accounting Corporation

Covington, LA
June 21, 2025