Ochsner Clinic Foundation
d/b/a Ochsner Health
Annual Financial Information Disclosure

For the Year Ended
December 31, 2021

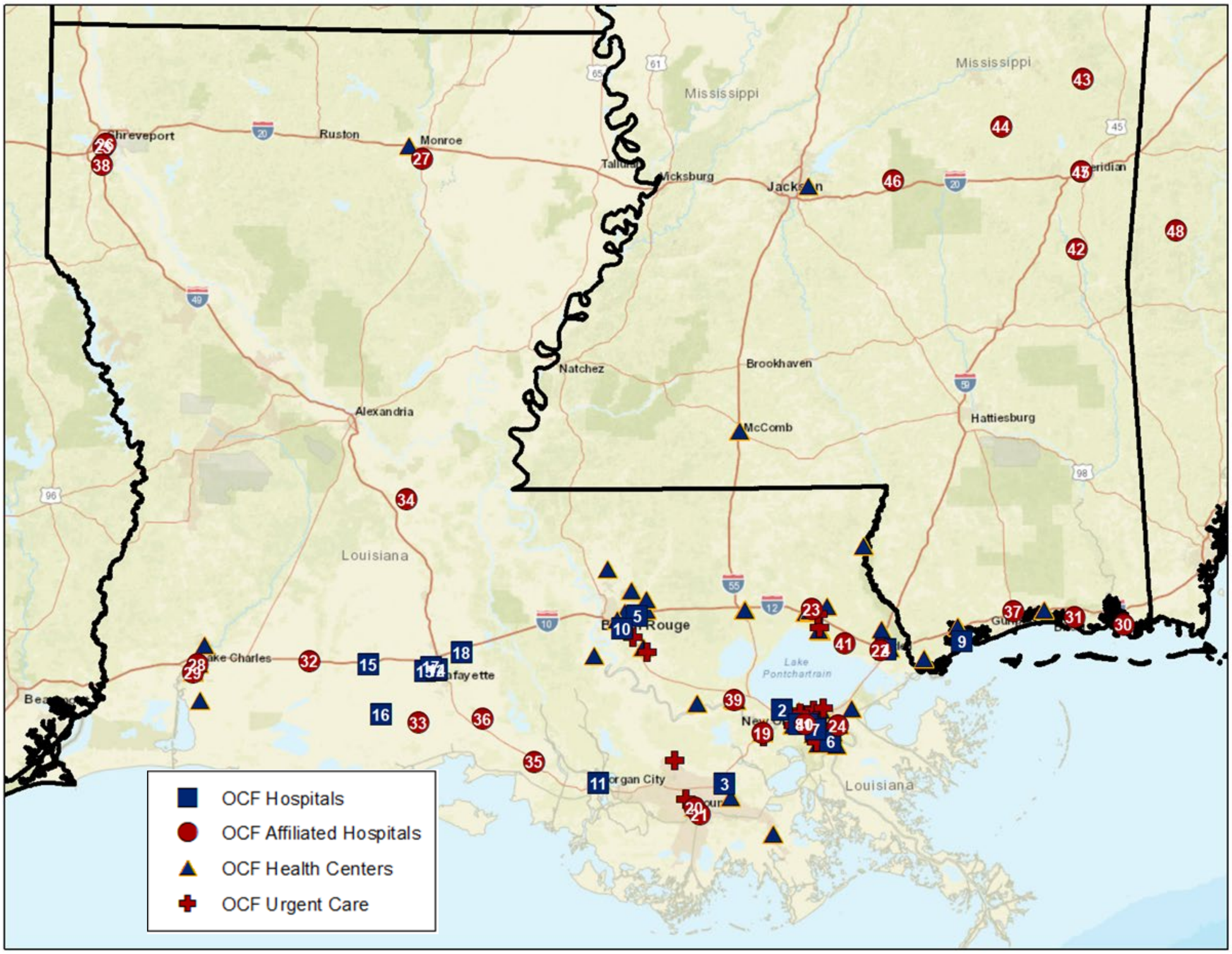
System Overview

Ochsner Clinic Foundation d/b/a Ochsner Health ("OCF" or "Ochsner") is a Louisiana-based non-profit corporation and an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code (the "Code") founded on providing the best patient care, research, and education. Ochsner is the largest non-profit, academic, multi-specialty, integrated healthcare delivery system in the Gulf Coast region. OCF operates 18 hospitals, manages 13 hospitals, has joint operating agreements with 3 hospitals, has 157 health centers, 26 Urgent Care Clinics and 6 Occupational Health Clinics, including the locations added after OCF's October 1, 2020 acquisition of Lafayette General Health System ("LGH"), now referred to as Ochsner Lafayette General ("OLG"). Ochsner Medical Center ("OMC") is a nationally recognized tertiary and quaternary referral center with destination centers of excellence including cancer, neurosciences, transplantation, cardiovascular, and women's and pediatrics services. When combined with affiliated hospitals, Ochsner owns, provides management assistance and support, or is affiliated with 48 hospitals across Louisiana, and Mississippi. OCF employs over 1,600 physicians that have over 1,500 board certifications in approximately 90 specialties, trains over 1,000 medical residents and fellows annually, which currently includes approximately 400 at OCF, 110 at OLG, and 620 at Ochsner LSU Health System of North Louisiana, has 455 Doctor of Medicine students enrolled in the University of Queensland, Ochsner Clinical School, and is currently conducting over 700 clinical research studies. In 2021, more than one million people from all 50 states and more than 59 countries visited Ochsner.

Ochsner is recognized nationally for quality. Awards and recognitions in 2021 include:

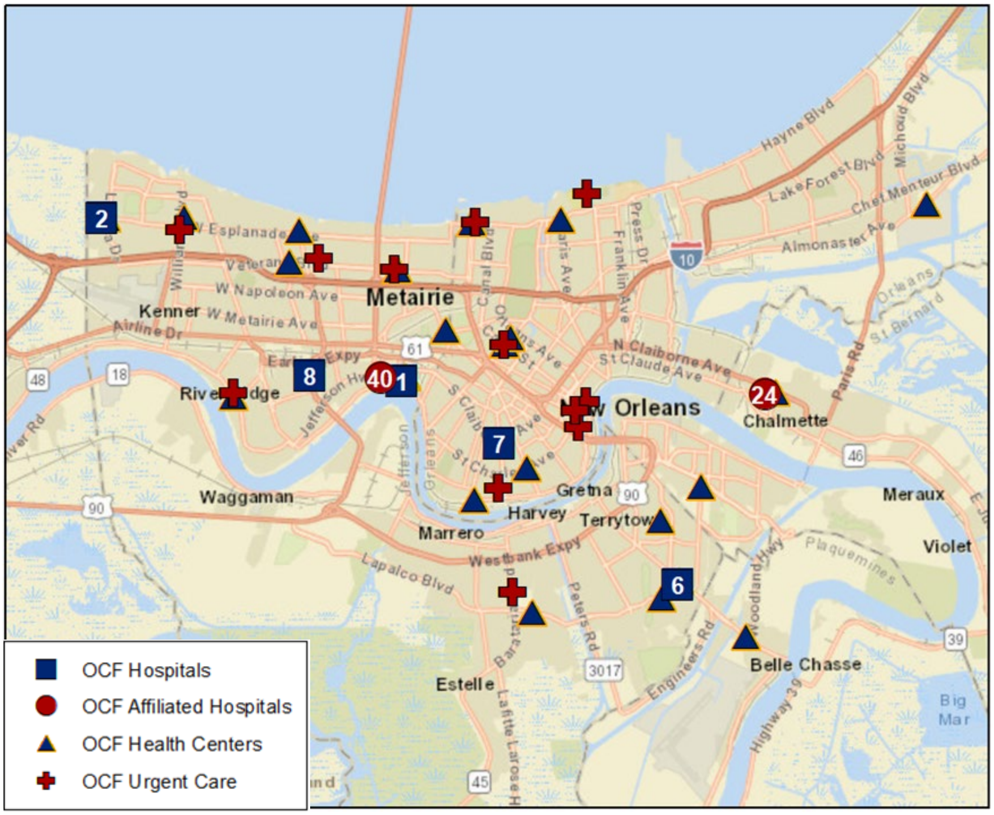
- Ochsner Medical Center, Ochsner Baptist, a campus of Ochsner Medical Center, and Ochsner Medical Center – West Bank Campus were recognized as a Best Hospital in the country, according to *U.S. News and World Report's* 2021-22 Best Hospitals rankings for the tenth consecutive year. Ochsner Medical Center, Ochsner Baptist and Ochsner Medical Center – West Bank Campus were also ranked #1 among the best hospitals in Louisiana, according to U.S. News and World Report's 2021-22 Best Hospitals rankings.
- Ochsner Medical Center was recognized in the 50 best hospitals for vascular surgery and the 100 best hospitals in three specialties by the Healthgrades 2022 Report to the Nation.
- Ochsner Lafayette General Medical Center, Ochsner Lafayette General Surgical Hospital, and Ochsner University Hospital & Clinics achieved the Healthgrades 2021 Outstanding Patient Experience Award.
- Ochsner Medical Center – North Shore achieved the Healthgrades 2021 Patient Safety Excellence Award.
- Ochsner Medical Center, St. Tammany Health System, Ochsner Medical Center-Northshore and Ochsner Medical Center-Kenner were all recognized for 5-Star Ratings, Specialty Excellence Awards, and are among the Top 5 and 10% in the nation by Healthgrades 2022.
- Ochsner Medical Center – Kenner achieved the Healthgrades 2022 Patient Safety Excellence Award.
- Ochsner Hospital for Children was ranked among the top 50 children's hospitals in the country for pediatric cardiology and heart surgery specialties in the 2021-22 *U.S. News and World Report's* Best Children's Hospitals rankings.
- Ochsner Hospital for Children was named first in Louisiana in the new Best Children's Hospitals for 2021-22 by *U.S. News and World Report*.
- Thirteen Ochsner Facilities, including five affiliates, received an "A" Grade for Patient Safety from the 2021 Leapfrog Group.
- Ochsner Lafayette General Medical Center was named one of America's 100 Best Hospitals for Patient Experience by Women's Choice Award for 2021.
- Ochsner Lafayette General Medical Center and Ochsner University Hospital & Clinics have earned positions as a World's Best Hospital for 2021 by Newsweek and Statista, Inc.

The following map indicates the locations of Ochsner's acute care hospitals, health centers and urgent care locations. See "DESCRIPTION OF CREDIT GROUP" and "OBLIGATED GROUP MEMBER" herein for more information regarding Ochsner's health care facilities.



	Ochsner Health	Affiliate
New Orleans Southshore	Ochsner Medical Center (1) Ochsner Baptist Medical Center (7) Ochsner Medical Center West Bank (6) Ochsner Medical Center Kenner (2) Ochsner Hospital for Orthopedics and Sports Medicine (8)	St. Charles Parish Hospital (19) St. Bernard Parish Hospital (24) River Place Behavioral Health (39) Ochsner Rehabilitation Hospital (40)
New Orleans Northshore	Ochsner Medical Center Northshore (4)	Slidell Memorial Hospital (22) St. Tammany Parish Hospital (23) Northshore Rehabilitation Hospital (41)
Baton Rouge	Ochsner Medical Center Baton Rouge (5) Ochsner Medical Center – The Grove (10)	
Bayou	Ochsner St. Anne Hospital (3) Ochsner St. Mary (11)	Leonard J. Chabert Medical Center (21) Terrebonne General Medical Center (20)
Mississippi Gulf Coast	Ochsner Medical Center – Hancock (9)	Singing River Hospital (30) Ocean Springs Hospital (31) Ocean Springs – Garden Park (37)
East Central Mississippi		Rush HC Watkins Memorial Hospital (42) Rush John Stennis Memorial Hospital (43) Rush Laird Hospital (44) Rush Foundation Hospital (45) Rush Scott Regional Hospital (46) Rush Specialty Hospital of Meridian (47) Rush Choctaw General Hospital (48)
Acadiana	Ochsner Lafayette General Medical Center (12) Ochsner Acadia General Hospital (15) Ochsner Lafayette General Orthopedic Hospital (13) Ochsner Abrom Kaplan Memorial Hospital (16) Ochsner St. Martin Hospital (18) Ochsner Lafayette General Surgical Hospital (14) Ochsner University Hospital & Clinics (17)	Jennings American Legion Hospital (32) Abbeville General Hospital (33) Bunkie General Hospital (34) Franklin Foundation Hospital (35) Iberia Medical Center (36)
North Louisiana		Ochsner-LSU Health – Shreveport (25) Ochsner-LSU Health – St. Mary (26) Ochsner-LSU health – Monroe (27) Ochsner LSU Health Shreveport – LA Behavioral Health (38)
Lake Charles		CHRISTUS-Ochsner St. Patrick (28) CHRISTUS-Ochsner Lake Area (29)

Greater New Orleans Area



Forward-Looking Information

This Financial Information Disclosure contains disclosures, which contain "forward-looking statements" within the meaning of the Federal securities laws. Forward-looking statements include all statements that do not relate solely to historical or current fact and can be identified by the use of words "expect", "anticipate", "intend", "project", "likely", "may", "might", "estimate", "budget" and similar words or expressions. These forward-looking statements are based on the current plans and expectations of Ochsner Clinic Foundation d/b/a Ochsner Health ("OCF" or "Ochsner") as of the date of this report and are subject to a number of known and unknown risks and uncertainties inherent in the operation of health care facilities, many of which are beyond OCF's control, that could significantly affect current plans and expectations and OCF's future financial position and results of operations.

Important factors that could cause results to differ materially from those expected by management include, but are not limited to, general, economic and business, competition from other healthcare facilities in the service areas, an unfavorable pricing environment, inability to achieve expected efficiencies in operations or effectively control health care costs, the efforts of insurers and others to contain health care costs, changes in Medicare or Medicaid reimbursement formulas, the risk that managed care provider arrangements will not be negotiated or renewed on acceptable terms, future divestitures or acquisitions which may have a financial impact, availability and terms of capital to fund future expansion and ongoing capital needs, new laws or regulations, the possible enactment of federal or state health care reform, fines or penalties related to regulatory matters, changes in accounting standards and practices, the outcome of pending and future litigation and government investigations, labor issues and the ability to attract and retain qualified management and other personnel, including physicians, nurses and medical support personnel.

Given these uncertainties, bondholders and prospective bondholders are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this report. OCF disclaims any obligation, and makes no promise, to update any such factors or forward-looking statements or to disclose any facts, events or circumstances after the date hereof that may affect the accuracy of any forward-looking statements, whether as a result of changes in underlying factors, to reflect new information, as a result of the occurrence of events or developments or otherwise.

Description of Credit Group

Ochsner's history began when the Ochsner Clinic opened its doors to patients on January 2, 1942 as a physician practice. Alton Ochsner Medical Foundation ("AOMF"), a Louisiana not for profit corporation exempt from taxation under Section 501(c)(3) of the IRS Code, was founded on January 21, 1944 to own and operate Ochsner Foundation Hospital. On August 31, 2001, Ochsner Clinic merged with a wholly-owned subsidiary of AOMF and Ochsner Clinic became a wholly-owned subsidiary of AOMF. As part of the acquisition of Ochsner Clinic, AOMF changed its name to Ochsner Clinic Foundation ("OCF"). Ochsner Clinic Foundation operates under the trade name of Ochsner Health. All references to "Ochsner," "Ochsner Health," or "OCF" hereinafter refer to Ochsner Clinic Foundation.

OCF is the only Obligated Group Member under the Master Indenture. Certain affiliates of OCF have been designated as Designated Affiliates and Credit Group Members under the Master Indenture. Credit Group or Credit Group Members means all Obligated Group Members and Designated Affiliates. Under the Master Indenture, Obligated Group Members are jointly and severally liable to make payments with respect to Obligations issued under the Master Indenture. Designated Affiliates are not obligated to make payments with respect to Obligations but may be required to transfer to Obligated Group Members, to the extent legally available, amounts necessary to enable the Obligated Group Members to make payments under the Master Indenture. Obligated Group Members may designate entities as Designated Affiliates under the Master Indenture and may rescind such designation at any time. Designated Affiliates have not changed since the Series 2020 Official Statement dated October 14, 2020. OCF and Designated Affiliates constituted 96.37% of the total assets of OCF Consolidated as of December 31, 2021 and 97.78% of the total revenue of OCF Consolidated as of December 31, 2021.

Obligated Group Member

OCF is the only Obligated Group Member under the Master Indenture. OCF is headquartered in New Orleans, Louisiana, and, either directly or through its fully owned affiliates or subsidiaries, operates 18 hospitals and other healthcare facilities, including the hospitals added after OCF's October 1, 2020 acquisition of OLG, as follows:

- Ochsner Medical Center ("OMC"), a 746-bed acute care hospital located in New Orleans, Louisiana, which serves as the flagship of Ochsner, and includes an 11-story clinic building, a 30-bed skilled nursing facility (within Ochsner West Campus), a 134-room hotel and related medical facilities located on a main campus in Jefferson Parish at the western end of New Orleans;
- Ochsner Hospital for Orthopedics and Sports Medicine, a 28-bed satellite hospital of OMC, located in Jefferson, Louisiana, which primarily provides outpatient services;
- Ochsner Medical Center – West Bank Campus, a 162-bed acute care satellite hospital of OMC in New Orleans, Louisiana;
- Ochsner Baptist Medical Center, a 123-bed acute care satellite hospital of OMC in New Orleans, Louisiana;
- Ochsner Medical Center – Kenner, a 116-bed acute care hospital in Kenner, Louisiana;
- Ochsner Medical Center – North Shore, a 150-bed acute care hospital in Slidell, Louisiana;
- Ochsner Medical Center – Baton Rouge, a 152-bed acute care hospital in Baton Rouge, Louisiana;
- Ochsner Medical Complex – The Grove, a 10-bed satellite hospital of Ochsner Medical Center – Baton Rouge, located in Baton Rouge, Louisiana, which primarily provides outpatient services;
- Ochsner St. Anne Hospital, a 35-bed critical access hospital in Raceland, Louisiana;
- Ochsner St. Mary, a 164-bed acute care hospital in Morgan City, Louisiana;
- Ochsner Medical Center - Hancock, a 102-bed acute care hospital in Bay St. Louis, Mississippi;
- Ochsner Lafayette General Medical Center, a 378-bed acute care hospital in Lafayette, Louisiana;
- Ochsner Lafayette General Orthopedic Hospital, a 68-bed satellite hospital of Ochsner Lafayette General Medical Center in Lafayette, Louisiana;
- Ochsner Lafayette General Surgical Hospital, a 10-bed satellite hospital of Ochsner Lafayette General Medical Center in Lafayette, Louisiana;
- Ochsner St. Martin Hospital, a 25-bed critical care access hospital in Breaux Bridge, Louisiana;
- Ochsner University Hospital & Clinics, a 116-bed acute care hospital in Lafayette, Louisiana;
- Ochsner Abrom Kaplan Memorial Hospital, a 35-bed critical access hospital in Kaplan, Louisiana;
- Ochsner Acadia General Hospital, a 113-bed hospital in Crowley, Louisiana;
- 157 health centers throughout Louisiana and Mississippi;

- 26 Urgent Care Clinics and 6 Occupational Health Clinics throughout Greater New Orleans and Southwest Louisiana; and
- Several fitness centers that operate as Ochsner Fitness Center.

OCF, either directly or through its fully owned affiliates or subsidiaries, provides management assistance and support to 13 hospitals, as follows:

- Leonard J. Chabert Medical Center ("LJCMC"), a 156-bed public, safety net hospital in Houma, Louisiana;
- St. Charles Parish Hospital ("SCPH"), a 57-bed public, safety net hospital in Luling, Louisiana;
- St. Bernard Parish Hospital ("SBPH"), a 40-bed public, safety net hospital in Chalmette, Louisiana; and
- Ochsner LSU Health System of North Louisiana ("OLHS-NL"), which includes Ochsner LSU Health Shreveport – Academic Medical Center, a 419-bed hospital in Shreveport, Louisiana, Ochsner LSU Health Shreveport – St. Mary Medical Center, a 94-bed hospital in Shreveport, Louisiana, and Ochsner LSU Health – Monroe Medical Center, a 244-bed hospital in Monroe, Louisiana.
- Rush Health Systems ("Rush Health"), which includes: Rush Foundation Hospital, a 215-bed acute care facility in Meridian, Mississippi; The Specialty Hospital of Meridian, a 49-bed long-term acute care hospital in Meridian, Mississippi; Choctaw General Hospital, a 25-bed critical access hospital in Butler, Alabama; H.C. Watkins Memorial Hospital, a 25-bed critical access hospital in Quitman, Mississippi; John C. Stennis Memorial Hospital, a 25-bed critical access hospital in DeKalb, Mississippi; Laird Hospital, a 25-bed critical access hospital located in Union, Mississippi; and Scott Regional Hospital, a 25-bed acute care hospital in Morton, Mississippi. Ochsner began managing Rush Health Systems on October 4, 2021.

OCF also has joint operating agreements with three hospitals, as follows:

- Terrebonne General Health System ("TGHS"), a 321-bed public acute care hospital in Houma, Louisiana;
- St. Tammany Health System ("STHS"), a 281-bed public acute care hospital in Covington, Louisiana; and
- Slidell Memorial Hospital ("SMH"), a 223-bed public acute care hospital in Slidell, Louisiana.

In recent years, OCF has entered into several strategic partnerships, affiliation agreements, and acquisitions that increase local access to care, improve quality, reduce the cost of healthcare, and share best practices and resources in order to improve the health of Louisiana communities. Agreements signed or completed in 2022, 2021 and 2020 are as follows:

- Jennings American Legion Hospital. On April 1, 2022, Ochsner acquired certain assets and liabilities and leased the facility of Jennings American Legion Hospital. The hospital is a 49-bed acute care hospital in Jennings, Louisiana and is now called Ochsner American Legion Hospital. Ochsner also committed to spend $30.5 million in capital improvements over the initial 10-year lease term.

- Rush Health Systems. On June 17, 2021, Ochsner and Rush Health Systems ("Rush") announced the signing of a shared mission agreement pursuant to which Ochsner will become the sole corporate member of Rush. Closing is expected to take place in August of 2022. An interim management services agreement was also executed whereby Ochsner provides management services to Rush and employ certain Rush executives. The management agreement became effective on October 4, 2021.

- Louisiana Women's Healthcare Associates, LLC. In April 2021, Ochsner, through a wholly-owned subsidiary, signed a membership interest purchase agreement with Louisiana Women's Healthcare Associates, LLC ("LWHA") pursuant to which Ochsner acquired 100% membership interests in LWHA. LWHA is the leading provider of women's healthcare services in Baton Rouge, Louisiana.

- Ochsner Kidney Care. On January 4, 2021, Ochsner entered into a joint venture with a dialysis company, to create Ochsner Kidney Care, LLC. This new entity operates renal dialysis centers in Louisiana. Ochsner owns a 70% membership interest in this joint venture. The first dialysis center opened in the second quarter of 2021 with additional centers that opened near the end of 2021.

- SafeSource Direct, LLC. On December 30, 2020, Ochsner entered into a joint venture with a development company to form SafeSource Direct, LLC. The focus of the new joint venture is to manufacture personal protective equipment.

- Lafayette General Health System. On October 1, 2020, OCF and Lafayette General Health completed a member substitution transaction pursuant to which OCF became the sole corporate member of Lafayette General Health System, Inc., which is now known as Ochsner Lafayette General, providing Ochsner with a regional health care hub in Southwest Louisiana. OLG is a non-profit, community health system delivering care to Southwest Louisiana across a 10-parish area known as Acadiana.

- Singing River Health System. On July 1, 2020, Ochsner and Singing River Health System signed a Strategic Partnership Agreement to expand access to high-quality, cost effective care in the communities the organizations serve. A Strategy and Oversight Committee was formed to manage the Singing River and Ochsner partnership, composed of leaders from both organizations. The names of Singing River's locations have been co-branded to reflect the partnership with Ochsner.

In addition to the above agreements, Ochsner has formed a new entity, Ochsner Health Plan, Inc., to offer a new Medicare Advantage plan to eligible patients. Louisiana residents in the Greater New Orleans and Greater Baton Rouge areas eligible for Medicare had the opportunity to enroll in Medicare Advantage benefit plans offered by the new Ochsner Health Plan and enrolled approximately 1,900 members into the plan for coverage beginning January 1, 2022.

Health Care Operations of Ochsner Health

The following table provides the revenue by facility. Total revenue for OCF and its owned and leased facilities is approximately $5.9 billion for the fiscal year ended December 31, 2021. When combined with the total revenue produced by OCF's managed operations, joint operating agreements ("JOAs"), and joint ventures ("JVs"), the aggregated total revenue increases to approximately $8.4 billion (after adjusting for managed operations, JOAs', and JVs' revenue that is also recognized by OCF -- see the row titles "Less Total Operating Revenue recognized by OCF for Managed, JOAs, and JVs" in the following table). This additional approximate $2.5 billion of revenue is not OCF revenue and, accordingly, is not revenue pledged to payment of Long-Term Indebtedness.

HEALTH CARE OPERATIONS OF OCHSNER HEALTH

($000)

Facility	Location	Owned/ Leased/ Managed	2021 Total Year Revenue		% of 2021 Revenue
Ochsner Medical Center and Clinics	New Orleans, Louisiana	Owned	$2,131,773		36.1%
Ochsner Hospital for Orthopedics and Sports Medicine (1)	Jefferson, Louisiana	Owned			
Ochsner Medical Center – West Bank Campus and Clinics	Gretna, Louisiana	Owned	$345,167		5.8%
Ochsner Baptist Medical Center and Clinics	New Orleans, Louisiana	Owned	$376,896		6.4%
Ochsner Medical Center – Kenner and Clinics	Kenner, Louisiana	Owned	$293,758		5.0%
Ochsner Medical Center – North Shore and Clinics	Slidell, Louisiana	Owned	$420,959		7.1%
Ochsner Medical Center – Baton Rouge and Clinics	Baton Rouge, Louisiana	Owned	$635,350		10.8%
Ochsner Medical Complex – The Grove (2)	Baton Rouge, Louisiana	Owned			
Ochsner Lafayette General Medical Center	Lafayette, Louisiana	Owned	$587,681		9.9%
Ochsner Lafayette General Orthopedic Hospital (3)	Lafayette, Louisiana	Owned			
Ochsner Lafayette General Surgical Hospital (3)	Lafayette, Louisiana	Owned			
Ochsner St. Anne Hospital and Clinics	Raceland, Louisiana	Leased	$111,365		1.9%
Ochsner St. Mary and Clinics	Morgan City, Louisiana	Leased	$43,681		0.7%
Ochsner Medical Center – Hancock and Clinics	Bay St. Louis, Mississippi	Leased	$54,840		0.9%
Ochsner St. Martin Hospital	Breaux Bridge, Louisiana	Leased	$45,333		0.8%
Ochsner University Hospital & Clinics	Lafayette, Louisiana	Leased	$181,739		3.1%
Ochsner Abrom Kaplan Memorial Hospital	Kaplan, Louisiana	Leased	$30,415		0.5%
Ochsner Acadia General Hospital	Crowley, Louisiana	Leased	$50,003		0.8%
Chabert Operational Management Company	Houma, Louisiana		$64,697		1.1%
St. Charles Operational Management Company	Luling, Louisiana		$10,368		0.2%
St. Bernard Operational Management Company	Chalmette, Louisiana		$9,942		0.2%
OLHS-NL Management Companies	Shreveport & Monroe, LA		$90,651		1.5%
Other			$423,425		7.2%
TOTAL REVENUE SYSTEM: OCF COMBINED/CONSOLIDATED			**$5,908,043**		**100.0%**
Leonard J. Chabert Medical Center	Houma, Louisiana	Managed	$119,615	(4)	
St. Charles Parish Hospital	Luling, Louisiana	Managed	$47,590	(5)	
St. Bernard Parish Hospital	Chalmette, Louisiana	Managed	$55,310	(5)	
Southeast Louisiana Managed Facilities			$222,515		
Rush Foundation Hospital	Meridian, Mississippi	Managed	$156,563	(5)	
Speciality Hospital of Meridian	Meridian, Mississippi	Managed	$15,106	(5)	
Choctaw General Hospital	Butler, Alabama	Managed	$19,252	(5)	
H.C. Watkins Memorial Hospital	Quitman, Mississippi	Managed	$20,214	(5)	
John C. Stennis Memorial Hospital	DeKalb, Mississippi	Managed	$22,500	(5)	
Laird Hospital	Union, Mississippi	Managed	$35,060	(5)	
Scott Regional Hospital	Morton, Mississippi	Managed	$17,083	(5)	
Other			$18,250	(5)	
RUSH Managed Facilities			$304,028		
Ochsner LSU Health Shreveport – Academic Medical Center	Shreveport, Louisiana	JV/Managed	$678,435	(6)	
Ochsner LSU Health – St. Mary Medical Center	Shreveport, Louisiana	JV/Managed	$67,429	(6)	
Ochsner LSU Health Shreveport – Monroe Medical Center	Monroe, Louisiana	JV/Managed	$161,452	(6)	
Ochsner LSU Physicians Group	Shreveport, Louisiana	JV/Managed	$119,222	(6)	
Ochsner LSU Health System of North LA Managed Facilities			$1,026,538		
St Tammany Health System	Covington, Louisiana	JOA	$371,563	(5)	
Slidell Memorial Hospital	Slidell, Louisiana	JOA	$199,703	(5)	
Terrebonne General Medical Center	Houma, Louisiana	JOA	$225,952	(4)	
Joint Operating Agreements			$797,218		
CHRISTUS Ochsner St. Patrick Hospital	Lake Charles, Louisiana	JV	$174,097	(7)	
CHRISTUS Ochsner Lake Area Hospital	Lake Charles, Louisiana	JV	$62,383	(7)	
River Place Behavioral Health	Laplace, Louisiana	JV	$14,362		
Louisiana Extended Care Hospital of Kenner	New Orleans, Louisiana	JV	$16,788		
Ochsner Rehabilitation Hospital	New Orleans, Louisiana	JV	$22,469		
Northshore Rehabilitation Hospital	Lacombe, Louisiana	JV	$10,279		
Northshore Extended Care Hospital	Lacombe, Louisiana	JV	$16,979		
Joint Ventures			$317,357		
TOTAL MANAGED, JVs, AND JOAs			**$2,667,656**		
Less Total Operating Revenue recognized by OCF for Managed, JOAs, and JVs			($195,583)		
GRAND TOTAL			**$8,380,116**		

Notes: (1) Included in Ochsner Medical Center and Clinics
(2) Included in Ochsner Medical Center – Baton Rouge
(3) Included in Ochsner Lafayette General Medical Center
(4) Per audit of the fiscal year ended 3/31/2021
(5) Per audit of the fiscal year ended 12/31/2020
(6) Per audit of the fiscal year ended 6/30/2021
(7) Per financial statements for the fiscal year ended 6/30/2021

Governance

The current members of the Board of Directors are as follows:

		Year Appointed to Board	Expiration of Current Term(1)
Andrew B. Wisdom	Founder and Principal, Crescent Capital Consulting New Orleans, LA	2004	2025
Ben Doga, MD	Board-Certified Family Medicine Physician, Partner in Acadiana Family Physicians Medical Group, LHC Group Chief Medical Officer Lafayette, LA	2020	2023
John A. Evans	Rehab Partners, Inc. (Retired) Serves on the Board of St. Tammany Health System as Chairman	2019	2022
William H. Hines	Managing Partner, Jones Walker New Orleans, LA	2003	2023
R. Parker LeCorgne	President, Dr. G.H. Tichenor Antiseptic Co. New Orleans, LA	2007	2022
James E. Maurin	Founder and Past Chairman, Stirling Properties, Inc. Covington, LA	2003	2023
Suzanne Mestayer	Chairperson, Managing Principal, ThirtyNorth Investments, LLC New Orleans, LA	2004	2024
Jefferson G. Parker	Director of Energy Lending, Tax Credit Investing, & Capital Markets, First Horizon New Orleans, LA	2007	2022
Robert J. Patrick	Managing Partner, The Patrick Companies New Orleans, LA	2009	2024
Jose S. Suquet	Chairman of the Board, President & CEO Pan American Life Insurance Co., New Orleans, LA	2006	2023
David Wilson	Founder and President of Trinity Refining and Safety Systems Maurice, LA	2020	2024
Vincent “Butch” Adolph, M.D.	Regional Medical Director, Lake Charles and Shreveport, Section Head, Pediatric Surgery, Ochsner Health	2016	2023
Karen Blessey, M.D.	Medical Director, Ochsner Physician Recruiting, Professional Staffing Services, Ochsner Health	2018	2025
Cuong “CJ” Bui, M.D.	System Chair of Neurosurgery, Ochsner Health	2019	2022
Susan Gunn, M.D.	Sr. Physician, Pulmonary Services, Ochsner Health	2021	2024
Suma Jain, M.D.	Sr. Physician, Pulmonary Services, Ochsner Health	2022	2025
Alisha Lacour, M.D.	Associate Medical Director, Ochsner Medical Center, Kenner, Ochsner Health	2021	2024
Timothy Riddell, M.D.	Regional Medical Director, Ochsner Northshore Region, Ochsner Health	2016	2023
Victoria Smith, M.D.	Associate Medical Director, St. Charles Parish Hospital & Primary Care in River Region, Ochsner Health	2017	2025
William “David” Sumrall, III, MD	Associate Medical Director, Surgical Services; System Chair, Anesthesiology & Interventional Pain Medicine, Ochsner Health	2019	2025
Warner L. Thomas	President & CEO, Ochsner Health	2012	

Executive Leadership

Effective November 19, 2021, David Carmouche, MD resigned from his role as Executive Vice President, Value-based Care and Network Operations. Scott Posecai, Executive Vice President, Insurance Partnerships and Treasurer, has assumed the executive leadership of Value-based Care and the Ochsner Health Network in addition to his existing responsibilities that include Capital Financing, Banking, Tax, Managed Care Contracting, Insurance Joint Ventures, and Global Value-based Financial Risk Arrangements.

Denise Basow, MD, Senior Vice President and Chief Digital Officer. On January 3, 2022, Dr. Basow joined the Ochsner Executive Team as Senior Vice President and Chief Digital Officer to lead the strategy and growth of Ochsner's digital health programs, building new digital businesses and expanding clinical businesses regionally and nationally. Dr. Basow joins Ochsner's team following a 25-year career with global information, software and professional services leader Wolters Kluwer and healthcare start-up UpToDate, where she leveraged innovation and technology to better care for patients' healthcare needs. Dr. Basow received her undergraduate degree from Duke University and her medical degree from Baylor College of Medicine. She completed her residency at Johns Hopkins University and practiced internal medicine for several years before joining UpToDate.

Management Discussion and Analysis of Financial Results

Executive Summary

OCF had Income from Operations of $138.6 million (2.3% of Total Revenues) for 2021 compared to Income from Operations of $134.9 million (3.0% of Total Revenues) for 2020, a $3.7 million increase. Operating EBIDA was $430.2 million (7.3% of Total Revenues) for 2021 compared to $368.8 million (8.2% of Total Revenues) for 2020, a $61.4 million increase. OCF was impacted by the COVID-19 pandemic and Hurricane Ida, both of which are discussed in more detail below.

Statement of Operations

OCF achieved Total Revenues of $5.9 billion for 2021, an increase of $1.4 billion or 31.4% over 2020. Excluding OLG, which was added October 1, 2020, Total Revenue increased $696.8 million, or 16.3%. Patient Service Revenue increased $1.3 billion or 43.8% over 2020. Excluding OLG, Patient Service Revenue increased $669.7 million or 24.8%. For 2021, Ochsner, including OLG, served approximately 846,000 unique patients, a 20.7% increase over 2020. Ochsner considers its unique patients as a leading indicator of future growth. Unique patients are calculated by tracking the number of patients seen in the previous 12 months while consolidating all visits for the same person as one unique patient. Patient Service Revenue excluding OLG mainly increased due to increased patient volumes and also includes a $72.4 million increase in revenue from value-based payment arrangements. Premium Revenue increased $42.5 million or 10.8%, as membership in OCF's capitated contract for senior members increased by approximately 3,000 members. Ochsner experienced a third surge of COVID-19 patients during the first quarter of 2021, a fourth surge during the third quarter of 2021, and a fifth surge of COVID-19 during the fourth quarter of 2021. Additionally, Hurricane Ida hit in August 2021. The first and second surges of COVID-19 patients impacted revenue and operations during 2020. Patient volumes dropped in March 2020 following the state of emergency issued by Louisiana Governor John Bel Edwards on March 11, 2020 due to the COVID-19 pandemic and the subsequently issued stay at home order effective March 23, 2020 that included limiting elective medical care and treatment through April 26, 2020. When comparing 2021 to 2020 excluding OLG, discharges increased 6.1%, patient days increased 8.1%, inpatient surgical procedures increased 0.6%, outpatient surgical procedures increased 15.7%, emergency room visits increased 12.8%, clinic relative value units increased 17.8%, clinic visits increased 15.7%, and outpatient revenue increased 30.4%. Revenue received from any of OCF's managed or affiliated hospitals is not included within Patient Service Revenue.

Other Operating Revenue for 2021 was $1.3 billion, a $99.0 million increase over 2020. Excluding OLG, Other Operating Revenue decreased $17.1 million. The primary factor causing this decrease was a $192.0 million decrease in provider relief payments received from the Federal Government from the CARES Act. Other decreases include a $6.4 million decrease related to funding from partners of partially owned subsidiaries formed exclusively for charitable, education, and scientific purposes, as well as a $7.0 million decrease in Federal Emergency Management Agency ("FEMA") revenue. Ochsner recognized $61.2 million and $68.2 million for 2021 and 2020, respectively, of revenue from FEMA for the purchase of personal protective equipment and the ICU expansion at OMC. Ochsner also recognized an approximate $9.5 million decrease of revenue from our joint operating agreements and managed facilities, which provided approximately $206.0 million in revenue for 2021 compared to $215.5 million for 2020. Partially offsetting this decrease were a $125.5 million increase in pharmacy revenue, and a $68.9 million increase for a physician services agreement. During 2021, OCF also recorded revenue from a donation of approximately $18.6 million of agency labor from the Louisiana Department of Health, with an offsetting expense in salaries and wages. Additionally, Ochsner, excluding OLG, recognized Other Operating Revenue related to milestones achieved by and from serving as a manager in the Medicaid Managed Care Incentive Payment ("MCIP") program of $53.4 million for 2021 and $39.4 million for 2020. The MCIP program was established during 2019 by the Louisiana Department of Health to achieve quality reforms that increase access to healthcare, improve the quality of care, and enhance the health of members of the Louisiana Medicaid managed care organizations. Contracted hospitals receive payments from accountable care organizations based on their participation and contributions to the outcomes.

Salaries and Wages for 2021 were $2.6 billion, a $673.7 million increase over 2020. Excluding OLG, Salaries and Wages increased $357.7 million, which includes a $100.4 million increase in clinical agency labor, of which $18.6 million was donated agency labor provided by the Louisiana Department of Health and is offset by the revenue mentioned above. The increase in salaries and wages includes premium pay and wage inflation as well as additional staffing and additional providers needed to meet long-term increased patient demand. Excluding OLG, total providers increased by 4.7% or 94 full-time equivalents ("FTEs"). That includes an 7.2% increase in physicians, or 93 FTEs, and a 0.1% increase in the number of other providers, or 1 FTE. Including OLG, Ochsner employs over 1,600 active staff physicians and over 1,200 other providers.

Medical Services to Outside Providers for 2021 increased by $45.9 million from 2020. OCF currently provides services to approximately 44,000 senior members under a capitation contract for both physician and hospital services, which is a 3,000-member increase when compared to 2020. 2021 includes an $11.7 million premium deficiency reserve related to expected losses and startup costs in 2022 for Ochsner Health Plan.

Medical Supplies and Services increased by $334.1 million when comparing 2021 to 2020. Medical Supplies and Services as a percentage of Total Revenues was 21.6% for 2021 and 20.9% for 2020. Excluding OLG, Medical Supplies and Services increased by $167.3 million. Approximately $110.6 million of this increase is due to increased drug expenses primarily related to increased volume for the retail pharmacies and 340B pharmacies, and increased drug utilization in the infusion centers. Approximately $9.4 million of the increase is due to increased patient testing supplies related to COVID-19 tests and additional medical supplies needed to treat the high volume of COVID-19 positive patients. Approximately $7.5 million of the increase is due to medical supplies and drugs damaged beyond salvage due to Hurricane Ida. At the end of the year, approximately $34.9 million of the increase is due to increased medical supplies, services, and implants needed for the increase in related procedures volume during 2021 compared to 2020 when the COVID-19 pandemic resulted in patient cancellations and the deferral of elective and non-essential procedures.

Other operating expenses which include building and equipment rental and maintenance, insurance, professional services, and general and administrative expenses for 2021 increased by $220.1 million over 2020. Excluding OLG, other operating expenses increased $73.8 million. Approximately $15.7 million of this increase is related to value-based payments received which are owed to outside members of Ochsner Health Network and Ochsner Physician Partners. Approximately $5.1 million of the increase is related to software expenses associated primarily with clinical system implementations and upgrades for OCF and partner hospitals. Approximately $41.1 million of this increase is related to costs incurred due to Hurricane Ida, including approximately $12.6 million in temporary housing expenses with respect to employees who were displaced by Hurricane Ida. There was also an increase of approximately $6.0 million related to donations to Delgado Community College to invest in nursing and allied health training programs and LSU Health Sciences Center for Medical Education in Shreveport.

OCF's non-operating gains and losses related to realized gains and losses and changes in the market value of the pooled investment portfolio was a gain of $166.0 million and $85.8 million for 2021 and 2020, respectively. Non-operating revenue for 2020 includes a $416.9 million inherent contribution from business combination which OCF recognized related to the October 2020 OLG acquisition. Non-operating gains and losses for 2020 also include a $6.8 million loss on early extinguishment of debt related to the defeasance of Lafayette General Health System bonds in conjunction with OCF's October 2020 bond offering.

Ratings

On October 1, 2020, Moody's Investors Service, Inc. affirmed its rating for the Bonds of 'A3' with a stable outlook. On October 1, 2020, S&P Global Ratings assigned a rating for the Bonds of 'A' with a stable outlook, consistent with the Issuer Credit Rating of 'A' with a stable outlook affirmed on May 22, 2020.

COVID-19

On March 11, 2020, Governor John Bel Edwards issued a state of emergency due to the COVID-19 pandemic and subsequently issued a stay-at-home order effective March 23, 2020 that included limiting elective medical care and treatment through April 26, 2020. The State of Louisiana began Phase One of reopening on May 15, 2020, followed by Phase Two of the reopening on June 4, 2020 and Phase Three of the reopening on September 11, 2020.

OCF's disaster response team was able to leverage its experiences from prior disasters and respond quickly to the community and patient needs arising from the pandemic by creating capacity to care for these patients by opening additional ICU beds and redeploying staff to care for COVID-19 patients. Physicians, nurses, and support staff transferred from other units to take care of COVID-19 patients in the ICU. Non-clinical team members were redeployed to support the high demand areas. Ochsner's supply chain quickly obtained personal protective equipment and ventilators to ensure an adequate supply. Ochsner's regional referral center provided centralized bed management for all Ochsner hospitals, moving patients between facilities to ensure adequate capacity at each hospital. Ochsner's Center for Outcomes Research developed models to predict hospital utilization and provided daily information that allowed the State of Louisiana to better predict the need for ICU beds and ventilators. Ochsner also worked with federal and state officials to help fund the completion of three previously shelled floors of Ochsner Medical Center's critical care tower that added approximately 100 new ICU beds for COVID-19 patients in July 2020. These additional beds allowed Ochsner to manage both the new uptick of hospitalized COVID-19 patients as well as maintaining normal operations needed to meet the health care needs of the community.

OCF's initial surge of COVID-19 patients in its hospitals and its partner hospitals led to a peak of 1,035 patients on April 7, 2020, going from its first COVID-19 patient to 1,035 COVID-19 patients in just 25 days. OCF experienced four subsequent peaks, the second peak of 427 on July 27, 2020, a third peak of 651 on January 6, 2021, a fourth peak of 1,089 on August 9, 2021, and a fifth peak of 770 on January 11, 2022. Low points in between dropped to approximately 100 or less COVID-19 patients.

At the start of the pandemic OCF took steps to meet patient needs during the stay-at-home order by ramping up virtual visits and testing. Ochsner increased patient availability to urgent care virtual visits through Ochsner Anywhere Care and virtual visits with providers through MyOchsner. Virtual visits went from less than 300 per day before the crisis to almost 4,000 virtual visits per day within a few weeks. Ochsner provided approximately 325,000 virtual visits in 2020, compared to approximately 3,300 in 2019. Ochsner provided approximately 278,000 virtual visits in 2021.

At the end of March 2020, Ochsner began performing COVID-19 testing in house and processed up to 5,500 COVID-19 tests per day. This helped alleviate the backlog of testing available in the region and provided results within 24-72 hours. In April 2020, Ochsner started processing COVID-19 antibody tests. As of December 31, 2021, Ochsner has processed almost1.8 million COVID-19 antigen tests and approximately 65,000 COVID-19 antibody tests.

Ochsner has been a COVID-19 vaccination leader in Louisiana and Mississippi, administering vaccines to employees, patients, and others across Louisiana and Mississippi at its hospitals, clinics, retail pharmacies, and through community vaccination events. Prior to the vaccine distribution, Ochsner's advance preparation included participation in Pfizer studies, pre-ordering appropriate vaccine temperature storage and using lessons learned from offsite COVID-19 community testing. In December 2020, immediately following FDA approval, Ochsner began administering COVID-19 vaccinations. Initially, as prescribed by the State of Louisiana, Ochsner offered vaccines to its employees and other healthcare workers across Louisiana. As COVID-19 vaccine availability increased and the related distribution plan prescribed by the State of Louisiana widened, Ochsner quickly expanded its vaccination efforts. As of December 31, 2021, Ochsner has administered approximately 657,000 COVID-19 vaccinations to approximately 310,000 individuals. Ochsner implemented a vaccination requirement for all employees, physicians, APPs, contracted staff, medical and allied health students, residents, fellows and agency staff to be fully vaccinated by October 29, 2021.

Ochsner continues to ensure it has an adequate supply of personal protective equipment with between a couple months and a year's worth of inventory levels. OCF believes its existing relationships with key vendors will help mitigate supply chain disruptions as a result of business closures, inventory depletion and/or production delays caused by the COVID-19 pandemic.

Ochsner benefited from the suspension of Medicare sequestration, the delay of Disproportionate Share Hospital payments reduction and the 20% add-on to the DRG payment for inpatients admitted with COVID-19. During 2020, OCF received $296.0 million from the CARES Act Medicare Accelerated and Advance Payment Program. Starting in April 2021, Medicare started to recoup the advance payments, and as of December 31, 2021, Ochsner owed $191.2 million related to the advances. Ochsner also received $19.4 million and $211.4 million in 2021 and 2020, respectively, of Provider Relief Funds from the CARES Act. Ochsner is taking advantage of the delayed due dates for paying the employer portion of Social Security tax which will be repaid during 2022. OCF has applied for federal aid from FEMA and received $61.2 million and $68.2 million from FEMA in 2021 and 2020, respectively.

The Department of Health and Human Services ("HHS") continues to issue guidance on the reporting requirements regarding utilization of the funds granted from the Provider Relief Funds under the CARES Act and other legislation. Based on HHS's most recent guidance, Ochsner believes it can retain the Provider Relief Funds and has recognized the full $19.4 million and $211.4 million in Other Operating Revenue during 2021 and 2020, respectively. In the event that future HHS guidance changes or HHS does not agree with Ochsner's calculations, Ochsner could have to refund a portion of these funds. Ochsner is continuing to monitor the reporting requirements as they evolve.

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

Hurricane Ida

On Sunday, August 29, 2021, Hurricane Ida made landfall at Port Fourchon, Louisiana, approximately 50 miles south of New Orleans, Louisiana, as a category 4 hurricane causing catastrophic damage. Over 70 owned and managed facilities suffered damage and a loss of revenue related to the damage. The greatest damage was in the Houma, Louisiana and the Bayou Region, which experienced substantial property damage. All patients, 21 at Ochsner St. Anne Hospital in Raceland, Louisiana, 32 at St. Charles Parish Hospital in Luling, Louisiana, and 41 at Leonard J. Chabert Medical Center in Houma, Louisiana were safely evacuated Monday, August 30th to other Ochsner hospitals within Louisiana. No patients were evacuated from any other Ochsner wholly owned or managed facilities. Ochsner St. Anne Hospital in Raceland, Louisiana reopened in phases between September 7, 2021 through November 5, 2021, St. Charles Parish Hospital in Luling, Louisiana, which is managed by OCF, reopened in phases between September 5, 2021 through September 15, 2021, and Leonard J. Chabert Medical Center in Houma, Louisiana, which is also managed by OCF, reopened in phases between September 9, 2021 through October 15, 2021. The other facilities with property damage reopened in phases between September 6, 2021 through September 13, 2021.

OCF incurred other expenses of approximately $48.6 million during 2021 to respond to the hurricane including supplies, housing, food, fuel, repairs, and other employee assistance. OCF maintains insurance for both property damage and business interruption. OCF continues to work with and has engaged national consulting firms to assist in the insurance claims adjustment and FEMA application processes. Hurricane Ida resulted in property damage to various OCF facilities and negatively impacted OCF's operations and while the recovery efforts are proceeding, the ultimate impact is unknown.

Unrestricted Liquidity and Cash Position

As of December 31, 2021, OCF had unrestricted cash and investments of $2.2 billion which equates to 145 days cash on hand. Unrestricted cash and investments increased by $185.0 million from $2.0 billion Days cash on hand decreased 32 days that included a 48 day decrease due to the increase in expense per day primarily due to OLG expenses being included for the entirety of 2021 but only three months of calendar year 2020. This was slightly offset by a 16 day increase due to an increase of cash on hand. Cash as of December 31, 2021 includes $191.2 million from the CARES Act Medicare Accelerated and Advance Payment Program and $67.0 million from deferred payroll taxes. Excluding these items, OCF cash and investments as of December 31, 2021 was $2.0 billion or 128 days cash on hand versus $1.7 billion or 145 Days Cash on Hand as of December 31, 2020. Approximately $624.4 million or 28.2% of the $2.2 billion of cash and investments is available same day and $1.8 billion or 82.8% of the $2.2 billion of cash and investments is available within 30 days. Sources of cash for 2021 include operating earnings before interest, depreciation and amortization of $430.2 million, which includes $61.2 million from FEMA. Sources of cash also includes a $166.0 million gain on the Pooled Investment Portfolio and an $87.1 million increase in accounts payable. Uses of cash include $308.0 million of cash paid for capital expenditures, $104.8 million of recoupments from the CARES Act Medicare Accelerated and Advance Payment Program, a $14.3 million increase in patient accounts receivable and $52.1 million for business acquisitions. As of December 31, 2021, OCF had $124.4 million of donor restricted investments.

Cash and Investments; Days Cash on Hand

The table below includes Cash and Investments and Days Cash on Hand. Dollar amounts are in thousands.

	Cash and Investments		Days Cash on Hand	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Monthly Liquidity	$1,831,091	$1,651,425	120	144
Liquidity greater than 30 days and less than one year	270,287	198,870	18	17
Locked Up (liquidity one year or more)	110,250	176,293	7	16
Total	$2,211,628	$2,026,588	145	177

Cash as of December 31, 2020 includes $296.0 million from the CARES Act Medicare Accelerated and Advance Payment Program and $67.0 million from deferred payroll taxes. Cash as of December 31, 2021 includes $191.2 million from the CARES Act Medicare Accelerated and Advance Payment Program and $67.0 million from deferred payroll taxes. Excluding these items, OCF Cash and Investments as of December 31, 2021 was $2.0 billion or 128 Days Cash on Hand versus $1.7 billion or 145 Days Cash on Hand as of December 31, 2020.

Debt and Debt Service Coverage

As of December 31, 2021 and 2020, OCF had $1.9 and $2.0 billion in long-term debt outstanding, respectively. The long-term debt to capitalization ratio for OCF was 52.9% in 2021 versus 57.3% in 2020.

Series	Par Amt O/S	Final Maturity	Interest Mode
OCHSNER CLINIC FOUNDATION			
Series 2015 Taxable New Money	252,820,000	5/15/2045	Fixed
Series 2015 Tax Exempt Refunding	101,880,000	5/15/2047	Fixed
Series 2016	154,060,000	5/15/2047	Fixed
Series 2017 New Money	159,310,000	5/15/2046	Fixed
Series 2017 Tax Exempt Refunding	252,185,000	5/15/2042	Fixed
2020 Senior Secured Notes	350,000,000	5/15/2046	Fixed
Series 2020A Tax Exempt Bonds	279,645,000	5/15/2049	Fixed
Series 2020B Tax Exempt 5 Year Put Bonds	105,360,000	5/15/2050	Fixed
March 2013 Note Payable (1)	4,701,811	3/31/2033	Fixed
December 2013 Note Payable (1)	35,547,139	12/31/2028	Fixed
July 2014 Note Payable (1)	59,505,023	8/15/2034	Fixed
September 2018 Promissory Note	27,423,636	9/1/2023	Fixed
2006 Working Capital Note(2)	9,139,289	5/1/2026	Variable
Software, equipment, and other loans(2)	36,607,252	N/A	N/A
Financing Lease Obligations(2)(3)	111,742,669	N/A	N/A
TOTAL	1,939,926,819		

Note:
(1) Not an obligation of a credit group member or a supplemental obligation of the Master Indenture.
(2) Not secured by an Obligation issued under the Master Indenture.
(3) Excludes operating lease liabilities.

Debt Service Coverage Calculation
For the Years Ended December 31, 2021 and 2020
(In Thousands)

	2021	2020
Income Available for Debt Service	$536,204	$411,192
Annual Debt Service	$99,198	$85,625
Annual Debt Service Coverage Ratio	5.4x	4.8x

Ochsner Clinic Foundation and Subsidiaries

Consolidated Statements of Operations
For the Years Ended December 31, 2021 and 2020
($ In Thousands)

	2021	2020	Difference
Revenues:			
Patient service revenue	4,167,785	2,897,546	1,270,239
Premium revenue	435,040	392,525	42,515
Other operating revenue	1,296,062	1,197,084	98,978
Net assets released from restriction used for operations	9,156	7,473	1,683
Total revenues	5,908,043	4,494,628	1,413,415
Expenses:			
Salaries and wages	2,611,017	1,937,321	673,696
Benefits	283,878	205,617	78,261
Medical services to outside providers	215,999	170,078	45,921
Medical supplies and services	1,274,879	940,811	334,068
Other operating expenses	1,092,073	872,003	220,070
Depreciation and amortization	212,354	167,922	44,432
Interest	79,194	65,961	13,233
Total expenses	5,769,394	4,359,713	1,409,681
Income from operations	138,649	134,915	3,734
Non-operating gains (losses):			
Inherent contribution from business combination	-	416,909	(416,909)
Investment and other realized gains - net	103,738	41,276	62,462
Unrealized gains on investments - net	62,282	44,492	17,790
Loss on early extinguishment of debt	-	(6,754)	6,754
Pension credit	1,145	1,543	(398)
Total non-operating gains	167,165	497,466	(330,301)
Excess of revenues over expenses	305,814	632,381	(326,567)
Attributable to noncontrolling interest	686	(372)	1,058
Excess of revenues over expenses attributable to Ochsner Clinic Foundation	$ 306,500	$ 632,009	$ (325,509)

Ochsner Clinic Foundation and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2021 and December 31, 2020

($ In Thousands)

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

Ochsner Clinic Foundation and Subsidiaries
Consolidated Balance Sheets
As of December 31, 2021 and December 31, 2020
($ In Thousands)

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

Ochsner Clinic Foundation

Condensed Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020
(In Thousands)

	2021	2020
Cash Flows from Operating Activities:		
Increase in net assets	$391,543	$ 599,110
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activites:		
Pension related changes other than net periodic pension costs	(66,999)	58,517
Depreciation and amortization	212,354	167,922
Non-cash portion of loss on early extinguishment of debt	-	6,754
Loss from equity-method investment, net of cash received	2,277	8,869
Net realized and unrealized gains on investments	(169,628)	(89,698)
Inherent contribution from business combination	-	(416,909)
Restricted net assets aquired in business combination	-	(1,922)
Non-controlling interest acquired in business combination	-	(1,158)
Other reconciling items, net	1,017	1,029
Changes in operating assets and liabilities, net of acquisitions:		
Patient accounts receivable	(14,333)	(3,933)
Other current and noncurrent assets	(77,836)	(173,005)
Accounts payable	87,086	(1,440)
Accrued expenses and other liabilities	(96,018)	364,631
Net cash provided by operating activities	269,463	518,767
Cash Flows from Investing Activities:		
Purchases of assets whose use is limited and other investments	(694,716)	(1,313,635)
Sales and maturities of assets whose use is limited and other investments	676,243	1,026,648
Capital expenditures	(308,023)	(348,942)
Acquisitions of businesses, net of cash acquired of $4.2 million and $139,080 in 2021 and 2020, respectively	(52,122)	138,739
Other	15,599	24,735
Net cash used in investing activities	(363,019)	(472,455)
Cash Flows from Financing Activities:		
Proceeds (Payments) from line of credit	101,570	(1,000)
Repayment of bonds payable and long-term debt	(29,815)	(326,105)
Proceeds from bonds payable and long-term borrowings	-	772,553
Payments on debt financing costs	-	(7,224)
Payments on finance lease obligations	(14,537)	(14,211)
Proceeds from lease guarantee	13,000	-
Cash contributed from non-controlling interest	482	-
Proceeds from contributions restricted for long-term investments	2,843	2,346
Net cash provided by financing activities	73,543	426,359
Net (decrease) increase in cash, cash equivalents, and restricted cash	(20,013)	472,671
Cash, cash equivalents, and restricted cash, beginning of period	770,709	298,038
Cash, cash equivalents, and restricted cash, end of period	$750,696	$ 770,709

OCHSNER CLINIC FOUNDATION UTILIZATION STATISTICS

	Year Ended		
	2019	2020	2021
Licensed Beds [1]	1,693	2,538	2,533
Average Number of Beds in Use [2]	1,677	2,295	2,380
Discharges Including Newborn	69,749	74,905	100,195
Discharges Excluding Newborn	62,854	67,303	90,087
Observation Cases	19,135	17,441	25,480
Patient Days Including Newborn	349,713	388,948	531,471
Patient Days Excluding Newborn	334,552	373,774	503,423
Average Daily Census [3]	935	1,344	1,379
Percent Occupancy [3]	55.75%	58.56%	57.95%
Average Length of Stay	5.0	5.2	5.3
Adjusted Patient Days [3]	806,524	852,935	1,191,387
Clinic Visits [4]	2,488,343	2,450,593	3,111,137
Clinic RVUs	7,990,377	7,825,717	9,735,322
Unique Clinic Patients [5]	637,151	700,926	845,929
Employed Physician FTEs	1,240	1,350	2,183
Transfers through Regional Referral Center	11,688	12,604	21,484
Inpatient Surgical Procedures	15,688	16,131	20,631
Outpatient Surgical Procedures	45,760	47,567	63,141
Emergency Room Visits	393,998	373,678	537,609
Medicare Case Mix Index	1.95	2.04	1.99

	Licensed Beds [1]	Average Number of Beds in Use [2]	Discharges Including Newborn	Discharges Excluding Newborn	Observation Cases	Patient Days Including Newborn	Patient Days Excluding Newborn	Average Daily Census [3]	Percent Occupancy [3]	Average Length of Stay	Adjusted Patient Days [3]	Inpatient Surgical Procedures	Outpatient Surgical Procedures	Emergency Room Visits	Medicare Case Mix Index
New Orleans South Shore															
Ochsner Medical Center [6]	774	776	27,239	27,239	5,912	179,253	179,253	491	63.26%	6.6	353,282	8,844	15,063	72,886	2.26
Ochsner Baptist Medical Center	123	144	11,186	7,827	2,145	51,922	44,909	123	85.44%	4.6	96,634	1,052	7,313	29,556	1.58
Ochsner Medical Center - West Bank Campus	162	181	7,249	6,573	2,520	34,219	32,834	90	49.70%	4.7	81,296	830	2,711	74,094	1.70
Ochsner Medical Center Kenner	116	118	7,171	6,305	2,084	31,372	29,365	80	68.23%	4.4	80,419	1,130	2,770	53,839	1.82
New Orleans North Shore															
Ochsner Medical Center - North Shore	150	120	3,770	3,770	1,336	18,573	18,573	51	42.40%	4.9	41,280	936	14,342	26,741	1.76
Baton Rouge															
Ochsner Medical Center - Baton Rouge [7]	162	186	9,397	8,019	2,852	36,960	34,208	94	50.39%	3.9	108,327	1,382	5,009	60,000	1.96
Bayou															
Ochsner St. Anne Hospital	35	35	1,813	1,540	520	7,418	6,848	19	53.60%	4.1	31,779	69	905	20,436	1.35
Ochsner St. Mary	164	164	2,231	1,997	356	11,940	11,538	32	19.27%	5.4	32,291	183	713	25,481	1.43
Mississippi Gulf Coast															
Ochsner Medical Center - Hancock	102	47	1,110	928	511	4,081	3,778	10	22.02%	3.7	20,402	177	1,324	19,296	1.65
Acadiana															
Ochsner Lafayette General Medical Center	378	434	22,635	19,495	4,076	116,663	110,003	301	69.44%	5.2	200,064	4,374	2,518	49,501	2.15
Ochsner Acadia General Hospital	113	30	1,537	1,537	662	8,040	1,084	22	73.83%	5.2	29,367	397	1,854	18,842	1.64
Ochsner Lafayette General Orthopedic Center	68	37	1,182	1,182	296	7,518	7,518	21	55.67%	6.4	16,549	684	1,946	21,387	1.72
Ochsner Abrom Kaplan Memorial Hospital	35	22	681	681	138	4,850	4,850	13	60.40%	7.1	14,310	25	418	6,777	1.20
Ochsner St. Martin Hospital	25	24	583	583	251	5,653	5,653	15	64.53%	9.7	26,321	7	239	19,425	1.31
Ochsner Lafayette General Surgical Hospital	10	10	140	140	85	215	215	1	5.89%	1.5	2,767	144	3,706	0	1.48
Ochsner University Hospital & Clinics	116	52	2,271	2,271	1,736	12,794	12,794	35	67.41%	5.6	56,299	397	2,310	39,348	1.71
Total	**2,533**	**2,380**	**100,195**	**90,087**	**25,480**	**531,471**	**503,423**	**1,379**	**57.95%**	**5.3**	**1,191,387**	**20,631**	**63,141**	**537,609**	**1.99**

(1) Data excludes NICU and Nursery beds.

(2) Data excludes Nursery beds, but includes NICU beds, a large number of beds in use will yield an amount greater than the number of licensed beds.

(3) Data excludes Normal Newborn Days.

(4) Data includes physician visits and resident visits.

(5) Data includes the number of patients seen in a 12 months rolling period.

(6) Data includes Ochsner Medical Center, Ochsner West Campus, and Ochsner Hospital for Orthopedics and Sports Medicine.

(7) Data includes Ochsner Medical Center - Baton Rouge and Ochsner Medical Complex - The Grove.

OCHSNER CLINIC FOUNDATION GROSS REVENUE BY PAYOR
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Payor Groupings	**12/31/2021**	**12/31/2020**
Commercial	31%	32%
Managed Medicare	25%	26%
Medicare	19%	19%
Medicaid	21%	19%
Guarantor / Patients / Other	4%	4%
TOTAL	100%	100%

Consolidated Financial Statements

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

Ernst & Young LLP

Building a better
working world

Ochsner Clinic Foundation and Subsidiaries

Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

Contents

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Report of Independent Auditors

The Board of Directors
Ochsner Clinic Foundation and Subsidiaries

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

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Other Information

Management is responsible for the other information. The other information comprises the information included in the annual financial information disclosure but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Ernst & Young LLP

April 22, 2022

Ochsner Clinic Foundation and Subsidiaries

Consolidated Balance Sheets
(In Thousands)

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

Ochsner Clinic Foundation and Subsidiaries

Consolidated Balance Sheets (continued)

(In Thousands)

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

See notes to financial statements.

Ochsner Clinic Foundation and Subsidiaries

Consolidated Statements of Operations
(In Thousands)

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

See notes to financial statements.

Ochsner Clinic Foundation and Subsidiaries

Consolidated Statements of Changes in Net Assets

(In Thousands)

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

See notes to financial statements.

Ochsner Clinic Foundation and Subsidiaries

Consolidated Statements of Cash Flows
(In Thousands)

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

See notes to financial statements.

1. Summary of Significant Accounting Policies

Organization

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

Basis of Presentation and Principles of Consolidation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The consolidated financial statements include the accounts of Ochsner, its wholly owned subsidiaries, and its controlled affiliates.

1. Summary of Significant Accounting Policies (continued)

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

Use of Estimates

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

Cash and Cash Equivalents

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

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

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

1. Summary of Significant Accounting Policies (continued)

Inventories

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

Pledges Receivable

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

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

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

Investments

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

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Assets Limited as to Use

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

Property – Net

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

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

1. Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

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

Goodwill and Intangible Assets

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

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

1. Summary of Significant Accounting Policies (continued)

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

Deferred Revenue

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

Deferred Financing Costs

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

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

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

1. Summary of Significant Accounting Policies (continued)

Accounting for Pension and Other Postretirement Plans

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

Noncontrolling Interest in Consolidated Subsidiaries

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

Net Assets

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

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

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

1. Summary of Significant Accounting Policies (continued)

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

Consolidated Statements of Operations

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

Excess of Revenues Over Expenses

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

Patient Service Revenue

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

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

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Charity Care

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

1. Summary of Significant Accounting Policies (continued)

Community Benefit

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

Other Operating Revenue

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

Medicaid Managed Care Incentive Payment Program

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

Donor-Restricted Gifts

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

1. Summary of Significant Accounting Policies (continued)

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

Fair Value of Financial Instruments Other Than Investments

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

Current Assets and Liabilities

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

Income Taxes

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

Concentration of Credit Risk

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

Risks and Uncertainties

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

1. Summary of Significant Accounting Policies (continued)

Pending Accounting Pronouncements

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

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

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

2. COVID-19 Pandemic

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

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

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

2. COVID-19 Pandemic (continued)

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

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

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

3. Hurricane Impact

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

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

3. Hurricane Impact (continued)

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

4. Business Combinations, Strategic Partnerships, and Affiliation Agreements

Business Combinations

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

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

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

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

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

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

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

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

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

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

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

Strategic Partnerships and Affiliation Agreements

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

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

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

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

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

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

Subsequent Event

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

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

Short-Term Investments

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

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

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

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

Level 3 – Unobservable inputs for the asset or liability.

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

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

Assets and Liabilities Measured at Fair Value

Recurring Fair Value Measurements

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

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

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

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

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

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

6. Patient Service and Premium Revenue

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

Medicare and Medicaid

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

6. Patient Service and Premium Revenue (continued)

The Medicare program's share of direct medical education costs is reimbursed based on a prospectively determined amount per resident. Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined per diem rates. Outpatient services rendered to Medicaid program beneficiaries are reimbursed either on a cost basis subject to certain limits or on a prospectively determined amount per procedure.

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

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

Medicaid Supplemental Payment Program

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

6. Patient Service and Premium Revenue (continued)

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

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

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

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

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

6. Patient Service and Premium Revenue (continued)

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

Humana Inc.

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

Managed Care

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

6. Patient Service and Premium Revenue (continued)

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

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

7. Patient Accounts Receivable

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

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

8. Liquidity and Availability

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

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

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

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

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

9. Property – Net

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

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

9. Property – Net (continued)

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

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

10. Goodwill and Intangible Assets

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

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

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

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

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

10. Goodwill and Intangible Assets (continued)

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

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

11. Notes Payable

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

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

12. Bonds Payable

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

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

12. Bonds Payable (continued)

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

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

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

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

13. Long-Term Debt

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

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

St. Anne

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

13. Long-Term Debt (continued)

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

March 2013 Note Payable

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

December 2013 Note Payable

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

July 2014 Note Payable

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

13. Long-Term Debt (continued)

September 2018 Promissory Note

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

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

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

14. Employee Benefit Plans

Defined Benefit Pension Plan

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

14. Employee Benefit Plans (continued)

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

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

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

14. Employee Benefit Plans (continued)

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

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

	2021	2020
Weighted average discount rate	2.82%	2.48%

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

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

14. Employee Benefit Plans (continued)

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

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

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

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

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

14. Employee Benefit Plans (continued)

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

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

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

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

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

14. Employee Benefit Plans (continued)

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

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

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

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

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

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

14. Employee Benefit Plans (continued)

Defined Contribution Plans

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

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

15. Endowment Funds and Net Assets With Donor Restrictions

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

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

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

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

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

Restricted Net Assets as of December 31, by Purpose

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

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

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

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

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

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

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

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

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

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

Funds With Deficiencies

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

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

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

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

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

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

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

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

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

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

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

Supplemental cash flow information:

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

17. Electronic Health Records Services Agreements

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

18. Ochsner Health Plan

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

19. Leases

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

19. Leases (continued)

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

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

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

Lease Costs

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

19. Leases (continued)

Maturities of Lease Liabilities

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

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

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

19. Leases (continued)

Supplemental cash flow information related to leases is as follows:

> Cash paid for amounts included in the measurement of operating lease liabilities was $123.3 million and $60.8 million in operating cash outflows for operating leases for the years ended December 31, 2021 and 2020, respectively.
>
> Right-of-use assets obtained in exchange for lease obligations were $171.8 million and $52.8 million in operating leases for the years ended December 31, 2021 and 2020, respectively.

Operating Leases – Lessor

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

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

20. Functional Expenses

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

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

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

21. Supplemental Disclosures of Cash Flow Information

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

22. Commitments and Contingencies

Professional and General Liability Insurance

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

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

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

22. Commitments and Contingencies (continued)

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

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

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

22. Commitments and Contingencies (continued)

Estimated Workers' Compensation and Employee Health Claims

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

Property Insurance

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

Contingencies

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

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

22. Commitments and Contingencies (continued)

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

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

Commitments

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

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

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

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

23. Subsequent Events

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

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