Provide a timeline of when the unit will be delivered, installed, etc.

- Provide year 2027 utilization numbers.
- Do you plan to see utilization increase or decrease?
- The quote on the intuitive data states 3/31/24. Is this still valid?
- On divider three, only question 3 needs to be completed. Please refer to our regulations for the minimum utilization standard.
- The application does not appear to provide documentation for divider four, question 1. 19 CSR 60-50.470 (2) Document that sufficient financing will be available to assure completion of the project by providing a letter from a financial institution saying it is willing to finance the project, or an auditor's statement that unrestricted funds are available for the project.
- Years 2021 and 2028 were not included in the Revenues and Expenses form. Provide utilization projections and revenues for these years.
- Were cents included on the revenues and expenses page?
- The utilization projections provided in Divider II, #12 show 321, 365, and 457 for years 2021-2023; however, on the Revenues and Expenses form utilization for the previous three years is: 2021 not provided, 363, and 456? These should match.
- The utilization projections provided in Divider II, #12 show 837, 920, and not provided for years 2025-2027; however, on the Revenues and Expenses form utilization for the future three years is: 1,506, 1,626, and 1,693? These should match.

This information is needed by Thursday, May 23, 2024.

Mackinzey Fick **(Name change from Lux to Fick)**
Assistant Program Coordinator, Certificate of Need
Department of Health and Senior Services
920 Wildwood Drive, P.O. Box 570
Jefferson City, MO 65102
OFFICE: 573-751-6403
FAX: 573-751-7894
EMAIL: mackinzey.fick@health.mo.gov
http://health.mo.gov/information/boards/certificateofneed/index.php

From:	Zorn, Bonnie on behalf of Herr, Michael
To:	Fick, Mackinzey
Cc:	Herr, Michael; Zorn, Bonnie; Newby, Christopher
Subject:	RE: CON 6100 HS
Date:	Thursday, May 23, 2024 3:23:11 PM
Attachments:	CON App MHJoplin Proj 6100-HS updtd.pdf
Importance:	High

Hello MacKinzey,

Updated CON Application with the information as requested below and per our phone conversation has been added to our CON application. Please know if anything else is needed.

***Michael Herr*, COO**

Mercy Hospital Joplin
100 Mercy Way Suite 230 | Joplin, MO 64804
Office: 417-556-2444 | Mobile: 417-437-5473 | Fax: 417-556-2807
Email: 702-612-9581michael.herr@mercy.net

From: Fick, Mackinzey <Mackinzey.Fick@health.mo.gov>
Sent: Monday, May 13, 2024 4:36 PM
To: Herr, Michael <Michael.Herr@Mercy.Net>
Subject: CON 6100

Michael,

After reviewing your application, some additional information is needed.

- On divider two, questions 11 & 12 must be completed, and copies of these documents must be provided. 19 CSR 60-50.430 (6) Document that providers of similar health services in the proposed service area have been notified of the application by a public notice in the local newspaper of general circulation before it was filed with the CON Program by the applicant.
- Provide a registered representative form for Michael Herr.

Certificate of Need Program

NEW OR ADDITIONAL EQUIPMENT APPLICATION

Applicant's Completeness Checklist and Table of Contents

Project Name: Mercy Hospital Joplin

Project No: 6100-HS

Project Description: add second da Vnci Xi System

Certificate of Need Program

REPRESENTATIVE REGISTRATION

*(A registration form must be completed for **each** project presented.)*

Project Name	Number
Mercy Hospital Joplin - Add Second da Vinci Xi System	6100 HS

(Please type or print legibly.)

Name of Representative	Title
Michael Herr	COO - Mercy Hospital Joplin

Firm/Corporation/Association of Representative (may be different from below, e.g., law firm, consultant, other)	Telephone Number
Mercy Hospital Joplin	417-556-2444

Address (Street/City/State/Zip Code)

100 Mercy Way / Joplin / MO / 64804

Who's interests are being represented?
(If more than one, submit a separate Representative Registration Form for each.)

Name of Individual/Agency/Corporation/Organization being Represented	Telephone Number

Address (Street/City/State/Zip Code)

Check one. Do you:

- ☑ Support
- ☐ Oppose
- ☐ Neutral

Relationship to Project:

- ☐ None
- ☑ Employee
- ☐ Legal Counsel
- ☐ Consultant
- ☐ Lobbyist
- ☐ Other (explain):

Other Information:

I attest that to the best of my belief and knowledge the testimony and information presented by me is truthful, represents factual information, and is in compliance with §197.326.1 RSMo which says: *Any person who is paid either as part of his normal employment or as a lobbyist to support or oppose any project before the health facilities review committee shall register as a lobbyist pursuant to chapter 105 RSMo, and shall also register with the staff of the health facilities review committee for every project in which such person has an interest and indicate whether such person supports or opposes the named project. The registration shall also include the names and addresses of any person, firm, corporation or association that the person registering represents in relation to the named project. Any person violating the provisions of this subsection shall be subject to the penalties specified in § 105.478, RSMo.*

Original Signature	Date
	5/17/24

MO 580-1869 (11/01)

DIVIDER II

PROPOSAL DESCRIPTION

DIVIDER II. PROPOSAL DESCRIPTION:

1. **PROVIDE A COMPLETE DETAILED PROJECT DESCRIPTION AND INCLUDE EQUIPMENT BID QUOTES.**

   Project includes acquisition of a second *daVinci Xi* Robotic System to support our robotic platform in surgical and cancer care at Mercy Joplin. This equipment acquisition will also serve as a bridge in accomplishing increased access of current robotic equipment to support robotic surgical care in the specialties of General Surgery, OB/GYN Surgery, Urological Surgery and Cardiothoracic Surgery. The cost for acquisition of all associated medical equipment is $2,150,750 and total cost for the proposed acquisition is $2,150,750.

   New equipment is needed to support the Ministry's initiative of expanding minimally invasive surgery for patients. Minimally invasive surgery reduces length of stay, improves patient outcomes and recovery, and reduces potential for surgical site infections. The Xi platform uses a magnified 3D HD vision, endowrist instrumentation and intuitive motion with enhanced ergonomics to deliver the best and most advanced patient care. Energy sources are integrated into the platform eliminating the need for additional equipment in the room. The addition of this equipment will increase access to robotic care for patients as well as improve efficiency for better patient flow and outcomes.

   See attached quotes. The Intuitive Surgical daVinci Xi System equipment cost is $2,150,750.

2. **PROVIDE A TIMELINE OF EVENTS FOR THE PROJECT FROM CON ISSUANCE THROUGH PROJECT COMPLETION**
   Upon receiving CON Issuance in July 2024 Mercy Hospital Joplin would propose to purchase the second da Vinci Xi Surgical Platform in our FY2025 2nd quarter of October through December 2024. Intuitive Lead time for delivery of the Xi platform is 2-4 weeks and Mercy Joplin would anticipate having the second da Vinci Xi Surgical Platform in utilization in January of 2025.

3. **PROVIDE A LEGIBLE CITY OR COUNTY MAP SHOWING THE EXACT LOCATION OF THE PROJECT.**

   The new unit will be located within the operating suites at Mercy Hospital Joplin, 100 Mercy Way, Joplin, Missouri. A map of Mercy's service areas is attached.

7. IDENTIFY SPECIFIC COMMUNITY PROBLEMS OR UNMET NEEDS THE PROPOSAL WOULD ADDRESS.

This addition of this second da Vinci Xi system will enhance the level of technology and availability to patients that reside in Mercy Joplin's Service area. It will support the increase in minimally invasive surgeries and decrease delays in access to the advanced technology for the patients we serve.

8. PROVIDE HISTORICAL UTILIZATION FOR EACH OF THE PAST THREE YEARS AND UTILIZATION PROJECTIONS THROUGH THE FIRST THREE FULL YEARS OF OPERATION OF THE NEW EQUIPMENT.

FY2021	321
FY2022	365
FY2023	457

Projected:

FY2026	920
FY2027	967
FY2028	1015

9. PROVIDE THE METHODS AND ASSUMPTIONS USED TO PROJECT UTILIZATION.

Mercy Hospital Joplin uses a fiscal year reporting period that runs from July 1 – June 30. All utilization quantities and projections are based on this reporting method.

In order to project utilization, historical procedure trends were reviewed. Also, these projections take into consideration the upward trend in cancer care surgical specialty. Numbers projected are considered conservative as it does not include expansion into other surgical specialties such as Colorectal, OB/GYN and Bariatrics, which is planned as a future expansion opportunity. However, with current equipment, expansion opportunities do not exist with access restraints. Projected growth also includes additional payor contracts that have gone into effect recently for Mercy Joplin.

10. **DOCUMENT THAT CONSUMER NEEDS AND PREFERENCES HAVE BEEN INCLUDED IN PLANNING THIS PROJECT AND DESCRIBE HOW CONSUMERS HAD AN OPPORTUNITY TO PROVIDE INPUT.**

There has not been any direct new releases to patients, however minimally invasive surgery is on the rise. It reduces length of stay, improves patient outcomes and recovery and reduces potential for surgical site infections. Data supports these statements and gives reasoning behind this request in our strategic planning as a Ministry. Also, the movement of robotic services to an outpatient setting, when possible, will increase patient satisfaction and efficiency for better patient flow.

Increasing access within the facility will allow new physician recruitment and expansion of surgical service lines.

11. **PROVIDE COPIES OF ANY PETITIONS, LETTERS OF SUPPORT OR OPPOSITION RECEIVED.**

There is no known opposition to the proposed request. Letters of support to move forward with this technology are attached.

12. **DOCUMENT THAT PROVIDERS OF ALL AFFECTED FACILITIES IN THE PROPOSED SERVICE WERE ADDRESSED LETTERS REGARDING THE APPLICATION.**

See attached letter to Freeman Health Systems. Freeman Hospital is the only competing Robotic Surgical Program in our immediate service area and therefore is the only Hospital to receive a letter identifying our intent to purchase a second da Vinci Xi System.

DIVIDER III. COMMUNITY NEED CRITERIA AND STANDARDS:

1. **FOR NEW UNITS, ADDRESS THE MINIMUM ANNUAL UTILIZATION STANDARD FOR THE PROPOSED GEOGRAPHIC SERVICE AREA.**

   The minimal annual utilization standard specifically for robotic systems is 240 cases. Mercy Hospital Joplin case volumes as listed under Divider II, Section 7 and are well above the minimal utilization standard. The projected volumes will be distributed between multiple surgical specialties at Mercy Hospital Joplin. The Mercy Ministry initiative to move more surgeries to minimally invasive creates a substantial need for this request as there are access issues and restraints with current equipment. The increase in robotically trained physician recruits to serve patients also adds necessity to this request.

2. **FOR ANY NEW UNIT WHERE SPECIFIC NEED AND UTILIZATION STAND ARDS ARE NOT LISTED, PROVIDE THE METHODOLOGY FOR DETERMINING NEED.**

   Mercy has committed to provide the highest level of care and in our role as a major referral center, Mercy invests significant time and energy into the annual planning and budgeting process and plan development. Recommendations are reviewed and prioritized to deem financial projects most impactful to patients. As a Ministry, a key initiative is to expand minimally invasive surgeries to patients to provide the highest patient satisfaction and the best patient care. This project aligns with the Ministry's goals and initiatives..

3. **FOR ADDITIONAL UNITS, DOCUMENT COMPLIANCE WITH THE OPTIMAL UTILIZATION STANDARD, AND IF NOT ACHIEVED, PROVIDE DOCUMENTATION TO JUSTIFY ADDITIONAL UNIT.**

   Questions 1 and 2 are applicable for this question.

4. **FOR EVOLVING TECHNOLOGY ADDRESS THE FOLLOWING.**

   Not applicable. This is not considered evolving technology.

Consolidated Financial Statements

Mercy Health
Years Ended June 30, 2023 and 2022
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

Mercy Health

Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

Contents

2308-4316470

Building a better working world

Ernst & Young LLP
Suite 2600
7676 Forsyth Boulevard
St. Louis, MO 63105

Tel: +1 314 290 1000
ey.com

Report of Independent Auditors

The Board of Directors
Mercy Health

Opinion

We have audited the consolidated financial statements of Mercy Health, which comprise the consolidated balance sheets as of June 30, 2023 and 2022, 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 Mercy Health as of June 30, 2023 and 2022, 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 Mercy Health 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 Mercy Health's ability to continue as a going concern for one year after the date that the financial statements are issued.

Building a better working world

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 Mercy Health'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 Mercy Health'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.

Ernst + Young LLP

September 13, 2023

Mercy Health

Consolidated Balance Sheets
(In Thousands)

	June 30 2023	June 30 2022
Assets		
Current assets:		
Cash and cash equivalents	$ **529,638**	$ 766,187
Accounts receivable, net	**830,562**	847,319
Inventories	**133,162**	131,315
Short-term investments	**46,883**	46,421
Other current assets	**198,850**	131,922
Total current assets	**1,739,095**	1,923,164
Investments	**3,392,083**	3,366,968
Property and equipment, net	**3,455,079**	3,362,960
Other assets	**895,036**	886,149
Total assets	$ **9,481,293**	$ 9,539,241
Liabilities and net assets		
Current liabilities:		
Current maturities of long-term obligations	$ **29,558**	$ 32,709
Accounts payable	**445,718**	459,449
Accrued payroll and related liabilities	**502,586**	499,880
Accrued liabilities and other	**440,021**	628,273
Total current liabilities	**1,417,883**	1,620,311
Insurance reserves and other liabilities	**669,710**	650,023
Pension liabilities	**231,654**	269,048
Long-term obligations, less current maturities	**2,173,361**	2,198,157
Total liabilities	**4,492,608**	4,737,539
Net assets:		
Without donor restrictions	**4,806,304**	4,626,359
With donor restrictions	**182,381**	175,343
Total net assets	**4,988,685**	4,801,702
Total liabilities and net assets	$ **9,481,293**	$ 9,539,241

See accompanying notes.

Mercy Health

Consolidated Statements of Operations
(In Thousands)

	Year Ended June 30	
	2023	**2022**
Operating revenues:		
Patient service revenues	**$ 7,312,620**	$ 6,741,659
Capitation revenues	**237,392**	227,616
Other operating revenues	**468,384**	500,264
Total operating revenues	**8,018,396**	7,469,539
Operating expenses:		
Salaries and benefits	**4,559,367**	4,329,054
Supplies and other	**2,936,005**	2,674,241
Medical claims expense	**102,682**	93,313
Interest	**75,230**	67,889
Depreciation and amortization	**314,332**	310,884
Impairment and severance	**18,979**	7,774
Total operating expenses	**8,006,595**	7,483,155
Operating gain (loss)	**11,801**	(13,616)
Nonoperating gains (losses):		
Investment returns, net	**101,582**	(305,539)
Realized and unrealized gains on interest rate swaps, net	**16,937**	31,300
Other, net	**(25,944)**	(11,429)
Total nonoperating gains (losses), net	**92,575**	(285,668)
Excess (deficit) of revenues over expenses	**104,376**	(299,284)
Other changes in net assets without donor restrictions:		
Pension liability adjustments	**49,227**	41,296
Net assets released from restrictions for property acquisitions	**22,424**	15,991
Other	**3,919**	1,701
Increase (decrease) in net assets without donor restrictions	**$ 179,946**	$ (240,296)

See accompanying notes.

Mercy Health

Consolidated Statements of Changes in Net Assets
(In Thousands)

	Year Ended June 30 2023	Year Ended June 30 2022
Increase (decrease) in net assets without donor restrictions	**$ 179,946**	$ (240,296)
Net assets with donor restrictions:		
Pledges, bequests, and gifts for specific purposes	**37,400**	38,004
Investment returns, net	**26**	(3,995)
Net assets released from restrictions	**(22,424)**	(15,991)
Other	**(7,965)**	(9,029)
Increase (decrease) in net assets without donor restrictions	**7,037**	8,989
Increase (decrease) in net assets	**186,983**	(231,307)
Net assets at beginning of year	**4,801,702**	5,033,009
Net assets at end of year	**$ 4,988,685**	$ 4,801,702

See accompanying notes.

Mercy Health

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended June 30	
	2023	**2022**
Operating activities		
Increase (decrease) in net assets	$ **186,983**	$ (231,307)
Adjustments to reconcile (increase) decrease in net assets to net cash provided by (used in) operating activities:		
Impairment expense	**11,877**	–
Pension liability adjustments	**(49,227)**	(41,296)
Pledges, bequests, and gifts for specific purposes	**(37,400)**	(38,004)
Unrealized gain on interest rate swap	**(18,778)**	(42,837)
Depreciation and amortization	**314,332**	310,884
Changes in assets and liabilities:		
Accounts receivable	**16,757**	(93,631)
Investments classified as trading	**84,043**	(7,732)
Inventories and other current assets	**(68,776)**	(37,419)
Accounts payable	**(20,780)**	132,649
Accrued liabilities and other	**(185,901)**	(416,657)
Insurance reserves and other liabilities	**(19,401)**	(168,458)
Net cash provided by (used in) operating activities	**213,729**	(633,808)
Investing activities		
Additions to property and equipment, net	**(390,992)**	(341,503)
Net change in other assets	**33,199**	115,014
Net change in alternative investments	**(137,308)**	70,049
Net cash used in investing activities	**(495,101)**	(156,440)
Financing activities		
Proceeds from issuance of long-term debt, net of original issue discount/premium and financing costs	**374,940**	–
Principal payments on long-term obligations	**(411,296)**	(37,836)
Pledges, bequests, and gifts for specific purposes	**37,400**	38,004
Net cash provided by financing activities	**1,044**	168
Net decrease in cash and cash equivalents and restricted cash	**(280,328)**	(790,080)
Cash and cash equivalents and restricted cash at beginning of year	**994,153**	1,784,233
Cash and cash equivalents and restricted cash at end of year	$ **713,825**	$ 994,153
Supplemental disclosures		
Cash and cash equivalents	$ **529,638**	$ 766,187
Restricted cash included in other assets	**1,070**	17,160
Restricted cash included in investments	**183,118**	210,806
Total cash and cash equivalents and restricted cash and cash equivalents	$ **713,826**	$ 994,153
Cash paid for interest	$ **85,951**	$ 76,611

See accompanying notes.

1. Organization

Mercy Health (Mercy) was incorporated in September 1986 and is the sole corporate member of various health care corporations. Mercy is sponsored by Mercy Health Ministry, a Public Juridic Person whose board members include Sisters of Mercy and lay leaders. Prior to sponsorship by Mercy Health Ministry, Mercy was sponsored by the Institute of the Sisters of Mercy of the Americas, Regional Community of St. Louis, a religious order of the Roman Catholic Church.

Mercy and each of its subsidiaries listed below are incorporated as not-for-profit corporations under the laws of the state of incorporation and are tax-exempt organizations as described in Section 501(c)(3) of the Internal Revenue Code (the Code).

Mercy's ministry office (headquarters) is located in St. Louis, Missouri. The Health System (Health System) is comprised of the following corporations and their subsidiaries:

- Mercy Health; St. Louis, Missouri
- Mercy Health Fort Smith Communities; Fort Smith, Arkansas
- Mercy Health Northwest Arkansas Communities; Rogers, Arkansas
- Mercy Health East Communities; St. Louis, Missouri
- Mercy Health Springfield Communities; Springfield, Missouri
- Mercy Health Oklahoma Communities, Inc.; Oklahoma City and Ardmore, Oklahoma
- Mercy Health Southwest Missouri/Kansas Communities and Joplin, Missouri

All significant intercompany transactions and balances have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding amounts classified as investments, are considered cash equivalents. Cash equivalents are recorded at fair value on the consolidated balance sheets and exclude amounts held for long-term investment purposes and collateral posted on interest rate swap agreements, as those amounts are commingled with investments and other assets, respectively. The Health System routinely invests in money market mutual funds. These funds generally invest in highly liquid U.S. government and agency obligations. Financial instruments that potentially subject the Health System to concentrations of credit risk include the Health System's cash and cash equivalents. The Health System places its cash and cash equivalents with institutions with high credit quality. However, at certain times, such cash and cash equivalents are in excess of government-provided insurance limits.

Inventories

Inventories, which consist principally of medical supplies and pharmaceuticals, are stated at the lower of cost or market. Cost is determined principally using the average cost method.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair value at the date of receipt.

Depreciation is provided using the straight-line method over the estimated useful lives of land and leasehold improvements, buildings, and equipment. The estimated useful lives are as follows: land and leasehold improvements, 2 to 40 years; buildings, 3 to 80 years; and equipment, 2 to 20 years.

Property and equipment under financing lease obligations are amortized using the straight-line method over the lease term or the estimated useful life of the leased asset, whichever period is shorter. Such amortization is included with depreciation on the accompanying consolidated statements of operations.

2. Summary of Significant Accounting Policies (continued)

COVID-19

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which has provided economic assistance to a wide array of industries, including health care. The Health System recognized $29.8 million and $136.1 million of Provider Relief Funds, which are recorded in other operating revenues in fiscal years 2023 and 2022, respectively. Mercy received other CARES Act funding in addition to the Provider Relief Funds, which are not material.

In April 2020, the Health System requested Medicare advance payments from the Centers for Medicare & Medicaid Services' (CMS) Accelerated and Advance Payment Program (Program) designed to increase cash flow to Medicare providers and suppliers impacted by COVID-19. The Health System received $649.9 million in April 2020. CMS began to recoup these advanced payments in April 2021 and recouped $384.6 million during the year ended June 30, 2022 and the remaining $197.2 million recouped in the year ended June 30, 2023.

The Health System has elected to defer the deposit and payment of the employer's share of Social Security taxes allowed under the CARES Act. As of June 30, 2022, the Health System had $52.6 million of remaining deferred payments included in accrued payroll and related liabilities on the accompanying consolidated balance sheet. The Health System paid the remaining $52.6 million in fiscal year 2023.

Asset Impairment

The Health System periodically evaluates the carrying value of its long-lived assets for impairment when indicators of impairment are identified. These evaluations are primarily based on the estimated recoverability of the assets' carrying value based on undiscounted cash flows. Impairment write-downs are recognized in operating income at the time the impairment is identified.

2. Summary of Significant Accounting Policies (continued)

Investments in Unconsolidated Affiliates

The equity method of accounting is used for investments in unconsolidated affiliates where the Health System does not have significant control or where ownership is 50% or less. The equity income or loss on these investments is recorded in other operating revenues on the accompanying consolidated statements of operations.

Goodwill

The Health System records goodwill arising from a business combination as the excess of purchase price and related costs over the fair value of identifiable tangible and intangible assets acquired and liabilities assumed. The Health System annually reviews the carrying value of goodwill for impairment. In addition, a goodwill impairment assessment is performed whenever circumstances indicate a potential impairment may exist. If such circumstances suggest that the recorded amounts of any of these assets cannot be recovered, the carrying values of such assets are reduced to fair value. If the carrying value of any of these assets is impaired, a charge may be incurred to results of operations.

Net Assets

The Health System's net assets and activities are classified into two classes, with or without donor restrictions, based on the existence or absence of donor-imposed restrictions. The general nature of the donor restrictions is to support the Health System's indigent care mission and health education programs and to assist with capital projects.

Patient Service Revenues and Patient Accounts Receivable

Patient service revenues and patient accounts receivable are reported at the amount that reflects the consideration to which the Health System expects to be entitled in exchange for providing patient care.

2. Summary of Significant Accounting Policies (continued)

Capitation Revenues and Medical Claims Expense

Mercy has entered into various risk-based contracts with certain health maintenance organizations (HMOs). Under these arrangements, Mercy receives capitated payments based on the demographic characteristics of covered members in exchange for agreeing to provide certain medical services to those members. These payments are reflected as capitation revenues on the accompanying consolidated statements of operations. Mercy recognizes medical claims expense for services provided to members from out-of-network providers. The medical claims expense represents claims paid, claims reported but not yet paid, and an estimate of claims incurred but not reported (IBNR). The claims IBNR amount is estimated based upon prior experience modified for current trends. The claims IBNR amount was $14.6 million and $17.9 million at June 30, 2023 and 2022, respectively, and was included in accrued liabilities and other on the accompanying consolidated balance sheets.

Services to the Community

In support of its mission, the Health System provides care to patients who personally bear a significant financial burden relative to their health care services and are deemed to be medically indigent. Traditional charity care includes the cost of services provided to persons who cannot afford health care because of the financial burden of the health care services and/or who are uninsured or underinsured. Traditional charity care also includes services for which the patient may not participate in the charity care process but is otherwise deemed to meet the Health System's charity care policy.

Because the Health System does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as patient service revenue. The cost of traditional charity care was $121.3 million and $134.6 million in 2023 and 2022, respectively. The Health System estimates cost of charity care using a calculated ratio of costs to charges by hospital and clinic and applies that ratio to the relevant gross charges.

2. Summary of Significant Accounting Policies (continued)

Health care services to patients under government programs, such as Medicare and Medicaid, are also considered part of the Health System's benefit provided to the community, since a portion of such services is reimbursed at amounts less than cost. In addition, the Health System maintains community benefit programs designed to positively impact the health status of the communities served. These services include various clinics and outreach programs (designed to deliver health care services to underserved communities), medical education and research activities, and direct cash and in-kind charitable contributions.

These community benefit programs also include the activities of Mercy Ministries of Laredo, Mercy Caritas, Catherine's Fund, and Mercy Family Center, which are administered by the Health System. These programs finance charitable activities to help meet the needs of the poor and sick.

Investments

Investments include assets set aside through resolution by the Board of Directors for future long-term purposes. In addition, investments include amounts contributed by donors with stipulated restrictions. Investments also include amounts held by trustees under bond indenture agreements, as well as amounts held under the terms of other trust agreements. These assets include investments in equity securities and debt securities, which are measured at fair value. The cost of securities sold is based on the specific-identification method. The Health System accounts for its ownership interest in alternative investments based on the net asset value (NAV). Management has utilized the best available information for reported alternative investment values, which in some instances are valuations as of an interim date.

For purposes of recognizing investment returns as a component of excess (deficit) of revenues over expenses, substantially all investments, other than alternative investments, are considered to be trading securities. Investment returns arising from donor-restricted resources are reported as a direct increase or decrease in net assets with donor restrictions on the accompanying consolidated statements of changes in net assets, consistent with the donors' restrictions. In addition, a portion of investments is used to fund payments of professional liability claims and, as a result, the investment returns related to the amount of investments expected to settle the professional liability are included in other operating revenues within the accompanying consolidated statements of operations. All other investment returns, including alternative investments, are included in

2. Summary of Significant Accounting Policies (continued)

nonoperating gains and losses on the accompanying consolidated statements of operations. In addition, cash flows from the purchases and sales of marketable securities designated as trading are reported as a component of operating activities on the accompanying consolidated statements of cash flows.

Derivative Financial Instruments

Derivative financial instruments are contracts between the Health System and a third party (counterparty) that provide for economic payments between the parties based on changes in a defined market security or index or combination thereof. The Health System's derivative financial instruments are primarily interest rate swap agreements utilized as part of its debt management process. The Health System recognizes all derivative financial instruments as either assets or liabilities on the accompanying consolidated balance sheets at fair value. The Health System does not offset fair value amounts recognized for derivative financial instruments or fair value amounts posted as cash collateral. The Health System does not account for any of its interest rate swap agreements as hedges and, accordingly, realized and unrealized gains (losses) and net settlement payments are reflected as a component of nonoperating gains and losses on the accompanying consolidated statements of operations.

Pledges, Bequests, and Gifts for Specific Purposes

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. Gifts are recorded as an increase in net assets with donor restrictions if they are received with donor stipulations that limit the use of the assets. Upon expenditure in accordance with a donor's restrictions and when the asset is placed in service, net assets restricted for capital acquisitions are reported as direct additions to net assets without donor restrictions, and assets restricted for operating purposes are reported as an increase in other operating revenues. Donor-restricted contributions for operating purposes whose restrictions are met within the same year as received, and contributions received by donors without restrictions, are reflected as other operating revenues on the accompanying consolidated statements of operations.

2. Summary of Significant Accounting Policies (continued)

Operating Indicator

The Health System's operating indicator operating gain (loss) includes all revenue, gains and other support, and expenses directly related to the health care operations during the reporting period. The operating indicator excludes nonoperating gains and losses, pension liability adjustments, and net assets released from restrictions for property acquisitions.

Performance Indicator

The Health System's performance indicator, excess (deficit) of revenues over expenses, includes all changes in net assets without donor restrictions other than pension liability adjustments, and net assets released from restrictions for property acquisitions.

Operating and Nonoperating Gains (Losses)

The Health System's primary mission is to meet the health care needs in its market areas by providing general health care services to residents within communities served, including acute inpatient, subacute inpatient, physician, outpatient, ambulatory, and home care, as well as related general and administrative services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to the Health System's primary mission are considered to be nonoperating. Nonoperating activities include net investment returns, excluding the estimated earnings related to the investments attributed to professional liabilities, pension liability adjustments, and net realized and unrealized gains (losses) on interest rate swaps.

Use of Estimates

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

2. Summary of Significant Accounting Policies (continued)

Federal Income Tax

Primarily all of the Health System entities are recognized by the Internal Revenue Service (IRS) as exempt from federal income tax under Section 501(a) of the Internal Revenue Code as charitable organizations qualifying under Internal Revenue Code Section 501(c)(3), by virtue of IRS determination letters or inclusion in the Official Catholic Directory. The Health System completed an analysis of its tax positions in accordance with applicable accounting guidance and determined that no amounts were required to be recognized on the consolidated financial statements at June 30, 2023 or 2022.

3. Patient Service Revenue and Patient Receivables

Patient service revenue is reported at the amount that reflects the consideration the Health System expects to be paid for providing patient care. Revenue is recognized as performance obligations, based on the nature of the services provided by the Health System, are satisfied. Performance obligations satisfied over time relate to patients receiving inpatient acute care services from admission to the point when services are no longer required, which is generally at the time of discharge. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. Outpatient services are performance obligations satisfied at a point in time and revenue is recognized when goods or services are provided and the Health System does not believe it is required to provide additional goods or services. Management believes this method provides a fair depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations.

The Health System has elected to apply the optional exception provided in FASB ASC 606-10-50-14(a), because substantially all of its performance obligations relate to contracts with a duration of less than one year. Therefore, the Health System is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially satisfied 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.

3. Patient Service Revenue and Patient Receivables (continued)

The Health System uses a portfolio approach to account for categories of patient contracts as a collective group, rather than recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for inpatient revenue and outpatient revenue. Based on the historical collection trends and other analysis, the Health System believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

The Health System determines the transaction price, which involves significant estimates and judgment, based on standard charges for goods and services provided, reduced by explicit and implicit price concessions, including contractual adjustments provided to third-party payors, discounts provided to uninsured and underinsured patients in accordance with policy, and/or implicit price concessions based on the historical collection experience of patient accounts. The Health System determines the transaction price associated with services provided to patients who have third-party payor coverage with Medicare, Medicaid, managed care programs, and other third-party payors based on reimbursement terms per contractual agreements, discount policies, and historical experience. Payment arrangements with those payors include prospectively determined rates per admission or visit, reimbursed costs, discounted charges, per diem rates, and value-based payments. Reported costs and/or services provided under certain of the arrangements are subject to retroactive audit and adjustment. Patient service revenues (net of contractuals and discounts) are recorded during the period the health care services are provided and are reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Estimates of contractual allowances under managed care health plans are based upon the services provided, historical payment rates, and the payment terms specified in the related contractual agreements. Revenues related to uninsured patients have discounts applied in accordance with the Health System's policy. Patient service revenues decreased by approximately $35.3 million in 2023 and $28.1 million in 2022 due to revised estimates consisting primarily of retroactive third-party adjustments for years that are subject to audits, reviews, and investigations.

(Tables in Thousands)

3. Patient Service Revenue and Patient Receivables (continued)

The following is a summary of the Health System's patient service revenues by major payor source, net of price concessions, for the years ended June 30:

	2023	2022
Medicare	**$ 3,153,732**	$ 2,863,624
Medicaid	**758,962**	650,814
Managed care/other	**3,328,102**	3,187,078
Self-pay	**71,824**	40,143
	$ 7,312,620	$ 6,741,659

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Noncompliance with Medicare and Medicaid laws and regulations can make the Health System subject to significant regulatory action, including substantial fines and penalties, as well as exclusion from the Medicare and Medicaid programs.

The Health System provides health care services through inpatient and outpatient care facilities located in several states. The Health System grants credit to patients in return for health care services rendered to said patients, substantially all of whom are residents of the communities served. The Health System does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, HMOs, and commercial insurance policies). At June 30, 2023 and 2022, approximately 41% and 43%, respectively, of net accounts receivable were collectible from governmental payors (including Medicare and Medicaid), with approximately 49% and 50%, respectively, of net accounts receivable collectible from commercial insurance and managed care payors. One managed care payor represented 20% and 19% of net accounts receivable for 2023 and 2022, respectively.

(Tables in Thousands)

4. Financial Assets and Liquidity Resources

As of June 30, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital expenditures not financed with debt, were as follows:

	2023	2022
Financial assets:		
Cash and cash equivalents	**$ 529,638**	$ 766,187
Accounts receivable	**830,562**	847,319
Other current assets	**198,850**	131,922
Investments	**3,438,966**	3,413,389
Total financial assets	**4,998,016**	5,158,817
Less:		
Cash and investments with donor restrictions	**(103,506)**	(112,975)
Pledge receivable with restrictions	**(42,803)**	(42,581)
Investments with liquidity of more than one year	**(920,970)**	(832,907)
Total financial assets available within one year	**3,930,737**	4,170,354
Liquidity resources:		
Unused lines of credit	**425,000**	100,000
Total financial assets and liquidity resources available within one year	**$ 4,355,737**	$ 4,270,354

As part of the Health System's investment policy, the Health System holds highly liquid investments to enhance its ability to satisfy liquidity. To manage liquidity, the Health System maintains general operating lines of credit that may be drawn upon as needed to manage cash flows. Refer to Note 11 for further information.

The availability of certain amounts within the board-designated investments may change in accordance with board policies at any time.

(Tables in Thousands)

5. Investments

The following is a summary of investments:

	June 30 2023	June 30 2022
Without donor restrictions	**$ 3,335,460**	$ 3,300,414
Restricted by donor or grantor	**103,506**	112,975
Total investments	**3,438,966**	3,413,389
Less short-term investments	**(46,883)**	(46,421)
	$ 3,392,083	$ 3,366,968

The following is a summary of investments by classification:

	June 30 2023	June 30 2022
Cash and cash equivalents	**$ 183,108**	$ 210,806
Equities:		
Domestic equities	**596,499**	743,104
International equities	**465,075**	483,021
Fixed income:		
Mutual funds	**197,251**	292,581
Corporate bonds	**517,100**	561,913
Government and agencies	**198,824**	164,526
Alternative investments:		
Hedge funds	**346,154**	155,918
Private partnerships	**909,752**	788,536
Other	**27,959**	27,821
Amount due to brokers	**(10,122)**	(33,351)
Amounts due from brokers	**7,366**	18,514
	3,438,966	3,413,389
Less short-term investments	**(46,883)**	(46,421)
Total investments	**$ 3,392,083**	$ 3,366,968

(Tables in Thousands)

5. Investments (continued)

The following is a summary of investment returns:

	Year Ended June 30 2023	2022
Investments:		
Interest and dividends	$ 41,434	$ 13,227
Realized (losses) gains, net	(53,390)	182,986
Unrealized gains (losses), net	113,538	(501,752)
Investment returns included in nonoperating gains, net	101,582	(305,539)
Investment returns included in net assets with donor restrictions	26	(3,995)
Investment returns included in other operating revenues	1,933	(3,670)
Total investment returns	$ 103,541	$ (313,204)

Investment return is reduced by external and direct internal investment expenses.

The Health System's investments are exposed to various kinds and levels of risk. Fixed-income securities expose the Health System to interest rate risk, currency risk, credit risk, and liquidity risk. As interest rates change, the value of many fixed-income securities is affected, particularly those with fixed rates. Currency risk is the risk associated with fluctuations in foreign exchange rates. Credit risk is the risk that the obligor of the security will not fulfill its obligations. Liquidity risk is affected by the willingness of market participants to buy and sell given securities. Equity securities expose the Health System to market risk, currency risk, performance risk, and liquidity risk. Market risk is the risk associated with major movements of the equity markets, both foreign and domestic. Currency risk as previously defined tends to be higher for emerging market equities. Performance risk is the risk associated with a company's operating performance. Liquidity risk as previously defined tends to be higher for foreign equities and small capitalization equities.

5. Investments (continued)

Certain of the Health System's investments are made through alternative investments, primarily private limited partnership investments (equity, debt, real asset) and absolute return (hedge) funds. These investments provide the Health System with a proportionate share of the investment gains and losses. The fund manager has full discretionary authority (within its given mandate) over the investment decisions and provides the net asset valuation, typically through third-party administrators. The hedge funds and private limited partnership funds present risks similar to those of traditional investments, as well as some additional risks. Due to the fact that these funds are invested through limited partnerships or other illiquid fund vehicles, pricing is infrequent and liquidity may also be limited, in some cases, up to 24 months for hedge funds. Due to infrequent pricing and illiquidity of underlying investments, it is common practice for private limited partnership funds to require investors to commit to a ten-year fund term, although the distribution of capital is likely to occur prior to the ten-year termination date. Certain hybrid limited partnership funds may invest in liquid securities; however, the investments would be inaccessible for the term of the structure. Terms for these hybrid vehicles could be shorter in duration, lasting up to five years for the full investment and distribution periods. These investments may also employ leverage, which may lead to additional risk of loss. These investments are subject to market risk, interest rate risk, currency risk, credit risk, performance risk, and liquidity risk, as well as various other types of risks. At June 30, 2023, the Health System has commitments to fund an additional $760.4 million in these investments.

6. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurements and disclosures topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy and a description of the valuation methodologies used for instruments measured at fair value are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date.

(Tables in Thousands)

6. Fair Value Measurements (continued)

Level 2 – Pricing inputs other than quoted prices included in Level 1, which are either directly observable or can be derived or supported from observable data as of the reporting date.

Level 3 – Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are not observable from objective sources. In evaluating the significance of input, the Health System generally classifies assets or liabilities as Level 3 when their fair value is determined using unobservable inputs that individually, or when aggregated with other unobservable inputs, represent more than 10% of the fair value of the assets or liabilities. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Financial assets and financial liabilities measured at fair value on a recurring basis were determined using the following inputs at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Cash and cash equivalents	$ 180,352	$ –	$ –	$ 180,352
Equities:				
Domestic equities	470,139	–	–	470,139
International equities	96,235	–	–	96,235
Fixed income:				
Mutual funds	197,251	–	–	197,251
Corporate bonds	–	277,716	–	277,716
Government and agencies	6,903	191,921	–	198,824
Other	–	4,413	–	4,413
Assets at NAV:				
Hedge funds				346,154
Private partnership				909,752
Commingled funds				734,584
Other				23,546
Total investments				$ 3,438,966
Deferred compensation plan assets:				
Equities – mutual funds	$ 295,079	$ –	$ –	$ 295,079
Collateral posted on interest rate swap agreements	$ 1,070	$ –	$ –	$ 1,070
Liabilities				
Interest rate swap agreements	$ –	$ 4,880	$ –	$ 4,880

(Tables in Thousands)

6. Fair Value Measurements (continued)

Financial assets and financial liabilities measured at fair value on a recurring basis were determined using the following inputs at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Cash and cash equivalents	$ 195,969	$ –	$ –	$ 195,969
Equities:				
Domestic equities	549,057	–	–	549,057
International equities	147,401	–	–	147,401
Fixed income:				
Mutual funds	292,581	–	–	292,581
Corporate bonds	–	374,080	–	374,080
Government and agencies	13,758	150,768	–	164,526
Other	–	3,947	–	3,947
Assets at NAV:				
Hedge funds				155,918
Private partnership				788,536
Commingled funds				717,500
Other				23,874
Total investments				$ 3,413,389
Deferred compensation plan assets:				
Equities – mutual funds	$ 259,047	$ –	$ –	$ 259,047
Collateral posted on interest rate swap agreements	$ 17,160	$ –	$ –	$ 17,160
Liabilities				
Interest rate swap agreements	$ –	$ 23,767	$ –	$ 23,767

Deferred compensation plan assets and collateral posted on interest rate swaps agreements are reported in other assets, and interest rate swaps (liabilities) are reported in insurance reserves and other liabilities on the accompanying consolidated balance sheets.

6. Fair Value Measurements (continued)

The following is a description of the Health System's valuation methodologies for assets and liabilities measured at fair value. Fair value for Level 1 is based upon quoted market prices. The fair value of certain Level 2 securities was determined using multiple price types of bid/offer, last traded, settlement, evaluated, and the official primary exchange close-time pricing, provided by third-party pricing services if quoted market prices were not available. The quality of the prices received is evaluated through price comparisons and tolerance level checks. These Level 2 investments include corporate bonds, treasuries, and agencies. The fair values of the interest rate swap contracts, also Level 2 measurements, are determined based on the present value of expected future cash flows using discount rates appropriate with the risks involved. The valuations reflect a credit spread adjustment to the London Interbank Offered Rate (LIBOR) discount curve in order to reflect nonperformance risk.

The credit spread adjustment is derived from the Health System's and other comparable rated entities' bonds priced in the market and adjusted with a gross-up of the tax-exempt spread to a taxable equivalent spread for the Health System and counterparty bond trading levels (or credit default swap spreads).

The carrying values of cash and cash equivalents, accounts receivable, pledges receivable, and current liabilities are reasonable estimates of their fair values due to the short-term nature of these financial instruments. The fair value of the Health System's fixed rate bonds is based on quoted market prices for the same or similar issues and approximates $1.5 billion and $1.5 billion as of June 30, 2023 and 2022, respectively, which is a Level 2 measurement. The carrying amount approximates fair value for all other long-term debt, which is variable rate, and excludes the impact of third-party credit enhancements; this is a Level 2 measurement.

Due to the volatility of the financial markets, there is a reasonable possibility of changes in fair value and additional gains and losses in the near term subsequent to June 30, 2023.

(Tables in Thousands)

7. Property and Equipment

The following is a summary of property and equipment:

	June 30 2023	2022
Land, land improvements, and leasehold improvements	**$ 369,061**	$ 370,258
Buildings	**4,778,777**	4,504,459
Equipment	**3,093,926**	2,979,319
Construction-in-progress	**238,598**	295,371
	8,480,362	8,149,407
Less accumulated depreciation	**(5,025,283)**	(4,786,447)
Property and equipment, net	**$ 3,455,079**	$ 3,362,960

At June 30, 2023, construction, capital, and software-related contracts and commitments exist for capital improvements at certain of the Health System's facilities. The remaining commitment on these contracts at June 30, 2023 was approximately $201.2 million. During the years ended June 30, 2023 and 2022, interest of $8.5 million and $4.9 million, respectively, was capitalized. During the years ended June 30, 2023 and 2022, the Health System recorded impairment of $11.9 million and $0, respectively.

8. Other Assets

The following is a summary of other assets:

	June 30 2023	2022
Right-of-use assets	**$ 210,025**	$ 226,152
Deferred compensation plan assets	**295,079**	259,047
Goodwill	**195,609**	191,801
Investment in unconsolidated affiliates	**118,462**	120,827
Swap collateral	**1,070**	17,160
Land held for future development	**22,130**	22,946
Other	**52,661**	48,216
	$ 895,036	$ 886,149

(Tables in Thousands)

8. Other Assets (continued)

The following is a summary of accrued liabilities and other:

	June 30	
	2023	**2022**
Medicare advance payments	**$ –**	$ 197,248
Operating lease liabilities	**50,892**	61,824
Estimated amounts due to third-party payors	**172,976**	146,364
Accrued other expenses	**216,153**	222,837
	$ 440,021	$ 628,273

9. Liability Programs

The Health System administers a liability program to provide for general and professional liability risks within certain limits. Health care professional liabilities in excess of self-insured limits are insured on a claims-made basis subject to an annual maximum of $25.0 million over the self-insured retention of $10.0 million, after which the Health System would again be responsible. The recorded liabilities are based upon actuarial estimates of reported claims and IBNR claims using historical claim experience and other relevant industry and hospital-specific factors and trends, discounted at an interest rate of 3.00% for 2023 and 2022.

The discounted general and professional liability was $184.0 million and $180.0 million at June 30, 2023 and 2022, respectively, which is included in accrued liabilities and other and insurance reserves and other liabilities on the accompanying consolidated balance sheets. In addition, at June 30, 2023 and 2022, the Health System recorded net insurance receivables of $4.9 million and $4.2 million, respectively, which are included in other assets on the accompanying consolidated balance sheets.

10. Employee Retirement Plans

Defined Contribution Plans

The Health System retirement benefits are provided through 401(k) and 403(b) plans covering all eligible employees. All contributions to the plan are subject to IRS limitations on contributions and includable compensation. There are three primary types of contributions to these plans: employee deferrals, employer service-based contributions, and employer matching contributions.

Benefits for employer service-based contributions are determined as a percentage of a participant's salary and based on his or her years of service for certain entities. Benefits for employer matching contributions are determined as a percentage of an eligible participant's annual deferrals. These employer contributions are funded annually and become fully vested over three years of vesting service. For the years ended June 30, 2023 and 2022, the total expenses incurred related to these defined contribution plans were $146.6 million and $135.6 million, respectively.

Defined Benefit Plans

The Health System has frozen defined benefit retirement plans. The plans were designed to provide retirement benefits to substantially all coworkers. The plans were cash balance-type formula. The cash balance formula provided an annual pay credit, based on employee compensation and years of service, and an annual 5% interest credit based on the U.S. Treasury bill rates. Coworkers with benefits earned under the cash balance formula continue to earn interest credits each year. The interest credit continues to be based on the U.S. Treasury bill rates. The plans are funded consistent with actuarial funding recommendations and the funding policy.

The Health System has frozen nonqualified defined benefit retirement plans that provide retirement income in excess of the limitations on benefits imposed by IRS limitations to certain key executives.

(Tables in Thousands)

10. Employee Retirement Plans (continued)

The following table sets forth the frozen defined benefit retirement plans' benefit obligation, fair value of plan assets, and funded status at the measurement date:

	June 30 2023	June 30 2022
Accumulated benefit obligation	**$ 599,700**	$ 648,513
Changes in projected benefit obligation:		
Projected benefit obligation at beginning of year	**$ 648,513**	$ 795,431
Interest cost	**26,162**	13,444
Actuarial gain	**(20,468)**	(100,823)
Benefits paid	**(54,507)**	(59,539)
Projected benefit obligation at end of year	**599,700**	648,513
Changes in plan assets:		
Fair value of plan assets at beginning of year	**375,693**	484,860
Actual return on plan assets	**29,073**	(65,306)
Employer contributions	**14,370**	15,678
Benefits paid	**(54,507)**	(59,539)
Fair value of plan assets at end of year	**364,629**	375,693
Funded status	**$ (235,071)**	$ (272,820)

Amounts recognized on the accompanying consolidated balance sheets at June 30 consist of the following:

	2023	2022
Accrued liabilities and other	**$ (3,417)**	$ (3,772)
Pension liabilities	**(231,654)**	(269,048)
	$ (235,071)	$ (272,820)

No plan assets are expected to be returned to the Health System during the fiscal year ended June 30, 2023.

(Tables in Thousands)

10. Employee Retirement Plans (continued)

Included in net assets without donor restrictions are the following amounts that have not yet been recognized in net periodic pension cost:

	Year Ended June 30	
	2023	**2022**
Unrecognized actuarial gain	**$ (272,416)**	$ (322,721)
Prior service cost	**7,096**	8,174
	$ (265,320)	$ (314,547)

Changes in plan assets and benefit obligations recognized in net assets without donor restrictions include the following:

	Year Ended June 30	
	2023	**2022**
Current year actuarial gain	**$ 25,901**	$ 10,554
Amortization of actuarial loss	**7,185**	10,551
Settlement reduction of net actuarial loss	**17,219**	21,269
Amortization of prior service costs	**(1,078)**	(1,078)
	$ 49,227	$ 41,296

The estimated net actuarial loss included in net assets without donor restrictions and expected to be recognized in net periodic pension cost during the year ending June 30, 2023 is $6.9 million. The impact of the change in discount rate on the projected benefit obligation of the plans was a decrease of approximately $21.5 million and $114.7 million for the years ended June 30, 2023 and 2022, respectively.

(Tables in Thousands)

10. Employee Retirement Plans (continued)

The following is a summary of the components of net periodic pension cost:

	Year Ended June 30 2023	2022
Interest cost on projected benefit obligation	**$ 26,162**	$ 13,444
Expected return on plan assets	**(23,641)**	(24,963)
Amortization of prior service costs	**(1,078)**	(1,078)
Amortization of unrecognized actuarial loss	**7,185**	10,551
Settlement/curtailment	**17,219**	21,269
Net periodic pension cost	**$ 25,847**	$ 19,223

The components of net periodic pension cost are included in the line item "other, net" on the consolidated statements of operations.

Weighted average assumptions used to determine the plans' projected benefit obligation and net periodic pension cost are as follows:

	Projected Benefit Obligation		Net Periodic Pension Cost	
	2023	2022	2023	2022
Discount rates	**5.08%–5.09%**	4.61%–4.63%	**4.25%–4.28%**	1.76%–1.84%
Expected long-term return on plan assets	**6.50%–6.50%**	6.10%–6.10%	**6.10%–6.10%**	5.90%–5.90%

(Tables in Thousands)

10. Employee Retirement Plans (continued)

The plans' weighted average asset allocations and policy allocation range, by asset category, are as follows:

Asset Category	Policy Allocation Range	Plan Assets at June 30 2023	2022
Equity securities	43%-53%	47%	48%
Debt securities	33-43	36	37
Real assets	0-10	–	8
Absolute returns and hedge funds	3-13	13	3
Cash	0-10	4	4
Total		100%	100%

The Health System was outside of these policy allocations for a short period during 2021 with the proper approval. The plans' assets measured at fair value were determined using the following inputs at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 15,523	$ –	$ –	$ 15,523
Equity securities:				
Domestic equities	113,107	–	–	113,107
International equities	2,558	–	–	2,558
Fixed income:				
Corporate bonds	–	100,143	–	100,143
Government and agencies	–	30,539	–	30,539
Other	–	–	2,870	2,870
Assets at NAV:				
Commingled funds				99,687
				$ 364,427

(Tables in Thousands)

10. Employee Retirement Plans (continued)

The plans' assets measured at fair value were determined using the following inputs at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 23,060	$ –	$ –	$ 23,060
Equity securities:				
Domestic equities	98,394	–	–	98,394
International equities	10,355	–	–	10,355
Fixed income:				
Mutual funds	70,822	–	–	70,822
Corporate bonds	–	38,268	–	38,268
Government and agencies	–	22,003	–	22,003
Other	–	–	2,824	2,824
Assets at NAV:				
Commingled funds				109,967
				$ 375,693

Fair value methodologies for Level 1 and Level 2 assets are consistent with the inputs described in Note 6.

Management opted to use the NAV per share, or its equivalent, as a practical expedient for fair value of the plans' interest commingled funds. Valuations provided by the respective fund's management include variables such as the financial performance of underlying investments, recent sales prices of underlying investments, and other pertinent information. In addition, actual market exchanges at period-end provide additional observable market inputs of the exit price. The majority of these funds have restrictions on the timing of withdrawals, which may reduce liquidity, in some cases for up to 24 months in the case of hedge funds and up to 10 years for private limited partnership funds.

(Tables in Thousands)

10. Employee Retirement Plans (continued)

The plans retain outside consultants to support the overall asset allocation and manager selection process. The performance of all managers is reviewed to test that market performance has been calculated accurately, to monitor performance vs. peers and benchmarks, and to evaluate portfolio structure considering current and future needs based on economic forecasts and actuarial projections. Mercy believes that a diversified portfolio will limit the degree of risk to the plans and stabilize the long-term results. The plans' diversified blend of marketable securities also takes into consideration the cash flow requirements of the plans to help ensure the ability to meet the monthly payout of benefits required. Projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category.

The Health System expects to contribute at least $12.0 million to the plans during fiscal 2024.

The following benefit payments, which reflect expected future service, are expected to be paid by the plans:

	Amount
Year ending June 30:	
2024	$ 61,400
2025	62,000
2026	60,300
2027	57,300
2028	52,300
2029 through 2033	226,800
	$ 520,100

(Tables in Thousands)

11. Long-Term Obligations

The following is a summary of long-term obligations:

	June 30	
	2023	**2022**
Revenue bonds, fixed interest rates of 2.20%–5.00% due through 2053	**$ 1,542,230**	$ 1,554,120
Revenue bonds, variable interest rates with weighted average interest rates of 3.82% and 0.71% in fiscal 2023 and 2022, respectively, due through June 2053	**373,440**	374,940
Financing lease obligations	**241,242**	251,747
Other mortgage notes and notes	**2,412**	2,556
	2,159,324	2,183,363
Less current maturities of long-term obligations	**(29,558)**	(32,709)
Add unamortized debt issuance costs and debt premiums, net	**43,595**	47,503
Long-term obligations, less current maturities	**$ 2,173,361**	$ 2,198,157

Certain of Mercy's subsidiaries have executed a commitment agreement governing certain borrowing arrangements under the Mercy Master Trust Indenture and related agreements (Financing Agreements). While only the revenues of Mercy collateralize the outstanding borrowings of the Health System, each of these subsidiaries has committed to transfer such funds to Mercy to pay the amounts due on borrowings when they come due. The Financing Agreements contain certain restrictive covenants, including a debt service coverage ratio. At June 30, 2023, Mercy was in compliance with all covenants.

Tax-exempt revenue bonds have been issued by various issuing authorities, the proceeds of which were used by Mercy primarily to finance capital projects and to refinance existing indebtedness of certain subsidiaries.

11. Long-Term Obligations (continued)

In October 2020, $378.6 million of fixed rate, tax-exempt health facility revenue bonds were issued by the Health and Educational Facilities Authority of the State of Missouri on behalf of Mercy under the Master Trust Indenture. The proceeds were used to reimburse Mercy for project costs and to pay certain costs related to issuance. The bonds have various maturities between June 1, 2050 and June 1, 2053. Coupon rates were set at 3.00% and 4.00%, with yields to maturity ranging from 3.05% to 3.47%. Most of the bonds were sold to institutional investors. The net premium paid to the Health System totaled $22.7 million. Issuance costs totaled $1.3 million.

In June 2021, $76.4 million of variable rate, tax-exempt health facility revenue bonds were issued by the Health and Educational Facilities Authority of the State of Missouri on behalf of Mercy under the Master Trust Indenture. The proceeds were used to refinance the Series 2017AB bonds. The bonds were directly purchased by one bank and have a final maturity of 2053. Interest is paid monthly at a borrowing rate based on a percentage of one-month LIBOR plus an applicable spread. The bonds include mandatory puts by the purchasing bank in 2026. Mercy may elect to renegotiate with the initial purchasers, remarket, or redeem the bonds at any time. Other notes payable, mortgage notes payable, and financing lease obligations are secured by certain property and equipment of the specific borrowers.

In August 2022, $374.9 million of variable rate, tax-exempt health facility revenue bonds were issued by the Health and Educational Facilities Authority of the State of Missouri on behalf of Mercy under the Master Trust Indenture. The proceeds were used to refinance the Series 2014BC and Series 2021AB bonds.

The bonds were directly purchased by two banks. No change was made to the principal amount or original maturity dates scheduled between June 1, 2023 and February 1, 2053. Mandatory put dates by the purchasing banks originally scheduled between June 2023 and June 2026 were extended to August 2029 to August 2032. Interest paid monthly reflects a borrowing rate based on an adjusted percentage of one-month term Secured Overnight Financing Rate (SOFR) plus an adjusted applicable spread. Mercy may elect to renegotiate with the initial purchasers or remarket or redeem the bonds.

(Tables in Thousands)

11. Long-Term Obligations (continued)

Aggregate maturities of long-term obligations as scheduled at June 30, 2023 are as follows:

Year ending June 30:	
2024	$ 29,558
2025	46,147
2026	46,078
2027	46,193
2028	46,899
Thereafter	1,944,449
	$ 2,159,324

The Health System has a total of $425.0 million of unused lines of credit with four banks, all of which terminate in November 2025. During 2023 and 2022, the Health System had no borrowings against the lines of credit. There were no borrowings outstanding under these lines of credit as of June 30, 2023.

12. Derivatives

The Health System has interest-rate-related derivative instruments to manage its interest rate exposure on its variable rate debt instruments and does not enter into derivative instruments for any purpose other than risk management. Interest rate swap contracts between the Health System and a third party (counterparty) provide for the periodic exchange of payments between the parties based on changes in a defined index and a fixed rate. These agreements expose the Health System to market risk and credit risk. Credit risk is the risk that contractual obligations of the counterparties will not be fulfilled. Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Counterparty credit risk is managed by requiring high credit standards for the Health System's counterparties. The Health System will enter into transactions where the counterparty rating is high enough to maintain the rating on Health System bonds. The interest rate swap contracts contain collateral provisions applicable to both parties to mitigate credit risk. As of June 30, 2023 and 2022, Mercy had collateral posted of $1.07 million and $17.2 million, respectively. The Health System does not anticipate nonperformance by its counterparties. Market risk is the adverse effect

(Tables in Thousands)

12. Derivatives (continued)

on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. Management also mitigates risk through periodic reviews of the Health System's derivative positions in the context of its blended cost of capital.

The following is a summary of the outstanding positions under these interest rate swap agreements:

Interest Rate Swap Type	Expiration Date	Health System Pays	Health System Receives	Notional Value June 30 2023	2022
Fixed payor	June 2, 2031	3.36%–3.75%	70% of one-month LIBOR	**$ 252,200**	$ 252,200
Fixed payor	June 2, 2031	3.85%	70% of one-month LIBOR	**50,000**	50,000
Fixed payor	February 1, 2043	1.847%	67% of one-month LIBOR	**73,440**	74,940

The fair value of derivative instruments is as follows:

Derivatives Not Designated as Hedging Instruments	Consolidated Balance Sheet Location	June 30 2023	2022
Collateral posted on interest rate swap agreements	Other assets	**$ 1,070**	$ 17,160
Interest rate swap agreements	Other liabilities	**4,880**	23,767

The effects of derivative instruments on the accompanying consolidated statements of operations for the years ended June 30, 2023 and 2022 are reflected in realized and unrealized gains (losses) on interest rate swaps on the accompanying consolidated statements of operations.

13. Leases

The Health System leases certain health care equipment, vehicles, and real property. Most leases include options to renew, index and non-index escalation clauses, and options to purchase the leased property, all of which are factored into the determination of lease payments when appropriate.

(Tables in Thousands)

13. Leases (continued)

For leases with a term greater than 12 months, the Health System records the related right-of-use assets and liabilities at the present value of lease payments over the term of the lease. Lease payments are discounted using a municipal taxable yield curve utilizing AA ratings. The Health System separates lease and non-lease components for real property. For all other classes of assets, the Health System has elected not to separate lease and non-lease components.

The Health System elected not to apply the recognition requirements of ASC 842 to short-term leases. The Health System recognizes short-term lease payments in excess (deficit) of revenues over expenses on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. The Health System also elected the package of transition provisions available that allowed carryforward of the historical assessment of: (1) whether contracts are or contain leases, (2) lease classification, and (3) initial direct costs.

Operating and finance lease right-of-use assets and lease liabilities as of June 30 were as follows:

	2023	2022
Operating leases		
Right-of-use assets:		
Other assets	**$ 210,025**	$ 226,152
Lease liabilities:		
Other current liabilities	**$ 50,892**	$ 61,824
Insurance reserves and other liabilities	**175,687**	169,534
Total operating lease liabilities	**$ 226,579**	$ 231,358
Finance leases		
Right-of-use assets:		
Property and equipment, net	**$ 232,043**	$ 240,205
Lease liabilities:		
Current maturities of long-term obligations	**$ 21,054**	$ 18,945
Long-term obligations, less current maturities	**220,188**	232,802
Total finance lease liabilities	**$ 241,242**	$ 251,747

(Tables in Thousands)

13. Leases (continued)

The amounts relating to the Health System's lease expense for the years ended June 30 are as follows:

Lease Type	Classification	2023	2022
Operating lease costs	Supplies and other	**$ 70,119**	$ 75,827
Short-term lease costs	Supplies and other	**448**	521
Financing lease interest	Interest	**7,859**	8,205
Financing lease amortization	Depreciation and amortization	**19,507**	21,188
Variable lease costs	Supplies and other	**6,267**	5,718
Total lease costs		**$ 104,200**	$ 111,459

Cash paid for amounts included in the measurement of lease liabilities for the years ended June 30 is as follows:

	2023	2022
Operating cash flows for operating leases	**$ 133,975**	$ 144,502
Operating cash flows for finance leases	**7,859**	8,205
Financing cash flows for finance leases	**19,830**	19,712
Total	**$ 161,664**	$ 172,419

Right-of-use assets obtained in exchange for new leases obligations for the years ended June 30 are as follows:

	2023	2022
Operating leases	**$ 70,053**	$ 34,001
Finance leases	**8,409**	1,467
Total	**$ 78,462**	$ 35,468

(Tables in Thousands)

13. Leases (continued)

The aggregate future lease payments for operating and finance leases as of June 30, 2023 were as follows:

	Operating	Finance
2024	$ 57,182	$ 28,509
2025	42,193	25,030
2026	27,352	16,162
2027	22,345	15,297
2028	18,073	14,039
Thereafter	88,879	213,517
Total lease payments	256,024	312,554
Less interest	(29,445)	(71,312)
Lease liabilities	$ 226,579	$ 241,242

Average lease terms and discount rates at June 30 were as follows:

	2023	2022
Weighted average remaining lease term (years):		
Operating leases	**7.57**	6.62
Finance leases	**15.65**	16.35
Weighted average discount rate:		
Operating leases	**2.99%**	2.44%
Finance leases	**5.85**	6.41

14. Functional Classification of Expenses

The Health System provides general health care services to residents within communities served, including acute inpatient, subacute inpatient, outpatient, ambulatory, long term, and home care. Administrative services include administration, finance and accounting, integrated marketing, human resources, and other functions. Expenses are allocated to health care services or administrative services based on the functional department for which they are incurred. Department expenses may include various allocations of costs based on direct assignment, expenses, or other methods.

(Tables in Thousands)

14. Functional Classification of Expenses (continued)

Expenses by functional classification for the years ended June 30 consist of the following:

	2023		
	Health Care Services	**General and Administration**	**Total**
Salaries and benefits	**$ 4,403,027**	**$ 156,340**	**$ 4,559,367**
Supplies and other	**2,819,719**	**116,286**	**2,936,005**
Medical claims expense	**102,682**	**–**	**102,682**
Interest	**7,693**	**67,537**	**75,230**
Depreciation and amortization	**309,533**	**4,799**	**314,332**
Impairment and severance	**–**	**18,979**	**18,979**
	$ 7,642,654	**$ 363,941**	**$ 8,006,595**

	2022		
	Health Care Services	**General and Administration**	**Total**
Salaries and benefits	$ 4,190,737	$ 138,317	$ 4,329,054
Supplies and other	2,566,363	107,878	2,674,241
Medical claims expense	93,313	–	93,313
Interest	7,874	60,015	67,889
Depreciation and amortization	305,139	5,745	310,884
Impairment and severance	57	7,717	7,774
	$ 7,163,483	$ 319,672	$ 7,483,155

15. Commitments and Contingencies

Regulatory Compliance

The U.S. Department of Justice and other federal agencies are increasing resources dedicated to regulatory investigations and compliance audits of health care providers. The Health System is not exempt from these regulatory efforts and has received correspondence from federal agencies with regard to such initiatives. In consultation with legal counsel, management estimates these matters will be resolved without a material adverse effect on the Health System's consolidated financial position or results of operations.

Litigation

The Health System is involved in litigation arising in the normal course of business. After consultation with legal counsel, it is management's opinion that these matters will be resolved without a material adverse effect on the Health System's consolidated financial position or results of operations.

16. Subsequent Events

The Health System evaluated events and transactions occurring subsequent to June 30, 2023 through September 13, 2023, the date the accompanying consolidated financial statements were issued.

On August 1, 2023, Mercy entered into a definitive agreement with SoutheastHEALTH System, Inc. in Cape Girardeau, Missouri to become a member of our Health System. SoutheastHEALTH includes two hospitals: Southeast Hospital in Cape Girardeau and Southeast Health Center of Stoddard County in Dexter. This is currently in the diligence phase and remains contingent upon and subject to various governmental and regulatory approvals, as well as other third-party consents.

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Certificate of Need Program

SERVICE-SPECIFIC REVENUES AND EXPENSES

Project Title: Joplin- Davinci **Project #:** 6100-HS

Historical Financial Data for Latest Three Full Years plus Projections Through Three Full Years Beyond Project Completion

Use an individual form for each affected service with a sufficient number of copies of this form to cover entire period, and fill in the years in the appropriate blanks.

	Year 2021	2022	2023
Amount of Utilization:*	321	365	457
Revenue:			
Average Charge**	$35,959	$35,481	$34,424
Gross Revenue	$11,542,839	$12,950,393	$15,731,768
Revenue Deductions	7,733,702	8,676,763	10,540,285
Operating Revenue	3,809,137	4,273,630	5,191,483
Other Revenue	0	0	0
TOTAL REVENUE	**$3,809,137**	**$4,273,630**	**$5,191,483**
Expenses:			
Direct Expenses			
Salaries	1,282,040	1,219,477	1,564,262
Fees	0		0
Supplies	782,278	751,687	1,114,650
Other	1,743,244	1,661,986	2,130,248
TOTAL DIRECT	$3,807,562	$3,633,150	$4,809,160
Indirect Expenses			
Depreciation	260,714	260,714	260,714
Interest***		0	
Rent/Lease	0	0	0
Overhead****	1,100,849	1,100,849	1,197,277
TOTAL INDIRECT	$1,361,563	$1,361,563	$1,457,991
TOTAL EXPENSES	**$5,169,125**	**$4,994,713**	**$6,267,151**
NET INCOME (LOSS):	**-$1,359,988**	**-$721,083**	**-$1,075,668**

*Utilization will be measured in "patient days" for licensed beds, "procedures" for equipment, or other appropriate units of measure specific to the service affected.

**Indicate how the average charge/procedure was calculated.

***Only on long term debt, not construction.

****Indicate how overhead was calculated.

Certificate of Need Program

SERVICE-SPECIFIC REVENUES AND EXPENSES

Project Title: Joplin daVinci **Project #:** 6100-HS

Historical Financial Data for Latest Three Full Years plus Projections Through Three Full Years Beyond Project Completion

Use an individual form for each affected service with a sufficient number of copies of this form to cover entire period, and fill in the years in the appropriate blanks.

	Year 2026	2027	2028
Amount of Utilization:*	920	967	1,015
Revenue:			
Average Charge**	$39,843	$41,038	$42,269
Gross Revenue	$36,655,302	$39,683,746	$42,903,035
Revenue Deductions	24,559,052	25,295,824	26,054,699
Operating Revenue	12,096,250	14,387,922	16,848,336
Other Revenue	0	0	0
TOTAL REVENUE	**$12,096,250**	**$14,387,922**	**$16,848,336**
Expenses:			
Direct Expenses			
Salaries	2,617,868	2,670,225	2,723,630
Fees		0	0
Supplies	1,826,766	1,900,021	1,938,022
Other	4,410,704	4,498,918	4,588,896
TOTAL DIRECT	$8,855,337	$9,069,164	$9,250,548
Indirect Expenses			
Depreciation	567,857	567,857	567,857
Interest***	0	0	0
Rent/Lease	0	0	0
Overhead****	2,717,717	2,913,688	3,119,483
TOTAL INDIRECT	$3,285,574	$3,481,545	$3,687,340
TOTAL EXPENSES	**$12,140,911**	**$12,550,709**	**$12,937,888**
NET INCOME (LOSS):	**-$44,661**	**$1,837,213**	**$3,910,449**

*Utilization will be measured in "patient days" for licensed beds, "procedures" for equipment, or other appropriate units of measure specific to the service affected.

**Indicate how the average charge/procedure was calculated.

***Only on long term debt, not construction.

****Indicate how overhead was calculated.

MO 580-1865 (08/06)

da Vinci System Utilization Rates - Mercy

Monthly Utilization - Only Xi

<30% | 30-49% | 50-69% | 70%+

Based on 8hr OR Days and 20 OR Days/Month, 100 minutes, HOHI console.

Turnover Time: 100 | System Model: da Vinci Xi | Month: (Multi... | IDN: Mercy | IDNDivision: Null | Hospital Name: (All)

Hospital Name	System Name	AMP vs Non-AMP	April 2023	May 2023	June 2023	July 2023	August 2023	September 2023	October 2023	November 2023	December 2023	January 2024	February 2024	March 2024
Mercy Hospital Ardmore	SK4252	Non AMP	61%	77%	68%	64%	80%	66%	101%	82%	86%	56%	73%	77%
Mercy Hospital Fort Smith	SK4253	Non AMP	122%	126%	115%	118%	152%	131%	141%	136%	135%	80%	123%	83%
	SK7558	Non AMP										29%	32%	42%
Mercy Hospital Joplin	SK3551	Non AMP	70%	84%	92%	116%	144%	115%	139%	134%	131%	138%	129%	116%
Mercy Hospital Oklahoma City	SK0852	Non AMP	127%	137%	126%	123%	130%	128%	142%	123%	126%	125%	121%	102%
	SK3783	Non AMP	99%	127%	120%	99%	117%	104%	110%	106%	105%	113%	103%	99%
	SK7182	Non AMP							13%	17%	36%	22%	23%	18%
Mercy Hospital Rogers	SK3829	Non AMP	83%	79%	98%	94%	94%	101%	101%	81%	93%	90%	99%	66%
Mercy Hospital South	SK1913	Non AMP	107%	92%	92%	70%	95%	71%	86%	82%	76%	91%	91%	90%
	SK5487	Non AMP	73%	78%	102%	70%	95%	62%	80%	81%	82%	90%	82%	93%
Mercy Hospital Springfield	SK2188	Non AMP	60%	75%	74%	64%	83%	63%	76%	70%	76%	84%	65%	63%
	SK4344	Non AMP	70%	94%	100%	89%	97%	65%	81%	74%	96%	81%	71%	74%
	SK7572	Non AMP												11%
Mercy Hospital St. Louis	SK0642	Non AMP	106%	98%	114%	96%	131%	117%	115%	113%	117%	127%	118%	99%
	SK4346	Non AMP	94%	90%	112%	70%	91%	96%	91%	123%	94%	127%	107%	85%
	SK7626	Non AMP												61%
Southeast Hospital	SK1373	Non AMP	18%	52%	81%	54%	75%	45%	55%	55%	52%	44%	50%	45%
	SK7043	Non AMP						13%	26%	28%	26%	35%	15%	30%

INTUITIVE

From:	Herr, Michael
To:	Fick, Mackinzey
Subject:	RE: CON 6100 HS
Date:	Monday, July 8, 2024 11:34:43 AM

Crawford county includes Pittsburg Kansas and surrounding communities, and Delaware county is Oklahoma, Grove and surrounding areas.

From: Fick, Mackinzey <Mackinzey.Fick@health.mo.gov>
Sent: Monday, July 8, 2024 10:50 AM
To: Herr, Michael <Michael.Herr@Mercy.Net>
Subject: CON 6100 HS
Importance: High

External Email: Please be careful when opening attachments or clicking on links. - Mercy Technology Services

Michael,

Can you confirm the MO service area for this unit? As of now, the MO counties I have listed are Barton, Jasper, McDonald and Newton. Crawford and Delaware county are not bolded so I am unable to verify if these are located within KS or MO.

Please advise by July 8th.

Mackinzey Fick **(Name change from Lux to Fick)**
Assistant Program Coordinator, Certificate of Need
Department of Health and Senior Services
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http://health.mo.gov/information/boards/certificateofneed/index.php