

From: [Dempsey, Wes](#)
To: [Fick, Mackinze](#)
Subject: RE: CON 6112 HT
Date: Tuesday, June 25, 2024 1:28:42 PM
Attachments: [image001.png](#)
[image002.png](#)

Mackinze

Thanks for the clarification. Answers below with one follow-up question. I will follow-up with the updated application once ready.

- Service Area: Zip Code is 64154, Clay County
- Construction budget clarifications
 - These quotes are not duplicative, but rather provide the supplemental detail needed to show the methods and assumptions for construction cost calculation
 - Page 5 is the total construction project budget for this work effort totaling \$2,942,116 (including hard and soft construction costs, IT, signage, etc.)
 - This is the total sum, which we've entered into the proposed project budget
 - Under Category: 01 - Hard Costs, the Construction TI costs are quoted as \$2,426, 250
 - Page 6 provides the total construction cost calculation supporting the quoted \$2,426,250
 - Pages 7 - 9 provide the additional detail supporting the above total construction cost calculation
- We are working on Divider IV. Can you clarify if Divider IV requires only the "projected through three (3) FULL years beyond project completion" as specified on the application checklist, or if it requires the "historical financial data for latest three full years plus projections through three full years beyond project completion" as specified at the top of form 1865?

(If replacement equipment was not previously approved, also complete Divider IV below.)

Divider IV. Financial Feasibility Review Criteria and Standards:

- | | | |
|------------------------------|-------------------------------------|---|
| <input type="checkbox"/> N/A | <input checked="" type="checkbox"/> | 1. Document that sufficient financing is available by providing a letter from a financial institution or an auditor's statement indicating that sufficient funds are available. |
| <input type="checkbox"/> N/A | <input checked="" type="checkbox"/> | 2. Provide Service-Specific Revenues and Expenses (Form MO 580-1865) projected through three (3) FULL years beyond project completion. |
| <input type="checkbox"/> N/A | <input checked="" type="checkbox"/> | 3. Document how patient charges are derived. |
| <input type="checkbox"/> N/A | <input checked="" type="checkbox"/> | 4. Document responsiveness to the needs of the medically indigent. |



Certificate of Need Program

SERVICE-SPECIFIC REVENUES AND EXPENSES

Project Title: **Project #:**
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		
	<input type="text"/> 20??	<input type="text"/> 20??	<input type="text"/> 20??

Thank you,

Wes Dempsey (He/Him)
Operations Project Consultant
Saint Luke's Health System
Cell : (815) 677-2158 | Office: (816) 502-7081 ext. 27081

From: Fick, Mackinze <Mackinze.Fick@health.mo.gov>
Sent: Friday, June 21, 2024 2:23 PM
To: Dempsey, Wes <wdempsey@saint-lukes.org>
Subject: RE: CON 6112 HT

Wes,

After reviewing your additional information, some additional information is needed.

- Provide a service area for the staff analysis. This should be a county/zip code or a group of counties/zip codes.
- It appears there are two external quotes that have a cost over \$2 million dollars. If both of these quotes are taken into account, it puts the total construction cost over \$4 million dollars. Please advise.
- Non-applicability requests are not required for MME, so the unit was not previously approved under CON. Amy's email about Divider IV did not state the replacement project was for this previous NA request therefore divider IV is needed. I apologize if there was any miscommunication or misinterpretation on my end. Please see regulation 19 CSR 60-50.400 (6F) A CON application must be made if— 2. The project involves the acquisition or replacement of major medical equipment in any setting not licensed under Chapter 198, RSMo, costing one (1) million dollars or more and 197.305(6) "Expenditure minimum" shall mean: (a) For beds in existing or proposed health care facilities licensed pursuant to chapter 198 and long-term care beds in a hospital as described in subdivision (3) of subsection 1 of section 198.012, six hundred thousand dollars in the case of capital expenditures, or four hundred thousand dollars in the case of major medical equipment, provided, however, that prior to January 1, 2003, the expenditure minimum for beds in such a facility and long-term care beds in a hospital described in section 198.012 shall be zero, subject to the provisions of subsection 7* of section 197.318; (b) For beds or equipment in a long-term care hospital meeting the requirements described in 42 CFR, Section 412.23(e), the expenditure minimum shall be zero; and (c) For health care facilities, new institutional health services or beds not described in paragraph (a) or (b) of this subdivision one million dollars in the case of capital expenditures, excluding major medical equipment, and one million dollars in the case of medical equipment;
- Since the trade in value was deducted from the budget, please include this cost in Major Medical Equipment section on the updated proposed project budget sheet.

This information is needed by Monday, July 1, 2024.

Mackinze 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: mackinze.fick@health.mo.gov
<http://health.mo.gov/information/boards/certificateofneed/index.php>

From: Dempsey, Wes <wdempsey@saint-lukes.org>
Sent: Friday, June 21, 2024 11:37 AM
To: Fick, Mackinze <Mackinze.Fick@health.mo.gov>
Subject: RE: CON 6112 HT

Good morning, Mackinze,

I've attached the updated application with the various changes described below in addition to the answers to your questions.

- Provide a service area for a staff analysis.
 - [WD: Service Area = Radiology](#)
- NA requests do not count as a previously CON approved project. Please complete divider IV.
 - [WD: The equipment being replaced was previously approved under CON #3190 HA, which we were able to locate with your assistance and previously clarified that Divider IV is not needed. Both email communications attached.](#)
 - [Can you clarify "NA Request" and the difference for this application?](#)
- The LOI contained the word hospital within the owner/operator. Provide a new applicant ID sheet that matches the LOI.
 - [WD: Corrected in the updated application](#)
- Provide 3rd party documentation or methods and assumptions for construction costs.
 - [WD: Additional supplemental information included in the updated application](#)
- Will the existing unit be traded in or decommissioned?
 - [WD: Traded in](#)
- Was the trade-in cost deducted from the budget? If so, provide a new proposed project budget.

SLNB MRI Relocation

Date: 6.5.2024

Total Gross SQFT

	Budget Line Item Description	Preliminary	BUDGET	1,600
Category: 01 - Hard Costs			2,433,641 \$	1,521.03
	Builder's Risk Insurance	7,279		
	Sitework	0	Included	
	Construction TI	2,426,250		
	Firestopping	112		
	TOTAL HARD COSTS			
Category: 02 - Soft Costs			217,205 \$	135.75
	Architectural Design	206,100	Includes 23,600 civil	
	Interior Design	0		
	Commissioning	1,000		
	Construction Audit	400		
	Special Inspections	9,705		
	Structural Engineering	0	Included in architectural	
Category: 03 - FF&E			24,187 \$	15.12
	Exterior Signage	3,000		
	Interior Signage	1,000		
	Artwork	2,000		
	Furniture & Equipment	8,947		
	Medical Equipment	0		
	Non-Medical Equipment	5,240		
	Exam Equipment	0		
	Move Consultant	0		
	Moving Expense	4,000		
Category: 04 - IT			23,719 \$	14.82
	Audio & Visual Equipment	570		
	Voice, Data & Wireless Infrastructure	2,606		
	New IT closet	0		
	Epic software and implementation	0		
	Telemedicine Infrastructure	0		
	Nurse Call	10,543		
	Estimate for all IT	10,000	Network switch	
Category: 99 - Contingency			243,364 \$	152.10
	Contingency (10%)	243,364		
Grand Totals			2,942,116 \$	1,838.82

SLN - MRI Addition
Kansas City, Missouri
June 7, 2024
 Concept Estimate



Construction Cost Summary

<i>Description</i>	<i>Quantity</i>	<i>Cost</i>	<i>Unit Cost</i>
Offsite Improvements		By Others	
Sitework	0.24 Acres	158,528	31,706
MRI Addition	1,387 SF	2,040,485	1,471
Construction Subtotal	1,387 SF	2,199,013	\$1,585.45
Design Contingency	4.00%	87,961	63.42
Construction Contingency	3.00%	68,609	49.47
Escalation to 1st Qtr 2025	3.00%	70,667	50.95
Total Construction Cost	1,387 SF	\$2,426,250	\$1,749.28
Renovation Allowance*	1,200 NSF	358,232	299

SLN - MRI Addition
Kansas City, Missouri
June 7, 2024
 Concept Estimate



Sitework

<i>Item</i>	<i>Description</i>		<i>Variance</i>	<i>Cost</i>
1	General Conditions	11.7%	2,091	18,548
2	Excavation and Grading		6,739	38,116
3	Paving		403	14,109
4	Concrete Work		5,173	43,677
5	Site Structures			0
6	Fencing			0
7	Specialty Paving			0
8	Signage and Striping		995	2,334
9	Site Specialties			0
10	Site Utilities			0
11	Storm Drainage Systems		922	6,815
12	Fire Protection			0
13	Landscaping and Irrigation			20,000
14	Electrical		164	4,389
	Subtotal		<u>16,487</u>	<u>147,988</u>
	Permits, Bonds and Insurance	3.27%	782	5,179
	Design & Estimate Contingency	0.00%		0
	Construction Contingency	0.00%		0
	Escalation to 1st Qtr 2025	0.00%		0
	Design Fees & Reimbursables	0.00%		0
	Fee	3.50%	604	5,361
	Total		<u>17,873</u>	<u>\$158,528</u>

SLN - MRI Addition
Kansas City, Missouri
June 7, 2024
 Concept Estimate



MRI Addition
1,387 SF

Item	Description		Variance	Cost	Cost/SF
1	General Conditions	11.7%	40,680	238,737	172.12
2	Demolition		1,523	25,166	18.14
3	Excavation		7,829	46,107	33.24
4	Structure		25,875	347,034	250.20
5	Enclosure		40,200	247,231	178.25
6	Rough Carpentry		212	10,069	7.26
7	Finish Carpentry		1,847	23,721	17.10
8	Roofing and Sheet Metal		23,416	55,166	39.77
9	Moisture Protection		211	2,411	1.74
10	Doors and Hardware		359	39,797	28.69
11	Glass and Glazing		227	30,936	22.30
12	Interior Partitions		2,861	33,125	23.88
13	Stone and Tile		3,683	3,683	2.66
14	Ceilings and Acoustic		2,656	20,497	14.78
15	Flooring		609	17,414	12.55
16	Painting		681	11,803	8.51
17	Specialties		6,127	39,595	28.55
18	Equipment and Furnishings		2,872	2,872	2.07
19	Special Construction		1,800	91,800	66.19
20	Elevators			0	0.00
21	Fire Protection		1,529	9,323	6.72
22	Plumbing		32,411	81,621	58.85
23	HVAC Systems		47,571	203,684	146.85
24	Electrical		77,017	323,029	232.90
	Subtotal		322,195	1,904,819	1,373.34
	Permits, Bonds and Insurance	3.27%	13,743	66,664	48.06
	Design & Estimate Contingency	0.00%		0	0.00
	Construction Contingency	0.00%		0	0.00
	Escalation to 1st Qtr 2025	0.00%		0	0.00
	Design Fees & Reimbursables	0.00%		0	0.00
	Fee	3.50%	11,758	69,002	49.75
	Total		347,695	\$2,040,485	\$1,471.15

Skin/Floor Area Ratio 315%
 Glass/Skin Area Ratio 0%

Total Skin Cost/Contact Area \$62.33 /SF
 Skin Cost/Bldg Area \$196.61 /SF

SLN - MRI Addition
 Kansas City, Missouri
 June 7, 2024
 Concept Estimate



Renovation Allowance

<i>Item</i>	<i>Description</i>	<i>Unit</i>	<i>Quantity</i>	<i>Unit Price</i>	<i>Cost</i>	<i>Cost/SF</i>	<i>Note</i>
01 00 00	General Conditions				41,913		
02 40 00	Demolition	SF	1,200	15.30	18,360		
01 21 00	Renovation Allowance	SF	1,200	204.00	244,800		
	Subtotal				<u>305,073</u>	<u>254.23</u>	
	Permits, Bonds and Insurance	3.27%			11,704		
	Design & Estimate Contingency	4.00%			12,671		
	Construction Contingency	3.00%			9,883		
	Escalation to 1st Qtr 2025	2.00%			6,787		
	Design Fees & Reimbursables	0.00%			0		
	Fee	3.50%			12,114		
	Total				<u>\$358,232</u>	<u>\$298.53</u>	



Certificate of Need Program
EQUIPMENT REPLACEMENT APPLICATION
 Applicant's Completeness Checklist and Table of Contents

Project Name: Saint Luke's North Hospital - Barry Road MRI Replacement

Project No: 6112 HT

Project Description: Replace existing MRI machine at Saint Luke's North Hospital - Barry Road

Done Page N/A Description

Divider I. Application Summary:

- 2 1. Applicant Identification and Certification (Form MO 580-1861)
- 3 2. Representative Registration (From MO 580-1869)
- 4 3. Proposed Project Budget (Form MO 580-1863) and detail sheet with documentation of costs.

Divider II. Proposal Description:

- 10 1. Provide a complete detailed project description, CON project number of the existing equipment (if prev. CON approved), and include the type/brand of both the existing equipment and the replacement equipment.
- 10 2. Provide a listing with itemized costs of the medical equipment to be acquired and bid quotes.
- 10 3. Provide a timeline of events for the project, from CON issuance through project completion.

Divider III. Service Specific Criteria and Standards:

- 43 1. Describe the financial rationale for the proposed replacement equipment.
- 43 2. Document if the existing equipment has exceeded its useful life.
- 43 3. Describe the effect the replacement unit would have on quality of care.
- N/A 4. Document if the existing equipment is in constant need of repair.
- N/A 5. Document if the lease on the current unit has expired.
- 43 6. Describe the technological advances provided by the new unit.
- 44 7. Describe how patient satisfaction would be improved.
- 44 8. Describe how patient outcomes would be improved.
- 44 9. Describe what impact the new unit would have on utilization.
- 45 10. Describe any new capabilities that the new unit would provide.
- 45 11. By what percent will this replacement increase patient charges.

(If replacement equipment was not previously approved, also complete Divider IV below.)

Divider IV. Financial Feasibility Review Criteria and Standards:

- 46 1. Document that sufficient financing is available by providing a letter from a financial institution or an auditor's statement indicating that sufficient funds are available.
- 94-95 2. Provide Service-Specific Revenues and Expenses (Form MO 580-1865) projected through three (3) **FULL** years beyond project completion.
- 46 3. Document how patient charges are derived.
- 96-108 4. Document responsiveness to the needs of the medically indigent.



Certificate of Need Program

PROPOSED PROJECT BUDGET

Description

Dollars

COSTS:*

(Fill in every line, even if the amount is "\$0".)

1. New Construction Costs ***	\$2,724,911
2. Renovation Costs ***	\$0
3. Subtotal Construction Costs (#1 plus #2)	\$2,724,911
4. Architectural/Engineering Fees	\$217,205
5. Other Equipment (not in construction contract)	\$0
6. Major Medical Equipment	\$1,371,531
7. Land Acquisition Costs ***	\$0
8. Consultants' Fees/Legal Fees ***	\$0
9. Interest During Construction (net of interest earned) ***	\$0
10. Other Costs ***	\$0
11. Subtotal Non-Construction Costs (sum of #4 through #10)	\$1,588,736
12. Total Project Development Costs (#3 plus #11)	\$4,313,647 **

FINANCING:

13. Unrestricted Funds	\$4,313,647
14. Bonds	\$0
15. Loans	\$0
16. Other Methods (specify)	\$0
17. Total Project Financing (sum of #13 through #16)	\$4,313,647 **

18. New Construction Total Square Footage	1,600
19. New Construction Costs Per Square Foot *****	\$1,703
20. Renovated Space Total Square Footage	0
21. Renovated Space Costs Per Square Foot *****	\$0

* Attach additional page(s) detailing how each line item was determined, including all methods and assumptions used. Provide documentation of all major costs.

** These amounts should be the same.

*** Capitalizable items to be recognized as capital expenditures after project completion.

**** Include as Other Costs the following: other costs of financing; the value of existing lands, buildings and equipment not previously used for health care services, such as a renovated house converted to residential care, determined by original cost, fair market value, or appraised value; or the fair market value of any leased equipment or building, or the cost of beds to be purchased.

***** Divide new construction costs by total new construction square footage.

***** Divide renovation costs by total renovation square footage.

CONSOLIDATED FINANCIAL STATEMENTS

Saint Luke's Health System, Inc.
Years Ended December 31, 2023 and 2022
With Report of Independent Auditors

Ernst & Young LLP



Saint Luke’s Health System, Inc.
Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

Contents

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Ernst & Young LLP
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Report of Independent Auditors

The Board of Directors
BJC Health System

Opinion

We have audited the consolidated financial statements of Saint Luke’s Health System, Inc. and subsidiaries (the System), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and 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 System at December 31, 2023 and 2022, and the results of its operations 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 System 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 System’s ability to continue as a going concern for one year after the date that the financial statements are issued.

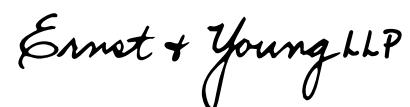
Auditor’s Responsibilities for the Audit of the Financial Statements

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 System’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 System’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.



April 29, 2024

Saint Luke's Health System, Inc.

Consolidated Balance Sheets
(In Thousands)

	December 31	
	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 354,133	\$ 381,212
Short-term investments <i>(Note 6)</i>	215,013	204,071
Accounts receivable, net	322,540	312,341
Other receivables	63,690	37,710
Inventories	37,981	36,494
Prepaid expenses	29,637	30,380
Total current assets	1,022,994	1,002,208
Property and equipment, net <i>(Note 6)</i>	984,259	978,118
Right-to-use assets	136,516	162,529
Investments <i>(Note 6)</i>	804,607	690,144
Assets limited as to use <i>(Note 6)</i> :		
Board designated	11,393	12,366
Under self-insurance arrangements	23,273	20,982
Restricted by donor or grantor	210,315	191,175
Total assets limited as to use	244,981	224,523
Other assets:		
Investment in affiliates, net	46,705	39,267
Other	108,007	105,105
Total other assets	154,712	144,372
Total assets	\$ 3,348,069	\$ 3,201,894

	December 31	
	2023	2022
Liabilities and net assets		
Current liabilities:		
Current maturities of long-term debt <i>(Note 7)</i>	\$ 17,576	\$ 16,836
Accounts payable	132,108	124,250
Payroll-related liabilities	122,746	101,604
Estimated third-party payor settlements	18,261	12,151
Defined contribution plan obligations	22,809	20,703
Other	99,615	101,766
Total current liabilities	<u>413,115</u>	<u>377,310</u>
Reserve for self-insured risks <i>(Note 10)</i>	50,935	51,776
Long-term debt, less current maturities <i>(Note 7)</i>	591,032	603,141
Interest rate swap contracts <i>(Note 7)</i>	8,276	8,725
Lease liability	149,868	158,186
Other noncurrent liabilities	93,586	93,278
Total liabilities	<u>1,306,812</u>	<u>1,292,416</u>
Net assets:		
Saint Luke's Health System, Inc.	1,786,599	1,671,791
Noncontrolling interest	11,845	8,891
Total without donor restrictions	<u>1,798,444</u>	<u>1,680,682</u>
With donor restrictions <i>(Note 13)</i>	242,813	228,796
Total net assets	<u>2,041,257</u>	<u>1,909,478</u>
Total liabilities and net assets	<u><u>\$ 3,348,069</u></u>	<u><u>\$ 3,201,894</u></u>

See accompanying notes.

Saint Luke's Health System, Inc.

Consolidated Statements of Operations and Changes in Net Assets
(In Thousands)

	Year Ended December 31	
	2023	2022
Revenues:		
Patient service revenue	\$ 2,320,573	\$ 2,159,100
Other revenue	211,027	194,875
Total revenues	2,531,600	2,353,975
Expenses:		
Salaries and wages	1,129,245	1,049,199
Employee benefits	252,325	230,640
Supplies and other	977,111	942,910
Depreciation and amortization	101,869	104,306
Interest	22,624	19,609
Total expenses	2,483,174	2,346,664
Operating income	48,426	7,311
Other income (loss):		
Investment return <i>(Note 6)</i>	110,249	(76,044)
Change in fair value of interest rate swaps	449	17,993
Pension settlement	-	(59,659)
Other, net	(32,672)	(3,178)
Total other income (loss), net	78,026	(120,888)
Consolidated excess (deficit) of revenues over expenses	126,452	(113,577)
Less revenues over expenses attributable to noncontrolling interest	(16,434)	(14,411)
Excess (deficit) of revenues over expenses attributable to Saint Luke's Health System, Inc.	\$ 110,018	\$ (127,988)

See accompanying notes.

Saint Luke's Health System, Inc.

Consolidated Statements of Operations and Changes in Net Assets (continued)
(In Thousands)

	Year Ended December 31, 2023			Year Ended December 31, 2022		
	Total	Controlling	Noncontrolling	Total	Controlling	Noncontrolling
Net assets without donor restrictions:						
Consolidated excess (deficit) of revenues over expenses	\$ 126,452	\$ 110,018	\$ 16,434	\$ (113,577)	\$ (127,988)	\$ 14,411
Contribution of property, equipment, and other	3,291	3,291	-	2,666	2,666	-
Pension-related changes other than net periodic pension costs	1,116	1,116	-	49,348	49,348	-
Other changes in net assets without donor restrictions	(13,097)	383	(13,480)	(15,133)	869	(16,002)
Increase (decrease) in net assets without donor restrictions	<u>117,762</u>	<u>114,808</u>	<u>2,954</u>	<u>(76,696)</u>	<u>(75,105)</u>	<u>(1,591)</u>
Net assets with donor restrictions:						
Contributions	11,977	11,977	-	15,160	15,160	-
Investment income, net	2,995	2,995	-	1,942	1,942	-
Change in unrealized gain (loss) on investments, net	21,703	21,703	-	(19,106)	(19,106)	-
Net assets released from restrictions	(22,661)	(22,661)	-	(24,808)	(24,808)	-
Change in interest in donor-restricted net assets of foundations	3	3	-	(45)	(45)	-
Increase (decrease) in net assets with donor restrictions	<u>14,017</u>	<u>14,017</u>	<u>-</u>	<u>(26,857)</u>	<u>(26,857)</u>	<u>-</u>
Increase (decrease) in net assets	131,779	128,825	2,954	(103,553)	(101,962)	(1,591)
Net assets at beginning of year	<u>1,909,478</u>	<u>1,900,587</u>	<u>8,891</u>	<u>2,013,031</u>	<u>2,002,549</u>	<u>10,482</u>
Net assets at end of year	<u>\$ 2,041,257</u>	<u>\$ 2,029,412</u>	<u>\$ 11,845</u>	<u>\$ 1,909,478</u>	<u>\$ 1,900,587</u>	<u>\$ 8,891</u>

See accompanying notes.

Saint Luke's Health System, Inc.

Consolidated Statements of Cash Flows (In Thousands)

	Year Ended December 31	
	2023	2022
Operating activities		
Increase (decrease) in net assets	\$ 131,779	\$ (103,553)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	101,869	104,306
Loss on disposal of property and equipment	1,664	2,291
Impairment of right-to-use assets	19,200	–
Change in fair value of interest rate swaps	(449)	(17,993)
Pension-related changes other than net periodic pension costs	–	9,397
Distributions to noncontrolling interests	13,480	16,002
Restricted contributions	(11,977)	(15,160)
Changes in operating assets and liabilities:		
Accounts receivable, net	(10,199)	(2,667)
Other current assets	(26,724)	1,574
Other noncurrent assets	3,911	27,607
Accounts payable	7,858	(7,029)
Other current liabilities	27,207	(154,352)
Reserve for self-insured risks	(841)	(85)
Other noncurrent liabilities	(8,010)	(57,585)
Net cash provided by (used in) operating activities	248,768	(197,247)
Investing activities		
Purchase of property and equipment, net	(109,674)	(101,375)
(Increase) decrease in investment securities classified as trading	(149,549)	16,698
Increase in equity goodwill	(811)	(661)
Increase in investment in affiliates, net	(6,627)	(864)
Net cash used in investing activities	(266,661)	(86,202)
Financing activities		
Payments and refunding of long-term debt	(17,369)	(17,555)
Proceeds from issuance of long-term debt	6,000	–
Distributions to noncontrolling interests	(13,480)	(16,002)
Restricted contributions	11,977	15,160
Net cash used in financing activities	(12,872)	(18,397)
Net decrease in cash and cash equivalents and restricted cash	(30,765)	(301,846)
Cash and cash equivalents and restricted cash at beginning of year	392,294	694,140
Cash and cash equivalents and restricted cash at end of year	\$ 361,529	\$ 392,294
Reconciliation of cash and cash equivalents and restricted cash to the consolidated balance sheets		
Cash and cash equivalents	\$ 354,133	\$ 381,212
Restricted cash included in investments	7,396	11,082
	\$ 361,529	\$ 392,294
Supplemental disclosure of cash flow information		
Interest paid	\$ 25,941	\$ 23,071

See accompanying notes.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements

December 31, 2023

1. Background, Principles of Consolidation, and Summary of Significant Accounting Policies

Saint Luke's Health System, Inc., a Kansas not-for-profit corporation, operates an integrated health care delivery system (the System) serving the greater Kansas City metropolitan area and surrounding communities. The System is a faith-based, not-for-profit-aligned health system committed to excellence in providing health care and health-related services in a caring environment. The System is the sole corporate member of Saint Luke's Hospital of Kansas City (Saint Luke's), Saint Luke's North Hospital (North), Saint Luke's South Hospital (South), Saint Luke's East Hospital (East), and their consolidated and unconsolidated subsidiaries.

The System and its primary operating entities are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Certain supporting subsidiaries are subject to federal and state income taxes.

The accompanying consolidated financial statements include the following operating entities:

- Saint Luke's Health System, Inc. (the Corporation)
- Saint Luke's Hospital of Kansas City (Saint Luke's)
- Saint Luke's North Hospital (North)
- Saint Luke's South Hospital (South)
- Saint Luke's East Hospital (East)
- Saint Luke's Hospital of Chillicothe d/b/a Hedrick Medical Center (Hedrick)
- Saint Luke's Hospital of Trenton d/b/a Wright Memorial Hospital (Wright Memorial)
- Saint Luke's Hospital of Garnett d/b/a Anderson County Hospital (Anderson County)
- Saint Luke's Hospital of Allen County d/b/a Allen County Regional Hospital (Allen County)
- Saint Luke's Home Care and Hospice
- Saint Luke's Health System Risk Retention Group (RRG)
- Saint Luke's Health System Insurance, Ltd. (Captive)
- Bishop Spencer Place, Inc.
- Saint Luke's Physician Group, Inc.
- Saint Luke's Foundation (Foundation)

All significant intercompany transactions and account balances have been eliminated in the consolidated financial statements.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

1. Background, Principles of Consolidation, and Summary of Significant Accounting Policies (continued)

Accounting Policies

The System's accounting policies conform to U.S. generally accepted accounting principles (U.S. GAAP) applicable to health care organizations.

Use of Estimates

The preparation of 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 and Restricted Cash

Cash and cash equivalents generally include cash and highly liquid debt instruments, generally with a maturity of three months or less when purchased. Highly liquid debt instruments with original, short-term maturities of three months or less that are included as part of the investment portfolio are excluded from cash equivalents as they are commingled with longer-term investments. Amounts included in restricted cash include cash held within investments and may represent funds set aside within the investment portfolio based on management's policy or contractual arrangements.

Short-Term Investments

Short-term investments primarily consist of U.S. government obligations, corporate obligations, and fixed-income funds internally designated as current assets because such amounts are available to meet the System's cash requirements.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

1. Background, Principles of Consolidation, and Summary of Significant Accounting Policies (continued)

Patient Accounts Receivable

The System's patient accounts receivable are reported at the amount that reflects the consideration to which it expects to be entitled in exchange for providing patient care.

The revenues related to patient accounts receivable are reported at net realizable value based on certain assumptions. For third-party payors, including Medicare, Medicaid, and managed care, the net realizable value is based on the estimated contractual reimbursement percentage, which is based on current contract prices or historical paid claims data by payor. For self-pay, the net realizable value is determined using estimates of historical collection experience, including an analysis by aging category. These estimates are adjusted for expected recoveries and any anticipated changes in trends, including significant changes in payor mix, changes in operations and economic conditions, or trends in federal and state governmental health care coverage.

Inventories

Inventories consist primarily of medical supplies and pharmaceuticals and are stated at the lower of actual cost, generally on the first-in, first-out basis, or market.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair value at the date of receipt. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

Land improvement	8 to 20 years
Building and improvements	5 to 40 years
Equipment	3 to 15 years
Software	3 to 7 years

Leasehold improvements are amortized over the shorter of the useful life or corresponding lease. The amortization is included in depreciation expense.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

1. Background, Principles of Consolidation, and Summary of Significant Accounting Policies (continued)

Capitalized Interest

Interest cost incurred on tax-exempt borrowings designated for capital purposes, net of interest earned on such borrowed funds, is capitalized over the duration of the related capital projects. Imputed interest cost incurred on construction financed through internally generated funds or other borrowings is capitalized over the duration of the related capital projects when the project is material in cost and time.

Asset Impairment

The System considers whether indicators of impairment are present and performs the necessary test to determine whether the carrying value of an asset is appropriate. Impairment write-downs are recognized in operating income at the time the impairment is identified. During 2023, the System impaired a group of right-to-use assets by \$19.2 million of which \$6.3 million is recognized in supplies and other expenses and \$12.9 million is included in other, net. There were no material impairments in the year ended December 31, 2022.

Investments and Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under self-insurance arrangements and indenture agreements and restricted donations. Investments in equity and debt securities are measured at fair value.

The System considers its investment securities as trading securities. Investment income (including realized and unrealized gains and losses on investments, interest, and dividends) from trading investments is recorded as investment return, which is included in excess (deficit) of revenues over expenses, unless the income or loss is restricted by donor or law or derived from assets held by trustee under self-insurance arrangements or under indenture agreements. Gains and losses with respect to disposition of marketable securities are based on the specific-identification method.

Investment income earned by assets held by trustee under self-insurance arrangements and under indenture agreements is reported as other revenue. Restricted investment income and net gains or losses on investments of donor-restricted funds are added to or deducted from the appropriate restricted net asset balance.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

1. Background, Principles of Consolidation, and Summary of Significant Accounting Policies (continued)

The System also holds investment positions in other trusts, limited liability investment companies, and hedge funds of funds (collectively referred to as alternative investments), which are reported based on the net asset value of the investment. The calculated net asset values are provided by the respective organizations and based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Management has utilized the best available information for reported values, which in some instances are valuations as of an interim date not more than 90 days before year-end. Generally, the net asset value of the System's holdings reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. Returns from investments based on the net asset value, whether realized or unrealized, are included in investment return in excess (deficit) of revenues over expenses.

The System's assets limited as to use are exposed to various kinds and levels of risk. Fixed-income securities expose the System to interest rate risk, credit risk, and liquidity risk. As interest rates change, the current value of many fixed-income securities, particularly those with fixed interest rates, is affected. Credit risk is the risk that the obligor of the security will not fulfill its obligation. Liquidity risk is affected by the willingness of market participants to buy and sell given securities.

Equity securities expose the System to market risk, performance risk, and liquidity risk. Market risk is the risk associated with major movements of the equity market, both international and domestic. Performance risk is the risk associated with a company's operating performance. Liquidity risk, as previously defined, tends to be higher for international equities and equities related to small capitalized companies, as well as certain alternative investments.

Investment in Affiliates

The System has entered into certain limited liability company agreements with third parties that provide health-care-related services. Where applicable, these arrangements are accounted for using the equity method of accounting. The System's largest equity interest venture is a 51% membership interest in Kansas City Orthopaedic Institute, L.L.C., which specializes in providing orthopaedic services on an inpatient and outpatient basis. Although the System owns a majority financial interest in this entity, it does not possess a controlling interest in the entity, and therefore does not consolidate the entity. The balance of the equity interest was \$13.3 million and \$10.8 million as of December 31, 2023 and 2022, respectively. This carrying value exceeds the System's underlying equity in the net assets of the affiliate by \$11.4 million as of December 31, 2023 and 2022, which represents equity method goodwill. All other equity interest ventures are immaterial to the System.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

1. Background, Principles of Consolidation, and Summary of Significant Accounting Policies (continued)

Deferred Financing Costs

Deferred financing costs are amortized over the period the debt is outstanding using the bonds outstanding method.

Deferred Revenue From Advanced Fees and Obligation

Bishop Spencer Place, Inc., a continuing-care retirement community, offers two entry-fee options for independent-living units: (1) 50-month refundable and (2) lifetime 90% refundable. The deferred revenue from nonrefundable entry fees is amortized to revenue using the straight-line method over the estimated remaining life expectancy of the resident.

Refundable entry fees are not amortized to revenue. Instead, they are kept on the consolidated balance sheets at their full refund amount per the residency agreements. The balance of the refundable entry fees was \$13.0 million and \$14.8 million as of December 31, 2023 and 2022, respectively, and is recorded in other noncurrent liabilities. Based on the structure of the contracts, the System was not required to record an obligation to provide future services and use of facilities at December 31, 2023 or 2022.

Derivative Financial Instruments

Derivative financial instruments, specifically interest rate swaps, are recorded on the consolidated balance sheets at fair value. The change in the fair value of the derivative financial instruments is recorded in other income (loss), net. None of the interest rate swaps are designated as hedges.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

1. Background, Principles of Consolidation, and Summary of Significant Accounting Policies (continued)

Net Assets

Net assets without donor restrictions are those whose use by the System has not been limited by donors and are available for general operating use at the discretion of the Board of Directors (the Board). This category includes both net assets designated by the Board for a specific purpose and board-designated endowments. Board-designated endowments are net assets that are designated by the Board for a specific purpose and treated like an endowment (quasi-endowment).

Net assets with donor restrictions include those whose use by the System has been limited by donors for a specific purpose (primarily for patient care, health care education, or property) or time period. This category also includes net assets restricted by donors to be maintained by the System in perpetuity with the related investment income expendable to support the donor-designated purpose, which is primarily for patient care, health care education, or property.

Contributions, Bequests, and Pledges

Unrestricted contributions and bequests are reported in other nonoperating income (loss), net when earned. Restricted contributions and bequests are reported as additions to net assets with donor restrictions. Resources restricted by donors for facility replacement and expansion are added to net assets without donor restrictions to the extent placed into service. Resources restricted by donors and grantors for specific operating purposes are reported in other revenue to the extent used within the period.

Restricted pledges are recorded at fair value in the year notification is received as an addition to net assets with donor restrictions. Management believes these are Level 3 fair value measurements (as defined in Note 9) recorded on a nonrecurring basis. Pledges receivable totaling \$4.9 million and \$7.9 million as of December 31, 2023 and 2022, respectively, are included in other receivables and other noncurrent assets, and are all due in less than eight years. The pledges are recorded at their net present value based on the expected timing of pledge fulfillment using a credit-adjusted discount rate ranging from 0.36% to 3.99% in 2023 and 2022, which approximated fair value at the date of pledge.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

1. Background, Principles of Consolidation, and Summary of Significant Accounting Policies (continued)

Performance Indicator

The System's performance indicator is excess (deficit) of revenues over expenses, which includes all changes in net assets without donor restrictions other than the contribution of property, equipment, and other; pension-related changes other than net periodic pension costs; changes in net assets attributable to noncontrolling interest; and other.

Operating and Other Income (Loss)

The System's primary mission is to meet the health care needs in its service areas through a broad range of general and specialized health care services, including inpatient acute care, outpatient services, physician services, and other health care 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 System's primary mission are considered to be other income (loss). Other income (loss) activities include investment return, excluding assets held by trustee under self-insurance arrangements and indenture agreements; change in fair value of interest rate swaps; and other, net. All unrestricted activities of the Foundation, including contribution and grant activity, are recorded in other, net.

New Accounting Standard Adopted

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU requires entities to report "expected" credit losses on financial instruments and other commitments to extend credit rather than the current "incurred loss" model. These expected credit losses for financial assets held at the reporting date are to be based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU will also require enhanced disclosures relating to significant estimates and judgments used in estimating credit losses, as well as the credit quality. This ASU was effective for the System beginning January 1, 2023. The System has adopted this ASU with no material impact on its consolidated financial statements.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

2. Charity Care

The System is dedicated to providing both services and leadership in caring for the needy and accepts all patients regardless of their ability to pay. The System provides such care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Since the System does not attempt to collect amounts initially determined to qualify as charity care, such charges are not included in patient service revenue. The cost incurred in providing these services of approximately \$44.1 million and \$32.1 million in 2023 and 2022, respectively, is included in the System's operating expenses and is estimated using the prior year overall Medicare cost-to-charge ratio. In addition, the System provides care for medically indigent patients covered under the Medicaid welfare program at rates substantially below standard charges.

3. Patient Service Revenue

The System provides health care services through inpatient, outpatient, and ambulatory care facilities that provide services in the greater Kansas City metropolitan area and surrounding communities, and grants credit to patients, substantially all of whom are local residents. The System generally does not require collateral or other security in extending credit to patients; however, the System routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under its health insurance programs, plans, and policies, including, but not limited to, Medicare, Medicaid, health maintenance organizations, and commercial insurance policies. Patient service revenue is reported at the amount that reflects the consideration to which the System expects to be paid for providing patient care. Patient service revenue is recognized as performance obligations are satisfied based on the nature of services provided.

Performance obligations are identified based on the nature of the services provided. Revenue associated with performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Performance obligations satisfied over time relate to patients receiving inpatient acute care services. The System measures the performance obligation from admission into the hospital to the point when there are no further services required for the patient, which is generally the time of discharge. For outpatient services, the performance obligation is satisfied as the patient simultaneously receives and consumes the benefits provided as the services are performed. In the case of these outpatient services, recognition of the obligation over time yields the same result as recognizing the obligation at a point in time. 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.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

3. Patient Service Revenue (continued)

As the System's performance obligations relate to contracts with a duration of less than one year, the System has applied the optional exemption provided in the guidance 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.

The 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 major payor classes and types of services provided for outpatient revenue. Based on the historical collection trends and other analyses, the 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 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 System determines the transaction price associated with services provided to patients who have third-party payor coverage based on reimbursement terms per contractual agreements, discount policies, and historical experience. For uninsured patients who do not qualify for charity care, the System determines the transaction price associated with services on the basis of charges, reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on historical collection experience for applicable patient portfolios. Patients who meet the System's criteria for charity care are provided care without charge; such amounts are not reported as revenue. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

Saint Luke’s Health System, Inc.

Notes to Consolidated Financial Statements (continued)

3. Patient Service Revenue (continued)

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. During the last few years, as a result of nationwide investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the Medicare and Medicaid programs. There can be no assurance that regulatory authorities will not challenge the System’s compliance with these laws and regulations or that the laws and regulations themselves will not be subject to challenge, and it is not possible to determine the effect, if any, such claims, penalties, or challenges would have on the System. Patient service revenue increased by \$37.6 million and \$19.7 million in 2023 and 2022, respectively, as a result of changes in estimates due to settlements of prior years’ cost reports, Medicaid settlements, and the disposition of other payor audits and settlements.

In certain instances, the System does receive payment in advance of the services provided and would consider these amounts to represent contract liabilities. Contract liabilities at December 31, 2023, were not significant.

Management has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the payors and line of business that renders services to patients. The composition of patient service revenue and accounts receivable by payor for the years ended December 31 is as follows:

	Patient Service Revenue		Patient Accounts Receivable	
	Year Ended December 31		December 31	
	2023	2022	2023	2022
Medicare	37%	37%	29%	28%
Blue Cross/Blue Shield	27	28	21	26
Medicaid	9	7	11	10
Managed care	23	24	28	27
Other/patients	4	4	11	9
Total	100%	100%	100%	100%

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

3. Patient Service Revenue (continued)

The self-pay patient accounts receivable above includes amounts due from patients for coinsurance, deductibles, co-payments, installment payment plans, and amounts due from patients without insurance.

The composition of patient service revenue by service line is as follows:

	Year Ended December 31	
	2023	2022
Inpatient services	40%	41%
Outpatient services	44	43
Clinic and professional services	16	16
	100%	100%

Other operating revenue is recognized at an amount that reflects the consideration to which the System expects to be entitled in exchange for providing goods and services. The amounts recognized reflect consideration due from customers, third-party payors, and others. Primary categories of other revenue include pharmacy revenue, grant revenue, cafeteria revenue, rent revenue, other miscellaneous revenue, and income (loss) on investment in affiliate.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

4. Financial Assets and Liquidity Resources

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

	December 31	
	2023	2022
	<i>(In Thousands)</i>	
Financial assets:		
Cash and cash equivalents	\$ 354,133	\$ 381,212
Short-term investments	215,013	204,071
Accounts receivable, net	322,540	312,341
Other receivables	63,690	37,710
Long-term investments	804,607	690,144
Assets limited as to use	244,981	224,523
Total financial assets	2,004,964	1,850,001
Less:		
Board-designated investments	(11,393)	(12,366)
Under self-insurance arrangements	(23,273)	(20,982)
Restricted by donor or grantor	(210,315)	(191,175)
Pledges receivable with restrictions	(4,236)	(6,878)
Long-term investments	(114,883)	(93,587)
Financial assets not available to be used within one year	(364,100)	(324,988)
Financial assets available to meet general expenditures within one year	\$ 1,640,864	\$ 1,525,013

The System has assets limited as to use for donor-restricted purposes, debt service, and the self-insurance arrangements. Additionally, certain other board-designated assets are designated for general support of patient care and operations. These assets limited as to use, which are more fully described in Note 6, are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

Periodically, at the discretion of the System, cash in excess of daily requirements is invested in short-term investments and money market funds.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

5. Property and Equipment

Property and equipment consist of the following:

	December 31	
	2023	2022
	<i>(In Thousands)</i>	
Land and improvements	\$ 80,928	\$ 81,152
Buildings and improvements	1,384,140	1,350,600
Fixed equipment	240,237	232,443
Movable equipment	619,201	584,183
Software	116,268	117,403
	2,440,774	2,365,781
Less accumulated depreciation	1,498,713	1,414,540
	942,061	951,241
Construction-in-progress	42,198	26,877
Total property and equipment, net	\$ 984,259	\$ 978,118

The System's Board has approved certain construction, renovation, information systems, and other projects throughout the System. As of December 31, 2023, the System had outstanding construction and other commitments of \$60.4 million related to these projects.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

6. Investments and Assets Limited as to Use

The composition of investments and assets limited as to use is as follows:

	December 31	
	2023	2022
	<i>(In Thousands)</i>	
Cash and cash equivalents	\$ 7,393	\$ 11,082
Certificates of deposit	5,409	6,073
Fixed-income funds	255,900	230,187
Debt securities	318	308
Common trust fixed-income funds	138,052	132,278
Common trust equity fund	270,761	179,528
Domestic equity securities	38,618	30,393
International equity mutual funds	38,252	32,412
International equity funds	225,279	192,585
Diversified liquid real assets	1,791	67,561
Managed future fund	45,150	53,796
University of Missouri pooled account	25,778	24,134
Private equity	114,883	93,587
Hedge funds of funds	71,533	64,496
Hedge fund	25,239	–
Accrued interest receivable and other	245	318
Total	\$ 1,264,601	\$ 1,118,738
Presented as:		
Short-term investments	\$ 215,013	\$ 204,071
Investments	804,607	690,144
Assets limited as to use	244,981	224,523
Total	\$ 1,264,601	\$ 1,118,738

Common trust fixed-income funds and common trust equity funds generally are redeemable in less than five days. Private equity funds are generally not available to be redeemed except as distributed by the fund. As of December 31, 2023, the System had committed \$124.8 million to additional investments in private equity funds. The majority of the hedge funds of funds and hedge funds held are redeemable on a quarterly basis with 60 days' notice.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

6. Investments and Assets Limited as to Use (continued)

Because of the timing of the preparation and delivery of financial statements for limited partnership investments, the use of the most recently available financial statements provided by the general partners results in a month to quarter delay in the inclusion of the limited partnership results on the consolidated statements of operations and changes in net assets. Due to this delay, these consolidated financial statements do not yet reflect the market conditions experienced in the last one to three months of the fourth quarter of fiscal 2023 for the limited partnerships.

Investment return is summarized as follows:

	Year Ended December 31	
	2023	2022
	<i>(In Thousands)</i>	
Interest, dividends, and net realized gain, net	\$ 59,954	\$ 26,323
Change in unrealized gain (loss), net	75,337	(119,123)
Total investment return	\$ 135,291	\$ (92,800)
Included in other revenue	\$ 344	\$ 408
Included in investment return	110,249	(76,044)
Included in net assets restricted by donor	24,698	(17,164)
Total investment return	\$ 135,291	\$ (92,800)

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

7. Long-Term Debt

Long-term debt consists of the following obligations:

	December 31	
	2023	2022
	<i>(In Thousands)</i>	
Uninsured Health Facilities Revenue Bonds		
Series 2012C, variable-rate term bonds, privately placed, puttable starting in 2025 at which time bonds can be remarketed or redeemed, annual interest rate of 4.82% and 3.86% at December 31, 2023 and 2022, respectively, payable in installments through 2042	\$ 30,000	\$ 30,000
Series 2016A, fixed annual interest rate ranging from 3.00% to 5.00%, payable in installments through 2042 (including unamortized premiums of \$16,145 and \$19,174 at December 31, 2023 and 2022, respectively)	243,245	255,624
Series 2016B, variable-rate term bonds, privately placed, puttable starting in 2028 at which time bonds can be remarketed or redeemed, annual interest rate of 4.68% and 3.71% at December 31, 2023 and 2022, respectively, payable in installments through 2040	89,370	89,730
Series 2016C, variable-rate term bonds, privately placed, puttable starting in 2028 at which time bonds can be remarketed or redeemed, annual interest rate of 4.68% and 3.71% at December 31, 2023 and 2022, respectively, payable in installments through 2035	17,245	18,345
Series 2018A, fixed annual interest rate ranging from 4.00% to 5.00%, payable in installments through 2048 (including unamortized premiums of \$1,502 and \$1,563 at December 31, 2023 and 2022, respectively)	99,662	99,723

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

7. Long-Term Debt (continued)

	December 31	
	2023	2022
	<i>(In Thousands)</i>	
Uninsured Health Facilities Revenue Bonds (continued)		
Series 2020, fixed annual interest rate ranging from 3.00% to 5.00%, payable in installments through 2050 (including unamortized premiums of \$12,527 and \$12,994 at December 31, 2023 and 2022, respectively)	\$ 94,297	\$ 98,429
Series 2023, taxable draw down term loan, privately placed, annual interest rate of 6.20% at December 31, 2023, terminated and repaid on February 1, 2024	6,000	–
Other obligations	32,153	31,661
	611,972	623,512
Less:		
Current maturities	17,576	16,836
Debt issuance costs	3,364	3,535
Total long-term debt, net of current maturities and debt issuance costs	\$ 591,032	\$ 603,141

The Master Trust Indenture (the MTI) dated as of December 1, 1996, with subsequent amendments, sets forth the covenants relating to how, and provides the terms and conditions upon which, borrowings under the MTI may be issued and secured. The MTI provides that the borrowings under the MTI are the joint and several obligations of each of the members of the Obligated Group. Currently, the Corporation, Saint Luke's, North, South, and East are members of the Obligated Group and comply with covenants, undertakings, stipulations, and provisions contained in the MTI. The tax-exempt revenue bonds have been issued through the Health & Educational Facilities Authority of the State of Missouri and were used by the Corporation primarily to finance capital projects and to refinance existing indebtedness.

The obligation of the Corporation to make payments on the indebtedness under the MTI and any additional notes is a general obligation of the Obligated Group and any future members of the Obligated Group that is not secured by a pledge or mortgage of, or security interest in, any assets of the Obligated Group or any future members of the Obligated Group. Nonetheless, the MTI imposes certain restrictions on the actions of the members of the Obligated Group for the benefit

Saint Luke’s Health System, Inc.

Notes to Consolidated Financial Statements (continued)

7. Long-Term Debt (continued)

of all holders of notes issued under the MTI. Such terms include, among others, restrictions on liens on the property of the members of the Obligated Group, restrictions on the incurrence of additional indebtedness, maintenance of certain debt coverage and liquidity ratios, and provisions governing the transfer of the property of the members of the Obligated Group. As of December 31, 2023, the System was in compliance with all financial covenants. On February 27, 2024, the System’s MTI was discharged and master notes were replaced by the MTI and master notes of BJC HealthSystem.

At December 31, 2022, the System has a general operating line of credit of \$75 million. This facility has a one-year term and was canceled in February 2024. The System has \$0 outstanding under the line of credit at December 31, 2023 and 2022.

In February 2023, the System issued a \$50 million taxable drawdown term loan with interest payable monthly. At December 31, 2023, \$6.0 million was outstanding and then subsequently terminated and repaid on February 1, 2024.

In April 2021, Medical Plaza Partners, an affiliate of Saint Luke’s, refinanced a loan of \$30.0 million with a \$30.5 million loan with Northwestern Mutual Life Insurance Company. The loan carries an annual interest rate of 3.71% with principal and interest payments payable monthly based on a 12-year amortization and a balloon payment, which is due in May 2033.

Scheduled annual principal payments on the System’s long-term obligations, excluding the impact of unamortized bond premiums of \$30.2 million and debt issuance cost of \$3.4 million, are as follows:

Year Ending December 31	Long-Term Debt
	<i>(In Thousands)</i>
2024	\$ 17,576
2025	18,696
2026	19,150
2027	19,511
2028	20,455
Thereafter	486,410
	\$ 581,798

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

7. Long-Term Debt (continued)

Interest Rate Swap Agreements

The System is a party to multiple interest rate swap contracts that effectively convert various variable-rate demand bonds to fixed rates. Interest rate swap contracts between the 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 and include counterparty credit risk, which 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, which 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 System's counterparty. The counterparty to the interest rate swap contracts is a financial institution that carries investment-grade credit ratings. The interest rate swap contracts contain collateral provisions applicable to both parties to mitigate credit risk. There was no collateral posted at December 31, 2023 or 2022. The System does not anticipate nonperformance by its counterparty. On February 27, 2024, the System terminated the interest rate swap contracts with no material gain or loss.

The System's interest rate swap contracts and fair value of derivatives (not designated as hedging instruments) at December 31 on the consolidated balance sheets are as follows:

Expiration Date	Fixed Rate	The System Receives	Notional Amount		Fair Value	
			2023	2022	2023	2022
			<i>(In Thousands)</i>		<i>(In Thousands)</i>	
2032	5.500%	SOFR	\$ 51,758	\$ 54,572	\$ (5,060)	\$ (5,457)
2035	5.056	SOFR	29,865	30,820	(3,216)	(3,268)
					\$ (8,276)	\$ (8,725)

For the fair value leveling of these interest rate swaps, please refer to Note 8.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

7. Long-Term Debt (continued)

The effects of derivative instruments included in other income (loss) on the consolidated statements of operations and changes in net assets for the years ended December 31 are as follows:

Location of Gain (Loss) on Derivatives Recognized in Excess (Deficit) of Revenues Over Expenses	Amount of Gain (Loss) on Derivatives Recognized in Excess (Deficit) of Revenues Over Expenses	2023	2022
		<i>(In Thousands)</i>	
Change in fair value of interest rate swaps	Unrealized gain (loss)	\$ 449	\$ 17,993
Other, net	Difference between cash paid and received	(341)	(3,201)

8. Fair Value Measurements

The System determines fair value as 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 FASB's Accounting Standards Codification Topic 820, *Fair Value Measurement*, 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).

Certain of the System's financial assets and financial liabilities are measured at fair value on a recurring basis, including money market, fixed-income, and equity instruments, and interest rate swap contracts. 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. Level 1 primarily consists of financial instruments such as money market securities and listed equities.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements (continued)

Level 2 – Pricing inputs other than quoted prices included in Level 1 that are either directly observable or that can be derived or supported from observable data as of the reporting date. Instruments in this category include certain commercial paper, common trust fixed-income funds, common trust equity funds, and interest rate swap contracts depending on the significance of the credit value adjustment.

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 inputs, the 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.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements (continued)

The fair value of financial assets and liabilities measured at fair value on a recurring basis was determined using the following inputs at December 31, 2023:

	Fair Value Measurements Using			
	Total Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<i>(In Thousands)</i>			
Assets				
Investments:				
Cash and cash equivalents	\$ 7,373	\$ 7,393	\$ –	\$ –
Certificates of deposit	5,409	5,409	–	–
Fixed-income funds	255,900	255,900	–	–
Debt securities	318	–	318	–
Common trust fixed-income funds	8,187	8,187	–	–
Domestic equity securities	38,618	38,618	–	–
International equity mutual funds	38,252	38,252	–	–
Diversified liquid real assets	1,791	1,791	–	–
	355,868	\$ 355,550	\$ 318	\$ –
Reconciling items				
Investments recorded at net asset value	908,489			
Accrued interest and other	244			
	\$ 1,264,601			
Liabilities				
Obligation under interest rate swap contracts	\$ (8,276)	\$ –	\$ (8,276)	\$ –

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements (continued)

The fair value of financial assets and liabilities measured at fair value on a recurring basis was determined using the following inputs at December 31, 2022:

	Fair Value Measurements Using			
	Total Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<i>(In Thousands)</i>			
Assets				
Investments:				
Cash and cash equivalents	\$ 11,082	\$ 11,082	\$ —	\$ —
Certificates of deposit	6,073	6,073	—	—
Fixed-income funds	230,187	230,187	—	—
Debt securities	308	—	308	—
Common trust fixed-income funds	7,773	7,773	—	—
Domestic equity securities	30,393	30,393	—	—
International equity mutual funds	32,412	32,412	—	—
Diversified liquid real assets	67,561	67,561	—	—
	385,789	\$ 385,481	\$ 308	\$ —
Reconciling items				
Investments recorded at net asset value	732,631			
Accrued interest and other	318			
Investments per consolidated balance sheet	\$ 1,118,738			
Liabilities				
Obligation under interest rate swap contracts	\$ (8,725)	\$ —	\$ (8,725)	\$ —

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

8. Fair Value Measurements (continued)

The fair values of the securities included in Level 1 were determined through quoted market prices. The fair values of Level 2 securities were determined through evaluated bid prices based on recent trading activity and other relevant information, including market interest rate curves and referenced credit spreads. Estimated prepayment rates, where applicable, are used for valuation purposes as provided by third-party pricing services where quoted market values are not available. The fair values of the interest rate swap contracts are determined based on the present value of expected future cash flows using discount rates appropriate with the risks involved and are included in Level 2 or Level 3 depending on the significance of the credit value adjustment. Due to the volatility of the capital markets, there is a reasonable possibility of significant changes in fair value and additional gains or losses in the near term subsequent to December 31, 2023.

The carrying amounts reported on the consolidated balance sheets for cash and cash equivalents, accounts receivable, other current assets, and current liabilities are reasonable estimates of their fair value due to the short-term nature of these financial instruments. The value of pledges receivable is estimated by management to approximate fair value at the date the pledge is received. Management believes these are Level 2 fair value measurements recorded on a nonrecurring basis.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

9. Retirement Plans

The System had a hard-frozen defined benefit pension plan (the Plan). Effective December 31, 2021, the Plan was terminated, and all benefit obligations were settled by December 31, 2022. During 2022, the System recorded a settlement charge of \$59.7 million and was recorded in other income (loss).

The following table sets forth the prior year activity of the Plan:

	December 31	
	2023	2022
	<i>(In Thousands)</i>	
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	\$ —	\$ 172,454
Interest cost	—	3,279
Actuarial gain	—	(14,315)
Benefits paid	—	(161,418)
Projected benefit obligation at end of year	—	—
Change in plan assets		
Fair value of plan assets at beginning of year	413	155,591
Actual investment return on plan assets	—	(19,827)
(Refund) contributions	(413)	26,067
Benefits paid	—	(161,418)
Fair value of plan assets at end of year	—	413
Pension obligation in noncurrent liabilities	\$ —	\$ —
Pension asset in short-term investments	\$ —	\$ 413

The System maintains a deferred 403(b) plan for employees' contributions. In addition, the System maintains a 401(a) defined contribution retirement plan that covers substantially all employees meeting the eligibility requirements set forth under this plan. The System contributes an amount based on a percentage for eligible employees who contribute to the tax-deferred 403(b). The System recorded expenses of \$41.5 million and \$38.7 million related to these plans during 2023 and 2022, respectively, which are included in employee benefits expense on the consolidated statements of operations and changes in net assets.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

10. Insurance and Self-Insured Risks

The System provides for medical malpractice and general liability exposure through a combination of self-insurance and third-party insurance carriers.

Professional and general liability coverage for substantially all of the Missouri hospital facilities is provided through Saint Luke's Health System Insurance, Ltd. (the Captive), a Cayman domiciled wholly owned subsidiary of the System. General liability coverage for the Kansas hospital facilities is provided through the Captive. Effective April 1, 2023, self-insured retentions are \$6.0 million per occurrence and \$40.0 million in annual aggregate. Prior to April 1, 2023, the self-insured retentions were \$6.0 million per occurrence and \$38.5 million in aggregate. Contributions to the Captive are made based on funding levels recommended by an independent actuary.

For entities participating in the Captive, expense is based on paid claims and the actuary's estimate of the eventual cost of claim settlements, including estimates for claims that may have occurred during the periods but were not yet identified and reported, and the probable timing of the payment of these claims. Accrued malpractice losses were undiscounted at December 31, 2023 and 2022.

South established a trust (the SLS Trust) to self-insure professional liability risk beginning on January 1, 2005. The coverage provided by the SLS Trust is \$500,000 per claim and \$1.5 million in aggregate.

The Kansas Health Care Stabilization Fund provides coverage in the amount of \$500,000 per claim and \$1.5 million in the aggregate. Prior acts (or tail) coverage also is provided through each trust. The funding contributions to each trust were based on recommendations from an independent actuary.

Saint Luke's Health System RRG, which was established August 1, 2003, in South Carolina, provides coverage to employed physicians and related staff of the System. The RRG has the capacity to insure physicians who are not employed by the System. The RRG is wholly owned by the System and provides the first layer of coverage for employed physicians.

The RRG provides excess insurance coverage for general and professional liability for all the System's entities. This exposure is 100% reinsured by various third-party insurers.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

10. Insurance and Self-Insured Risks (continued)

In the event the claims-made policies are not renewed or replaced with equivalent insurance coverage, claims based on occurrences during their term, but reported subsequently, will be uninsured. Management is currently not aware of any incidents that would result in losses that could have a material adverse impact on the accompanying consolidated financial statements.

The System similarly provides for health insurance and workers' compensation coverage through a combination of self-insurance and third-party insurers. Liabilities have been established for known claims and estimated claims that have been incurred but not reported, which amounted to the following:

	December 31	
	2023	2022
	<i>(In Thousands)</i>	
Professional and general liability	\$ 27,748	\$ 25,704
Health insurance and workers' compensation	16,468	14,780
Included in other current liabilities	\$ 44,216	\$ 40,484

	December 31	
	2023	2022
	<i>(In Thousands)</i>	
Professional and general liability	\$ 48,335	\$ 49,268
Workers' compensation	2,600	2,508
Included as reserve for self-insured risks	\$ 50,935	\$ 51,776

Workers' compensation exposure in the self-insured or high deductible layers for occurrences beginning July 1, 2015, is evaluated by the actuary and is funded and paid through the Captive.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

11. Leases

The System leases certain health care equipment and real property under long-term leases as a normal part of its operation. The System determines whether an arrangement is a lease at the inception of a contract. The System elected a practical expedient to apply the new standard at the adoption date, and not recast the comparative periods presented. The System has lease agreements that require payments for lease and non-lease components and has elected to account for these as a single component. For leases that commenced before the effective date of ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, the System elected the permitted practical expedients not to reassess the following: (i) whether any expired or existing contracts contain leases, (ii) the lease classification for any expired or existing leases, and (iii) initial direct costs for any existing leases.

As of December 31, 2023, the System had right-of-use assets of \$136.5 million and lease liabilities for operating leases of \$170.1 million. Current lease liabilities are recorded in other current liabilities. As of December 31, 2022, the System had right-of-use assets of \$162.5 million and lease liabilities for operating leases of \$178.2 million. Current lease liabilities are recorded in other current liabilities. Finance leases were not significant for the years ended December 31, 2023 or 2022. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet.

Right-of-use assets represent the System's right to use an underlying asset during the lease term, and lease liabilities represent the System's obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are recognized at the commencement date based on the net present value of fixed lease payments over the lease term. The System's lease term includes options to extend or terminate the lease when it is reasonably certain that the options will be exercised. As most of the System's operating leases do not provide an implicit interest rate, the System uses a three-tier system, based on the remaining term of the lease, to determine the discount rate applied to each lease. The three tiers of remaining lease terms are 1 to 5 years, 6 to 10 years, and 11 years or more, and the rates used for each tier are determined by the System's incremental borrowing rate based on outstanding bond issuances. The System reviews its incremental borrowing rate quarterly and applies the updated rate(s) to any new leases entered into during the quarter.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

11. Leases (continued)

The amounts relating to the System's lease expense are as follows:

	2023	2022
	<i>(In Thousands)</i>	
Lease expenses:		
Long-term lease expense	\$ 21,011	\$ 24,297
Short-term lease expense	998	812
Total lease expense	\$ 22,009	\$ 25,109

Other lease information:

	2023	2022
Operating cash flows for leases	\$ 23,022	\$ 26,231
Right-of-use assets obtained in exchange for new lease liabilities	381	2,089
Weighted average remaining lease term (in years)	8.10	8.77

The following table discloses the incremental borrowing rates in use for the three remaining lease term tiers in use in the year ended December 31, 2023:

Remaining lease term:	
1 to 5 years	6.4%
6 to 10 years	6.3
11 and more years	6.3

Future annual undiscounted cash flows for lease liabilities are as follows:

Year ending December 31:	
2024	\$ 22,957
2025	24,814
2026	24,902
2027	23,845
2028	21,693
Thereafter	73,615
	\$ 191,826

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

11. Leases (continued)

Allen County, Anderson County, Hedrick, and Wright Memorial facilities are leased from the local community or government, while the System provides for the operations of these facilities. The financial position and results of operations of these facilities are included in the consolidated financial statements, and include combined total net assets of \$67.6 million and \$78.2 million as of December 31, 2023 and 2022, respectively. These leases have a remaining noncancelable initial term of five to ten years. The leases are evergreen leases, which require a one- to two-year cancellation notice by either party. Currently, the System has no reason to believe that these arrangements will be terminated.

12. Functional Classification of Expenses

The System's primary business operation includes acute, non-acute, post-acute, and behavioral health-related services in both hospital and clinic settings. In addition, the System provides home care services and care to the terminally ill, and manages properties utilized primarily for physician offices and clinics. The corporate entity, the Corporation, performs centralized information systems, marketing, human resources (including compensation and benefits), legal, compliance, accounting, finance, and purchasing functions for the System. Expenses are allocated to health care services and administrative services based on the functional department for which they are incurred. Departmental expenses may include various allocations of costs based on direct assignment, expenses, or other methods.

Expenses by functional classification consist of the following:

	Health Care Services	Management and General	Total
Year ended December 31, 2023			
Salaries and wages	\$ 1,057,954	\$ 71,291	\$ 1,129,245
Employee benefits	233,399	18,926	252,325
Supplies and other	922,163	54,948	977,111
Depreciation and amortization	97,009	4,860	101,869
Interest	22,624	-	22,624
	\$ 2,333,149	\$ 150,025	\$ 2,483,174

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

12. Functional Classification of Expenses (continued)

	Health Care Services	Management and General	Total
Year ended December 31, 2022			
Salaries and wages	\$ 986,328	\$ 62,871	\$ 1,049,199
Employee benefits	213,696	16,944	230,640
Supplies and other	888,963	53,947	942,910
Depreciation and amortization	98,431	5,875	104,306
Interest	19,609	—	19,609
	<u>\$ 2,207,027</u>	<u>\$ 139,637</u>	<u>\$ 2,346,664</u>

13. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

	December 31	
	2023	2022
<i>(In Thousands)</i>		
Subject to expenditure for specific purpose:		
Health care services	\$ 72,475	\$ 66,594
Health care education and research	74,908	69,239
Other programs	6,057	6,727
Purchase of equipment	12,590	13,053
Foundation net assets	509	506
	<u>\$ 166,539</u>	<u>\$ 156,119</u>

Proceeds from the following principal of these net assets with donor restrictions are restricted to the following:

	December 31	
	2023	2022
<i>(In Thousands)</i>		
Subject to expenditure when a specific event occurs:		
Health care services	\$ 43,926	\$ 41,148
Health care education and research	31,117	30,298
Purchase of equipment	1,231	1,231
	<u>\$ 76,274</u>	<u>\$ 72,677</u>

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

14. Endowments

Endowments consist of funds established for a variety of purposes. The endowments include both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds are classified and reported on the existence or absence of donor-imposed restrictions in accordance with U.S. GAAP.

The Foundation's governing body has interpreted the State of Missouri Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing body of the Foundation has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of the Foundation and the fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from investment income and appreciation or depreciation of investments
- Other resources of the Foundation
- Investment policies of the Foundation

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

14. Endowments (continued)

At December 31, 2023, the endowment net asset composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 6,796	\$ –	\$ 6,796
Donor-restricted endowment funds	–	150,147	150,147
Total funds	\$ 6,796	\$ 150,147	\$ 156,943

At December 31, 2022, the endowment net asset composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 5,781	\$ –	\$ 5,781
Donor-restricted endowment funds	–	131,823	131,823
Total funds	\$ 5,781	\$ 131,823	\$ 137,604

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

14. Endowments (continued)

For the years ended December 31, 2023 and 2022, the changes in the endowment net assets were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2022	\$ 3,802	\$ 146,766	\$ 150,568
Investment return, net	(137)	(11,261)	(11,398)
Contributions	–	892	892
Appropriations of endowment assets for expenditure	(46)	(3,888)	(3,934)
Other changes	2,162	(686)	1,476
Endowment net assets, December 31, 2022	5,781	131,823	137,604
Investment return, net	845	16,583	17,428
Contributions	–	2,173	2,173
Appropriations of endowment assets for expenditure	(100)	(4,826)	(4,926)
Other changes	270	4,394	4,664
Endowment net assets, December 31, 2023	\$ 6,796	\$ 150,147	\$ 156,943

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Foundation's policies, endowment assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of various benchmarks, with a primary objective of maintaining purchasing power by achieving a return, net of fees, equal to or greater than 5%, plus inflation, over long periods of time. Actual returns in any given year may vary from this amount.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

14. Endowments (continued)

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy (the spending policy) of appropriating for expenditure each year 5% of its endowment fund's rolling three-year average fair value as of the previous June 30 balance. If the endowment fund's value reflects less than 5% growth, distributions can be made with appropriate consideration and approval. In establishing this policy, the Foundation considered the long-term expected return on its endowments. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

15. Commitments and Contingencies

The health care industry is heavily regulated by both federal and state governments. These laws and regulations are wide ranging and impose very complex requirements that are often subject to shifting government interpretation and enforcement policies. These requirements affect nearly all aspects of health care operations, including billing and coding, accounting, cost allocation, tax exemption, physician contracting and employment, medical staff oversight, patient privacy, record-keeping, hospital operations, and licensure and accreditation, among other functions and transactions. Violations may be intentional or may occur because those responsible for the noncompliance are unaware that the law is violated by their actions. Management may not be aware of noncompliant conduct.

Enforcement activity in health care is a focus of both federal and state government. The government has several powerful enforcement tools to prosecute individual or industry-wide practices and may seek restitution, fines, and penalties for conduct that extends many years past. In addition, private parties have a compelling incentive to file so-called whistle-blower lawsuits alleging certain types of noncompliance. These lawsuits are costly to defend and pose the risk of such extreme penalties that health care providers are often forced to settle even where the merits are not clear to avoid this risk. Finally, in certain instances, health care providers are required to disclose certain noncompliance on a timely basis to avoid onerous penalties and government regulation, and guidance of the meaning of "timely" disclosure is still evolving.

Saint Luke's Health System, Inc.

Notes to Consolidated Financial Statements (continued)

15. Commitments and Contingencies (continued)

There can be no assurance that regulatory authorities will not challenge the System's compliance with these laws and regulations or that the laws and regulations themselves will not be subject to challenge, and it is not possible to determine the effect, if any, such claims, penalties, or challenges would have on the System.

16. Subsequent Events

The System evaluated events and transactions occurring subsequent to December 31, 2023 through April 29, 2024, the date of issuance of the accompanying consolidated financial statements. During this period, there were no subsequent events that required recognition or disclosure in the consolidated financial statements, except as follows.

On January 1, 2024, the System finalized an agreement with BJC Health System, a Missouri not-for-profit corporation operating in Missouri and southern Illinois in which BJC Health System became the sole corporate member of the System.

The purpose of this transaction is to combine as an integrated, academic, and patient-centric Missouri-based health system. The combined system will be one of the largest employers in Missouri and is committed to providing high-quality, affordable patient care in Missouri, southern Illinois, eastern Kansas, and the greater Midwest Region and beyond.

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**SERVICE-SPECIFIC REVENUES AND EXPENSES****Project Title:** Saint Luke's North Hospital - Barry Rd **Project #:** 6112 HT**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		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
Amount of Utilization:*	3,634	3,931	4,766
Revenue:			
Average Charge**	\$5,183	\$5,373	\$5,661
Gross Revenue	\$18,834,114	\$21,120,516	\$26,980,612
Revenue Deductions	15,711,889	17,813,061	23,138,594
Operating Revenue	3,122,225	3,307,455	3,842,018
Other Revenue	0	0	0
TOTAL REVENUE	\$3,122,225	\$3,307,455	\$3,842,018
Expenses:			
Direct Expenses			
Salaries	427,909	522,124	488,715
Fees	0	0	0
Supplies	144,879	159,430	178,042
Other	377,774	560,353	600,084
TOTAL DIRECT	\$950,562	\$1,241,907	\$1,266,841
Indirect Expenses			
Depreciation	41,540	41,612	41,288
Interest***	0	0	0
Rent/Lease	0	0	0
Overhead****	339,544	387,090	450,604
TOTAL INDIRECT	\$381,084	\$428,702	\$491,892
TOTAL EXPENSES	\$1,331,646	\$1,670,609	\$1,758,733
NET INCOME (LOSS):	\$1,790,579	\$1,636,846	\$2,083,285

*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.

**SERVICE-SPECIFIC REVENUES AND EXPENSES****Project Title:** Saint Luke's North Hospital - Barry Rd **Project #:** 6112 HT**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		
	<u>2025</u>	<u>2026</u>	<u>2027</u>
Amount of Utilization:*	4,910	4,959	5,009
Revenue:			
Average Charge**	\$6,005	\$6,124	\$6,244
Gross Revenue	\$29,482,488	\$30,366,932	\$31,277,949
Revenue Deductions	24,958,167	25,706,912	26,478,119
Operating Revenue	4,524,321	4,660,020	4,799,830
Other Revenue	0	0	0
TOTAL REVENUE	\$4,524,321	\$4,660,020	\$4,799,830
Expenses:			
Direct Expenses			
Salaries	534,032	550,053	566,555
Fees	0	0	0
Supplies	200,430	208,503	216,923
Other	655,728	675,399	695,661
TOTAL DIRECT	\$1,390,190	\$1,433,955	\$1,479,139
Indirect Expenses			
Depreciation	426,195	426,195	426,195
Interest***	0	0	0
Rent/Lease	0	0	0
Overhead****	521,631	547,712	575,098
TOTAL INDIRECT	\$947,826	\$973,907	\$1,001,293
TOTAL EXPENSES	\$2,338,016	\$2,407,862	\$2,480,432
NET INCOME (LOSS):	\$2,186,305	\$2,252,158	\$2,319,398

*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.



Origination 3/1/2002
Last 2/15/2023
Approved
Effective 1/1/2023
Last Revised 2/15/2023
Next Review 2/15/2024

Owner Shelby Frigon: VP
Revenue Cycle
Area Finance
Applicability Saint Luke's
Health System –
All Facilities &
ACRH

Financial Assistance for Medically Indigent Patients, FIN-010

PURPOSE

To assure that financial assistance options are available to all medically indigent patients and guarantors who are unable to pay for emergent and medically necessary services provided by Saint Luke's Health System ("Saint Luke's") while ensuring Saint Luke's compliance with State and Federal laws and regulatory guidance pertaining to charity care and financial assistance.

POLICY

Saint Luke's Health System provides financial assistance for medically indigent patients who meet eligibility criteria outlined in this Policy.

Situations where the provision of financial assistance will be considered include but are not limited to:

- Uninsured patients who do not have the ability to pay
- Insured patients who do not have the ability to pay for portions not covered by insurance including but not limited to coinsurance and deductibles
- Deceased patients with no estate, and no living trust
- Patients involved in catastrophic illness or injury

DEFINITION(S)

Amounts Generally Billed – The Amounts Generally Billed (AGB) is the amount generally allowed by Medicare fee for service and private health insurers for emergency and other medically necessary care. SLHS uses the look back method to determine AGB.

Catastrophic Medical Expense – A Catastrophic Medical Expense is defined as a patient's financial responsibility exceeding 20% of the annual income and financial resources available to the patient and/or guarantor.

Co Pay – Minimum amount due from patients who qualify for financial assistance. Co pay does not exceed AGB.

Federal Poverty Guidelines - Federal Poverty Guidelines (FPL) means those guidelines issued by the Federal Government that describe poverty levels in the United States based on a person or family's household income. The Federal Poverty Guidelines are adjusted according to inflation and published in the Federal Register. For the purposes of this policy, the most current annual guidelines will be utilized.

Financial Assistance Application- means the information and accompanying documentation that an individual submits to apply for financial assistance. This can include (a) completing a paper copy of the SLHS Financial Assistance Application and mailing or delivering to SLHS or (b) providing financial information in person during patient registration or over the phone by contacting a SLHS Centralized Business Office.

Look Back Method – Look Back Method is a prior twelve (12) month period used when calculating Amounts Generally Billed.

Medically Necessary Services - Medically necessary services are services that are reasonable and medically necessary for the prevention, diagnosis, or treatment of a physical or mental illness or injury; to achieve age appropriate growth and development; to minimize the progression of a disability; or to attain, maintain, or regain functional capacity; in accordance with accepted standards of practice in the medical community of the area in which the physical or mental health services rendered; and service(s) is (are) furnished in the most appropriate setting. Medically necessary services are not used primarily for convenience and are not considered experimental or an excessive form of treatment.

Medically Indigent - A medically indigent patient is defined as a person who has demonstrated that he/she is too impoverished to meet his or her medical expenses. The medically indigent patient may or may not have an income and may or may not be covered by insurance. Each patient's financial position will be evaluated individually using the Federal Poverty Limit as a guideline.

PROCEDURE

Applying for Financial Assistance

Medical indigence must be demonstrated through documentation, financial screening or by presumptive scoring. This determination can be made while the patient is in the hospital, shortly after dismissal, during the normal internal collection efforts and after placement with an outside collection agency. Requests for financial assistance are accepted for up to 1 year from the first post-discharge billing statement date.

Patients apply for financial assistance by completing a Financial Assistance Application or may be screened for financial assistance by contacting a SLHS Centralized business office and providing financial documents as requested. Patients may obtain a Financial Assistance Application by requesting

in writing or by contacting a SLHS Centralized Business Office by phone or email. The Financial Assistance Application is also available on the Saint Luke's website www.saintlukeskc.org/financial-assistance#. Supporting documentation may be required including items such as Federal Income Tax Return, IRS non-filing letter, recent bank statements, or recent paycheck stubs. Other documents that support the patient/household income, assets and financial position may be requested but not required. Supporting documentation requirements may be waived in some circumstances including but not limited to Medicaid eligible patients receiving non covered medically necessary or emergent services, patients that potentially qualify for financial assistance based on presumptive scoring, patients unable to provide documents and homeless patients.

Certain Critical Access Hospitals and associated clinics may be approved sites for the National Health Services Corps (NHSC). When this situation exists, those sites will follow the guidelines as established and approved by the NHSC. Patients at approved NHSC sites do not have to provide banking and asset information.

Assistance with the application process is provided by a SLHS Centralized Business Office staff or hospital admitting staff. Assistance may be requested by phone or in person by calling or visiting the locations identified in the Request a Copy section.

Once a patient has completed a Financial Assistance Application and the patient is determined to be eligible for financial assistance, such determination is valid for subsequent eligible services twelve (12) months after the approval date without requiring updated income documentation. Patients should contact a SLHS Centralized Business Office to request financial assistance for subsequent eligible services. A SLHS Centralized Business Office will confirm the household size, income and assets have not changed since last approved. After twelve (12) months or if the patient's financial situation has changed, the patient must reapply for financial assistance eligibility. Financial assistance adjustments approved based on presumptive scoring are only valid for the date of service reviewed and are not valid for subsequent dates of service. Presumptive eligibility will be re-evaluated for each date of service.

Financial Assistance Determination

A patient's eligibility for financial assistance is not determined until activities to identify and secure payment from Medicare, Medicaid, Crime Victims, other government programs, other funded programs, medical insurance, or any other possible appropriate source for payment are exhausted which could also include but not limited to Health Cost Sharing plans, auto insurance personal injury protection (PIP) or med pay, liability liens, or estate claims. Reversal of financial assistance adjustments must be made if subsequent third party payments are received. Financial assistance is to be considered the adjustment of last resort.

Uninsured patients may receive a patient discount. For hospital services, if the patient subsequently qualifies for financial assistance, the discount is reversed and the financial assistance adjustment is posted.

A patient's eligibility for financial assistance is based on the household income at the time assistance is sought, expressed as a percentage of the Federal Poverty Guideline for family size. The Federal Poverty Guideline as used for the purposes of determining financial assistance is outlined later in this policy.

Household Income is defined as:

Adults: If the patient is an adult, "Yearly Household Income" means the sum of the total yearly gross income or estimated yearly income of the patient and the patient's spouse/live in partner.

Minors: If the patient is a minor, "Yearly Household Income" means the sum of the total yearly gross income or estimated yearly income of the patient, and patient's parent(s) or legal guardian in the home.

Other financial resources may be considered when determining a patient's ability to pay. Other financial resources could include checking accounts, savings accounts, IRA's, CD's retirement savings and investments. A patient's and responsible party's overall financial position will be considered when determining financial assistance.

Household size is defined as:

Adults: In calculating the Household Size, include the patient, the patient's spouse or live in partner, and any dependents (as defined by the Internal Revenue Code (IRC)).

Minors: In calculating the Household Size, if the patient is a minor, include the patient, parent(s) or legal guardian(s) in the home, and dependents of the parent(s) or legal guardian(s) (as defined by IRC).

For unscheduled inpatient or outpatient admissions and scheduled hospital services approved for continuation of care, a co pay (minimum patient responsibility) per admission may be due to the hospital. Financial assistance up to 100% of billed charges less the co pay may be provided for hospital services.

For emergency room visits that do not result in an admission, a co pay per emergency room visit may be due to the hospital. Financial assistance up to 100% of billed charges less the co pay may be provided.

Scheduled inpatient and outpatient hospital services not approved through the continuation of care process are eligible for partial financial assistance for patients at or below 300% of the Federal Poverty Guideline. Amounts owed after financial assistance are not to exceed Amounts Generally Billed (AGB). Patients who are non U.S. residents are not eligible for financial assistance beyond the uninsured patient discount for scheduled services with the exception of OB Care.

Saint Luke's Health System may limit financial assistance to patients who decline insurance coverage including government assistance plans. In those situations, financial assistance may be limited to Amounts Generally Billed (AGB).

The FPL% guidelines are applied to applicable services as follows:

Saint Luke's Hospital of Kansas City, Saint Luke's North Hospital, Saint Luke's South Hospital, Saint Luke's East Hospital, Saint Luke's Radiation Therapy Liberty, and Saint Luke's Home Care and Hospice

Income % of FPL	Charity	Patient Responsibility
Unscheduled inpatient and observation / outpatient hospital services/ Continuation of Care approved scheduled services		
200% or less FPL	100%	0%
201% - 250% FPL	100% less co-pay	\$700 co-pay per admission/account
251% - 300% FPL	100% less co-pay	\$1,500 co-pay per admission/account

Emergency room visits not resulting in admission

Less than 300% FPL	100% less co-pay	\$150 per visit co pay
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Scheduled Services not approved for continuation of care

Less than 300% FPL	75%	25%
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Saint Luke's Regional Lab Accounts

Income % of FPL	% Charity	% Patient Responsibility
200% or less	100%	0%
>200%	0%	100%

Allen County Regional Hospital, Anderson County Hospital, Hedrick Medical Center, Wright Memorial Hospital

Unscheduled inpatient and observation / outpatient hospital services / Continuation of Care approved scheduled services, clinic visits and ambulance

Income % of FPL	Charity	Patient Responsibility
200% or less FPL	100%	0%
201% - 250% FPL	75%	25%

Income % of FPL	Charity	Patient Responsibility
251% - 275% FPL	60%	40%
276% - 300% FPL	45%	55%
> 300% FPL	0%	100%

Emergency room visits not resulting in admission

Less than 300% FPL	100% less co-pay	\$150 per visit co-pay
--------------------	------------------	------------------------

Scheduled Services not approved for continuation of care

Less than 300% FPL	40%	60%
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Bishop Spencer Place

Income % of FPL	Charity	Patient Responsibility
Skilled Nursing and Rehab Services (excludes residential services)		
200% or less FPL	100%	0%
201% - 250% FPL	100% less co-pay	\$700 co-pay per admission/account
251% - 300% FPL	100% less co-pay	\$1,500 co-pay per admission/account

Presumptive Eligibility

SLHS entities may receive scoring from third parties who independently evaluate propensity to pay and probability of charity. SLHS may rely on that scoring for the basis of determining financial assistance when a patient does not complete a financial assistance application and provide supporting documentation as requested. Patients qualifying for presumptive eligibility may receive full or partial assistance. If partial assistance is approved, the patient receives a bill for the reduced amount owed. For hospital accounts, the patient is notified in writing of partial approval and how they can apply for financial assistance to determine if additional assistance is available. The patient is provided a reasonable time period in which to apply for additional assistance. If the patient applies for additional assistance, the application is reviewed and the patient is notified of the decision. Patients that are not approved for full financial assistance receive a statement.

Catastrophic Assistance

For patients that do not otherwise qualify for financial assistance per the Federal Poverty Guidelines, catastrophic assistance may be available. Catastrophic medical expense is defined as patient responsibility exceeding 20% of annual income and financial resources available to the patient and/or guarantor. In situations where a patient has a catastrophic medical expense the patient financial responsibility after charity may be reduced to an amount equal to 20% of annual income and financial resources. The patient's financial responsibility after financial assistance will not exceed AGB.

Basis for Calculating Amounts Generally Billed –

Hospital Accounts Only

After the patient's hospital account is reduced by the financial assistance adjustment based on this policy and guidelines, the patient is responsible for no more than amounts generally billed to individuals who have Medicare fee for service and private health insurers for emergency and other medically necessary care. The Look Back Method is used to determine AGB.

The AGB summary document describes the calculation and states the percentage used by the hospital. The Amounts Generally Billed summary is available on the Saint Luke's website. www.saintlukeskc.org/financial-assistance#

Patients or members of the public may request a copy of this policy available at no charge at the hospital admitting office or by contacting the SLHS Centralized business office. The hospital locations and SLHS Centralized business office contact information are provided under Request a Copy section of this policy.

Hospital Financial Assistance Approval

Financial assistance may be approved by a patient account employee, supervisor, manager, director, vice president, controller or CFO. Management review and approval is required as defined in the Patient Account Adjustment and Action Approval Levels Policy (FIN-067).

Patient Refunds

The hospital will refund any amount the individual has paid for care that exceeds the amount he or she is determined to be personally responsible for paying as a financial assistance policy eligible individual, unless such amount is less than \$5 (or such other amount set by notice or other guidance published by the Internal Revenue Service).

Financial Assistance Policy Availability to Patients

Information about the availability of financial assistance appears on patient statements and is posted on signs in hospital registration areas. The financial assistance policy, plain language summary of policy and financial assistance application form with instructions are available on the Saint Luke's website. www.saintlukeskc.org/financial-assistance#

Patients or members of the public may request a copy of this policy available at no charge at the hospital admitting office or by contacting the SLHS Centralized business office by phone, mail, email, or in person. The hospital locations and SLHS Centralized business office contact information is provided under Request a Copy section of this policy.

Patient Billing and Collection

Statements are sent to patients to advise them of balances due. Statements and final notices state that financial assistance may be available to those that qualify and provide contacts to request additional information. Balances are considered delinquent when the patient fails to make either acceptable

payment or acceptable payment arrangements before the next statement. Patients are notified of delinquent balances by messages on the statements, by phone calls, by final notices or by collection letters.

Hospital delinquent accounts are eligible to be placed for collection 30 days after final notice has been sent. The policies and practices of the collection agency follow the Fair Debt Collection Practices Act. The agency demonstrates a patient relations approach in all its practices. The agency utilizes a variety of collection methods including letters and phone calls.

SLHS hospitals will make reasonable efforts to determine whether an individual is eligible for assistance under this policy before engaging in any extraordinary collections action ("ECA"). Reasonable efforts to determine eligibility include: notification to the patient by SLHS of the FAP upon admission and in written and oral communications with the patient regarding the patient's bill, an effort to notify the individual by telephone about the Policy and the process for applying for assistance at least 30 days before taking action to initiate any lawsuit, and a written response to any Financial Assistance Application for assistance under this Policy submitted within 240 days of the first post-discharge billing statement with respect to the unpaid balance. Potential ECA's may include any actions taken that require a legal or judicial process in an attempt to collect payment from an individual including but not limited to commencing a civil action. SLHS may send accounts to a contracted collection agency(ies) but such action is not considered an ECA. SLHS contracted collection agency(ies) are not authorized to report SLHS accounts to credit agencies. SLHS will not initiate an ECA until at least 120 days have passed from the first post-discharge billing statement.

The Vice President of Revenue Cycle or Chief Financial Officer has the final authority or responsibility for determining that the hospital facility policies and procedures make a reasonable efforts to determine whether an individual is FAP eligible and therefore engage in ECAs against the individual. It is the expectation of SLHS that such ECA's would be infrequent for use in situations where the patient has been determined able but unwilling to pay.

Collection Suit

Saint Luke's Health System (SLHS), the collection agency and collection law firm (law firm) work with patients to avoid filing a suit for collections whenever possible. When settlement or payment arrangements are not agreed to and/or met, SLHS may file suit in an attempt to collect on delinquent accounts. When a patient does not apply or applies/is screened for financial assistance and is not approved, SLHS may file suit in an attempt to collect on delinquent accounts. An attempt to reach the patient by phone and advise them of the availability of financial assistance occurs prior to suit approval. No extraordinary collection actions occur prior to 120 days after first post discharge billing date of the account. All requests for suit are approved by the Vice President of Revenue Cycle or CFO.

Financial Assistance Procedure for Professional Services for Advanced Urology Associates, Saint Luke's

Physician Group, Rockhill Orthopaedic Specialists, Heart Surgeons of Kansas City

A Financial Assistance screening may occur with the patient which could include gathering income, family size, supporting documents and/or presumptive eligibility as described in this policy. Financial assistance is applied to applicable services following the below table.

Financial assistance for clinic visits and imaging centers may be limited to the uninsured patient discount.

Professional services rendered in the hospital:

Income % of FPL	% Charity	% Patient Responsibility
200% or less	75%	25%
201% to 250%	50%	50%
251% to 300%	25%	75%

Request a Copy

The Financial Assistance for Medically Indigent Patients policy, Financial Assistance Application, or Plain Language Summary, are available free of charge on line at www.saintlukeskc.org/financial-assistance#, in person at hospital admitting offices or by calling the SLHS Centralized business office. These documents are available in English and Spanish.

Saint Luke's Health System Centralized Business Office
816-932-5678 or 888-581-9401

Saint Luke's Hospital of Kansas City
4401 Wornall Road
Kansas City, MO 64111

Saint Luke's North Hospital–Barry Road
5830 N.W. Barry Road
Kansas City, MO 64154

Saint Luke's South Hospital
12300 Metcalf Ave.
Overland Park, KS 66213

Crittenton Children's Center
(A division of Saint Luke's Hospital)
10918 Elm Ave
Kansas City, MO 64134

Saint Luke's East Hospital

100 N. E. Saint Luke's Blvd.
Lee's Summit, MO 64086

Saint Luke's North Hospital–Smithville
601 S. 169 Highway
Smithville, MO 64089

Critical Access Hospitals:

Allen County Regional Hospital
3066 N. Kentucky Street
Iola, KS 66749
620-365-1015

Anderson County Hospital
421 S Maple
Garnett, KS 66032
785-204-4002

Hedrick Medical Center
2799 N. Washington St.
Chillicothe, MO 64601
660-214-8150

Wright Memorial Hospital
191 Iowa Blvd.
Trenton, MO 64683
660-358-5871

Saint Luke's Health System Physicians Centralized Business Office 816-502-7000

Saint Luke's Physician Group
Medical Plaza Imaging Associates

Rockhill Orthopaedic Specialists
Advanced Urologic Associates

Measures to Publicize the Financial Assistance Policy

The measures used to widely publicize this Policy to the community and patients include, but are not limited to the following:

- Posting the Policy, Financial Assistance Application and plain language summary on the Saint Luke's website at the following location: www.saintlukeskc.org/financial-assistance#.
- Copies of the Policy, Financial Assistance Application and plain language summary may be downloaded and printed from saintlukeskc.org/financial-assistance#
- Paper copies of the Policy, application and plain language summary are available to patients upon request and without charge. The patient may call to request a copy from a SLHS

- centralized business office or request from a facility admitting department.
- Posting a notice in the emergency department and admitting areas of the hospitals.
- Including a message on hospital patient statements to notify and inform patients of the availability of financial assistance and where to call for information and application.
- Saint Luke's staff discusses when appropriate, in person or during billing and customer service phone contacts with patients.
- Informational notification included in selected SLHS publications going to community members.
- Financial Assistance Policy information provided to local safety net providers.

IN COLLABORATION WITH

Director Physician Revenue Cycle
SLHS Chief Compliance Officer
Director of Taxation
Chief Financial Officers

The Financial Assistance for Medically Indigent Patients policy (FIN-010) was approved by the Saint Luke's Health System Board of Directors on December 16, 2022.

SEE ALSO

Financial Assistance Application ([SYS 153 English](#) and [SYS 154 Spanish](#))
[Financial Assistance Policy Plain Language Summary \(SYS-590\)](#)

THIS DOCUMENT APPLIES TO:

For a the most recent list of covered and non covered providers please see [Saint Luke's Health System Financial Assistance Policy Covered and Non Covered Entities and Provider Group](#) list. The list is updated quarterly.

Allen County Regional Hospital (d/b/a for Saint Luke's Hospital of Allen County Inc)

Anderson County Hospital (d/b/a for Saint Luke's Hospital of Garnett, Inc.)

Bishop Spencer Place

Hedrick Medical Center (d/b/a for Saint Luke's Hospital of Chillicothe)

Saint Luke's East Hospital

Saint Luke's Home Care and Hospice

Saint Luke's Hospital of Kansas City

Saint Luke's North Hospital

Saint Luke's Radiation Therapy Liberty

Saint Luke's South Hospital, Inc.
Wright Memorial Hospital (d/b/a for Saint Luke's Hospital of Trenton, Inc.)
Advanced Urology Associates
Rockhill Orthopaedic Specialists
Saint Luke's Physician Group
Medical Plaza Imaging Associates
Heart Surgeons of Kansas City

Providers Not Covered by this Policy:

For the most recent list of covered and non covered providers please see [Saint Luke's Health System Financial Assistance Policy Covered and Non Covered Entities and Provider Group](#) list. The list is updated quarterly.

Physicians or medical professionals provide care to patients or assist with patient treatment by reading lab work, interpreting medical tests, performing medical tests and individual patient physician services. The physicians and medical professionals not employed by Saint Luke's Health System or its subsidiaries are not covered by this Policy.

If you have questions about whether a specific provider is covered or not covered by this policy, please call 816-932-5678.

COPY

Attachments

[\(SLHS\) SLHS Financial Assistance Policy Covered and Non-Covered Entities and Provider Group List 122020.docx](#)

[\(SLHS\) SLHS Financial Assistance Policy Covered and Non-Covered Entities and Provider Group List.docx](#)

[\(SLHS\) SLHS Financial Assistance Policy Covered and Non-Covered Entities and Provider Group List.pdf](#)

Approval Signatures

Step Description	Approver	Date
Ready to Publish	Mary Eidson: Program Coordinator SLHS Policies	2/15/2023

SVP CFO and Administration SLHS Approval	Chuck Robb: SVP CFO and Administration SLHS	2/14/2023
CFO SLPG Approval	Julie Murphy: Chief Financial Officer SLPG	2/3/2023
Confirm Approval Workflow	Mary Eidson: Program Coordinator SLHS Policies	2/3/2023
Owner	Melissa Abernathy: Director Physician Revenue Cycle	2/3/2023
Owner	Shelby Frigon: VP Revenue Cycle	12/22/2022

Applicability

Advanced Urologic Associates, Anderson County Hospital, Bishop Spencer Place, Cardiometabolic Center, Inc., Crittenton Children’s Center Campus, Hedrick Medical Center, Medical Plaza Imaging Associates, Inc., Rockhill Orthopaedic Specialists, Inc., Saint Luke’s Care, Saint Luke’s East Hospital, Saint Luke’s Health System, Saint Luke’s Hospital of Kansas City, Saint Luke’s Neighborhood Clinics, LLC, Saint Luke’s North Hospital, Saint Luke’s Physician Group, Saint Luke’s Radiation Therapy- Liberty, Saint Luke’s South Hospital, Inc., Saint Luke’s Health System Home Care and Hospice, Saint Luke’s Hospital of Allen County, Inc., Search Engine Across All Sites, Wright Memorial Hospital

COPY

From: [Dempsey, Wes](#)
To: [Fick, Mackinze](#)
Subject: RE: CON 6112 HT
Date: Friday, June 28, 2024 2:42:39 PM
Attachments: [image001.png](#)
[image002.png](#)
[image003.png](#)

Hi Mackinze,

Our senior financial analyst rounded the amounts to the nearest dollar for both the historical and projected revenue and expenses forms.

Thank you,

Wes Dempsey (He/Him)
Operations Project Consultant
Saint Luke's Health System
Cell : (815) 677-2158 | Office: (816) 502-7081 ext. 27081

From: Fick, Mackinze <Mackinze.Fick@health.mo.gov>
Sent: Friday, June 28, 2024 2:27 PM
To: Dempsey, Wes <wdempsey@saint-lukes.org>
Subject: RE: CON 6112 HT

Wes,

After reviewing the additional information, I have a follow up question.

- Was cents included on the revenues and expenses form?

Thank you!

Mackinze 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: mackinze.fick@health.mo.gov
<http://health.mo.gov/information/boards/certificateofneed/index.php>

From: Dempsey, Wes <wdempsey@saint-lukes.org>
Sent: Friday, June 28, 2024 12:44 PM
To: Fick, Mackinze <Mackinze.Fick@health.mo.gov>
Subject: RE: CON 6112 HT

Sounds good! See attached for the updated documents. Changes to each are outlined below.

D_Equipment Replacement Application - Updated page numbers
DI-3.1 Proposed Project Budget (Form 580- 1863)_SLN MRI Replacement - Updated equipment cost without trade in value subtracted
DII_Proposal Description - Updated equipment cost outlined on proposed project budget form
DIV_SLN MRI Replacement - Newly added Divider IV
DIV-1_Saint Luke's Health System Inc._Consolidated Financial Statements - Documentation of sufficient available financing for CON provided by EY (auditor)
DIV-2.1_Service Specific Revenues and Expenses_Historical - Form 1865 Historical
DIV-2.1_Service Specific Revenues and Expenses_Projected - Form 1865 3-year Projected
DIV-3_Financial Assistance for Medically Indigent Patients - FIN-010 - SLHS policy for responding to medically indigent population needs

Thank you,

Wes Dempsey (He/Him)
Operations Project Consultant

Saint Luke's Health System
Cell : (815) 677-2158 | Office: (816) 502-7081 ext. 27081

From: Fick, Mackinze <Mackinze.Fick@health.mo.gov>
Sent: Friday, June 28, 2024 12:11 PM
To: Dempsey, Wes <wdempsey@saint-lukes.org>
Subject: RE: CON 6112 HT

Wes,

Please only submitted the updated forms and documents. The entire application is not needed.

Let me know if this does not work, thanks!

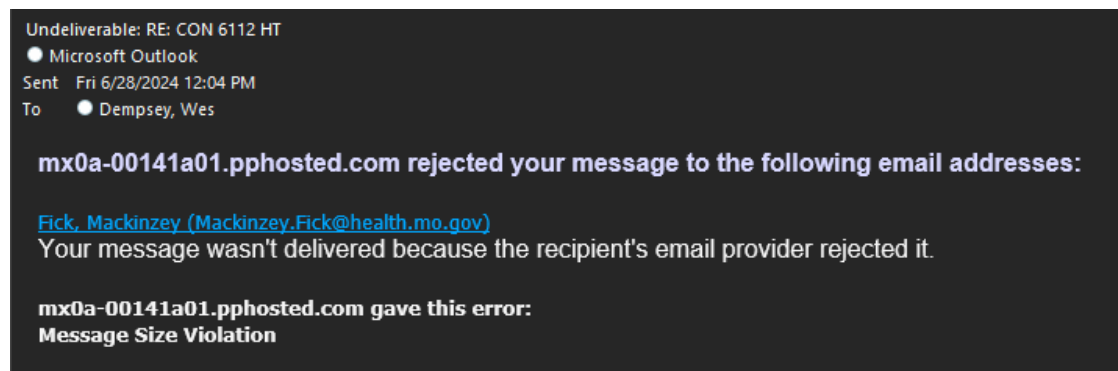
Mackinze Fick (Name change from Lux to Fick)

Assistant Program Coordinator, Certificate of Need
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FAX: 573-751-7894
EMAIL: mackinze.fick@health.mo.gov
<http://health.mo.gov/information/boards/certificateofneed/index.php>

From: Dempsey, Wes <wdempsey@saint-lukes.org>
Sent: Friday, June 28, 2024 12:09 PM
To: Fick, Mackinze <Mackinze.Fick@health.mo.gov>
Subject: RE: CON 6112 HT

Good afternoon, Mackinze,

I attempted to send you our revised CON 6112 HT application, but I received the below error message. Can you provide the directions to submit the application?



Thank you,

Wes Dempsey (He/Him)
Operations Project Consultant
Saint Luke's Health System
Cell : (815) 677-2158 | Office: (816) 502-7081 ext. 27081

From: Fick, Mackinze <Mackinze.Fick@health.mo.gov>
Sent: Wednesday, June 26, 2024 3:34 PM
To: Dempsey, Wes <wdempsey@saint-lukes.org>
Subject: RE: CON 6112 HT

From: [Dempsey, Wes](#)
To: [Fick, Mackinze](#)
Subject: RE: CON 6112
Date: Tuesday, July 16, 2024 3:50:54 PM
Attachments: [DIV-2.2 Service Specific Revenues and Expenses Projected Corrected.pdf](#)

Mackinze

See attached for the updated revenue projection form. After reviewing with our SFA, she discovered that it was her error in putting 2025 initially despite developing the projections for the appropriate three years after installation. She's revised the form for the correct years 2026-2028.

Also, we've just submitted the additional fee. Let me know if there is anything further outstanding.

Thank you,

Wes Dempsey (He/Him)
Operations Project Consultant
Saint Luke's Health System
Cell : (815) 677-2158 | Office: (816) 502-7081 ext. 27081

From: Dempsey, Wes
Sent: Monday, July 15, 2024 4:09 PM
To: Fick, Mackinze <Mackinze.Fick@health.mo.gov>
Subject: RE: CON 6112

Mackinze,

Quick clarification on the additional fee. The project cost increased by that amount because of the trade-in value of the machine, which you requested we remove from the total cost of the Major Medical Equipment. Since that \$49,751 amount will be realized with the trade-in credit, should we add that under the "Other Methods (specify)" section of the Proposed Project Budget form? That will correct our total cost back to our original proposal and align with the original fee paid. Happy to send over a revised proposed project budget form with that additional level of detail or pay the additional fee based on how this is normally handled - just let me know.

We're working on the revenue and expenses form to include the additional 2028 information.

Thank you,

Wes Dempsey (He/Him)
Operations Project Consultant
Saint Luke's Health System
Cell : (815) 677-2158 | Office: (816) 502-7081 ext. 27081

From: Fick, Mackinze <Mackinze.Fick@health.mo.gov>
Sent: Monday, July 15, 2024 3:09 PM
To: Dempsey, Wes <wdempsey@saint-lukes.org>
Subject: CON 6112
Importance: High

Wes,

After reviewing additional information for 6112, it appears some additional information is needed.

- Since the project cost increased by \$49,751, an additional fee of \$49.75 is needed.
- Provide year 2028 revenues and expenses form. The additional information previously provided only includes two full years after project completion.

This information is needed by Wednesday, July 17, 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>

Saint Luke's Health System Confidentiality Notice

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SERVICE-SPECIFIC REVENUES AND EXPENSES

Project Title:

Project #:

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		
	_____	_____	_____

Amount of Utilization:*			
--------------------------------	--	--	--

Revenue:			
-----------------	--	--	---

Average Charge**			
------------------	--	--	--

Gross Revenue			
---------------	--	--	--

Revenue Deductions			
--------------------	--	--	--

Operating Revenue			
-------------------	--	--	--

Other Revenue			
---------------	--	--	--

TOTAL REVENUE			
----------------------	--	--	--

Expenses:

Direct Expenses			
-----------------	--	--	--

Salaries			
----------	--	--	--

Fees			
------	--	--	--

Supplies			
----------	--	--	--

Other			
-------	--	--	--

TOTAL DIRECT			
--------------	--	--	--

Indirect Expenses			
-------------------	--	--	--

Depreciation			
--------------	--	--	--

Interest***			
-------------	--	--	--

Rent/Lease			
------------	--	--	--

Overhead****			
--------------	--	--	--

TOTAL INDIRECT			
----------------	--	--	--

TOTAL EXPENSES			
-----------------------	--	--	--

NET INCOME (LOSS):			
---------------------------	--	--	--

*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.

Divider IV. Financial Feasibility Review Criteria and Standards:

- 1. Document that sufficient financing is available by providing a letter from a financial institution or an auditor's statement indicating that sufficient funds are available.**

Saint Luke's North Hospital – Barry Road is financing this project with available cash, as outlined in the Proposed Project Budget (Exhibit I-3) on page 4. As documented in the Audited Consolidated Balance Sheet (Exhibit IV-1) starting on page 47, Saint Luke's North Hospital – Barry Road has adequate cash reserves available to fund this project.

- 2. Provide Service-Specific Revenues and Expenses (Form MO 580-1865) projected through three full years beyond project completion.**

The required Service-Specific Revenues and Expenses information (Form MO 580-1865) has been included in this application as Exhibit IV-2 on pages 94-95.

- 3. Document how patient charges are derived.**

Patient charges are generally derived by accumulating all the cost of services, including staff and supplies utilized during the course of the visit. Charges for each procedure are derived from the current charge description master and are dependent on the types of procedures performed along with a number of other variables.

- 4. Document responsiveness to the needs of the medically indigent.**

A copy of our existing policy for meeting the needs of the medically indigent is included in Exhibit IV-3 on pages 96-108.

Divider II. Proposal Description:

1. Provide a complete detailed project description.

Saint Luke's North Hospital – Barry Road is seeking approval to replace its existing Siemens Magnetom Symphony 1.5T Magnet MRI unit, which was purchased in 2006 and previously approved under CON #3190 HA, with a new Siemens Magnetom Altea 1.5T Open Bore MRI.

The replacement MRI unit will be operated by Saint Luke's North Hospital – Barry Road. It will be operated in a newly constructed area within the Saint Luke's North Hospital – Barry Road location, and at no time will the two units be in operation at the same time. If approved, the replacement MRI unit will be installed during the second quarter of 2025. The estimated total project cost including construction is \$4,313,647.

2. Provide a listing with itemized costs of the medical equipment to be acquired.

An itemized quote for the Siemens Magnetom Altea 1.5T Open Bore MRI is included in this application as exhibit II-1 starting on page 7.

3. Provide a timeline of events for the project, from CON issuance through project completion.

If approved, construction will begin in the third quarter of 2024 and completed in the first quarter of 2025. The replacement MRI will be installed during the second quarter of 2025.