




Columbus Regional Hospital A Component Unit of Bartholomew County, Indiana

Auditor's Report and Financial Statements

December 31, 2023 and 2022



Contents

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Financial Statements	
Balance Sheets	10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	14
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> - Independent Auditor's Report	40



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Independent Auditor's Report

Board of Trustees
Columbus Regional Hospital
Columbus, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Columbus Regional Hospital (Hospital), a component unit of Bartholomew County, Indiana, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of December 31, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Hospital, 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 from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital'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 Hospital's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2024, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

FORVIS, LLP

**Indianapolis, Indiana
April 26, 2024**

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Management's Discussion and Analysis
December 31, 2023
(Unaudited)

Introduction

This management's discussion and analysis of the financial performance of Columbus Regional Hospital (Hospital) provides an overview of the Hospital's financial activities for the years ended December 31, 2023 and 2022. It should be read in conjunction with the accompanying financial statements of the Hospital. Unless otherwise indicated, amounts are in millions.

Financial Highlights

- Cash and investments decreased by \$11.2 million (5.8 percent) in 2023 and decreased by \$101.5 million (34.5 percent) in 2022.
- The Hospital's net position decreased by \$14.0 million (4.0 percent) in 2023 and decreased by \$65.6 million (15.7 percent) in 2022.
- The Hospital reported an operating loss in 2023 of \$26.2 million after reporting an operating loss of \$33.1 million in 2022 and operating income of \$10.6 million in 2021.
- Net nonoperating activity significantly improved in 2023, netting to income of \$12.2 million. Net nonoperating activity produced a loss in 2022 of \$32.5 million and produced income in 2021 of \$21.8 million.

Using This Annual Report

The Hospital's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. The Hospital's financial statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any Hospital's finances is "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, all liabilities, and all deferred inflows and outflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in it. The Hospital's total net position—the difference between assets, liabilities and deferred inflows and outflows of resources—is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Management's Discussion and Analysis
December 31, 2023
(Unaudited)

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as "Where did cash come from?" and "What was cash used for?" and "What was the change in cash and cash equivalents during the reporting period?"

Selected Financial Data and Statistics

See below for selected financial data and statistics for 2023, 2022 and 2021 (dollars in thousands).

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Summary of Operations			
Total operating revenue	\$ 548,156	\$ 505,151	\$ 493,520
Salaries and benefits	226,857	191,925	179,778
Supplies and drugs	81,561	73,259	68,797
Purchased services and other operating expenses	237,360	244,627	210,284
Depreciation and amortization	28,599	28,473	24,043
Total operating expenses	<u>574,377</u>	<u>538,284</u>	<u>482,902</u>
Operating income (loss)	(26,221)	(33,133)	10,618
Nonoperating COVID-19 grant revenue	<u>718</u>	<u>2,591</u>	<u>5,302</u>
Income (loss) before other nonoperating items	(25,503)	(30,542)	15,920
Nonoperating income (loss)	11,462	(35,049)	16,479
Capital contributions from related party	<u>-</u>	<u>-</u>	<u>140</u>
Increase (decrease) in net position	<u>\$ (14,041)</u>	<u>\$ (65,591)</u>	<u>\$ 32,539</u>
Cash Flow Data			
Cash provided by (used in) operating activities	\$ (11,409)	\$ (30,092)	\$ 9,711
Cash provided by (used in) noncapital activities	(2,503)	1,445	3,591
Cash used in capital and related financing activities	(17,428)	(33,959)	(22,620)
Cash provided by investing activities	14,519	15,571	1,516

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Management's Discussion and Analysis
December 31, 2023
(Unaudited)

	2023	2022	2021
Financial Position			
Patient accounts receivable, net	\$ 56,744	\$ 60,351	\$ 62,875
Other current assets	64,269	75,612	116,340
Capital assets, net	186,682	164,197	164,428
Other noncurrent assets	177,001	172,580	214,526
Total assets	\$ 484,696	\$ 472,740	\$ 558,169
Long-term debt, including current portion	\$ 69,795	\$ 34,265	\$ 35,485
Other liabilities and deferred inflows of resources	77,680	87,212	105,831
Total liabilities and deferred inflows of resources	\$ 147,475	\$ 121,477	\$ 141,316
Unrestricted net position	\$ 214,621	\$ 224,691	\$ 287,911
Net investment in capital assets	122,602	126,571	128,943
Total net position	\$ 337,223	\$ 351,262	\$ 416,854
Days cash on hand	118.3	135.1	229.7
Hospital Operating Data			
Number of beds (available for use)	251	253	278
Inpatient discharges	9,355	9,963	9,474
Average daily census	107	117	106
Average length of stay	4.2	4.3	4.1
Occupancy	43%	46%	38%
Inpatient case mix	1,5991	1,5615	1,5644
Outpatient visits	307,184	280,079	277,099

The Hospital's Net Position

The Hospital's net position is the difference between its assets, liabilities and deferred inflows and outflows of resources reported in the balance sheet.

A significant change in the Hospital's assets in 2023 is the decrease cash and cash equivalents, which decreased by \$25.4 million, or 59 percent. The decrease stems from operational and financial performance in 2023, as well as other factors, including an increase in capital asset activity for certain renovation and expansion projects.

Another significant change in the Hospital's assets in 2023 is the increase in capital assets, which increased from \$164.2 million in 2022 to \$186.7 million in 2023, as discussed directly above and below.

A significant change in the Hospital's liabilities in 2023 is the increase in long-term debt which increased from \$34.3 million in 2022 to \$69.8 million in 2023. This is the result of the Hospital's refunding of its Series 2014 bonds and issuance of Series 2023 bonds for assistance in funding its capital expansion efforts.

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Management's Discussion and Analysis
December 31, 2023
(Unaudited)

Operating Results and Changes in the Hospital's Net Position

As previously mentioned, the Hospital's net position decreased in 2023 by \$14.0 million (4.0 percent) and decreased in 2022 by \$65.6 million (15.7 percent). Operating results are discussed below.

The Hospital was formed and is operated primarily to serve residents of Bartholomew County and the surrounding area. The first component of the overall change in the Hospital's net position is its operating income or loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The Hospital reported an operating loss of \$26.2 million in 2023, a slight improvement over the operating loss of \$33.1 million in 2022.

- The primary components of the Hospital's operating results are:
- Net patient service revenue, which saw a year-over-year increase of \$40.9 million (8.2 percent).
- Salaries, wages, and benefits, which saw a year-over-year increase of \$34.9 million (18.2 percent).
- Professional fees and purchased services, which saw a year-over-year decrease of \$6.7 million (3.2 percent).
- Supplies expense, which saw a year-over-year increase of \$8.3 million (11.3 percent).
- Hospital assessment fees, which decreased year-over-year by \$0.4 million (2.0 percent).

The change in net patient service revenue is primarily attributable to strong volumes associated with outpatient services, including an increase in outpatient visits of nearly 10%. The increases to operating expenses are driven by industry and macroeconomic factors, including highly competitive labor markets, inflationary pressures on general purchasing, including for supplies. Additionally, beginning in 2022 and continuing into 2023, the Hospital enacted significant recruitment and retention efforts, resulting in additional salaries, wages, and benefits, while decreasing fees and purchased services paid to contractors.

Refer to the below tables, which display the number of patients served by the Hospital over the past three years, as well as the approximate percentages of gross patient revenues by payor for the Hospital (excluding all other blended component units).

Hospital - Patients Served

Year	(Discharges) Inpatients	(Registrations) Outpatients	Total
2023	9,355	307,184	316,539
2022	9,963	280,079	290,042
2021	9,474	277,099	286,573

Hospital - Gross Patient Revenues Composition by Payor

Payor	2023	2022	2021
Medicare	52.4%	51.6%	49.8%
Medicaid	17.6%	17.4%	17.1%
Managed care plans	28.1%	29.0%	29.3%
Other	1.9%	2.0%	3.8%

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Management's Discussion and Analysis
December 31, 2023
(Unaudited)

Nonoperating Income and Expenses

For reporting purposes in 2023 and 2022, nonoperating income and expenses are presented in two separate components: (1) COVID-19 grant revenue and (2) all other nonoperating income and expenses.

As part of the continued response to the COVID-19 pandemic, for 2023, the Hospital recognized as grant revenue the following:

- Federal Emergency Management Agency (FEMA) funding of \$0.7 million

Within all other nonoperating income and expenses, the Hospital recognized strong investment returns in 2023, recognizing \$20.1 million of gains. Investment returns in 2022 resulted in a loss of \$33.0 million, and investment returns in 2021 resulted in \$13.8 million of gains. This volatility in investment returns is largely attributable to market forces, as the broader financial markets were strong throughout the majority of 2023 and 2021, and the market declined significantly in 2022. The Hospital also recognized approximately \$2.4 million of losses in 2023 from its equity method joint venture investments which was a decrease of \$2.1 million from 2022. The combination of interest expense, contribution expense and all other nonoperating expenses resulted in a net expense of \$6.3 million for 2023, a \$4.6 million increase from 2022. This is related to an increase in interest expense, stemming from rising interest rates and increased long-term debt, as well as other nonoperating items.

The Hospital's Cash Flows

The Hospital's cash decreased by \$16.8 million in 2023, after decreasing by \$47.0 million in 2022. Cash flows used in operating activities in 2023 and 2022 are \$11.4 million and \$30.1 million, respectively. These decreases are due to previously discussed items, including operational and financial performance, amongst other matters. Cash flows provided by (used in) noncapital financing activities in 2023 and 2022 are (\$2.5 million) and \$1.4 million, respectively. The decrease in 2023 is primarily due to reduced grant funding and other nonoperating activity. Cash flows used in capital and related financing activities decreased to \$17.4 million in 2023, from \$34.0 million in 2022, as a portion of the Hospital's cash outlays for capital projects was offset by proceeds from the new bonds. Cash flows provided by investing activities was highly comparable between years, with \$14.5 million provided in 2023 and \$15.6 million provided in 2022.

Capital, Lease, and Subscription Assets

At the end of 2023, the Hospital had \$186.7 million invested in capital assets, net of accumulated depreciation, as detailed in Note 12 to the financial statements. In 2023, the Hospital purchased or financed (through accounts payable) new property and equipment costing \$49.0 million, for medical equipment, buildings and improvements, and other projects. As of December 31, 2023, projects still in progress total \$51.6 million, substantially entirely related to a building renovation and expansion project.

Upon adoption of GASB 87, *Leases*, on January 1, 2022, the Hospital recognized lease assets of \$12.9 million, associated with various leases of medical and office equipment, medical and administrative office space, and real estate. During 2022, the Hospital entered into new lease agreements which resulted in lease assets of \$1.5 million, and during 2023, the Hospital entered into new lease agreements which resulted in lease assets of \$4.0 million. Refer also to Note 12 to the financial statements.

The Hospital also adopted GASB 96, *Subscription Based Information Technology Arrangements (SBITAs)*, in 2022. However, the standard did not result in the recognition of any subscription assets or liabilities in the Hospital's 2022 financial statements, as substantially all existing, in-service arrangements were contracted on a short-term of variable basis. During 2023, the Hospital entered into a subscription arrangement which resulted in subscription assets of \$2.2 million. Refer also to Note 12 to the financial statements.

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Management's Discussion and Analysis
December 31, 2023
(Unaudited)

Debt, Lease Liabilities, and Subscription Liabilities

At December 31, 2023, the Hospital had \$69.8 million in revenue bonds outstanding, financed through the Indiana Health Facility Financing Authority Bonds Series 2023, which were issued in August and September 2023. These revenue bonds are subject to limitations imposed by state law. Over the past three years, there have been no changes in the Hospital's debt ratings. Refer also to Note 15 to the financial statements.

Upon adoption of GASB 87, *Leases*, on January 1, 2022, the Hospital recognized lease liabilities of \$12.9 million, associated with the previously discussed leases. During 2022, the Hospital entered into new lease agreements which resulted in lease liabilities of \$1.5 million, and during 2023, the Hospital entered into new lease agreements which resulted in lease liabilities of \$4.0 million. Refer also to Note 17 to the financial statements.

During 2023, the Hospital, in accordance with GASB 96, *Subscription Based Information Technology Arrangements (SBITAs)*, entered into a subscription arrangement which resulted in subscription liabilities of \$652,000. Refer also to Note 18 to the financial statements.

Other Economic Factors

Management believes operating margins for the Hospital, and for the healthcare industry at large, will continue to be under pressure due to continuing changes in acuity, payor mix and other reimbursement-related matters, as well as growth in operating expenses, which may be in excess of the increases in contractually arranged and legally established payments received for services rendered. The ongoing challenge facing the Hospital is to continue to provide quality patient care in a highly competitive environment, and to attain reasonable rates for services provided while managing costs.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital Chief Financial Officer's Office at 2400 East 17th Street, Columbus, Indiana, 47201.

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Balance Sheets
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 17,967,011	\$ 43,392,047
Patient accounts receivable, less allowance for uncollectible accounts of \$18,700,000 in 2023 and \$16,500,000 in 2022	56,743,548	60,350,805
Other receivables	16,420,311	10,256,379
Inventories	6,487,734	6,945,124
Prepaid expenses and other current assets	14,648,944	14,787,961
Leases receivable, current portion	143,104	230,606
Trustee-held funds, current portion	8,602,774	-
Total current assets	<u>121,013,426</u>	<u>135,962,922</u>
Noncurrent Cash and Investments		
Internally designated	151,178,256	145,895,150
Deferred compensation investments	3,504,203	3,152,896
Total noncurrent cash and investments	<u>154,682,459</u>	<u>149,048,046</u>
Capital Assets, Net	<u>186,682,451</u>	<u>164,197,349</u>
Other Assets		
Joint venture investments, notes receivable, and other assets	9,827,908	11,999,076
Lease assets, net	9,424,464	10,028,125
Subscription assets, net	2,148,799	-
Leases receivable, net of current portion	917,384	1,504,568
Total other assets	<u>22,318,555</u>	<u>23,531,769</u>
Total assets	<u>\$ 484,696,891</u>	<u>\$ 472,740,086</u>

See Notes to Financial Statements

	<u>2023</u>	<u>2022</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 22,004,847	\$ 26,623,639
Salaries, wages and related liabilities	23,615,883	20,366,502
Estimated third-party payor settlements	201,435	5,618,704
Other accrued liabilities	17,063,502	19,578,743
Current portion of long-term debt	3,500,000	1,245,000
Current portion of lease liabilities	2,741,042	4,203,134
Current portion of subscription liabilities	189,814	-
Total current liabilities	<u>69,316,523</u>	<u>77,635,722</u>
Noncurrent Liabilities		
Deferred compensation liability	3,504,203	3,152,896
Long-term debt, net of current portion	66,295,000	33,020,000
Lease liabilities, net of current portion	6,907,488	5,963,796
Subscription liabilities, net of current portion	422,088	-
Total noncurrent liabilities	<u>77,128,779</u>	<u>42,136,692</u>
Total liabilities	<u>146,445,302</u>	<u>119,772,414</u>
Deferred Inflows of Resources - Leases	<u>1,029,227</u>	<u>1,704,789</u>
Total liabilities and deferred inflows of resources	<u>\$ 147,474,529</u>	<u>\$ 121,477,203</u>
Net Position		
Unrestricted	214,620,702	224,691,453
Net investment in capital assets	122,601,660	126,571,430
Total net position	<u>337,222,362</u>	<u>351,262,883</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 484,696,891</u>	<u>\$ 472,740,086</u>

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Statements of Revenues, Expenses and Change in Net Position
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenue		
Net patient service revenue, net of provision for uncollectible accounts of \$10,200,000 in 2023 and \$14,100,000 in 2022	\$ 540,269,505	\$ 499,342,473
Other operating revenue	7,886,616	5,808,052
Total operating revenue	<u>548,156,121</u>	<u>505,150,525</u>
Operating Expenses		
Salaries and wages	186,162,575	155,954,272
Employee benefits	40,694,705	35,970,872
Fees	25,049,596	24,737,289
Supplies	81,560,924	73,258,959
Purchased services	181,704,851	188,744,212
Depreciation and amortization	28,598,985	28,472,877
Insurance	6,736,784	5,849,950
Hospital assessment fee	18,660,312	19,032,448
Other	5,208,026	6,262,955
Total operating expenses	<u>574,376,758</u>	<u>538,283,834</u>
Operating Loss	(26,220,637)	(33,133,309)
Nonoperating COVID-19 Grant Revenue	<u>717,697</u>	<u>2,590,947</u>
Loss Before Other Nonoperating Income (Expense)	<u>(25,502,940)</u>	<u>(30,542,362)</u>
Other Nonoperating Income (Expense)		
Investment return	20,119,134	(32,988,397)
Interest expense	(2,731,109)	(1,434,743)
Loss on equity method joint venture investments	(2,381,833)	(314,967)
Contributions to related organizations	(1,126,341)	(865,302)
Other	(2,417,432)	554,408
Total other nonoperating income (expense)	<u>11,462,419</u>	<u>(35,049,001)</u>
Decrease in Net Position	(14,040,521)	(65,591,363)
Net Position, Beginning of Year	<u>351,262,883</u>	<u>416,854,246</u>
Net Position, End of Year	<u>\$ 337,222,362</u>	<u>\$ 351,262,883</u>

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Cash received from patients and third-party payors	\$ 529,695,529	\$ 477,874,807
Cash payments to employees for services	(225,485,226)	(194,068,044)
Cash payments to suppliers for goods and services	(325,462,233)	(318,962,136)
Other operating cash received	9,842,587	5,063,397
Net cash used in operating activities	<u>(11,409,343)</u>	<u>(30,091,976)</u>
Cash Flows from Noncapital Financing Activities		
Cash received from COVID-19 grants	1,208,453	2,194,698
Contributions to related parties	(1,126,341)	(865,302)
Cash (paid) received for other nonoperating items	(2,585,170)	115,770
Net cash (used in) provided by noncapital financing activities	<u>(2,503,058)</u>	<u>1,445,166</u>
Cash Flows from Capital and Related Financing Activities		
Principal paid on long-term debt	(34,265,000)	(1,220,000)
Proceeds from issuance of long-term debt	69,795,000	-
Principal paid on lease liabilities	(4,508,667)	(4,196,541)
Principal received on lease receivable	137,450	256,842
Principal paid on subscription liabilities	(40,212)	-
Interest paid on long-term debt, lease liabilities, and subscription liabilities	(2,731,109)	(1,434,743)
Acquisition and construction of capital assets	(46,553,932)	(28,589,558)
Proceeds from sale of capital assets	738,070	1,224,589
Net cash used in capital and related financing activities	<u>(17,428,400)</u>	<u>(33,959,411)</u>
Cash Flows from Investing Activities		
Interest and dividend income	4,666,865	3,318,493
Purchases of investments	(125,707,537)	(6,300,049)
Sales of investments	135,876,700	23,000,000
Disbursements for notes receivable	(267,963)	(3,634,998)
Collections of notes receivable	427,178	311,823
Distributions from joint venture investments	-	153,125
Contributions to joint venture investments	(476,704)	(1,277,288)
Net cash provided by investing activities	<u>14,518,539</u>	<u>15,571,106</u>
Decrease in Cash, Cash Equivalents, and Restricted Cash	(16,822,262)	(47,035,115)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	<u>43,392,047</u>	<u>90,427,162</u>
Cash, Cash Equivalents, and Restricted Cash at End of Year	<u>\$ 26,569,785</u>	<u>\$ 43,392,047</u>

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities		
Operating loss	\$ (26,220,637)	\$ (33,133,309)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	28,598,985	28,472,877
Provision for uncollectible accounts	10,198,259	14,094,921
Change in assets and liabilities		
Patient accounts receivable and estimated third-party settlements	(12,008,271)	(12,331,407)
Other assets	(8,964,034)	(2,605,225)
Accounts payable and accrued liabilities	(2,860,340)	(24,302,606)
Deferred inflows of resources	(153,305)	(287,227)
	<u>\$ (11,409,343)</u>	<u>\$ (30,091,976)</u>
Noncash Investing, Capital and Financing Activities		
Lease obligations incurred for lease assets	\$ 3,990,267	\$ 1,500,910
Lease receivable recognized in exchange for deferred inflows of resources	69,887	-
Subscription obligations incurred for subscription assets	652,114	-
Subscription assets recognized in exchange for prepaid expenses	1,542,404	-
Net change in property and equipment acquired through accounts payable	979,282	1,624,078
Joint venture distribution in the form of property and equipment	1,470,173	-
Disposals of long-term care property and equipment in exchange for reduction of management fees payable	3,936,880	5,520,990
Additions of long-term care property and equipment through reduction of management fees	1,933,286	-

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Columbus Regional Hospital (Hospital) is an acute care hospital located in Columbus, Indiana. The Hospital is a component unit of Bartholomew County (County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital pursuant to the provisions of Indiana Code 16-22-2-2. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in Bartholomew County and surrounding areas.

The Hospital also operates long-term care facilities through various lease agreements and management agreements. These facilities provide inpatient and therapy services throughout their respective geographic areas and support the Hospital's mission to provide quality care and services to the facilities' residents. The facilities are managed by third parties under various management agreements. The revenues from operations are the property of the Hospital and the Hospital is responsible for the associated expenses and working capital requirements. Through November 30, 2023, the Hospital operated eight long-term care facilities. Effective December 1, 2023, the aforementioned agreements with a third-party manager which managed five facilities were terminated, resulting in the Hospital no longer operating those facilities. Long-term care operations are more fully described in Note 3.

The Hospital is the party to several joint venture activities, which are generally accounted for under the equity method, and are more fully described in Note 11.

The financial statements include the accounts of the following entities. The primary government appoints a voting majority of these entities' boards of directors and a financial benefit/burden relationship exists between the Hospital and these entities. Although legally separate from the boards, these entities are reported as if they were a part of the Hospital, because they provide services entirely, or almost entirely, to the Hospital. Separate financial statements are not issued for these entities.

- Columbus Regional Health Physicians, LLC (CRHP)
- Columbus Regional Health System Services, LLC (CRHSS)
- Columbus Area Radiology, LLC (dba Columbus Diagnostic Imaging, or CDI) – Operations were ceased in November 2022, and the entity was dissolved in 2023.

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met.

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022

Operating Activities

The Hospital defines operating activities, as reported in the statement of revenues, expenses and changes in net position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for goods and services received, as well as program-specific, government-mandated nonexchange transactions.

Grant revenue from nonexchange transactions, investment income, interest on capital assets-related debt, and contributions to and from related organizations, including contributions of capital assets, are excluded from operating revenues and expenses.

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2023 and 2022, cash equivalents consisted primarily of money market accounts with banks.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. The Hospital insures itself from general liability and medical malpractice liability through participation in a reciprocal risk retention group. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital is self-insured for a portion of its exposure to risk of loss from medical malpractice, employee health and workers compensation claims. Annual estimated provisions are accrued for the self-insured portion of the self-insured claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Investments and Investment Return

For joint venture participation, if the Hospital is deemed to have an ongoing financial interest or ongoing financial responsibility in the joint venture, or if the Hospital's investment in voting stock gives the Hospital the ability to exercise significant influence over the joint venture, the Hospital accounts for the investment in accordance with the equity method of accounting.

All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment return includes dividend and interest income, realized gains and losses on investments, and the net change for the year in the fair value of investments carried at fair value.

**Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022**

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Inventories

Supply inventories are stated at the lower of cost, determined using the first-in, first-out (FIFO) method, or market.

Trustee-Held Funds

In conjunction with the Hospital securing the Series 2023C and Series 2023D bonds in August and September 2023 (see Note 15), approximately \$36 million was deposited into the Project Account of the Project Fund. The funds are held in a government money market fund with the trustee and earn interest. The funds are to be expended on costs of the capital project being financed. Management expects the unspent account balance, which approximated \$8.6 million at December 31, 2023, to be fully expended in 2024, and as such, has classified within current assets, separate from cash and cash equivalents.

Deferred Compensation Investments

Investments related to a deferred compensation plan, which was available to certain highly compensated employees of CRHP prior to 2016, are carried at fair value. The investments are held by CRHP on behalf of the employees and are recorded as both an asset and a liability on the balance sheets.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Land improvements	10 - 15 years
Buildings and leasehold improvements	15 - 40 years
Equipment	3 - 10 years

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA incentives received from the vendor at or before the commencement of the arrangement, plus certain capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying asset.

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022

Capital, Lease, and Subscription Asset Impairment

The Hospital evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of an applicable asset has occurred. If an asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation or amortization is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2023 and 2022.

Compensated Absences

Hospital policies permit most employees to accumulate vacation benefits that may be realized as paid time off (PTO) or, in limited circumstances, as a cash payment. Employees earn 24 to 39 PTO days upon attaining specified years of employment. Part-time employees earn PTO hours on a pro rata basis on the specified years of employment. PTO days can be used for vacation, illness or bereavement.

Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability is expected to be paid within one year of the balance sheet date and is therefore included in current liabilities.

Deferred Inflows of Resources

The Hospital reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheet. At December 31, 2023 and 2022, deferred inflows of resources relate to leasing activity in which the Hospital serves as the lessor.

Net Position

Net position of the Hospital is classified in two components. Net investment in capital assets consists of capital, lease, and subscription assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of borrowings, lease liabilities, and subscription liabilities used to finance the purchase, construction, or rental of those assets. Unrestricted net position is remaining assets, less remaining liabilities, that do not meet the definition of net investment in capital assets, if any.

When both restricted and unrestricted resources are available for use, it is the Hospital's policy to use restricted resources first and then unrestricted resources as they are needed.

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

**Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022**

Income Taxes

As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. In addition, the Hospital and CRHP are exempt from taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Hospital and CRHP are subject to federal income tax on any unrelated business taxable income. CDI and CRHSS, which are limited liability companies, are not directly subject to income taxes under the provisions of the Internal Revenue Code and applicable state laws. Taxable income or loss is allocated to their members in accordance with their respective percentage ownership for inclusion in their respective tax returns.

Grants and Contributions

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

Future Adoption of Accounting Standards

In fiscal year 2024, the Hospital will be required to implement GASB Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62, which prescribes the accounting and reporting for each type of accounting change and error corrections. Also in fiscal year 2024, the Hospital will be required to implement GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences. The Hospital has not determined the impact of these new standards to its financial statements; however, they could have a material future impact.

Note 2. Blended Component Units

The financial statements include the Hospital, as well as the blended component unit accounts of CRHP, CRHSS and CDI, as discussed in Note 1.

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022

The following is a financial summary of the Hospital and its component units as of December 31, 2023:

	2023					
	Hospital	CRHP	CRHSS	CDI	Eliminations	Total
Total current assets	\$ 112,720,981	\$ 9,288,062	\$ 164,339	\$ -	\$ (1,159,956)	\$ 121,013,426
Total noncurrent cash and investments	151,178,256	3,504,203	-	-	-	154,682,459
Capital assets, net	102,922,230	5,913,837	77,846,384	-	-	186,682,451
Total other assets	16,558,911	5,015,646	743,998	-	-	22,318,555
Total assets	\$ 383,380,378	\$ 23,721,748	\$ 78,754,721	\$ -	\$ (1,159,956)	\$ 484,696,891
Total current liabilities	\$ 55,469,486	\$ 10,747,930	\$ 4,259,063	\$ -	\$ (1,159,956)	\$ 69,316,523
Total noncurrent liabilities	70,501,112	6,627,667	-	-	-	77,128,779
Total deferred inflows of resources	190,395	-	838,832	-	-	1,029,227
Net position - unrestricted	218,259,236	551,024	(4,189,558)	-	-	214,620,702
Net position - net investment in capital assets	38,960,149	5,795,127	77,846,384	-	-	122,601,660
Total liabilities, deferred inflows of resources and net position	\$ 383,380,378	\$ 23,721,748	\$ 78,754,721	\$ -	\$ (1,159,956)	\$ 484,696,891
Operating revenue	\$ 494,416,717	\$ 61,242,346	\$ 1,551,306	\$ 167,509	\$ (9,221,757)	\$ 548,156,121
Depreciation and amortization	(26,085,928)	(1,819,881)	(693,176)	-	-	(28,598,985)
Other operating expenses	(448,563,068)	(105,251,543)	(1,130,565)	(54,354)	9,221,757	(545,777,773)
Operating income (loss)	19,767,721	(45,829,078)	(272,435)	113,155	-	(26,220,637)
Nonoperating COVID-19 grant revenue	717,697	-	-	-	-	717,697
Income (loss) before other nonoperating income (expenses)	20,485,418	(45,829,078)	(272,435)	113,155	-	(25,502,940)
Nonoperating income (expense)	12,435,461	(953,081)	(16,986)	(2,975)	-	11,462,419
Transfers	(69,726,736)	38,840,778	31,529,938	(643,980)	-	-
Change in net position	(36,805,857)	(7,941,381)	31,240,517	(533,800)	-	(14,040,521)
Net position, beginning of year	294,025,242	14,287,532	42,416,309	533,800	-	351,262,883
Net position, end of year	\$ 257,219,385	\$ 6,346,151	\$ 73,656,826	\$ -	\$ -	\$ 337,222,362

	2023					
	Hospital	CRHP	CRHSS	CDI	Eliminations	Total
Net cash provided by (used in) operating activities	\$ 32,339,533	\$ (44,391,699)	\$ 571,425	\$ 71,398	\$ -	\$ (11,409,343)
Net cash used in noncapital financing activities	(1,702,425)	(800,633)	-	-	-	(2,503,058)
Net cash provided by (used in) capital and related financing activities	17,526,514	(1,359,046)	(33,595,868)	-	-	(17,428,400)
Net cash provided by (used in) investing activities	(55,188,236)	38,840,778	31,512,952	(646,955)	-	14,518,539
Net decrease in cash, cash equivalents, and restricted cash	(7,024,614)	(7,710,600)	(1,511,491)	(575,557)	-	(16,822,262)
Cash, cash equivalents, and restricted cash at beginning of year	31,866,759	9,427,666	1,522,065	575,557	-	43,392,047
Cash, cash equivalents, and restricted cash at end of year	\$ 24,842,145	\$ 1,717,066	\$ 10,574	\$ -	\$ -	\$ 26,569,785

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022

The following is a financial summary of the Hospital and its component units as of December 31, 2022:

	2022					
	Hospital	CRHP	CRHSS	CDI	Eliminations	Total
Total current assets	\$ 117,628,480	\$ 16,660,818	\$ 1,928,188	\$ 638,078	\$ (892,642)	\$ 135,962,922
Total noncurrent cash and investments	145,895,150	3,152,896	-	-	-	149,048,046
Capital assets, net	116,975,113	6,479,940	40,742,296	-	-	164,197,349
Total other assets	18,090,414	4,136,302	1,305,053	-	-	23,531,769
Total assets and deferred outflows of resources	\$ 398,589,157	\$ 30,429,956	\$ 43,975,537	\$ 638,078	\$ (892,642)	\$ 472,740,086
Total current liabilities	\$ 68,613,316	\$ 9,736,895	\$ 73,875	\$ 104,278	\$ (892,642)	\$ 77,635,722
Total other liabilities	35,731,163	6,405,529	-	-	-	42,136,692
Total deferred inflows of resources	219,436	-	1,485,353	-	-	1,704,789
Net position - unrestricted	214,604,518	7,879,122	1,674,013	533,800	-	224,691,453
Net position - net investment in capital assets	79,420,724	6,408,410	40,742,296	-	-	126,571,430
Total liabilities and net position	\$ 398,589,157	\$ 30,429,956	\$ 43,975,537	\$ 638,078	\$ (892,642)	\$ 472,740,086
Operating revenue	\$ 456,489,471	\$ 53,014,786	\$ 1,928,510	\$ 1,820,597	\$ (8,102,839)	\$ 505,150,525
Depreciation	(25,463,475)	(2,060,824)	(641,378)	(307,200)	-	(28,472,877)
Other operating expenses	(423,663,268)	(90,732,340)	(1,187,383)	(2,330,805)	8,102,839	(509,810,957)
Operating income (loss)	7,362,728	(39,778,378)	99,749	(817,408)	-	(33,133,309)
Nonoperating COVID-19 grant revenue	2,590,947	-	-	-	-	2,590,947
Income (loss) before other nonoperating income (expenses)	9,953,675	(39,778,378)	99,749	(817,408)	-	(30,542,362)
Nonoperating income (expense)	(34,676,734)	(598,617)	(2,701)	229,051	-	(35,049,001)
Transfers	(52,417,352)	40,438,277	11,986,420	(7,345)	-	-
Change in net position	(77,140,411)	61,282	12,083,468	(595,702)	-	(65,591,363)
Net position, beginning of year	371,165,653	14,226,250	30,332,841	1,129,502	-	416,854,246
Net position, end of year	\$ 294,025,242	\$ 14,287,532	\$ 42,416,309	\$ 533,800	\$ -	\$ 351,262,883

	2022					
	Hospital	CRHP	CRHSS	CDI	Eliminations	Total
Net cash provided by (used in) operating activities	\$ 7,628,408	\$ (38,123,011)	\$ 467,200	\$ (64,573)	\$ -	\$ (30,091,976)
Net cash provided by (used in) noncapital financing activities	1,903,977	(458,811)	-	-	-	1,445,166
Net cash used in capital and related financing activities	(21,223,783)	(1,442,558)	(11,293,070)	-	-	(33,959,411)
Net cash provided by (used in) investing activities	(37,072,596)	40,438,277	11,983,719	221,706	-	15,571,106
Net increase (decrease) in cash and cash equivalents	(48,763,994)	413,897	1,157,849	157,133	-	(47,035,115)
Cash, cash equivalents, and restricted cash at beginning of year	80,630,753	9,013,769	364,216	418,424	-	90,427,162
Cash, cash equivalents, and restricted cash at end of year	\$ 31,866,759	\$ 9,427,666	\$ 1,522,065	\$ 575,557	\$ -	\$ 43,392,047

Note 3. Long-Term Care Operations and Agreements

The Hospital has entered into various agreements to lease the facilities for the operation of nursing homes. Along with the lease agreements, the Hospital also entered into management agreements with the facilities' third-party managers (Managers) to continue to operate the facilities. These agreements include original terms ranging from two years to five years, with optional extension or renewal periods. The lease and management agreements also include termination clauses available to either party, and for that reason, these long-term care leases are excepted from the GASB No. 87 as further discussed in Note 17.

Effective May 1, 2023, the management of two nursing facilities was transitioned to a new third party Manager, resulting in no material change in operations.

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022

As discussed in Note 1, through November 30, 2023, the Hospital operated eight nursing facilities. Effective December 1, 2023, the agreements with a Manager which managed five facilities were terminated, resulting in the Hospital no longer operating those facilities.

The lease agreements call for monthly base rent payments as outlined in the agreements. Rental expense approximated \$11.5 million and \$8.0 million in 2023 and 2022, respectively. The management agreements include management fees consisting of base management fees, subordinated management fees and incentive management fees. Base and subordinate management fees are primarily based on percentages of net patient service revenue of the individual facilities, generally ranging from 4% to 5%. Incentive management fees are to be paid only if sufficient working capital exists. The agreements also call for quality, royalty and capital improvement fees to be paid to the Managers. Management and other fees approximated \$11.4 million and \$7.0 million in 2023 and 2022, respectively, and include waivers of certain fees as insufficient cash flows existed to fund the amounts due. All expenses and fees associated with these agreements are included within purchased services expenses in the statements of revenues, expenses and changes in net position.

Under the management agreements, the employees necessary to operate the facilities are contracted by the Hospital. The majority of all costs in the ordinary course of business are paid by the Managers who are then reimbursed by the Hospital from operations of the facilities. Similarly, Managers of certain facilities have provided working capital to cover insufficient cash flows from operations. Consequently, the majority of accrued liabilities of the long-term care operations approximating \$10.4 million and \$5.4 million at December 31, 2023 and 2022, reflect amounts due to the Managers and their vendors.

Note 4. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

A summary of payment arrangements includes:

Medicare

Certain inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain inpatient nonacute services are paid based on a cost reimbursement methodology. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. The Hospital's Medicare cost reports have been audited by the Medicare administrative contractor through December 31, 2020.

Long-term care services rendered to Medicare program beneficiaries are paid under a prospectively determined payment system on a per diem basis based on each resident's health at admission. Medicare reimburses for 100 days of skilled nursing facility care subject to certain eligibility requirements.

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022

Medicaid

Inpatient and outpatient services rendered to the Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to the service provided and the patient diagnosis.

Long-term care services rendered to Medicaid program beneficiaries are paid on a per diem basis.

Other

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Medicaid Disproportionate Share Hospital (DSH) Revenue

The Hospital qualifies as a Medicaid DSH provider under Indiana Law (HEA 1095, Public Law 27-1992) and, as such, is eligible to receive certain supplemental Medicaid payments. The amounts of these supplemental Medicaid payments are dependent on regulatory approval by agencies of the federal and state governments and is determined by level, extent and cost of uncompensated care (as defined) and various other factors. Supplemental Medicaid payments under this program have been made by the state of Indiana, and the Hospital records such amounts as revenue when reasonably determined that the funds will be received. The Hospital recognized approximately \$7.4 million and \$7.2 million of net patient service revenue related to the supplemental Medicaid payment program for the years ended December 31, 2023 and 2022, respectively.

The Hospital participates in a state-specific provider assessment program to increase Medicaid payments to hospitals. The Hospital incurred approximately \$18.7 million and \$19.0 million of fees related to the program in 2023 and 2022, respectively, which is recorded as an operating expense. The provider assessment fee program is subject to retroactive rate setting by the state of Indiana and its Medicaid program and the amounts expensed represent the current fees that have been assessed to the Hospital. There is no assurance this program will continue in the future.

The amount outstanding and owed under the assessment fee program was not material at December 31, 2023. The amount outstanding and owed under the assessment fee program was \$5.6 million at December 31, 2022, and is included as a payable in estimated third-party payor settlements.

340B Drug Pricing Program Final Rule

The Centers for Medicare and Medicaid Services (CMS) released a final rule (CMS-1793-F) on November 8, 2023, that describes the agency's action on remand from the United States District Court for the District of Columbia to craft a remedy from the U.S. Supreme Court's decision in *American Hospital Association v. Becerra*, relating to the adjustment of Medicare payment rates for drugs acquired under the 340B program from January 1, 2018 through September 27, 2022.

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022

CMS has made or is making the following resolutions:

- Repay 340B hospitals for money owed under Medicare fee-for-service claims from January 1, 2018 through September 27, 2022, through a lump-sum payment less amounts already paid through claims reprocessing for services furnished between January 1, 2022 through September 27, 2022.
- Provide the repayment amount to hospitals inclusive of any additional beneficiary coinsurance as to not require or allow hospitals to collect additional coinsurance.
- Maintain budget neutrality for these corrective payments to 340B hospitals through a (0.5) percentage point adjustment to the annual outpatient prospective payment system (OPPS) update that applies to nondrug OPPS services beginning January 1, 2026, until such time as the full amount of the additional payment is recouped (currently estimated at 16 years).

The Hospital recognized revenue of \$8.8 million associated with the 340B settlement stemming from the final rule and received a lump-sum payment in January 2024. The revenue is included in net patient service revenue for 2023, and the receivable is included in other receivables at December 31, 2023.

Approximately 59% and 56% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2023 and 2022, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The long-term care operations of the Hospital qualify for supplemental Medicaid payments through the Upper Payment Limit (UPL) program. The UPL is established to pay qualifying providers the difference between what Medicare would have paid and what Medicaid actually paid. The UPL is distributed through an intergovernmental transfer (IGT) arrangement. The Hospital is responsible for funding the IGT for the long-term care operations. Revenue associated with the UPL program is recorded net of IGT payments made to the program and is included in net patient service revenue. The Hospital recognized approximately \$10.9 million and \$18.3 million related to this supplemental payment program for the years ended December 31, 2023 and 2022, respectively.

Details of gross patient charges and contractual allowances are as follows:

	<u>2023</u>	<u>2022</u>
Gross patient charges		
Inpatients	\$ 363,438,608	\$ 365,051,974
Long-term care	102,059,010	98,027,419
Outpatients	760,184,142	673,020,627
Total	<u>1,225,681,760</u>	<u>1,136,100,020</u>
Charity care charges foregone	(10,334,311)	(8,992,547)
Provision for bad debt	(10,198,259)	(14,094,921)
Contractual allowances	<u>(664,879,685)</u>	<u>(613,670,079)</u>
Net patient service revenue	<u>\$ 540,269,505</u>	<u>\$ 499,342,473</u>

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022

Note 5. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as revenue. The Hospital maintains records to identify and monitor the level of charity care it provides, as well as the amount of charges foregone for services and supplies furnished under its charity care policy. During the years ended December 31, 2023 and 2022, charges excluded from revenue under its charity policy were \$10.3 million and \$9.0 million. The estimated net cost of the charity care services provided, calculated using a cost to charge ratio methodology was \$4.8 million for 2023 and \$4.2 million for 2022.

Note 6. CARES Act and Other Funding

In response to the World Health Organization's designation of the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic in March 2020, various legislation was enacted, including the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) and the *American Rescue Plan Act* (ARPA Act).

Provider Relief Funds

During the years ended December 31, 2023 and 2022, the Hospital received \$0 and \$1,325,675, respectively, of distributions from the CARES Act Provider Relief Fund and the ARPA Act Relief Fund (collectively, the Provider Relief Fund). These Provider Relief Fund distributions are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses and/or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services (HHS).

The Hospital accounts for such payments as voluntary nonexchange transactions in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Payments are recognized as grant revenue once the applicable terms and conditions required to retain the funds have been substantially met. Revenue recognized is classified as nonoperating and the associated cash flows are included within noncapital financing activities. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses, the Hospital has recognized into revenue all distributions from the Provider Relief Fund. For the years ended December 31, 2023 and 2022, the Hospital recorded revenue of \$0 and \$1,325,675, respectively. This revenue is included in nonoperating COVID-19 grant revenue within the statements of revenues, expenses and changes in net position.

The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Provider Relief Fund payments are subject to government oversight, including potential audits.

Medicare Advance Payments

As part of the CARES Act legislation, the Centers for Medicare & Medicaid Services (CMS) expanded the existing Accelerated and Advance Payments Program to a broad group of Medicare Part A providers as a means to provide additional cash flow at the onset of the COVID-19 pandemic. The Hospital met the eligibility criteria and was approved for advance payments, receiving \$37,514,603 in April 2020. Under the terms of the program, repayment of the funds began in April 2021 and continued through September 2022, at which time the entirety of the Hospital's advance payments was either recouped or repaid.

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022

Deferred Employer Payroll Taxes

As part of the CARES Act legislation, organizations were eligible to defer payment of the employer's share of Social Security payroll taxes owed on wages paid for the year ended December 31, 2020. These deferred tax payments were due in two installments: 50% due by December 31, 2021, and 50% due by December 31, 2022.

During the year ended December 31, 2022, any remaining deferred balance (approximately \$2.4 million) was paid, and there is no outstanding liability.

Other COVID-19 Funding

The Hospital received funding and/or recognized into revenue the following related to COVID-19 from other sources:

- The Hospital recorded revenue of \$717,697 in 2023 and \$1,215,272 in 2022, related to non-capital specific Federal Emergency Management Agency (FEMA) grants. This revenue is included in nonoperating COVID-19 grant revenue within the statements of revenues, expenses and changes in net position. During 2023 and 2022, the Hospital received approximately \$1,208,000 and \$819,000, respectively, of funding from FEMA.
- Beginning in 2020 and through March 2023, the federal government's response to COVID-19 included temporary reductions to the non-federal share of Medicaid supplemental payments through the UPL program received by the Hospital associated with its nursing home operations. This increased supplemental payment revenue by \$1.7 million in 2022. The impact in 2023 was not material. This revenue is included within net patient service revenue on the statements of revenues, expenses and changes in net position, as this funding constitutes reimbursement for care or treatment provided.

Note 7. Deposits, Investments and Investment Return

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law, in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, paragraph 6.

Deposits with financial institutions in the State of Indiana at year-end were entirely insured by the Federal Depository Insurance Corporation (FDIC) or by the Indiana Public Deposit Insurance Fund (IPDIF). This includes any deposit accounts issued or offered by a qualifying financial institution. Accordingly, all deposits in excess of FDIC levels are covered by the IPDIF and are considered collateralized.

Investments

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and bank repurchase agreements. It may also invest in certain deposit accounts, mutual funds, repurchase agreements and pooled investment funds as authorized by Indiana Code 16-22-3-20.

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022

At December 31, 2023 and 2022, the Hospital had \$153,836,705 and \$149,048,046 of investments, comprised as follows:

	<u>2023</u>	<u>2022</u>
Investments		
Mutual funds	\$ 146,836,705	\$ 149,048,046
Money market funds	7,000,000	-
	<u>\$ 153,836,705</u>	<u>\$ 149,048,046</u>

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to interest rate risk, the Hospital's investment policy states an expected duration of investments between two and five years. The money market account and mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Hospital's policy to limit its investments in money market funds with a rating of AAA or above by Standard & Poor's or Aaa or above by Moody's Investors Service, with a maximum maturity of one year. At December 31, 2023 and 2022, the Hospital's investments in mutual funds were not rated by Standard & Poor's or Moody's. No investments are to be made by the Hospital in nonmarketable securities.

Concentration of Credit Risk - The Hospital establishes ranges by investment category to limit investment concentration. At December 31, 2023 and 2022, the Hospital's investment in mutual funds consisted of:

	<u>2023</u>	<u>2022</u>
Carillon Reams Core Plus Bond Fund	23%	23%
Baird Aggregate Bond Fund Institutional Class	21%	0%
Vanguard Institutional Index Fund	17%	14%
Baird Short Term Bond Fund Institutional Class	12%	0%
Harbor Large Cap Value Institutional Fund	9%	8%
Dodge & Cox Stock Fund	9%	1%
Metropolitan West T/R Bond Fund	0%	23%
Diamond Hill Select Fund	0%	8%
Other funds	9%	23%
	<u>100%</u>	<u>100%</u>

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	<u>2023</u>	<u>2022</u>
Carrying value		
Deposits	\$ 27,415,539	\$ 43,392,047
Investments	153,836,705	149,048,046
	<u>\$ 181,252,244</u>	<u>\$ 192,440,093</u>
Included in the following balance sheets captions		
Cash and cash equivalents	\$ 17,967,011	\$ 43,392,047
Trustee-held funds, current portion	8,602,774	-
Noncurrent cash and investments	154,682,459	149,048,046
	<u>\$ 181,252,244</u>	<u>\$ 192,440,093</u>

Investment Return

Investment return for the years ended December 31, 2023 and 2022 consisted of:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 4,666,865	\$ 3,318,493
Net increase (decrease) in fair value of investments	15,452,269	(36,306,890)
	<u>\$ 20,119,134</u>	<u>\$ (32,988,397)</u>

Note 8. Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. The mix of accounts receivable from patients and third-party payors at December 31, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Medicare	33%	31%
Medicaid	13%	13%
Other third-party payors	45%	49%
Individual patients	9%	7%
	<u>100%</u>	<u>100%</u>

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022

Note 9. Leases Receivable

The Hospital leases portions of its office and medical space and other real estate to various third parties, the terms of which expire at various dates through 2032. Payments are either fixed or increase at fixed amounts defined in the lease agreements. Any usage-based payments included within these leases are not included in the measurement of leases receivable balances because they are not fixed in substance.

Revenue recognized under lease contracts during the years ended December 31, 2023 and 2022, was approximately \$260,000 and \$340,000, respectively, which includes both lease revenue and interest. Revenue recognized for variable and short-term rental amounts not included in the measurement of the lease receivables approximated \$290,000 and \$540,000 for the years ended December 31, 2023 and 2022, respectively.

Note 10. Deferred Compensation Plan

Prior to 2016, CRHP maintained an IRS Code Section 457(B) plan for the benefit of certain highly compensated employees. The plan allowed for employee contributions only. The plan was dissolved on January 1, 2016, but the plan assets are still held by CRHP on behalf of its employees, separate from all other assets. On the balance sheets, these deferred compensation investments are reported within noncurrent cash and investments, with a corresponding liability within noncurrent liabilities.

The activity in the investments and liability of the deferred compensation plan was as follows for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Deferred compensation investments, beginning of year	\$ 3,152,896	\$ 4,610,445
Investment gains (losses)	546,310	(774,504)
Employee withdrawals	(195,003)	(683,045)
	<u>3,504,203</u>	<u>3,152,896</u>
Deferred compensation investments, end of year	<u>\$ 3,504,203</u>	<u>\$ 3,152,896</u>

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022

Note 11. Joint Venture Investments

The Hospital participates as a joint owner in several companies. A listing of these joint ventures, along with ownership percentages and net investment values as of December 31 are as follows:

Joint Venture Name - Description	Ownership % at December 31, 2023	2023 Investment Amount	Ownership % at December 31, 2022	2022 Investment Amount
St. Vincent Jennings Hospital, Inc. - Nonprofit Corporation	10.00%	\$ 450,000	10.00%	\$ 450,000
RCG Columbus, LLC - Outpatient Renal Dialysis Services	12.25%	529,880	12.25%	447,851
United Hospital Services, LLC - Laundry Services	4.15%	572,476	4.15%	577,435
Southern Indiana Health Organization, Inc. - Health Insurance Provider	21.04%	2,024,351	33.33%	3,484,274
Tecumseh Health Reciprocal Risk Retention Group (formerly Indiana Healthcare) - Captive Insurance for Medical Malpractice Claims	7.14%	2,744,324	7.14%	2,958,557
Fair Oaks Community Development Corporation - Real Estate Development	50.00%	<u>176,131</u>	25.00%	<u>1,954,347</u>
Total		<u>\$ 6,497,162</u>		<u>\$ 9,872,464</u>

Effective as of March 31, 2024, the Hospital's ownership percentage in Southern Indiana Health Organization, Inc. changed from 21.04% to approximately 18.20%.

Note 12. Capital, Lease, and Subscription Assets

Capital assets activity for the years ended December 31, 2023 and 2022 was:

	Beginning Balance	2023				Ending Balance
		Additions	Disposals	Internal Transfers	Transfers From LTC	
Land	\$ 18,981,061	\$ -	\$ (52,000)	\$ 240,000	\$ -	\$ 19,169,061
Land improvements	21,019,398	-	(10,640)	-	-	21,008,758
Buildings and leasehold improvements	244,089,236	1,188,858	(4,727,897)	5,914,239	68,693	246,533,129
Equipment	170,270,480	602,517	(6,352,346)	8,621,075	2,448,798	175,590,524
Construction in progress	19,413,746	47,212,012	(291,863)	(14,775,314)	31,703	51,590,284
	<u>473,773,921</u>	<u>49,003,387</u>	<u>(11,434,746)</u>	<u>-</u>	<u>2,549,194</u>	<u>513,891,756</u>
Less accumulated depreciation						
Land improvements	13,864,470	521,188	(10,640)	-	-	14,375,018
Buildings and leasehold improvements	174,836,052	7,694,776	(1,095,800)	-	-	181,435,028
Equipment	120,876,050	15,743,374	(5,836,073)	-	615,908	131,399,259
	<u>309,576,572</u>	<u>23,959,338</u>	<u>(6,942,513)</u>	<u>-</u>	<u>615,908</u>	<u>327,209,305</u>
	<u>\$ 164,197,349</u>	<u>\$ 25,044,049</u>	<u>\$ (4,492,233)</u>	<u>\$ -</u>	<u>\$ 1,933,286</u>	<u>\$ 186,682,451</u>

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022

	Beginning Balance	2022				Ending Balance
		Additions	Disposals	Internal Transfers	Transfers From LTC	
Land	\$ 18,906,761	\$ 74,300	\$ -	\$ -	\$ -	\$ 18,981,061
Land improvements	21,020,698	-	(1,300)	-	-	21,019,398
Buildings and leasehold improvements	241,888,326	4,223,927	(2,369,597)	346,580	-	244,089,236
Equipment	183,915,894	10,528,758	(27,458,502)	3,284,330	-	170,270,480
Construction in progress	10,082,864	15,386,651	(2,424,859)	(3,630,910)	-	19,413,746
	<u>475,814,543</u>	<u>30,213,636</u>	<u>(32,254,258)</u>	<u>-</u>	<u>-</u>	<u>473,773,921</u>
Less accumulated depreciation						
Land improvements	13,329,253	535,672	(455)	-	-	13,864,470
Buildings and leasehold improvements	166,503,635	9,106,275	(773,858)	-	-	174,836,052
Equipment	131,553,470	14,495,584	(25,173,004)	-	-	120,876,050
	<u>311,386,358</u>	<u>24,137,531</u>	<u>(25,947,317)</u>	<u>-</u>	<u>-</u>	<u>309,576,572</u>
	<u>\$ 164,428,185</u>	<u>\$ 6,076,105</u>	<u>\$ (6,306,941)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,197,349</u>

Lease assets activity for the years ended December 31, 2023 and 2022 was:

	2023			
	Beginning Balance	Additions	Disposals	Ending Balance
Buildings and leasehold improvements	\$ 8,532,223	\$ 565,143	\$ -	\$ 9,097,366
Equipment	5,831,248	3,425,124	-	9,256,372
	<u>14,363,471</u>	<u>3,990,267</u>	<u>-</u>	<u>18,353,738</u>
Less accumulated amortization				
Buildings and leasehold improvements	2,429,570	1,944,735	-	4,374,305
Equipment	1,905,776	2,649,193	-	4,554,969
	<u>4,335,346</u>	<u>4,593,928</u>	<u>-</u>	<u>8,929,274</u>
	<u>\$ 10,028,125</u>	<u>\$ (603,661)</u>	<u>\$ -</u>	<u>\$ 9,424,464</u>

	2022			
	Beginning Balance	Additions	Disposals	Ending Balance
Buildings and leasehold improvements	\$ 8,407,376	\$ 124,847	\$ -	\$ 8,532,223
Equipment	4,455,185	1,376,063	-	5,831,248
	<u>12,862,561</u>	<u>1,500,910</u>	<u>-</u>	<u>14,363,471</u>
Less accumulated amortization				
Buildings and leasehold improvements	-	2,429,570	-	2,429,570
Equipment	-	1,905,776	-	1,905,776
	<u>-</u>	<u>4,335,346</u>	<u>-</u>	<u>4,335,346</u>
	<u>\$ 12,862,561</u>	<u>\$ (2,834,436)</u>	<u>\$ -</u>	<u>\$ 10,028,125</u>

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022

Subscription assets activity for the year ended December 31, 2023 was:

	Beginning Balance	2023		Ending Balance
		Additions	Disposals	
Information technology and software	\$ -	\$ 2,194,518	\$ -	\$ 2,194,518
Less accumulated amortization				
Information technology and software	-	45,719	-	45,719
	<u>\$ -</u>	<u>\$ 2,148,799</u>	<u>\$ -</u>	<u>\$ 2,148,799</u>

There was no subscription asset activity for the year ended December 31, 2022.

Note 13. Medical Malpractice Claims

Malpractice insurance coverage is provided on a claims-made basis. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently would be uninsured. However, the *Indiana Malpractice Act* (the Act) limits professional liability for claims prior to July 1, 2017 to a maximum recovery of \$1,250,000 per occurrence, \$250,000 of which would be paid through medical insurance coverage, while the remaining balance would be paid by the State of Indiana Patient Compensation Fund (the Fund). For claims incurred between July 1, 2017 and June 30, 2019, the maximum recovery is \$1,650,000 per occurrence, \$400,000 of which would be paid through insurance coverage, with the remainder due from the Fund. For claims incurred subsequent to June 30, 2019, the maximum recovery is \$1,800,000 per occurrence, \$500,000 of which would be paid through insurance coverage, with the remainder due from the Fund.

On January 1, 2017, Indiana Healthcare, a reciprocal risk retention group based out of Vermont providing captive insurance coverage, merged with Heartland Reciprocal Risk Retention Group, both being reciprocal interinsurance exchanges organized and licensed pursuant to Chapters 132 and 141 of Title 8 of the Vermont Statutes Annotated. Indiana Healthcare being the surviving insurer was renamed Tecumseh Reciprocal Risk Retention Group (Tecumseh). Columbus Regional Hospital's ownership share in Tecumseh is one-fourteenth, or approximately 7% (see Note 11).

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022

Note 14. Self-Insured Claims

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of \$300,000 in 2023 and \$250,000 in 2022. The health plan also includes an aggregate specific deductible of \$110,000. Commercial stop-loss insurance coverage is purchased for health claims in excess of the aggregate annual amount. The Hospital is also self-insured for workers' compensation claims. A provision is accrued for self-insured employee health and workers' compensation claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term. Settled claims resulting from this risk did not exceed commercial insurance coverage in recent years.

Activity in the Hospital's accrued employee health and workers' compensation claims liability, which is included in other accrued liabilities in the balance sheets, is summarized as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 3,069,529	\$ 3,096,006
Current year claims incurred and changes in estimates for claims incurred in prior years	19,284,328	19,241,434
Claims and expenses paid	<u>(20,100,175)</u>	<u>(19,267,911)</u>
Balance, end of year	<u>\$ 2,253,682</u>	<u>\$ 3,069,529</u>

Note 15. Long-Term Debt

The following is a summary of long-term debt transactions for the Hospital for the years ended December 31:

	<u>Beginning Balance</u>	<u>2023</u>			<u>Ending Balance</u>	<u>Current Portion</u>
		<u>Additions</u>	<u>Deductions</u>			
Indiana Health Facility Financing Authority Bonds Series 2014	\$ 34,265,000	\$ -	\$ (34,265,000)	\$ -	\$ -	
Indiana Health Facility Financing Authority Bonds Series 2023	<u>-</u>	<u>69,795,000</u>	<u>-</u>	<u>69,795,000</u>	<u>3,500,000</u>	
Total long-term debt	<u>\$ 34,265,000</u>	<u>\$ 69,795,000</u>	<u>\$ (34,265,000)</u>	<u>\$ 69,795,000</u>	<u>\$ 3,500,000</u>	

	<u>Beginning Balance</u>	<u>2022</u>			<u>Ending Balance</u>	<u>Current Portion</u>
		<u>Additions</u>	<u>Deductions</u>			
Indiana Health Facility Financing Authority Bonds Series 2014	\$ 35,485,000	\$ -	\$ (1,220,000)	\$ 34,265,000	\$ 1,245,000	

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022

Revenue Bonds Payable

In December 2014, the Hospital issued its note to the Indiana Finance Authority securing the Indiana Finance Authority Hospital Revenue Bonds, Series 2014A and Series 2014B in the combined amount of \$74,205,000. The Series 2014A bonds totaled \$35,485,000, and were scheduled to mature in August 2044, prior to being refunded in 2023. The Series 2014B bonds totaled \$38,720,000 and matured in August 2021. These bonds were issued to refund the Indiana Finance Authority Variable Rate Demand Revenue Bonds, Series 2009A and Series 2009B, and to provide additional funding for a capital project. Annual principal payments were scheduled to be due serially through the aforementioned maturity dates (prior to refunding).

In August and September 2023, the Hospital issued its note to the Indiana Finance Authority securing the Indiana Finance Authority Hospital Revenue Bonds, Series 2023A, Series 2023B, Series 2023C, and Series 2023D in the combined amount of \$69,795,000. The Series 2023A bonds totaled \$23,500,000, maturing in August 2031. The Series 2023B bonds totaled \$10,000,000, maturing in August 2031. The Series 2023C bonds totaled \$26,295,000, maturing in August 2053. The Series 2023D bonds totaled \$10,000,000, maturing in August 2053. These bonds were issued to refund the Indiana Finance Authority Variable Rate Demand Revenue Bonds, Series 2014A, and to provide additional funding for ongoing capital projects.

Annual principal payments are due serially through the aforementioned maturity dates. Interest rates vary with the Secured Overnight Financing Rate (SOFR). At December 31, 2023, the interest rate was 4.93% for the Series 2023A and 2023B bonds, and the interest rate was 5.03% for the Series 2023C and 2023D bonds.

The Series 2023 Bond issue requires the Hospital to maintain certain financial covenants.

The debt service requirements as of December 31, 2023, are as follows:

Years Ending December 31	Total to be Paid	Principal	Estimated Interest
2024	\$ 7,004,887	\$ 3,500,000	\$ 3,504,887
2025	6,994,829	3,680,000	3,314,829
2026	6,990,317	3,865,000	3,125,317
2027	6,986,270	4,060,000	2,926,270
2028	6,989,821	4,265,000	2,724,821
2029 - 2033	26,473,300	16,045,000	10,428,300
2034 - 2038	13,849,982	5,700,000	8,149,982
2039 - 2043	13,820,760	7,315,000	6,505,760
2044 - 2048	13,759,902	9,360,000	4,399,902
2049 - 2053	13,702,635	12,005,000	1,697,635
	<u>\$ 116,572,703</u>	<u>\$ 69,795,000</u>	<u>\$ 46,777,703</u>

Note 16. Line of Credit Agreement

The Hospital had an unsecured taxable line of credit providing up to \$10,000,000 of nonrevolving credit through September 2023, when the line was terminated. As of and during the years ended December 31, 2023 and 2022, there were no borrowings against this line of credit.

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022

Note 17. Lease Liabilities

The Hospital leases medical and office equipment, medical and administrative space, and real estate, the terms of which expire in various years through 2033. Any variable payments on these leases based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance. During the years ended December 31, 2023 and 2022, the Hospital recognized approximately \$1.9 million and \$2.5 million, respectively, of rental expense for variable payments and short-term rentals not previously included in the measurement of the lease liability.

As discussed in Note 3, the long-term care facility leases include termination language in which either party can terminate the agreement without cause. The Hospital recognized approximately \$11.5 million in 2023 and \$8.0 million in 2022 of rental expense under these agreements, which are excluded from the measurement of the lease liability.

The following is a summary of long-term lease transactions for the Hospital for the years ended December 31, 2023 and 2022:

	Beginning Balance	Additions	2023		Ending Balance	Current Portion
			Deductions			
Various equipment, building and real estate leases	\$ 10,166,930	\$ 3,990,267	\$ (4,508,667)		\$ 9,648,530	\$ 2,741,042

	Beginning Balance	Additions	2022		Ending Balance	Current Portion
			Deductions			
Various equipment, building and real estate leases	\$ 12,862,561	\$ 1,500,910	\$ (4,196,541)		\$ 10,166,930	\$ 4,203,134

The following is a schedule by year of payments under the leases as of December 31, 2023:

Year Ending December 31,	Total to Be Paid	Principal	Interest
2024	\$ 3,076,998	\$ 2,741,042	\$ 335,956
2025	2,515,398	2,270,438	244,960
2026	1,769,556	1,603,167	166,389
2027	1,159,468	1,052,527	106,941
2028	891,230	838,082	53,148
2029 - 2033	1,191,120	1,143,274	47,846
	<u>\$ 10,603,770</u>	<u>\$ 9,648,530</u>	<u>\$ 955,240</u>

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022

Note 18. Subscription Liabilities

The Hospital has a subscription-based information technology arrangement (SBITA) for financial planning and decision support software, the term of which expires in 2026. Variable payments based upon the use of underlying information technology assets are not included in the Hospital's subscription liability because they are not fixed in substance. Information technology and software contracted through short-term arrangements are also not included in the Hospital's subscription liability.

The following is a summary of long-term SBITA transactions for the Hospital for the year ended December 31, 2023:

	<u>Beginning Balance</u>		2023		<u>Ending Balance</u>	<u>Current Portion</u>
		<u>Additions</u>	<u>Deductions</u>			
Subscription-based information technology arrangements	\$ -	\$ 652,114	\$ (40,212)		\$ 611,902	\$ 189,814

The following is a schedule by year of payments under the SBITAs as of December 31, 2023:

Year Ending December 31,	<u>Total to Be Paid</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 234,360	\$ 189,814	\$ 44,546
2025	234,360	203,632	30,728
2026	234,360	218,456	15,904
	<u>\$ 703,080</u>	<u>\$ 611,902</u>	<u>\$ 91,178</u>

Note 19. Restricted and Designated Net Position

At December 31, 2023 and 2022, the Hospital had no restricted net position. At December 31, 2023 and 2022, approximately \$123 million and \$127 million, respectively, of the Hospital's unrestricted net position has been designated by the Hospital's Board of Trustees for capital acquisitions. Designated portions of net position remain under the control of the Board of Trustees, which may, at its discretion, later use this net position for other purposes.

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022

Note 20. Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2023 and 2022:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2023				
Investments by fair value level				
Mutual funds - equity	\$ 66,946,921	\$ 66,946,921	\$ -	\$ -
Mutual funds - fixed income	79,889,784	79,889,784	-	-
Money market mutual funds	7,000,000	7,000,000	-	-
	<u>153,836,705</u>	<u>153,836,705</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>\$ 153,836,705</u>	<u>\$ 153,836,705</u>	<u>\$ -</u>	<u>\$ -</u>

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2022				
Investments by fair value level				
Mutual funds - equity	\$ 69,941,579	\$ 69,941,579	\$ -	\$ -
Mutual funds - fixed income	77,456,467	77,456,467	-	-
Money market mutual funds	1,650,000	1,650,000	-	-
	<u>149,048,046</u>	<u>149,048,046</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>\$ 149,048,046</u>	<u>\$ 149,048,046</u>	<u>\$ -</u>	<u>\$ -</u>

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 and Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Hospital does not have any Level 3 investments at December 31, 2023 and 2022.

Note 21. Retirement Plans

Defined-Contribution Retirement Plans

The Hospital maintains defined-contribution retirement plans for the benefit of substantially all of its employees. Under the plans, employee contributions are made into a 403(b) plan, while Hospital matching contributions are made into a 401(a) plan. Employee contributions are allowed up to the maximum allowable by law. The Hospital's matching of contributions ranges from a minimum of 2% to a maximum of 6%, dependent upon years of employment and level of salary deferral. For the years ended December 31, 2023 and 2022, the Hospital made \$6,588,368 and \$5,364,323 of contributions to the plans.

Note 22. Commitments and Contingencies

Commitments

As of December 31, 2023, the Hospital had material capital commitments of approximately \$7.9 million, substantially all of which relates to the continued construction and renovation of an outpatient medical park.

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. The Hospital is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital's future financial position or results from operations. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2023 and 2022

Note 23. Related Party Transactions

The Hospital enters into agreements and transacts with several entities which do not require presentation as component units within the Hospital's financial statements but are considered related parties primarily due to the existence of common directors.

Southeastern Indiana Health Management, Inc. (SIHM) is a tax-exempt not-for-profit corporation that has the authority to direct and control the operations of its subsidiary, Southeastern Indiana Medical Holdings, Inc., which is a taxable not-for-profit corporation. SIHM and the Hospital have entered into a series of agreements by which SIHM provides management services to the Hospital and also leases administrative and other employees to the Hospital.

The Columbus Regional Health Foundation, Inc. (Foundation) is a tax-exempt not-for-profit corporation formed to benefit and provide resources to the Bartholomew County and surrounding communities. The Hospital and the Foundation periodically provide economic support to one another in the form of cash or other contributions.

Our Hospice of South Central Indiana, Inc. (Hospice) is an organization formed to provide hospice services in Southern Indiana. Hospice has entered into a variety of agreements with the Hospital, including a shared savings arrangement and a building lease. Additionally, the Hospital and Hospice periodically provide economic support to one another in the form of cash or other contributions.

The following summarizes the transactions and year-end balances associated with related parties which are included in the financial statements of the Hospital:

Corporate Name/Nature of Relationship	2023	2022
Southeastern Indiana Health Management, Inc. (SIHM)		
Management services expense	\$ 7,257,784	\$ 4,992,238
Contract services reimbursed	19,348,066	17,045,174
Employee benefit reimbursement received	65,140	116,944
Other receivables	240,193	322,750
Accounts payable	1,858,579	1,949,633
Columbus Regional Health Foundation, Inc.		
Contributions to the Foundation	\$ 1,126,341	\$ 1,067,000
Contributions received from the Foundation	430,349	364,062
Other receivables	87,456	307,565
Our Hospice of South Central Indiana, Inc.		
Operating expenses	\$ 123,480	\$ 109,894
Miscellaneous sales to Hospice	126,399	98,124
Other receivables	78,118	92,222

Note 24. Subsequent Events

In February of 2024, Change Healthcare, a leading healthcare technology revenue cycle vendor who serves as a clearinghouse between healthcare providers and insurers, was victim to a cyber breach. This breach has led to disruption in the claims submission and billing process throughout the healthcare industry, leading to delays in reimbursement for services and cash collections. While the Hospital was not directly targeted with the cyber breach, its utilization of services with Change Healthcare has impacted its billings and collections subsequent to year-end. The financial statements do not include any adjustments to reflect possible future effects of changes in collection patterns as a result of this cyber breach, if any. Events could occur that would change estimates materially in the near term.

In response to the cyber breach, as a means to assist with potential cash flow needs, the Hospital requested and received Change Health / Optum Payment Disruption (CHOPD) accelerated or advance payments from CMS, totaling \$6.2 million. As of audit issuance, a substantial portion of these CHOPD advance payments have already been recouped by CMS.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Columbus Regional Hospital
Columbus, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Columbus Regional Hospital (Hospital), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 26, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS,LLP

**Indianapolis, Indiana
April 26, 2024**