



State of Tennessee

Health Facilities Commission

665 Mainstream Drive, 2nd Floor, Nashville, TN 37243

www.tn.gov/hfc

Phone: 615-741-7221

August 5, 2024

Sent Via Email

Joseph Webb, D.Sc, MSHA, FACHE
Metropolitan Nashville General Hospital
1818 Albion St.
Nashville, TN 37208
US

Facility Type: Outpatient Diagnostic Center

Dear Administrator:

It is my pleasure to inform you that your application for licensure of Nashville Healthcare Diagnostic Imaging Center, LLC located at 4007 Clarksville Pike, Nashville, Tennessee 37218 has been initially approved effective July 30, 2024. The license number shall be 77. For this initial approval to become final and permanent, your application must be ratified by the Health Facilities Commission pursuant to T.C.A. §68-11-206. The Commission will consider your application at its next meeting, scheduled for August 28, 2024. **You are hereby authorized to commence operation pending the final decision of the Commission.** No further action is necessary on your part currently.

For certification purposes, please be advised it is your responsibility to contact your Health Facilities Commission regional office for participation in Medicare/Medicaid. The West Tennessee Regional Office phone number is 731-984-9711.

If the Commission **does** ratify the approval of your application, the license number listed above will become your permanent license number and a letter will be forwarded to you within three (3) business days, notifying you of the Commission's final decision.

If the Commission **does not** ratify the initial approval of your application, a letter will be forwarded to you providing an explanation and specific instructions as to any action(s) you may take to have the decision reviewed, at which time this authorization shall cease to be effective.

Please contact me if I can be of further assistance.

Sincerely,

Eddie J. Stewart

Eddie Stewart
Health Facilities Program Manager
Health Facilities Commission

cc: West Tennessee Regional Administrator



APPROVAL FOR FACILITY LICENSURE OR OCCUPANCY

Facility Type: ODC License # (if applicable): _____ County: Davidson

Initial X Renovation _____ Satellite/Off Campus Location _____

Physical Plant/Services/New Addition _____ Relocation/Replacement Facility _____
(Circle One) (Circle One)

Facility Name: Nashville Healthcare Diagnostic Center

Address: 4007 Clarksville Hwy City: Nashville Zip Code: 37218

Application and fee on file in Central Office (CO)? Yes X No _____ CON #: CN2201-001A

Project #: 2023-03-01-01 Phase: 1 of 1

Facility approved for (if satellite/off campus site include address): Establishment of an outpatient diagnostic center including CT, MRI, Mammography, Ultrasound, and X-Ray.

Sprinklered: Yes (Full 100%) Partial: _____ (%)

Licensed bed count from: _____ to _____ Number of beds increased/decreased: _____

If secured unit, number of beds in unit: _____ If Alzheimer's unit, number of beds in unit: _____

(NOTE: If this is an increase in the number of beds in a secured Alzheimer's unit, indicate number of beds approved for the increase number only)

Health Surveyor: Donald Milam

Date: 7/30/2024

Fire Safety: Edward Brooks _____ Date: 7/18/2024

CD Approved: Yes X No _____ N/A _____ Health Survey Required: Yes X No _____

Facility's Letter of Notification received in Licensure: Yes _____ No _____
(Completed by Central Office Licensure Staff)

CMS Paperwork (855, etc) approved and received in regional office: Yes _____ No _____
(NOTE: With exception of Initial Licensure Approvals)

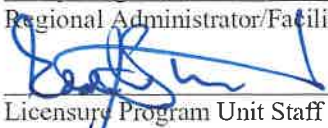
Effective date: 7/30/2024
(Completed by Central Office Licensure Staff)

Licensure is recommended: Yes _____ No _____

Kathy Zeigler, RA/DPM _____ 7/30/2024

Regional Administrator/Facilities Construction Director or Designee

Date


Licensure Program Unit Staff

8/15/2024
Date



May 10, 2022

Nashville Healthcare Diagnostic Imaging Center
4007 Clarksville Hwy.
Nashville, Tennessee 37218

Dear Nashville Healthcare Diagnostic Imaging Center:

This is to acknowledge receipt of your application and fee to apply for licensure of Nashville Healthcare Diagnostic Imaging Center. Please review the instruction sheet that you received with the application to apply for licensure so that you are aware of the process for obtaining licensure of your facility. If a certificate of need is required to provide services, you will need to contact *Health Services and Developmental Agency* at (615) 741-2364.

Please remember that if you are applying for licensure of a facility that requires architectural plans review contact Plans Review for complete and details and procedures at (615) 741-6998. You must submit those plans along with the plans review fee prior to scheduling a survey. **For Homes for the Aged facilities specifically, TCA-368-11-202 allows "schematics shall be submitted to the department for approval of plans and specifications, converting and existing single-family dwelling" with six (6) or less beds.**

It is your responsibility to contact the Tennessee Regional Office to request a survey of your facility. Please submit the request in writing to Middle Tennessee Regional Administrator. If you would like to fax the request to Cathy Green the fax number is (615) 5232-7000.

Your application and fee will be held in a pending status until you are recommended by the Regional Office for licensure. Once the recommendation for licensure is received from the regional office, your facility will receive a letter for "Initial Approval." Admission of patients MAY NOT occur until the facility's receipt of the "Initial Approval" letter. Your application will be presented before the Board for Licensing Health Care Facilities for ratification and final approval at the next regularly scheduled board meeting. Your facility CAN operate once you receive the "Initial Approval."

This application will only be good for one (1) year from the date of receipt. If the initial licensure has not occurred within that one (1) year period, you will be required to submit a new application and fee unless you have contacted our office in writing extending your application.

In the event that a certificate of need is required prior to obtaining a license for this facility the application file will be closed the day following the expiration date of the certificate of need.

Should you have any questions or if I can be of assistance to you, please call me at (615) 741-7202 or you may email me at Vicki.Palmer-Magsby@tn.gov.

Sincerely,

Vicki Palmer Magsby

Vicki Palmer Magsby, ASA2
Phone: (615) 741-7202
Fax: (615) 253-8798
Vicki.Palmer-Magsby@tn.gov



RECEIVED MAR - 1 2023

OUTPATIENT DIAGNOSTIC CENTERS APPLICATION FOR INITIAL LICENSURE

All applicable laws, rules, policies, and guidelines affecting your practice are available for viewing at <http://tn.gov/health/topic/hcf-professionals>. Please check this website periodically for updates.

Name of the Facility/Agency Nashville Healthcare Diagnostic Center, LLC

Location of the Facility:

Street 4007 Clarksville Pike City Nashville

County Davidson State Tennessee Zip 37218

Phone Number (615) 341-4036 Fax Number (615) 341-4439

Twenty-four (24) Hour Emergency Phone Number (615) 815-8580

E-Mail Address jennifer.higgins@nashvilleha.org

Administrator Information:

Administrator Joseph Webb, D.Sc., MSHA, FACHE

Have you (administrator) ever been convicted of a crime involving injury or harm to person(s), financial or business management (e.g., assault, battery, robbery, embezzlement or fraud)? Yes ☐ No ☒

If yes, what charge(s)? _____

Location of Conviction _____ Date _____
(City) (County) (State)

Mailing address if different from the Facility location address:

Name Metropolitan Nashville General Hospital

Street 1818 Albion Street

City Nashville State Tennessee Zip 37208

Ownership of Building:

Name The Elpizo Fund, LLC Phone (615) 476-8971

Street 3518 W. Hamilton Avenue

City Nashville State Tennessee Zip 37218

FEE SCHEDULE: (FEES ARE NON-REFUNDABLE) \$1,404

Division of Health Licensure and Regulations, Office of Health Care Facilities, 665 Mainstream Drive, Second Floor, Nashville, TN 37228-1254

1. Check classification of institution for which application is made:

☐ Lithotripsy	☒ CT Scan	☐ Coronary Angioplasty
☒ MRI	☐ PET Scan	☐ Nuclear Medicine Scan
☒ Mammography	☒ X-Ray	☐ Vascular Embolization
☐ Cardiac Catheterization	☐ Stereotactic Procedures	

2. Briefly state the overall objective of the outpatient diagnostic center. To provide medical imaging for the residents of Davidson County and surrounding areas. The ODC will offer services, including CT, MRI, Mammography, Ultrasound, and X-Ray.

3. Provide proof of the ability to meet the financial needs of the facility.

OWNERSHIP OF BUSINESS:

1. a. Check the type of Legal Entity:

☐ Individual ☐ Partnership ☐ Corporation ☒ Limited Liability Company
☐ Church Related ☐ Government/County ☐ Other

- b. Check One: ☐ For Profit ☒ Non-profit

- c. Legal Entity Checked in 1.a:

Name Nashville Healthcare Diagnostic Center, LLC Phone (615) 341-4491
Address 1818 Albion Street, Nashville, TN 37208

- d. List name(s) and address(es) of individual owners, partners, directors of the corporation, or head of the governmental entity:

<u>Joseph Webb, D.Sc., MSHA, FACHE</u>	<u>1818 Albion Street</u>	<u>Nashville, TN 37208</u>
Name	Address	City, State, Zip

_____	_____	_____
Name	Address	City, State, Zip

_____	_____	_____
Name	Address	City, State, Zip

(If additional space is needed, please use a separate sheet)

2. a. Is your facility/organization accredited by a **federally approved** accrediting body but not limited to

JCAHO, CARF, etc.? Yes ☐ No ☒ Expiration Date _____

- b. Is your facility/organization deemed by a **federally approved** accrediting body but not limited to

JCAHO, CARF, etc.? Yes ☐ No ☒ Expiration Date _____

3. If you have a parent company please provide the following information:

Name Metropolitan Nashville General Hospital Phone (615) 341-4491
Address 1818 Albion Street, Nashville, TN 37208

Division of Health Licensure and Regulations, Office of Health Care Facilities, 665 Mainstream Drive, Second Floor, Nashville, TN 37228-1254

4. a. Are any owners of the disclosing entity or also owners of other health care facilities in Tennessee and/or other states? Yes ☒ No ☐
- b. If yes, list names and addresses of all such facilities:
Joseph Webb, D.Sc., MSHA, FACHE is the Chief Executive Officer of the Metropolitan
Nashville General Hospital, the parent company of the diagnostic center.
5. a. Do you have a contract with a management firm to operate this facility? Yes ☐ No ☒
If yes, specify dates: From _____ To _____
- b. If yes, specify name of firm: _____
Phone () _____
Address: _____
6. a. Have any owners of the disclosing entity ever been denied a license, had a license suspended or revoke, had a suspension of admissions or paid any civil monetary penalties for a health care facility in Tennessee or in any other state? Yes ☐ No ☒
- b. If yes, where? _____ When? _____
- c. For what reason? _____

VERIFICATION BY NOTARY PUBLIC:

Signee for application certifies that he or she is of responsible character and able to comply with the minimum standards and regulations established by Tennessee pertaining to the type of facility or agency for which application for licensure is made and with the rules promulgated under Tennessee Code Annotated (TCA) § 68-11-201.

Signee also certifies that a policy has been implemented to inform all employees of their obligation under TCA § 71-6-103 to report incidents of abuse or neglect.

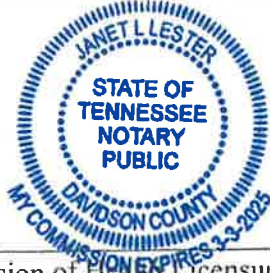
[Signature] CEO 3-1-2023
Applicant Signature Title or Position Date

STATE OF TENNESSEE

County of Davidson

The above named applicant (print name) Joseph Webb, being by me duly sworn on his/her oath, deposes and says that he/she has read the forgoing application and knows the contents thereof: that the statements concerning the above named facility or agency, therein contained, are correct and true to his/her own knowledge.

Subscribed to and sworn to before this 1st day of March 2023
Month Year



Notary Public: Janet L Lester

My commission expires: 3-3-2025

Division of Health Licensure and Regulations, Office of Health Care Facilities, 665 Mainstream Drive, Second Floor, Nashville, TN 37228-1254

NASHVILLE GENERAL HOSPITAL
1818 ALBION ST
NASHVILLE, TN 37208

Vendor #18896
REORDER
TN DEPT OF HEALTH - HLTH LICENSURE & REG

REORDER 306 U.S. PATENT NO. 5,322,101 578,537 598,356 602,000
IN 0000072566

P.O. NUMBER	INVOICE DATE	INVOICE NUMBER	INVOICE AMOUNT	DISCOUNT AMOUNT	NET AMOUNT
	05/02/2022	050222	1,404.00	.00	1,404.00

Cashier: MARYL1011002
 Batch #: 1422348
 Trans #: 17

Health Care Facilities
 ST Name: Nashville Healthcare Diagnost
 ceipt #: 33658706
 94 HCF
 yment Total: \$1,404.00
 =====
 Transaction Total: \$1,404.00
 \$1,404.00

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Thank you for your payment.
 Have a nice day!



Nashville General Hospital
Statement of Income
Financial Results For The Month Ending May 30, 2024

NASHVILLE GENERAL HOSPITAL - STATEMENT OF INCOME (UNAUDITED)										FOR MONTH ENDING MAY 30, 2024			
Actual Month	Budget Month	Pos(Neg) Variance	% Var	Prior Month	Prior Year	% Var	Revenues:	Actual YTD	Budget YTD	Post(Neg) Variance	% Var	Actual Prior Year YTD	% Var
6,979,654	8,397,695	(1,418,042)	-16.9%	7,617,566	5,652,948	23.5%	Inpatient Revenue	79,549,578	92,374,647	(12,825,070)	-13.9%	78,108,803	1.8%
20,052,236	17,837,909	2,214,327	12.4%	17,138,857	20,029,421	0.1%	Outpatient Revenue	190,275,242	195,998,086	(5,722,845)	-2.9%	185,710,781	2.5%
27,031,889	26,235,604	796,285	3.0%	24,816,423	25,682,369	5.3%	Total Patient Revenue	269,824,819	288,372,734	(18,547,914)	-6.4%	263,819,584	2.3%
14,171,794	12,644,333	(1,527,460)	-12.1%	13,855,493	11,022,402	-28.6%	Deduction from Revenue	141,424,982	139,459,337	(1,965,645)	-1.4%	124,871,812	13.3%
1,433,606	2,861,198	(1,427,592)	-49.9%	2,409,644	4,179,948	65.7%	Contractual Adj	22,948,006	31,468,618	(8,520,612)	-27.1%	37,912,244	-39.5%
3,277,709	1,523,863	(1,753,846)	-115.1%	262,921	312,280	-949.6%	Bad Debt	15,546,528	17,010,192	(1,463,663)	-8.6%	8,938,262	73.9%
2,427,528	3,576,685	(1,149,157)	-32.1%	2,819,410	5,282,138	54.0%	Uninsured Discount	32,593,030	39,560,340	(6,967,310)	-17.6%	40,558,817	-19.9%
356,057	458,016	(101,959)	-22.3%	458,327	516,375	31.0%	Charity	4,053,747	5,091,149	(1,037,402)	-20.4%	4,143,782	-2.2%
21,666,693	21,064,701	(601,992)	-2.9%	19,805,795	21,313,143	-1.7%	Other Adj.	216,566,294	232,589,636	(16,023,342)	-6.9%	216,424,897	-0.1%
80.2%	80.3%	0.1%		79.8%	83.0%		Total Deductions	80.3%	80.7%			82.0%	
5,365,196	5,170,903	194,293	3.8%	5,010,627	4,369,226	22.8%	Net operating*	53,258,526	55,783,098	(2,524,572)	-4.5%	47,394,687	12.4%
2,918,793	867,360	2,051,432	236.5%	3,577,845	3,639,172	-19.8%	Other Revenue	34,162,004	11,540,511	22,621,492	196.0%	19,684,745	73.5%
44,255	157,627	(113,373)	-71.9%	44,255	155,145	-71.5%	Essential Access	1,798,983	4,924,361	(3,125,378)	-83.5%	1,706,595	5.4%
4,818,392	4,818,392	(0)	0.0%	4,818,392	4,503,166	7.0%	City Supplement	53,002,308	53,002,308	0	0.0%	49,534,826	7.0%
13,146,635	11,014,283	2,132,352	19.4%	13,451,119	12,666,709	3.8%	Total Net Revenue	142,221,821	125,250,278	16,971,543	13.6%	118,320,853	20.2%
5,045,137	4,539,437	(505,700)	-11.1%	4,937,009	4,172,419	-20.9%	Expenses:	51,913,805	49,256,613	(2,657,192)	-5.4%	44,043,165	-17.9%
1,080,119	1,022,551	(57,568)	-5.6%	1,055,938	973,047	-11.0%	Salaries	11,086,298	11,041,363	(44,935)	-0.4%	10,062,869	-10.2%
1,238,036	864,182	(373,854)	-43.3%	1,324,014	1,153,889	-7.3%	Benefits	12,511,345	9,370,261	(3,141,084)	-33.5%	10,966,621	-14.1%
1,347,320	869,980	(477,341)	-54.9%	1,185,090	890,171	-51.4%	Contract Labor	9,567,627	9,567,627	(0)	0.0%	9,219,830	-3.5%
795,228	733,006	(62,222)	-8.5%	488,239	807,857	1.6%	Supplies	7,412,121	8,063,064	(650,943)	-8.1%	7,203,921	-2.8%
1,000,153	1,058,792	(58,639)	-5.5%	1,030,380	1,026,253	2.5%	Pharmacy	9,266,513	11,586,401	(2,319,888)	-20.0%	11,172,407	-17.1%
983,991	840,152	(143,839)	-17.1%	805,009	715,927	-37.4%	Contract Services	10,558,008	9,205,884	(1,352,123)	-14.7%	8,589,834	-22.9%
237,859	343,226	(105,367)	-30.7%	484,099	316,519	-24.9%	Physician Services	4,816,171	3,742,519	(1,073,653)	-28.7%	3,738,614	-28.8%
1,428,436	1,106,810	(321,626)	-29.1%	1,386,989	1,171,409	-21.9%	Repair and Maintenance	13,264,437	12,073,462	(1,190,975)	-9.9%	14,471,476	8.3%
27,243	49,873	(22,629)	-45.4%	25,820	41,257	34.0%	Other	528,539	548,094	(19,555)	-3.6%	571,942	7.6%
496,792	496,792	(0)	0.0%	496,792	496,792	0.0%	Interest	5,464,708	5,464,708	(0)	0.0%	5,464,708	0.0%
9,894	9,497	(397)	-4.2%	9,894	9,371	-5.6%	Metro indirect expense	108,834	103,578	(5,256)	-5.1%	102,961	-5.7%
13,690,209	11,934,297	(1,755,912)	-14.7%	13,209,273	11,774,910	-16.3%	Metro ISF fees	137,142,096	130,023,375	(7,118,721)	-5.5%	125,608,350	-9.2%
(543,574)	(920,014)	376,440	-40.9%	241,846	891,799	-161.0%	Operating Margin	5,079,726	(4,773,096)	9,852,822	-206.4%	(7,287,498)	-169.7%
194,055	169,002	(25,053)	-14.8%	169,770	170,026	101.0%	Other Expenses:	1,873,373	1,855,142	(18,232)	-1.0%	(1,494,494)	225.4%
194,055	169,002	(25,053)	-14.8%	169,770	170,026	101.0%	Depreciation	1,873,373	1,855,142	(18,232)	-1.0%	(1,494,494)	225.4%
							Total Other Expense						
(737,629)	(1,089,016)	351,388	-32.3%	72,076	721,773	202.2%	Net Income (Deficit)**	3,206,352	(6,628,238)	9,834,590	-148.4%	(5,793,004)	155.3%
-	612,066	(612,066)		72,076	721,773	202.2%	CAPITAL CONTRIBUTIONS	3,498,013	6,732,734	(3,234,721)	100.0%	1,187,950	100.0%
(737,629)	(476,950)	(260,678)	54.7%	72,076	721,773	202.2%	CHANGE IN FUND BALANCE	6,704,365	104,496	6,599,869	6315.9%	(4,605,054)	-245.6%

METROPOLITAN NASHVILLE GENERAL HOSPITAL

(An Enterprise Fund of the Hospital Authority of the Metropolitan
Government of Nashville and Davidson County, Tennessee)

Basic Financial Statements, Required Supplementary
Information, and Supplemental Schedules

June 30, 2023 and 2022
(With Independent Auditor's Report Thereon)

METROPOLITAN NASHVILLE GENERAL HOSPITAL
(AN ENTERPRISE FUND OF THE HOSPITAL AUTHORITY OF THE METROPOLITAN
GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE)

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METROPOLITAN NASHVILLE GENERAL HOSPITAL

INTRODUCTION

Metropolitan Nashville General Hospital ("Hospital") is pleased to present its Annual Financial Report for the years ended June 30, 2023 and 2022.

Responsibility and Controls

The Hospital has prepared and is responsible for the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, based on recognition that the cost of the system should not exceed its benefits, management believes its system of internal accounting control maintains an appropriate cost/benefit relationship.

The Hospital's system of internal accounting control is evaluated on an ongoing basis by the Hospital's internal financial staff. Crosslin, PLLC, our external auditors, also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

Management believes that its policies and procedures provide guidance and reasonable assurance that the Hospital's operations are conducted according to management's intentions and to a high standard of business ethics. In management's opinion, the financial statements present fairly, in all material respects, the financial position of the Hospital as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Audit Assurance

The unmodified opinion of our independent external auditors, Crosslin, PLLC, which includes an emphasis paragraph, is included in this report.

METROPOLITAN NASHVILLE GENERAL HOSPITAL
JUNE 30, 2023

BOARD OF TRUSTEES

Richard Manson	Chair
Shindana Feagins	Member
Michelle Brown	Member
Howard Burley	Member
Raymond Martin	Member
Rangaraj Ramanujam	Member
Andrea Birch	Member
Tamika Hudson	Member
Frank Stevenson	Member
Robert Miller	Member
Craig Lesser	Member

EXECUTIVE STAFF

Joseph Webb	Chief Executive Officer
Mark Brown	Chief Operating Officer
Herman Williams	Chief Medical Officer
Veronica Elders	Chief Nursing Officer
Cathy Poole	Chief Marketing Officer
Bruce Naremore	Chief Financial Officer
Cathi Phillips	Chief Performance Excellence Officer
Jana Rogers	Chief Provider Services & Quality Officer
Melanie Thomas	Chief Information Officer
Diana Wohlfahrt	Chief Human Resources Officer



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Hospital Authority of the Metropolitan Government
of Nashville and Davidson County, Tennessee
Nashville, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Metropolitan Nashville General Hospital (the "Hospital"), an enterprise fund of the Hospital Authority of the Metropolitan Government of Nashville and Davidson County, Tennessee (the "Hospital Authority"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, as of and for the years ended June 30, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of June 30, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

Emphasis of Matter

As described in Note A to the financial statements, the Hospital adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements* ("SBITA"). Our opinion is not modified with respect to this matter.



To the Board of Trustees of the
Hospital Authority of the Metropolitan Government
of Nashville and Davidson County, Tennessee
Nashville, Tennessee

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

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

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



To the Board of Trustees of the
Hospital Authority of the Metropolitan Government
of Nashville and Davidson County, Tennessee
Nashville, Tennessee

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 - 12 and budgetary comparison information on page 36, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The schedule of changes in lease obligations on page 37 and the schedule of lease requirements by year on page 38 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of changes in long-term debt by individual issue is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the basic financial statements. The other information comprises the introductory section on pages 1 and 2 but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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



To the Board of Trustees of the
Hospital Authority of the Metropolitan Government
of Nashville and Davidson County, Tennessee
Nashville, Tennessee

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, 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.

Crosslin, PLLC

Nashville, Tennessee
October 31, 2023

METROPOLITAN NASHVILLE GENERAL HOSPITAL MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Metropolitan Nashville General Hospital's (the "Hospital") financial performance provides an overall review of the Hospital's financial activities for the Fiscal Year ended June 30, 2023 and 2022. The intent of this discussion and analysis is to provide information on the Hospital's overall financial performance. Readers should also review the notes to the basic financial statements in addition to the basic financial statements to enhance their understanding of the Hospital's financial performance.

OVERVIEW OF THE FINANCIAL STATEMENTS

The 133-year-old Nashville General Hospital is one of approximately 325 safety net hospitals in the United States. It is an enterprise fund of the Hospital Authority of the Metropolitan Government of Nashville and Davidson County, Tennessee (the "Hospital Authority") which is a component of the Metropolitan Government of Nashville and Davidson County, Tennessee (the "Primary Government" or "Metro Government"). The Hospital operates a 150-bed acute care hospital, extensive hospital-based medical and surgical subspecialty clinics, as well as offsite clinics, and it supports Our Kids Clinic, a renowned clinic for victims of child sexual abuse. The Hospital meets the IRS definition of a governmental unit and is therefore exempt from filing a Form 990 based on Internal Revenue Procedure 95-48. The Hospital and several of its ambulatory clinics are located on the Meharry Medical College ("Meharry") campus, where they work closely with the school to accomplish the Hospital's safety net mission while also serving as the primary index teaching hospital for Meharry's School of Medicine.

This annual report consists of the basic financial statements and notes to those statements. The statements of net position, statements of revenues, expenses, changes in net position, statements of cash flows and related notes provide a detailed look at the specific financial activities of the Hospital and generally provide an indication of the Hospital's financial health. The statements of net position include the Hospital's assets and liabilities, using the accrual basis of accounting. The statements of revenues, expenses, and changes in net position report the revenues and expenses during the time period indicated. The statements of cash flow report the cash provided by and used in operating activities, noncapital financing activities, capital and related financing activities (including repayment of capital lease obligations and capital additions) and investing activities.

Operational and Financial Highlights

Fiscal Year 2023 had fewer clinical impacts from the COVID-19 pandemic which disrupted FY 2020 and all of FY 2021; however, the effects of COVID-19 in terms of rising costs continue to pressure margins. The cost of supplies and Pharmacy drugs are still trending up, but at a less steep rate than FY 2021 and FY 2022. The contract nurse and ancillary staff labor rates remain 50-60% above the pre-COVID rates and are also a major drag on operating margins. Despite these challenges and disruptions, the Hospital continued to work on initiatives and changes to expand clinics and services to better serve our community. Inpatient volume, measured in Hospital Admissions, actually declined 2.3% from prior year, while Patient Days decreased by 1.1% over prior year, owing to shorter Average Lengths of Stay (ALOS) in FY 2023. Outpatient revenue increased 15.1% compared to prior year, with Emergency Room visits increasing 4.0% but also rising due to a 20.4% increase in Observation Admissions (admission on Outpatient basis because patients do not meet Inpatient criteria). The growth in ER visits and Observation Admissions occurred as the pandemic effects began to decline. Nearly 85% of Hospital Admissions start with the Emergency Department. However, the ER visit volumes are still about 10-15% below pre-pandemic levels.

In FY 2023, the Hospital successfully secured, for the 13th consecutive year, matching Federal Public Hospital Supplemental Pool Funds which bolstered the Hospital's working capital and allowed further leveraging of the Hospital's services in support of its community-focused mission. These funds require a matching contribution of roughly 35% from the Primary Government, and that contribution is charged against the annual operating subsidy for the Hospital.

**METROPOLITAN NASHVILLE GENERAL HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS**

It is also worth noting that the Hospital did not receive any Cares Act or other Federal fiscal grants or relief related to the pandemic in FY 2023 or FY 2022, after receiving a total of \$10.27M in such support for the Fiscal Years 2020 and 2021, all of which was exhausted in support of patient care by the conclusion of the FY 2021.

Fiscal Year 2023 saw the following operational accomplishments noting specifically a drive to attract more insured patients:

- Continued commitment to our non-teaching Primary Care and Specialty clinics (collectively branded as Nashville Healthcare Center) to attract higher proportions of insured patients who may prefer a non-teaching environment. Efforts are particularly focused to reach populations such as those working for Metro government which will help reduce the City's spend on healthcare for Metro employees and their dependents. The Hospital has added new providers in Primary Care, Cardiology, Interventional Radiology, Podiatry, and General Surgery in the last 2 years.
- Continued operation of the Nashville Community Pharmacy. By operating the Community Pharmacy and given the Hospital's qualifying treatment thresholds of charity and low-income patients, NGH is able to participate in the Federal 340B Drug Pricing Program and purchase outpatient pharmaceuticals at deeply discounted prices.

Condensed Statements of Net Position

The Hospital's net position increased approximately \$0.4 million from \$7.8 million at June 30, 2022 to \$8.2 million as of June 30, 2023, compared to a decrease of approximately \$5.6 in FY 2022. The table below provides a summary of the Hospital's assets, liabilities, and net position at June 30, 2023, 2022 and 2021:

**Condensed Statements of Net Position
(In Thousands)**

	<u>2023</u>	<u>2022⁽¹⁾</u>	<u>2021⁽¹⁾</u>
Assets and Deferred Outflows of Resources:			
Current assets	\$ 29,239	\$ 19,669	\$ 15,239
Capital assets, net	48,764	25,447	28,973
Other non-current assets	-	1,627	6,319
Deferred outflows of resources	<u>2,125</u>	<u>1,977</u>	<u>1,309</u>
Total assets and deferred outflows of resources	<u><u>\$ 80,128</u></u>	<u><u>\$ 48,720</u></u>	<u><u>\$ 51,840</u></u>
Liabilities and Deferred Inflows of Resources:			
Current liabilities	\$ 42,593	\$ 27,360	\$ 15,526
Right to use liabilities, excluding current portion	27,698	10,144	14,347
Other noncurrent liabilities	1,356	-	-
Deferred inflows of resources	<u>300</u>	<u>3,435</u>	<u>8,588</u>
Total liabilities and deferred inflows of resources	<u>71,947</u>	<u>40,939</u>	<u>38,461</u>
Net position:			
Net investment in capital assets	10,982	10,652	10,260
Unrestricted	<u>(2,801)</u>	<u>(2,871)</u>	<u>3,119</u>
Total net position	<u>8,181</u>	<u>7,781</u>	<u>13,379</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 80,128</u></u>	<u><u>\$ 48,720</u></u>	<u><u>\$ 51,840</u></u>

⁽¹⁾ Reflects certain reclassifications to conform with the Fiscal Year 2023 presentation.

METROPOLITAN NASHVILLE GENERAL HOSPITAL MANAGEMENT'S DISCUSSION AND ANALYSIS

Assets and Deferred Outflows of Resources

Current assets increased approximately \$9.5 million in Fiscal Year 2023 compared to an increase of approximately \$4.4 million in Fiscal Year 2022. The increase in current assets in the current fiscal year was largely due to the increase in cash attributable to increases in current year State of Tennessee Safety Net and Essential Access funding (in recognition of increases in charity and indigent care during the year and for which approximately \$5.4 million is deferred and included in current liabilities as it relates to support for the remainder of calendar 2023), as well as a \$3.6 million increase in net patient accounts receivable.

Net capital assets (excluding right-of-use assets) remained relatively flat year over year, but we had a \$22.9 million increase in net right-to-use lease assets, the majority of which related to the addition of an in-substance sublease arrangement with Metro Government related to Metro Government's renegotiated lease amendment with Meharry for the Hospital's use of its primary building for the remainder of the lease term (ending in 2027). Prior to this change, there would have been no lease payments made in the final 3 years of the lease from 2024 through 2027, since the original lease was front-loaded in 1998. Additionally, the Hospital adopted Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements* ("SBITA") effective July 1, 2021, which resulted in no restatement to Fiscal Year 2022, but did result in the addition of approximately \$211 thousand of right-to-use net assets associated with SBITAs in Fiscal Year 2023.

Total assets were also impacted by a decrease in the net pension asset which decreased from \$1.6 million to zero in Fiscal Year 2023 and was replaced by a net pension liability of \$(1.4) million, as discussed in the Liabilities discussion below, due to changes in the value of pension assets compared to the expected liability. Similarly, deferred outflows increased approximately \$148 thousand in Fiscal Year 2023 compared to an increase of \$668 thousand in Fiscal Year 2022, both changes related to pension activities driven by Metropolitan Nashville's pension liabilities and experience.

Liabilities and Deferred Inflows of Resources

Current liabilities as of June 30, 2023 increased by approximately \$15.2 million compared to June 30, 2022, attributable to the following: an increase in the current portion of right-to-use lease liabilities of \$5.3 million primarily related to the addition of the in-substance sublease arrangement with Metro Government for the Hospital's use of its primary building for the remainder of the lease term, a \$4.3 million increase in accounts payable (which largely correlates to the increase in accounts receivable and the timing of operating receipts versus related operating payments), as well as a \$5.6 million increase in deferred revenues the majority of which is associated with State of Tennessee Safety Net and Essential Access funding received during Fiscal Year 2023 but which relates to the remainder of calendar year 2023.

Right-to-use lease liabilities, excluding the current portion, increased approximately \$17.4 million in FY 2023 primarily related to the addition of the in-substance sublease arrangement with Metro Government (referenced above), net of amounts reclassified to current and paid during the year. Additionally, other noncurrent liabilities increased from zero to \$1.4 million associated with the change of the prior year's net pension asset to a liability, as discussed above. Additionally, deferred inflows of resources experienced a \$3.1 million decrease in Fiscal Year 2023, which was also related to changes in the pension assets versus its liability, as managed and allocated by Metro Government.

**METROPOLITAN NASHVILLE GENERAL HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Condensed Statements of Revenues, Expenses, and Changes in Net Position

The table below shows the changes in revenues, expenses, and net position for fiscal year 2023 compared to fiscal year 2022 and fiscal year 2021 as follows:

Condensed Statements of Revenues, Expenses, and Changes in Net Position (In Thousands)			
	<u>2023</u>	<u>2022⁽¹⁾</u>	<u>2021⁽¹⁾</u>
Operating revenues:			
Net patient service revenue (net of provision for bad debts of \$31,823 in 2023, \$22,595 in 2022, and \$26,481 in 2021)	\$ 55,097	\$ 54,636	\$ 54,352
State of Tennessee essential access/safety net revenue	23,024	12,198	14,220
Other	7,399	6,826	7,613
Total operating revenues	<u>85,520</u>	<u>73,660</u>	<u>76,185</u>
Operating expenses:			
Professional care of patients	88,505	83,852	71,458
Household and property	8,532	8,689	8,041
Dietary	2,498	2,195	2,109
Administrative and general	33,534	26,294	24,112
Allocation under Primary Government- wide cost allocation plan	5,962	5,962	5,961
Depreciation and amortization	2,028	2,250	2,566
Total operating expenses	<u>141,059</u>	<u>129,242</u>	<u>114,247</u>
Operating loss	<u>(55,539)</u>	<u>(55,580)</u>	<u>(38,062)</u>
Nonoperating revenues (expenses):			
Revenue from the Primary Government	57,677	49,664	43,112
Interest expense	(3,049)	(938)	(1,271)
Other nonoperating expenses	(55)	-	-
Total nonoperating revenues, net Excess (deficiency) of revenues over expenses before capital contribution	<u>54,573</u>	<u>48,726</u>	<u>41,841</u>
Capital contribution from the Primary Government	1,366	1,256	-
Increase (decrease) in net position	400	(5,598)	3,779
Net position, beginning of year	<u>7,781</u>	<u>13,379</u>	<u>9,600</u>
Net position, end of year	<u>\$ 8,181</u>	<u>\$ 7,781</u>	<u>\$ 13,379</u>

⁽¹⁾ Reflects certain reclassifications to conform with the Fiscal Year 2023 presentation.

METROPOLITAN NASHVILLE GENERAL HOSPITAL MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Revenues

During Fiscal Year 2023, total Operating Revenues increased by approximately \$11.8 million to \$85.5 million from \$73.7 million, with net patient service revenues remaining relatively flat and a \$10.8 million increase in Safety Net and Essential Access funding from the State of Tennessee, from \$12.2 million to \$23.0 million, received in recognition of the significant increases in charity and uninsured patient services during the year and the elimination of all COVID related HRSA or other reimbursements. Fiscal Year's 2022 Operating Revenues were \$2.5 million lower than Fiscal Year 2021, primarily related to a decrease in Safety Net and Essential Access funding from the State of Tennessee (from \$14.2 million to \$12.2 million). Pandemic-related HRSA payments for uninsured inpatient COVID stays were discontinued for service dates after March 22, 2023, but had subsided anyway with declines in COVID related cases in the second half of FY 2023.

Key volume indicators for Fiscal Year 2023 included a small 2.3% decrease in Admissions, a smaller decrease in Patient Days of 117 (1.1%), with Observation Admits increasing by 380 "admits", and Emergency Department visits rebounding nearer pre-pandemic levels, rising by 1,034 or 4.0%. Clinic visits increased slightly from prior year from 38,105 visits to 40,490 visits.

Net Patient Service Revenue Analysis (In Thousands)

	<i>Fiscal 2023 Change Over Prior Year</i>	<i>Fiscal 2022 Change Over Prior Year</i>
Net patient service revenue:		
Volume changes ⁽¹⁾	\$ (851)	\$ 4,626
Rate, mix and other changes	10,540	(8,228)
Decrease (increase) in provision for bad debts	(9,228)	3,886
Total net patient service revenue changes	<u>\$ 461</u>	<u>\$ 284</u>

(1) Expressed as changes in number of patient days multiplied by net patient revenue per day.

Operating Expenses

Fiscal Year 2023 total Operating Expenses increased \$11 million or 8.4% over FY 2022, compared to a \$14.0 million or 12.0% increase in FY 2022 over FY 2021. Internal Labor costs, Benefit Costs and Contract Labor costs are the biggest drivers of the increase, and each was significantly affected by the pandemic and its aftermath for Nashville General Hospital and, indeed, all of our Hospital peers. The increase in Salary, Wage and Benefit costs is roughly \$2.1 million, but Contract Labor costs doubled - rising from \$4.8 million to \$8.9 million FY 2022 and again this year to \$11.9 million, largely attributed to hourly rate increases that are challenging, even with aggressive New Graduate Nurse recruitment and retention efforts that have now been in operation for 2 and ½ years.

Fiscal Year 2023 Salaries and Benefits including Contract Labor increased approximately \$5.9 million, after a \$5.6 million increase last year. FY 2023 Full Time Equivalents (FTEs) increased by 10 FTEs from FY 2022 but were justified by the growth in outpatient volumes, especially Emergency Room, Clinics and Observation Admissions.

Non-labor expenses increased less steeply this year with particular impacts noted in Pharmacy (and in Supply Costs which actually decreased slightly prior year. There was an \$800K increase in expense related to Interventional Radiology coverage in FY 2023. As for Other expenses, we note that the Hospital was required to take on the Security contract from Metro at an annual cost of over \$900,000 in FY 2022 and that service now costs over \$1 million annually, with escalation in those vendor rates.

**METROPOLITAN NASHVILLE GENERAL HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Next Year's Budget

The Hospital Authority Board of Trustees (Board) reviewed and approved the Hospital's FY 2024 Operating Budget in Spring 2023. The FY 2024 budget was developed by reviewing historical trends, key volume indicators, anticipated changes to the Medicare and TennCare programs, a slight recovery of volumes as the hospital assumed some decline in COVID impacts and also launched several strategic initiatives to be implemented during FY 2024. The FY 2024 budget anticipated an increase in Inpatient Admissions of roughly 3% and assumed a decline in COVID-19 impacting our traditional healthcare service demands. The Average Length of Stay was projected to remain steady vs. FY 2023. Emergency Department visits are projected to increase 3% as well with less uncertainty around the pandemic and its effects on patient behavior. Clinic visits are projected to increase approximately 5% over FY 2023. Patient charges are assumed to increase 5% effective July 1, 2023 which, when coupled with patient volume growth, should result in a 9% increase in gross patient charges over FY 2023.

The FY 2024 budget (as approved by the Metro Council) includes a 5% wage increase and an increase of six FTEs. It includes the Hospital budgeted \$2.2 million in State of Tennessee Essential Access funding plus additional State funding of \$2.5 million. The Board requested a Metro Government subsidy of \$59.9 million for FY 2024, but the Council ultimately approved an increase from the \$54.4 million in FY 2023 to \$57.8 million in PY 2024.

METROPOLITAN NASHVILLE GENERAL HOSPITAL
(AN ENTERPRISE FUND OF THE HOSPITAL AUTHORITY OF THE METROPOLITAN
GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE)
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	2023	2022
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 11,141,198	\$ 3,315,834
Patient accounts receivable, net of estimated uncollectibles of \$51,926,530 and \$40,026,230 as of June 30, 2023 and 2022, respectively	12,338,819	8,766,765
Other receivables	147,668	1,132,445
Inventories	3,941,623	3,381,023
Prepaid expenses	1,524,990	2,928,626
Other current assets	144,636	144,636
Total current assets	29,238,934	19,669,329
Capital assets, net:		
Capital assets, net (excluding right-of-use assets)	8,961,172	8,721,093
Right-of-use lease assets, net	39,591,817	16,726,399
Right-of-use subscription-based information technology arrangement ("SBITA") assets, net	210,914	-
Total capital assets, net	48,763,903	25,447,492
Net pension asset	-	1,626,294
Total assets	78,002,837	46,743,115
Deferred outflows of resources	2,124,986	1,977,083
Total assets and deferred outflows of resources	\$ 80,127,823	\$ 48,720,198
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Right-of-use lease liabilities, current	\$ 9,977,713	\$ 4,651,728
Right-of-use SBITA liabilities, current	106,285	-
Total right-of-use liabilities, current	10,083,998	4,651,728
Accounts payable	18,030,893	13,687,412
Accrued expenses	5,524,145	5,687,739
Estimated third-party settlements and unearned revenue	8,954,112	3,333,211
Total current liabilities	42,593,148	27,360,090
Right-of-use lease liabilities, noncurrent	27,583,353	10,143,622
Right-of-use SBITA liabilities, noncurrent	114,195	-
Total right-of-use liabilities, noncurrent	27,697,548	10,143,622
Net pension liability	1,356,055	-
Total liabilities	71,646,751	37,503,712
Deferred inflows of resources	300,513	3,435,683
Total liabilities and deferred inflows of resources	71,947,264	40,939,395
Net position:		
Net investment in capital assets	10,982,357	10,652,142
Unrestricted	(2,801,798)	(2,871,339)
Total net position	8,180,559	7,780,803
Total liabilities, deferred inflows of resources and net position	\$ 80,127,823	\$ 48,720,198

See accompanying notes to basic financial statements.

METROPOLITAN NASHVILLE GENERAL HOSPITAL
(AN ENTERPRISE FUND OF THE HOSPITAL AUTHORITY OF THE METROPOLITAN
GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Operating revenues:		
Patient service revenue, net of contractual allowances and discounts	\$ 86,919,780	\$ 77,231,359
Provision for bad debts	(31,822,823)	(22,595,214)
Net patient service revenue	55,096,957	54,636,145
State of Tennessee essential access/safety net revenue	23,023,831	12,198,423
Other	7,398,997	6,825,771
Total operating revenues	85,519,785	73,660,339
Operating expenses:		
Professional care of patients	88,504,442	83,851,846
Household and property	8,532,018	8,688,728
Dietary	2,498,707	2,194,838
Administrative and general	33,534,488	26,295,111
Allocation under Primary Governmental-wide cost allocation plan	5,961,500	5,961,500
Depreciation and amortization	2,028,338	2,249,653
Total operating expenses	141,059,493	129,241,676
Operating loss	(55,539,708)	(55,581,337)
Nonoperating revenues (expenses):		
Revenue from the Primary Government	57,676,869	49,664,072
Interest expense	(3,049,096)	(937,912)
Other nonoperating expenses	(54,549)	-
Total nonoperating revenues, net	54,573,224	48,726,160
Excess (deficiency) of revenue over expenses before capital contribution	(966,484)	(6,855,177)
Capital contribution from the Primary Government	1,366,240	1,257,382
Increase / (decrease) in net position	399,756	(5,597,795)
Net position, beginning of year	7,780,803	13,378,598
Net position, end of year	\$ 8,180,559	\$ 7,780,803

See accompanying notes to basic financial statements.

METROPOLITAN NASHVILLE GENERAL HOSPITAL
(AN ENTERPRISE FUND OF THE HOSPITAL AUTHORITY OF THE METROPOLITAN
GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE)
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Cash received from patients and third-party payers	\$ 51,524,903	\$ 56,179,023
Other cash receipts	37,023,659	19,985,312
Cash payments to suppliers	(63,411,576)	(62,582,004)
Cash payments to and on behalf of employees	(62,283,932)	(57,133,759)
Net cash used in operating activities	(37,146,946)	(43,551,428)
Cash flows from noncapital financing activities:		
Net cash received from the Primary Government	51,376,869	49,664,072
Net cash provided by noncapital financing activities	51,376,869	49,664,072
Cash flows from capital and related financing activities:		
Acquisitions of capital assets, net of disposals	(1,847,604)	(1,542,284)
Capital contribution from the Primary Government	1,366,240	1,257,377
Repayment of obligations under right-of-use lease liabilities	(5,113,251)	(4,396,862)
Interest	(809,944)	(937,907)
Net cash used in capital and related financing activities	(6,404,559)	(5,619,676)
Net increase in cash and cash equivalents	7,825,364	492,968
Cash and cash equivalents, beginning of year	3,315,834	2,822,866
Cash and cash equivalents, end of year	<u>\$ 11,141,198</u>	<u>\$ 3,315,834</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (55,539,708)	\$ (55,581,337)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	11,112,305	5,604,394
Estimated provision for bad debts	31,822,822	22,595,214
Change in net pension asset / liability	(300,724)	(1,128,168)
Changes in:		
Patient accounts receivable	(35,394,877)	(23,852,038)
Other receivable	984,777	(203,413)
Inventories	(560,600)	(647,073)
Prepaid expenses	1,403,636	(1,790,310)
Other current assets	-	(39,457)
Accounts payable	4,343,481	6,789,313
Accrued expenses	(634,112)	1,854,456
Estimated third-party settlements and deferred revenue	5,616,054	2,846,991
Net cash used in operating activities	<u>\$ (37,146,946)</u>	<u>\$ (43,551,428)</u>
Significant non-cash capital and noncapital financing activities:		
Non-cash additions of right-of-use assets under leases and SBITAs	<u>\$ 32,160,298</u>	<u>\$ 479,318</u>
Non-cash accruals for capital assets acquired	<u>\$ 431,637</u>	<u>\$ -</u>
In-substance contribution from metro primary government in lieu of lease principal and interest payment	<u>\$ 6,300,000</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

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A. DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying basic financial statements encompass the financial activities of the Metropolitan Nashville General Hospital ("Hospital"). The Hospital is an enterprise fund of the Hospital Authority of the Metropolitan Government of Nashville and Davidson County, Tennessee (the Hospital Authority), which is a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee (the Primary Government or Metro Government), and, accordingly, is discretely presented in the Comprehensive Annual Financial Report of the Primary Government. The Hospital Authority was created March 2, 1999 to operate the Hospital in lieu of the prior Board of Hospitals. The Hospital is governed by Trustees of the Hospital Authority appointed by the Mayor of the Primary Government.

The accompanying basic financial statements of the Hospital have been prepared in accordance with the accounting and reporting guidelines set forth in the American Institute of Certified Public Accountants' Audit and Accounting Guide *Health Care Organizations*.

Measurement Focus and Basis of Accounting

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Use of Estimates in the Preparation of Financial Statements

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

In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

Income Taxes

The Hospital is an enterprise fund of the Hospital Authority, which is a component unit of the Primary Government, and is consequently exempt from Federal and State income taxes. The Hospital has no uncertain tax positions at June 30, 2023 and 2022.

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A. DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and highly liquid short-term investments with a maturity of three months or less at date of purchase. There were no cash equivalents at June 30, 2023 or 2022.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policies without charge or at amounts less than its established customary rates. Since the Hospital does not pursue collection of accounts determined to qualify as charity care, they are not reported as net patient service revenue.

Net Patient Service Revenue

Net patient service revenue is recorded on an accrual basis at estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations.

Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to audits, reviews, and investigations. Contractual adjustments arise due to the terms of certain reimbursement contracts. Such adjustments represent the difference between established rates and estimated reimbursable amounts and are recognized in the period the services are rendered. Any differences between estimated contractual adjustments and actual final settlements under reimbursement contracts are reported as contractual adjustments in the year final settlements are determined.

Patient Accounts Receivable

Patient accounts receivable are reported net of both an allowance for uncollectible accounts and an estimated allowance for contractual adjustments. The contractual allowance represents the difference between established billing rates and estimated reimbursement from Medicare, Medicaid, and other third-party payment programs. The allowance for uncollectible accounts is estimated based upon the age of the patient accounts receivable, prior experience and any unusual circumstances (such as local, regional or national economic conditions) which affect the collectability of receivables, including management's assumptions about conditions it expects to exist and courses of action it expects to take. The Hospital's policy does not require collateral or other security for patient accounts receivable. The Hospital routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies such as those related to Medicare, Medicaid, Blue Cross, health maintenance organizations and commercial insurance carriers.

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A. DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost (first-in, first-out method) or market.

Capital Assets (excluding ROU Assets)

Capital assets (excluding right-of-use, or "ROU", assets associated with leases or subscription-based information technology arrangements, or "SBITAs" – see separate policy disclosures) are recorded at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. The costs of normal maintenance and repairs that do not add to the value of the asset are not capitalized. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method of depreciation using these asset lives:

Buildings, structures, and improvements	30 - 40 years
Equipment	5 - 15 years
Vehicles	5 years
Computers and computer software	3 - 5 years

Capital assets (excluding ROU Assets) are reviewed for impairment when service utility has declined significantly and unexpectedly. If such assets are no longer used, they are reported at the lower of carrying value or fair value. If such assets will continue to be used, the impairment loss is measured using a historical cost approach method that best reflects the diminished service utility of the capital asset. No charge related to impairment matters was required during 2023 and 2022.

Leases

The Hospital determines whether an arrangement is or contains a lease at lease inception. On the commencement date, leases are recorded as ROU assets and lease liabilities in the statements of net position. Right-of-use ("ROU") assets represent the Hospital's right to use leased assets over the term of the lease. Lease liabilities represent the Hospital's contractual obligation to make lease payments over the lease term.

The lease liability is measured as the present value of the lease payments over the lease term using either the rate implicit in the lease, if it is determinable, or the Hospital's incremental borrowing rate if the implicit rate is not determinable. ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs and prepayments of rent, less any unamortized lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense, an outflow of resources, is recognized on a straight-line basis over the lease term. The Hospital has elected not to recognize a ROU asset and lease liability for leases with an initial term of 12 months or less but includes the expense associated with short-term leases in lease expense in the statements of revenues, expenses, and changes in net position.

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A. DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Leases - Continued

ROU assets are a class of Capital Asset and are assessed for impairment in accordance with the Hospital's Capital Asset policy. Additionally, management reassesses lease classification and remeasures ROU assets and lease liabilities when a lease is modified, and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with GASB No. 87. The Hospital's leases are described in Note H.

Subscription-Based Information Technology Arrangements (SBITAs)

In accordance with GASB No. 96, *Subscription-Based Information Technology Arrangements*, which was adopted effective July 1, 2022, the Hospital determines if an arrangement is or contains a subscription-based information technology arrangement ("SBITA") at contract inception and recognizes an intangible ROU SBITA asset and a related liability at the commencement date. Subsequently, the SBITA ROU asset is amortized on a straight-line basis over the estimated term, which may include renewal or extension options to the extent they are reasonably certain to be exercised. Unless the implicit rate is explicitly stated, the Hospital uses its estimated incremental borrowing rate as the discount rate for determining the SBITA liability and related ROU asset.

ROU assets are a class of Capital Asset and are assessed for impairment in accordance with the Hospital's Capital Asset policy. Additionally, the Hospital monitors for events or changes in circumstances that require a reassessment of its subscriptions. When a reassessment results in the remeasurement of a SBITA liability, a corresponding adjustment is made to the carrying amount of the SBITA ROU asset. The Hospital's SBITAs are described in Note I.

Government-Wide Cost Allocation Plan

The government-wide cost allocation plan was developed by the Primary Government to define and distribute certain direct and indirect costs incurred by the Primary Government to the individual user departments and agencies within the Primary Government. The Hospital's allocated share of such costs is reflected as operating expenses.

Restricted Resources

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

Net Position

Net position of the Hospital is classified in two components. Net investment in capital assets consists of capital assets net of accumulated depreciation, reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets, including certain amounts due to the Primary Government. Unrestricted net position represents the remaining net position. There was no restricted net position at June 30, 2023 and 2022.

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A. DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Operating Revenues and Expenses

The Hospital's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services – the Hospital's principal activity. Nonexchange revenues, including revenue from the Primary Government, grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Compensated Absences

Employees accumulate vacation, holiday, and sick leave at varying rates depending upon their years of continuous service and their payroll classification, subject to maximum limitations. Upon termination of employment, employees are paid all unused accrued vacation time at their regular rate of pay. Since the employees' vacation time both accumulates and vests, an accrual for this liability is included in accrued expenses in the accompanying balance sheets.

Deferred Outflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resource (expense) until that time. The amount for pensions relates to certain differences between projected and actual actuarial results and certain differences between projected and actual investments earnings, which are accounted for as deferred outflows of resources.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. The amount for pensions relates to certain differences between projected and actual actuarial results and certain differences between projected and actual investment earnings, which are accounted for as deferred inflows of resources.

Reclassifications

Certain reclassifications have been made to the presentation of the Fiscal Year 2022 financial statements in order to conform to the Fiscal Year 2023 presentation, primarily related to the classification of lease ROU assets and related expenses.

Subsequent Events

The Hospital evaluated all events and transactions that occurred after June 30, 2023 through October 31, 2023. Management did not note any material subsequent events that required recognition or disclosure in the 2023 financial statements.

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A. DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Change in Accounting Principle

During Fiscal Year 2023, the Hospital adopted the provisions of GASB No. 96, *Subscription-Based Information Technology Arrangements*, which requires retrospective application to the earliest year presented. GASB No. 96 requires the recognition of an intangible subscription (ROU) asset and a subscription liability, thereby enhancing the relevance and reliability of information regarding subscription activities. As a result of the adoption, the Hospital recorded SBITA ROU assets and liabilities in its Fiscal Year 2023 financial statements. There was no significant SBITA activity in Fiscal Year 2022, and therefore no restatement of the 2022 financial statements, as previously reported, was required for the adoption. See Note I for further information regarding the effect of the adoption on the Fiscal Year 2023 financial statements.

B. REVENUE FROM AND ECONOMIC DEPENDENCY ON THE PRIMARY GOVERNMENT

The Hospital is and will be dependent upon the Primary Government to subsidize current and future operations. The Hospital experienced operating losses of approximately \$55.8 million and \$56.7 million for the years ended June 30, 2023 and 2022, respectively. Current liabilities exceeded current assets by approximately \$13.4 million at June 30, 2023. Current liabilities exceeded current assets by approximately \$7.7 million at June 30, 2022. The Hospital reflected an unrestricted net deficit of approximately \$(2.8) million at June 30, 2023 compared to \$(2.9) million at June 30, 2022. The Hospital's financial activities resulted in net cash used in operating activities of approximately \$(37.1) million and \$(43.6) million for the years ended June 30, 2023 and 2022, respectively, which was funded by the Primary Government in the form of operating subsidy.

The Primary Government budgeted and legally approved approximately \$54.0 million and \$49.6 for the Hospital Authority for the years ended June 30, 2023 and 2022, respectively. The Primary Government has approved a \$57.8 million subsidy for fiscal year 2024.

The Hospital continues to implement strategic operational initiatives to add new services, including offsite clinics, to attract more insured patients into the system. The Hospital is also moving forward with implementation of the Operational and Strategic Plan focused on key service line developments in Cardiology, Interventional Radiology and Orthopedics, while building our Primary Care base; strengthening the 340B Pharmacy program, committing to greater supply and drug standardization where possible, and seeking deeper utilization of discounts available through our Group Purchasing Organization relationship. These improvements, along with a more effective Revenue Cycle process, as well as tighter clinical and financial care review processes – have contributed to a more sustainable business model.

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C. CASH AND INVESTMENTS

The Hospital Authority is authorized by policy to invest funds that are not immediately needed in: direct government and agency obligations; "A" rated or better municipal bonds and A1/P1 corporate commercial paper; Government secured certificates of deposit and repurchase agreements; and other investments permitted by Tennessee Law. The Hospital Authority is authorized to invest in these instruments either directly or through the Metro Investment Pool (MIP).

Deposits in financial institutions are required by state statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of at least 105% of the average daily balance of the deposits placed in the institutions, less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

As of June 30, 2023 and 2022, all of the Hospital's deposits were held by financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks determine the aggregated balance of their public fund accounts for the Hospital. The amount of collateral required to secure these deposits must be at least 105% of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk disclosure.

D. NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Amounts earned under contractual arrangements with the Medicare and Medicaid (TennCare) programs are subject to review and final determination by fiscal intermediaries and other appropriate governmental authorities or their agents. In the opinion of management, adequate provision has been made for any adjustments which may result from such reviews. Activity with respect to these reviews has increased and is expected to continue to increase in the future. No additional specific reserves have been established with regard to possible increased reviews in the future as management is not able to estimate such amounts. In addition, participation in these programs subjects the Hospital to significant rules and regulations; failure to adhere to such could result in fines, penalties, or expulsion for the programs. A summary of the payment arrangements with major third-party payers follows:

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D. NET PATIENT SERVICE REVENUE - Continued

Medicare

The Hospital is paid for substantially all inpatient and outpatient acute care services rendered to Medicare program beneficiaries at prospectively determined rates. Such rates vary according to various patient classification systems that are based on clinical, diagnostic, and other factors. Certain education costs and other reimbursable items are reimbursed, subject to defined limits on the basis of reasonable cost and other retroactive determination methods. The Hospital receives cash payments at a tentative rate with final settlement determined after the Hospital's submission of annual cost reports and audits thereof by the Medicare Administrative Contractor. The Hospital's classification of patients under the Medicare Prospective Payment System and the appropriateness of the patients' admissions are subject to validation reviews.

The Hospital's Medicare cost reports have been filed through June 30, 2023 and audited by the Medicare Administrative Contractor (MAC) through June 30, 2020 in the normal course. However, the MAC may re-open older years at its discretion for various reasons, including new regulatory changes, changes in coding or reimbursement requirements or interpretations, upon the receipt of pool or other change requests, among others. As of October 31, 2023, the Hospital has notified that Fiscal Years 2016, 2017, and 2018 are currently subject to re-audit relating to change requests.

Preliminary settlements totaling approximately \$3.7 million were received during Fiscal Year 2023. A settlement provision of approximately \$3.5 million and \$3.3 million has been reserved in deferred revenue as of June 30, 2023 and 2022, respectively.

TennCare

The TennCare program is a managed care program implemented by the State of Tennessee to provide healthcare coverage to those previously eligible for Medicaid as well as the uninsured population. The Hospital contracts with various managed care organizations under the TennCare program. TennCare reimbursement for both inpatient and outpatient services is based upon prospectively determined rates and per diem amounts.

The State of Tennessee designated the Hospital as an essential access hospital due to the Hospital's relatively high levels of government pay, bad debt, and charity care. In addition, an amendment was filed with TennCare on July 21, 2010 and approved December 31, 2010 which included the Hospital as a participant in the Public Hospital Supplemental Pool (PHSP), allowing additional payments to be made in the support of indigent care. The PHSP helps to ensure that the Hospital will have the financial resources needed to provide and improve access to health care services in the community served.

The Hospital recognized approximately \$23.0 million and \$12.2 million of State of Tennessee essential access/safety net revenue in 2023 and 2022, respectively, including approximately \$9.7 million and \$10.7 million of PHSP funds in years 2023 and 2022, respectively. Subsequent to June 30, 2023, the Hospital has received approximately \$19.1 million under the PHSP for 2024, \$6.0 million of which is required to be reimbursed/funded by Metro Government to the State and thus deducted from the operating subsidy payable to the Hospital.

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D. NET PATIENT SERVICE REVENUE - Continued

Other

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

The mix of net patient service revenue from patients and third-party payers for the years ended June 30 (before provision for doubtful accounts) was as follows:

	<u>2023</u>	<u>2022</u>
Medicaid/TennCare	21%	18%
Medicare	16%	17%
Self-pay	13%	15%
Other	50%	50%
	<u>100%</u>	<u>100%</u>

Laws and regulations governing Medicare and TennCare programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. There were no significant adjustments of such estimates for the years ended June 30, 2023 and 2022.

Net patient service revenue for the years ended June 30, 2023 and 2022 comprised the following:

	<u>2023</u>	<u>2022</u>
Gross charges	\$ 287,182,311	\$ 264,085,070
Less: charity care	<u>45,263,980</u>	<u>38,580,650</u>
Gross patient service revenue	241,918,331	225,504,420
Less: contractual adjustments		
TennCare	47,171,995	45,530,696
Medicare	36,306,026	28,642,012
Other insurance	<u>23,244,362</u>	<u>17,343,678</u>
	<u>106,722,383</u>	<u>91,516,386</u>
Less: discounts and adjustments		
Uninsured	15,196,119	11,725,592
Prison/jail	24,514,018	25,646,516
Other	<u>8,566,031</u>	<u>19,384,567</u>
	<u>48,276,168</u>	<u>56,756,675</u>
Patient service revenue, before provision for bad debts	86,919,780	77,231,359
Less: provision for bad debts	<u>31,822,823</u>	<u>22,595,214</u>
Net patient service revenue	<u>\$ 55,096,957</u>	<u>\$ 54,636,145</u>

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D. NET PATIENT SERVICE REVENUE - Continued

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts) is composed of the following for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Third-party payers	\$ 43,777,231	\$ 39,003,989
Self-pay payers	43,142,549	38,226,370
	<u>\$ 86,919,780</u>	<u>\$ 77,231,359</u>

E. PATIENT ACCOUNTS RECEIVABLE AND CONCENTRATIONS OF CREDIT RISK

In addition to charity, the Hospital also provides services to uninsured and underinsured patients that do not qualify for financial assistance. Based on historical experience, a significant portion of uninsured and underinsured patients are unable or unwilling to pay for their responsible amounts for services provided and a significant provision for bad debts is recorded in the period services are provided. Patient service revenue that has been written off as a bad debt was \$20.5 million and \$22.8 million for the years ended June 30, 2023 and 2022, respectively. These write-offs related primarily to self-pay patients. The Hospital's estimated allowance for uncollectible accounts included approximately 100% of self-pay accounts receivable at June 30, 2023 and 2022.

Patient accounts receivable consisted of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Gross patient accounts receivable	\$ 66,042,916	\$ 49,750,714
Less: Credit balances in accounts receivable	(1,777,567)	(957,719)
Gross patient accounts receivable, net of credit balances	64,265,349	48,792,995
Less: Allowance for contractual adjustments	(5,456,582)	(4,908,563)
Less: Allowance for doubtful accounts	(46,469,948)	(35,117,667)
Total allowances	<u>(51,926,530)</u>	<u>(40,026,230)</u>
Net patient accounts receivable	<u>\$ 12,338,819</u>	<u>\$ 8,766,765</u>

Credit balances in accounts receivable may initially result from overpayments received by payors, which are due back to the payor, or may be the result of billing and/or coding errors that resulted in credits. The ending balance of credits in accounts receivable consists of those credits that management believes to be liabilities as of June 30, 2023 and 2022, based on an analysis of such credits.

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E. PATIENT ACCOUNTS RECEIVABLE AND CONCENTRATIONS OF CREDIT RISK

The failure to remit refunds back to payors in accordance with applicable contractual requirements, laws and regulations could result in legal exposure, substantial penalties, contract termination and even exclusion from state or federal programs, including Medicare. As of June 30, 2023, and through the date of this report, management believes it is in compliance with applicable contracts, laws and regulations.

The Hospital grants credit without collateral to its patients, substantially all of whom are local residents. The mix of receivables from patients and third-party payers at June 30 was as follows (before allowance for doubtful accounts):

	<u>2023</u>	<u>2022</u>
Medicaid/TennCare	16%	20%
Medicare	6%	8%
Self-pay	61%	53%
Other	17%	19%
	<u>100%</u>	<u>100%</u>

F. INVENTORIES

A summary of inventories at June 30 was as follows:

	<u>2023</u>	<u>2022</u>
Central supply	\$ 307,043	\$ 274,109
Operating room	919,265	561,176
Pharmacy and solutions	1,512,833	1,626,904
Other	1,202,482	918,834
Total inventories	<u>\$ 3,941,623</u>	<u>\$ 3,381,023</u>

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G. CAPITAL ASSETS

A summary of capital assets and related activity as of and for the years ended June 30, 2023 and 2022 was as follows:

	<i>Balances at June 30, 2022</i>	<i>Net Additions (Transfers)</i>	<i>Adjustments/ Disposals</i>	<i>Modifications and Remeasure- ments</i>	<i>Balances at June 30, 2023</i>
Capital assets not being depreciated:					
Projects in progress	\$ 491,908	\$ 2,268,445	\$ (1,233,365)	\$ -	\$ 1,526,988
Capital assets being depreciated and amortized:					
Buildings and improvements	7,399,000	241,523	-	-	7,640,523
Equipment	44,418,026	900,412	-	-	45,318,438
Vehicles	30,747	91,403	-	-	122,150
ROU Assets - Leases					
Building	19,959,408	29,542,548	-	-	49,501,956
Office space	692,431	22,889	-	-	715,320
Equipment	2,483,952	2,228,913	(144,392)	-	4,568,473
ROU Assets - SBITA	-	365,948	-	-	365,948
Total capital assets being depreciated and amortized	74,983,564	33,393,636	(144,392)	-	108,232,808
Less accumulated depreciation and amortization:					
Buildings and improvements	(4,301,709)	(460,109)	-	-	(4,761,818)
Equipment	(39,286,952)	(1,559,089)	-	-	(40,846,041)
Vehicles	(29,927)	(9,141)	-	-	(39,068)
ROU Assets - Leases					
Building	(5,430,079)	(8,069,007)	-	-	(13,499,086)
Office space	(306,565)	(153,283)	-	-	(459,848)
Equipment	(672,748)	(706,642)	144,392	-	(1,234,998)
ROU Assets - SBITA	-	(155,034)	-	-	(155,034)
Total accumulated depreciation and amortization	(50,027,980)	(11,112,305)	144,392	-	(60,995,893)
Capital assets being depreciated and amortized, net	24,955,584	22,281,331	-	-	47,236,915
Capital assets, net	\$ 25,447,492	\$ 24,549,776	\$ (1,233,365)	\$ -	\$ 48,763,903

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G. CAPITAL ASSETS - Continued

	<i>Balances at June 30, 2021</i>	<i>Net Additions (Transfers)</i>	<i>Adjustments/ Disposals</i>	<i>Modifications and Remeasure- ments</i>	<i>Balances at June 30, 2022</i>
Capital assets not being depreciated:					
Projects in progress	\$ 332,421	\$ 1,567,396	\$ (1,407,909)	\$ -	\$ 491,908
Capital assets being depreciated and amortized:					
Buildings and improvements	7,108,538	290,462	-	-	7,399,000
Equipment	43,284,728	1,174,868	(41,570)	-	44,418,026
Vehicles	30,747	-	-	-	30,747
ROU Assets - Leases	22,933,761	480,247	(278,096)	-	23,135,912
Total capital assets being depreciated and amortized	73,357,774	1,945,577	(319,666)	-	74,983,685
Less accumulated depreciation and amortization:					
Buildings and improvements	(3,848,752)	(452,957)	-	-	(4,301,709)
Equipment	(37,501,776)	(1,743,606)	41,570	-	(39,203,812)
Vehicles	(4,301,709)	-	-	-	(4,301,709)
ROU Assets - Leases	(3,337,023)	(3,350,575)	278,096	-	(6,409,502)
Total accumulated depreciation and amortization	(44,717,478)	(5,630,278)	319,666	-	(50,028,090)
Capital assets being depreciated and amortized, net	28,640,297	(3,684,702)	-	-	24,955,595
Capital assets, net	\$ 28,972,718	\$ (2,117,306)	\$ (1,407,909)	\$ -	\$ 25,447,503

H. LEASES

On November 1, 1994, the Primary Government entered into an agreement as lessee with Meharry Medical College ("Meharry") for the use of the Hubbard Hospital site on the Meharry campus. Under the terms of the agreement, the Hospital is leasing the building for 30 years at \$4.0 million a year, including imputed interest at 7.5% per annum. An initial lease liability was recorded by the Hospital in the amount of \$48.0 million. As of June 30, 2023, the lease liability is approximately \$5.7 million. The value of the right to use asset as of June 30, 2023, of approximately \$15.3 million with accumulated amortization of approximately \$6.1 million is included with ROU Assets - Leases in the Capital Assets table in Note G.

Additionally, in Fiscal Year 2023, Metro Government entered into a Third Lease Amendment for the Hubbard Hospital building, which includes renegotiated additional lease payments for the remaining term of the lease (which ends in December 2027). The lease is between Metro Government and Meharry. However, the Hospital has been conveyed the right to continue using the building in its operations under the terms of the Third Lease Amendment, and which was accompanied by a mutual release by both parties under any disputes that have arisen or may arise related to the lease, parking, utilities, pursuant to the terms of that release. Because of the conveyance to the Hospital under the Third Lease Amendment, the Hospital has the in-substance

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H. LEASES - Continued

right-to-use asset for the building in the form of an in-substance sublease arrangement with Metro Government. Metro Government is party to the Third Lease Amendment and responsible for the payments thereunder, which include escalating annual payments ranging from \$6.3 million to \$7.0 million. Under the in-substance sublease, Metro Government has conveyed a corresponding sublease liability to the Hospital, which related principle and interest payments will be satisfied each year via forgiveness/contribution revenue from Metro Government, and which reflects the Hospital's imputed interest rate of 7.5%. Related to this in-substance sublease arrangement, the Hospital has an ending net ROU asset totaling \$23.6 million and a right-to-use lease liability totaling \$24.8 million as of June 30, 2023, and recognized \$6.3 million of contribution revenue in lieu of lease principle and interest payments on the obligation during the year-ended June 30, 2023, which is included in Revenue from Primary Government on the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

In addition, the Hospital leases certain office space and equipment under lease agreements with lease terms ranging from 3 to 9 years at interest rates ranging from 3.4% to 9.12%, and where the average incremental borrowing rate for the Hospital was approximately 7.2% (and which was applied to new leases, as applicable) for Fiscal Year 2023. These leases expire at various dates from January 2023 through February 2027.

The ROU lease assets and related accumulated amortization are included in Capital Assets, net, in Note G.

The components of lease expense for the year ended June 30, 2023 are as follows:

	<i>Year Ending June 30, 2023</i>
Lease expense	
Amortization expense by class of underlying asset	
Building	\$ 8,000,638
Office Space	153,283
Equipment	706,642
Total amortization expense	8,860,563
Interest on lease liabilities	3,031,423
Variable lease expense	146,291
Total	\$ 12,038,277

The rollforward of the Lease Liability for the year ended June 30, 2023 is as follows:

	<i>July 1, 2022</i>	<i>Additions</i>	<i>Subtractions</i>	<i>June 30, 2023</i>	<i>Amounts Due Within One Year</i>
Lease Liabilities	\$ 14,795,350	\$ 31,708,645	\$ (8,942,929)	\$ 37,561,066	\$ 9,977,713

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H. LEASES - Continued

Annual requirements to amortize lease liabilities and related interest as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total Payments
2024	\$ 9,977,713	\$ 2,507,805	\$ 12,485,518
2025	8,682,508	1,823,504	10,506,012
2026	7,039,798	1,321,897	8,361,695
2027	7,597,984	823,412	8,421,396
2028	4,263,063	149,095	4,412,158
Total Future Payments	<u>\$ 37,561,066</u>	<u>\$ 6,625,713</u>	<u>\$44,186,779</u>

The components of lease expense for the year ended June 30, 2022 are as follows:

	Year Ending June 30, 2023
Lease expense	
Amortization expense by class of underlying asset	
Building	\$ 2,749,224
Office Space	157,384
Equipment	<u>443,967</u>
Total amortization expense	3,350,575
Interest on lease liabilities	937,912
Variable lease expense	<u>118,692</u>
Total	<u>\$ 4,407,179</u>

The rollforward of the Lease Liability for the year ended June 30, 2022 is as follows:

	July 1, 2021	Additions	Subtractions	June 30, 2022	Amounts Due Within One Year
Lease Liabilities	\$ <u>18,712,894</u>	\$ <u>479,318</u>	\$ <u>(4,396,862)</u>	\$ <u>14,795,350</u>	\$ <u>4,651,728</u>

I. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The Hospital has entered into arrangements that convey control of the right to use another party's information technology software. The contracts qualify as other than short-term SBITAs under GASB 96 and, therefore, have been recorded at the present value of the future subscription payments as of the date of their inception. The terms and conditions for these subscription arrangements vary but generally the term on the agreements range from two years to five years. Payments due under the subscription arrangement are for fixed, periodic payments and do not include any variable subscription payments that depend on future performance or usage of the underlying asset. The Hospital uses an incremental borrowing rate as the discount rate to measure the liability. The discount rates to measure the subscription liability was approximately 7.2% in Fiscal Year 2023.

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I. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS - Continued

The components of SBITA expense for the year ended June 30, 2023 are as follows:

	<i>Year Ending June 30, 2023</i>
SBITA expense	
Total amortization expense	\$ 115,043
Interest on SBITA liabilities	17,672
Total	<u>\$ 132,715</u>

The rollforward of the SBITA Liability for the year ended June 30, 2022 is as follows:

	<i>July 1, 2022</i>	<i>Additions</i>	<i>Modifications and Remeasure- ments</i>	<i>Subtractions</i>	<i>June 30, 2023</i>	<i>Amounts Due Within One Year</i>
SBITA Liabilities	\$ -	\$ 451,650	\$ (117,995)	\$ (113,175)	\$ 220,480	\$ 106,825

Annual requirements to amortize SBITA liabilities and related interest as of June 30, 2023 are as follows:

<i>Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Payments</i>
2024	\$ 106,285	\$ 16,409	\$ 122,694
2025	114,195	8,499	122,694
2026	-	-	-
2027	-	-	-
2028	-	-	-
Total Future Payments	<u>\$ 220,480</u>	<u>\$ 24,908</u>	<u>\$ 245,388</u>

In May 2023, the Hospital entered into a noncancelable arrangement with Cerner Corporation to provide cloud-based patient records and finance software and related integral equipment and on-going support. The arrangement calls for a monthly fee of approximately \$270,000, subject to increases pursuant to the contract terms, as well as other professional services, transaction services and usage fees, to be charged as incurred. The term will be 106 months from the "Go-Live" date, which has not yet occurred but which is expected to occur in Fiscal Year 2024. This arrangement is expected to require recognition as a SBITA and will be recorded upon commencement of the right to use the software.

J. AMOUNTS DUE TO AND FROM THE PRIMARY GOVERNMENT

As disclosed in Note H, the Hospital has a ROU lease liability totaling \$24.8 million as of June 30, 2023 related to the in-substance sublease arrangement with the Primary Government. There were no other amounts due to or from the Primary Government at June 30, 2023 and 2022, respectively.

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K. PENSION PLANS AND EMPLOYEE BENEFITS

Employees of the Hospital participate in one of two plans that are available depending upon their hire date. Effective November 1, 2010, the Hospital established a defined contribution pension plan for all full-time employees hired on or after that date. These employees become eligible in this 401(a) Plan after completion of one year of service. Pension expense related to this plan was \$1,009,732 and \$939,486 for 2023 and 2022, respectively. Key components of the Pension Plan are as follows: 1) employer base contribution of 3% of salary; 2) employer matches up to 50% of first 4% employee voluntarily contributes to a separate 457 plan; and 3) 100% cliff vesting after three years of service. All legacy employees employed prior to November 1, 2010, are participants in the Metro defined-benefit pension plan sponsored by the Primary Government, as discussed below.

Pension Plans of the Primary Government

The Primary Government sponsors or guarantees several pension plans, including (a) the closed City Plan (City Plan), (b) the Davidson County Employees' Retirement Plan (County Plan), both of which were closed to new members on April 1, 1963, and (c) the Metropolitan Employees' Benefit Trust Division A or B (Metro Plan). Division A of the Metro Plan was established at the inception of the Primary Government on April 1, 1963, and was closed to new members on July 1, 1995. Division B of the Metro Plan was established on July 1, 1995. Certain employees of the Hospital are members of the Metro Plan.

Plan description. The Metro Plan is established under the authority of the Metropolitan Charter, Article XIII. Approval of the Metropolitan Council is required to establish and amend benefit provisions. Article XIII also required that the pension plan be actuarially sound. Administrative costs of the plan are financed through plan assets. The plan is managed by the Metropolitan Employee Benefit Board, an independent board, created by the Metropolitan Charter. The Board is composed of ten members as follows: Finance Director, Human Resources Director, three members appointed by the Mayor, and five members selected by the employees and retirees of the Metropolitan Government. Additional information about the Metro Plan can be found in the publicly available comprehensive annual financial report of the Metropolitan Government. That report may be obtained at www.nashville.gov.

Benefits provided. Normal retirement for employees participating in the Metro Plan occurs at the unreduced retirement age which is the earlier of (a) the date when the employee's age plus the completed years of credited service equals 85, but not before age 60; or (b) the date when the employee reaches age 65 and completes 5 years of credited employee service. The lifetime monthly benefit is calculated as 1/12 of the sum of 1.75% of average earnings based upon the previous 60 consecutive months of credit service which produce the highest earnings. Benefits fully vest on completing 10 years of service for employees and non-vested employees hired or rehired on or after January 1, 2013. An early retirement option, with reduced benefits, is available for retired employees if the termination occurs prior to the eligibility under normal retirement but after age 50 and after the completion of 10 years of credited employee service. All assets of the Metropolitan Employee's Benefit Trust Fund may legally be used to pay benefits to any plan members or beneficiaries.

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Contributions. The funding policy is to provide for periodic contributions at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. All funding is provided under an actuarially recommended employee contribution rate of 12.440%. Employer contributions by the Hospital for the years ended June 30, 2023 and 2022 to the Metro Plan were \$973,521 and \$995,152, respectively.

Pension liability (assets). A net pension asset or liability has been recorded in the financial statements of the Hospital based on its proportionate share of the total net pension liability for the Primary Government. The net pension liability was \$1,356,055 at June 30, 2023, and the net pension asset was (\$1,626,294) at June 30, 2022. The net pension liability (asset) was measured as of June 30, 2023 and 2022, and the total pension liability (asset) used to calculate the net pension liability (asset) as determined by actuarial valuations as of July 1, 2022 and 2021, respectively. The Hospital's proportion of the net pension liability (asset) was based on the Hospital's share of contributions to the pension plan during each year, relative to all contributions for each year. At the June 30, 2023 measurement date, the Hospital's proportionate share was 0.8655%. The proportion measured as of June 30, 2022 was 0.9625%.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2022 and 2021 and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2022</u>	<u>2021</u>
Inflation	2.5%	2.5%
Salary increases	4.4%	4.0%
Investment rate of return	7.0%	7.0%, net of pension plan investment expense, including inflation
Cost-of-living adjustment – Division A	2.50%	2.50%
Cost-of-living adjustment – Division B	1.25%	1.25%

Mortality rates for the actuarial valuation as of July 1, 2022 were based on the 112% RP-2014 Blue Collar Table (projected to 2023 using scale MP-21) and the 120% RP-2014 Disabled Mortality, as determined by the periodic actuarial experience study.

Mortality rates for the actuarial valuation as of July 1, 2021 were based on the 115% RP-2014 Blue Collar Table (projected to 2023 using Scale MP-17) and the 130% RP-2014 Disabled Mortality, as determined by the periodic actuarial experience study.

The long-term expected rate of return on pension plan investments was established in conjunction with the most recent actuarial experience study completed February 7, 2023, by considering the following three techniques: (1) the 20-year historical return of the Metro Open Plan at June 30, 2022, (2) the historical market returns of asset classes from 1926 to 2022, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The blended capital market projection established the long-term expected rate of return by weighting the expected

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K. PENSION PLANS AND EMPLOYEE BENEFITS - Continued

future real rate of return by the target asset allocation percentage and by adding inflation of 2.5 percent.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	4.20%	24%
International equity	4.60%	16%
Equity hedge	7.30%	10%
Core plus fixed income	1.50%	20%
Fixed income alternatives	4.60%	10%
Real estate	3.50%	10%
Private equity	7.30%	10%
		<u>100%</u>

Discount rate. The discount rate used to measure the total pension liability was 7.00%. Based on the Metro Plan assumptions and funding policy, the fiduciary net position for the plan was projected to be available to make all projected future benefit payments to current members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate

The following presents the Hospital's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00% for the Metro Plan, as well as what the Hospital's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1- percentage-point lower (6.00% for the Metro Plan) or 1-percentage-point higher (8.00% for the Metro Plan) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
June 30, 2023:			
Net pension liability	<u>\$5,697,289</u>	<u>\$1,356,055</u>	<u>\$(2,284,415)</u>
June 30, 2022:			
Net pension asset	<u>\$5,498,464</u>	<u>\$(1,626,294)</u>	<u>\$(7,497,591)</u>

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K. PENSION PLANS AND EMPLOYEE BENEFITS - Continued

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued in the Primary Government financial reports.

Deferred outflow of resources and deferred inflows of resources

For the year ended June 30, 2023 and 2022, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>June 30, 2023:</u>		
Difference between expected and actual experience	\$ 676,880	\$ 92,676
Net difference between projected and actual earnings on pension plan investments	-	207,837
Changes in assumptions	<u>1,448,106</u>	<u>-</u>
Total	<u>\$2,124,986</u>	<u>\$300,513</u>
 <u>June 30, 2022:</u>		
Difference between expected and actual experience	\$ 763,904	\$ 177,345
Net difference between projected and actual earnings on pension plan investments	-	3,258,338
Changes in assumptions	<u>1,213,179</u>	<u>-</u>
Total	<u>\$1,977,083</u>	<u>\$3,435,683</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2024	\$(143,539)
2025	(267,789)
2026	1,254,981
2027	740,780
2028	165,856
Thereafter	74,541

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

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K. PENSION PLANS AND EMPLOYEE BENEFITS - Continued

Negative pension expense

For the year ended June 30, 2023 and 2022, the Hospital recognized the following amounts of negative pension expense of \$300,724 and \$1,128,168, respectively.

Payable to the Pension Plan

At June 30, 2023 and 2022, the Hospital's payables for the outstanding amount of contributions to the pension plan required were not material.

L. HEALTH INSURANCE PROGRAM

The Hospital's employees have the option to participate in the Metropolitan Employees' Medical Benefit Trust Fund (the Fund). Employer contributions to the Fund totaled approximately \$5.3 million for both 2023 and 2022. The fund is self-insured with maximum covered benefits of \$1,000,000 per participant for non-network provider services and unlimited covered benefits for participants utilizing network covered services. The liability for claims payable is reflected in the applicable governmental activities in the statements of net position of the Primary Government.

M. COMMITMENTS AND CONTINGENCIES

Professional Services Agreement

In addition to the leases (Note H), the Hospital has entered into a Professional Services Agreement ("PSA") with Meharry Medical College ("Meharry") to provide various medical staffing throughout the facility and a separate lease to provide parking spaces in a parking garage adjacent to the hospital facility for the use of staff and patients. The PSA is amended and revised as necessary to accommodate the needs of the Hospital and to comply with various laws and regulations, as well as changes thereto.

As of June 30, 2023 and through the date of the Auditor's Report, the most recent PSA is dated July 1, 2014 and expired June 30, 2016, upon which time both parties de facto voluntarily continued (through their mutual continued provision of services and payments thereunder) the arrangement pursuant to the existing terms. Since the expiration, there have been various discussions about the need to renegotiate the PSA and add/remove/revise certain provisions, with benefits and impacts to both parties, but no agreements have been drafted or finalized. Additionally, in December 2022, Meharry and the Metropolitan Government of Nashville and Davidson County, Tennessee (the "Metro Primary Government") reached a "settlement" relating to certain requests for renegotiation and other claims (which were unrelated) which was approved in a December 20, 2022 Metropolitan Council Resolution, none of which constituted recognizable liabilities or created additional contingencies for the Hospital.

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M. COMMITMENTS AND CONTINGENCIES - Continued

Management is not aware of any formal disputes or claims related to the PSA as of and subsequent to June 30, 2023 (through the date of this Report), and any potential claims associated with the PSA prior to June 30, 2022 were waived by Meharry and Metro Government as part of their December 2022 “settlement.” Therefore, management believes that there are no contingent liabilities related to the PSA that are at least reasonably possible of loss as of June 30, 2023 or through October 31, 2023

Expenses related to the PSA were approximately \$2.4 million and \$2.6 million for the years ended June 30, 2023 and 2022, respectively. Operating expenses and accounts payable may include additional amounts related to Meharry for other services provided or amounts paid by Meharry and reimbursed by the Hospital in the normal course of business.

Self-Insurance Risks and Uncertainties

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illness; natural disasters; and professional and general liability claims and judgment. The Hospital is a member of the Primary Government’s self-insurance program with respect to such risks. Claims involving governmental tort liability are limited under the Governmental Tort Liability Act of the Tennessee Code. Any settlement of claims, which results in a liability against the Hospital, is payable entirely by the Primary Government’s self-insurance program and is included in expenses allocated under primary government-wide costs (see Note A). There are no specific contingent liabilities that exceed the self-insurance coverage limitations that require recognition or disclosure as of June 30, 2023.

Healthcare Related Risk Management and Uncertainties

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments which include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, Medicare fraud and abuse and patient records privacy and security. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The Hospital is subject to risk associated with its disposition and remittance of refunds due back to payors resulting from differences between paid amounts and the allowable reimbursements. Such risk may relate to the timeliness of refunds to the appropriate payors. The failure to remit refunds back to payors in accordance with applicable contractual requirements, laws and regulations could result in legal exposure, substantial penalties, contract termination and even exclusion from state or federal programs, including Medicare. As of June 30, 2023, and through the date of this report, management believes it is in compliance with applicable contracts, laws and regulations.

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M. COMMITMENTS AND CONTINGENCIES – Continued

In March 2010, Congress adopted comprehensive health care insurance legislation, Patient Care Protection and Affordable Care Act and Health Care and Education Reconciliation Act. The legislation, among other matters, is designated to expand access to coverage to substantively all citizens through a combination of public program expansion and private industry health insurance. Changes to existing TennCare and Medicaid coverage and payments are also expected to occur as a result of this legislation. Implementing regulations are generally required for these legislative acts, which are to be adopted over a period of years, and accordingly, the specific impact of any future regulations is not determinable.

Other Contingencies and Uncertainties

From time to time, the Hospital has claims arise in the normal course of business related to employment, professional medical liability, and other matters. Such claims could result in unfavorable outcomes that may or may not exceed insurance coverage limits. As of June 30, 2023 and 2022, there are no claims outstanding where a loss is deemed to be probable and can be reasonably estimated. Therefore, no related liabilities have been recorded as of June 30, 2023 and 2022.

The Hospital is involved in litigation and regulatory investigations arising in the ordinary course of business. Regulatory investigations also occur from time to time. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on the Hospital's financial statements.

Other Commitments

The Hospital currently has certain construction renovation projects underway which may include commitments to various contractors or construction companies on a case-by-case basis. All such commitments, as well as planned capital asset projects, are submitted to Metro Government for capital project appropriations approval. In connection with the approval of the Fiscal Year 2024 operating subsidy, Metro Government designated appropriations of \$7.3 million for Fiscal Year 2024, which are considered sufficient to cover any outstanding commitments.

SUPPLEMENTAL SCHEDULES

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GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE)
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET (UNAUDITED) AND ACTUAL
YEAR ENDED JUNE 30, 2023

	<i>Budget</i> <i>(Unaudited)</i>	<i>Actual</i>	<i>Variance</i>
Operating revenues:			
Patient service revenue, net of contractual allowances and discounts	\$ 87,688,190	\$ 86,919,780	\$ (768,410)
Provision for bad debts	<u>(29,191,993)</u>	<u>(31,822,823)</u>	<u>(2,630,830)</u>
Net patient service revenue	58,496,197	55,096,957	(3,399,240)
State of Tennessee essential access/safety net revenue	13,176,928	23,023,831	9,846,903
Other	<u>6,256,495</u>	<u>7,398,997</u>	<u>1,142,502</u>
Total operating revenues	77,929,619	85,519,785	7,590,166
Operating expenses:			
Professional care of patients	79,752,315	88,504,442	8,752,127
Household and property	2,556,267	8,532,018	5,975,751
Dietary	840,447	2,498,707	1,658,260
Administrative and general	36,359,359	33,534,488	(2,824,871)
Allocation under Primary Governmental-wide cost allocation plan	13,741,878	5,961,500	(7,780,378)
Depreciation	<u>2,005,261</u>	<u>2,028,338</u>	<u>23,077</u>
Total operating expenses	135,255,527	141,059,493	5,803,966
Operating loss	<u>(57,325,908)</u>	<u>(55,539,708)</u>	<u>1,786,200</u>
Nonoperating revenues (expenses):			
Revenue from the Primary Government	54,038,000	57,676,869	3,638,869
Interest expense	(46,630)	(3,049,096)	(3,002,466)
Other nonoperating revenues (expenses)	-	(54,549)	(54,549)
Total nonoperating revenues, net	<u>53,991,370</u>	<u>54,573,224</u>	<u>581,854</u>
(Deficiency) / excess of revenues over expenses before capital contribution	(3,334,538)	(966,484)	2,368,053
Capital contribution from the Primary Government	-	1,366,240	1,366,240
(Decrease) / increase in net position	<u>\$ (3,334,538)</u>	<u>\$ 399,756</u>	<u>\$ 3,734,293</u>
Other items not shown above:			
Principal payments - lease liabilities	<u>\$ (1,540,396)</u>	<u>\$ (5,113,251)</u>	<u>\$ (3,572,855)</u>

* The budget was approved in total by the City Council of the Primary Government and further delineated on a line-by-line basis by the Hospital Authority's management.

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SCHEDULE OF CHANGES IN LEASE OBLIGATIONS
YEAR ENDED JUNE 30, 2023

<i>Description of Indebtedness</i>	<i>Original Amount of Issue</i>	<i>Interest Rate</i>	<i>Date of Issue</i>	<i>Maturity Date</i>	<i>Outstanding 7/1/2022</i>	<i>Issued During Period</i>	<i>Paid and/or Matured During Period</i>	<i>Outstanding 6/30/2023</i>
LEASES PAYABLE								
Buildings								
Meharry - Hubbard Building Lease	\$ 48,000,000	7.490%	1/1/1994	12/31/2027	\$ 9,093,772	\$ -	\$ 3,435,215	\$ 5,658,557
Metro Primary Government - Meharry Hubbard In-Substance Sublease Addendum	28,882,777	7.490%	7/1/2022	12/31/2027	-	28,882,777	4,060,848	24,821,929
Meharry College - Parking Garage Lease	5,283,537	3.400%	6/21/2001	12/31/2027	4,076,628	-	650,290	3,426,338
HEP Charlotte MOB	715,320	3.400%	2/20/2019	2/28/2025	429,895	-	154,029	275,866
Total Building Lease Payable	82,881,634				13,500,295	28,882,777	8,300,382	34,182,690
Equipment								
CareFusion - BD Pyxis	1,058,730	7.20%	6/1/2023	5/31/2028	-	1,058,730	-	1,058,730
Canon Medical - Aplio A550 Ultrasound	96,776	3.39%	7/27/2022	6/30/2028	-	96,776	6,558	90,218
Canon Medical - RadPro Omnera 400A	182,022	7.20%	7/27/2022	6/30/2028	-	182,022	7,591	174,432
De Lage Langden - Clarus 700	151,197	7.20%	5/1/2023	4/30/2028	-	151,197	2,143	149,054
De Lage Landen - Hologic Fluent System	59,670	6.70%	1/1/2023	12/31/2025	-	59,670	7,829	51,841
CareFusion - Pyxis HealthSight	182,345	7.20%	12/1/2022	11/1/2027	-	182,345	15,744	166,601
Canon - Infinitt Tomo Mammography	331,307	7.20%	1/16/2023	7/31/2028	-	331,307	25,009	306,297
Karl Storz Surgical Quote 41249936	52,940	3.40%	8/1/2022	2/28/2025	-	52,940	17,150	35,790
RJ Young - CPC H6100	523,215	3.40%	7/1/2022	2/21/2027	-	523,215	107,316	415,899
Canon - Mobile Dart Evolution MX8c	187,370	3.40%	7/1/2022	11/30/2026	-	187,370	40,825	146,544
Mitsubishi - Endoscopy Beamer	30,050	7.080%	2/1/2022	1/31/2025	26,246	-	9,597	16,649
SpaceLabs Flex Pay - Monitoring Equipment	450,020	3.400%	3/23/2022	2/28/2027	422,337	-	84,954	337,383
Med One - scubEx LV Dispenser	101,888	3.400%	5/19/2015	1/31/2024	46,421	296	29,212	17,505
Med One Capital alEx MC-24 Dispensers	91,267	3.400%	9/1/2017	5/31/2026	29,580	-	29,580	0
MacroLease - Employee Fitness Equipment	19,305	9.120%	6/25/2021	5/31/2024	12,933	-	6,466	6,467
Karl Storz - Surgical Equipment	361,315	3.400%	5/1/2021	4/30/2025	249,393	10,820	88,996	171,217
Infinitt RIS / PACS	842,700	6.000%	3/1/2018	2/28/2025	374,027	(10,820)	129,458	233,749
Lab - Biomerieux Vitek 2	162,650	6.000%	2/1/2018	1/1/2023	21,577	-	21,577	(0)
Lab - Iricell 1500 NA	53,853	3.400%	2/22/2018	1/31/2023	12,541	-	12,541	0
Total Equipment Lease Payable	4,938,620				1,195,055	2,825,868	642,547	3,378,376
Total Leases Payable	\$ 87,820,254				\$ 14,795,350	\$ 31,708,645	\$ 8,942,929	\$ 37,561,066

See independent auditor's report.

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 SCHEDULE OF LEASE REQUIREMENTS BY YEAR
 JUNE 30, 2023

<i>Year Ending June 30</i>	<i>Leases</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2024	\$ 9,977,713	\$ 2,507,805	\$ 12,485,518
2025	8,682,508	1,823,504	10,506,012
2026	7,039,798	1,321,897	8,361,695
2027	7,597,984	823,412	8,421,396
2028	4,263,063	149,095	4,412,158
	<u>\$ 37,561,066</u>	<u>\$ 6,625,713</u>	<u>\$ 44,186,779</u>

See independent auditor's report.



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

To the Board of Trustees of the
Hospital Authority of the Metropolitan Government
of Nashville and Davidson County, Tennessee

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, the financial statements of the business-type activities of the Metropolitan Nashville General Hospital ("Hospital"), an enterprise fund of the Hospital Authority of the Metropolitan Government of Nashville and Davidson County, Tennessee ("Hospital Authority"), which is a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated October 31, 2023.

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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as Items 2023-001 and 2023-002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as Items 2023-003, 2023-004, and 2023-005 to be significant deficiencies.



To the Board of Trustees of the
Hospital Authority of the Metropolitan Government
of Nashville and Davidson County, Tennessee
Nashville, Tennessee

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*.

Management's Response to Findings

The Hospital's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's responses to the findings identified in our audit as described in the accompanying schedule of findings and responses. The Hospital's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Crosslin, PLLC

Nashville, Tennessee
October 31, 2023

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SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2023

FINANCIAL STATEMENT FINDINGS

Material Weaknesses:

ITEM # 2023-001 - PATIENT ACCOUNTS RECEIVABLE AND REVENUE

Criteria, Condition, Context, Cause and Effect

Based on our audit of the June 30, 2023 financial statements of Metropolitan Nashville General Hospital (the Hospital), we believe that the following continuing internal control issue remains a material weakness.

While management has certain procedures for balancing and reconciling to the third-party revenue cycle service providers (Parallon and CareCloud) data when they record daily activity journal entries, they do not have effective controls to evaluate revenue and provision/adjustments recognized and ending receivables and allowances as part of the financial statement close process. This makes it difficult to fully analyze and understand the changes in account balances and to develop sufficiently sensitive analyses of estimates including the allowance for doubtful accounts. As such, the accounts are susceptible to material misstatement.

Additionally, management has a process for provisioning for the allowance for doubtful accounts that takes into account monthly balancing information regarding charges and payments, as received from the service provider. The allowance is largely being accounted for secondarily, as a result of this provisioning process, with some analysis around ending allowance compared to aging buckets. However, they do not have a formalized process for analyzing certain key relationships based on what was recognized, on a hindsight basis, nor for calculating and analyzing the ending allowance which includes a build-up of the allowance based on the payor mix in ending accounts receivable. Furthermore, there is not a thorough hindsight balance sheet view of the ending allowance compared to other relevant, recognized measures, such as the related provision and write-offs. As a result, differences between actual recognized experience, over time, and provisioning in the allowances in general (but particularly the allowance for doubtful accounts) may not be detected and therefore may (and did) result in a material misstatement.

Recommendation and Benefit

We recommend that the Hospital Authority, at least quarterly, obtain ending detail reports and agings from the service providers with sufficient information (some of which can only be captured if they are obtained on the cut-off date) to be able to perform the following: (1) reconciliation of ending accounts receivable, including the impact of clearing accounts and credit balances, to the service provider reports, segregated by the financial statement line-item components and identifying significant reconciling items; (2) rollforwards of outstanding accounts receivable balances from the prior quarter end, including changes for revenues, adjustments, payments and write-offs, which are also tied/reconciled to the detail activity reports from the services providers; (3) analytical comparisons of revenues, adjustments, and provisions compared to the previous quarter, understanding and explaining significant changes and relationships; (4) rollforwards of the allowance for contractual adjustments and the allowance for doubtful accounts, understanding that the only changes should be provision and write-offs, both of which

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SCHEDULE OF FINDINGS AND RESPONSES - Continued
YEAR ENDED JUNE 30, 2023

FINANCIAL STATEMENT FINDINGS - Continued

Material Weaknesses (continued):

ITEM # 2023-001 - PATIENT ACCOUNTS RECEIVABLE AND REVENUE - Continued

Recommendation and Benefit - Continued

should be tied out to support (for the provision, tied to the general ledger, and for the write-offs, reconciled to service provider reports regarding the corresponding write-offs in accounts receivable); (5) comparison of aging buckets to the prior quarter and prior year-end, understanding and explaining significant changes and relationships; and (6) analytical review of contractual adjustments, by payor, compared to gross charges for the current quarter and year-to-date period compared to the prior year(s), understanding and explaining significant changes and relationships. Any significant adjustments resulting from the reconciliation process should be posted to the general ledger in a timely manner for proper reporting.

Additionally, we recommend that management incorporate the following additional controls around the allowance for doubtful accounts with respect to: A. Hindsight Analyses: (1) analytical review of trailing 12-month provision for doubtful accounts compared to write-offs for the same period, and comparison of those results to the prior comparative periods, understanding and explaining significant changes and relationships; (2) analytical review of annualized provision and write-offs compared to prior year-end allowance for doubtful accounts, and that relationship compared to the same for prior comparative periods, understanding and explaining significant changes and relationships; (3) analytical review of the ending allowance compared to the accounts receivable balance, net of the allowance for contractual adjustments, compared to prior periods, understanding and explaining significant changes and relationships; and (4) analysis of write-offs, by payor, compared to ending accounts receivable for those payors at the previous period end, and comparing those results to those of prior quarters/annual periods. We further recommend that management incorporate process/controls around: B. Independent Calculations of Ending Allowance, including the following: (1) preparation of a "build-up calculation" of the allowance based on the payor mix in ending accounts receivable and applying assumptions and judgments which incorporate the information identified as a result of the hindsight analyses in A. above; (2) preparation of a calculation of the allowance based on an estimate of the provision at a high level using the information identified as a result of the hindsight analyses in A. above, and factoring actual beginning allowance and actual write-offs for the period, and then comparing that result to the unadjusted allowance (which reflects the recurring provisioning process); (3) determination and documentation of any changes in assumptions as a result of all of these additional controls/procedures, including any that may be needed on a prospective basis as a result of these procedures, if applicable; (4) concluding on the adjustments needed (if any) to ending allowance for doubtful accounts, or documentation supporting why no adjustment is needed; and (5) performing updated analytical comparisons (from A. above) that incorporate the adjusted allowance and provision to validate the decisions and adjustments made.

We believe that these control procedures, once incorporated, can not only be efficiently updated from period to period, but will also provide more accurate financial reporting as well as expanded insight into the operating results of the Hospital as well as the effectiveness of the revenue cycle service providers.

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SCHEDULE OF FINDINGS AND RESPONSES - Continued
YEAR ENDED JUNE 30, 2023

FINANCIAL STATEMENT FINDINGS - Continued

Material Weaknesses (continued):

ITEM # 2023-001 - PATIENT ACCOUNTS RECEIVABLE AND REVENUE - Continued

Management's Response

Management agrees that a hindsight or lookback accounts receivable review is warranted and advisable – we will develop a process to do that at least quarterly with our new Revenue Officer and the two 3rd party accounts receivable vendors in 2024. However, we believe that our historic processes of reserving accounts receivable by financial class/payer is sound and reasonable for monthly close processes - and is in fact utilized by all hospitals and health systems unless they have a complex, discrete model for estimating collections via contract management software.

The large adjustment proposed by Auditor and accepted by management, was related to the unusual situation surrounding HRSA/COVID reimbursement for uninsured patients (FY 22) that undervalued our Net Hospital accounts receivable for the FY 22 period, and was thereby corrected for starting FY 23. It was an unusual set of circumstances that significantly impacted our collectability for patients that had historically been written off to Bad Debt at 100%. Still, the recommendation is sound and we will implement it in 2024.

ITEM # 2023-002 - FINANCIAL STATEMENT CLOSE PROCESS

Criteria, Condition, Context, Cause and Effect

In general, an effective accounting and financial reporting function should provide management with accurate and timely financial information to enable well-informed business decisions to be made. To the extent that daily/transactional processes and controls exist around accounting for routine transactions throughout the month and include tie-out/reconciliation to independent support/analyses as well as sufficiently thorough and timely review, they generally contribute to the effectiveness of the accounting and financial reporting function as preventive controls. However, the risk of material misstatement in an accounting and financial reporting function of any complexity requires a combination of both preventive and detective control in order to ensure that it is consistently capable of producing financial results and information that is free of material misstatement, and to sufficiently reduce the risk of material fraud. Thus, the detective control structure around accounting and financial reporting is an equally integral component, and should consist of a comprehensive “financial statement close process.”

In connection with the performance of the fiscal 2023 audit, management has indicated that daily controls and processes are performed at least for certain accounts in efforts to prevent material errors in the accounting for transactions, particularly those that are routine. However, we noted pervasive evidence of a lack of financial statement close procedures and controls to evaluate ending balances, to reconcile accounts and identify and adjust for reconciling items, to analyze significant estimates and other higher risk accounts, to rollforward accounts properly, and to ensure that underlying support is complete and accurate. Additionally, of the few financial statement close controls that are performed, they are not performed timely or with sufficient review.

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SCHEDULE OF FINDINGS AND RESPONSES - Continued
YEAR ENDED JUNE 30, 2023

FINANCIAL STATEMENT FINDINGS - Continued

Material Weaknesses (continued):

ITEM # 2023-002 - FINANCIAL STATEMENT CLOSE PROCESS – Continued

Criteria, Condition, Context, Cause and Effect - Continued

As a result, we identified significant/material errors in several accounts, which have been summarized below:

- Cash - we identified that the reconciled balance did not agree to the general ledger – when we brought it to management’s attention, they provided the adjusting entry which should have been recorded and was not.
- Accounts Receivable - Allowances for contractual adjustments and doubtful accounts – as there were no rollforwards or reconciliations to detail service provider reports performed by management at period end (see Material Weakness Item #2023-001), we requested reports from the service providers. Over the course of several weeks, we were provided several different system reports (from the various service providers), most of which did not agree directly to the general ledger or to each other. We performed extensive audit procedures and were ultimately able to create detail rollforwards using the information from the reports, at which time we noted that the recorded allowance for contractual adjustments did not reconcile to contractual adjustments identified by the service providers. In doing so, we also noted that the recorded amounts did not roll forward from the prior year properly. As such, we proposed several reclass adjustments so that the accounts would properly roll, and then we proposed material adjustments to adjust the ending allowance for contractual adjustments. We also noted issues with the allowance for doubtful accounts which resulted in material adjustment, which issues are described in Material Weakness Item #2023-001 above.
- Inventory - we noted that while management has strong controls around the physical count of inventory, the compilation of the results involved over 30 separate reports which were not reconciled to the general ledger accounts, and where there is added complexity. As a result, two significant components of pharmacy inventory were misstated and not detected. We proposed a combined significant audit adjustment to correct these errors.
- Capital assets - construction-in-progress included several errors in the assets included on the listing (as described in Significant Deficiency Item #2023-003 below), and also did not agree to the rollforward or to the trial balance; additionally, depreciation expense did not agree to the rollforward or to the fixed asset listing. These errors collectively resulted in material adjustments.
- Leases - we noted various errors in the lease information included in the lease accounting software (as described in Significant Deficiency Item #2023-004), and we also noted that none of the general ledger accounts agreed to the lease accounting software amortization schedule and rollforward information, even on an unadjusted basis. These errors resulted in material adjustments.
- Deferred Essential Access/Safety Net (“EASN”) revenue - in addition to no formalized policy and inconsistent application of policy for recognition and deferral (as described in Significant Deficiency Item #2023-005 below), we noted that management had a very complex way of accounting for the EASN revenue and related deferral and also did not have a process to monitor the ending balance compared to their informal policy, which collectively resulted in material errors and a material audit adjustment.

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SCHEDULE OF FINDINGS AND RESPONSES - Continued
YEAR ENDED JUNE 30, 2023

FINANCIAL STATEMENT FINDINGS - Continued

Material Weaknesses (continued):

ITEM # 2023-002 - FINANCIAL STATEMENT CLOSE PROCESS - Continued

Criteria, Condition, Context, Cause and Effect - Continued

- Manual accrued liabilities - we noted that several of the manual accrued liabilities, which consisted of several accounts and components, were not reconciled to nor adjusted to reflect underlying support, and also that certain items were accrued in error (or were not accrued and should have been according to our search for unrecorded liabilities). As a result, we identified several individually significant audit adjustments.
- Metro Government capital contribution - we note that management did not reconcile to amounts recorded by Metro Government, and therefore there was an error in the amount recorded that resulted in a significant audit adjustment.

The pervasiveness of the lack of detective controls discussed above and comprising an effective financial statement close process represents a material weakness in internal control over financial reporting.

Recommendation and Benefit

An effective financial statement close process should be performed at each period end, with differing levels of detail and review depending on the importance of the reporting period, and giving consideration to the risks of the specific accounts and underlying daily transactional information and controls. On at least an annual basis (but preferably on at least a quarterly basis), a fulsome, comprehensive financial statement close process should be conducted that includes a combination of extensive and sufficiently detective procedures/controls including reconciliations, analyses, rollforwards, calculations, and review, as follows:

- (1) Reconciliation of every significant general ledger account to supporting detail, identification of reconciling items, explanation and review of reconciling items, adjustments for reconciling items that constitute errors or necessary changes in estimates, and timely review by a person who is not responsible for the underlying journal entries to the account and with sufficient knowledge, skills and experience to evaluate the propriety of documented results and reasonableness of conclusions reached;
- (2) Analysis of key accounts and their relationships to other accounts/operational metrics compared to prior periods, with documentation of expectations and changes and consideration of any unusual items noted in the analysis and reconciliation process of specific accounts;
- (3) Rollforwards of significant balance sheet accounts where inherent risk is higher (i.e., that are complex, have high volumes of transactions, or are otherwise, by their nature, more susceptible to misstatement or changes in information/assumptions, and/or that require separate financial statement disclosure), for example, patient accounts receivable and related allowances, capital assets and related accumulated depreciation, right-of-use lease assets and related liabilities, right-of-use subscription-based information technology arrangement assets and related liabilities, deferred revenue accounts (related to third-party settlements or essential access/safety net funding), and restricted net position (if applicable); and

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SCHEDULE OF FINDINGS AND RESPONSES - Continued
YEAR ENDED JUNE 30, 2023

FINANCIAL STATEMENT FINDINGS - Continued

Material Weaknesses (continued):

ITEM # 2023-002 - FINANCIAL STATEMENT CLOSE PROCESS – Continued

Recommendation and Benefit – Continued

- (4) Extensive analyses and recalculations, including documentation thereof, of all significant accounts that have sensitive judgments, assumptions, or estimates, including analytical comparison to prior periods, of relationships to other accounts or operational metrics, hindsight analyses of relevant input assumptions compared to actual experience that is tied out to support and general ledger activity, recalculations of balances and estimates, documentation of methodology and assumptions (or changes in assumptions) and rationale, as well as timely review by a person who is not responsible for the underlying journal entries to the account and with sufficient knowledge, skills and experience to evaluate the propriety of documented results and reasonableness of conclusions reached – see the recommendations for the Allowance for Doubtful Accounts under Item #2023-001 for a detailed example.

Incorporating a comprehensive and effective financial statement close process will provide the necessary detective control structure in order to facilitate the production of accurate financial information, and provide for accountability of assets and the maintenance of an accurate historical record of operations. Accounting and financial information is the language of business and must be properly assessed and comprehended in a timely manner in order to allow management to guide and direct the Hospital into the future.

Management's Response

Response to Inventory Internal Control Findings: AGREED - Management acknowledges and agrees that the 2 missed values were material clerical errors that should have been noted and corrected before posting inventory figures for Pharmacy. Reconciliation processes should have caught this and failed. With our Controller position vacant for much of the year, we were missing the 3rd party review of many close and reconciliation elements for much of FY 23.

Response to Capital Assets Internal Control Findings: AGREED - Capital projects were numerous and the assignment and completion dates have been difficult for us to timely and accurately document those expenses associated with each project – but we accept and agree that we need to apply more rigor to tracking and timely recording the completion of such projects to accurately reflect their service dates and related depreciation and carrying value.

Response to Lease Internal Control Findings: AGREED - GASB guidance concerning lease accounting has changed dramatically in the last 2 years - and the Hospital implemented the Lease accounting software recommended by the Auditor. We are using it for the recording of leases - but it is an evolving area of guidance, and the software and its application is complex to use - we will quarterly review these for reasonableness and accuracy and reach out for guidance if needed during the Fiscal Year.

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SCHEDULE OF FINDINGS AND RESPONSES - Continued
YEAR ENDED JUNE 30, 2023

FINANCIAL STATEMENT FINDINGS - Continued

Material Weaknesses (continued):

ITEM # 2023-002 - FINANCIAL STATEMENT CLOSE PROCESS - Continued

Management's Response - Continued

Response to Deferred Essential Access/Safety Net ("EASN") Revenue Internal Control Findings: AGREED - Prior to FY 2023, the Hospital received only quarterly Essential Access payments plus a large single Supplemental Pool Payment from the State - however, in FY 2023, the State added NGH to the broader pool that all other Hospitals participate in - and this was welcome but quite uncertain as to the algorithm, the period of award/recognition and uncertainty as to whether it would similarly discontinue the payments for the Supplemental Pool - hence these were cautiously booked to revenue - and primarily booked with very little guidance as to date or period covered. Similarly, we received GME funding (previously was paid to the Residency School rather than the index hospital - State changed this practice in FY 2023) for the first time in FY 2023 - and now in FY 2024, we have received nothing because the Medical College has failed to provide the necessary IRIS Resident schedules that allow the Hospital to receive those funds. All that being said, we acknowledge that we defensively deferred a portion of revenues received that could have been recognized in the FY 2023 year - and we agreed to the adjustment.

Response to Manual Accrued Liabilities Internal Control Findings: AGREED and noted - there is a new focus on quarterly review of accruals and balances by someone outside the GL posting process - this has been an issue without a Controller - which is being recruited currently, and we will utilize an outside resource (our retired Controller) to provide that review in the interim.

Responses to Recommendation and Benefits: We accept the findings and generally agree with Auditor recommendations going forward.

- (1) As to cash, we acknowledge the error occurred and should have been corrected before auditor arrival/review.
- (2) Analysis of key accounts receivable and other accounts - we agree and believe we apply this process monthly - but perhaps the new quarterly reviews, with a Controller in place to oversee this review, will avoid these occurring in future. We will utilize our retired Controller to provide this review until a new Controller is in place, and possibly going forward, depending on need.
- (3) Broadly, this finding and recommendation is a repeat or rollup of several noted monthly close issues - Management believes the accounts receivable and reserving process monthly is adequate and comparable to all hospitals and health systems lacking a Payer Contract Management system; however, we 100% agree it needs at least a quarterly or semiannual review of any changing trends etc. as occurred during FY 2022 with the HRSA/COVID claims and their valuation and ultimate recording of net receivable value. We will make this part of our review process with our recently hired Revenue Officer as well as our 2 billing vendors, Parallon and CareCloud - to ensure communication and continuity of charges, Gross AR as well as reserves/adjustments and ultimately net carrying value of those receivables. The capital asset/CIP recording issues will require much stronger tracking of project spend and project completion, which we will apply - as well as insuring that Capital accounts and CIP are reviewed and reconciled at least quarterly.
- (4) See (1)-(3) above.

METROPOLITAN NASHVILLE GENERAL HOSPITAL
(AN ENTERPRISE FUND OF THE HOSPITAL AUTHORITY OF THE METROPOLITAN
GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE)
SCHEDULE OF FINDINGS AND RESPONSES - Continued
YEAR ENDED JUNE 30, 2023

FINANCIAL STATEMENT FINDINGS - Continued

Significant Deficiencies:

ITEM # 2023-003 - CAPITAL ASSETS: CONSTRUCTION-IN-PROGRESS

Criteria, Condition, Context, Cause and Effect

As part of our testing of capital assets, we obtain a rollforward of the major account groupings that starts with the ending balances from the prior year end and adds additions to construction-in-progress ("CIP"), reflects transfers from CIP to "in-service" and (generally) depreciable asset classes (when the assets are completed and placed in service), and reflects depreciation expense and disposals. Our testing includes agreeing significant activity to the underlying fixed asset detail records, and also selecting and testing a sample of underlying transactions by agreeing recorded amounts and relevant information to support. In addition to the detective internal control findings around the rollforward and reconciliation of capital asset accounts (as discussed in Material Weakness Item #2023-002 above) and as a result of this testing, we noted errors resulting from duplicated asset additions included in both accounts for assets placed in service and CIP, as well as around cut-off, and a lack of consistently sufficient support for certain capitalized construction-in-progress items. These errors resulted in a significant adjustment to capital asset accounts which was not detected or corrected.

Recommendation and Benefit

In connection with the financial statement close process procedures, we recommend that management review the CIP listing compared to asset additions included in the fixed asset listing for the period, and look for duplicates as well as assets that were placed in service or purchased after period end. Listings and activity in the rollforward, which is used to reconcile to the general ledger and make adjustments, should be adjusted based on the result of that review.

In addition to the duplicate and cut-off procedures referenced above, procedures around capital asset approvals and initial capitalization in the capital asset system should be strengthened to require support, including receipts/invoices that reflect asset description, date received, and cost (even if not yet paid), that is reviewed and approved by an independent reviewer with sufficient authority before significant items are capitalized.

Performing these procedures should reduce the risk of material errors associated with duplicates and cut-off, as well as to propriety of assets and amounts capitalized, to an acceptably low level, in combination with the other financial statement close process procedures discussed in Material Weakness #2023-002 above.

Management's Response

AGREED - Capital projects were numerous and the assignment and completion dates have been difficult for us to timely and accurately document those expenses associated with each project - but we accept and agree that we need to apply more rigor to tracking and timely recording the completion of such projects to accurately reflect their service dates and related depreciation and carrying value. This will become a part of our quarterly review and reconciliation of balances in Capital and CIP accounts and related carrying values, depreciation and net value.

METROPOLITAN NASHVILLE GENERAL HOSPITAL
(AN ENTERPRISE FUND OF THE HOSPITAL AUTHORITY OF THE METROPOLITAN
GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE)
SCHEDULE OF FINDINGS AND RESPONSES - Continued
YEAR ENDED JUNE 30, 2023

FINANCIAL STATEMENT FINDINGS - Continued

Significant Deficiencies (continued):

ITEM # 2023-004 - LEASE RIGHT-OF-USE ASSETS AND LIABILITIES

Criteria, Condition, Context, Cause and Effect

As part of our testing of leases, including the right-of-use (“ROU”) assets and accumulated amortization and the related lease liabilities, we performed completeness and valuation tests. Accordingly, we requested and obtained all new material contracts entered into during the year, which we reviewed for lease provisions. In addition to the detective internal control findings around the rollforward and reconciliation of lease accounts (as discussed in Material Weakness Item #2023-002 above) and as a result of this testing, we identified certain leases that were excluded from the lease accounting database, certain leases that had a modification that was not accounted for correctly, and errors in the current year incremental borrowing rate.

Recommendation and Benefit

We recommend that management develop a contract repository and lease (as well as a subscription-based information technology arrangement, or “SBITA”) checklist with which to review the contracts, which includes materiality thresholds and other key indicators for recognition from the applicable accounting standards. Additionally, all significant new contracts should be reviewed at least quarterly to look for new leases (or SBITAs) that require ROU assets or liabilities be recorded. Finally, we recommend that management develop and maintain lease (and SBITA) assumptions/calculations and other policy information in a format that can easily be applied to the newly identified contracts.

Performing these procedures should reduce the risk of material errors associated with inclusion of new leases (or SBITAs), as well as to propriety of ROU assets and liabilities recorded, to an acceptably low level, in combination with the other financial statement close process procedures discussed in Material Weakness #2023-002 above.

Management’s Response

AGREED - GASB guidance concerning lease accounting has changed dramatically in the last 2 years - and the Hospital implemented the Lease accounting software recommended by the Auditor. We are using it for the recording of leases - but it is an evolving area of guidance, and the software and its application is complex to use - we will quarterly review these for reasonableness and accuracy and reach out for guidance if needed during the Fiscal Year.

We gladly added the lease accounting software recommended by Crosslin 18+ months ago - and we similarly would agree to develop a contract repository as recommended herein - excellent concept that we will endeavor to put in practice.

METROPOLITAN NASHVILLE GENERAL HOSPITAL
(AN ENTERPRISE FUND OF THE HOSPITAL AUTHORITY OF THE METROPOLITAN
GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE)
SCHEDULE OF FINDINGS AND RESPONSES - Continued
YEAR ENDED JUNE 30, 2023

FINANCIAL STATEMENT FINDINGS - Continued

Significant Deficiencies (continued):

ITEM # 2023-005 - ESSENTIAL ACCESS SAFETY NET ("EASN") REVENUE AND DEFERRALS

Criteria, Condition, Context, Cause and Effect

The Hospital receives various types of State Funding for servicing the community as a "Safety Net" and/or "Essential Access" hospital. As part of our audit procedures, we evaluated the various types of funding as well as management's policy for recognizing amounts received. In addition to the detective internal control findings around the analysis and reconciliation of revenue and deferral accounts (as discussed in Material Weakness Item #2023-002 above) and as a result of this testing, we noted that management did not have a clearly formalized policy for recognition, and therefore was inconsistently recognizing and/or deferring certain large payments received during the year. We note that this lack of formalized policy, its inconsistent application, as well as the lack of review or processes to ensure that recognized revenue and ending deferrals were appropriate (inherent in the lack of financial statement close process detective controls material weakness finding #2023-002) collectively resulted in material errors. On a stand-alone basis, we believe this component constitutes a stand-alone significant deficiency in internal control.

Recommendation and Benefit

We recommend that management formalize the policy that we discerned through our testing and that, when consistently applied, is in accordance with applicable general accepted accounting principles. We further recommend that the policy is used to devise a template, with instructions, for calculating and evaluating the ending deferral (and incorporated into the other related financial statement close process around these accounts).

Performing these procedures should reduce the risk of material errors associated with the accounting for EASN revenue and deferred revenue to an acceptably low level, in combination with the other financial statement close process procedures discussed in Material Weakness #2023-002 above.

Management's Response

AGREED - Prior to FY 2023, the Hospital received only quarterly Essential Access payments plus a large single Supplemental Pool Payment from the State - however, in FY 2023, the State added NGH to the broader pool that all other Hospitals participate in - and this was welcome but quite uncertain as to the algorithm, the period of award/recognition and uncertainty as to whether it would similarly discontinue the payments for the Supplemental Pool - hence these were cautiously booked to revenue - and primarily booked with very little guidance as to date or period covered. Similarly, we received GME funding (previously was paid to the Residency School rather than the index hospital - State changed this practice in FY 2023) for the first time in FY 2023 - and now in FY 2024, we have received nothing because the Medical College has failed to provide the necessary IRIS Resident schedules that allow the Hospital to receive those funds.

METROPOLITAN NASHVILLE GENERAL HOSPITAL
(AN ENTERPRISE FUND OF THE HOSPITAL AUTHORITY OF THE METROPOLITAN
GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE)
SCHEDULE OF FINDINGS AND RESPONSES - Continued
YEAR ENDED JUNE 30, 2023

FINANCIAL STATEMENT FINDINGS - Continued

Significant Deficiencies (continued):

ITEM # 2023-005 - ESSENTIAL ACCESS SAFETY NET ("EASN") REVENUE AND DEFERRALS - Continued

Management's Response - Continued

All that being said, we acknowledge that we defensively deferred a portion of revenues received that could have been recognized in the FY 2023 year - and we agreed to the adjustment. Furthermore, these State and related revenues will become part of the regular monthly closing review to best assess time period and FY of the dollars received, and whether any of the dollars could or should be reserved as part of State or Federal reviews or audits.

METROPOLITAN NASHVILLE GENERAL HOSPITAL
(AN ENTERPRISE FUND OF THE HOSPITAL AUTHORITY OF THE METROPOLITAN
GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023

Prior Audit Findings: Material Weakness

ITEM # 2022-001 - PATIENT ACCOUNTS RECEIVABLE

Criteria, Condition, Context, Cause and Effect

Based on our audit of the June 30, 2022 financial statements of Metropolitan Nashville General Hospital (the Hospital), we believe that the following continuing internal control issue remains a material weakness.

There is not a persistent process in place by which management can fully and timely reconcile the transactions posted by the outsourced billing service. This results in certain assumptions being made that may or may not be accurate, causing risk to the reliability of certain account balances within a given time period. Additionally, while the overall process for reconciling general ledger has been improved upon, there were instances of material misstatement relating to patient accounts receivable and certain accrued liabilities that were discovered and corrected as a result of the audit.

Recommendation and Benefit

We recommend that Hospital Authority management continue to strengthen its procedures and internal controls as they relate to timely reconciliation and understanding of all general ledger account balances, specifically including transactions flowing to the general ledger from the billing service so that all reconciling items and balances can be supported. Any adjustments resulting from the reconciliation process should be posted to the general ledger in a timely manner for proper reporting.

Management's Response

Hospital Management accepts the finding of a weakness as related to the timely reconciliation of transactions posted through our outside billing process – however, we continue to assert that the value of the Accounts Receivable, as well as the account balances and adjustments, are materially correct and accurate – but we acknowledge that the timeliness of these reconciling transactions is not ideal. The outside billing vendor is a highly regarded service provider with great scale and a strong national reputation. Still, we acknowledge that the day-to-day timing of those payments and adjustments can add a small measure of uncertainty to specific balances.

Every hospital that accepts electronic payments, whether outsourced or insourced, similarly struggles with payments or recoupments from payers that are in error or unmatched to any Hospital account – and it takes time for those to be resolved and pointed to the appropriate provider and/or patient account. Those processes continue to get better each year, both for payers and receivable systems, but they are unlikely to be completely eliminated and remain a challenge to timely reconcile.

We will continue to work with our billing vendor and the lockboxes and payers to improve the timeliness of these processes for more timely reconciliation of these accounts and amounts. The scale of those errors continue to decline as systems improve – but it is an unfortunate reality that we must stridently seek to improve timely reconciliation.

Status

Findings noted in fiscal year 2023 indicate that these findings were not resolved. Therefore, we have these findings as once again included as a material weakness for the year ended June 30, 2023, see Item # 2023-001.



Nashville General Hospital

June 6, 2024

Tennessee Health Facilities Commission
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: CON CN2201-001

Dear Mr. Logan Grant,

This letter is regarding CON CN2201-001 Nashville Healthcare Diagnostic Center. Our CON is due to expire on July 1, 2024. However, due to obtaining required documentations from outside resources, we are not confident that we will meet the July 1 deadline. We are asking that you and your board members grant us an extension expiring September 1, 2024?

If you have any questions, please feel free to call me.

Kind Regards,



Jennifer Higgins
Medical Imaging Manager

(o) 615.341.4036
(c) 615.852.9260



Tim Farmer
Director of Radiology and Cardiovascular
Services
(o) 615.341.4581
(c) 615.815.8580

Here for good.
1818 Albion Street, Nashville, TN 37203 | 615.341.4000 |
NashvilleGeneral.org

From: [Jim Christoffersen](#)
To: [Alecia L. Craighead](#)
Subject: Re: Extension Request
Date: Monday, July 1, 2024 12:54:54 PM
Attachments: [image003.png](#)

✓ WTKO
✓ Plans Review
7/3/2024
RS

The requires been approved

Please share with Ann Reed

Thanks

Jim

Get [Outlook for iOS](#)

From: Alecia L. Craighead <Alecia.L.Craighead@tn.gov>
Sent: Monday, July 1, 2024 11:46:47 AM
To: Jim Christoffersen <Jim.Christoffersen@tn.gov>
Subject: Extension Request

Jim,

Nashville Healthcare Diagnostic Center submitted a request to extend their CON expiration date to September 1, 2024. Their current CON expires today. The letter was sent in earlier last month. I have attached it for consideration.

Thanks.

Alecia



Alecia Craighead | Data and Analysis Administrator
Health Facilities Commission
Andrew Jackson State Office Building, 9th Floor
502 Deaderick Street, Nashville, TN 37243
p. 615-253-2782
alecia.l.craighead@tn.gov
tn.gov/hfc

From: [Jim Christoffersen](#)
To: Jennifer.Higgins@NashvilleHA.org
Cc: [Alecia L. Craighead](#); [Logan Grant](#); [Ann R. Reed](#); [Niraj Soni](#)
Subject: Fw: CON: CN2201-001 Nashville Healthcare Diagnostic Center
Date: Thursday, March 21, 2024 9:04:31 AM
Attachments: [Outlook-Graphical](#)
[CON extension request.pdf](#)

Good morning Jennifer,

The CON extension request has been approved.

Alecia will contact you about any additional fees that may be required.

Jim Christoffersen
General Counsel
Tennessee Health Facilities Commission
Andrew Jackson Bldg., 9th Fl.
502 Deaderick St.
Nashville, TN 37243

(615) 741-2364

From: Alecia L. Craighead <Alecia.L.Craighead@tn.gov>
Sent: Wednesday, March 20, 2024 10:48 AM
To: Logan Grant <Logan.Grant@tn.gov>; Jim Christoffersen <Jim.Christoffersen@tn.gov>
Subject: FW: CON: CN2201-001 Nashville Healthcare Diagnostic Center

For your decision.

Alecia

From: Higgins, Jennifer <Jennifer.Higgins@NashvilleHA.org>
Sent: Wednesday, March 20, 2024 10:00 AM
To: Alecia L. Craighead <Alecia.L.Craighead@tn.gov>
Cc: Farmer, Timothy <Timothy.Farmer@NashvilleHA.org>
Subject: [EXTERNAL] CON: CN2201-001 Nashville Healthcare Diagnostic Center

*** This is an EXTERNAL email. Please exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email - STS-Security. ***

Good Morning Alecia,

Please find the attached letter addressed to Mr. Grand requesting a 2 month extension for our CON. Please let me know if anything needs to be changed or updated.

Best,



Nashville General Hospital

Tennessee Health Facilities Commission
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: CON CN2201-001

Dear Mr. Logan Grant,

This letter is regarding CON CN2201-001 Nashville Healthcare Diagnostic Center. Our CON is due to expire on May 1, 2024. However, due to construction delays and obtaining pertinent information that is outside of our control, we are asking that you and your board members grant us an extension for 2 months?

If you have any questions, please feel free to call me.

Kind Regards,



Jennifer Higgins
Medical Imaging Manager

(o) 615.341.4036
(c) 615.852.9260



Tim Farmer
Director of Radiology and Cardiovascular Services
(o) 615.341.4581
(c) 615.815.8580

Here for good.

1818 Albion Street, Nashville, TN 37208 | 615.341.4000 |
NashvilleGeneral.org

From: [Jim Christoffersen](#)
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Jim Christoffersen
General Counsel
Tennessee Health Facilities Commission
Andrew Jackson Bldg., 9th Fl.
502 Deaderick St.
Nashville, TN 37243

(615) 741-2364

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To: Logan Grant <Logan.Grant@tn.gov>; Jim Christoffersen <Jim.Christoffersen@tn.gov>
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For your decision.

Alecia

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Sent: Wednesday, March 20, 2024 10:00 AM
To: Alecia L. Craighead <Alecia.L.Craighead@tn.gov>
Cc: Farmer, Timothy <Timothy.Farmer@NashvilleHA.org>
Subject: [EXTERNAL] CON: CN2201-001 Nashville Healthcare Diagnostic Center

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Best,

Jennifer Higgins

Medical Imaging Manager – Nashville Healthcare Diagnostic Center
1818 Albion Street | Nashville, Tennessee 37208 | NashvilleGeneral.org
(o) 615.341.4036 | (f) 615.341.4439 | jennifer.higgins@nashvilleha.org





Tennessee Health Facilities Commission
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: CON CN2201-001

Dear Mr. Logan Grant,

This letter is regarding CON CN2201-001 Nashville Healthcare Diagnostic Center. Our CON is due to expire on May 1, 2024. However, due to construction delays and obtaining pertinent information that is outside of our control, we are asking that you and your board members grant us an extension for 2 months?

If you have any questions, please feel free to call me.

Kind Regards,

A handwritten signature in black ink, appearing to read "Jennifer Higgins".

Jennifer Higgins
Medical Imaging Manager

(o) 615.341.4036
(c) 615.852.9260

A handwritten signature in black ink, appearing to read "Tim Farmer".

Tim Farmer
Director of Radiology and Cardiovascular Services
(o) 615.341.4581
(c) 615.815.8580

Here for good.

1818 Albion Street, Nashville, TN 37208 | 615.341.4000 |

NashvilleGeneral.org



State of Tennessee

Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

April 27, 2022

John Wellborn, Consultant
Development Support Group
4505 Harding Pike, Suite 53-E
Nashville, TN 37205

RE: Nashville Healthcare Diagnostic Center – CN2201-001A

Dear Mr. Wellborn:

As referenced in our recent letter, please find enclosed your Certificate of Need for the above-referenced application that was approved at the March 23, 2022, meeting of the Tennessee Health Services and Development Agency.

The Health Services and Development Agency Rules require that an Annual Progress Report be submitted each year and a Final Project Report form is to be submitted within ninety (90) days after completion of a project which shall include completion date, final costs, and other relevant information in regards to the project, per § 68-11-1611. Also required is the registration of certain medical equipment pursuant to Tennessee Code Annotated § 68-11-1607(i), which states "The owners of the following types of equipment shall register such equipment with the health services and development agency: computerized axial tomographers, magnetic resonance imagers, linear accelerators and positron emission tomography." "The survey shall include but not limited to the identification of the equipment and utilization data according to source of payment."

The aforementioned forms can be found on the Agency's website at www.tennessee.gov/HSDA. Should you have any questions or require further information regarding this Certificate, please do not hesitate to contact this office.

Sincerely,

A handwritten signature in black ink, appearing to read "Logan Grant".

Logan Grant
Executive Director

cc: Trent Sansing, TDH/Health Statistics, PPA
Ann R. Reed, TDH/HCF

STATE OF TENNESSEE
Health Services and Development Agency



5/2/2022

Ray
For your records.
Will send
electronic as well.
Share Plans Review
The WTRD.
JK

Certificate of Need # **CN2201-001A** is hereby granted under the provisions of T.C.A. § 68-11-1601, et seq., and rules and regulations issued thereunder by this Agency.

To: **Nashville Healthcare Diagnostic, LLC**
1818 Albion Street
Nashville (Davidson County), TN 37208

For: **Nashville Healthcare Diagnostic Center**

This Certificate is issued for:

The establishment of an Outpatient Diagnostic Center (ODC) The ODC will offer imaging services that include CT, MRI (Adults Only), Mammography, Ultrasound, and X-Ray. The applicant is wholly owned by the Hospital Authority of the Metropolitan Government of Nashville and Davidson County.

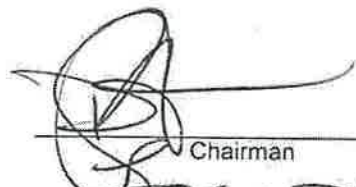
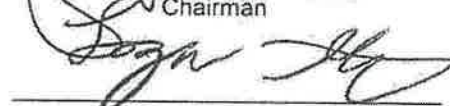
On the premises located at: **4007 Clarksville Highway**
Nashville (Davidson County), TN 37218

For an estimated project cost of: **\$5,527,507.**

The Expiration Date for this Certificate of Need is **May 1, 2024** or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the expiration date, this Certificate of Need is null and void.

Date Approved: March 23, 2022

Date Issued: April 27, 2022


Chairman

Executive Director



State of Tennessee

Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

March 24, 2022

John Wellborn, Consultant
Development Support Group
4505 Harding Pike, Suite 53-E
Nashville, TN 37205

RE: **Certificate of Need Application – Nashville Healthcare Diagnostic Center – CN2201-001A**

Dear Mr. Wellborn,

On March 23, 2022, the Tennessee Health Services and Development Agency met in regular session to consider your application. The application proposed the following:

The establishment of an Outpatient Diagnostic Center (ODC) located at 4007 Clarksville Highway, Nashville (Davidson County), TN 37218. The ODC will offer imaging services that include CT, MRI (Adults Only), Mammography, Ultrasound, and X-Ray. The proposed service area is Davidson County. Nashville Healthcare Diagnostic Center is wholly owned by the Hospital Authority of the Metropolitan Government of Nashville and Davidson County. The estimated project cost is \$5,527,507.

This letter is to advise you that the Agency voted to **approve** the Certificate of Need for the referenced project.

Per TCA § 68-11-1609(b) the Agency found the application should be approved because the action proposed in the application is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of adequate and effective health care facilities or services. Please note the quality standards language was added as the fourth criterion necessary for a certificate of need to be granted, effective July 1, 2016.

Agency members made this decision after full consideration of all the information provided to them including but not limited to the original application and supplemental responses; staff summary and reviewing agency report; support and opposition letters, if applicable; consideration of the criteria and standards and all other applicable parts of the State Health Plan; Agency Rules; and all additional evidence gathered during the presentation of the application. The HSDA maintains a publically available detailed written record that fully documents the factual and legal basis for this decision.

Mr. Wellborn
Page 2

In accordance with T.C.A. § 68-11-1609(g)(1) (as amended by Public Chapter 780, Acts of 2002), the applicant or any person who filed directly with the Agency a prior objection to the granting of a Certificate of Need may petition the Agency in writing for a hearing. To be timely filed, the petition must be filed within fifteen (15) days from the date of the Agency's meeting at which the challenged action was taken. You are encouraged to review T.C.A. § 68-11-1610(a) and the Agency Rules so that you may fully understand your rights.

Your Certificate of Need will be issued to you within the next sixty (60) days and transmitted under separate letter. Please note that the Certificate of Need has an expiration date on its face, after which time the Certificate is null and void. The expiration date is strictly enforced, and the certification period can only be extended by the Agency upon written application and for good cause shown, as defined by Agency Rules.

T.C.A. § 68-11-1611 requires that the Agency review annual progress of each project. Agency Rules require that within ninety (90) days after completion of a project that a Final Project Form be submitted to this office. The Annual Progress Report form is available on the Agency website at <http://www.tn.gov/hsda/article/con-forms>. The Final Project Form, which shall include completion date, final costs, and other relevant information, is also available on the Agency website at <http://www.tn.gov/hsda/article/con-forms>. These forms may be filled-in, printed, and submitted with any applicable supporting documentation. These forms may also be obtained by contacting us at the phone number or address listed above.

Please note an additional requirement was added per PC 1043, effective July 1, 2016. It is codified at TCA § 68-11-1609 (h) and it directs the Health Services and Development Agency to maintain continuing oversight of certificates of need approved after July 1, 2016 by requiring applicants to submit annual reports concerning continued need and appropriate quality measures as determined by the agency. The agency may impose conditions that require the demonstration of compliance with continued need and quality measures; provided, that the conditions for quality measures may not be more stringent than those measures identified in the applicant's submitted application. **Continuing oversight of this project will begin one year after project completion and will continue each year thereafter. The Annual Reporting Form will be available on the Agency's website.** The form may be filled-in, printed, and submitted with any applicable supporting documentation. It may also be obtained by contacting us at the phone number or address listed above.

If you have questions or require additional information, please feel free to contact this office.

Sincerely,


Logan Grant
Executive Director

cc: Trent Sansing, TDH/Health Statistics, PPA
Ann R. Reed, TDH/HCF