

GUAM MEMORIAL HOSPITAL AUTHORITY

**(A COMPONENT UNIT OF THE
GOVERNMENT OF GUAM)**

**FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Guam Memorial Hospital Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Guam Memorial Hospital Authority (GMHA), a component unit of the Government of Guam, which comprise the statements of net position as of September 30, 2019 and 2018, the related statements of revenues, expenses, and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Guam Memorial Hospital Authority as of September 30, 2019 and 2018, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Going Concern

The accompanying financial statements have been prepared assuming that GMHA will continue as a going concern. As discussed in Note 16 to the financial statements, GMHA has incurred recurring losses and negative cash flows from operations that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

COVID-19

As discussed in Note 17 to the financial statements, GMHA determined that the COVID-19 pandemic may negatively impact its business, results of operations and financial position. However, due to uncertainty surrounding the duration of the pandemic, GMHA is unable to reasonably estimate its ultimate financial impact.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15 as well as the Schedules of Proportional Share of the Net Pension Liability on pages 48 through 50, the Schedule of Pension Contributions on page 51, the Schedule of Changes in Net OPEB Liability and Related Ratios on page 52, the Schedule of the Proportionate Share of the Total OPEB Liability on page 53 and the Schedule of OPEB Employer Contributions on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB 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.

Other Financial Information

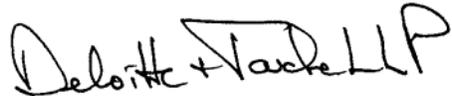
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of expenses, patient service revenues by patient classification, and billings and collections and reconciliation of billings to gross patient revenues on pages 55 to 59 are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules of expenses, patient service revenues by patient classification, and billings and collections and reconciliation of billings to gross patient revenues are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenses, patient service revenues by patient classification, and billings and collections and reconciliation of billings to gross patient revenues are fairly stated, in all material respects, in relation to the financial statements as a whole.

The schedule of full time employee count on page 60 has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2020, on our consideration of GMHA'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 GMHA'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 GMHA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Deloitte + Tuckers LLP". The signature is written in a cursive, stylized font.

June 25, 2020

**GUAM MEMORIAL HOSPITAL AUTHORITY
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Management's Discussion and Analysis
Years Ended September 30, 2019 and 2018

The Management's Discussion & Analysis (MD&A) provides an overview of the Guam Memorial Hospital Authority's (GMHA) activities and financial performance for the fiscal years (FY) ended September 30, 2019 and 2018. The MD&A should be read in conjunction with the GMHA audited financial statements and accompanying notes.

I. Organization

GMHA was created in 1977 pursuant to Public Law 14-29 as an autonomous agency of the Government of Guam. GMHA owns and operates the Guam Memorial Hospital (the "Hospital") which is Guam's only civilian, public acute care hospital with 161 licensed acute care beds, and 40 licensed beds at the Skilled Nursing Unit (SNU). GMHA is supported by six divisions – Administration, Operations, Fiscal Services, Medical Services, Nursing, and Professional Support – to provide healthcare services to all patients regardless of their ability to pay. These services include inpatient adult acute, long-term, maternal child health, rehabilitative, laboratory, radiology, and respiratory care. The Hospital's medical specialties include cardiac catheterization lab, critical care unit, intensive care unit, emergency room, urgent care, interventional radiology, labor & delivery, obstetrics, nursery, neonatal ICU, pediatric ICU, medical telemetry/progressive care unit, and operating room/post-anesthesia care unit.

GMHA also provides outpatient medical services to detainees and inmates at the Department of Corrections (DOC) pursuant to a September 2015 cooperative agreement. The agreement arose from the Government of Guam's efforts to comply with a court order related to a federal civil case. Inpatient services are not included in this agreement and are instead billed to DOC as inmates or detainees are hospitalized. DOC is required to remit payments for clinical services subject to legislative appropriations.

GMHA is governed by the Board of Trustees (BOT) representing backgrounds in healthcare, allied health, nursing, medicine, management, and finance. The GMHA Volunteers Association President also participates in an ex-officio capacity. The BOT is appointed by the Governor of Guam with the advice and consent of the Guam Legislature and Trustees serve staggered six-year terms. By September 30, 2019, there were nine members appointed to the GMHA BOT, representing a full complement.

GMHA's Chief Executive Officer/Administrator is hired by the BOT to have full charge and control of the operations and maintenance of the Hospital. The CEO is responsible for ensuring GMHA meets its strategic goals. GMHA's 2018-2022 strategic plan identified five core values known as "ACES+Q" encompassing **a**ccountability, **c**ost efficiency, **e**xcellence in service, **s**afety, and **q**uality. These core values are the foundation for GMHA's strategic goals to be financially stable, sustain a culture of safety and quality, develop staff and leadership to meet standards, and plan and implement capital improvement. These goals are important to fulfilling GMHA's mission to provide quality patient care in a safe environment.

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II. Financial Highlights

Centers for Medicare and Medicaid Services (CMS) Approves GMHA Rebasing

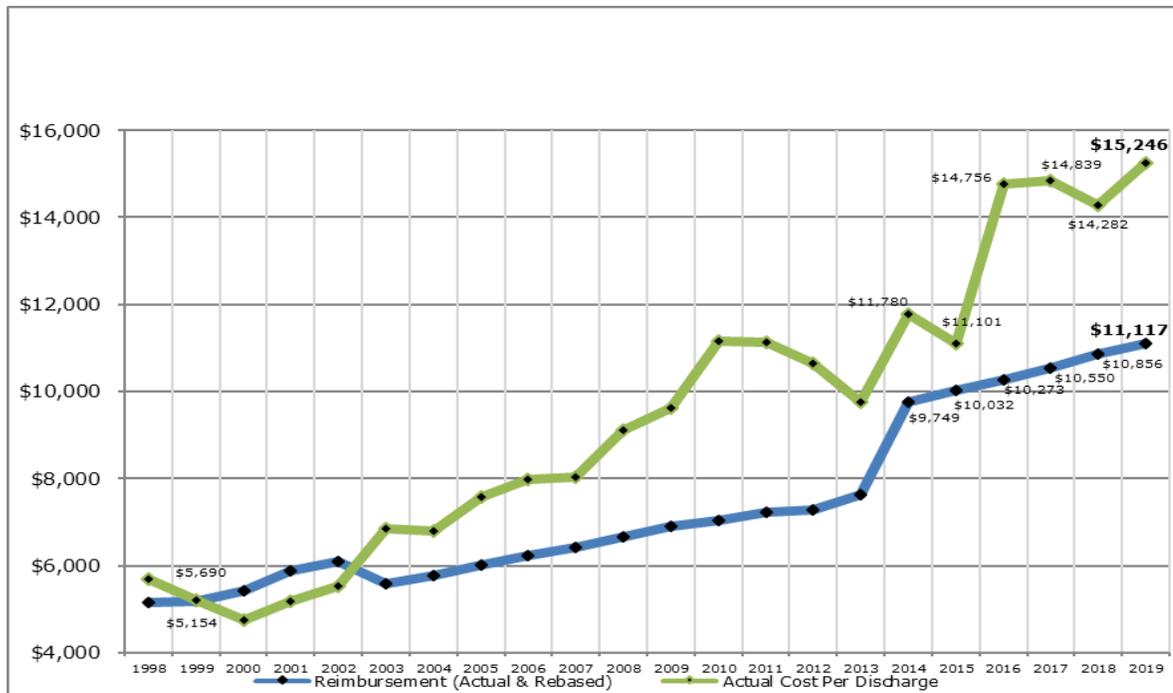
In January 2019, CMS rebased GMHA's discharge rate retroactively to October 1, 2013. In FY 2019, GMHA received \$6.3 million (M) for retroactive rate adjustments for FYs 2014 – 2016. Had rebasing not occurred, GMHA's discharge rate would have been 23% less than the new discharge rate.

	2014	2015	2016	2017	2018	2019
Original TEFRA discharge rate	7,929	8,159	8,355	8,580		
New TEFRA discharge rate from rebasing	9,749	10,032	10,273	10,550	10,856	11,117
\$ Change	1,820	1,873	1,918	1,970		
% Change	23%	23%	23%	23%		

The rebasing narrowed the gap between actual cost per discharge and the total amount per discharge actually reimbursed. An audit by CMS on GMHA's FY 2013 Medicare Cost Report completed in June 2015 validated the actual costs per discharge. GMHA demonstrated its costs have increased beyond the inflationary index rates due to the substantial changes in the nature of services and the population GMHA has served since the base year. Accordingly, GMHA argued that its new cost baseline should be the costs incurred as submitted in its FY 2014 request.

Despite the rebasing, GMHA is still reimbursed less than the cost of discharge. In 2019, the cost of discharge was \$15,246 while the reimbursement was \$11,117. Therefore, further rebasing should occur to truly close the gap.

Target Rate per Patient Discharge by FY



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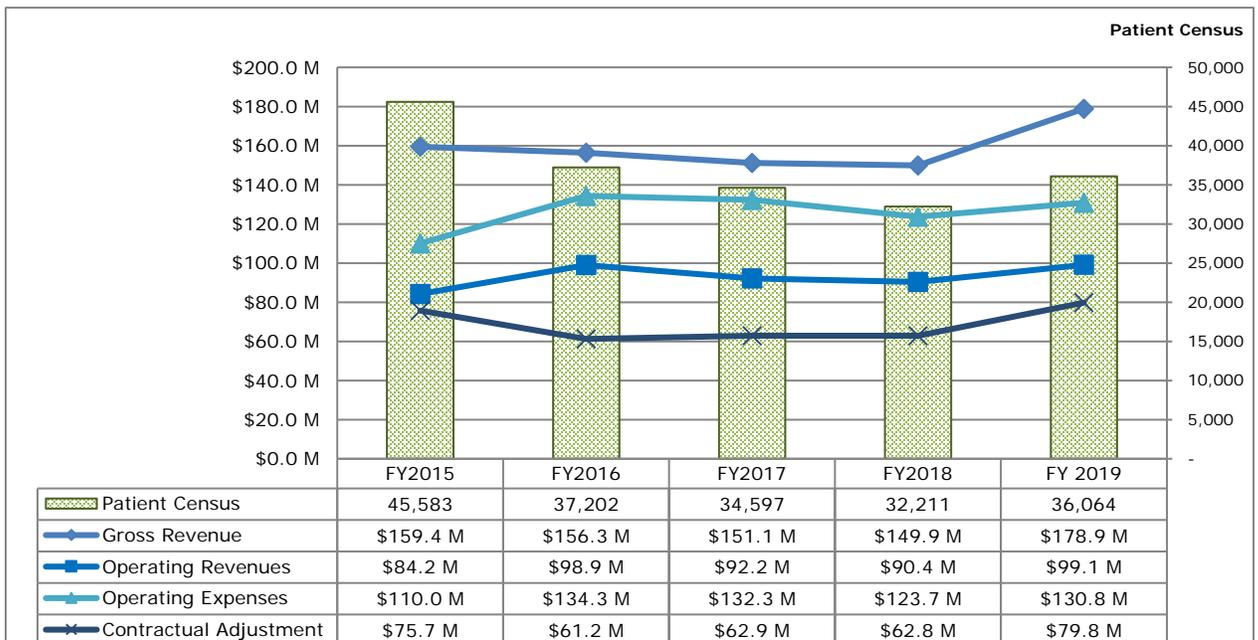
Unlike most hospitals in the U.S., the Hospital is considered a "TEFRA hospital" because it is a facility exempted from Medicare's prospective payment system (PPS) after the passage of the Tax Equity and Fiscal Responsibility Act (TEFRA) in 1982. The PPS pays a flat rate per type of discharge, as determined by classification of regularly updated diagnosis-related group (DRG). TEFRA hospitals were exempted from PPS because it was believed that both the types of care provided and the settings for this care are unsuited to a rate system based on national averages which are used to develop DRGs. TEFRA hospitals are reimbursed based on the cost of treating Medicare patients as determined by the Medicare Cost Report with an aggregate per discharge limit based on facilities cost of care in 1982. This limit is updated each year by a hospital market basket index determined by Medicare to account for inflation. In 1997, Congress allowed a one-time rebasing-rate for TEFRA hospitals. For this, GMHA used a 1992-1994 period as the base year because of the unavailability of records due to a computer system overhaul in 1995-1996. As a result, the standard reimbursement rates for GMHA were based on 1992-1994 costs and the level of Medicare reimbursement did not reflect current costs.

Further, Medicare's methodology for reimbursement is somewhat mirrored by Medicaid and the Medically Indigent Program (MIP). Thus, the reimbursements for patients with coverage under those programs are similarly impacted. However, the impact is limited to the discharge rate. Unlike Medicare, Medicaid and MIP do not have a mechanism, such as an annual Medicare Cost Report, for adjustments and reimbursements for underpayments.

Increased Net Patient Revenues

Net patient revenues increased \$12.0M, or 13.8%, to \$99.1M during FY 2019 compared to FY 2018. This increase was attributable to growth in both inpatient and outpatient census; with gross revenue increasing 19.3%; the annual 5% rate increase, new fees, and higher Medicare reimbursements due to rebasing.

Revenues, Expenses, & Patient Census

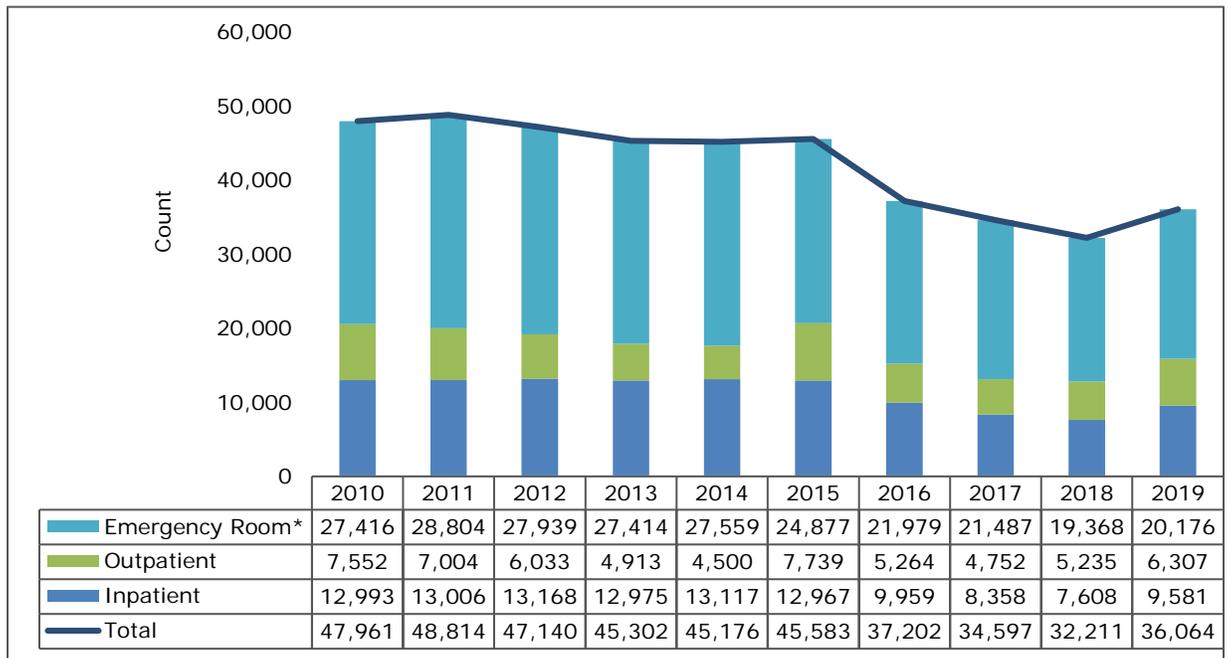


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Overall patient census increased by 12.0% to 36,064 from 32,211 in FY 2018. Since the closure of the Guam Regional Medical City's (GRMC) Maternal Child Health unit, the Hospital has seen census increasing since October 2018. Specifically, inpatient census increased 25.9%, outpatient increased 20.5%, and emergency room increased 4.2%.

Patient Census



*Emergency Room includes Urgent Care

In FY 2019, GMHA experienced favorable inpatient and outpatient volume growth compared to FY 2018. Inpatient days increased 17.0% from FY 2018 while inpatient admissions rose 25.9%. Outpatient visits also increased 7.6% and urgent care visits increased 22.4%. However, GMHA provides a proportionately high number of inpatient services to outpatient services. Particularly under Medicare, GMHA is reimbursed at a higher rate for outpatient services than inpatient services. In FY 2019, 22% of gross revenues were attributed to outpatient services. Increasing hospital services will require substantial investment in capital improvements as well as securing requisite professional staff to support expanded services.

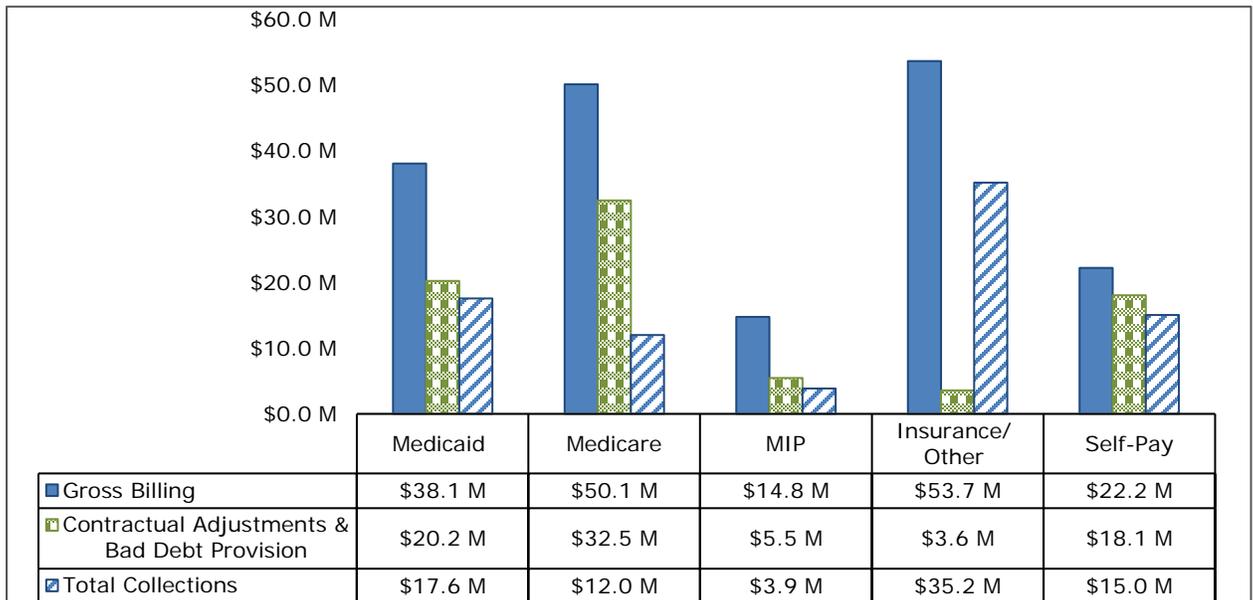
	<u>FY 2019</u>	<u>FY 2018</u>	<u>Change FY 2018 to FY 2019</u>	<u>% Change FY 2018 to FY 2019</u>
Inpatient days	50,552	43,205	7,347	17.0%
Bed occupancy rate	68.9%	58.9%	-	.10 pp
Inpatient admissions	9,581	7,608	1,973	25.9%
Outpatient visits	26,483	24,604	1,879	7.6%
Emergency room visits	14,894	15,053	(159)	-1.1%
Urgent care visits	5,282	4,315	967	22.4%

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Collections also increased by 10.4%, or \$7.9M to \$83.7M in FY 2019. Collaborative partnerships with the Office of the Attorney General (OAG) for collection referrals and the Department of Revenue and Taxation (DRT) for garnishments resulted in self-pay accounts increasing by \$7.3M, or 100.4%. Collections from third-party payers increased 8.9%, or \$2.9M, while collections from the Medically Indigent Program (MIP) decreased by 43.4%, or \$2.9M.

FY 2019 Gross Billing, Contractual Adjustments, Bad Debt Allowance, and Collections



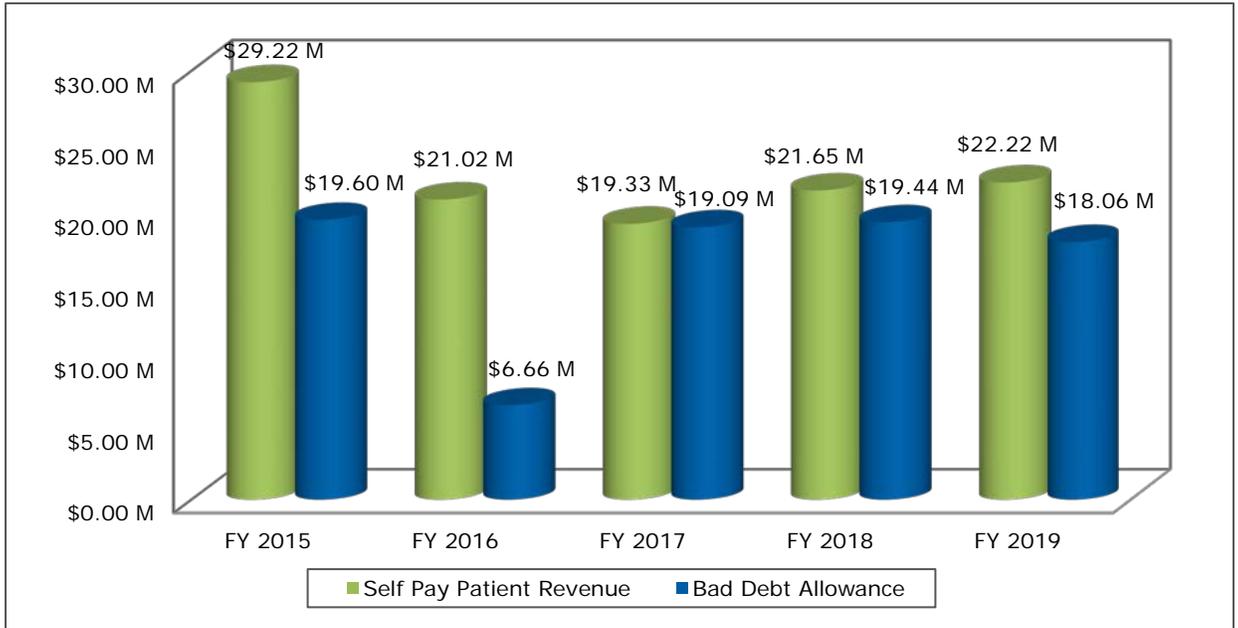
Despite increased collections, GMHA's mandate to provide healthcare to all patients regardless of one's coverage or ability to pay has resulted in the continual growth of patient receivables. For the last five years, self-pay patients received an average of \$22.7M of care per year and the likelihood of collecting these accounts is low and GMHA's provision for bad debts averages \$16.5M a year. This means that GMHA expects to collect an average of 27 cents per dollar billed to self-pay patients.

In October 2018, to reduce the level of uncompensated care, GMHA hired an Eligibility Specialist in collaboration with the Department of Public Health and Social Services, to assist the uninsured and underinsured apply for and obtain Medicaid or MIP coverage.

Generally accepted accounting principles (GAAP) allow the recognition of an allowance for doubtful accounts and the periodic write-off of outstanding receivables meeting certain criteria. GMHA ended FY 2019 with net patient receivables of \$42.1M, net of estimated uncollectibles of \$145.5M. In FY 2019, contractual adjustments for Medicare increased by \$15.8M which includes \$8.9M to recognize the low likelihood of collecting accounts over one year.

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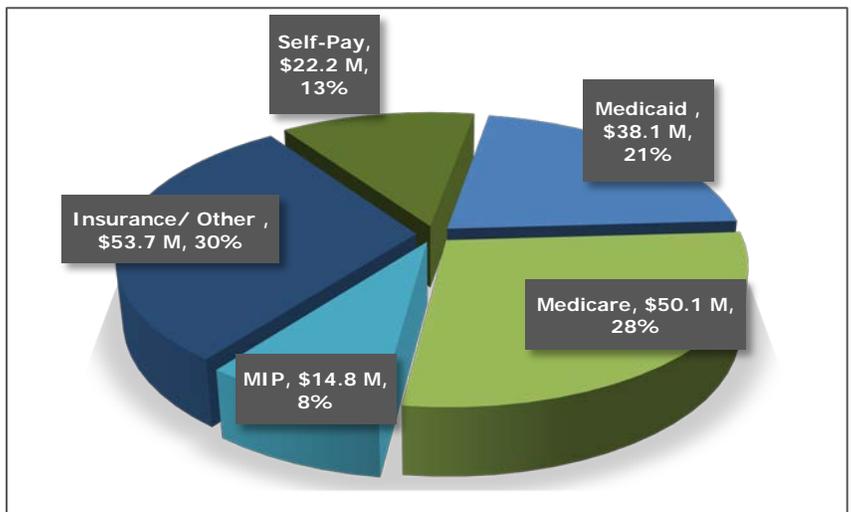


Self-Pay Revenue & Bad Debt Allowance

In addition to collaborations with OAG and DRT, GMHA continues to seek ways to improve collections, including offering patients an online payment system since FY 2017 and hiring a Business Office Manager in October 2019.

FY 2019 Payer Mix

GMHA's payer mix puts GMHA's challenges with collections into perspective. In FY 2019, 57% of GMHA's \$178.9M of gross patient revenues is comprised of the 3 M's (Medicare - \$50.1M, 28%; Medicaid - \$38.1M, 21%; and MIP - \$14.8M, 8%), followed by Third-Party Payers and Others at 30% or \$53.7M, and Self-Pay at 13% or \$22.2M. The payer mix is consistent with the prior year.



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GMHA receivables also include amounts owed by DOC for healthcare services to inmates and detainees. As of September 30, 2019, GMHA is owed \$2.5M for services provided per the cooperative agreement. Additionally, GMHA is also owed over \$2.0M for inmate inpatient services outside the cooperative agreement. For amounts owed prior to FY 2018, an allowance for uncollectible accounts of \$1.7M was provided in FY 2019 because DOC did not budget for these payments.

Electronic Health Records Project Begins

In July 2019, GMHA began soliciting proposals for an electronic health records system (EHR) to replace the current Optimum IMED EHR Clinical System from Cantata Health. However, funding a new system became problematic with possible costs in the tens of millions. A new system was identified in December 2019 after Cantata Health partnered with Medsphere to provide their CareVue EHR clinical solution to existing clients with no implementation costs. GMHA is currently effectuating the process of transferring to Medsphere through novation, allowing for a third-party successor in interest to the existing contract. This offers GMHA the best option for a new EHR with minimal costs.

The EHR project began after GMHA was notified in March 2019, that the existing system will sunset by December 2020 and all technical support from Cantata Health would ultimately discontinue to the detriment of GMHA's operations and revenue-generating abilities. Further, Cantata Health would not obtain the 2015 edition certified electronic health record technology certification to meet the requirements of the Promoting Interoperability Program. This affects GMHA's ability to benefit from monetary incentives by participating in incentive programs and comply with conditions required for participation as a provider of services reimbursable by Medicare and Medicaid. GMHA began seeking a new EHR which integrates clinical, demographic, and financial information seamlessly. GMHA's goal was to acquire a certified EHR which has a fully integrated clinical system suite, is user friendly, and does not require numerous costly modifications and fixes.

CMS Survey

In February, April, and August 2019, GMHA was surveyed by the Centers for Medicare and Medicaid Services (CMS) as a follow-up to the April 2018 recertification survey as well as in response to complaints CMS received via their anonymous complaints portal. Upon receiving CMS' Statement of Deficiency (SOD) reports for the three (3) surveys, the GMHA submitted its Plan of Corrective (POC) actions within the ten (10) day requirement. During the August 29, 2019 survey, the surveyors assured the GMHA that the February and April POCs we submitted were accepted/approved hence, the GMHA continues to be a certified CMS provider.

With regards to the August 29, 2019 site survey, GMHA received CMS' Statement of Deficiency in late November 2019 of which GMHA responded with its POC within the 10 calendar days hence, the GMHA continues to maintain its Medicare provider certification from CMS.

Increased Nursing and Professional Support Staffing

GMHA increased its staffing in the nursing department by 50 in FY 2019 ending with 468 staff. Professional support staffing increased by 13. Overall, GMHA's full time equivalent (FTE) count was 1,025 at September 30, 2019, an increase of 78 FTE compared to September 30, 2018. Personnel costs also increased overall by \$9.5M which was mainly comprised of increased cost for fringe benefits of \$6.3M. The increase in staffing in nursing and professional support resulted in increased costs for overtime of \$542 thousand (K) and other pay of \$970K. Other

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pay includes certification pay for certified allied health professionals, and incentive pay for nurses.

The shortages of certain physician specialists, as well as specialty care nurses, both locally and nationally, are expected to continue to grow over the next several years, and competition from mainland hospitals as well as a local private hospital continues to contribute to the upward pressure on the costs of employing physicians and nurses. Shortages in fiscal services personnel have contributed to GMHA's billing and collection woes. GMHA is in dire need of additional personnel not only to ensure the delivery of quality health care for its patients, but also to reinforce GMHA's efforts in stabilizing its financial health.

III. Overview of the Financial Statements

A comparative analysis is provided for FY 2019 and FY 2018 Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows.

<u>Summarized Statements of Net Position</u>					
	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017 As Restated</u>	<u>\$ Change FY 2018 to FY 2019</u>	<u>% Change FY 2018 to FY 2019</u>
ASSETS					
Current Assets	\$ 54,522,698	46,679,947	34,359,657	7,842,751	16.8%
Noncurrent Assets	29,612,222	29,631,546	32,588,160	(19,324)	-0.1%
Total assets	84,134,920	76,311,493	66,947,817	7,823,427	10.3%
Deferred outflows of resources	27,988,294	31,894,885	34,899,993	(3,906,591)	-12.2%
Total assets and deferred outflows of resources	\$ 112,123,214	108,206,378	101,847,810	3,916,836	3.6%
LIABILITIES AND NET POSITION					
Liabilities:					
Current liabilities	\$ 21,109,038	22,966,608	11,039,281	(1,857,570)	-8.1%
Noncurrent liabilities	266,182,235	310,761,009	331,841,779	(44,578,774)	-14.3%
Total liabilities	287,291,273	333,727,617	342,881,060	(46,436,344)	-13.9%
Deferred inflows of resources	61,804,406	20,664,119	1,848,141	41,140,287	199.1%
Net position:					
Net investment in capital assets	29,612,222	29,631,546	32,570,123	(19,324)	-0.1%
Unrestricted	(266,584,687)	(275,816,904)	(275,451,514)	9,232,217	3.3%
Total net position	(236,972,465)	(246,185,358)	(242,881,391)	9,212,893	3.7%
Total liabilities, deferred inflows of resources and net position	\$ 112,123,214	108,206,378	101,847,810	3,916,836	3.6%

- GMHA's total net position increased by 3.7%, or \$9.2M, in FY 2019 compared to FY 2018 reducing GMHA's cumulative deficit in unrestricted net position.
- Total assets increased 10.3%, by \$7.8M due to increases in cash of \$3.4M, net patient accounts receivable of \$8.4M, and net inventory of \$397 thousand (K). The increases were offset by decreases in allotments due from the Government of Guam of \$4.3M. Deferred outflows of resources decreased by \$3.9M resulting in an overall increase in total assets and deferred outflows of resources of \$3.9M.

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- Total liabilities decreased 13.9%, by \$46.6M, due to decreases in other post-employment benefits (OPEB) liability of \$43.8M, net pension liability of \$941K, trade accounts payable of \$347K, and a reduction in legal contingencies of \$1.6M.
- Current liabilities include \$5.3M due to DRT for past withholding taxes, primarily for 2018, that were not remitted or not timely remitted due to poor cash flow. In FY 2020, GMHA was committed to paying the principal amount for this obligation. Operational funds were used to pay these taxes and the principal balance was paid in full as of June 2020.
- In February 2020, GMHA requested a waiver from the DRT Director for \$2.4M in related interest and penalties based on GMHA's heavy reliance on Government of Guam subsidies and negative operating cash flows. The DRT Director approved the waiver in June 2020 which will allow GMHA to direct this cash to pay critical medical supply vendors.

Summarized Statements of Revenues, Expenses and Changes in Net Position

	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017 As Restated</u>	<u>\$ Change FY 2018 to FY 2019</u>	<u>% Change FY 2018 to FY 2019</u>
Total operating revenues	\$ 100,348,300	90,393,262	92,205,528	9,955,038	11.0%
Total operating expenses	130,818,008	123,702,468	132,349,957	7,115,540	5.8%
Operating Loss	(30,469,708)	(33,309,206)	(40,144,429)	2,839,498	8.5%
Total non-operating revenues	38,827,024	24,578,248	25,407,466	14,248,776	58.0%
Total non-operating expenses	(194,287)	(359,008)	(599,241)	164,721	45.9%
Total capital grants and contributions	1,049,864	5,785,999	980,895	(4,736,135)	-81.9%
Change in net position	\$ 9,212,893	(3,303,967)	(14,355,309)	12,516,860	378.8%

- GMHA's FY 2019 operating revenues increased by \$9.9M due to a \$12.0M increase in net patient revenues offset by a \$2.1M decrease in other revenue, net.
- Operating expenses increased 5.8%, or \$7.1M due to increases in fringe benefits of \$6.3M from changes in pension expense, contractual services of \$3.9M, supplies and materials of \$3.5M, changes in sick leave accrual of \$1.9M, overtime and other pay of \$1.5M, and a \$400K impairment loss for the Z-Wing portion of the Hospital. The increases were offset by a \$10.0M decrease in retiree healthcare costs from retiree OPEB expense.
- Non-operating revenues increased 58.0%, or \$14.2M due to an increase in transfers from GovGuam of \$13.3M and a reduction in legal contingencies of \$1.6M. Federal grants decreased by \$658K. Non-operating expenses decreased by \$165K.

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Summarized Statements of Cash Flows

	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017 As Restated</u>	<u>\$ Change FY 2018 to FY 2019</u>	<u>% Change FY 2018 to FY 2019</u>
Net cash used for operating activities	\$ (28,725,127)	(18,952,770)	(22,309,763)	(9,772,357)	-51.6%
Net cash provided by noncapital financing activities	34,957,341	13,118,278	24,669,770	21,839,063	166.5%
Net cash (used for) provided by capital and related financing activities	(2,801,630)	4,389,957	(1,578,826)	(7,191,587)	-163.8%
Net change in cash	\$ 3,430,584	(1,444,535)	781,181	4,875,119	337.5%

- Net change in cash increased \$4.9M from FY 2018.
- Net cash used for operating activities increased \$9.8M due to a \$20.2M increase in payments to suppliers and contractors which was offset by an increase in patient receipts of \$10.6M. Collections increased 10.4% in FY 2019, or \$7.9M, due to increases in self-pay and third-party payers.
- Net cash provided by noncapital financing activities increased \$21.8M due to an increase in transfers from the Government of Guam of \$22.6M.
- Net cash used for capital and related financing activities increased \$7.2M due to decreases in contributions and grants and acquisitions of capital assets.

As of September 30, 2019, GMHA's investment in capital assets was \$29.6M with no long term debt. Major FY 2019 capital improvement additions include a computed tomography (CT) scanner system funded by Public Law 33-44 and IBM server upgrades. GMHA also acquired PYXIS Medstation, a medication dispensing system, to improve documentation, billing, and controls while reducing medication errors. In FY 2019, GMHA recognized a \$400k impairment loss for the pending demolition of the Z-Wing portion of the Hospital which was deemed unsafe in 2015. For additional information concerning capital assets, please refer to the notes to the financial statements.

IV. Outlook

The mission of GMHA is to provide quality patient care in a safe environment. In carrying out this mission, GMHA continues to strive to provide care, conforming to the highest possible standard. This is a commitment to all of Guam's people regardless of whether they can afford to pay for those services. GMHA management does not see this as mere justification for government subsidy and investment, but as a challenge that can be overcome with focused planning and fostering a work culture which recognizes that improvements in service delivery will result in a better financial position for GMHA. GMHA management looks forward to the following in FY 2020:

Structural Assessment

To address the Hospital's long-standing structural issues, Governor Lou Leon Guerrero obtained assistance from the U.S. Department of Interior to fund an onsite facilities condition assessment of the Hospital. The results of the assessment will be used to estimate the cost of renovating and modernizing the Hospital and/or constructing a new facility in compliance with healthcare accreditation standards.

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In November 2019, architects and engineers from the Army Corps of Engineers (ACOE) arrived and found the Hospital had major items of concern. The team concluded that the Hospital was in an overall state of failure due to age, environmental exposure, lack of financial resources to support pre-planned capital infrastructure replacements, and lack of previous facilities design adherence to building codes. The recommendation from ACOE was to replace the existing facility and immediately repair critical life safety items with an estimated cost of \$21.0M. GMHA is beginning the work on the immediate repairs needed for the Hospital including repairs to the existing roof and HVAC (heating, ventilation, and air conditioning) system and demolishing the Z-Wing. Along with federal grant funding, Governor Leon Guerrero has pledged her support to explore all avenues to fund these repairs.

Improving Revenue Cycle Management

In October 2019, GMHA began considering an evaluation of its Revenue Cycle Management (RCM) to address perennial cash flow issues. RCM involves a comprehensive and intense financial process of managing the overall claims payment for inpatient and outpatient hospital services. It utilizes a variety of resources and tools such as professional personnel, technological hardware and software including medical billing software for tracking patient care from the point of registration to point of discharge wherein the patient's preliminary billing will be generated for payment. RCM is an extremely critical function of a hospital for medical billing, coding, reimbursement and revenue enhancement.

In February 2020, GMHA issued a request for proposals to solicit the specialized RCM services after preliminary assessments found that GMHA's charge master is considerably incomplete resulting in undercharging for room, board, and services. Coding is severely short staffed and impacting billing and collections. The entire revenue cycle management needs organizational restructure. The work would involve assisting GMHA to maintain federal and local regulatory compliance, receive appropriate and expedient reimbursements from insurance/third-party payers, improve revenues, reduce claims/insurance denials, reduce bad debt expense and write-offs, modernize and streamline the RCM workflow, reduce accounts receivables, maximize collections, decrease operating losses, and improve patient experience.

GMHA is also currently exploring how to reduce billing errors, claim rejections, and denials with claims scrubbing software and tools.

Completing the EHR Transition

GMHA will continue the transition from its existing EHR platform to Medsphere CareVue throughout FY 2020. Medsphere implementation officials arrived in January 2020 to conduct an initial site visit and to meet with all departments affected by the transition. The EHR Committee has been dedicated to meet several times a week to ensure department engagement during the design, migration, and implementation.

Capital Improvement Projects

Although GMHA has many capital projects that remain unfunded, several capital improvement projects are ongoing in FY 2020. These include grant funded projects such as the energy efficient parking lot lighting project, mammography program, 1.6 megawatt generator acquisition, HVAC upgrades, and the communications center relocation. Other projects will be funded through available operational funds and include Hospital-wide network infrastructure

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upgrade, rear stairwell glass block replacement, elevator upgrades, steam boiler replacement, and the Skilled Nursing Facility chiller replacement.

Pursuing Accreditation

Although GMHA lost accreditation with The Joint Commission (TJC) in 2018, GMHA management agreed and decided to explore reclaiming accreditation. This also includes looking at other accrediting organizations that are primarily based on CMS conditions of participation which are more aligned with GMHA's framework. GMHA management seeks accreditation to validate its dedication and compliance with standards devoted to quality management, patient and employee safety, and continual improvement.

New and improved GMHA Website

After years of the same website, GMHA will redesign its website and build a better experience for patients and staff. GMHA management hired a contractor in FY 2020 to provide a user-friendly, informative, and engaging website.

Responding to COVID-19

In March 2020, Governor Leon Guerrero issued Executive Order No. 2020-03 and declared a state of emergency for Guam in response to global and national health emergencies with regard to COVID-19. Prior to the declaration, GMHA mobilized to prepare the Skilled Nursing Unit in Barrigada as the COVID-19 isolation facility. Shortly after the emergency declaration, Guam's first COVID-19 positive case was announced. The Hospital was designated as Guam's only COVID-19 care facility and GMHA began preparing the Hospital by activating the GMHA incident command center. Activities were implemented to screen and test patients and employees, keep all employees safe by emphasizing infection control protocols, and procure supplies and equipment with a focus on personal protective equipment.

While emergency services continue, GMHA restricted visitation and elective and outpatient services which have negatively impacted revenues in March and April 2020 as patient census has declined significantly. However, as of May 2020, GMHA has received direct Coronavirus Aid, Relief, and Economic Securities Act (CARES Act) funding from the Department of Health and Human Services of \$7.70M.

V. Contacting GMHA Executives

The Management's Discussion and Analysis is designed to provide citizens, taxpayers, patients, and stakeholders a general overview of GMHA's finances. It should also demonstrate GMHA's stewardship and accountability of funds received and spent.

If you have any questions about this report, please contact Lillian Perez-Posadas, GMHA CEO/Administrator, or Yukari Hechanova, Chief Financial Officer, Acting at 647-2330, or visit our website at www.gmha.org.

GUAM MEMORIAL HOSPITAL AUTHORITY
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Statements of Net Position
September 30, 2019 and 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash	\$ 4,651,190	\$ 1,220,606
Patient accounts receivable, net of estimated uncollectibles of \$145,537,832 in 2019 and \$106,307,367 in 2018	42,076,782	33,650,324
Due from the Government of Guam, net of estimated uncollectibles of \$1,719,042 in 2019	4,691,811	8,974,860
Other receivables	112,942	93,728
Inventory, net	2,989,973	2,592,409
Prepaid expenses	-	148,020
Total current assets	<u>54,522,698</u>	<u>46,679,947</u>
Capital assets:		
Depreciable assets, net	28,384,353	28,581,403
Construction in progress	1,227,869	1,050,143
Total noncurrent assets	<u>29,612,222</u>	<u>29,631,546</u>
Total assets	<u>84,134,920</u>	<u>76,311,493</u>
Deferred outflows of resources:		
Pension	13,473,096	12,981,760
OPEB	14,515,198	18,913,125
Total deferred outflows of resources	<u>27,988,294</u>	<u>31,894,885</u>
Total assets and deferred outflows of resources	<u>\$ 112,123,214</u>	<u>\$ 108,206,378</u>
 <u>LIABILITIES AND NET POSITION</u> 		
Current liabilities:		
Accounts payable - trade	\$ 10,195,581	\$ 10,542,667
Accounts payable - Department of Revenue and Taxation	5,324,074	5,435,349
Accounts payable - Government of Guam Retirement Fund	746,692	1,234,753
Accrued taxes and related liabilities	230,301	-
Accrued payroll and benefits	2,103,282	1,730,449
Current portion of accrued annual leave	1,881,292	1,827,469
Other current liabilities	627,816	2,195,921
Total current liabilities	21,109,038	22,966,608
Accrued annual leave, net of current portion	2,215,032	2,391,688
Accrued sick leave	3,554,924	3,242,941
Net pension liability	126,135,550	127,077,065
OPEB liability	134,276,729	178,049,315
Total liabilities	<u>287,291,273</u>	<u>333,727,617</u>
Deferred inflows of resources:		
Pension	5,583,805	5,406,690
OPEB	56,220,601	15,257,429
Total deferred inflows of resources	<u>61,804,406</u>	<u>20,664,119</u>
Commitments and contingencies		
Net position:		
Net investment in capital assets	29,612,222	29,631,546
Unrestricted	<u>(266,584,687)</u>	<u>(275,816,904)</u>
Total net position	<u>(236,972,465)</u>	<u>(246,185,358)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 112,123,214</u>	<u>\$ 108,206,378</u>

See accompanying notes to financial statements.

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Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2019 and 2018

	2019	2018
Operating revenues:		
Net patient service revenue (net of contractual adjustments and provision for bad debts of \$79,778,205 in 2019 and \$62,835,996 in 2018)	\$ 99,087,743	\$ 87,055,163
Other operating revenues:		
Cafeteria food sales	417,591	378,455
Other revenue (net of provision for bad debts of \$1,719,042 in 2019)	842,966	2,959,644
Total operating revenues	100,348,300	90,393,262
Operating expenses:		
Nursing	62,100,063	55,227,957
Professional support	30,741,594	25,979,672
Administrative support	14,667,610	12,265,490
Fiscal services	8,605,281	6,208,608
Retiree healthcare costs and other pension benefits	6,263,801	16,305,333
Administration	3,625,724	2,896,812
Depreciation	3,461,561	4,006,169
Medical staff	952,374	812,427
Loss on impairment of building	400,000	-
Total operating expenses	130,818,008	123,702,468
Operating loss	(30,469,708)	(33,309,206)
Nonoperating revenues (expenses):		
Transfers from GovGuam	37,179,002	23,872,794
Federal grants	44,817	702,655
Interest and penalties	(45,630)	(140,319)
Federal program expenditures	(139,400)	(205,357)
Loss from disposal of fixed asset	(9,257)	(13,332)
Other income, net	1,603,205	2,799
Total nonoperating revenues	38,632,737	24,219,240
Income (loss) before capital grants and contributions	8,163,029	(9,089,966)
Capital grants and contributions:		
Government of Guam	68,795	3,096,940
Federal grants	433,990	2,373,941
Others	547,079	315,118
Total capital grants and contributions	1,049,864	5,785,999
Change in net position	9,212,893	(3,303,967)
Net position at the beginning of the year	(246,185,358)	(242,881,391)
Net position at the end of the year	\$ (236,972,465)	\$ (246,185,358)

See accompanying notes to financial statements.

GUAM MEMORIAL HOSPITAL AUTHORITY
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Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 90,661,285	\$ 80,075,864
Receipts from sales and other services	2,960,385	3,318,539
Payments to suppliers and contractors	(42,261,248)	(22,061,902)
Payments to employees	(80,085,549)	(80,285,271)
Net cash used in operating activities	(28,725,127)	(18,952,770)
Cash flows from noncapital financing activities:		
Contributions from the Government of Guam	35,067,721	12,443,382
Federal grants received	44,817	702,655
Federal reimbursements	19,083	-
Contributions	10,750	317,917
Payments made under federal programs	(45,630)	(205,357)
Interest and penalties paid	(139,400)	(140,319)
Net cash provided by noncapital financing activities	34,957,341	13,118,278
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(3,304,415)	(1,080,924)
Contributions from the Government of Guam	68,795	3,096,940
Federal grants received	433,990	2,373,941
Net cash (used in) provided by capital and related financing activities	(2,801,630)	4,389,957
Net change in cash	3,430,584	(1,444,535)
Cash at beginning of year	1,220,606	2,665,141
Cash at end of year	\$ 4,651,190	\$ 1,220,606
Summary of noncash capital and related financing activities:		
Medical equipment donation from:		
Guam Economic Development Authority	\$ 547,079	\$ -
GMH Volunteer Association and other foundation	\$ -	\$ 315,118

See accompanying notes to financial statements.

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Statements of Cash Flows, Continued
Years Ended September 30, 2019 and 2018

	2019	2018
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (30,469,708)	\$ (33,309,206)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Contractual adjustments and provisions for uncollectible accounts	81,497,247	62,835,996
Depreciation	3,461,561	4,006,169
Retiree healthcare costs and other pension benefits	6,263,801	16,305,333
Loss on impairment of building	400,000	-
Noncash pension cost	(1,255,736)	(8,650,406)
(Increase) decrease in assets:		
Patient accounts receivable	(88,204,663)	(69,833,331)
Note receivable	-	18,037
Other receivables	(19,214)	(19,560)
Inventory	(397,564)	107,878
Prepaid expenses	148,020	(133,330)
Increase (decrease) in liabilities:		
Accounts payable - trade	(347,086)	5,319,120
Accounts payable - Department of Revenue and Taxation	(111,275)	5,435,349
Accounts payable - Government of Guam Retirement Fund	(488,061)	519,194
Accrued taxes and related liabilities	230,301	(270,289)
Accrued payroll and benefits	372,833	85,263
Accrued annual leave and sick leave	189,150	(1,367,018)
Other current liabilities	5,267	(1,969)
Net cash used in operating activities	\$ (28,725,127)	\$ (18,952,770)

See accompanying notes to financial statements.

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(1) Reporting Entity

The Guam Memorial Hospital Authority (GMHA), a component unit of the Government of Guam (GovGuam), was created on July 26, 1977 under Public Law No. 14-29 as an autonomous agency of the Government of Guam. GMHA owns and operates the Guam Memorial Hospital (the Hospital). The Hospital has 158 licensed acute care beds and 40 beds for long-term care at the Skilled Nursing Unit. The Hospital provides all customary acute care services and certain specialty services primarily to the residents of Guam. These include adult and pediatric, clinical and ancillary medical services; and 24-hour emergency services. The Hospital derives a significant portion of its revenues from third-party payors, including Medicare, GovGuam's Medically Indigent Program (MIP), Medicaid and commercial insurers.

GMHA operates under the authority of a nine-member Board of Trustees, all of whom are appointed by the Governor of Guam with the advice and consent of the Guam Legislature.

GMHA's financial statements are incorporated into the financial statements of GovGuam as a component unit.

(2) Summary of Significant Accounting Policies

GMHA prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Basis of Accounting

The financial statements of GMHA have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions. GMHA considers revenues and costs that are directly related to patient and other healthcare operations to be operating revenues and expenses. Revenues and expenses related to financing and other activities are reflected as nonoperating.

Net Position

Net position represents the residual interest in GMHA's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of the following sections:

- Net investment in capital assets – includes capital assets restricted and unrestricted, net of accumulated depreciation reduced by outstanding debt net of debt service reserve.
- Restricted nonexpendable - net position subject to externally imposed stipulations that require GMHA to maintain the position permanently.
- Restricted expendable - net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of GMHA pursuant to those stipulations or that expire with the passage of time.
- Unrestricted – net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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(2) Summary of Significant Accounting Policies, Continued

Estimates

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

Cash

Custodial credit risk is the risk that, in the event of a bank failure, GMHA's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name.

For purposes of the statements of net position and of cash flows, cash is defined as cash on hand, cash held in demand accounts, and time certificates of deposit maturing within ninety days. As of September 30, 2019 and 2018, cash is \$4,651,190 and \$1,220,606, respectively, and the corresponding bank balances are \$6,790,244 and \$2,318,983, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2019 and 2018, bank deposits in the amount of \$250,000 are FDIC insured. GMHA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized.

Patient Accounts Receivable

Accounts receivable for services provided to patients covered under the Medicare, MIP and Medicaid programs, privately sponsored managed care programs for which payment is made based on terms defined under formal contracts, and other payors (including self-pay) are recorded at their estimated realizable values based on contractual billing rates or GMHA's standard fees for non-contract payors. A provision for uncollectible accounts is based on management's evaluation of the collectability of current accounts and historical trends. Finance charges or interest is not accrued for past due accounts. Uncollectible accounts are written-off against the provision for the specific insurance or payor program.

Management believes there are no significant credit risks associated with receivables from government programs. Receivables from managed care programs and others are from various payors who are subject to differing economic conditions. They do not represent any concentrated credit risk to the Hospital. Management continually monitors and adjusts the estimated allowances for contractual adjustments and uncollectible accounts.

Due from GovGuam

Amounts due from GovGuam consists of receivables from local appropriations, reimbursable expenditures from Federal grant awards, and receivables from Department of Corrections (DOC) for outpatient clinic services to detainees and inmates. GMHA recorded provision for uncollectible accounts of \$1,719,042 for its receivable from DOC for the fiscal year ended September 30, 2019.

Inventory

Inventory consists of pharmaceutical and other hospital supplies. GMHA reports inventory at the lower of cost, determined using an average historical cost, or market and is shown net of a provision for obsolescence commensurate with known or estimated exposures.

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(2) Summary of Significant Accounting Policies, Continued

Capital Assets

Capital assets consist of building and land improvements, long-term care facilities and movable equipment. Building and land improvements acquired prior to June 30, 1978, are recorded at their appraised values at June 30, 1978 with subsequent additions recorded at cost. Prior to January 1, 2007, GMHA capitalized at the time of acquisition all expenditures of property and equipment that equaled or exceeded \$500 with a minimum useful life of at least three years. Subsequent to January 1, 2007, the capitalization policy for acquisitions was increased to \$5,000.

Major renewals and betterments are capitalized, while maintenance and repairs, which do not improve or extend the life of an asset, are charged to expense. Donated capital assets are recorded at their fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Useful lives for capital assets are based on the American Hospital Association Guide, *Estimated Useful Lives of Depreciable Hospital Assets*, as follows:

Building and land improvements	10 - 40 years
Long - term care facilities	10 - 40 years
Movable equipment	3 - 20 years

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. GMHA has determined the differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability, changes in actuarial assumptions or other inputs, pension and OPEB contributions made subsequent to the measurement date and changes in proportion and differences between GMHA pension and OPEB contributions and proportionate share of contributions qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. GMHA has determined the differences between projected and actual earnings on pension plan investments, changes in actuarial assumptions or other inputs, and changes in proportion and differences between GMHA pension and OPEB contributions and proportionate share of contributions qualify for reporting in this category.

Compensated Absences

Vesting annual leave is accrued and reported as an expense and a liability in the period earned. Except as discussed below, no liability is accrued for non-vesting sick leave benefits. Annual leave expected to be paid out within the next fiscal year is accrued and is included in current liabilities. The maximum accumulation of annual leave convertible to pay upon termination of employment is limited to 320 hours. Pursuant to Public Law 27-106, employees who have accumulated annual leave in excess of three hundred twenty (320) hours as of February 28, 2003, may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. Any unused leave over 320 hours shall be lost upon retirement.

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Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

Compensated Absences, Continued

Public Law 26-86 allows members of the Defined Contribution Retirement System (DCRS) to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. A liability is accrued for estimated sick leave to be paid out to DCRS members upon retirement. At September 30, 2019 and 2018, GMHA has accrued an estimated sick leave liability of \$3,554,924 and \$3,242,941, respectively. However, this amount is an estimate and the actual payout may be materially different than estimated.

Unearned Revenues

Unearned revenue is recognized when cash, receivables or other assets are recorded prior to being earned.

Pensions and Other Postemployment Benefits (OPEB)

Pensions are required to be recognized and disclosed using the accrual basis of accounting. GMHA recognizes a net pension liability for the defined benefit pension plan in which it participates, which represents GMHA's proportional share of excess total pension liability over the pension plan assets – actuarially calculated – of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. The total pension liability also includes GMHA's proportionate share of the liability for ad hoc cost-of-living adjustments (COLA) and supplemental annuity payments that are anticipated to be made to defined benefit plan members and for anticipated future COLA to DCRS members. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

OPEB is required to be recognized and disclosed using the accrual basis of accounting. GMHA recognizes a net OPEB liability for the defined benefit OPEB plan in which it participates, which represents GMHA's proportional share of total OPEB liability - actuarially calculated - of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. An OPEB trust has not been established thus the OPEB plan does not presently report OPEB plan fiduciary net position. Instead, the OPEB plan is financed on a substantially "pay-as-you-go" basis. Changes in the net OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

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Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

Net Patient Service Revenues

GMHA has a fee schedule applicable for all providers, however, third-party payors such as Medicare, Medicaid and MIP have payment arrangements at amounts different from GMHA's established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive revenue adjustments under reimbursement agreements and a provision for uncollectible accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

GovGuam Contributions

GMHA receives financial support from GovGuam in the form of supplemental appropriations and subsidies, including on-behalf payments. As these supplemental appropriations and subsidies are for noncapital purposes, regardless of restrictions, they are classified as noncapital contributions and are included as nonoperating revenues in the statements of revenues, expenses and changes in net position. GovGuam contributions that are restricted for acquiring or improving capital assets are reported as capital grants and contributions in the statements of revenues, expenses and changes in net position.

Federal Grant Award Revenues and Contributions

From time-to-time, GMHA receives Federal grant awards and contributions from the Federal Emergency Management Administration, the U. S. Department of Health and Human Services for the Bioterrorism Hospital Preparedness Program, and the U.S. Department of the Interior (Compact Impact) passed-through GovGuam as well as contributions from individuals, non-profit organizations, and private organizations. Revenues from federal awards and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Federal awards and contributions may be restricted for either specific operating purposes or for capital acquisitions. Amounts restricted to capital replacement and expansions are reported as capital grants and contributions in the statements of revenues, expenses and changes in net position.

Estimated Malpractice Costs

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Income Taxes

As an instrumentality of GovGuam, GMHA and all property acquired by or for the Hospital, and all revenues and income are exempt from taxation by GovGuam. However, GMHA is required to remit withheld payroll taxes. As of September 30, 2019 and 2018, GMHA's deficiencies on delinquent and unpaid taxes with the Department of Revenue and Taxation were \$5,324,074 and \$5,435,349, respectively. This is presented as Accounts payable - Department of Revenue and Taxation in the statements of financial position.

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Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

Risk Management

GMHA is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. GMHA is self-insured for medical malpractice claims and judgments.

New Accounting Standards

During fiscal year 2019 GMHA implemented the following pronouncements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

The implementation of these statements did not have a material effect on PBS Guam's financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90 and 91 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.

Reclassifications

Certain items in the 2018 financial statements have been reclassified to correspond with the 2019 financial statement presentation.

(3) Patient Accounts Receivable

GMHA grants credit without collateral to its patients, many of whom are Guam residents and are insured under third-party payor agreements. Patient accounts receivable at September 30, 2019 and 2018, consist of:

	<u>2019</u>	<u>2018</u>
Account referrals - Department of Revenue and Taxation	\$ 39,179,724	\$ 20,495,583
Self-pay Patients	19,970,454	20,940,270
Medically Indigent Program	7,190,342	4,076,296
Local Third-Party Payor and Other	42,615,950	31,784,666
Medicaid Assistance Program	18,767,907	13,127,092
Medicare	51,345,448	39,765,299
Collection agencies and other	<u>8,544,789</u>	<u>9,768,485</u>
	187,614,614	139,957,691
Less allowance for uncollectible accounts	<u>(145,537,832)</u>	<u>(106,307,367)</u>
	<u>\$ 42,076,782</u>	<u>\$ 33,650,324</u>

Patient accounts receivable from "Local Third-Party Payor and Other" includes receivables from GovGuam of \$2,554,317 and \$2,215,403 as of September 30, 2019 and 2018, respectively, for healthcare services.

During fiscal years 2019 and 2018, GMHA collected \$8,149,740 and \$1,514,035, respectively, from accounts referred to the Department of Revenue and Taxation.

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(4) Other Receivables

The Hospital grants credit without collateral to customers primarily located on Guam for catering services and supplies issuances. Other receivables at September 30, 2019 and 2018, consist of:

	<u>2019</u>	<u>2018</u>
Government of Guam:		
Department of Mental Health and Substance Abuse	\$ 33,591	\$ 20,773
Guam Fire Department	17,420	17,420
Others	<u>61,931</u>	<u>55,535</u>
	<u>\$ 112,942</u>	<u>\$ 93,728</u>

(5) Inventory

Inventory at September 30, 2019 and 2018, consists of the following:

	<u>2019</u>	<u>2018</u>
Pharmaceuticals, drugs and medicine	\$ 2,174,389	\$ 1,688,400
Medical and pharmaceutical supplies	1,307,106	1,393,704
Dietary food supplies	<u>2,000</u>	<u>3,827</u>
	3,483,495	3,085,931
Less allowance for obsolescence	<u>(493,522)</u>	<u>(493,522)</u>
	<u>\$ 2,989,973</u>	<u>\$ 2,592,409</u>

(6) Capital Assets

Capital assets activity for the years ended September 30, 2019 and 2018 was as follows:

	2019			
	<u>Balance</u> <u>October 1,</u>	<u>Transfers</u> <u>and</u> <u>Additions</u>	<u>Transfers</u> <u>and</u> <u>Deletions</u>	<u>Balance</u> <u>September 30,</u>
Depreciable assets:				
Building and land improvements	\$ 74,941,992	\$ 200,639	\$ (404,467)	\$ 74,738,164
Long-term care facility	11,224,746	-	-	11,224,746
Movable equipment	<u>25,063,608</u>	<u>3,473,130</u>	<u>(2,005,401)</u>	<u>26,531,337</u>
	111,230,346	3,673,769	(2,409,868)	112,494,247
Less accumulated depreciation and amortization	(82,648,943)	(3,461,561)	2,400,610	(83,709,894)
Allowance for impairment	<u>-</u>	<u>(400,000)</u>	<u>-</u>	<u>(400,000)</u>
	28,581,403	(187,192)	(9,258)	28,384,353
Non-depreciable assets:				
Construction in progress	<u>1,050,143</u>	<u>374,127</u>	<u>(196,401)</u>	<u>1,227,869</u>
Total capital assets, net	<u>\$ 29,631,546</u>	<u>\$ 186,335</u>	<u>\$ (205,659)</u>	<u>\$ 29,612,222</u>

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(6) Capital Assets, Continued

	2018			
	Balance October 1,	Transfers and Additions	Transfers and Deletions	Balance September 30,
Depreciable assets:				
Building and land improvements	\$ 74,592,792	\$ 349,200	\$ -	\$ 74,941,992
Long-term care facility	11,224,746	-	-	11,224,746
Movable equipment	<u>26,747,705</u>	<u>716,562</u>	<u>(2,400,659)</u>	<u>25,063,608</u>
	112,565,243	1,065,762	(2,400,659)	111,230,346
Less accumulated depreciation and amortization	<u>(81,030,102)</u>	<u>(4,006,169)</u>	<u>2,387,328</u>	<u>(82,648,943)</u>
	31,535,141	(2,940,407)	(13,331)	28,581,403
Non-depreciable assets:				
Construction in progress	<u>1,034,982</u>	<u>497,534</u>	<u>(482,373)</u>	<u>1,050,143</u>
Total capital assets, net	\$ <u>32,570,123</u>	\$ <u>(2,442,873)</u>	\$ <u>(495,704)</u>	\$ <u>29,631,546</u>

During the year ended September 30, 2019, GMHA recorded \$400,000 impairment loss for the Z-Wing portion of the Hospital, which was specifically determined to be unsafe for use.

(7) Due to GovGuam Retirement Fund ("GGRF")

At September 30, 2019 and 2018, accounts payable due to GGRF reported as current liabilities consist of the following:

	2019	2018
Employer and member contributions of:		
Current fiscal year (DB) Plan	\$ 260,850	\$ 550,250
Unfunded liability	231,825	449,332
Employer and member contributions of current fiscal year (DCRS Plan)	<u>254,017</u>	<u>235,171</u>
	\$ <u>746,692</u>	\$ <u>1,234,753</u>

In accordance with Public Law No. 26-35, as amended by Public Law No. 26-49, GMHA was among various autonomous agencies required to reimburse GGRF for certain supplemental benefits paid to its retirees by GGRF.

Statutory employer contributions for DCRS plan members for the years ended September 30, 2019 and 2018 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, 5% of the member's regular pay is deposited into the member's individual investment account. The remaining amount is contributed towards the unfunded liability of the DB plan.

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(8) Long-Term Debt and Other Liabilities

The changes in long-term liabilities for the years ended September 30, 2019 and 2018, are as follows:

	Balance October 1, 2018	Additions	Reductions	Balance September 30, 2019	Due Within One Year
Annual leave	\$ 4,219,157	\$ 901,111	\$ (1,023,944)	\$ 4,096,324	\$ 1,881,292
Sick leave	3,242,941	607,101	(295,118)	3,554,924	-
Net pension liability	127,077,065	-	(941,515)	126,135,550	-
OPEB liability	<u>178,049,315</u>	<u>-</u>	<u>(43,772,586)</u>	<u>134,276,729</u>	<u>-</u>
	<u>\$ 312,588,478</u>	<u>\$ 1,508,212</u>	<u>\$ (46,033,163)</u>	<u>\$ 268,063,527</u>	<u>\$ 1,881,292</u>
	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018	Due Within One Year
Annual leave	\$ 4,122,457	\$ 2,778,583	\$ (2,681,883)	\$ 4,219,157	\$ 1,827,469
Sick leave	4,706,659	1,167,575	(2,631,293)	3,242,941	-
Net pension liability	140,412,624	-	(13,335,559)	127,077,065	-
OPEB liability	<u>183,586,849</u>	<u>-</u>	<u>(5,537,534)</u>	<u>178,049,315</u>	<u>-</u>
	<u>\$ 332,828,589</u>	<u>\$ 3,946,158</u>	<u>\$ (24,186,269)</u>	<u>\$ 312,588,478</u>	<u>\$ 1,827,469</u>

(9) Medical Malpractice/Employment and Personnel Claims

GMHA is self-insured for malpractice. GMHA's exposure under malpractice claims is limited to \$300,000 per claim by the Government Claims Act. GMHA is the defendant in claims, including claims for employment and personnel matters, which are pending review or are expected to go to litigation. While GMHA intends to pursue an aggressive defense of these cases and claims, the possibility exists that some may result in material monetary damages being awarded to claimants or plaintiffs. Hospital management is of the opinion that resolution of these claims will not have a material impact on the accompanying financial statements.

(10) Pensions

GMHA is statutorily responsible for providing pension benefits for GMHA employees through the GovGuam Retirement Fund (GGRF).

A. General Information About the Pension Plans:

Plan Description: GGRF administers the GovGuam Defined Benefit (DB) Plan, a single-employer defined benefit pension plan, and the Defined Contribution Retirement System (DCRS). The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes GMHA, have the option of becoming members of the DB Plan prior to the operative date.

All employees of GovGuam, including employees of GovGuam public corporations, whose employment commences on or after October 1, 1995, are required to participate in the DCRS Plan. Hence, the DB Plan became a closed group.

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(10) Pensions, Continued

Members of the DB Plan who retired prior to October 1, 1995, or their survivors, are eligible to receive annual supplemental annuity payments. In addition, retirees under the DB and the DCRS Plans are eligible to receive an annual ad hoc cost of living allowance (COLA).

A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website – www.ggrf.com.

Plan Membership: As of September 30, 2018 (the measurement date), plan membership consisted of the following:

DB members:

Inactive employees or beneficiaries currently receiving benefits	7,273
Inactive employees entitled to but not yet receiving benefits	3,170
Active employees	<u>5,188</u>
	15,631

DCRS members:

Active employees	<u>5,921</u>
	<u>21,552</u>

Benefits Provided: The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or \$6,000, whichever is greater. Members who joined the DB Plan prior to October 1, 1981 may retire with 10 years of service at age 60 (age 55 for uniformed personnel); or with 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 25 years of service at any age. Members who joined the DB Plan on or after October 1, 1981 and prior to August 22, 1984 may retire with 15 years of service at age 60 (age 55 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 30 years of service at any age.

A. General Information About the Pension Plans, Continued:

Members who joined the DB Plan after August 22, 1984 and prior to October 1, 1995 may retire with 15 years of service at age 65 (age 60 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 65; or upon completion of 30 years of service at any age. Upon termination of employment before attaining at least 25 years of total service, a member is entitled to receive a refund of total contributions including interest. A member who terminates after completing at least 5 years of service has the option of leaving contributions in the GGRF and receiving a service retirement benefit upon attainment of the age of 60 years. In the event of disability during employment, members under the age of 65 with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive sixty six and two-thirds of the average of their three highest annual salaries received during years of credited service. The DB Plan also provides death benefits.

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(10) Pensions, Continued

A. General Information About the Pension Plans, Continued:

Supplemental annuity benefit payments are provided to DB retirees in the amount of \$4,238 per year, but not to exceed \$40,000 per year when combined with their regular annual retirement annuity. Annual COLA payments are provided to DB and DCRS retirees in a lump sum amount of \$2,000. Both supplemental annuity benefit payments and COLA payments are made at the discretion of the Guam Legislature, but are funded on a "pay-as-you-go" basis so there is no plan trust. It is anticipated that ad hoc COLA and supplemental annuity payments will continue to be made for future years at the same level currently being paid.

On September 20, 2016, the Guam Legislature enacted Public Law 33-186, which created two new government retirement plans; the DB 1.75 Plan and the Government of Guam Retirement Security Plan (GRSP). Commencing April 1, 2017 through September 30, 2018, eligible employees may elect, during the "election window", to participate in the DB 1.75 Plan or the GRSP with an effective date of January 1, 2018. Beginning January 1, 2018, all new employees shall be automatically enrolled in the GRSP. New employees have sixty (60) days from the date of hire to elect to participate in the DCRS.

The DB 1.75 Plan is open for participation by certain existing employees, new employees, and reemployed employees who would otherwise participate in the DC Plan or the new GRSP and who make election on a voluntary basis to participate in the DB 1.75 Plan by December 31, 2017. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 9.5% of the employee's base salary while employer contributions are actuarially determined. Members of the DB 1.75 Plan automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution. Benefits are fully vested upon attaining 5 years of credited service.

Members of DB 1.75 Plan may retire at age 62 with 5 years of credited service, or at age 60 with 5 years of credited service without survivor benefits, or at age 55 with 25 years of credited service but the retirement annuity shall be reduced $\frac{1}{2}$ of 1% for each month that the age of the member is less than 62 years (6% per year). Credited service is earned for each year of actual employment by the GovGuam as an employee. Upon retirement, a retired member is entitled to a basic retirement annuity equal to an annual payment of 1.75% of average annual salary multiplied by years of credited service. Average annual salary means the average of annual base salary for three years of service which produce the highest average.

Contributions and Funding Policy: Contribution requirements of participating employers and active members to the DB Plan are determined in accordance with Guam law. Employer contributions are actuarially determined under the One-Year Lag Methodology. Under this methodology, the actuarial valuation date is used for calculating the employer contributions for the second following fiscal year. For example the September 30, 2017 actuarial valuation was used for determining the year ended September 30, 2019 statutory contributions. Member contributions are required at 9.52% of base pay.

As a result of actuarial valuations performed as of September 30, 2017, 2016 and 2015, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2019, 2018 and 2017, respectively, have been determined as follows:

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(10) Pensions, Continued

A. General Information About the Pension Plans, Continued:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Normal costs (% of DB Plan payroll)	13.54%	15.97%	16.27%
Employee contributions (DB Plan employees)	<u>9.52%</u>	<u>9.55%</u>	<u>9.55%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>4.02%</u>	<u>6.42%</u>	<u>6.72%</u>
Employer portion of normal costs (% of total payroll)	2.29%	1.60%	1.87%
Unfunded liability cost (% of total payroll)	<u>21.29%</u>	<u>22.12%</u>	<u>21.60%</u>
Government contribution as a % of total payroll	<u>23.58%</u>	<u>23.72%</u>	<u>23.47%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>26.56%</u>	<u>27.83%</u>	<u>27.41%</u>
Employee	<u>9.52%</u>	<u>9.55%</u>	<u>9.55%</u>

GMHA's contributions to the DB Plan for the years ended September 30, 2019, 2018 and 2017 were \$4,739,144, \$4,418,833 and \$2,146,334, respectively, which were equal to the required contributions for the respective years then ended.

GMHA's recognized supplemental annuity benefit payments and the COLA payments as transfers from GovGuam for the years ended September 30, 2019, 2018 and 2017, totaling \$1,636,748, \$1,656,365 and \$1,639,050, respectively, which were equal to the statutorily required contributions for the respective years then ended.

Members of the DCRS plan, who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

Contributions into the DCRS plan by members are based on an automatic deduction of 5% of the member's regular base pay, which increased to 6.2% effective January 1, 2018. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Statutory employer contributions for the DCRS plan for the year ended September 30, 2019 and 2018 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 5% of the member's regular pay is deposited into the DCRS, which increased to 6.2% effective January 1, 2018. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

GMHA's contributions to the DCRS Plan for the years ended September 30, 2019, 2018 and 2017 were \$7,477,946, \$8,883,016 and \$11,800,076, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$5,732,509, \$7,028,796 and \$9,731,456 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2019, 2018 and 2017, respectively.

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

Pension Liability: At September 30, 2019 and 2018, GMHA reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2018 and 2017, respectively, which is comprised of the following:

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(10) Pensions, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

	<u>2019</u>	<u>2018</u>
Defined benefit plan	\$ 103,815,783	\$ 103,946,075
Ad hoc COLA/supplemental annuity plan for DB retirees	18,580,907	18,350,836
Ad hoc COLA plan for DCRS retirees	<u>3,738,860</u>	<u>4,780,154</u>
	<u>\$ 126,135,550</u>	<u>\$ 127,077,065</u>

GMHA's proportion of the GovGuam net pension liabilities was based on GMHA's expected plan contributions relative to the total expected contributions received by the respective pension plans for GovGuam and GovGuam's component units. At September 30, 2019 and 2018, GMHA's proportionate shares of the GovGuam net pension liabilities were as follows:

	<u>2019</u>	<u>2018</u>
Defined benefit plan	8.80%	9.10%
Ad hoc COLA/supplemental annuity plan for DB retirees	6.41%	6.37%
Ad hoc COLA plan for DCRS retirees	7.58%	7.65%

Pension Expense (Benefit): For the years ended September 30, 2019 and 2018, GMHA recognized pension expense (benefit) for its proportionate share of plan pension expense from the above pension plans as follows:

	<u>2019</u>	<u>2018</u>
Defined benefit plan	\$ 1,852,104	\$ (12,957,886)
Ad hoc COLA/supplemental annuity plan for DB retirees	524,255	3,785,238
Ad hoc COLA plan for DCRS retirees	<u>(1,121,119)</u>	<u>260,455</u>
	<u>\$ 1,255,240</u>	<u>\$ (8,912,193)</u>

Deferred Outflows and Inflows of Resources: At September 30, 2019 and 2018, GMHA reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2019</u>					
	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/SA Plan for DB</u>		<u>Ad Hoc COLA Plan for DCRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 292,986	\$ 1,861,090	\$ 274,906	\$ -	\$ 537,178	\$ 34,167
Changes of assumptions	-	-	-	616,714	445,296	499,023
Contributions subsequent to the measurement date	10,045,722	-	1,482,748	-	154,000	-
Changes in proportion and difference between GMHA contributions and proportionate share of contributions	<u>-</u>	<u>2,400,396</u>	<u>80,799</u>	<u>-</u>	<u>159,461</u>	<u>172,415</u>
	<u>\$ 10,338,708</u>	<u>\$ 4,261,486</u>	<u>\$ 1,838,453</u>	<u>\$ 616,714</u>	<u>\$ 1,295,935</u>	<u>\$ 705,605</u>

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(10) Pensions, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

	2018					
	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/SA Plan for DB</u>		<u>Ad Hoc COLA Plan for DCRS</u>	
	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ -	\$ -	\$ -	\$ 217,188	\$ 37,132
Net difference between projected and actual earnings on pension plan investments	-	5,051,644	-	-	-	-
Changes of assumptions	-	-	-	-	482,780	317,914
Contributions subsequent to the measurement date	10,600,286	-	1,514,365	-	142,000	-
Changes in proportion and difference between GMHA contributions and proportionate share of contributions	-	-	1,558	-	23,583	-
	<u>\$ 10,600,286</u>	<u>\$ 5,051,644</u>	<u>\$ 1,515,923</u>	<u>\$ -</u>	<u>\$ 865,551</u>	<u>\$ 355,046</u>

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2019 will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Defined Benefit Plan</u>	<u>Ad Hoc COLA/SA Plan for DB Retirees</u>	<u>Ad Hoc COLA Plan for DCRS Retirees</u>
2020	\$ (812,396)	\$ (124,291)	\$ 22,096
2021	(2,611,890)	(124,291)	22,096
2022	(1,030,046)	(12,427)	22,096
2023	485,832	-	22,096
2024	-	-	22,096
Thereafter	-	-	<u>325,850</u>
	<u>\$ (3,968,500)</u>	<u>\$ (261,009)</u>	<u>\$ 436,330</u>

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(10) Pensions, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

Actuarial Assumptions: Actuarially determined contribution rates for the DB Plan are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. The methods and assumptions used to determine contribution rates are as follows:

Valuation Date:	September 30, 2017
Actuarial Cost Method:	Entry age
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	May 1, 2033 (15.58 years remaining as of September 30, 2017)
Asset Valuation Method:	3-year smoothed market value (effective September 30, 2009)
Inflation:	2.75% per year
Total payroll growth:	2.75% per year
Salary Increases:	4.00% to 7.50%
Retirement age:	50% probability of retirement upon first eligibility for unreduced retirement. Thereafter, the probability of retirement is 20% for each year until age 75, and increases to 100% at age 75.
Mortality:	RP-2000 healthy mortality table (males +3, females +2). Mortality for disabled lives is the RP 2000 disability mortality (males +6, females +4). Both tables are projected generationally from 2016 using 30% of Scale BB.

The actuarial assumptions used in the September 30, 2017 valuation were based on the results of an actuarial experience study for the period October 1, 2011 to September 30, 2015.

The investment rate assumption as of September 30, 2017 was 7%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the expected nominal return for each major asset class are summarized in the following table:

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(10) Pensions, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

Target <u>Asset Class</u>	Nominal <u>Allocation</u>	<u>Return</u>
U.S. Equities (large cap)	29.0%	7.47%
U.S. Equities (small cap)	7.0%	8.73%
Non-U.S. Equities	16.5%	9.27%
Non-U.S. Equities (emerging markets)	2.0%	11.09%
U.S. Fixed Income (aggregate)	21.5%	4.67%
Risk parity	8.0%	6.50%
High yield bonds	8.0%	6.59%
Global Real Estate (REITs)	5.0%	8.60%
Master Limited Partnerships	3.0%	6.56%

Changes in Actuarial Assumptions: The following changes in actuarial assumptions occurred from the September 30, 2016 valuation to the September 30, 2017 valuation:

Remaining Amortization Period: The unfunded liability was being amortized over a closed period ending on May 1, 2031. This was extended by 2 years to May 1, 2033 by Public Law 33-186.

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan as of September 30, 2018 and 2017 was 7%, which is equal to the expected investment rate of return. The expected investment rate of return applies to benefit payments that are funded by plan assets (including future contributions), which includes all plan benefits except supplemental annuity payments to DB retirees and ad hoc COLA to both DB and DCRS retirees. The discount rate used to measure the total pension liability for the supplemental annuity and ad hoc COLA payments as of September 30, 2018 was 4.18% (3.64% as of September 30, 2017), which is equal to the rate of return of a high quality bond index.

Discount Rate Sensitivity Analysis: The following presents the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to GMHA's proportionate share of the net pension liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Defined Benefit Plan:

	1% Decrease in Discount Rate <u>6.0%</u>	Current Discount Rate <u>7.0%</u>	1% Increase in Discount Rate <u>8.0%</u>
Net Pension Liability	\$ <u>132,376,443</u>	\$ <u>103,815,783</u>	\$ <u>79,299,752</u>

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(10) Pensions, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate <u>3.18%</u>	Current Discount Rate <u>4.18%</u>	1% Increase in Discount Rate <u>5.18%</u>
Net Pension Liability	\$ <u>20,326,845</u>	\$ <u>18,580,907</u>	\$ <u>17,071,893</u>

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate <u>3.18%</u>	Current Discount Rate <u>4.18%</u>	1% Increase in Discount Rate <u>5.18%</u>
Net Pension Liability	\$ <u>4,206,128</u>	\$ <u>3,738,860</u>	\$ <u>3,339,758</u>

C. Payables to the Pension Plans:

As of September 30, 2019 and 2018, GMHA recorded payables to GGRF of \$746,692 and \$1,234,753, respectively, representing statutorily required contributions unremitted as of the respective year-ends.

(11) Other Post Employment Benefits (OPEB)

GMHA participates in the retiree health care benefits program. GovGuam's Department of Administration is responsible for administering the GovGuam Group Health Insurance Program, which provides medical, dental, and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. The program covers retirees and is considered an other postemployment benefits plan.

A. General Information About the OPEB Plan:

Plan Description: The other postemployment benefits plan is a single employer defined benefit plan that provides healthcare benefits to eligible employees and retirees who are members of the GovGuam Retirement Fund. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Governor's recommended budget and the annual General Appropriations Act enacted by the Guam Legislature provide for a premium level necessary for funding the program each year on a "pay-as-you-go" basis. Because the OPEB Plan consists solely of GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Plan Membership: As of September 30, 2018 and 2017, (the respective measurement periods), OPEB plan membership consisted of the following as of September 2017 and 2016 (the respective actuarial valuation dates):

	<u>2018</u>	<u>2017</u>
Inactive plan members or beneficiaries currently receiving benefits	7,930	7,342
Active plan members	<u>10,136</u>	<u>10,282</u>
	<u>18,066</u>	<u>17,624</u>

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(11) Other Post Employment Benefits (OPEB), Continued

Benefits Provided: The OPEB Plan provides post-employment medical, dental and life insurance benefits to GMHA retirees, spouses, children and survivors, which are the same benefits as provided to active employees. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. GMHA contributes a portion of the medical and dental premiums, based on a schedule of semi-monthly rates, and reimburses certain Medicare premiums to eligible retirees. Retirees are also required to pay a portion of the medical and dental insurance premiums. Three types of health plans are offered to eligible participants:

- Standard islandwide Preferred Provider Organization (PPO) Plan
- High Deductible (Health Savings Account - HSA) PPO Plan
- Retiree Supplement Plan (RSP)

The PPO and HSA Plans apply to both active employees and retirees and work with set deductible amounts whereas the RSP Plan is an added option for retirees only.

Contributions: No employer contributions are assumed to be made since an OPEB trust has not been established. Instead, the OPEB Plan is financed on a substantially "pay-as-you-go" basis whereby contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

During the years ended September 30, 2019, 2018 and 2017, GMHA recognized certain on-behalf payments as transfers from GovGuam, totaling \$3,038,540, \$3,050,569 and \$3,277,378, respectively, representing certain healthcare benefits that GovGuam's General Fund paid directly on behalf of GMHA retirees and were equivalent to the required contribution for those years.

B. Total OPEB Liability:

As of September 30, 2019 and 2018, GMHA reported a total OPEB liability of \$134,276,729 and \$178,049,315, respectively, for its proportionate share of the GovGuam total OPEB liability measured as of September 30, 2018 and 2017. The following presents GMHA's proportion change in proportion since the prior measurement date:

Proportion at prior measurement date, September 30, 2017	<u>7.32%</u>
Proportion at measurement date, September 30, 2018	<u>7.16%</u>
Decrease in proportion	<u>0.16%</u>

The total OPEB liability for the OPEB Plan was determined by an actuarial valuation as of September 30, 2017 rolled forward to September 30, 2018 (the measurement date) using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.75%.

Amortization method: Level dollar amount over 30 years on an open amortization period for pay-as-you-go funding.

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(11) Other Post Employment Benefits (OPEB), Continued

B. Total OPEB Liability, Continued:

Salary increases:	7.5% per year for the first 5 years of service, 6% for 6-10 years, 5% for 11-15 years and 4% for service over 15 years. Previously, 7.5% per year for the first 5 years of service, 6% for 5-10 years, 5% for 11-15 years and 4.5% for service over 15 years.
Healthcare cost trend rates:	For 2018, Non-Medicare 13.5%; Medicare -25%; and Part B 5.33%. For the second year, 6.75% then reducing 0.25% annually to an ultimate rate of 4.25% for 2029 and later years. Previously, 8% for 2016, decreasing 0.25% per year to an ultimate rate of 4.5% for 2030 and later years. Health care trend assumptions begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. The principal components of health trend are medical inflation, deductible erosion, cost shifting, utilization, technology and catastrophic claims. The overall effect of these components are expected to decline year by year.
Dental trend rates:	3.8% in year one, 3.75% per year thereafter, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends. Previously, 4% per year.
Participation rates:	Medical - 100% of eligible retired employees will elect to participate. Dental - 100% of eligible retirees will elect to participate. Life - 100% of eligible retirees will elect to participate. Current retirees will continue in the GovGuam plan as provided in the data, and upon attainment of age 65, will remain in that plan or enroll in a Retiree Supplemental Plan per Medicare Enrollment assumption below.
Medicare enrollment:	15% of current and future retirees are assumed to enroll in Medicare and will enroll in a Retiree Supplemental Plan upon attainment of age 65. All employees retired prior to September 30, 2008 are assumed ineligible for Medicare upon attainment of age 65 and therefore will not enroll in a Medicare Supplemental Plan.
Dependent status:	Male spouses are assumed to be three years older and female spouses are assumed to be three years younger than the retired employee. Medical – 100% of spouses of active employees covered under a GovGuam medical plan will elect to participate at the active employee’s retirement. Dental – 100% of spouses of active employees covered under a GovGuam dental plan will elect to participate at the active employee’s retirement. Life – 100% of spouses of active employees will elect to participate at the active employee’s retirement. For current retired employees, the actual census information is used. Previously, 60% of employees are assumed to retire with a covered spouse. For current retired employees, the actual census information is used.

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(11) Other Post Employment Benefits (OPEB), Continued

B. Total OPEB Liability, Continued:

Actuarial cost method:	Entry Age Normal. The costs of each employee's post-employment benefits are allocated as a level basis over the earnings of the employee between the employee's date of hire and the assumed exit ages.
Healthy Retiree mortality rates:	RP-2000 Combined Healthy Mortality Table, set forward 3 years and 2 years for males and females, respectively, projected generationally using 30% of Scale BB. Previously, set forward 4 years and 1 year for males and females, respectively.
Disabled Retiree mortality rates:	RP-2000 Disabled Mortality Table, set forward 6 years and 4 years for males and females, projected generationally using 30% of Scale BB.
Withdrawal rates:	15% for less than 1 year of service, decreasing 1% for each additional year of service up to 10 years, further decreasing 0.5% for each additional year of service up to 15 years, and 2% for service over 15 years.
Disability rates:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females as follows: 0.05% for males aged 20-39 years (0.03% for females); 0.10% - .18% for males aged 40-49 years (0.05% - 0.09% for females); 0.32% - 0.523% for males aged 50-59 years (0.16% - 0.27% for females); and 0.76% for males aged 60-64 years (0.38% for females). Previously, 1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and females.
Retirement rates:	50% of employees are assumed to retire at first eligibility for unreduced benefits under the Government of Guam Retirement Fund, 20% per year thereafter until age 75, and 100% at age 75. Previously, 40% of employees are assumed to retire at earliest eligibility for unreduced benefits under the Government of Guam Retirement Fund, 15% per year thereafter until age 65, 20% per year thereafter until age 70 and 100% at age 70.

Discount rate: The discount rate used to measure the total OPEB liability was 4.18% as of September 30, 2018 (3.63% as of September 30, 2017). The projection of cash flows used to determine the discount rate assumed that contributions from GMHA will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 4.18% municipal bond rate as of September 30, 2018 (3.63% as of September 30, 2017) was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB plan fiduciary net position: As of September 30, 2019 and 2018, an OPEB trust has not been established thus the OPEB Plan does not presently report OPEB plan fiduciary net position.

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(11) Other Post Employment Benefits (OPEB), Continued

C. Changes in the Total OPEB Liability:

Changes in GMHA's proportionate share of the total OPEB liability for the years ended September 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of the year	\$ <u>178,049,315</u>	\$ <u>183,586,849</u>
Changes for the year:		
Service cost	8,595,699	9,689,876
Interest	6,715,877	5,865,484
Change of assumptions	(12,269,880)	(18,295,109)
Change in proportionate share	(6,136,170)	139,936
Differences between expected and actual experience	(37,408,864)	-
Benefit payments	<u>(3,269,248)</u>	<u>(2,937,721)</u>
Net change	<u>(43,772,586)</u>	<u>(5,537,534)</u>
Balance at end of the year	\$ <u>134,276,729</u>	\$ <u>178,049,315</u>

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the sensitivity of the total OPEB liability to changes in the discount rate. The sensitivity analysis shows the impact to GMHA's proportionate share of the total OPEB liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease in Discount Rate <u>3.18%</u>	Current Discount Rate <u>4.18%</u>	1% Increase in Discount Rate <u>5.18%</u>
Total OPEB Liability	\$ <u>158,355,316</u>	\$ <u>134,276,729</u>	\$ <u>114,934,808</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The sensitivity analysis shows the impact to GMHA's proportionate share of the total OPEB liability if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	\$ <u>111,972,903</u>	\$ <u>134,276,729</u>	\$ <u>163,147,957</u>

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the years ended September 30, 2019 and 2018, GMHA reported total OPEB expense of \$1,588,513 and \$11,598,399, respectively, for its proportionate share of the GovGuam total OPEB expense measured for the years ended September 30, 2018 and 2017. At September 30, 2019 and 2018, GMHA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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(11) Other Post Employment Benefits (OPEB), Continued

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, Continued:

	2019		2018	
	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Changes of assumptions	\$ 9,725,133	\$22,285,130	\$ 13,238,993	\$ 15,257,429
Differences between expected and actual experience	-	30,692,730	-	-
Contributions subsequent to the measurement date	3,038,540		3,050,569	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	<u>1,751,525</u>	<u>3,242,741</u>	<u>2,623,563</u>	<u>-</u>
	<u>\$ 14,515,198</u>	<u>\$ 56,220,601</u>	<u>\$ 18,913,125</u>	<u>\$ 15,257,429</u>

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at September 30, 2019 will be recognized in OPEB expense as follows:

Year Ending
September 30

2020	\$ (8,910,441)
2021	(8,910,441)
2022	(8,910,441)
2023	(12,291,236)
2024	<u>(5,721,384)</u>
	<u>\$ (44,743,943)</u>

(12) Patient Service Revenue

GMHA has a fee schedule applicable for all providers, however, third-party payors such as Medicare, Medicaid and MIP have payment arrangements at amounts different from GMHA's established rates. A summary of the payment arrangements with major third-party payors follows:

- Medicare - Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. Rates for the long-term care facility vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. GMHA is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by GMHA and audits thereof by the Medicare fiscal intermediary. At September 30, 2019 and 2018, GMHA has \$1,513,000 and \$10,983,881, respectively, of reimbursements due from Medicare cost settlements.
- Medicaid Assistance Program and Medically Indigent Program (MIP) - GMHA is reimbursed for the cost of inpatient and outpatient services rendered under the programs administered by the GovGuam Department of Public Health and Social Services. During each fiscal year, GMHA is reimbursed on a per diem rate for in-patient and percentage charges for out-patient.

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(12) Patient Service Revenue, Continued

Gross patient revenue from the Medicare, Medicaid and MIP programs accounted for approximately 28 percent, 21 percent and 8 percent, respectively, of GMHA's gross patient revenue for the year ended September 30, 2019, and 28 percent, 20 percent and 7 percent, respectively, of GMHA's gross patient revenue for the year ended September 30, 2018. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Patient service revenues for the years ended September 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Services provided to Medicaid patients	\$ 38,060,776	\$ 30,431,224
Services provided to Medicare patients	50,129,345	42,198,886
Services provided to MIP patients	14,776,109	10,713,408
Services provided to Self-pay patients	22,216,198	21,654,432
Services provided to Other patients	<u>53,683,520</u>	<u>44,893,209</u>
	178,865,948	149,891,159
Less contractual adjustments and provisions for uncollectible accounts	<u>(79,778,205)</u>	<u>(62,835,996)</u>
Net patient service revenue	\$ <u>99,087,743</u>	\$ <u>87,055,163</u>

Services provided to Medicaid patients for the years ended September 30, 2019 and 2018 included \$17,765,654 and \$11,829,122, respectively, in revenues paid through the GMHA Pharmaceutical Fund.

(13) Transfers from the Government of Guam (GovGuam)

During the years ended September 30, 2019 and 2018, GovGuam passed supplemental appropriations in public laws from the General Fund and various special revenue funds for certain specific programs and financial assistance, which are summarized as follows:

	<u>2019</u>	<u>2018</u>
GMHA Pharmaceuticals Fund	\$ 17,154,801	\$ 3,614,454
Healthy Futures Fund	9,665,129	3,064,886
General Fund – On Behalf Payments	4,675,288	4,706,934
GMHA Healthcare Trust and Development Fund	2,489,437	1,979,454
General Fund	1,651,256	9,302,609
Hotel Occupancy Tax Surplus Fund	1,235,540	-
ARRA EIC Incentive	-	1,041,948
Guam Cancer Trust Fund	<u>307,551</u>	<u>162,509</u>
	\$ <u>37,179,002</u>	\$ <u>23,872,794</u>

In accordance with Public Law 34-116, GovGuam appropriated \$19,283,615 from the GMHA Pharmaceuticals Fund for the year ended September 30, 2018. Of the total appropriations, \$17,154,801 was recorded as non-operating revenues while \$1,301,922 was not received. Further, GMHA was also appropriated \$1,651,256 from the General Fund and \$9,665,129 from the Healthy Futures Fund in accordance with Public Law 34-42, and \$307,551 from the Guam Cancer Trust Fund for the year ended September 30, 2019.

In accordance with Public Law 33-44, GovGuam appropriated \$1,600,000 from the 2014 Hotel Occupancy Tax Surplus Fund for the purchase of equipment and supplies. Of the total appropriations, \$1,235,540 was received and recorded as non-operating revenues for the year ended September 30, 2019.

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(13) Transfers from the Government of Guam (GovGuam), Continued

In accordance with Public Law 34-42, GovGuam appropriated \$15,772,163 from the GMHA Pharmaceuticals Fund for the year ended September 30, 2018. Of the total appropriations, \$11,829,122 or seventy-five percent (75%) was credited to Medicaid patient receivables. Of the remaining \$3,943,041, GMHA received and recorded \$3,614,454 as non-operating revenues. Further, GMHA was also appropriated \$2,502,609 from the General Fund and \$3,064,886 from the Healthy Futures Fund in accordance with Public Law 34-42, and \$162,509 from the Guam Cancer Trust Fund for the year ended September 30, 2018.

In 2018, in accordance with Public Law 34-115, GovGuam appropriated \$6,800,000 from the General Fund Tax Amnesty Program for GMHA's operations, inclusive of correcting the deficiencies as identified in the Centers for Medicare and Medicaid Services survey report.

Public Law 32-60 established the GMHA Healthcare Trust and Development Fund which provided 60% of funds collected from gaming tax be allocated to GMHA for subsidizing the establishment and operation of an urgent healthcare center within the GMHA facility. For the years ended September 30, 2019 and 2018, GMHA received \$2,489,437 and \$1,979,454 in appropriations, respectively.

During the years ended September 30, 2019 and 2018, GMHA recognized certain on-behalf payments as transfers from GovGuam, totaling \$4,675,288 and \$4,706,934, respectively, representing certain healthcare benefits and other pension benefits that GovGuam's General Fund paid directly on behalf of Hospital retirees.

(14) Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of who are residents of Guam and are either insured under third-party payor agreements or uninsured. The mix of receivables from patients and third-party payors at September 30, 2019 and 2018, was as follows:

	<u>2019</u>	<u>2018</u>
Self-Pay Patients	36%	37%
Local Third-Party Payor and Other	23%	23%
Medicaid Assistance Program	10%	9%
Medicare	27%	28%
Medically Indigent Program	<u>4%</u>	<u>3%</u>
	<u>100%</u>	<u>100%</u>

(15) Commitments and Contingencies

Medicare

The Government of Guam and its component units, including GMHA, began withholding and remitting funds to the U.S. Social Security System for the health insurance component of its salaries and wages effective October 1998 for employees hired after March 31, 1986. Prior to October 1998, the Government of Guam did not withhold or remit Medicare payments to the U.S. Social Security System. If the Government is found to be liable for such amounts, an indeterminate liability could result. It is the opinion of GMHA and all other component units of the Government of Guam that this health insurance component is optional prior to October 1998.

Therefore, no liability for any amount, which may ultimately arise from this matter, has been recorded in the accompanying financial statements.

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(15) Commitments and Contingencies, Continued

Litigation

GMHA is involved in litigation arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the accompanying financial statements. At September 30, 2019 and 2018, GMHA's provision for estimated claims is \$560,000 and \$2,133,372, respectively. The change in the estimate of \$1,573,372 is presented under 'other income, net' in the statements of revenues, expenses and changes in net position.

Retroactive Pay

On October 12, 2011, the Office of the Governor issued Executive Order No. 2011-14 which ordered the freezing of salary step increases for employees of line agencies and instrumentalities of the Executive Branch of the Government of Guam. On May 13, 2013, Executive Order No. 2013-004 was issued rescinding Executive Order No. 2011-14 and lifting the freeze on salary step increases. As of September 30, 2019 and 2018, GMHA recorded retroactive pay of \$0.

Merit System

In 1991, Public Law 21-59 was enacted to establish a bonus system for employees of GovGuam, autonomous and semi-autonomous agencies, public corporations and other public instrumentalities of GovGuam who earn a superior performances grade. The bonus is calculated at 3.5% of the employee's base salary beginning 1991. GMHA did not pay any bonuses pursuant to the law from 1991 through 2002. In 2003, GMHA adopted a merit system similar to the GovGuam merit system. GMHA has assessed the impact of the requirements of the law for fiscal years 1991 through 2013. As of September 30, 2019 and 2018, GMHA recorded merit payable of \$0.

Federal Award Programs

GMHA has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Questioned costs for the prior year audits amounted to \$0. Audits of federal program funds are also performed by various federal agencies. If the audits result in cost disallowances, GMHA may be liable. However, management does not believe that resolution of this matter will result in a material liability. Therefore, no liability for any amount, which may ultimately arise from these matters, has been recorded in the accompanying financial statements.

(16) Dependency on the Government of Guam

GMHA has incurred losses from operations of \$30,469,708 and \$33,309,206 and negative cash flows from operations of \$28,725,127 and \$18,952,770 for the years ended September 30, 2019 and 2018, respectively. GMHA recorded contractual adjustments and provisions for uncollectible accounts of \$79,778,205 and \$62,835,996 for the fiscal years ended September 30, 2019 and 2018, respectively. At September 30, 2019 and 2018, GMHA's liabilities for delinquent and unpaid taxes with the Department of Revenue and Taxation were \$5,324,074 and \$5,435,349, respectively, and unremitted retirement contributions to GovGuam Retirement Fund were \$746,692 and \$1,234,753, respectively.

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September 30, 2019 and 2018

(16) Dependency on the Government of Guam, Continued

At September 30, 2019 and 2018, GMHA has gross receivables from the Government of Guam of \$6,410,853 and \$8,974,860, respectively, for appropriations and outpatient clinic services to DOC. Of the total balance at September 30, 2019 and 2018, \$2,497,993 and \$1,915,514, relates to reimbursable outpatient clinic services to DOC detainees and inmates, with an allowance for uncollectible accounts of \$1,719,042 and \$0, respectively. At September 30, 2019 and 2018, GMHA also has \$2,326,280 and \$2,101,610 respectively, of receivables from DOC for inpatient clinic services and these are presented under 'patient accounts receivable, net' in the statements of net position.

As disclosed in Note 3, at September 30, 2019 and 2018, patient accounts receivable includes gross receivables from the Government of Guam for healthcare services of \$2,554,317 and \$2,215,403, respectively, from the Medicaid Assistance Program of \$18,767,907 and \$13,127,092, respectively, and from the Medically Indigent Program of \$7,190,342 and \$4,076,296, respectively. For the years ended September 30, 2019 and 2018, GMHA billed and collected the following from the Government of Guam:

	2019		2018	
	Billings	Collections	Billings	Collections
Healthcare services	\$ 981,341	\$ 460,203	\$ 798,506	\$ 266,493
Medicaid Assistance Program	40,035,520	17,579,613	32,776,001	16,955,999
Medically Indigent Program	<u>14,557,079</u>	<u>3,875,780</u>	<u>11,206,810</u>	<u>6,853,159</u>
	<u>\$ 55,573,940</u>	<u>\$ 21,915,596</u>	<u>\$ 44,781,317</u>	<u>\$ 24,075,651</u>

GMHA management has taken the following actions and measures to address losses from operations and negative cash flows from operations:

- Established collaborative partnerships with the Office of the Attorney General for collection referrals and the Department of Revenue and Taxation for garnishments of tax refunds for self-pay accounts.
- In October 2019, GMHA began considering an evaluation of its Revenue Cycle Management (RCM) to address perennial cash flow issues. In February 2020, a request for proposals was issued to solicit the specialized RCM services. The work would involve assisting GMHA receive appropriate and expedient reimbursements from insurance/third-party payers, improve revenues, reduce claims/insurance denials, reduce bad debt expense and write-offs, modernize and streamline the RCM workflow, reduce accounts receivables, maximize collections, decrease operating losses, maintain federal and local regulatory compliance, and improve patient experience. A preliminary assessment found that GMHA's charge master is considerably incomplete resulting in undercharging for room, board, and services. Coding is severely short staffed and impacting billing and collections. The entire revenue cycle management needs organizational restructure.
- In October 2018, to reduce the level of uncompensated care, GMHA hired an Eligibility Specialist in collaboration with the Department of Public Health and Social Services, to assist the uninsured and underinsured apply for and obtain Medicaid or MIP coverage.
- A Business Office Manager was hired in October 2019 to manage the Patient Affairs department and ensure efficiency and accuracy in billing and collections.
- The Board approved Official Resolution No.15-19 raising the hospital fees by 5% effective April 1, 2015 and another 5% automatically every subsequent year.

GUAM MEMORIAL HOSPITAL AUTHORITY
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Notes to Financial Statements
September 30, 2019 and 2018

(16) Dependency on the Government of Guam, Continued

- Continue pursuing additional Tax Equity and Fiscal Responsibility Act (TEFRA) adjustment requests for fiscal years 2014 through 2018.

Management believes that the continuation of the Hospital's operations is dependent upon the future payment of medical services underwritten by the Government of Guam, continued compensation by the Government of Guam for the cost of services provided under the Medicaid and Medically Indigent Program, the collection of long outstanding patient receivables, and/or improvements in operations.

(17) Subsequent Events

Facility Condition Assessment

In November 2019, the US Army Corps of Engineers conducted a facility condition assessment of the hospital building. In its final report, the cost of immediate repairs was estimated at \$21 million to support the reaccreditation of the facility and eliminate hazards to life, health, and safety. These repairs consist of roof replacement, exterior building repairs, HVAC repairs, life safety repairs, and fire sprinkler repairs. The report recommended GMHA to construct a new multi-story hospital of equivalent size on a suitable site on the island, with an estimated cost of \$743 million, including \$21 million to support reaccreditation.

TakeCare Insurance

On March 11, 2020, GMHA announced that insurance coverage under TakeCare Insurance Company, Inc. (TakeCare) is no longer accepted due to non-payment of past due accounts. Consequently, TakeCare subscribers presenting themselves for treatment at the hospital are billed as self-paying patients. As of September 30, 2019, GMHA has a receivable from TakeCare of \$10.11 million, net of an allowance for doubtful accounts of \$6.18 million.

COVID-19

On March 11, 2020, the World Health Organization declared the disease resulting from a novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. On March 13, 2020, President Donald J. Trump declared a national emergency within the United States. In response to the national emergency declared by the U.S. President, on March 14, 2020, Governor Lourdes A. Leon Guerrero issued Executive Order 2020-03 declaring a state of emergency in response to COVID-19. Further, Executive Order 2020-04 ordered the closure of all non-essential Government of Guam offices, prohibited large gatherings, and restricted entry into Guam from countries with confirmed COVID-19 cases. As a result, schools and non-essential government agencies and businesses have closed. GMHA, being an essential component, has not closed but has implemented staggered staffing to address social distancing and has restricted visitation, elective and outpatient services. As of report date, GMHA has received direct Coronavirus Aid, Relief, and Economic Securities Act (CARES Act) funding from the Department of Health and Human Services of \$7.70 million. While the disruption is currently expected to be temporary, there is uncertainty around the duration. Due to uncertainty, the accompanying financial statements do not reflect any adjustments which may ultimately arise from these matters.

Tax Abatement

On February 3, 2020, GMHA requested from the Department of Revenue and Taxation a waiver of interest and penalties of \$2.38 million arising from liabilities for delinquent and unpaid taxes of \$5.32 million at September 30, 2019. On June 9, 2020, the Department of Revenue and Taxation approved the waiver. Also, in June 2020, GMHA has paid the related delinquent and unpaid taxes in full.

**GUAM MEMORIAL HOSPITAL AUTHORITY
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Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

Defined Benefit Plan

	2019	2018	2017	2016	2015	2014
Total net pension liability	\$ 1,179,192,550	\$ 1,142,249,393	\$ 1,368,645,126	\$ 1,436,814,230	\$ 1,246,306,754	\$ 1,303,304,636
GMHA's proportionate share of the net pension liability	\$ 103,815,783	\$ 103,946,075	\$ 123,668,997	\$ 133,213,450	\$ 107,746,620	\$ 116,454,796
GMHA's proportion of the net pension liability	8.80%	9.10%	9.04%	9.27%	8.65%	8.94%
GMHA's covered-employee payroll**	\$ 45,240,661	\$ 46,255,958	\$ 45,750,624	\$ 47,411,059	\$ 43,653,700	\$ 41,133,673
GMHA's proportionate share of the net pension liability as percentage of its covered employee payroll	229.47%	224.72%	270.31%	280.98%	246.82%	283.11%
Plan fiduciary net position as a percentage of the total pension liability	63.28%	60.63%	54.62%	52.32%	56.60%	53.94%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

**GUAM MEMORIAL HOSPITAL AUTHORITY
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Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	2019	2018	2017	2016
Total net pension liability***	\$ 289,875,668	\$ 288,147,121	\$ 229,486,687	\$ 235,799,709
GMHA's proportionate share of the net pension liability	\$ 18,580,907	\$ 18,350,836	\$ 14,608,250	\$ 14,882,725
GMHA's proportion of the net pension liability	6.41%	6.37%	6.37%	6.31%
GMHA's covered-employee payroll**	\$ 32,938,622	\$ 32,371,445	\$ 32,230,552	\$ 32,275,382
GMHA's proportionate share of the net pension liability as percentage of its covered employee payroll	56.41%	56.69%	45.32%	46.11%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

*** No assets accumulated in a trust to pay benefits.

See Accompanying Independent Auditors' Report.

**GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)**

Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA Plan for DCRS Retirees

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total net pension liability***	\$ 49,342,424	\$ 62,445,490	\$ 61,688,067	\$ 52,115,736
GMHA's proportionate share of the net pension liability	\$ 3,738,860	\$ 4,780,154	\$ 4,908,140	\$ 4,126,989
GMHA's proportion of the net pension liability	7.58%	7.65%	7.96%	7.92%
GMHA's covered-employee payroll**	\$ 20,040,304	\$ 28,842,675	\$ 29,046,338	\$ 28,182,983
GMHA's proportionate share of the net pension liability as percentage of its covered employee payroll	18.66%	16.57%	16.90%	14.64%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

*** No assets accumulated in a trust to pay benefits.

See Accompanying Independent Auditors' Report.

**GUAM MEMORIAL HOSPITAL AUTHORITY
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Required Supplemental Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily determined contribution	\$ 10,600,286	\$ 11,773,474	\$ 10,797,566	\$ 12,606,829	\$ 11,552,350	\$ 11,059,816
Contribution in relation to the statutorily determined contribution	<u>11,960,259</u>	<u>11,400,176</u>	<u>11,242,339</u>	<u>12,470,651</u>	<u>11,593,916</u>	<u>10,874,139</u>
Contribution (excess) deficiency	<u>\$ (1,359,973)</u>	<u>\$ 373,298</u>	<u>\$ (444,773)</u>	<u>\$ 136,178</u>	<u>\$ (41,566)</u>	<u>\$ 185,677</u>
GMHA's covered-employee payroll **	<u>\$ 45,240,661</u>	<u>\$ 46,255,958</u>	<u>\$ 45,750,624</u>	<u>\$ 47,411,059</u>	<u>\$ 43,653,700</u>	<u>\$ 41,133,673</u>
Contribution as a percentage of covered-employee payroll	26.44%	24.65%	24.57%	26.30%	26.56%	26.44%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

GUAM MEMORIAL HOSPITAL AUTHORITY
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Required Supplemental Information (Unaudited)
Schedule of Changes in Total OPEB Liability and Related Ratios
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB liability:				
Service cost	\$ 8,595,699	\$ 9,689,876	\$ 7,774,023	Not Available
Interest	6,715,877	5,865,484	5,926,498	Not Available
Change of assumptions	(12,269,880)	(18,295,109)	19,385,329	Not Available
Change in proportionate share	(6,136,170)	139,936		Not Available
Differences between expected and actual experience	(37,408,864)	-		Not Available
Benefit payments	<u>(3,269,248)</u>	<u>(2,937,721)</u>	<u>(2,937,721)</u>	Not Available
Net change in total OPEB liability	(43,772,586)	(5,537,534)	30,148,129	
Total OPEB liability - beginning	<u>178,049,315</u>	<u>183,586,849</u>	<u>\$ 153,438,720</u>	Not Available
Total OPEB liability - ending	<u>\$ 134,276,729</u>	<u>\$ 178,049,315</u>	<u>\$ 183,586,849</u>	<u>\$ 153,438,720</u>
Covered payroll as of valuation date	<u>\$ 53,336,850</u>	<u>\$ 45,589,420</u>	<u>\$ 45,589,420</u>	
Total OPEB liability as a percentage of covered employee payroll	251.75%	390.55%	402.70%	

Notes to schedule:

<i>Discount rate</i>	4.18%	3.63%	3.058%	3.71%
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Changes of benefit terms:

None

Changes of assumptions:

Discount rate has changed from respective measurement dates

* Information for 2010 - 2015 is not available

** No assets accumulated in a trust to pay the benefits.

See Accompanying Independent Auditors' Report.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Required Supplemental Information (Unaudited)
Schedule of the Proportionate Share of the Total OPEB Liability
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability **	\$ 1,874,970,335	\$ 2,431,048,672	\$ 2,532,753,040
GMHA's proportionate share of the total OPEB Liability	\$ 134,276,729	\$ 178,049,315	\$ 183,586,849
GMHA's proportion of the total OPEB Liability	7.16%	7.32%	7.25%
GMHA's covered-employee payroll	53,336,850	45,589,420	45,589,420
GMHA's proportionate share of the total OPEB Liability as a percentage of its covered employee payroll	251.75%	390.55%	402.70%

* Information for 2010 - 2016 is not available

** No assets accumulated in a trust to pay the benefits.

See Accompanying Independent Auditors' Report.

**GUAM MEMORIAL HOSPITAL AUTHORITY
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Required Supplemental Information (Unaudited)
Schedule of OPEB Employer Contributions
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 18,748,390	\$ 19,422,648	\$ 16,627,095
Contributions in relation to the actuarially determined contribution	<u>3,269,248</u>	<u>2,937,721</u>	<u>2,937,721</u>
Contribution deficiency	<u>\$ 15,479,142</u>	<u>\$ 16,484,927</u>	<u>\$ 13,689,374</u>
Covered payroll as of valuation date	<u>\$ 53,336,850</u>	<u>\$ 45,589,420</u>	<u>\$ 45,589,420</u>
Contributions as a percentage of covered employee payroll	6.13%	6.44%	6.44%

Notes to Schedule

Valuation date:

Actuarially determined contributions rates are calculated as of September 30, 2017.

Method and assumptions used to determine contributions rates:

Actuarial cost method:	Entry age normal.
Amortization method:	Level dollar amount on an open amortization period
Amortization period:	30 years
Inflation:	2.75%
Healthcare cost trend rates:	For 2018, Non-Medicare 13.5%; Medicare -25%; and Part B 5.33%. For the second year, 6.75% then reducing 0.25% annually to an ultimate rate of 4.25% for 2029 and later years
Salary increase:	4% to 7.5%
Mortality (Healthy Retiree):	RP-2000 Combined Healthy Mortality Table, set forward 3 years and 2 years for males and females, respectively.
Mortality (Disabled Retiree):	RP-2000 Disable Mortality Table, set forward 6 years and 4 years for males and females, respectively.

* Information for 2010 - 2016 is not available

See Accompanying Independent Auditors' Report.

GUAM MEMORIAL HOSPITAL AUTHORITY
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Schedule of Expenses
Years Ended September 30, 2019 and 2018

	<u>2019</u>		<u>2018</u>
NURSING:			
Salaries	\$ 30,509,886	\$	30,820,814
Overtime	1,111,677		791,591
Other pay	5,106,799		4,298,280
Fringe benefits	<u>7,698,407</u>		<u>5,730,999</u>
Total personnel costs	44,426,769		41,641,684
Contractual services	13,123,589		9,860,841
Supplies and materials	4,519,713		3,703,784
Miscellaneous	<u>29,992</u>		<u>21,648</u>
	<u>\$ 62,100,063</u>	\$	<u>55,227,957</u>

	<u>2019</u>		<u>2018</u>
PROFESSIONAL SUPPORT:			
Salaries	\$ 11,763,419	\$	11,804,250
Overtime	389,728		315,877
Other pay	1,867,380		1,745,267
Fringe benefits	<u>3,563,060</u>		<u>1,394,462</u>
Total personnel costs	17,583,587		15,259,856
Supplies and materials	10,627,023		8,936,885
Utilities	17,248		27,869
Contractual services	2,429,940		1,656,633
Miscellaneous	<u>83,796</u>		<u>98,429</u>
	<u>\$ 30,741,594</u>	\$	<u>25,979,672</u>

See accompanying independent auditors' report.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Schedule of Expenses, Continued
Years Ended September 30, 2019 and 2018

	2019	2018
ADMINISTRATIVE SUPPORT:		
Salaries	\$ 5,178,318	\$ 5,111,500
Overtime	282,132	166,919
Other pay	227,738	193,472
Fringe benefits	1,658,556	790,954
Total personnel costs	7,346,744	6,262,845
Supplies and materials	3,158,852	2,224,880
Utilities	2,872,667	2,734,684
Contractual services	624,260	547,324
Miscellaneous	665,087	495,757
	\$ 14,667,610	\$ 12,265,490

	2019	2018
FISCAL SERVICES:		
Salaries	\$ 4,363,005	\$ 4,181,148
Overtime	68,749	36,476
Other pay	120,920	140,580
Fringe benefits	1,363,902	573,849
Annual leave lump sum pay	(133,247)	60,549
Sick leave (DC plan)	426,790	(1,448,849)
Total personnel costs	6,210,119	3,543,753
Supplies and materials	873,347	855,614
Contractual services	1,457,826	1,705,406
Miscellaneous	63,989	103,835
	\$ 8,605,281	\$ 6,208,608

See accompanying independent auditors' report.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Schedule of Expenses, Continued
Years Ended September 30, 2019 and 2018

	2019	2018
ADMINISTRATION:		
Salaries	\$ 1,946,222	\$ 1,842,361
Overtime	4,084	3,471
Other pay	28,487	15,054
Fringe benefits	545,605	169,480
Total personnel costs	2,524,398	2,030,366
Supplies and materials	40,271	38,604
Contractual services	273,345	257,896
Insurance (Property)	459,904	457,249
Miscellaneous	327,806	112,697
	\$ 3,625,724	\$ 2,896,812
	2019	2018
MEDICAL STAFF:		
Salaries	\$ 653,335	\$ 671,472
Overtime	294	20
Other pay	21,579	10,610
Fringe benefits	220,325	74,009
Total personnel costs	895,533	756,111
Supplies and materials	26,810	19,638
Miscellaneous	30,031	36,678
	\$ 952,374	\$ 812,427
Total actual expenses, without depreciation impairment, and retiree healthcare costs and other pension benefits	\$ 120,692,646	\$ 103,390,966

See accompanying independent auditors' report.

GUAM MEMORIAL HOSPITAL AUTHORITY
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Schedule of Patient Service Revenues by Patient Classification
Years Ended September 30, 2019 and 2018

	2019	2018
Gross Patient Service Revenue:		
Medicaid patients	\$ 38,060,776	\$ 30,431,224
Medicare patients	50,129,345	42,198,886
MIP patients	14,776,109	10,713,408
Other patients	53,683,520	44,893,209
Self-pay patients	22,216,198	21,654,432
	\$ 178,865,948	\$ 149,891,159
 Contractual Adjustments and Provision for Bad Debts:		
Contractual adjustments:		
Medicaid patients	\$ 20,235,374	\$ 14,596,809
Medicare patients	32,458,697	16,649,827
MIP patients	5,467,037	4,330,173
Other patients	3,553,928	7,817,086
Provision for bad debts:		
Self-pay patients	18,063,169	19,442,101
	\$ 79,778,205	\$ 62,835,996
 Net Patient Service Revenue:		
Medicaid patients	\$ 17,825,402	\$ 15,834,415
Medicare patients	17,670,648	25,549,059
MIP patients	9,309,072	6,383,235
Other patients	50,129,592	37,076,123
Self-pay patients	4,153,029	2,212,331
	\$ 99,087,743	\$ 87,055,163

See accompanying independent auditors' report.

GUAM MEMORIAL HOSPITAL AUTHORITY
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Schedule of Billings and Collections and Reconciliation of Billings to Gross Patient Revenues
For the Years ended September 30, 2019, 2018, 2017, 2016 and 2015

	Medicaid, Medicare and MIP				Self Pay and Government - DOC and Others				Third-Party Payors							Grand Total	Timing Differences and Adjustments	Gross Patient Revenues		
	Medicaid	Medicare	MIP	Subtotal	Self Pay	Government - DOC and Others	Subtotal	Subtotal	Payor A	Payor B	Payor C	Payor D	Payor E	Subtotal						
2019																				
Billings	\$ 40,035,520	\$ 42,650,825	\$ 14,557,079	\$ 97,243,424	\$ 28,242,171	\$ 981,341	\$ 29,223,512	\$ 126,466,936	\$ 2,782,460	\$ 15,509,994	\$ 22,340,270	\$ 6,690,476	\$ 3,982,170	\$ 51,305,370	\$ 177,772,306					
Collections	\$ 17,579,613	\$ 11,982,584	\$ 3,875,780	\$ 33,437,977	\$ 14,578,388	\$ 460,203	\$ 15,038,591	\$ 48,476,568	\$ 2,895,617	\$ 9,654,735	\$ 15,532,290	\$ 5,167,364	\$ 1,935,211	\$ 35,185,217	\$ 83,661,785					
Percentage of collections over billing:	<u>44%</u>	<u>28%</u>	<u>27%</u>	<u>34%</u>	<u>52%</u>	<u>47%</u>	<u>51%</u>	<u>38%</u>	<u>104%</u>	<u>62%</u>	<u>70%</u>	<u>77%</u>	<u>49%</u>	<u>69%</u>	<u>47%</u>					
2018																				
Billings	\$ 32,776,001	\$ 36,182,305	\$ 11,206,810	\$ 80,165,116	\$ 27,954,383	\$ 798,506	\$ 28,752,889	\$ 108,918,005	\$ 4,594,613	\$ 11,553,818	\$ 17,741,845	\$ 7,535,750	\$ 3,480,370	\$ 44,906,396	\$ 153,824,401					
Collections	\$ 16,955,999	\$ 12,093,559	\$ 6,853,159	\$ 35,902,717	\$ 7,273,535	\$ 266,493	\$ 7,540,028	\$ 43,442,745	\$ 3,066,368	\$ 8,860,062	\$ 13,822,760	\$ 4,801,154	\$ 1,758,666	\$ 32,309,010	\$ 75,751,755					
Percentage of collections over billing:	<u>52%</u>	<u>33%</u>	<u>61%</u>	<u>45%</u>	<u>26%</u>	<u>33%</u>	<u>26%</u>	<u>40%</u>	<u>67%</u>	<u>77%</u>	<u>78%</u>	<u>64%</u>	<u>51%</u>	<u>72%</u>	<u>49%</u>					
2017																				
Billings	\$ 29,924,525	\$ 34,655,230	\$ 11,517,925	\$ 76,097,680	\$ 28,392,425	\$ 1,527,385	\$ 29,919,810	\$ 106,017,490	\$ 3,636,968	\$ 12,512,844	\$ 19,115,200	\$ 4,817,020	\$ 3,889,827	\$ 43,971,859	\$ 149,989,349					
Collections	\$ 13,628,713	\$ 13,242,302	\$ 4,534,889	\$ 31,405,904	\$ 12,959,653	\$ 187,317	\$ 13,146,970	\$ 44,552,874	\$ 2,365,968	\$ 15,404,038	\$ 15,515,588	\$ 3,519,571	\$ 1,900,355	\$ 38,705,520	\$ 83,258,394					
Percentage of collections over billing:	<u>46%</u>	<u>38%</u>	<u>39%</u>	<u>41%</u>	<u>46%</u>	<u>12%</u>	<u>44%</u>	<u>42%</u>	<u>65%</u>	<u>123%</u>	<u>81%</u>	<u>73%</u>	<u>49%</u>	<u>88%</u>	<u>56%</u>					
2016																				
Billings	\$ 40,386,186	\$ 40,824,898	\$ 14,380,718	\$ 95,591,802	\$ 34,034,634	\$ 878,254	\$ 34,912,888	\$ 130,504,690	\$ 2,258,734	\$ 12,924,131	\$ 20,734,233	\$ 3,175,965	\$ 3,732,492	\$ 42,825,555	\$ 173,330,245					
Collections	\$ 26,852,265	\$ 14,775,217	\$ 6,693,099	\$ 48,320,581	\$ 14,771,636	\$ 599,724	\$ 15,371,360	\$ 63,691,941	\$ 2,683,779	\$ 7,049,088	\$ 14,636,563	\$ 2,205,959	\$ 2,347,233	\$ 28,922,622	\$ 92,614,563					
Percentage of collections over billing:	<u>66%</u>	<u>36%</u>	<u>47%</u>	<u>51%</u>	<u>43%</u>	<u>68%</u>	<u>44%</u>	<u>49%</u>	<u>119%</u>	<u>55%</u>	<u>71%</u>	<u>69%</u>	<u>63%</u>	<u>68%</u>	<u>53%</u>					
2015																				
Billings	\$ 38,620,656	\$ 31,947,870	\$ 17,167,090	\$ 87,735,616	\$ 32,230,994	\$ 783,790	\$ 33,014,784	\$ 120,750,400	\$ 3,190,464	\$ 12,724,384	\$ 19,922,551	\$ 4,101,569	\$ 4,095,892	\$ 44,034,860	\$ 164,785,260					
Collections	\$ 17,021,649	\$ 12,227,719	\$ 8,425,392	\$ 37,674,760	\$ 12,731,268	\$ 305,439	\$ 13,036,707	\$ 50,711,467	\$ 2,039,183	\$ 6,762,529	\$ 14,420,318	\$ 2,786,961	\$ 2,494,030	\$ 28,503,021	\$ 79,214,488					
Percentage of collections over billing:	<u>44%</u>	<u>38%</u>	<u>49%</u>	<u>43%</u>	<u>40%</u>	<u>39%</u>	<u>39%</u>	<u>42%</u>	<u>64%</u>	<u>53%</u>	<u>72%</u>	<u>68%</u>	<u>61%</u>	<u>65%</u>	<u>48%</u>					

See accompanying independent auditors' report.

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Schedule of Full Time Employee (FTE) Count
Years Ended September 30, 2019 and 2018

<u>Department</u>	<u>2019</u>	<u>2018</u>
Actual FTE count:		
Nursing	468	418
Professional Support	212	199
Administrative Support	174	160
Fiscal Services	92	96
Administration	22	13
Medical Staff	35	39
DOC	22	22
	<u>1,025</u>	<u>947</u>
Budgeted FTE count	<u>1,265</u>	<u>1,232</u>

See accompanying independent auditors' report.