

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, 2020 AND 2019

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, 2020 and 2019, 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, 2020 and 2019, 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 15 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 concerning these matters are also described in Note 15. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

COVID-19

As discussed in Note 16 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 16 as well as the Schedules of Proportional Share of the Net Pension Liability on pages 51 through 53, the Schedule of Pension Contributions on page 54, the Schedule of Changes in Net OPEB Liability and Related Ratios on page 55, the Schedule of the Proportionate Share of the Total OPEB Liability on page 56 and the Schedule of OPEB Employer Contributions on page 57 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

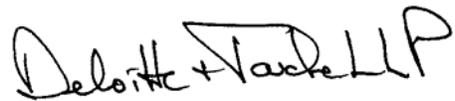
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of expenses, patient service revenues by patient classification, and billings and collections and reconciliation of billings to gross patient revenues on pages 58 to 62 are presented 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 63 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 April 12, 2021, 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.



April 12, 2021

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

Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

The Management's Discussion & Analysis (MD&A) provides an overview of the Guam Memorial Hospital Authority's (GMHA or the Hospital) activities and financial performance for the fiscal years (FY) ended September 30, 2020 and 2019. 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 (GovGuam). 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, 2020, 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 accountability, cost efficiency, excellence in service, safety, and quality. 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.

II. Financial Highlights

Preventing, Preparing for, and Responding to COVID-19

In March 2020, Governor Lou Leon Guerrero issued Executive Order No. 2020-03 declaring a state of emergency for Guam in response to the 2019 novel coronavirus (COVID-19) health emergency. The Hospital was designated as Guam's COVID-19 care facility to provide medical services to COVID-19 patients. Although the Government of Guam began operating at a limited capacity, the Hospital did not close and continued to meet the mandate to provide medical care as needed, to the entire community.

Several actions were taken to immediately respond to the COVID-19 emergency. First and foremost was the GMHA Board of Trustees and Executive Leadership's emphasis on patient and staff safety particularly for infection control. To coordinate and actively engage GMHA staff, daily COVID-19 huddles were held to plan actions and address all issues expeditiously. With guidance from the Centers for Disease Control (CDC) and the Guam Department of Public Health and Social Services

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(DPHSS), protocols and directives were instituted (and continuously updated) for monitoring adequate supply and proper use of personal protective equipment (PPEs), testing staff for COVID-19, performing contact tracing, constructing physical barriers, minimizing physical contact, hiring physicians and nurses, and obtaining medical equipment.

COVID-19 Isolation Facility

Prior to the emergency declaration, GMHA mobilized to convert the Skilled Nursing Facility (SNF) in Barrigada to the COVID-19 Isolation Facility (CIF) to treat and monitor COVID-19 patients. The mobilization plan began with safely relocating the existing SNF patients to a separate facility to continue their long-term care and protect them from any exposure to COVID-19. Several resources from the Hospital such as personnel, equipment, and supplies were transferred and/or procured to ensure the CIF was adequately configured, staffed, and supplied. After an extensive collaboration amongst GMHA and other GovGuam agencies, the first patient was transferred to the CIF on March 19, 2020. The CIF continued to care for COVID-19 patients until April 15, 2020, when it was deactivated due to low patient census.

The activation of the CIF was an indication of the tremendous resources necessary to effectively prevent, prepare for, and respond to COVID-19. Not only did GMHA utilize its human resources, but financial resources outside of normal operations were also greatly needed despite GMHA's cash flow limitations. PPEs were difficult and costly to obtain because supply had decreased tremendously due to extraordinary demand. The Hospital had a significant need for respiratory, diagnostics, and monitoring equipment required to care for COVID-19 patients. Supplies and services were needed to implement physical barriers to limit COVID-19 exposure to patients and staff. The Hospital's entry points were assessed and additional safety and security personnel were hired. Additional housekeeping staff was hired to implement the extensive disinfection protocols for COVID-19 throughout the Hospital. Further, all Hospital departments were redesigned and/or retrofitted to limit physical contact and COVID-19 hygiene protocols were instituted to seamlessly provide quality patient care in a safe environment.

Redesigning and Retrofitting the Hospital and Creation of Care Units

A critical redesign occurred in the Emergency Room (ER), the entry point for all patients, regardless of COVID-19 positivity status. Stage 1 security was erected to pre-screen everyone entering the ER for COVID-19 signs and symptoms and for proper patient disposition. Protocols were carefully created and implemented to create safe patient encounters in accordance with CDC guidelines. Other major redesigns included the creation of COVID-19 "Care Units" to treat COVID-19 patients at different levels of care.

Care 1 – former Urgent Care Clinic used as the holding area for persons under investigation (PUI).
Care 2 – former Special Services Department to treat COVID-19 patients including ICU-level of care.
Care 3 – former Pediatrics Unit located on the 4th floor to treat COVID-19 patients of all levels of care.
Care 4 – former Medical-Telemetry Unit located on the 4th floor to treat COVID-19 patients with ICU, PCU, medical, and telemetry levels of care.
Care 5 – former Intensive Care Unit located on the 2nd floor to treat critical care COVID-19 patients including those needing hemodialysis.

In October 2020, Care 6, the former Medical-Surgical unit on the 3rd floor, was stood up to treat COVID-19 patients with medical level of care.

Other activities related to preventing, preparing for, and responding to COVID-19 in FY 2020 include:

- Collaborated with the U.S. Army Corps of Engineers to complete the FEMA-approved electrical and mechanical upgrade project for Care 3 and Care 4 to accommodate additional medical equipment, such as hemodialysis machines.

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- Applied for FEMA grant project assistance for an Alternate Care Site “Warm Site” valued at \$15.3 million designed to address immediate and projected needs from COVID-19 and maximize response capacity and capability.
- Implemented daily health and wellness checks, including temperature screenings, and mandated face coverings/masks for all GMHA staff.
- Created the Clinical Emergency Preparedness Team under the Medical Executive Committee to work collaboratively with the Operations Division and establish protocols that focus on patient care and staff, standardize patient care based on current data, and implement guidelines for FDA emergency use authorized modalities such as Remdesivir, Bamlanivimab, and Convalescent Plasma.
- Established new quality assurance and performance improvement (QAPI) projects for monitoring outcomes of COVID-19 patients (proning program, self-pay COVID-19 patients, etc.).
- Implemented COVID-19 rapid viral testing on the Abbott ID NOW to obtain faster results and assist physicians in determining patient movement and placement.
- GMHA Lab engaged in collaborative work with DPHSS to provide vital data for COVID-19 patient status and contact tracing and assisted with COVID-19 PCR testing.
- Garnered DoD/HHS approval for 30 Medical Mission Assignment physician intensivists and critical care nurses to augment GMHA’s organic staffing of critical care nurses and physicians.

In August 2020, a second surge of COVID-19 patients overwhelmed the Hospital and GMHA sought additional contract travel nurses through a recruitment company. The travel nurses began their assignment at the Hospital in late September 2020 and were immediately assigned to COVID Care Units. GMHA pursued federal funding to pay for the travel nurses as market rates throughout the nation had skyrocketed to unprecedented amounts.

While emergency services continued, GMHA restricted non-essential surgeries and outpatient procedures as recommended by the Centers for Medicaid and Medicare Services (CMS) to preserve PPEs and other resources and reduce COVID-19 exposure. As a result, since April 2020, Hospital revenues were negatively impacted as patient census declined significantly.

Similarly, across the country, healthcare facilities have experienced drastic declines in volume and unprecedented financial pressures from COVID-19. Hospitals and health systems faced many uncertainties with spikes in COVID-19 cases and hospitalizations that have drained resources and exhausted staff.

CARES Act COVID-19 Financial Relief Funds and Assistance

To provide financial relief caused by these difficulties, the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act) included provisions for immediate cash relief to U.S. hospitals. As of September 30, 2020, GMHA received \$7.8 million in direct CARES Act funding from the U.S. Department of Health and Human Services (HHS) through the Provider Relief Fund. A subsequent distribution of \$2.0 million was received in December 2020.

Phase 1 General Distribution	\$ 965,170
Phase 2 General Distribution	1,084,559
Rural Relief Fund	5,502,276
Skilled Nursing Facility Relief Fund	155,000
Skilled Nursing Facility Infection Control Relief Fund	70,900
Total	\$ 7,777,905

In April 2020, GMHA applied for and received \$4.5 million through the Medicare Accelerated and Advance Payment Program. The CARES Act expanded the CMS program to provide immediate cash flow to providers impacted by the COVID-19 pandemic. CMS will recoup the advanced payments from GMHA in April 2021 by offsetting remittances for claims.

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In May 2020, GMHA received a budget allocation of \$11.9 million from the GovGuam's \$118.0 million Coronavirus Relief Fund distribution to states, territories, local and tribal governments. The funds were budgeted for GMHA's projected expenses for physicians, supplies, payroll, and projects to upgrade capacity for negative pressure and hemodialysis, and expand the patient monitoring system. As of September 30, 2020, \$5.3 million was expended.

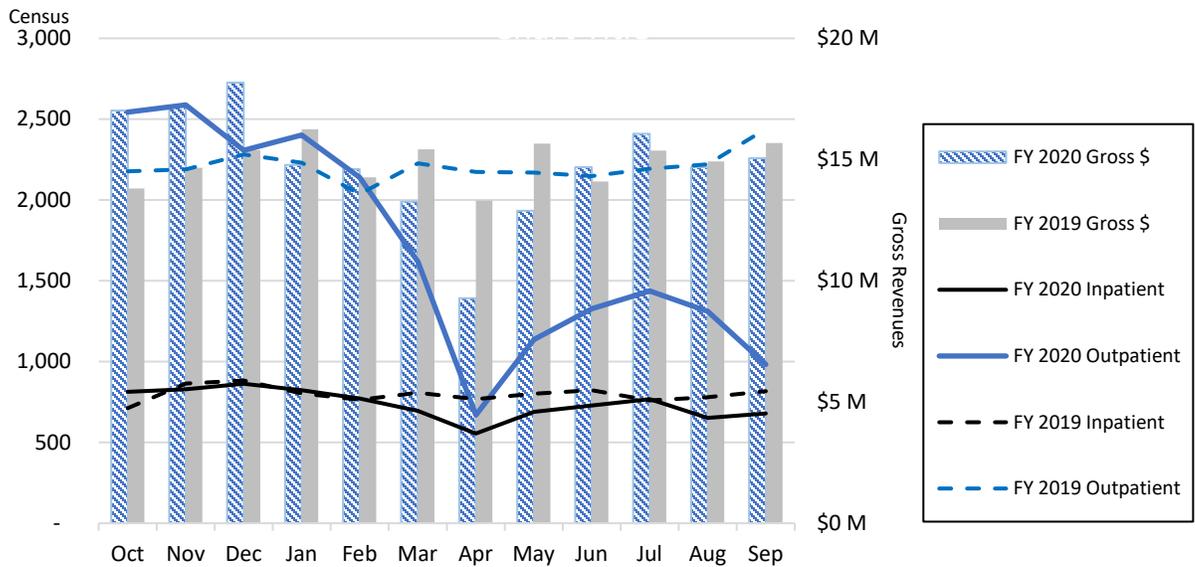
COVID-19 Response Leads to Decrease in Outpatient and Skilled Nursing Gross Revenues

Overall gross patient revenues decreased slightly by \$1.2 million, or 0.6%, from \$178.9 million in FY 2019 to \$177.7 million in FY 2020. However, gross outpatient revenues decreased by 10.9%, or \$4.1 million and gross skilled nursing care gross revenues decreased by 14.5%, or \$0.9 million. This decrease was offset by gross inpatient revenue increases of \$3.8 million, or 2.8%.

	<u>FY 2020</u>	<u>FY 2019</u>	Change FY 2019 to <u>FY 2020</u>	% Change FY 2019 to <u>FY 2020</u>
Inpatient	\$ 139,186,608	\$ 135,357,675	\$ 3,828,933	2.8%
Skilled Nursing	5,039,855	5,895,668	(855,813)	(14.5%)
Outpatient	<u>33,488,057</u>	<u>37,592,714</u>	<u>(4,104,657)</u>	<u>(10.9%)</u>
	\$ <u>177,714,520</u>	\$ <u>178,846,057</u>	\$ <u>(1,131,537)</u>	<u>(0.6%)</u>

The decrease was attributable to the decline in outpatient census due to GMHA's response to COVID-19 by limiting elective surgeries and outpatient services, and decompressing the SNF to prepare it as the COVID Isolation Facility. Gross inpatient revenue growth was most notable in pharmaceutical charges and an early indicator of the benefits of the newly implemented Pyxis Medstation medication dispensing system designed to improve documentation, billing, and controls while reducing medication errors. GMHA's annual 5% rate increase and implementation of new fees are also factors in the year-over-year growth in gross inpatient revenues.

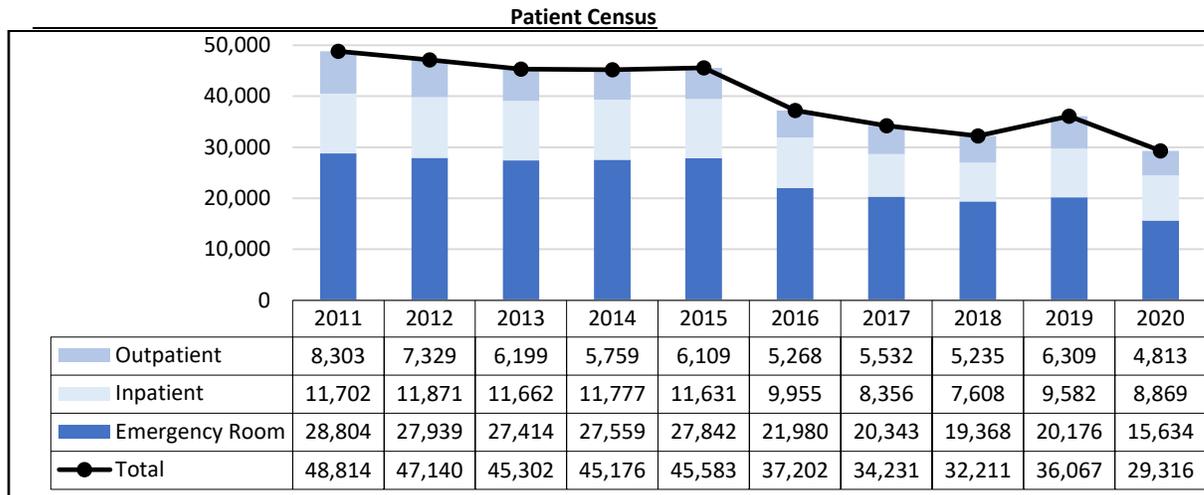
FY 2020 and FY 2019 Gross Revenues, Inpatient & Outpatient Census



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Overall patient census declined by 18.7% to 29,316 in FY 2020 from 36,064 in FY 2019 due to the Hospital's closure of outpatient services due to COVID-19 and decreases in ER visits. Historically, the activities of the Guam Regional Medical City (GRMC) impact the Hospital's census. The Hospital experienced a 18.4% decline in census following GRMC's opening in 2015 and a 12.0% increase in census following GRMC's closure of its Maternal Child Health unit in October 2018. Specifically, inpatient census increased 25.9%, outpatient increased 20.5%, and ER increased 4.2%.



*Emergency Room includes Urgent Care; Inpatient includes SNF

In FY 2020, GMHA experienced unfavorable inpatient and outpatient volume growth compared to FY 2019. Inpatient days decreased 6.4% from FY 2019 and inpatient admissions decreased 7.4%. Outpatient visits also decreased 22.8% which includes urgent care visits (-31.6%) and emergency room visits (-19.2%). GMHA provides a proportionately high number of inpatient services to outpatient services. Particularly under the 3 M's (Medicare, Medicaid, Medically Indigent Program), GMHA is reimbursed at a higher rate for outpatient services than inpatient services. In FY 2020, 20.6% of gross revenues were attributed to outpatient services. Increasing outpatient hospital services will require substantial investment in capital improvements as well as securing requisite professional staff to support expanded services.

	<u>FY 2020</u>	<u>FY 2019</u>	<u>Change FY 2019 to FY 2020</u>	<u>% Change FY 2019 to FY 2020</u>
Inpatient days	47,321	50,552	(3,231)	(6.4%)
Bed occupancy rate	53.1%	68.9%	-	(15.8%)
Inpatient admissions	8,869	9,582	(713)	(7.4%)
Total outpatient visits*	20,458	26,487	(6,040)	(22.8%)
Emergency room visits	12,029	14,894	(2,865)	(19.2%)
Urgent care visits	3,614	5,283	(1,669)	(31.6%)

*Includes Emergency Room includes Urgent Care

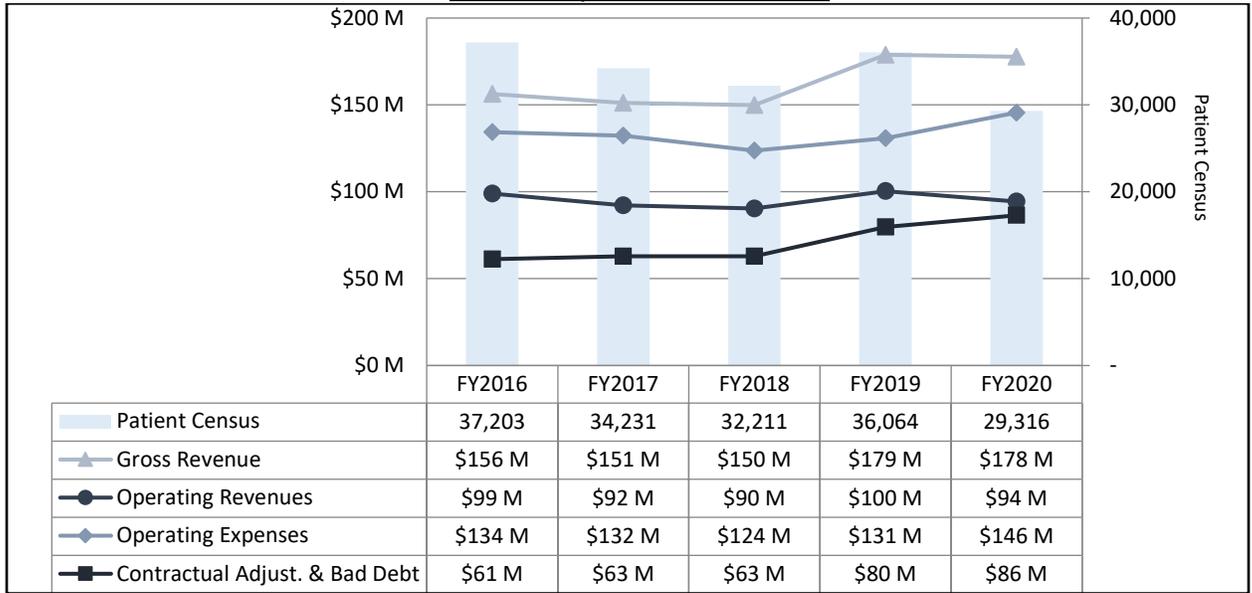
Decreased Net Patient Revenues

Net patient revenues decreased \$7.8 million, or 7.9%, to \$91.3 million in FY 2020 compared to FY 2019, despite minimal gross revenue decreases. GMHA increased the allowance for uncollectible accounts for Third-Party Payers with accounts over 360 days that are deemed uncollectible until disputes are remedied. On the other hand, the allowance for the 3 M's was adjusted favorably due to improved collections.

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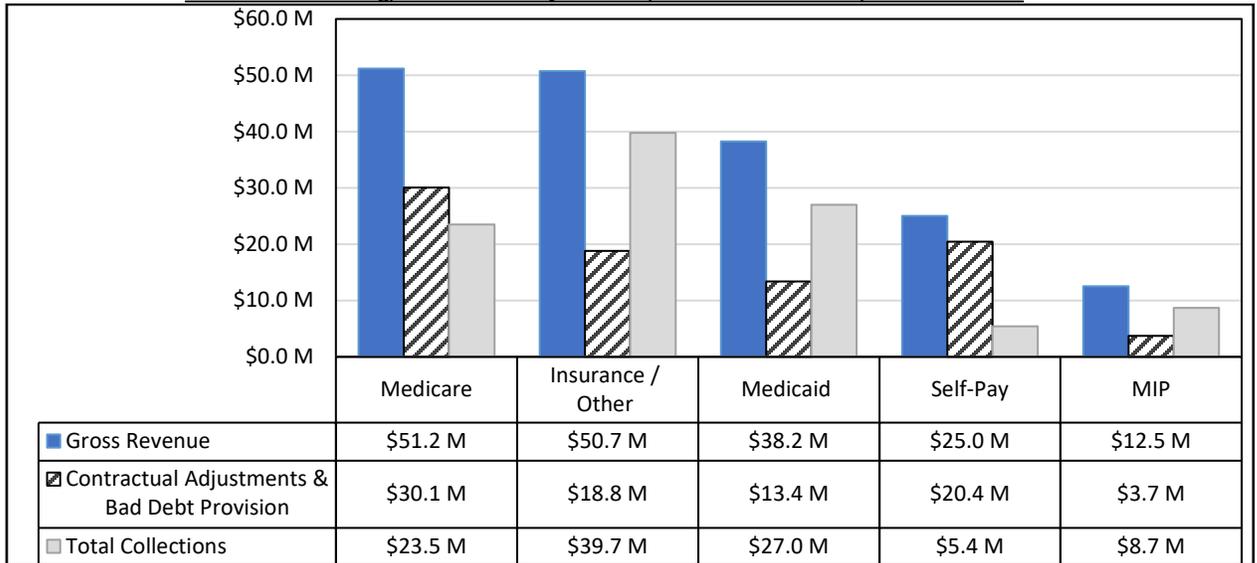
Revenues, Expenses, & Patient Census



Collections increased by 24.8%, or \$20.7 million to \$104.4 million in FY 2020. Collections from the 3 M's were \$59.2 million compared to \$33.4 million in FY 2019, a significant increase of 77.1%, or \$25.8 million. Collections from Third-Party Payers increased 11.1%, or \$3.9M, while self-pay collections decreased \$9.2M, or 60.9%. Improved collections are attributed to aggressive billing, increased Medicare and Medicaid reimbursements, and GMHA's continued partnerships with the Office of the Attorney General (OAG) for collection referrals and the Department of Revenue and Taxation (DRT) for garnishments.

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 2020 Gross Billing, Contractual Adjustments, Bad Debt Allowance, and Collections

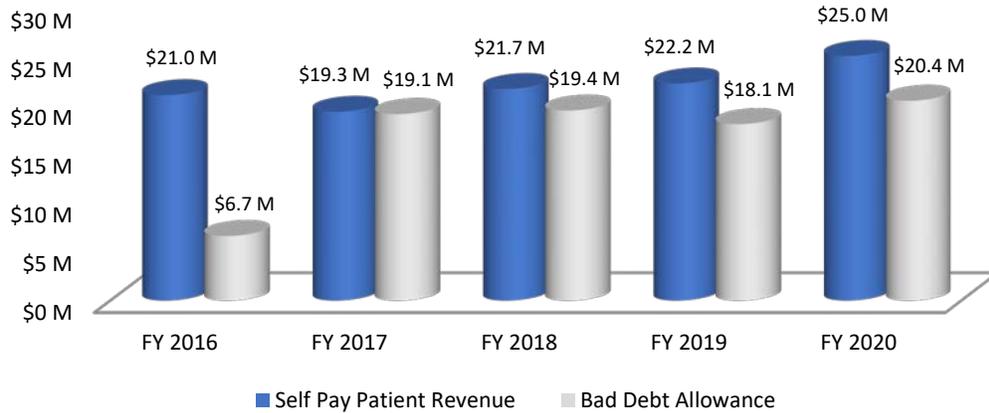


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Despite increased collections, GMHA's mandate to provide healthcare to all patients regardless of one's coverage or ability to pay has resulted in the continual growth of patient receivables. For the last five years, self-pay patients received an average of \$21.9 million of care per year and the likelihood of collecting these accounts is low. GMHA's provision for bad debts averaged \$14.8 million a year. This means that GMHA expects to collect an average of 32 cents per dollar billed to self-pay patients.

Self-Pay Revenue & Bad Debt Allowance



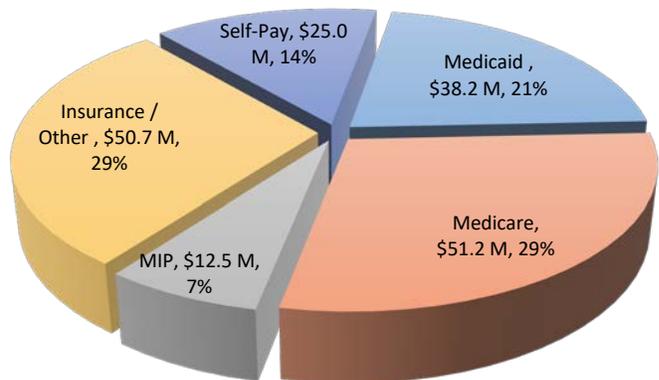
In October 2018, to reduce the level of uncompensated care, GMHA hired an Eligibility Specialist in collaboration with the Department of Public Health and Social Services, to assist the uninsured and underinsured apply for and obtain Medicaid or MIP coverage. This effort is an ongoing project involving GMHA patient registration staff, social workers, and case managers.

The FY 2020 payer mix puts GMHA's challenges with collections into perspective. In FY 2020, 57% of GMHA's \$177.7 million of gross patient revenues is comprised of the 3 M's:

- Medicare - \$51.2 million, 29%
- Medicaid - \$38.2 million, 21%
- MIP - \$12.5 million, 7%,

followed by Third-Party Payers and Others at 29% or \$50.7 million, and Self-Pay at 14% or \$25.0 million. The payer mix for the 3 M's is consistent with the prior year.

FY 2020 Payer Mix



In FY 2020, self-pay revenues absorbed approximately \$3.0 million of insurance payers' revenues after GMHA placed TakeCare Insurance Company out of its network of third party payers due to TakeCare's non-payment of accounts. From March to September 2020, GMHA patients subscribed as TakeCare Insurance Company members were considered self-pay. In September 2020, a Memorandum of Agreement was signed to have a third party reconcile disputed claims and GMHA resumed accepting insurance coverage under TakeCare Insurance Company. As of March 2021, the reconciliation is ongoing.

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GMHA receivables also include amounts owed by DOC for healthcare services for inmates and detainees. DOC has paid all invoices for FY 2020 and FY 2019 for services provided per the cooperative agreement. For amounts owed prior to FY 2018, an allowance for uncollectible accounts of \$1.7 million was provided in FY 2019 because DOC did not budget for these payments. GMHA is also owed over \$3.0 million, with \$2.6 million of allowance for uncollectible accounts, for inmate inpatient services outside the cooperative agreement.

Increased Nursing and COVID-Related Support Staffing

Overall, GMHA's full time equivalent (FTE) count was 1,107 at September 30, 2020. GMHA increased its overall staffing by 82 FTEs primarily to increase resources to support GMHA's response to COVID-19. Nursing department staffing increased by 44 FTEs, ending with 468 staff, and administrative support staffing increased by 27 FTEs for recruitments for housekeeping, security, and environmental services. Professional support staffing increased by 5 FTEs.

Personnel costs also increased overall by \$10.4 million which was due to increased costs for salaries of \$5.1 million for additional staff hiring and other pay of \$5.6 million. Other pay includes certification pay for GMHA's certified allied health professionals and incentive pays for nurses. Registered nurses, licensed practical nurses, and nurses specializing in emergency room, hemodialysis, and critical care receive incentive pay. These pays are GMHA's efforts to recruit and retain these difficult-to-fill positions that are critical to the patient care. Another contributing factor to increases in other pay was GMHA's implementation in April 2020, of COVID-19 response differential pay for essential GMHA employees supporting the public health emergency per the Governor's Executive Order No. 2020-08. In FY 2020, GMHA incurred \$3.6 million for such differential pay of which \$3.4 million was reimbursed by its \$11.9 million budget allocation from the Government of Guam's \$118.0 million Coronavirus Relief Fund.

Centers for Medicare and Medicaid Services Survey & Rebasing

In January 2020, 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. CMS surveys are conducted to determine GMHA's compliance with applicable CMS Conditions of Participation for a provider of hospital services in the Medicare program. In FY 2019, CMS also conducted follow-up surveys in February, April, and August 2019. GMHA responded with its Plan of Corrective (POC) actions within 10 calendar days of the surveys, hence, GMHA continues to maintain its Medicare provider certification from CMS. GMHA must submit credible documentation evidencing correction of all cited deficiencies or risk termination of the Medicare provider agreement.

As a Medicare provider, GMHA is reimbursed for medical services as a TEFRA (Tax Equity and Fiscal Responsibility Act of 1982) hospital exempted from Medicare's prospective payment system (PPS). The PPS is common for almost all U.S. hospitals and pays a flat rate per type of discharge. On the other hand, TEFRA hospitals are reimbursed based on the cost of treating Medicare patients as determined by the annual Medicare Cost Report with an aggregate per discharge limit based on the facility's cost of care. In January 2019, CMS rebased GMHA's discharge rate retroactively to October 1, 2013 from 1992-1994 costs, bringing reimbursements closer to current costs. This limit is updated each year by a hospital market basket index determined by Medicare to account for inflation. GMHA received \$6.3 million in April 2019 for retroactive rate adjustments for FYs 2014 – 2016.

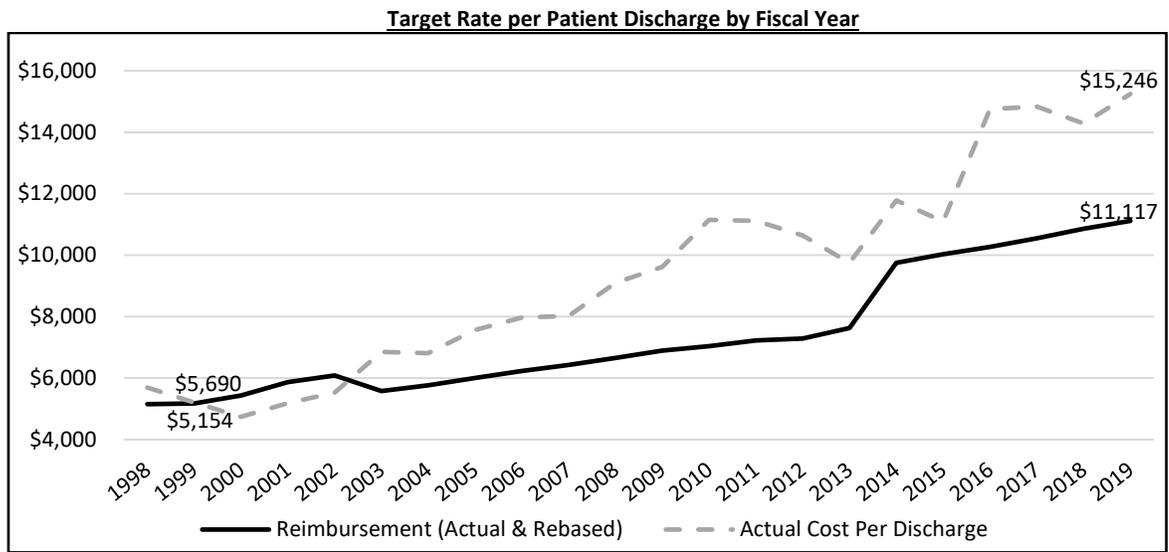
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Had rebasing not occurred, GMHA's discharge rate would have been 23% less than the new discharge rate.

	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%		

Despite the rebasing, GMHA is still reimbursed less than the cost of discharge. As of the latest Medicare Cost Report for FY 2019, the cost of discharge was \$15,246 while the reimbursement was \$11,117.



Medicare's reimbursement methodology is somewhat mirrored by Medicaid and MIP. Thus, the reimbursements for patients with coverage under those programs are similarly impacted.

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III. Overview of the Financial Statements

A comparative analysis is provided for FY 2020 and FY 2019 Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows.

Summarized Statements of Net Position

	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY2018</u>	Change FY 2019 to <u>FY 2020</u>	% Change FY 2019 to <u>FY 2020</u>
ASSETS					
Current Assets	\$ 52,694,890	\$ 54,522,698	\$ 46,679,947	\$ (1,827,808)	(3.3%)
Noncurrent Assets	<u>27,939,968</u>	<u>29,612,222</u>	<u>29,631,546</u>	<u>(1,672,254)</u>	(5.6%)
Total assets	80,634,858	84,134,920	76,311,493	(3,500,062)	(4.2%)
Deferred outflows of resources	<u>64,357,589</u>	<u>27,988,294</u>	<u>31,894,885</u>	<u>36,369,295</u>	<u>129.9%</u>
Total assets and deferred outflows of resources	\$ <u>144,992,447</u>	\$ <u>112,123,214</u>	\$ <u>108,206,378</u>	\$ <u>32,869,233</u>	<u>29.3%</u>
LIABILITIES AND NET POSITION					
Liabilities:					
Current liabilities	\$ 23,350,315	\$ 21,109,038	\$ 22,966,608	\$ 2,241,277	10.6%
Noncurrent liabilities	<u>320,789,090</u>	<u>266,182,235</u>	<u>310,761,009</u>	<u>54,606,855</u>	<u>20.5%</u>
Total liabilities	<u>344,139,405</u>	<u>287,291,273</u>	<u>333,727,617</u>	<u>56,848,132</u>	<u>19.8%</u>
Deferred inflows of resources	48,043,389	61,804,406	20,664,119	(13,761,017)	(22.3%)
Net position:					
Net investment in capital assets	27,939,968	29,612,222	29,631,546	(1,672,254)	(5.6%)
Unrestricted	<u>(275,130,315)</u>	<u>(266,584,687)</u>	<u>(275,816,904)</u>	<u>(8,545,628)</u>	<u>3.2%</u>
Total net position	<u>(247,190,347)</u>	<u>(236,972,465)</u>	<u>(246,185,358)</u>	<u>(10,217,882)</u>	<u>4.3%</u>
Total liabilities, deferred inflows of resources and net position	\$ <u>144,992,447</u>	\$ <u>112,123,214</u>	\$ <u>108,206,378</u>	\$ <u>32,869,233</u>	<u>29.3%</u>

- GMHA's total net position decreased by 4.3%, or \$10.2 million, in FY 2020 compared to FY 2019 increasing GMHA's cumulative deficit in unrestricted net position.
- Total assets decreased 4.2%, or \$3.5 million, due to decreases in net receivables of \$9.6 million from improved collections and increased allowances for uncollectible accounts. 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 2020 with net patient receivables of \$32.4 million, net of estimated uncollectible accounts of \$177.2 million. These decreases were offset by increases in cash of \$7.4 million from GMHA's allocation of the CARES Act's Provider Relief Fund and net inventory of \$0.8 million from purchases of COVID-19 supplies and pharmaceuticals. Deferred outflows of resources increased by \$36.4 million for pensions and other post-employment benefits, resulting in an overall increase in total assets and deferred inflows of resources of \$28.4 million.
- Total liabilities increased 19.8%, or \$56.8 million, due to increases in other post-employment benefits (OPEB) liability of \$48.7 million, net pension liability of \$4.6 million, and accrued payroll and sick leave of \$1.4 million.
- Current liabilities increased 10.6%, or \$2.2 million, due to advances from Medicare of \$4.5 million and unspent funds received from the Provider Relief Fund of \$6.1 million, offset by payment to the Department Revenue and Taxation in FY 2020 of \$5.4 million for past withholding taxes, primarily for 2018, that were not remitted due to poor cash flow. The DRT Director approved GMHA's request to waive the \$2.4 million in related interest and penalties. With improved cash flow in FY 2020, trade payables were reduced by \$3.2 million and there are no amounts due to the Government of Guam Retirement Fund.

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- As of September 30, 2020, GMHA's investment in capital assets was \$27.9 million with no long-term debt. Major FY 2020 capital improvement additions include modernization of elevators #1 and #2, parking lot lighting, portable x-ray machine, portable ultrasound machine, associated equipment for the computed tomography (CT) scanner system funded by Public Law 33-44, and IBM server upgrades.

Summarized Statements of Revenues, Expenses and Changes in Net Position

				Change FY 2019 to	% Change FY 2019 to
	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY2018</u>	<u>FY 2020</u>	<u>FY 2020</u>
Total operating revenues	\$ 94,362,706	\$ 100,348,300	\$ 90,393,262	\$ (5,985,594)	(6.0%)
Total operating expenses	<u>145,572,873</u>	<u>130,818,008</u>	<u>123,702,468</u>	<u>14,754,865</u>	11.3%
Operating loss	(51,210,167)	(30,469,708)	(33,309,206)	(20,740,459)	(68.1%)
Total non-operating revenues	39,241,585	38,827,024	24,578,248	414,561	1.1%
Total non-operating expenses	(336,817)	(194,287)	(359,008)	(142,530)	(73.4%)
Total capital grants and contributions	<u>2,087,517</u>	<u>1,049,864</u>	<u>5,785,999</u>	<u>1,037,653</u>	98.8%
Change in net position	\$ <u>(10,217,882)</u>	\$ <u>9,212,893</u>	\$ <u>(3,303,967)</u>	\$ <u>(19,430,775)</u>	(210.9%)

- GMHA's FY 2020 operating revenues decreased by \$6.0 million, or 6.0%, due to decreases of \$7.8 million in net patient revenue due to increases in allowances for uncollectible accounts. This was offset by an increase of \$1.8 million in other revenue, net, which includes \$2.2 million billed to DOC for medical care provided to detainees and inmates. All amounts billed to DOC in FY 2020 and FY 2019 were collected. In FY 2019, a \$1.7 million provision for uncollectible DOC billings was recorded for amounts owed prior to FY 2018 because DOC did not include a budget for these payments.
- Operating expenses increased 11.3%, or \$14.7 million due to increases in expenses to prevent, prepare for, and respond to COVID-19. Other Pay and Salaries combined for Nursing and Medical Staff (including physicians) increased by \$4.0 million and \$3.6 million, respectively, for COVID-19 differential pay and additional hiring to care for patients infected with COVID-19 and persons under investigation (PUI). Retiree healthcare costs and other pension benefits increased by 73.6%, or \$4.6 million due to increased retiree OPEB expenses.
- Non-operating revenues increased 1.1%, or \$0.4 million due to an increase in federal grants of \$7.7 million including \$7.3 million in CARES Act relief funds. The increases were offset by decreases in transfers from GovGuam of \$5.7 million and a reduction in legal contingencies of \$1.6 million in FY 2019.
- Capital grants from the federal government increased by \$1.4 million due to increased funding from Compact Impact Assistance.

Summarized Statements of Cash Flows

				FY 2019 to	FY 2019 to
	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY2018</u>	<u>FY 2020</u>	<u>FY 2020</u>
Net cash used for operating activities	\$ (38,214,352)	\$ (28,725,127)	\$ (18,952,770)	\$ (9,489,225)	(33.4%)
Net cash provided by noncapital financing activities	45,634,650	34,957,341	13,118,278	10,677,309	30.5%
Net cash (used for) provided by capital and related financing activities	<u>31,595</u>	<u>(2,801,630)</u>	<u>4,389,957</u>	<u>2,833,225</u>	<u>(101.1%)</u>
Net change in cash	\$ <u>7,451,893</u>	\$ <u>3,430,584</u>	\$ <u>(1,444,535)</u>	\$ <u>4,021,309</u>	<u>117.2%</u>

- Net change in cash increased \$7.4 million from FY 2019.

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- Net cash used for operating activities increased \$9.5 million due to a \$10.5 million increase in payments to employees and a \$9.4 million increase in payments to suppliers and contractors which was offset by an increase in patient receipts of \$14.7 million.
- Net cash provided by noncapital financing activities increased \$10.7 million due to an increase in federal grants of \$10.8 million, an advance from Medicare of \$4.5 million and a decrease in transfers from the Government of Guam of \$4.5 million.
- Net cash used for capital and related financing activities increased \$2.8 million due to decreases in acquisitions of capital assets and increases in federal grants for capital.

IV. Outlook

GMHA is driven by its mission to provide quality patient care in a safe environment 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.

FY 2020 presented challenges that GMHA had not faced before. The many plans for FY 2020 were not given the expected priority because all efforts were concentrated on preventing, preparing for, and responding to COVID-19. Nonetheless, GMHA continued the important task of replacing the current electronic health records system (EHR), updating its website, pursuing improvements in revenue cycle management, and capital improvement projects. GMHA management looks forward to the following in FY 2021:

Achieving and Sustaining a Successful COVID-19 Recovery

The COVID-19 pandemic dramatically changed the Hospital's landscape and established a new normal for the Hospital that continues to require a tremendous amount of resources. Numerous protocols were carefully enacted and many lessons learned from the novel experiences of caring for COVID-19 patients as well as ensuring the protection of patients and staff. Protocols and redesigns ensured the Care Units and CIF are maintained in a state of readiness for immediate occupancy in the event of another surge. One such protective measure is committing to a 90% vaccination rate for all GMHA staff, a vital factor in sustaining the recovery. Another measure is providing telemedicine technologies in the Intensive Care Unit. This essential service allows real time telecommunications through video communications systems for face-to-face services such as consultations and inpatient doctor's visits.

COVID-19 will also continue to challenge GMHA's finances, particularly with declines in patient census and the reliance on Government of Guam subsidies funded by Business Privilege Taxes and the General Fund. As GMHA recovers from disrupted revenue streams, GMHA will seek federal assistance afforded to healthcare providers to recover lost revenues.

Conceptualizing the New Hospital Facility

After an extensive onsite facilities condition assessment of the Hospital, the Army Corps of Engineers (ACOE) recommended, in November 2019, to replace the existing Hospital facility. In FY 2021, the very early stages of developing a task force with other Government of Guam agencies and partners will begin for this monumental project. Initial discussions will involve pursuing federal grant funding for design and construction. Although new construction will be pursued, the ACOE recommended GMHA immediately begin work to repair the Hospital's critical life safety items.

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Ongoing Capital Improvements

Several capital improvement projects are ongoing in FY 2021. The Alternate Care Site project valued at \$15.0 million was approved and funded by FEMA in December 2020. Other grant funded projects include the removal and replacement of air handling units and the 1.6 megawatt generator, angio suite upgrades, and the roof and envelope repairs. Other projects will be funded through available operational funds and include communications center relocation, the Skilled Nursing Facility chiller replacement, full implementation of the Pyxis medication management system, and the Z-Wing retrofit.

Migrating to a New EHR System

GMHA began the transition from the current Cantata Health Optimum IMED Clinical System to the Medsphere CareVue EHR System in December 2019. 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 began meeting several times a week to ensure department engagement during the design, migration, and implementation with a target go-live for May 2021. This all occurred mere weeks before Guam was placed in a state of public health emergency. The project continued remotely but GMHA subject matter experts were diverted to respond to COVID-19 and these challenges required a go-live delay to October 2021.

The new EHR, CareVue, is certified electronic health record technology to meet the requirements of the Promoting Interoperability Program. This affects GMHA's ability to benefit from monetary incentives and comply with conditions required for participation as a provider of services reimbursable by Medicare and Medicaid.

Improving Cash Flow with Revenue Cycle Management Evaluation

In July 2020, GMHA issued a request for proposals to solicit the specialized revenue cycle management (RCM) services to address perennial cash flow issues. RCM is an extremely critical function of a hospital for medical billing, coding, reimbursement and revenue enhancement. Initial assessments found that GMHA's charge master was considerably incomplete resulting in undercharging for room, board, and services. Coding is severely short staffed and impacting billing and collections. GMHA is also currently exploring how to reduce billing errors, claim rejections, and denials with claims scrubbing software and tools.

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.

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, 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, 2020 and 2019

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash	\$ 12,103,083	\$ 4,651,190
Patient accounts receivable, net of estimated uncollectibles of \$177,248,675 in 2020 and \$145,537,832 in 2019	32,433,329	42,076,782
Due from the Government of Guam, net of estimated uncollectibles of \$1,719,042 in 2020 and 2019	4,192,117	4,691,811
Other receivables	137,952	112,942
Inventory, net	3,828,409	2,989,973
Total current assets	<u>52,694,890</u>	<u>54,522,698</u>
Capital assets:		
Depreciable assets, net	26,644,961	28,384,353
Construction in progress	1,295,007	1,227,869
Total noncurrent assets	<u>27,939,968</u>	<u>29,612,222</u>
Total assets	<u>80,634,858</u>	<u>84,134,920</u>
Deferred outflows of resources:		
Pension	20,270,393	13,473,096
OPEB	44,087,196	14,515,198
Total deferred outflows of resources	<u>64,357,589</u>	<u>27,988,294</u>
Total assets and deferred outflows of resources	<u>\$ 144,992,447</u>	<u>\$ 112,123,214</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Accounts payable - trade	\$ 6,990,492	\$ 10,942,273
Accounts payable - Department of Revenue and Taxation	-	5,324,074
Due to Medicare	4,501,120	-
Accrued taxes and related liabilities	323,373	230,301
Accrued payroll and benefits	3,043,306	2,103,282
Current portion of accrued annual leave	1,777,757	1,881,292
Unearned revenues	6,069,645	-
Other current liabilities	644,622	627,816
Total current liabilities	<u>23,350,315</u>	<u>21,109,038</u>
Accrued annual leave, net of current portion	3,087,662	2,215,032
Accrued sick leave	4,046,946	3,554,924
Net pension liability	130,697,535	126,135,550
OPEB liability	182,956,947	134,276,729
Total liabilities	<u>344,139,405</u>	<u>287,291,273</u>
Deferred inflows of resources:		
Pension	4,463,405	5,583,805
OPEB	43,579,984	56,220,601
Total deferred inflows of resources	<u>48,043,389</u>	<u>61,804,406</u>
Commitments and contingencies		
Net position:		
Net investment in capital assets	27,939,968	29,612,222
Unrestricted	<u>(275,130,315)</u>	<u>(266,584,687)</u>
Total net position	<u>(247,190,347)</u>	<u>(236,972,465)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 144,992,447</u>	<u>\$ 112,123,214</u>

See accompanying notes to financial statements.

GUAM MEMORIAL HOSPITAL AUTHORITY
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Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2020 and 2019

	2020	2019
Operating revenues:		
Net patient service revenue (net of contractual adjustments and provision for bad debts of \$86,445,902 in 2020 and \$79,778,205 in 2019)	\$ 91,268,614	\$ 99,067,843
Other operating revenues:		
Cafeteria food sales	431,626	417,591
Other revenue (net of provision for bad debts of \$1,719,042 in 2019)	2,662,466	862,866
Total operating revenues	94,362,706	100,348,300
Operating expenses:		
Nursing	43,562,323	38,270,280
Professional support	29,926,698	29,765,872
Medical staff	28,174,058	25,757,072
Administrative support	15,720,511	15,361,261
Retiree healthcare costs and other pension benefits	10,874,350	6,263,801
Fiscal services	9,437,269	7,912,001
Administration	4,215,658	3,626,160
Depreciation	3,662,006	3,461,561
Loss on impairment of building	-	400,000
Total operating expenses	145,572,873	130,818,008
Operating loss	(51,210,167)	(30,469,708)
Nonoperating revenues (expenses):		
Transfers from GovGuam	31,499,878	37,179,002
Federal grants	7,740,708	44,817
Interest and penalties	(13,986)	(45,630)
Federal program expenditures	(260,636)	(139,400)
Loss from disposal of fixed asset	(62,195)	(9,257)
Other income, net	999	1,603,205
Total nonoperating revenues	38,904,768	38,632,737
Income before capital grants and contributions	(12,305,399)	8,163,029
Capital grants and contributions:		
Government of Guam	-	68,795
Federal grants	1,880,963	433,990
Others	206,554	547,079
Total capital grants and contributions	2,087,517	1,049,864
Change in net position	(10,217,882)	9,212,893
Net position at the beginning of the year	(236,972,465)	(246,185,358)
Net position at the end of the year	\$ (247,190,347)	\$ (236,972,465)

See accompanying notes to financial statements.

GUAM MEMORIAL HOSPITAL AUTHORITY
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Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 100,912,067	\$ 90,661,285
Receipts from sales and other services	3,069,082	2,960,385
Payments to suppliers and contractors	(51,602,888)	(42,261,248)
Payments to employees	(90,592,613)	(80,085,549)
Net cash used in operating activities	(38,214,352)	(28,725,127)
Cash flows from noncapital financing activities:		
Contributions from the Government of Guam	30,534,016	35,067,721
Federal grants received	10,873,137	44,817
Due to Medicare	4,501,120	-
Federal reimbursements	-	19,083
Contributions	999	10,750
Interest and penalties paid	(13,986)	(45,630)
Payments made under federal programs	(260,636)	(139,400)
Net cash provided by noncapital financing activities	45,634,650	34,957,341
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,845,393)	(3,304,415)
Contributions from the Government of Guam	-	68,795
Federal grants received	1,876,988	433,990
Net cash provided by (used in) capital and related financing activities	31,595	(2,801,630)
Net change in cash	7,451,893	3,430,584
Cash at beginning of year	4,651,190	1,220,606
Cash at end of year	\$ 12,103,083	\$ 4,651,190
Summary of noncash capital and related financing activities:		
Medical equipment donation from:		
Guam Economic Development Authority	\$ -	\$ 547,079
GMH Volunteer Association	\$ 206,554	\$ -
	\$ 206,554	\$ -

See accompanying notes to financial statements.

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Statements of Cash Flows, Continued
Years Ended September 30, 2020 and 2019

	2020	2019
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (51,210,167)	\$ (30,469,708)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Contractual adjustments and provisions for uncollectible accounts	86,445,902	81,497,247
Depreciation	3,662,006	3,461,561
Retiree healthcare costs and other pension benefits	10,874,350	6,263,801
Loss on impairment of building	-	400,000
Noncash pension cost	(3,355,712)	(1,255,736)
(Increase) decrease in assets:		
Patient accounts receivable	(76,802,449)	(88,204,663)
Other receivables	(25,010)	(19,214)
Inventory	(838,436)	(397,564)
Prepaid expenses	-	148,020
Increase (decrease) in liabilities:		
Accounts payable - trade	(3,951,781)	(835,147)
Accounts payable - Department of Revenue and Taxation	(5,324,074)	(111,275)
Accrued taxes and related liabilities	93,072	230,301
Accrued payroll and benefits	940,024	372,833
Accrued annual leave and sick leave	1,261,117	189,150
Other current liabilities	16,806	5,267
Net cash used in operating activities	\$ (38,214,352)	\$ (28,725,127)

See accompanying notes to financial statements.

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Notes to Financial Statements
September 30, 2020 and 2019

(1) Reporting Entity

The Guam Memorial Hospital Authority (GMHA), a component unit of the Government of Guam (GovGuam), was created in 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 161 licensed acute care beds and 40 beds for long-term care at the Skilled Nursing Unit (SNU). 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 were 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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Notes to Financial Statements
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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, 2020 and 2019, cash is \$12,103,083 and \$4,651,190, respectively, and the corresponding bank balances are \$12,504,539 and \$6,790,244, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2020 and 2019, bank deposits in the amount of \$250,000 are FDIC insured. In accordance with 5 GCA 21, *Investments and Deposits*, GMHA requires collateralization of deposits in excess of depository insurance limits at 100%. Such collateralization shall be in securities in U.S. treasury notes or bonds or in U.S. government agencies for which the faith and credit of the United States are pledged or such other securities as may be approved by GMHA. As of September 30, 2020, all of GMHA's bank deposits in excess of depository insurance limits are collateralized with securities held by the pledging financial institution but not in GMHA's name.

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 a provision for uncollectible accounts of \$1,719,042 for its receivable from DOC for the fiscal year ended September 30, 2019.

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Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

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.

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 all expenditures of property and equipment at the time of acquisition 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.

Unearned Revenues

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

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(2) Summary of Significant Accounting Policies, Continued

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.

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, 2020 and 2019, GMHA has accrued an estimated sick leave liability of \$4,046,946 and \$3,554,924, respectively. However, this amount is an estimate and the actual payout may be materially different from estimated.

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 it participates in, 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 it participates in, 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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(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 were 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 (HHS), and the U.S. Department of the Interior (Compact Impact) passed-through GovGuam, contributions from individuals, non-profit organizations, and private organizations, and relief funds from the Coronavirus Aid, Relief & Economic Security ("CARES") Act. 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 either for 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, 2020 and 2019, GMHA's deficiencies on delinquent and unpaid taxes with the Department of Revenue and Taxation were \$0 and \$5,324,074, respectively. This is presented as Accounts payable - Department of Revenue and Taxation in the statements of financial position.

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.

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(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards

During the year ended September 30, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement Nos. 84, 89, 90, 91, 92 and 93 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. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

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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*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying 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. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this Statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

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(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

Reclassifications

Certain items in the 2019 financial statements have been reclassified to correspond with the 2020 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, 2020 and 2019, consist of:

	<u>2020</u>	<u>2019</u>
Account referrals - Department of Revenue and Taxation	\$ 65,636,234	\$ 39,179,724
Self-pay Patients	27,328,011	25,515,902
Medically Indigent Program	5,218,528	7,007,928
Local Third-Party Payor and Other	41,179,863	39,988,979
Medicaid Assistance Program	8,262,625	16,324,796
Medicare	53,330,111	51,053,676
Collection agencies and other	<u>8,726,632</u>	<u>8,543,609</u>
	209,682,004	187,614,614
Less allowance for uncollectible accounts	<u>(177,248,675)</u>	<u>(145,537,832)</u>
	<u>\$ 32,433,329</u>	<u>\$ 42,076,782</u>

In April 2020, GMHA received \$4,501,120 from Centers for Medicare and Medicaid Services (CMS) under the Expanded Accelerated and Advance Payments Program. CMS issued these payments to help ease financial strain due to a disruption in claims submission and/or claims processing related to the Coronavirus Disease 2019 (COVID-19) Public Health Emergency. GMHA's repayment will begin in April 2021 through an automatic gradual recoupment of Medicare payments otherwise owed to GMHA. The advance payment was presented as "Due to Medicare" in the statement of net position as of September 30, 2020.

Patient accounts receivable from "Local Third-Party Payor and Other" includes receivables from GovGuam of \$3,209,254 and \$2,554,317 as of September 30, 2020 and 2019, respectively, for healthcare services. During fiscal years 2020 and 2019, GMHA collected \$2,619,527 and \$8,149,740, 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, 2020 and 2019, consist of:

	<u>2020</u>	<u>2019</u>
Government of Guam:		
Department of Mental Health and Substance Abuse	\$ 62,078	\$ 33,591
Guam Fire Department	21,826	17,420
Others	<u>54,048</u>	<u>61,931</u>
	<u>\$ 137,952</u>	<u>\$ 112,942</u>

(5) Inventory

Inventory at September 30, 2020 and 2019, consists of the following:

	<u>2020</u>	<u>2019</u>
Pharmaceuticals, drugs and medicine	\$ 2,754,866	\$ 2,174,389
Medical and pharmaceutical supplies	1,565,750	1,307,106
Dietary food supplies	<u>1,315</u>	<u>2,000</u>
	4,321,931	3,483,495
Less allowance for obsolescence	<u>(493,522)</u>	<u>(493,522)</u>
	<u>\$ 3,828,409</u>	<u>\$ 2,989,973</u>

(6) Capital Assets

Capital assets activity for the years ended September 30, 2020 and 2019 was as follows:

	2020			
	<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	\$ 74,738,164	\$ 676,142	\$ (1,016,613)	\$ 74,397,693
Long-term care facility	11,224,746	-	-	11,224,746
Movable equipment	<u>26,531,337</u>	<u>1,307,419</u>	<u>(752,362)</u>	<u>27,086,394</u>
	112,494,247	1,983,561	(1,768,975)	112,708,833
Less accumulated depreciation and amortization	(83,709,894)	(3,662,006)	1,708,028	(85,663,872)
Allowance for impairment	<u>(400,000)</u>	<u>-</u>	<u>-</u>	<u>(400,000)</u>
	28,384,353	(1,678,445)	(60,947)	26,644,961
Non-depreciable assets:				
Construction in progress	<u>1,227,869</u>	<u>743,280</u>	<u>(676,142)</u>	<u>1,295,007</u>
Total capital assets, net	<u>\$ 29,612,222</u>	<u>\$ (935,165)</u>	<u>\$ (737,089)</u>	<u>\$ 27,939,968</u>

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(6) Capital Assets, Continued

	2019			
	<u>Balance October 1,</u>	<u>Transfers and Additions</u>	<u>Transfers and Deletions</u>	<u>Balance 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>

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) Long-Term Liabilities

The changes in long-term liabilities for the years ended September 30, 2020 and 2019, are as follows:

	Balance October 1, 2019	Additions	Reductions	Balance September 30, 2020	Due Within One Year
Annual leave	\$ 4,096,324	\$ 1,082,194	\$ (313,099)	\$ 4,865,419	\$ 1,777,757
Sick leave	3,554,924	544,388	(52,366)	4,046,946	-
Net pension liability	126,135,550	4,561,985	-	130,697,535	-
OPEB liability	<u>134,276,729</u>	<u>48,680,218</u>	<u>-</u>	<u>182,956,947</u>	<u>-</u>
	\$ <u>268,063,527</u>	\$ <u>54,868,785</u>	\$ <u>(365,465)</u>	\$ <u>322,566,847</u>	\$ <u>1,777,757</u>
	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>

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(8) 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.

(9) 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, and prior to January 1, 2018 are required to participate in the Defined Contribution Retirement System (DCRS) Plan. Hence, the DB Plan became a closed group.

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 DCRS Plans who retired prior to September 30, 2019 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, 2019 (the measurement date), plan membership consisted of the following:

DB members:	
Inactive employees or beneficiaries currently receiving benefits	7,360
Inactive employees entitled to but not yet receiving benefits	3,162
Active employees	<u>4,850</u>
	15,372
DCRS members:	
Active employees	<u>6,286</u>
	<u>21,658</u>

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(9) Pensions, Continued

A. General Information About the Pension Plans, Continued:

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.

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.

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 Guam Retirement Security Plan (GRSP). On February 4, 2020, the Guam Legislature terminated the GRSP. Commencing April 1, 2017, eligible employees elected, during the “election window”, to participate in the DB 1.75 Plan with an effective date of January 1, 2018.

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 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.

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(9) Pensions, Continued

A. General Information About the Pension Plans, Continued:

Members of the 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 ½ 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 member 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 the three years of service that 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, 2018 actuarial valuation was used for determining the year ended September 30, 2020 statutory contributions. Member contributions are required at 9.52% of base pay.

As a result of actuarial valuations performed as of September 30, 2018, 2017 and 2016, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2020, 2019 and 2018, respectively, have been determined as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Normal costs (% of DB Plan payroll)	13.86%	13.54%	15.97%
Employee contributions (DB Plan employees)	<u>9.52%</u>	<u>9.52%</u>	<u>9.55%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>4.34%</u>	<u>4.02%</u>	<u>6.42%</u>
Employer portion of normal costs (% of total payroll)	2.39%	2.29%	1.60%
Unfunded liability cost (% of total payroll)	<u>20.70%</u>	<u>21.29%</u>	<u>22.12%</u>
Government contribution as a % of total payroll	<u>23.09%</u>	<u>23.58%</u>	<u>23.72%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>26.28%</u>	<u>26.56%</u>	<u>27.83%</u>
Employee	<u>9.52%</u>	<u>9.52%</u>	<u>9.55%</u>

GMHA's contributions to the DB Plan for the years ended September 30, 2020, 2019 and 2018 were \$4,443,065, \$4,943,048 and \$4,098,405, 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, 2020, 2019 and 2018, totaling \$1,651,428, \$1,636,748 and \$1,656,365, 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.

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(9) Pensions, Continued

A. General Information About the Pension Plans, Continued:

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 years ended September 30, 2020 and 2019 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, 2020, 2019 and 2018 were \$8,406,694, \$7,691,864 and \$8,883,857, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$6,425,049, \$5,950,016 and \$6,925,192 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2020, 2019 and 2018, respectively.

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

Pension Liability: At September 30, 2020 and 2019, GMHA reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2019 and 2018, respectively, which is comprised of the following:

	<u>2020</u>	<u>2019</u>
Defined benefit plan	\$ 105,391,734	\$ 103,815,783
Ad hoc COLA/supplemental annuity plan for DB retirees	20,629,361	18,580,907
Ad hoc COLA plan for DCRS retirees	<u>4,676,440</u>	<u>3,738,860</u>
	<u>\$ 130,697,535</u>	<u>\$ 126,135,550</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, 2020 and 2019, GMHA's proportionate shares of the GovGuam net pension liabilities were as follows:

	<u>2020</u>	<u>2019</u>
Defined benefit plan	8.68%	8.80%
Ad hoc COLA/supplemental annuity plan for DB retirees	6.36%	6.41%
Ad hoc COLA plan for DCRS retirees	7.81%	7.58%

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(9) Pensions, Continued

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

Pension (Benefit) Expense: For the years ended September 30, 2020 and 2019, GMHA recognized pension (benefit) expense for its proportionate share of plan pension expense from the above pension plans as follows:

	<u>2020</u>	<u>2019</u>
Defined benefit plan	\$ (1,319,373)	\$ 1,852,104
Ad hoc COLA/supplemental annuity plan for DB retirees	247,468	524,255
Ad hoc COLA plan for DCRS retirees	<u>227,169</u>	<u>(1,121,119)</u>
	<u>\$ (844,736)</u>	<u>\$ 1,255,240</u>

Deferred Outflows and Inflows of Resources: At September 30, 2020 and 2019, GMHA reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020					
	<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 Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 151,274	\$ 934,261	\$ 142,950	\$ 63,434	\$ 492,506	\$ 135,829
Net difference between projected and actual investment earnings on pension plan investments	3,705,910	-	-	-	-	-
Changes of assumptions	-	-	1,852,140	320,689	1,125,865	453,681
Contributions subsequent to the measurement date	10,868,115	-	1,465,428	-	186,000	-
Changes in proportion and difference between GMHA contributions and proportionate share of contributions	<u>-</u>	<u>2,307,516</u>	<u>42,324</u>	<u>95,994</u>	<u>237,881</u>	<u>152,001</u>
	<u>\$ 14,725,299</u>	<u>\$ 3,241,777</u>	<u>\$ 3,502,842</u>	<u>\$ 480,117</u>	<u>\$ 2,042,252</u>	<u>\$ 741,511</u>
	2019					
	<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 Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
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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(9) Pensions, Continued

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

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, 2020 will be recognized in pension expense as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Defined</u> <u>Benefit Plan</u>	<u>Ad Hoc COLA/SA</u> <u>Plan for DB Retirees</u>	<u>Ad Hoc COLA Plan</u> <u>for DCRS Retirees</u>
2021	\$ (2,021,347)	\$ 612,857	\$ 100,295
2022	(447,398)	723,655	100,295
2023	1,650,013	220,785	100,295
2024	1,434,139	-	100,295
2025	-	-	100,295
Thereafter	-	-	613,266
	<u>\$ 615,407</u>	<u>\$ 1,557,297</u>	<u>\$ 1,114,741</u>

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, 2018
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	May 1, 2033 (14.58 years remaining as of September 30, 2018)
Asset Valuation Method:	3-year smoothed market value (effective September 30, 2009)
Inflation:	2.50% per year
Total payroll growth:	2.75% per year
Salary Increases:	4% to 7.5%
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.

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(9) Pensions, Continued

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

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of an actuarial experience study for the period October 1, 2011 to September 30, 2015. The rationale for each significant assumption is provided in the experience study. To the extent that actual experience differs from the assumptions, future pension costs will differ. The next experience study for the period October 1, 2015 to September 30, 2019 is scheduled to be performed prior the next year's valuation.

The investment rate assumption as of September 30, 2018 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Nominal Return</u>
U.S. Equities (large cap)	26.0%	6.81%
U.S. Equities (small cap)	4.0%	8.12%
Non-U.S. Equities	17.0%	8.33%
Non-U.S. Equities (emerging markets)	3.0%	10.28%
U.S. Fixed Income (aggregate)	24.0%	3.87%
Risk Parity	8.0%	5.56%
High Yield Bonds	8.0%	5.45%
Global Real Estate (REITs)	5.0%	8.01%
Master Limited Partnerships	5.0%	7.44%

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan as of September 30, 2019 and 2018 was 7.0%, 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, 2019 was 2.66% (4.18% as of September 30, 2018), 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>133,051,870</u>	\$ <u>105,391,734</u>	\$ <u>81,589,553</u>

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(9) 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>1.66%</u>	Current Discount Rate <u>2.66%</u>	1% Increase in Discount Rate <u>3.66%</u>
Net Pension Liability	\$ <u>22,759,542</u>	\$ <u>20,629,361</u>	\$ <u>18,813,231</u>

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate <u>1.66%</u>	Current Discount Rate <u>2.66%</u>	1% Increase in Discount Rate <u>3.66%</u>
Net Pension Liability	\$ <u>5,299,307</u>	\$ <u>4,676,440</u>	\$ <u>4,143,266</u>

C. Payables to the Pension Plans:

As of September 30, 2020 and 2019, GMHA recorded payables to GGRF of \$802,443 and \$746,692, respectively, representing statutorily required contributions unremitted as of the respective year-ends.

(10) 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 OPEB plan.

A. General Information About the OPEB Plan:

Plan Description: The OPEB 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.

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

A. General Information About the OPEB Plan, Continued:

Plan Membership: As of September 30, 2019 and 2018 (the respective measurement dates), OPEB plan membership consisted of the following as of September 30, 2018 (the actuarial valuation dates for both years):

	<u>2019</u>	<u>2018</u>
Inactive plan members or beneficiaries currently receiving benefits	7,462	7,930
Active plan members	<u>10,832</u>	<u>10,136</u>
Total plan members	<u>18,294</u>	<u>18,066</u>

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, 2020, 2019 and 2018, GMHA recognized certain on-behalf payments as transfers from GovGuam, totaling \$2,755,319, \$3,038,540 and \$3,050,569, 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, 2020 and 2019, GMHA reported a total OPEB liability of \$182,956,947 and \$134,276,729, respectively, for its proportionate share of the GovGuam total OPEB liability measured as of September 30, 2019 and 2018. The following presents GMHA’s proportion change in proportion since the prior measurement date:

Proportion at prior measurement date, September 30, 2018	<u>7.16%</u>
Proportion at measurement date, September 30, 2019	<u>7.16%</u>
Change in proportion	<u>0.00%</u>

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

B. Total OPEB Liability, Continued:

The total OPEB liability for the OPEB Plan was determined by an actuarial valuation as of September 30, 2019 (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.
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.
Healthcare cost trend rates:	For 2019, 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. 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. Medical trend rates are applied to retiree contributions, Medicare Part B and Medicare Part D premium reimbursements.
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.
Participation rates:	Medical - 100% of active employees covered under a GovGuam medical plan will elect to participate at retirement. Dental - 100% of active employees under a GovGuam dental plan will elect to participate at retirement. Life - 100% of eligible retirees will elect to participate at retirement. 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.

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

B. Total OPEB Liability, Continued:

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.
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.
Disabled Retiree mortality rates:	RP-2000 Disabled Mortality Table, set forward 6 years and 4 years for males and females, respectively, 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% - 0.18% for males aged 40-49 years (0.05% - 0.09% for females); 0.32% - 0.53% 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).
Retirement rates:	50% of employees are assumed to retire at first eligibility for unreduced benefits under the GovGuam Retirement Fund, 20% per year thereafter until age 75, and 100% at age 75.

Discount rate: The discount rate used to measure the total OPEB liability was 2.66% as of September 30, 2019 (4.18% as of September 30, 2018). The projection of cash flows used to determine the discount rate assumed that contributions from GovGuam 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 2.66% municipal bond rate as of September 30, 2019 (4.18% as of September 30, 2018) was applied to all periods to determine the total OPEB liability.

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

B. Total OPEB Liability, Continued:

OPEB plan fiduciary net position: As of September 30, 2020 and 2019, an OPEB trust has not been established thus the OPEB Plan does not presently report OPEB plan fiduciary net position.

C. Changes in the Total OPEB Liability:

Changes in GMHA's proportionate share of the total OPEB liability for the years ended September 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of the year	\$ <u>134,276,729</u>	\$ <u>178,049,315</u>
Changes for the year:		
Service cost	6,307,391	8,595,699
Interest	5,807,594	6,715,877
Change of assumptions	40,675,702	(12,269,880)
Change in proportionate share	(817,526)	(6,136,170)
Differences between expected and actual experience		(37,408,864)
Benefit payments	<u>(3,292,943)</u>	<u>(3,269,248)</u>
Net change	<u>48,680,218</u>	<u>(43,772,586)</u>
Balance at end of the year	\$ <u>182,956,947</u>	\$ <u>134,276,729</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>1.66%</u>	Current Discount Rate <u>2.66%</u>	1% Increase in Discount Rate <u>3.66%</u>
Total OPEB Liability	\$ <u>218,539,541</u>	\$ <u>182,956,947</u>	\$ <u>154,675,941</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:

	<u>1% Decrease</u>	Healthcare Cost Trend Rates	<u>1% Increase</u>
Total OPEB Liability	\$ <u>148,672,620</u>	\$ <u>182,956,947</u>	\$ <u>228,383,633</u>

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

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

For the years ended September 30, 2020 and 2019, GMHA reported total OPEB expense of \$6,467,603 and \$1,588,513, respectively, for its proportionate share of the GovGuam total OPEB expense measured for the years ended September 30, 2019 and 2018. At September 30, 2020 and 2019, GMHA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020		2019	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 39,880,990	\$ 17,059,024	\$ 9,725,133	\$ 22,285,130
Differences between expected and actual experience	-	23,987,791	-	30,692,730
Contributions subsequent to the measurement date	2,755,319	-	3,038,540	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	<u>1,450,887</u>	<u>2,533,169</u>	<u>1,751,525</u>	<u>3,242,741</u>
	<u>\$ 44,087,196</u>	<u>\$ 43,579,984</u>	<u>\$ 14,515,198</u>	<u>\$ 56,220,601</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, 2020 will be recognized in OPEB expense as follows:

<u>Year Ending</u> <u>September 30</u>	
2021	\$ (1,616,888)
2022	(1,616,888)
2023	(4,999,153)
2024	1,698,097
2025	<u>4,286,725</u>
	<u>\$ (2,248,107)</u>

(11) 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, 2020 and 2019, GMHA has \$0 and \$1,513,000, respectively, of reimbursements due from Medicare cost settlements.

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(11) Patient Service Revenue, Continued

- 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 outpatient.

Gross patient revenue from the Medicare, Medicaid and MIP programs accounted for approximately 29 percent, 22 percent and 7 percent, respectively, of GMHA's gross patient revenue for the year ended September 30, 2020, and 28 percent, 21 percent and 8 percent, respectively, of GMHA's gross patient revenue for the year ended September 30, 2019. 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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Services provided to Medicaid patients	\$ 38,235,867	\$ 38,060,776
Services provided to Medicare patients	51,197,703	50,129,345
Services provided to MIP patients	12,531,501	14,776,109
Services provided to Self-pay patients	25,035,183	22,216,198
Services provided to Other patients	<u>50,714,262</u>	<u>53,683,520</u>
	177,714,516	178,865,948
Less contractual adjustments and provisions for uncollectible accounts	<u>(86,445,902)</u>	<u>(79,778,205)</u>
Net patient service revenue	\$ <u>91,268,614</u>	\$ <u>99,087,743</u>

TakeCare Insurance

On March 11, 2020, GMHA announced that insurance coverage under TakeCare Insurance Company, Inc. (TakeCare) was no longer accepted due to non-payment of past due accounts. TakeCare subscribers presenting themselves for treatment at the hospital were billed as self-paying patients.

On April 13, 2020, TakeCare filed a government claim against GMHA alleging TakeCare overpaid GMHA by approximately \$6.3 million.

On September 9, 2020, GMHA and TakeCare entered into a Memorandum of Agreement (MOA) to have a third party reconcile claims with dates of service ending May 1, 2017. Upon signing the MOA, TakeCare made good faith payments of \$3,228,639 in September 2020 for claims with dates of service from January 1, 2018 to March 11, 2020, subject to reconciliation. In addition, GMHA resumed accepting insurance coverage under TakeCare. As of report date, the claims reconciliation being performed by a third-party firm is ongoing.

As of September 30, 2020 and 2019, GMHA has gross receivables from TakeCare of \$12,705,591 and \$15,135,990, respectively, with an allowance for doubtful accounts of \$10,127,320 and \$6,184,862, respectively. Additionally, as of September 30, 2020, GMHA has receivables of \$4,027,423 from self-pay patients serviced during the period of non-acceptance from March 11 through September 9, 2020.

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

During the years ended September 30, 2020 and 2019, 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>2020</u>	<u>2019</u>
GMHA Pharmaceuticals Fund	\$ 18,434,759	\$ 17,154,801
General Fund	6,803,665	1,651,256
General Fund – On Behalf Payments	4,406,747	4,675,288
Healthy Futures Fund	1,729,597	9,665,129
Hotel Occupancy Tax Surplus Fund	125,110	1,235,540
GMHA Healthcare Trust and Development Fund	-	2,489,437
Guam Cancer Trust Fund	-	<u>307,551</u>
	<u>\$ 31,499,878</u>	<u>\$ 37,179,002</u>

In accordance with Public Law 35-36, GovGuam appropriated \$19,491,692 from the GMHA Pharmaceuticals Fund for the year ended September 30, 2020. Of the total appropriations, \$18,434,759 was recorded as non-operating revenues, while \$1,056,933 was not received or receivable at September 30, 2020. Further, GMHA was also appropriated \$6,803,665 from the General Fund and \$ 1,729,597 from the Healthy Futures Fund in accordance with Public Law 35-36 for the year ended September 30, 2020.

In accordance with Public Law 34-116, GovGuam appropriated \$19,283,615 from the GMHA Pharmaceuticals Fund for the year ended September 30, 2019. 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, \$125,110 and \$1,235,540 were recorded as non-operating revenues for the years ended September 30, 2020 and 2019, respectively.

In 2020, in accordance with Public Law 34-115, GovGuam appropriated \$10,000,000 from the Hospital Capital Improvement Fund for GMHA’s capital improvement projects. No amount was received for the year ended September 30, 2020.

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, 2020 and 2019, GMHA received \$0 and \$2,489,437 in appropriations, respectively.

During the years ended September 30, 2020 and 2019, GMHA recognized certain on-behalf payments as transfers from GovGuam, totaling \$4,406,747 and \$4,675,288, respectively, representing certain healthcare benefits and other pension benefits that GovGuam’s General Fund paid directly on behalf of Hospital retirees.

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(13) 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, 2020 and 2019, was as follows:

	<u>2020</u>	<u>2019</u>
Self-Pay Patients	49%	36%
Local Third-Party Payor and Other	20%	23%
Medicaid Assistance Program	4%	10%
Medicare	25%	27%
Medically Indigent Program	<u>2%</u>	<u>4%</u>
	<u>100%</u>	<u>100%</u>

(14) 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.

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. No decision is yet confirmed relating to construction of a new building.

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.

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, 2020 and 2019, GMHA recorded retroactive pay of \$0.

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(14) Commitments and Contingencies, Continued

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, 2020 and 2019, 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.

(15) Dependency on the Government of Guam

GMHA has incurred losses from operations of \$51,210,167 and \$30,469,708 and negative cash flows from operations of \$38,214,352 and \$28,725,127 for the years ended September 30, 2020 and 2019, respectively. GMHA recorded contractual adjustments and provisions for uncollectible accounts of \$86,445,902 and \$79,778,205 for the fiscal years ended September 30, 2020 and 2019, respectively.

At September 30, 2020 and 2019, GMHA has gross receivables from the Government of Guam of \$5,911,159 and \$6,410,853, respectively, for reimbursements, appropriations and outpatient clinic services to DOC. Of the total balance at September 30, 2020 and 2019, \$2,325,533 and \$2,497,993, respectively, relates to reimbursable outpatient clinic services to DOC detainees and inmates, with an allowance for uncollectible accounts of \$1,719,042. At September 30, 2020 and 2019, GMHA also has \$3,063,319 and \$2,326,280, 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, 2020 and 2019, patient accounts receivable includes gross receivables from the Government of Guam for healthcare services of \$3,209,254 and \$2,554,317, respectively, from the Medicaid Assistance Program of \$8,262,625 and \$16,324,796, respectively, and from the Medically Indigent Program of \$5,218,528 and \$7,007,928, respectively. For the years ended September 30, 2020 and 2019, GMHA billed and collected the following from the Government of Guam:

	2020		2019	
	Billings	Collections	Billings	Collections
Healthcare services	\$ 1,218,117	\$ 650,129	\$ 981,341	\$ 460,203
Medicaid Assistance Program	44,660,535	26,999,457	40,035,520	17,579,613
Medically Indigent Program	<u>14,995,284</u>	<u>8,720,350</u>	<u>14,557,079</u>	<u>3,875,780</u>
	<u>\$ 60,873,936</u>	<u>\$ 36,369,936</u>	<u>\$ 55,573,940</u>	<u>\$ 21,915,596</u>

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(15) Dependency on the Government of Guam, Continued

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

- To address perennial cash flow issues, in July 2020, GMHA issued a Request for Proposals to solicit specialized Revenue Cycle Management (RCM) consulting 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. GMHA's preliminary assessment found that GMHA's entire revenue cycle management needed organizational restructure. In FY 2021 the focus will be on updating the inadequate charge master causing undercharging for room, board, and services.
- GMHA's self-pay performance improvement team engaged in FY 2021 to assist self-pay patients get insurance coverage under Medicaid or MIP. This team includes several GMHA departments including Patient Registration, Social Services, Case Management, and AmeriCorps. This team enhances the work of the Eligibility Specialist who reviews the public assistance applications.
- Continue 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.
- Continue to pursue revenue cycle staff training and certification. GMHA was awarded a federal technical assistance grant for staff involved in revenue cycle management to get certified in medical reimbursement, coding, healthcare financial management, etc. As a result, several staff are pursuing training and certification and GMHA billing staff are now Certified Medical Reimbursement Specialists and members of the American Medical Billing Association. Building and improving staff technical competency will contribute to better billing and collection process flows.
- A Business Office Manager was hired in October 2019 to manage the Patient Affairs department and ensure efficiency and accuracy in timely 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.
- Continue pursuing additional TEFRA adjustment requests from CMS.

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.

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(16) 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. 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 were 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.

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.

For the year ended September 30, 2020, GMHA received and expended the following Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funds:

	<u>Funds Allocated</u>	<u>Funds Received</u>	<u>Federal Expenditures</u>	<u>Receivable (Deferred Revenue)</u>
Government of Guam:				
Medical expenses and critical equipment	\$ 3,514,658	\$ -	\$ 2,211,250	\$ 2,211,250
Intensive Care Unit beds	319,410	-	-	-
Differential pay	3,087,714	2,402,303	3,087,714	685,411
Negative pressure rooms and CMS	<u>5,000,000</u>	<u>-</u>	<u>15,750</u>	<u>15,750</u>
	11,921,782	2,402,303	5,314,714	2,912,411
U.S. HHS:				
Provider Relief Fund	<u>7,777,905</u>	<u>7,777,905</u>	<u>1,708,260</u>	<u>(6,069,645)</u>
Total	\$ <u>19,699,687</u>	\$ <u>10,180,208</u>	\$ <u>7,022,974</u>	\$ <u>(3,157,234)</u>

The Government of Guam was one of the recipients of the CARES Act fund for State, Territorial, Local, and Tribal Governments. GMHA, as a sub-recipient, had claimed necessary expenditures incurred due to the public health emergency, particularly, those expenditures relating to medical, payroll, and other expenses necessary to prevent, prepare for, and respond to COVID-19.

On April 5, 2020, the Governor of Guam's Executive Order No. 2020-08 established a COVID-19 Response Differential Pay for employees working in support of the public health emergency. Accordingly, GMHA as an essential agency adopted differential pay categories of 10%, 15%, and 25%. The rates vary depending on staff contact or physical proximity to a population infected with or may be reasonably suspected to be infected with COVID-19, or employees whose positions do not allow them to telework and are mandated to perform their job duties at physical worksites predetermined by their agency heads. Total differential pay claimed for the year ended September 30, 2020 amounted to \$4,033,544, of which \$1,631,241 was subsequently collected.

GMHA also temporarily hired physicians in response to the pandemic. Total pay for these physicians amounted to \$1,265,420 for the year ended September 30, 2020.

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(16) COVID-19, Continued

Between April and August 2020, GMHA directly received a total of \$7,777,905 from the Provider Relief Fund through the U.S. Department of Health and Human Services. This fund was intended for healthcare-related expenses to prevent, prepare for, and respond to COVID-19 or lost revenue due to COVID-19. The funds must be expended no later than June 30, 2021; otherwise, unused funds will have to be returned.

(17) Subsequent Events

GMHA Alternate Care Site

In December 2020, FEMA approved \$15.3 million for GMHA's plan for an Alternate Care Site (ACS), or "warm site," to address immediate and projected needs from COVID-19 for temporary and expanded medical facilities that are minimally operational when COVID-19 cases diminish. GMHA identified the SNU in Barrigada Heights to retrofit and upgrade for acute care and Intensive Care Unit beds with a central monitoring system, and capabilities for hemodialysis and airborne infection isolation in each patient room. The plan entails SNU as a CMS-certified adult skilled nursing healthcare facility, to convert with facility upgrades, equipment, staffing, and supplies to a switch-ready ACS. The intent is to maximize response capabilities and capacities as a Medical Pandemic Isolation Facility when confronted with pandemic or other emerging infectious diseases.

Phase 3 of Provider Relief Funds

On December 16, 2020, GMHA received \$1,961,999 from Phase 3 - General Distribution of CARES Act's Provider Relief Fund. The Phase 3 distribution considered the actual revenue losses and expenses experienced by providers hardest hit by COVID-19.

COVID-19 Uninsured Program

The Health Resources and Services Administration COVID-19 Claims Reimbursement Program provides claims reimbursement at Medicare rates to healthcare providers who are providing treatment for uninsured individuals when COVID-19 is the primary reason for treatment. Subsequent to September 30, 2020, GMHA received \$36,275, which was applied against patient receivables.

Medical Care Costs Eligible for Public Assistance

On April 9, 2021, GMHA received public assistance of \$4,650,331 from Federal Emergency Management Agency (FEMA) for COVID-19 surge medical staffing for contract travel nurses.

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

Defined Benefit Plan

	2020	2019	2018	2017	2016	2015	2014
Total net pension liability	\$ 1,214,462,675	\$ 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	\$ 105,391,734	\$ 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	8.68%	8.80%	9.10%	9.04%	9.27%	8.65%	8.65%
GMHA's covered-employee payroll**	\$ 44,214,485	\$ 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	238.36%	229.47%	224.72%	270.31%	280.98%	246.82%	283.11%
Plan fiduciary net position as a percentage of the total pension liability	62.25%	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.

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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

	2020	2019	2018	2017	2016
Total net pension liability***	\$ 324,192,725	\$ 289,875,668	\$ 288,147,121	\$ 229,486,687	\$ 235,799,709
GMHA's proportionate share of the net pension liability	\$ 20,629,361	\$ 18,580,907	\$ 18,350,836	\$ 14,608,250	\$ 14,882,725
GMHA's proportion of the net pension liability	6.36%	6.41%	6.37%	6.37%	6.31%
GMHA's covered-employee payroll**	\$ 32,420,873	\$ 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	63.63%	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.

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

Ad Hoc COLA Plan for DCRS Retirees

	2020	2019	2018	2017	2016
Total net pension liability***	\$ 59,884,407	\$ 49,342,424	\$ 62,445,490	\$ 61,688,067	\$ 52,115,736
GMHA's proportionate share of the net pension liability	\$ 4,676,440	\$ 3,738,860	\$ 4,780,154	\$ 4,908,140	\$ 4,126,989
GMHA's proportion of the net pension liability	7.81%	7.58%	7.65%	7.96%	7.92%
GMHA's covered-employee payroll**	\$ 18,390,871	\$ 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	25.43%	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.

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Required Supplemental Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily determined contribution	\$ 10,893,064	\$ 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>10,548,744</u>	<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>\$ 344,320</u>	<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>\$ 44,214,485</u>	<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	23.86%	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.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB liability:					
Service cost	\$ 6,307,391	\$ 8,595,699	\$ 9,689,876	\$ 7,774,023	Not Available
Interest	5,807,594	6,715,877	5,865,484	5,926,498	Not Available
Change of assumptions	40,675,702	(12,269,880)	(18,295,109)	19,385,329	Not Available
Change in proportionate share	(817,526)	(6,136,170)	139,936		Not Available
Differences between expected and actual experience	-	(37,408,864)	-		Not Available
Benefit payments	<u>(3,292,943)</u>	<u>(3,269,248)</u>	<u>(2,937,721)</u>	<u>(2,937,721)</u>	Not Available
Net change in total OPEB liability	48,680,218	(43,772,586)	(5,537,534)	30,148,129	
Total OPEB liability - beginning	<u>134,276,729</u>	<u>178,049,315</u>	<u>\$ 183,586,849</u>	<u>\$ 153,438,720</u>	Not Available
Total OPEB liability - ending	<u>\$ 182,956,947</u>	<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>\$ 54,701,422</u>	<u>\$ 53,336,850</u>	<u>\$ 45,589,420</u>	<u>\$ 45,589,420</u>	
Total OPEB liability as a percentage of covered employee p:	334.46%	251.75%	390.55%	402.70%	
Notes to schedule:					
<i>Discount rate</i>	2.66%	4.18%	3.630%	3.06%	3.71%

Changes of benefit terms:
None

Changes of assumptions:
Discount rate has changed from respective measurement dates

* Information for 2011 - 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*

	2020	2019	2018	2017
Total OPEB liability **	\$2,553,523,376	\$1,874,970,335	\$2,431,048,672	\$2,532,753,040
GMHA's proportionate share of the total OPEB Liability	\$ 182,956,947	\$ 134,276,729	\$ 178,049,315	\$ 183,586,849
GMHA's proportion of the total OPEB Liability	7.16%	7.16%	7.32%	7.25%
GMHA's covered-employee payroll	\$ 54,701,422	\$ 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	334.46%	251.75%	390.55%	402.70%

* Information for 2011 - 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*

	2020	2019	2018	2017
Actuarially determined contribution	\$ 14,505,782	\$ 18,748,390	\$ 19,422,648	\$ 16,627,095
Contributions in relation to the actuarially determined contribution	<u>3,292,943</u>	<u>3,269,248</u>	<u>2,937,721</u>	<u>2,937,721</u>
Contribution deficiency	<u>\$ 11,212,839</u>	<u>\$ 15,479,142</u>	<u>\$ 16,484,927</u>	<u>\$ 13,689,374</u>
Covered payroll as of valuation date	<u>\$ 54,701,422</u>	<u>\$ 53,336,850</u>	<u>\$ 45,589,420</u>	<u>\$ 45,589,420</u>
Contributions as a percentage of covered employee payroll	6.02%	6.13%	6.44%	6.44%

Notes to Schedule

Valuation date:

Actuarially determined contributions rates are calculated as of September 30, 2018.

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 2011 - 2016 is not available

See Accompanying Independent Auditors' Report.

GUAM MEMORIAL HOSPITAL AUTHORITY
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Schedule of Expenses
Years Ended September 30, 2020 and 2019

	2020	2019
NURSING:		
Salaries	\$ 21,850,678	\$ 20,573,605
Overtime	884,760	1,098,363
Other pay	8,362,264	4,845,544
Fringe benefits	5,616,160	6,046,399
Total personnel costs	36,713,862	32,563,911
Contractual services	1,465,909	1,282,439
Supplies and materials	4,396,679	4,364,576
Miscellaneous	985,873	59,354
	\$ 43,562,323	\$ 38,270,280

	2020	2019
PROFESSIONAL SUPPORT:		
Salaries	\$ 12,173,158	\$ 11,763,419
Overtime	301,587	389,728
Other pay	2,831,046	1,867,050
Fringe benefits	3,156,653	3,563,060
Total personnel costs	18,462,444	17,583,257
Supplies and materials	9,897,644	9,970,010
Contractual services	1,485,455	2,111,561
Utilities	12,793	17,248
Miscellaneous	68,362	83,796
	\$ 29,926,698	\$ 29,765,872

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, 2020 and 2019

	2020	2019
ADMINISTRATIVE SUPPORT:		
Salaries	\$ 5,710,743	\$ 5,178,318
Overtime	342,081	282,133
Other pay	531,151	228,431
Fringe benefits	1,561,765	1,658,556
Total personnel costs	8,145,740	7,347,438
Supplies and materials	2,150,284	1,908,536
Utilities	2,552,062	2,872,667
Contractual services	2,266,398	2,567,533
Miscellaneous	606,027	665,087
	\$ 15,720,511	\$ 15,361,261

	2020	2019
FISCAL SERVICES:		
Salaries	\$ 4,505,652	\$ 4,363,005
Overtime	47,283	68,749
Other pay	331,350	120,920
Fringe benefits	1,299,242	1,363,902
Annual leave lump sum pay	769,362	(133,247)
Sick leave (DC plan)	495,434	426,790
Total personnel costs	7,448,323	6,210,119
Contractual services	1,726,211	1,457,834
Supplies and materials	139,192	180,059
Miscellaneous	123,543	63,989
	\$ 9,437,269	\$ 7,912,001

See accompanying independent auditors' report.

GUAM MEMORIAL HOSPITAL AUTHORITY
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Schedule of Expenses, Continued
Years Ended September 30, 2020 and 2019

	2020	2019
ADMINISTRATION:		
Salaries	\$ 2,366,205	\$ 1,946,222
Overtime	2,314	4,084
Other pay	150,571	28,487
Fringe benefits	574,824	545,605
Total personnel costs	3,093,914	2,524,398
Insurance (Property)	515,095	459,904
Contractual services	385,991	273,374
Supplies and materials	54,604	40,242
Miscellaneous	166,054	328,242
	\$ 4,215,658	\$ 3,626,160
	2020	2019
MEDICAL STAFF:		
Salaries	\$ 12,961,663	\$ 10,589,616
Overtime	1,000	13,609
Other pay	742,406	282,471
Fringe benefits	1,868,690	1,872,331
Total personnel costs	15,573,759	12,758,027
Supplies and materials	128,120	152,584
Contractual services	12,436,608	12,816,429
Miscellaneous	35,571	30,032
	\$ 28,174,058	\$ 25,757,072
Total actual expenses, without depreciation, impairment, and retiree healthcare costs and other pension benefits	\$ 131,036,517	\$ 120,692,646

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, 2020 and 2019

	2020	2019
Gross Patient Service Revenue:		
Medicaid patients	\$ 38,235,867	\$ 38,060,776
Medicare patients	51,197,703	50,129,345
MIP patients	12,531,501	14,776,109
Other patients	50,714,262	53,663,620
Self-pay patients	25,035,183	22,216,198
	\$ 177,714,516	\$ 178,846,048
 Contractual Adjustments and Provision for Bad Debts:		
Contractual adjustments:		
Medicaid patients	\$ 13,405,112	\$ 20,235,374
Medicare patients	30,069,601	32,458,697
MIP patients	3,712,677	5,467,037
Other patients	18,812,503	3,553,928
Provision for bad debts:		
Self-pay patients	20,446,009	18,063,169
	\$ 86,445,902	\$ 79,778,205
 Net Patient Service Revenue:		
Medicaid patients	\$ 24,830,755	\$ 17,825,402
Medicare patients	21,128,102	17,670,648
MIP patients	8,818,824	9,309,072
Other patients	31,901,759	50,109,692
Self-pay patients	4,589,174	4,153,029
	\$ 91,268,614	\$ 99,067,843

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, 2020, 2019, 2018, 2017 and 2016

	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	Payor F	Subtotal					
2020																				
Billings	\$ 44,660,535	\$ 50,918,400	\$ 14,995,284	\$ 110,574,219	\$ 30,313,848	\$ 1,218,117	\$ 31,531,965	\$ 142,106,184	\$ 2,223,210	\$ 6,671,704	\$ 12,496,654	\$ 6,582,739	\$ 16,068,921	\$ 3,705,612	\$ 47,748,840	\$ 189,855,024	\$ (12,140,508)	\$ 177,714,516		
Collections	\$ 26,999,457	\$ 23,488,555	\$ 8,720,350	\$ 59,208,362	\$ 5,417,318	\$ 650,129	\$ 6,067,447	\$ 65,275,809	\$ 2,378,919	\$ 9,046,069	\$ 10,982,662	\$ 4,670,610	\$ 9,891,455	\$ 2,125,077	\$ 39,094,792	\$ 104,370,601				
Percentage of collections over billings	60%	46%	58%	54%	18%	53%	19%	46%	107%	136%	88%	71%	62%	57%	82%	55%				
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	\$ 1,073,742	\$ 178,846,048		
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 billings	44%	28%	27%	34%	52%	47%	51%	38%	104%	62%	70%	77%	0%	49%	69%	47%				
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	\$ (3,933,242)	\$ 149,891,159		
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 billings	52%	33%	61%	45%	26%	33%	26%	40%	67%	77%	78%	64%	0%	51%	72%	49%				
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	\$ 1,109,644	\$ 151,098,993		
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 billings	46%	38%	39%	41%	46%	12%	44%	42%	65%	123%	81%	73%	0%	49%	88%	56%				
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	\$ (17,045,422)	\$ 156,284,823		
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 billings	66%	36%	47%	51%	43%	68%	44%	49%	119%	55%	71%	69%	0%	63%	68%	53%				

GUAM MEMORIAL HOSPITAL AUTHORITY
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Schedule of Full Time Employee (FTE) Count
Years Ended September 30, 2020 and 2019

<u>Department</u>	<u>2020</u>	<u>2019</u>
Actual FTE count:		
Nursing	512	468
Professional Support	217	212
Administrative Support	201	174
Fiscal Services	93	92
Administration	24	22
Medical Staff	39	35
DOC	21	22
	<u>1,107</u>	<u>1,025</u>
Budgeted FTE count	<u>1,265</u>	<u>1,265</u>

See accompanying independent auditors' report.