



**Financial Highlights**  
**Guam Memorial Hospital Authority**  
**Fiscal Year 2023**

October 15, 2024

The Guam Memorial Hospital Authority (GMHA) received an unmodified (clean) opinion in its Fiscal Year (FY) ended September 30, 2023, financial statements from Ernst & Young, LLP (EY). In its Report on Internal Control over Financial Reporting and Report on Internal Control over Compliance, EY had two findings that were considered material weaknesses. In the report on Compliance for Each Major Federal Program, EY rendered a qualified opinion on the Coronavirus State and Local Recovery Funds program and a clean opinion on each of the other major federal programs. The schedule of expenditures for federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

GMHA ended FY 2023 with a decrease in net position (net loss) of \$40.9 million (M), from negative \$257.5M in FY 2022 to negative \$298.4M in FY 2023. It generated a \$97.9M operating loss due to decreases in net patient revenue by \$36.7M. The operating loss was mainly offset by non-operating revenues of \$54.7M comprising transfers from GovGuam of \$32.5M, federal grants of \$21.7M, and other income of \$474 thousand (K).

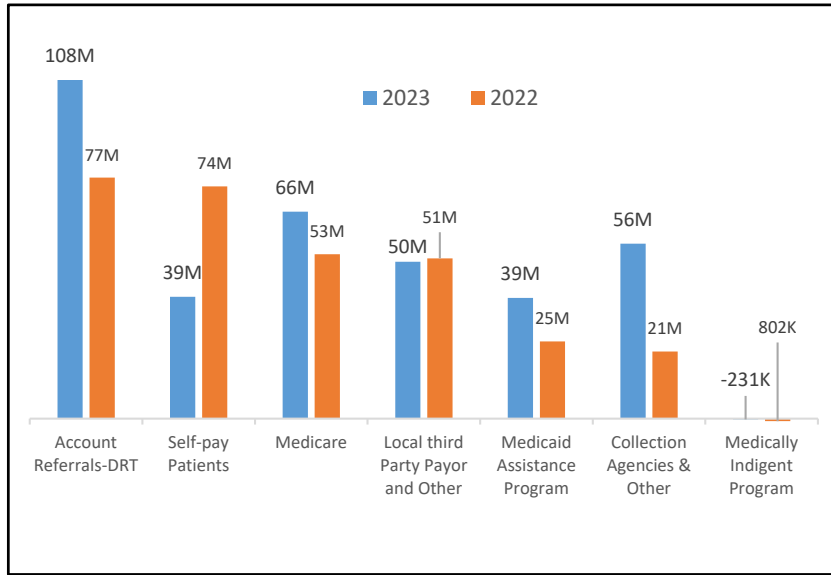
**Dependency on the Government of Guam (GovGuam)**

GMHA continued to incur losses from operations amounting to \$97.9M in FY 2023, from \$61.2M in FY 2022, an increase in losses by \$36.7M. The negative cash flows from operations of \$71.6M, which increased from \$57.8M in FY 2022, were mainly due to a \$28.6M decrease in receipts from and on behalf of patients, and sales, and other services. This resulted in a cash balance of \$1.3M as of FY 2023, a decrease of \$2.3M from the prior year. Although GovGuam transferred \$32.5M to GMHA (an increase of \$6M from the prior year), this was offset by a decrease in federal grants by \$9.6M. GMHA receives financial support from GovGuam in the form of supplemental appropriations and subsidies.

According to GMHA, with its large operating deficits, alternate funding sources are needed; otherwise, this will significantly hinder the achievement of other goals. GMHA will continue to ask for additional subsidies through the annual budget request process to cover increases in personnel costs, contractual costs for physicians, supplies and equipment, and electricity.

**Patient Accounts Receivable (AR) and Allowance Increased**

GMHA grants credit without collateral to its patients, many of whom are Guam residents and are insured under third-party payor agreements. Gross patient receivables amounting to \$358.1M increased by \$55.8M from \$302.3M in FY 2022. Similarly, the allowance for uncollectible accounts of \$306.5M was likewise increased by \$53.8M, resulting in a net patient AR of \$51.5M. The allowance constitutes 86%



of its gross receivable. The top three increases in FY 2023 receivables are from 1) collections agencies & others of \$56M (increased by \$34.5M from FY 2022), 2) Medicaid assistance program of \$38.6M (increased by \$13.9M from FY 2022), and 3) account referrals to Department of Revenue and Taxation of \$108.4M (increased by \$31.2M from FY 2022). Moreover, receivables from self-pay patients amounting to \$39M decreased by \$35.3M from the prior year.

**Operating and Total Liabilities Increased**

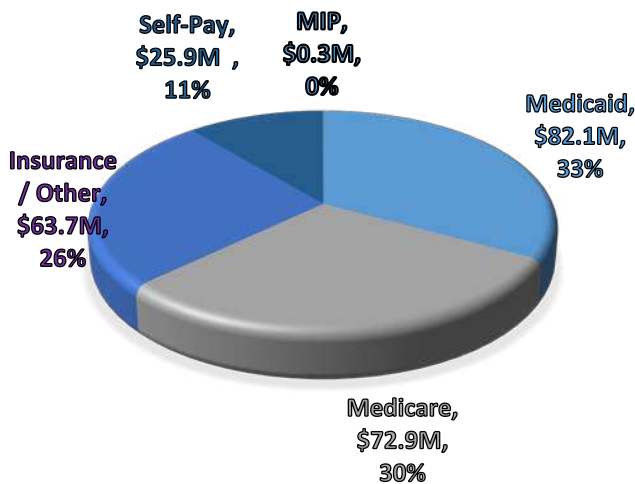
As of the end of FY 2023, GMHA had total liabilities of \$421.7M, an increase of \$52.9M from \$368.8M in FY 2022. The increase was due to increased expenses and decreased cash flows. Current liabilities comprising accounts payable – trade of \$29M (which increased by \$9.2M or 46%) and Due to GovGuam of \$22.3M (which increased by \$14.5M or 185%), made up 83% of the total current liabilities. Of the Accounts payable-trade (due to vendors), seven vendors were owed over \$1M, ranging from \$1M to \$2.7M.

Due to GovGuam current liability account balance of \$22.3M mainly comprised of Medicaid advances to GMHA amounting to \$17.6M. The Chief Financial Officer’s memorandum to file in April 2024 stated that the Governor authorized the Department of Administration (DOA) Director to work with GMHA to provide immediate relief through advances from Medicaid. The advances are based on GMHA’s Medicaid receivables with 50% recoupment. Total Medicaid advances received from April 2023 to October 2023 was \$22.3M.

There were also significant increases in net pension liability by \$47.7M, although this was partially offset by OPEB liability’s decrease by \$29M.

**Gross and Net Patient Service Revenues Decreased**

GMHA’s payer mix explains GMHA’s challenges with collections of such revenues as a public hospital. Gross patient revenue comprises of the 3M’s (Medicare, Medicaid, MIP), third-party insurance payers, and others and self-pay. See the chart below for the breakdown.



Gross patient service revenues decreased by \$1.6M, from \$246.5M in FY 2022 to \$245M in FY 2023. Of the total decrease, \$ 7.3M was attributed to Self-pay patients, \$6.4M by MIP and Other patients, and \$2.4M by Medicare patients. However, gross patient service revenues for Medicaid patients, amounting to \$82.1M, increased by \$14.6M from \$67.5M in the prior year. Overall net patient service revenues decreased by \$37.7M, from FY 2022 of \$131.2M to FY 2023 of \$93.5M.

### Billings and Collections Decreased

GMHA billed \$232.4M in claims for FY 2023 compared to \$253M in FY 2022, (a decrease of \$20.6M) mainly due to decreases in billings for the Self-Pay by \$14.8M and the 3Ms by \$6.1M. The billings decreased due to the technological issues experienced during the Electronic Health Record go-live, the network shutdown, and typhoon Mawar.

Based on EY’s compliance findings, GMHA’s unbilled receivables amounting to \$20.9M as of FY 2023 grew by \$5.8M (or 38%) compared to \$15.1M in FY 2022. This unbilled receivable of \$20.9M has significantly increased by \$13.4M (or 179%) from FY 2021, amounting to only \$7.5M.

Similarly, collections decreased by \$8.5M from \$116.1M in FY 2022 to \$107.6M in FY 2023, mainly due to a decrease in collections from Third-party payers by \$10.7M and from Self-pay by \$3.5M. Decreased collections were attributed to decreased patient billings caused by system issues during the year. Collections from 3Ms, however, increased by \$ 5.8M.

### Decrease in Operating Expenses

Overall, operating expenses decreased by \$344K, from \$196M in FY 2022 to \$195.7M in FY 2023. The total increases of \$11.1M, primarily from Professional support (\$2.2M), Administrative support (\$2.9M), Administration (\$1.8M), Medical staff (\$3.3M), and Depreciation of \$885K were offset by a decrease in the categories: Nursing (\$8.6M), Fiscal services (\$1.5M), and Retiree health care costs (\$1.4M).

Personnel costs of \$113.7M make up 58% of the total operating expenses. Contractual services grew by \$3M, from \$38.4M to \$41.4M, with the administration section having the biggest increase of \$1M (or 9,359%) due to property insurance, and the medical staff section of \$5.8M (or 27%).

### Measures to Reduce Dependency on GovGuam

GMHA instituted some measures and sought financial assistance to support its operational expenses to reduce operating losses and negative cash flows, which include:

**1. Medicaid Advances - \$22.3M**

Advances from Medicaid claims were received from April to October 2023, totaling \$22.3M, with recoupments totaling \$5.7M.

**2. Appropriation from General Fund - \$30M**

Public Law 37-43 appropriated \$30M from the General Fund to pay GMHA vendors. The DOA made \$25M payments directly to GMHA's vendors as of May 31, 2024.

**3. Vendor Support - \$6M**

For FY 2023, GMHA received vendor support amounting to \$6M.

**4. US Department of Homeland Security (DHS)-COVID-19 - \$15.3M**

For FY 2023, GMHA received \$15.3M from the Federal Emergency Management Agency for COVID-19 medical staffing, Alternate care site, and personal protective equipment.

**Capital Improvements**

Based on GMHA's Management and Discussion Analysis, during FY 2023 GMHA made capital improvements, which included the following:

1. GMHA plans to begin and/or complete projects for its Heating Ventilation & Air conditioning, chillers, autoclave system, parking expansion, maternal child health areas (including Neonatal Intensive Care expansion), liquid oxygen tank expansion and renovation, various medical equipment purchases, access control systems, and various Information Technology (IT) projects. It was funded by American Rescue Plan Act funds.
2. Procured a new Angiosuite and Hemodynamic machine in FY 2024. This was funded by Compact Impact funds.
3. Improvement on air conditioning in the labor and delivery and Obstetrics wards to be completed in FY 2024.
4. The Z-wing is still waiting for second floor demolition in order to begin renovation for a new office space. In addition, the Z-wing is currently not being used as an office space.
5. Additional Air Handling Units were installed in FY 2023 and were federally funded.

**Report on Compliance and Internal Control**

The Report on Internal Control over Financial Reporting had a finding relative to Patient Receivables, which is a repeat finding in FY 2022 and considered a material weakness as follows:

***Finding-2023-001 - Patient Receivables – Material Weakness***

- a. As at the end of FY 2023, GMHA has \$20.9M of unbilled receivables, which increased by 38% from approximately \$15.1M of unbilled accounts at the end of FY 2022. These results in the accumulation of potentially uncollectible receivables and the potential for inadequate cash flows to meet current obligations.
- b. As at the end of FY 2023, GMHA has approximately \$2.1 million in accounts receivable suspense accounts. This may result in disputed receivables because collections in the accounts receivable suspense accounts are not recorded.

### ***GMHA Response***

- a. Beginning in FY 2024, when the unique technological challenges were resolved, GMHA aggressively sent out billings, which significantly reduced the unbilled accounts. As of September 20, 2024, GMHA's unbilled receivables amounted to \$3.9M.
- b. During FY 2024, GMHA hired an accountant whose job included regular reconciliation and monitoring of the accounts receivables and suspense accounts. GMHA plans to solicit a new EHR system that includes patient accounting.

### ***Report of Independent Auditors on Compliance for Each Major Federal Program***

In this report, EY rendered a qualified opinion on ALN 21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Funds and a clean opinion on each of the other major federal programs.

### **Report on Internal Control Over Compliance**

#### ***Finding-2023-002 - Unallowable Direct Charges – Material Weakness***

EY identified that the Authority made capital expenditures on equipment that is material to the program without prior approval from the pass-through entity due to the absence of the required procedure.

#### ***GMHA Response***

Moving forward, GMHA will be more proactive in obtaining grants' eligibility requirements to ensure compliance.

#### ***Finding-2023-003 - Suspension & Debarment – Significant Deficiency***

The Authority did not properly document that verification was performed to identify if the selected person or entity in the covered transaction was not suspended or debarred prior to transacting with them.

#### ***GMHA Response***

Starting in April 2024, GMHA incorporated the Certificate Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion for Covered Contracts and Grants in all of its Invitation for Bids and Request for Proposals.

### **Management Letter**

The external auditors issued two comments on its management letter. One is relative to the financial statement close process, a residual effect of the network shutdown in March 2023. The other comment was regarding construction in progress wherein management has not evaluated previously capitalized costs associated with the project and has not recognized any impairment losses. EY recommended that GMHA conduct a review of all costs capitalized in the construction in progress and determine whether there has been an impairment loss. Additionally, EY issued four comments related to information technology.

For more details, refer to GMHA's FY 2023 Financial Statements, Reports on Compliance and Internal Control, Management Letter, and The Auditor's Communication with Those Charged with Governance at <http://www.opaguam.org> and [www.gmha.org](http://www.gmha.org).