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, 2018 AND 2017 (AS RESTATED)

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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, 2018 and 2017, 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, 2018 and 2017, 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

Implementation of New Accounting Standards

As discussed in Note 1 to the financial statements, in 2018, GMHA adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* effective October 1, 2017. As a result of adopting this standard, GMHA has elected to restate its 2017 financial statements to reflect the adoption of this standard.

Our opinion is not modified with respect to this matter.

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 19 as well as the Schedules of Proportional Share of the Net Pension Liability on pages 53 through 55, the Schedule of Pension Contributions on page 56, the Schedule of Changes in Net OPEB Liability and Related Ratios on page 57, the Schedule of the Proportionate Share of the Total OPEB Liability on page 58 and the Schedule of OPEB Employer Contributions on page 59 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 60 to 64 are presented for purposes of additional analysis and are not a required part of the financial statements.

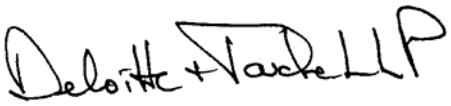
The schedules of expenses, patient service revenues by patient classification, and billings and collections and reconciliation of billings to gross patient revenues are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare 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.

Deloitte.

The schedule of full time employee count on page 65 has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2019, 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.



June 3, 2019

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

Management's Discussion and Analysis
Years Ended September 30, 2018 and 2017

INTRODUCTION

Guam Memorial Hospital Authority ("GMHA"), a component unit of the Government of Guam ("GovGuam"), was created on July 26, 1977 pursuant Public Law 14-29 as an autonomous agency of GovGuam. GMHA owns and operates the Guam Memorial Hospital (the "Hospital"). The Hospital provides acute, outpatient, long term, MCH, urgent care and emergency care treatment to all patients who seek medical services at the Hospital. The Hospital has 161 licensed acute care beds, plus 40 beds at its long-term care Skilled Nursing Unit (SNU).

The following Management's Discussion & Analysis (MD&A) of GMHA's activities and financial performance will serve as an introduction and overview of the audited financial statements of the Hospital for the fiscal years ended September 30, 2018 and 2017. The information contained in the MD&A has been prepared by management and should be considered together with the financial statements and includes the following:

Overview

- Payer Mix - Reimbursements of 3 M's (Medicare, Medicaid, and Medically Indigent Program)
- Tax Equity and Fiscal Responsibility Act
  - History
  - Rebasing Approved January 12, 2019
  - Impact on Medicaid and MIP – Underpayment
  - Uncompensated Care
    - Social Cases
    - Department of Corrections – Medical Services
- Fee Schedule
- Staffing & Employment Costs

Financial Performance

- Summarized Statements of Net Position
- Summarized Statements of Revenues, Expenses and Changes in Net Position
- Summarized Statements of Cash Flows

Patient Census

Patient Accounts Receivable

Economic Outlook-Looking Forward

- Online Payment
- Family Birth Center Project
- Information Technology Upgrades and Meaningful Use
- Rebasing Impact
- CMS Survey

Contacting Hospital Executives

OVERVIEW

GMHA continues to strive to provide quality care in a safe environment to the community. The Hospital recognizes that healthcare is a **basic human right regardless of one's coverage or ability to pay thus, serves as "safety net" hospital for every individual who enters the Hospital for medical treatment**. However, for years GMHA has struggled with multiple complications affecting the Hospital's financial health. As the healthcare industry continues to face significant challenges with the changing government reimbursement levels and escalating costs, the Hospital has embarked on a mission to address decades of unsubsidized care, at the same time sustain its mission and operations to continue the delivery and provision of every individual's basic human right – access to healthcare.

The legislature passed Public Law 34-87 that provides a dedicated funding source to GMHA to address decades of underfunding dating back to the '70s. Unfortunately, this was short-lived as the legislation was repealed. The long-sought dedicated funding would have enabled the Hospital to provide stability in its cash flow to meet basic operational requirements and plan for much needed capital improvements and equipment upgrades. It would also allow the Hospital to recruit and retain much needed specialty care based on the changing healthcare needs and requirements of the community it serves. With the dedicated subsidy, it was to bridge the loss of reimbursements from underpayment from Medicare, Medicaid, and Medically Indigent Program (MIP) and the uncompensated care from those without insurance or who are underinsured. The overall intent of the subsidy from PL 34-87 was to enhance the Hospital's operations and be poised to grow its outpatient services, thus increasing its revenue sources while decreasing costs.

GMHA was recently notified by its current Electronic Health Record (EHR) vendor that it will no longer be providing support in 2020. The current system has numerous shortcomings including an unstable structure; delayed support services; costly, lengthy, and inefficient processes; and necessary workarounds within the system. These have been counter-productive and have caused staff to work harder and longer hours. The system is not focused on the acute workflow which the Hospital desperately needs. Its documentation workflow is fragmented and does not have certain features that aid clinicians in tasks they need to complete related to Center for Medicare and Medicaid Services (CMS) and Joint Commission citations. Clinical users are frustrated and dissatisfied because of its inefficiencies. It lacks key interoperability and communication tools to fulfill regulatory compliance and documentation requirements. These issues were among the overriding reasons GMHA lost its Joint Commission accreditation in June 2018, but continues to meet CMS conditions of participation and standards.

Despite the shortcomings of the current system, missing the deadline to submit Meaningful Use Stage 2 attestation, GMHA was able to successfully appeal the late submission and, in April 2018, received the sought-after incentive payment of $1.04M from Medicaid. GMHA will request for a hardship waiver in meeting Meaningful Use Stage 3 until after the migration and implementation of a new EHR. Meaningful Use Stage 3 incentive payment is $750,000. Additionally, GMHA was also able to successfully meet the Merit Based Incentive Payments System (MIPS) Reporting requirements due to Medicare on March 31, 2018. As a result of a collective effort to gather data and meet the reporting deadline, Medicare started compensating GMHA physician fees @1% incentive payment in 2019. This number is expected to increase in 2020 after GMHA successfully filed its second MIPS report in March 2019. Failure to meet this reporting requirement would have had a negative impact on GMHA's physician fee payment of around negative 4%.

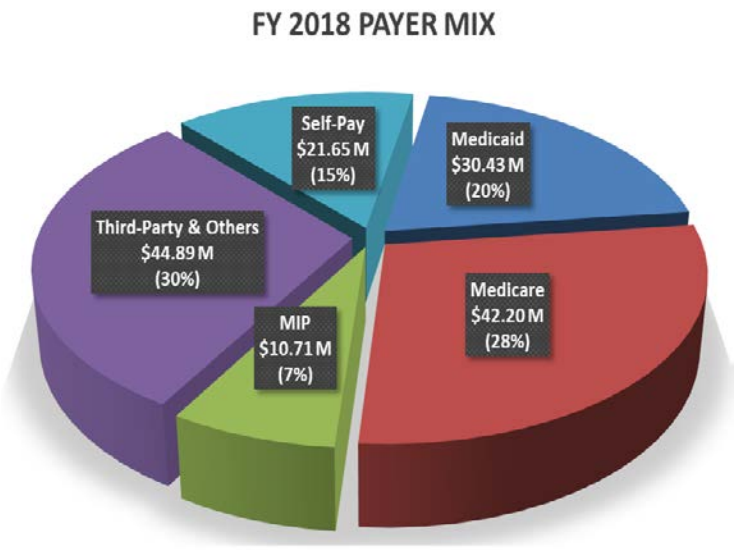
For the first time in over 20 years, GMHA's request to Rebase its Medicare rate was finally approved. Rebasing is the process of updating the base year cost per discharge to reflect more current costs of delivering care. This will boost GMHA's reimbursement from Medicare, Medicaid, and MIP. Not only will it receive retroactive payment from October 1, 2013, it will also increase prospective payments upon the issuance of the interim rate notice.

It is important that readers of these financial statements have an understanding of the environment in which the Hospital operates. Some of the issues having significant impact on the Hospital include, but are not limited to:

Payer Mix - Reimbursements of 3 M's
Underpayment and Uncompensated Care
Fee Schedule

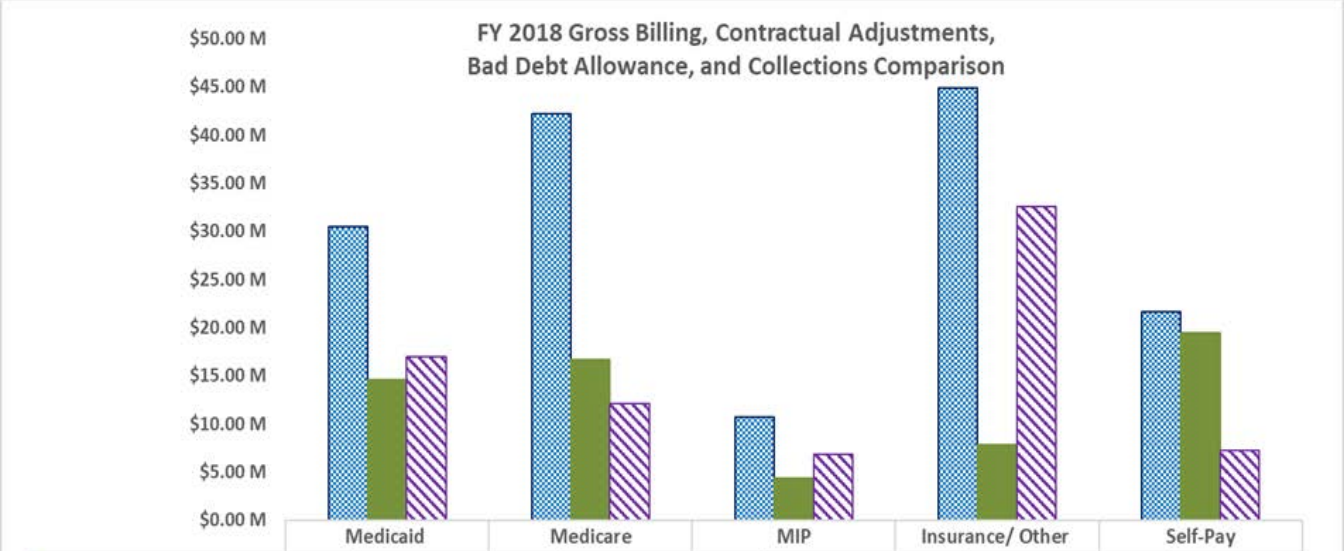
Payer Mix - Reimbursements of 3 M's

An understanding of GMHA's "Payer Mix" is essential to appreciating why GMHA continues to face financial challenges. The following Payer Mix chart reflects the percentage of revenue from different sources. The 3 M's constitute 55% (Medicare-$42.20 million (M), 28%; Medicaid-$30.43M, 20%; and MIP-$10.71M, 7%) of the Hospital's $149.89M of gross patient revenues, followed by Third-Party Payers and Others at 30% or $44.89M, and Self-Pay at 15% or $21.65M. The Payer Mix is consistent with the prior year.



Reimbursements from the 3 M's do not increase at the same rate as the increase in the costs of providing healthcare (labor, supplies, and pharmaceutical costs). In light of reimbursement decreases brought about by changes in wage index calculations, coding adjustments, Medicare funding sequestration and other initiatives aimed at capitating payments, rebasing is critical because it also impacts payments from Medicaid and MIP.

If the Medicare reimbursement rate is adjusted to reflect the current costs of delivering services, Medicaid and MIP (since they mirror Medicare reimbursement) will also need to be adjusted. This will help align the imbalance and bridge the gap between the 3M's revenue mix and the collection rates, thus reducing contractual adjustments for the 3M's, which have such a significant impact on the financials as illustrated in the contractual allowance chart below. This translates to a significant underpayment and a major contributing factor to GMHA's financial shortfall.



	Medicaid	Medicare	MIP	Insurance/ Other	Self-Pay
Gross Billing	$30.43 M	$42.20 M	$10.71 M	$44.89 M	$21.65 M
Contractual Adjustments & Bad Debt Provision	$14.60 M	$16.65 M	$4.33 M	$7.82 M	$19.44 M
Total Collections	$16.96 M	$12.09 M	$6.85 M	$32.58 M	$7.27 M

TEFRA

History

In 1982, Congress passed the Tax Equity and Fiscal Responsibility Act (TEFRA) including changes to the Medicare program. These changes created the Prospective Payment System, which uses Diagnostic Related Groups (DRGs) as the basis for reimbursement and legislated that all Medicare Hospital Inpatient Services be paid on this payment system except the following: Long Term Care Hospitals, Children's Hospitals, Rehabilitation Hospitals, Psychiatric Hospitals, and hospitals in Guam, American Samoa, and the Commonwealth of the Northern Marianas and Virgin Islands.

These exempted hospitals were to continue to be reimbursed based on the cost of treating Medicare patients as determined by the Medicare Cost Report with an aggregate per Discharge Limit (TEFRA Limit) that was set based on the facilities cost of care in 1982. The TEFRA limit was updated each year by the Medicare-determined Hospital Market Basket Index (MBI).

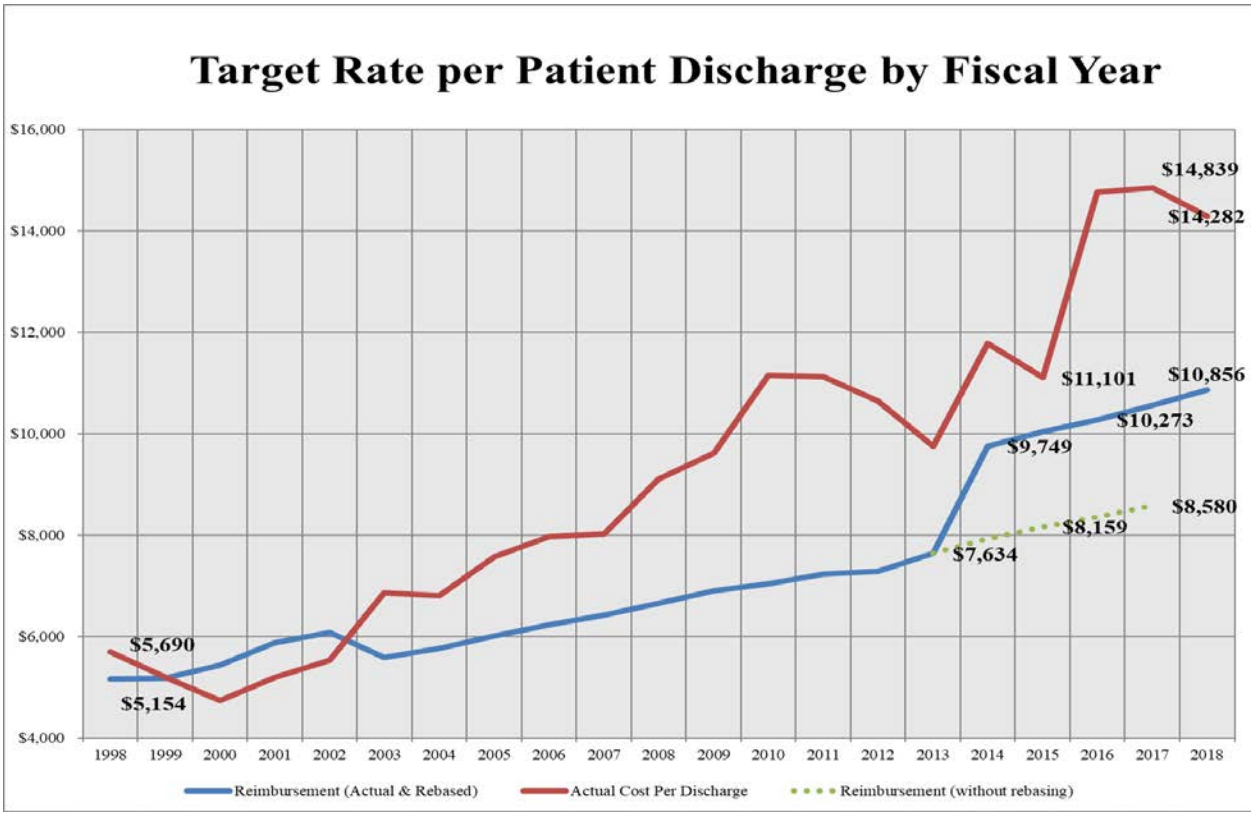
In 1997, 15 years after the TEFRA enactment, US Congress passed legislation allowing Medicare to Rebase rates paid to GMH. However, due to unavailability of records from the typhoon and computer overhaul, the average cost of care in 1992-1994 was used for the Rebasing. Thereafter, Medicare reimbursements were adjusted annually for inflation, but in 2003 this system collapsed. GMH began receiving only a portion of the costs incurred to treat Medicare patients. Several unsuccessful attempts were made to address these reimbursement shortfalls, culminating in a denial of a 2012 Rebasing request and another Rebasing denial issued in 2016. For decades, *the reimbursements lag industry standards and have contributed to the long-term financial instability of GMHA*.

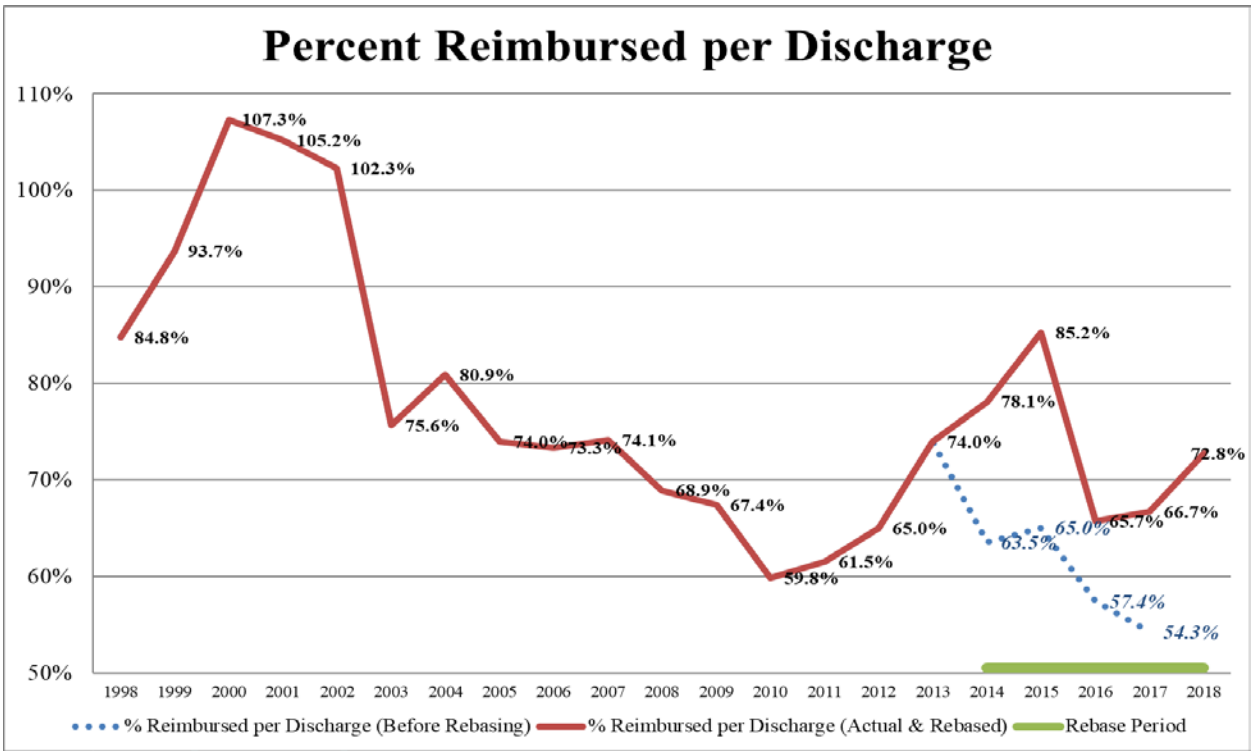
Rebasing Approved January 12, 2019 (Effective October 1, 2013)

For several more years GMH continued to meet with CMS, submit timely reports, demonstrate with its filings of Adjustments and Rebasing requests the reimbursement inequities and the detrimental impact to the Hospital. The cost of treating patients has escalated much faster than the allowable Medicare cost in treating patients at GMH.

On January 12, 2019, twenty two (22) years after the last Rebasing, CMS finally agreed to Rebase GMH's discharge rate retroactively to October 1, 2013. This was significant because GMH's Medicare Cost Report was audited by an independent party and validated the allowable cost of care at GMH. To date, GMH has received $10.7 million dollars in retroactive rate adjustment for Fiscal Years 2014-2018.

Despite the Rebasing, GMH is still reimbursed less than the cost of discharge. The first chart below reflects the actual cost of discharge in 1998 at $5,690 and the reimbursement amount of $5,154. In 2018, the cost of discharge was $14,282 and reimbursement after Rebasing was $10,856. The percent reimbursed per discharge (second chart) went from 84.8% in 1998 to over 100% then started declining in 2002 to as low as 59.8% in 2009 and 72.8% in 2018. The millions in unreimbursed costs, written-off as contractual allowance has impacted the Hospital's financial stability which is further compounded by millions more of unreimbursed costs for Medicaid and for the Medically Indigent Patients (MIP). What would help the Hospital's financial stability is to have its rates Rebased to the current cost of discharge.

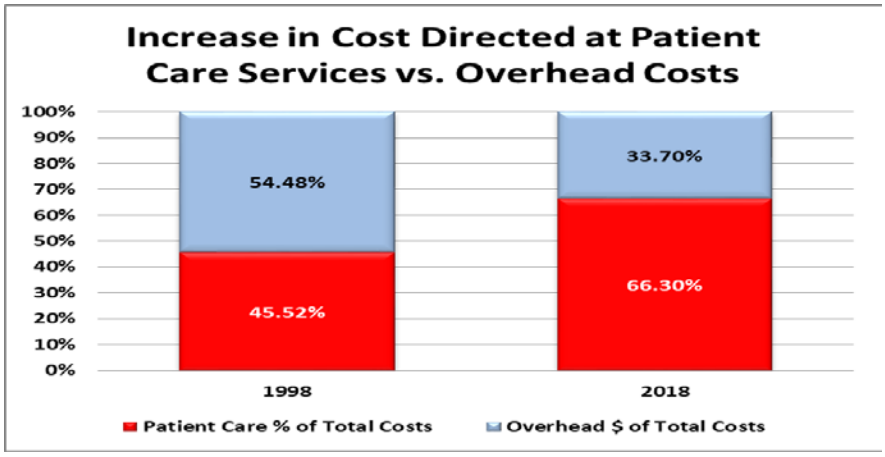




Fiscal Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Actual Cost Per Discharge	5,690	5,204	4,742	5,191	5,524	6,854	6,808	7,566	7,972	8,022	9,102	9,618	11,149	11,120	10,639	9,755	11,780	11,101	14,756	14,839	14,282
% Reimbursed	84.8%	93.7%	107.3%	105.2%	102.3%	75.6%	80.9%	74.0%	73.3%	74.1%	68.9%	67.4%	59.8%	61.5%	65.0%	74.0%	78.1%	85.2%	65.7%	66.7%	72.8%

GMHA continues to assess and improve its delivery of care while maximizing its revenues. One way to increase the reimbursement from the 3Ms is to grow the outpatient services where the reimbursement is not based on a per diem rate, but on a higher percentage of cost.

The adjacent chart illustrates the direct patient care costs in 1998 at 45.52% of total costs increasing to 66.30% in FY2018. The overhead costs in 1998 was 54.48% of total costs decreasing to 33.70% in FY2018. What this means is ***GMHA has controlled its overhead expenditures, and has invested more of its financial resources in direct patient care***.



Impact on Medicaid and MIP - Underpayment

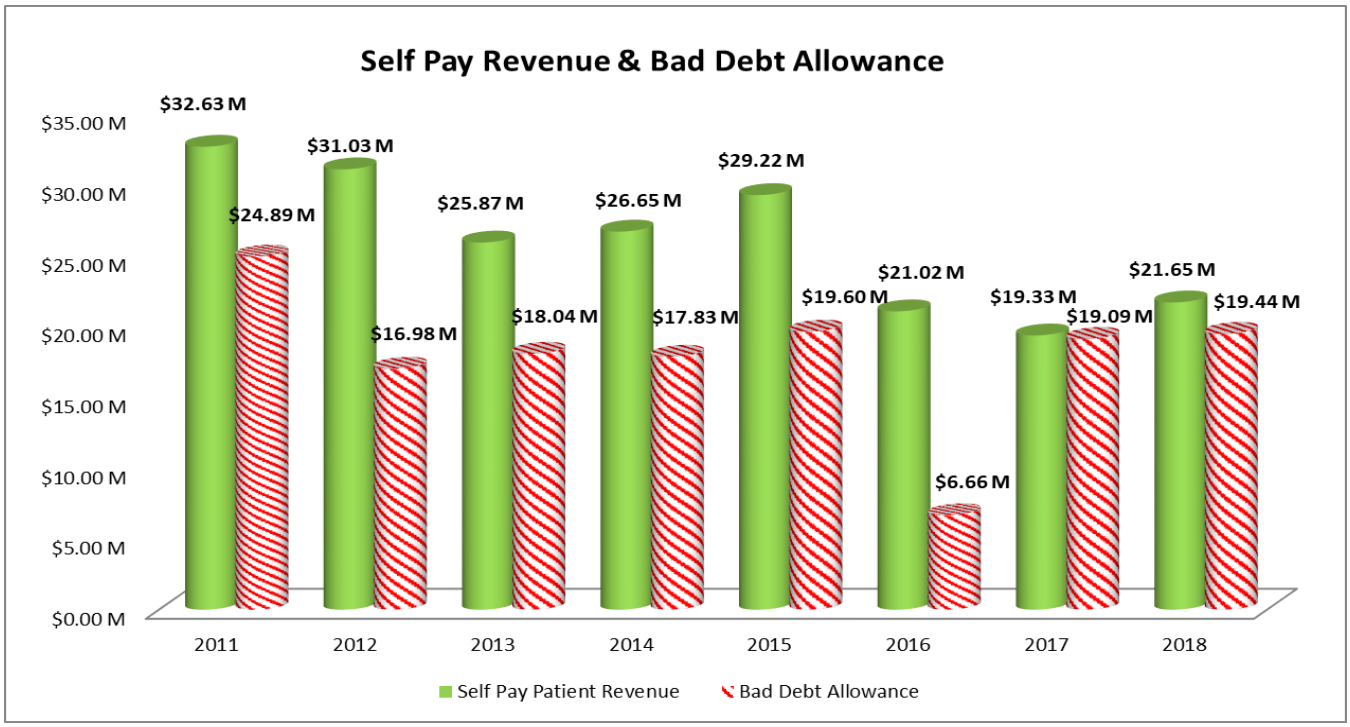
The Rebasing of the Medicare rate would also impact Medicaid and MIP per diem payments. Payments from these two plans will be expected to increase because Medicaid and MIP closely mirror Medicare payment methodology. In addition to the regular per diem payments by Medicare, unlike Medicaid and MIP, Medicare requires that a Medicare Cost Report be submitted each year. This cost report allows the Hospital to submit allowable costs and any resulting underpayment is paid after the Notice of Program Reimbursement is issued. However, ***Medicaid and MIP do not have such a process and consequently no method of recovering the shortfall***. This issue must be addressed with Public Health so that once CMS approves a Rebasing or an Adjustment request for a given period, Medicaid and MIP reimbursements must be similarly adjusted. However, if the State Plan does not allow for this reimbursement, proposal to amend the Medicaid State Plan is recommended. This will help bridge the significant underpayment from the 3Ms.

Uncompensated Care

Social Cases

Another issue seriously impacting the Hospital is the uncompensated care delivered to the self-pay population – i.e., patients who are underinsured or without insurance coverage – under federal and local legal mandates. For the past eight years, self-pay patients received an average of $26M of care per year, with a provision for bad debts averaging $16M annually as reflected in the chart below. GMHA establishes a provision for bad debts when it considers it is unlikely that the patient account balance will be collected. This means that GMHA has managed to collect an average of 37 cents per one dollar billed to self-pay patients. This issue has a significant impact on the Hospital's continued sustainability. Although considerable progress has been made since FY 2015, GMHA continues to seek ways to improve collections, and has implemented an online payment system since Fiscal Year 2017.

In collaboration with Department of Public Health, GMHA hired an Eligibility Specialist who works on site to assist patients at the time medical treatment is provided to apply for Medicaid or MIP benefits. This process started in October 2018 and has demonstrated effectiveness in helping self-pay patients obtain Medicaid or MIP coverage. This will help reduce Uncompensated Care at GMH.



However, ***even with all these strategies for improvements, a permanent external funding source needs to be identified to reimburse the Hospital for the cost of providing uncompensated care for those individuals who do not qualify for public assistance services, but continue to strain the Hospital's resources. The Hospital is also faced with numerous social cases pertaining to patients who can be discharged, but do not have responsible parties willing to accept the discharged patient. This has been an ongoing issue for GMHA which, due to legal mandates, requires the attention and direction from island lawmakers. This represents another primary reason for the need for continued funding to GMHA***.

Department of Corrections (DOC) – Medical Services

In September 2015, GMHA and DOC entered into a cooperative agreement for GMHA to provide Medical Services to inmates at the DOC. The agreement stipulates that quarterly allotments to GMHA will be made in advance based on the DOC's Clinic health care budget, and adjusted for any under-utlization or over-utilization from the previous fiscal year. Additionally, GMHA shall be paid an administrative fee, calculated at 12% of the budget, payable quarterly in advance.

As of September 30, 2018, GMHA is owed $3.2 million for services provided per the Cooperative Agreement. Additionally, GMHA is owed over $2 million for in-patient services that is outside of this agreement. Inpatient hospital services for DOC inmates has and continues to be an uncompensated care.

The cumulative unpaid services provided to DOC impacts the Hospital's ability to continue its delivery and provision of healthcare services and treatments.

Fee Schedule

GMHA's fee schedule is below industry standards and therefore continues to negatively impact the Hospital's revenue stream. Although the Board of Trustees approved a 5% increase effective April 1, 2015 and additional 5% increases each year thereafter, GMHA's rates are still significantly outdated because most of the rates were established in the early '90s. In its December 2014 report, the Office of Inspector General recommended that GMHA ***"review the fee schedule on a regularly scheduled basis and, where necessary, make adjustments to ensure costs are covered"***. GMHA continues to review its charge library to identify outdated charges that must be adjusted. Legislative approval would, however, be required for any fee increase that exceeds the 5% threshold. In November 2015, the Hospital achieved a major milestone when it successfully requested and obtained legislative approval to adjust 300 fee items that were significantly below the Medicare rate to equal the Medicare rate.

GMH is reviewing its pricing methodology to adequately cover the costs of care in each servicing department. Upon completion of the review, it will be presented to the Board for approval.

Staffing & Employment Costs

GMHA began FY 2018 with a staff complement of 1,001, but ended the year with 947 employees, which is in line with staffing levels from FY 2009 or 10 years ago. FY 2018 total personnel cost of $69.49M is a $4.8M increase from FY 2009 costs of $64.69M. Staff turnover in all divisions (Nursing, Professional Support, Administrative Support, Fiscal Services, Administration, Medical Staff, and staff assigned to the Department of Corrections) as well as the inability to recruit and retain staff caused personnel costs to decrease by $11.4M, going from $80.9M in FY 2017 to $69.5M in FY 2018.

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

FISCAL YEAR	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Costs in $M	64,69	67,86	71,61	71,14	73,37	76,47	74,05	88,54	80,93	69,49
Count	948	1063	999	967	937	1101	1019	985	1001	947

FINANCIAL PERFORMANCE

A Comparative analysis is provided between Fiscal Years 2018 and 2017 for the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows.

SUMMARIZED STATEMENTS OF NET POSITION

	FY 2018	FY 2017 As Restated	FY 2016 As Restated	$ Change FY 2017 to FY 2018	% Change FY 2017 to FY 2018
Assets					
Current Assets	$ 46,679,947	$ 34,359,657	$ 35,622,341	$ 12,320,290	35.9%
Noncurrent Assets	29,631,546	32,588,160	35,514,495	(2,956,614)	-9.1%
Deferred outflows of resources	31,894,885	34,899,993	20,165,044	(3,005,108)	-8.6%
Total assets and deferred outflows of resources	$ 108,206,378	$ 101,847,810	$ 91,301,880	$ 6,358,568	6.2%
Liabilities and Net Position					
Liabilities:					
Current liabilities	$ 22,966,608	$ 11,039,281	$ 13,507,316	$ 11,927,327	108.0%
Noncurrent liabilities	310,761,009	331,841,779	155,896,527	(21,080,770)	-6.4%
Total liabilities	333,727,617	342,881,060	169,403,843	(9,153,443)	-2.7%
Deferred inflows of resources	20,664,119	1,848,141	76,361	18,815,978	1018.1%
Net Position:					
Net investment in capital assets	29,631,546	32,570,123	35,457,259	(2,938,577)	-9.0%
Unrestricted	(275,816,904)	(275,451,514)	(113,635,583)	(365,390)	0.1%
Total net position	(246,185,358)	(242,881,391)	(78,178,324)	(3,303,967)	1.4%
Total liabilities, deferred inflows of resources, and net position	$ 108,206,378	$ 101,847,810	$ 91,301,880	$ 6,358,568	6.2%

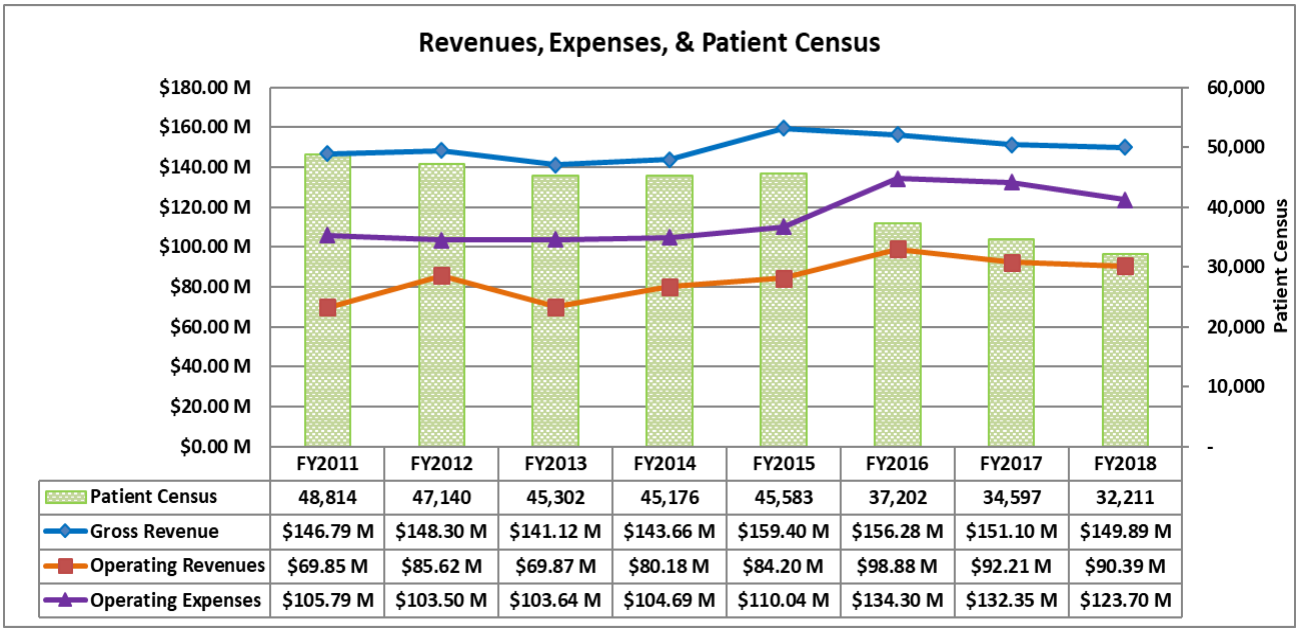
SUMMARIZED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	FY 2018	FY 2017 As Restated	FY 2016 As Restated	$ Change FY 2017 to FY 2018	% Change FY 2017 to FY 2018
Operating Revenues	90,393,262	92,205,528	98,883,247	(1,812,266)	-2.0%
Operating Expenses	123,702,468	132,349,957	134,296,627	(8,647,489)	-6.5%
Operating Loss	(33,309,206)	(40,144,429)	(35,413,380)	6,835,223	-17.0%
Non-operating revenues, net	24,534,358	24,808,225	70,380,661	(273,867)	-1.1%
Capital grants and contributions	5,470,881	980,895	529,458	4,489,986	457.7%
Change in net position	(3,303,967)	(14,355,309)	35,496,739	11,051,342	-77.0%

- Total assets and deferred outflows of revenues increased by $6,358,568 or 6.2% representing increases in Net Patient Accounts Receivable of $7.0M, Due from GovGuam of $6.7M, and Prepaid Expenses of $133K. The increases were offset by decreases in Cash ($1.4M), Net Depreciable Assets ($2.9M), and Deferred Outflows of Resources ($3.0M).

- Current Liabilities increased by $11,927,327 due to increases in Trade Accounts Payable ($10.8M), Accrued Payroll ($926K), and Accounts Payable to the Government of Guam Retirement Fund ($519K).

- Non-current liabilities decreased by $21,080,770 due primarily to reductions in Net Pension Liability ($13.3M), OPEB Liability ($5.5M), and Noncurrent Accrued Annual Leave ($2.4M).



	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Patient Census	48,814	47,140	45,302	45,176	45,583	37,202	34,597	32,211
Gross Revenue	$146.79 M	$148.30 M	$141.12 M	$143.66 M	$159.40 M	$156.28 M	$151.10 M	$149.89 M
Operating Revenues	$69.85 M	$85.62 M	$69.87 M	$80.18 M	$84.20 M	$98.88 M	$92.21 M	$90.39 M
Operating Expenses	$105.79 M	$103.50 M	$103.64 M	$104.69 M	$110.04 M	$134.30 M	$132.35 M	$123.70 M

- Operating revenues decreased $1,812,266 or 2.0%. This was primarily due to a $1.2M decrease in net patient service revenue.

- Operating expenses decreased $8,647,489 or 6.5%, mainly due to decrease in Pension expense.

- Operating loss decreased $6,835,223 or 17.0%.

- Non-operating revenues decreased by $273,867 or 1.1%. A $308K increase in federal grants was not enough to offset the $807K decrease in GovGuam subsidies.

- The negative Change in Net Position of $3,303,967 is an $11.1M improvement from the prior year's negative Change in Net Position of $14,355,309. The FY 2017 Change in Net Position was restated from negative $1,907,847 to negative $14,355,309 as a result of the actuarial reports for the OPEB liability.

SUMMARIZED STATEMENTS OF CASH FLOWS

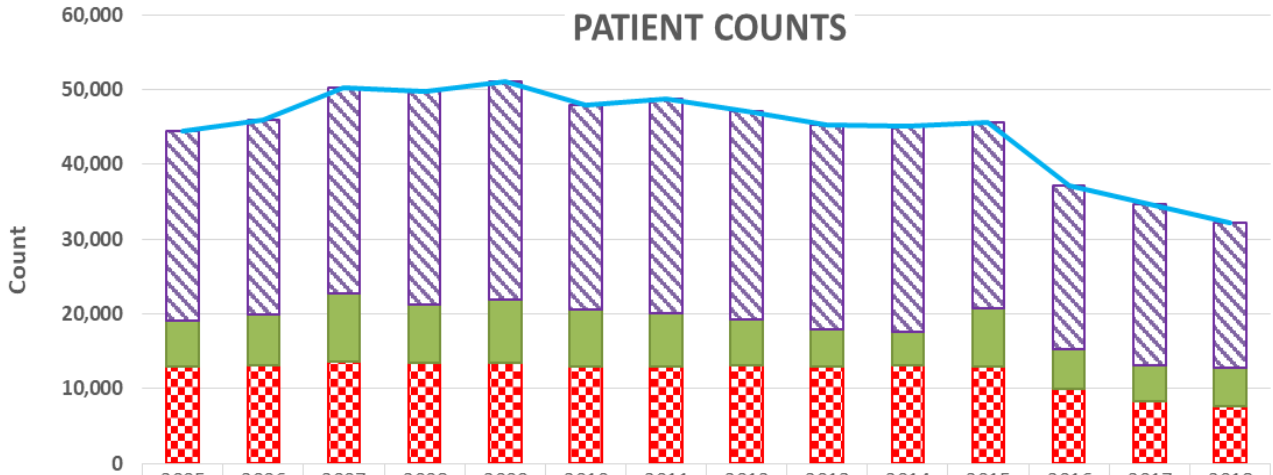
	FY 2018	FY 2017 As Restated	FY 2016 As Restated	$ Change FY 2017 to FY 2018	% Change
Cash used for operating activities	$ (18,952,770)	$ (22,309,763)	$ (34,309,690)	$ 3,356,993	-15.0%
Cash provided by noncapital financing activities	13,118,278	24,669,770	37,240,417	(11,551,492)	-46.8%
Cash provided by (used for) capital and related financing	4,389,957	(1,578,826)	(1,312,589)	5,968,783	-378.1%
Cash provided for investing activities	-	-	209,267	-	0.0%
Net change in cash	$ (1,444,535)	$ 781,181	$ 1,827,405	$ (2,225,716)	-284.9%

- Patient receipts collected in FY 2018 decreased by $3,800,512 or 4.5%. The $4,496,813 increase in collections from the 3Ms was offset by the collection decreases from self-pay ($5,606,943) and third-party payers ($6,396,510).
- Payments to suppliers and contractors decreased by $4,244,730 or 16.1%.
- Noncapital contributions from GovGuam decreased by $12,024,438 or 49.1%, going from $24,467,820 to $12,443,382.
- Capital contributions from GovGuam increased by $3,003,576, going from $93,364 to $3,096,940.

Capital Assets and Long-Term Debt

As of September 30, 2018, GMHA had $29.63 million invested in capital assets. Refer to Note 7 for additional information. GMHA does not have long-term debts as of September 30, 2018. Refer to Note 9 for additional information.

PATIENT CENSUS



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Emergency Room	25,409	25,963	27,434	28,481	29,103	27,416	28,804	27,939	27,414	27,559	24,877	21,979	21,487	19,368
Outpatient	6,109	6,753	9,095	7,832	8,496	7,552	7,004	6,033	4,913	4,500	7,739	5,264	4,752	5,235
Inpatient	12,996	13,173	13,661	13,420	13,475	12,993	13,006	13,168	12,975	13,117	12,967	9,959	8,358	7,608
Total	44,514	45,889	50,190	49,733	51,074	47,961	48,814	47,140	45,302	45,176	45,583	37,202	34,597	32,211

Patient census decreased overall by 7% to 32,211 from 34,597 in FY 2017. As projected, GMHA experienced a reduction of patient census since the opening of the Guam Regional Medical City (GRMC) since in 2015. However, since the closing of GRMC's Labor and Delivery Unit, the Hospital has seen census increasing since October 2018.

PATIENT ACCOUNTS RECEIVABLE

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. With the daily turnover of patients adding to the patient receivables, any payments received for past treatments are not enough to significantly reduce outstanding receivables. 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. The Hospital ended FY 2018 with net patient receivables of $33.65M, net of estimated uncollectibles of $106.31M.

IMPROVED CASH FLOWS

In FY 2017, GMHA independent auditors had substantial doubt about GMHA's financial health and ability to continue and noted this as a going concern issue. GMHA's going concern emphasis was removed for FY 2018 due to several factors demonstrating improved operations and cash flows:

- GMHA received $16M in Government of Guam subsidies for FY2018 and is projected to receive $25M for FY2019 which will help in paying for operational expenses.
- Immediate and prospective impact of the rebasing on Medicare, Medicaid, and MIP. In February and April 2019, GMHA received $10.7M in retroactive Medicare rate adjustments for FY 2014-2018. As a result of the rate increase, the hospital estimates to receive approximately $3M to $4M through the end of FY 2019 and over $6M annually from the 3 M's.
- More aggressive billing and collection efforts, including the assistance of the Office of the Attorney General since February 2019 to collect on overdue accounts and the coordination of tax garnishments with the Department of Revenue and Taxation. The impact of the AG's office's assistance is too soon to quantify, however, GMHA estimates approximately $6.2M in tax garnishments through the end of FY 2019.
- Projected increase in net revenue of approximately $4.3M through the end of FY 2019 since the increasing census from the closure of GRMC's maternal child health care services in November 2018.
- One percent Incentive payment for participating physician services starting in 2019 as a result of meeting the reporting requirement of MIPS. This incentive payment is expected to increase as a result of meeting additional measures in 2019.
- With the recent investment in digital radiology equipment, the Hospital is now able to avoid reduced Medicare payments, resulting from changes in Medicare policy, of as much as 7% for using less-up to-date radiology technology computed radiography and 20% for film-based x-rays.
- Additional professional staff hired in the Fiscal department to review and revise processes geared towards revenue recovery and work flow efficiency.
- With the implementation of Pyxis (medication distribution system) projected by July 2019, the Pharmacy will be more efficient, insurance denials will be reduced due to documentation issues, and most of all medication errors will be reduced. Pyxis will also significantly improve billing and inventory controls as cited in previous audits.

With the current and future impact of the Rebasing on the 3Ms, increased revenues from projected census increase as evident in the last nine months, aggressive collection efforts, commitment from the Administration to remit subsidy as scheduled, GMHA expects it will be able to pay down its obligations and will not reach the level which lead to the going concern of previous years.

Dependency on the Government of Guam

Due to its patient population and being the safety net hospital for the community where every person is treated regardless of their ability to pay for services provided contributing to the underpayment and uncompensated care, and despite the Hospital's ongoing improvements in generating its own revenues, GMHA's success in permanently removing the going concern emphasis in the audit opinion will be dependent on the Government of Guam's commitment and continued support for subsidy as stated in Note 17 of the Financial Statements.

ECONOMIC OUTLOOK – LOOKING FORWARD

GMHA continues to provide the quantity patient care despite decades of financial and manpower resource challenges. Its continued effort to improve efficiencies, contain costs, and generate internal revenue enhancements will continue to enhance GMHA's sustainability. Some of those efforts include, but are not limited to:

Online Payment

The Hospital negotiated with a vendor to provide online payment services to patients and has successfully launched these services in February 2017. Not only are patients able to make payments online, they can also view their account at their own convenience and privacy. This has the potential to provide a positive impact on the Hospital's collections especially the self-pay mix. The Hospital will continue to monitor the online payment system for enhancements for better patient experience in using this portal.

Family Birth Center Project

The US Department of Agriculture has approved a loan of $9.2M to finance the design and construction of a new Family Birth Center within the Hospital, with additional Federal grant funds of up to $3.0M to finance new equipment for this facility. The plan for this project includes a construction period of about eighteen months during which certain departmental relocations will occur after the design and procurement process has been completed. When commissioned, the new center will offer an improved delivery of care to support the approximately 250 babies born at GMHA each month with opportunities for enhanced and additional revenues from services provided in the modernized facility.

Guam Economic Development Authority (GEDA) is still working with USDA to resolve the requirement of interim financing before the project could be announced for bidding. GEDA will be issuing its sixth RFP for interim financing once the design contractor updates and validates the current cost of the project.

Information Technology Upgrades and Meaningful Use

The American Recovery and Reinvestment Act (Recovery Act) of 2009 provided incentives for eligible Hospitals that are meaningful users of certified Electronic Health Record (EHR). Meaningful Use encourages eligible Hospitals to switch from paper charts to electronic records while providing the best care for its patients. GMHA received Stage 1 of the Meaningful Use Medicaid incentive payment of $1.3M in May 2014. In April 2018, GMHA received Stage 2 of the Meaningful Use Medicaid incentive payment of $1.041M.

As part of the system upgrade, in October 2014, the first phase of the completed and certified EHR system migration was implemented and replaced the old 1995 Patient Information ("PI") system. The AS400 PI system was migrated to the Optimum Revenue Cycle Management (RCM) system. The Optimum RCM system includes different modules, such as the patient accounting, patient admissions/discharge, medical records, chart management, chart tracking, coding and reimbursement, patient billing, electronic claims and remittance, collections, payments and follow-up processing, and accounts receivable.

The Optimum General Financials System was also implemented in July 2015. This new system promotes efficient management of the entity's business cycle by capturing and reporting on financial information, and includes modules for the general ledger, fixed assets, inventory management (supply chain), budgeting, and accounts payable. The payroll module was brought online for the first payroll of 2017. GMHA's electronic time and attendance system is still being tested for implementation in 2019. The biometric time clocking system will replace the current system reducing potential abuse, thus reducing cost.

The Optimum iMed (EHR) and Pharmacy System was converted in 2016. Optimum iMed is a web-enabled suite of clinical applications that work together to bring complete patient information directly to the point of service, improving clinical decision making, enhancing collaborative care, and reducing medical errors. This system provides a single, consolidated view of an entire patient record, anytime, anywhere — whether at the Hospital, patient's bedside, physician's office, or at the clinic, thereby helping clinicians to improve the delivery of care.

In June 2017, GMHA went live with the new ePowerDoc Emergency Department Information System (EDIS). This EDIS System helps physicians, nurses, and other providers take emergency care to the next level. It allows for easy management of medical electronic records and addresses the unique and fast-paced demands of the Emergency Department with an intuitive user interface developed by ED physicians and nurses to accurately capture all medical, all supplies and treatment provided in ER/Trauma care. EDIS integrates seamlessly with most HIS systems and is certified for Meaningful Use.

GMHA is also working on EHR data files abstraction for 2018 to secure ECQM (electronic clinical quality measure), which is required for both the MIPS (Merit-based Incentive Payment System) for Physicians performance and the Joint Commission ORYX ECQMs. Reporting of MIPS for 2018 will provide up to 4% incentive per reporting physician. There are up to 69 physicians for GMHA who are listed for MIPS. Not complying with this requirement will result in reduction of physician payments for GMHA while meeting the reporting requirement would provide incentive payments to the Hospital.

Beside the numerous costly and lengthy processes for getting modifications and fixes to problems identified and submitted by the end–users of the current EHR System, the unstable structure, and often times delayed support services of the current EHR vendor causes the GMHA clinical users (physicians, nurses, ancillary) and financial users to work harder and longer hours on the workarounds. This results in inefficient and counter-productive use of the current EHR System. Some of the inefficiencies have directly and indirectly affected patient care and flow as indicated in the recent CMS Survey and the Joint Commission Survey. Changes in the vendor's structure in 2018 affected and further delayed the remaining work, modifications, and fixes that GMHA was waiting on to meet Meaningful Use Stage 3 for 2018, which we estimated a Medicaid incentive of $750K. GMHA will request for a hardship waiver in meeting Meaningful Use Stage 3 due to the system's shortcomings and the sun-setting of the current system in 2020.

GMHA identified the new EHR system as one of the top two priorities in the GMHA Modernization Plan, and have included it in the FY 2019 budget and FY 2020 budget proposals.

In March 2019, GMHA was notified from its current vendor that the Optimum iMed will no longer be supported and will be sun-setting in 2020. In order to comply with regulatory standards, GMHA needs a system which integrates clinical, demographic, and financial information seamlessly. GMHA's goal is to acquire a certified EHR system which has a fully integrated clinical system suite, user friendly, and does not require numerous costly modifications and fixes as compared to the current problematic EHR System. This will require a substantial capital investment and funding must be identified.

Rebasing Impact

GMHA has received the notice of the increased interim per diem rate which will increase the reimbursement from the 3Ms effective April 17, 2019. This rate increase will net the Hospital approximately $3M to $4M until the end of the fiscal year and over $6M annually.

CMS Survey

In February and April 2019, GMHA was resurveyed by the CMS as a follow up to the April 2018 recertification survey. The Hospital is awaiting the survey report from CMS. The Hospital is expected to submit a response within 10 calendar days from the receipt of this report. GMHA is optimistic it will maintain certification from CMS.

CONTACTING HOSPITAL EXECUTIVES

The Management's Discussion and Analysis report is designed to provide citizens, taxpayers, patients, and stakeholders a general overview of GMHA's finances. It should also demonstrate the hospital's stewardship and accountability of monies that it receives and spends.

Management's Discussion and Analysis for the year ended September 30, 2017 is set forth in GMHA's report on the audit of financial statements which is dated June 30, 2018. That Discussion and Analysis explains in more detail major factors impacting the 2017 financial statements.

If you have any questions about this report, please contact the Hospital Chief Executive Officer at 647-2418/2367 or the Chief Financial Officer at 647-2934/2190.

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

Statements of Net Position
September 30, 2018 and 2017

ASSETS	2018	2017 As Restated
Current assets:		
Cash	$ 1,220,606	$ 2,665,141
Patient accounts receivable, net of estimated uncollectibles of $106,307,367 in 2018 and $84,119,386 in 2017	33,650,324	26,652,988
Due from the Government of Guam	8,974,860	2,252,382
Other receivables	93,728	74,169
Inventory, net	2,592,409	2,700,287
Prepaid expenses	148,020	14,690
Total current assets	46,679,947	34,359,657
Note receivable	-	18,037
Capital assets:		
Depreciable assets, net	28,581,403	31,535,141
Construction in progress	1,050,143	1,034,982
	29,631,546	32,570,123
Total noncurrent assets	29,631,546	32,588,160
Total assets	76,311,493	66,947,817
Deferred outflows of resources:		
Pension	12,981,760	14,108,364
OPEB	18,913,125	20,791,629
Total deferred outflows of resources	31,894,885	34,899,993
Total assets and deferred outflows of resources	$ 108,206,378	$ 101,847,810
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable - trade	$ 15,978,016	$ 5,223,547
Accounts payable - Government of Guam Retirement Fund	1,234,753	715,559
Accrued taxes and related liabilities	-	270,289
Accrued payroll and benefits	1,730,449	1,645,186
Current portion of accrued annual leave	1,827,469	986,810
Other current liabilities	2,195,921	2,197,890
Total current liabilities	22,966,608	11,039,281
Accrued annual leave, net of current portion	2,391,688	3,135,647
Accrued sick leave	3,242,941	4,706,659
Net pension liability	127,077,065	140,412,624
OPEB liability	178,049,315	183,586,849
Total liabilities	333,727,617	342,881,060
Deferred inflows of resources:		
Pension	5,406,690	1,848,141
OPEB	15,257,429	-
Total deferred inflows of resources	20,664,119	1,848,141
Commitments and contingencies		
Net position:		
Net investment in capital assets	29,631,546	32,570,123
Unrestricted	(275,816,904)	(275,451,514)
Total net position	(246,185,358)	(242,881,391)
Total liabilities, deferred inflows of resources and net position	$ 108,206,378	$ 101,847,810

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2018 and 2017

	2018	2017 As Restated
Operating revenues:		
Net patient service revenue (net of contractual adjustments and provision for bad debts of $62,835,996 in 2018 and $62,874,694 in 2017)	$ 87,055,163	$ 88,224,299
Other operating revenues:		
Cafeteria food sales	378,455	407,276
Other revenue	2,959,644	3,573,953
Total operating revenues	90,393,262	92,205,528
Operating expenses:		
Nursing	55,227,957	54,287,913
Professional support	25,979,672	28,888,475
Retiree healthcare costs and other pension benefits	16,305,333	17,363,890
Administrative support	12,265,490	12,957,803
Fiscal services	6,208,608	9,052,228
Depreciation	4,006,169	5,373,279
Administration	2,896,812	3,435,276
Medical staff	812,427	991,093
Total operating expenses	123,702,468	132,349,957
Operating loss	(33,309,206)	(40,144,429)
Nonoperating revenues (expenses):		
Transfers from GovGuam	23,872,794	24,679,853
Federal grants	702,655	394,590
Contributions	317,917	333,023
Federal program expenditures	(205,357)	(157,837)
Interest and penalties	(140,319)	(367,826)
Loss from disposal of fixed asset	(13,332)	(73,578)
Total nonoperating revenues	24,534,358	24,808,225
Loss before capital grants and contributions	(8,774,848)	(15,336,204)
Capital grants and contributions:		
Government of Guam	3,096,940	93,364
Federal grants	2,373,941	887,531
Total capital grants and contributions	5,470,881	980,895
Change in net position	(3,303,967)	(14,355,309)
Net position at the beginning of the year	(242,881,391)	(228,526,082)
Net position at the end of the year	$ (246,185,358)	$ (242,881,391)

See accompanying notes to financial statements.

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

Statements of Cash Flows
Years Ended September 30, 2018 and 2017

	2018	2017 As Restated
Cash flows from operating activities:		
Receipts from and on behalf of patients	$ 80,075,864	$ 83,876,376
Receipts from sales and other services	3,318,539	3,907,060
Payments to suppliers and contractors	(22,061,902)	(26,306,632)
Payments to employees	(80,285,271)	(83,786,567)
Net cash used for operating activities	(18,952,770)	(22,309,763)
Cash flows from noncapital financing activities:		
Contributions from the Government of Guam	12,443,382	24,467,820
Federal grants received	702,655	394,590
Contributions	317,917	333,023
Payments made under federal programs	(205,357)	(157,837)
Interest and penalties paid	(140,319)	(367,826)
Net cash provided by noncapital financing activities	13,118,278	24,669,770
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,080,924)	(2,559,721)
Contributions from the Government of Guam	3,096,940	93,364
Federal grants received	2,373,941	887,531
Net cash provided by (used for) capital and related financing activities	4,389,957	(1,578,826)
Net change in cash	(1,444,535)	781,181
Cash at beginning of year	2,665,141	1,883,960
Cash at end of year	$ 1,220,606	$ 2,665,141

See accompanying notes to financial statements.

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

Statements of Cash Flows, Continued
Years Ended September 30, 2018 and 2017

	2018	2017 As Restated
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (33,309,206)	$ (40,144,429)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Contractual adjustments and provisions for uncollectible accounts	62,835,996	62,874,694
Depreciation	4,006,169	5,373,279
Retiree healthcare costs and other pension benefits	16,305,333	17,363,890
Noncash pension cost	(8,650,406)	(1,209,317)
(Increase) decrease in assets:		
Patient accounts receivable	(69,833,331)	(67,261,816)
Note receivable	18,037	39,199
Other receivables	(19,560)	(74,169)
Inventory	107,878	786,341
Prepaid expenses	(133,330)	121,343
Increase (decrease) in liabilities:		
Accounts payable - trade	10,754,469	1,643,996
Accounts payable - Government of Guam Retirement Fund	519,194	(1,262,150)
Accrued taxes and related liabilities	(270,289)	255,884
Accrued payroll and benefits	85,263	(1,012,398)
Accrued annual leave and sick leave	(1,367,018)	633,000
Other current liabilities	(1,969)	(437,110)
Net cash used in operating activities	$ (18,952,770)	$ (22,309,763)

See accompanying notes to financial statements.

(1) Reporting Entity

The Guam Memorial Hospital Authority (GMHA), a component unit of the Government of Guam (GovGuam), was created on July 26, 1977 under Public Law No. 14-29 as an autonomous agency of the Government of Guam. GMHA owns and operates the Guam Memorial Hospital (the Hospital). The Hospital has 161 licensed acute care beds and 40 beds for long-term care at the Skilled Nursing Unit. The Hospital provides all customary acute care services and certain specialty services primarily to the residents of Guam. These include adult and pediatric, clinical and ancillary medical services; and 24-hour emergency services. The Hospital derives a significant portion of its revenues from third-party payors, including Medicare, GovGuam's Medically Indigent Program (MIP), Medicaid and commercial insurers.

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

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

(2) Summary of Significant Accounting Policies

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

Basis of Accounting

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

Net Position

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

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

(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, 2018 and 2017, cash is $1,220,606 and $2,665,141, respectively, and the corresponding bank balances are $2,318,983 and $2,980,248, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2018 and 2017, bank deposits in the amount of $250,000 are FDIC insured. GMHA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized.

Patient Accounts Receivable

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

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

Due from GovGuam

Amounts due from GovGuam consists of reimbursable expenditures from Federal grant awards and receivables from local appropriations.

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.

(2) Summary of Significant Accounting Policies, Continued

Capital Assets

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

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

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Compensated Absences

Vesting annual leave is accrued and reported as an expense and a liability in the period earned. 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.

(2) Summary of Significant Accounting Policies, Continued

Compensated Absences, Continued

Public Law 26-86 allows members of the Defined Contribution Retirement System (DCRS) to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. A liability is accrued for estimated sick leave to be paid out to DCRS members upon retirement. At September 30, 2018 and 2017, GMHA has accrued an estimated sick leave liability of $4,932,833 and $4,706,659, respectively. However, this amount is an estimate and the actual payout may be materially different than estimated.

Unearned Revenues

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

Pensions and Other Postemployment Benefits (OPEB)

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

OPEB is required to be recognized and disclosed using the accrual basis of accounting. GMHA recognizes a net OPEB liability for the defined benefit OPEB plan in which it participates, which represents GMHA's proportional share of total OPEB liability - actuarially calculated - of an agent multiple 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.

(2) Summary of Significant Accounting Policies, Continued

Net Patient Service Revenues

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

GovGuam Contributions

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

Federal Grant Award Revenues and Contributions

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

Estimated Malpractice Costs

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

Income Taxes

As an instrumentality of GovGuam, GMHA and all property acquired by or for the Hospital, and all revenues and income are exempt from taxation by GovGuam.

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.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards

During fiscal year 2018, GMHA implemented the following pronouncements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The implementation of this statement had a material effect on the accompanying financial statements resulting in the restatement of GMHA's fiscal year 2017 financial statements to reflect the reporting of OPEB liability, deferred inflows of resources and deferred outflows of resources and the recognition of OPEB in accordance with the provisions of GASB Statement No. 75. The 2017 financial statements were restated as follows:

	As Previously Reported	Adjustment	As Restated
As of October 1, 2016:			
Net position	$ (78,178,324)	$ (150,347,758)	$ (228,526,082)
For the year ended September 30, 2017:			
Operating expenses	$ 119,902,495	$ 12,447,462	$ 132,349,957
Change in net position	$ (1,907,847)	$ (12,447,462)	$ (14,355,309)
As of September 30, 2017:			
Deferred outflows from OPEB	$ -	$ 20,791,629	$ 20,791,629
OPEB liability	$ -	$ (183,586,849)	$ (183,586,849)
Net position	$ (80,086,171)	$ (162,795,220)	$ (242,881,391)

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

- GASB Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

Except for GASB Statement No. 75, the implementation of these statements did not have a material effect on GMHA's financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

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

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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

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

Reclassifications

Certain items in the 2017 financial statements have been reclassified to correspond with the 2018 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, 2018 and 2017, consist of:

	2018	2017
Account referrals - Department of Revenue and Taxation	$ 20,495,583	$ 19,507,515
Self-pay Patients	20,940,270	14,750,242
Medically Indigent Program	4,076,296	4,692,641
Local Third-Party Payor and Other	31,784,666	20,699,247
Medicaid Assistance Program	13,127,092	10,756,624
Medicare	39,765,299	27,366,854
Collection agencies and other	9,768,485	12,999,251
	139,957,691	110,772,374
Less allowance for uncollectible accounts	(106,307,367)	(84,119,386)
	$ 33,650,324	$ 26,652,988

Patient accounts receivable from "Local Third-Party Payor and Other" includes receivables from GovGuam of $2,215,403 and $2,420,177 as of September 30, 2018 and 2017, respectively, for healthcare services.

During fiscal years 2018 and 2017, GMHA collected $1,514,035 and $3,988,934, respectively, from accounts referred to the Department of Revenue and Taxation.

(4) Note Receivable

In February 2008, GMHA accepted a promissory note from a collection agency in the amount of $312,431 for outstanding collections of delinquent patient accounts. The note bears fixed interest of 6% and matured on February 1, 2018. At September 30, 2017, the balance of the note was $18,037.

(5) 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, 2018 and 2017, consist of:

	2018	2017
Government of Guam:		
Department of Mental Health and Substance Abuse	$ 20,773	$ 44,404
Guam Fire Department	17,420	11,494
Other	55,535	18,271
	$ 93,728	$ 74,169

(6) Inventory

Inventory at September 30, 2018 and 2017, consists of the following:

	2018	2017
Pharmaceuticals, drugs and medicine	$ 1,688,400	$ 1,393,854
Medical and pharmaceutical supplies	1,393,704	1,739,868
Dietary food supplies	3,827	60,087
	3,085,931	3,193,809
Less allowance for obsolescence	(493,522)	(493,522)
	$ 2,592,409	$ 2,700,287

(7) Capital Assets

Capital assets activity for the years ended September 30, 2018 and 2017 was as follows:

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

	2017			
	Balance October 1,	Transfers and Additions	Transfers and Deletions	Balance September 30,
Depreciable assets:				
Building and land improvements	$ 74,114,643	$ 478,149	$ -	$ 74,592,792
Long-term care facility	11,021,985	202,761	-	11,224,746
Movable equipment	25,836,807	2,007,176	(1,096,278)	26,747,705
	110,973,435	2,688,086	(1,096,278)	112,565,243
Less accumulated depreciation and amortization	(76,679,523)	(5,373,279)	1,022,700	(81,030,102)
	34,293,912	(2,685,193)	(73,578)	31,535,141
Non-depreciable assets:				
Construction in progress	1,163,347	1,763,787	(1,892,152)	1,034,982
Total capital assets, net	$ 35,457,259	$ (921,406)	$ (1,965,730)	$ 32,570,123

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

GMHA owed GGRF employer and member contributions under the Defined Benefit Plan (DB) for payroll periods from fiscal years ended September, 1998 through September, 2004. GMHA was assessed interest and penalties on these unpaid contributions in accordance with 4 Guam Code Annotated § 8137, *Retirement of Public Employees*, which stated that GGRF would impose interest at a rate equivalent to the average rate of return on its investments from the previous fiscal year and a 1% penalty for delinquent payments.

Public Law No. 28-38, passed in June 2005 required that GovGuam's general fund remit "interest-only" payments monthly to GGRF for the aforementioned liabilities. The law indicated that monthly payments, totaling $190,501, would continue until the outstanding balance is fully paid. However, if the obligations were not paid within ten years following the enactment of Public Law No. 28-38, payments by GMHA would resume per 4 Guam Code Annotated § 8137. Public Law No. 30-196 passed in August 2010 and Public Law No. 31-74 passed in June 2011 amended Public Law No. 28-38.

Public Law No. 30-196 changed the calculation of interest owed to GGRF and Public Law 31-74 provided for the inclusion of GMHA's delinquent retirement contributions for fiscal year 2011 to the balance of GMHA's prior years' retirement liabilities as identified in Public Law 28-38.

During fiscal year 2012, GovGuam issued General Obligation Bonds and used $12 million from the proceeds to pay GMHA's liability to GGRF, including the aforementioned liabilities.

At September 30, 2018 and 2017, accounts payable due to GGRF reported as current liabilities consist of the following:

	2018	2017
Employer and member contributions of:		
Current fiscal year (DB) Plan	$ 550,250	$ 104,380
Unfunded liability	449,332	345,728
Employer and member contributions of current fiscal year (DCRS Plan)	235,171	265,451
Supplemental annuities/COLA benefits for retirees	-	-
	$ 1,234,753	$ 715,559

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

Statutory employer contributions for DCRS plan members for the years ended September 30, 2018 and 2017 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, 5% of the member's regular pay is deposited into the member's individual investment account. The remaining amount is contributed towards the unfunded liability of the DB plan.

(9) Long-Term Debt and Other Liabilities

The changes in long-term liabilities for the years ended September 30, 2018 and 2017, are as follows:

	Balance October 1, 2017 As Restated	Additions	Reductions	Balance September 30, 2018	Due Within One Year
Annual leave	$ 4,122,457	$ 2,778,583	$ (2,681,883)	$ 4,219,157	$ 1,827,469
Sick leave	4,706,659	1,167,575	(2,631,293)	3,242,941	-
Net pension liability	140,412,624	-	(13,335,559)	127,077,065	-
OPEB liability	183,586,849	-	(5,537,534)	178,049,315	-
	$ 332,828,589	$ 3,946,158	$ (24,186,269)	$ 312,588,478	$ 1,827,469

	Balance October 1, 2016 As Restated	Additions As Restated	Reductions As Restated	Balance September 30, 2017 As Restated	Due Within One Year
Annual leave	$ 3,867,712	$ 1,835,186	$ (1,580,441)	$ 4,122,457	$ 986,810
Sick leave	4,328,404	1,124,497	(746,242)	4,706,659	-
Net pension liability	149,450,401	3,404,496	(12,442,273)	140,412,624	-
OPEB liability	153,438,720	30,148,129	-	183,586,849	-
	$ 311,085,237	$ 36,512,308	$ (14,768,956)	$ 332,828,589	$ 986,810

(10) 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.

(11) 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.

(11) Pensions, Continued

A. General Information About the Pension Plans, Continued:

All employees of GovGuam, including employees of GovGuam public corporations, whose employment commences on or after October 1, 1995, are required to participate in the 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, members of the DB Plan and the DCRS Plan who retired prior to September 30, 2017 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, 2017 (the measurement date), plan membership consisted of the following:

DB members:	
Inactive employees or beneficiaries currently receiving benefits	7,279
Inactive employees entitled to but not yet receiving benefits	4,289
Active employees	2,058
	13,626
DCRS members:	
Active employees	9,027
	22,653

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.

(11) Pensions, Continued

A. General Information About the Pension Plans, Continued:

Supplemental annuity benefit payments are provided to DB retiree members 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 retiree and DCRS members 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 GRSP. Commencing April 1, 2017 through September 30, 2018, eligible employees may elect, during the "election window", to participate in the DB 1.75 Plan or the GRSP with an effective date of January 1, 2018. Beginning January 1, 2018, all new employees shall be automatically enrolled in the GRSP. New employees have sixty (60) days from the date of hire to elect to participate in the DCRS.

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

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, 2016 actuarial valuation was used for determining the year ended September 30, 2018 statutory contributions. Member contributions are required at 9.55% of base pay.
As a result of actuarial valuations performed as of September 30, 2016, 2015 and 2014, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2018, 2017 and 2016, respectively, have been determined as follows:

	2018	2017	2016
Normal costs (% of DB Plan payroll)	15.97%	16.27%	15.86%
Employee contributions (DB Plan employees)	9.55%	9.55%	9.54%
Employer portion of normal costs (% of DB Plan payroll)	6.42%	6.72%	6.32%
Employer portion of normal costs (% of total payroll)	1.60%	1.87%	1.94%
Unfunded liability cost (% of total payroll)	22.12%	21.60%	22.42%
Government contribution as a % of total payroll	23.72%	23.47%	24.36%
Statutory contribution rates as a % of DB Plan payroll:			
Employer	27.83%	27.41%	28.16%
Employee	9.55%	9.55%	9.54%

(11) Pensions, Continued

A. General Information About the Pension Plans, Continued:

GMHA's contributions to the DB Plan for the years ended September 30, 2018, 2017 and 2016 were $4,418,833, $2,146,334 and $2,312,583, 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 payments as transfers from GovGuam for the years ended September 30, 2018, 2017 and 2016, totaling $1,656,365, $1,639,050 and $1,644,708, respectively, which were equal to the statutorily required contributions for the respective years then ended.

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

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

Statutory employer contributions for the DCRS plan for the year ended September 30, 2018 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 5% of the member's regular pay is deposited into the DCRS. 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, 2018, 2017 and 2016 were $8,883,016, $11,800,076 and $10,872,798, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, $7,028,796, $9,731,456 and $8,947,051 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2018, 2017 and 2016, respectively.

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

Pension Liability: At September 30, 2018 and 2017, GMHA reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2017 and 2016, respectively, which is comprised of the following:

	2018	2017
Defined benefit plan	$ 103,946,075	$ 123,668,997
Ad hoc COLA/supplemental annuity plan for DB retirees	18,350,836	14,608,250
Ad hoc COLA plan for DCRS retirees	4,780,154	4,908,140
Subtotal	127,077,065	143,185,387
Discount rate variance	-	(2,772,763)
	$ 127,077,065	$ 140,412,624

(11) Pensions, Continued

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

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, 2018 and 2017, GMHA's proportionate shares of the GovGuam net pension liabilities were as follows:

	2018	2017
Defined benefit plan	9.10%	9.04%
Ad hoc COLA/supplemental annuity plan for DB retirees	6.37%	6.37%
Ad hoc COLA plan for DCRS retirees	7.65%	7.96%

Pension Expense (Benefit): For the years ended September 30, 2018 and 2017, GMHA recognized pension expense (benefit) for its proportionate share of plan pension expense from the above pension plans as follows:

	2018	2017
Defined benefit plan	$ (12,957,886)	$ 10,355,553
Ad hoc COLA/supplemental annuity plan for DB retirees	3,785,238	1,330,802
Ad hoc COLA plan for DCRS retirees	260,455	441,427
	$ (8,912,193)	$ 12,127,782

Deferred Outflows and Inflows of Resources: At September 30, 2018 and 2017, GMHA reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

(11) Pensions, Continued

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

	2017					
	Defined Benefit Plan		Ad Hoc COLA/SA Plan for DB		Ad Hoc COLA Plan for DCRS	
	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	$ -	$ 407,408	$ 1,143	$ -	$ 94,741	$ 41,312
Net difference between projected and actual earnings on pension plan investments	-	646,849	-	-	-	-
Changes of assumptions	352,119	-	15,069	-	536,015	-
Contributions subsequent to the measurement date	11,257,412	-	1,513,050	-	126,000	-
Changes in proportion and difference between GMHA contributions and proportionate share of contributions	-	752,572	29,312	-	183,503	-
	$ 11,609,531	$ 1,806,829	$ 1,558,574	$ -	$ 940,259	$ 41,312

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, 2018 will be recognized in pension expense as follows:

Year Ending September 30	Defined Benefit Plan	Ad Hoc COLA/SA Plan for DB Retirees	Ad Hoc COLA Plan for DCRS Retirees
2019	$ (1,129,650)	$ 1,558	$ 12,528
2020	(300,777)	-	12,528
2021	(2,160,802)	-	12,528
2022	(1,460,415)	-	12,528
2023	-	-	12,528
Thereafter	-	-	305,865
	$ (5,051,644)	$ 1,558	$ 368,505

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, 2016
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	May 1, 2031 (14.58 years remaining as of September 30, 2016)

(11) Pensions, Continued

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

Asset Valuation Method:	3-year smoothed market value (effective September 30, 2009)
Inflation:	2.75% per year
Total payroll growth:	2.75% per year
Salary Increases:	4.00% to 7.50%
Retirement age:	50% are assumed to retire upon first eligibility for unreduced retirement. Thereafter, the probabilities of retirement are 20% until age 75, and increases to 100% at age 75.
Mortality:	RP-2000 healthy mortality table set forward by 3 years for males and 2 years for females. Mortality for disabled lives is the RP 2000 disability mortality table set forward by 6 years for males and 4 years for females.

The actuarial assumptions used in the September 30, 2016 valuation were based on the results of an actuarial experience study for the period October 1, 2011 to September 30, 2015.

The investment rate assumption as of September 30, 2016 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:

Asset Class	Target Allocation	Nominal Return
U.S. Equities (large cap)	29%	8.78%
U.S. Equities (small cap)	7%	9.45%
Non-U.S. Equities	13%	9.15%
Non-U.S. Equities (small cap)	4%	9.15%
Non-U.S. Equities (emerging markets)	1%	10.75%
U.S. Fixed Income (aggregate)	25%	4.85%
Risk parity	8%	8.36%
High yield bonds	8%	7.35%
Global Real Estate (REITs)	5%	8.71%

(11) Pensions, Continued

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

Changes in Actuarial Assumptions: The following changes in actuarial assumptions occurred from the September 30, 2015 valuation to the September 30, 2016 valuation:

Mortality: The mortality table used as of September 30, 2016, is the RP-2000 combined mortality table, set forward by 3 years for males and 2 years for females. The mortality table used for disabled lives is the RP-2000 disability mortality table, set forward by 6 years for males and 4 years for females. Mortality improvement is assumed to be 30% of Scale BB, projected generationally from 2016. For the prior valuation, the mortality table used was the RP-2000 combined mortality table, set forward by 4 years for males and 1 year for females. The mortality table used for disabled lives was the RP-2000 disability mortality table for males and females. No provision was made for future mortality improvement in the prior valuation.

Salary Increases: Salaries are assumed to increase 7.5% per year for employees in their first 5 years of service, 6.0% for service between 6 and 10 years, 5.0% for service between 11 and 15 years, and 4.0% for service after 15 years. For the prior valuation, salaries were assumed to increase 7.5% per year for employees in their first 5 years of service, 6.0% for service between 6 and 10 years, 5.0% for service between 11 and 15 years, and 4.5% for service after 15 years.

Total Payroll Growth: Total payroll for defined benefit and defined contribution members is assumed to increase 2.75% per year. For the prior valuation, total payroll for defined benefit and defined contribution members was assumed to increase 3.0% per year.

Retirement Age: 50% of employees are assumed to retire when first eligible for unreduced retirement. Thereafter, 20% of employees will retire at each year until age 75, at which time all remaining employees are assumed to retire. For the prior valuation, 40% of employees are assumed to retire when first eligible for unreduced retirement. Thereafter, 15% of employees would retire at each year until age 65, and 20% of employees would retire from age 65 until age 70, at which time all remaining employees were assumed to retire.

Rates of Disability: The assumed rates of disability are based on the 1974-78 Society of Actuaries Long Term Disability Non-Jumbo table, with rates reduced by 50% for males and 75% for females. For the prior valuation, these rates were based on the 1974-78 Society of Actuaries Long Term Disability Non-Jumbo, with rates reduced by 50% for both males and females.

Leave Adjustments: Unused leave is assumed to increase a member's service by 1.5 years and increases average earnings by 5% at retirement. For the prior valuation, unused leave is assumed to increase service by 1.5 years and increased average earnings by 10% at retirement.

Survivor Benefit - Minor Children: An average of 0.2 eligible child survivors is assumed at the time of a retiree's death, with payments to the child survivor continuing for 6 years. For the prior valuation, this survivor benefit was assumed to increase the value of retirement benefits by 0.67% and survivor benefits by 20% for active members.

(11) Pensions, Continued

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

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan as of September 30, 2017 was 7.0% (6.7% as of September 30, 2016), 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, 2017 was 3.64% (3.058% as of September 30, 2016), 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 6.0%	Current Discount Rate 7.0%	1% Increase in Discount Rate 8.0%
Net Pension Liability	$ 129,009,200	$ 103,946,075	$ 82,359,459

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate 2.64%	Current Discount Rate 3.64%	1% Increase in Discount Rate 4.64%
Net Pension Liability	$ 20,022,534	$ 18,350,836	$ 16,897,142

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate 2.64%	Current Discount Rate 3.64%	1% Increase in Discount Rate 4.64%
Net Pension Liability	$ 5,435,539	$ 4,780,154	$ 4,221,768

C. Payables to the Pension Plans:

As of September 30, 2018 and 2017, GMHA recorded payables to GGRF of $1,234,753 and $715,559, respectively, representing statutorily required contributions unremitted as of the respective year-ends.

(12) Other Post Employment Benefits (OPEB)

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

A. General Information About the OPEB Plan:

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

Plan Membership: As of September 30, 2016, the date of the most recent valuation (the actuarial valuation date), plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	7,342
Active plan members	10,282
	17,624

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, 2018, 2017 and 2016, GMHA recognized certain on-behalf payments as transfers from GovGuam, totaling $3,050,569, $3,277,378 and $3,090,962, 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.

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

B. Total OPEB Liability:

As of September 30, 2018 and 2017, GMHA reported a total OPEB liability of $178,049,315 and $183,586,849, respectively, for its proportionate share of the GovGuam total OPEB liability measured as of September 30, 2017 and 2016. The following presents GMHA's proportion change in proportion since the prior measurement date:

Proportion at prior measurement date, September 30, 2016	7.25%
Proportion at measurement date, September 30, 2017	7.32%
Increase in proportion	0.07%

The total OPEB liability for the OPEB Plan was determined by an actuarial valuation as of September 30, 2016 rolled forward to September 30, 2017 (the measurement date) using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	3%.
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 5-10 years, 5% for 11-15 years and 4.5% for service over 15 years.
Healthcare cost trend rates:	8% for 2016, decreasing 0.25% per year to an ultimate rate of 4.5% for 2030 and later years. Health care trend assumptions begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. The principal components of health trend are medical inflation, deductible erosion, cost shifting, utilization, technology and catastrophic claims. The overall effect of these components are expected to decline year by year.
Dental trend rates:	4% per year.
Participation rates:	Medical - 100% of eligible retired employees will elect to participate. Dental - 100% of eligible retires will elect to participate. Life - 100% of eligible retirees will elect to participate.
Medicare enrollment:	15% of current and future retirees are assumed to enroll in Medicare and will enroll in a Retiree Supplemental Plan upon attainment of age 65. All employees retired prior to September 30, 2008 are assumed ineligible for Medicare upon attainment of age 65 and therefore will not enroll in a Medicare Supplemental Plan.
Dependent status:	Male spouses are assumed to be three years older and female spouses are assumed to be three years younger than the retired employee. 60% of employees are assumed to retire with a covered spouse. For current retired employees, the actual census information is used.

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

B. Total OPEB Liability, Continued:

Actuarial cost method:	Entry Age Normal. The costs of each employee's post-employment benefits are allocated as a level basis over the earnings of the employee between the employee's date of hire and the assumed exit ages.
Disability rates:	0.05% for beneficiaries aged 20-39 years, 0.1% - 0.53% for beneficiaries aged 40-59 years, and 0.76% for beneficiaries aged 60-64 years.
Retirement rates:	40% of employees are assumed to retire at earliest eligibility for unreduced benefits under the Government of Guam Retirement Fund, 15% per year thereafter until age 65, 20% per year thereafter until age 70 and 100% at age 70. Previously, 50% of employees were assumed to retire at first eligibility for postretirement health benefits, 20% per year thereafter until age 70, and 100% at age 70.
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	RP-2000 Combined Healthy Mortality Table, set forward rates: 4 years and 1 year for males and females, respectively.
Disabled retiree mortality rates:	RP-2000 Disabled Mortality Table for males and females
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.

Discount rate: The discount rate used to measure the total OPEB liability was 3.63% as of September 30, 2017 (3.058% as of September 30, 2016). The projection of cash flows used to determine the discount rate assumed that contributions from GMHA will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 3.63% municipal bond rate as of September 30, 2017 (3.058% as of September 30, 2016) was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB plan fiduciary net position: As of September 30, 2018 and 2017, an OPEB trust has not been established thus the OPEB Plan does not presently report OPEB plan fiduciary net position.

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

C. Changes in the Total OPEB Liability:

Changes in GMHA's proportionate share of the total OPEB liability for the years ended September 30, 2018 and 2017 are as follows:

	2018	2017
Balance at beginning of the year	$ 183,586,849	$ 153,438,720
Changes for the year:		
Service cost	9,689,876	7,774,023
Interest	5,865,484	5,926,498
Change of assumptions	(18,155,173)	19,385,329
Benefit payments	(2,937,721)	(2,937,721)
Net change	(5,537,534)	30,148,129
Balance at end of the year	$ 178,049,315	$ 183,586,849

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 2.63%	Current Discount Rate 3.63%	1% Increase in Discount Rate 4.63%
Total OPEB Liability	$ 211,653,616	$ 178,049,315	$ 151,095,642

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

	1% Decrease 7% Year 1 Decreasing to 3.5%	Healthcare Cost Trend Rates 8% Year 1 Decreasing to 4.5%	1% Increase 9% Year 1 Decreasing to 5.5%
Total OPEB Liability	$ 146,178,454	$ 178,049,315	$ 219,649,822

(12) 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, 2018 and 2017, GMHA reported total OPEB expense of $11,598,399 and $12,447,462, respectively, for its proportionate share of the GovGuam total OPEB expense measured for the years ended September 30, 2017 and 2016. At September 30, 2018 and 2017, GMHA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 13,238,993	$ 15,257,429	$ 16,361,936	$ -
Contributions subsequent to the measurement date	3,050,569	-	3,277,378	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	2,623,563	-	1,152,315	-
	$ 18,913,125	$ 15,257,429	$ 20,791,629	$ -

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, 2018 will be recognized in OPEB expense as follows:

Year Ending September 30	
2019	$ 822,302
2020	822,302
2021	822,302
2022	822,302
2023	(2,630,070)
Thereafter	(54,011)
	$ 605,127

(13) 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, 2018 and 2017, GMHA has $9,085,647 and $4,317,121, respectively, of reimbursements due from Medicare cost settlements.

(13) 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 perdiem rate for in-patient and percentage charges for out-patient.

Gross patient revenue from the Medicare, Medicaid and MIP programs accounted for approximately 28 percent, 20 percent and 7 percent, respectively, of GMHA's gross patient revenue for the year ended September 30, 2018, and 29 percent, 19 percent and 7 percent, respectively, of GMHA's gross patient revenue for the year ended September 30, 2017. 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, 2018 and 2017 are as follows:

	2018	2017
Services provided to Medicaid patients	$ 30,431,224	$ 29,010,034
Services provided to Medicare patients	42,198,886	43,276,047
Services provided to MIP patients	10,713,408	11,074,912
Services provided to Self-pay patients	21,654,432	19,325,957
Services provided to Other patients	44,893,209	48,412,043
	149,891,159	151,098,993
Less contractual adjustments and provisions for uncollectible accounts	(62,835,996)	(62,874,694)
Net patient service revenue	$ 87,055,163	$ 88,224,299

Services provided to Medicaid patients for the years ended September 30, 2018 and 2017 included $11,829,122 and $11,468,333, respectively, in revenues paid through the GMHA Pharmaceutical Fund.

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

During the years ended September 30, 2018 and 2017, 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:

	2018	2017
GMHA Pharmaceuticals Fund	$ 3,614,454	$ 3,822,778
Section 30 Bond Fund	-	15,000,000
Healthy Futures Fund	3,064,886	-
General Fund	9,302,609	-
ARRA EIC Incentive	1,041,948	-
General Fund – On Behalf Payments	4,706,934	4,916,428
Guam Cancer Trust Fund	162,509	395,098
GMHA Healthcare Trust and Development Fund	1,979,454	545,549
	$ 23,872,794	$ 24,679,853

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

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

In accordance with Public Law 33-185, GovGuam appropriated $15,291,111 from the GMHA Pharmaceuticals Fund for the year ended September 30, 2017. Of the $15,291,111 appropriations from the GMHA Pharmaceutical Fund, $11,468,333 or seventy-five percent (75%) was credited to Medicaid patient receivables. GMHA recorded the remaining $3,822,778 as non-operating revenues. Further, GMHA was also appropriated $15,000,000 from Section 30 Bond Fund in accordance with Public Law 33-183 and $395,098 from the Guam Cancer Trust Fund for the year ended September 30, 2017.

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

Public Law 32-60 established the GMHA Healthcare Trust and Development Fund which provided 60% of funds collected from gaming tax be allocated to GMHA for subsidizing the establishment and operation of an urgent healthcare center within the GMHA facility. For the years ended September 30, 2018 and 2017, GMHA received $1,979,454 and $545,549 in appropriations, respectively.

During the years ended September 30, 2018 and 2017, GMHA recognized certain on-behalf payments as transfers from GovGuam, totaling $4,706,934 and $4,916,428, respectively, representing certain healthcare benefits and other pension benefits that GovGuam's General Fund paid directly on behalf of Hospital retirees.

(15) 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, 2018 and 2017, was as follows:

	2018	2017
Self-Pay Patients	37%	42%
Local Third-Party Payor and Other	23%	19%
Medicaid Assistance Program	9%	10%
Medicare	28%	25%
Medically Indigent Program	3%	4%
	100%	100%

(16) 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.

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, 2018 and 2017, GMHA recorded retroactive pay of $0.

Merit System

In 1991, Public Law 21-59 was enacted to establish a bonus system for employees of GovGuam, autonomous and semi-autonomous agencies, public corporations and other public instrumentalities of GovGuam who earn a superior performances grade. The bonus is calculated at 3.5% of the employee's base salary beginning 1991. GMHA did not pay any bonuses pursuant to the law from 1991 through 2002. In 2003, GMHA adopted a merit system similar to the GovGuam merit system. GMHA has assessed the impact of the requirements of the law for fiscal years 1991 through 2013. As of September 30, 2018 and 2017, 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 2018 and 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.

(17) Dependency on the Government of Guam

GMHA has incurred losses from operations of $33,309,206 and $40,144,429 and negative cash flows from operations of $18,952,770 and $22,309,763 for the years ended September 30, 2018 and 2017, respectively. At September 30, 2018 and 2017, GMHA's deficiencies on delinquent and unpaid retirement contributions, including interest and penalties, with the GovGuam Retirement Fund were $1,234,753 and $715,559, respectively. GMHA recorded contractual adjustments and provisions for uncollectible accounts of $62,835,996 and $62,874,694 for the fiscal years ended September 30, 2018 and 2017, respectively.

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

- 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.
- Management is reviewing its pricing methodology to adequately cover the costs of care in each servicing department. Upon completion of the review, it will be presented to the Board for approval.
- Application for Tax Equity and Fiscal Responsibility Act (TEFRA) was approved on January 12, 2019, and the Rebasing retroactively applied to October 1, 2013 netting GMHA $10.7M in additional Medicare reimbursements as of April 2019.
- Management is pursuing additional adjustment requests of over $12 million for fiscal years 2009 through 2012 and will submit same request for fiscal years 2014 through 2018.
- Management has requested for Rebasing to cover the current cost of care.
- Management has communicated with Department of Public Health and Social Services (DPHSS) regarding amendment of the Medicaid State Plan to truly reimburse GMHA the cost of care whenever Medicare approves adjustments to its rates retroactively.
- Management has entered into an arrangement with the Attorney General's office to assist GMHA in aggressively collecting from self-pay patients.
- Management has terminated the FY2016 insurance provider agreements and is in negotiation for new provider agreements to be effective June 1, 2019, to strengthen and reduce provider insurance denials.
- Management is critically evaluating staffing patterns to ensure that quality and patient safety goals are met with prudent staffing.
- Management, in coordination with DPHSS, has hired an Eligibility Specialist to help identify and assist patients obtain Medicaid or MIP coverage.
- Management is in the exploration phase of attaining a cost-efficient Electronic Heathcare Record (EHR) that will enhance accuracy and reliability of patient data.

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.

(18) Subsequent Events

In February and April 2019, GMHA was re-surveyed by the Centers for Medicare and Medicaid Services (CMS) as a follow up to the April 2018 re-certification survey. The Hospital is awaiting the survey report from CMS and is expected to submit a response within 10 calendar days from the receipt of such report. GMHA is optimistic it will maintain certification from CMS.

Due to uncertainty, the accompanying financial statements do not reflect any adjustments which may ultimately arise from these matters.

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

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

Defined Benefit Plan

	2018	2017	2016	2015	2014
Total net pension liability	$ 1,142,249,393	$ 1,368,645,126	$ 1,436,814,230	$ 1,246,306,754	$ 1,303,304,636
GMHA's proportionate share of the net pension liability	$ 103,946,075	$ 123,668,997	$ 133,213,450	$ 107,746,620	$ 116,454,796
GMHA's proportion of the net pension liability	9.10%	9.04%	9.27%	8.65%	8.94%
GMHA's covered-employee payroll**	$ 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	224.72%	270.31%	280.98%	246.82%	283.11%
Plan fiduciary net position as a percentage of the total pension liability	60.63%	54.62%	52.32%	56.60%	53.94%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

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

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

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

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.
*** No assets accumulated in a trust to pay benefits.

See Accompanying Independent Auditors' Report.

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

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

Ad Hoc COLA Plan for DCRS Retirees

	2018	2017	2016
Total net pension liability***	$ 62,445,490	$ 61,688,067	$ 52,115,736
GMHA's proportionate share of the net pension liability	$ 4,780,154	$ 4,908,140	$ 4,126,989
GMHA's proportion of the net pension liability	7.65%	7.96%	7.92%
GMHA's covered-employee payroll**	$ 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	16.57%	16.90%	14.64%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.
*** No assets accumulated in a trust to pay benefits.

See Accompanying Independent Auditors' Report.

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

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

	2018	2017	2016	2015	2014
Statutorily determined contribution	$ 11,400,176	$ 11,242,339	$ 12,470,651	$ 11,593,916	$ 10,874,139
Contribution in relation to the statutorily determined contribution	11,773,474	10,797,566	12,606,829	11,552,350	11,059,816
Contribution deficiency	$ (373,298)	$ 444,773	$ (136,178)	$ 41,566	$ (185,677)
GMHA's covered-employee payroll **	$ 46,255,958	$ 45,750,624	$ 47,411,059	$ 43,653,700	$ 41,133,673
Contribution as a percentage of covered-employee payroll	25.45%	23.60%	26.59%	26.46%	26.89%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

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

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

	2018	2017	2016
Total OPEB liability:			
Service cost	$ 9,689,876	$ 7,774,023	Not Available
Interest	5,865,484	5,926,498	Not Available
Change of assumptions	(18,155,173)	19,385,329	Not Available
Benefit payments	(2,937,721)	(2,937,721)	Not Available
Net change in total OPEB liability	(5,537,534)	30,148,129	
Toal OPEB liability - beginning	183,586,849	$ 153,438,720	Not Available
Total OPEB liability - ending	$ 178,049,315	$ 183,586,849	$ 153,438,720
Covered payroll as of valuation date	$ 45,589,420	$ 45,589,420	
Total OPEB liability as a percentage of covered employee payroll	390.55%	402.70%	
Notes to schedule:			
Discount rate	3.63%	3.058%	3.71%

Changes of benefit terms:

None

Changes of assumptions:

Discount rate has changed from respective measurement dates

* Information for 2009 - 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*

	2018	2017
Total OPEB liability **	$ 2,431,048,672	$ 2,532,753,040
GMHA's proportionate share of the total OPEB Liability	$ 178,049,315	$ 183,586,849
GMHA's proportion of the total OPEB Liability	7.32%	7.25%
GMHA's covered-employee payroll	45,589,420	45,589,420
GMHA's proportionate share of the total OPEB Liability as a percentage of its covered employee payroll	390.55%	402.70%

* Information for 2009 - 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 OPEB Employer Contributions
Last 10 Fiscal Years*

	2018	2017
Actuarially determined contribution	$ 19,422,648	$ 16,627,095
Contributions in relation to the actuarially determined contribution	2,937,721	2,937,721
Contribution deficiency	$ 16,484,927	$ 13,689,374
Covered payroll as of valuation date	$ 45,589,420	$ 45,589,420
Contributions as a percentage of covered employee payroll	36.16%	30.03%

Notes to Schedule

Valuation date:

Actuarially determined contributions rates are calculated as of September 30, 2016.

Method and assumptions used to determine contributions rates:

Actuarial cost method:	Entry age normal.
Amortization method:	Level dollar amount on an open amortization period for pay-as-you-go funding.
Amortization period:	30 years
Inflation:	3%
Healthcare cost trend rates:	8% initial, decreasing 0.25% per year to an ultimate rate of 4.5%
Salary increase:	4.5% to 7.5%
Mortality (Healthy Retiree):	RP-2000 Combined Healthy Mortality Table, set forward 4 years and 1 year for males and females, respectively.
Mortality (Disabled Retiree):	RP-2000 Disabled Mortality Table for males and females.

* Information for 2009 - 2016 is not available

See Accompanying Independent Auditors' Report.

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

Schedule of Expenses
Years Ended September 30, 2018 and 2017

	2018	2017
NURSING:		
Salaries	$ 30,820,814	$ 32,416,940
Overtime	791,591	1,147,361
Other pay	4,298,280	4,297,479
Fringe benefits	5,730,999	8,766,867
Total personnel costs	41,641,684	46,628,647
Contractual services	9,860,841	3,539,247
Supplies and materials	3,703,784	4,033,603
Miscellaneous	21,648	86,416
	$ 55,227,957	$ 54,287,913

	2018	2017
PROFESSIONAL SUPPORT:		
Salaries	$ 11,804,250	$ 11,304,915
Overtime	315,877	465,003
Other pay	1,745,267	1,787,049
Fringe benefits	1,394,462	3,655,546
Total personnel costs	15,259,856	17,212,513
Supplies and materials	8,936,885	9,307,350
Utilities	27,869	14,816
Contractual services	1,656,633	2,240,339
Miscellaneous	98,429	113,457
	$ 25,979,672	$ 28,888,475

See accompanying independent auditors' report.

GUAM MEMORIAL HOSPITAL AUTHORITY
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Schedule of Expenses, Continued
Years Ended September 30, 2018 and 2017

	2018	2017
ADMINISTRATIVE SUPPORT:		
Salaries	$ 5,111,500	$ 4,881,197
Overtime	166,919	280,304
Other pay	193,472	207,907
Fringe benefits	790,954	1,741,331
Total personnel costs	6,262,845	7,110,739
Supplies and materials	2,224,880	2,466,448
Utilities	2,734,684	2,373,874
Contractual services	547,324	607,764
Miscellaneous	495,757	398,978
	$ 12,265,490	$ 12,957,803

	2018	2017
FISCAL SERVICES:		
Salaries	$ 4,181,148	$ 4,078,884
Overtime	36,476	91,850
Other pay	140,580	217,624
Fringe benefits	573,849	1,417,910
Annual leave lump sum pay	60,549	408,828
Sick leave (DC plan)	(1,448,849)	488,982
Total personnel costs	3,543,753	6,704,078
Supplies and materials	855,614	342,886
Contractual services	1,705,406	1,921,254
Miscellaneous	103,835	84,010
	$ 6,208,608	$ 9,052,228

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, 2018 and 2017

	2018	2017
ADMINISTRATION:		
Salaries	$ 1,842,361	$ 1,796,742
Overtime	3,471	2,492
Other pay	15,054	35,959
Fringe benefits	169,480	594,636
Total personnel costs	2,030,366	2,429,829
Supplies and materials	38,604	82,019
Contractual services	257,896	260,228
Insurance (Property)	457,249	455,742
Miscellaneous	112,697	207,458
	$ 2,896,812	$ 3,435,276

	2018	2017
MEDICAL STAFF:		
Salaries	$ 671,472	$ 585,257
Overtime	20	1,676
Other pay	10,610	19,620
Fringe benefits	74,009	243,343
Total personnel costs	756,111	849,896
Supplies and materials	19,638	51,270
Contractual services	-	-
Miscellaneous	36,678	89,927
	$ 812,427	$ 991,093
Total actual expenses, without depreciation and retiree healthcare costs and other pension benefits	$ 103,390,966	$ 109,612,788

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, 2018 and 2017

	2018	2017
Gross Patient Service Revenue:		
Medicaid patients	$ 30,431,224	$ 29,010,034
Medicare patients	42,198,886	43,276,047
MIP patients	10,713,408	11,074,912
Other patients	44,893,209	48,412,043
Self-pay patients	21,654,432	19,325,957
	$ 149,891,159	$ 151,098,993
Contractual Adjustments and Provision for Bad Debts:		
Contractual adjustments:		
Medicaid patients	$ 14,596,809	$ 14,708,776
Medicare patients	16,649,827	18,345,387
MIP patients	4,330,173	4,385,375
Other patients	7,817,086	6,346,203
Provision for bad debts:		
Self-pay patients	19,442,101	19,088,953
	$ 62,835,996	$ 62,874,694
Net Patient Service Revenue:		
Medicaid patients	$ 15,834,415	$ 14,301,258
Medicare patients	25,549,059	24,930,660
MIP patients	6,383,235	6,689,537
Other patients	37,076,123	42,065,840
Self-pay patients	2,212,331	237,004
	$ 87,055,163	$ 88,224,299

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, 2018, 2017, 2016, 2015 and 2014

		Medicaid, Medicare and MIP				Self Pay and Government - DOC and Others				Third-Party Payors								
		Medicaid	Medicare	MIP	Subtotal	Self Pay	Government - DOC and Others	Subtotal	Subtotal	Payor A	Payor B	Payor C	Payor D	Payor E	Subtotal	Grand Total	Timing Differences and Adjustments	Gross Patient Revenues
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%	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%	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%	63%	68%	53%		
2015	Billings	$ 38,620,656	$ 31,947,870	$ 17,167,090	$ 87,735,616	$ 32,230,994	$ 783,790	$ 33,014,784	$ 120,750,400	$ 3,190,464	$ 12,724,384	$ 19,922,551	$ 4,101,569	$ 4,095,892	$ 44,034,860	$ 164,785,260	$ (5,385,478)	$ 159,399,782
	Collections	$ 17,021,649	$ 12,227,719	$ 8,425,392	$ 37,674,760	$ 12,731,268	$ 305,439	$ 13,036,707	$ 50,711,467	$ 2,039,183	$ 6,762,529	$ 14,420,318	$ 2,786,961	$ 2,494,030	$ 28,503,021	$ 79,214,488		
	Percentage of collections over billings	44%	38%	49%	43%	40%	39%	39%	42%	64%	53%	72%	68%	61%	65%	48%		
2014	Billings	$ 39,319,139	$ 31,193,763	$ 14,724,367	$ 85,237,269	$ 22,725,998	$ 521,634	$ 23,247,632	$ 108,484,901	$ 1,765,378	$ 8,796,803	$ 17,741,317	$ 4,310,564	$ 4,142,359	$ 36,756,421	$ 145,241,322	$ (1,584,267)	$ 143,657,055
	Collections	$ 24,531,690	$ 14,277,153	$ 3,685,372	$ 42,494,215	$ 8,831,000	$ 464,990	$ 9,295,990	$ 51,790,205	$ 766,160	$ 5,639,440	$ 12,353,179	$ 2,556,663	$ 2,799,774	$ 24,115,216	$ 75,905,421		
	Percentage of collections over billings	62%	46%	25%	50%	39%	89%	40%	48%	43%	64%	70%	59%	68%	66%	52%		

See accompanying independent auditors' report.

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

Schedule of Full Time Employee (FTE) Count
Years Ended September 30, 2018 and 2017

Department	2018	2017
Actual FTE count:		
Nursing	418	435
Professional Support	199	205
Administrative Support	160	172
Fiscal Services	96	101
Administration	13	14
Medical Staff	39	50
DOC	22	24
	947	1,001
Budgeted FTE count	1,232	1,234

See accompanying independent auditors' report.