

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, 2021 AND 2020

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, 2021 and 2020, 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, 2021 and 2020, 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 Matters

Going Concern

The accompanying financial statements have been prepared assuming that GMHA will continue as a going concern. As discussed in Note 15 to the financial statements, GMHA has incurred recurring losses and negative cash flows from operations that raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 15. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

COVID-19

As discussed in Note 16 to the financial statements, GMHA determined that the COVID-19 pandemic may negatively impact its business, results of operations and financial position.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 19 as well as the Schedules of Proportional Share of the Net Pension Liability on pages 55 through 57, the Schedule of Pension Contributions on page 58, the Schedule of Changes in Net OPEB Liability and Related Ratios on page 59, the Schedule of the Proportionate Share of the Total OPEB Liability on page 60 and the Schedule of OPEB Employer Contributions on page 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (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

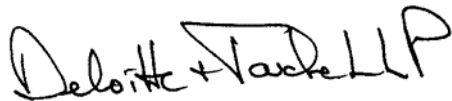
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of expenses, patient service revenues by patient classification, and billings and collections and reconciliation of billings to gross patient revenues on pages 62 to 66 are presented 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. Except for billings and collections and reconciliation of billings to gross patient revenues for the years ended September 30, 2017, 2018 and 2019, 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, except for billings and collections and reconciliation of billings to gross patient revenues for the years ended September 30, 2017, 2018 and 2019, the schedules of expenses, patient service revenues by patient classification, and billings and collections and reconciliation of billings to gross patient revenues are fairly stated, in all material respects, in relation to the financial statements as a whole.

The schedule of full time employee count on page 67, and billings and collections and reconciliation of billings to gross patient revenues for the years ended September 30, 2017, 2018 and 2019 on page 66 have not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2022, on our consideration of GMHA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of GMHA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GMHA's internal control over financial reporting and compliance.



April 12, 2022

GUAM MEMORIAL HOSPITAL AUTHORITY
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Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020

The Management's Discussion & Analysis (MD&A) provides an overview of the Guam Memorial Hospital Authority's (GMHA) activities and financial performance for the fiscal years (FY) ended September 30, 2021 and 2020. The MD&A should be read in conjunction with the GMHA audited financial statements and accompanying notes.

I. Organization

GMHA was created in 1977 pursuant to Public Law 14-29 as an autonomous agency of the Government of Guam. GMHA owns and operates the Guam Memorial Hospital (the "Hospital") which is Guam's only civilian, public acute care hospital with 161 licensed acute care beds, and 40 licensed beds at the Skilled Nursing Unit (SNU). GMHA is supported by six divisions – Administration, Operations, Fiscal Services, Medical Services, Nursing, and Professional Support – to provide healthcare services to all patients regardless of their ability to pay. These services include inpatient adult acute, skilled nursing, maternal child health, rehabilitative, laboratory, radiology, and respiratory care. The Hospital's medical specialties include cardiac catheterization lab, intensive care/critical care unit, emergency room, urgent care, interventional radiology, labor & delivery, obstetrics, nursery, neonatal ICU, pediatric ICU, medical telemetry/progressive care unit, and operating room/post-anesthesia care unit. GMHA added "Care" Units and telemedicine services in the early stages of Guam's 2019 novel coronavirus (COVID-19) public health emergency to treat COVID-19 patients at different levels of care.

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

GMHA is governed by the Board of Trustees (BOT) representing backgrounds in healthcare, allied health, nursing, medicine, management, and finance. The BOT is appointed by the Governor of Guam with the advice and consent of the Guam Legislature and Trustees serve staggered six-year terms. By September 30, 2021, there were nine members appointed to the GMHA BOT, representing a full complement. The GMHA Volunteers Association President is an ex-officio member.

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

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Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020

II. Financial Highlights

Achieving and Sustaining a Successful COVID-19 Response & Recovery

FY 2021 marks a full year of the Hospital operating under a public health emergency. Since March 2020, GMHA has been at the forefront of Guam's response to the public health emergency as the designated facility to provide medical services to COVID-19 patients. Despite challenges, GMHA, faced with little data, experience, or specialized guidance on the management of COVID-19 patients, in May 2021, won two prestigious awards - Hospital of the Year and COVID Management Initiative of the Year on Guam - at the Healthcare Asia Awards 2021. These awards signify several achievements during the pandemic that include developing numerous COVID-19 protocols, establishing critical care telemedicine services, creating committees dedicated to clinical management of COVID-19 patients, and distributing various communication products to ensure continuous and thorough updates to all Hospital departments.

Addressing Pandemic-related Staffing Shortage

FY 2021 began amidst a surge of COVID-19 patients that started in August 2020 that overwhelmed the Hospital until January 2021 with as many as 88 COVID-19 positive patients a day. The Hospital experienced a subsequent surge in August 2021 that continued until March 2022. While GMHA's initial response to the pandemic required major redesign and retrofitting of the Hospital, FY 2021 required more human resources and placed the Hospital in a precarious staffing situation. A partnership with the Department of Defense garnered Medical Mission Assignment physician intensivists and critical care nurses to augment GMHA's organic staffing from September 2020 to January 2021. Further, in late August 2020, GMHA sought additional contract travel nurses to staff COVID Care Units. GMHA received federal funding for the travel nurses as market rates throughout the nation had skyrocketed to unprecedented amounts. In FY 2021, GMHA costs for contract travel nurses from two companies totaled \$20.0M, of which \$11.0M was federally funded and \$9.0M was funded by GMHA operations funds. GMHA is currently pursuing federal reimbursements of these amounts.

To decrease reliance on costly contract travel nurses, in June 2021, Governor Lou Leon Guerrero authorized the Nurse Professional Pay Structure and Differential giving GMHA the means to retain and grow its pool of organic nurses. In September 2021, the BOT approved a working differential for certified and licensed laboratory technologists and respiratory therapists. The estimated cost of these differential pays is \$7.1M annually.

GMHA also pays incentives to certified and licensed health professionals such as registered nurses; licensed practical nurses; nurses specializing in emergency room, hemodialysis, and critical care; and other allied health professionals. Further, GMHA hired Certified Nurse Assistant students through the University of Guam's fast track program wherein the students complete their practical training at the Hospital. These measures are strategies to recruit and retain these difficult-to-fill positions that are critical to patient care and to address the Hospital's ongoing nursing and allied health professional shortage. While hospitals across the country are bearing consequences from severe pandemic-related labor shortages and resorting to limiting services and closing units, the Hospital continues to provide much needed care to all patients.

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II. Financial Highlights, Continued

Overall, GMHA's full time equivalent (FTE) count was 1,124 at September 30, 2021, increasing by 17 FTEs from FY 2020. FY 2021 budgeted FTEs is 1,265. Since FY 2019, GMHA increased staffing by 15.4% primarily to increase resources to support GMHA's response to COVID-19 with notable increases in Nursing.

	FY 2021	FY 2020	FY 2019	<u>Change</u> <u>FY 2019 to</u> <u>FY 2021</u>	<u>% Change</u> <u>FY 2019 to</u> <u>FY 2021</u>
Nursing staff	540	512	468	72	15.4%

Using Telemedicine Technology

In January 2021, GMHA sought partnerships with healthcare providers from abroad to bring telemedicine technology via Rounders that deliver the life-size physician in real time care to critical care patients. The concept was born out of necessity due to the number of COVID patients in the Hospital and limitations in specialized critical care physicians. Physical Rounders allows physicians to assess and treat patients virtually with a hi-definition television. Telemedicine providers are assisted by locally hired telemedicine technicians and nurses that collect and transmit patient data to the physicians.

Administering COVID-19 Vaccines and Therapeutics

In December 2020, GMHA began administering COVID-19 vaccinations to Hospital staff and patients including inmates at the Department of Correction clinic, and eligible community members. In August 2021, the vaccinations were mandated per Executive Order 2021-17 and unvaccinated staff were required to be tested for COVID-19 weekly by the Employee Health Services department. Shortly thereafter, the Centers for Medicare and Medicaid (CMS) mandated vaccinations for hospitals that receive Medicare funding. The Hospital staff's vaccination rate is currently 98%.

In February 2021, GMHA began administering monoclonal antibodies to patients and in September 2021, the Infusion Outpatient Clinic opened to administer monoclonal antibody infusion therapies to COVID-19 patients.

Other activities related to achieving and sustaining a successful COVID-19 response and recovery in FY 2021 include:

- Implemented daily health and wellness checks for GMHA staff via Sara Alert.
- Completed Care 2 unit (ICU overflow) electrical upgrades for enhanced COVID-19 response and recovery.
- Collaborated with the U.S. Army Corps of Engineers to complete the FEMA-approved electrical and mechanical upgrade project for Care 3 and Care 4 units to accommodate additional medical equipment, such as hemodialysis machines.
- Upgraded and expanded telemetry monitoring capacity in Care units throughout the Hospital.
- Purchased C-Arms for advanced diagnostic imaging providing much needed technology for vivid imagery for minimally invasive patient procedures.

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II. Financial Highlights, Continued

Although COVID-19 surges lulled from February to August 2021, the Hospital experienced a rise in non-COVID patients. These patients presented with ailments that may have resulted from not seeking regular primary care and falling behind on their maintenance visits which worsens their medical condition.

Alternate Care Site

In December 2020, GMHA was awarded \$15.3M in FEMA grant public assistance for an Alternate Care Site "Warm Site" to establish the Skilled Nursing Facility as a temporary expanded medical facility to maximize response capacity and capability. However, FEMA has subsequently determined that the project plan as submitted is not feasible for immediate utilization. In February 2022, FEMA conditionally approved a revised scope of work for the Alternate Care Site to include isolation of the B-Wing for SNF residents.

American Rescue Plan Act and Other Federal Assistance

To provide financial relief caused by increased expenses due to COVID-19, GMHA received several allocations of federal assistance.

In September 2021, GMHA received \$7.3M from the Coronavirus State and Local Fiscal Recovery Funds, established under the American Rescue Plan Act, passed through from the Government of Guam (GovGuam). The funds were marked to mitigate the negative economic impacts of COVID-19 on the Hospital's operations. GMHA applied this grant to outstanding accounts payable over 90 days old.

In June 2021, GMHA received \$1.9M from the Department of the Interior Technical Assistance Program through GovGuam for contract medical staffing for physicians and nurses.

From April 2021 to June 2021, GMHA received \$10.3M from the Office of Homeland Security for the FEMA Public Assistance Program for COVID-19 Surge Medical Staffing contract travel nurses assigned to COVID Care units in the Hospital.

From November 2020 to March 2021, GMHA received \$5.6M from its \$11.9M budget allocation of GovGuam's \$118.0M Coronavirus Relief Fund distribution to states, territories, local and tribal governments authorized by the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). The funds were budgeted for GMHA's projected expenses for physicians, supplies, payroll, and projects to upgrade capacity for negative pressure and hemodialysis, and expand the patient monitoring system. In FY 2020, GMHA received \$2.4M for payroll expenses and \$910k was transferred to the Guam Homeland Security/Office of Civil Defense to procure critical equipment. The \$3.0M remaining balance of the \$11.9M allocation was reprogrammed by GovGuam to other accounts thereby exhausting the GMHA account.

In December 2020, GMHA received \$2.0M in direct CARES Act funding from the U.S. Department of Health and Human Services (HHS) through the Provider Relief Fund (PRF) for immediate cash relief to U.S. hospitals. Distributions in the prior year amounted to \$7.8M. A subsequent distribution of \$1.1M was received in November 2021.

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II. Financial Highlights, Continued

FY 2020 PRF Distributions:	
Phase 1 General Distribution	\$ 965,170
Phase 2 General Distribution	1,084,559
Rural Relief Fund	5,502,276
Skilled Nursing Facility Relief Fund	155,000
Skilled Nursing Facility Infection Control Relief Fund	<u>70,900</u>
Total FY 2020 PRF distributions	\$ <u>7,777,905</u>

FY 2021 PRF Distributions:	
Phase 3 General Distribution	<u>1,961,999</u>
Total FY 2021 distributions	

Total PRF distributions FY 2020 & FY 2021: \$ 9,739,904

In April 2020, GMHA received \$4.5M through the Medicare Accelerated and Advance Payment Program to provide immediate funds for an initial COVID response as authorized in the CARES Act. In April 2021, CMS began recouping the \$4.5M by withholding 25% of GMHA remittances for Medicare claims. As of September 30, 2021, CMS recouped \$2.0M from Medicare remittances.

Longer Length of Stay Leads to Increase in Inpatient Gross Revenues

Overall gross patient revenues increased by \$25.8M, or 14.5%, from \$177.7M in FY 2020 to \$203.5M in FY 2021. The increase was attributable to inpatients' increased length of stay due to increased acuity.

Gross inpatient revenues increased by 18.5%, or \$25.7M. Gross inpatient revenue growth was most notable in Evaluation & Management services, Laboratory, Pharmaceutical charges, and Respiratory Therapy. GMHA's annual 5% rate increase and implementation of new fees are also factors in the year-over-year growth in gross patient revenues.

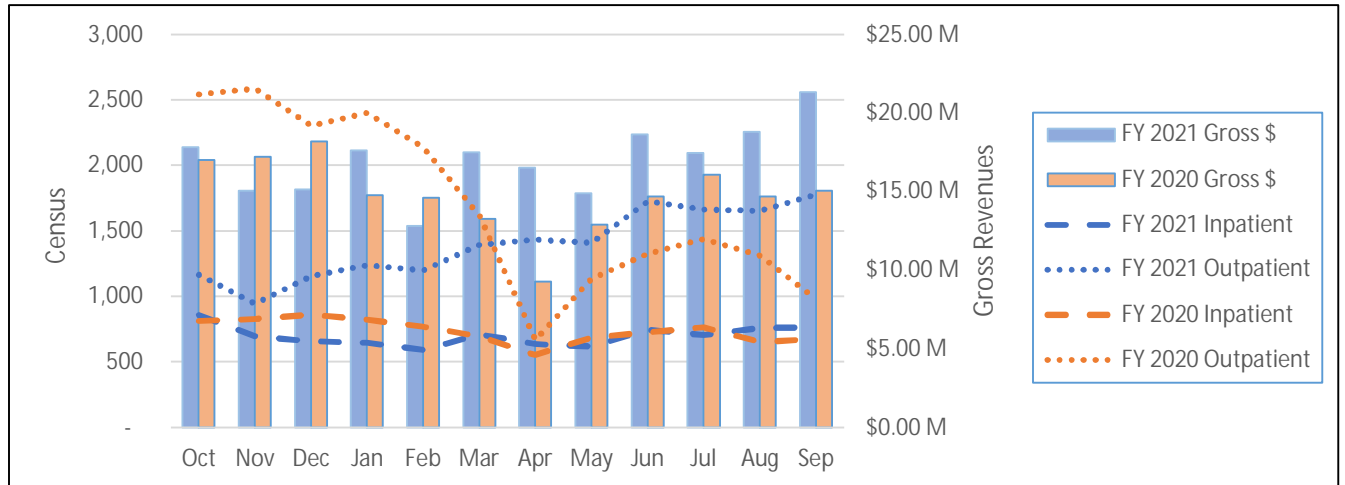
	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>Change FY 2020 to FY 2021</u>	<u>% Change FY 2020 to FY 2021</u>
Inpatient	\$164,883,727	\$139,186,608	\$135,357,675	\$25,697,119	18.5%
Skilled Nursing	5,074,168	5,039,855	5,895,668	34,313	0.7%
Outpatient	<u>33,577,777</u>	<u>33,488,053</u>	<u>37,592,724</u>	<u>89,724</u>	<u>0.3%</u>
	<u>\$203,535,672</u>	<u>\$177,714,516</u>	<u>\$178,846,057</u>	<u>\$25,821,156</u>	<u>14.5%</u>

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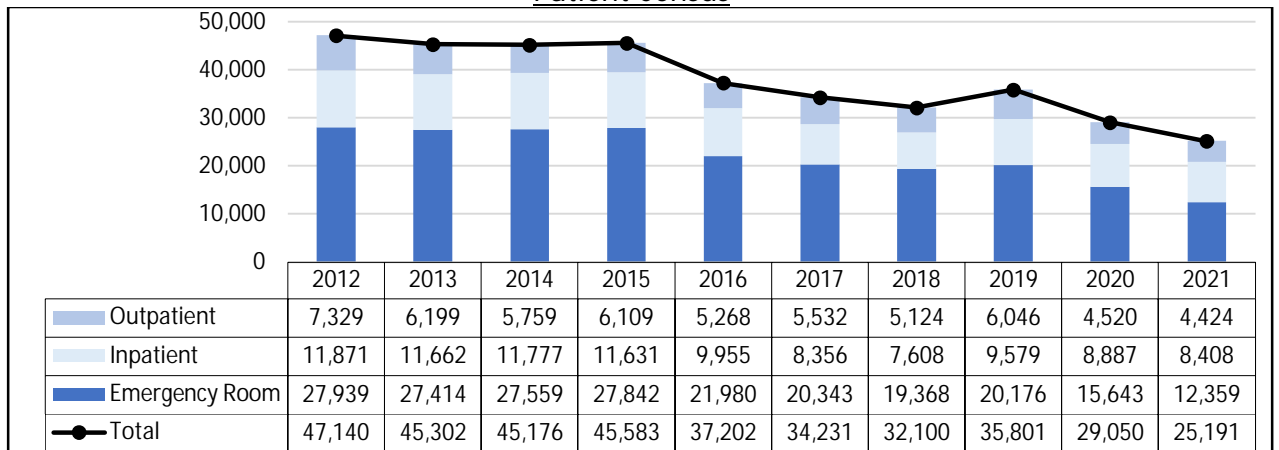
II. Financial Highlights, Continued

FY 2021 and FY 2020 Gross Revenues, Inpatient & Outpatient Census



Overall patient census declined by 13.3% to 25,191 in FY 2021 from 29,050 in FY 2020 due to the Hospital's intermittent closure of outpatient services due to COVID-19 and decreases in ER visits. Specifically, inpatient census decreased 5.4%, outpatient decreased 2.1%, and ER decreased 21.0%.

Patient Census



*Emergency Room includes Urgent Care; Inpatient includes SNF

In FY 2021, GMHA experienced favorable inpatient and unfavorable outpatient volume growth compared to FY 2020. Inpatient days increased 10.6% from FY 2020 and inpatient admissions decreased 5.4% indicating patients were in the Hospital longer than in the previous year. Outpatient visits decreased 16.8% which includes urgent care visits (-73.1%) and emergency room visits (-5.3%). GMHA provides a proportionately high number of inpatient services to outpatient services. Particularly under the 3 M's (Medicare, Medicaid, and the Medically Indigent Program) GMHA is reimbursed at a higher rate for outpatient services than inpatient services. In FY 2021, 16.5% of gross revenues was attributed to outpatient services. GMHA management is exploring opportunities to increase outpatient hospital services. However, this will require substantial investment in capital improvements as well as securing professional staff to support expanded services.

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II. Financial Highlights, Continued

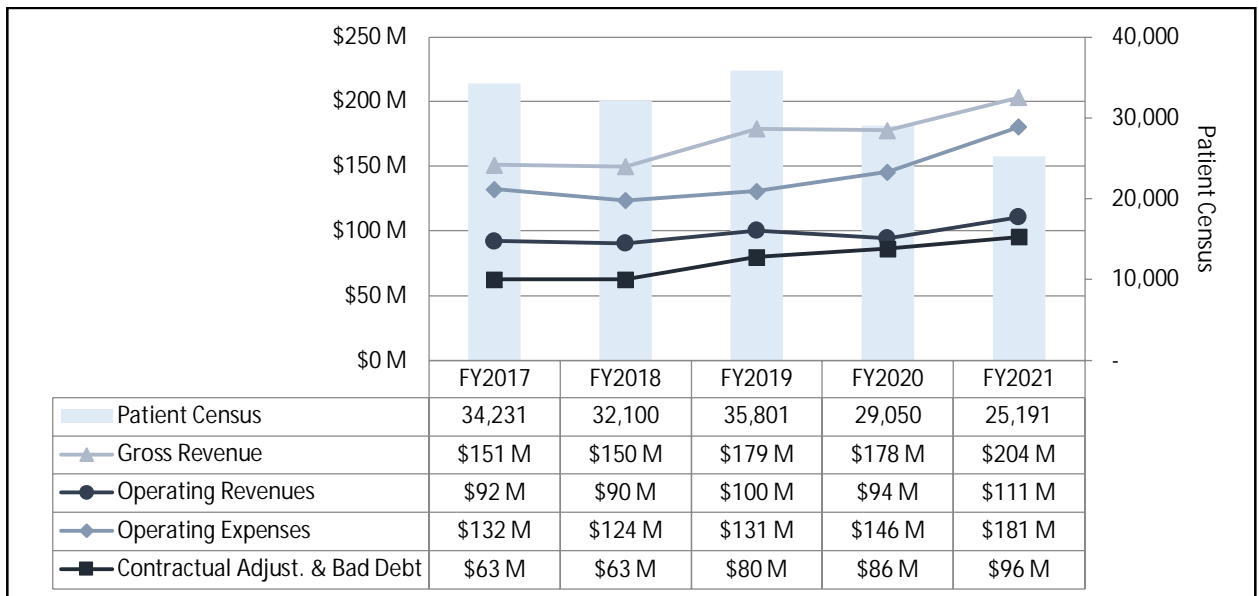
	FY 2021	FY 2020	FY 2019	Change FY 2020 to FY 2021	% Change FY 2020 to FY 2021
Inpatient days	48,363	43,727	48,456	4,636	10.6%
Bed occupancy rate	65.9%	59.6%	66.0%	6.3%	10.6%
Inpatient admissions	8,408	8,887	9,579	-479	-5.4%
Total outpatient visits*	16,783	20,163	26,222	-3,380	-16.8%
Emergency room visits	11,386	12,029	14,894	-643	-5.3%
Urgent care visits	973	3,614	5,282	-2,641	-73.1%

*Includes Emergency Room & Urgent Care

Increased Net Patient Revenues

Net patient revenues increased \$16.6M, or 18.2%, to \$107.8M in FY 2021 compared to FY 2020. Similarly, gross revenues increased 14.5%. GMHA favorably adjusted the allowance for uncollectible accounts for third party payers due to improved collections. However, the allowance for 3M's and self-pay increased.

Revenues, Expenses, & Patient Census



Collections decreased by 5.5%, or \$6.0M, from \$104.4M in FY 2020 to \$98.6M in FY 2021. Collections from the 3M's were \$42.9M compared to \$59.2M in FY 2020, a decrease of 27.5%, or \$16.3M. Collections from third-party payers increased 9.2%, or \$3.6M, while self-pay collections increased \$7.6M, or 140.8%. Decreased collections are attributed to the increase in patient admissions covered by the 3M's wherein GMHA is paid a per diem rate for these patients.

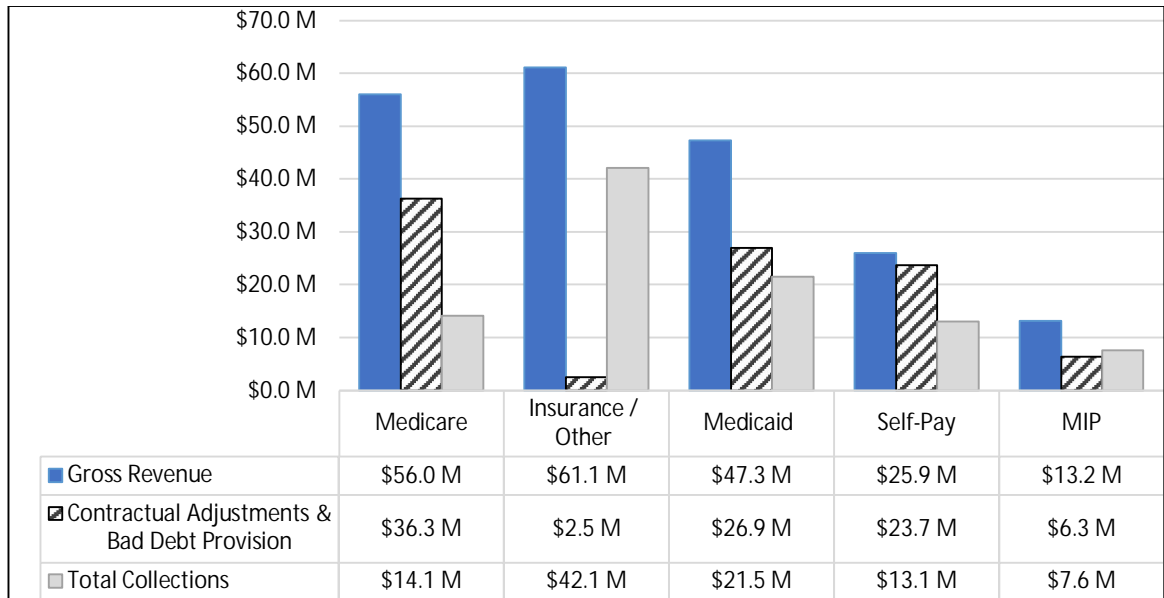
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II. Financial Highlights, Continued

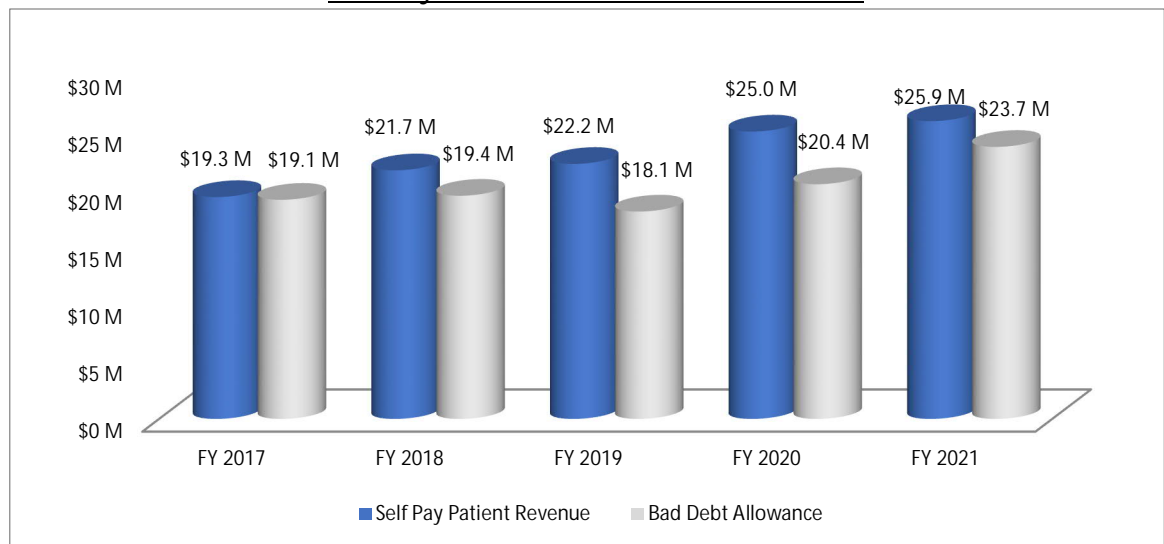
GMHA continues its partnerships with the Office of the Attorney General (OAG) for collection referrals and the Department of Revenue and Taxation (DRT) for garnishments. In addition to collaborations with OAG and DRT, GMHA continues to seek ways to improve collections, including offering patients an online payment system since FY 2017.

FY 2021 Gross Billing, Contractual Adjustments, Bad Debt Allowance, and Collections



GMHA's mandate to provide healthcare to all patients regardless of one's coverage or ability to pay has resulted in the continual growth of patient receivables. For the last five years, self-pay patients received an average of \$22.8M of care per year and the likelihood of collecting these accounts is low and GMHA's provision for bad debts averaged \$18.2M a year. This means that GMHA expects to collect an average of 20 cents per dollar billed to self-pay patients.

Self-Pay Revenue & Bad Debt Allowance



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II. Financial Highlights, Continued

In October 2018, to reduce the level of uncompensated care, GMHA hired an Eligibility Specialist in collaboration with the Department of Public Health and Social Services, to assist the uninsured and underinsured apply for and obtain Medicaid or MIP coverage. This effort is an ongoing project involving GMHA patient registration staff, social workers, case managers, and Americorps. In FY 2021, Medicaid patients accounted for 23% of GMHA's payer mix, an increase from FY 2020, which was 21% and self-pay patients reduced to 13% from 14% in FY 2020.

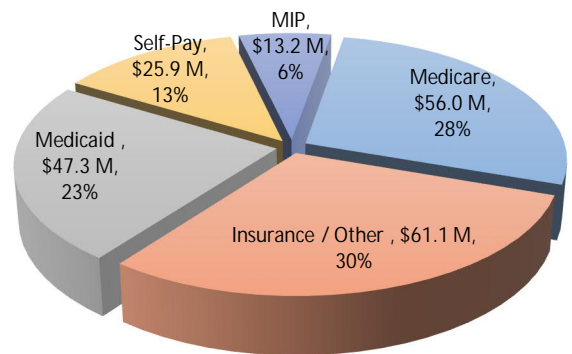
The FY 2021 payer mix puts GMHA's challenges with collections into perspective. In FY 2021, 57% of GMHA's \$203.5M of gross patient revenues is comprised of the 3 M's:

- Medicare - \$56.0M, 28%
- Medicaid - \$47.3M, 23%
- MIP - \$13.2M, 6%

followed by third-party payers and others at 30% or \$61.1M, and self-pay at 13% or \$25.9M.

GMHA receivables also include amounts owed by DOC for healthcare services for inmates and detainees. DOC has paid all invoices for FY 2021 for services provided per the cooperative agreement. For amounts owed prior to FY 2018, an allowance for uncollectible accounts of \$1.7M was provided in FY 2019 because DOC did not budget for these payments. GMHA is also owed over \$3.9M for inmate inpatient services outside the cooperative agreement.

FY 2021 Payer Mix



Centers for Medicare and Medicaid Services Survey & Rebasing

In May 2021, Centers for Medicare and Medicaid Services (CMS) conducted a full recertification, revisit, and complaint survey. CMS surveys are conducted to determine GMHA's compliance with applicable CMS Conditions of Participation for a provider of hospital services in the Medicare program. CMS also conducted surveys in February, April, and August 2019, and January 2020. GMHA responded with its Plan of Corrective (POC) actions within 10 calendar days of the surveys, hence, GMHA continues to maintain its Medicare provider certification from CMS. GMHA must submit credible documentation evidencing correction of all cited deficiencies or risk termination of the Medicare provider agreement.

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

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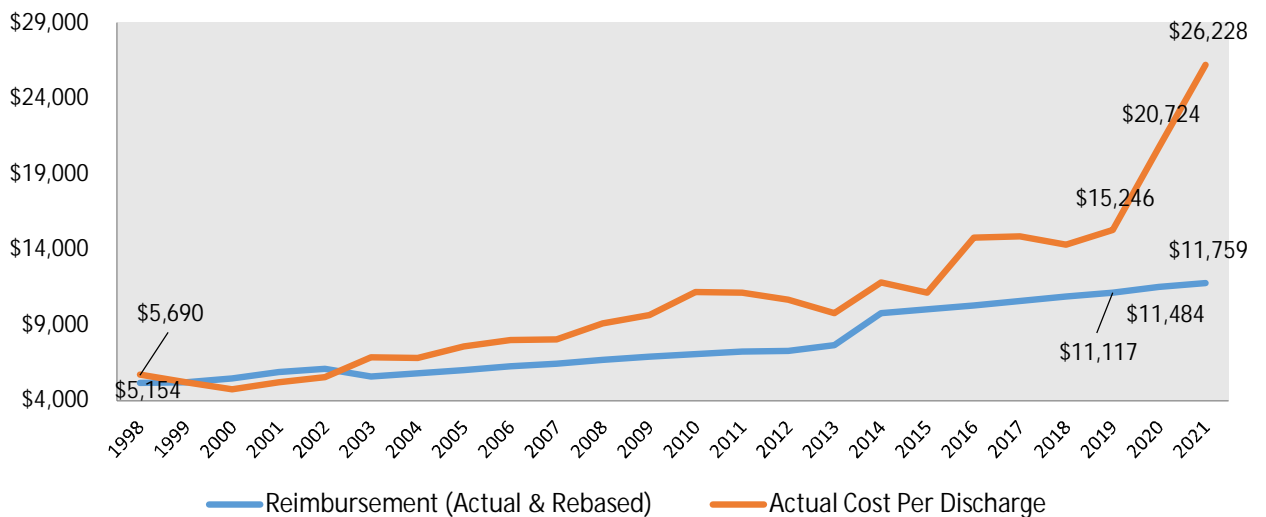
II. Financial Highlights, Continued

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

	2014	2015	2016	2017	2018	2019	2020	2021
Original TEFRA discharge rate	7,929	8,159	8,355	8,580				
New TEFRA discharge rate from rebasing	9,749	10,032	10,273	10,550	10,856	11,117	11,484	11,759
\$ Change	1,820	1,873	1,918	1,970				
% Change	23%	23%	23%	23%				

Despite the rebasing, GMHA is still reimbursed less than the cost of discharge. As of the Medicare Cost Report for FY 2021, the cost of discharge was \$26,228 while the reimbursement was \$11,759. GMHA will pursue TEFRA adjustments to recover these costs through a request for adjustments for cost-based hospitals.

Target Rate per Patient Discharge by Fiscal Year



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

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III. Overview of the Financial Statements

A comparative analysis is provided for FY 2021, FY 2020 and FY 2019 Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows.

<u>Summarized Statement of Net Position</u>					
	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>\$ Change FY 2020 to FY 2021</u>	<u>% Change FY 2020 to FY 2021</u>
ASSETS					
Current Assets	\$ 49,173,247	\$ 52,694,890	\$ 54,522,698	\$ (3,521,643)	-6.7%
Noncurrent Assets	31,007,333	27,939,968	29,612,222	3,067,365	11.0%
Total assets	80,180,580	80,634,858	84,134,920	(454,278)	-0.6%
Deferred outflows of resources	88,710,148	64,357,589	27,988,294	24,352,559	37.8%
Total assets and deferred outflows of resources	\$ 168,890,728	\$ 144,992,447	\$ 112,123,214	\$ 23,898,281	16.5%
LIABILITIES AND NET POSITION					
Liabilities:					
Current liabilities	\$ 24,206,143	\$ 23,350,315	\$ 21,109,038	\$ 855,828	3.7%
Noncurrent liabilities	336,731,116	320,789,090	266,182,235	15,942,026	5.0%
Total liabilities	360,937,259	344,139,405	287,291,273	16,797,854	4.9%
Deferred inflows of resources	63,602,191	48,043,389	61,804,406	15,558,802	32.4%
Net position:					
Net investment in capital assets	31,007,333	27,939,968	29,612,222	3,067,365	11.0%
Unrestricted	(286,656,055)	(275,130,315)	(266,584,687)	(11,525,740)	4.2%
Total net position	(255,648,722)	(247,190,347)	(236,972,465)	(8,458,375)	3.4%
Total liabilities, deferred inflows of resources and net position	\$ 168,890,728	\$ 144,992,447	\$ 112,123,214	\$ 23,898,281	16.5%

- GMHA's total net position decreased by 3.4%, or \$8.4M, in FY 2021 compared to FY 2020 increasing GMHA's cumulative deficit in unrestricted net position.
- Total assets decreased 0.6%, or \$0.4M, due to decreases in cash of \$8.9M from increased expenses and increases in net patient accounts receivables from decreased collections. Generally accepted accounting principles (GAAP) allows the recognition of an allowance for doubtful accounts and the periodic write-off of outstanding receivables meeting certain criteria. GMHA ended FY 2021 with patient receivables of \$39.7M, net of estimated uncollectible accounts of \$216.2M. Capital assets increased by \$3.0M from purchases of capital equipment from COVID-related federal relief funds. Deferred outflows of resources increased by \$24.3M for pensions and other post-employment benefits, resulting in an overall increase in total assets and deferred outflows of resources of \$23.9M.
- Total liabilities increased 4.9%, or \$16.8M, due to increases in the other post-employment benefits (OPEB) liability of \$7.7M, the net pension liability of \$7.1M, and trade accounts payable of \$4.2M.

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Management's Discussion and Analysis
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III. Overview of the Financial Statements, Continued

- Current liabilities increased 3.7%, or \$0.9M, mainly due to increases in trade accounts payable from reduced cash flows. This was offset by a reduction in accrued payroll of \$1.1M and amounts owed to Medicare by \$2.0M. In FY 2020, GMHA received \$4.5M in COVID-19 Accelerated and Advance Payments from the CMS. In FY 2021, CMS began recouping the payment from claim remittances at a rate of 25%. The balance owed to CMS at September 30, 2021 is \$2.5M.
- As of September 30, 2021, GMHA's investment in capital assets was \$31.0M with no long-term debt. Major FY 2021 capital improvement additions include \$0.5M to relocate the Communications Center from the Z-Wing and \$6.4M in movable equipment such as Rapid Equipment Deployment Initiative (REDI) kits for critical care patient monitoring, mobile C-Arm imaging machines, vital signs monitors, beds, and infusion pumps. Please refer to Note 6 to the accompanying financial statements for additional information on GMHA capital assets activity.

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

	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>\$ Change FY 2020 to FY 2021</u>	<u>% Change FY 2020 to FY 2021</u>
Total operating revenues	\$ 110,961,397	\$ 94,362,706	\$ 100,348,300	\$ 16,598,691	17.6%
Total operating expenses	180,682,147	145,572,873	130,818,008	35,109,274	24.1%
Operating loss	(69,720,750)	(51,210,167)	(30,469,708)	(18,510,583)	36.1%
Total non-operating revenues	60,484,470	39,241,585	38,827,024	21,242,885	54.1%
Total non-operating expenses	(83,983)	(336,817)	(194,287)	252,834	-75.1%
Total capital grants and contributions	861,888	2,087,517	1,049,864	(1,225,629)	-58.7%
Change in net position	\$ (8,458,375)	\$ (10,217,882)	\$ 9,212,893	\$ 1,759,507	17.2%

- GMHA's FY 2020 operating revenues increased by \$16.6M, or 17.6%, due to increases in net patient revenue. Other revenue of \$2.5M decreased nominally and includes \$2.1M billed to DOC for medical care provided to detainees and inmates in the DOC Clinic. All amounts billed to DOC in FY 2021 and FY 2020 were collected. In FY 2019, a \$1.7M provision for uncollectible DOC billings was recorded for amounts owed prior to FY 2018 because DOC did not include a budget for these payments.
- Operating expenses increased 24.1%, or \$35.1M due to increases in expenses to prevent, prepare for, and respond to COVID-19. These expenses were for contract travel nurses, physicians, and medical supplies. Nursing expenses increased significantly by \$23.9M mainly due to costs to hire contract travel nurses urgently needed to help provide medical care to COVID-19 patients. Professional Support division expenses rose by \$5.1M due to increases in supplies and materials including pharmaceutical purchases.

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III. Overview of the Financial Statements, Continued

- Personnel costs increased overall by \$7.6M due to increased costs for salaries of \$3.1M and benefits of \$3.8M for additional staff hiring and other pay of \$0.9M. Other pay includes certification pay for GMHA's certified allied health professionals and incentive pays for nurses. Another contributing factor to increases in other pay was GMHA's implementation in April 2020, of COVID-19 response differential pay for essential GMHA employees supporting the public health emergency per the Governor's Executive Order No. 2020-08. GMHA incurred \$3.3M in FY 2021, for such differential pay of which \$0.3M was reimbursed by its \$11.9M budget allocation from the Government of Guam's \$118.0M Coronavirus Relief Fund and \$1.5M was applied to Provider Relief Funds received by GMHA. The remaining \$1.5M was paid through GMHA operations funds. In FY 2020, COVID-19 differential pay amounted to \$3.6M, of which \$0.2M was applied to PRF and \$3.4M was reimbursed by GovGuam Coronavirus Relief Fund.
- Non-operating revenues increased 54.1%, or \$21.2M due to an increase in federal grants of \$19.9M including \$10.3M in federal public assistance for contract travel nurses, \$7.3M in American Rescue Plan funds, and \$1.6M in GovGuam Coronavirus Relief Funds. GMHA's subsidy transfers increased by \$1.3M, from \$31.5M in FY 2020, to \$32.8M in FY 2021.
- Capital grants from the federal government decreased by \$1.0M.

Summarized Statement of Cash Flows

	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>\$ Change FY 2020 to FY 2021</u>	<u>% Change FY 2020 to FY 2021</u>
Net cash used for operating activities	\$ (57,724,361)	\$ (38,214,352)	\$ (28,725,127)	\$ (19,510,009)	-51.1%
Net cash provided by noncapital financing activities	54,959,567	45,634,650	34,957,341	9,324,917	-20.4%
Net cash (used for) provided by capital and related financing activities	(6,122,998)	31,595	(2,801,630)	(6,154,593)	19,479.6%
Net change in cash	\$ (8,887,792)	\$ 7,451,893	\$ 3,430,584	\$ (16,339,685)	219.3%

- Net change in cash decreased \$16.3M from FY 2020.
- Net cash used for operating activities increased \$19.5M due to a \$17.7M increase in payments to suppliers and contractors.
- Net cash provided by noncapital financing activities increased \$9.3M due to increases in federal grants of \$13.5M and transfers from the Government of Guam of \$2.1M.
- Net cash used for capital and related financing activities increased \$6.2M due to acquisitions of capital assets.

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IV. Outlook

GMHA management looks forward to the following in FY 2022:

Updating and Developing the Strategic Plan

GMHA will develop a scope of work to update the 2018 – 2022 strategic plan. The current strategic plan encompasses five goals that need to be reevaluated for relevancy and to reflect the expected environment in light of the Hospital's operations during COVID. COVID-19 will also continue to challenge GMHA's finances, particularly with declines in patient census and the reliance on Government of Guam subsidies funded by Business Privilege Taxes and the General Fund. As GMHA recovers from disrupted revenue streams, GMHA will seek federal assistance afforded to healthcare providers to recover lost revenues as well as improve revenue cycle processes.

Improving Cash Flow with Revenue Cycle Management Evaluation

In June 2021, consultants from MedHealth Solutions began reviewing GMHA's current revenue cycle management processes, which includes charge description master, patient registration, coding, medical records, billing, billing follow-up, denial management, and collections. Their goal is to help optimize GMHA billing systems and increase GMHA's overall collections. Major components of the project involve implementation of a bill scrubber and clearinghouse; establishing a revenue integrity department to ensure proper charges, revenue capture, and denial prevention; and proper organizational structure for the Fiscal Division. The term of the contract is one year with completion in May 2022 when GMHA staff will manage the revenue cycle after proper training and updated policies and procedures.

Completing the TakeCare Insurance Company Reconciliation of Disputed Claims

From March to September 2020, GMHA patients subscribed as TakeCare Insurance Company (TakeCare) members were considered self-pay. In September 2020, GMHA resumed accepting insurance coverage under TakeCare after GMHA and TakeCare signed a memorandum of agreement for a third party firm to perform an agreed-upon procedures engagement to reconcile disputed claims from January 1, 2012 to April 30, 2017. A Provide Service Agreement was finalized in January 2021. The agreed-upon procedures report was completed in October 2021 and final settlement of the amounts is expected in April 2022.

Carrying Out Recruitment and Retention Initiatives

GMHA continues to experience challenges with recruitment and retention of nursing professionals and other clinical professional staff. Following the implementation of the Nurse Professional Pay Structure and Differential June 2021, GMHA will continue to address other pay disparities in other clinical areas until the Department of Administration concludes a comprehensive competitive wage study for all GMHA staff. These clinical areas include radiology, special services, rehabilitation, dietary, pharmacy, and social services.

Working Towards the New Hospital Facility

GMHA will continue collaborating and engaging with the Guam Healthcare Task Force to complete the conceptual design for the new hospital facility and medical campus as recommended in November 2019 by the Army Corps of Engineers (ACOE). Although new construction will be pursued, the ACOE recommended that GMHA immediately begin work to repair the Hospital's critical life safety items after an extensive onsite facilities condition assessment. The Guam Healthcare Task Force is exploring land acquisition for the new medical campus.

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IV. Outlook, Continued

Ongoing Capital Improvements

The Hospital's roof and envelope are being upgraded to enhance the facility's structural integrity during heavy rainfall and mitigate against potential leaks. This project is currently in the design phase, with the first portion tracking to begin in November 2021. The roof upgrade is a phased project that is expected to take up to one year. The first phase will begin with the area over the hospital's laboratory.

In addition, GMHA is finalizing plans to demolish the vacant Z-Wing portion of the facility. One-third of the wing will be salvaged to preserve telecom lines and use as additional office space; the remaining structure will be demolished and converted into parking spaces. The project has completed the abatement phase and is currently in pre-demolition. The demolition process is expected to begin 3rd quarter of FY 2022.

The Alternate Care Facility (ACF) plans for the Skilled Nursing Facility (SNF) in Barrigada Heights will include the isolation of the B-Wing, to ensure the safety of SNF residents, should there be a need to treat COVID-19 patients at the ACF. ACF upgrades include the manufacturing, installation and commissioning of two 134-ton chillers, as well as upgrades for beds and IT infrastructure that supports the building and other ancillary support equipment.

Additional GMHA capital improvements include HVAC upgrades to remove and replace 22 more Air Handling Units (AHUs), to include upgrades to the ICU and Emergency Room HVAC systems in the coming months. A new Angio Suite will be procured in FY 2022 funded by Compact Impact funds.

Migrating to a New EHR System

In December 2019, GMHA embarked on a project to transition from the current Cantata Health Optimum IMED Clinical System to Medsphere CareVue EHR system by May 2021. After Medsphere implementation officials conducted an initial site visit in January 2020, the COVID-19 pandemic public health emergency was declared requiring the project to be implemented remotely. With unpredictable surges occurring in FY 2021, the project has stalled as subject matter experts needed to build and decide workflows were called to the floor and prioritize patient care. The go-live is now scheduled for August 2022 followed by go-live in October 2022 of the Medsphere patient accounting system.

The new EHR is certified electronic health record technology (CEHRT) to meet the requirements of the CMS Promoting Interoperability Program. The program advocates the advancement of CEHRT utilization, further reduces burden, and increases interoperability and patient access to their health information. The new EHR affects GMHA's ability to benefit from monetary incentives and comply with conditions required for participation as a provider of services reimbursable by Medicare and Medicaid. The EHR will also improve process flows for documentation and add efficiencies to GMHA's current processes. These efficiencies are expected to improve charge capture and billing.

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IV. Outlook, Continued

Pursuing Accreditation

Although GMHA lost accreditation with The Joint Commission (TJC) in 2018, in June 2021, GMHA management agreed and engaged with the Center for Improvement in Healthcare Quality (CIHQ) to begin the process of accreditation. CIHQ's accreditation most closely resembles and aligns with the standards and CMS's Conditions of Participation. Accrediting Organizations that work with hospitals accepting Medicare and Medicaid funding must apply for a deeming authority from the Department of Health and Human Services. GMHA is confident in CIHQ, as it has been granted by HHS the maximum deeming authority length of 6 years. GMHA plans to undergo mock surveys in FY 2022.

V. Contacting GMHA Executives

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

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

GUAM MEMORIAL HOSPITAL AUTHORITY
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Statements of Net Position
September 30, 2021 and 2020

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	2021	2020
Current assets:		
Cash	\$ 3,215,291	\$ 12,103,083
Patient accounts receivable, net of estimated uncollectibles of \$216,167,416 in 2021 and \$177,248,675 in 2020	39,742,092	32,433,329
Due from the Government of Guam, net of estimated uncollectibles of \$1,719,042 in 2021 and 2020	2,642,317	4,192,117
Other receivables	103,409	137,952
Inventory, net	3,470,138	3,828,409
Total current assets	49,173,247	52,694,890
Capital assets:		
Depreciable assets, net	29,516,643	26,644,961
Construction in progress	1,490,690	1,295,007
Total noncurrent assets	31,007,333	27,939,968
Total assets	80,180,580	80,634,858
Deferred outflows of resources:		
Pension	27,877,401	20,270,393
OPEB	60,832,747	44,087,196
Total deferred outflows of resources	88,710,148	64,357,589
Total assets and deferred outflows of resources	\$ 168,890,728	\$ 144,992,447
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Accounts payable - trade	\$ 11,218,416	\$ 6,990,492
Due to Medicare	2,472,797	4,501,120
Accrued taxes and related liabilities	365,206	323,373
Accrued payroll and benefits	1,947,593	3,043,306
Current portion of accrued annual leave	1,723,239	1,777,757
Unearned revenues	5,825,818	6,069,645
Other current liabilities	653,074	644,622
Total current liabilities	24,206,143	23,350,315
Accrued annual leave, net of current portion	3,607,442	3,087,662
Accrued sick leave	4,663,654	4,046,946
Net pension liability	137,817,893	130,697,535
OPEB liability	190,642,127	182,956,947
Total liabilities	360,937,259	344,139,405
Deferred inflows of resources:		
Pension	2,340,868	4,463,405
OPEB	61,261,323	43,579,984
Total deferred inflows of resources	63,602,191	48,043,389
Commitments and contingencies		
Net position:		
Net investment in capital assets	31,007,333	27,939,968
Unrestricted	(286,656,055)	(275,130,315)
Total net position	(255,648,722)	(247,190,347)
Total liabilities, deferred inflows of resources and net position	\$ 168,890,728	\$ 144,992,447

See accompanying notes to financial statements.

GUAM MEMORIAL HOSPITAL AUTHORITY
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Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2021 and 2020

	2021	2020
Operating revenues:		
Net patient service revenue (net of contractual adjustments and provision for bad debts of \$95,697,842 in 2021 and \$86,445,902 in 2020)	\$ 107,837,830	\$ 91,268,614
Other operating revenues:		
Cafeteria food sales	569,639	431,626
Other revenue	2,553,928	2,662,466
Total operating revenues	110,961,397	94,362,706
Operating expenses:		
Nursing	67,481,123	43,562,323
Professional support	35,035,186	29,926,698
Administrative support	15,722,427	15,720,511
Medical staff	30,585,921	28,174,058
Retiree healthcare costs and other pension benefits	13,271,261	10,874,350
Fiscal services	10,208,915	9,437,269
Administration	4,391,516	4,215,658
Depreciation	3,985,798	3,662,006
Total operating expenses	180,682,147	145,572,873
Operating loss	(69,720,750)	(51,210,167)
Nonoperating revenues (expenses):		
Transfers from GovGuam	32,784,876	31,499,878
Federal grants	27,603,792	7,740,708
Interest and penalties	-	(13,986)
Federal program expenditures	(83,983)	(260,636)
Loss from disposal of fixed asset	-	(62,195)
Other income, net	95,802	999
Total nonoperating revenues	60,400,487	38,904,768
Loss before capital grants and contributions	(9,320,263)	(12,305,399)
Capital grants and contributions:		
Federal grants	861,888	1,880,963
Others	-	206,554
Total capital grants and contributions	861,888	2,087,517
Change in net position	(8,458,375)	(10,217,882)
Net position at the beginning of the year	(247,190,347)	(236,972,465)
Net position at the end of the year	\$ (255,648,722)	\$ (247,190,347)

See accompanying notes to financial statements.

GUAM MEMORIAL HOSPITAL AUTHORITY
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Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 100,529,067	\$ 100,912,067
Receipts from sales and other services	3,158,110	3,069,082
Payments to suppliers and contractors	(69,350,566)	(51,602,888)
Payments to employees	(92,060,972)	(90,592,613)
Net cash used in operating activities	(57,724,361)	(38,214,352)
Cash flows from noncapital financing activities:		
Contributions from the Government of Guam	32,625,573	30,534,016
Federal grants received	24,418,775	10,873,137
Due to Medicare	(2,028,323)	4,501,120
Contributions	27,525	999
Interest and penalties paid	-	(13,986)
Payments made under federal programs	(83,983)	(260,636)
Net cash provided by noncapital financing activities	54,959,567	45,634,650
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(6,984,886)	(1,845,393)
Federal grants received	861,888	1,876,988
Net cash provided by (used in) capital and related financing activities	(6,122,998)	31,595
Net change in cash	(8,887,792)	7,451,893
Cash at beginning of year	12,103,083	4,651,190
Cash at end of year	\$ 3,215,291	\$ 12,103,083
Summary of noncash capital and related financing activities:		
Medical equipment donation from:		
GMH Volunteer Association	\$ 68,277	\$ 206,554

See accompanying notes to financial statements.

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Statements of Cash Flows, Continued
Years Ended September 30, 2021 and 2020

	2021	2020
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (69,720,750)	\$ (51,210,167)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Contractual adjustments and provisions for uncollectible accounts	95,697,842	86,445,902
Depreciation	3,985,798	3,662,006
Retiree healthcare costs and other pension benefits	13,271,261	10,874,350
Noncash pension cost	(2,609,187)	(3,355,712)
(Increase) decrease in assets:		
Patient accounts receivable	(103,006,605)	(76,802,449)
Other receivables	34,543	(25,010)
Inventory	358,271	(838,436)
Increase (decrease) in liabilities:		
Accounts payable - trade	4,227,924	(3,951,781)
Accounts payable - Department of Revenue and Taxation	-	(5,324,074)
Accrued taxes and related liabilities	41,833	93,072
Accrued payroll and benefits	(1,095,713)	940,024
Accrued annual leave and sick leave	1,081,970	1,261,117
Other current liabilities	8,452	16,806
Net cash used in operating activities	\$ (57,724,361)	\$ (38,214,352)

See accompanying notes to financial statements.

GUAM MEMORIAL HOSPITAL AUTHORITY
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Notes to Financial Statements
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(1) Reporting Entity

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

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

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

(2) Summary of Significant Accounting Policies

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

Basis of Accounting

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

Net Position

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

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

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(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, deferred outflows of resources, liabilities and deferred inflows of resources, 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, 2021 and 2020, cash is \$3,215,291 and \$12,103,083, respectively, and the corresponding bank balances are \$5,107,054 and \$12,504,539, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2021 and 2020, bank deposits in the amount of \$250,000 are FDIC insured. In accordance with 5 GCA 21, Investments and Deposits, GMHA requires collateralization of deposits in excess of depository insurance limits at 100%. Such collateralization shall be in securities in U.S. treasury notes or bonds or in U.S. government agencies for which the faith and credit of the United States are pledged or such other securities as may be approved by GMHA. As of September 30, 2021, all of GMHA's bank deposits in excess of depository insurance limits are collateralized with securities held by the pledging financial institution but not in GMHA's name.

Patient Accounts Receivable

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

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

Due from GovGuam

Amounts due from GovGuam consists of receivables from local appropriations, reimbursable expenditures from Federal grant awards, and receivables from Department of Corrections (DOC) for outpatient clinic services to detainees and inmates. GMHA recorded an estimated allowance for uncollectible accounts of \$1,719,042 for its receivable from DOC for the fiscal years ended September 30, 2021 and 2020.

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Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, Continued

Inventory

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

Capital Assets

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

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

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Unearned Revenues

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

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(2) Summary of Significant Accounting Policies, Continued

Compensated Absences

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

Public Law 26-86 allows members of the Defined Contribution Retirement System (DCRS) to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. A liability is accrued for estimated sick leave to be paid out to DCRS members upon retirement. At September 30, 2021 and 2020, GMHA has accrued an estimated sick leave liability of \$4,663,654 and \$4,046,946, respectively. However, this amount is an estimate and the actual payout may be materially different from the estimate.

Pensions and Other Postemployment Benefits (OPEB)

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

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

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(2) Summary of Significant Accounting Policies, Continued

Net Patient Service Revenues

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

GovGuam Contributions

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

Federal Grant Award Revenues and Contributions

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

Estimated Malpractice Costs

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

Risk Management

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

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(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards

In 2020, GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which postponed the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

During the year ended September 30, 2021, GMHA implemented the following pronouncements:

- GASB Statement No. 84, Fiduciary Activities, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.
- GASB Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.
- GASB Statement No. 93, Replacement of Interbank Offered Rates, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ended September 30, 2022.

The implementation of these statements did not have a material effect on the accompanying financial statements.

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

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

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(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In January 2020, GASB issued Statement No. 92, Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 is effective for the fiscal year ending September 30, 2022.

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

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

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(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

In October 2021, GASB issued Statement No. 98, The Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 98 will be effective for fiscal year ending September 30, 2022.

(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, 2021 and 2020, consist of:

	<u>2021</u>	<u>2020</u>
Account Referrals - Department of Revenue and Taxation	\$ 73,627,691	\$ 65,636,234
Self-pay Patients	43,530,988	27,328,011
Medically Indigent Program	1,957,105	5,218,528
Local Third-Party Payor and Other	49,749,439	41,179,863
Medicaid Assistance Program	12,924,289	8,262,625
Medicare	64,807,096	53,330,111
Collection Agencies and Other	<u>9,312,900</u>	<u>8,726,632</u>
	255,909,508	209,682,004
Less allowance for uncollectible accounts	<u>(216,167,416)</u>	<u>(177,248,675)</u>
	<u>\$ 39,742,092</u>	<u>\$ 32,433,329</u>

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

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(3) Patient Accounts Receivable, Continued

Patient accounts receivable from "Local Third-Party Payor and Other" includes receivables from GovGuam of \$4,031,146 and \$3,209,254 as of September 30, 2021 and 2020, respectively, for healthcare services. During fiscal years 2021 and 2020, GMHA collected \$8,573,291 and \$2,619,527, respectively, from accounts referred to the Department of Revenue and Taxation.

(4) Other Receivables

The Hospital grants credit without collateral to customers primarily located on Guam for catering services and supplies issuances. Other receivables at September 30, 2021 and 2020, consist of:

	<u>2021</u>	<u>2020</u>
Government of Guam:		
Department of Mental Health and Substance Abuse	\$ 59,658	\$ 62,078
Guam Fire Department	10,360	21,826
Others	<u>33,391</u>	<u>54,048</u>
	<u>\$ 103,409</u>	<u>\$ 137,952</u>

(5) Inventory

Inventory at September 30, 2021 and 2020, consists of the following:

	<u>2021</u>	<u>2020</u>
Pharmaceuticals, drugs and medicine	\$ 2,387,774	\$ 2,754,866
Medical and pharmaceutical supplies	1,574,572	1,565,750
Dietary food supplies	<u>1,314</u>	<u>1,315</u>
	3,963,660	4,321,931
Less allowance for obsolescence	<u>(493,522)</u>	<u>(493,522)</u>
	<u>\$ 3,470,138</u>	<u>\$ 3,828,409</u>

(6) Capital Assets

Capital assets activity for the years ended September 30, 2021 and 2020 was as follows:

	2021			
	Balance October 1,	Transfers and Additions	Transfers and Deletions	Balance September 30,
Depreciable assets:				
Building and land improvements	\$ 74,397,693	\$ 468,952	\$ -	\$ 74,866,645
Long-term care facility	11,224,746	-	-	11,224,746
Movable equipment	<u>27,086,394</u>	<u>6,388,528</u>	<u>(182,668)</u>	<u>33,292,254</u>
	112,708,833	6,857,480	(182,668)	119,383,645
Less accumulated depreciation and amortization	(85,663,872)	(3,985,798)	182,668	(89,467,002)
Allowance for impairment	<u>(400,000)</u>	<u>-</u>	<u>-</u>	<u>(400,000)</u>
	26,644,961	2,871,682	-	29,516,643
Non-depreciable assets:				
Construction in progress	<u>1,295,007</u>	<u>664,635</u>	<u>(468,952)</u>	<u>1,490,690</u>
Total capital assets, net	<u>\$ 27,939,968</u>	<u>\$ 3,536,317</u>	<u>\$ (468,952)</u>	<u>\$ 31,007,333</u>

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(6) Capital Assets, Continued

	2020			
	<u>Balance October 1,</u>	<u>Transfers and Additions</u>	<u>Transfers and Deletions</u>	<u>Balance September 30,</u>
Depreciable assets:				
Building and land improvements	\$ 74,738,164	\$ 676,142	\$ (1,016,613)	\$ 74,397,693
Long-term care facility	11,224,746	-	-	11,224,746
Movable equipment	<u>26,531,337</u>	<u>1,307,419</u>	<u>(752,362)</u>	<u>27,086,394</u>
	112,494,247	1,983,561	(1,768,975)	112,708,833
Less accumulated depreciation and amortization	(83,709,894)	(3,662,006)	1,708,028	(85,663,872)
Allowance for impairment	<u>(400,000)</u>	<u>-</u>	<u>-</u>	<u>(400,000)</u>
	28,384,353	(1,678,445)	(60,947)	26,644,961
Non-depreciable assets:				
Construction in progress	<u>1,227,869</u>	<u>743,280</u>	<u>(676,142)</u>	<u>1,295,007</u>
Total capital assets, net	\$ <u>29,612,222</u>	\$ <u>(935,165)</u>	\$ <u>(737,089)</u>	\$ <u>27,939,968</u>

As of September 30, 2021 and 2020, GMHA has recorded \$400,000 allowance for impairment loss for the Z-Wing portion of the Hospital, which was specifically determined to be unsafe for use.

(7) Long-Term Liabilities

The changes in long-term liabilities for the years ended September 30, 2021 and 2020, are as follows:

	Balance October 1, 2020	Additions	Reductions	Balance September 30, 2021	Due Within One Year
Annual leave	\$ 4,865,419	\$ 967,190	\$ (501,928)	\$ 5,330,681	\$ 1,723,239
Sick leave	4,046,946	694,683	(77,975)	4,663,654	-
Net pension liability	130,697,535	7,120,358	-	137,817,893	-
OPEB liability	<u>182,956,947</u>	<u>7,685,180</u>	<u>-</u>	<u>190,642,127</u>	<u>-</u>
	\$ <u>322,566,847</u>	\$ <u>16,467,411</u>	\$ <u>(579,903)</u>	\$ <u>338,454,355</u>	\$ <u>1,723,239</u>
	Balance October 1, 2019	Additions	Reductions	Balance September 30, 2020	Due Within One Year
Annual leave	\$ 4,096,324	\$ 1,082,194	\$ (313,099)	\$ 4,865,419	\$ 1,777,757
Sick leave	3,554,924	544,388	(52,366)	4,046,946	-
Net pension liability	126,135,550	4,561,985	-	130,697,535	-
OPEB liability	<u>134,276,729</u>	<u>48,680,218</u>	<u>-</u>	<u>182,956,947</u>	<u>-</u>
	\$ <u>268,063,527</u>	\$ <u>54,868,785</u>	\$ <u>(365,465)</u>	\$ <u>322,566,847</u>	\$ <u>1,777,757</u>

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(8) Medical Malpractice/Employment and Personnel Claims

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

(9) Pensions

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

A. General Information About the Pension Plans:

Plan Description: GGRF administers the GovGuam Defined Benefit (DB) Plan, a single-employer defined benefit pension plan, and the Defined Contribution Retirement System (DCRS). The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes GMHA, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commences on or after October 1, 1995, and prior to January 1, 2018 are required to participate in the Defined Contribution Retirement System (DCRS) Plan. Hence, the DB Plan became a closed group.

Members of the DB Plan who retired prior to October 1, 1995, or their survivors, are eligible to receive annual supplemental annuity payments. In addition, retirees under the DB and DCRS Plans who retired prior to September 30, 2019 are eligible to receive an annual ad hoc cost of living allowance (COLA).

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

Plan Membership: As of September 30, 2020 (the measurement date), plan membership consisted of the following:

DB members:	
Inactive employees or beneficiaries currently receiving benefits	7,399
Inactive employees entitled to but not yet receiving benefits	3,257
Active employees	<u>4,440</u>
	15,096
DCRS members:	
Active employees	<u>6,810</u>
	<u>21,906</u>

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Notes to Financial Statements
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(9) Pensions, Continued

A. General Information About the Pension Plans, Continued:

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

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

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

On September 20, 2016, the Guam Legislature enacted Public Law 33-186, which created two new government retirement plans: the DB 1.75 Plan and the Guam Retirement Security Plan (GRSP). On February 4, 2020, the Guam Legislature terminated the GRSP. Commencing April 1, 2017, eligible employees elected, during the "election window", to participate in the DB 1.75 Plan with an effective date of January 1, 2018.

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

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(9) Pensions, Continued

A. General Information About the Pension Plans, Continued:

Members of the DB 1.75 Plan may retire at age 62 with 5 years of credited service, or at age 60 with 5 years of credited service without survivor benefits, or at age 55 with 25 years of credited service but the retirement annuity shall be reduced ½ of 1% for each month that the age of the member is less than 62 years (6% per year). Credited service is earned for each year of actual employment by the member as an employee. Upon retirement, a retired member is entitled to a basic retirement annuity equal to an annual payment of 1.75% of average annual salary multiplied by years of credited service. Average annual salary means the average of annual base salary for the three years of service that produce the highest average.

Contributions and Funding Policy: Contribution requirements of participating employers and active members to the DB Plan are determined in accordance with Guam law. Employer contributions are actuarially determined under the One-Year Lag Methodology. Under this methodology, the actuarial valuation date is used for calculating the employer contributions for the second following fiscal year. For example, the September 30, 2019 actuarial valuation was used for determining the year ended September 30, 2021 statutory contributions. Member contributions are required at 9.52% of base pay.

As a result of actuarial valuations performed as of September 30, 2019, 2018 and 2017, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2021, 2020 and 2019, respectively, have been determined as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Normal costs (% of DB Plan payroll)	13.70%	13.86%	13.54%
Employee contributions (DB Plan employees)	<u>9.52%</u>	<u>9.52%</u>	<u>9.52%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>4.18%</u>	<u>4.34%</u>	<u>4.02%</u>
Employer portion of normal costs (% of total payroll)	2.18%	2.39%	2.29%
Unfunded liability cost (% of total payroll)	<u>21.44%</u>	<u>20.70%</u>	<u>21.29%</u>
Government contribution as a % of total payroll	<u>23.62%</u>	<u>23.09%</u>	<u>23.58%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>26.97%</u>	<u>26.28%</u>	<u>26.56%</u>
Employee	<u>9.52%</u>	<u>9.52%</u>	<u>9.52%</u>

GMHA's contributions to the DB Plan for the years ended September 30, 2021, 2020 and 2019 were \$4,314,410, \$4,443,065 and \$4,943,048, respectively, which were equal to the required contributions for the respective years then ended.

GMHA's recognized supplemental annuity benefit payments and the COLA payments as transfers from GovGuam for the years ended September 30, 2021, 2020 and 2019, totaling \$1,679,892, \$1,651,428 and \$1,636,748, respectively, which were equal to the statutorily required contributions for the respective years then ended.

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

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(9) Pensions, Continued

A. General Information About the Pension Plans, Continued:

Contributions into the DCRS plan by members are based on an automatic deduction of 6.2% 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 years ended September 30, 2021 and 2020 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 6.2% 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, 2021, 2020 and 2019 were \$9,543,839, \$8,406,694 and \$7,691,864, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$7,345,701, \$6,425,049 and \$5,950,016 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2021, 2020 and 2019, respectively.

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

Pension Liability: At September 30, 2021 and 2020, GMHA reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2020 and 2019, respectively, which is comprised of the following:

	<u>2021</u>	<u>2020</u>
Defined benefit plan	\$ 111,975,847	\$ 105,391,734
Ad hoc COLA/supplemental annuity plan for DB retirees	20,465,583	20,629,361
Ad hoc COLA plan for DCRS retirees	<u>5,376,463</u>	<u>4,676,440</u>
	<u>\$ 137,817,893</u>	<u>\$ 130,697,535</u>

GMHA's proportion of the GovGuam net pension liabilities was based on GMHA's expected plan contributions relative to the total expected contributions received by the respective pension plans for GovGuam and GovGuam's component units. At September 30, 2021 and 2020, GMHA's proportionate shares of the GovGuam net pension liabilities were as follows:

	<u>2021</u>	<u>2020</u>
Defined benefit plan	8.98%	8.68%
Ad hoc COLA/supplemental annuity plan for DB retirees	6.36%	6.36%
Ad hoc COLA plan for DCRS retirees	8.10%	7.81%

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(9) Pensions, Continued

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

Pension (Benefit) Expense: For the years ended September 30, 2021 and 2020, GMHA recognized pension (benefit) expense for its proportionate share of plan pension expense from the above pension plans as follows:

	<u>2021</u>	<u>2020</u>
Defined benefit plan	\$ (3,090,865)	\$ (1,319,373)
Ad hoc COLA/supplemental annuity plan for DB retirees	186,289	247,468
Ad hoc COLA plan for DCRS retirees	<u>295,389</u>	<u>227,169</u>
	<u>\$ (2,609,187)</u>	<u>\$ (844,736)</u>

Deferred Outflows and Inflows of Resources: At September 30, 2021 and 2020, GMHA reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021					
	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/SA Plan for DB</u>		<u>Ad Hoc COLA Plan for DCRS</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 279,512	\$ 546,701	\$ 12,985	\$ 326,804	\$ 518,521	\$ 126,051
Net difference between projected and actual investment earnings on pension plan investments	8,022,936	-	-	-	-	-
Changes of assumptions	-	-	1,604,970	29,129	1,308,187	407,614
Contributions subsequent to the measurement date	11,660,111	-	1,471,892	-	208,000	-
Changes in proportion and difference between GMHA contributions and proportionate share of contributions	<u>2,450,519</u>	<u>707,877</u>	<u>3,849</u>	<u>65,105</u>	<u>335,919</u>	<u>131,587</u>
	<u>\$ 22,413,078</u>	<u>\$ 1,254,578</u>	<u>\$ 3,093,696</u>	<u>\$ 421,038</u>	<u>\$ 2,370,627</u>	<u>\$ 665,252</u>

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

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(9) Pensions, Continued

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

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2021 will be recognized in pension expense as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Defined</u> <u>Benefit Plan</u>	<u>Ad Hoc COLA/SA</u> <u>Plan for DB Retirees</u>	<u>Ad Hoc COLA Plan</u> <u>for DCRS Retirees</u>
2022	\$ 1,857,428	\$ 845,470	\$ 155,331
2023	4,013,557	343,054	155,331
2024	2,619,666	12,242	155,331
2025	1,007,738	-	155,331
2026	-	-	155,331
Thereafter	-	-	720,720
	<u>\$ 9,498,389</u>	<u>\$ 1,200,766</u>	<u>\$ 1,497,375</u>

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

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	May 1, 2033 (13.58 years remaining as of September 30, 2019)
Asset Valuation Method:	3-year smoothed market value (effective September 30, 2009)
Inflation:	2.50% per year
Total payroll growth:	2.75% per year
Salary Increases:	4% to 7.5%
Retirement age:	50% probability of retirement upon first eligibility for unreduced retirement. Thereafter, the probability of retirement is 20% for each year until age 75, and increases to 100% at age 75.
Mortality:	RP-2000 healthy mortality table (males +3, females +2). Mortality for disabled lives is the RP 2000 disability mortality (males +6, females +4). Both tables are projected generationally from 2016 using 30% of Scale BB.

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(9) Pensions, Continued

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

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

The investment return rate assumption as of September 30, 2020 was 7%, net of investment expenses. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the expected nominal return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Nominal Return</u>
U.S. Equities (large cap)	26.0%	7.01%
U.S. Equities (small cap)	4.0%	8.61%
Non-U.S. Equities	17.0%	8.66%
Non-U.S. Equities (emerging markets)	3.0%	10.59%
U.S. Fixed Income (aggregate)	24.0%	3.33%
Risk Parity	8.0%	5.66%
High Yield Bonds	8.0%	6.11%
Global Real Estate (REITs)	2.5%	8.55%
Global Equity	7.5%	7.74%

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan as of September 30, 2020 and 2019 was 7.0%, which is equal to the expected investment rate of return. The expected investment rate of return applies to benefit payments that are funded by plan assets (including future contributions), which includes all plan benefits except supplemental annuity payments to DB retirees and ad hoc COLA to both DB and DCRS retirees. The discount rate used to measure the total pension liability for the supplemental annuity and ad hoc COLA payments as of September 30, 2020 was 2.21% (2.66% as of September 30, 2019), which is equal to the rate of return of a high quality bond index.

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

Defined Benefit Plan:

	1% Decrease in Discount Rate <u>6.0%</u>	Current Discount Rate <u>7.0%</u>	1% Increase in Discount Rate <u>8.0%</u>
Net Pension Liability	\$ 140,354,014	\$ 111,975,847	\$ 87,550,944

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(9) Pensions, Continued

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

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate <u>1.21%</u>	Current Discount Rate <u>2.21%</u>	1% Increase in Discount Rate <u>3.21%</u>
Net Pension Liability	\$ 22,498,408	\$ 20,465,583	\$ 18,699,681

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate <u>1.21%</u>	Current Discount Rate <u>2.21%</u>	1% Increase in Discount Rate <u>3.21%</u>
Net Pension Liability	\$ 6,097,895	\$ 5,376,463	\$ 4,762,589

C. Payables to the Pension Plans:

As of September 30, 2021 and 2020, GMHA recorded payables to GGRF of \$884,749 and \$802,443, respectively, representing statutorily required contributions unremitted as of the respective year-ends.

(10) Other Post Employment Benefits (OPEB)

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

A. General Information About the OPEB Plan:

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

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

A. General Information About the OPEB Plan, Continued:

Plan Membership: As of September 30, 2020 and 2019 (the respective measurement dates), OPEB plan membership consisted of the following as of September 30, 2019 (the actuarial valuation date for both years):

	<u>2020</u>	<u>2019</u>
Inactive plan members or beneficiaries currently receiving benefits	8,114	7,462
Active plan members	<u>11,080</u>	<u>10,832</u>
Total plan members	<u>19,194</u>	<u>18,294</u>

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

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

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

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

During the years ended September 30, 2021, 2020 and 2019, GMHA recognized certain on-behalf payments as transfers from GovGuam, totaling \$2,970,401, \$2,755,319 and \$3,038,540, respectively, representing certain healthcare benefits that GovGuam's General Fund paid directly on behalf of GMHA retirees and were equivalent to the required contribution for those years.

B. Total OPEB Liability:

As of September 30, 2021 and 2020, GMHA reported a total OPEB liability of \$190,642,127 and \$182,956,947, respectively, for its proportionate share of the GovGuam total OPEB liability measured as of September 30, 2020 and 2019. The following presents GMHA's proportion change in proportion since the prior measurement date:

Proportion at prior measurement date, September 30, 2019	<u>7.16%</u>
Proportion at measurement date, September 30, 2020	<u>7.57%</u>
Change in proportion	<u>0.41%</u>

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

B. Total OPEB Liability, Continued:

The total OPEB liability for the OPEB Plan was determined by an actuarial valuation as of September 30, 2020 (the measurement date) using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.75%.
Amortization method:	Level dollar amount over 30 years on an open amortization period for pay-as-you-go funding.
Salary increases:	7.5% per year for the first 5 years of service, 6% for 6-10 years, 5% for 11-15 years and 4% for service over 15 years.
Healthcare cost trend rates:	Non-Medicare and Medicare - 6% for Year 1-3 then reducing 0.25% annually to an ultimate rate of 4.25%. Part B 4.25%. Health care trend assumptions begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. The principal components of health trend are medical inflation, deductible erosion, cost shifting, utilization, technology and catastrophic claims. The overall effect of these components are expected to decline year by year. Medical trend rates are applied to claims cost and retiree contributions, Medicare Part B and Medicare Part D reimbursements are assumed to be 4.25% per year.
Dental trend rates:	4.25% per year, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.
Participation rates:	Medical - 100% of active employees covered under a GovGuam medical plan will elect to participate at retirement. Dental - 100% of active employees under a GovGuam dental plan will elect to participate at retirement. Life - 100% of eligible retirees will elect to participate at retirement. Current retirees will continue in the GovGuam plan as provided in the data, and upon attainment of age 65, will remain in that plan or enroll in a Retiree Supplemental Plan per Medicare Enrollment assumption below.
Medicare enrollment:	Based on current over-65 retiree data, 55% (previously 15%) of current and future retirees are assumed to enroll in Medicare and will enroll in a Retiree Supplemental Plan upon attainment of age 65. All employees retired prior to September 30, 2008 are assumed ineligible for Medicare upon attainment of age 65 and therefore will not enroll in a Medicare Supplemental Plan.

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

B. Total OPEB Liability, Continued:

Dependent status:	Male spouses are assumed to be three years older and female spouses are assumed to be three years younger than the retired employee. Medical - 100% of spouses of active employees covered under a GovGuam medical plan will elect to participate at the active employee's retirement. Dental - 100% of spouses of active employees covered under a GovGuam dental plan will elect to participate at the active employee's retirement. Life - 100% of spouses of active employees will elect to participate at the active employee's retirement. For current retired employees, the actual census information is used.
Actuarial cost method:	Entry Age Normal. The costs of each employee's post-employment benefits are allocated as a level basis over the earnings of the employee between the employee's date of hire and the assumed exit ages.
Healthy Retiree mortality rates:	RP-2000 Combined Healthy Mortality Table, set forward 3 years and 2 years for males and females, respectively, projected generationally using 30% of Scale BB.
Disabled Retiree mortality rates:	RP-2000 Disabled Mortality Table, set forward 6 years and 4 years for males and females, respectively, projected generationally using 30% of Scale BB.
Withdrawal rates:	15% for less than 1 year of service, decreasing 1% for each additional year of service up to 10 years, further decreasing 0.5% for each additional year of service up to 15 years, and 2% for service over 15 years.
Disability rates:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females as follows: 0.05% for males aged 20-39 years (0.03% for females); 0.10% - 0.18% for males aged 40-49 years (0.05% - 0.09% for females); 0.32% - 0.53% for males aged 50-59 years (0.16% - 0.27% for females); and 0.76% for males aged 60-64 years (0.38% for females).
Retirement rates:	50% of employees are assumed to retire at first eligibility for unreduced benefits under the GovGuam Retirement Fund, 20% per year thereafter until age 75, and 100% at age 75.

Discount rate: The discount rate used to measure the total OPEB liability was 2.21% as of September 30, 2020 (2.66% as of September 30, 2019). The projection of cash flows used to determine the discount rate assumed that contributions from GovGuam will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 2.21% tax exempt, high quality municipal bond rate as of September 30, 2020 (2.66% as of September 30, 2019) was applied to all periods to determine the total OPEB liability.

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

B. Total OPEB Liability, Continued:

OPEB plan fiduciary net position: As of September 30, 2021 and 2020, an OPEB trust has not been established thus the OPEB Plan does not presently report OPEB plan fiduciary net position.

C. Changes in the Total OPEB Liability:

Changes in GMHA's proportionate share of the total OPEB liability for the years ended September 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of the year	\$ <u>182,956,947</u>	\$ <u>134,276,729</u>
Changes for the year:		
Service cost	9,751,161	6,307,391
Interest	5,086,863	5,807,594
Change of assumptions	(34,862,481)	40,675,702
Change in proportionate share	9,456,508	(817,526)
Differences between expected and actual experience	21,198,415	-
Benefit payments	<u>(2,945,286)</u>	<u>(3,292,943)</u>
Net change	<u>7,685,180</u>	<u>48,680,218</u>
Balance at end of the year	\$ <u>190,642,127</u>	\$ <u>182,956,947</u>

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

	1% Decrease in Discount Rate <u>1.21%</u>	Current Discount Rate <u>2.21%</u>	1% Increase in Discount Rate <u>3.21%</u>
Total OPEB Liability	\$ 226,338,167	\$ 190,642,127	\$ 162,187,019

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

	<u>1% Decrease</u>	Healthcare Cost Trend Rates	<u>1% Increase</u>
Total OPEB Liability	\$ 158,793,955	\$ 190,642,127	\$ 232,055,341

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

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

For the years ended September 30, 2021 and 2020, GMHA reported total OPEB expense of \$11,781,338 and \$6,647,603, respectively, for its proportionate share of the GovGuam total OPEB expense measured for the years ended September 30, 2020 and 2019. At September 30, 2021 and 2020, GMHA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 31,015,268	\$ 41,193,523	\$ 39,880,990	\$ 17,059,024
Differences between expected and actual experience	17,453,112	18,244,202	-	23,987,791
Contributions subsequent to the measurement date	2,970,401	-	2,755,319	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	<u>9,393,966</u>	<u>1,823,598</u>	<u>1,450,887</u>	<u>2,533,169</u>
	<u>\$ 60,832,747</u>	<u>\$ 61,261,323</u>	<u>\$ 44,087,196</u>	<u>\$ 43,579,984</u>

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at September 30, 2021 will be recognized in OPEB expense as follows:

Year Ending September 30	
2022	\$ (2,327,828)
2023	(5,888,487)
2024	1,187,991
2025	3,764,762
2026	<u>(135,415)</u>
	<u>\$ (3,398,977)</u>

(11) Patient Service Revenue

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

- Medicare - Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. Rates for the long-term care facility vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. GMHA is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by GMHA and audits thereof by the Medicare fiscal intermediary. At September 30, 2021 and 2020, GMHA has \$0 of reimbursements due from Medicare cost settlements.

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(11) Patient Service Revenue, Continued

- Medicaid Assistance Program and Medically Indigent Program (MIP) - GMHA is reimbursed for the cost of inpatient and outpatient services rendered under the programs administered by the GovGuam Department of Public Health and Social Services. During each fiscal year, GMHA is reimbursed on a per diem rate for in-patient and percentage charges for outpatient.

Gross patient revenue from the Medicare, Medicaid and MIP programs accounted for approximately 28 percent, 23 percent and 6 percent, respectively, of GMHA's gross patient revenue for the year ended September 30, 2021, and 29 percent, 22 percent and 7 percent, respectively, of GMHA's gross patient revenue for the year ended September 30, 2020. 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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Services provided to Medicaid patients	\$ 47,292,383	\$ 38,235,867
Services provided to Medicare patients	55,993,169	51,197,703
Services provided to MIP patients	13,194,298	12,531,501
Services provided to Self-pay patients	25,939,155	25,035,183
Services provided to Other patients	<u>61,116,667</u>	<u>50,714,262</u>
	203,535,672	177,714,516
Less contractual adjustments and provisions for uncollectible accounts	<u>(95,697,842)</u>	<u>(86,445,902)</u>
Net patient service revenue	\$ <u>107,837,830</u>	\$ <u>91,268,614</u>

TakeCare Insurance

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

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

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

As of September 30, 2021 and 2020, GMHA has gross receivables from TakeCare of \$18,064,331 and \$12,705,591, respectively, with an allowance for doubtful accounts of \$11,126,749 and \$10,127,320, respectively. Additionally, as of September 30, 2021 and 2020, GMHA has receivables of \$1,721,186 and \$4,027,423, respectively, from self-pay patients serviced during the period of non-acceptance from March 11 through September 9, 2020.

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

During the years ended September 30, 2021 and 2020, GovGuam passed supplemental appropriations in public laws from the General Fund and various special revenue funds for certain specific programs and financial assistance, which are summarized as follows:

	<u>2021</u>	<u>2020</u>
GMHA Pharmaceuticals Fund	\$ 17,979,452	\$ 18,434,759
General Fund	8,208,795	6,803,665
General Fund – On Behalf Payments	4,650,293	4,406,747
Healthy Futures Fund	1,729,597	1,729,597
Hotel Occupancy Tax Surplus Fund	<u>216,739</u>	<u>125,110</u>
	<u>\$ 32,784,876</u>	<u>\$ 31,499,878</u>

In accordance with Public Law 35-99, GovGuam appropriated \$18,844,806 from the GMHA Pharmaceuticals Fund for the year ended September 30, 2021. Of the total appropriations, \$17,979,452 was recorded as non-operating revenues, while \$865,354 was not received or receivable at September 30, 2021. Further, GMHA was also appropriated \$8,208,795 from the General Fund and \$1,729,597 from the Healthy Futures Fund in accordance with Public Law 35-99 for the year ended September 30, 2021.

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

In accordance with Public Law 33-44, GovGuam appropriated \$1,600,000 from the 2014 Hotel Occupancy Tax Surplus Fund for the purchase of equipment and supplies. Of the total appropriations, \$216,739 and \$125,110 were recorded as non-operating revenues for the years ended September 30, 2021 and 2020, respectively.

In 2020, in accordance with Public Law 35-73, GovGuam appropriated \$10,000,000 from the Hospital Capital Improvement Fund for GMHA's capital improvement projects. No amount was received for the years ended September 30, 2021 and 2020.

During the years ended September 30, 2021 and 2020, GMHA recognized certain on-behalf payments as transfers from GovGuam, totaling \$4,650,293 and \$4,406,747, respectively, representing certain healthcare benefits and other pension benefits that GovGuam's General Fund paid directly on behalf of Hospital retirees.

(13) Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of who are residents of Guam and are either insured under third-party payor agreements or uninsured. The mix of receivables from patients and third-party payors at September 30, 2021 and 2020, was as follows:

	<u>2021</u>	<u>2020</u>
Self-Pay Patients	49%	49%
Local Third-Party Payor and Other	20%	20%
Medicaid Assistance Program	5%	4%
Medicare	25%	25%
Medically Indigent Program	<u>1%</u>	<u>2%</u>
	<u>100%</u>	<u>100%</u>

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(14) Commitments and Contingencies

Medicare

The Government of Guam and its component units, including GMHA, began withholding and remitting funds to the U.S. Social Security System for the health insurance component of its salaries and wages effective October 1998 for employees hired after March 31, 1986. Prior to October 1998, the Government of Guam did not withhold or remit Medicare payments to the U.S. Social Security System. If the Government is found to be liable for such amounts, an indeterminate liability could result. It is the opinion of GMHA and all other component units of the Government of Guam that this health insurance component is optional prior to October 1998. Therefore, no liability for any amount, which may ultimately arise from this matter, has been recorded in the accompanying financial statements.

Facility Condition Assessment

In November 2019, the US Army Corps of Engineers conducted a facility condition assessment of the hospital building. In its final report, the cost of immediate repairs was estimated at \$21 million to support the reaccreditation of the facility and eliminate hazards to life, health, and safety. These repairs consist of roof replacement, exterior building repairs, HVAC repairs, life safety repairs, and fire sprinkler repairs. The report recommended GMHA to construct a new multi-story hospital of equivalent size on a suitable site on the island, with an estimated cost of \$743 million, including \$21 million to support reaccreditation. No decision is yet confirmed relating to construction of a new building.

Litigation

GMHA is involved in litigation arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the accompanying financial statements.

Retroactive Pay

On October 12, 2011, the Office of the Governor issued Executive Order No. 2011-14, which ordered the freezing of salary step increases for employees of line agencies and instrumentalities of the Executive Branch of the Government of Guam. On May 13, 2013, Executive Order No. 2013-004 was issued rescinding Executive Order No. 2011-14 and lifting the freeze on salary step increases. As of September 30, 2021 and 2020, 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, 2021 and 2020, GMHA recorded merit payables of \$0.

Federal Award Programs

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

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(15) Dependency on the Government of Guam

GMHA has incurred losses from operations of \$69,720,750 and \$51,210,167 and negative cash flows from operations of \$57,724,361 and \$38,214,352 for the years ended September 30, 2021 and 2020, respectively. GMHA recorded contractual adjustments and provisions for uncollectible accounts of \$95,697,842 and \$86,445,902 for the fiscal years ended September 30, 2021 and 2020, respectively.

At September 30, 2021 and 2020, GMHA has gross receivables from the Government of Guam of \$4,361,359 and \$5,911,159, respectively, for reimbursements, appropriations and outpatient clinic services to DOC. Of the total balance at September 30, 2021 and 2020, \$2,160,254 and \$2,325,533, respectively, relates to reimbursable outpatient clinic services to DOC detainees and inmates, with an allowance for uncollectible accounts of \$1,719,042. At September 30, 2021 and 2020, GMHA also has \$3,935,383 and \$3,063,319, respectively, of receivables from DOC for inpatient clinic services and these are presented under 'patient accounts receivable, net' in the statements of net position.

As disclosed in Note 3, at September 30, 2021 and 2020, patient accounts receivable includes gross receivables from the Government of Guam for healthcare services of \$4,031,146 and \$3,209,254, respectively, from the Medicaid Assistance Program of \$12,924,289 and \$8,262,625, respectively, and from the Medically Indigent Program of \$1,957,105 and \$5,218,528, respectively. For the years ended September 30, 2021 and 2020, GMHA billed and collected the following from the Government of Guam:

	2021		2020	
	Billings	Collections	Billings	Collections
Healthcare services	\$ 1,703,225	\$ -	\$ 1,218,117	\$ 650,129
Medicaid Assistance Program	49,691,289	21,540,733	44,660,535	26,999,457
Medically Indigent Program	14,884,049	7,583,527	14,995,284	8,720,350
	<u>\$ 66,278,563</u>	<u>\$ 29,124,260</u>	<u>\$ 60,873,936</u>	<u>\$ 36,369,936</u>

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

- To address perennial cash flow issues, in June 2021, consultants from MedHealth Solutions began their evaluation of GMHA's revenue cycle management (RCM) system. The work involves assisting GMHA receive appropriate and expedient reimbursements from insurance/third-party payers, improve revenues, reduce claims/insurance denials, reduce bad debt expense and write-offs, modernize and streamline the RCM workflow, reduce accounts receivables, maximize collections, update fees and charges, and decrease operating losses. The contract is expected to conclude in May 2022.
- Since FY 2021, GMHA's self-pay performance improvement team has been focused on assisting self-pay patients get insurance coverage under Medicaid or MIP. This team includes several GMHA departments including Patient Registration, Social Services, Case Management, and AmeriCorps. This team enhances the work of the Eligibility Specialist who reviews the public assistance applications. A second Eligibility Specialist will be hired in FY 2022.
- Continue established collaborative partnerships with the Office of the Attorney General for collection referrals and the Department of Revenue and Taxation for garnishments of tax refunds for self-pay accounts.

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Notes to Financial Statements
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(15) Dependency on the Government of Guam, Continued

- Continue to pursue revenue cycle staff training and certification through GMHA's federal technical assistance grant for staff involved in revenue cycle management. Several staff are pursuing training and certification in medical reimbursement, coding, healthcare financial management, etc. Building and improving staff technical competency will contribute to better billing and collection process flows.
- A Business Office Manager was hired in October 2019 to manage the Patient Affairs Department and ensure efficiency and accuracy in timely billing and collections. The Fiscal Division will explore other staffing strategies such as organizational restructure and establishment of a Revenue Integrity Department to primarily focus on charge capture.
- 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. GMHA is also preparing to update all charges and fees as well as roll out a comprehensive educational effort to ensure all service departments are effectively charging for all services rendered and supplies consumed.
- Continue pursuing additional TEFRA adjustment requests from CMS.

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

(16) COVID-19

On March 11, 2020, the World Health Organization declared the disease resulting from a novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. In response to the national emergency declared by the U.S. President, on March 14, 2020, Governor Lourdes A. Leon Guerrero issued Executive Order 2020-03 declaring a state of emergency in response to COVID-19. Further, Executive Order 2020-04 ordered the closure of all non-essential Government of Guam offices, prohibited large gatherings, and restricted entry into Guam from countries with confirmed COVID-19 cases. As a result, schools and non-essential government agencies and businesses were closed. GMHA, being an essential component, has not closed but has implemented staggered staffing to address social distancing and has restricted visitation, elective and outpatient services.

While the disruption is currently expected to be temporary, there is uncertainty around the duration. Due to uncertainty, the accompanying financial statements do not reflect any adjustments, which may ultimately arise from these matters.

GMHA received and expended the following COVID-19 response and recovery related funds from the federal government either as a direct recipient or as a sub-recipient:

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September 30, 2021 and 2020

(16) COVID-19, Continued

September 30, 2021:

	Receivable (Deferred Revenue), Beginning	Funds Received	Federal Expenditures	Receivable (Deferred Revenue), Ending
Government of Guam:				
Medical expenses and critical equipment	\$ 2,211,250	\$ 2,604,115	\$ 392,865	\$ -
Differential pay	685,411	685,411	-	-
Negative pressure rooms	15,750	1,956,776	1,941,026	-
Intensive Care Unit beds	-	319,410	319,410	-
Recovery funds	-	7,276,089	6,485,649	(790,440)
	<u>2,912,411</u>	<u>12,841,801</u>	<u>9,138,950</u>	<u>(790,440)</u>
U.S. HHS:				
Provider Relief Fund - Part 1	(6,069,645)	-	5,998,745	(70,900)
Provider Relief Fund - Part 2	-	1,961,999	-	(1,961,999)
	<u>(6,069,645)</u>	<u>1,961,999</u>	<u>5,998,745</u>	<u>(2,032,899)</u>
U.S. Department of Homeland Security:				
COVID-19 Surge Medical Staffing	-	10,349,936	10,349,936	-
Total	<u>\$ (3,157,234)</u>	<u>\$ 25,153,736</u>	<u>\$ 25,487,631</u>	<u>\$ (2,823,339)</u>

September 30, 2020:

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

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(16) COVID-19, Continued

COVID-19 Funds through the Government of Guam

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

- On April 5, 2020, the Governor of Guam's Executive Order No. 2020-08 established a COVID-19 Response Differential Pay for employees working in support of the public health emergency. Accordingly, GMHA as an essential agency adopted differential pay categories of 10%, 15%, and 25%. The rates vary depending on staff contact or physical proximity to a population infected with or may be reasonably suspected to be infected with COVID-19, or employees whose positions do not allow them to telework and are mandated to perform their job duties at physical worksites predetermined by their agency heads. For the year ended September 30, 2020, GMHA claimed \$3,087,714 of employee differential pay through the Government of Guam's CARES Act Fund. This was fully collected as of September 30, 2021.
- GMHA temporarily hired physicians in response to the pandemic. Total physicians costs claimed amounted to \$770,009 and \$1,265,420 for the years ended September 30, 2021 and 2020, respectively. These were fully collected as of September 30, 2021.
- GMHA purchased patient monitoring systems and other critical equipment used to directly respond to COVID-19 totaling \$2,260,436 and \$15,750 for the years ended September 30, 2021 and 2020, respectively. These were fully collected as of September 30, 2021.

The Government of Guam was also one of the recipients of the Coronavirus State and Local Fiscal Recovery Funds program through the American Rescue Plan Act. For the year ended September 30, 2021, GMHA received \$7,276,089 for recovery from economic losses due to COVID-19 from decreased patient revenues, increased payroll, contractual, and supplies. As of September 30, 2021, deferred revenue amounted to \$790,440.

COVID-19 Funds through U.S. Department of Health and Human Services

For the year ended September 30, 2020, GMHA directly received a total of \$7,777,905 from the Provider Relief Fund through the U.S. Department of Health and Human Services. This fund was intended for healthcare-related expenses to prevent, prepare for, and respond to COVID-19 or lost revenue due to COVID-19. As of September 30, 2021, GMHA has expended a total of \$7,707,005. The remaining \$70,900 is available for use until December 31, 2021, otherwise, unused funds will have to be returned.

On December 16, 2020, GMHA received \$1,961,999 from Phase 3 - General Distribution of CARES Act's Provider Relief Fund. The Phase 3 distribution considered the actual revenue losses and expenses experienced by providers hardest hit by COVID-19. GMHA has until December 31, 2021 to use the funds for which expenditure reporting will be within fiscal year 2022. As of September 30, 2021, GMHA reported the total amount of \$1,961,999 as deferred revenues.

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Notes to Financial Statements
September 30, 2021 and 2020

(16) COVID-19, Continued

COVID-19 Funds through U.S. Department of Homeland Security

For the year ended September 30, 2021, GMHA received public assistance totaling \$10,349,936 from Federal Emergency Management Agency (FEMA) for COVID-19 surge medical staffing for contract travel nurses. As of March 2022, there were ongoing additional claims for medical staffing for contract travel nurses by GMHA to FEMA. Due to the reimbursement nature of these expenses, GMHA recognizes revenues when claims are received.

GMHA Alternate Care Site

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

COVID-19 Uninsured Program

The Health Resources and Services Administration COVID-19 Claims Reimbursement Program provides claims reimbursement at Medicare rates to healthcare providers who are providing treatment for uninsured individuals when COVID-19 is the primary reason for treatment. Receipts from this program are applied against patient receivables. For the year ended September 30, 2021, GMHA received \$43,219. Subsequently and as of March 2022, GMHA received \$517,978.

(17) Subsequent Events

American Rescue Plan Rural Distribution

In November 2021, GMHA received \$1,125,470 from the Health Resources and Service Administration under HHS, for eligible health care-related expenses or lost revenues attributable to COVID-19.

GMHA Alternate Care Site

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

In FY 2022, upon further review, FEMA determined that the project plan as submitted is not feasible for immediate utilization. In February 2022, FEMA conditionally approved a revised scope of work for the Alternate Care Site to include isolation of the B-Wing for SNF residents. GMHA continues to work with FEMA officials to finalize the most appropriate scope of work for the ACS in light of the fluidity of the COVID-19 pandemic on the Guam community.

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

Defined Benefit Plan

	2021	2020	2019	2018	2017	2016	2015	2014
Total net pension liability	\$ 1,246,336,897	\$ 1,214,462,675	\$ 1,179,192,550	\$ 1,142,249,393	\$ 1,368,645,126	\$ 1,436,814,230	\$ 1,246,306,754	\$ 1,303,304,636
GMHA's proportionate share of the net pension liability	\$ 111,975,847	\$ 105,391,734	\$ 103,815,783	\$ 103,946,075	\$ 123,668,997	\$ 133,213,450	\$ 107,746,620	\$ 116,454,796
GMHA's proportion of the net pension liability	8.98%	8.68%	8.80%	9.10%	9.04%	9.27%	8.65%	8.65%
GMHA's covered-employee payroll**	\$ 48,500,356	\$ 44,214,485	\$ 45,240,661	\$ 46,255,958	\$ 45,750,624	\$ 47,411,059	\$ 43,653,700	\$ 41,133,673
GMHA's proportionate share of the net pension liability as percentage of its covered employee payroll	230.88%	238.36%	229.47%	224.72%	270.31%	280.98%	246.82%	283.11%
Plan fiduciary net position as a percentage of the total pension liability	61.48%	62.25%	63.28%	60.63%	54.62%	52.32%	56.60%	53.94%

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

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

See Accompanying Independent Auditors' Report.

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

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	2021	2020	2019	2018	2017	2016
Total net pension liability***	\$ 321,889,969	\$ 324,192,725	\$ 289,875,668	\$ 288,147,121	\$ 229,486,687	\$ 235,799,709
GMHA's proportionate share of the net pension liability	\$ 20,465,583	\$ 20,629,361	\$ 18,580,907	\$ 18,350,836	\$ 14,608,250	\$ 14,882,725
GMHA's proportion of the net pension liability	6.36%	6.36%	6.41%	6.37%	6.37%	6.31%
GMHA's covered-employee payroll**	\$ 34,322,009	\$ 32,420,873	\$ 32,938,622	\$ 32,371,445	\$ 32,230,552	\$ 32,275,382
GMHA's proportionate share of the net pension liability as percentage of its covered employee payroll	61.59%	63.63%	56.41%	56.69%	45.32%	46.11%

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

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

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

See Accompanying Independent Auditors' Report.

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

Ad Hoc COLA Plan for DCRS Retirees

	2021	2020	2019	2018	2017	2016
Total net pension liability***	\$ 66,393,472	\$ 59,884,407	\$ 49,342,424	\$ 62,445,490	\$ 61,688,067	\$ 52,115,736
GMHA's proportionate share of the net pension liability	\$ 5,376,463	\$ 4,676,440	\$ 3,738,860	\$ 4,780,154	\$ 4,908,140	\$ 4,126,989
GMHA's proportion of the net pension liability	8.10%	7.81%	7.58%	7.65%	7.96%	7.92%
GMHA's covered-employee payroll**	\$ 20,993,608	\$ 18,390,871	\$ 20,040,304	\$ 28,842,675	\$ 29,046,338	\$ 28,182,983
GMHA's proportionate share of the net pension liability as percentage of its covered employee payroll	25.61%	25.43%	18.66%	16.57%	16.90%	14.64%

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

See Accompanying Independent Auditors' Report.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily determined contribution	\$ 10,868,116	\$ 10,893,064	\$ 10,600,286	\$ 11,773,474	\$ 10,797,566	\$ 12,606,829	\$ 11,552,350	\$ 11,059,816
Contribution in relation to the statutorily determined contribution	<u>10,325,295</u>	<u>10,548,744</u>	<u>11,960,259</u>	<u>11,400,176</u>	<u>11,242,339</u>	<u>12,470,651</u>	<u>11,593,916</u>	<u>10,874,139</u>
Contribution (excess) deficiency	\$ <u>542,821</u>	\$ <u>344,320</u>	\$ <u>(1,359,973)</u>	\$ <u>373,298</u>	\$ <u>(444,773)</u>	\$ <u>136,178</u>	\$ <u>(41,566)</u>	\$ <u>185,677</u>
GMHA's covered-employee payroll **	\$ <u>48,500,356</u>	\$ <u>44,214,485</u>	\$ <u>45,240,661</u>	\$ <u>46,255,958</u>	\$ <u>45,750,624</u>	\$ <u>47,411,059</u>	\$ <u>43,653,700</u>	\$ <u>41,133,673</u>
Contribution as a percentage of covered-employee payroll	21.29%	23.86%	26.44%	24.65%	24.57%	26.30%	26.56%	26.44%

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

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

See Accompanying Independent Auditors' Report.

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*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability:					
Service cost	\$ 9,751,161	\$ 6,307,391	\$ 8,595,699	\$ 9,689,876	\$ 7,774,023
Interest	5,086,863	5,807,594	6,715,877	5,865,484	5,926,498
Change of assumptions	(34,862,481)	40,675,702	(12,269,880)	(18,295,109)	19,385,329
Change in proportionate share	9,456,508	(817,526)	(6,136,170)	139,936	-
Differences between expected and actual experience	21,198,415	-	(37,408,864)	-	-
Benefit payments	<u>(2,945,286)</u>	<u>(3,292,943)</u>	<u>(3,269,248)</u>	<u>(2,937,721)</u>	<u>(2,937,721)</u>
Net change in total OPEB liability	7,685,180	48,680,218	(43,772,586)	(5,537,534)	30,148,129
Total OPEB liability - beginning	<u>182,956,947</u>	<u>134,276,729</u>	<u>178,049,315</u>	<u>183,586,849</u>	<u>153,438,720</u>
Total OPEB liability - ending	<u>\$ 190,642,127</u>	<u>\$ 182,956,947</u>	<u>\$ 134,276,729</u>	<u>\$ 178,049,315</u>	<u>\$ 183,586,849</u>
Covered payroll as of valuation date	<u>\$ 62,672,228</u>	<u>\$ 54,701,422</u>	<u>\$ 53,336,850</u>	<u>\$ 45,589,420</u>	<u>\$ 45,589,420</u>
Total OPEB liability as a percentage of covered employee pa	304.19%	334.46%	251.75%	390.55%	402.70%

Notes to schedule:

<i>Discount rate</i>	2.21%	2.66%	4.18%	3.63%	3.06%
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Changes of benefit terms:

None

Changes of assumptions:

Discount rate has changed from respective measurement dates

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

	2021	2020	2019	2018	2017
Total OPEB liability **	\$ 2,518,489,145	\$ 2,553,523,376	\$ 1,874,970,335	\$ 2,431,048,672	\$ 2,532,753,040
GMHA's proportionate share of the total OPEB Liability	190,642,127	\$ 182,956,947	\$ 134,276,729	\$ 178,049,315	\$ 183,586,849
GMHA's proportion of the total OPEB Liability	7.57%	7.16%	7.16%	7.32%	7.25%
GMHA's covered-employee payroll	\$ 62,672,228	\$ 54,701,422	\$ 53,336,850	\$ 45,589,420	\$ 45,589,420
GMHA's proportionate share of the total OPEB Liability as a percentage of its covered employee payroll	304.19%	334.46%	251.75%	390.55%	402.70%

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

	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 18,937,519	\$ 14,505,782	\$ 18,748,390	\$ 19,422,648	\$ 16,627,095
Contributions in relation to the actuarially determined contribution	<u>2,945,286</u>	<u>3,292,943</u>	<u>3,269,248</u>	<u>2,937,721</u>	<u>2,937,721</u>
Contribution deficiency	<u>\$ 15,992,233</u>	<u>\$ 11,212,839</u>	<u>\$ 15,479,142</u>	<u>\$ 16,484,927</u>	<u>\$ 13,689,374</u>
Covered payroll as of valuation date	<u>\$ 62,672,228</u>	<u>\$ 54,701,422</u>	<u>\$ 53,336,850</u>	<u>\$ 45,589,420</u>	<u>\$ 45,589,420</u>
Contributions as a percentage of covered employee payroll	4.70%	6.02%	6.13%	6.44%	6.44%

Notes to Schedule

Valuation date:

Actuarially determined contributions rates are calculated as of September 30, 2020.

Method and assumptions used to determine contributions rates:

- Actuarial cost method: Entry age normal.
- Amortization method: Level dollar amount on an open amortization period
- Amortization period: 30 years
- Inflation: 2.75%
- Healthcare cost trend rates: Non-Medicare and Medicare -6% for Year 1-3 then reducing 0.25% annually to an ultimate rate of 4.25%. Part B 4.25%
- Salary increase: 4% to 7.5%
- Mortality (Healthy Retiree): RP-2000 Combined Healthy Mortality Table, set forward 3 years and 2 years for males and females, respectively.
- Mortality (Disabled Retiree) RP-2000 Disabled Mortality Table for males and females.

* This data is presented for those years for which information is 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, 2021 and 2020

	2021	2020
NURSING:		
Salaries	\$ 23,068,694	\$ 21,850,678
Overtime	871,678	884,760
Other pay	9,262,318	8,362,264
Fringe benefits	7,676,388	5,616,160
Total personnel costs	40,879,078	36,713,862
Contractual services	4,913,518	1,465,909
Supplies and materials	6,709,259	4,396,679
Miscellaneous	14,979,268	985,873
	\$ 67,481,123	\$ 43,562,323

	2021	2020
PROFESSIONAL SUPPORT:		
Salaries	\$ 12,553,821	\$ 12,173,158
Overtime	256,349	301,587
Other pay	3,128,495	2,831,046
Fringe benefits	3,968,051	3,156,653
Total personnel costs	19,906,716	18,462,444
Supplies and materials	12,693,801	9,897,644
Contractual services	2,332,136	1,485,455
Utilities	16,430	12,793
Miscellaneous	86,103	68,362
	\$ 35,035,186	\$ 29,926,698

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, 2021 and 2020

	2021	2020
ADMINISTRATIVE SUPPORT:		
Salaries	\$ 5,675,641	\$ 5,710,743
Overtime	378,764	342,081
Other pay	360,917	531,151
Fringe benefits	2,010,809	1,561,765
Total personnel costs	8,426,131	8,145,740
Supplies and materials	3,327,241	2,150,284
Utilities	2,561,013	2,552,062
Contractual services	1,187,335	2,266,398
Miscellaneous	220,707	606,027
	\$ 15,722,427	\$ 15,720,511

	2021	2020
FISCAL SERVICES:		
Salaries	\$ 4,423,809	\$ 4,505,652
Overtime	62,719	47,283
Other pay	225,506	331,350
Fringe benefits	1,602,693	1,299,242
Annual leave lump sum pay	534,561	769,362
Sick leave (DC plan)	547,613	495,434
Total personnel costs	7,396,901	7,448,323
Contractual services	2,446,913	1,726,211
Supplies and materials	209,786	139,192
Miscellaneous	155,315	123,543
	\$ 10,208,915	\$ 9,437,269

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, 2021 and 2020

	2021	2020
ADMINISTRATION:		
Salaries	\$ 2,416,548	\$ 2,366,205
Overtime	1,939	2,314
Other pay	105,378	150,571
Fringe benefits	742,646	574,824
Total personnel costs	3,266,511	3,093,914
Insurance (Property)	540,456	515,095
Contractual services	168,898	385,991
Supplies and materials	89,377	54,604
Miscellaneous	326,274	166,054
	\$ 4,391,516	\$ 4,215,658
	2021	2020
MEDICAL STAFF:		
Salaries	\$ 14,557,175	\$ 12,961,663
Overtime	755	1,000
Other pay	760,607	742,406
Fringe benefits	1,872,264	1,868,690
Total personnel costs	17,190,801	15,573,759
Supplies and materials	132,707	128,120
Contractual services	13,228,460	12,436,608
Miscellaneous	33,953	35,571
	\$ 30,585,921	\$ 28,174,058
Total actual expenses, without depreciation, impairment, and retiree healthcare costs and other pension benefits	\$ 163,425,088	\$ 131,036,517

See accompanying independent auditors' report.

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

Schedule of Patient Service Revenues by Patient Classification
Years Ended September 30, 2021 and 2020

	2021	2020
Gross Patient Service Revenue:		
Medicaid patients	\$ 47,292,383	\$ 38,235,867
Medicare patients	55,993,169	51,197,703
MIP patients	13,194,298	12,531,501
Other patients	61,116,667	50,714,262
Self-pay patients	25,939,155	25,035,183
	\$ 203,535,672	\$ 177,714,516
 Contractual Adjustments and Provision for Bad Debts:		
Contractual adjustments:		
Medicaid patients	\$ 26,907,378	\$ 13,405,112
Medicare patients	36,289,933	30,069,601
MIP patients	6,326,971	3,712,677
Other patients	2,475,990	18,812,503
Provision for bad debts:		
Self-pay patients	23,697,570	20,446,009
	\$ 95,697,842	\$ 86,445,902
 Net Patient Service Revenue:		
Medicaid patients	\$ 20,385,005	\$ 24,830,755
Medicare patients	19,703,236	21,128,102
MIP patients	6,867,327	8,818,824
Other patients	58,640,677	31,901,759
Self-pay patients	2,241,585	4,589,174
	\$ 107,837,830	\$ 91,268,614

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, 2021 and 2020

<u>Department</u>	<u>2021</u>	<u>2020</u>
Actual FTE count:		
Nursing	540	512
Professional Support	203	217
Administrative Support	198	201
Fiscal Services	99	93
Administration	26	24
Medical Staff	37	39
DOC	21	21
	<u>1,124</u>	<u>1,107</u>
Budgeted FTE count	<u>1,265</u>	<u>1,265</u>

See accompanying independent auditors' report.