

*Financial Statements, Required Supplementary
Information, and Supplementary and Other Information*

Guam Memorial Hospital Authority
(A Component Unit of the Government of Guam)

*Years Ended September 30, 2024 and 2023
with Report of Independent Auditors*



**Shape the future
with confidence**

Guam Memorial Hospital Authority
(A Component Unit of the Government of Guam)

Financial Statements, Required Supplementary Information,
and Supplementary and Other Information

Years Ended September 30, 2024 and 2023

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Report of Independent Auditors

Board of Trustees
Guam Memorial Hospital Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Guam Memorial Hospital Authority (GMHA), a component unit of the Government of Guam, as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the GMHA's basic financial statements as listed in the table of contents (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of GMHA as of September 30, 2024 and 2023, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of GMHA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about GMHA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 GMHA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the GMHA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Proportional Share of the Net Pension Liability, the Schedule of Pension Contributions and the Schedule of the Proportionate Share of the Total OPEB Liability be presented to supplement the basic financial statements. Such information, is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise GMHA's basic 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 presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Except for billings and collections and reconciliation of billings to gross patient revenues for the years ended September 30, 2021 and 2020, such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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, 2021 and 2020, 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 relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the Schedule of Full Time Employee (FTE) Count but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2025, 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.

Ernst + Young LLP

October 6, 2025

Guam Memorial Hospital Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis

Years Ended September 30, 2024 and 2023

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 year (FY) ended September 30, 2024. 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 (P.L.) 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 Facility (SNF). 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, laboratory, radiology, pharmacy, hemodialysis, rehabilitative, and respiratory care. The Hospital's medical specialties include cardiac catheterization lab, pulmonology, gastroenterology, podiatry, intensive care/critical care unit, emergency room, interventional radiology, labor & delivery, obstetrics, nursery, neonatal ICU, pediatric ICU, medical telemetry/progressive care unit, and operating room/post-anesthesia care unit.

GMHA also provides outpatient clinic 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 and/or brought to the Emergency Room. DOC is required to remit payments for clinical services, however, subject to availability of funds.

GMHA is governed by the Board of Trustees (BOT) composed of 9 voting members representing backgrounds in healthcare, allied health, nursing, medicine, management, and finance. The GMH Volunteers Association President is an ex-officio member. Trustees serve staggered six-year terms after their appointment by the Governor of Guam with the Guam Legislature's consent. As of September 30, 2024, there were eight BOT members and two vacancies.

GMHA's Chief Executive Officer/Administrator is hired by and reports to the BOT to have full charge and control of the operations and maintenance of the Hospital, which is guided by the 2023-2027 strategic plan and mission statement.

*Committed to compassionate, forward-thinking, quality-driven, and
safe health care that honors the community.*

Guam Memorial Hospital Authority
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Management's Discussion and Analysis, continued

I. Organization, continued

The CEO is responsible for ensuring GMHA meets its strategic goals:

- Achieve Financial Viability
- Enhance Infrastructure & Technology
- Transform Healthcare Services
- Engage the Healthcare Workforce
- Engage Physicians
- Engage & Partner with the Community

GMHA's core values are the driving force behind GMHA's actions and attitudes and espouse **Community, Compassion, Innovation, Resiliency, Trust, and Patient Safety**. These values guide GMHA to fulfill its mission.

II. Financial Highlights

In FY 2024, GMHA's change in net position increased by 74.8%, or \$30.6M, due to increases in operating revenue of \$42.0M from improved billings after recovering from the aftermath of a March 2023 network shutdown and a destructive typhoon in May 2023. In FY 2023, these events led to a 15.9% decrease in GMHA's FY 2023 total net position, or \$40.9M, compared to FY 2022.

FY 2024 operating expenses rose 14.3%, or \$27.9M, due to increases of \$8.6M in fringe benefits from pension expense, \$8.0M in salaries, mainly for 18% Nurse Pay Plan adjustments, \$6.0M in contractual services for independent contractor physicians and travel nurses, and \$6.1M for other post-employment benefits for retirees. This led to ending FY 2024 with a negative change in net position of \$10.3M. FY 2023 operating expenses decreased 0.2% compared to FY 2022. Although salaries and benefits increased 17.4%, or \$16.6M, this was offset by a 21.6%, or \$18.1M, decrease in expenses due to decreased utilization of travel nurses as well as hourly rates. FY 2023 salaries and benefits were mainly impacted by the 2023 General Pay Plan implementation, which raised salaries by 22%, and increased pension expense from GASB 68 and 73.

2024 Nurse Pay Plan Adjustment

In March 2024, the Department of Administration updated the Nurse Pay Plan, providing an 18% base pay increase to help recruit and retain nurses. The estimated annual cost of the 2024 NPP is \$8.0M. In 2021, the NPP was adjusted by 15% and the estimated annual cost of the 2021 NPP was \$6.6M. The Nurse Pay Plan includes a 25% working differential for all GMHA nurses.

GMHA continues to experience staffing shortages in nursing and allied health professions risking bed closures and lengthy emergency room holdings. The nationwide shortage of nurses has affected our island as the three acute care hospitals compete for the same nursing resources. To fill the gap in critical healthcare staffing, GMHA continues to rely on costly contract travel nurses. At September 30, 2024, GMHA contracted 31 travel nurses and the hourly rate for such nurses averaged \$95 per hour.

Guam Memorial Hospital Authority
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Management's Discussion and Analysis, continued

II. Financial Highlights, continued

FY 2021 – FY 2024 Nurse Staffing

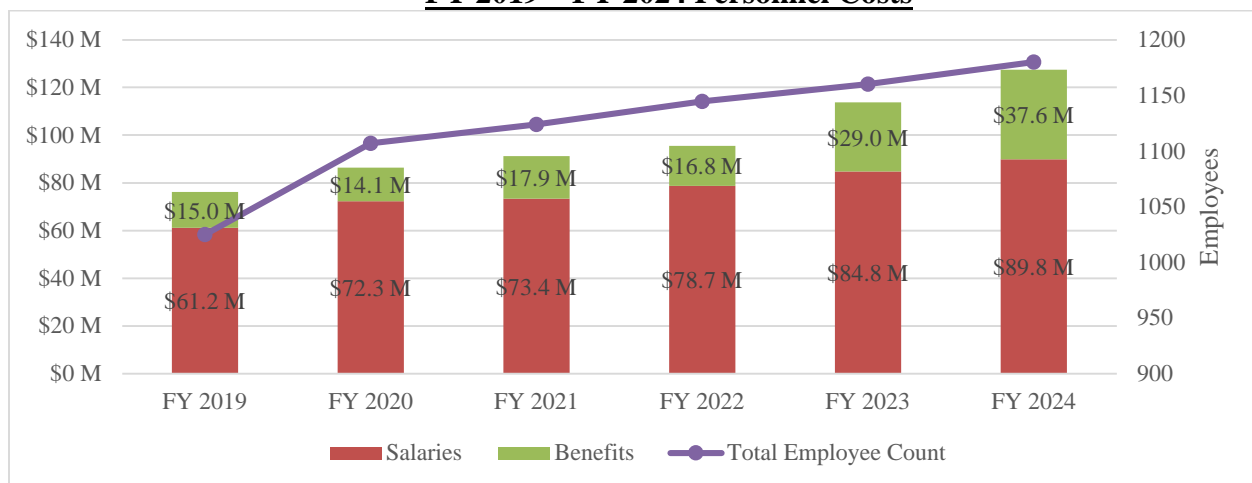
	<u>FY</u> <u>2021</u>	<u>FY</u> <u>2022</u>	<u>FY</u> <u>2023</u>	<u>FY</u> <u>2024</u>	<u>Change</u> <u>FY 2023 to FY</u> <u>2024</u>
Registered Nurses	283	333	333	310	-23
Licensed Practical Nurses	18	28	28	33	5
Certified Nurse Assistant	112	110	109	111	2
Total	413	471	470	454	-16

GMHA's initiatives to recruit and retain nurses in FY 2024 include pursuing contract services for direct nurse hires through recruitment agencies, continued alliances with respective nursing programs at the University of Guam and the Guam Community College, recruitment and retention bonuses, various incentive pays, and certification pays.

Rising Personnel Costs

Overall, GMHA's full time equivalent (FTE) count was 1,180 at September 30, 2024, increasing by 20 FTEs. FY 2024 budgeted FTEs is 1,272. Since pre-pandemic FY 2019, GMHA increased staffing by 15% primarily to increase resources to support the Nursing Division.

FY 2019 – FY 2024 Personnel Costs



*Benefits include adjustments for pension expense per accounting standards and salaries include annual leave lump sum pay and sick leave (DC plan).

Guam Memorial Hospital Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

II. Financial Highlights, continued

Compared to FY 2019, overall personnel costs increased by 69.8%, or \$53.0M, mainly due to increases in the Nurse Pay Plan in FY 2021 and FY 2024, and the General Pay Plan in FY 2023 in addition to higher retirement contributions rates and employee health insurance costs. Pension expense is also increasing although this is a non-cash increase. In FY 2020, the salary increases were due to COVID-19 response differential pay ranging from 10% to 25%, for essential GMHA employees supporting the public health emergency per Executive Order No. 2020-08.

GMHA Appropriations

GMHA's total FY 2024 operations budget request for Government of Guam supplemental funding was \$65.3M. Public Law 37-42, known as the "General Appropriations Act of 2024", appropriated \$30.2M to GMHA, comprised of \$21.7M from the GMHA Pharmaceutical Fund and \$8.5M from the General Fund, leaving a shortfall of \$35.1M. Additional appropriations were made in October 2023, wherein Public Law 37-43 appropriated \$30.0M to GMHA as emergency funding to pay vendors, and in July 2024, wherein Public Law 37-123 appropriated \$1.0M for unpaid employee merit bonuses earned from 2012 to 2020.

Public Law 36-107, the General Appropriations Act of 2023, appropriated \$26.1M to GMHA for operations, comprised of \$18.7M from the GMHA Pharmaceutical Fund and \$7.4M from the General Fund. The law was amended by Public Law 37-3 and increased GMHA's Pharmaceutical Fund by \$0.9M, to \$19.6M. Additionally, Public Law 36-107 appropriated \$20.0M from the FY 2022 audited surplus fund balance to recruit and retain specialty doctors and for priority capital improvement projects, such as the GMHA maternal and child health renovation project.

<u>FY 2022 – FY 2024 Appropriations</u>				<u>\$ Change FY 2023 to FY 2024</u>
	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2022</u>	
Pharmaceutical Fund	\$ 21,714,329	19,631,513	17,982,304	2,082,816
General Fund	8,491,370	7,402,709	3,502,709	1,088,661
P.L. 36-107 Hospital Capital Imp Fund	---	15,000,000	---	(15,000,000)
P.L. 36-107 specialty doctors recruitment	---	5,000,000	---	(5,000,000)
P.L. 37-43 emergency funding	30,000,000	---	---	30,000,000
P.L. 37-123 merit bonus funding	973,063	---	---	973,063
Total Appropriations	\$ <u>61,178,762</u>	<u>47,034,222</u>	<u>21,485,013</u>	<u>14,144,540</u>

Guam Memorial Hospital Authority
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Management's Discussion and Analysis, continued

II. Financial Highlights, continued

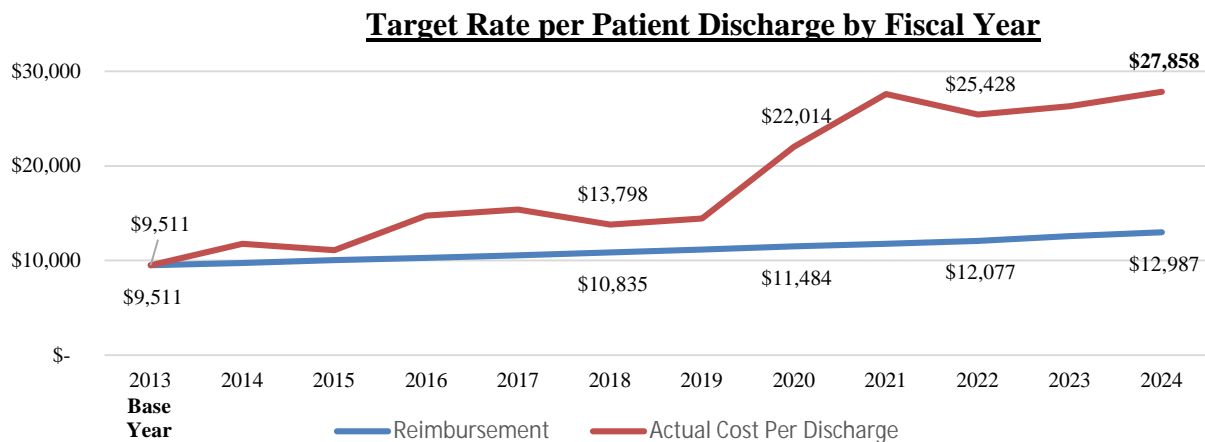
Centers for Medicare and Medicaid Services

GMHA's reimbursements for Medicare and Medicaid claims are significantly lower than actual charges resulting in a substantial entry for contractual allowances. In FY 2024, Medicare contractual allowances were \$43.0M or 50% of actual charges, while Medicaid allowances were \$59.8M, or 64% of actual charges. In FY 2023, Medicare contractual allowances were \$41.5M or 57% of actual charges, while Medicaid allowances were \$48.5M, or 59% of actual charges.

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 predetermined, fixed amount for a particular service based on its classification system, such as diagnostic-related groups for inpatient hospitals. 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 (or cap) based on the facility's cost of care in the base year. The discharge limit is increased each year by a hospital market basket index determined by Medicare to account for inflation, which averages 1% per year.

In January 2019, after many years, CMS approved GMHA's request to rebase the discharge rate retroactively to October 1, 2013 costs from 1992-1994 costs. At the time, this brought reimbursements closer to current costs. GMHA received \$6.3M in April 2019 for retroactive rate adjustments for FY 2014 – FY 2016, and \$2.4M in June 2022 for FY 2017 and FY 2018.

Although rebasing has helped GMHA collect more on Medicare claims, GMHA is still reimbursed significantly less than the cost of discharge especially since FY 2020, the COVID-19 pandemic. As of the FY 2024 Medicare Cost Report¹, the cost of discharge was \$27,858 while the reimbursement was \$12,987, a difference of \$14,872. In FY 2024, there were 1,124 Medicare patient discharges.



¹ The Medicare Cost Report is subject to CMS audit and desk review.

Guam Memorial Hospital Authority
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Management's Discussion and Analysis, continued

II. Financial Highlights, continued

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

During FY 2024 and FY 2023, the Centers for Medicare and Medicaid Services (CMS) conducted revisit, complaint, recertification, and life safety surveys in September 2022, April 2023, September 2023, December 2023, April 2024, and August 2024. 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. 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.

III. Overview of the Financial Statements

A comparative analysis is provided for FY 2024 and FY 2023 Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; and Statements of Cash Flows.

Summarized Statements of Net Position

		<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>\$ Change FY 2023 to FY 2024</u>	<u>% Change FY 2023 to FY 2024</u>
ASSETS						
Current Assets	\$	57,913,107	57,947,736	58,385,459	(34,629)	-0.1%
Noncurrent Assets		31,955,968	34,546,832	31,110,669	(2,590,864)	-7.5%
Total assets		89,869,075	92,494,568	89,496,128	(2,625,493)	-2.8%
Deferred outflows of resources		97,308,239	103,875,694	76,900,811	(6,567,455)	-6.3%
Total assets and deferred outflows of resources	\$	187,177,314	196,370,262	166,396,939	(9,192,948)	-4.7%
LIABILITIES AND NET POSITION						
Liabilities:						
Current liabilities	\$	50,981,506	61,672,018	34,124,247	(10,690,512)	-17.3%
Noncurrent liabilities		386,837,909	360,060,998	334,683,128	26,776,911	7.4%
Total liabilities		437,819,415	421,733,016	368,807,375	16,086,399	3.8%
Deferred inflows of resources		58,082,005	73,036,186	55,055,074	(14,954,181)	-20.5%
Net position:						
Net investment in capital assets		26,972,114	28,572,865	31,110,669	(1,600,751)	-5.6%
Unrestricted		(335,696,220)	(326,971,805)	(288,576,179)	(8,724,415)	-2.7%
Total net position		(308,724,106)	(298,398,940)	(257,465,510)	(10,325,166)	-3.5%
Total liabilities, deferred inflows of resources and net position	\$	187,177,314	196,370,262	166,396,939	(9,192,948)	-4.7%

Guam Memorial Hospital Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

III. Overview of the Financial Statements, continued

GMHA's FY 2024 total net position decreased by 3.5%, or \$10.3M increasing GMHA's cumulative deficit in unrestricted net position to negative \$308.7M from negative \$298.4M in FY 2023. GMHA's FY 2023 total net position decreased by 15.9%, or \$40.9M. These decreases in net position are mainly due to increasing operating costs.

In FY 2024, total assets and deferred outflows of resources decreased 4.7%, or \$9.2M, from \$196.4M in FY 2023 to \$187.2M in FY 2024. FY 2023 total assets and deferred outflows increased 18.0%, or \$30.0M from FY 2022. A major factor in these changes is due to changes in actuarial assumptions for other post-employment benefits (OPEB) and pensions.

FY 2024 noncurrent assets decreased by \$2.6M due to depreciation of capital assets and amortization of subscription-based IT assets. The initial GASB 96 capitalization of subscription-based IT assets was recorded in FY 2023 for \$6.5M for GMHA's electronic health records, patient accounting, and financial management systems.

In FY 2024, there was a nominal decrease in current assets compared to FY 2023 due to increases in net patient receivables of \$1.1M offset with decreases in cash of \$0.6M and inventory of \$0.7M, respectively. GMHA ended FY 2024 with patient receivables of \$52.6M, net of estimated uncollectible accounts of \$312.1M, while FY 2023 net patient receivables were \$51.5M. The growth in GMHA net patient accounts receivable is due to patient volume, rate increases, and outpatient services expansion. GMHA provides an allowance for doubtful accounts based on historical collection patterns as well as payor agreements. Outstanding receivables meeting certain criteria may be periodically written off.

In FY 2024, total liabilities increased 3.8%, or \$16.1M, while FY 2023 liabilities increased 14.4%, or \$52.9M. FY 2024 current liabilities decreased by 17.3%, or \$10.7M, mainly due to decreases in trade accounts payable by \$7.3M and amounts due to the Government of Guam by \$4.2M for Medicaid advances. This is a marked improvement from FY 2023 wherein due to increased expenses and decreased cash flows, current liabilities increased 80.7%, or \$27.5M. This mainly pertained to increased trade accounts payable of \$9.2M, and amounts owed to the Government of Guam for Medicaid advances of \$22.3M. As of September 30, 2024, the balance of such Medicaid advances was \$3.4M.

Noncurrent liabilities increased by \$26.8M in FY 2024 and \$25.4M in FY 2023 due to increases in other post-employment benefits (OPEB) liability and net pension liability, respectively. The OPEB liability represents GMHA's actuarially calculated proportionate share of future healthcare and life insurance benefits for retirees.

Guam Memorial Hospital Authority
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Management's Discussion and Analysis, continued

IV. Overview of the Financial Statements, continued

As of September 30, 2024, GMHA's net investment in capital assets was \$27.0M with no long-term debt. Major FY 2024 capital improvement additions include

- \$1.3M for the angiography system and hemodynamic recording system partially funded by American Rescue Plan Funds,
- \$0.9M for medical equipment for specialty services such as gastroenterology, surgery, and cardiology funded by Public Law 36-107,
- \$0.6M for radiology and information technology equipment funded by American Rescue Plan Funds, and
- \$0.2M for donated equipment including a lithotripsy machine donated by the GMH Volunteers Association.

In FY 2024, \$20.0M from the American Rescue Plan Act funds was committed to GMHA for capital improvements to include HVAC, chillers, autoclave system, parking expansion, maternal child health areas (including NICU expansion), various medical equipment purchases, access control systems, and various IT projects.

As of September 30, 2023, GMHA's net investment in capital assets was \$28.6M with no long-term debt. Major FY 2023 capital improvement additions include \$0.4M for SNF chiller, \$0.5M for removal and replacement of air handling units and \$2.7M for movable equipment such as colonoscopies, gastroscopes, and duodenoscopes (\$0.7M), hemodialysis machines (\$0.3M), ultrasound system (\$0.2M), and ventilators (\$0.1M).

The GMHA 5-Year CIP Plan includes projects to address the Army Corps of Engineers 2019 Facilities Condition Assessment that deemed the Hospital's infrastructure in a state of failure due to age, environmental exposure, lack of financial resources, and lack of previous facilities design adherence to building codes and that extensive repair and replacement was necessary. The Hospital also lacked space to meet long term needs of the patient population.

Guam Memorial Hospital Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

III. Overview of the Financial Statements, continued

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

		<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>\$ Change FY 2023 to FY 2024</u>	<u>% Change FY 2023 to FY 2024</u>
Total operating revenues	\$	139,789,449	97,791,124	134,844,368	41,998,325	42.9%
Total operating expenses		223,534,234	195,650,888	195,995,189	27,883,346	14.3%
Operating Loss		(83,744,785)	(97,859,764)	(61,150,821)	14,114,979	-14.4%
Total non-operating revenues		73,344,109	54,731,687	57,801,363	18,612,422	34.0%
Total non-operating expenses		(117,171)	(393,018)	(278,742)	275,847	-70.2%
Total capital grants and contributions		192,682	2,587,665	1,811,412	(2,394,983)	-92.6%
Change in net position	\$	(10,325,166)	(40,933,430)	(1,816,788)	30,608,264	-74.8%

Operating Revenues

GMHA's FY 2024 operating revenues increased by \$42.0M, or 42.9%, due to increases in net patient revenues from improved billings. Net patient revenues increased \$40.4M, or 43.2%, from \$93.5M in FY 2023 to \$133.9M in FY 2024, while gross revenues increased 18.0% due to increased room and board rates effective November 2023.

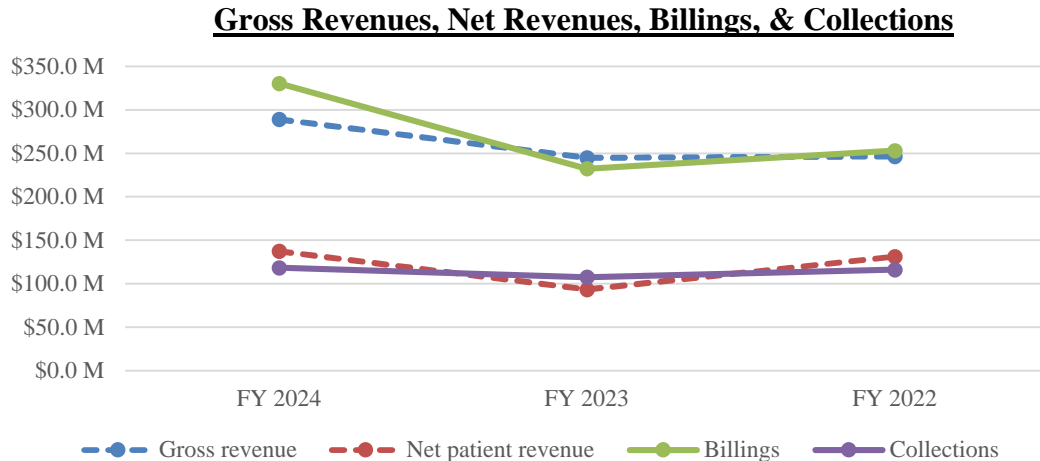
GMHA's FY 2023 operating revenues decreased by \$37.0M, or 27.5%, due to decreases in net patient revenues as a result of Typhoon Mawar and GMHA's network shutdown that significantly impacted patient billings. Net patient revenues decreased \$37.7M, or 28.7%, from \$131.2M in FY 2022 to \$93.5M, while gross revenues decreased 0.6%.

Net patient revenues are the estimated realizable collectible amounts of gross revenues based on historical collection patterns and provider agreements. The provision for bad debts for self-pay patients was significant in FY 2024 and FY 2023 at \$59.4M and \$43.6M, respectively.

Guam Memorial Hospital Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

III. Overview of the Financial Statements, continued



	<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2022</u>
% of billings to gross	114.0%	94.9%	102.6%
% of collections to net	88.5%	115.1%	88.5%
% of collections to gross	41.0%	43.9%	47.1%

In FY 2024, GMHA made significant efforts to increase billing production to recover from the negative effects from an extended network outage and a major typhoon that occurred in FY 2023. To mitigate cash flow issues and revenue shortfalls from these events, GMHA received \$22.3M in Medicaid advances in FY 2023. The Department of Administration recovered the advances by withholding certain amounts from Medicaid remittances to GMHA. As of September 30, 2024, the balance of such Medicaid advances was \$3.4M.

FY 2024 DOC clinic revenues increased by \$0.6M to \$4.2M and in FY 2023, \$0.4M to \$3.6M due to increases in salaries and supplies. All amounts billed to DOC in FY 2024 and FY 2023 was 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.

FY 2024 collections increased by 10.1%, or \$10.8M, from \$107.6M in FY 2023 to \$118.5M mainly due to increases in collections from third party payers of \$17.2M and Medicare of \$7.9M. These increases were offset by decreases in Medicaid collections of \$17.9M from clawbacks for advances paid to GMHA in FY 2023.

Guam Memorial Hospital Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis, continued

III. Overview of the Financial Statements, continued

			<u>Patient Collections</u>			
		<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>\$ Change</u>	<u>% Change</u>
		<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>FY 2023 to FY</u>	<u>FY 2023 to FY</u>
		<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2024</u>	<u>2024</u>
Medicare	\$	23.0M	15.1M	19.2M	7.9M	52.3%
Medicaid/MIP		25.3M	42.8M	32.8M	(17.5M)	-40.9%
3 rd party payers		59.5M	42.4M	53.1M	17.1M	40.3%
Self-pay		9.7M	7.4M	10.9M	2.3M	31.1%
DOC/GovGuam		0.9M	0.0M	0.0M	0.9M	100.0%
Total patient collections	\$	118.4M	107.6M	116.0M	10.8M	10.0%

GMHA's mandate to provide healthcare to all patients regardless of one's insurance coverage or ability to pay has resulted in the continual growth of self-pay patient receivables. GMHA collects an average of 25 cents per dollar billed to self-pay patients. For the last five years, self-pay patients were billed an average of \$37.0M of care per year and the likelihood of collections remains low due to the high cost of healthcare. As of September 30, 2024, \$44.4M in receivables are attributed to long-stay patients. These patients are known as "social cases" and are uninsured and underinsured patients who can be discharged but do not have responsible parties willing to accept and support the patient.

As of September 30, 2024, \$99.3M in patient accounts were referred to the Department of Revenue and Taxation for tax refund garnishments while \$4.4M was collected. Patient account guarantors do not consistently file taxes and do not consistently receive tax refunds which limits GMHA's collection amounts. GMHA continues to seek ways to improve collections, including offering patients an online payment system, offering payment plans to suit all needs, and exploring opportunities to utilize collection agencies. GMHA also provides self-pay patients with public assistance applications to help cover the costs of their hospital bills. Other programs such as a sliding fee scale and an amnesty program are being explored as well.

Overall gross patient revenues increased by \$44.2M, or 18.0%, from \$245.0M in FY 2023 to \$289.2M in FY 2024. Inpatient revenues increased 18.5% or \$35.0M. The increase was attributable to increases in room and board rates in November 2023. Gross revenues for Skilled Nursing increased 35.5%, or \$3.1M, and outpatient revenues increased 12.8%, or \$6.1M mainly in Surgery & Recovery, Gastroenterology, and Cardiology.

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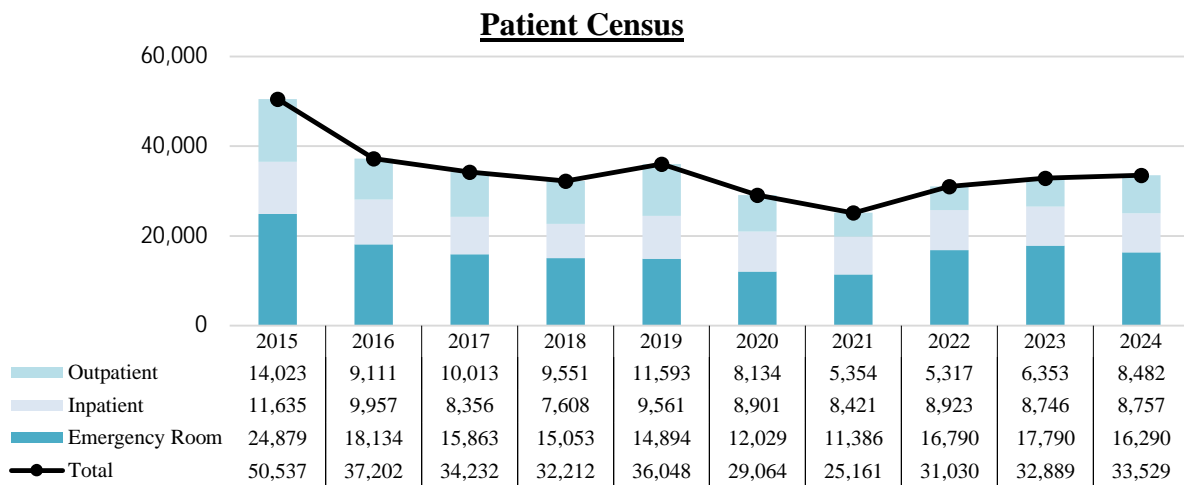
Management's Discussion and Analysis, continued

III. Overview of the Financial Statements, continued

		<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>\$ Change FY 2023 to FY 2024</u>	<u>% Change FY 2023 to FY 2024</u>
Inpatient	\$	223,645,382	188,660,774	195,726,505	34,984,608	18.5%
Skilled						
Nursing		11,830,351	8,732,811	8,345,375	3,097,540	35.5%
Outpatient		53,676,371	47,571,357	42,469,268	6,105,014	12.8%
	\$	289,152,104	244,964,942	246,541,148	44,187,162	18.0%

GMHA continued to experience increased outpatient growth of 33.5% in FY 2024 and 12.0% in FY 2023. In late FY 2023, GMHA introduced a gastroenterology clinic adding to the pulmonology, cardiology, and podiatry clinics within the Special Services Department. In FY 2023, Public Law 36-107, appropriated \$5.0M for the recruitment and hiring of specialty care physicians which provided funding for the substantial investment in special medical equipment to support expanded services.

FY 2024 inpatient admissions declined by 6.3% while patient days increased by 2.5%. The average length of stay also increased by 9.6% compared to FY 2023. The average end-of-month inpatient census for FY 2024 was 142 versus 147 in FY 2023. GMHA provides a proportionately high number of inpatient services to outpatient services wherein 80.6% of gross revenues are attributed to inpatient services and 19.4% for outpatient services.



*Inpatient includes SNF

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Management's Discussion and Analysis, continued

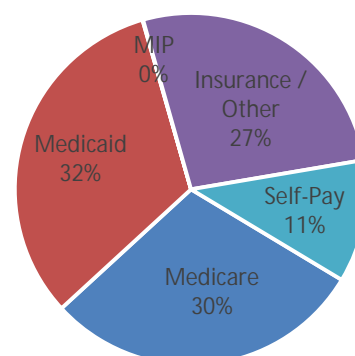
III. Overview of the Financial Statements, continued

	<u>FY</u> <u>2024</u>	<u>FY</u> <u>2023</u>	<u>FY 2022</u>	<u>Change</u> <u>FY 2023 to FY</u> <u>2024</u>	<u>% Change</u> <u>FY 2023 to FY</u> <u>2024</u>
Patient days	51,864	50,614	56,686	1,250	2.5%
Admissions	8,192	8,764	8,923	-572	-6.5%
Discharges	8,207	8,757	8,924	-550	-6.3%
Outpatient visits	8,482	6,353	5,317	2,129	33.5%
Emergency room visits	16,290	17,790	16,790	-1,500	-8.4%

In FY 2024, 62.0% of GMHA's \$289.2M of gross patient revenues is comprised of the 3M's:

- ❖ Medicare - \$85.4M, 29.5%
- ❖ Medicaid - \$93.7M, 32.4%
- ❖ Medically Indigent Program (MIP) - \$0.1M, 0.0%

followed by third-party insurance payers and others at \$77.3M, 26.7% and self-pay at \$32.6M, 11.3%.



The FY 2023 payer mix consisted of 63.4% 3M's, third-party insurance 26.0%, and self-pay 10.6%.

GMHA's challenges with collections are primarily a result of the payer mix. Reimbursements from 3M's are limited to a per diem rate for inpatient charges. In FY 2024, GMHA received \$1,689 per day for an inpatient stay regardless of charges incurred. In FY 2023, the per diem rate was \$1,674. With increases in labor and non-labor costs, this has a significant financial impact on GMHA.

Since FY 2019, GMHA has assisted uninsured patients with applications for Medicaid or MIP coverage through a collaboration with the Department of Public Health and Social Services. As a result, Medicaid now accounts for 32.4% of GMHA's payer mix compared to 21.3% in FY 2019.

Operating Expenses

Overall operating expenses in FY 2024 increased 14.3%, or \$27.9M, from \$195.7M in FY 2023 to \$223.5M in FY 2024. The divisions with the highest increases were Nursing and Medical Services.

- Overall Salaries increased 9.6%, or \$8.0M compared to FY 2023. In April 2024, GMHA implemented the 2024 Nurse Pay Plan adjustment which raised base pay by 18%. In April 2023, GMHA implemented the 2023 General Pay Plan, which raised certain salaries by 22%.

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Management's Discussion and Analysis, continued

III. Overview of the Financial Statements, continued

- Benefits increased 29.9%, or \$8.7M due to increases in pension expense of \$4.5M, retirement contributions of \$2.5M, and medical and dental insurance benefits of \$1.7M.
- Retiree healthcare and other pension benefits increased \$6.1M due to increases in other postemployment benefits.
- Contractual services increased by 14.5%, or \$6.0M mainly due to increases in contract physician costs of \$5.2M and travel nurses of \$2.5M.
- Supplies and materials increased 9.4%, or \$1.8M due to increases in the cost of medical supplies.

FY 2023 operating expenses decreased 0.2% from FY 2022 due to a significant decrease in contractual services for travel nurses from lower utilization and hourly rates. These savings offset increases in personnel costs from the General Pay Plan implementation and increases in employee benefits.

Non-operating Revenue and Expenses

Non-operating revenues in FY 2024 increased 34.0%, or \$18.6M compared to FY 2023 due to increases in transfers from the Government of Guam. In October 2023, Public Law 37-43 appropriated \$30.0M in emergency funding for vendor payments. This funding was in addition to GMHA's FY 2024 General Fund appropriation of \$8.5M and GMHA Pharmaceutical Fund of \$21.7M. In addition, \$1.0M was appropriated by Public Law 37-123 for past due merit bonus payouts for GMHA employees. Because of the end of the COVID-19 pandemic, federal grants decreased \$19.8M primarily from FEMA and ARPA grants.

Capital grants from the federal government decreased by \$2.4M for US Department of Interior funded CIP projects.

Summarized Statement of Cash Flows

		<u>FY 2024</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>\$ Change FY 2023 to FY 2024</u>	<u>% Change FY 2023 to FY 2024</u>
Net cash used for operating activities	\$	(66,116,214)	(71,570,454)	(57,792,828)	5,454,240	-7.6%
Net cash provided by noncapital financing activities		69,436,742	69,942,766	60,818,837	(506,024)	-0.7%
Net cash (used for) provided by capital and related financing activities		(3,964,253)	(630,073)	(2,727,709)	(3,334,180)	529.2%
Net change in cash	\$	(643,725)	(2,257,761)	298,300	1,614,036	-71.5%

Guam Memorial Hospital Authority
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Management's Discussion and Analysis, continued

III. Overview of the Financial Statements, continued

Net change in cash was negative \$0.6M in FY 2024 and negative \$2.3M in FY 2023. Cash flow improved in FY 2024 compared to FY 2023, due to increased patient collections. Net cash provided by noncapital financing activities comprised mainly of contributions from the Government of Guam and federal grants. FY 2024 federal grants decreased considerably in FY 2024 due to the end of the COVID-19 pandemic. As a result, GovGuam subsidies increased.

IV. Outlook

The GMHA 2023 – 2027 Strategic Plan emphasizes how vital it is for GMHA to Achieve Financial Viability as Goal 1 and a priority to support life-saving patient care. The American Hospital Association emphasized in *The Cost of Caring: Challenges Facing America's Hospitals in 2025*, that hospital expenses have surged and will remain at elevated levels. GMHA will continue to ask for sufficient financial assistance from our elected Legislature through the annual budget request process. Although revenues and collections have improved, they do not fully cover GMHA's operational costs to support life-saving patient care services. GMHA looks forward to continuing the work to improve Medicare and Medicaid reimbursements with our Legislative Chairperson for the Committee on Health and Veterans Affairs and our Congressman. Receiving adequate and sufficient reimbursement from all payors, including self-pay, is one of the most critical issues GMHA faces. For self-pay patients, GMHA now offers a sliding fee scale for discounts in addition to interest-free payment plans and Medicaid application assistance. Self-pay challenges still exist for GMHA's "social cases" who are long-stay patients that have exhausted their insurance benefits. Social cases have no medical need to be hospitalized but cannot be safely discharged.

Achieving maximum efficiency is a key factor in cost savings. GMHA will assess the information technology infrastructure, the backbone of GMHA, and further assess existing technology applications, such as the current electronic health records system. To further help cash flows, potential cost containment strategies include outsourcing, reevaluation of contract terms, and workforce reduction.

The GMHA 5-Year CIP Plan includes projects to address the Army Corps of Engineers 2019 Facilities Condition Assessment that deemed the Hospital's infrastructure in a state of failure due to age, environmental exposure, lack of financial resources, and lack of previous facilities design adherence to building codes and that extensive repair and replacement was necessary. The Hospital also lacked space to meet long term needs of the patient population. The FY 2025 projects include HVAC, chillers, autoclave system, parking expansion, maternal child health areas (including NICU expansion), liquid oxygen tank expansion and renovation, various medical equipment purchases, access control systems, and various IT projects.

Guam Memorial Hospital Authority
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Management's Discussion and Analysis, continued

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 Joleen Aguon, GMHA Interim Hospital Administrator/CEO, or Yukari Hechanova, Chief Financial Officer, at 647-2330, or visit our website at www.gmha.org.

Guam Memorial Hospital Authority
(A Component Unit of the Government of Guam)

Statements of Net Position

	September 30, <u>2024</u>	<u>2023</u>
Assets and deferred outflow of resources		
Current assets:		
Cash	\$ 612,105	\$ 1,255,830
Patient accounts receivable, net	52,623,619	51,540,334
Government of Guam, net	891,562	1,264,170
Inventory, net	2,799,351	3,478,938
Prepaid expenses	522,938	151,809
Other receivables	<u>463,532</u>	<u>256,655</u>
Total current assets	<u>57,913,107</u>	<u>57,947,736</u>
Depreciable capital assets, net	24,096,580	25,716,131
Non-depreciable capital assets	2,875,534	2,856,734
Subscription-based IT asset, net	4,565,864	5,508,735
Other noncurrent assets	<u>417,990</u>	<u>465,232</u>
Total noncurrent assets	<u>31,955,968</u>	<u>34,546,832</u>
Total assets	<u>89,869,075</u>	<u>92,494,568</u>
Deferred outflows of resources:		
Deferred outflows from pension	40,724,461	55,490,485
Deferred outflows from OPEB	<u>56,583,778</u>	<u>48,385,209</u>
Total deferred outflows of resources	<u>97,308,239</u>	<u>103,875,694</u>
Total assets and deferred outflows of resources	<u>\$187,177,314</u>	<u>\$196,370,262</u>

See accompanying notes.

Guam Memorial Hospital Authority
(A Component Unit of the Government of Guam)

Statements of Net Position, continued

	September 30, <u>2024</u>	<u>2023</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Accounts payable	\$ 21,715,143	\$ 29,016,004
Accrued payroll and benefits	3,691,217	2,798,865
Current portion of accrued annual leave	2,494,541	2,303,917
Due to US Federal Government	3,500,000	3,500,000
Due to Government of Guam	18,070,735	22,289,972
Short-term subscription liability	950,170	1,111,782
Other current liabilities	<u>559,700</u>	<u>651,478</u>
Total current liabilities	<u>50,981,506</u>	<u>61,672,018</u>
Accrued annual leave, net of current portion	3,473,250	3,275,595
Accrued sick leave	3,942,208	5,804,408
Subscription liability, net of current portion	4,103,642	4,686,792
Net pension liability	155,356,324	163,291,078
Total collective OPEB liability	<u>219,962,485</u>	<u>183,003,125</u>
Total non-current liabilities	<u>386,837,909</u>	<u>360,060,998</u>
Total liabilities	<u>437,819,415</u>	<u>421,733,016</u>
Deferred inflows of resources:		
Deferred inflows from Pension	6,645,336	3,957,340
Deferred inflows from OPEB	<u>51,436,669</u>	<u>69,078,846</u>
Total deferred inflows of resources	<u>58,082,005</u>	<u>73,036,186</u>
Net position:		
Net investment in capital assets	26,972,114	28,572,865
Unrestricted	<u>(335,696,220)</u>	<u>(326,971,805)</u>
Total net position	<u>(308,724,106)</u>	<u>(298,398,940)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$187,177,314</u>	<u>\$196,370,262</u>

See accompanying notes.

Guam Memorial Hospital Authority
(A Component Unit of the Government of Guam)

Statements of Revenues, Expenses and Changes in Net Position

	Years ended September 30,	
	<u>2024</u>	<u>2023</u>
Operating revenues:		
Net patient service revenue (net of contractual adjustments and provision for bad debts of \$155,250,565 and \$151,486,166)	\$133,907,056	\$ 93,478,786
Other operating revenues:		
Cafeteria food sales	557,109	613,210
Other revenue	<u>5,325,284</u>	<u>3,699,128</u>
Total operating revenues	<u>139,789,449</u>	<u>97,791,124</u>
Operating expenses:		
Nursing	72,424,635	62,184,964
Professional support	46,188,658	41,314,001
Medical staff	42,499,013	35,343,904
Administrative support	24,766,603	25,607,666
Retiree healthcare costs and other pension benefits	16,933,229	10,881,315
Fiscal services	8,054,141	8,759,079
Administration	6,919,460	6,269,649
Depreciation and amortization	<u>5,748,495</u>	<u>5,290,310</u>
Total operating expenses	<u>223,534,234</u>	<u>195,650,888</u>
Operating loss	(<u>83,744,785</u>)	(<u>97,859,764</u>)
Nonoperating revenues (expenses):		
Transfers from GovGuam	71,335,654	32,529,825
Federal Grants	1,810,621	21,728,288
Other income, net	197,833	473,574
Interest and penalties	(4,618)	(358,004)
Federal program expenditures	(56,121)	(35,014)
Loss from disposal of fixed asset	(<u>56,432</u>)	<u>---</u>
Total nonoperating revenues	<u>73,226,937</u>	<u>54,338,669</u>
Loss before capital grants and contributions	(<u>10,517,848</u>)	(<u>43,521,095</u>)
Capital grants from the United States Government	<u>192,682</u>	<u>2,587,665</u>
Change in net position	(10,325,166)	(40,933,430)
Net position at the beginning of the year	(<u>298,398,940</u>)	(<u>257,465,510</u>)
Net position at the end of the year	<u>\$(308,724,106)</u>	<u>\$(298,398,940)</u>

See accompanying notes.

Guam Memorial Hospital Authority
(A Component Unit of the Government of Guam)

Statements of Cash Flows

	Years ended September 30,	
	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$138,149,057	\$ 95,142,777
Receipts from sales and other services	350,232	923,106
Payments to suppliers and contractors	(80,207,625)	(55,623,381)
Payments to employees	(124,407,878)	(112,012,956)
Net cash used in operating activities	(66,116,214)	(71,570,454)
Cash flows from noncapital financing activities:		
Federal grants received	1,810,621	23,587,762
Contributions from the Government of Guam	67,489,024	46,274,447
Other receipts	193,218	115,571
Payments made under federal programs	(56,121)	(35,014)
Net cash provided by noncapital financing activities	69,436,742	69,942,766
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(4,156,935)	(3,217,738)
Federal grants received	192,682	2,587,665
Net cash used in capital and related financing activities	(3,964,253)	(630,073)
Net change in cash	(643,725)	(2,257,761)
Cash at beginning of year	1,255,830	3,513,591
Cash at end of year	\$ 612,105	\$ 1,255,830
Supplemental disclosure of non-cash operating activities:		
Initial recognition of right-to-use asset, net	\$ ---	\$ 6,510,327
Initial recognition of subscription liability	\$ ---	\$ 6,510,327

See accompanying notes.

Guam Memorial Hospital Authority
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Statements of Cash Flows, continued

	Years ended September 30,	
	<u>2024</u>	<u>2023</u>
Reconciliation of operating loss to net cash used in:		
operating activities:		
Operating loss	\$(83,744,785)	\$(97,859,764)
Adjustments to reconcile operating loss to net cash		
used in operating activities:		
Contractual adjustments and provisions for		
uncollectible accounts	155,250,565	151,486,166
Depreciation	5,748,495	5,290,310
Noncash OPEB cost	15,657,201	9,635,644
Noncash pension cost	27,778,806	20,425,373
(Increase) decrease in assets:		
Patient accounts receivable, net	(156,333,848)	(153,521,303)
Other receivables	(206,877)	309,896
Inventory, net	679,586	334,286
Prepaid expenses	(371,129)	302,594
Increase (decrease) in liabilities:		
Accounts payable - trade	(7,300,861)	9,197,627
Accrued payroll and benefits	892,352	1,290,781
Accrued annual leave and sick leave	(1,473,921)	1,484,950
Subscription liability	198,109	289,839
Other current liabilities	(91,780)	91,476
Collective total OPEB liability	(4,538,587)	(4,921,693)
Net pension liability	(18,259,540)	(15,406,636)
Net cash used in operating activities	\$(<u>66,116,214</u>)	\$(<u>71,570,454</u>)

See accompanying notes.

Guam Memorial Hospital Authority
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Notes to Financial Statements

Years Ended September 30, 2024 and 2023

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 42 beds for long-term care at the Skilled Nursing Unit (SNU). The hospital provides standard acute care services and certain specialty services primarily to the residents of Guam and neighboring islands, such as Saipan, Tinian, Rota, Palau, and Micronesia. 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.

Guam Memorial Hospital Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Net Position, continued

- 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.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) 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, 2024 and 2023, cash is \$612,105 and \$1,255,830, and the corresponding bank balances amounted to \$605,405 and \$1,249,130, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2024 and 2023, 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, 2024 and 2023, 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.

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

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 Government of Guam, net

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, 2024 and 2023.

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. GMHA capitalizes all expenditures of property and equipment at the time of acquisition that equal or exceeds \$5,000 with a minimum useful life of at least three years.

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Capital Assets, continued

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.

Due to Government of Guam

Amounts due to GovGuam consists of payments made by GovGuam on behalf of GMHA to various vendors and cash advances.

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

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. Employees who have accumulated annual leave in excess of three hundred twenty (320) hours 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.

Members of the Defined Contribution Retirement System (DCRS) 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, 2024 and 2023, GMHA has accrued an estimated sick leave liability of \$3,942,208 and \$5,804,408. 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.

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Pensions and Other Postemployment Benefits (OPEB), continued

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.

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.

Contributions from the Government of Guam

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.

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Federal Grant Award Revenues and Contributions

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.

Recently Adopted Accounting Pronouncement

In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. The adoption of this statement does not have material effect on the financial statements.

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to ascertain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and address certain application issues identified through pre-agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to management's discussion and analysis (MD&A), unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, information about major component units in basic financial statements, budgetary comparison information and financial trends information in the statistical section. GASB Statement No. 103 will be effective for fiscal year ending September 30, 2026.

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. GASB Statement No. 104 will be effective for fiscal year ending September 30, 2026.

GMHA is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

3. Patient Accounts Receivable, net

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, 2024 and 2023 consist of:

	<u>2024</u>	<u>2023</u>
Account referrals – Department of Revenue and Taxation	\$ 99,358,388	\$108,350,042
Collection agencies and other	94,759,652	55,952,900
Medicaid assistance program	51,846,750	38,610,381
Self-pay patients	47,311,246	38,972,919
Medicare	36,368,249	66,234,393
Local third-party payor and other	35,277,112	50,191,414
Medically indigent program	(209,625)	(231,451)
	364,711,772	358,080,598
Less allowance for uncollectible accounts	<u>312,088,153</u>	<u>306,540,264</u>
	<u>\$ 52,623,619</u>	<u>\$ 51,540,334</u>

Patient accounts receivable from “Local third-party payor and other” includes receivables from GovGuam for healthcare services of \$11,989,746 and \$8,561,083, as of September 30, 2024 and 2023, respectively. During fiscal years 2024 and 2023, GMHA collected \$4,363,679 and \$3,502,767, respectively, from accounts referred to the Department of Revenue and Taxation.

4. Inventory, net

Inventory at September 30, 2024 and 2023 consists of the following:

	<u>2024</u>	<u>2023</u>
Pharmaceuticals, drugs and medicine	\$2,100,832	\$2,449,572
Medical and pharmaceutical supplies	<u>1,192,041</u>	<u>1,522,888</u>
	3,292,873	3,972,460
Less allowance for obsolescence	<u>493,522</u>	<u>493,522</u>
	<u>\$2,799,351</u>	<u>\$3,478,938</u>

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

5. Capital Assets, net

Capital assets activity for the year ended September 30, 2024 are as follows:

	Balance October 1, 2023	Additions	Transfers and Deletions	Balance September 30, 2024
<u>Depreciable capital assets:</u>				
Building and land improvements	\$ 75,845,772	\$ 37,550	\$ ---	\$ 75,883,322
Long-term care facility	11,224,746	---	---	11,224,746
Movable equipment	<u>35,137,127</u>	<u>3,135,565</u>	<u>(3,078,761)</u>	<u>35,193,931</u>
	<u>122,207,645</u>	<u>3,173,115</u>	<u>(3,078,761)</u>	<u>122,301,999</u>
Accumulated depreciation and amortization	(96,091,514)	(4,736,234)	3,022,329	(97,805,419)
Allowance for impairment	<u>(400,000)</u>	<u>---</u>	<u>---</u>	<u>(400,000)</u>
	<u>(96,491,514)</u>	<u>(4,736,234)</u>	<u>3,022,329</u>	<u>(98,205,419)</u>
	<u>25,716,131</u>	<u>(1,563,119)</u>	<u>(56,432)</u>	<u>24,096,580</u>
<u>Non-depreciable capital assets:</u>				
Construction-in-progress	<u>2,856,734</u>	<u>18,800</u>	<u>---</u>	<u>2,875,534</u>
<u>Subscription-based IT asset:</u>				
Subscription-based IT assets	6,510,327	69,389	---	6,579,716
Less accumulated amortization	<u>(1,001,592)</u>	<u>(1,012,260)</u>	<u>---</u>	<u>(2,013,852)</u>
	<u>5,508,735</u>	<u>(942,871)</u>	<u>---</u>	<u>4,565,864</u>
Total capital assets, net	<u>\$ 34,081,600</u>	<u>\$(2,487,190)</u>	<u>\$(56,432)</u>	<u>\$ 31,537,978</u>

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

5. Capital Assets, net, continued

Capital assets activity for the year ended September 30, 2023 are as follows:

	Balance October 1, 2022	Additions	Transfers and Deletions	Balance September 30, 2023
<u>Depreciable capital assets:</u>				
Building and land improvements	\$ 74,866,644	\$ 87,658	\$ 891,470	\$ 75,845,772
Long-term care facility	11,723,983	---	(499,237)	11,224,746
Movable equipment	<u>35,218,288</u>	<u>2,172,475</u>	<u>(2,253,636)</u>	<u>35,137,127</u>
	<u>121,808,915</u>	<u>2,260,133</u>	<u>(1,861,403)</u>	<u>122,207,645</u>
Accumulated depreciation and amortization	(93,151,560)	(4,367,687)	1,427,733	(96,091,514)
Allowance for impairment	(<u>400,000</u>)	---	---	(<u>400,000</u>)
	(<u>93,551,560</u>)	(4,367,687)	<u>1,427,733</u>	(<u>96,491,514</u>)
	<u>28,257,355</u>	<u>(2,107,554)</u>	(<u>433,670</u>)	<u>25,716,131</u>
<u>Non-depreciable capital assets:</u>				
Construction-in-progress	<u>2,853,314</u>	---	<u>3,420</u>	<u>2,856,734</u>
<u>Subscription-based IT asset:</u>				
Subscription-based IT assets	---	6,510,327	---	6,510,327
Less accumulated amortization	<u>---</u>	<u>(1,001,592)</u>	<u>---</u>	(<u>1,001,592</u>)
	<u>---</u>	<u>5,508,735</u>	<u>---</u>	<u>5,508,735</u>
Total capital assets, net	\$ <u>31,110,669</u>	\$ <u>3,401,181</u>	\$(<u>430,250</u>)	\$ <u>34,081,600</u>

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

6. Long-Term Liabilities

The changes in long-term liabilities for the years ended September 30, 2024 and 2023, are as follows:

	Balance October 1, <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2024</u>	Due Within <u>One Year</u>
Annual leave	\$ 5,579,512	\$4,674,437	\$(4,286,158)	\$ 5,967,791	\$2,494,541
Sick leave	5,804,408	886,869	(2,749,069)	3,942,208	---
Net Pension liability	163,291,078	---	(7,934,754)	155,356,324	---
OPEB liability	<u>183,003,125</u>	<u>36,959,360</u>	<u>---</u>	<u>219,962,485</u>	<u>---</u>
	<u>\$357,678,123</u>	<u>\$42,520,666</u>	<u>\$(14,969,981)</u>	<u>\$385,228,808</u>	<u>\$2,494,541</u>
	Balance October 1, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2023</u>	Due Within <u>One Year</u>
Annual leave	\$ 5,037,988	\$ 4,465,921	\$(3,924,397)	\$ 5,579,512	\$2,303,917
Sick leave	4,860,982	1,407,026	(463,600)	5,804,408	---
Net Pension liability	115,602,456	47,688,622	---	163,291,078	---
OPEB liability	<u>211,965,288</u>	<u>---</u>	<u>(28,962,163)</u>	<u>183,003,125</u>	<u>---</u>
	<u>\$337,466,714</u>	<u>\$53,561,569</u>	<u>\$(33,350,160)</u>	<u>\$357,678,123</u>	<u>\$2,303,917</u>

7. Medical Malpractice/Employment and Personnel Claims

GMHA is self-insured for malpractice. GMHA's exposure under malpractice claims is limited to \$500,000 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.

8. Pensions

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

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

8. Pensions, continued

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.

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.

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

8. Pensions, continued

A. General Information About the Pension Plans, continued:

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

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 \$2,300 and \$2,200 for 2024 and 2023, respectively. 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.

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

8. 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 $\frac{1}{2}$ of 1% for each month that the age of the member is less than 62 years (6% per year). Credited service is earned for each year of actual employment by the 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, 2022 and 2021 actuarial valuation was used for determining the years ended September 30, 2024 and 2023 statutory contributions.

The Authority's statutory contribution rates were 29.43% and 28.43% for the years ended September 30, 2024 and 2023, respectively. Employees are required to contribute 9.5% of their annual pay for the years ended September 30, 2024 and 2023.

GMHA's contributions to the DB Plan for the years ended September 30, 2024 and 2023, was \$7,405,774 and \$4,105,865, respectively, which were equal to the required contributions for the year ended.

GMHA's recognized supplemental annuity benefit payments and the COLA payments as transfers from GovGuam for the years ended September 30, 2024 and 2023 amounting to \$1,844,965 and \$1,824,741, respectively, which were equal to the statutorily required contributions for the year then ended.

Members of the DCRS plan, who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon. Contributions into the DCRS plan by members are based on an automatic deduction of 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.

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

8. Pensions, continued

A. General Information About the Pension Plans, continued:

Statutory employer contributions for the DCRS plan for the years ended September 30, 2024 and 2023 is 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, 2024 and 2023 were \$11,385,533 and \$12,310,753, respectively, which were equal to the required contributions for the year then ended. Of these amounts, \$8,979,679 and \$9,625,269, respectively, was contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2024 and 2023.

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

Pension Liability: At September 30, 2024 and 2023, GMHA reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2023 and September 30, 2022, respectively, which is comprised of the following:

	<u>2024</u>	<u>2023</u>
Defined Benefit Plan	\$130,405,807	\$141,311,415
Ad Hoc COLA/supplemental annuity Plan for DB retirees	17,374,986	16,614,544
Ad Hoc COLA Plan for DCRS retirees	<u>7,575,531</u>	<u>5,365,119</u>
	<u>\$155,356,324</u>	<u>\$163,291,078</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.

Pension expense: For the years ended September 30, 2024 and 2023, GMHA recognized pension expense for its proportionate share of plan pension expense from the above pension plans as follows:

	<u>2024</u>	<u>2023</u>
Defined Benefit Plan	\$24,352,120	\$19,584,498
Ad Hoc COLA/supplemental annuity Plan for DB retirees	1,793,603	281,429
Ad Hoc COLA Plan for DCRS retirees	<u>1,633,083</u>	<u>559,446</u>
	<u>\$27,778,806</u>	<u>\$20,425,373</u>

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

8. Pensions, continued

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

Deferred Outflows and Inflows of Resources: At September 30, 2024 and 2023, GMHA reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024					
	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/SA Plan for DB</u>		<u>Ad Hoc COLA Plan for DCRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,339,004	\$1,466,863	\$ ---	\$ 703,696	\$ 742,204	\$ 97,458
Net difference between projected and actual investment earnings on pension plan investments	16,972,127	---	---	---	---	---
Changes of assumptions	---	786,976	266,185	885,224	1,466,627	1,341,126
Contributions subsequent to the measurement date	16,385,454	---	1,511,465	---	333,500	---
Changes in proportion and difference between GMHA contributions and proportionate share of contributions	<u>694,133</u>	<u>1,263,699</u>	<u>71,252</u>	<u>29,949</u>	<u>942,511</u>	<u>70,345</u>
	<u>\$35,390,718</u>	<u>\$3,517,538</u>	<u>\$1,848,902</u>	<u>\$1,618,869</u>	<u>\$3,484,842</u>	<u>\$1,508,929</u>
	2023					
	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/SA Plan for DB</u>		<u>Ad Hoc COLA Plan for DCRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,739,621	\$377,877	\$ ---	\$ 141,993	\$ 663,522	\$ 106,262
Net difference between projected and actual investment earnings on pension plan investments	31,846,739	---	---	---	---	---
Changes of assumptions	---	---	27,119	1,802,804	1,115,564	1,437,129
Contributions subsequent to the measurement date	13,731,134	---	1,532,141	---	292,600	---
Changes in proportion and difference between GMHA contributions and proportionate share of contributions	<u>2,725,709</u>	<u>---</u>	<u>188,788</u>	<u>516</u>	<u>627,548</u>	<u>90,759</u>
	<u>\$51,043,203</u>	<u>\$377,877</u>	<u>\$1,748,048</u>	<u>\$1,945,313</u>	<u>\$2,699,234</u>	<u>\$1,634,150</u>

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Notes to Financial Statements, continued

8. 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, 2024 will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Defined Benefit Plan</u>	<u>Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees</u>	<u>Ad Hoc COLA Plan for DCRS Retirees</u>
2025	\$ 5,308,227	\$(1,105,781)	\$ 177,546
2026	2,922,479	(175,651)	177,544
2027	8,734,801	---	177,545
2028	(1,477,781)	---	185,196
2029	---	---	175,859
Thereafter	---	---	748,723
	<u>\$15,487,726</u>	<u>\$(1,281,432)</u>	<u>\$1,642,413</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, 2022
Actuarial Cost Method:	Entry age normal (EAN)
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	May 1, 2033 (10.58 years remaining as of September 30, 2022)
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:	7.5% per year for the first 5 years of service, 6% for 5-10 years, 5% for 11-15 years and 4.0% for service over 15 years.

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Notes to Financial Statements, continued

8. Pensions, continued

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

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 70.
Mortality:	RP-2000 healthy mortality table (males +3, females +2). Mortality for disabled lives is the RP 2000 disability mortality (males +6, females +4). Both tables are projected generationally from 2016 using 30% of Scale BB.

The actuarial assumptions used in the September 30, 2022 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 investment return rate assumption as of September 30, 2022 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>Component Return</u>
U.S. Equities (large cap)	26.0%	7.88%	2.05%
U.S. Equities (small cap)	4.0%	9.44%	0.38%
Non-U.S. Equities	17.0%	10.16%	1.73%
Non-U.S. Equities (emerging markets)	3.0%	12.09%	0.36%
U.S. Fixed Income (aggregate)	22.0%	4.71%	1.04%
Risk Parity	8.0%	6.64%	0.53%
High Yield Bonds	8.0%	6.52%	0.52%
Global Real Estate (REITs)	2.5%	9.38%	0.23%
Global Equity	7.0%	8.73%	0.65%
Global Infrastructure	2.5%	8.20%	0.16%
Expected arithmetic mean (1 year)			7.66%
Expected geometric mean (30 years)			6.94%

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Notes to Financial Statements, continued

8. Pensions, continued

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

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan 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, 2023 and 2022 was 4.09% and 4.02%, respectively, 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	\$160,153,598	\$130,405,807	\$104,941,382

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate <u>3.09%</u>	Current Discount Rate <u>4.09%</u>	1% Increase in Discount Rate <u>5.09%</u>
Total collective pension liability	\$ 18,957,465	\$ 17,374,986	\$ 15,992,909

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate <u>3.09%</u>	Current Discount Rate <u>4.09%</u>	1% Increase in Discount Rate <u>5.09%</u>
Total collective pension liability	\$ 8,549,888	\$ 7,575,531	\$ 6,751,666

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

8. Pensions, continued

C. Payables to the Pension Plans:

As of September 30, 2024 and 2023, respectively, GMHA recorded payables to GGRF of \$1,185,869 and \$949,799, representing statutorily required contributions unremitted as of year-end, and is included in the accounts payable - trade in the accompanying statements of net position.

9. 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.

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)

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Notes to Financial Statements, continued

9. Other Post Employment Benefits (OPEB), continued

A. General Information About the OPEB Plan, continued

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.

For the years ended September 30, 2024 and 2023, GMHA recognized certain on-behalf payments as transfers from GovGuam, totaling \$3,969,651 and \$4,342,623, 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 Collective OPEB Liability

Total OPEB liability at the fiscal year presented for the OPEB Plan was measured on and was determined by actuarial valuations as of the following dates:

	<u>2024</u>	<u>2023</u>
Reporting Date	September 30, 2024	September 30, 2023
Measurement Date	September 30, 2023	September 30, 2022
Valuation Date	September 30, 2022	September 30, 2022

Collective total OPEB liability as of September 30, 2024 and 2023 is \$219,962,485 and \$183,003,125, respectively.

Proportionate share of total OPEB liability at September 30, 2024 and 2023 is 8.05% and 7.97%, respectively.

Actuarial Assumptions: A summary of actuarial assumptions applied to all periods included in the measurement is shown below:

Inflation:	2.5% per year
Discount rate:	4.09%, compounded annually, based on a tax-exempt, high quality municipal bond rate. Previously 4.02%, as of September 30, 2022.
Amortization rate:	Level dollar amount over 30 years on an amortization period for pay-as-you-go funding.

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Notes to Financial Statements, continued

9. Other Post Employment Benefits (OPEB), continued

B. Total Collective OPEB Liability, continued:

Salary increases:	6.0% per year for the first 5 years of service, 4.5% for 6- 10 years, 3% for over 10 years. (Previously, 7.5% for the first 5 years of service, 6% for 6-10 years, 5% for 11-15 years, and 4% for service after 15 years.)
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Healthcare cost trend rates:	Non-Medicare, Medicare claims and retiree contributions - 8% for FY2023, then 26%, 14% and 0% for FY2024 for non-medicare, medicare claims, and retiree contributions, respectively. 7% for FY2025, decreasing 0.5% per year to 4.5% in FY2030 and an ultimate rate of 4.1% for FY2031 and later years.
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The trend rates reflect actual changes in plan costs and retiree contributions through October 1, 2024. Trend assumptions for healthcare 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 is expected to decline year by year. Medical trend rates are applied to claim cost and retiree contributions.

The trend rates for Medicare Part B and Part D reimbursements are assumed to be 4.25% in year 1 and 3.64% in year 2 to reflect the actual changes in costs through October 1, 2024 and 4.25% per year in subsequent years.

Dental trend rates:	For claims and retiree contributions, 4.25% for year 1 and 8.21% and 0% for claims and retiree contributions, respectively for year two. For subsequent years, rate will be 4.25% based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.
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Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

9. Other Post Employment Benefits (OPEB), continued

B. Total Collective OPEB Liability, continued:

Mortality rates:	PUB-2010 Headcount-Weighted Mortality Table, set forward 4 years and 2 years for males and females, respectively, with 130% of rates prior to age 80. Projected generationally using 50% of scale MP-2020.
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.
Medical enrollment:	Based on current over-65 retiree data, 55% 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 28, 2008 are assumed ineligible for Medicare upon attainment of age 65 and therefore will not enroll in a Medicare Supplemental Plan.
Dependent status:	Male spouses are assumed to be three years older and female spouses are assumed to be three years younger than the retired employee. Medical - 100% of spouses of active employees covered under a GovGuam medical plan will elect to participate at the active employee's retirement. Dental - 100% of spouses of active employees covered under a GovGuam dental plan will elect to participate at the active employee's retirement. Life - 100% of spouses of active employees will elect to participate at the active employee's retirement. For current retired employees, the actual census information is used.

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Notes to Financial Statements, continued

9. Other Post Employment Benefits (OPEB), continued

B. Total Collective OPEB Liability, continued:

Actuarial cost method:	Entry Age post-employment Normal. The costs of each employee's 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.
Employee data:	Employee and retiree data as of September 30, 2022 were submitted by GovGuam. Reasonable adjustments for missing or invalid data were made.

C. Changes in the Total OPEB Liability:

Discount rate: The discount rate used to measure the total OPEB liability was 4.09%. The projection of cash flows used to determine the discount rate assumed that contributions from the Authority will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 4.09% municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	1% Decrease in Discount Rate <u>3.09%</u>	Current Discount Rate <u>4.09%</u>	1% Increase in Discount Rate <u>5.09%</u>
Total OPEB Liability	\$254,971,137	\$219,962,485	\$191,551,312

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 <u>Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$187,211,595	\$219,962,485	\$261,901,439

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Notes to Financial Statements, continued

9. Other Post Employment Benefits (OPEB), continued

C. Changes in the Total OPEB Liability, continued:

For the years ended September 30, 2024 and 2023, GMHA reported total OPEB expense of \$15,657,201 and \$9,635,644, respectively, for its proportionate share of the GovGuam total OPEB expense. At September 30, 2024 and 2023, GMHA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2024</u>		<u>2023</u>	
	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	Deferred Outflows of <u>Resources</u>	Deferred Inflowsof <u>Resources</u>
Changes of assumptions	\$ 7,432,731	\$42,147,105	\$16,402,813	\$60,259,026
Differences between expected and actual experience	33,656,150	9,289,564	14,271,606	8,415,364
Contributions subsequent to the measurement date	3,969,651	---	4,342,623	---
Changes in proportion and difference between employer contributions and proportionate share of contributions	<u>11,525,246</u>	<u>---</u>	<u>13,368,167</u>	<u>404,456</u>
	<u>\$56,583,778</u>	<u>\$51,436,669</u>	<u>\$48,385,209</u>	<u>\$69,078,846</u>

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

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, 2024 will be recognized in OPEB expense as follows:

Year Ending <u>September 30</u>	
2025	\$3,833,506
2026	(608,507)
2027	(936,422)
2028	(2,530,845)
2029	(2,530,845)
Thereafter	<u>3,950,571</u>
	<u>\$1,177,458</u>

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

10. Net 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.
- Medicaid Assistance Program and 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 percentage from the Medicaid, Medicare, and MIP programs of GMHA's gross patient revenue for the years ended September 30, 2024 and 2023 have been determined as follows:

	<u>2024</u>	<u>2023</u>
Medicaid	32.42%	33.53%
Medicare	29.53%	29.77%
MIP	0.04%	0.11%

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, actual results could differ from recorded estimates.

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Notes to Financial Statements, continued

10. Net Patient Service Revenue, continued

Patient service revenues for the years ended September 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Services provided to Medicaid patients	\$ 93,741,439	\$ 82,133,396
Services provided to Medicare patients	85,393,081	72,917,013
Services provided to Self-pay patients	32,561,427	25,907,760
Services provided to MIP patients	123,103	268,198
Services provided to other patients	<u>77,338,571</u>	<u>63,738,585</u>
	289,157,621	244,964,952
Less contractual adjustments and provisions for uncollectible accounts	<u>155,250,565</u>	<u>151,486,166</u>
Net patient service revenue	<u>\$133,907,056</u>	<u>\$ 93,478,786</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, 2012 to April 30, 2017, subject to reconciliation. In addition, GMHA resumed accepting insurance coverage under TakeCare. The agreed upon procedures report for the reconciliation by the third party was completed in October 2021 and TakeCare made the final settlement in November 2023.

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

11. Transfers from the Government of Guam

During the years ended September 30, 2024 and 2023, 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>2024</u>	<u>2023</u>
Pharmaceuticals Fund	\$21,714,329	\$19,631,513
General Fund	8,491,370	3,502,709
General Fund – On behalf payments	6,794,929	5,495,603
Emergency Fund	30,000,000	---
Merit Bonus	973,063	---
FY22 Audited Surplus Fund	3,361,963	---
General Fund – General Pay Plan	<u>---</u>	<u>3,900,000</u>
	<u>\$71,335,654</u>	<u>\$32,529,825</u>

In accordance with Public Law 37-42, GovGuam appropriated \$21.7 million from the GMHA Pharmaceuticals Fund and \$8.5 million from the General Fund for the year ended September 30, 2024.

In accordance with Public Law 36-107, GovGuam appropriated \$18.7 million from the GMHA Pharmaceuticals Fund and \$3.5 million from the General Fund for the year ended September 30, 2023. The GMHA Pharmaceuticals Fund was amended to \$19.6 million on Public Law 37-3.

During the years ended September 30, 2024 and 2023, GMHA recognized certain on-behalf payments as transfers from GovGuam, totaling \$6.8 million and \$5.5 million, respectively, representing certain healthcare benefits and other pension benefits that GovGuam's General Fund paid directly on behalf of Hospital retirees.

In accordance with Public Law 37-43, GovGuam appropriated \$30.0 million emergency fund for GMHA for the year ended September 30, 2024 to use for vendor payments and perform necessary building repairs. In addition, in accordance with Public Law 37-123, GovGuam appropriated \$1.0 million merit bonus for the year ended September 30, 2024.

In accordance with Public Law 36-107, GovGuam appropriated \$5.0 million from the FY22 audited surplus fund balance for recruitment and hiring of specialty care physicians of which \$3.4 million was received for the year ended September 30, 2024.

In accordance with Public Law 37-3, GMHA was appropriated \$3.9 million from the General Pay Plan for the year ended September 30, 2023 to help bring the pay structure and associated salaries closer to alignment with market data, and to help address the Internal Equity disparity that currently exists with autonomous agencies within the government.

Guam Memorial Hospital Authority
(A Component Unit of the Government of Guam)

Notes to Financial Statements, continued

11. Transfers from the Government of Guam, continued

In accordance with Public Law 36-107, GovGuam appropriated \$15.0 million from the Hospital Capital Improvement Fund for GMHA's capital improvement projects or renovations of GMHA's delivery ward. No amount was received for the years ended September 30, 2024 and 2023.

12. 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, 2024 and 2023 follows:

	<u>2024</u>	<u>2023</u>
Self-pay patients	66%	57%
Local third-party payor and other	11%	19%
Medicaid assistance program	10%	14%
Medicare	14%	11%
Medically indigent program	(1%)	(1%)
	<u>100%</u>	<u>100%</u>

13. Commitments and Contingencies

Medicare

The GovGuam 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 GovGuam 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 GovGuam 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 (ACOE) conducted a facility condition assessment of the hospital building. 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. Site selection for the new hospital is being evaluated.

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

13. Commitments and Contingencies, continued

Facility Condition Assessment, continued

Although new construction will be pursued, the ACOE recommended that GMHA immediately begin work to repair the Hospital's critical life safety items to include roof replacement, exterior building repairs, HVAC repairs, and other life safety repairs. The final report estimated the cost of immediate repairs at \$21 million to support the reaccreditation of the facility. In October 2023, GovGuam committed \$20 million from the American Rescue Plan Act funds for GMHA capital improvements to address the ACOE assessment. In December 2023, due to unforeseen circumstances, the \$20 million commitment for CIPs was amended to \$10 million for GMHA vendor payments to alleviate revenue losses and decreased cash flows. Other funding sources, to include GMHA operations funds, will be used for capital improvement commitments.

Litigation

GMHA is involved in litigations 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.

14. Related Party Transactions

Dependency on the Government of Guam

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

Funds subsidy and assistance from the Government of Guam

- FY 2024 transfers from GovGuam of \$71.3 million and federal grants of \$2.0 million subsidized GMHA net revenues for GMHA's operational expenses. However, non-cash pension expense of \$9.5 million and OPEB expense of \$11.6 million was attributed to operating losses.
- To date, FY 2025 appropriations are \$87.7 million. These government subsidies augment net revenues. As of August 31, 2025, GMHA operating losses are \$50.5 million while transfers from GovGuam are \$61.1 million and federal grants are \$1.3 million.

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

14. Related Party Transactions, continued

Dependency on the Government of Guam, continued

Funds subsidy and assistance from the Government of Guam, continued

- FY 2026 budget request was submitted to the Guam Legislature on March 31, 2025. The budget projected a shortfall of \$21.9 million for operations. On May 5, 2025, GMHA presented its budget request to the Committee on Finance and Government Operations at the Guam Legislature. After extensive discussion during the public hearing, the Legislature took the request under advisement until the Legislature convenes for session to discuss the bill on FY 2026 appropriations. GMHA feels fairly confident in receiving a portion of the requested amount. However, various cuts in expenses are planned if GMHA is underfunded. These cuts are focused on mainly reducing costs for contractual services such as travel nurses, physician contracts, others. Workforce reduction will also be considered.

Medicare

- GMHA looks forward to continuing the work to improve Medicare and Medicaid reimbursements with the Legislative Chairperson for the Committee on Health and Veterans Affairs and the Congressman. Discussions have revolved around rebasing and Critical Access Hospital designation as possible means of increasing GMHA's current rate as a TEFRA hospital. 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 (or cap) based on the facility's cost of care in the base year. The discharge limit is increased each year by a hospital market basket index determined by Medicare to account for inflation, which averages 1% per year

Being the only civilian public acute care hospital in Guam, GMHA will continue to exist despite negative operating losses and negative cash from operating activities. Accordingly, the financial statements were prepared as a going concern entity.

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

14. Related Party Transactions, continued

Due to the Government of Guam

During the years ended September 30, 2024 and 2023, Due to the Government of Guam pertains to various transactions, which are summarized as follows:

	<u>2024</u>	<u>2023</u>
On behalf payments for Pharmaceutical purchases	\$ 4,993,410	\$ ---
On behalf payments made for nursing services	4,674,181	4,684,292
Advances to Medicaid	3,405,881	17,605,680
On behalf payments for medical and dental insurance	3,168,139	---
Advances to offset withholding taxes	<u>1,829,124</u>	<u>---</u>
	<u>\$18,070,735</u>	<u>\$22,289,972</u>

15. 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.

For the year ended September 30, 2023, GMHA received and expended the following COVID-19 response and recovery related funds from the GovGuam and federal government either as a direct recipient or as a sub-recipient:

	Receivable (Payable) <u>Beginning</u>	Funds <u>Received</u>	Federal <u>Expenditures</u>	Receivable (Payable) <u>Ending</u>
Government of Guam:				
Vendor Support	\$ ---	\$ <u>6,003,374</u>	\$ <u>6,003,374</u>	\$ ---
U.S. HHS:				
Provider Relief Fund - Part 3	(140,526)	---	140,526	---
Provider Relief Fund - Part 4	<u>(1,500,000)</u>	<u>---</u>	<u>1,500,000</u>	<u>---</u>
	<u>(1,640,526)</u>	<u>---</u>	<u>1,640,526</u>	<u>---</u>
U.S. Department of Homeland Security:				
COVID-19 Surge Medical Staffing	---	13,283,848	10,666,588	(2,617,260)
Alternate Care Site	---	1,668,501	1,668,501	---
Personal Protective Equipment	<u>---</u>	<u>397,500</u>	<u>397,500</u>	<u>---</u>
	<u>---</u>	<u>15,349,849</u>	<u>12,732,589</u>	<u>(2,617,260)</u>
Total	\$(<u>1,640,526</u>)	\$ <u>21,353,223</u>	\$ <u>20,376,489</u>	\$(<u>2,617,260</u>)

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

15. 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.

For the year ended September 30, 2023, GMHA received vendor support which amounted to \$6,003,374, respectively, that were fully incurred and collected as of September 30, 2023.

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

For the year ended September 30, 2023, GMHA received public assistance totaling \$15,349,849 from Federal Emergency Management Agency (FEMA) for COVID-19 surge medical staffing, alternate care site and personal protective equipment. As at September 30, 2023, funds received of \$2,617,260, is included as Due to US Federal Government in the accompanying statement of net position. \$882,740 expenditures as of September 30, 2023 remained uncollected and is included as Due from Government of Guam, net, in the accompanying statement of net position. The receivable was fully collected as of September 30, 2024. The total receipts of \$3,500,000 from FEMA remained outstanding and is presented as Due to US Federal Government in the accompanying statements of net position.

16. Subscription-based IT Arrangements

On April 8, 2020, GMHA entered into a 5-year Master License and Subscription Agreement for Electronic Health Records (EHRs) system, and financial and revenue cycle management (RCM) solutions with Medsphere Systems Corporation (“Medsphere”). The agreement expires on April 8, 2025 and has an option to renew four (4) successive terms of one (1) year each with the same terms and conditions. The agreement requires the payment of subscription service fees to Medsphere.

GASB 96 requires the use of the interest rate the SBITA vendor charges the government, which may be the interest rate implicit in the SBITA. As the implicit rate is rarely determinable, GMHA used the Guam Business Privilege Tax Refunding Bonds interest rate with a similar term as the incremental borrowing rate upon initial adoption. The remaining subscription term and discount rate are as follows:

Remaining subscription term	4.58 years
Discount rate	5.00%

Guam Memorial Hospital Authority
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Notes to Financial Statements, continued

16. Subscription-based IT Arrangements, continued

The following table provides the maturities of the subscription liability at September 30, 2024:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 950,170	\$208,080	\$1,158,250
2026	970,106	188,144	1,158,250
2027	1,018,611	139,639	1,158,250
2028	1,069,542	88,708	1,158,250
2029	<u>1,045,384</u>	<u>17,616</u>	<u>1,063,000</u>
	<u>\$5,053,813</u>	<u>\$642,187</u>	<u>\$5,696,000</u>

Required Supplementary Information

Guam Memorial Hospital Authority
(A Component Unit of the Government of Guam)

Schedule 1
Required Supplemental Information (Unaudited)
Schedule of Proportionate Share of Net Pension Liability - Defined Benefit Plan
Last 10 Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
GMHA's proportionate share of the net pension liability	\$ 130,405,807	\$ 141,311,415	\$ 89,839,485	\$ 111,975,847	\$ 105,391,734	\$ 103,815,783	\$ 103,946,075	\$ 123,668,997	\$ 133,213,450	\$ 107,746,620
GMHA's proportion of the net pension liability	9.34%	9.50%	9.32%	8.98%	8.68%	8.80%	9.10%	9.04%	9.27%	8.65%
GMHA's covered payroll*	\$ 55,716,150	\$ 52,770,724	\$ 49,646,005	\$ 48,500,356	\$ 44,214,485	\$ 45,240,661	\$ 46,255,958	\$ 45,750,624	\$ 47,411,059	\$ 43,653,700
GMHA's proportionate share of the net pension liability as percentage of its covered payroll	234.15%	267.66%	180.96%	230.88%	238.36%	229.47%	224.72%	270.31%	280.98%	246.82%
Plan fiduciary net position as a percentage of the total pension liability	59.17%	54.45%	70.14%	61.48%	62.25%	63.28%	60.63%	54.62%	52.32%	56.60%

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

Guam Memorial Hospital Authority
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Schedule 2
Required Supplemental Information (Unaudited)
Schedule of Proportionate Share on Net Pension Liability - Ad Hoc COLA/Supplemental Annuity Plan
for DB Retirees
Last 10 Fiscal Years*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
GMHA's proportionate share of the net pension liability	\$ 17,374,986	16,614,544	19,756,393	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	6.46%	6.48%	6.41%	6.36%	6.36%	6.41%	6.37%	6.37%	6.31%

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

Guam Memorial Hospital Authority
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Schedule 3
Required Supplemental Information (Unaudited)
Schedule of Proportionate Share on Net Pension Liability - Ad Hoc COLA Plan for DCRS Retirees
Last 10 Fiscal Years*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
GMHA's proportionate share of the net pension liability	\$ 7,575,531	\$ 5,365,119	\$ 6,006,578	\$ 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	9.67%	8.92%	8.51%	8.10%	7.81%	7.58%	7.65%	7.96%	7.92%

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

Guam Memorial Hospital Authority
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Schedule 4
Required Supplemental Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily determined contribution	\$ 13,817,923	\$ 13,112,724	\$ 11,764,172	\$ 10,868,116	\$ 10,893,064	\$ 10,600,286	\$ 11,773,474	\$ 10,797,566	\$ 12,606,829	\$ 11,552,350
Contribution in relation to the statutorily determined contribution	<u>16,385,454</u>	<u>12,269,026</u>	<u>11,660,111</u>	<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>
Contribution (excess) deficiency	<u>\$ (2,567,531)</u>	<u>\$ 843,698</u>	<u>\$ 104,061</u>	<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>
GMHA's covered payroll *	<u>\$ 55,716,150</u>	<u>\$ 52,770,724</u>	<u>\$ 49,646,005</u>	<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>
Contribution as a percentage of covered payroll	29.41%	23.25%	23.49%	21.29%	23.86%	26.44%	24.65%	24.57%	26.30%	26.56%

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

Guam Memorial Hospital Authority
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Schedule 5
Required Supplemental Information (Unaudited)
Schedule of the Proportionate Share of the Total OPEB Liability
Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability **	\$ 2,734,605,674	\$ 2,296,447,530	\$ 2,771,848,089	\$ 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	\$ 219,962,485	\$ 183,003,125	\$ 211,965,288	\$ 190,642,127	\$ 182,956,947	\$ 134,276,729	\$ 178,049,315	\$ 183,586,849
GMHA's proportion of the total OPEB Liability	8.05%	7.97%	7.65%	7.57%	7.16%	7.16%	7.32%	7.25%
GMHA's covered-employee payroll	49,912,853	49,467,070	49,183,861	\$ 38,671,495	\$ 34,359,287	\$ 34,215,881	\$ 34,722,873	\$ 34,365,109
GMHA's proportionate share of the total OPEB Liability as a percentage of its covered employee payroll	440.69%	369.95%	430.97%	492.98%	532.48%	392.44%	512.77%	534.22%

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

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

Guam Memorial Hospital Authority
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Notes to Required Supplementary Information
Year Ended September 30, 2024 and 2023

Changes of Assumptions – Pension Plans

Amounts reported in the 2023 actuarial valuation reflected an assumption related to administrative expenses to increase to \$6,798,000 per year.

Amounts reported in the 2022 actuarial valuation reflected an assumption related to administrative expenses to increase to \$6,565,000 per year.

Amounts reported in the 2021 actuarial valuation reflected an assumption related to administrative expenses to increase to \$6,565,000 per year.

Amounts reported in the 2020 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,439,000 per year.

Amounts reported in the 2019 actuarial valuation reflected an assumption related to administrative expenses to decrease to \$6,860,000 per year.

Amounts reported in the 2018 actuarial valuation reflected an assumption related to administrative expenses to increase to \$7,082,000 per year.

Amounts reported in the 2017 actuarial valuation reflect a change of assumption for payroll growth to 2.75% rather than 3%. The mortality, retirement age and disability assumption were changed to more closely reflect actual experience. Assumption related to administrative expenses reflected an increase to \$6,344,000 per year and a revised allocation to the various pension plans to reflect actual experience.

Amounts reported in the 2016 actuarial valuation reflect a change of assumption for administrative expenses to \$6,078,000 per year rather than \$5,806,000.

Amounts reported in the 2015 actuarial valuation reflect a change of assumption for payroll growth to 3% rather than 3.5% which was used to determine amounts reported prior to 2015. Amounts reported in 2014 reflect an adjustment of expectations for salary increases, disability and retirement age to more closely reflect actual experience. The amounts reported in the 2011 actuarial valuation reflect an expectation of retired life mortality based on the RP-2000 Mortality Table rather than the 1994 U.S. Uninsured Pensioners Table, which was used to determine amounts reported prior to 2011. Amounts reported in 2011 also reflect a change of assumption for valuation of assets to a 3-year phase in for gains/losses relative to interest rate assumption from market value, with fixed income investments at amortized costs which was used to determine amounts reported prior to 2011.

Other Postemployment Benefits Plan

The information presented has no assets accumulated in a trust to pay related benefits.

Supplementary and Other Information

Guam Memorial Hospital Authority
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Schedule 6
Schedule of Expenses
Years Ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
NURSING:		
Salaries	\$ 29,557,366	\$ 27,040,911
Overtime	1,530,458	1,279,850
Other pay	11,952,659	11,009,771
Fringe benefits	<u>15,493,310</u>	<u>12,241,234</u>
Total personnel costs	58,533,793	51,571,766
Contractual services	8,957,479	6,679,353
Supplies and materials	4,814,726	3,832,105
Miscellaneous	<u>118,637</u>	<u>101,740</u>
	<u>\$ 72,424,635</u>	<u>\$ 62,184,964</u>

	<u>2024</u>	<u>2023</u>
PROFESSIONAL SUPPORT:		
Salaries	\$ 17,141,732	\$ 14,793,435
Overtime	325,079	382,524
Other pay	3,521,777	3,973,961
Fringe benefits	<u>9,128,100</u>	<u>6,840,677</u>
Total personnel costs	30,116,688	25,990,597
Supplies and materials	12,868,092	12,098,221
Contractual services	3,059,214	3,126,800
Utilities	29,785	28,244
Miscellaneous	<u>114,879</u>	<u>70,139</u>
	<u>\$ 46,188,658</u>	<u>\$ 41,314,001</u>

Guam Memorial Hospital Authority
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Schedule 6
Schedule of Expenses , continued

	<u>2024</u>	<u>2023</u>
ADMINISTRATIVE SUPPORT:		
Salaries	\$ 8,876,767	\$ 8,308,325
Overtime	498,954	492,846
Other pay	352,256	487,701
Fringe benefits	<u>4,659,459</u>	<u>3,682,652</u>
Total personnel costs	14,387,436	12,971,524
Supplies and Materials	2,770,349	2,865,538
Utilities	4,184,959	4,673,450
Contractual Services	3,240,619	5,002,136
Miscellaneous	<u>183,240</u>	<u>95,018</u>
	<u>\$ 24,766,603</u>	<u>\$ 25,607,666</u>
	<u>2024</u>	<u>2023</u>
FISCAL SERVICES:		
Salaries	\$ 5,029,240	\$ 4,177,360
Overtime	65,527	68,286
Other Pay	415,253	312,875
Fringe Benefits	3,092,754	2,207,263
Annual Leave Lump Sum Pay	388,279	541,524
Sick Leave (DC Plan)	<u>(1,862,199)</u>	<u>943,425</u>
Total personnel costs	7,128,854	8,250,733
Contractual Services	721,592	300,684
Supplies and Materials	165,759	90,952
Miscellaneous	<u>37,936</u>	<u>116,710</u>
	<u>\$ 8,054,141</u>	<u>\$ 8,759,079</u>

Guam Memorial Hospital Authority
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Schedule 6
Schedule of Expenses , continued

	<u>2024</u>	<u>2023</u>
ADMINISTRATION:		
Salaries	\$ 3,488,540	\$ 3,402,179
Overtime	11,353	25,663
Other pay	155,939	187,322
Fringe benefits	<u>1,820,346</u>	<u>1,464,898</u>
Total personnel costs	5,476,178	5,080,062
Contractual services	1,003,828	1,027,529
Supplies and materials	38,146	60,928
Miscellaneous	<u>401,308</u>	<u>101,130</u>
	\$ <u>6,919,460</u>	\$ <u>6,269,649</u>
	<u>2024</u>	<u>2023</u>
MEDICAL STAFF:		
Salaries	\$ 8,127,736	\$ 7,078,599
Overtime	1,499	2,477
Other pay	264,057	284,053
Fringe benefits	<u>3,402,940</u>	<u>2,501,726</u>
Total personnel costs	11,796,232	9,866,855
Supplies and materials	224,657	145,679
Contractual services	30,476,671	25,298,686
Miscellaneous	<u>1,453</u>	<u>32,684</u>
	\$ <u>42,499,013</u>	\$ <u>35,343,904</u>
Total actual expenses, without depreciation, impairment, and retiree healthcare costs and other pension benefits	\$ <u>200,852,510</u>	\$ <u>179,479,263</u>

Guam Memorial Hospital Authority
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Schedule 7
Schedule of Net Patient Service Revenues by Patient Classification
Years Ended September 30, 2024 and 2023

	2024	2023
Gross Patient Service Revenue:		
Medicaid patients	\$ 93,741,439	\$ 82,133,396
Medicare patients	85,393,081	72,917,013
MIP patients	123,103	268,198
Other patients	77,338,571	63,738,585
Self-pay patients	32,561,427	25,907,760
	<u>\$ 289,157,621</u>	<u>\$ 244,964,952</u>
Contractual Adjustments and Provision for Bad Debts:		
Contractual adjustments:		
Medicaid patients	\$ 59,773,608	\$ 48,548,151
Medicare patients	43,036,595	41,514,932
MIP patients	281,929	476,299
Other patients	(7,211,209)	17,341,328
Provision for bad debts:		
Self-pay patients	59,369,642	43,605,456
	<u>\$ 155,250,565</u>	<u>\$ 151,486,166</u>
Net Patient Service Revenue:		
Medicaid patients	\$ 33,967,831	\$ 33,585,245
Medicare patients	42,356,486	31,402,081
MIP patients	(158,826)	(208,101)
Other patients	84,549,780	46,397,257
Self-pay patients	(26,808,215)	(17,697,696)
	<u>\$ 133,907,056</u>	<u>\$ 93,478,786</u>

Guam Memorial Hospital Authority
(A Component Unit of the Government of Guam)

Schedule 8
Schedule of Billings and Collections and Reconciliation of Billings to Gross Patient Revenues
Years Ended September 30, 2024, 2023, 2022, 2021, and 2020

	Medicaid, Medicare and MIP				Self Pay and Government - DOC and Others				Third-Party Payors									
	Medicaid	Medicare	MIP	Subtotal	Self Pay	Government - DOC and Others	Subtotal	Subtotal	Pavor A	Pavor B	Pavor C	Pavor D	Pavor E	Pavor F	Subtotal	Grand Total	Timing Differences and Adjustments	Gross Patient Revenues
2024																		
Billings	\$ 108,205,801	\$ 89,257,621	\$ 112,089	\$ 197,575,511	\$ 49,248,016	\$ 4,509,837	\$ 53,757,853	\$ 251,333,364	\$ 4,758,747	\$ 15,546,596	\$ 40,395,901	\$ 5,524,899	\$ 1,469,682	\$ 10,561,769	\$ 78,257,594	\$ 329,590,958	\$	
Collections	\$ 25,331,116	\$ 22,984,544	\$ 46,355	\$ 48,362,015	\$ 9,692,081	\$ 855,022	\$ 10,547,103	\$ 58,909,118	\$ 4,243,424	\$ 18,007,943	\$ 27,449,092	\$ 3,622,053	\$ 327,851	\$ 5,892,534	\$ 59,542,897	\$ 118,452,015	\$	
Percentage of collections over billings	<u>23%</u>	<u>26%</u>	<u>41%</u>	<u>24%</u>	<u>20%</u>	<u>19%</u>	<u>20%</u>	<u>23%</u>	<u>89%</u>	<u>116%</u>	<u>68%</u>	<u>66%</u>	<u>22%</u>	<u>56%</u>	<u>76%</u>	<u>36%</u>		
2023																		
Billings	\$ 78,858,709	\$ 57,940,940	\$ 412,017	\$ 137,211,666	\$ 28,687,997	\$ 2,067,555	\$ 30,755,552	\$ 167,967,218	\$ 4,463,169	\$ 24,549,664	\$ 22,651,751	\$ 5,971,529	\$ 300,915	\$ 6,535,844	\$ 64,472,872	\$ 232,440,090	\$	12,524,852
Collections	\$ 42,696,334	\$ 15,092,546	\$ 102,593	\$ 57,891,473	\$ 7,357,455	\$ -	\$ 7,357,455	\$ 65,248,928	\$ 3,019,419	\$ 13,488,132	\$ 16,588,460	\$ 3,929,860	\$ 213,222	\$ 5,125,135	\$ 42,364,228	\$ 107,613,156	\$	244,964,942
Percentage of collections over billings	<u>54%</u>	<u>26%</u>	<u>25%</u>	<u>42%</u>	<u>26%</u>	<u>0%</u>	<u>24%</u>	<u>39%</u>	<u>68%</u>	<u>55%</u>	<u>73%</u>	<u>66%</u>	<u>71%</u>	<u>78%</u>	<u>66%</u>	<u>46%</u>		
2022																		
Billings	\$ 71,577,950	\$ 67,786,756	\$ 3,948,834	\$ 143,313,540	\$ 43,467,545	\$ 1,348,993	\$ 44,816,538	\$ 188,130,078	\$ 2,550,257	\$ 18,966,871	\$ 23,804,791	\$ 6,431,972	\$ 4,571,216	\$ 8,522,592	\$ 64,847,699	\$ 252,977,777	\$	(6,436,629)
Collections	\$ 28,465,067	\$ 19,218,456	\$ 4,433,615	\$ 52,117,138	\$ 10,901,667	\$ -	\$ 10,901,667	\$ 63,018,805	\$ 2,509,251	\$ 17,098,323	\$ 19,680,011	\$ 5,428,636	\$ 5,789,708	\$ 2,548,706	\$ 53,054,635	\$ 116,073,440	\$	246,541,148
Percentage of collections over billings	<u>40%</u>	<u>28%</u>	<u>112%</u>	<u>36%</u>	<u>25%</u>	<u>0%</u>	<u>24%</u>	<u>33%</u>	<u>98%</u>	<u>90%</u>	<u>83%</u>	<u>84%</u>	<u>127%</u>	<u>30%</u>	<u>82%</u>	<u>46%</u>		
2021																		
Billings	\$ 49,691,289	\$ 48,313,497	\$ 14,884,049	\$ 112,888,835	\$ 33,428,665	\$ 1,703,225	\$ 35,131,890	\$ 148,020,725	\$ 2,382,355	\$ 11,222,209	\$ 9,458,851	\$ 7,562,619	\$ 20,293,656	\$ 10,259,645	\$ 61,179,335	\$ 209,200,060	\$	(5,664,388)
Collections	\$ 21,540,733	\$ 13,774,552	\$ 7,583,527	\$ 42,898,812	\$ 13,047,378	\$ -	\$ 13,047,378	\$ 55,946,190	\$ 2,063,489	\$ 5,747,682	\$ 8,637,789	\$ 5,313,587	\$ 17,993,305	\$ 2,918,536	\$ 42,674,388	\$ 98,620,578	\$	203,535,672
Percentage of collections over billings	<u>43%</u>	<u>29%</u>	<u>51%</u>	<u>38%</u>	<u>39%</u>	<u>0%</u>	<u>37%</u>	<u>38%</u>	<u>87%</u>	<u>51%</u>	<u>91%</u>	<u>70%</u>	<u>89%</u>	<u>28%</u>	<u>70%</u>	<u>47%</u>		
2020																		
Billings	\$ 44,660,535	\$ 50,918,400	\$ 14,995,284	\$ 110,574,219	\$ 30,313,848	\$ 1,218,117	\$ 31,531,965	\$ 142,106,184	\$ 2,223,210	\$ 6,671,704	\$ 12,496,654	\$ 6,582,739	\$ 16,068,921	\$ 3,705,612	\$ 47,748,840	\$ 189,855,024	\$	(12,140,508)
Collections	\$ 26,999,457	\$ 23,488,555	\$ 8,720,350	\$ 59,208,362	\$ 5,417,318	\$ 650,129	\$ 6,067,447	\$ 65,275,809	\$ 2,378,919	\$ 9,046,069	\$ 10,982,662	\$ 4,670,610	\$ 9,891,455	\$ 2,125,077	\$ 39,094,792	\$ 104,370,601	\$	177,714,516
Percentage of collections over billings	<u>60%</u>	<u>46%</u>	<u>58%</u>	<u>54%</u>	<u>18%</u>	<u>53%</u>	<u>19%</u>	<u>46%</u>	<u>107%</u>	<u>136%</u>	<u>88%</u>	<u>71%</u>	<u>62%</u>	<u>57%</u>	<u>82%</u>	<u>55%</u>		

Guam Memorial Hospital Authority
(A Component Unit of the Government of Guam)

Schedule 9
Schedule of Full Time Employee (FTE) Count
Years Ended September 30, 2024 and 2023

<u>Department</u>	<u>2024</u>	<u>2023</u>
Actual FTE count		
Nursing	548	536
Professional Support	224	238
Administrative Support	165	176
Fiscal Services	149	103
Administration	39	71
Medical Staff	31	12
DOC	<u>24</u>	<u>24</u>
	<u>1,180</u>	<u>1,160</u>
Budgeted FTE count	<u>1,272</u>	<u>1,272</u>