

GUAM MEMORIAL HOSPITAL AUTHORITY

**(A COMPONENT UNIT OF THE
GOVERNMENT OF GUAM)**

**FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT**

**YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(AS RESTATED)**

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Guam Memorial Hospital Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Guam Memorial Hospital Authority (GMHA), a component unit of the Government of Guam, which comprise the statements of net position as of September 30, 2015 and 2014, the related statements of revenues, expenses, and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Guam Memorial Hospital Authority as of September 30, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that GMHA will continue as a going concern. As discussed in note 16 to the financial statements, GMHA has incurred recurring losses and negative cash flows from operations that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, in 2015, GMHA adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. As a result of adopting these standards, GMHA has elected to restate its 2014 financial statements to reflect the adoption of these standards. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14 as well as the Schedule of Funding Progress and Actuarial Accrued Liability – Post Employment Benefits Other than Pension on page 44, the Schedule of Proportional Share of the Net Pension Liability on page 46, and the Schedule of Pension Contributions on page 45, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Financial Information

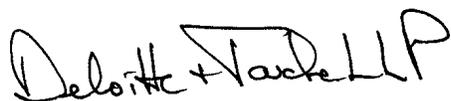
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of expenses, patient service revenues by patient classification, and billings and collections and reconciliation of billings to gross patient revenues on pages 47 to 51 are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules of expenses, patient service revenues by patient classification, and billings and collections and reconciliation of billings to gross patient revenues are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenses, patient service revenues by patient classification, and billings and collections and reconciliation of billings to gross patient revenues are fairly stated, in all material respects, in relation to the financial statements as a whole.

The schedule of full time employee count on page 52 has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2016, 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 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 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.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

June 24, 2016

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

Management's Discussion and Analysis
Years Ended September 30, 2015 and 2014

INTRODUCTION

Guam Memorial Hospital Authority ("GMHA"), a component unit of the Government of Guam ("GovGuam"), was created on July 26, 1977 pursuant to Public Law 14-29, as an autonomous agency of GovGuam. GMHA owns and operates the Guam Memorial Hospital (the "Hospital"). The Hospital provides acute, outpatient, long term, urgent care and emergency care services to all patients who seek medical services at the Hospital. The Hospital has 161 licensed acute care beds, plus 40 beds at its long-term care Skilled Nursing Unit (SNU). GMHA was accredited in 2010 by the Joint Commission, an independent body accrediting healthcare providers in the United States, and recently completed its tri-annual survey conducted by the Joint Commission Surveyors.

The following Management's Discussion & Analysis (MD&A) of GMHA's activities and financial performance will serve as an introduction and overview of the audited financial statements of the Hospital for fiscal years ended September 30, 2015 and September 30, 2014. The information contained in the MD&A has been prepared by management and should be considered with the financial statements and includes the following:

Overview

- Payer Mix - Reimbursements of 3 M's (Medicare, Medicaid, and Medically Indigent Program)
 - TEFRA
 - History
 - Rebasing
 - Impact on Medicaid and MIP
- Uncompensated Care
- Fee Schedule
- ICD10 Conversion
- Staffing

Financial Performance

- Summarized Statements of Net Position
- Summarized Statements of Revenues, Expenses and Changes in Net Position
- Summarized Statements of Cash Flows
- Capital Assets
- Long-term Debt

Patient Census

Economic Overview/Outlook-Looking Forward

- On-line Payment
- Insurance Provider Agreement
- Information Technology Upgrades and Meaningful Use

OVERVIEW

The healthcare industry continues to face significant challenges as it adjusts to the changing government reimbursement levels enacted under the Affordable Care Act ("ACA"). It is important for readers of these financial statements to have a working knowledge of the environment in which the Hospital operates. Issues that significantly impact the Hospital include, but are not limited to:

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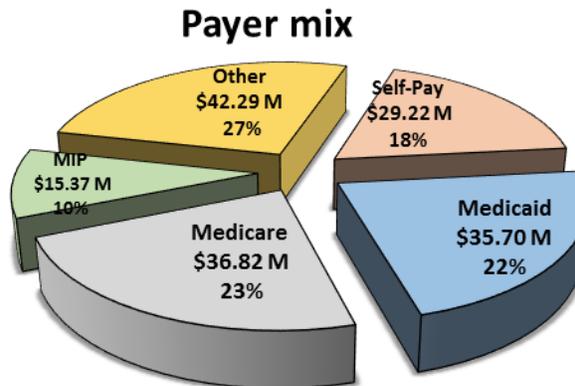
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- Payer Mix - Reimbursements of 3 M's
- Uncompensated Care
- Fee Schedule

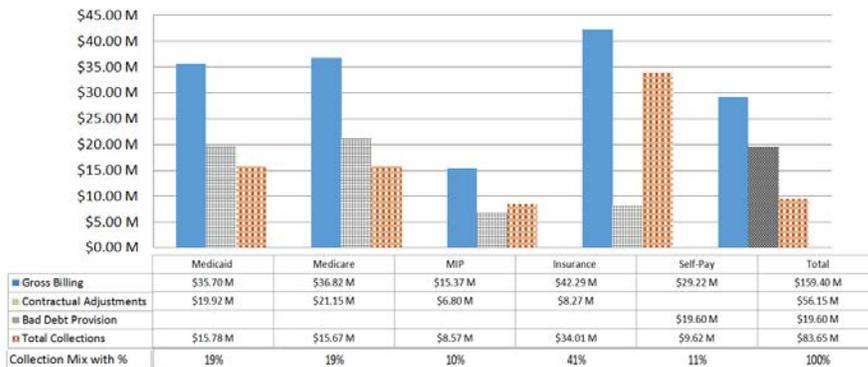
Payer Mix - Reimbursements of 3 M's

It is important to understand GMHA's "Payer Mix" to appreciate why GMHA continues to struggle financially. The following Payer Mix chart below shows the percentage of revenue from different sources. The 3 M's constituted 55% (Medicare 23%, Medicaid 22%, and MIP 10%) or \$87.89M (Medicare \$36.82M, Medicaid \$35.70M, and MIP \$15.37M) of the Hospital's \$159M of gross billing, followed by Third Party Payers and Others at 27% or \$42.29M, and Self-Pay at 18% or \$29.22M.

Reimbursements from the 3 M's do not increase at the rate of increase as the cost of providing healthcare (labor, supply, pharmaceutical costs). In light of reimbursement decreases brought by changes in wage index calculations, coding adjustments, Medicare funding sequestration and other initiatives aimed at capitating payments, it is even more critical that the Medicare Rate be rebased as it also impacts the payment by Medicaid and Medically Indigent Programs (MIP).



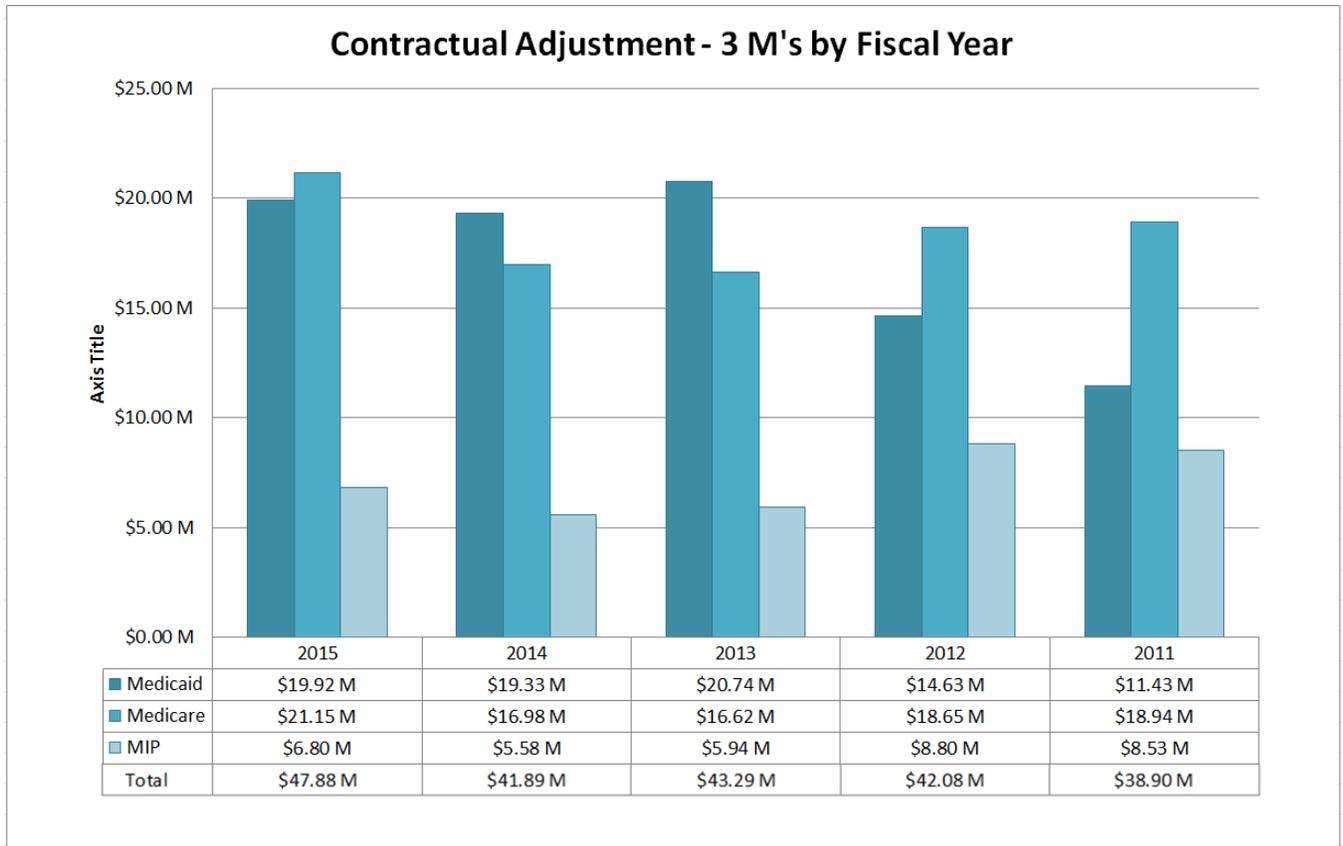
FY2015 Gross Billing, Contractual Adjustment, and Collections Comparison



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One would expect that because the 3 M's account for approximately 55% of the total Hospital revenue, the total collection should also closely equate with the same ratio, but **it does not**. Although the Third Party Payers and Others account for 27% of the Hospital's revenue, their share of total Hospital collections is at 41% (shown in Total Collections chart above). This underscores the continued pursuit of the Hospital's efforts in seeking Rebasing of its Medicare rate. If the Medicare Rate is adjusted to reflect the more current costs of delivering services, Medicaid and MIP (since it mirrors Medicare reimbursement) will also need to be adjusted. This will help align the imbalance between the 3M's revenue mix and the collection ratios, thus reducing the contractual adjustments for the 3M's which are fairly significant. It ranged from \$39M in FY2011 to \$48M in FY2015 as illustrated in the contractual adjustment chart below. The Hospital considers the increasing contractual adjustments as a largely significant **underpayment** that is seriously contributing to its financial instability.



TEFRA

History

In 1982, Congress passed the Tax Equity and Fiscal Responsibility Act (TEFRA) which included changes to the Medicare program. These changes created the Prospective Payment system called Diagnostic Related Groups (DRGS) and legislated that all Medicare Hospital Inpatient Services be paid on this payment system except the following:

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1. Long Term Care Hospitals
2. Children's Hospitals
3. Rehabilitation Hospitals
4. Hospitals in Guam, American Samoa, Commonwealth of the Northern Marianas and Puerto Rico.

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

In 1997, Congress allowed a one-time Rebasing rate. The Hospital used 1992-1994 as the base years due to unavailability of records due to a computer system overhaul in 1995-1996. Since the base year being used was still 1992-1994 costs (22 years later), the standard reimbursement rates failed to capture costs that should have been in the TEFRA base and resulted in significant reimbursement shortfalls accumulating year to year. Reimbursements are processed each year on a per discharge basis, including an annual update by the Market Basket Index (MBI), which is intended to account for average inflation rates. However, since the base years used (1992-1994) were not "current" at that time (1997), the opportunity to more accurately reflect the Hospital's true costs to provide services moving forward was missed.

Rebasing

Rebasing is the process of updating the base year cost per discharge. GMHA's current base year is 1997, but at the 1992-1994 cost. A large portion of the work required to validate the data provided by GMHA, has been completed by CMS' contractor in June 2015 pursuant to an audit of GMHA's FY 2013 Medicare Cost Report.

GMHA achieved a significant milestone upon receiving the results of CMS' audit of its 2013 Medicare Cost Report completed in June 2015, which certify the objectivity of GMHA's cost reporting and thus validating GMHA's case for under-reimbursement, which is based on that reporting. GMHA provided extensive analysis showing that its costs have increased due to the increasing age and sickliness of the population it serves, and, thus, **its new cost baseline should be the costs incurred in FY 2013 figures, instead of FY 1992-1994 data.**

Impact on Medicaid and MIP

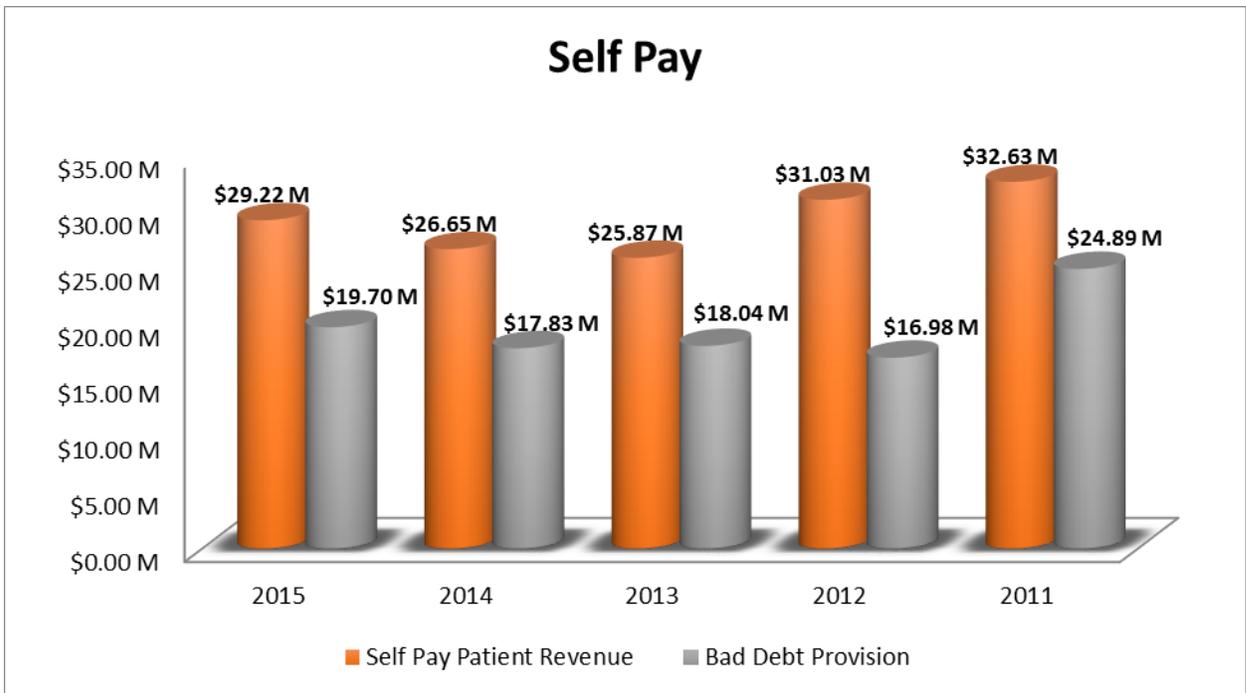
The rebasing of the Medicare rate would also impact Medicaid and MIP per diem payments. Payments from these two plans will be expected to increase because Medicaid and MIP mirror Medicare payment methodology to a certain extent. In addition to the regular per diem payments by Medicare, unlike Medicaid and MIP, Medicare requires that a Medicare Cost Report be submitted each year. This cost report allows the Hospital to submit allowable costs and any underpayment is paid after the Notice of Program Reimbursement is issued. However, Medicaid and MIP do not have such a process. The Hospital will pursue additional Medicaid and MIP underpayments based on the Medicare Cost Report Notice of Program reimbursements calculations.

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Uncompensated Care

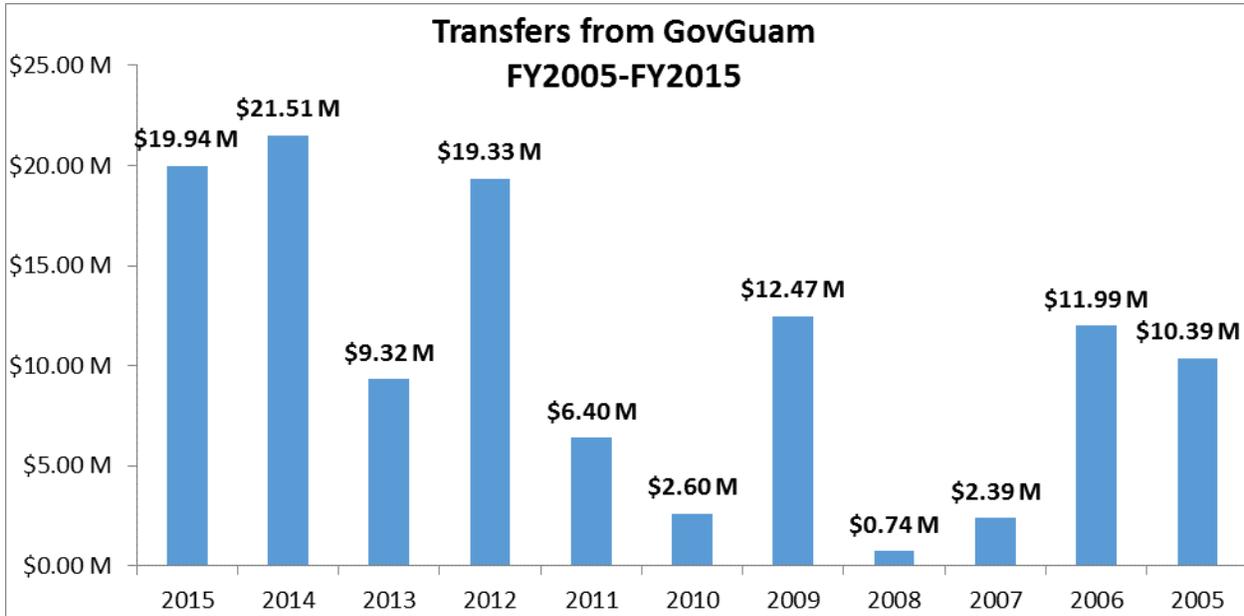
Another issue seriously impacting the Hospital is uncompensated care rendered to the self-pay population – i.e. patients who are underinsured or without insurance coverage. For the past 5 years, self-pay patients received an average of \$29M of care per year, with a provision for bad debt averaging \$19M annually as reflected in the chart below. This is a significant impact on the Hospital's continued sustainability. GMHA is actively seeking ways to improve collections, such as the implementation of the online payment services expected to be launched this summer and communicating with the Department of Public Health to enroll individuals who qualify for Medicaid and MIP. The goal is to have eligibility workers from Public Health stationed at GMHA to process prospective patients eligible for these benefits. This would ensure eligible patients are enrolled timely, thus reducing self-pay patients.



Even with GMHA's improved efficiency in billing and collection efforts, there will always be a significant percentage of patients who do not have resources or the ability to pay for the healthcare services they receive. As such, this **uncompensated care and underpayment from the 3 M's** will continue to be a burden for GMHA. For instance, in FY 2015 alone, the contractual adjustment and provision for bad debts totals \$67M, which GMHA will not realize. A review of the government transfers below illustrates the amounts GMHA received in direct subsidy from GovGuam since 2005. As shown in the chart, the Hospital clearly does not receive enough funds to cover the **underpayments** from the 3 M's and the **uncompensated care** from self-pay patients. Therefore, an external funding source must be identified to reimburse the Hospital for underpayment of the 3 M's and the cost of providing uncompensated care for those individuals who do not qualify for any coverage, but continue to drain the Hospital's resources.

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Fee Schedule

GMHA's fee schedule is below industry standard and therefore continues to negatively impact Hospital's revenue stream. Although the Board of Trustees has approved a 5% increase effective April 1, 2015, and an additional 5% increase each year thereafter, GMHA's rates are still significantly outdated because most of the rates were established in the early 90s. In its December 2014 report, the Office of the Inspector General recommended that GMHA ***review the fee schedule on a regularly scheduled basis and, where necessary, make adjustments to ensure costs are covered***". In addition to the 5% fee increase, GMHA identified 400 fees that were below Medicare rate, and successfully had the Guam Legislature approve 300 rate adjustments. Governor Calvo signed Bill 189-33 as Public law 33-98 on November 24, 2015. GMHA continues to review its charge library to identify outdated charges that must be adjusted. Any adjustment, however, will need legislative approval for any fee increase that exceeds the 5% threshold.

ICD10 Conversion

The much anticipated ICD-10 implementation (scheduled for October 1, 2015) may also have an adverse impact on reimbursement until our caregivers and revenue cycle staff adjust to this significant coding change.

Staffing

Shortages of certain physician specialists as well as specialty care nurses both locally and nationally are expected to continue to grow over the next several years.

FINANCIAL PERFORMANCE

A Comparative analysis is provided between Fiscal Year ("FY") 2015 and FY 2014 for the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statement of Cash Flow.

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Management's Discussion and Analysis
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SUMMARIZED STATEMENTS OF NET POSITION

	<u>2015</u>	<u>2014 As Restated</u>	<u>2013 As Restated</u>	<u>% Change 2015 to 2014</u>
Assets				
Current assets	\$ 25,933,469	\$ 30,929,990	\$ 29,299,115	-16.15%
Noncurrent assets	39,158,013	41,274,794	40,182,567	-5.13%
Deferred outflows of resources	<u>13,406,201</u>	<u>11,552,350</u>	<u>11,059,816</u>	16.01%
Total assets and deferred outflows of resources	<u>\$ 78,497,683</u>	<u>\$ 83,757,134</u>	<u>\$ 80,541,498</u>	<u>-6.28%</u>
Liabilities and Net Position				
Liabilities				
Current liabilities	\$35,014,278	\$ 29,113,838	\$ 41,333,134	20.27%
Noncurrent liabilities	<u>133,680,712</u>	<u>143,959,338</u>	<u>142,437,884</u>	-7.14%
Total Liabilities	<u>168,694,990</u>	<u>173,073,176</u>	<u>183,771,018</u>	-2.53%
Deferred inflows of resources from pension	<u>9,460,899</u>	<u>6,960,590</u>	-	35.92%
Net Position:				
Net investment in capital assets	38,855,016	40,937,232	40,182,567	-5.00%
Unrestricted	<u>(138,513,222)</u>	<u>(137,213,864)</u>	<u>(143,412,087)</u>	0.95%
Total net position	<u>(99,658,206)</u>	<u>(96,276,632)</u>	<u>(103,229,520)</u>	3.51%
Total liabilities, deferred inflows of resources and net position	<u>\$ 78,497,683</u>	<u>\$ 83,757,134</u>	<u>\$ 80,541,498</u>	<u>-6.28%</u>

- Current and Other assets decreased by \$4,996,521 or 16.15% representing a reduction of cash and amounts due from GovGuam, offset by a small increase in inventory and prepaid expenses.
- Current liabilities increased by \$5,900,440 or 20.3% principally due to an increase in payables which remained outstanding due to a lack of cash flow.
- The inclusion of GMHA's share of GovGuam's net pension liability in accordance with new reporting requirements caused a decrease of \$116,454,796 in Net Position as of September 30, 2014, as restated. There was a further decrease in Net Position in FY 2015 of \$3,381,574 or 3.51%.

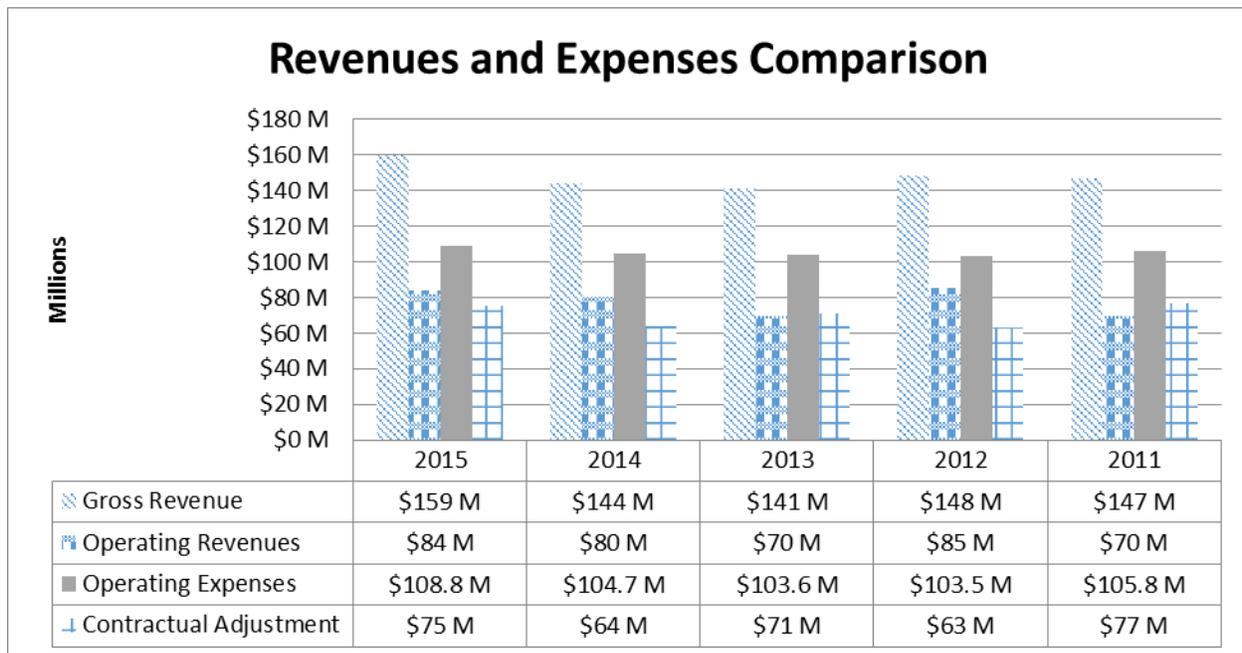
SUMMARIZED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2015</u>	<u>2014 As Restated</u>	<u>2013</u>	<u>% Change 2015 to 2014</u>
Operating revenues	\$ 84,200,642	\$ 80,181,484	\$ 69,867,610	5.01%
Operating expenses	<u>110,041,761</u>	<u>104,692,861</u>	<u>103,638,656</u>	5.11%
Operating loss	(25,841,119)	(24,511,377)	(33,771,046)	5.42%
Non-operating revenues, net	21,200,589	27,064,819	13,147,749	-21.67%
Capital grants and contributions	<u>1,258,956</u>	<u>4,399,446</u>	<u>6,338,614</u>	-71.38%
Change in net position	<u>\$ (3,381,574)</u>	<u>\$ 6,952,888</u>	<u>\$(14,284,683)</u>	<u>-148.64%</u>

The 2013 Summarized Statement of Revenues, Expenses and Changes in Net Position has not been restated for the effects of the adoption of Governmental Accounting Standards Board Statements No's. 68 and 71.

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- GMHA generated its highest gross revenue ever recorded of \$159M (page 45 of the Schedule Patient Service Revenues), a 10% increase.
- Operating revenues increased by \$4M, 5.01%
- Operating expenses increased by \$4M, or 5.11%
- Operating loss increased \$1.3M, or 5.42%.
- Non-operating revenues declined by \$5.86M or 21.67% primarily due to reductions in transfers from GovGuam and in federal grants
- Net Position decreased by \$3,381,754 or 148.64%.

SUMMARIZED STATEMENTS OF CASH FLOWS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>%</u>
Cash used for operating activities	\$ (20,437,913)	\$ (32,461,043)	\$ (11,765,171)	37.0%
Net cash provided by noncapital financing activities	18,582,210	32,764,889	14,791,918	-43.3%
Cash flows used for capital and related financing	<u>(1,286,531)</u>	<u>(705,125)</u>	<u>(1,069,565)</u>	82.5%
Net change in cash	\$ <u>(3,142,234)</u>	\$ <u>(401,279)</u>	\$ <u>1,957,182</u>	683.1%

- Patient receipts collected in FY 2015 exceeded receipts collected in FY2014 by \$4,985,217 or 6.3%.
- Payments to and on behalf of employees in FY 2015 exceeded such payments in FY 2014 by \$7,123,037 or 9.4%.
- Payments to suppliers decreased by \$13,803,066 or 38.3%
- Non-capital contributions from GovGuam decreased by \$5,013,348 or 35%.
- Capital contributions from GovGuam decreased by \$1,687,511 or 57.5%.

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Capital Assets

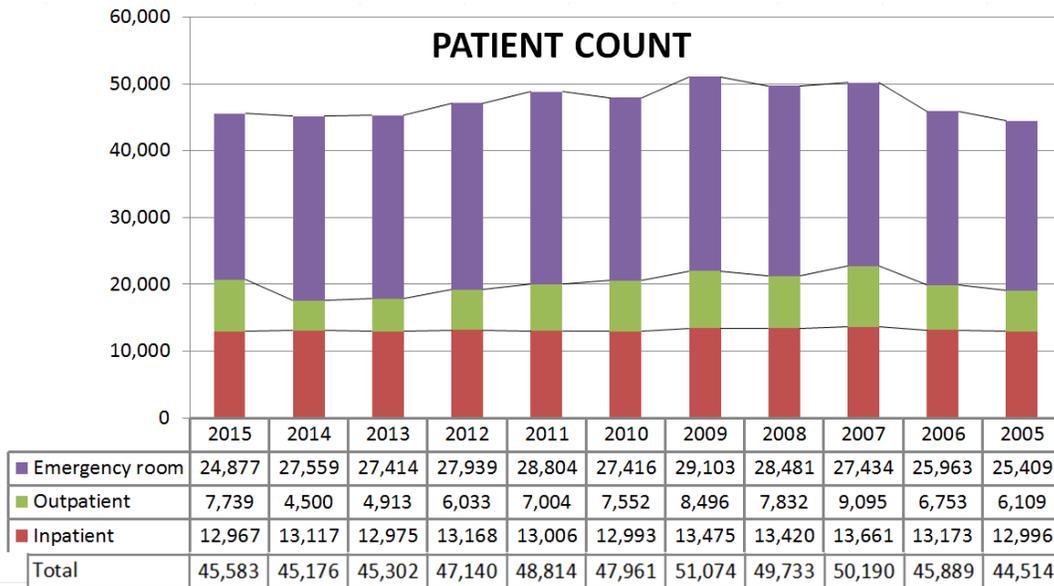
The Hospital recorded \$8.2M for the final completion of the Emergency Room, Intensive Care Unit, Urgent Care Unit, and the Critical Care Unit expansion and renovation. Additionally, a chiller backup unit was installed. At the end of FY2015, GMHA had \$38.9 million invested in capital assets. See Note 7 to the financial statements for additional information.

Long-term Debt

GMHA obtained a \$25 million note payable with a local bank in January 2014 which was used to pay and discharge the remaining balance of a \$12 million loan obtained in 2011 and for other purposes permitted by law. As of September 30, 2015 and 2014, GMHA recorded long-term debt of \$21.6 million and \$23.6 million, respectively. See Note 9 to the financial statements for additional information.

Patient Census

Patient census has remained constant at @45k per year for the last 3 years. GMHA had anticipated a reduction of patient census due to the opening of Guam Regional Medical Center. However, a review of the patient census from October 1, 2015 to May 31, 2016 reflects total patient count at 25,982 and for the same period last year at 26,200, a reduction of 218 patients.



Economic Outlook - Looking Forward

GMH continues to provide the best patient care despite decades of financial challenges. Its continued effort to improve efficiencies, contain costs, generate internal revenue enhancements will contribute to GMH's sustainability. Some of those efforts include, but are not limited to:

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Online payment

The Hospital has negotiated with a vendor to provide online payment services to patients. Not only will this enable patients to make payments on-line, they could also view their account at their own convenience and privacy. This has the potential to provide a positive impact on the Hospital's collections especially the self-pay payer mix.

Insurance Provider Agreement

GMHA has successfully negotiated a new Insurance Provider Agreement essentially ending a 10 year old Payer Agreement originally signed in 2006. The 2006 Payer Agreement allowed the insurance providers an 8% discount as an incentive to remit payments to GMHA on billings received within 30 days to help cash flow. GMHA successfully negotiated the terms of the new Payer Agreement without the 8% discount effective June 1, 2016 generating approximately \$2M in savings per year. All four local insurance providers have signed the new Payer Agreement.

Information Technology Upgrades and Meaningful Use

The American Recovery and Reinvestment Act (Recovery Act) of 2009 provides incentives for eligible hospitals, like GMHA, who are considered to be meaningful users of certified electronic health record (EHR). As a result of investments made by GMHA to switch from paper charts to electronic records, GMHA received a Stage 1 of the "meaningful use" payment of \$1.3M in May 2014.

As part of GMHA's system upgrade, on October 11, 2014, the first phase of the complete and certified Electronic Health Record (EHR) system migration was implemented, replacing the old 1995 Patient Information System. The AS400 PI system was converted to the Optimum Revenue Cycle Management (RCM) system. The new system is a powerful tool that the GMHA uses to improve efficiency in capturing revenues. It also provides a single, accurate source of information across the enterprise. The Optimum RCM system includes different modules, such as the patient accounting, patient admissions/discharge, medical records, chart management, chart tracking, coding and reimbursement, patient billing, electronic claims and remittance, collections, payments and follow-up processing, and accounts receivable.

GMHA also implemented the Optimum General Financials System in July 2015. This new system, promotes efficient management of GMHA's business cycle by capturing financial information. The system includes financial tracking and reporting, general ledger, fixed assets, inventory management (supply chain), and accounts payable. Budgeting and costing accounting module implemented in 2016 is still being refined. Payroll, Time and Attendance, and HR modules are expected to be converted before the end of Fiscal Year 2016.

The Optimum iMed (EHR) and Pharmacy System was converted on Feb 16, 2016. Optimum iMed is a web-enabled suite of clinical applications that work together to bring complete patient information directly to the point of service, improving clinical decision making, enhancing collaborative care, and reducing medical errors. This clinician-friendly system provides a single, consolidated view of the complete patient record, anytime, anywhere — whether at the hospital, patient's bedside, physician's office, or at the clinic, thereby helping clinicians to improve the delivery of care. The Optimum iMed suite includes the following modules Optimum iMed Clinical System, Pharmacy Management, Computerized Physician Order Entry (CPOE), Electronic Medication Administration Record (EMAR), Enterprise Scheduling. The CPOE and Enterprise Scheduling went live on June 2016.

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Years Ended September 30, 2015 and 2014

Even with the investments in a certified Electronic Health Records (EHR) software application systems in early FY-2011 that is comprised of application modules for Clinical, Revenue Cycle Management and General Financials needed to meet "Meaningful Use Stage 1", there are still substantial IT needs and requirements that needs to be updated. For example, the Hospital still uses a legacy Radiology Information System (RIS) and Picture Archiving and Communication System (PACS) and an aging Laboratory Information System (LIS) that needs to be replaced with an upgraded version of those systems that will allow the GMHA to meet "Meaningful Use Stage 2 and beyond". Additionally, GMHA does not currently have and is in need of a new Emergency Department Information System and a Surgery Management Perioperative Information System. The Hospital also is in dire need of a Medication Management and Dispensing System that includes medication (drug) inventory management controls and reporting to address annual fiscal year audit findings and recommendations going back more than four fiscal years. And with the recent release of "Meaningful Use Stage 2 and beyond" requirements, the Hospital also needs to acquire applications for secured Data Exchange and Patient Portal to meet MU2 going forward. All of these new IT Capital Needs and requirements will be fully integrated organization wide.

Other than investments in software applications, GMHA needs to upgrade and replace the entire hospital network infrastructure and connectivity to a more secure, higher bandwidth, redundant connectivity network. There is also a need to replace the often failing existing security CCTV and Access Control Systems which has been in use beyond its economic life cycle. Another urgent need is to expand the existing VoIP Telephone System using the upgraded network infrastructure to replace the antiquated cost prohibitive existing Centrex Telephone system from GTA. And lastly, in order to rightfully support all of these new IT requirements, there is a need to expand the existing GMHA Server Room to include all environmental protection factors and to also acquire a 30kVA UPS to provide uninterruptable emergency power backup and protection for the server room and for the new Lab LIS System and the new Radiology RIS and PACS Systems.

Upon completion of Stage 2 of the Meaningful Use requirement, GMHA will receive another incentive payment of approximately \$1M.

CONTACTING HOSPITAL EXECUTIVES

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

Management's Discussion and Analysis for the year ended September 30, 2014 is set forth in GMHA's report on the audit of financial statements which is dated June 26, 2015. That Discussion and Analysis explains in more detail major factors impacting the 2014 financial statements.

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

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

Statements of Net Position
September 30, 2015 and 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u> (As Restated)
Current assets:		
Cash	\$ 56,555	\$ 3,198,789
Patient accounts receivable, net of estimated uncollectibles of \$276,963,343 in 2015 and \$236,950,690 in 2014	21,323,440	21,578,259
Due from the Government of Guam	79,626	2,218,415
Other receivables, net of allowance for doubtful accounts of \$346,497 in 2015 and \$339,093 in 2014	-	330,871
Inventory	4,173,463	3,536,870
Prepaid expenses	300,385	66,786
Total current assets	<u>25,933,469</u>	<u>30,929,990</u>
Note receivable	93,730	128,295
Capital assets:		
Depreciable assets, net	35,238,574	30,557,791
Construction in progress	3,616,442	10,379,441
Restricted cash	209,267	209,267
Total noncurrent assets	<u>39,158,013</u>	<u>41,274,794</u>
Total assets	<u>65,091,482</u>	<u>72,204,784</u>
Deferred outflows of resources:		
Deferred outflows from pension	13,406,201	11,552,350
Total assets and deferred outflows of resources	<u>\$ 78,497,683</u>	<u>\$ 83,757,134</u>
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Current portion of note payable	\$ 2,133,170	\$ 2,027,203
Accounts payable - trade	16,278,913	10,029,359
Accounts payable - Government of Guam Retirement Fund	2,183,198	1,992,888
Accrued taxes and related liabilities	6,690,893	6,172,767
Accrued payroll and benefits	2,405,181	4,173,487
Unearned revenues	50,000	-
Current portion of accrued annual leave	1,689,949	1,639,954
Other current liabilities	3,582,974	3,078,180
Total current liabilities	<u>35,014,278</u>	<u>29,113,838</u>
Note payable, net of current portion	19,462,561	21,595,731
Accrued annual leave, net of current portion	2,260,502	2,261,785
Accrued sick leave	4,211,029	3,647,026
Net pension liability	107,746,620	116,454,796
Total liabilities	<u>168,694,990</u>	<u>173,073,176</u>
Deferred inflows of resources:		
Deferred inflows from pension	9,460,899	6,960,590
Commitments and contingencies		
Net position:		
Net investment in capital assets	38,855,016	40,937,232
Unrestricted	<u>(138,513,222)</u>	<u>(137,213,864)</u>
Total net position	<u>(99,658,206)</u>	<u>(96,276,632)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 78,497,683</u>	<u>\$ 83,757,134</u>

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u> (As Restated)
Operating revenues:		
Net patient service revenue (net of contractual adjustments and provision for bad debts of \$75,747,122 in 2015 and \$64,008,180 in 2014)	\$ 83,652,660	\$ 79,648,875
Other operating revenues:		
Cafeteria food sales	443,698	387,884
Other revenue	104,284	144,725
Total operating revenues	<u>84,200,642</u>	<u>80,181,484</u>
Operating expenses:		
Nursing	51,153,215	50,798,291
Professional support	26,417,388	23,686,496
Administrative support	12,551,194	12,950,126
Fiscal services	8,378,854	7,294,110
Depreciation	4,627,703	4,349,905
Administration	3,464,586	3,020,843
Retiree healthcare costs	2,779,965	2,013,433
Medical staff	668,856	579,657
Total operating expenses	<u>110,041,761</u>	<u>104,692,861</u>
Operating loss	<u>(25,841,119)</u>	<u>(24,511,377)</u>
Nonoperating revenues (expenses):		
Transfers from GovGuam	19,944,226	21,509,442
Federal grants	3,410,668	7,671,500
Contributions	262,630	208,215
Federal program expenditures	(291,938)	(256,998)
Interest and penalties	(1,948,237)	(1,693,431)
Others	(176,760)	(373,909)
Total nonoperating revenues (expenses)	<u>21,200,589</u>	<u>27,064,819</u>
(Loss) income before capital grants and contributions	<u>(4,640,530)</u>	<u>2,553,442</u>
Capital grants and contributions:		
Government of Guam	1,249,096	2,936,607
Federal grants	9,860	16,247
Others	-	1,446,592
Total capital grants and contributions	<u>1,258,956</u>	<u>4,399,446</u>
Change in net position	(3,381,574)	6,952,888
Net position at the beginning of the year	<u>(96,276,632)</u>	<u>(103,229,520)</u>
Net position at the end of the year	<u>\$ (99,658,206)</u>	<u>\$ (96,276,632)</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows
Years Ended September 30, 2015 and 2014

	2015	2014 (As Restated)
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 83,942,044	\$ 78,956,827
Receipts from sales and other services	878,853	520,969
Payments to suppliers and contractors	(22,175,347)	(35,978,413)
Payments to employees	(83,083,463)	(75,960,426)
Net cash used for operating activities	(20,437,913)	(32,461,043)
Cash flows from noncapital financing activities:		
Proceeds from note payable	-	25,000,000
Contributions from the Government of Guam	19,353,050	14,339,702
Federal grants received	3,410,668	7,671,500
Contributions	262,630	208,216
Interest and penalties paid	(1,948,237)	(1,693,431)
Payments made under federal programs	(291,938)	(256,998)
Principal repayment of note payable	(2,027,203)	(12,130,191)
Other payments	(176,760)	(373,909)
Net cash provided by noncapital financing activities	18,582,210	32,764,889
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(2,545,487)	(3,657,979)
Contributions from the Government of Guam	1,249,096	2,936,607
Federal grants received	9,860	16,247
Net cash used for capital and related financing activities	(1,286,531)	(705,125)
Net change in cash	(3,142,234)	(401,279)
Cash at beginning of year	3,198,789	3,600,068
Cash at end of year	\$ 56,555	\$ 3,198,789
Summary of noncash capital and related financing activities:		
Medical equipment donation from U.S. Naval Hospital Guam	\$ -	\$ 1,446,592

See accompanying notes to financial statements.

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

Statements of Cash Flows, Continued
Years Ended September 30, 2015 and 2014

	2015	2014 (As Restated)
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (25,841,119)	\$ (24,511,377)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Contractual adjustments and provisions for uncollectible accounts	75,747,122	64,008,180
Depreciation	4,627,703	4,349,905
Retiree healthcare costs	2,779,965	2,013,433
Noncash pension cost	(8,061,718)	(3,957,082)
(Increase) decrease in assets:		
Patient accounts receivable	(75,492,303)	(64,733,077)
Note receivable	34,565	32,849
Other receivables	330,871	(11,640)
Inventory	(636,593)	(207,361)
Prepaid expenses	(233,599)	97,640
Increase (decrease) in liabilities:		
Accounts payable - trade	6,249,555	(10,181,338)
Accounts payable - Government of Guam Retirement Fund	190,310	20,593
Accrued taxes and related liabilities	518,126	412,798
Accrued payroll and benefits	(1,768,306)	175,987
Accrued annual leave and sick leave	612,715	316,669
Other current liabilities	504,793	(287,222)
Net cash used in operating activities	\$ (20,437,913)	\$ (32,461,043)

See accompanying notes to financial statements.

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

Notes to Financial Statements
September 30, 2015 and 2014

(1) Reporting Entity

The Guam Memorial Hospital Authority (GMHA), a component unit of the Government of Guam (GovGuam), was created on July 26, 1977 under Public Law No. 14-29 as an autonomous agency of the Government of Guam. GMHA owns and operates the Guam Memorial Hospital (the Hospital). The Hospital is licensed for 159 general acute care beds, 16 bassinets, and 33 long-term beds. The Hospital provides all customary acute care services and certain specialty services primarily to the residents of Guam. These include adult and pediatric, clinical and ancillary medical services; and 24-hour emergency services. The Hospital derives a significant portion of its revenues from third-party payors, including Medicare, GovGuam's Medically Indigent Program (MIP), Medicaid and commercial insurers.

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

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

(2) Summary of Significant Accounting Policies

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

Basis of Accounting

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

Net Position

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

- Net investment in capital assets – includes capital assets restricted and unrestricted, net of accumulated depreciation reduced by outstanding debt net of debt service reserve.
- Restricted nonexpendable - net position subject to externally imposed stipulations that require GMHA to maintain the position permanently.
- Restricted expendable - net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of GMHA pursuant to those stipulations or that expire with the passage of time.

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

Notes to Financial Statements
Years Ended September 30, 2015 and 2014

(2) Summary of Significant Accounting Policies, Continued

Net Position, Continued

- 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 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Custodial credit risk is the risk that, in the event of a bank failure, GMHA's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name.

For purposes of the statements of net position and of cash flows, cash is defined as cash on hand, cash held in demand accounts, and time certificates of deposit maturing within ninety days, but excludes restricted cash. As of September 30, 2015 and 2014, cash and restricted cash is \$265,822 and \$3,408,056, respectively, and the corresponding bank balances are \$1,164,756 and \$6,313,610, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2015 and 2014, bank deposits in the amount of \$250,000 are FDIC insured. GMHA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized.

Restricted cash of \$209,267 as of September 30, 2015 and 2014 represents reserve funds pursuant to a loan agreement with a bank.

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.

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

Notes to Financial Statements
Years Ended September 30, 2015 and 2014

(2) Summary of Significant Accounting Policies, Continued

Patient Accounts Receivable, Continued

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

Due from GovGuam

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

Inventory

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

Capital Assets

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

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

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

Deferred Outflows of Resources

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

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

Notes to Financial Statements
Years Ended September 30, 2015 and 2014

(2) Summary of Significant Accounting Policies, Continued

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 and changes in proportion and differences between GMHA pension contributions and proportionate share of contributions qualify for reporting in this category.

Compensated Absences

Compensated absences are recorded as a long-term liability in the statements of net position. Amounts estimated to be paid during the next fiscal year are reported as current liabilities. Vacation pay is convertible to pay upon termination of employment.

In accordance with Public Law No. 27-5 and Public Law No. 28-68, employee vacation rates are credited at either 104, 156 or 208 hours per year, depending upon their length of service.

1. One-half day (4 hours) for each full bi-weekly pay period in the case of employees with less than five (5) years of service;
2. Three-fourths day (6) hours for each full bi-weekly pay period in the case of employees with more than five (5) years of service but less than fifteen (15) years of service; and
3. One (1) day (8 hours) for each full bi-weekly pay period in the case of employees with more than fifteen (15) years of service.

The statutes further amended the maximum accumulation of such vacation credits from 480 to 320 hours. Employees who have accumulated annual leave in excess of 320 hours as of February 28, 2003, may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. Any unused leave over 320 hours shall be lost upon retirement.

Public Law No. 26-86 allows employees who participate in the Defined Contribution Retirement System to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. At September 30, 2015 and 2014, GMHA has accrued an estimated sick leave liability of \$4,211,029 and \$3,647,026, respectively. However, this amount is an estimate and the actual payout may be materially different than estimated.

Unearned Revenues

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

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

Notes to Financial Statements
Years Ended September 30, 2015 and 2014

(2) Summary of Significant Accounting Policies, Continued

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. GMHA recognizes a net pension liability for the pension plan in which it participates, which represents GMHA's proportional share of excess total pension liability over the pension plan assets – actuarially calculated – of a single employer defined benefit plan, measured as of the fiscal year-end. 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 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.

Net Patient Service Revenues

GMHA has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established fees. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive revenue adjustments under reimbursement agreements and a provision for uncollectible accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

GovGuam Contributions

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

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

Notes to Financial Statements
Years Ended September 30, 2015 and 2014

(2) Summary of Significant Accounting Policies, Continued

Federal Grant Award Revenues and Contributions

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

Estimated Malpractice Costs

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

Income Taxes

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

Risk Management

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

Pledged Revenues

GMHA has pledged, in addition to the full faith and credit of the Government of Guam, all future gross revenues to repay a \$25 million bank loan issued in January 2014. Note proceeds were used to pay in full the remaining loan balance of \$10,522,226 of the \$12 million bank loan obtained in fiscal year 2011 and to retire current liabilities. The note is payable from total operating revenues and is payable through 2024. Annual interest and principal related payments are expected to require less than 4.0% of total operating revenues (based on 2015 data). The total interest and principal remaining on the notes as of September 30, 2015 and 2014 is \$21,595,731 and \$23,622,934, respectively. Principal and interest paid for fiscal years 2015 and 2014 were \$3,218,877 and \$2,669,086, respectively, and total operating revenues for fiscal years 2015 and 2014 were \$84,200,642 and \$80,181,184, respectively.

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

Notes to Financial Statements
Years Ended September 30, 2015 and 2014

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards

During the year ended September 30, 2015, GMHA implemented the following pronouncements:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits. The implementation of these statements had a material effect on the accompanying financial statements resulting in the restatement of GMHA's fiscal year 2014 financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of GASB Statement No. 68. The implementation of GASB Statement No. 68 results in GMHA reporting deferred outflows of resources of \$11,059,816 and a net pension liability of \$126,879,934 as of October 1, 2013. GMHA's net position as of October 1, 2013 and GMHA's statement of revenues, expenses and changes in net position for the year ended September 30, 2014 have been restated to reflect the required adjustments as follows:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
As of October 1, 2013:			
Net position	\$ <u>12,590,598</u>	\$ <u>(115,820,118)</u>	\$ <u>(103,229,520)</u>
For the year ended September 30:			
Salaries, wages and benefits expense	\$ <u>76,473,674</u>	\$ <u>(3,957,082)</u>	\$ <u>72,516,592</u>
Change in net position	\$ <u>2,995,806</u>	\$ <u>3,957,082</u>	\$ <u>6,952,888</u>
As of September 30:			
Deferred outflows from pensions	\$ <u>-</u>	\$ <u>11,552,350</u>	\$ <u>11,552,350</u>
Net pension liability	\$ <u>-</u>	\$ <u>(116,454,796)</u>	\$ <u>(116,454,796)</u>
Deferred inflows from pensions	\$ <u>-</u>	\$ <u>(6,960,590)</u>	\$ <u>(6,960,590)</u>
Net position	\$ <u>15,586,404</u>	\$ <u>(111,863,036)</u>	\$ <u>(96,276,632)</u>

- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The implementation of this statement did not have a material effect on the accompanying financial statements.

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

Notes to Financial Statements
Years Ended September 30, 2015 and 2014

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements and requires entities to expand their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. The provisions in Statement 72 are effective for fiscal years beginning after June 15, 2015. Management believes that the implementation of this statement only requires additional disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques and will not have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements 67 and 68 with the reporting requirements in Statement 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015, with the exception of the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB). The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management has not evaluated the impact that the implementation of this statement will have on the financial statements.

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(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears. The provisions in Statement No. 76 are effective for fiscal years beginning after June 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions in Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(3) Patient Accounts Receivable

GMHA grants credit without collateral to its patients, many of whom are Guam residents and are insured under third-party payor agreements. Patient accounts receivable at September 30, 2015 and 2014, consist of:

	<u>2015</u>	<u>2014</u>
Account referrals - Department of Revenue and Taxation	\$ 61,708,787	\$ 77,938,920
Self-pay Patients	51,287,175	42,105,969
Medically Indigent Program	12,653,485	12,507,945
Local Third-Party Payor and Other	41,491,369	31,939,541
Medicaid Assistance Program	26,759,444	21,773,148
Medicare	31,186,555	16,800,415
Collection agencies and other	<u>73,199,968</u>	<u>55,463,011</u>
	298,286,783	258,528,949
Less allowance for uncollectible accounts	<u>(276,963,343)</u>	<u>(236,950,690)</u>
	<u>\$ 21,323,440</u>	<u>\$ 21,578,259</u>

Patient accounts receivable from "Local Third-Party Payor and Other" includes receivables from GovGuam of \$628,747 and \$1,123,191 as of September 30, 2015 and 2014, respectively, for healthcare services.

During fiscal years 2015 and 2014, GMHA collected \$7,313,581 and \$3,300,770, respectively, from accounts referred to the Department of Revenue and Taxation.

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(4) Note Receivable

In February 2008, GMHA accepted a promissory note from a collection agency in the amount of \$312,431 for outstanding collections of delinquent patient accounts. The note bears fixed interest of 6% and matures on February 1, 2018. At September 30, 2015 and 2014, the balance of the note was \$93,730 and \$128,295, respectively.

(5) Other Receivables

The Hospital grants credit without collateral to customers primarily located on Guam for catering services and supplies issuances. Other receivables at September 30, 2015 and 2014, consist of:

	<u>2015</u>	<u>2014</u>
Government of Guam:		
Department of Mental Health and Substance Abuse	\$ 21,256	\$ 53,543
Guam Fire Department	1,028	294,733
Other	<u>324,213</u>	<u>321,688</u>
	346,497	669,964
Less allowance for uncollectible accounts	<u>(346,497)</u>	<u>(339,093)</u>
	\$ <u> -</u>	\$ <u>330,871</u>

(6) Inventory

Inventory at September 30, 2015 and 2014, consists of the following:

	<u>2015</u>	<u>2014</u>
Pharmaceuticals, drugs and medicine	\$ 1,737,005	\$ 1,573,021
Medical and pharmaceutical supplies	2,428,822	1,920,922
Dietary food supplies	<u>39,991</u>	<u>75,282</u>
	4,205,818	3,569,225
Less allowance for obsolescence	<u>(32,355)</u>	<u>(32,355)</u>
	\$ <u>4,173,463</u>	\$ <u>3,536,870</u>

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(7) Capital Assets

Capital assets activity for the years ended September 30, 2015 and 2014 was as follows:

	2015			
	Balance October 1,	Transfers and Additions	Transfers and Deletions	Balance September 30,
Depreciable assets:				
Building and land improvements	\$ 65,565,585	\$ 8,494,141	\$ -	\$ 74,059,726
Long-term care facility	11,021,985	-	-	11,021,985
Movable equipment	<u>29,044,648</u>	<u>855,345</u>	<u>(3,239,604)</u>	<u>26,660,389</u>
	105,632,218	9,349,486	(3,239,604)	111,742,100
Less accumulated depreciation and amortization	<u>(75,074,427)</u>	<u>(4,627,703)</u>	<u>3,198,604</u>	<u>(76,503,526)</u>
	30,557,791	4,721,783	(41,000)	35,238,574
Non-depreciable assets:				
Construction in progress	<u>10,379,441</u>	<u>1,828,128</u>	<u>(8,591,127)</u>	<u>3,616,442</u>
Total capital assets, net	\$ <u>40,937,232</u>	\$ <u>6,549,911</u>	\$ <u>(8,632,127)</u>	\$ <u>38,855,016</u>
	2014			
	Balance October 1,	Transfers and Additions	Transfers and Deletions	Balance September 30,
Depreciable assets:				
Building and land improvements	\$ 65,418,684	\$ 146,901	\$ -	\$ 65,565,585
Long-term care facility	11,021,985	-	-	11,021,985
Movable equipment	<u>26,463,582</u>	<u>3,275,803</u>	<u>(694,737)</u>	<u>29,044,648</u>
	102,904,251	3,422,704	(694,737)	105,632,218
Less accumulated depreciation and amortization	<u>(71,419,258)</u>	<u>(4,349,906)</u>	<u>694,737</u>	<u>(75,074,427)</u>
	31,484,993	(927,202)	-	30,557,791
Non-depreciable assets:				
Construction in progress	<u>8,697,574</u>	<u>1,828,768</u>	<u>(146,901)</u>	<u>10,379,441</u>
Total capital assets, net	\$ <u>40,182,567</u>	\$ <u>901,566</u>	\$ <u>(146,901)</u>	\$ <u>40,937,232</u>

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

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

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(8) Due to GovGuam Retirement Fund (“GGRF”), Continued

Public Law No. 28-38, passed in June 2005 required that GovGuam’s general fund remit “interest-only” payments monthly to GGRF for the aforementioned liabilities. The law indicated that monthly payments, totaling \$190,501, would continue until the outstanding balance is fully paid. However, if the obligations were not paid within ten years following the enactment of Public Law No. 28-38, payments by GMHA would resume per 4 Guam Code Annotated § 8137. Public Law No. 30-196 passed in August 2010 and Public Law No. 31-74 passed in June 2011 amended Public Law No. 28-38. Public Law No. 30-196 changed the calculation of interest owed to GGRF and Public Law 31-74 provided for the inclusion of GMHA’s delinquent retirement contributions for fiscal year 2011 to the balance of GMHA’s prior years’ retirement liabilities as identified in Public Law 28-38.

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

At September 30, 2015 and 2014, accounts payable due to GGRF reported as current liabilities consist of the following:

	<u>2015</u>	<u>2014</u>
Employer and member contributions of:		
Current fiscal year (DB) Plan	\$ 138,311	\$ 143,990
Unfunded liability	376,439	341,589
Employer and member contributions of current fiscal year (DCRS Plan)	161,444	305
Supplemental annuities/COLA benefits for retirees	<u>1,507,004</u>	<u>1,507,004</u>
	<u>\$ 2,183,198</u>	<u>\$ 1,992,888</u>

At September 30, 2015 and 2014, amounts due to GGRF included an outstanding obligation of \$1,507,004 for supplemental benefits for the Hospital’s retirees who retired prior to October 1, 1995 and Cost of Living Allowance (COLA) benefits for those employees who retired prior to October 1, 2001. In accordance with Public Law No. 26-35, as amended by Public Law No. 26-49, GMHA was among various autonomous agencies required to reimburse GGRF for certain supplemental benefits paid to its retirees by GGRF.

Statutory employer contributions for DCRS plan members for the years ended September 30, 2015 and 2014 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, 5% of the member’s regular pay is deposited into the member’s individual investment account. The remaining amount is contributed towards the unfunded liability of the DB plan. At September 30, 2015 and 2014, GMHA’s unpaid contributions toward the unfunded liability of the DB Plan amounted to \$376,439 and \$341,589, respectively.

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(9) Long-Term Debt and Other Liabilities

As of September 30, 2015 and 2014, long-term debt consists of:

	<u>2015</u>	<u>2014</u>
<p>Note payable to a bank, in an original amount of \$25 million, variable interest at 2% over bank's reference rate subject to a minimum interest of 5.25% and maximum interest of 8% for first 18 months and variable interest at 2.25% over bank's reference rate subject to a minimum interest of 5.5% and maximum interest of 8% for the remaining term, due in monthly installments of principal and interest of \$268,240 beginning February 2014 through January 2024, all remaining balance due on January 22, 2024. The note is collateralized by the full faith and credit of the Government of Guam and all of the revenues of GMHA.</p>	\$ 21,595,731	\$ 23,622,934
<p>Less current portion</p>	<u>(2,133,170)</u>	<u>(2,027,203)</u>
	<u>\$ 19,462,561</u>	<u>\$ 21,595,731</u>

On January 31, 2011, GMHA entered into a \$12 million bank loan. Proceeds of the loan were to be used when a cash shortage threatened GMHA and would not be used for the hiring of non-healthcare professionals who did not provide direct care or patient care support. The loan was guaranteed by the Government of Guam and entitled to the full faith and credit of the Government of Guam. Pursuant to the loan agreement, GMHA pledged all of its revenues. This loan was repaid in full as of September 30, 2014.

On January 17, 2014, GMHA entered into a \$25 million bank loan. Proceeds of the loan were used to pay and discharge the obligations of the existing \$12 million bank loan and for other purposes permitted by law.

Management is of the opinion that compliance with applicable loan covenants occurred during the year ended September 30, 2015.

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(9) Long-Term Debt and Other Liabilities, Continued

As of September 30, 2015, future maturities of long-term debt are as follows:

Year ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,133,170	\$ 1,085,707	\$ 3,218,877
2017	2,250,956	967,921	3,218,877
2018	2,372,016	846,861	3,218,877
2019	2,499,587	719,290	3,218,877
2020	2,632,357	586,520	3,218,877
2021-2024	<u>9,707,645</u>	<u>1,021,947</u>	<u>10,729,592</u>
	<u>\$ 21,595,731</u>	<u>\$ 5,228,246</u>	<u>\$ 26,823,977</u>

The changes in long-term liabilities for the years ended September 30, 2015 and 2014, are as follows:

	Balance October 1, 2014	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2015	Due Within One Year
Note payable	\$ 23,622,934	\$ -	\$ (2,027,203)	\$ 21,595,731	\$ 2,133,170
Annual leave	3,901,739	476,080	(427,368)	3,950,451	1,689,949
Sick leave	3,647,026	671,968	(107,965)	4,211,029	-
Net pension liability	<u>116,454,796</u>	<u>5,612,029</u>	<u>(14,320,205)</u>	<u>107,746,620</u>	<u>-</u>
	<u>\$147,626,495</u>	<u>\$ 6,760,077</u>	<u>\$ (16,882,741)</u>	<u>\$137,503,831</u>	<u>\$ 3,823,119</u>
	Balance October 1, 2013	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2014	Due Within One Year
Note payable	\$ 10,753,125	\$ 25,000,000	\$ (12,130,191)	\$ 23,622,934	\$ 2,027,203
Annual leave	3,772,666	2,958,108	(2,829,035)	3,901,739	1,639,954
Sick leave	3,459,430	2,225,116	(2,037,520)	3,647,026	-
Net pension liability	<u>126,879,934</u>	<u>7,431,297</u>	<u>(17,856,435)</u>	<u>116,454,796</u>	<u>-</u>
	<u>\$144,865,155</u>	<u>\$ 37,614,521</u>	<u>\$ (34,853,181)</u>	<u>\$147,626,495</u>	<u>\$ 3,667,157</u>

(10) Medical Malpractice/Employment and Personnel Claims

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

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(11) Employee Retirement Plans

Defined Benefit Plan

A. General Information About the Pension Plan:

Plan Description: GMHA participates in the GovGuam Defined Benefit (DB) Plan, a single-employer defined benefit pension plan administered by the GovGuam Retirement Fund (GGRF). 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, are required to participate in the Defined Contribution Retirement System (DCRS). Hence, the DB Plan became a closed group.

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

Plan Membership: As of September 30, 2014, the date of the most recent valuation, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	7,226
Terminated employees entitled to benefits but not yet receiving them	4,941
Current members	<u>2,692</u>
	<u>14,859</u>

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. Cost-of-living adjustments and other supplemental annuity benefits are provided to members and beneficiaries at the discretion of the Guam Legislature.

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 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or 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 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or completion of 30 years of service at any age.

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(11) Employee Retirement Plans, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, 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 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 65; or 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.

Contributions and Funding Policy: Contribution requirements of participating employers and active members 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, 2013 actuarial valuation was used for determining the year ended September 30, 2015 statutory contributions. Member contributions are required at 9.55% of base pay.

As a result of actuarial valuations performed as of September 30, 2013, 2012, and 2011, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2015, 2014 and 2013, respectively, have been determined as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Normal costs (% of DB Plan payroll)	15.92%	16.61%	17.52%
Employee contributions (DB Plan employees)	<u>9.55%</u>	<u>9.50%</u>	<u>9.50%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>6.37%</u>	<u>7.11%</u>	<u>8.02%</u>
Employer portion of normal costs (% of total payroll)	2.05%	2.39%	3.00%
Unfunded liability cost (% of total payroll)	<u>24.09%</u>	<u>24.01%</u>	<u>24.33%</u>
Government contribution as a % of total payroll	<u>26.14%</u>	<u>26.40%</u>	<u>27.33%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>29.85%</u>	<u>30.03%</u>	<u>30.09%</u>
Employee	<u>9.55%</u>	<u>9.50%</u>	<u>9.50%</u>

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(11) Employee Retirement Plans, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

GMHA's contributions to the DB Plan for the years ending September 30, 2015, 2014 and 2013 were \$2,731,091, \$2,826,450 and \$2,934,787, respectively, which were equal to the required contributions for the respective years then ended.

Actuarial Assumptions: Actuarially determined contribution rates 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, 2013
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	16.58 years
Asset Valuation Method:	3-year smoothed market value
Inflation:	2.75%
Total payroll growth:	3.00% per year
Salary Increases:	4.50% to 7.50%
Expected Rate of Return:	7.00%
Discount Rate:	7.00%
Retirement age:	40% are assumed to retire upon first eligibility for unreduced retirement. Thereafter, the probabilities of retirement are 15% until age 65, 20% from 65-69, and 100% at age 70.
Mortality:	RP-2000 healthy mortality table set forward by 4 years for males and 1 year for females. Mortality for disabled lives is the RP 2000 disability mortality table with no set forwards.
Other information:	Actuarial assumptions are based upon periodic experience studies. The last experience study reviewed experience from 2007-2011, and was first reflected in the actuarial valuation as of September 30, 2012.

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(11) Employee Retirement Plans, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

Discount Rate: The total pension liability is calculated using a discount rate of 7.0% that is a blend of the expected investment rate of return and a high quality bond index rate. There was no change in the discount rate since the previous year. The expected investment rate of return applies for as long as the plan assets (including future contributions) are projected to be sufficient to make the projected benefit payments. If plan assets are projected to be depleted at some point in the future, the rate of return of a high quality bond index is used for the period after the depletion date.

Discount Rate Sensitivity Analysis: The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate <u>6.0%</u>	Current Discount Rate <u>7.0%</u>	1% Increase in Discount Rate <u>8.0%</u>
Net Pension Liability	\$ <u>138,094,953</u>	\$ <u>107,746,620</u>	\$ <u>84,829,635</u>

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

Pension Liability: At September 30, 2015 and 2014, GMHA reported a liability of \$107,746,620 and \$116,454,796, respectively, for its proportionate share of the net pension liability. GMHA's proportion of the net pension liability was based on projection of GMHA's long-term share of contributions to the pension plan relative to the projected contributions of GovGuam and GovGuam's component units, actuarially determined. At September 30, 2015 and 2014, GMHA's proportion was 8.6453% and 8.9353%, respectively.

Pension Expense: For the years ended September 30, 2015 and 2014, GMHA recognized pension expense of \$4,812,657 and \$7,431,297, respectively.

Deferred Outflows and Inflows of Resources: At September 30, 2015 and 2014, GMHA reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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(11) Employee Retirement Plans, Continued

Defined Benefit Plan, Continued

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

	2015		2014	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 799,372	\$ -	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	8,200,739	-	6,960,590
Contributions subsequent to the measurement date	12,606,829	-	11,552,350	-
Changes in proportion and difference between GMHA contributions and proportionate share of contributions	-	1,260,160	-	-
	<u>\$ 13,406,201</u>	<u>\$ 9,460,899</u>	<u>\$ 11,552,350</u>	<u>\$ 6,960,590</u>

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, 2015 will be recognized in pension expense as follows:

Year Ended
September 30

2016	\$ (2,510,972)
2017	\$ (2,050,185)
2018	\$ (2,050,185)
2019	\$ (2,050,185)

Defined Contribution Plan

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

Statutory employer contributions into the DCRS plan for the years ended September 30, 2015 and 2014 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 5% of the member's regular pay is deposited into the member's individual investment account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

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

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(11) Employee Retirement Plans, Continued

Defined Contribution Plan, Continued

GMHA's contributions toward the unfunded liability of the DB Plan for the years ended September 30, 2015, 2014 and 2013 were \$10,348,909, \$9,211,480 and \$8,556,676, respectively, which were equal to the required contributions for the respective years then ended.

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

GMHA's contributions to the DC Plan for the years ended September 30, 2015, 2014 and 2013 were \$1,995,879, \$1,760,616, and \$1,632,868, respectively, which were equal to the required contributions for the respective years then ended.

Other Post Employment Benefits

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a cost-sharing multiple-employer defined benefit plan to provide certain post-retirement healthcare benefits to retirees who are members of the GovGuam Retirement Fund. Under the Plan, known as the GovGuam Group Health Insurance Program, GovGuam provides medical, dental, and life insurance coverage. The retiree medical and dental plans are fully-insured products provided through insurance companies. GovGuam shares in the cost of these plans, with GovGuam's contribution amount set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, GovGuam contributes substantially more to the cost of retiree healthcare than to active healthcare. For the life insurance plan, GovGuam provides retirees with \$10,000 of life insurance coverage through an insurance company. Retirees do not share in the cost of this coverage.

Because the 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.

During the years ended September 30, 2015, 2014 and 2013, GMHA recognized certain on-behalf payments as transfers from GovGuam, totaling \$2,779,965, \$2,013,433 and \$1,991,175, 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.

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(12) Patient Service Revenue

GMHA has agreements with third-party payors that provide for payments to GMHA at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- Medicare - Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. Rates for the long-term care facility vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. GMHA is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by GMHA and audits thereof by the Medicare fiscal intermediary. At September 30, 2015 and 2014, GMHA recorded \$0 receivable relative to Medicare cost settlements.
- Medicaid Assistance Program and Medically Indigent Program (MIP) - GMHA is reimbursed for the cost of inpatient and outpatient services rendered under the programs administered by the GovGuam Department of Public Health and Social Services. During each fiscal year, GMHA is reimbursed on a per diem rate for in-patient and a percentage charges for out-patient.

Gross patient revenue from the Medicare, Medicaid and MIP programs accounted for approximately 23 percent, 22 percent and 10 percent, respectively, of GMHA's gross patient revenue for the year ended September 30, 2015, and 22 percent, 22 percent and 8 percent, respectively, of GMHA's gross patient revenue for the year ended September 30, 2014. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

GMHA also has entered into payment agreements with certain commercial insurance carriers. The basis for payment to GMHA under these agreements includes discounts from established charges.

Patient service revenues for the years ended September 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Services provided to Medicaid patients	\$ 35,704,763	\$ 31,521,975
Services provided to Medicare patients	36,823,062	31,370,145
Services provided to MIP patients	15,369,419	12,022,964
Services provided to Self-pay patients	29,216,377	26,646,430
Services provided to Other patients	<u>42,286,161</u>	<u>42,095,541</u>
	159,399,782	143,657,055
Less contractual adjustments and provisions for uncollectible accounts	<u>(75,747,122)</u>	<u>(64,008,180)</u>
Net patient service revenue	<u>\$ 83,652,660</u>	<u>\$ 79,648,875</u>

Services provided to Medicaid patients for the years ended September 30, 2015 and 2014 included \$7,418,960 and \$6,984,791, respectively, in revenues paid through the GMHA Pharmaceutical Fund

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Notes to Financial Statements
Years Ended September 30, 2015 and 2014

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

During the years ended September 30, 2015 and 2014, 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>2015</u>	<u>2014</u>
GMHA Pharmaceuticals Fund	\$ 9,891,947	\$ 9,313,055
Healthy Futures Fund	3,940,936	4,977,478
General Fund	7,606,119	9,014,340
General Fund – Retroactive Payments	1,114,216	2,218,415
General Fund – On Behalf Payments	2,779,965	2,013,433
GMHA Healthcare Trust and Development Fund	<u>2,030,003</u>	<u>957,512</u>
	<u>\$ 27,363,186</u>	<u>\$ 28,494,233</u>

In accordance with Public Law 32-181, GovGuam appropriated \$9,891,947 from the GMHA Pharmaceuticals Fund, \$3,940,936 from the Healthy Futures Fund and \$10,959,088 from the General Fund for the year ended September 30, 2015. Of the \$9,891,947 appropriations from the GMHA Pharmaceutical Fund, \$7,418,960 or seventy-five percent (75%) was credited to Medicaid patient receivables. GMHA recorded the remaining \$2,472,987 as non-operating revenues.

In accordance with Public Law 32-68, GovGuam appropriated \$9,313,055 from the GMHA Pharmaceuticals Fund, \$4,977,478 from the Healthy Futures Fund and \$9,014,340 from the General Fund for the year ended September 30, 2014. Of the \$9,313,055 appropriations from the GMHA Pharmaceutical Fund, \$6,984,791 or seventy-five percent (75%) was credited to Medicaid patient receivables. GMHA recorded the remaining \$2,328,264 as non-operating revenues.

Public Law 32-60 established the GMHA Healthcare Trust and Development Fund which provided 60% of funds collected from gaming tax be allocated to GMHA for subsidizing the establishment and operation of an urgent healthcare center within the GMHA facility. For the years ended September 30, 2015 and 2014, GMHA received \$2,030,003 and \$957,512 in appropriations, respectively.

During the years ended September 30, 2015 and 2014, GMHA recognized certain on-behalf payments as transfers from GovGuam, totaling \$2,779,965 and \$2,013,433, respectively, representing certain healthcare benefits that GovGuam’s general fund paid directly on behalf of Hospital retirees.

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Notes to Financial Statements
Years Ended September 30, 2015 and 2014

(14) 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, 2015 and 2014, was as follows:

	<u>2015</u>	<u>2014</u>
Self-Pay Patients	38%	46%
Local Third-Party Payor and Other	38%	34%
Medicaid Assistance Program	9%	8%
Medicare	11%	7%
Medically Indigent Program	<u>4%</u>	<u>5%</u>
	<u>100%</u>	<u>100%</u>

(15) Commitments and Contingencies

Medicare

The Government of Guam and its component units, including GMHA, began withholding and remitting funds to the U.S. Social Security System for the health insurance component of its salaries and wages effective October 1998 for employees hired after March 31, 1986. Prior to October 1998, the Government of Guam did not withhold or remit Medicare payments to the U.S. Social Security System. If the Government is found to be liable for such amounts, an indeterminate liability could result. It is the opinion of GMHA and all other component units of the Government of Guam that this health insurance component is optional prior to October 1998.

Therefore, no liability for any amount, which may ultimately arise from this matter, has been recorded in the accompanying financial statements.

Litigation

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

Retroactive Pay

On October 12, 2011, the Office of the Governor issued Executive Order No. 2011-14 which ordered the freezing of salary step increases for employees of line agencies and instrumentalities of the Executive Branch of the Government of Guam. On May 13, 2013, Executive Order No. 2013-004 was issued rescinding Executive Order No. 2011-14 and lifting the freeze on salary step increases. As of September 30, 2015 and 2014, GMHA recorded retroactive pay, related to fiscal years 2012 to 2014, of \$0 and \$1,446,863, respectively, which was included in accrued payroll and benefits in the accompanying statements of net position.

Contract Commitments

Contract commitments in connection with projects currently in construction approximate \$1,659,000 at September 30, 2015.

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Notes to Financial Statements
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(15) Commitments and Contingencies, Continued

Merit System

In 1991, Public Law 21-59 was enacted to establish a bonus system for employees of GovGuam, autonomous and semi-autonomous agencies, public corporations and other public instrumentalities of GovGuam who earn a superior performances grade. The bonus is calculated at 3.5% of the employee's base salary beginning 1991. GMHA did not pay any bonuses pursuant to the law from 1991 through 2002. In 2003, GMHA adopted a merit system similar to the GovGuam merit system. GMHA has assessed the impact of the requirements of the law for fiscal years 1991 through 2013. As of September 30, 2015 and 2014, GMHA recorded merit payable of \$0.

Unpaid Taxes

GMHA has not made required payments of withholding taxes for certain quarters of tax years 2010 and 2011. As a result, GMHA may incur penalties and interest. GMHA is of the opinion that it has adequately accrued for the amount of interest and penalties that may ultimately be assessed.

Federal Award Programs

GMHA has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Questioned costs for the 2015 and prior year audits amounted to \$0. If the questioned costs are ultimately disallowed, GMHA would be liable for the return of such funds. However, no liability, which may arise from the ultimate outcome of this matter, has been provided for in the accompanying financial statements. Audits of federal program funds are also performed by various federal agencies. If the audits result in cost disallowances, GMHA may be liable. However, management does not believe that resolution of this matter will result in a material liability. Therefore, no liability for any amount, which may ultimately arise from these matters, has been recorded in the accompanying financial statements.

(16) Dependency on the Government of Guam

GMHA has incurred losses from operations of \$25,841,119 and \$24,511,377 and negative cash flows from operations of \$20,437,913 and \$32,461,043 for the years ended September 30, 2015 and 2014, respectively. At September 30, 2015 and 2014, GMHA's deficiencies on delinquent and unpaid retirement contributions, including interest and penalties, with the GovGuam Retirement Fund were \$2,183,198 and \$1,992,888, respectively. GMHA recorded contractual adjustments and provisions for uncollectible accounts of \$75,747,122 and \$64,008,180 for the fiscal years ended September 30, 2015 and 2014, respectively.

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

- The Board approved to raise hospital fees by 5% effective April 1, 2016 and another 5% at the start of every subsequent fiscal year. Management is also reviewing and planning to increase fees for certain services such as room rates, supplies, among others, and also plans to ask the Legislature for larger fee increases.

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Notes to Financial Statements
Years Ended September 30, 2015 and 2014

(16) Dependency on the Government of Guam, Continued

- Management has submitted an application to rebase Medicare reimbursement rates for fiscal years 2013 through 2015.
- In February 2016, management has requested for the Tax Equity and Fiscal Responsibility Act (TEFRA) adjustment covering fiscal years 2009 through 2012.
- Management has entered into contracts with a collection agency for self-pay receivables.
- Management plans to complete its negotiations with Guam insurers by FY 2016.
- Management is critically evaluating staffing patterns to ensure that quality and patient safety goals are met with “prudent” staffing.
- Management has asked the Government of Guam for financial assistance through the DPHSS programs and for alternative funding of self-pay patients.

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

(17) Subsequent Event

GMHA subsequently paid the recorded accrued taxes.

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Schedule 1
Schedule of Funding Progress and Actuarial Accrued Liability - Post
Employment Benefits Other than Pension

The Schedule of Funding Progress presents GASB 45 results of Other Post Employment Benefits (OPEB) valuations as of fiscal year ends September 30, 2011, 2009, and 2007 for the Guam Memorial Hospital Authority's share of the Government of Guam Post Employment Benefits other than Pensions. The schedule provides an information trend about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
October 1, 2007	\$ -	\$ 34,115,000	\$ 34,115,000	0.0%	\$ 38,481,404	88.7%
October 1, 2009	\$ -	\$ 70,091,529 *	\$ 70,091,529 *	0.0%	\$ 43,717,830	160.3%
October 1, 2011	\$ -	\$ 79,012,000	\$ 79,012,000	0.0%	\$ 45,597,150	173.3%

* No formal valuation was performed. The liabilities as of October 1, 2009 represent discounted October 1, 2011 liabilities.

The actuarial accrued liability presented above is only for GMHA's active employees. It does not include the actuarial accrued liability for GMHA's retirees, which was not separately presented in the OPEB valuation.

See Accompanying Independent Auditors' Report.

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

	2015	2014
Actuarially determined contribution	\$ 11,660,743	\$ 11,054,501
Contribution in relation to the actuarially determined contribution	<u>11,552,350</u>	<u>11,059,816</u>
Contribution deficiency (excess)	<u>\$ 108,393</u>	<u>\$ (5,315)</u>
GMHA's covered-employee payroll **	<u>\$ 43,654,606</u>	<u>\$ 41,133,673</u>
Contribution as a percentage of covered-employee payroll	26.46%	26.89%

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

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

See Accompanying Independent Auditors' Report.

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

	2015	2014
Total net pension liability	\$ 1,246,306,754	\$ 1,303,304,636
GMHA's proportionate share of the net pension liability	\$ 107,746,620	\$ 116,454,796
GMHA's proportion of the net pension liability	8.65%	8.94%
GMHA's covered-employee payroll**	\$ 43,654,606	\$ 41,133,673
GMHA's proportionate share of the net pension liability as percentage of its covered employee payroll	246.82%	283.11%
Plan fiduciary net position as a percentage of the total pension liability	56.60%	53.45%

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

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

See Accompanying Independent Auditors' Report.

GUAM MEMORIAL HOSPITAL AUTHORITY
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Schedule of Expenses
Years Ended September 30, 2015 and 2014

	2015	2014
NURSING:		
Salaries	\$ 30,882,917	\$ 29,952,593
Overtime	2,805,090	2,194,720
Other pay	5,219,754	4,801,901
Fringe benefits	5,833,734	7,788,747
Total personnel costs	44,741,495	44,737,961
Contractual services	2,939,739	1,957,772
Supplies and materials	3,410,566	4,034,613
Miscellaneous	61,415	67,945
	\$ 51,153,215	\$ 50,798,291

	2015	2014
PROFESSIONAL SUPPORT:		
Salaries	\$ 9,284,177	\$ 8,562,364
Overtime	1,020,496	932,030
Other pay	1,712,590	1,426,469
Fringe benefits	2,053,926	2,580,571
Total personnel costs	14,071,189	13,501,434
Supplies and materials	9,708,549	9,299,560
Utilities	14,786	20,566
Contractual services	2,515,810	802,496
Miscellaneous	107,054	62,440
	\$ 26,417,388	\$ 23,686,496

See accompanying independent auditors' report.

GUAM MEMORIAL HOSPITAL AUTHORITY
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Schedule of Expenses, Continued
Years Ended September 30, 2015 and 2014

	2015	2014
ADMINISTRATIVE SUPPORT:		
Salaries	\$ 4,320,198	\$ 4,215,497
Overtime	630,432	475,671
Other pay	389,544	305,147
Fringe benefits	1,106,335	1,413,734
Total personnel costs	6,446,509	6,410,049
Supplies and materials	2,385,142	2,215,757
Utilities	3,038,345	3,317,129
Contractual services	374,796	724,758
Miscellaneous	306,402	282,433
	\$ 12,551,194	\$ 12,950,126

	2015	2014
FISCAL SERVICES:		
Salaries	\$ 3,760,810	\$ 3,290,956
Overtime	488,446	306,879
Other pay	296,394	221,235
Fringe benefits	905,678	1,089,706
Annual leave lump sum pay	342,299	353,509
Sick leave (DC plan)	655,214	294,510
Total personnel costs	6,448,841	5,556,795
Supplies and materials	384,816	391,283
Contractual services	1,429,063	1,276,355
Miscellaneous	116,134	69,677
	\$ 8,378,854	\$ 7,294,110

See accompanying independent auditors' report.

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Schedule of Expenses, Continued
Years Ended September 30, 2015 and 2014

	2015	2014
ADMINISTRATION:		
Salaries	\$ 1,349,207	\$ 1,267,919
Overtime	9,815	15,008
Other pay	77,999	63,130
Fringe benefits	290,481	397,213
Total personnel costs	1,727,502	1,743,270
Supplies and materials	120,318	39,913
Contractual services	278,928	351,326
Insurance (Property)	471,625	485,772
Miscellaneous	866,213	400,562
	\$ 3,464,586	\$ 3,020,843
	2015	2014
MEDICAL STAFF:		
Salaries	\$ 473,979	\$ 411,053
Overtime	3,231	234
Other pay	35,882	28,930
Fringe benefits	107,838	126,866
Total personnel costs	620,930	567,083
Supplies and materials	10,759	5,545
Contractual services	792	-
Miscellaneous	36,375	7,029
	\$ 668,856	\$ 579,657
Total actual expenses, without depreciation and retiree healthcare costs	\$ 102,634,093	\$ 98,329,523

See accompanying independent auditors' report.

GUAM MEMORIAL HOSPITAL AUTHORITY
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Schedule of Patient Service Revenues by Patient Classification
Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Gross Patient Service Revenue:		
Medicaid patients	\$ 35,704,763	\$ 31,521,975
Medicare patients	36,823,062	31,370,145
MIP patients	15,369,419	12,022,964
Other patients	42,286,161	42,095,541
Self-pay patients	<u>29,216,377</u>	<u>26,646,430</u>
	<u>\$ 159,399,782</u>	<u>\$ 143,657,055</u>
Contractual Adjustments and Provision for Bad Debts:		
Contractual adjustments:		
Medicaid patients	\$ 19,923,573	\$ 19,327,102
Medicare patients	21,153,309	16,981,581
MIP patients	6,801,271	5,580,388
Other patients	8,272,565	4,290,815
Provision for bad debts:		
Self-pay patients	<u>19,596,404</u>	<u>17,828,294</u>
	<u>\$ 75,747,122</u>	<u>\$ 64,008,180</u>
Net Patient Service Revenue:		
Medicaid patients	\$ 15,781,190	\$ 12,194,873
Medicare patients	15,669,753	14,388,564
MIP patients	8,568,148	6,442,576
Other patients	34,013,596	37,804,726
Self-pay patients	<u>9,619,973</u>	<u>8,818,136</u>
	<u>\$ 83,652,660</u>	<u>\$ 79,648,875</u>

See accompanying independent auditors' report.

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Schedule of Billings and Collections and Reconciliation of Billings to Gross Patient Revenues
For the Years ended September 30, 2015, 2014, 2013 and 2012

	Medicaid, Medicare and MIP				Self Pay and Government - DOC and Others				Third-Party Payors						Grand Total	Timing Differences and Adjustments	Gross Patient Revenues		
	Medicaid	Medicare	MIP	Subtotal	Self Pay	Government - DOC and Others	Subtotal	Subtotal	Payer A	Payer B	Payer C	Payer D	Payer E	Subtotal					
2015																			
Billings	\$ 38,620,656	\$ 31,947,870	\$ 17,167,090	\$ 87,735,616	\$ 32,230,994	\$ 783,790	\$ 33,014,784	\$ 120,750,400	\$ 3,190,464	\$ 12,724,384	\$ 19,922,551	\$ 4,101,569	\$ 4,095,892	\$ 44,034,860	\$ 164,785,260	\$ (5,385,478)	\$ 159,399,782		
Collections	\$ 17,021,649	\$ 12,227,719	\$ 8,425,392	\$ 37,674,760	\$ 12,731,268	\$ 305,439	\$ 13,036,707	\$ 50,711,467	\$ 2,039,183	\$ 6,762,529	\$ 14,420,318	\$ 2,786,961	\$ 2,494,030	\$ 28,503,021	\$ 79,214,488				
Percentage of collections over billings	<u>44%</u>	<u>38%</u>	<u>49%</u>	<u>43%</u>	<u>40%</u>	<u>39%</u>	<u>39%</u>	<u>42%</u>	<u>64%</u>	<u>53%</u>	<u>72%</u>	<u>68%</u>	<u>61%</u>	<u>65%</u>	<u>48%</u>				
2014																			
Billings	\$ 39,319,139	\$ 31,193,763	\$ 14,724,367	\$ 85,237,269	\$ 22,725,998	\$ 521,634	\$ 23,247,632	\$ 108,484,901	\$ 1,765,378	\$ 8,796,803	\$ 17,741,317	\$ 4,310,564	\$ 4,142,359	\$ 36,756,421	\$ 145,241,322	\$ (1,584,267)	\$ 143,657,055		
Collections	\$ 24,531,690	\$ 14,277,153	\$ 3,685,372	\$ 42,494,215	\$ 8,831,000	\$ 464,990	\$ 9,295,990	\$ 51,790,205	\$ 766,160	\$ 5,639,440	\$ 12,353,179	\$ 2,556,663	\$ 2,799,774	\$ 24,115,216	\$ 75,905,421				
Percentage of collections over billings	<u>62%</u>	<u>46%</u>	<u>25%</u>	<u>50%</u>	<u>39%</u>	<u>89%</u>	<u>40%</u>	<u>48%</u>	<u>43%</u>	<u>64%</u>	<u>70%</u>	<u>59%</u>	<u>68%</u>	<u>66%</u>	<u>52%</u>				
2013																			
Billings	\$ 39,212,864	\$ 32,839,005	\$ 15,154,011	\$ 87,205,880	\$ 19,906,788	\$ 627,442	\$ 20,534,230	\$ 107,740,110	\$ 2,334,868	\$ 9,843,431	\$ 20,464,503	\$ 4,499,810	\$ 3,861,423	\$ 41,004,035	\$ 148,744,145	\$ (7,619,283)	\$ 141,124,862		
Collections	\$ 20,092,685	\$ 11,024,844	\$ 7,981,051	\$ 39,098,580	\$ 8,691,358	\$ 2,883,123	\$ 11,574,481	\$ 50,673,061	\$ 1,685,414	\$ 7,096,579	\$ 14,300,681	\$ 2,810,175	\$ 2,791,049	\$ 28,683,898	\$ 79,356,959				
Percentage of collections over billings	<u>51%</u>	<u>34%</u>	<u>53%</u>	<u>45%</u>	<u>44%</u>	<u>460%</u>	<u>56%</u>	<u>47%</u>	<u>72%</u>	<u>72%</u>	<u>70%</u>	<u>62%</u>	<u>72%</u>	<u>70%</u>	<u>53%</u>				
2012																			
Billings	\$ 29,033,976	\$ 32,656,387	\$ 23,921,025	\$ 85,611,388	\$ 21,703,311	\$ 1,015,397	\$ 22,718,708	\$ 108,330,096	\$ 2,149,394	\$ 8,469,988	\$ 19,733,802	\$ 3,509,496	\$ 4,509,680	\$ 38,372,360	\$ 146,702,456	\$ 1,599,692	\$ 148,302,148		
Collections	\$ 12,081,258	\$ 14,523,747	\$ 15,777,615	\$ 42,382,620	\$ 16,756,138	\$ 1,088,226	\$ 17,844,364	\$ 60,226,984	\$ 1,934,655	\$ 6,798,356	\$ 15,047,548	\$ 2,463,368	\$ 2,294,382	\$ 28,538,309	\$ 88,765,293				
Percentage of collections over billings	<u>42%</u>	<u>44%</u>	<u>66%</u>	<u>50%</u>	<u>77%</u>	<u>107%</u>	<u>79%</u>	<u>56%</u>	<u>90%</u>	<u>80%</u>	<u>76%</u>	<u>70%</u>	<u>51%</u>	<u>74%</u>	<u>61%</u>				

See accompanying independent auditors' report.

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Schedule of Full Time Employee (FTE) Count
Years Ended September 30, 2015 and 2014

<u>Department</u>	<u>2015</u>	<u>2014</u>
Actual FTE count:		
Nursing	485	511
Professional Support	208	232
Administrative Support	170	181
Fiscal Services	93	96
Administration	16	17
Medical Staff	47	64
	<u>1,019</u>	<u>1,101</u>
Budgeted FTE count	<u>1,165</u>	<u>1,315</u>

See accompanying independent auditors' report.