

Denver Health and Hospital Authority

Independent Auditor's Reports and Financial Statements

December 31, 2019 and 2018

Denver Health and Hospital Authority

December 31, 2019 and 2018

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Independent Auditor's Report

Board of Directors
Denver Health and Hospital Authority
Denver, Colorado

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units and the aggregate remaining fund information of the Denver Health and Hospital Authority (the Authority) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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. The financial statements of Denver Health Medical Plan, Inc. and DHHA Southwest Clinic, Inc., discretely presented component units, and DHHA Pavilion M, Inc., 601 Broadway, Inc., and 550 Acoma Inc., which are blended component units, were not audited in accordance with *Government Auditing Standards*.

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.

Board of Directors
Denver Health and Hospital Authority

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units and the aggregate remaining fund information of the Denver Health and Hospital Authority as of December 31, 2019 and 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 20 to the financial statements, during the year ended December 31, 2019, the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinions are 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, pension and other postemployment benefits information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The consolidating statements of net position, consolidating revenues and expenses information and the budget to actual information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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Denver Health and Hospital Authority

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
March 27, 2020

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Denver Health and Hospital Authority

Management's Discussion and Analysis (Unaudited)

December 31, 2019 and 2018

This discussion and analysis of the financial performance of Denver Health and Hospital Authority (the Authority) provides an overall review of the Authority's financial activities and balances as of and for the years ended December 31, 2019 and 2018.

Management's Discussion and Analysis is designed to provide a comparative discussion on significant activities, resulting changes, and currently known facts; therefore, this discussion should be read in conjunction with the Authority's financial statements.

2019 Highlights

In 2019, the Authority implemented programs and placed into service several new facilities in an effort to meet the ongoing Denver population growth and related demand for health care. The Downtown Urgent Care Clinic (DUC) opened in October 2019 and represents the Authority's first presence in the center of downtown Denver. A new School-Based Health Center was opened at Denver's East High School, and operational contracts were implemented to provide services at Rose Amond Center and the Chanda Plan for unique, vulnerable patient populations. These new services and facilities were funded from Authority operations, and are expected to be self-funding from patient revenues or funded through traditional means (grants, Authority operations) on an ongoing basis based on completed financial pro-formas.

Construction was in progress on two major construction projects related to the facilities master plan in 2019, the Outpatient Medical Center (OMC), and the 550 Acoma parking garage. Both projects are scheduled to be completed in 2020. The City and County of Denver's General Obligation Bond has provided \$75.0 million of funding for the OMC, and the Authority plans on funding the remaining construction costs through operations. The 550 Acoma parking garage is funded through debt issued in 2018.

The Authority completed a new facilities Master Plan in 2019 that was approved by the Board of Directors.

The Authority also refinanced several debt obligations to lower its maximum annual debt service beginning in 2024. This refinancing resulted in a net present value debt service savings of \$4.8 million.

Net patient service revenue was \$130.7 million, or 20.3% higher than 2018 and \$2.2 million, or 0.3% higher than budget. The increase in net patient service revenue was driven primarily by increased patient care services, which contributed to an increase in gross patient revenue of 10.1%. Numerous revenue cycle initiatives were successfully implemented in the current year. This resulted in a 0.5% reduction in the overall realization rate (net patient service revenue excluding capitation divided by gross patient revenue) despite a charge increase that was implemented that increased charges in 2019 by \$141.7 million. The volume increase includes surgical case increases of 534 additional cases, or 5.3%, outpatient primary and specialty encounters increase of 23,400 encounters, or 2.9% and an increase in deliveries of 165 or 4.9%. Emergency department (ED) encounters also increased by 2.7% to 86,600. The net revenue impact of a physician (professional) billing increase, related to volumes and documentation improvement efforts, was \$8.3 million.

The DH Medicaid Choice managed care contract, effective September 1, 2018, moved from the Authority's main financial statements to its component unit Denver Health Medical Plan (the Plan), due to State requirements imposed in order to continue to operate DH Medicaid Choice under the State's new Regional Accountable Entity (RAE) program. The capitation payment from the Plan to the Authority is included in net patient service revenue so while there is a decrease of \$122.5 million in capitation earned net of reinsurance expense compared to 2018, this is primarily related to a reclassification to net patient service revenue. The \$14.2 million shown in this line item represents the elimination of a Medical Loss Ratio (MLR) reserve related to a liability established prior to September 1, 2018. The DH Medicaid Choice

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increased in membership in 2019 to 85,417, a 10.3% increase. Member months, however, were 42,858 less than 2018 due to membership attribution challenges in early 2019 and the net result, considering both premium revenue and claims expense when comparing to 2018, is approximately \$5.1 million less revenue to the Authority than 2018 for DH Medicaid Choice membership. In the 2019 financial statements, this is offset by the MLR liability decrease of \$14.2 million, resulting in an overall positive impact of \$8.1 million for the DH Medicaid Choice plan in 2019 compared to 2018.

The Authority recorded a decrease in Medicaid disproportionate share (DSH) and other safety net reimbursement compared to 2018 of \$23.0 million, or 15.4%. The revenue approximated budget.

DSH revenue, and another supplemental payment source, Upper Payment Limit (UPL) are paid to the Authority through the State of Colorado Hospital Provider Fee program (HPF). The HPF is a State of Colorado fee approved by the Colorado General Assembly in 2009. Hospitals pay the fee to the state, and the fee revenue is matched with federal funding related to the DSH and UPL sources. Calculations of fees and payments in the HPF program are based on prior year data.

In 2017, the Colorado General Assembly enacted legislation that moved HPF to a state enterprise fund, the Colorado Hospital Accountability and Sustainability Enterprise (CHASE), due to Colorado Taxpayer Bill of Rights (TABOR) issues with the previous accounting for the funds. CHASE is exempt from TABOR limits.

The Authority had a net decrease in net HPF revenue of \$23.1 million compared to 2018. In 2018, the Authority released a Hospital Specific DSH cap (HSDC) reserve for \$20.9 million; this did not recur in 2019. In 2019, the Authority reevaluated its open Hospital Specific DSH Cap (HSDC) reserve and increased its reserve by \$2.3 million, primarily due to the update of the liability to add a reserve for the State Fiscal Year (SFY) ending June 30, 2019. This reserve is for the audits of the HSDC calculations under which the DSH payment cannot exceed the cost of uninsured care plus Medicaid shortfall or surplus.

There was a decrease in Physician certification revenue of \$2.5 million compared to 2018, due to a cost report update which decreased this revenue and changed the ongoing accrual of it. Additional changes in the Medicaid DSH and other safety net reimbursement line included increases of \$840,000 in Ambulance UPL, \$811,000 in outstationing and \$426,000 in Colorado State Primary care funds.

City of Denver purchased services revenue is related to contractual obligations for the Authority pursuant to the Operating Agreement with the City and County of Denver (the City). This revenue was \$2.1 million, or 7.4% above budget and \$4.8 million or 19.0% above the prior year. Revenue for this line item is primarily based on reimbursement of direct cost. The driver of this higher revenue was reimbursement of increased medical cost for inmate care at Denver Health's Correctional Care Medical Facility and at the Denver Justice Center.

Salary and benefit expense is the most significant component of the Authority's expenses, comprising 64.3% of total operating expenses. This expense increased approximately \$34.0 million, or 5.3%, and was \$2.0 million or 0.3% below budget. Benefit expense increased approximately \$3.2 million or 2.4% and was primarily due to health insurance and pension expense. Full-time equivalent (FTE) personnel increased 3.5% over the prior year. Normal wage increases for merit and market adjustments, the benefits increase, and additional FTEs related to increased volumes and new services contributed to the increase in cost.

Contracted services and nonmedical supplies increased approximately \$6.8 million, or 3.6% compared to 2018, and was \$1.7 million, or 0.9% above budget. The increase in expense is primarily driven by higher use of contract labor, and increase in computer repairs and maintenance agreements.

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Medical supplies and pharmaceuticals increased approximately \$0.8 million, or 0.6% from prior year. This increase is related to an increase in medical supplies and implant expense driven by increased volumes; which is partially offset by lower pharmacy expense. Pharmaceutical expense savings also resulted in savings of net \$6.4 million from budget, or 4.6%. The Authority participates in the federal Health Services and Resources Administration 340b program which results in significant pharmaceutical savings for patients treated in the Federally Qualified Health Centers (FQHC) and other Hospital outpatient sites.

Depreciation and amortization expense decreased from 2018 by approximately \$7.4 million or 13.7%, driven by accelerated depreciation expense for the 660 Bannock and 550 Acoma buildings in 2018 that did not occur in 2019. This also led to a positive budget variance of \$3.1 million, or 6.2%

The investment market performed well in 2019 compared to 2018, resulting in a net increase in fair value of investments of \$18.7 million compared to a net decrease of \$14.4 million in 2018. The Authority's investment policy provides that investments are generally held to maturity. The realized interest income increased approximately \$1.4 million over the prior year. Cash and cash equivalents, including restricted, and short term investments increased approximately \$18.9 million, or 39.1%, and long-term and board-designated investments decreased approximately \$31.1 million, or 9.5% over the prior year. The main driver for the net decrease in long-term and board-designated investments is the defeasance of the 2010 bonds, which used cash from operations to complete. After accounting for operating expenses, cash from operations decreased approximately \$21.9 million, or 23.4% from prior year.

Contributions restricted for capital assets in 2019 totaled \$59.0 million, including \$57.6 million from the City's General Obligation Bond for the OMC. The Authority also received \$1.2 million from the City to support the construction of Federico F. Pena Southwest Family Health Center. The remaining balance is made up of smaller contributions.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which consist of business-type activities, discretely presented component units and fiduciary fund statements, and notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements. The business-type activities of the Authority include the following basic financial statements:

The *statement of net position* presents information on the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between these items as net position. Over time, increases or decreases in net position may indicate whether the financial position of the Authority is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents both the operating revenues and expenses and nonoperating revenues and expenses along with other changes in net position for the year. This statement is an indication of the success of the Authority's operations over the past year.

The *statement of cash flows* presents the change in cash and cash equivalents for the year resulting from operating activities, capital and related financing activities and investing activities. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the year.

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Management's Discussion and Analysis (Unaudited)
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Financial Analysis and Results of Operations

Changes to net position over time may serve as a useful indicator of the Authority's financial position. At December 31, 2019, the Authority's total net position increased by approximately \$127.2 million from 2018, or 30.2%. The following table summarizes total assets, deferred outflows of resources, total liabilities, deferred inflows of resources and net position at December 31.

Contributing factors to the increase in net position included the operating income of \$53.8 million, the net nonoperating revenue of \$14.3 million driven by the net increase in fair value of investments, and the contributions restricted for capital assets of \$59.0M. The net decrease in cash and investments (short, long-term and board-designated) noted previously was \$12.2 million driven by the defeasance of the 2010 bonds. Capital assets increased by \$91.2 million and represent the primary source of asset growth.

	Net Position		
	2019	2018	2017
Current and noncurrent assets	\$ 607,851,166	\$ 596,214,135	\$ 541,596,504
Capital assets	<u>608,215,355</u>	<u>517,011,913</u>	<u>501,284,551</u>
Total assets	1,216,066,521	1,113,226,048	1,042,881,055
Deferred outflows	<u>42,897,168</u>	<u>35,477,186</u>	<u>42,501,994</u>
Total assets and deferred outflows of resources	<u>\$ 1,258,963,689</u>	<u>\$ 1,148,703,234</u>	<u>\$ 1,085,383,049</u>
Current liabilities	\$ 184,331,393	\$ 175,638,297	\$ 175,185,004
Other long-term liabilities	155,428,456	178,726,614	209,586,602
Long-term debt outstanding	<u>354,747,723</u>	<u>354,814,921</u>	<u>322,820,992</u>
Total liabilities	694,507,572	709,179,832	707,592,598
Deferred inflows of resources	<u>16,249,326</u>	<u>18,482,845</u>	<u>5,807,121</u>
Net investment in capital assets	253,282,408	171,472,396	160,517,460
Unrestricted	<u>294,924,383</u>	<u>249,568,161</u>	<u>211,465,870</u>
Total net position	<u>548,206,791</u>	<u>421,040,557</u>	<u>371,983,330</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,258,963,689</u>	<u>\$ 1,148,703,234</u>	<u>\$ 1,085,383,049</u>

Patient Accounts Receivable

Patient accounts receivable (AR), net of contractual allowances increased by approximately \$18.8 million in 2019, or 35.4%. Cash collections from net patient service revenue increased by approximately \$132.8 million, or 21.3%, over the prior year. A driver of the increase in collections is a reclassification of DH Medicaid choice from the Capitation earned category to Net patient service revenue via a capitated payment

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from the Denver Health Medical Plan (DHMP). There is a corresponding decrease in capitation earned net of reinsurance. Without this reclassification, there was an increase of \$10.3 million over 2018 which is primarily due to increased volumes and revenue cycle (collections) initiatives.

Due from Governmental Entities

Due from governmental agencies decreased by \$3.5 million, or 12.7%, compared to a prior year balance, primarily related to the HPF additional distribution receivable for the 2018-2019 State Fiscal Year (SFY), of \$4.6 million that was in the 2018 balance but is not in the 2019 balance.

Due from the City and County of Denver

Due from the City and County of Denver increased by \$6.3 million or 79.6% compared to the prior year balance. This change is primarily related to the timing on the monthly payments from the City.

Other Receivables

Other Receivables decreased by \$2.6 million, or 13.2%, compared to the prior year balance. This change is primarily related to payments for obstetrical deliveries for the DH Medicaid Choice plan. This revenue stream has moved to DHMP starting September 1, 2018.

Due from and Investments in Discretely Presented Component Units

Due from and investments in discretely presented component units increased approximately \$6.5 million, or 87.0% primarily due to accrued capitation and a capitation adjustment recorded related to an adjustment in the risk adjustment payment for the Affordable Care Act (ACA) Exchange population.

Inventories

Inventories increased approximately \$1.2 million, or 10.7%, primarily due to additional inventory in supplies and pharmaceuticals identified in the year-end inventory.

Prepaid expenses and other assets

Prepaid expenses and other assets increased approximately \$1.4 million, or 10.4%, primarily due to the timing of new software maintenance agreements and licenses.

Estimated Third-party Payor Settlement Receivables

Estimated third-party payor receivables are comprised of receivables for Medicare and Medicaid cost report settlements and receivables for outstationing revenue. These receivables decreased approximately \$1.3 million, or 31.5%, compared to 2018, primarily due to receipt of outstationing payments of \$2.2 million offset by accruals for Medicare receivables of approximately \$1.0 million.

Restricted Investments

Restricted investments decreased approximately \$2.3 million, or 4.3%, compared to 2018, primarily resulting from an increase of \$24.0 million from the issuance of the Series 2019 A and B bonds, and funds received from the City of \$57.6 million, offset by construction draws totaling \$80.2 million and payment of interest on debt.

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Capital Assets

Capital assets, net of accumulated depreciation, increased approximately \$91.2 million over the prior year. Additions totaled approximately \$137.9 million, compared to approximately \$69.3 million in 2018. The largest capital addition was the construction on the OMC building totaling approximately \$77.3 million in 2019. The building is scheduled to open in the fourth quarter of 2020. Additionally, the Authority incurred \$18.7 million in construction costs related to the 550 Acoma Parking Garage. Equipment purchases totaled approximately \$19.9 million. This increase is offset by disposals of \$7.2 million due to the biennial equipment inventory. Depreciation expense for the year was approximately \$47.0 million. Listed below is a summary of capital assets, net of accumulated depreciation at December 31, 2019 and 2018:

	December 31,	
	2019	2018
Land	\$ 34,345,787	\$ 34,345,787
Buildings and improvements	347,490,256	369,366,791
Equipment and software	71,443,440	71,734,486
Construction in process	154,935,872	41,564,849
Total	\$ 608,215,355	\$ 517,011,913

Long-term and Board-designated Investments

Long-term and board-designated investments in aggregate decreased approximately \$31.1 million, or 9.5% over the prior year. The early defeasance of the 2010 bonds lowered available cash for investment by \$23.8 million.

Other Liabilities

Accounts payable and accrued expenses decreased approximately \$17.4 million, or 25.8%, due to an elimination of the Medical Loss Ratio (MLR) liability of \$14.2 million, related to the DH Medicaid Choice plan.

Accrued wages increased approximately \$3.2 million, or 12.7%, primarily driven by timing of days accrued.

Unearned revenue represents the supplemental payments received under the HPF program that are received in advance of being earned. Unearned revenue increased \$1.8 million because the monthly payments received in advance increased over 2018.

Accrued claims liability represents the Incurred But Not Reported claims liability (IBNR) for DH Medicaid Choice. The liability is approximately \$2.1 million, or 100%, lower than the prior year due to the contract moving to the Plan effective September 1, 2018.

The long-term portion of liability for estimated third-party settlements increased approximately \$3.1 million or 16.4%. Approximately \$2.3 million of the increase is related to an increase in the accrual for potential recoupment of Medicaid DSH revenue based on a future audit of the HSDC as discussed in a previous section. Additionally there was a \$1.8 million accrual for an estimated payback of Medicaid FQHC encounter rate payments due to a rate calculation update that is being reviewed by the State and is likely to be implemented.

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Net pension liability represents the actuarially estimated cost of the Authority's pension plan, the Denver Employees Retirement Plan (DERP). The net liability is the amount owed for the pension benefit above the currently invested assets. This liability increased approximately \$10.1 million, or 9.6%, mainly driven by the increase in overall actuarially determined expense for the multi-payor plan. The deferred outflows of resources related to pension benefits increased \$2.9 million. The deferred inflows of resources related to pension benefits decreased \$2.8 million. The net impact to the statement of changes in net position was a decrease in expense of \$752,000. The decrease is driven by changes in the Authority's proportionate share of the multi-payor plan.

Postemployment benefit liability or Other post-employment benefits (OPEB) liability represents the actuarially estimated cost of the Authority's provision of postretirement health benefits for both the postemployment benefit included in the DERP plan and a Supplemental plan for certain employees hired in 2001 or after.

The net liability for the DERP OPEB plan, which is shown as a long-term liability, is also a proportionate share of the multi-payor plan and is approximately \$5.9 million and increased \$143,000 from 2018. The deferred inflows for the DERP OPEB plan is approximately \$759,000 and decreased \$22,000 from 2018. The deferred outflows for DERP OPEB is \$780,000 and increased by \$489,000.

The Supplemental OPEB plan, which is shown as a current liability, has a net liability of approximately \$17.5 million for 2019 and 2018. The deferred outflows for the Supplemental OPEB plan is approximately \$818,000 and decreased \$391,000 from 2018. In 2019, there was a new deferred inflow of \$612,000 recorded. This plan was amended and dissolved as of January 1, 2020.

Debt

Bonds and notes payable, program support payable and capital leases payable (current and long-term), excluding the deferred loss on refunding, decreased by approximately \$6.6 million due to an increase in new debt of \$14.7 million, (a \$10.0 million decrease in derivative swap liability is also shown on the balance sheet since a portion of the bond proceeds were used to extinguish our 2007B interest swap agreement). This is offset by the principal payments of bonds and notes payable during 2019 of approximately \$20.7 million.

Total Assets, Liabilities and Net Position

Overall, total assets increased approximately \$102.8 million from December 31, 2018 to December 31, 2019, primarily due to an increase in capital assets specifically related to the OMC building and 550 Acoma parking garage.

Total liabilities and deferred inflows of resources as of December 31, 2019 decreased approximately \$16.9 million compared to December 31, 2018. Primary drivers of this decrease were the elimination of the Medical Loss Ratio (MLR) liability of \$14.2 million, related to the DH Medicaid Choice plan and the decrease in debt of \$6.6 million. Additionally, there was a decrease in derivative swap liability of \$10.0 million. This is offset by an increase in net pension liability of \$10.1 million

At December 31, 2019, the Authority's total net position increased by approximately \$127.2 million from 2018, or 30.2%, which was comprised of an operating gain of approximately \$53.8 million, non-operating net income of approximately \$14.3 million, and contributed capital of approximately \$59.0 million.

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The following table compares 2019, 2018 and 2017 revenues and expenses and shows the resulting changes in net position:

	Changes in Net Position		
	2019	2018	2017
Operating revenues			
Net patient service revenue	\$ 775,098,368	\$ 644,397,553	\$ 545,380,959
Capitation earned net of reinsurance	14,150,174	136,653,112	218,010,773
Medicaid disproportionate share and other safety net reimbursement	125,955,648	148,941,660	114,752,531
City and County of Denver payment for patient care services	30,777,300	30,777,300	30,777,300
Federal and state grants	68,170,544	64,114,406	66,049,764
City and County of Denver purchased services	29,985,490	25,188,290	24,776,739
Poison and drug center contracts	23,587,670	25,349,639	22,852,467
Other operating revenue	44,163,185	44,032,947	34,286,943
Total operating revenues	<u>1,111,888,379</u>	<u>1,119,454,907</u>	<u>1,056,887,476</u>
Operating expenses			
Salaries and benefits	681,038,029	647,029,411	628,026,525
Contracted services and nonmedical supplies	197,282,805	190,460,688	193,422,000
Medical supplies and pharmaceuticals	133,164,071	132,390,682	125,253,288
Managed care outside provider claims	(425,033)	38,830,457	65,258,014
Depreciation and amortization	47,045,062	54,487,664	44,517,680
Total operating expenses	<u>1,058,104,934</u>	<u>1,063,198,902</u>	<u>1,056,477,507</u>
Operating income	<u>53,783,445</u>	<u>56,256,005</u>	<u>409,969</u>
Nonoperating revenues (expenses)			
Increase in equity in joint venture	20,000	2,800	124,000
Bond issuance costs	(1,372,732)	(588,564)	(682,046)
Interest income	12,831,539	11,470,391	9,633,043
Interest expense	(15,829,395)	(15,200,176)	(14,355,713)
Gain on forgiveness of note payable/receivable	-	-	8,135,483
Net increase (decrease) in fair value of investments	18,688,943	(14,424,574)	9,287,858
Gain on disposition of capital assets	-	10,572	50,857
Total nonoperating revenues (expenses)	<u>14,338,355</u>	<u>(18,729,551)</u>	<u>12,193,482</u>
Income before capital contributions	68,121,800	37,526,454	12,603,451
Contributions restricted for capital assets	<u>59,044,434</u>	<u>25,115,272</u>	<u>1,516,042</u>
Increase in net position	127,166,234	62,641,726	14,119,493
Net position, at beginning of year	<u>421,040,557</u>	<u>371,983,330</u>	<u>357,863,837</u>
Adjustment for adoption of accounting standard	<u>-</u>	<u>(13,584,499)</u>	<u>-</u>
Net position, at end of year	<u>\$ 548,206,791</u>	<u>\$ 421,040,557</u>	<u>\$ 371,983,330</u>

Denver Health and Hospital Authority
Management's Discussion and Analysis (Unaudited)
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Revenues and Expenses

Gross Patient Service Revenue

Gross patient service revenue increased approximately \$245.4 million, or 10.1%, for the year ended December 31, 2019, compared with the year ended December 31, 2018, as shown in the following table:

	Gross Patient Revenue		Dollar Change	Percentage Change
	2019	2018		
Inpatient revenue	\$ 967,718,396	\$ 885,707,762	\$ 82,010,634	9.3%
Outpatient revenue	1,285,823,530	1,165,004,435	120,819,095	10.4%
Physician billing	295,660,056	251,907,184	43,752,872	17.4%
Ambulance	119,409,260	120,576,747	(1,167,487)	-1.0%
Total	2,668,611,242	2,423,196,128	245,415,114	10.1%
Charges forgone for charity care	(193,201,632)	(164,701,869)	(28,499,763)	17.3%
Total gross patient revenue	\$ 2,475,409,610	\$ 2,258,494,259	\$ 216,915,351	9.6%

Inpatient charges increased by 9.3%, or approximately \$82.0 million over 2018. The inpatient gross revenue has increased notably in the areas of Surgery and related services (perioperative services), Invasive Cardiology and Radiology. Additionally, there was a price increase of \$45.7 million or 5.0%. Inpatient equivalent census days were 0.2% below the prior year and inpatient admissions were 1.5% below the prior year.

Outpatient charges increased by approximately \$120.8 million, or 10.4% over 2018. The outpatient gross revenue has increased in the areas of Pharmacy, Radiology, Perioperative services, Orthopedics, Cardiac Catheterization Lab, Family Practice, Behavioral Health and Emergency Medicine. Additionally, there was a price increase of \$96.0 million or 9.9%. Total outpatient clinic encounters increased 2.9% over 2018.

Physician billing (includes advance practice providers such as Nurse Practitioners) gross revenue increased approximately \$43.8 million, or 17.4% over 2018. The physician billing increased significantly in the areas of Radiology, Cardiology, Obstetrics/Gynecology (OB/GYN), and Orthopedics.. Volume increases and improved documentation and charge capture are the driving factors of physician charge increases.

Ambulance revenue decreased approximately \$1.2 million, or 1.0%, primarily due to a decrease in transport volume though the number of responses has increased over 2018 by 1.0%. Only transports are billable.

Indigent Care, Charity Care and Community Service

The Authority, as part of its mission, provides healthcare services to the City's residents, regardless of ability to pay. Many of the Authority's patients are unable to obtain benefits from insurance companies or do not have personal resources to cover costs. The financial burden; however, is in part offset by various federal, state, local and private programs in which such patients are enrolled. Foregone charges for charity care provided under the Authority's charity care policy were approximately \$193,202,000 and \$164,702,000 for the years ended December 31, 2019 and 2018, respectively.

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Records are maintained to identify and monitor the level of charity care the Authority provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. This policy directly relates to that of the state Colorado Indigent Care Program (CICP) and an internal charity program which provides a sliding fee scale based on the patient’s percentage of Federal Poverty Level (FPL) as required by the federal Bureau of Primary Health Care Section 330 Grant. The level of uncompensated care provided during the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Uncompensated care		
Contractual adjustments	\$ 1,587,365,786	\$ 1,396,091,995
Provision for bad debts	98,795,282	81,351,599
Charity care	<u>193,201,632</u>	<u>164,701,869</u>
	<u>\$ 1,879,362,700</u>	<u>\$ 1,642,145,463</u>

The Authority estimates the level of uncompensated care by payor classification based on established rates. The change in charity care is attributable to the increase in volumes and gross charges as well as an increase in uninsured patients over 2018.

Net Patient Service Revenue

For the year ended December 31, 2019, net patient service revenue increased from 2018 by approximately \$130.7 million or 20.3%, driven by increased volumes and revenue cycle improvements as a result of Operational Excellence initiatives. As noted in previous sections the DH Medicaid Choice managed care plan moved to the Plan effective September 1, 2018. The capitation payments from the Plan to the Authority is included in net patient service revenue beginning September 1, 2018; this change accounted for \$83.2 million of the year over year net patient service revenue increase, while capitation revenue decreased by \$122.5 million (claims expense and other administrative expenses also decreased).

For the year ended December 31, 2018, Net patient service revenue increased from 2017 by approximately \$99.0 million, or 18.2%, driven by higher volumes and revenue cycle Operational Excellence initiatives. The realization rate, which is calculated as net patient service revenue divided by gross patient revenue (before charity care charges foregone) increased by nearly 1.0% between 2017 and 2018.

Capitation Earned Net of Reinsurance

For the year ended December 31, 2019, capitation earned net of reinsurance for DH Medicaid Choice decreased by approximately \$122.5 million, or 89.7%, due to the DH Medicaid Choice plan moving to the Authority’s component unit, the Plan. This move also explains the decrease in managed care outside provider claims of \$39.2 million or 101.1%. Effective September 1, 2018, the Authority now receives subcapitation from the Plan for DH Medicaid Choice members, as the Plan receives the capitation premium directly from the State. For September 1, 2018 and forward this capitation amount is reflected in net patient service revenue. After accounting for all changes in membership, rate decreases, the change in payment methodology, and offsetting decreases in claims expense and administration cost, there was a net increase to operating income related to DH Medicaid Choice of approximately \$8.1 million between 2018 and 2019.

For the year ended December 31, 2018, capitation earned net of reinsurance for DH Medicaid Choice decreased by approximately \$81.4 million, or 37.3%, due to the DH Medicaid Choice plan moving to the Authority’s component unit, the Plan.

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Medicaid Disproportionate Share Hospital (DSH) and Other Safety Net Reimbursement

Medicaid DSH revenue and other safety net reimbursement decreased approximately \$23.0 million, or 15.4%, compared to 2018, as discussed in detail in the 2019 highlights section.

In 2018, Medicaid DSH revenue and other safety net reimbursement increased approximately \$34.2 million or 29.8%, compared to 2017.

Medicaid DSH, other safety net revenue and expense, and primary care funds for 2019 and 2018 are as follows:

	2019	2018
Colorado Indigent Care Program revenue	\$ 99,787,006	\$ 102,501,900
Supplemental Medicaid base rate revenue	2,652,910	14,233,321
Supplemental Medicaid outpatient hospital revenue	1,771,912	9,525,964
Hospital quality incentive payment	7,616,860	8,127,919
	<hr/>	<hr/>
Total Hospital provider fee revenue	111,828,688	134,389,104
Provider fee expense (included in contracted services and non-medical supplies)	(32,963,986)	(32,417,412)
	<hr/>	<hr/>
Total net Hospital provider fee	<u>\$ 78,864,702</u>	<u>\$ 101,971,692</u>
	2019	2018
	<hr/>	<hr/>
Total Hospital provider fee revenue	\$ 111,828,688	\$ 134,389,104
Ambulance Upper Payment Limit revenue	5,207,355	4,367,620
Outstationing revenue	1,148,756	337,383
Primary care funds	4,510,422	4,084,190
Physician certification revenue	3,260,427	5,763,363
	<hr/>	<hr/>
Total other safety net	14,126,960	14,552,556
	<hr/>	<hr/>
Total safety net revenue	<u>\$ 125,955,648</u>	<u>\$ 148,941,660</u>

City and County of Denver Payment for Patient Care Services

For the years ended December 31, 2019, 2018 and 2017, as part of the Operating Agreement between the Authority and the City (Note 1 to the basic financial statements), the City paid approximately \$30.8 million annually to the Authority to cover a portion of the cost of treating the medically indigent.

Denver Health and Hospital Authority

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Grant Revenue

In 2019, federal, state and other grant revenue increased by approximately \$4.1 million, or 6.3%, primarily due to increase in expenditures for the 330 Bureau of Primary Health Care federal grant of \$1.3 million and a one-time indirect cost reimbursement from Signal Behavioral Health of \$1.5 million. The remaining increase is comprised of smaller grant awards.

In 2018, federal, state and other grant revenue decreased by approximately \$1.9 million, or 2.9%, primarily due to less contracted services expenditures on grants.

City and County of Denver Purchased Services

As part of the Operating Agreement between the Authority and the City (Note 1 to the basic financial statements), the Authority receives payments from the City to provide services, including, but not limited to: medical care for the city inmates, public health, and operation of Denver C.A.R.E.S., which is a 100-bed nonmedical detoxification center. Revenue for reimbursement of these costs totaled approximately \$30.0 million in 2019, which is approximately \$4.8 million or 19.0%, higher than 2018 driven by increased acuity and utilization by inmates of the infirmaries in the correctional system. Revenue for reimbursement of these costs were higher than budget by \$2.0 million or 7.4% driven by higher than anticipated correctional care expenditures.

In 2018, City revenue for reimbursement of these costs totaled approximately \$25.2 million, which is approximately \$412,000, or 1.7%, higher than 2017.

Poison and Drug Center Contracts

The Rocky Mountain Poison and Drug Safety (RMPDS) is a certified regional poison center, recognized by the American Association of Poison Control Centers and serves as a regional drug information center. The RMPDS includes RADARS® System, which collects, compiles, analyzes and maintains certain de-identified health care and other information in proprietary databases containing data from several signal detection system networks. The program provides expert analysis and interpretation of data and includes a Scientific Advisory Board. Subscribing organizations are provided with timely geographic-specific surveillance and monitoring reports to detect and characterize prescription drug abuse, misuse, and diversion. Typical organizations using such information include the pharmaceutical industry, regulatory agencies, policymakers and medical/public health officials to aid in understanding trends in the abuse, misuse, and diversion of prescription drugs in the United States. Poison and Drug Center contract revenue for 2019 was approximately \$23.6 million, a \$1.8 million decrease over the prior year and \$2.3 million, or 8.9%, below budget due to loss of certain revenue contracts. For 2019, RMPDS had a decrease in net position of approximately \$643,000.

Poison and Drug Center contract revenue for 2018 was approximately \$25.3 million, \$2.5 million increase over the prior year and \$1.3 million or 5.4% above budget. For 2018, RMPDS had a decrease in net position of approximately \$306,000.

Other Operating Revenue

For 2019, other operating revenue (excluding Poison and Drug Center contracts revenue) increased by \$130,000 or 0.3% over 2018. Decreases in federal Electronic Health Record (EHR) "Meaningful Use" (Promoting Interoperability Program) revenue for demonstration of use of DHHA's electronic health record, were offset by increases in 340B contract pharmacy revenue, Regional Accountable Entity (RAE) delegated care coordination revenue, and enrollment services contract revenue.

Denver Health and Hospital Authority

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For 2018, other operating revenue increased by \$9.7 million, or 28.4%, over 2017. Significant increases included federal Electronic Health Record (EHR) "Meaningful Use" (Promoting Interoperability Program) revenue for demonstration of use of DHHA's electronic health record, increased 340B contract pharmacy revenue, and RAE delegated care coordination revenue and enrollment services contract revenue.

Operating Expenses

Year ended December 31, 2019 compared with year ended December 31, 2018

Operating expenses decreased approximately \$5.1 million, or 0.5%, for the year ended December 31, 2019, compared with the prior year.

- Salaries and benefit expense increased \$34.0 million or 5.3% and was below budget for the year by \$2.0 million or 0.3%. The increase over 2018 is driven by Full-time equivalent (FTE) personnel increase, market and merit increases, and increased benefit expenses. As of December 31, 2019, the Authority has a \$3.9 million management incentive plan (MIP) payout liability.
- Contracted services and nonmedical supplies increased approximately \$6.8 million, or 3.6%, from 2018 and is \$1.7 million, or 0.9% above budget, while Medical supplies and pharmaceuticals increased approximately \$773,000 or 0.58% year over year. The details related to these expenses are explained in the *Highlights* section.
- Managed Care outside provider claims represents the costs incurred for medical care and pharmaceuticals obtained by DH Medicaid Choice members outside of the Authority's system of care. Effective September 1, 2018, the DH Medicaid Choice managed care plan is now a component of the Plan and no longer is reflected on the DHHA financial statements as a managed care plan. This expense is a credit for \$425,000 in 2019 and \$38.8 million for 2018.
- Depreciation and amortization expense decreased from 2018 by approximately \$7.4 million or 13.7%, driven by 2018 accelerated depreciation expense for the 660 Bannock and 550 Acoma buildings.

Year ended December 31, 2018 compared with year ended December 31, 2017

Operating expenses increased approximately \$6.7 million, or 0.6%, for the year ended December 31, 2018, compared with the prior year.

- Salaries and benefit expense increased \$19.0 million or 3.0% and was slightly above budget for the year by \$499,000 or less than 0.1%. The increase over 2017 is driven by market and merit increases and increased benefit expenses. As of December 31, 2018, the Authority had a \$ 4.1 million management incentive plan (MIP) payout liability.
- Contracted services and nonmedical supplies decreased approximately \$3.0 million, or 1.5%, from 2017 and was \$2.8 million, or 1.5% above budget, while Medical supplies and pharmaceuticals increased approximately \$7.1 million, or 5.7% year over year.
- Managed Care outside provider claims expense was \$38.8 million for 2018 which includes expense from the eight months for which the DH Medicaid Choice plan was included in the Authority's financial statements.
- Depreciation and amortization expense increased over the prior year by approximately \$10.0 million or 22.4%. This expense was under budget by \$5.0 million or 10.2%.

Denver Health and Hospital Authority

Management's Discussion and Analysis (Unaudited)

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Nonoperating Revenues (Expenses)

Nonoperating revenues and expenses consist primarily of income from the Authority's cash, short- and long-term investments, interest expense, the change in the fair value of investments, the increase in equity investment in joint venture, bond issuance costs, and the gain or loss on disposal of capital assets.

Net nonoperating revenue in 2019 was approximately \$14.3 million, compared to net nonoperating expense of \$18.7 million in 2018. The largest driver in this category was the change in unrealized gain/loss in investments. There was an increase of \$18.7 million in 2019 compared to a decrease of \$14.4 million in 2018 due to a favorable market in 2019 which drove strong investment performance for the Authority.

Net nonoperating expense in 2018 was approximately \$18.7 million, compared to net nonoperating revenue of \$12.2 million in 2017. The largest driver in this category was the change in unrealized gain/loss in investments, there was a decrease of \$14.4 million in 2018 compared to an increase of \$9.3 million in 2017 due to a deterioration of the market in 2018. Additionally, there was a gain on forgiveness of notes payables related to the dissolution of Pavilion M of \$8.1 million in 2017 but was non-recurring

Capital Contributions

Capital contributions in 2019 totaled \$59.0 million, compared to \$25.1 million in 2018, and as discussed in an earlier section, were received primarily from the City.

Capital contributions in 2018 totaled \$25.1 million, compared to \$1.5 million in 2017, and as discussed in an earlier section, were received primarily from the City.

Budgetary Highlights

For the year ended December 31, 2019, the Authority's total operating revenue is \$1,111.9 million, which reflects a \$17.2 million or 1.6% positive variance to budget. Total operating expense is \$1,058.1 million, which is \$10.3 million, or 1.0% below budget. As a result, the Authority has generated an operating income of \$53.8 million which results in a positive variance to budget of \$27.5 million. The net gain, excluding capital contributions, of \$68.1 million, is a favorable variance to budget of \$46.7 million or 218.0%.

The 2019 positive operating variance to budget was primarily related to Capitation Earned Net of Re-Insurance revenue of \$14.2 million above budget due to the elimination of a Medical Loss Ratio (MLR) reserve related to a liability established prior to September 1, 2018, as well as expenses positive to budget by \$10.3 million, and net patient services revenue positive to budget due to increased volumes and revenue cycle Operational Excellence initiatives. Increases in City and County of Denver Purchased services and Grant Revenue; partially offset by lower other operating revenue resulted in \$1.1 million in additional revenue.

Capital Assets and Debt Administration

Capital Assets

Capital assets, net of accumulated depreciation, increased approximately \$91.2 million over the prior year. Additions totaled approximately \$137.9 million, compared to approximately \$69.3 million in 2018. Depreciation expense for the year was approximately \$47.0 million.

Denver Health and Hospital Authority
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In 2018, capital assets, net of accumulated depreciation, increased approximately \$15.7 million over 2017. Additions totaled approximately \$69.3 million, compared to approximately \$72.9 million in 2017. Depreciation expense for the year was approximately \$54.5 million.

Bonds and notes payable, program support payable and capital leases payable (current and long-term), excluding the deferred loss on refunding, decreased by approximately \$6.6 million due to an increase in new debt of \$14.7 million, (a \$10.0 million decrease in derivative swap liability is shown on the statements of net position since a portion of the bond proceeds were used to extinguish the 2007B interest swap agreement). This is offset by the principal payments of bonds and notes payable during 2019 of approximately \$20.7 million.

Long-term Debt

Long-term debt at December 31, 2019, net of current portion and excluding deferred loss on bond refunding, is approximately \$366.6 million compared to \$376.9 million and \$352.9 million for 2018 and 2017, respectively. The decrease of \$10.3 million relates primarily to principal payments of \$20.7 million offset by an increase of \$11.0 million related to additional debt related to refinancing issuing the 2019A & B bonds. Other notes payable includes a Housing and Urban Development (HUD) loan of approximately \$1.8 million, the proceeds of which were utilized to build the Park Hill Family Health Center. Also included in other notes payable is a Community Development Block Grant (CDBG) loan of \$1.2 million. Both loans are between the Authority and the City.

Below is a listing of the Authority's outstanding long-term debt, net of current portion at December 31, 2019, 2018 and 2017:

	2019	2018	2017
2007 A and B Revenue Bonds	\$ -	\$ 60,130,000	\$ 61,795,000
2009 Revenue Bonds	-	1,320,000	1,420,000
2010 Healthcare Recovery Zone Facility Revenue Bonds	-	24,022,621	24,623,561
2014 Revenue Bonds	77,228,466	78,594,753	79,921,040
2017 A Revenue Bonds	89,915,358	94,281,851	98,463,343
2019 A and B Bonds	140,998,831	-	-
601 Broadway notes payable	-	44,486,362	45,663,338
Program support payable	11,823,587	22,047,754	30,043,380
550 Acoma Inc. notes payable	40,375,108	40,794,422	-
Other notes payable	6,229,960	11,184,913	10,506,707
Capital lease obligation	-	-	428,004
	<u>\$ 366,571,310</u>	<u>\$ 376,862,676</u>	<u>\$ 352,864,373</u>

Long-term debt increased \$24.0 million in 2018 related primarily to the issuance of the 550 Acoma notes payable of \$40.8 million, offset by principal payments of \$23.0 million.

The Authority's 2019A, 2019B, 2017A, 2014, 2010, 2009, 2007A and 2007B bond series ratings are BBB by Standard and Poor's and by Fitch for December 31, 2019 and 2018.

Denver Health and Hospital Authority

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Adoption of GASB Statement No. 84

During 2019, the Authority adopted GASB Statement No. 84, *Fiduciary Activities*, which resulted in the inclusion of two fiduciary funds statements in the Authority's basic financial statements. These statements report the activities of the Authority's 401(a) and 457(b) plans as required by GASB 84.

Economic Factors and Next Year's Budget

The Authority's budget for 2020 reflects the results of the organization's strategic planning process, which identified, among other cost savings, and efficiency goals, six areas of Operational Excellence including: Care Coordination, Ambulatory Pre-care, Patient Flow (Non-Complex Patients), Clinical Variation/Evidence Based Care, Medicare Advantage Five Star activities, and Resource Stewardship. These six areas represent the processes that the Executive Staff and Physician Directors of Service teams, and the Authority Board, have determined to be the highest priority areas for the organization to target improvement in financial and clinical performance. There are specific budgetary and operational performance goals and metrics for each, and the management incentive compensation program for the leadership team focuses on performance in these areas.

Additionally, the Authority targeted several services for growth expansions including Interventional Cardiology, Interventional Radiology, and Outpatient Medical Center (OMC). The Authority's 2020 budget targets a \$47.2 million net revenue increase compared to 2019, this increase is driven by a 6.4% increase in Net Patient Service Revenue. The 2020 budget includes a gross revenue increase of 3.0% driven by initiatives targeted at increasing patient care service volumes, revenue cycle initiatives, and price increases. In 2020, the new OMC is anticipated to complete construction with a completion date of fourth quarter 2020. The Authority believes the OMC will enhance its ability to meet growth demands for the community and remain attractive for all users of the system including commercially insured patients, in order to continue to generate a net income from the insured population to subsidize the Authority's mission.

Salary and benefit costs are budgeted to increase 3.0% over the 2019 actual personnel cost. This is driven by additional staffing correlated with projected increases in patient service volumes as well as merit and market increases. Labor productivity targets remain in effect to help control the cost of human capital. Reviews are being conducted to ensure hiring is correlated to productivity targets. There is expense for the Management Incentive Plan (MIP) included in the 2020 budget of \$4.2 million. In 2020, 65.5% of the Authority's cost is personnel-related and drives most of the overall increase in budgeted 2020 expense. The Authority has implemented tight budget controls around labor productivity and hiring, and goals for growth initiatives. The 2020 budget reflects an increase in net position of \$24.2 million.

Requests for Information

This financial report is designed to provide a general overview of the Authority's financial results for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chief Financial Officer, 601 Broadway, MC 0278, Denver, CO 80203.

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Denver Health and Hospital Authority
Statements of Net Position
December 31, 2019 and 2018

Assets and Deferred Outflows of Resources

	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and cash equivalents	\$ 63,293,839	\$ 25,865,307
Restricted cash and cash equivalents	-	1,089
Short-term investments	4,049,520	22,540,609
Patient accounts receivable, net of estimated uncollectibles of approximately \$35,900,000 and \$36,100,000 in 2019 and 2018, respectively	72,159,383	53,311,297
Due from other governmental entities	24,273,986	27,804,281
Due from City and County of Denver	14,253,548	7,938,431
Other receivables	16,832,316	19,393,509
Interest receivable	1,942,134	2,537,603
Due from and investment in discretely presented component units	13,907,053	7,435,234
Inventories	12,620,104	11,398,356
Prepaid expenses and other assets	<u>15,176,070</u>	<u>13,741,109</u>
Total current assets	<u>238,507,953</u>	<u>191,966,825</u>
Noncurrent Assets		
Notes receivable	15,432,000	15,432,000
Estimated third-party payor settlements receivable	2,780,383	4,060,881
Equity interest in joint venture	1,961,633	1,228,300
Restricted investments	50,887,939	53,186,009
Capital assets, net of accumulated depreciation	608,215,355	517,011,913
Long-term investments	280,266,904	313,657,174
Board-designated investments	16,400,000	14,100,000
Other long-term assets	<u>1,614,354</u>	<u>2,582,946</u>
Total noncurrent assets	<u>977,558,568</u>	<u>921,259,223</u>
Total assets	<u>1,216,066,521</u>	<u>1,113,226,048</u>
Deferred Outflows of Resources		
Accumulated change in fair value of hedging derivatives	-	10,001,023
Deferred outflows of resources related to pension benefits	22,816,240	19,921,541
Deferred outflows of resources related to other postemployment benefits	1,598,213	1,499,180
Deferred outflow - acquisitions	157,667	243,667
Loss on refunding of debt	<u>18,325,048</u>	<u>3,811,775</u>
Total deferred outflows of resources	<u>42,897,168</u>	<u>35,477,186</u>
Total assets and deferred outflows of resources	<u>\$ 1,258,963,689</u>	<u>\$ 1,148,703,234</u>

Denver Health and Hospital Authority
Statements of Net Position
December 31, 2019 and 2018

Liabilities, Deferred Inflows of Resources and Net Position

	<u>2019</u>	<u>2018</u>
Current Liabilities		
Current maturities of bonds payable	\$ 14,036,927	\$ 10,797,845
Current maturities of capital leases	174,564	428,003
Current maturities of notes payable	3,665,609	4,581,197
Current maturities of program support liability	8,592,000	6,960,000
Medical malpractice liability	6,591,279	5,036,063
Accounts payable and accrued expenses	50,270,550	67,713,351
Accrued salaries, wages and employee benefits	28,396,605	25,190,937
Accrued compensated absences	29,461,535	27,974,852
Postemployment benefits	17,599,733	-
Unearned revenue	25,539,591	23,736,406
Derivative interest rate swap liability	-	1,075,643
Accrued claims	3,000	2,144,000
	<u>184,331,393</u>	<u>175,638,297</u>
Long-term Liabilities		
Long-term portion of liability for estimated third-party settlements	21,812,696	18,734,258
Long-term portion of compensated absences	114,890	136,581
Bonds payable, less current maturities	308,142,655	258,349,225
Notes payable, less current maturities	46,605,068	96,465,696
Derivative interest rate swap liability	-	8,925,380
Program support liability, less current maturities	11,823,587	22,047,755
Net pension liability	115,717,505	105,588,100
Postemployment benefits	5,959,778	23,294,540
	<u>510,176,179</u>	<u>533,541,535</u>
Total liabilities	<u>694,507,572</u>	<u>709,179,832</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to pension benefits	14,878,212	17,701,465
Deferred inflows of resources related to other postemployment benefits	1,371,114	781,380
	<u>16,249,326</u>	<u>18,482,845</u>
Total liabilities and deferred inflows of resources	710,756,898	727,662,677
Net Position		
Net investment in capital assets	253,282,408	171,472,396
Unrestricted	294,924,383	249,568,161
	<u>548,206,791</u>	<u>421,040,557</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,258,963,689</u>	<u>\$ 1,148,703,234</u>

Denver Health Medical Plan, Inc.
(A Component Unit of Denver Health and Hospital Authority)
Balance Sheets
December 31, 2019 and 2018

Assets

	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and cash equivalents	\$ 116,751	\$ 2,871,301
Reinsurance recoverable on paid losses	1,135,802	676,355
Interest receivable	330,775	232,531
Premiums and other receivables	24,339,202	22,341,790
Contract receivables	775,686	-
Prepaid expenses	561,189	368,014
	<u>27,259,405</u>	<u>26,489,991</u>
Noncurrent Assets		
Restricted investments	1,078,343	1,050,468
Intangible Assets	2,360,483	1,566,360
Unrestricted investments	49,996,282	38,956,621
	<u>53,435,108</u>	<u>41,573,449</u>
Total current assets	<u>27,259,405</u>	<u>26,489,991</u>
Total noncurrent assets	<u>53,435,108</u>	<u>41,573,449</u>
Total assets	<u>\$ 80,694,513</u>	<u>\$ 68,063,440</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable and accrued expenses	\$ 2,724,722	\$ 2,310,777
Outstanding checks in excess of bank balance	1,019,208	-
Aggregate health policy reserves	283,578	187,695
Due to Denver Health and Hospital Authority	13,407,024	6,913,710
Unearned premiums	1,132,034	779,177
Liability for amounts held under uninsured plans	1,462,913	942,256
Accrued claims and loss adjustment expenses	24,595,265	26,412,099
	<u>44,624,744</u>	<u>37,545,714</u>
Total current liabilities	<u>44,624,744</u>	<u>37,545,714</u>
Total liabilities	<u>44,624,744</u>	<u>37,545,714</u>
Net Assets		
Unrestricted net assets	<u>36,069,769</u>	<u>30,517,726</u>
Total net assets	<u>36,069,769</u>	<u>30,517,726</u>
Total liabilities and net assets	<u>\$ 80,694,513</u>	<u>\$ 68,063,440</u>

DHHA Southwest Clinic, Inc.
(A Component Unit of Denver Health and Hospital Authority)
Balance Sheets
December 31, 2019 and 2018

Assets

	2019	2018
Current Assets		
Cash	\$ 392,181	\$ 483,984
Noncurrent Assets		
Land	4,809,588	4,809,588
Building	17,761,703	17,761,703
Total property	22,571,291	22,571,291
Accumulated depreciation	(1,666,057)	(1,221,656)
Net property and equipment	20,905,234	21,349,635
Total noncurrent assets	20,905,234	21,349,635
Total assets	\$ 21,297,415	\$ 21,833,619

Liabilities and Net Assets

Current Liabilities		
Due to Denver Health and Hospital Authority	\$ -	\$ 21,285
Total current liabilities	-	21,285
Notes Payable	21,346,716	21,187,427
Total liabilities	21,346,716	21,208,712
Net Assets (Deficit)		
Without donor restrictions	(49,301)	624,907
Total net assets (deficit)	(49,301)	624,907
Total liabilities and net assets (deficit)	\$ 21,297,415	\$ 21,833,619

Denver Health and Hospital Authority
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Net patient service revenue	\$ 775,098,368	\$ 644,397,553
Capitation earned net of reinsurance expense	14,150,174	136,653,112
Medicaid disproportionate share and other safety net reimbursement	125,955,648	148,941,660
City and County of Denver payment for patient care services	30,777,300	30,777,300
Federal, state and other grants	68,170,544	64,114,406
City and County of Denver purchased services	29,985,490	25,188,290
Poison and drug center contracts	23,587,670	25,349,639
Other operating revenue	44,163,185	44,032,947
	<u>1,111,888,379</u>	<u>1,119,454,907</u>
Operating Expenses		
Salaries and benefits	681,038,029	647,029,411
Contracted services and nonmedical supplies	197,282,805	190,460,688
Medical supplies and pharmaceuticals	133,164,071	132,390,682
Managed care outside provider claims	(425,033)	38,830,457
Depreciation and amortization	47,045,062	54,487,664
	<u>1,058,104,934</u>	<u>1,063,198,902</u>
Operating income	<u>53,783,445</u>	<u>56,256,005</u>
Nonoperating Revenues (Expenses)		
Increase in equity in joint venture	20,000	2,800
Bond issuance costs	(1,372,732)	(588,564)
Interest income	12,831,539	11,470,391
Interest expense	(15,829,395)	(15,200,176)
Net increase (decrease) in fair value of investments	18,688,943	(14,424,574)
Gain on disposition of capital assets	-	10,572
	<u>14,338,355</u>	<u>(18,729,551)</u>
Income before capital contributions	68,121,800	37,526,454
Contributions Restricted for Capital Assets	<u>59,044,434</u>	<u>25,115,272</u>
Increase in net position	127,166,234	62,641,726
Total Net Position, Beginning of Year	<u>421,040,557</u>	<u>358,398,831</u>
Total Net Position, End of Year	<u>\$ 548,206,791</u>	<u>\$ 421,040,557</u>

Denver Health Medical Plan, Inc.
(A Component Unit of Denver Health and Hospital Authority)
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2019 and 2018

	2019	2018
Operating Revenues		
Premiums earned, net of reinsurance, including \$77 million and \$75 million received from Denver Health and Hospital Authority in 2019 and 2018, respectively	\$ 385,722,192	\$ 244,361,555
Total operating revenues	385,722,192	244,361,555
Operating Expenses		
Leased employee services from Denver Health and Hospital Authority	11,968,656	9,178,244
Rent and other administrative expenses paid to Denver Health and Hospital Authority	1,541,088	690,713
Contracted services and nonmedical supplies	19,024,710	9,092,753
Medical claims and capitation paid to Denver Health and Hospital Authority	213,465,444	123,303,635
Medical and pharmacy claims incurred	136,873,690	104,317,248
Total operating expenses	382,873,588	246,582,593
Operating income (loss)	2,848,604	(2,221,038)
Nonoperating Revenues (Expenses)		
Investment income	1,219,377	965,581
Net increase (decrease) in fair value of investments	1,484,062	(298,716)
Total nonoperating revenues	2,703,439	666,865
Increase (decrease) in net assets before contributions from Denver Health and Hospital Authority	5,552,043	(1,554,173)
Capital contribution from Denver Health and Hospital Authority	-	993,712
Net increase (decrease) in net assets	5,552,043	(560,461)
Total Net Assets, Beginning of Year	30,517,726	31,078,187
Total Net Assets, End of Year	\$ 36,069,769	\$ 30,517,726

DHHA Southwest Clinic, Inc.
(A Component Unit of Denver Health and Hospital Authority)
Statements of Operations
Years Ended December 31, 2019 and 2018

	2019	2018
Revenues, Gains and Other Support Without Donor Restrictions		
Contributed management services	\$ 81,783	\$ 75,045
Facility rental from Denver Health and Hospital Authority	365,000	365,000
Interest income	1,898	1,551
	<u>448,681</u>	<u>441,596</u>
 Operating Expenses		
Contributed management services	81,783	75,045
Other operating expenses	57,742	65,237
Depreciation expense	444,402	444,402
Interest expense, including amortization of loan costs of \$159,288 for both years	538,962	538,962
	<u>1,122,889</u>	<u>1,123,646</u>
 Operating Loss and Change in Net Assets (Deficit) Without Donor Restrictions	<u>(674,208)</u>	<u>(682,050)</u>
 Net Assets Without Donor Restrictions, Beginning of Year	<u>624,907</u>	<u>1,306,957</u>
 Net Assets (Deficit) Without Donor Restrictions, End of Year	<u>\$ (49,301)</u>	<u>\$ 624,907</u>

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Denver Health and Hospital Authority
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Collections from patient services	\$ 757,480,398	\$ 624,663,744
Collections from capitation, net of reinsurance	3,643,673	126,004,207
Medicaid disproportionate share reimbursement and upper payment limit reimbursement	127,154,707	152,123,391
City and County of Denver payment for hospital services	23,594,136	30,401,729
Collections from poison and drug center contracts	22,718,749	25,508,613
Collections from federal, state and other grants	70,491,232	64,879,856
City and County of Denver purchased services	30,852,076	24,588,008
Other operating receipts	43,917,058	43,120,126
Payments for salaries and benefits	(670,816,192)	(655,082,639)
Payments to suppliers	(335,558,885)	(294,927,340)
Payments for managed care outside provider claims	(1,715,967)	(47,602,420)
	<u>71,760,985</u>	<u>93,677,275</u>
Net cash provided by operating activities		
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	(137,732,008)	(70,581,439)
Receipt of capital contributions	59,044,434	25,958,115
Purchase of Joint Venture Ownership	(713,333)	-
Repayments of bonds payable and other long-term debt	(154,165,953)	(22,958,948)
Proceeds from the issuance of bonds and Certificates of Participation	132,268,662	49,440,542
Payment of bond issuance costs	(1,372,732)	(588,564)
Proceeds from the sale of capital assets	-	10,572
Cash paid for interest	(15,657,991)	(15,078,405)
	<u>(118,328,921)</u>	<u>(33,798,127)</u>
Net cash used in capital and related financing activities		
Cash Flows from Investing Activities		
Proceeds from sale and maturities of investments	122,013,678	50,944,624
Purchases of investments	(52,008,224)	(144,260,013)
Interest income	13,989,925	11,915,925
	<u>83,995,379</u>	<u>(81,399,464)</u>
Net cash provided by (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	37,427,443	(21,520,316)
Cash and Cash Equivalents, Beginning of Year	<u>25,866,396</u>	<u>47,386,712</u>
Cash and Cash Equivalents, End of Year	<u>\$ 63,293,839</u>	<u>\$ 25,866,396</u>

Denver Health and Hospital Authority
Statements of Cash Flows (continued)
Years Ended December 31, 2019 and 2018

	2019	2018
Reconciliation of Cash and Cash Equivalents		
to the Statement of Net Position		
Cash and cash equivalents	\$ 63,293,839	\$ 25,865,307
Restricted cash and cash equivalents	-	1,089
	<u>\$ 63,293,839</u>	<u>\$ 25,866,396</u>
Reconciliation of Operating Income to Net		
Cash Provided by Operating Activities		
Operating income	<u>\$ 53,783,445</u>	<u>\$ 56,256,005</u>
Adjustments to reconcile operating income to		
net cash provided by operating activities		
Depreciation and amortization	47,045,063	54,487,664
Provision for bad debts	98,795,282	81,351,599
Changes in assets, liabilities, deferred outflows		
and deferred inflows of resources		
Patient accounts receivable, net	(117,643,368)	(70,959,100)
Due from other governmental entities	3,530,295	(3,876,656)
Due from discretely presented component unit	(6,471,819)	(3,559,786)
Due from City and County of Denver	(6,315,117)	(970,844)
Other receivables	2,561,193	1,537,406
Inventories	(1,221,748)	(915,122)
Prepaid expenses and other assets	(850,421)	(5,942,617)
Accounts payable and accrued expenses	(17,249,994)	18,747,766
Accrued salaries, wages and employee benefits	3,589,720	(11,670,088)
Deferred outflows - pension and other		
postemployment benefits	(2,993,732)	4,245,682
Deferred inflows - pension and other		
postemployment benefits	(2,233,519)	12,675,725
Net pension and other postemployment		
benefits liability	10,394,376	(12,311,439)
Accrued compensated absences	1,464,992	(993,108)
Estimated third-party payor settlements	4,358,936	(20,661,592)
Medical malpractice liability	1,555,216	455,801
Unearned revenue	1,803,185	4,540,979
Accrued claims	(2,141,000)	(8,761,000)
	<u>17,977,540</u>	<u>37,421,270</u>
Total adjustments		
Net cash provided by operating activities	<u>\$ 71,760,985</u>	<u>\$ 93,677,275</u>
Noncash Investing, Capital and Financing Activities		
Capital asset acquisitions included in accounts payable	<u>\$ 12,066,226</u>	<u>\$ 3,152,419</u>

Denver Health and Hospital Authority
Statements of Fiduciary Net Position
Fiduciary Funds
December 31, 2019 and 2018

	Pension and Other Employee Benefit Trust Funds	
	2019	2018
Assets		
Contribution receivable	\$ -	\$ 943,235
Investments, at fair value	1,032,181,257	800,731,339
Participant loans	18,535,067	18,014,812
	<u>1,050,716,324</u>	<u>819,689,386</u>
Total assets		
Net Position		
Restricted for:		
Pensions (401(a) Plan)	812,516,423	640,249,477
Postemployment benefits other than pensions (457(b) Plan)	238,199,901	179,439,909
	<u>1,050,716,324</u>	<u>819,689,386</u>
Total net position		

Denver Health and Hospital Authority
Statements of Changes in Fiduciary Net Position
Fiduciary Funds
Years Ended December 31, 2019 and 2018

	Pension and Other Employee Benefit Trust Funds	
	2019	2018
Additions		
Contributions		
Participant	\$ 69,335,228	\$ 61,434,026
Employer	41,801,168	43,144,663
Rollover	4,594,135	3,359,155
Total contributions	<u>115,730,531</u>	<u>107,937,844</u>
Investment earnings		
Net increase (decrease) in fair value of investments	179,603,429	(85,933,001)
Interest, dividends and other	14,645,028	28,969,526
Total investment earnings (losses)	<u>194,248,457</u>	<u>(56,963,475)</u>
Total additions	<u>309,978,988</u>	<u>50,974,369</u>
Deductions		
Benefits paid to participants	77,286,242	58,004,797
Administrative expense (income)	1,665,808	(64,258)
Total deductions	<u>78,952,050</u>	<u>57,940,539</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>231,026,938</u>	<u>(6,966,170)</u>
Net Position, Beginning of Year	<u>819,689,386</u>	<u>826,655,556</u>
Net Position, End of Year	<u>\$ 1,050,716,324</u>	<u>\$ 819,689,386</u>

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Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2019 and 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Organization

The Denver Health and Hospital Authority (the Authority) was created in 1994 by the State of Colorado (the state) as a political subdivision of the state pursuant to Article 29 of Title 25, Colorado Revised Statutes, as amended (the Act). As contemplated in the Act, on January 1, 1997, substantially all of the programs, services, and facilities of the City and County of Denver's (the City) Department of Health and Hospitals Enterprise Fund were transferred to the Authority pursuant to the Transfer Agreement between the Authority and the City.

Definition of Reporting Entity

The Authority follows Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which activities, organizations, and functions are included within the financial reporting entity. GASB pronouncements set forth the financial accountability of an organization's elected governing body as the basic criterion for including a possible component organization in the primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

The Authority is financially accountable for Rocky Mountain Drug Safety Inc., Canadian Consumer Product and Pharmaceutical Safety Inc., 601 Broadway, Inc., and 550 Acoma Inc., each a blended component unit. Denver Health Medical Plan, Inc. and DHHA Southwest Clinic, Inc. are presented as discretely presented component units in the Authority's financial statements. Additionally, the Authority's 401(a) plan is considered a fiduciary component unit and is reported in accordance with GASB 84. The Authority is not a component unit of any other primary governmental entity.

The Authority

The Authority is a fully integrated healthcare delivery system, which employs a single physician group and operates four divisions: the Denver Health Medical Center, the City Fund, the Rocky Mountain Poison and Drug Safety (RMPDS), and what is referred to by the Authority as the Restricted Fund.

The Denver Health Medical Center is an acute care hospital licensed for 555 total beds, including 89 intensive care beds, that provides inpatient medical and mental health services, an ambulatory care center, emergency medical services including Level 1 Trauma, nine federally qualified community health centers in Denver that provide outpatient services, as well as a federally qualified Women's Mobile Clinic. The Authority also operates 18 school-based clinics in Denver that provide outpatient services to students.

The City Fund is 100% funded by the City (except for depreciation expense) in accordance with an operating agreement between the Authority and the City, which is amended each year. Operations included in the City Fund are the Public Health Department, which provides public health informatics, epidemiology, administration, preparedness and response services in addition to disease

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2019 and 2018

control outbreak investigation. Public Health Clinics and Vital Records are also Public Health functions provided to the City in the operating agreement but are funded from revenues and fees collected. Also included in the City Fund is prisoner care at the Denver Justice Center and Denver County Jail and Denver C.A.R.E.S., which is a 100-bed non-medical withdrawal management center, including limited services for residential treatment.

The RMPDS is a certified regional poison center as recognized by the American Association of Poison Control Centers and serves as a regional drug information center. It also provides poison and drug information services to medical professionals and consumers in other states through contractual agreements. In 2019, this division changed its name from the Rocky Mountain Poison and Drug Center (RMPDC) to the Rocky Mountain Poison and Drug Safety.

The Restricted Fund consists primarily of grants the Authority has been awarded that are used as directed by the grantor. The grants are awarded from multiple sources including federal, state, and industry agencies. Annually, the Authority also conducts a single audit under Uniform Guidance to comply with federally awarded grant requirements.

Rocky Mountain Drug Safety Inc. and Canadian Consumer Product and Pharmaceutical Safety Inc.

In September 2015, the Authority created a Colorado not-for-profit corporation Rocky Mountain Drug Safety Inc. (RMDS), of which it is the sole member. Three Authority employees comprise the Board of Directors. The purpose of RMDS is to be the sole member of a Canadian not-for-profit corporation Canadian Consumer Product and Pharmaceutical Safety Inc. (CCPPS). The CCPPS Board of Directors is comprised of two Authority employees and one independent director. CCPPS will perform collection and analysis of drug and pharmaceutical data, to enhance treatment, prevention and mitigation of drug abuse and adverse drug events. CCPPS is presented as a blended component unit because the Authority has the ability to exert its will on CCPPS and the exclusion of CCPPS's financial statements would cause the Authority's financial statements to be misleading. All significant balances and transactions between CCPPS and the Authority have been eliminated in the basic financial statements.

601 Broadway, Inc.

601 Broadway, Inc. (601 Broadway) is a Colorado nonprofit organization formed by the Authority in June 2015 to develop land located at the northwest corner of 6th Avenue and Broadway Boulevard, in the City and County of Denver, Colorado. The Authority created 601 Broadway for the sole purpose of financing construction through the issuance of a note payable to a bank. 601 Broadway is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code.

The construction project is an administrative services building for Authority employees. The cost of the facility is approximately \$63,000,000. The Authority determined that it could reduce the cost of financing the construction of the facility by creating 601 Broadway and contributing \$14,500,000 to the entity. 601 Broadway then obtained a loan from a local bank for the amount of \$48,300,000. In June of 2017, 601 Broadway was opened and the Authority began paying rent. In 2018, the debt draws were completed. In 2019 and 2018 the Authority paid \$2,308,000 and \$3,473,000 respectively, which funds the debt service on the loan. The land occupied by the building is leased to 601

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2019 and 2018

Broadway by the Authority. The Authority is the sole member of 601 Broadway. The 601 Broadway Board of Directors consists of three Authority employees. 601 Broadway is presented as a blended component unit because it provides services entirely to the Authority and exclusion of 601 Broadway's financial statements would cause the Authority's financial statements to be misleading. In September 2019, the loan was paid off and refinanced into the Authority's 2019A Healthcare Revenue Bond Series. The assets have been transferred back to the Denver Health Medical Center fund. All significant balances and transactions between 601 Broadway and the Authority have been eliminated in the basic financial statements.

550 Acoma Inc.

550 Acoma Inc. (550 Acoma) is a Colorado nonprofit organization formed by the Authority in September 2018 to construct a parking garage on the Hospital campus, in the City and County of Denver, Colorado. The Authority created 550 Acoma for the sole purpose of financing construction through a public issuance of a note payable. 550 Acoma has applied for an exemption from taxes under Section 501(c)(3) of the Internal Revenue Code.

The construction project is a parking garage for Authority employees. The cost of the garage is approximately \$38,000,000. The parking garage is expected to be completed in the 2nd quarter of 2020. The Authority will pay 550 Acoma rent to cover the interest and principal payments for the life of the debt. The land occupied by the parking garage is leased to 550 Acoma by the Authority. The Authority is the sole member of 550 Acoma. The 550 Acoma Board of Directors consists of three Authority employees. 550 Acoma is presented as a blended component unit because it provides services entirely to the Authority and exclusion of 550 Acoma's financial statements would cause the Authority's financial statements to be misleading. All significant balances and transactions between 550 Acoma and the Authority have been eliminated in the basic financial statements.

Denver Health Medical Plan, Inc.

Denver Health Medical Plan, Inc. (the Plan) is a Colorado nonprofit organization formed by the Authority in 1997 as a health maintenance organization to provide comprehensive healthcare services on a prepaid basis to its members. The Plan is governed by a nine-member Board of Directors, which is appointed by the Authority. The majority of the Plan's Board of Directors consists of Board members and executive staff of the Authority. The Plan's members consist of current and former employees of the Authority and their dependents, the City, the Denver Employee Retirement Plan, Child Health Plan Plus participants, Medicare Choice (dual eligibles) and Medicare Select Low Income Plan. In 2014, the Plan began offering individual commercial coverage through Connect for Health Colorado, the Colorado insurance marketplace developed as a result of the Affordable Care Act. Effective September 1, 2018 the responsibility of the Denver Health Medicaid Choice (DH Medicaid Choice) contract shifted from the Authority to the Plan. This shift was the result of the Colorado Department of Health Care Policy and Finance (HCPF) new Regional Accountable Entity (RAE) and to incorporate the DH Medicaid Choice contract directly into the RAE. Denver County is the sole county in RAE 5 which is operated by Colorado Access (COA).

The Authority is able to impose its will on the Plan and is financially accountable for the Plan. Accordingly, the Plan is presented as a discretely presented component unit.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2019 and 2018

Financial statements for the Plan, prepared on a statutory basis of accounting, can be obtained from the Authority at 303.602.2005, or by writing to the Denver Health and Hospital Authority, Division of Finance, MC 1925, 655 Broadway, Denver, Colorado 80203.

DHHA Southwest Clinic, Inc.

DHHA Southwest Clinic, Inc. (Southwest Clinic) is a Colorado nonprofit organization formed by the Authority in September 2014 to purchase land and construct, finance and own an outpatient and urgent care clinic in Southwest Denver, which began providing outpatient medical services associated with the Authority's operations in April 2016. The Authority created Southwest Clinic for the sole purpose of financing and constructing the facility. By structuring the arrangements for owning and financing the facility to take advantage of New Market Tax Credits, the Authority significantly reduced the net funding that it must provide to construct the facility. Southwest Clinic is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code.

The members of Southwest Clinic are the Authority and Denver Community Health Service Inc., (DCHS) a Colorado nonprofit corporation. The Board of Directors of Southwest Clinic consists of one member who is an Authority Board Director, and two members who are DCHS Board Directors. Two Authority employees act as non-voting officers of Southwest Clinic. The Authority is financially accountable for Southwest Clinic, and therefore it is a discretely presented component unit.

In May 2014, the Authority issued bonds which were subsequently invested with an equity investor in the form of a note receivable. The equity investor contributed \$7,300,000 and the total was invested in three CDEs. Southwest Clinic was loaned the proceeds of these funds in six note payables to these CDEs related to New Market Tax Credit financing. The proceeds of this financing were used to purchase land and was used to construct the facility. The Authority leased the building from Southwest Clinic starting in April 2016 for 20 years. Lease payments were made of \$365,000 during 2019 and 2018.

Denver Health and Hospitals Foundation

The Denver Health and Hospitals Foundation (the Foundation) is a not-for-profit charity formed for the benefit of the Authority. The Foundation's mission is to support the Authority in its mission to provide quality patient care. Significant areas of support include, but are not limited to, maternal and child health, community health, volunteer functions, trauma prevention and care, among others. Fund-raising efforts for the benefit of the Authority are undertaken by the Foundation, and the Authority is entitled to and has the ability to access resources held by the Foundation to fund its programs; however, the assets held by the Foundation and the annual funding are not significant to the Authority's operations as a whole and the Authority does not appoint a voting majority of the Foundation's Board. Therefore, the Foundation is not presented as a component unit of the Authority.

The Authority does provide certain accounting and administrative functions for the Foundation at no cost. During 2019 and 2018, the Foundation paid the Authority approximately \$3,600,000 and \$2,700,000, respectively, in pass through grants and donations.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2019 and 2018

HSS, Inc.

The Authority is an equity owner of HSS, Inc. (HSS). HSS services customers in the healthcare industry, as well as other organizations and governmental agencies. Services provided by HSS include security services and courier services, which are utilized by the Authority. In 2009, the Authority was granted 9.5% of the outstanding shares of stock in HSS at no cost. The Authority has recorded this as an investment in equity of a joint venture. The change in the value of the Authority's share of net equity has been recorded as nonoperating income. The Authority paid HSS approximately \$4,900,000 and \$4,800,000 in 2019 and 2018, respectively, for services rendered for security and transportation.

Fresenius Joint Venture

In February 2019, the Authority entered into a Limited Liability Company agreement with Fresenius Medical Care – Sloan's Lake. The Authority made a capital contribution of approximately \$713,000 for 30% ownership or "Units" in this joint venture. There are two members in this venture – the Authority and Fresenius Medical Care Venture, LLC. This contribution is reflected in the statements of net position as equity interest in joint venture.

Relationship with the City and County of Denver

The Act states that the City shall have no control over the operations of the Authority. Principal agreements between the Authority and the City dated January 1, 1997 include the Operating Agreement and the Personnel Services Agreement. The Operating Agreement is amended annually.

The Operating Agreement provides for and defines the services the Authority will provide to the City and be provided by the City to the Authority as well as the basis for determining compensation for such services. The agreement was entered into in order to ensure the citizens of the City would have access to quality preventative, acute, and chronic healthcare regardless of their ability to pay. The Authority and the City intend to continue to be collaborative and supportive in carrying out the objectives through annual City payments to the Authority.

The Personnel Services Agreement provides for the lease of City employees to the Authority and the Authority's payment obligations with respect to such employees.

For each of the years ended December 31, 2019 and 2018, the Authority recognized revenue from the City for Authority services of approximately \$30,777,000 as compensation for costs incurred for treatment of medically indigent Denver residents.

The City purchased services revenue includes amounts relating to support services and expenses incurred by the Authority for other City agencies. These costs are reimbursed by the City and amounted to approximately \$29,985,000 and \$25,188,000 in 2019 and 2018, respectively. Revenue is recognized as services are provided. As of December 31, 2019, the City has an outstanding commitment to provide funding to the Authority not to exceed \$14,800,000 for debt financed clinic construction within the city limits of Denver, Colorado.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2019 and 2018

Additionally, the City and County of Denver's General Obligation Bond has provided \$75,000,000 of funding for the construction of the OMC. The City contributed \$57,600,000 and \$17,400,000 in 2019 and 2018, respectively, for the construction of the building which are recorded in contributions restricted for capital assets within the statements of revenue and expense and changes in net position.

Basis of Presentation

The Authority prepares its financial statements in conformity with applicable pronouncements of GASB.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure 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 and Cash Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2019 and 2018, cash equivalents consisted primarily of operational depository and checking accounts.

Investments, Restricted and Board-designated Investments

Investments consist of U.S. treasuries and government obligations, asset-backed securities, corporate notes and bonds, mutual funds, and certificates of deposit. Investments are carried at fair value, which is based upon quoted market prices, except the bond reserve funds invested in guaranteed investment contracts, which are carried at cost. Money market accounts, local government investment pools, and investments whose maturities at the time of acquisition are one year or less are classified as short-term investments. All other investments are classified as long-term.

Restricted investments include assets held in investment accounts restricted for future debt service as specified in the related bond agreement.

Board-designated investments include assets held in investment accounts set aside by the Board of Directors for future capital projects, over which the board retains control and at its discretion subsequently use for other purposes.

Interest, dividends, and realized and unrealized gains and losses, based on the specific-identification method, are included in nonoperating revenue and expenses when earned or realized.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2019 and 2018

Patient Accounts Receivable

The Authority reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Authority provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Inventories

Inventories consist principally of medical and surgical supplies, pharmaceuticals, and food products and are stated at the lower of cost or market, with cost determined on an average-cost basis.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or, fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The Authority uses the estimated useful lives recommended by the American Hospital Association. Useful lives for building and improvements are 15 to 40 years and equipment and software are 3 to 20 years. The Authority's capitalization threshold for capital purchases is \$5,000.

Capital Asset Impairment

The Authority evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss.

No asset impairment was recognized during the years ended December 31, 2019 and 2018.

Accrued Compensated Absences

The Authority has vacation and sick leave policies covering substantially all of its employees. Employees may accumulate earned but unused benefits up to a specified maximum. The Authority has recorded the accrued liability for these compensated absences in the basic financial statements. The Authority has recorded a long-term liability for supplemental sick leave benefits for certain employees that were eligible for this benefit as of January 1, 1997, at the time the Department of Health and Hospital's Enterprise Fund was transferred to the Authority.

Unearned Revenue

Unearned revenue consists primarily of certain grant receipts received in advance of the applicable expenditures, advance payments received for the Disproportionate Share Hospital (DSH) Program and Upper Payment Limit (UPL) Programs, as well as RMPDS contract revenue received in advance of performing contract services.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2019 and 2018

Accrued Claims

Claim liabilities are based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Claim liabilities are recomputed using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

Cost-sharing Defined Benefit Pension Plan

The Authority participates in a cost-sharing multiple-employer defined benefit pension plan, Denver Employees Retirement Plan (DERP). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of DERP and additions to/deductions from DERP's fiduciary net position have been determined on the same basis as they are reported by DERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Cost-sharing Defined Benefit Other Postemployment Benefit Plan

The Authority participates in a cost-sharing multiple-employer defined benefit other postemployment benefit plan, OPEB DERP, (the OPEB DERP Plan). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB DERP Plan and additions to/deductions from the OPEB DERP Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB DERP Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Defined Benefit Other Postemployment Benefit Plan

The Authority has a single-employer defined benefit other postemployment benefit (OPEB) plan, Healthcare Premium Supplement Plan, (the Supplement Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the Supplement Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Outflows of Resources and Deferred Inflows of Resources

The Authority reports in a separate section of its statements of net position the consumption of net position that is applicable to a future reporting period as deferred outflows of resources and reports the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources.

Denver Health and Hospital Authority

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December 31, 2019 and 2018

The Authority reports deferred outflows of resources for pension benefits, other postemployment benefits, acquisitions, loss on refunding and accumulated decrease in the fair value of hedging derivatives. The Authority reports deferred inflows of resources for pension benefits and other postemployment benefits.

Deferred Loss on Refunding – The cost of debt refunding is deferred and amortized using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter, and reported as deferred outflows of resources on the Authority’s statements of net position.

Net Position

The Authority’s net position is classified as follows:

Net Investment in Capital Assets – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase, construction or improvement of those assets. Any significant unspent related debt proceeds and the corresponding portion of the debt would be included in either restricted or unrestricted net position.

Unrestricted – consists of the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

When the Authority has both restricted and unrestricted resources available to finance a particular program, it is the Authority’s policy to use restricted resources before unrestricted resources.

Revenues and Expenses

The Authority’s statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services and include patient service and other revenue. Nonoperating revenues include investment income and unrealized gains/losses on investments, change in equity in joint venture, and gain on disposition of capital assets. Nonoperating expenses include interest expense on outstanding debt obligations and bond issuance costs. Operating expenses are all expenses incurred to provide healthcare services, excluding financing costs.

Net Patient Service Revenue

The Authority has agreements with third-party payers that provide for payments to the Authority at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Denver Health and Hospital Authority

Notes to Financial Statements

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Capitation Earned

Capitation revenue is earned based on the month in which members are entitled to healthcare services. Excess of loss reinsurance expense is deducted from gross capitation revenue.

Federal, State and Other Grants

Grants and contracts consist primarily of contractual agreements with governments and private entities for the Authority to conduct research and education and to provide healthcare services. These agreements represent exchange transactions between the Authority and the grantors and, accordingly, are included in operating activities. Revenue is recognized under these agreements as related expenses are incurred.

Poison and Drug Safety Contracts

Poison and Drug Safety contract revenue is derived primarily from contractual agreements with public and private entities for the provision of a medical call center and other consultative services. Revenue is recognized based on the performance of contract deliverables or as related (cost-reimbursable) expenses are incurred.

Managed Care – Outside Provider Claims

Costs of healthcare services delivered by outside providers are accrued and included in expense in the period the service is rendered, including estimates for healthcare costs, which have been incurred but not yet reported, and are included in accrued claims liability.

Income Taxes

The income generated by the Authority, as an instrumentality of the state, is excluded from federal income taxes under Section 115 of the Internal Revenue Code (the Code). However, taxes will be assessed on income derived from business activities not substantially related to the Authority's, 601 Broadway's, CCPPS's, or 550 Acoma Inc. exempt function (unrelated business income).

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, which is now known as the Promoting Interoperability Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate Meaningful Use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services (CMS). Payment under both programs are contingent on meeting specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2019 and 2018

The Authority recognizes revenue at the end of the reporting period starting when management is reasonably assured it will meet all of the Promoting Interoperability Program objectives and all other contingencies have been met.

Regarding the Promoting Interoperability Program for eligible hospitals, in 2019, the Authority attested that it met all applicable program year 2018 Modified Stage 2 objectives for the Medicare EHR Incentive Programs during the 90-day period September 30 through December 28, 2018. The Authority anticipates attesting that it will meet the program year 2019 Stage 3 objectives for the Medicare EHR Incentive Programs during a 90-day period ending no later than December 31, 2019. EHR incentive payments are no longer available for the Authority after 2017.

Regarding Promoting Interoperability Program for eligible providers, in 2019, the Authority attested on behalf of 272 eligible providers that they met all applicable program year 2018 objectives for the Medicaid EHR Incentive Program. In the future, the Authority will continue to attest for additional eligible providers based upon implementation of a certified system that meets the applicable Promoting Interoperability Program objectives for the outpatient setting. In 2019, the Authority recorded approximately \$2,300,000 of Promoting Interoperability Program revenue for eligible providers, compared to \$5,800,000 in 2018.

Note 2: Net Patient Service Revenue

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

Medicare. Inpatient acute care services and rehabilitation services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Hospital outpatient services are reimbursed on a prospective payment system. Outpatient services and procedures that are clinically comparable and use similar resources are grouped into Ambulatory Payment Classifications. Federally Qualified Healthcare (FQHC) services rendered to Medicare program beneficiaries are paid under a prospective payment system (PPS). Medicare payment, including patient coinsurance, is paid based on the lesser of the Authorities' actual charge or the applicable PPS rate. The Authority is also reimbursed for certain capital and medical education costs and allowable bad debts at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare Administrative Contractor. The Authority's classification of patients under the Medicare program and the appropriateness of the admissions are subject to an independent audit by a peer review organization under contract with the Authority. The Authority's Medicare cost reports have been audited by the Medicare Administrative Contractor through December 31, 2016.

Denver Health and Hospital Authority

Notes to Financial Statements

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Medicaid. Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospectively determined system similar to Medicare. Outpatient services were primarily reimbursed by the Medicaid program based on the costs incurred until October 30, 2016. The Authority was reimbursed for outpatient services at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicaid Administrative Contractor. The Authority's Medicaid cost reports have been audited by the Colorado Department of Health Care Policy and Financing through the year ended December 31, 2014. Effective October 31, 2016, these services are now paid prospectively under the Enhanced Ambulatory Patient Grouping (EAPG) System, to a patient classification system that is based on clinical, diagnostic, and other factors.

Subcapitation: The Authority also provides services under a Medicaid prepaid health plan referred to as the Denver Health Medicaid Choice (DH Medicaid Choice) program for which it receives capitation for services. The Authority receives subcapitation revenue from the Plan for DH Medicaid Choice members. The Plan receives the capitation premium directly from the State. Subcapitation revenue reported as a component of net patient service revenue was approximately \$124,121,000 and \$40,524,000 in 2019 and 2018, respectively.

Other Payors. The Authority has also entered into payment agreements with commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Authority under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined rates per day or visit.

Indigent Care, Charity Care and Community Service. The Authority, as part of its mission, provides healthcare services to city residents, regardless of ability to pay. Many of the Authority's patients are unable to obtain benefits from insurance companies or do not have personal resources to cover costs. The financial burden, however, is in part offset by various federal, state, local, and private programs in which such patients are enrolled. The costs of charity care provided under the Authority's charity care policy was approximately \$68,353,000 and \$60,288,000 for the years ended December 31, 2019 and 2018, respectively.

Records are maintained to identify and monitor the level of charity care the Authority provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. This policy directly relates to that of the Colorado Disproportionate Share Hospital Program (DSH Program).

Denver Health and Hospital Authority
Notes to Financial Statements
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Gross patient service revenue and the level of uncompensated care provided, based on the Authority's established rates, during the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Gross charges, including charges forgone for charity	\$ 2,668,611,242	\$ 2,423,196,128
Charges forgone for charity care	<u>(193,201,632)</u>	<u>(164,701,869)</u>
Gross patient service revenue	2,475,409,610	2,258,494,259
Capitation earned under prepaid health plans	(14,150,174)	(136,653,112)
Contractual adjustments	(1,587,365,786)	(1,396,091,995)
Provision for bad debts	<u>(98,795,282)</u>	<u>(81,351,599)</u>
Net patient service revenue	<u>\$ 775,098,368</u>	<u>\$ 644,397,553</u>
Uncompensated care		
Contractual adjustments	\$ 1,587,365,786	\$ 1,396,091,995
Provision for bad debts	98,795,282	81,351,599
Charity care	<u>193,201,632</u>	<u>164,701,869</u>
	<u>\$ 1,879,362,700</u>	<u>\$ 1,642,145,463</u>

The Authority receives partial reimbursement for uncompensated care from the DSH Program, provider fee payments and the City. The Authority estimates the level of uncompensated care by payor classification based on established rates.

Note 3: Disproportionate Share Hospital (DSH) Program and Upper Payment Limit (UPL) Programs

The Authority participates in the DSH Program. The Authority qualifies as a DSH as it serves a high proportion of medically indigent and uninsured patients. The DSH Program was created in 1991 through an amendment to the Colorado State Medicaid Program and was approved by the Centers for Medicare and Medicaid (CMS).

Under the DSH Program, the state utilizes a provider fee as the local match for federal funding. The state pays the Authority two months in advance at the end of the year. This results in unearned revenue included in the statements of net position. The state has paid the Authority approximately \$18,854,000 and \$17,915,000 in advance for the years ended December 31, 2019 and 2018, respectively. The payments received through the DSH Program are based on the cost of uncompensated charity care. Laws and regulations governing the DSH programs are complex and subject to interpretation and change. The Authority has ongoing communications with the state regarding annual settlements. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

Denver Health and Hospital Authority

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December 31, 2019 and 2018

In addition, the Authority receives UPL reimbursements, which is designed to increase the Medicaid reimbursement rate up to the Authority's Medicaid cost not to exceed the Medicare reimbursement rate.

The provider fee serves as the state match for federal DSH and UPL funds which are drawn by the state and paid to the Authority using the provider fee methodology developed as part of the Colorado Healthcare Affordability Act. The Authority recognizes revenue to align with the current state fiscal year that the award relates to. The revenue is based off of the initial award amount communicated and adjusted when it's approved by the State of Colorado. The Authority recognizes revenue in the year in which notification of the award amount has been received and ratably over the state fiscal year. The Authority recorded safety net reimbursements (net of provider fee expense paid) totaling approximately \$92,992,000 and \$116,524,000 for the years ended December 31, 2019 and 2018, respectively. The Authority records as expense the corresponding provider fee assessment due the state and the Colorado Hospital Association.

The Colorado Healthcare Affordability Act, designated as House Bill 1293 (HB 1293), was passed during 2009 implementing a fee on hospitals to generate matching funds to the state from federal sources. Implementation of this act occurred during April of 2010. The resulting safety net revenue and expense for 2019 and 2018 had the following effect on the financial statements:

	2019	2018
Colorado Indigent Care Program revenue	\$ 99,787,006	\$ 102,501,900
Supplemental Medicaid base rate revenue	2,652,910	14,233,321
Supplemental Medicaid outpatient hospital revenue	1,771,912	9,525,964
Hospital quality incentive payment	<u>7,616,860</u>	<u>8,127,919</u>
Total Hospital provider fee revenue	111,828,688	134,389,104
Provider fee expense (included in contracted services and non-medical supplies)	<u>(32,963,986)</u>	<u>(32,417,412)</u>
Total net Hospital provider fee	<u>\$ 78,864,702</u>	<u>\$ 101,971,692</u>

Denver Health and Hospital Authority
Notes to Financial Statements
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	2019	2018
Total Hospital provider fee revenue	\$ 111,828,688	\$ 134,389,104
Ambulance Upper Payment Limit revenue	5,207,355	4,367,620
Outstationing revenue	1,148,756	337,383
Primary care funds	4,510,422	4,084,190
Physician certification revenue	3,260,427	5,763,363
Total other safety net	14,126,960	14,552,556
Total safety net revenue	\$ 125,955,648	\$ 148,941,660

At December 31, 2019 and 2018, the Authority had a prepaid for provider fee expense which is recorded on the statements of net position in the amounts of approximately \$5,328,000 and \$5,176,000, respectively.

Note 4: Investments and Restricted Investments (Excluding Fiduciary Funds)

Colorado Statutes require that the Authority use eligible depositories for all cash deposits, as defined by the Public Deposit Protection Act (PDPA). Under PDPA, the depository is required to pledge eligible collateral having a market value at all times equal to at least 102% of the aggregate public deposits held by the depository not insured by the Federal Deposit Insurance Corporation (FDIC).

The Authority uses eligible depositories for all its deposits and investments. Remaining cash balances are swept daily to a Class I money market account or AAAM rated local government investment pool. Any cash balances in other bank accounts are negligible and covered by FDIC insurance.

Denver Health and Hospital Authority
Notes to Financial Statements
December 31, 2019 and 2018

Cash, cash equivalents and investments at December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 63,293,839	\$ 25,865,307
Restricted cash and cash equivalents	-	1,089
	<hr/>	<hr/>
Total cash and cash equivalents	63,293,839	25,866,396
	<hr/>	<hr/>
Short-term investments		
Commercial paper	-	2,964,675
Corporate bonds	4,049,520	19,575,934
	<hr/>	<hr/>
Total short-term investments	4,049,520	22,540,609
	<hr/>	<hr/>
Long-term and board-designated investments		
Mortgage-backed securities	18,884,544	19,088,744
U.S. government agency notes	8,672,216	9,404,232
Corporate bonds	150,733,245	180,080,338
Corporate asset-backed bonds	5,834,229	8,500,865
Municipal bonds	11,406,531	21,430,967
Certificates of Deposit	-	1,000,000
U.S. government treasury bills	7,703,483	6,784,291
Mutual funds		
Global equity fund	6,682,682	5,910,214
Commodity and commodity futures fund	3,285,812	6,535,062
Debt fund	44,523,214	31,607,400
Domestic equity fund	20,051,668	18,363,321
International equity fund	3,992,172	2,758,962
Emerging markets fund	3,862,117	3,609,029
Alternative funds	11,034,991	12,683,749
	<hr/>	<hr/>
Total long-term investments and board-designated investments	296,666,904	327,757,174
	<hr/>	<hr/>
Total cash, cash equivalents and investments, excluding restricted investments	\$ 364,010,263	\$ 376,164,179
	<hr/>	<hr/>

Denver Health and Hospital Authority
Notes to Financial Statements
December 31, 2019 and 2018

Restricted investments at December 31, 2019 and 2018 are as follows:

	2019	2018
Bond proceeds restricted as provided in bond agreements		
Cash equivalents	\$ 35,917,252	\$ 32,440,485
Guaranteed investment contract	14,970,687	20,745,524
	\$ 50,887,939	\$ 53,186,009

Credit Risk

The Authority’s investment policy applies the prudent person standard and is applied in the context of managing an overall portfolio. Investment responsibilities shall be undertaken “with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use.”

The Authority’s investments are restricted to the following Standard & Poor’s (S&P) or equivalent investment quality ratings or higher.

Straight-debt securities – BBB- and up to 10% of the portfolio may be rated below investment grade

Asset-backed securities – A-

Money market mutual funds – AAA

Local government investment pools – AAAm-G or AAAM

U.S. treasuries and U.S. government agencies – AA+

The Authority or its managers may purchase bonds of state governments, local governments, or corporations. New purchases will primarily be rated at a minimum Baa3/BBB- by any of the rating agencies, however, up to 10% of the combined portfolio may be rated below investment grade.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2019 and 2018

The following is a summary of the Authority's investments at December 31, 2019 and 2018 with average credit ratings based on S&P ratings or equivalent:

	2019		2018	
	Investments	S & P Rating	Investments	S & P Rating
Cash and cash equivalents				
Restricted cash and cash equivalents	\$ -	N/A	\$ 1,089	N/A
Class I or government money market fund	63,293,839	AAA	25,865,307	AAA
Total cash and cash equivalents	63,293,839		25,866,396	
Short-term investments				
Commercial paper	-	A-1	2,964,675	A-1
Corporate bonds	-	A	2,991,120	A
Corporate bonds	-	A-	1,998,080	A-
Corporate bonds	2,040,360	BBB+	5,584,694	BBB+
Corporate bonds	2,009,160	BBB	5,975,520	BBB
Corporate bonds	-	BBB-	3,026,520	BBB-
Total short-term investments	4,049,520		22,540,609	
Long-term and board-designated investments				
Mortgage-backed securities	2,075,791	AAA	2,091,834	AAA
Mortgage-backed securities	10,440,378	AA+	11,041,734	AA+
Mortgage-backed securities	6,332,349	N/A	5,910,524	N/A
Mortgage-backed securities	36,026	N/R	44,651	N/R
U.S. government agency notes	8,672,216	AA+	9,404,232	AA+
Corporate bonds	1,003,060	AAA	931,690	AAA
Corporate bonds	1,065,190	AA+	974,390	AA+
Corporate bonds	1,173,533	AA	1,163,664	AA
Corporate bonds	7,036,620	AA-	7,036,805	AA-
Corporate bonds	5,910,941	A+	3,779,809	A+
Corporate bonds	16,872,622	A	21,698,466	A
Corporate bonds	23,332,764	A-	24,099,336	A-
Corporate bonds	44,362,029	BBB+	62,066,930	BBB+
Corporate bonds	32,492,406	BBB	46,493,591	BBB
Corporate bonds	17,484,080	BBB-	11,835,656	BBB-
Corporate asset backed bonds	2,262,303	AAA	2,455,218	AAA
Corporate asset backed bonds	-	AA	1,992,600	AA
Corporate asset backed bonds	1,028,956	A	1,005,475	A
Corporate asset backed bonds	2,542,970	N/A	3,047,573	N/A
Municipal bonds	3,440,389	AA+	3,342,759	AA+
Municipal bonds	2,294,744	AA	4,045,966	AA
Municipal bonds	1,886,741	AA-	5,664,760	AA-
Municipal bonds	1,872,623	A+	1,365,290	A+
Municipal bonds	-	A	3,188,400	A
Municipal bonds	-	BBB+	1,929,499	BBB+
Municipal bonds	1,759,084	N/A	1,738,554	N/A
Municipal bonds	152,950	N/R	155,741	N/R
Certificates of deposit	-	A-2	1,000,000	A-2
U.S. government treasury bills	7,703,483	AA+	6,784,291	AA+
Open end mutual funds	93,432,656	N/A	81,467,736	N/A
Total long-term and board-designated investments	296,666,904		327,757,174	
Total cash, cash equivalents and investments, excluding restricted investments	\$ 364,010,263		\$ 376,164,179	

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The following is a summary of the Authority's restricted investments at December 31, 2019 and 2018 with average credit ratings based on S&P ratings or equivalent:

	2019		2018	
	Investments	S & P Rating	Investments	S & P Rating
Bond proceeds restricted as provided in bond agreements				
Cash equivalents	\$ 35,917,252	N/A	\$ 32,440,485	N/A
Guaranteed investment contract	14,970,687	AA-	14,970,687	AA-
Guaranteed investment contract	-	BBB+	5,774,837	BBB+
	<u>\$ 50,887,939</u>		<u>\$ 53,186,009</u>	

Foreign Currency Risk

The Authority's investment policy permits up to a 10% investment in foreign currency. As of December 31, 2019 and 2018, the Authority does not hold foreign currencies.

Interest Rate Risk

The Authority's investment policy manages exposure to market value losses arising from rising interest rates in several ways. The duration of total assets must be less than six years. As of December 31, 2019, approximately \$24,719,000, or 8.33%, of total long-term investments were in corporate asset-backed bonds and government mortgage-backed securities. As of December 31, 2018, approximately \$27,590,000, or 8.42%, of total long-term investments were in these types of securities. The following is a summary of the duration, average weighted maturity of the portfolio, and average weighted effective maturity as of December 31, 2019 and 2018:

Portfolio Component	Par Value	Duration	Average Weighted Maturity (Years)	Average Weighted Effective Maturity (Years)
December 31, 2019				
Working capital account	\$ 141,618,110	2.33	1.96	1.68
Commerce intermediate	89,699,366	5.78	12.43	7.95
Investment account	26,092,526	0.71	1.04	1.02
Other reserve account	383,030	0.56	0.57	0.57
Medical malpractice reserve account	<u>5,264,526</u>	<u>2.31</u>	<u>3.15</u>	<u>2.83</u>
Total components	<u>\$ 263,057,558</u>	<u>3.62</u>	<u>5.59</u>	<u>3.85</u>

Denver Health and Hospital Authority
Notes to Financial Statements
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Portfolio Component	Par Value	Duration	Average Weighted Maturity (Years)	Average Weighted Effective Maturity (Years)
December 31, 2018				
Working capital account	\$ 172,954,575	1.73	2.13	1.66
Commerce intermediate	86,351,415	5.72	12.98	8.10
Investment account	32,510,329	1.19	1.66	1.59
Other reserve account	377,456	1.45	1.49	1.49
Medical malpractice reserve account	<u>5,132,199</u>	<u>2.42</u>	<u>3.07</u>	<u>2.71</u>
Total components	<u>\$ 297,325,974</u>	<u>2.91</u>	<u>5.24</u>	<u>3.54</u>

Concentration of Credit Risk

The Authority's investment policy requires diversification of the portfolio to limit credit risk and states as follows:

Diversification: The investments shall be diversified by:

- i) Limiting investments to avoid over concentration in securities from a specific issuer or business.
- ii) Limiting investments in securities that have higher credit risks.
- iii) Investing in securities with varying maturities.
- iv) Continuously investing a portion of the portfolio in readily available funds, such as money market accounts, repurchase agreements, local government investment pools, and bank account sweep programs, to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.
- v) No single financial institution will hold more than 5% of the Authority's portfolio value, excluding U.S. government or U.S. government agency securities. As of December 31, 2019, the Authority owned \$10.3 million (2.83% of the portfolio) of Bank of America bonds, \$9.0 million (2.46% of the portfolio) of Credit Suisse bonds, \$8.2 million (2.25% of the portfolio) of Citigroup bonds, \$6.5 million (1.78% of the portfolio) of Morgan Stanley bonds and \$5.5 million (1.50% of the portfolio) of Deutsche Bank bonds.
- vi) The following maximum limits, by investment type, are established for the Authority's total investments portfolio, including cash and cash equivalents. The investment policy statement limits outlined below take into consideration the Plan investments. It is the intent of the Authority to invest in the following investment categories. The percentage stated is a "not to exceed" limitation. Investments are not required in every investment type. For example, it is permitted to own 80% in agency securities and 20% in repurchase agreements, and own no other securities.

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Investment Type	Maximum Percentage of Portfolio
Repurchase agreements	25%
Collateralized certificates of deposit	25%
U.S. Treasury notes and bills	100%
U.S. government agency securities	90%
U.S. government CMOs	20%
Bankers acceptances	10%
Commercial paper	50%
Money market funds	30%
Eurodollar certificates of deposit	10%
Local government investment pools	25%
State and local government bonds	50%
Corporate bonds	75%
Commercial asset-backed securities	25%
Plus Sector Funds	7%
Long Term Growth Portfolio (Mutual Funds)	25%

- vii) Additional investments established for bond proceeds include the above investment contracts, and flexible repurchase agreements (Flex Repos), which can be up to 100% of bond proceeds.

In the event that an allocation percentage is exceeded, such event is disclosed to the Finance Committee of the Board of Directors and corrected as soon as possible. The portfolio was in compliance with the allocation percentages as of December 31, 2019 and 2018.

Note 5: Disclosures About Fair Value of Assets and Liabilities (Excluding Fiduciary Funds)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019 and 2018:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019				
Short-term investments				
Corporate bonds	\$ 4,049,520	\$ -	\$ 4,049,520	\$ -
Long-term investments				
Mortgage-backed securities	18,884,544	-	18,884,544	-
U.S. government agency notes	8,672,216	-	8,672,216	-
Corporate bonds	150,733,245	-	150,733,245	-
Corporate asset-backed bonds	5,834,229	-	5,834,229	-
Municipal bonds	11,406,531	-	11,406,531	-
U.S. government treasury bills	7,703,483	6,613,110	1,090,373	-
Mutual funds				
Global equity fund	6,682,682	6,682,682	-	-
Commodity and commodity futures fund	3,285,812	3,285,812	-	-
Debt fund	44,523,214	44,523,214	-	-
Domestic equity fund	20,051,668	20,051,668	-	-
International equity fund	3,992,172	3,992,172	-	-
Emerging markets fund	3,862,117	3,862,117	-	-
Alternative funds	11,034,991	11,034,991	-	-
	<u>\$ 300,716,424</u>	<u>\$ 100,045,766</u>	<u>\$ 200,670,658</u>	<u>\$ -</u>

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	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018				
Short-term investments				
Commercial paper	\$ 2,964,675	\$ -	\$ 2,964,675	\$ -
Corporate bonds	19,575,934	-	19,575,934	-
Long-term investments				
Mortgage-backed securities	19,088,744	-	19,088,744	-
U.S. government agency notes	9,404,232	-	9,404,232	-
Corporate bonds	180,080,338	-	180,080,338	-
Corporate asset-backed bonds	8,500,865	-	8,500,865	-
Municipal bonds	21,430,967	-	21,430,967	-
Certificates of Deposit	1,000,000	-	1,000,000	-
U.S. government treasury bills	6,784,291	5,762,771	1,021,520	-
Mutual funds				
Global equity fund	5,910,214	5,910,214	-	-
Commodity and commodity futures fund	6,535,062	6,535,062	-	-
Debt fund	31,607,400	31,607,400	-	-
Domestic equity fund	18,363,321	18,363,321	-	-
International equity fund	2,758,962	2,758,962	-	-
Emerging markets fund	3,609,029	3,609,029	-	-
Alternative funds	12,683,749	12,683,749	-	-
	<u>\$ 350,297,783</u>	<u>\$ 87,230,508</u>	<u>\$ 263,067,275</u>	<u>\$ -</u>
Investment Derivative Instruments				
Interest rate swap	\$ 10,001,023	\$ -	\$ 10,001,023	\$ -
Total investment derivative instruments	<u>\$ 10,001,023</u>	<u>\$ -</u>	<u>\$ 10,001,023</u>	<u>\$ -</u>

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Authority does not carry any level 3 investments.

Interest Rate Swap Agreement

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

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Note 6: Capital Assets

Capital assets, by major category, at December 31, 2019 and 2018 are as follows:

December 31, 2019	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 34,345,787	\$ -	\$ -	\$ 34,345,787
Construction in progress	<u>41,564,849</u>	<u>122,157,307</u>	<u>(8,786,284)</u>	<u>154,935,872</u>
Total capital assets, not being depreciated	<u>75,910,636</u>	<u>122,157,307</u>	<u>(8,786,284)</u>	<u>189,281,659</u>
Capital assets, being depreciated				
Buildings and improvements	676,100,226	3,523,377	-	679,623,603
Equipment and software	<u>333,981,861</u>	<u>20,968,254</u>	<u>(7,212,886)</u>	<u>347,737,229</u>
Total capital assets, being depreciated	<u>1,010,082,087</u>	<u>24,491,631</u>	<u>(7,212,886)</u>	<u>1,027,360,832</u>
Less accumulated depreciation				
Buildings and improvements	306,733,435	25,399,912	-	332,133,347
Equipment and software	<u>262,247,375</u>	<u>21,259,300</u>	<u>(7,212,886)</u>	<u>276,293,789</u>
Total accumulated depreciation	<u>568,980,810</u>	<u>46,659,212</u>	<u>(7,212,886)</u>	<u>608,427,136</u>
Total capital assets, being depreciated, net	<u>441,101,277</u>	<u>(22,167,581)</u>	<u>-</u>	<u>418,933,696</u>
Capital assets, net	<u>\$ 517,011,913</u>	<u>\$ 99,989,726</u>	<u>\$ (8,786,284)</u>	<u>\$ 608,215,355</u>

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December 31, 2018	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 24,361,955	\$ 9,983,832	\$ -	\$ 34,345,787
Construction in progress	<u>33,729,075</u>	<u>45,954,759</u>	<u>(38,118,985)</u>	<u>41,564,849</u>
Total capital assets, not being depreciated	<u>58,091,030</u>	<u>55,938,591</u>	<u>(38,118,985)</u>	<u>75,910,636</u>
Capital assets, being depreciated				
Buildings and improvements	639,998,274	36,566,731	(464,779)	676,100,226
Equipment and software	<u>323,028,225</u>	<u>14,863,736</u>	<u>(3,910,100)</u>	<u>333,981,861</u>
Total capital assets, being depreciated	<u>963,026,499</u>	<u>51,430,467</u>	<u>(4,374,879)</u>	<u>1,010,082,087</u>
Less accumulated depreciation				
Buildings and improvements	273,307,669	33,890,545	(464,779)	306,733,435
Equipment and software	<u>246,525,309</u>	<u>19,632,166</u>	<u>(3,910,100)</u>	<u>262,247,375</u>
Total accumulated depreciation	<u>519,832,978</u>	<u>53,522,711</u>	<u>(4,374,879)</u>	<u>568,980,810</u>
Total capital assets, being depreciated, net	<u>443,193,521</u>	<u>(2,092,244)</u>	<u>-</u>	<u>441,101,277</u>
Capital assets, net	<u>\$ 501,284,551</u>	<u>\$ 53,846,347</u>	<u>\$ (38,118,985)</u>	<u>\$ 517,011,913</u>

Note 7: Concentrations of Credit Risk – Patient Accounts Receivable and Due from Other Governmental Entities

The Authority grants credit without collateral to its patients, most of whom are residents of the City and, except for the patient self-pay category, are generally insured under third-party payor agreements. Expected credit losses are provided for in the allowance for estimated uncollectibles. Net patient accounts receivable by payor category at December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Medicare	\$ 15,259,309	\$ 13,322,644
Medicaid	17,690,639	12,094,928
Commercial insurance carriers	30,475,701	25,810,810
Patient self-pay	<u>8,733,734</u>	<u>2,082,915</u>
Total	<u>\$ 72,159,383</u>	<u>\$ 53,311,297</u>

Receivables from the Medicare and Medicaid programs represent a concentrated credit risk for the Authority. Management does not believe that there is a significant risk of loss associated with these programs. Management believes various other payors, subject to differing economic conditions, do not represent significant concentrated credit risks to the Authority.

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Note 8: Long-term Debt and Other Long-term Liabilities

2007, 2009, 2017 and 2019 Revenue Bonds

In May 2007, the Authority issued \$79,385,000 of Healthcare Revenue Bonds, Series 2007B. The bond agreement provides for mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount and accrued interest to the redemption date. Sinking fund payments ranging from \$1,095,000 to \$9,220,000 began in 2008 and continue until 2033. Interest is payable each quarter and will equal 67% of the three-month LIBOR, plus a spread equal to 1.10% (0% at December 31, 2019, due to refunding mentioned below and 2.93% at December 31, 2018).

The net proceeds of the Series 2007A Bonds (refunded with the 2017A debt issuance) and 2007B Bonds were used to: (i) refund all the outstanding 1998A, 2001A and 2004A Healthcare Revenue Bonds in the total principal of \$132,500,000, (ii) to pay or reimburse the costs of acquiring, constructing, renovating, and equipping Authority facilities, (iii) to fund the reserve fund under the master indenture in the amount of \$13,500,000, and (iv) to pay certain expenses incurred in connection with this bond issuance. Bonds are to be repaid from operations of the Authority, excluding revenue from grants, gifts, donations, pledges, or contributions specified by the donor for a specific purpose.

In August 2017, the Authority issued \$93,435,000 of Healthcare Revenue Bonds Series 2017A bearing interest from 4.0% to 5.0%. The net proceeds of the bonds were used by the Authority to purchase and cancel \$104,700,000 of the Authority's Healthcare Revenue Bonds, 2007A Bonds, and to pay the costs of issuance. This purchase and cancel included \$2,741,000 of principal payments related to the 2007A Bonds. Principal payments on the 2017A Bonds began in 2018 and continue through 2038 in amounts ranging from \$3,550,000 to \$12,305,000. For the years ended 2019 and 2018, principal payments were made of \$3,730,000 and \$3,550,000, respectively. Interest is payable semiannually and payments were approximately \$4,253,000 and \$4,430,000 for the years ended December 31, 2019 and 2018, respectively.

The 2017 defeasance resulted in a difference between the reacquisition price and the carrying value (\$101,959,000) of the defeased debt of \$167,000, which was expensed. The difference between the present value of the old debt service on the debt refunded in 2017 and the new debt service resulted in an economic gain of approximately \$10,300,000.

In September 2019, the Authority refunded the Series 2007B Bonds (including termination of the related swap agreement), 2009A Bonds, and 2015 COP with the net proceeds of the Series 2019A and 2019B Bonds. The 2019A Healthcare Revenue Bonds Series was issued for \$83,280,000 with a premium of \$14,525,798 and the 2019B privately placed series for \$48,995,000. The 2019A Bonds bear interest of 4.00% to 5.00% and the 2019B Bonds bear interest of 1.99%. The net proceeds were used by the Authority to purchase and cancel the above mentioned debt and provide funding of \$24,000,000 for construction projects on campus.

The advanced refunding resulted in a difference between the reacquisition prices and the net carrying amount of the old debt of approximately \$14,132,000. This difference is reported in the accompanying financial statements as a deferred outflow of resources and is amortized through December 2033. The Authority completed the refinancing to restructure its overall debt portfolio to create a lower maximum annual debt service beginning in 2023 and to reduce its overall principal

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and interest payments. The difference between the present value of the old debt service and the new debt service resulted in an economic gain of approximately \$4,800,000. Principal payments on the 2019A Bonds will begin in 2030 and continue through 2040 in amounts ranging from \$190,000 to \$12,885,000. Principal payments on the 2019B Bonds will begin in 2020 and continue through 2029 in amounts ranging from \$2,810,000 to \$7,645,000. Interest is payable semiannually and payments were approximately \$734,000 and \$195,000 for 2019A Bonds and 2019B Bonds, respectively, for the year ended December 31, 2019.

In connection with the Series 2007B Bonds (defeased as of September 19, 2019), the Authority entered into an interest rate swap agreement with a counterparty (the Swap) in a notional amount equal to the principal amount of the Series 2007B Bonds. The Swap provided that the Authority pay the counterparty a fixed rate of 4.688% on the notional amount and the counterparty pay the Authority a floating rate based on 67% of the three-month LIBOR, plus a specified fixed spread. Due to fluctuations in the interest rate market there was a fair value of approximately \$(10,001,000) at December 31, 2018. The fair value was disclosed as current and long-term liabilities on the statements of net position at December 31, 2018. The Authority does not currently have a policy of requiring the counterparty to post collateral in the event the Authority becomes exposed to credit risk. The Authority does not currently have a policy requiring a master netting agreement with the counterparty and does not currently have such an agreement in place. Together, these agreements negate any interest rate risk and in effect resulted in a fixed rate transaction. In 2019, the Authority ended the interest swap agreement as part of the refunding and paid the balance of the Swap, therefore the fair value at December 31, 2019 was \$0.

During 2013, the Authority made early discounted principal payments on the 2007B Bonds on original principal totaling \$4,395,000, for a net payment of \$3,348,000. These principal payments were normally due between December 2013 and December 2018. The associated Swap was not amended for this early extinguishment of principal. As a result, the Authority recorded a gain on early extinguishment of debt of approximately \$1,047,000. The difference between the Swap liability and the loss from the portion of the Swap that is ineffective is approximately \$0 and \$10,001,000 at December 31, 2019 and 2018, respectively, and is a deferred outflows of resources on the Authority's statements of net position. Total payments during 2019 and 2018 for principal on the 2007B Bonds were \$0 and \$1,375,000, respectively. Interest paid, including Swap interest, was approximately \$2,276,000 and \$2,967,000 for the years ended December 31, 2019 and 2018, respectively.

In December 2009, the Authority issued \$6,240,000 of Healthcare Revenue Bonds Series 2009A bearing interest at 6.25%. The net proceeds of the bonds were used by the Authority to purchase and cancel \$7,725,000 of the Authority's Healthcare Revenue Bonds, Series 2007B, to pay the costs of issuance, and to fund an interest rate exchange agreement termination payment. The bond agreement provides for the payment of principal that began in 2010 and continues through 2033 in amounts ranging from \$85,000 to \$640,000. The 2009 Bonds were refunded as part of the 2019A Bonds and 2019B Bonds issuance. Interest is payable semiannually at a fixed rate of 6.25%. Payments during 2019 and 2018 for principal on the bonds were \$0 and \$100,000, respectively. Interest payments were approximately \$83,000 and \$95,000 for the years ended December 31, 2019 and 2018, respectively.

The 2009 defeasance resulted in a difference between the reacquisition price and the carrying value (\$7,725,000) of the defeased debt of \$1,500,000, which was recorded as a deferred gain. The

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difference between the present value of the old debt service on the debt refunded in 2009 and the new debt service resulted in an economic gain of approximately \$746,000.

The 2007 defeasance resulted in a difference between the reacquisition price and the net carrying amount of the debt of \$2,000,000, \$2,700,000 and \$4,400,000 on the 1998A Bonds, 2001A Bonds and 2004A Bonds, respectively. These differences, which are reported in the accompanying basic financial statements as a net deferred loss on refunding, is being charged to operations through 2033 using the straight-line method.

At December 31, 2019 and 2018, the unamortized net deferred loss, which includes the 2007 loss and 2009 deferred gain noted above, was approximately \$18,300,000 and \$3,800,000, respectively.

2010 and 2014 Revenue Bonds

In June 2010, the Authority issued \$29,000,000 of Healthcare Recovery Zone Facility Revenue Bonds Series 2010, bearing interest rates from 4.000% to 5.625%. The net proceeds of the bonds were used by the Authority to make a loan to an investment fund created by a tax credit investor. The investor used the proceeds of the loan, and also contributed \$10,600,000, in order to facilitate the financing of the construction of Pavilion M. Principal payments began in 2011 and continue through 2040 in amounts ranging from \$440,000 to \$1,890,000. For the years ended 2019 and 2018, principal payments were made of \$0 and \$580,000, respectively. Interest payments were approximately \$923,000 and \$1,417,000 for the years ended December 31, 2019 and 2018, respectively.

In August 2019, the Authority entered into a transaction to defease its 2010 debt series in an advance refunding transaction. The Authority used approximately \$23,843,000 of operating cash, \$2,034,000 of reserved cash and \$465,000 of Principal and Interest reserves. This totaled approximately \$26,343,000 that was used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent in order to provide for all future debt service payments on the 2010 debt series. As a result, the 2010 debt series are considered to be defeased and the liability for those bonds has have been removed from the statements of net position. The advanced refunding resulted in a difference between the reacquisition prices and the net carrying amount of the old debt of approximately \$1,465,000. This difference is reported in the accompanying financial statements as a deferred outflow of resources and is amortized through December 2020.

In May 2014, the Authority issued \$67,870,000 of Healthcare Revenue Bonds Series 2014A. These bonds had a net premium of approximately \$1,146,000 which will be amortized over the life of the debt. The net proceeds of the bonds will be used to renovate the Authority's inpatient care areas and improve and construct facilities at the main healthcare campus in accordance with master facilities planning. The 2014A Bonds bear interest rates from 4.00% to 5.25%, with principal payments beginning in 2027 through 2045 ranging from \$2,000,000 to \$5,470,000. During 2019 and 2018, the Authority made interest payments of approximately \$3,334,000.

In May 2014, the Authority issued \$16,945,000 of Healthcare Revenue Bonds Taxable Services 2014B Bonds. The net proceeds of the bonds were used by the Authority to make a loan to an investment fund created by a tax credit investor. The investor used the proceeds of the loan, and also contributed \$7,300,000, in order to facilitate the financing of the construction of an outpatient and urgent care clinic in Southwest Denver. The 2014B Bonds bear interest from 1.70% to 5.15%, with

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principal payments beginning in 2016 and continuing through 2026 in amounts ranging from \$845,000 to \$2,255,000. For the years ended 2019 and 2018, principal payments were made of \$1,290,000 and \$1,480,000, respectively. During 2019 and 2018, the Authority made interest payments of approximately \$490,000 and \$534,000, respectively.

Notes from Direct Borrowings and Direct Placements

The Authority's outstanding notes from direct borrowings and direct placements as of December 31, 2019 include 2017A bonds, Series 2019B bonds, the program support liability, and other long-term debt totaling approximately \$167,293,000. These items contain provisions that in an event of default, outstanding amounts become immediately due if the Authority is unable to make payment and the Authority had pledged its revenue as part of its master trust indenture agreement. No other assets are assigned as collateral.

The Authority's outstanding notes from direct borrowings and direct placements as of December 31, 2018 include 2017A bonds, 601 Broadway note, the program support liability, and other long-term debt totaling approximately \$182,543,000. These items contain provisions that in an event of default, outstanding amounts become immediately due if the Authority is unable to make payment and the Authority had pledged its revenue as part of its master trust indenture agreement. No other assets are assigned as collateral.

Debt Covenants

Per the Master Trust Indentures, the Authority's long-term debt service coverage ratio, calculated at the end of each fiscal year, cannot be less than 1.15% for the 2007, 2009, 2010, 2014, 2017 and 2019 Bonds. The Authority believes it is in compliance with these requirements.

Other Long-term Debt

In September 2007, the Authority entered into an agreement with the City to enable its acquisition of property for use in the construction and operation of a clinic providing healthcare services. The amount of the loan is \$1,200,000 due in one payment on January 1, 2026 and does not bear interest.

On February 8, 2008, the Authority signed a promissory note with the City's Office of Economic Development, as the borrower of \$4,300,000, advanced by the City, pursuant to a Loan Agreement between the Authority and the City dated December 18, 2007, in which the City received funds from the Housing and Urban Development (HUD) in connection with the Northeast Park Hill Urban Redevelopment Plan. Interest is paid quarterly at a variable interest rate on the unpaid principal balance on the first day of January, April, July and October. Beginning July 1, 2009, and on each July 1 thereafter, the Authority will make, in addition to quarterly payments of interest, payments of principal sufficient to repay amounts due under the Section 108 note. The entire unpaid balance of the principal and accrued interest will be due and payable on or before July 1, 2025. As of December 31, 2019 and 2018, the Authority has received \$4,070,181 from the City under this loan. During 2019 and 2018, the Authority paid \$275,000 and \$260,000, respectively, in principal payments to HUD. Interest and HUD fees paid on this loan for 2019 and 2018 totaled \$56,936 and \$46,758, respectively. During 2019 and 2018, \$9,806 and \$150,868, respectively, was reimbursed as a capital contribution by the City.

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In 2013, the Authority elected to transition to a new information systems vendor. As part of the restructuring agreement with the prior vendor, the Authority has executed a note payable in the amount of \$18,500,000, payable from 2014 through 2020 for restructuring of the existing long-term agreement. The note carries no interest; however, the Authority has discounted the principal to the net present value based on market borrowing rates. During 2019 and 2018, the Authority accreted interest expense of approximately \$516,000 and \$806,000, respectively, and made principal and interest payments of approximately \$4,071,000 for both years, bringing the liability to approximately \$3,857,000 and \$7,412,000 at December 31, 2019 and 2018, respectively.

In July 2015, the Authority created a Colorado nonprofit corporation, 601 Broadway in order to obtain financing for an administrative service building adjacent to the Authority's main campus. 601 Broadway incurred debt of approximately \$48,624,000. The Authority has funded approximately \$14,500,000 of construction costs. Interest payments began on December 31, 2015. The debt bears interest at 3.9% until December 1, 2030. Thereafter the debt bears interest at a fixed rate equal to 65% of the sum of (i) the seven year U.S. Treasury Rate on December 1, 2030 plus (ii) 225 basis points. Interest on the certificates shall be computed on the basis of the actual number of days elapsed in a 360-day year consisting of 12 30-day months. For the years ended 2019 and 2018, principal payments of approximately \$830,000 and \$1,649,000 were made, respectively. During 2019 and 2018, the Authority made interest payments of approximately \$1,449,000 and \$1,824,000, respectively. The 2015 COPs were refunded as part of the 2019A and 2019B debt issuance in 2019 as noted above.

In 2017, the Authority joined the Upper Midwest Consolidated Services Center by buying four shares of class A-1 stock for \$300,000. The agreement limits the Authority's ability to redeem the stock for current book value, thus the stock is not considered an investment. Additionally, the agreement specifies a participation agreement of \$1,100,000. The payments are due in equal installments annually for five years. The Authority's first installment was due in 2018. This liability bears no interest.

In 2017, the Authority received \$40,000,000 as part of a program support agreement. The monthly repayment schedule is determined based on the program's earnings before interest, depreciation and amortization (EBIDA). In 2019 and 2018, the Authority paid approximately \$8,592,000 and \$7,324,000, respectively. This liability bears no interest. Included in the program support agreement, the Authority can be reimbursed for relocation and expansion costs related to the program payable upon the first patient at the program's new location. In 2018, the program saw its first patient at the programs new location and the Authority received \$6,100,000 and recorded as a capital contribution.

In April 2018, the Authority financed the purchase of equipment for approximately \$2,500,000. The financing bears no interest. The financing has one initial payment of \$1,500,000 and monthly payments April 1, 2018 through July 1, 2020 for approximately \$38,000. During 2019 and 2018, the Authority made payments of approximately \$460,000 and \$306,000, respectively.

In August 2018, the Authority financed the purchase of equipment for approximately \$600,000. The financing bears no interest. The financing has monthly payments August 1, 2018 through July 1, 2020 for approximately \$26,000. During 2019 and 2018, the Authority made payments of approximately \$311,000 and \$129,000, respectively.

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In September 2018, the Authority received a \$5,000,000 loan. The loan proceeds were used to renovate the Eastside clinic. The loan bears interest of 3.0% with monthly principal payments beginning December 1, 2018 through November 1, 2023 ranging from \$64,000 to \$90,000. During 2019 and 2018, the Authority made principal payments of approximately \$946,000 and \$64,000 respectively. During 2019 and 2018, the Authority made interest payments of approximately \$165,000 and \$25,900, respectively.

In September 2018, the Authority created a Colorado nonprofit corporation, 550 Acoma Inc. in order to obtain financing for a parking garage adjacent to the Authority's main campus. 550 Acoma Inc. issued \$37,815,000 in a public offering. This financing was issued as a certificate of participation (COP). These COPs had a net premium of \$3,012,526 which will be amortized over the life of the debt. The COPs bear interest from 4.00% to 5.00% with principal payments beginning December 1, 2010 through December 1, 2048 ranging from \$320,000 to \$2,350,000. Interest costs have been capitalized as a component of construction in progress, based on interest costs of borrowing specifically used for construction of the building. In 2019 and 2018, approximately \$131,000 and \$210,000, respectively of interest expense was capitalized. During 2019 and 2018, the Authority made interest payments of approximately \$1,823,000 and \$400,000, respectively.

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Year-end Debt Balances

Long-term debt (including capital leases) at December 31 consisted of the following:

	2019	2018
Revenue Bonds, Series 2007B and Series 2009, due in increasing annual installments beginning 2007 through 2034	\$ -	\$ 63,215,000
Revenue Bonds, Series 2010, due in increasing annual installments beginning 2011 through 2040 (net of unamortized bond discount of \$0 and \$307,377 as of December 31, 2019 and 2018, respectively)	-	24,637,621
Revenue Bonds, Series 2014, due in increasing annual installments beginning 2016 through 2045 (net of unamortized bond premium of \$943,465 and \$979,752 at December 31, 2019 and 2018, respectively)	78,558,466	79,884,753
Revenue Bonds Series 2017A, due in increasing annual installments beginning 2018 through 2036 (net of unamortized bond premium of \$7,675,359 and \$8,126,851 as of December 31, 2019 and 2018, respectively).	93,830,359	98,011,851
Revenue Bonds, Series 2019A and Series 2019B, due in increasing annual installments beginning 2020 through 2040 (net of unamortized bond premium of \$14,298,832 as of December 31, 2019).	146,573,831	-
601 Broadway notes payable	-	46,156,361
550 Acoma Inc. notes payable, net of unamortized bond premium of \$2,880,107 and \$2,979,422 as of December 31, 2019 and 2018, respectively)	40,695,108	40,794,422
Program support liability	20,415,586	29,007,754
Other long-term debt	12,792,496	17,493,956
Capital lease obligations	174,564	428,003
Total current and long-term debt	393,040,410	399,629,721
Less current portion	(26,469,100)	(22,767,045)
Total long-term debt	\$ 366,571,310	\$ 376,862,676

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Changes in Long-term Debt and Other Long-term Liabilities

Changes in long-term debt and other long-term liabilities for the years ended December 31 are as follows:

December 31, 2019	Date of Issuance	Beginning Balance	Additions and Discount/ Premium Amortization	Principal Payments or Reductions	Ending Balance	Due Within One Year
Series 2007B	May 2007	\$ 61,795,000	\$ -	\$ (61,795,000)	\$ -	\$ -
Series 2009	December 2009	1,420,000	-	(1,420,000)	-	-
Series 2010, net of discount	June 2010	24,637,621	8,202	(24,645,823)	-	-
Series 2014A and B, net of premium	May, 2014	79,884,753	(36,287)	(1,290,000)	78,558,466	1,330,000
Series 2017A, net of premium	August 2017	98,011,851	(451,493)	(3,730,000)	93,830,358	3,915,000
601 Broadway notes payable	July 2015	46,156,361	-	(46,156,361)	-	-
Series 2019A and B net of premium	September 2019	-	146,573,831	-	146,573,831	5,575,000
550 Acoma Inc. notes payable, net of premium	September 2019	40,794,422	(99,314)	-	40,695,108	320,000
Program support liability	May 2017	29,007,754	-	(8,592,167)	20,415,587	8,592,000
Other long-term debt	Various	17,493,956	1,581,697	(6,283,157)	12,792,496	6,562,536
Capital leases	Various	428,003	-	(253,439)	174,564	174,564
Compensated absences liability		28,111,433	1,464,992	-	29,576,425	29,461,535
Postemployment benefits		23,294,540	1,210,104	(945,133)	23,559,511	17,599,733
Total		<u>\$ 451,035,694</u>	<u>\$ 150,251,732</u>	<u>\$ (155,111,080)</u>	<u>\$ 446,176,346</u>	<u>\$ 73,530,368</u>

December 31, 2018	Date of Issuance	Beginning Balance	Additions and Discount/ Premium Amortization	Principal Payments or Reductions	Ending Balance	Due Within One Year
Series 2007B	May 2007	\$ 63,170,000	\$ -	\$ (1,375,000)	\$ 61,795,000	\$ 1,665,000
Series 2009	December 2009	1,520,000	-	(100,000)	1,420,000	100,000
Series 2010, net of discount	June 2010	25,203,561	14,060	(580,000)	24,637,621	615,000
Series 2014A and B, net of premium	May 2014	81,401,040	(36,287)	(1,480,000)	79,884,753	1,290,000
Series 2017A, net of premium	August 2017	102,013,343	(451,492)	(3,550,000)	98,011,851	3,730,000
601 Broadway notes payable	July 2015	47,347,974	457,653	(1,649,266)	46,156,361	1,669,999
550 Acoma Inc. notes payable, net of premium	September 2019	-	40,794,422	-	40,794,422	-
Program support liability	May 2017	36,331,380	-	(7,323,626)	29,007,754	6,960,000
Other long-term debt	Various	15,058,136	8,961,298	(6,525,478)	17,493,956	6,309,043
Capital leases	Various	803,580	-	(375,577)	428,003	428,003
Compensated absences liability		29,104,541	-	(993,108)	28,111,433	27,974,852
Postemployment benefits		21,158,754	2,888,706	(752,920)	23,294,540	-
Total		<u>\$ 423,112,309</u>	<u>\$ 52,628,360</u>	<u>\$ (24,704,975)</u>	<u>\$ 451,035,694</u>	<u>\$ 50,741,897</u>

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Debt Service Requirements

Annual debt service requirements to maturity for the healthcare revenue bonds, capital leases and other long-term debt are as follows at December 31:

Year Ending December 31,	Principal	Interest	Total
2020	\$ 26,469,100	\$ 15,721,804	\$ 42,190,904
2021	22,265,040	12,142,214	34,407,254
2022	16,816,574	11,764,587	28,581,161
2023	13,961,757	11,369,730	25,331,487
2024	13,130,000	10,956,025	24,086,025
2025-2029	70,535,176	57,236,251	127,771,427
2030-2034	89,435,000	38,812,000	128,247,000
2035-2039	86,500,000	15,049,075	101,549,075
2040-2044	<u>28,130,000</u>	<u>1,666,350</u>	<u>29,796,350</u>
Total long-term debt payments	367,242,647	<u>\$ 174,718,036</u>	<u>\$ 541,960,683</u>
Unamortized premium on 2014 A Bonds, 2017A Bonds, 2019A Bonds and 550 Acoma notes payable	<u>25,797,763</u>		
Total carrying amount of long-term debt	<u>\$ 393,040,410</u>		

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Note 9: Managed Care Initiatives

DH Medicaid Choice

Effective May 1, 2004, the Authority entered into a prepaid provider contract with State of Colorado HCPF, to provide healthcare to Medicaid members enrolled in the State's Primary Care Provider (PCP) program, and formerly capitated with the Authority through Rocky Mountain Health Maintenance Organization (HMO). This program is known as Denver Health Medicaid Choice (DHMC) and started in 2004. This program is a prepaid provider contract, not an HMO. Effective September 1, 2018 the responsibility of the DHMC contract shifted from the Authority to the Plan. This shift was the result of HCPF's attempt to launch the Regional Accountable Entity (RAE) and to incorporate the DHMC contract directly into the RAE. Denver County is the sole county in RAE 5 which is operated by Colorado Access (COA).

The Authority is at full risk for all covered benefits, including outpatient pharmacy and authorized care provided at non-Authority care sites, for all members assigned to it.

Capitation from the State of Colorado HCPF was recognized as revenue during the period in which the Authority was obligated to provide services to these designated members. For services rendered by non-Authority providers to eligible members, the Authority paid in accordance with Medicaid fee schedules or contracted rates.

The cost of healthcare services was accrued in the period in which treatment was provided to a member, based in part on estimates, including an accrual for claims Incurred But Not Reported (IBNR). The Authority maintained reinsurance coverage for inpatient claims above \$250,000, subject to certain per diem limitations. For services rendered by the Authority, the gross charges were included in patient service revenue prior to contractual adjustments and were also included in deductions from revenue as contractual adjustments.

The contract shifted to the Plan effective September 1, 2018. For the period January through August 31, 2018, net capitation revenue after reinsurance, before administrative fees for this initiative totaled approximately \$136,500,000.

Pharmacy claims and costs for non-Authority care, including IBNR accruals for the same period totaled approximately \$40,551,000. This amount was included in managed care outside provider claims.

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The Authority establishes liabilities for both reported and unreported medical and hospital expenses related to DH Medicaid Choice, which includes estimates of both future payments of claims and related claim adjustment expenses. Changes in the aggregate liability during the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Unpaid claims and claim adjustment expenses, beginning of year	\$ 2,144,000	\$ 10,905,000
Incurred claims and claim adjustment expenses		
Provision for insured events of the current year	-	43,604,402
Increase (decrease) in provision for insured events of prior years	216,013	(7,813,031)
Total incurred claims and claim adjustment expenses	216,013	35,791,371
Payments		
Claims and claim adjustment expenses attributable to insured events of the current year	-	41,726,755
Claims and claim adjustment expenses attributable to insured events of prior year	2,357,013	2,825,616
Total payments	2,357,013	44,552,371
Unpaid claims and claim adjustment expenses, end of year	\$ 3,000	\$ 2,144,000

Incurred claims and claim payments directly above do not include billed charges of approximately \$237,000,000 during the first eight months of 2018, for the cost of care provided at the Denver Health Medical Center for DH Medicaid Choice members.

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Denver Health Medical Plan, Inc. – Discretely Presented Component Unit

The Plan is a Colorado HMO whose enrollment includes employees of the Authority, the City, retirees enrolled with the Denver Employees Retirement Plan (DERP), and Child Health Plan Plus participants. In 2006, the Plan became licensed as a Special Needs Medicare Advantage Prescription Drug Plan provided to residents of Denver County, Colorado. At December 31, 2019 and 2018, there were 108,880 and 101,660 members enrolled in the Plan, respectively. Approximately 11% and 12% of Plan enrollment originated through Authority employee enrollment during 2019 and 2018, respectively. The Plan is presented as a discretely presented component unit. There have been no eliminations of 2019 or 2018 financial transactions between the Plan and the Authority on either the Authority's statements of net position or the Authority's statements of revenues, expenses and changes in net position.

The Plan recognizes premiums from subscribing groups as revenue in the period to which healthcare coverage relates. Premiums earned include premiums from the Authority for the years ended December 31, 2019 and 2018 of approximately \$76,697,000 and \$74,760,000, respectively. Such premiums are included in the accompanying statements of revenues, expenses and changes in net position as premiums earned. Excess risk insurance is maintained by the Plan for inpatient claims in excess of \$300,000 for Medicare and Child Health Plan Plus and \$350,000 per patient per year on commercial lines and \$250,000 per patient per year on the Medicaid line in 2019 and \$300,000 for non-Medicaid lines and \$250,000 for Medicaid in 2018, subject to certain per diem limits.

A significant portion of healthcare services are provided by the Authority, for which the Authority is reimbursed on a capitated or fee-for-service basis, depending on the healthcare network chosen by the member. For the years ended December 31, 2019 and 2018, respectively, the Plan incurred capitation expense to the Authority totaling approximately \$164,043,000 and \$71,737,000, and fee-for-service claims of approximately \$49,210,000 and \$49,094,000.

At December 31, 2019 and 2018, the Plan has a capital contribution from the Authority of \$500,000, which is restricted and invested in a long-term investment held jointly by the Plan and the Colorado Division of Insurance. This contribution is included in the Authority's receivable from the Plan, which when combined with other amounts due, totals approximately \$13,400,000 and \$6,900,000 as of December 31, 2019 and 2018, respectively. The Plan has no employees, and is managed by employees leased from the Authority. In addition, the Plan pays the Authority certain other administrative expenses. The amounts paid by the Plan to the Authority for management services and other expenses totaled approximately \$13,983,000 for 2019 and \$6,517,000 for 2018.

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The Plan establishes liabilities for both reported and unreported medical and Authority expenses, which includes estimates of both future payments of claims and related claim adjustment expenses. Changes in the aggregate liability during the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Unpaid claims and claim adjustment expenses, net of reinsurance, beginning of year	<u>\$ 33,713,058</u>	<u>\$ 19,845,730</u>
Incurred claims and claim adjustment expenses, net of reinsurance recoveries		
Provision for insured events of the current year	354,891,158	228,170,621
Decrease in provision for insured events of prior years	<u>(4,552,024)</u>	<u>(549,738)</u>
Total incurred claims and claim adjustment expenses, net of reinsurance recoveries	<u>350,339,134</u>	<u>227,620,883</u>
Payments, net of reinsurance recoveries		
Claims and claim adjustment expenses attributable to insured events of the current year	375,874,314	231,963,015
Claims and claim adjustment expenses attributable to insured events of prior year	<u>(28,427,430)</u>	<u>(18,209,460)</u>
Total payments, net of reinsurance recoveries	<u>347,446,884</u>	<u>213,753,555</u>
Unpaid claims and claim adjustment expenses, net of reinsurance, end of year	<u>\$ 36,605,308</u>	<u>\$ 33,713,058</u>

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Note 10: Operating Lease Commitments

The Authority leases certain property and equipment under noncancelable operating leases; expire in various years through 2028. Future minimum lease payments under noncancelable operating leases as of December 31, 2019 are as follows:

Year Ending December 31,	Minimum Operating Lease Payments
2020	\$ 3,425,329
2021	3,104,937
2022	2,653,322
2023	2,548,884
2024	1,134,921
Thereafter	3,675,936
	\$ 16,543,329

Rental expense under noncancelable operating leases totaled approximately \$4,617,000 and \$4,748,000 for the years ended December 31, 2019 and 2018, respectively.

Note 11: Pension Plan

Plan Description

Certain employees of the Authority as well as other nonuniformed employees of the City and certain related agencies, including employees leased to the Authority, participate in DERP. DERP is a cost-sharing multiple-employer defined benefit pension plan established by the City to provide pension benefits for its employees. DERP is no longer available to Authority employees hired January 1, 2001 or later. As a result, the Authority established an Enhanced Defined Contribution Plan. Authority employees hired prior to January 1, 2001 have the option to elect to drop their DERP participation and join the Enhanced Defined Contribution Plan, which is described in Note 15. Sections 18.401 through 18.430.7 of the City’s Revised Municipal Code establish the plan and provide complete information on DERP. DERP issues a publicly available financial report that includes financial statements and required supplementary information. That report is available by either contacting DERP at 777 Pearl Street, Denver, Colorado 80203 or on the Internet at www.derp.org.

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Benefits Provided

DERP provides retirement benefits plus death and disability benefits for its members and their beneficiaries. Participants who retire at or after age 65 or age 55 if the sum of age plus credited service is 75 or more (rule of 75) are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to as much as 2% of their final average salary, for each year of credited service. Final average salary is the average salary based on the employee's highest salary in a 36-consecutive month period of credited service. Employees with five years of credited service may retire at or after age 55 and receive a reduced retirement benefit. Benefit and contribution provisions are determined annually by an independent actuary, recommended by DERP's board, and enacted into ordinance by the Denver City Council.

Contributions

During 2019, combined employer and employees' contributions to DERP were 21.5% (13.0% employer and 8.5% employees) of applicable salaries, of which 20.30% was for pension benefits and 1.20% was for health benefits. During 2018, combined employer and employees' contributions to DERP were 20.5% (12.5% employer and 8.0% employees) of applicable salaries, of which 19.30% was for pension benefits and 1.20% was for health benefits.

Effective January 1, 2001 and until October 1, 2003, active members of DERP who were eligible for a normal or rule of 75 retirement could choose to enter the Deferred Retirement Option Plan (DROP) for a maximum of four years. While participating in DROP, the member continues to work for the employer, earning a regular salary. The member's monthly retirement benefits are deposited into a DROP account maintained by DERP. The balance in a member's DROP account earns interest at a rate equal to the actuarial assumed rate of return. Sections 18-422 through 18-429 of the Revised Municipal Code of the City and County of Denver should be referred to for more complete information on DROP. Upon retirement, members have access to the funds accumulated during their participation in DROP.

Employer-made Contributions Based on the Legally Required Rates

Total annual employee and employer contributions to DERP by the Authority in 2019 and 2018 were approximately \$6,384,000 and \$6,544,000, respectively. This represents 1.15% in 2019 and 1.26% in 2018 of the Authority's total payroll of all employees. Authority contributions (employer only) to DERP for the years ended December 31, 2019 and 2018 were approximately \$4,318,000 and \$6,393,000, respectively. The Authority's total payroll for all employees was approximately \$522,346,000 and \$520,790,000 for 2019 and 2018, respectively.

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

At December 31, 2019 and 2018, the Authority reported a liability of \$115,718,000 and \$105,588,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018 and 2017 and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2017 and 2016, respectively, rolled forward to December 31, 2018 and 2017, respectively. The

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Authority's proportion of the net pension liability was based on actual contributions of the Authority to the pension plan relative to the actual contributions of all participating employers for the measurement period. At December 31, 2018, the Authority's proportion was 7.67%, which was a decrease of 1.33% from its proportion measured as of December 31, 2017. At December 31, 2017, the Authority's proportion was 9.00%, which was a decrease of .84% from its proportion measured as of December 31, 2016.

For the years ended December 31, 2019 and 2018, the Authority recognized pension expense of approximately \$8,723,000 and \$9,475,000, respectively. At December 31, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Year Ended December 31, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,463,085	\$ -
Changes of assumptions	6,772,855	-
Net difference between projected and actual earnings on pension plan investments	10,262,194	-
Changes in proportion and differences between the Authority's contributions and the proportionate share of contributions	-	14,878,212
Authority's contributions made subsequent to the measurement date	4,318,106	-
Total	<u>\$ 22,816,240</u>	<u>\$ 14,878,212</u>
Year Ended December 31, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,935,980	\$ -
Changes of assumptions	5,592,813	-
Net difference between projected and actual earnings on pension plan investments	-	9,241,862
Changes in proportion and differences between the Authority's contributions and the proportionate share of contributions	-	8,459,603
Authority's contributions made subsequent to the measurement date	6,392,748	-
Total	<u>\$ 19,921,541</u>	<u>\$ 17,701,465</u>

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At December 31, 2019, the Authority reported approximately \$235,000, as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2019, related to pensions will be recognized in pension expense as follows:

Year Ended	
2020	\$ 1,007,529
2021	(1,449,464)
2022	355,671
2023	3,706,186
	\$ 3,619,922

Actuarial Assumptions

The total pension liability in the December 31, 2017 and 2016, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

2017		
Inflation	2.50%	
Salary increases	3.00%	Average, including inflation
Ad Hoc cost of living adjustments	0.00%	Average
Investment rate of return	7.50%	Net of pension plan investment expense, including inflation
2016		
Inflation	2.50%	
Salary increases	3.00%	Average, including inflation
Ad Hoc cost of living adjustments	0.00%	Average
Investment rate of return	7.50%	Net of pension plan investment expense, including inflation

Mortality rates used in the December 31, 2016 valuation were based on the RP-2000 Combined Mortality Table Projected Via Scale AA to 2020, with multipliers specified to Gender and Payment Status of Employee as appropriate with adjustments for mortality improvements.

Mortality rates used in the December 31, 2017 valuation were based on the RP-2014 Combined Mortality Table for Males and Females projected with the Ultimate MP Scale with a multiplier of 110% male and 105% female. The Disabled mortality tables were based on the RP-2014 Disabled Life Mortality Table for Males and Females projected with the Ultimate MP Scale.

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The actuarial assumptions used in the December 31, 2016 valuations were based on the results of an actuarial experience study as of January 1, 2008 through December 31, 2012.

The actuarial assumptions used in the December 31, 2017 valuations were based on the results of an actuarial experience study in 2018 covering the 5-year period of January 1, 2013 to December 31, 2017.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Equities	22.50%	
Large Cap	12.00%	3.80%
Large Cap Value	3.50%	4.30%
Large Cap Growth	3.50%	3.80%
Small Cap Value	1.25%	4.50%
Small Cap Growth	2.25%	4.00%
International Equity	23.50%	
International Large Cap	2.00%	4.30%
International Large Cap Value	4.00%	5.30%
International Large Cap Growth	4.00%	4.80%
International Small Cap Value	5.50%	4.80%
Emerging Markets	8.00%	6.30%
Fixed Income	20.50%	
Governments	5.00%	0.50%
Core Fixed Income	6.50%	1.00%
Emerging Market Debt	2.50%	4.30%
Private Debt	4.00%	5.00%
Distress Debt	2.50%	6.50%
Real Estate	8.00%	
Non-Core Real Estate	3.20%	5.80%
Core Real Estate	4.80%	3.80%
Alternatives	25.50%	
Hedge Funds	5.00%	3.30%
MLP	7.00%	6.30%
Private Equity	7.00%	6.50%
Private Energy	5.50%	6.50%
Timber	1.00%	3.00%
Total	100.00%	

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Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the years ended December 31, 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The Authority’s proportionate share of the net pension liability at December 31, 2019 has been calculated using a discount rate of 7.50%. The following presents the Authority’s proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Authorities proportionate share of the net pension liability	\$ 145,353,265	\$ 115,717,505	\$ 90,785,127

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued DERP financial report.

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Note 12: Postemployment Benefits Other Than Pensions

The Authority participates in two defined benefit other postemployment benefits plans: OPEB benefits under DERP and the Healthcare Premium Supplement Plan (see Note 13).

A summary of the OPEB items as of and for the years ended December 31, 2019 and 2018 are as follows:

December 31, 2019	DERP	Healthcare Premium Supplement Plan	Total
OPEB liability	\$ 5,959,778	\$ 17,599,733	\$ 23,559,511
Deferred outflows of resources	779,805	818,408	1,598,213
Deferred inflows of resources	759,272	611,842	1,371,114
Expense	77,000	1,916,000	1,993,000

December 31, 2018	DERP	Healthcare Premium Supplement Plan	Total
OPEB liability	\$ 5,816,322	\$ 17,478,218	\$ 23,294,540
Deferred outflows of resources	289,933	1,209,247	1,499,180
Deferred inflows of resources	781,380	-	781,380
Expense	116,000	1,948,000	2,064,000

OPEB Benefits Under DERP

Plan Description

Certain employees of the Authority as well as other nonuniformed employees of the City and certain related agencies, including employees leased to the Authority, participate in DERP. DERP is a cost-sharing multiple-employer defined benefit pension plan established by the City to provide pension benefits for its employees. These benefits include health benefits and are considered an OPEB benefit. DERP is no longer available to Authority employees hired January 1, 2001 or later. As a result, the Authority established the Healthcare Premium Supplement Plan (see Note 13). Authority employees hired prior to January 1, 2001 have the option to elect to drop their DERP participation and join the Enhanced Defined Contribution Plan, which is described in Note 15. Sections 18.401 through 18.430.7 of the City's Revised Municipal Code establish the plan and provide complete information on DERP. DERP issues a publicly available financial report that includes financial statements and required supplementary information. That report is available by either contacting DERP at 777 Pearl Street, Denver, Colorado 80203 or on the Internet at www.derp.org.

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Benefits Provided

The health benefits' account was established by City Ordinance in 1991 to provide, beginning January 1, 1992, postemployment healthcare benefits in the form of a premium supplement to retired members, their spouses and dependents, spouses and dependents of deceased active and retired members, and members of the Plan awaiting approval of retirement applications. During 2019 and 2018, the monthly health insurance premium supplement was \$12.50 per year of service for retired participants under the age of 65, and \$6.25 per year of service for retirees aged 65 and older. The health insurance premium supplement can be applied to the payment of medical, dental, and/or vision insurance premiums. The benefit recipient pays any remaining portion of the premiums.

Before consideration of the premium supplement or premiums paid by the employer, the premiums charged to retirees are the same as charged to active employees for the same coverage. This results in an implicit rate subsidy, which is considered another postemployment benefit (OPEB).

Employer-made Contributions Based on the Legally Required Rates

Total annual contributions to DERP by the Authority for postemployment healthcare benefits were approximately \$235,000 and \$290,000 for 2019 and 2018, respectively. This represents 0.05% and 0.06% of the Authority's total payroll for 2019 and 2018, respectively.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2019 and 2018, the Authority reported a liability of approximately \$5,960,000 and \$5,816,000, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to December 31, 2018. The Authority's proportion of the net OPEB liability was based on actual contributions of the Authority to the OPEB plan relative to the actual contributions of all participating employers for the measurement period. At December 31, 2018, the Authority's proportion was 5.70%, which was a decrease of .64% from its proportion measured as of December 31, 2017. At December 31, 2017, the Authority's proportion was 6.33%, which was a decrease of .72% from its proportion measured as of December 31, 2016.

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For the year ended December 31, 2019, the Authority recognized OPEB expense of approximately \$77,000. At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Year Ended December 31, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,589	\$ -
Changes of assumptions	347,602	-
Net difference between projected and actual earnings on OPEB plan investments	169,870	-
Changes in proportion and differences between the Authority's contributions and the proportionate share of contributions	-	759,272
Authority's contributions made subsequent to the measurement date	<u>234,744</u>	<u>-</u>
Total	<u>\$ 779,805</u>	<u>\$ 759,272</u>
Year Ended December 31, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	274,581
Changes in proportion and differences between the Authority's contributions and the proportionate share of contributions	-	506,799
Authority's contributions made subsequent to the measurement date	<u>289,933</u>	<u>-</u>
Total	<u>\$ 289,933</u>	<u>\$ 781,380</u>

At December 31, 2019, the Authority reported approximately \$235,000, as deferred outflows of resources related to the DERP OPEB resulting from Authority contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ending

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December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2019, related to the DERP OPEB will be recognized in expense as follows:

Year Ended	
2020	\$ 137,787
2021	(227,245)
2022	(161,433)
2023	36,680
	\$ (214,211)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued DERP financial report.

Actuarial Assumptions

The total OPEB liability in the December 31, 2017 and 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

2017		
Inflation	2.50%	
Salary increases	3.00% - 7.00%	Average, including inflation
Investment rate of return	7.50%	Net of OPEB plan investment expense, including inflation
Experience study		Conducted in 2018 covering the 5-year period of January 1, 2013 to December 31, 2017
2016		
Inflation	2.50%	
Salary increases	3.00% - 7.00%	Average, including inflation
Investment rate of return	7.50%	Net of OPEB plan investment expense, including inflation
Experience study		Conducted in 2013 covering the 5-year period of January 1, 2008 to December 31, 2012

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Mortality rates used in the December 31, 2016 valuation were based on the RP-2000 Combined Mortality Table Projected Via Scale AA to 2020, with multipliers specified to Gender and Payment Status of Employee as appropriate with adjustments for mortality improvements.

Mortality rates used in the December 31, 2017 valuation were based on the RP-2014 Combined Mortality Table for Males and Females projected with the Ultimate MP Scale with a multiplier of 110% male and 105% female.

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

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Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Equities	22.50%	
Large Cap	12.00%	4.90%
Large Cap Value	3.50%	5.30%
Large Cap Growth	3.50%	4.70%
Small Cap Value	1.25%	5.50%
Small Cap Growth	2.25%	5.00%
International Equity	23.50%	
International Large Cap	2.00%	5.80%
International Large Cap Value	4.00%	6.30%
International Large Cap Growth	4.00%	5.50%
International Small Cap Value	5.50%	6.00%
Emerging Markets	8.00%	7.80%
Fixed Income	20.50%	
Governments	5.00%	0.60%
Core Fixed Income	6.50%	1.10%
Emerging Market Debt	2.50%	4.60%
Private Debt	4.00%	7.50%
Distress Debt	2.50%	7.50%
Real Estate	8.00%	
Non-Core Real Estate	3.20%	5.90%
Core Real Estate	4.80%	4.10%
Alternatives	25.50%	
Hedge Funds	5.00%	2.60%
MLP	7.00%	7.20%
Private Equity	7.00%	7.50%
Private Energy	5.50%	7.30%
Timber	1.00%	3.60%
	<hr/>	
Total	100.00%	
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Discount Rate

The discount rate used to measure the total net OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Authority’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The Authority’s proportionate share of the net OPEB liability at December 31, 2019 has been calculated using a discount rate of 7.50%. The following presents the Authority’s proportionate share of the net OPEB liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Authorities proportionate share of the net OPEB liability	\$ 6,924,766	\$ 5,959,778	\$ 5,138,853

As this plan is paid at a fixed dollar value, there is not an actuarially adjusted value for healthcare costs and thus Healthcare Cost Trend Rates are not applicable to this plan.

Note 13: OPEB – Healthcare Premium Supplement Plan

The Denver Health and Hospital Authority Healthcare Premium Supplement Plan (the Supplement Plan) was established in January 1, 2001 and is administered by the Authority as a single-employer defined benefit OPEB plan. Any employee of the Authority is eligible for healthcare premium supplement payments if the employee: (1) has attained the age of at least 55; (2) retires and commences benefits under the Enhanced Defined Contribution Plan (see Note 15) after completing at least 10 years of service; and (3) has been eligible to receive enhanced benefits under the Enhanced Defined Contribution Plan for at least 10 full years beginning on or after January 1, 2001.

The Plan was amended effective January 1, 2011, so that the benefits provided can be used for any allowable healthcare expense or premium. Benefit provisions are contained in the plan document and were established and can be amended by action of the Authority’s governing body. The Supplemental Plan does not issue a separate report that includes financial statements and required supplementary information for the OPEB Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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The Plan was amended to freeze and close to new participants effective January 1, 2020. A new participant is defined as a retired employee after January 1, 2020. Additionally, participants in this plan (those who retired and were eligible as of December 31, 2019) have until December 31, 2020 to expend their benefit and have 90 days after December 31, 2020 to file a claim.

The total lifetime benefit paid by the Supplement Plan is based on years of service as follows:

Years of Services	Total Benefit
10 - 14	\$ 14,400
15 - 19	21,600
20 - 24	28,800
25 - 29	36,000
30 - 34	43,200

Each additional five-year increment above year 34 results in an additional \$7,200 benefit. The employees covered by the benefit terms of the Supplement Plan as of the actuarial valuation date of December 31, 2017:

	2017
Inactive employees or beneficiaries currently receiving benefit payments	\$ -
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	5,851
	\$ 5,851

Under GASB 75, unfunded plans must use a discount rate that reflects a 20-year tax-exempt municipal bond yield or index rate. The Authority used the Bond Buyer 20-year General Obligation Bond Index. The discount rate was 4.10% (3.44% in prior year).

Members are not required to contribute to the Supplement Plan. For the years ended December 31, 2019 and 2018, the Authority funded approximately \$777,000 and \$640,800, respectively, to a third-party beneficiary for retirees qualified for the benefit and retiring after 2010. Otherwise, the Supplement Plan is unfunded as of December 31, 2019. However, any eligible retirees retiring in the future will have their lifetime benefit deposited with a third-party administrator in the year in which they retire.

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OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2019 and 2018, the Authority reported a liability of approximately \$17,600,000 and \$17,478,000, respectively, for its total OPEB Supplement liability. The total OPEB Supplement liability was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date. Changes in the total OPEB liability for the year ended December 31, 2019 and 2018 are as follows:

	2019	2018
Total OPEB Liability		
Balance at beginning of year	\$ 17,478,218	\$ 15,436,559
Changes for the year		
Service cost	1,346,584	1,249,750
Interest on total OPEB liability	636,399	621,845
Differences between expected and actual experience	-	53,559
Changes of assumptions or other inputs	(1,206,268)	591,705
Benefit payments	(655,200)	(475,200)
Balance at end of year	\$ 17,599,733	\$ 17,478,218

For the years ended December 31, 2019 and 2018, the Authority recognized OPEB expense of approximately \$1,916,000 and \$1,948,000 respectively. At December 31, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Supplement Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Year Ended December 31, 2019		
Differences between expected and actual experience	\$ 40,808	\$ -
Changes of assumptions	-	611,842
Authority's benefit payments subsequent to the measurement date	777,600	-
Total	\$ 818,408	\$ 611,842

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Year Ended December 31, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 47,183	\$ -
Changes of assumptions	521,264	-
Authority's benefit payments subsequent to the measurement date	<u>640,800</u>	<u>-</u>
Total	<u>\$ 1,209,247</u>	<u>\$ -</u>

At December 31, 2019, the Authority reported \$777,000 as deferred outflows of resources related to the Supplement Plan resulting from Authority benefit payments subsequent to the measurement date that will be recognized as a reduction of the OPEB liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2019, related to the Supplement Plan will be recognized in expense as follows:

Year Ended	
2020	\$ (66,786)
2021	(66,786)
2022	(66,786)
2023	(66,786)
2024	(66,786)
Thereafter	<u>(237,104)</u>
	<u>\$ (571,034)</u>

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Actuarial Assumptions

The Supplement Plan OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

2019		
Inflation	2.50%	
Salary increases	3.25%	Average, including inflation
Discount rate	4.10%	
2018		
Inflation	2.50%	
Salary increases	3.25%	Average, including inflation
Discount rate	3.44%	(3.78% in prior years)

Mortality rates were based on the RP-2014 Employee Table with generational projection using scale MP-2016.

The actuarial cost method was Entry Age Normal Level Percent of Pay.

Sensitivity of the Authority's Total OPEB Liability to Changes in the Discount Rate

The Authority's OPEB Supplement liability at December 31, 2019 has been calculated using a discount rate of 4.10%. The following presents the Authority's total OPEB liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 19,465,399	\$ 17,599,733	\$ 15,948,685

As this plan is paid at a fixed dollar value, there is not an actuarially adjusted value for healthcare costs and thus Healthcare Cost Trend Rates are not applicable to this plan.

Note 14: Deferred Compensation Plan

The Authority offers their employees deferred compensation plans created in accordance with Code Section 457. The plans are available to all Authority employees and permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees or their beneficiaries until termination, retirement, death, or approval for hardship cases.

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The Authority's plan is administered and operated by the Authority through a Board Retirement Plan Committee. An agreement was established between the Authority and a third party to invest the plan assets and for assistance in administering the plan.

Under the provisions of GASB 84, the Authority has determined that its 457(b) plan meets the criteria for inclusion in its financial statements as an other fiduciary activity because, among other required characteristics, it controls the assets of the plan because it is the trustee of the plan's assets.

Note 15: Defined Contribution Plan and Enhanced Defined Contribution Plan

The Denver Health and Hospital Authority 401(a) Defined Contribution Plan (Defined Contribution Plan) was established to extend benefits to employees in lieu of those benefits provided by the Social Security Act, as allowed by Colorado Revised Statutes Section 24-54-101. The plan was created in accordance with Code Sections 401 and 501. Benefits are not available to employees or their beneficiaries until retirement or death. Employees are required to contribute 6.2% of base compensation to the Defined Contribution Plan. The Authority has elected to contribute 3% of base compensation as a matching contribution. The contributions are not to exceed the maximum permissible amounts of the social security tax.

Because employees hired subsequent to January 1, 2001 are not eligible to participate in DERP, the Enhanced Defined Contribution Plan was established as a benefit to these Authority employees. Authority employees hired prior to January 1, 2001 may exercise an option to drop DERP participation and join the Enhanced Defined Contribution Plan.

Through August 23, 2015, the Authority elected to contribute 6.0% of eligible compensation up to the maximum compensation allowable by the Internal Revenue Service as an enhanced additional contribution. Effective August 23, 2015, the Authority amended the Enhanced Defined Contribution Plan to change the 6.0% enhanced contribution as follows:

- For employees hired after August 23, 2015, to contribute a 3.0% enhanced contribution that is subject to a three year vesting period.
- To contribute up to an additional 3.5% enhanced contribution, also subject to a three year vesting period, that is matched 100% to the percent of eligible wages the employee voluntarily defers and contributes to the Authority's 457 Deferred Compensation Plan.
- Employees hired on or before August 23, 2015 continue to be immediately vested in all employee and employer contributed balances.

Total annual contributions to the Defined Contribution Plan and the Enhanced Defined Contribution Plan by the Authority in 2019, 2018 and 2017 were approximately \$44,518,000, \$42,420,000 and \$39,796,000, respectively. Employee contributions in 2019, 2018 and 2017 were approximately \$33,124,000, \$31,965,000 and \$30,009,000, respectively.

An agreement was established between the Authority and a third party to invest plan assets and to assist in administering the plans.

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Under the provisions of GASB 84, the Authority has determined that its 401(a) plan meets the criteria for inclusion in its financial statements as a fiduciary component unit because the Plan is a separate legal entity, governed by the Authority's Board of Directors, and the Authority has a financial burden with respect to the Plan because of its contribution requirements.

Note 16: Supplemental Executive Retirement Plan

In 2014, the Authority created a Supplemental Executive Retirement Plan (SERP Plan) for the purpose of providing deferred compensation for a select group of executive managers. The SERP Plan is an unfunded, non-qualified deferred compensation arrangement under Section 457(f) of the Internal Revenue Code. The effective date of the SERP Plan was January 1, 2014. In January 2015 and February 2016, the Authority contributed to a Rabbi Trust retirement account an amount equal to 5% of the executive base pay, and 10% of the base pay of the Chief Executive Officer of the Authority. Participants become vested to the contribution three calendar years after the contribution, or the year in which they turn 65 years of age, whichever is sooner. Distributions are made annually in February of each year to vested participants. Executive managers participating in DERP are not eligible to be included in the SERP Plan.

Note 17: Risk Management

The Authority is exposed to various risks and losses related to torts, theft, damage or destruction of assets, errors and omissions, natural disasters, property damage, workers' compensation, auto liability and unemployment.

The Authority is covered under the limits of the Colorado Governmental Immunity Act. For 2019, in tort litigation covered by the Colorado Governmental Immunity Act, injury to one person in any single occurrence is limited to the amount of \$387,000, and for injury to two or more persons in a single occurrence, the limitation is \$1,093,000 with the stated limitation that no person may recover in excess of \$387,000. With respect to malpractice liability, the Authority carries excess healthcare professional and general liability coverage with limits of \$1,000,000 per occurrence and \$3,000,000 in the aggregate with a self-insured retention amount of \$250,000. In addition, the Authority carries an umbrella policy with limits of \$5,000,000 per occurrence and \$5,000,000 in the aggregate. The Authority carries a separate professional liability policy to cover physicians who provide services under contract with the Authority. This policy provides coverage with limits of \$1,000,000 per occurrence and \$3,000,000 in the aggregate.

The amount of medical malpractice and other liability was \$6,591,279 and \$5,036,063 for the years ended December 31, 2019 and 2018, respectively. The Authority relied upon an actuarial estimate of the medical malpractice to record IBNR losses and loss adjustment expenses. A discount rate of 3.0% was applied to the actuarially determined liability as of December 31, 2019 and 2018. Changes in the reported liability for the years ended December 31, 2019 and 2018 are as follows:

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	Beginning Balance	Provision and Changes in Estimates	Claims Paid/ Refunded	Ending Balance
2018	\$ 4,580,262	\$ 3,323,136	\$ (2,867,335)	\$ 5,036,063
2019	\$ 5,036,063	\$ 1,454,506	\$ 100,710	\$ 6,591,279

The Authority carries a separate healthcare professional and general liability policy to cover the Authority’s healthcare services provided in the City’s jail medical facilities. This policy provides coverage in the amount of \$1,000,000 per occurrence and \$3,000,000 in the aggregate with a self-insured retention of \$150,000. A second policy provides excess umbrella liability coverage in the jail medical facilities in the amount of \$5,000,000 per occurrence and \$5,000,000 in the aggregate.

For other types of risk, the Authority generally carries commercial policies with deductibles ranging from \$50,000 to \$600,000 and limits of \$1,000,000 to \$10,000,000.

On January 1, 2002, the Authority was issued a “self-insurance permit” by the Colorado Department of Labor and Employment, Division of Workers’ Compensation, which allows the Authority to be its own insurance carrier for workers’ compensation risk. The Authority carries an excess workers’ compensation insurance policy with a self-insured retention limit of \$600,000. At December 31, 2019 and 2018, the amount of workers’ compensation liability was \$3,766,682 and \$3,584,744, respectively. This liability is based on actuarial estimates of the workers’ compensation to record IBNR losses and loss adjustment expenses. Changes in the reported liability for the years ended December 31, 2019 and 2018 are as follows:

	Beginning Balance	Provision and Changes in Estimates	Claims Paid	Ending Balance
2018	\$ 3,322,207	\$ 1,991,161	\$ (1,728,624)	\$ 3,584,744
2019	\$ 3,584,744	\$ 1,543,220	\$ (1,361,282)	\$ 3,766,682

There were no significant reductions in insurance coverage from the prior year. There have been no claim settlements in excess of insurance coverage in the last three years. In the opinion of the Authority’s legal counsel and management, resolution of actions relating to the Authority will not have a material effect on the Authority’s financial position or results of operations.

Note 18: Contingencies

Cost Report

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures. Such audits could lead to reimbursement to the grantor agencies. The Authority has recorded all known and estimable liabilities related to such issues. Management believes unrecorded disallowances, if any, will not be significant.

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Taxpayer Bill of Rights

The Authority believes it is exempt from the provisions of Article X, Section 20 of the Colorado Constitution Taxpayer Bill of Rights (TABOR) because the Authority is not a “district” within the meaning of Section 2(b) of TABOR. In addition, the Authority believes it is exempt from TABOR because the Authority meets the definition of an “enterprise,” as defined by Section 2(d) of TABOR.

Litigation

In the normal course of operations, the Authority is at times involved in litigation related to claims made under insurance contracts, employee liability, and general liability. In the opinion of management, all known material liabilities have been recorded, and the resolution of these matters is not expected to have a material effect on the Authority’s financial position, results of operations, or liquidity.

Healthcare Policy and Financing Division

The Authority contracted with the State of Colorado HCPF to provide capitated healthcare services to Medicaid eligible participants enrolled in Medicaid Choice through August 31, 2018. This contract is now with the Plan. Final settlement of some prior year contracts has not yet occurred. The Authority has evaluated each contract year and recorded estimates of amounts that are probable and estimable as due. Final reconciliation and settlement with HCPF may result in differing amounts. These reconciliations and estimates will continue, but for periods subsequent to August 31, 2018 will be recorded on the Plan’s financial statements.

Academic Medical Center Connection

The Authority has been a member of University HealthSystem Consortium, (UHC) a nonprofit corporation. In 2015, UHC became VHA-UHC Alliance NewCO, Inc., and subsequently changed its name to Academic Medical Center Connection (AMCC). As a member of AMCC, the Authority had rights to patronage returns, but no actual interest in the company. In April of 2015, AMCC sold substantially all of its assets and operations to Vizient, Inc. (Vizient). AMCC received cash and shares of common stock in Vizient as a result. As a result of these transactions, Vizient stock was distributed to AMCC participating patrons, which included the Authority. To receive stock shares, the Authority signed a Stockholders Agreement. The agreement limits the Authority’s ability to redeem the stock for current book value based on time restrictions. In 2016, the Authority received the stock certificates, but the value of the stock was recorded at zero due to the restrictions in the agreement. Subsequent to year-end, the Authority received notice of the redemption of the stock which resulted in a receivable of \$684,000 as of December 31, 2019.

Investments

The Authority invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment

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securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

Note 19: Commitments

The Authority entered into multiple construction contracts to remodel existing buildings and to construct new buildings during 2019 and prior. Under these contracts, the Authority has committed to pay contractors approximately \$51,900,000 in future periods.

Note 20: Fiduciary Funds

During 2019, the Authority adopted GASB Statement No. 84, *Fiduciary Activities*. GASB 84 established standards of accounting and financial reporting for fiduciary activities for all state and local governments. Under the provisions of GASB 84, the Authority is required to report its 457(b) plan (Note 14) and its 401(a) plan (Note 15) as fiduciary activities in its fiduciary funds statements. Under GASB 84, the 401(a) plan is classified as a pension (and other employee benefit) trust fund and the 457(b) plan, a postemployment benefit other than pensions, is included in the same column in the fiduciary funds statements as the 401(a) plan in accordance with GASB 84. Both are defined contribution plans. GASB 84 has been applied retroactively by restating prior year statements to include fiduciary fund statements. The effect as the 2018 financial statements is presented below.

The combining statements of fiduciary net position as of December 31, 2019 and 2018 are as follows:

	December 31, 2019		
	401(a)	457(b)	Total
Assets			
Investments, at fair value	\$ 797,023,888	\$ 235,157,369	\$ 1,032,181,257
Participant loans	15,492,535	3,042,532	18,535,067
Total assets	812,516,423	238,199,901	1,050,716,324
Plan net position	\$ 812,516,423	\$ 238,199,901	\$ 1,050,716,324
	December 31, 2018		
	401(a)	457(b)	Total
Assets			
Contribution receivable	\$ 943,235.00	\$ -	\$ 943,235
Investments, at fair value	624,196,831	176,534,508	800,731,339
Participant loans	15,109,411	2,905,401	18,014,812
Total assets	640,249,477	179,439,909	819,689,386
Plan net position	\$ 640,249,477	\$ 179,439,909	\$ 819,689,386

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The combining statements of changes in fiduciary net position for years ended December 31, 2019 and 2018 are as follows:

	Year Ended December 31, 2019		
	401(a)	457(b)	Total
Additions			
Contributions			
Participant	\$ 37,832,125	\$ 31,503,103	\$ 69,335,228
Employer	41,801,168	-	41,801,168
Rollover	2,180,873	2,413,262	4,594,135
Total contributions	<u>81,814,166</u>	<u>33,916,365</u>	<u>115,730,531</u>
Investment earnings			
Net increase in fair value of investments	140,191,545	39,411,884	179,603,429
Interest, dividends and other	10,093,472	4,551,556	14,645,028
Total investment earnings	<u>150,285,017</u>	<u>43,963,440</u>	<u>194,248,457</u>
Total additions	<u>232,099,183</u>	<u>77,879,805</u>	<u>309,978,988</u>
Deductions			
Benefits paid to participants	58,237,450	19,048,792	77,286,242
Administrative income	1,594,787	71,021	1,665,808
Total deductions	<u>59,832,237</u>	<u>19,119,813</u>	<u>78,952,050</u>
Net Increase in Fiduciary Net Position	<u>172,266,946</u>	<u>58,759,992</u>	<u>231,026,938</u>
Net Position, Beginning of Year	<u>640,249,477</u>	<u>179,439,909</u>	<u>819,689,386</u>
Net Position, End of Year	<u>\$ 812,516,423</u>	<u>\$ 238,199,901</u>	<u>\$ 1,050,716,324</u>

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	Year Ended December 31, 2018		
	401(a)	457(b)	Total
Additions			
Contributions			
Participant	\$ 31,943,637	\$ 29,490,389	\$ 61,434,026
Employer	43,144,663	-	43,144,663
Rollover	2,091,708	1,267,447	3,359,155
Total contributions	<u>77,180,008</u>	<u>30,757,836</u>	<u>107,937,844</u>
Investment earnings			
Net decrease in fair value of investments	(66,854,530)	(19,078,471)	(85,933,001)
Interest, dividends and other	22,434,734	6,534,792	28,969,526
Total investment losses	<u>(44,419,796)</u>	<u>(12,543,679)</u>	<u>(56,963,475)</u>
Total additions	<u>32,760,212</u>	<u>18,214,157</u>	<u>50,974,369</u>
Deductions			
Benefits paid to participants	43,438,681	14,566,116	58,004,797
Administrative expense (income)	(74,355)	10,097	(64,258)
Total deductions	<u>43,364,326</u>	<u>14,576,213</u>	<u>57,940,539</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>(10,604,114)</u>	<u>3,637,944</u>	<u>(6,966,170)</u>
Net Position, Beginning of Year	<u>650,853,591</u>	<u>175,801,965</u>	<u>826,655,556</u>
Net Position, End of Year	<u><u>\$ 640,249,477</u></u>	<u><u>\$ 179,439,909</u></u>	<u><u>\$ 819,689,386</u></u>

Investments

The Plans may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities. Maturity information as of December 31, 2018 was limited to fixed income, money market mutual funds and other compared to a more detailed breakdown as of December 31, 2019.

Denver Health and Hospital Authority
Notes to Financial Statements
December 31, 2019 and 2018

At December 31, 2019 and 2018, the Plans had the following investments and maturities:

December 31, 2019					
Investment Type	Fair Value	Less than 1 year	1 - 5 years	6 - 10 years	10 + years
Fixed Income Mutual Funds					
Fidelity Spartan U.S. Bond Index	\$ 11,820,649	\$ 796,712	\$ 7,354,808	\$ 1,988,233	\$ 1,680,896
MetWest Total Return	31,930,402	818,073	15,709,553	11,069,547	4,333,229
Wells Fargo Stable Return	12,294,459	1,684,956	8,209,748	2,343,078	56,677
Money market mutual funds	17,118,731	17,118,731	-	-	-
Other	<u>22,772,224</u>	<u>22,772,224</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 43,190,696</u>	<u>\$ 31,274,109</u>	<u>\$ 15,400,858</u>	<u>\$ 6,070,802</u>
Real estate funds	6,621,616				
Target date portfolios	676,797,514				
Mutual funds	<u>271,360,729</u>				
	<u>\$ 1,050,716,324</u>				
December 31, 2018					
Investment Type	Fair Value	Less than 1 year	1 - 5 years	6 - 10 years	10 + years
Fixed Income Mutual Funds					
Fidelity Spartan U.S. Bond Index	\$ 9,103,086	\$ 249,425	\$ 3,601,181	\$ 3,820,564	\$ 1,431,916
MetWest Total Return	26,497,484	1,923,717	7,790,261	12,745,290	4,038,216
Wells Fargo Stable Return	13,281,683	2,492,972	8,323,631	2,423,907	41,173
Money market mutual funds	17,762,380	17,762,380	-	-	-
Other	<u>21,429,462</u>	<u>21,429,462</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 43,857,956</u>	<u>\$ 19,715,073</u>	<u>\$ 18,989,761</u>	<u>\$ 5,511,305</u>
Real estate funds	4,737,766				
Target date portfolios	518,988,760				
Equity mutual funds	<u>207,888,765</u>				
	<u>\$ 819,689,386</u>				

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Plans investment policy limits duration of total assets to be less than six years. As of December 31, 2019, approximately 21,472,000, or 2.04%, of total assets were in U.S. Treasury obligations, corporate bonds and other types with maturity dates six years or longer. As of December 31, 2018, approximately \$24,501,000, or 2.99%, of total assets were in fixed income obligations with maturity dates six years or longer. The money market mutual funds are presented as an investment with a maturity of less than one year because the average maturity of the funds is less than one year.

Denver Health and Hospital Authority
Notes to Financial Statements
December 31, 2019 and 2018

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Plans investment policy applies the prudent person standard and is applied in the context of managing an overall portfolio. Each participant is responsible for determining the risks and commensurate returns of his or her portfolio. The Plans fixed income investments were rated based on the average quality of the fixed income investments as noted below:

December 31, 2019							
	MetWest		Wells Fargo		Fidelity Spartan		Total
	Total Return		Stable Return		U.S. Bond Index		Investments
AAA	70.83%	\$ 22,608,847	60.36%	\$ 7,420,075	74.87%	\$ 8,850,120	\$ 38,879,042
AA	1.57%	501,709	7.59%	933,764	3.74%	442,092	1,877,565
A	5.77%	1,843,859	17.04%	2,094,361	11.82%	1,397,201	5,335,421
BBB	17.05%	5,448,492	9.98%	1,228,094	8.98%	1,061,494	7,738,080
BB / B	2.20%	703,031	0.10%	12,294	0.03%	3,546	718,871
Below B	3.15%	1,006,613	0.00%	-	0.00%	-	1,006,613
Cash and other	-0.57%	(182,149)	4.93%	605,871	0.56%	66,196	489,918
Total	<u>100.00%</u>	<u>\$ 31,930,402</u>	<u>100.00%</u>	<u>\$ 12,294,459</u>	<u>100.00%</u>	<u>\$ 11,820,649</u>	<u>\$ 56,045,510</u>

December 31, 2018							
	MetWest		Wells Fargo		Fidelity Spartan		Total
	Total Return		Stable Return		U.S. Bond Index		Investments
AAA	53.90%	\$ 14,282,144	59.04%	\$ 7,841,506	74.64%	\$ 6,794,544	\$ 28,918,194
AA	5.50%	1,457,362	7.45%	989,485	4.59%	417,831	2,864,678
A	14.75%	3,908,379	15.30%	2,032,098	11.29%	1,027,739	6,968,216
BBB	17.94%	4,753,649	8.84%	1,174,100	8.91%	811,085	6,738,834
BB / B	2.89%	765,777	0.09%	11,953	0.06%	4,551	782,281
Below B	3.25%	860,358	0.00%	-	0.07%	6,820	867,178
Cash and other	1.77%	469,815	9.28%	1,232,541	0.45%	40,516	1,742,872
Total	<u>100.00%</u>	<u>\$ 26,497,484</u>	<u>100.00%</u>	<u>\$ 13,281,683</u>	<u>100.00%</u>	<u>\$ 9,103,086</u>	<u>\$ 48,882,253</u>

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the Plans deposits are fully insured by FDIC insurance or collateralized with securities held by the Plan or the Plans agent in the Plans name. Therefore the Plan is not exposed to custodial credit risk.

Concentration of Credit Risk

The Plans investment options are all mutual funds; thus, no concentration risk exists at December 31, 2019 and 2018.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2019 and 2018

Foreign Currency Risk

This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Plans diversified selection of mutual funds encourages the investment advisors to employ diversification, asset allocation, and quality strategies to minimize risks. Each participant is responsible for determining the risks and commensurate returns of his or her portfolio.

The Plans exposure to foreign currency risk is limited to three mutual funds that invest in international equities for a total of \$42,352,000, or 4.02%, of total assets at December 31, 2019, and \$32,511,000, or 3.96%, of total assets at December 31, 2018.

Disclosures About Fair Value of Assets and Liabilities

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019 and 2018:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Fair Value	(Level 1)	(Level 2)
December 31, 2019				
	Investments			
	Mutual funds	<u>\$ 1,032,181,257</u>	<u>\$ 1,032,181,257</u>	<u>\$ -</u>
	Total investments	<u><u>\$ 1,032,181,257</u></u>	<u><u>\$ 1,032,181,257</u></u>	<u><u>\$ -</u></u>

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Fair Value	(Level 1)	(Level 2)
December 31, 2018				
	Investments			
	Mutual funds	<u>\$ 800,731,339</u>	<u>\$ 800,731,339</u>	<u>\$ -</u>
	Total investments	<u><u>\$ 800,731,339</u></u>	<u><u>\$ 800,731,339</u></u>	<u><u>\$ -</u></u>

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2019 and 2018

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 21: Condensed Combining Financial Information

The following tables include condensed combining statements of net position information for the Authority and its blended component units as of December 31, 2019 and 2018.

	December 31, 2019				
	Total Authority	601 Broadway Inc.	CCPPS	550 Acoma Inc.	Total
Condensed Statement of Net Position					
Current assets	\$ 237,526,002	\$ -	\$ (887,408)	\$ 1,869,359	\$ 238,507,953
Noncurrent Assets					
Capital assets, net of accumulated depreciation	581,512,693	-	-	26,702,662	608,215,355
Other long-term assets	366,084,301	-	-	3,258,912	369,343,213
Total noncurrent assets	947,596,994	-	-	29,961,574	977,558,568
Total assets	1,185,122,996	-	(887,408)	31,830,933	1,216,066,521
Deferred Outflows of Resources	42,897,168	-	-	-	42,897,168
Total assets and deferred outflows of resources	<u>\$ 1,228,020,164</u>	<u>\$ -</u>	<u>\$ (887,408)</u>	<u>\$ 31,830,933</u>	<u>\$ 1,258,963,689</u>
Liabilities					
Current liabilities	\$ 183,420,356	\$ -	\$ 49,485	\$ 861,552	\$ 184,331,393
Long-term liabilities	469,801,072	-	-	40,375,107	510,176,179
Total liabilities	653,221,428	-	49,485	41,236,659	694,507,572
Deferred Inflows of Resources	16,249,326	-	-	-	16,249,326
Total liabilities and deferred inflows of resources	<u>669,470,754</u>	<u>-</u>	<u>49,485</u>	<u>41,236,659</u>	<u>710,756,898</u>
Net Position					
Net investment in capital assets	253,282,408	-	-	-	253,282,408
Unrestricted	305,267,002	-	(936,893)	(9,405,726)	294,924,383
Total net position	<u>558,549,410</u>	<u>-</u>	<u>(936,893)</u>	<u>(9,405,726)</u>	<u>548,206,791</u>
Total liabilities and net position	<u>\$ 1,228,020,164</u>	<u>\$ -</u>	<u>\$ (887,408)</u>	<u>\$ 31,830,933</u>	<u>\$ 1,258,963,689</u>

Denver Health and Hospital Authority
Notes to Financial Statements
December 31, 2019 and 2018

	December 31, 2018				
	Total Authority	601 Broadway Inc.	CCPPS	550 Acoma Inc.	Total
Condensed Statement of Net Position					
Current assets	\$ 192,342,633	\$ 74,076	\$ (850,008)	\$ 400,124	\$ 191,966,825
Noncurrent Assets					
Capital assets, net of accumulated depreciation	447,071,114	61,961,016	-	7,979,783	517,011,913
Other long-term assets	380,887,376	-	-	23,359,934	404,247,310
Total noncurrent assets	827,958,490	61,961,016	-	31,339,717	921,259,223
Total assets	1,020,301,123	62,035,092	(850,008)	31,739,841	1,113,226,048
Deferred Outflows of Resources	35,477,186	-	-	-	35,477,186
Total assets and deferred outflows of resources	<u>\$ 1,055,778,309</u>	<u>\$ 62,035,092</u>	<u>\$ (850,008)</u>	<u>\$ 31,739,841</u>	<u>\$ 1,148,703,234</u>
Liabilities					
Current liabilities	\$ 172,921,292	\$ 1,821,673	\$ 8,380	\$ 886,952	\$ 175,638,297
Long-term liabilities	448,260,751	44,486,362	-	40,794,422	533,541,535
Total liabilities	621,182,043	46,308,035	8,380	41,681,374	709,179,832
Deferred Inflows of Resources	18,482,845	-	-	-	18,482,845
Total liabilities and deferred inflows of resources	639,664,888	46,308,035	8,380	41,681,374	727,662,677
Net Position					
Net investment in capital assets	171,472,396	-	-	-	171,472,396
Unrestricted	244,641,025	15,727,057	(858,388)	(9,941,533)	249,568,161
Total net position	416,113,421	15,727,057	(858,388)	(9,941,533)	421,040,557
Total liabilities and net position	<u>\$ 1,055,778,309</u>	<u>\$ 62,035,092</u>	<u>\$ (850,008)</u>	<u>\$ 31,739,841</u>	<u>\$ 1,148,703,234</u>

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2019 and 2018

The following tables include condensed combining statements of revenues, expenses and changes in net position information for the Authority and its blended component units for the years ended December 31, 2019 and 2018.

	Year Ended December 31, 2019				
	Total Authority	601 Broadway Inc.	CCPPS	550 Acoma Inc.	Total
Operating Revenues					
Net patient service revenue	\$ 775,098,368	\$ -	\$ -	\$ -	\$ 775,098,368
Capitation earned net of reinsurance expense	14,150,174	-	-	-	14,150,174
Medicaid disproportionate share and other safety net reimbursement	125,955,648	-	-	-	125,955,648
City and County of Denver payment for patient care services	30,777,300	-	-	-	30,777,300
Federal, state and other grants	68,170,544	-	-	-	68,170,544
City and County of Denver purchased services	29,985,490	-	-	-	29,985,490
Poison and drug center contracts	23,587,670	-	-	-	23,587,670
Other operating revenue	44,057,689	-	105,496	-	44,163,185
Total operating revenues	<u>1,111,782,883</u>	<u>-</u>	<u>105,496</u>	<u>-</u>	<u>1,111,888,379</u>
Operating Expenses					
Salaries and benefits	681,038,029	-	-	-	681,038,029
Contracted services and nonmedical supplies	199,406,804	(2,308,000)	184,001	-	197,282,805
Medical supplies and pharmaceuticals	133,164,071	-	-	-	133,164,071
Managed care outside provider claims	(425,033)	-	-	-	(425,033)
Depreciation and amortization	45,969,966	1,075,096	-	-	47,045,062
Total operating expenses	<u>1,059,153,837</u>	<u>(1,232,904)</u>	<u>184,001</u>	<u>-</u>	<u>1,058,104,934</u>
Operating income (loss)	<u>52,629,046</u>	<u>1,232,904</u>	<u>(78,505)</u>	<u>-</u>	<u>53,783,445</u>
Nonoperating Revenues (Expenses)					
Increase in equity in joint venture	20,000	-	-	-	20,000
Bond issuance costs	(1,372,732)	-	-	-	(1,372,732)
Interest income	12,530,174	(960)	-	302,325	12,831,539
Interest expense	(12,941,972)	(1,297,553)	-	(1,589,870)	(15,829,395)
Net increase in fair value of investments	18,688,943	-	-	-	18,688,943
Total nonoperating revenues (expenses)	<u>16,924,413</u>	<u>(1,298,513)</u>	<u>-</u>	<u>(1,287,545)</u>	<u>14,338,355</u>
Income (loss) before capital contributions	<u>69,553,459</u>	<u>(65,609)</u>	<u>(78,505)</u>	<u>(1,287,545)</u>	<u>68,121,800</u>
Contributions Restricted for Capital Assets	<u>72,882,530</u>	<u>(15,661,448)</u>	<u>-</u>	<u>1,823,352</u>	<u>59,044,434</u>
Increase (decrease) in net position	<u>142,435,989</u>	<u>(15,727,057)</u>	<u>(78,505)</u>	<u>535,807</u>	<u>127,166,234</u>
Total Net Position, Beginning of Year	<u>416,113,421</u>	<u>15,727,057</u>	<u>(858,388)</u>	<u>(9,941,533)</u>	<u>421,040,557</u>
Total Net Position, End of Year	<u>\$ 558,549,410</u>	<u>\$ -</u>	<u>\$ (936,893)</u>	<u>\$ (9,405,726)</u>	<u>\$ 548,206,791</u>

Denver Health and Hospital Authority
Notes to Financial Statements
December 31, 2019 and 2018

	Year Ended December 31, 2018				
	Total Authority	601 Broadway Inc.	CCPPS	550 Acoma Inc.	Total
Operating Revenues					
Net patient service revenue	\$ 644,397,553	\$ -	\$ -	\$ -	\$ 644,397,553
Capitation earned net of reinsurance expense	136,653,112	-	-	-	136,653,112
Medicaid disproportionate share and other safety net reimbursement	148,941,660	-	-	-	148,941,660
City and County of Denver payment for patient care services	30,777,300	-	-	-	30,777,300
Federal, state and other grants	64,114,406	-	-	-	64,114,406
City and County of Denver purchased services	25,188,290	-	-	-	25,188,290
Poison and drug center contracts	25,349,639	-	-	-	25,349,639
Other operating revenue	43,449,851	1	583,095	-	44,032,947
Total operating revenues	1,118,871,811	1	583,095	-	1,119,454,907
Operating Expenses					
Salaries and benefits	647,029,411	-	-	-	647,029,411
Contracted services and nonmedical supplies	192,600,657	(3,462,045)	1,322,076	-	190,460,688
Medical supplies and pharmaceuticals	132,390,682	-	-	-	132,390,682
Managed care outside provider claims	38,830,457	-	-	-	38,830,457
Depreciation and amortization	52,317,986	2,169,678	-	-	54,487,664
Total operating expenses	1,063,169,193	(1,292,367)	1,322,076	-	1,063,198,902
Operating income (loss)	55,702,618	1,292,368	(738,981)	-	56,256,005
Nonoperating Revenues (Expenses)					
Increase in equity in joint venture	2,800	-	-	-	2,800
Bond issuance costs	(25,015)	-	-	(563,549)	(588,564)
Interest income	11,289,240	22	-	181,129	11,470,391
Interest expense	(13,122,304)	(1,768,635)	-	(309,237)	(15,200,176)
Net decrease in fair value of investments	(14,424,574)	-	-	-	(14,424,574)
Gain on disposition of capital assets	10,572	-	-	-	10,572
Total nonoperating revenues (expenses)	(16,269,281)	(1,768,613)	-	(691,657)	(18,729,551)
Income (loss) before capital contributions	39,433,337	(476,245)	(738,981)	(691,657)	37,526,454
Contributions Restricted for Capital Assets	34,365,148	-	-	(9,249,876)	25,115,272
Increase (decrease) in net position	73,798,485	(476,245)	(738,981)	(9,941,533)	62,641,726
Total Net Position, Beginning of Year	342,314,936	16,203,302	(119,407)	-	358,398,831
Total Net Position, End of Year	\$ 416,113,421	\$ 15,727,057	\$ (858,388)	\$ (9,941,533)	\$ 421,040,557

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2019 and 2018

The following tables include condensed combining statements of cash flows information for the Authority and its blended component units for the years ended December 31, 2019 and 2018.

	Year Ended December 31, 2019				
	Total Authority	601 Broadway Inc.	CCPPS	550 Acoma Inc.	Total
Condensed Statement of Cash Flows					
Net cash provided by (used in) operating activities	\$ 61,417,267	\$ (1,070)	\$ 54,242	\$ -	\$ 61,470,439
Net cash used in capital and related financing activities	(108,038,375)	-	-	-	(108,038,375)
Net cash provided by investing activities	83,995,379	-	-	-	83,995,379
Net increase (decrease) in cash and cash equivalents	37,374,271	(1,070)	54,242	-	37,427,443
Cash and Cash Equivalents, Beginning of Year	<u>25,191,261</u>	<u>1,070</u>	<u>674,065</u>	<u>-</u>	<u>25,866,396</u>
Cash and Cash Equivalents, End of Year	<u>\$ 62,565,532</u>	<u>\$ -</u>	<u>\$ 728,307</u>	<u>\$ -</u>	<u>\$ 63,293,839</u>
	Year Ended December 31, 2018				
	Total Authority	601 Broadway Inc.	CCPPS	550 Acoma Inc.	Total
Condensed Statement of Cash Flows					
Net cash provided by operating activities	\$ 93,585,631	\$ -	\$ 91,644	\$ -	\$ 93,677,275
Net cash provided by (used in) capital and related financing activities	(33,798,146)	19	-	-	(33,798,127)
Net cash used in investing activities	(81,399,464)	-	-	-	(81,399,464)
Net increase (decrease) in cash and cash equivalents	(21,611,979)	19	91,644	-	(21,520,316)
Cash and Cash Equivalents, Beginning of Year	<u>46,711,577</u>	<u>1,070</u>	<u>674,065</u>	<u>-</u>	<u>47,386,712</u>
Cash and Cash Equivalents, End of Year	<u>\$ 25,099,598</u>	<u>\$ 1,089</u>	<u>\$ 765,709</u>	<u>\$ -</u>	<u>\$ 25,866,396</u>

Note 22: Subsequent Events

Subsequent events have been evaluated through March 27, 2020, which is the date the financial statements were available to be issued.

New Market Tax Credit Transaction

In January 2020, the Authority closed a new market tax credit transaction where it created a new company called DHHA OMC QALICB Inc. The Authority has loaned approximately \$15,000,000 to the equity investor in the form of a note receivable as part of this transaction. This will be the third new market tax credit transaction the Authority has entered into which includes Southwest Clinic, Inc.

COVID-19

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Authority. The Authority is taking swift action to provide care and respond to this unprecedented outbreak. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Required Supplementary Information

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Denver Health and Hospital Authority
Schedules of Required Supplementary Information
Schedule of the Authority's Pension Contributions – DERP

	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability	7.67%	9.00%	9.84%	10.17%	10.79%
Authority's proportionate share of the net pension liability	\$ 115,717,505	\$ 105,588,100	\$ 120,035,324	\$ 119,914,669	\$ 94,527,507
Authority's covered-employee payroll	31,969,649	34,303,697	38,910,745	40,906,565	42,015,157
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	361.96%	307.80%	308.49%	293.14%	224.98%
Plan fiduciary net position as a percentage of the total pension liability	57.76%	65.49%	62.26%	62.26%	70.12%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available. Information presented in this schedule has been determined as of the Authority's measurement date (December 31 immediately preceding the Authority's most recent fiscal year-end) of the collective net pension liability in accordance with GASB 68.

The discount rate used was 7.50% for 2018 and 2017, 7.75% for 2016 and 2015 and 8.00% for 2014.

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 4,318,106	\$ 6,392,749	\$ 6,482,903	\$ 6,778,008	\$ 6,471,773
Contributions in relation to the contractually required contribution	4,318,106	6,392,749	6,482,903	6,778,008	6,471,773
Contribution deficiency (excess)	-	-	-	-	-
Authority's covered-employee payroll	29,664,541	31,969,649	34,303,697	38,910,745	40,906,565
Contributions as a percentage of covered-employee payroll	14.56%	20.00%	18.90%	17.42%	15.81%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available. Information presented in this schedule has been determined as of the Authority's most recent fiscal year-end (December 31, 2019) in accordance with GASB 68.

Denver Health and Hospital Authority
Schedules of Required Supplementary Information
Schedule of the Authority's Pension Contributions – DERP

Funding Valuation Date January 1, 2018

Notes Actuarially determined contribution rates are calculated as of December 31 of each year and are applicable for the follow calendar (fiscal) year.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Project Unit Credit
Amortization Method	Level Percentage of Payroll, Annually Established 30-Year Close Basis
Remaining Amortization Period	Approximately 27 years
Asset Valuation Method	Smoothed market
Inflation	2.50%
Salary Increase	3.00% to 7.25%
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rate that are specific to the type of eligibility condition last updated for the 2013 valuation pursuant to an experience study of the period 2008-2012.
Mortality	RP-2000 Combined Mortality Table Projected Via Scale AA to 2020. With Multiplies Specific to General and Payment Status of Employee.

Other information

Notes There were no benefit changes during the year.
As of October, 1, 2017, the valuation interest rate was lowered from 7.75% to 7.50%.

The latest experience study was conducted in 2018 covering the 5-year period of January 1, 2013 to December 31, 2017. At that time, the recommended mortality table was expected to product a margin of 10% on the retired male mortality experience and 5% on the retired female experience [Denver Employees Retirement Plan 2018 Actuarial Experience Study for the year ended December 31, 2017 see Page 15].

Denver Health and Hospital Authority
Schedules of Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net OPEB Liability – DERP
Last Ten Fiscal Years *

	2018	2017
Authority's proportion of the net OPEB liability	5.70%	6.33%
Authority's proportionate share of the net OPEB liability	\$ 5,959,778	\$ 5,816,322
Authority's covered payroll	\$ 31,969,649	\$ 34,303,697
Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll	18.64%	16.95%
Plan fiduciary net position as a percentage of the total OPEB liability	39.18%	45.98%

This schedule is presented as of the measurement date for the fiscal year.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available. Information presented in this schedule has been determined as of the Authority's most recent fiscal year-end (December 31, 2019) in accordance with GASB 75.

Denver Health and Hospital Authority
Schedules of Required Supplementary Information
Schedule of the Authority's OPEB Contribution – DERP
Last Ten Fiscal Years *

	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 234,744	\$ 289,933
Contributions in relation to the statutorily required contribution	234,744	289,933
Contribution deficiency (excess)	-	-
Authority's covered payroll	\$ 29,664,541	\$ 31,969,649
Contributions as a percentage of covered payroll	0.79%	0.91%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available. Information presented in this schedule has been determined as of the Authority's most recent fiscal year-end (December 31, 2019) in accordance with GASB 75.

Denver Health and Hospital Authority
Schedules of Required Supplementary Information
Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios –
The Supplement Plan
Last Ten Fiscal Years *

	2018	2017
Total OPEB Liability		
Service cost	\$ 1,346,584	\$ 1,249,750
Interest	636,399	621,845
Differences between expected and actual experience	-	53,559
Changes of assumptions or other inputs	(1,206,268)	591,705
Benefit payments	(655,200)	(475,200)
Net Change in Total OPEB Liability	121,515	2,041,659
Authority's Total OPEB Liability - Beginning	17,478,218	15,436,559
Authority's Total OPEB Liability - Ending	\$ 17,599,733	\$ 17,478,218
Covered-Employee Payroll	\$ 522,346,421	\$ 501,011,664
Authority's Total OPEB Liability as a Percentage of Covered-Employee Payroll	3.37%	3.49%

This schedule is presented as of the measurement date for the fiscal year.

The discount rate was changed from 3.78% for 2017, to 3.44% for 2018, to 4.10% for 2019.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available. Information presented in this schedule has been determined as of the Authority's most recent fiscal year-end (December 31, 2019) in accordance with GASB 75.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

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Denver Health and Hospital Authority
Consolidating Schedule – Statement of Net Position Information
December 31, 2019

	The Authority					601 Broadway Inc.	CCPPS	550 Acoma Inc.	Total
	Denver Health Medical Center	City Fund	RMPDS	Restricted Fund	Total Authority				
Assets and Deferred Outflows of Resources									
Current Assets									
Cash and cash equivalents	\$ 62,565,532	\$ -	\$ -	\$ -	\$ 62,565,532	\$ -	\$ 728,307	\$ -	\$ 63,293,839
Short-term investments	4,049,520	-	-	-	4,049,520	-	-	-	4,049,520
Patient accounts receivable, net	72,159,383	-	-	-	72,159,383	-	-	-	72,159,383
Due from other governmental entities	14,092,586	-	-	10,181,400	24,273,986	-	-	-	24,273,986
Due from City and County of Denver	11,668,677	2,560,646	24,225	-	14,253,548	-	-	-	14,253,548
Other receivables	6,475,227	130,181	4,803,961	5,422,947	16,832,316	-	-	-	16,832,316
Interest receivable	1,942,134	-	-	-	1,942,134	-	-	-	1,942,134
Due from (to) and investment in discretely presented component units	(1,998,540)	(2,042,084)	22,599,951	(4,905,918)	13,653,409	-	(1,615,715)	1,869,359	13,907,053
Inventories	12,620,104	-	-	-	12,620,104	-	-	-	12,620,104
Prepaid expenses and other assets	14,623,979	6,479	494,279	51,333	15,176,070	-	-	-	15,176,070
Total current assets	198,198,602	655,222	27,922,416	10,749,762	237,526,002	-	(887,408)	1,869,359	238,507,953
Noncurrent Assets									
Notes receivable	15,432,000	-	-	-	15,432,000	-	-	-	15,432,000
Estimated third-party payor settlements receivable	2,780,383	-	-	-	2,780,383	-	-	-	2,780,383
Equity interest in joint venture	1,961,633	-	-	-	1,961,633	-	-	-	1,961,633
Restricted investments	47,629,027	-	-	-	47,629,027	-	-	3,258,912	50,887,939
Capital assets, net of accumulated depreciation	580,550,803	961,890	-	-	581,512,693	-	-	26,702,662	608,215,355
Long-term investments	280,266,904	-	-	-	280,266,904	-	-	-	280,266,904
Board-designated investments	16,400,000	-	-	-	16,400,000	-	-	-	16,400,000
Other long-term assets	799,939	814,415	-	-	1,614,354	-	-	-	1,614,354
Total noncurrent assets	945,820,689	1,776,305	-	-	947,596,994	-	-	29,961,574	977,558,568
Total assets	1,144,019,291	2,431,527	27,922,416	10,749,762	1,185,122,996	-	(887,408)	31,830,933	1,216,066,521
Deferred Outflows of Resources									
Deferred outflows of resources related to pension benefits	22,816,240	-	-	-	22,816,240	-	-	-	22,816,240
Deferred outflows of resources related to other postemployment benefits	1,598,213	-	-	-	1,598,213	-	-	-	1,598,213
Deferred outflow - acquisitions	157,667	-	-	-	157,667	-	-	-	157,667
Loss on refunding of debt	18,325,048	-	-	-	18,325,048	-	-	-	18,325,048
Total deferred outflows of resources	42,897,168	-	-	-	42,897,168	-	-	-	42,897,168
Total assets and deferred outflows of resources	\$ 1,186,916,459	\$ 2,431,527	\$ 27,922,416	\$ 10,749,762	\$ 1,228,020,164	\$ -	\$ (887,408)	\$ 31,830,933	\$ 1,258,963,689

Denver Health and Hospital Authority
Consolidating Schedule – Statement of Net Position Information
December 31, 2019

	The Authority					601 Broadway Inc.	CCPPS	550 Acoma Inc.	Total
	Denver Health Medical Center	City Fund	RMPDS	Restricted Fund	Total Authority				
Liabilities, Deferred Inflows of Resources and Net Position									
Current Liabilities									
Current maturities of bonds payable	\$ 13,716,927	\$ -	\$ -	\$ -	\$ 13,716,927	\$ -	\$ -	\$ 320,000	\$ 14,036,927
Current maturities of capital leases	174,564	-	-	-	174,564	-	-	-	174,564
Current maturities of notes payable	3,665,609	-	-	-	3,665,609	-	-	-	3,665,609
Current maturities of program support liability	8,592,000	-	-	-	8,592,000	-	-	-	8,592,000
Medical malpractice liability	6,591,279	-	-	-	6,591,279	-	-	-	6,591,279
Accounts payable and accrued expenses	48,136,142	-	1,317,254	226,117	49,679,513	-	49,485	541,552	50,270,550
Accrued salaries, wages and employee benefits	28,396,605	-	-	-	28,396,605	-	-	-	28,396,605
Accrued compensated absences	29,461,535	-	-	-	29,461,535	-	-	-	29,461,535
Postemployment benefits	17,599,733	-	-	-	17,599,733	-	-	-	17,599,733
Unearned revenue	19,214,067	-	154,657	6,170,867	25,539,591	-	-	-	25,539,591
Accrued claims	3,000	-	-	-	3,000	-	-	-	3,000
Total current liabilities	175,551,461	-	1,471,911	6,396,984	183,420,356	-	49,485	861,552	184,331,393
Long-term Liabilities									
Long-term portion of liability for estimated third-party settlements	21,812,696	-	-	-	21,812,696	-	-	-	21,812,696
Long-term portion of compensated absences	114,890	-	-	-	114,890	-	-	-	114,890
Bonds payable, less current maturities	308,142,655	-	-	-	308,142,655	-	-	-	308,142,655
Notes payable, less current maturities	6,229,961	-	-	-	6,229,961	-	-	40,375,107	46,605,068
Program support liability, less current maturities	11,823,587	-	-	-	11,823,587	-	-	-	11,823,587
Net pension liability	115,717,505	-	-	-	115,717,505	-	-	-	115,717,505
Postemployment benefits	5,959,778	-	-	-	5,959,778	-	-	-	5,959,778
Total long-term liabilities	469,801,072	-	-	-	469,801,072	-	-	40,375,107	510,176,179
Total liabilities	645,352,533	-	1,471,911	6,396,984	653,221,428	-	49,485	41,236,659	694,507,572
Deferred Inflows of Resources									
Deferred inflows of resources related to pension benefits	14,878,212	-	-	-	14,878,212	-	-	-	14,878,212
Deferred inflows of resources related to other postemployment benefits	1,371,114	-	-	-	1,371,114	-	-	-	1,371,114
Total deferred inflows of resources	16,249,326	-	-	-	16,249,326	-	-	-	16,249,326
Total liabilities and deferred inflows of resources	661,601,859	-	1,471,911	6,396,984	669,470,754	-	49,485	41,236,659	710,756,898
Net Position									
Net investment in capital assets	252,320,518	961,890	-	-	253,282,408	-	-	-	253,282,408
Unrestricted	272,994,082	1,469,637	26,450,505	4,352,778	305,267,002	-	(936,893)	(9,405,726)	294,924,383
Total net position	525,314,600	2,431,527	26,450,505	4,352,778	558,549,410	-	(936,893)	(9,405,726)	548,206,791
Total liabilities, deferred inflows of resources and net position	\$ 1,186,916,459	\$ 2,431,527	\$ 27,922,416	\$ 10,749,762	\$ 1,228,020,164	\$ -	\$ (887,408)	\$ 31,830,933	\$ 1,258,963,689

Denver Health and Hospital Authority
Consolidating Schedule – Statement of Net Position Information
December 31, 2018

	The Authority								Total
	Denver Health Medical Center	City Fund	RMPDC	Restricted Fund	Total Authority	601 Broadway Inc.	CCPPS	550 Acoma Inc.	
Assets and Deferred Outflows of Resources									
Current Assets									
Cash and cash equivalents	\$ 25,100,598	\$ -	\$ -	\$ (1,000)	\$ 25,099,598	\$ -	\$ 765,709	\$ -	\$ 25,865,307
Restricted cash and cash equivalents	-	-	-	-	-	1,089	-	-	1,089
Short-term investments	22,540,609	-	-	-	22,540,609	-	-	-	22,540,609
Patient accounts receivable, net	53,311,297	-	-	-	53,311,297	-	-	-	53,311,297
Due from other governmental entities	18,041,975	-	-	9,762,306	27,804,281	-	-	-	27,804,281
Due from City and County of Denver	4,334,645	3,595,711	8,075	-	7,938,431	-	-	-	7,938,431
Other receivables	8,396,511	128,721	3,889,184	6,979,093	19,393,509	-	-	-	19,393,509
Interest receivable	2,537,603	-	-	-	2,537,603	-	-	-	2,537,603
Due from (to) and investment in discretely presented component units	(4,685,312)	(3,891,964)	24,378,026	(7,222,910)	8,577,840	72,987	(1,615,717)	400,124	7,435,234
Inventories	11,398,356	-	-	-	11,398,356	-	-	-	11,398,356
Prepaid expenses and other assets	13,393,645	-	342,055	5,409	13,741,109	-	-	-	13,741,109
Total current assets	154,369,927	(167,532)	28,617,340	9,522,898	192,342,633	74,076	(850,008)	400,124	191,966,825
Noncurrent Assets									
Notes receivable	15,432,000	-	-	-	15,432,000	-	-	-	15,432,000
Estimated third-party payor settlements receivable	4,060,881	-	-	-	4,060,881	-	-	-	4,060,881
Equity interest in joint venture	1,228,300	-	-	-	1,228,300	-	-	-	1,228,300
Restricted investments	29,826,075	-	-	-	29,826,075	-	-	23,359,934	53,186,009
Capital assets, net of accumulated depreciation	445,783,584	1,191,742	96,727	(939)	447,071,114	61,961,016	-	7,979,783	517,011,913
Long-term investments	313,657,174	-	-	-	313,657,174	-	-	-	313,657,174
Board-designated investments	14,100,000	-	-	-	14,100,000	-	-	-	14,100,000
Other long-term assets	1,384,479	1,198,467	-	-	2,582,946	-	-	-	2,582,946
Total noncurrent assets	825,472,493	2,390,209	96,727	(939)	827,958,490	61,961,016	-	31,339,717	921,259,223
Total assets	979,842,420	2,222,677	28,714,067	9,521,959	1,020,301,123	62,035,092	(850,008)	31,739,841	1,113,226,048
Deferred Outflows of Resources									
Accumulated change in fair value of hedging derivatives	10,001,023	-	-	-	10,001,023	-	-	-	10,001,023
Deferred outflows of resources related to pension benefits	19,921,541	-	-	-	19,921,541	-	-	-	19,921,541
Deferred outflows of resources related to other postemployment benefits	1,499,180	-	-	-	1,499,180	-	-	-	1,499,180
Deferred outflow - acquisitions	243,667	-	-	-	243,667	-	-	-	243,667
Loss on refunding of debt	3,811,775	-	-	-	3,811,775	-	-	-	3,811,775
Total deferred outflows of resources	35,477,186	-	-	-	35,477,186	-	-	-	35,477,186
Total assets and deferred outflows of resources	\$ 1,015,319,606	\$ 2,222,677	\$ 28,714,067	\$ 9,521,959	\$ 1,055,778,309	\$ 62,035,092	\$ (850,008)	\$ 31,739,841	\$ 1,148,703,234

Denver Health and Hospital Authority
Consolidating Schedule – Statement of Net Position Information
December 31, 2018

	The Authority					601 Broadway Inc.	CCPPS	550 Acoma Inc.	Total
	Denver Health Medical Center	City Fund	RMPDC	Restricted Fund	Total Authority				
Liabilities, Deferred Inflows of Resources and Net Position									
Current Liabilities									
Current maturities of bonds payable	\$ 9,127,846	\$ -	\$ -	\$ -	\$ 9,127,846	\$ 1,669,999	\$ -	\$ -	\$ 10,797,845
Current maturities of capital leases	428,003	-	-	-	428,003	-	-	-	428,003
Current maturities of notes payable	4,581,197	-	-	-	4,581,197	-	-	-	4,581,197
Current maturities of program support liability	6,960,000	-	-	-	6,960,000	-	-	-	6,960,000
Medical malpractice liability	5,036,063	-	-	-	5,036,063	-	-	-	5,036,063
Accounts payable and accrued expenses	65,130,173	-	1,511,545	24,627	66,666,345	151,674	8,380	886,952	67,713,351
Accrued salaries, wages and employee benefits	25,190,937	-	-	-	25,190,937	-	-	-	25,190,937
Accrued compensated absences	27,974,852	-	-	-	27,974,852	-	-	-	27,974,852
Unearned revenue	18,518,255	-	108,796	5,109,355	23,736,406	-	-	-	23,736,406
Derivative interest rate swap liability	1,075,643	-	-	-	1,075,643	-	-	-	1,075,643
Accrued claims	2,144,000	-	-	-	2,144,000	-	-	-	2,144,000
Total current liabilities	166,166,969	-	1,620,341	5,133,982	172,921,292	1,821,673	8,380	886,952	175,638,297
Long-term Liabilities									
Long-term portion of liability for estimated third-party settlements	18,734,258	-	-	-	18,734,258	-	-	-	18,734,258
Long-term portion of compensated absences	136,581	-	-	-	136,581	-	-	-	136,581
Bonds payable, less current maturities	258,349,225	-	-	-	258,349,225	-	-	-	258,349,225
Notes payable, less current maturities	11,184,912	-	-	-	11,184,912	44,486,362	-	40,794,422	96,465,696
Derivative interest rate swap liability	8,925,380	-	-	-	8,925,380	-	-	-	8,925,380
Program support liability, less current maturities	22,047,755	-	-	-	22,047,755	-	-	-	22,047,755
Net pension liability	105,588,100	-	-	-	105,588,100	-	-	-	105,588,100
Postemployment benefits	23,294,540	-	-	-	23,294,540	-	-	-	23,294,540
Total long-term liabilities	448,260,751	-	-	-	448,260,751	44,486,362	-	40,794,422	533,541,535
Total liabilities	614,427,720	-	1,620,341	5,133,982	621,182,043	46,308,035	8,380	41,681,374	709,179,832
Deferred Inflows of Resources									
Deferred inflows of resources related to pension benefits	17,701,465	-	-	-	17,701,465	-	-	-	17,701,465
Deferred inflows of resources related to other postemployment benefits	781,380	-	-	-	781,380	-	-	-	781,380
Total deferred inflows of resources	18,482,845	-	-	-	18,482,845	-	-	-	18,482,845
Total liabilities and deferred inflows of resources	632,910,565	-	1,620,341	5,133,982	639,664,888	46,308,035	8,380	41,681,374	727,662,677
Net Position									
Net investment in capital assets	170,184,866	1,191,742	96,727	(939)	171,472,396	-	-	-	171,472,396
Unrestricted	212,224,175	1,030,935	26,996,999	4,388,916	244,641,025	15,727,057	(858,388)	(9,941,533)	249,568,161
Total net position	382,409,041	2,222,677	27,093,726	4,387,977	416,113,421	15,727,057	(858,388)	(9,941,533)	421,040,557
Total liabilities, deferred inflows of resources and net position	\$ 1,015,319,606	\$ 2,222,677	\$ 28,714,067	\$ 9,521,959	\$ 1,055,778,309	\$ 62,035,092	\$ (850,008)	\$ 31,739,841	\$ 1,148,703,234

Denver Health and Hospital Authority
Consolidating Schedule – Revenue and Expenses Information
Year Ended December 31, 2019

	The Authority								Total
	Denver Health Medical Center	City Fund	RMPDS	Restricted Fund	Total Authority	601 Broadway Inc.	CCPPS	550 Acoma Inc.	
Operating Revenues									
Net patient service revenue	\$ 772,921,789	\$ 2,145,936	\$ 30,643	\$ -	\$ 775,098,368	\$ -	\$ -	\$ -	\$ 775,098,368
Capitation earned net of reinsurance expense	14,150,174	-	-	-	14,150,174	-	-	-	14,150,174
Medicaid disproportionate share and other safety net reimbursement	125,955,648	-	-	-	125,955,648	-	-	-	125,955,648
City and County of Denver payment for patient care services	30,777,300	-	-	-	30,777,300	-	-	-	30,777,300
Federal, state and other grants	357,941	1,563,799	-	66,248,804	68,170,544	-	-	-	68,170,544
City and County of Denver purchased services	7,538,669	22,349,921	96,900	-	29,985,490	-	-	-	29,985,490
Poison and drug center contracts	-	-	23,587,670	-	23,587,670	-	-	-	23,587,670
Other operating revenue	44,080,187	7,374	-	(29,872)	44,057,689	-	105,496	-	44,163,185
Total operating revenues	995,781,708	26,067,030	23,715,213	66,218,932	1,111,782,883	-	105,496	-	1,111,888,379
Operating Expenses									
Salaries and benefits	594,761,325	23,679,612	13,241,787	49,355,305	681,038,029	-	-	-	681,038,029
Contracted services and nonmedical supplies	170,986,026	1,233,668	11,083,910	16,103,200	199,406,804	(2,308,000)	184,001	-	197,282,805
Medical supplies and pharmaceuticals	131,264,984	747,595	684	1,150,808	133,164,071	-	-	-	133,164,071
Managed care outside provider claims	(425,033)	-	-	-	(425,033)	-	-	-	(425,033)
Depreciation and amortization	45,659,892	229,851	79,284	939	45,969,966	1,075,096	-	-	47,045,062
Total operating expenses	942,247,194	25,890,726	24,405,665	66,610,252	1,059,153,837	(1,232,904)	184,001	-	1,058,104,934
Operating income (loss)	53,534,514	176,304	(690,452)	(391,320)	52,629,046	1,232,904	(78,505)	-	53,783,445
Nonoperating Revenues (Expenses)									
Increase in equity in joint venture	20,000	-	-	-	20,000	-	-	-	20,000
Interdepartmental transfers	(304,930)	-	47,231	257,699	-	-	-	-	-
Bond issuance costs	(1,372,732)	-	-	-	(1,372,732)	-	-	-	(1,372,732)
Grant funded capital expenditures	(98,422)	-	-	98,422	-	-	-	-	-
Interest income	12,530,174	-	-	-	12,530,174	(960)	-	302,325	12,831,539
Interest expense	(12,941,972)	-	-	-	(12,941,972)	(1,297,553)	-	(1,589,870)	(15,829,395)
Net increase in fair value of investments	18,688,943	-	-	-	18,688,943	-	-	-	18,688,943
Total nonoperating revenues (expenses)	16,521,061	-	47,231	356,121	16,924,413	(1,298,513)	-	(1,287,545)	14,338,355
Income (loss) before capital contributions	70,055,575	176,304	(643,221)	(35,199)	69,553,459	(65,609)	(78,505)	(1,287,545)	68,121,800
Contributions Restricted for Capital Assets	72,849,984	32,546	-	-	72,882,530	(15,661,448)	-	1,823,352	59,044,434
Increase (decrease) in net position	\$ 142,905,559	\$ 208,850	\$ (643,221)	\$ (35,199)	\$ 142,435,989	\$ (15,727,057)	\$ (78,505)	\$ 535,807	\$ 127,166,234

Denver Health and Hospital Authority
Consolidating Schedule – Revenue and Expenses Information
Year Ended December 31, 2018

	The Authority								Total
	Denver Health Medical Center	City Fund	RMPDC	Restricted Fund	Total Authority	601 Broadway Inc.	CCPPS	550 Acoma Inc.	
Operating Revenues									
Net patient service revenue	\$ 641,620,040	\$ 2,774,467	\$ 3,046	\$ -	\$ 644,397,553	\$ -	\$ -	\$ -	\$ 644,397,553
Capitation earned net of reinsurance expense	136,653,112	-	-	-	136,653,112	-	-	-	136,653,112
Medicaid disproportionate share and other safety net reimbursement	148,941,660	-	-	-	148,941,660	-	-	-	148,941,660
City and County of Denver payment for patient care services	30,777,300	-	-	-	30,777,300	-	-	-	30,777,300
Federal, state and other grants	356,184	2,014,345	-	61,743,877	64,114,406	-	-	-	64,114,406
City and County of Denver purchased services	5,929,685	19,169,780	88,825	-	25,188,290	-	-	-	25,188,290
Poison and drug center contracts	-	-	25,349,639	-	25,349,639	-	-	-	25,349,639
Other operating revenue	42,499,733	986,886	-	(36,768)	43,449,851	1	583,095	-	44,032,947
Total operating revenues	1,006,777,714	24,945,478	25,441,510	61,707,109	1,118,871,811	1	583,095	-	1,119,454,907
Operating Expenses									
Salaries and benefits	564,987,893	22,485,622	13,878,137	45,677,759	647,029,411	-	-	-	647,029,411
Contracted services and nonmedical supplies	165,201,804	1,601,889	11,561,134	14,235,830	192,600,657	(3,462,045)	1,322,076	-	190,460,688
Medical supplies and pharmaceuticals	130,037,097	875,055	104	1,478,426	132,390,682	-	-	-	132,390,682
Managed care outside provider claims	38,830,457	-	-	-	38,830,457	-	-	-	38,830,457
Depreciation and amortization	51,768,655	231,255	317,137	939	52,317,986	2,169,678	-	-	54,487,664
Total operating expenses	950,825,906	25,193,821	25,756,512	61,392,954	1,063,169,193	(1,292,367)	1,322,076	-	1,063,198,902
Operating income (loss)	55,951,808	(248,343)	(315,002)	314,155	55,702,618	1,292,368	(738,981)	-	56,256,005
Nonoperating Revenues (Expenses)									
Increase in equity in joint venture	2,800	-	-	-	2,800	-	-	-	2,800
Interdepartmental transfers	(43,700)	34,621	8,944	135	-	-	-	-	-
Bond issuance costs	(25,015)	-	-	-	(25,015)	-	-	(563,549)	(588,564)
Grant funded capital expenditures	351,007	-	-	(351,007)	-	-	-	-	-
Interest income	11,289,240	-	-	-	11,289,240	22	-	181,129	11,470,391
Interest expense	(13,122,304)	-	-	-	(13,122,304)	(1,768,635)	-	(309,237)	(15,200,176)
Net decrease in fair value of investments	(14,424,574)	-	-	-	(14,424,574)	-	-	-	(14,424,574)
Gain on disposition of capital assets	10,572	-	-	-	10,572	-	-	-	10,572
Total nonoperating revenues (expenses)	(15,961,974)	34,621	8,944	(350,872)	(16,269,281)	(1,768,613)	-	(691,657)	(18,729,551)
Income (loss) before capital contributions	39,989,834	(213,722)	(306,058)	(36,717)	39,433,337	(476,245)	(738,981)	(691,657)	37,526,454
Contributions Restricted for Capital Assets	34,201,080	164,068	-	-	34,365,148	-	-	(9,249,876)	25,115,272
Increase (decrease) in net position	\$ 74,190,914	\$ (49,654)	\$ (306,058)	\$ (36,717)	\$ 73,798,485	\$ (476,245)	\$ (738,981)	\$ (9,941,533)	\$ 62,641,726

Denver Health and Hospital Authority
Supplementary Budget to Actual Information
Year Ended December 31, 2019

	Actual	Budget	Variance- Favorable (Unfavorable)
Operating Revenues			
Net patient service revenue	\$ 775,098,368	\$ 772,871,900	\$ 2,226,468
Capitation earned net of reinsurance expense	14,150,174	-	14,150,174
Medicaid disproportionate share and other safety net reimbursement	125,955,648	126,211,873	(256,225)
City and County of Denver payment for patient care services	30,777,300	30,777,300	-
Federal, state and other grants	68,170,544	64,863,348	3,307,196
City and County of Denver purchased services	29,985,490	27,914,412	2,071,078
Poison and drug center contracts	23,587,670	25,892,973	(2,305,303)
Other operating revenue	44,163,185	46,111,173	(1,947,988)
Total operating revenues	1,111,888,379	1,094,642,979	17,245,400
Operating Expenses			
Salaries and benefits	681,038,029	683,031,974	1,993,945
Contracted services and nonmedical supplies	197,282,805	195,558,628	(1,724,177)
Medical supplies and pharmaceuticals	133,164,071	139,598,258	6,434,187
Managed care outside provider claims	(425,033)	-	425,033
Depreciation and amortization	47,045,062	50,166,408	3,121,346
Total operating expenses	1,058,104,934	1,068,355,268	10,250,334
Operating income	53,783,445	26,287,711	27,495,734
Nonoperating Revenues (Expenses)			
Increase in equity in joint venture	20,000	-	20,000
Bond issuance cost	(1,372,732)	-	(1,372,732)
Interest income	12,831,539	10,624,896	2,206,643
Interest expense	(15,829,395)	(15,487,692)	(341,703)
Total nonoperating revenues (expenses)	(4,350,588)	(4,862,796)	512,208
Reconciliation to Income Before Capital Contributions			
Add:			
Net increase in fair value of investments	18,688,943	-	18,688,943
Total reconciling items	18,688,943	-	18,688,943
Income Before Capital Contributions	\$ 68,121,800	\$ 21,424,915	\$ 46,696,885

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors
Denver Health and Hospital Authority
Denver, Colorado

We have audited, 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, the financial statements of the business-type activities, the aggregate discretely presented component units and the aggregate remaining fund information of Denver Health and Hospital Authority (the Authority), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 27, 2020. The financial statements of Denver Health Medical Plan, Inc. and DHHA Southwest Clinic, Inc., are discretely presented component units, and 601 Broadway, Inc., Canadian Consumer Product and Pharmaceutical Safety, Inc., and 550 Acoma Inc., which are blended component units, were not audited in accordance with *Government Auditing Standards*. Our report contained an emphasis of matter paragraph for a change in accounting principle.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Directors
Denver Health and Hospital Authority

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
March 27, 2020