

Denver Health and Hospital Authority

Independent Auditor's Reports and Financial Statements

December 31, 2020 and 2019

Denver Health and Hospital Authority

December 31, 2020 and 2019

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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 fiduciary activities of the Denver Health and Hospital Authority (the Authority) as of and for the years ended December 31, 2020 and 2019, 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., DHHA Southwest Clinic, Inc., and DHHA OMC QALICB Inc., 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*.

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 fiduciary activities of the Denver Health and Hospital Authority as of December 31, 2020 and 2019 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.

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 a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 revenue 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 30, 2021, 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 30, 2021

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Denver Health and Hospital Authority

Management's Discussion and Analysis (Unaudited)

December 31, 2020 and 2019

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, 2020 and 2019.

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.

2020 Highlights

In 2020, the Authority faced unprecedented challenges while responding to the COVID-19 pandemic. In the spring the Authority canceled elective surgeries and activated an incident command center (ICC) to handle the surge of COVID-19 patients. Mid-year the Authority was able to stand down the ICC and resume elective procedures. However, in late fall a rise in COVID-19 cases activated a second ICC with a new surge plan. This pandemic negatively impacted volumes in the emergency department, inpatient admission, outpatient clinics, outpatient surgeries, and ambulance trips. As part of the response to COVID-19 the Authority shifted to outpatient telehealth visits during 2020. Even with this shift outpatient visits were still below 2019 and budget. Additionally, expenses increased for personnel, contracted services and supplies to effectively respond to the pandemic. Overall, the Authority had approximately 1,350 COVID-19 admissions, and the Authority processed approximately 28,000 laboratory tests for COVID-19. In late December, the Authority received its first shipment of COVID-19 vaccines and began vaccinating front line health care workers. The Authority received approximately \$92.8 million from the CARES Act Provider Relief Fund (CARES Act) and approximately \$9.5 million from FEMA. Both funding sources were used to respond to the COVID-19 pandemic. While the Authority received this cash in 2020 only a portion of it was recognized as revenue (as described later) based on HHS guidance and grant expenditure principles. The remaining amount is expected to be recognized in 2021.

In addition to COVID-19 response, the Authority continued to work on two major construction projects related to the facilities master plan in 2020. The Acoma parking garage was finished and opened in July of 2020 and the Outpatient Medical Center (OMC) was substantially completed but the move in schedule was delayed and did not open until February 2021.

Gross patient revenue increased 1.4% driven by an 8.0% increase in inpatient and a 10.3% increase in outpatient pharmacy; offset by decreases in outpatient of 5.9% and physician billing of 2.5% due to COVID-19. Net patient service revenue was \$5.4 million, or 0.7% lower than 2019 and \$43.3 million, or 5.3% lower than budget. This resulted in a 0.6% reduction in the overall realization rate (net patient service revenue including capitation divided by gross patient revenue). The DH Medicaid Choice increased in membership in 2020 to 100,543, a 17.7% increase compared to 2019. The increased membership was due to the state increasing DHMP's membership cap and the Federal requirement to delay dis-enrolling Medicaid members through emergency declaration in response to COVID-19.

The following table summarizes key metrics, most variances were negatively impacted by COVID-19.

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Volume Metrics	2020	2019	Variance		2020 Budget	2020 Var to	
			2019 /2020 I/(D)	%		Budget I/(D)	%
Admissions	23,592	24,226	(634)	-2.62%	24,798	(1,206)	-4.86%
Discharges	23,595	24,148	(553)	-2.29%	24,964	(1,369)	-5.49%
Adjusted Discharges	56,390	61,228	(4,838)	-7.90%	63,521	(7,131)	-11.23%
Patient Days	122,053	118,977	3,076	2.59%	123,826	(1,773)	-1.43%
ADC	328	323	5	1.55%	338	(10)	-3.03%
ALOS	5.7	5.4	(0.3)	-6.45%	5.3	(0.4)	-6.86%
ED Visits	71,680	86,581	(14,901)	-17.21%	84,372	(12,692)	-15.04%
Outpatient Clinic Visits	816,950	839,021	(22,071)	-2.63%	902,725	(85,775)	-9.50%
IP Surgeries	4,056	4,206	(150)	-3.57%	4,239	(183)	-4.31%
OP Surgeries	7,773	9,174	(1,401)	-15.27%	9,752	(1,979)	-20.29%
Total Surgeries	11,829	13,380	(1,551)	-11.59%	13,990	(2,161)	-15.45%
Deliveries	3,399	3,500	(101)	-2.89%	3,600	(201)	-5.58%
ACUTE Census Days	7,819	6,140	1,679	27.35%	6,808	1,011	14.85%

The extent of the COVID-19 pandemic's adverse effect on the Authority's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Authority's control and challenging to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

Because of these and other uncertainties, the Authority is not able to estimate the length or severity of the effect of the pandemic.

Capitation earned net of reinsurance had a loss of \$12.6 million related to a change in the Medical Loss Ratio (MLR) reserve for capitation revenue prior to September 1, 2018.

The Authority recorded an increase in Medicaid disproportionate share (DSH) and other safety net reimbursement compared to 2019 of \$5.3 million, or 4.2%. 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). Hospitals pay the fee to the state, and the fee revenue is matched with federal funding. Calculations of fees and payments in the HPF program are based on prior year data.

The Authority had a decrease in net HPF revenue of \$400,000 compared to 2019. In 2020, the Authority reevaluated its open Hospital Specific DSH Cap (HSDC) reserve and decreased its reserve by \$9.4 million compared to a decrease of \$2.3 million in 2019. This reserve was for the audits of the HSDC calculations under which the DSH payment cannot exceed the cost of uninsured care plus Medicaid shortfall or surplus. This reserve decrease is offset by the overall DSH and UPL decreasing from 2019 to 2020.

There was an increase in outstationing revenue of \$6.5 million due to change in prior year reporting that allowed for additional revenue to be recorded. This was partially offset by a decrease in Ambulance UPL of \$3.8 million.

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Management's Discussion and Analysis (Unaudited)

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City of Denver purchased services revenue was related to contractual obligations for the Authority pursuant to the Operating Agreement with the City and County of Denver (the City). This revenue was \$5.9 million, or 19.1% below budget and \$4.6 million, or 15.4% below the prior year. Revenue for this line item is primarily based on reimbursement of direct cost. The driver of this was lower volumes in the Denver Community Addictions Rehabilitation and Evaluation Services (CARES) and the health care provided at Denver County Jail and Downtown Detention Center driven by COVID-19.

Salary and benefit expenses is the largest component of the Authority's expenses (62.1% of the total operation expenses). Overall, salary and benefits increased approximately \$4.8 million or 0.7%. Salary expense increased approximately \$27.4 million, or 5.0%, and was \$10.8 million, or 2.5% above budget. The main drivers of this increase were the Full-time equivalent (FTE) personnel increasing 1.9% over the prior year and the normal wage increase for merit and market adjustments.

Benefit expense decreased approximately \$22.6 million, or 16.6%. The two main drivers of this decrease were in the HRA other postemployment benefit plan and the DERP pension plan. The HRA other postemployment benefit plan was amended to freeze and close to new participants effective January 1, 2021 which eliminated the actuarial liability and related inflows and outflows. The DERP pension liability decreased due to a change in proportionate share of the liability. These reductions were a total of \$24.2 million.

Contracted services and nonmedical supplies expense increased approximately \$6.3 million, or 3.2% compared to 2019, and were \$3.6 million, or 1.8% below budget. The increase in expense was primarily driven by higher use of contract labor (directly related to COVID-19 response) and increase in provider fee expense.

Medical supplies and pharmaceuticals increased approximately \$15.0 million, or 11.3% from prior year and \$5.1 million, or 3.6% above budget. This increase was related to increases in laboratory and pharmacy expense driven by COVID-19. 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 increased from 2019 by approximately \$4.6 million, or 9.7%, driven by the completion of the Acoma Garage, and replacement of equipment.

Non-operating revenue increased approximately \$82.1 million related to the recognition of approximately \$87.0 million in CARES Act and FEMA revenue. The CARES Act revenue was derived from a calculation of lost revenue compared to budget, and expenses (direct and indirect) associated with the response to COVID-19. FEMA revenue was calculated based on eligible expenses as outlined in the Authority's FEMA grant application.

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:

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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.

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, 2020, the Authority's total net position increased by approximately \$99.2 million from 2019, or 18.1%. The following table summarizes total assets, deferred outflows of resources, total liabilities, deferred inflows of resources and net position at December 31.

	Net Position		
	2020	2019	2018
Current and noncurrent assets	\$ 654,141,156	\$ 607,851,166	\$ 596,214,135
Capital assets	<u>648,251,923</u>	<u>608,215,355</u>	<u>517,011,913</u>
Total assets	1,302,393,079	1,216,066,521	1,113,226,048
Deferred outflows	<u>26,479,179</u>	<u>42,897,168</u>	<u>35,477,186</u>
Total assets and deferred outflows of resources	<u>\$ 1,328,872,258</u>	<u>\$ 1,258,963,689</u>	<u>\$ 1,148,703,234</u>
Current liabilities	\$ 193,605,993	\$ 184,331,393	\$ 175,638,297
Other long-term liabilities	112,704,840	155,428,456	178,726,614
Long-term debt outstanding	<u>341,905,599</u>	<u>354,747,723</u>	<u>354,814,921</u>
Total liabilities	648,216,432	694,507,572	709,179,832
Deferred inflows of resources	<u>33,242,552</u>	<u>16,249,326</u>	<u>18,482,845</u>
Net investment in capital assets	302,722,723	253,282,408	171,472,396
Unrestricted	<u>344,690,551</u>	<u>294,924,383</u>	<u>249,568,161</u>
Total net position	<u>647,413,274</u>	<u>548,206,791</u>	<u>421,040,557</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,328,872,258</u>	<u>\$ 1,258,963,689</u>	<u>\$ 1,148,703,234</u>

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Current and Noncurrent Assets

Current and noncurrent assets increased by approximately \$46.3 million, or 7.6% compared to 2019. Cash and investments increased approximately \$77.4 million compared to 2019 due to \$102.3 million received from the CARES Act and FEMA funding offset by cash used to respond to COVID-19. Restricted investments decreased approximately \$31.8 million related to the draws for the 500 Acoma garage and the 2019 capital bond funds. Notes receivable increased by approximately \$15.0 million. The Authority issued a notes receivable of approximately \$15.0 million to DHHA OMC QALICB Inc. (a discretely presented component unit) to participate in a New Market Tax credit deal that would primarily pay for equipment.

Capital Assets

Capital assets, net of accumulated depreciation, increased approximately \$40.0 million over the prior year. Additions totaled approximately \$91.4 million, compared to approximately \$137.9 million in 2019. Significant changes include:

- Land increased \$4.2 million due to the acquisition of the property at 990 Federal Boulevard in Denver.
- Buildings and improvement increased \$41.7 million mainly driven by the addition of 550 Acoma Parking Garage for \$28.8 million which was a closeout from construction in progress.
- Equipment purchases totaled approximately \$21.1 million.
- The largest construction in progress addition was the construction on the OMC building totaling approximately \$46.5 million in 2020. The building opening was delayed due to COVID-19 and opened in February of 2021.

Depreciation expense for the year was approximately \$51.6 million. Listed below is a summary of capital assets, net of accumulated depreciation at December 31, 2020 and 2019:

	December 31,	
	2020	2019
Land	\$ 38,574,189	\$ 34,345,787
Buildings and improvements	370,813,323	347,490,256
Equipment and software	76,725,653	71,443,440
Construction in process	162,138,758	154,935,872
Total	\$ 648,251,923	\$ 608,215,355

Deferred Outflows of Resources

Deferred outflows decreased by approximately \$16.4 million due to a decrease in the proportionate share of the DERP pension liability.

Current Liabilities

Current liabilities increased by approximately \$9.3 million due to an increase in unearned revenue of \$13.7 million, or 53.5%. This increase is driven by approximately \$15.2 million in CARES Act and FEMA unearned revenue. Postemployment benefits decreased by \$17.6 million due to the termination of the plan on January 1, 2021. Additionally, the current portion of accelerated Medicare payments increase \$8.9 million.

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Other Liabilities

The long-term portion of liability for estimated third-party settlements decreased approximately \$11.2 million, or 51.2%. The decrease is primarily due to a decrease in the accrual for estimated hospital specific DSH audit repayment for prior state fiscal years of \$9.4 million and the payment of the estimated payback of Medicaid FQHC encounter rate payments of \$1.8 million. The long-term portion of the accelerated Medicare payments increased \$19.0 million.

Net pension liability represents the actuarially estimated cost of the Authority's pension plan, the Denver Employees Retirement Plan (DERP) and the replacement benefits agreement (RBA). The net liability is the amount owed for the pension benefit above the currently invested assets. This liability decreased approximately \$37.4 million, or 32.2%, mainly driven by decrease in proportionate share of the liability. 2020 is the first year the Authority is recording the RBA liability (this is further described in Note 12).

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 \$33.6 million due to principal payments of bonds and notes payable of approximately \$33.0 million.

Long-term Debt

Long-term debt at December 31, 2020, net of current portion and excluding deferred loss on bond refunding, is approximately \$341.9 million compared to \$366.6 million and \$376.9 million for 2019 and 2018, respectively. The decrease of \$24.7 million relates primarily to principal payments of \$25.4 million. Other notes payable includes a Housing and Urban Development (HUD) loan of approximately \$1.4 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, 2020, 2019 and 2018:

	2020	2019	2018
2007 A and B Revenue Bonds	\$ -	\$ -	\$ 60,130,000
2009 Revenue Bonds	-	-	1,320,000
2010 Healthcare Recovery Zone Facility Revenue Bonds	-	-	24,022,621
2014 Revenue Bonds	75,822,178	77,228,466	78,594,753
2017 A Revenue Bonds	85,353,868	89,915,358	94,281,851
2019 A and B Bonds	134,632,935	140,998,831	-
601 Broadway notes payable	-	-	44,486,362
Program support payable	-	11,823,587	22,047,754
550 Acoma Inc. notes payable	39,615,793	40,375,108	40,794,422
Other notes payable	4,381,921	6,229,960	11,184,913
Capital lease obligation	2,098,904	-	-
	<u>\$ 341,905,599</u>	<u>\$ 366,571,310</u>	<u>\$ 376,862,676</u>

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In 2019, long-term debt decreased \$10.3 million related primarily to principal payments of \$20.7 million offset by an increase of \$11.0 million as a result of additional debt related to refinancing through issuing the 2019A & B bonds.

The Authority's 2019A, 2019B, 2017A, and 2014, bond series ratings are BBB by Standard and Poor's and by Fitch for December 31, 2020 and 2019.

Revenue and Expenses

The following table compares 2020, 2019 and 2018 revenues and expenses and shows the resulting changes in net position:

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	Changes in Net Position		
	2020	2019	2018
Operating revenues			
Net patient service revenue	\$ 769,673,893	\$ 775,098,368	\$ 644,397,553
Capitation earned net of reinsurance	(12,600,000)	14,150,174	136,653,112
Medicaid disproportionate share and other safety net reimbursement	131,245,683	125,955,648	148,941,660
City and County of Denver payment for patient care services	27,773,299	30,777,300	30,777,300
Federal, state and other grants	77,222,260	68,170,544	64,114,406
City and County of Denver purchased services	25,373,371	29,985,490	25,188,290
Poison and drug center contracts	24,303,056	23,587,670	25,349,639
Other operating revenue	44,328,770	44,163,185	44,032,947
Total operating revenues	1,087,320,332	1,111,888,379	1,119,454,907
Operating expenses			
Salaries and benefits	685,809,148	681,038,029	647,029,411
Contracted services and nonmedical supplies	203,654,814	197,282,805	190,460,688
Medical supplies and pharmaceuticals	148,260,160	133,164,071	132,390,682
Managed care outside provider claims	(1,361,653)	(425,033)	38,830,457
Depreciation and amortization	51,622,108	47,045,062	54,487,664
Total operating expenses	1,087,984,577	1,058,104,934	1,063,198,902
Operating income (loss)	(664,245)	53,783,445	56,256,005
Nonoperating revenues (expenses)			
Increase (decrease) in equity in joint venture	(306,600)	20,000	2,800
Non operating grant revenue (CARES Act/FEMA)	86,998,388	-	-
Bond issuance costs	-	(1,372,732)	(588,564)
Interest income	12,352,582	12,831,539	11,470,391
Interest expense	(15,523,703)	(15,829,395)	(15,200,176)
Net increase (decrease) in fair value of investments	7,495,684	18,688,943	(14,424,574)
Gain on disposition of capital assets	5,444,447	-	10,572
Total nonoperating revenues (expenses)	96,460,798	14,338,355	(18,729,551)
Income before capital contributions	95,796,553	68,121,800	37,526,454
Contributions restricted for capital assets	3,409,930	59,044,434	25,115,272
Increase in net position	99,206,483	127,166,234	62,641,726
Net position, at beginning of year	548,206,791	421,040,557	371,983,330
Adjustment for adoption of accounting standard	-	-	(13,584,499)
Net position, at end of year	\$ 647,413,274	\$ 548,206,791	\$ 421,040,557

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Gross Patient Service Revenue

Gross patient service revenue increased approximately \$37.9 million, or 1.4%, for the year ended December 31, 2020, compared with the year ended December 31, 2019, as shown in the following table:

	Gross Patient Revenue		Dollar Change	Percentage Change
	2020	2019		
Inpatient revenue	\$ 1,046,021,850	\$ 967,718,396	\$ 78,303,454	8.1%
Outpatient revenue	1,263,952,063	1,285,823,530	(21,871,467)	-1.7%
Physician billing	288,140,736	295,660,056	(7,519,320)	-2.5%
Ambulance	108,419,979	119,409,260	(10,989,281)	-9.2%
Total	2,706,534,628	2,668,611,242	37,923,386	1.4%
Charges forgone for charity care	(197,638,593)	(193,201,632)	(4,436,961)	2.3%
Total gross patient revenue	\$ 2,508,896,035	\$ 2,475,409,610	\$ 33,486,425	1.4%

Inpatient charges increased by 8.0%, or approximately \$78.3 million over 2019. The inpatient gross revenue has increased notably in the areas of ICU, COVID-19 unit, Medicine, Laboratory, Pharmacy and Acute Eating Disorder unit. Additionally there was a price increase related to surgery charges. Inpatient equivalent census days were 1.7% above the prior year and inpatient admissions were 2.6% below the prior year.

Total outpatient clinic encounters decreased 2.6% over 2019. Outpatient pharmacy increased \$39.9 million, or 17.3%. Outpatient charges (including outpatient pharmacy) decreased by approximately \$21.9 million, or 1.7% over 2019. While the Authority did shift visits to telehealth when possible, outpatient gross revenue decreased in the areas of Emergency Medicine, Medicine, Radiology, Laboratory, Outpatient Specialty Clinics and Behavioral Health driven by COVID-19.

Physician billing (includes advance practice providers such as Nurse Practitioners) gross revenue decreased approximately \$7.5 million, or 2.5% over 2019. The physician billing decreased in the areas of Ophthalmologist, Otolaryngologists, Plastic Surgeons, and Oral Surgeons, driven by COVID-19.

Ambulance revenue decreased approximately \$11.0 million, or 9.2%, primarily due to a decrease in transport volume of 12.9% due to COVID-19.

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 \$197,639,000 and \$193,202,000 for the years ended December 31, 2020 and 2019, 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 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

Denver Health and Hospital Authority
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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, 2020 and 2019 is as follows:

	2020	2019
Uncompensated care		
Contractual adjustments	\$ 1,664,292,692	\$ 1,587,365,786
Provision for bad debts	87,529,450	98,795,282
Charity care	197,638,593	193,201,632
	<u>\$ 1,949,460,735</u>	<u>\$ 1,879,362,700</u>

Net Patient Service Revenue

For the year ended December 31, 2020, net patient service revenue decreased from 2019 by approximately \$5.4 million, or 0.7%. This was a 0.6% reduction in the overall realization rate (net patient service revenue including capitation divided by gross patient revenue). The DH Medicaid Choice increased in membership in 2020 to 100,543, a 17.7% increase compared to 2019. The increased membership resulted in an increase in Medicaid Choice capitation revenue of \$14.7 million, or 11.9%.

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 because 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).

Capitation Earned Net of Reinsurance

For the year ended December 31, 2020, capitation earned net of reinsurance for DH Medicaid Choice was a reduction in revenue of \$12.6 million. This represents a change of a Medical Loss Ratio (MLR) reserve related to a liability established prior to September 1, 2018.

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 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.

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

Medicaid DSH revenue and other safety net reimbursement increased approximately \$5.3 million, or 4.2%, compared to 2019, as discussed in detail in the 2020 highlights section.

In 2019, Medicaid DSH revenue and other safety net reimbursement decreased approximately \$23.0 million or 15.4%, compared to 2018.

Denver Health and Hospital Authority
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Medicaid DSH, other safety net revenue and expense, and primary care funds for 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Colorado Indigent Care Program revenue	\$ 101,372,109	\$ 99,787,006
Supplemental Medicaid base rate revenue	690,588	2,652,910
Supplemental Medicaid outpatient hospital revenue	3,537,080	1,771,912
Hospital quality incentive payment	<u>7,820,487</u>	<u>7,616,860</u>
Total hospital provider fee revenue	113,420,264	111,828,688
Provider fee expense (included in contracted services and non-medical supplies)	<u>(34,956,785)</u>	<u>(32,963,986)</u>
Total net hospital provider fee	<u>\$ 78,463,479</u>	<u>\$ 78,864,702</u>
	<u>2020</u>	<u>2019</u>
Total hospital provider fee revenue	<u>\$ 113,420,264</u>	<u>\$ 111,828,688</u>
Ambulance Upper Payment Limit revenue	1,407,681	5,207,355
Outstationing revenue	7,683,142	1,148,756
Primary care funds	4,484,664	4,510,422
Physician certification revenue	<u>4,249,932</u>	<u>3,260,427</u>
Total other safety net	<u>17,825,419</u>	<u>14,126,960</u>
Total safety net revenue	<u>\$ 131,245,683</u>	<u>\$ 125,955,648</u>

City and County of Denver Payment for Patient Care Services

For the years ended December 31, 2020, 2019 and 2018, as part of the Operating Agreement between the Authority and the City (Note 1 to the basic financial statements), the City paid approximately \$27.8 million, \$30.8 and \$30.8 million respectively to the Authority to cover a portion of the cost of treating the medically indigent. The decrease in 2020 was due to the City budget cuts in response to COVID-19.

Grant Revenue

In 2020, federal, state and other grant revenue increased by approximately \$9.1 million, or 13.3%, primarily due to 34 new COVID-19 grant awards that incurred \$7.4 million in expenditures. The remaining increase is comprised of smaller grant awards.

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.

Denver Health and Hospital Authority

Management's Discussion and Analysis (Unaudited)

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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 \$25.4 million in 2020, which is approximately \$4.6 million or 15.4% lower than 2019 driven by lower volumes due to COVID. Revenue for reimbursement of these costs were lower than budget by \$6.0 million or 19.1%.

In 2019, City Revenue for reimbursement of these costs totaled approximately \$30.0 million 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.

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 2020 was approximately \$24.3 million, a \$715,000 or 3.0% increase over the prior year and \$544,000 or 2.3%, above budget. For 2020, RMPDS had an increase in net position of approximately \$965,000.

Poison and Drug Center contract revenue for 2019 was approximately \$23.6 million, a \$1.8 million decrease over the prior year. For 2019, RMPDS had a decrease in net position of approximately \$643,000.

Other Operating Revenue

For 2020, other operating revenue (excluding Poison and Drug Center contracts revenue) increased by \$166,000 or 0.4% over 2019. 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.

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

Management's Discussion and Analysis (Unaudited)

December 31, 2020 and 2019

Operating Expenses

Year ended December 31, 2020 compared with year ended December 31, 2019

Operating expenses increased approximately \$29.9 million, or 2.8%, for the year ended December 31, 2020, compared with the prior year.

- Salary and Benefit expense increased approximately \$4.8 million, or 0.7% from 2019. Normal wage increases for merit and market adjustments, benefits liability decreased of \$24.2 million, and increased personnel costs related to COVID-19 and increased inpatient volumes, contributed to the overall salary and benefits increase.
- Medical supplies and pharmaceuticals increased approximately \$15.1 million, or 11.3% from prior year. This increase is related to increases in laboratory, personal protective equipment (PPE) and pharmacy expense driven by COVID-19.
- Contracted services and nonmedical supplies increased approximately \$6.4 million, or 3.2% compared to 2019. The increase in expense is primarily driven by higher use of contract labor and increase in provider fee expense.
- 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 \$1.4 million in 2020 and a credit for \$425,000 in 2019.
- Depreciation and amortization expense increased from 2019 by approximately \$4.6 million or 9.7%, driven by the completion of the Acoma Garage, and replacement of equipment.

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 change in equity investment in joint venture, bond issuance costs, and the gain or loss on disposal of capital assets.

Net nonoperating revenue in 2020 was approximately \$96.5 million, compared to net nonoperating revenue of \$14.3 million in 2019. The largest driver in this category was the addition of CARES Act and FEMA revenue of approximately \$87.0 million.

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.

Capital Contributions

Capital contributions in 2020 totaled \$3.4 million, compared to \$59.0 million in 2019, and as discussed in an earlier section, were received primarily from the City.

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.

Denver Health and Hospital Authority

Management's Discussion and Analysis (Unaudited)

December 31, 2020 and 2019

Budgetary Highlights

For the year ended December 31, 2020, the Authority's total operating revenue is \$1,087.3 million, which reflects a \$49.5 million or 4.4% negative variance to budget. Total operating expense is \$1,088.0 million, which is \$18.3 million, or 1.6% below budget. As a result, the Authority has generated an operating loss of \$664,000 which results in a negative variance to budget of \$31.2 million. The net gain, excluding capital contributions of \$95.8 million, is a favorable variance to budget of \$72.6 million or 273.0%. The 2020 positive net gain excluding capital contributes is driven by CARES Act funding of \$81.9 million and FEMA funding of \$5.1 million both of which are included in non-operating revenue.

Economic Factors and Next Year's Budget

The Authority's budget for 2021 reflects the results of the organization's strategic planning process, which identified certain cost savings, and efficiency goals. The Executive Staff and Physician Directors of Service teams, and the Authority Board, have determined 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.

Additionally, the Authority targeted several services for growth expansions including Interventional Cardiology, Interventional Radiology, and Outpatient Medical Center (OMC). The Authority's 2021 budget targets a \$78.3 million revenue increase compared to 2020, this increase is driven by a 10.1% increase in Net patient service revenue. The 2021 budget includes a gross revenue increase of 14.0% driven by initiatives targeted at increasing patient care service volumes, revenue cycle initiatives, and price increases. In 2021, the new OMC is anticipated to complete construction with a completion date of first quarter 2021. 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 9.9% over the 2020 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. In 2021, 67.2% of the Authority's cost is personnel-related and drives most of the overall increase in budgeted 2021 expense. The Authority has implemented tight budget controls around labor productivity and hiring, and goals for growth initiatives. The 2021 budget reflects an increase in net position of \$8.9 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, 2020 and 2019

Assets and Deferred Outflows of Resources

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 71,240,026	\$ 63,293,839
Short-term investments	-	4,049,520
Patient accounts receivable, net of estimated uncollectibles of approximately \$38,092,000 and \$35,900,000 in 2020 and 2019, respectively	73,056,520	72,159,383
Due from other governmental entities	22,203,862	24,273,986
Due from City and County of Denver	6,944,837	14,253,548
Other receivables	16,534,171	16,832,316
Interest receivable	1,717,635	1,942,134
Due from and investment in discretely presented component units	2,862,537	13,907,053
Inventories	16,423,825	12,620,104
Prepaid expenses and other assets	14,999,777	15,176,070
	<u>225,983,190</u>	<u>238,507,953</u>
Noncurrent Assets		
Notes receivable	30,389,348	15,432,000
Estimated third-party payor settlements receivable	5,200,003	2,780,383
Equity interest in joint venture	2,015,033	1,961,633
Restricted investments	19,051,732	50,887,939
Capital assets, net of accumulated depreciation	648,251,923	608,215,355
Long-term investments	363,186,193	280,266,904
Board-designated investments	7,000,000	16,400,000
Other long-term assets	1,315,657	1,614,354
	<u>1,076,409,889</u>	<u>977,558,568</u>
Total noncurrent assets	<u>1,076,409,889</u>	<u>977,558,568</u>
Total assets	<u>1,302,393,079</u>	<u>1,216,066,521</u>
Deferred Outflows of Resources		
Deferred outflows of resources related to pension benefits	9,984,737	22,816,240
Deferred outflows of resources related to other postemployment benefits	491,682	1,598,213
Deferred outflow - acquisitions	71,667	157,667
Loss on refunding of debt	15,931,093	18,325,048
	<u>26,479,179</u>	<u>42,897,168</u>
Total deferred outflows of resources	<u>26,479,179</u>	<u>42,897,168</u>
Total assets and deferred outflows of resources	<u>\$ 1,328,872,258</u>	<u>\$ 1,258,963,689</u>

Denver Health and Hospital Authority
Statements of Net Position
December 31, 2020 and 2019

Liabilities, Deferred Inflows of Resources and Net Position

	<u>2020</u>	<u>2019</u>
Current Liabilities		
Current maturities of bonds payable	\$ 11,825,000	\$ 14,036,927
Current maturities of capital leases	353,434	174,564
Current maturities of notes payable	1,848,036	3,665,609
Current maturities of program support liability	5,588,981	8,592,000
Medical malpractice liability	7,360,716	6,591,279
Accounts payable and accrued expenses	54,988,685	50,270,550
Accrued salaries, wages and employee benefits	30,475,826	28,396,605
Accrued compensated absences	33,041,927	29,461,535
Postemployment benefits	-	17,599,733
Accelerated Medicare payments	8,919,516	-
Unearned revenue	39,203,872	25,539,591
Accrued claims	-	3,000
	<hr/>	<hr/>
Total current liabilities	193,605,993	184,331,393
Long-term Liabilities		
Long-term portion of liability for estimated third-party settlements	10,650,855	21,812,696
Long-term portion of compensated absences	116,076	114,890
Long-term portion of accelerated Medicare payments	19,031,874	-
Bonds payable, less current maturities	295,808,980	308,142,655
Capital lease obligations, less current maturities	2,098,905	-
Notes payable, less current maturities	43,997,714	46,605,068
Program support liability, less current maturities	-	11,823,587
Net pension liability	78,365,464	115,717,505
Postemployment benefits	4,540,571	5,959,778
	<hr/>	<hr/>
Total long-term liabilities	454,610,439	510,176,179
Total liabilities	<hr/>	<hr/>
	648,216,432	694,507,572
Deferred Inflows of Resources		
Deferred inflows of resources related to pension benefits	32,019,253	14,878,212
Deferred inflows of resources related to other postemployment benefits	1,223,299	1,371,114
	<hr/>	<hr/>
Total deferred inflows of resources	33,242,552	16,249,326
Total liabilities and deferred inflows of resources	<hr/>	<hr/>
	681,458,984	710,756,898
Net Position		
Net investment in capital assets	302,722,723	253,282,408
Unrestricted	344,690,551	294,924,383
	<hr/>	<hr/>
Total net position	647,413,274	548,206,791
Total liabilities, deferred inflows of resources and net position	<hr/>	<hr/>
	\$ 1,328,872,258	\$ 1,258,963,689

Denver Health Medical Plan, Inc.
(A Component Unit of Denver Health and Hospital Authority)
Balance Sheets
December 31, 2020 and 2019

Assets

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 139,010	\$ 116,751
Reinsurance recoverable on paid losses	6,474,724	1,135,802
Interest receivable	340,779	330,775
Premiums and other receivables	18,526,332	24,339,202
Contract receivables	3,986,163	775,686
Prepaid expenses	<u>992,733</u>	<u>561,189</u>
Total current assets	<u>30,459,741</u>	<u>27,259,405</u>
Noncurrent Assets		
Restricted investments	1,154,789	1,078,343
Intangible assets	2,133,843	2,360,483
Unrestricted investments	<u>55,284,760</u>	<u>49,996,282</u>
Total noncurrent assets	<u>58,573,392</u>	<u>53,435,108</u>
Total assets	<u>\$ 89,033,133</u>	<u>\$ 80,694,513</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable and accrued expenses	\$ 5,426,649	\$ 2,724,722
Outstanding checks in excess of bank balance	-	1,019,208
Aggregate health policy reserves	3,722,330	283,578
Due to Denver Health and Hospital Authority	2,342,362	13,407,024
Unearned premiums	5,180,475	1,132,034
Liability for amounts held under uninsured plans	782,338	1,462,913
Accrued claims and loss adjustment expenses	<u>22,623,494</u>	<u>24,595,265</u>
Total current liabilities	<u>40,077,648</u>	<u>44,624,744</u>
Total liabilities	<u>40,077,648</u>	<u>44,624,744</u>
Net Assets		
Net assets without donor restriction	<u>48,955,485</u>	<u>36,069,769</u>
Total net assets	<u>48,955,485</u>	<u>36,069,769</u>
Total liabilities and net assets	<u>\$ 89,033,133</u>	<u>\$ 80,694,513</u>

DHHA Southwest Clinic, Inc.
(A Component Unit of Denver Health and Hospital Authority)
Balance Sheets
December 31, 2020 and 2019

Assets

	2020	2019
Current Assets		
Restricted cash and cash equivalents	\$ 340,229	\$ 392,181
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	(2,110,459)	(1,666,057)
Net property and equipment	20,460,832	20,905,234
Total noncurrent assets	20,460,832	20,905,234
Total assets	\$ 20,801,061	\$ 21,297,415

Liabilities and Net Assets

Current Liabilities		
Due to Denver Health and Hospital Authority	\$ 22,822	\$ -
Total current liabilities	22,822	-
Notes Payable	21,506,004	21,346,716
Total liabilities	21,528,826	21,346,716
Net Assets (Deficit)		
Without donor restrictions	(727,765)	(49,301)
Total net assets (deficit)	(727,765)	(49,301)
Total liabilities and net assets (deficit)	\$ 20,801,061	\$ 21,297,415

DHHA OMC QALICB, Inc.
(A Component Unit of Denver Health and Hospital Authority)
Balance Sheet
December 31, 2020

Assets

Current Assets

Restricted cash and cash equivalents	<u>\$ 7,897,956</u>
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Noncurrent Assets

Equipment (not in service)	<u>11,431,512</u>
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Net property and equipment	<u>11,431,512</u>
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Total noncurrent assets	<u>11,431,512</u>
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Total assets	<u><u>\$ 19,329,468</u></u>
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Liabilities and Net Assets

Current Liabilities

Due to Denver Health and Hospital Authority	<u>\$ 77,265</u>
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Total current liabilities	<u>77,265</u>
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Notes Payable

	<u>18,705,848</u>
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Total liabilities	<u>18,783,113</u>
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Net Assets

Without donor restrictions	<u>546,355</u>
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Total net assets	<u>546,355</u>
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Total liabilities and net assets	<u><u>\$ 19,329,468</u></u>
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Denver Health and Hospital Authority
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Net patient service revenue	\$ 769,673,893	\$ 775,098,368
Capitation earned net of reinsurance expense	(12,600,000)	14,150,174
Medicaid disproportionate share and other safety net reimbursement	131,245,683	125,955,648
City and County of Denver payment for patient care services	27,773,299	30,777,300
Federal, state and other grants	77,222,260	68,170,544
City and County of Denver purchased services	25,373,371	29,985,490
Poison and drug center contracts	24,303,056	23,587,670
Other operating revenue	44,328,770	44,163,185
	<u>1,087,320,332</u>	<u>1,111,888,379</u>
Total operating revenues		
Operating Expenses		
Salaries and benefits	685,809,148	681,038,029
Contracted services and nonmedical supplies	203,654,814	197,282,805
Medical supplies and pharmaceuticals	148,260,160	133,164,071
Managed care outside provider claims	(1,361,653)	(425,033)
Depreciation and amortization	51,622,108	47,045,062
	<u>1,087,984,577</u>	<u>1,058,104,934</u>
Total operating expenses		
Operating income (loss)	<u>(664,245)</u>	<u>53,783,445</u>
Nonoperating Revenues (Expenses)		
Increase (decrease) in equity in joint venture	(306,600)	20,000
Non operating grant revenue (CARES Act/FEMA)	86,998,388	-
Bond issuance costs	-	(1,372,732)
Interest income	12,352,582	12,831,539
Interest expense	(15,523,703)	(15,829,395)
Net increase in fair value of investments	7,495,684	18,688,943
Gain on disposition of capital assets	5,444,447	-
	<u>96,460,798</u>	<u>14,338,355</u>
Total nonoperating revenues (expenses)		
Income before capital contributions	95,796,553	68,121,800
Contributions Restricted for Capital Assets	<u>3,409,930</u>	<u>59,044,434</u>
Increase in net position	<u>99,206,483</u>	<u>127,166,234</u>
Total Net Position, Beginning of Year	<u>548,206,791</u>	<u>421,040,557</u>
Total Net Position, End of Year	<u>\$ 647,413,274</u>	<u>\$ 548,206,791</u>

Denver Health Medical Plan, Inc.
(A Component Unit of Denver Health and Hospital Authority)
Statements of Operations and Changes in Net Assets
Years Ended December 31, 2020 and 2019

	2020	2019
Operating Revenues		
Premiums earned, net of reinsurance, including \$83 million and \$77 million received from Denver Health and Hospital Authority in 2020 and 2019, respectively	\$ 425,939,327	\$ 385,722,192
Total operating revenues	425,939,327	385,722,192
Operating Expenses		
Leased employee services from Denver Health and Hospital Authority	15,352,662	11,968,656
Rent and other administrative expenses paid to Denver Health and Hospital Authority	1,982,341	1,541,088
Contracted services and nonmedical supplies	20,782,141	19,024,710
Medical claims and capitation paid to Denver Health and Hospital Authority	222,260,358	213,465,444
Medical and pharmacy claims incurred	155,365,618	136,873,690
Total operating expenses	415,743,120	382,873,588
Operating income	10,196,207	2,848,604
Nonoperating Revenues		
Investment income	1,266,077	1,219,377
Net increase in fair value of investments	1,423,432	1,484,062
Total nonoperating revenues	2,689,509	2,703,439
Net increase in net assets	12,885,716	5,552,043
Total Net Assets, Beginning of Year	36,069,769	30,517,726
Total Net Assets, End of Year	\$ 48,955,485	\$ 36,069,769

DHHA Southwest Clinic, Inc.
(A Component Unit of Denver Health and Hospital Authority)
Statements of Operations and Changes in Net Assets (Deficit)
Years Ended December 31, 2020 and 2019

	2020	2019
Revenues, Gains and Other Support Without Donor Restrictions		
Contributed management services	\$ 88,136	\$ 81,783
Facility rental from Denver Health and Hospital Authority	365,000	365,000
Interest income	273	1,898
	<u>453,409</u>	<u>448,681</u>
Total revenues, gains and other support without donor restrictions		
Operating Expenses		
Contributed management services	88,136	81,783
Other operating expenses	60,360	57,742
Depreciation expense	444,402	444,402
Interest expense, including amortization of loan costs of \$159,288 for both years	538,975	538,962
	<u>1,131,873</u>	<u>1,122,889</u>
Total operating expenses		
Operating Loss and Change in Net Deficit Without Donor Restrictions	<u>(678,464)</u>	<u>(674,208)</u>
Net Assets (Deficit) Without Donor Restrictions, Beginning of Year	<u>(49,301)</u>	<u>624,907</u>
Net Deficit Without Donor Restrictions, End of Year	<u>\$ (727,765)</u>	<u>\$ (49,301)</u>

DHHA OMC QALICB, Inc.
(A Component Unit of Denver Health and Hospital Authority)
Statement of Operations and Changes in Net Assets
Period January 29, 2020 (Inception) Through December 31, 2020

Revenues, Gains and Other Support Without Donor Restrictions	
Contributed management services	\$ 119,832
Equipment rental from Denver Health and Hospital Authority	205,283
Interest income	<u>38,271</u>
 Total revenues, gains and other support without donor restrictions	 <u>363,386</u>
Operating Expenses	
Contributed management services	119,832
Other operating expenses	278,666
Interest expense, including amortization of loan costs of \$79,236	<u>256,130</u>
 Total operating expenses	 <u>654,628</u>
Operating Loss	<u>(291,242)</u>
Capital Contribution	<u>837,597</u>
Change in Net Assets Without Donor Restrictions	546,355
Net Assets Without Donor Restrictions, Beginning of Year	<u>-</u>
Net Assets Without Donor Restrictions, End of Year	<u><u>\$ 546,355</u></u>

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Denver Health and Hospital Authority
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Collections from patient services	\$ 782,922,550	\$ 757,480,398
Collections from capitation, net of reinsurance	-	3,643,673
Medicaid disproportionate share reimbursement and upper payment limit reimbursement	130,967,703	127,154,707
City and County of Denver payment for hospital services	34,215,431	23,594,136
Collections from poison and drug center contracts	24,828,549	22,718,749
Collections from federal, state and other grants	76,009,973	70,491,232
City and County of Denver purchased services	26,669,798	30,852,076
Other operating receipts	44,648,131	43,917,058
Payments for salaries and benefits	(706,304,938)	(670,816,192)
Payments to suppliers	(349,066,407)	(335,558,885)
Payments for managed care outside provider claims	1,358,653	(1,715,967)
	<u>66,249,443</u>	<u>71,760,985</u>
Cash Flows from Noncapital Financing Activities		
Proceeds from CARES Act/FEMA	100,174,874	-
	<u>100,174,874</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>100,174,874</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	(88,915,400)	(137,732,008)
Receipt of capital contributions	3,111,130	59,044,434
Purchase of Joint Venture Ownership	(360,000)	(713,333)
Repayments of bonds payable and other long-term debt	(32,971,198)	(154,165,953)
Proceeds from the issuance of bonds and Certificates of Participation	-	132,268,662
Proceeds from CARES Act	2,039,080	-
Issuance of note receivable	(14,957,348)	-
Payment of bond issuance costs	-	(1,372,732)
Proceeds from the sale of capital assets	5,592,950	-
Cash paid for interest	(14,456,547)	(15,657,991)
	<u>(140,917,333)</u>	<u>(118,328,921)</u>
Net cash used in capital and related financing activities	<u>(140,917,333)</u>	<u>(118,328,921)</u>
Cash Flows from Investing Activities		
Proceeds from sale and maturities of investments	278,432,292	122,013,678
Purchases of investments	(308,659,763)	(52,008,224)
Interest income	12,666,674	13,989,925
	<u>(17,560,797)</u>	<u>83,995,379</u>
Net cash provided by (used in) investing activities	<u>(17,560,797)</u>	<u>83,995,379</u>
Net increase in cash and cash equivalents	7,946,187	37,427,443
Cash and Cash Equivalents, Beginning of Year	<u>63,293,839</u>	<u>25,866,396</u>
Cash and Cash Equivalents, End of Year	<u>\$ 71,240,026</u>	<u>\$ 63,293,839</u>

See notes to financial statements

Denver Health and Hospital Authority
Statements of Cash Flows (continued)
Years Ended December 31, 2020 and 2019

	2020	2019
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Cash and cash equivalents	\$ 71,240,026	\$ 63,293,839
Total cash and cash equivalents	\$ 71,240,026	\$ 63,293,839
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ (664,245)	\$ 53,783,445
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	51,622,108	47,045,063
Provision for bad debts	87,529,450	98,795,282
Changes in assets, liabilities, deferred outflows and deferred inflows of resources		
Patient accounts receivable, net	(88,426,587)	(117,643,368)
Due from other governmental entities	2,070,124	3,530,295
Due from discretely presented component unit	11,044,516	(6,471,819)
Due from City and County of Denver	7,607,511	(6,315,117)
Other receivables	298,145	2,561,193
Inventories	(3,803,721)	(1,221,748)
Prepaid expenses and other assets	1,191,858	(850,421)
Accounts payable and accrued expenses	4,690,993	(17,249,994)
Accrued salaries, wages and employee benefits	1,362,353	3,589,720
Deferred outflows - pension and other postemployment benefits	13,938,034	(2,993,732)
Deferred inflows - pension and other postemployment benefits	16,993,226	(2,233,519)
Net pension and other postemployment benefits liability	(56,370,981)	10,394,376
Accrued compensated absences	3,581,578	1,464,992
Estimated third-party payor settlements	(13,581,461)	4,358,936
Medical malpractice liability	769,437	1,555,216
Accelerated Medicare payments	27,951,390	-
Unearned revenue	(1,551,285)	1,803,185
Accrued claims	(3,000)	(2,141,000)
Total adjustments	66,913,688	17,977,540
Net cash provided by operating activities	\$ 66,249,443	\$ 71,760,985
Noncash Investing, Capital and Financing Activities		
Capital asset acquisitions included in accounts payable	\$ 3,102,406	\$ 12,066,226
Capital asset acquired under capital lease	\$ 2,505,936	\$ -

Denver Health and Hospital Authority
Statements of Fiduciary Net Position
Fiduciary Funds
December 31, 2020 and 2019

	Pension and Other Employee Benefit Trust Funds	
	2020	2019
Assets		
Investments, at fair value	\$ 1,270,179,953	\$ 1,032,181,257
Participant loans	18,269,498	18,535,067
Total assets	1,288,449,451	1,050,716,324
Net Position		
Restricted for:		
Pensions (401(a) Plan)	989,353,782	812,516,423
Postemployment benefits other than pensions (457(b) Plan)	299,095,669	238,199,901
Total net position	\$ 1,288,449,451	\$ 1,050,716,324

Denver Health and Hospital Authority
Statements of Changes in Fiduciary Net Position
Fiduciary Funds
Years Ended December 31, 2020 and 2019

	Pension and Other Employee Benefit Trust Funds	
	2020	2019
Additions		
Contributions		
Participant	\$ 73,228,173	\$ 69,335,228
Employer	47,787,831	41,801,168
Rollover	3,921,861	4,594,135
Total contributions	<u>124,937,865</u>	<u>115,730,531</u>
Investment earnings		
Net increase in fair value of investments	169,895,717	179,603,429
Interest, dividends and other	<u>19,604,407</u>	<u>14,645,028</u>
Total investment earnings	<u>189,500,124</u>	<u>194,248,457</u>
Total additions	<u>314,437,989</u>	<u>309,978,988</u>
Deductions		
Benefits paid to participants	75,857,749	77,286,242
Administrative expense	<u>847,113</u>	<u>1,665,808</u>
Total deductions	<u>76,704,862</u>	<u>78,952,050</u>
Net Increase in Fiduciary Net Position	<u>237,733,127</u>	<u>231,026,938</u>
Net Position, Beginning of Year	<u>1,050,716,324</u>	<u>819,689,386</u>
Net Position, End of Year	<u>\$ 1,288,449,451</u>	<u>\$ 1,050,716,324</u>

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Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2020 and 2019

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., and 550 Acoma Inc., each a blended component unit. Denver Health Medical Plan, Inc., DHHA Southwest Clinic, Inc., and DHHA OMC QALICB, Inc. are presented as discretely presented component units in the Authority's financial statements. Additionally, the Authority's 401(a) and 457(b) plans are considered fiduciary component units and are 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, 13 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

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2020 and 2019

informatics, epidemiology, administration, preparedness and response services in addition to disease 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.

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 Authority is the sole member of 601 Broadway. 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.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2020 and 2019

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 was approximately \$38,000,000 and was completed in July 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). Effective January 1, 2020, DHMP was removed from the COA RAE 5 contract and began contracting directly with HCPF.

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.

Financial statements for the Plan, prepared on a statutory basis of accounting, can be obtained from the Authority at 303.602.0462, or by writing to the Denver Health and Hospital Authority, Division of Finance, MC 1925, 601 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

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2020 and 2019

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 and one DCHS Board Director 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 2020 and 2019.

DHHA OMC QALICB, Inc.

DHHA OMC QALICB Inc. (OMC Inc.), a discretely presented component unit of the Denver Health and Hospital Authority (the Authority), was formed in January 2020 to purchase equipment primarily used in the outpatient medical center located at 660 Bannock Street, Pavilion L, Denver, Colorado. The members of OMC Inc. are the Authority and Denver Community Health Service Inc., (DCHS) a Colorado nonprofit corporation. The Board of Directors of OMC Inc. consists of one member who is an Authority employee, and two members who are DCHS Board Directors. Two Authority employees and one DCHS Board Director act as non-voting officers of OMC Inc.

In January of 2020, the Authority invested \$14.9 million with an equity investor in the form of a note receivable. The equity investor contributed \$6.9 million and the total was loaned to three Community Development Entities (CDEs). OMC Inc. received the proceeds of six note payables to these CDEs related to New Market Tax Credit (NMTC) financing. The proceeds of this financing were used to acquire medical equipment to be used primarily in the new outpatient medical center on the Authority's main campus. This new building is scheduled to open February 2021. The Authority began leasing the equipment from OMC Inc. during 2020.

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

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2020 and 2019

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 2020 and 2019, the Foundation paid the Authority approximately \$3,800,000 and \$3,600,000, respectively, in pass through grants and donations.

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 \$5,100,000 and \$4,900,000 in 2020 and 2019, 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. In 2020, the Authority contributed an additional \$360,000 for ongoing support. 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.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2020 and 2019

For each of the years ended December 31, 2020 and 2019, the Authority recognized revenue from the City for Authority services of approximately \$27,773,000 and \$30,777,300, respectively, 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 \$25,373,000 and \$29,985,000 in 2020 and 2019, respectively. Revenue is recognized as services are provided. As of December 31, 2020, the City has an outstanding commitment to provide funding to the Authority not to exceed \$13,900,000 for debt financed clinic construction within the city limits of Denver, Colorado.

Additionally, the City and County of Denver's General Obligation Bond has provided \$75,000,000 of funding for the construction of the outpatient medical center located at 660 Bannock Street, Pavilion L. The City contributed \$0 and \$57,600,000 in 2020 and 2019, respectively, for the construction of the building which are recorded in contributions restricted for capital assets within the statements of revenues, expenses 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, 2020 and 2019, cash equivalents consisted primarily of operational depository accounts, checking accounts and repurchase agreements.

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.

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2020 and 2019

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.

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, 2020 and 2019.

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

Denver Health and Hospital Authority

Notes to Financial Statements

December 31, 2020 and 2019

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 including CARES Act and FEMA funds, 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.

Accelerated Medicare Payments

During the year ended December 31, 2020, the Authority requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible health care facilities to request advance Medicare payments in response to the COVID-19 pandemic. These amounts are expected to be repaid to the Centers for Medicare Services (CMS) according to the payback provisions.

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.

Denver Health and Hospital Authority

Notes to Financial Statements

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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) that was retired as of January 1, 2020. 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.

The Authority reports deferred outflows of resources for pension benefits, other postemployment benefits, acquisitions, and loss on refunding of debt. 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

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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.

Capitation Earned

Capitation revenue was earned based on the month in which members are entitled to healthcare services. Medical loss ratio expense and excess of loss reinsurance expense is (related to years and claims prior to September 1, 2018) 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, CCPPS, or 550 Acoma's Inc. exempt function (unrelated business income).

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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.

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 2020, the Authority attested that it met all applicable program year 2019 Modified Stage 3 objectives for the Medicare EHR Incentive Programs during the reporting period January 1 through December 31, 2020. EHR incentive payments are no longer available to the Authority after 2017.

Regarding Promoting Interoperability Program for eligible providers, in 2020, the Authority attested on behalf of 339 eligible providers that they met all applicable program year 2019 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 2020, the Authority recorded approximately \$2,900,000 of Promoting Interoperability Program revenue for eligible providers, compared to \$2,300,000 in 2019.

COVID-19 Pandemic Funding

Provider Relief Fund

During the year ended December 31, 2020, the Authority received \$92.8 million of distributions from the CARES Act Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the Authority is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

The Authority is accounting for such payments as conditional contributions. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Authority's operating revenues and expenses through December 31, 2020, the Authority recognized \$81.9 million, related to the Provider Relief Fund, and these payments are recorded as nonoperating grant revenue – CARES Act/FEMA

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in the statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions is recorded as part of unearned revenue in the accompanying statements of net position.

The Authority will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Authority's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Authority is unable to attest to or comply with current or future terms and conditions the Authority's ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the Authority's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

Medicare Accelerated and Advanced Payment Program

During the year ended December 31, 2020, the Authority requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. The Authority received approximately \$28.0 million from these accelerated Medicare payment requests. The unapplied amount of accelerated Medicare payment requests is recorded in estimated amounts in accelerated Medicare payments in the accompanying statements of net position.

Effective September 30, 2020, the payback provisions were revised and the payback period was extended to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25% of the remittance advice payment followed by a six-month payback period at 50% of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withhold amounts to be paid back in a lump-sum or interest will begin to accrue subsequent to the 29th month at a rate of 4%.

FEMA Funding

During the year ended December 31, 2020, the Authority received approximately \$9.5 million from FEMA in a joint application with the City and County of Denver for FEMA funding to support Denver Health's COVID-19 emergency response. The Authority is accounting for such payments as conditional contributions. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of FEMA, the Authority recognized approximately \$5.1 million, and these payments are recorded as nonoperating grant revenue – CARES Act/FEMA in the statements of revenues, expenses and changes in net position.

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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.

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. Federally Qualified Healthcare (FQHC) services rendered to Medicaid program beneficiaries are paid at the higher of prospective payment system (PPS) rates or alternative payment rates, which are calculated based on an inflated cost per visit. 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, 2015. 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 \$138,886,000 and \$124,121,000 in 2020 and 2019, 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

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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 \$65,306,000 and \$68,353,000 for the years ended December 31, 2020 and 2019, 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).

Gross patient service revenue and the level of uncompensated care provided, based on the Authority's established rates, during the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Gross charges, including charges forgone for charity	\$ 2,706,534,628	\$ 2,668,611,242
Charges forgone for charity care	<u>(197,638,593)</u>	<u>(193,201,632)</u>
Gross patient service revenue	2,508,896,035	2,475,409,610
Capitation earned under prepaid health plans	12,600,000	(14,150,174)
Contractual adjustments	(1,664,292,692)	(1,587,365,786)
Provision for bad debts	<u>(87,529,450)</u>	<u>(98,795,282)</u>
Net patient service revenue	<u>\$ 769,673,893</u>	<u>\$ 775,098,368</u>
Uncompensated care		
Contractual adjustments	\$ 1,664,292,692	\$ 1,587,365,786
Provision for bad debts	87,529,450	98,795,282
Charity care	<u>197,638,593</u>	<u>193,201,632</u>
	<u>\$ 1,949,460,735</u>	<u>\$ 1,879,362,700</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.

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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 \$17,640,000 and \$18,854,000 in advance for the years ended December 31, 2020 and 2019, 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.

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 \$96,289,000 and \$92,992,000 for the years ended December 31, 2020 and 2019, 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 2020 and 2019 had the following effect on the financial statements:

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	2020	2019
Colorado Indigent Care Program revenue	\$ 101,372,109	\$ 99,787,006
Supplemental Medicaid base rate revenue	690,588	2,652,910
Supplemental Medicaid outpatient hospital revenue	3,537,080	1,771,912
Hospital quality incentive payment	7,820,487	7,616,860
Total hospital provider fee revenue	113,420,264	111,828,688
Provider fee expense (included in contracted services and non-medical supplies)	(34,956,785)	(32,963,986)
Total net hospital provider fee	\$ 78,463,479	\$ 78,864,702
	2020	2019
Total hospital provider fee revenue	\$ 113,420,264	\$ 111,828,688
Ambulance Upper Payment Limit revenue	1,407,681	5,207,355
Outstationing revenue	7,683,142	1,148,756
Primary care funds	4,484,664	4,510,422
Physician certification revenue	4,249,932	3,260,427
Total other safety net	17,825,419	14,126,960
Total safety net revenue	\$ 131,245,683	\$ 125,955,648

At December 31, 2020 and 2019, the Authority had a prepaid for provider fee expense which is recorded on the statements of net position in the amounts of approximately \$6,059,000 and \$5,328,000, 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.

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Cash, cash equivalents and investments at December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 71,240,026	\$ 63,293,839
Short-term investments		
Corporate bonds	-	4,049,520
Total short-term investments	-	4,049,520
Long-term and board-designated investments		
Mortgage-backed securities	12,900,595	18,884,544
U.S. government agency notes	2,967,023	8,672,216
Corporate bonds	150,944,518	150,733,245
Corporate asset-backed bonds	4,861,258	5,834,229
Municipal bonds	10,003,142	11,406,531
U.S. government treasury bills	6,667,875	7,703,483
Mutual funds		
Global equity fund	4,797,132	6,682,682
Commodity and commodity futures fund	3,443,766	3,285,812
Debt fund	135,457,182	44,523,214
Domestic equity fund	20,848,586	20,051,668
International equity fund	3,486,733	3,992,172
Emerging markets fund	1,975,749	3,862,117
Alternative funds	11,832,634	11,034,991
Total long-term investments and board-designated investments	<u>370,186,193</u>	<u>296,666,904</u>
Total cash, cash equivalents and investments, excluding restricted investments	<u>\$ 441,426,219</u>	<u>\$ 364,010,263</u>

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Restricted investments at December 31, 2020 and 2019 are as follows:

	2020	2019
Bond proceeds restricted as provided in bond agreements		
Cash equivalents	\$ 4,081,045	\$ 35,917,252
Guaranteed investment contract	14,970,687	14,970,687
	\$ 19,051,732	\$ 50,887,939

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.

The following is a summary of the Authority’s investments at December 31, 2020 and 2019 with average credit ratings based on S&P ratings or equivalent:

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	2020		2019	
	Investments	S & P Rating	Investments	S & P Rating
Cash and cash equivalents				
Cash and cash equivalents	\$ 69,632,029		\$ -	
Class I or government money market fund	<u>1,607,997</u>	AAA	<u>63,293,839</u>	AAA
Total cash and cash equivalents	<u>71,240,026</u>		<u>63,293,839</u>	
Short-term investments				
Corporate bonds	-		2,040,360	BBB+
Corporate bonds	<u>-</u>		<u>2,009,160</u>	BBB
Total short-term investments	<u>-</u>		<u>4,049,520</u>	
Long-term and board-designated investments				
Mortgage-backed securities	1,908,906	AAA	2,075,791	AAA
Mortgage-backed securities	6,472,052	AA+	10,440,378	AA+
Mortgage-backed securities	4,495,788	N/A	6,332,349	N/A
Mortgage-backed securities	23,849	N/R	36,026	N/R
U.S. government agency notes	2,967,023	AA+	8,672,216	AA+
Corporate bonds	2,152,038	AAA	1,003,060	AAA
Corporate bonds	1,137,904	AA+	1,065,190	AA+
Corporate bonds	2,800,558	AA	1,173,533	AA
Corporate bonds	4,821,279	AA-	7,036,620	AA-
Corporate bonds	5,059,605	A+	5,910,941	A+
Corporate bonds	15,490,900	A	16,872,622	A
Corporate bonds	23,990,810	A-	23,332,764	A-
Corporate bonds	46,745,976	BBB+	44,362,029	BBB+
Corporate bonds	22,122,648	BBB	32,492,406	BBB
Corporate bonds	19,650,223	BBB-	17,484,080	BBB-
Corporate bonds	1,669,843	BB+	-	
Corporate bonds	499,375	BB-	-	
Corporate bonds	1,892,021	N/A	-	
Corporate bonds	2,911,337	N/R	-	
Corporate asset backed bonds	1,025,882	AAA	2,262,303	AAA
Corporate asset backed bonds	1,001,580	A	1,028,956	A
Corporate asset backed bonds	2,833,796	N/A	2,542,970	N/A
Municipal bonds	3,214,700	AA+	3,440,389	AA+
Municipal bonds	637,774	AA	2,294,744	AA
Municipal bonds	3,677,062	AA-	1,886,741	AA-
Municipal bonds	925,761	A+	1,872,623	A+
Municipal bonds	1,035,510	A	-	
Municipal bonds	512,335	N/A	1,759,084	N/A
Municipal bonds	-		152,950	N/R
U.S. government treasury bills	6,667,875	AA+	7,703,483	AA+
Open end mutual funds	<u>181,841,783</u>	N/A	<u>93,432,656</u>	N/A
Total long-term and board-designated investments	<u>370,186,193</u>		<u>296,666,904</u>	
Total cash, cash equivalents and investments, excluding restricted investments	<u>\$ 441,426,219</u>		<u>\$ 364,010,263</u>	

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The following is a summary of the Authority's restricted investments at December 31, 2020 and 2019 with average credit ratings based on S&P ratings or equivalent:

	2020		2019	
	Investments	S & P Rating	Investments	S & P Rating
Bond proceeds restricted as provided in bond agreements				
Cash equivalents	\$ 4,081,045	N/A	\$ 35,917,252	N/A
Guaranteed investment contract	14,970,687	AA-	14,970,687	AA-
	<u>\$ 19,051,732</u>		<u>\$ 50,887,939</u>	

Foreign Currency Risk

The Authority's investment policy permits up to a 10% investment in foreign currency. As of December 31, 2020 and 2019, 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, 2020, approximately \$17,762,000, or 4.80%, of total long-term investments were in corporate asset-backed bonds and government mortgage-backed securities. As of December 31, 2019, approximately \$24,719,000, or 8.33%, 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, 2020 and 2019:

Portfolio Component	Par Value	Duration	Average Weighted Maturity (Years)	Average Weighted Effective Maturity (Years)
December 31, 2020				
Working capital account	\$ 131,977,319	1.21	2.88	1.86
Commerce intermediate	92,939,009	6.00	11.15	7.70
Investment account	17,659,308	1.66	2.31	2.25
Other reserve account	343,959	4.34	4.78	4.78
Medical malpractice reserve account	5,430,728	2.29	2.65	2.43
Total components	<u>\$ 248,350,323</u>	<u>3.14</u>	<u>6.1</u>	<u>4.2</u>

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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>

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, 2020, the Authority owned \$10.1 million (2.29% of the portfolio) of Bank of America bonds, \$5.6 million (1.27% of the portfolio) of Citigroup bonds, \$5.4 million (1.23% of the portfolio) of Banco Santander S.A. bonds, \$5.3 million (1.21% of the portfolio) of Jeffries Financial Group bonds and \$5.2 million (1.19% of the portfolio) of Wells Fargo 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/Local Government Investment Pools	30%
State and local government bonds	50%
Corporate bonds	75%
Commercial asset-backed securities	25%
Plus Sector Funds	5%
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, 2020 and 2019.

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, 2020 and 2019:

	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, 2020				
Long-term investments				
Mortgage-backed securities	\$ 12,900,595	\$ -	\$ 12,900,595	\$ -
U.S. government agency notes	2,967,023	-	2,967,023	-
Corporate bonds	150,944,518	-	150,944,518	-
Corporate asset-backed bonds	4,861,258	-	4,861,258	-
Municipal bonds	10,003,142	-	10,003,142	-
U.S. government treasury bills	6,667,875	6,667,875	-	-
Mutual funds				
Global equity fund	4,797,132	4,797,132	-	-
Commodity and commodity futures fund	3,443,766	3,443,766	-	-
Debt fund	135,457,182	135,457,182	-	-
Domestic equity fund	20,848,586	20,848,586	-	-
International equity fund	3,486,733	3,486,733	-	-
Emerging markets fund	1,975,749	1,975,749	-	-
Alternative funds	11,832,634	11,832,634	-	-
	<u>\$ 370,186,193</u>	<u>\$ 188,509,657</u>	<u>\$ 181,676,536</u>	<u>\$ -</u>

	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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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.

Note 6: Capital Assets

Capital assets, by major category, at December 31, 2020 and 2019 are as follows:

December 31, 2020	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 34,345,787	\$ 4,304,717	\$ (76,315)	\$ 38,574,189
Construction in progress	<u>154,935,872</u>	<u>65,310,268</u>	<u>(58,107,382)</u>	<u>162,138,758</u>
Total capital assets, not being depreciated	<u>189,281,659</u>	<u>69,614,985</u>	<u>(58,183,697)</u>	<u>200,712,947</u>
Capital assets, being depreciated				
Buildings and improvements	679,623,603	50,487,481	(8,253,361)	721,857,723
Equipment and software	<u>347,737,229</u>	<u>29,450,969</u>	<u>(827,246)</u>	<u>376,360,952</u>
Total capital assets, being depreciated	<u>1,027,360,832</u>	<u>79,938,450</u>	<u>(9,080,607)</u>	<u>1,098,218,675</u>
Less accumulated depreciation				
Buildings and improvements	332,133,347	27,155,960	(8,244,907)	351,044,400
Equipment and software	<u>276,293,789</u>	<u>24,105,021</u>	<u>(763,511)</u>	<u>299,635,299</u>
Total accumulated depreciation	<u>608,427,136</u>	<u>51,260,981</u>	<u>(9,008,418)</u>	<u>650,679,699</u>
Total capital assets, being depreciated, net	<u>418,933,696</u>	<u>28,677,469</u>	<u>(72,189)</u>	<u>447,538,976</u>
Capital assets, net	<u>\$ 608,215,355</u>	<u>\$ 98,292,454</u>	<u>\$ (58,255,886)</u>	<u>\$ 648,251,923</u>

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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>

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, 2020 and 2019 are as follows:

	2020	2019
Medicare	\$ 18,739,851	\$ 15,259,309
Medicaid	13,911,624	17,690,639
Commercial insurance carriers	33,420,148	30,475,701
Patient self-pay	<u>6,984,897</u>	<u>8,733,734</u>
Total	<u>\$ 73,056,520</u>	<u>\$ 72,159,383</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

2017 and 2019 Revenue Bonds

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 2020 and 2019, principal payments were made of \$3,915,000 and \$3,730,000, respectively. Interest is payable semiannually and payments were approximately \$4,066,000 and \$4,253,000 for the years ended December 31, 2020 and 2019, 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 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. Interest is payable semiannually and payments were approximately \$3,671,000 and \$734,000 for the years ended December 31, 2020 and 2019, respectively. Principal payments on the 2019B Bonds began in 2020 and will continue through 2029 in amounts ranging from \$2,810,000 to \$7,645,000. For the year ended 2020, principal payments were made of \$5,575,000. Interest is payable semiannually and payments were approximately \$975,000 and \$195,000 for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the unamortized net deferred loss, which includes the 2007 deferred loss and 2009 deferred gain noted above, was approximately \$15,931,000 and \$18,300,000, respectively.

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2014 Revenue Bonds

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 were 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 2020 and 2019, 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 principal payments beginning in 2016 and continuing through 2026 in amounts ranging from \$845,000 to \$2,255,000. For the years ended 2020 and 2019, principal payments were made of \$1,300,000 and \$1,290,000, respectively. During 2020 and 2019, the Authority made interest payments of approximately \$449,000 and \$490,000, respectively.

Notes from Direct Borrowings and Direct Placements

The Authority's outstanding notes from direct borrowings and direct placements as of December 31, 2020 and December 31, 2019 include 2017A bonds, Series 2019B bonds, the program support liability, and other long-term debt totaling approximately \$137,160,000 and \$167,293,000, respectively. 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 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

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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, 2020 and 2019, the Authority has received \$4,070,181 from the City under this loan. During 2020 and 2019, the Authority paid \$290,000 and \$275,000, respectively, in principal payments to HUD. Interest and HUD fees paid on this loan for 2020 and 2019 totaled \$30,295 and \$56,936, respectively. During 2020 and 2019, \$37,542 and \$9,806, respectively, was reimbursed as a capital contribution by the City.

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 2020 and 2019, the Authority accrued interest expense of approximately \$214,000 and \$516,000, respectively, and made principal and interest payments of approximately \$4,071,000 for both years, bringing the liability to approximately \$0 and \$3,857,000 at December 31, 2020 and 2019, respectively.

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 2020 and 2019, the Authority paid approximately \$14,827,000 and \$8,592,000, respectively. This liability bears no interest.

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 2020 and 2019, the Authority made payments of approximately \$268,000 and \$460,000, 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 2020 and 2019, the Authority made payments of approximately \$207,000 and \$311,000, respectively.

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 2020 and 2019, the Authority made principal payments of approximately \$974,000 and \$946,000 respectively. During 2020 and 2019, the Authority made interest payments of approximately \$108,000 and \$165,000, 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.

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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 2020 and 2019, approximately \$0 and \$131,000, respectively, of interest expense was capitalized. During 2020 and 2019, the Authority made interest payments of approximately \$1,823,000.

Year-end Debt Balances

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

	December 31,	
	2020	2019
Revenue Bonds, Series 2014, due in increasing annual installments beginning 2016 through 2045 (net of unamortized bond premium of \$907,178 and \$943,465 at December 31, 2020 and 2019, respectively)	\$ 77,192,178	\$ 78,558,466
Revenue Bonds Series 2017A, due in increasing annual installments beginning 2018 through 2036 (net of unamortized bond premium of \$7,223,868 and \$8,126,851 as of December 31, 2020 and 2019, respectively).	89,463,868	93,830,359
Revenue Bonds, Series 2019A and Series 2019B, due in increasing annual installments beginning 2020 through 2040 (net of unamortized bond premium of \$13,617,935 and \$14,298,832 as of December 31, 2020 and 2019, respectively).	140,317,935	146,573,831
550 Acoma Inc. notes payable, net of unamortized bond premium of \$2,780,793 and \$2,880,107 as of December 31, 2020 and 2019, respectively)	40,275,793	40,695,108
Program support liability	5,588,981	20,415,586
Other long-term debt	6,229,957	12,792,496
Capital lease obligations	2,452,338	174,564
	<hr/>	<hr/>
Total current and long-term debt	361,521,050	393,040,410
Less current portion	(19,615,451)	(26,469,100)
	<hr/>	<hr/>
Total long-term debt	<u>\$ 341,905,599</u>	<u>\$ 366,571,310</u>

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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, 2020	Date of Issuance	Beginning Balance	Additions and Discount/ Premium Amortization	Principal Payments or Reductions	Ending Balance	Due Within One Year
Series 2014A and B, net of premium	May, 2014	\$ 78,558,466	\$ (36,288)	\$ (1,330,000)	\$ 77,192,178	\$ 1,370,000
Series 2017A, net of premium	August 2017	93,830,358	(451,490)	(3,915,000)	89,463,868	4,110,000
Series 2019A and B net of premium	September 2019	146,573,831	(680,896)	(5,575,000)	140,317,935	5,685,000
550 Acoma Inc. notes payable, net of premium	September 2019	40,695,108	(99,315)	(320,000)	40,275,793	660,000
Program support liability	May 2017	20,415,587	-	(14,826,606)	5,588,981	5,588,981
Other long-term debt	Various	12,792,496	213,896	(6,776,435)	6,229,957	1,848,036
Capital leases	Various	174,564	2,505,935	(228,161)	2,452,338	353,434
Compensated absences liability		29,576,425	3,581,578	-	33,158,003	33,041,927
Postemployment benefits		23,559,511	-	(19,018,940)	4,540,571	-
Total		<u>\$ 446,176,346</u>	<u>\$ 5,033,420</u>	<u>\$ (51,990,142)</u>	<u>\$ 399,219,624</u>	<u>\$ 52,657,378</u>

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>

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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
2021	\$ 19,615,451	\$ 12,142,214	\$ 31,757,665
2022	13,885,712	11,764,587	25,650,299
2023	14,258,584	11,369,730	25,628,314
2024	13,426,828	10,956,025	24,382,853
2025	10,867,009	10,528,852	21,395,861
2026-2030	60,872,692	46,707,394	107,580,086
2031-2035	72,790,000	33,947,788	106,737,788
2036-2040	90,570,000	17,548,163	108,118,163
2041-2045	33,985,000	4,031,475	38,016,475
2046-2050	6,720,000	-	6,720,000
	<u>336,991,276</u>	<u>\$ 158,996,228</u>	<u>\$ 495,987,504</u>
Total long-term debt payments			
	<u>336,991,276</u>	<u>\$ 158,996,228</u>	<u>\$ 495,987,504</u>
Unamortized premium on 2014 A Bonds, 2017A Bonds, 2019A Bonds and 550 Acoma notes payable	<u>24,529,774</u>		
Total carrying amount of long-term debt	<u>\$ 361,521,050</u>		

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. As of December 31, 2020, there was no liability recorded for unpaid claims and claim adjustment expenses.

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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. On September 1, 2018, the DH Medicaid Choice Plan was moved to the Plan. At December 31, 2020 and 2019, there were 124,752 and 108,880 members enrolled in the Plan, respectively. Approximately 10% and 11% of Plan enrollment originated through Authority employee enrollment during 2020 and 2019, respectively. The Plan is presented as a discretely presented component unit. There have been no eliminations of 2020 and 2019 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, 2020 and 2019 of approximately \$83,047,000 and \$76,697,000, respectively. Such premiums are included in the accompanying statements of operations and changes in net assets 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 2020 and 2019, 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, 2020 and 2019, respectively, the Plan incurred capitation expense to the Authority totaling approximately \$177,101,844 and \$164,043,000, and fee-for-service claims of approximately \$44,750,000 and \$49,210,000.

At December 31, 2020 and 2019, the Plan has an original capital contribution from the Authority of \$500,000, which was 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 \$2,371,000 and \$13,400,000 as of December 31, 2020 and 2019, 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 \$17,032,000 for 2020 and \$13,983,000 for 2019.

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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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Unpaid claims and claim adjustment expenses, net of reinsurance, beginning of year	\$ 36,635,308	\$ 33,713,058
Incurred claims and claim adjustment expenses, net of reinsurance recoveries		
Provision for insured events of the current year	377,753,081	354,891,158
Decrease in provision for insured events of prior years	<u>(127,105)</u>	<u>(4,522,024)</u>
Total incurred claims and claim adjustment expenses, net of reinsurance recoveries	<u>377,625,976</u>	<u>350,369,134</u>
Payments, net of reinsurance recoveries		
Claims and claim adjustment expenses attributable to insured events of the current year	426,179,744	375,874,314
Claims and claim adjustment expenses attributable to insured events of prior year	<u>(35,749,900)</u>	<u>(28,427,430)</u>
Total payments, net of reinsurance recoveries	<u>390,429,844</u>	<u>347,446,884</u>
Unpaid claims and claim adjustment expenses, net of reinsurance, end of year	<u>\$ 23,831,440</u>	<u>\$ 36,635,308</u>

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Note 10: Operating Lease Commitments

The Authority leases certain property and equipment under noncancelable operating leases that expire in various years through 2028. Future minimum lease payments under noncancelable operating leases as of December 31, 2020 are as follows:

Year Ending December 31,	Minimum Operating Lease Payments
2021	\$ 5,567,334
2022	5,116,719
2023	5,012,281
2024	4,024,277
2025	3,359,121
2026-2028	2,783,698
	\$ 25,863,430

Rental expense under noncancelable operating leases totaled approximately \$4,367,000 and \$4,617,000 for the years ended December 31, 2020 and 2019, respectively.

Note 11: Pension Plan

The Authority participates in two pension plans: DERP and DERP RBA (see Note 12). A summary of the pension items as of and for years ended December 31, 2020 and 2019 are as follows:

Year Ended December 31, 2020	DERP	DERP RBA	Total
Pension liability	\$ 71,839,623	\$ 6,525,841	\$ 78,365,464
Deferred outflows of resources	9,207,893	776,844	9,984,737
Deferred inflows of resources	32,019,253	-	32,019,253
Expense (contra-expense)	(8,427,000)	3,440,000	(4,987,000)
Year Ended December 31, 2019	DERP	DERP RBA	Total
Pension liability	\$ 115,717,505	\$ -	\$ 115,717,505
Deferred outflows of resources	22,816,240	-	22,816,240
Deferred inflows of resources	14,878,212	-	14,878,212
Expense	8,723,000	-	8,723,000

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. DERP is no longer available to Authority employees hired January 1,

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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.

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 2020, combined employer and employees' contributions to DERP were 25.0% (15.75% employer and 9.25% employees) of applicable salaries, of which 23.70% was for pension benefits and 1.30% was for health benefits. 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.

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 2020 and 2019 were approximately \$7,000,000 and \$6,384,000, respectively. This represents 1.19% in 2020 and 1.15% in 2019 of the Authority's total payroll of all employees. Authority contributions (employer only) to DERP for the years ended December 31, 2020 and 2019 were approximately \$4,411,000 and \$4,318,000, respectively. The Authority's total payroll for all employees was approximately \$583,058,000 and \$522,346,000 for 2020 and 2019, respectively.

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

At December 31, 2020 and 2019, the Authority reported a liability of \$71,840,000 and \$115,718,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019 and 2018 and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2018 and 2017, respectively, rolled forward to December 31, 2019 and 2018, respectively. The 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, 2019, the Authority's proportion was 4.94%, which was a decrease of 2.73% from its proportion measured as of December 31, 2018. 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.

For the years ended December 31, 2020 and 2019, the Authority recognized pension expense (contra-expense) of approximately (\$8,427,000) and \$8,723,000, respectively. At December 31, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Year Ended December 31, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,260,440	\$ -
Changes of assumptions	2,245,513	-
Net difference between projected and actual earnings on pension plan investments	-	1,315,479
Changes in proportion and differences between the Authority's contributions and the proportionate share of contributions	-	30,703,774
Authority's contributions made subsequent to the measurement date	4,701,940	-
Total	\$ 9,207,893	\$ 32,019,253

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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>

At December 31, 2020, the Authority reported approximately \$4,702,000, 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2020, related to pensions will be recognized in pension expense as follows:

Year Ended	
2021	\$ (14,993,560)
2022	(12,237,661)
2023	1,027,806
2024	(1,309,885)
	<u>\$ (27,513,300)</u>

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Actuarial Assumptions

The total pension liability in the December 31, 2018 and 2017, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

2018		
Inflation	2.50%	
Salary increases	3.00%	Plus merit component based on years of service
Investment rate of return	7.50%	Net of pension plan investment expense, including inflation
2017		
Inflation	2.50%	
Salary increases	3.00%	Average, including inflation
Investment rate of return	7.50%	Net of pension plan investment expense, including inflation

Mortality rates used in the December 31, 2018 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.

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.

The actuarial assumptions used in the December 31, 2018 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 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.

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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
Public Equity	42.00%	
U.S. equity		
U.S. Large Cap	17.00%	5.50%
U.S. Small Cap	4.00%	5.70%
International Equity		
Developed Markets	13.00%	5.90%
Emerging Markets	8.00%	7.80%
Fixed Income	25.50%	
Core Fixed Income	17.00%	0.80%
Private Debt		
Private Debt	4.00%	4.10%
Distress Debt	2.50%	4.70%
Emerging Market Debt	2.00%	2.70%
Real Estate	8.00%	4.40%
Absolute Return	5.00%	2.80%
MLPs	7.00%	6.40%
Alternatives	12.50%	
Private Equity	7.00%	7.50%
Natural Resources	5.50%	6.90%
Total	<u><u>100.00%</u></u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the years ended December 31, 2020 and 2019. 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.

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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, 2020 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	\$ 91,725,549	\$ 71,839,623	\$ 55,120,903

Pension Plan Fiduciary Net Position

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

Note 12: DERP RBA Pension Liability

Plan Description

A Qualified Replacement Benefit Arrangement (RBA) was established for DERP members to received benefits in excess of certain IRS benefit payment limits. The RBA was established in 2006 but was not administratively enacted until 2020. Eligibility for the RBA occurs when the calculated benefit payments at the time of retirement exceeds the maximum benefit payable under the pension plan. The difference between calculated benefit payments and maximum benefit payable under the pension is paid from the RBA.

Prior to 2020 this plan was not administered by DERP in accordance with the plan documents. Thus 2020 is the first year the Authority is recording the liability and making contributions.

In 2020 there are a total of 10 inactive employees currently receiving benefit payments.

Contributions

During 2020, the Authority contributed \$417,000 based on amounts determined by the board to be necessary to pay benefits and reasonable and necessary expenses.

For contributions related to prior years, the Authority is working with DERP to fund.

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Employer-made Contributions Based on the Legally Required Rates

Total annual employer contributions to DERP by the Authority in 2020 and 2019 were approximately \$417,000 and \$0, respectively. This represents .07% in 2020 and 0% in 2019 of the Authority's total payroll of all employees.

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

At December 31, 2020, the Authority reported a liability of \$6,525,000. The net pension liability was measured as of December 31, 2019 and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2018 rolled forward to December 31, 2019.

For the year ended December 31, 2020, the Authority recognized pension expense of approximately \$3,444,000. At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Year Ended December 31, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes between expected and actual experience	\$ 76,009	\$ -
Assumption changes	283,911	-
Authority's contributions subsequent to the measurement date	<u>416,924</u>	<u>-</u>
Total	<u>\$ 776,844</u>	<u>\$ -</u>

At December 31, 2020, the Authority reported approximately \$417,000, 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2020, related to pensions will be recognized in pension expense as follows:

Year Ended	
2021	\$ 62,780
2022	62,780
2023	62,780
2024	62,780
2025	62,780
Thereafter	<u>46,020</u>
	<u>\$ 359,920</u>

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Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2018	
Inflation	2.50%	
Salary Increases	3.00% - 7.00%	Average, including inflation
Investment Rate of return	7.50%	Net of pension plan investment expense, including inflation

Mortality rates used in the December 31, 2018 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.

The actuarial assumptions used in the December 31, 2018 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:

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Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public Equity	42.00%	
U.S. equity		
U.S. Large Cap	17.00%	5.50%
U.S. Small Cap	4.00%	5.70%
International Equity		
Developed Markets	13.00%	5.90%
Emerging Markets	8.00%	7.80%
Fixed Income	25.50%	
Core Fixed Income	17.00%	0.80%
Private Debt		
Private Debt	4.00%	4.10%
Distress Debt	2.50%	4.70%
Emerging Market Debt	2.00%	2.70%
Real Estate	8.00%	4.40%
Absolute Return	5.00%	2.80%
MLPs	7.00%	6.40%
Alternatives	12.50%	
Private Equity	7.00%	7.50%
Natural Resources	5.50%	6.90%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the year ended December 31, 2020. 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.

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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, 2020 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
Total RBA Pension Liability	\$ 6,983,578	\$ 6,525,841	\$ 6,106,564

Pension Plan Fiduciary Net Position

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

Note 13: 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 14).

A summary of the OPEB items as of and for the years ended December 31, 2020 and 2019 are as follows:

December 31, 2020	DERP	Healthcare Premium Supplement Plan	Total
OPEB liability	\$ 4,540,571	\$ -	\$ 4,540,571
Deferred outflows of resources	491,682	-	491,682
Deferred inflows of resources	1,223,299	-	1,223,299
Expense (contra-expense)	(374,000)	-	(374,000)

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

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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 14). 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 16. 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.

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 2020 and 2019, 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 \$293,000 and \$235,000 for 2020 and 2019, respectively. This represents 0.05% of the Authority's total payroll for 2020 and 2019.

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

At December 31, 2020 and 2019, the Authority reported a liability of approximately \$4,540,000 and \$5,960,000, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to December 31, 2019. 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

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employers for the measurement period. At December 31, 2019, the Authority's proportion was 4.60%, which was a decrease of 1.10% from its proportion measured as of December 31, 2018. 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.

For the years ended December 31, 2020 and 2019, the Authority recognized OPEB expense (contra-expense) of approximately (\$374,000) and \$77,000, respectively. At December 31, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Year Ended December 31, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 100,332
Changes of assumptions	198,491	-
Net difference between projected and actual earnings on OPEB plan investments	-	43,522
Changes in proportion and differences between the Authority's contributions and the proportionate share of contributions	-	1,079,445
Authority's contributions made subsequent to the measurement date	293,191	-
Total	<u>\$ 491,682</u>	<u>\$ 1,223,299</u>
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	234,744	-
Total	<u>\$ 779,805</u>	<u>\$ 759,272</u>

At December 31, 2020 and 2019, the Authority reported approximately \$293,000 and \$235,000, respectively, 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 years ending December 31, 2021 and 2020, respectively. Other amounts

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

Year Ended	
2021	\$ (608,696)
2022	(404,494)
2023	28,194
2024	(39,812)
	\$ (1,024,808)

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, 2018 and 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

2018		
Inflation	2.50%	
Salary increases	3.00%	Plus merit component based on years of service
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
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

Mortality rates used in the December 31, 2018 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.

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.

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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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public Equity	42.00%	
U.S. equity		
U.S. Large Cap	17.00%	5.50%
U.S. Small Cap	4.00%	5.70%
International Equity		
Developed Markets	13.00%	5.90%
Emerging Markets	8.00%	7.80%
Fixed Income	25.50%	
Core Fixed Income	17.00%	0.80%
Private Debt		
Private Debt	4.00%	4.10%
Distress Debt	2.50%	4.70%
Emerging Market Debt	2.00%	2.70%
Real Estate	8.00%	4.40%
Absolute Return	5.00%	2.80%
MLPs	7.00%	6.40%
Alternatives	12.50%	
Private Equity	7.00%	7.50%
Natural Resources	5.50%	6.90%
Total	100.00%	

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.

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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, 2020 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.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Authorities proportionate share of the net OPEB liability	\$ 5,313,861	\$ 4,540,571	\$ 3,882,932

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: 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.

The Plan was amended to freeze and close to new participants effective 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.

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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.

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% in prior year.

For the years ended December 31, 2020 and 2019, the Authority funded approximately \$0 and \$777,000, respectively, to a third-party beneficiary for retirees qualified for the benefit and retiring after 2010.

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

At December 31, 2020 and 2019, the Authority reported a liability of approximately \$0 and \$17,600,000, 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 years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Total OPEB Liability		
Balance at beginning of year	\$ 17,599,733	\$ 17,478,218
Changes for the year		
Service cost	-	1,346,584
Interest on total OPEB liability	-	636,399
Changes of assumptions or other inputs	(16,958,933)	(1,206,268)
Benefit payments	(640,800)	(655,200)
Balance at end of year	\$ -	\$ 17,599,733

For the years ended December 31, 2020 and 2019, the Authority recognized OPEB expense of approximately \$0 and \$1,916,000, respectively. At December 31, 2020, the Authority reported \$0 as deferred outflows of resources and deferred inflows of resources related to the Supplement Plan.

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At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Supplement Plan from the following sources:

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

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:

2018		
Inflation	2.50%	
Salary increases	3.25%	Average, including inflation
Discount rate	4.10%	

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.

Note 15: 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.

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 and it is the trustee of the plan's assets.

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Note 16: 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 2020, 2019 and 2018 were approximately \$47,295,000, \$44,518,000 and \$42,420,000, respectively. Employee contributions in 2020, 2019 and 2018 were approximately \$34,893,000, \$33,124,000 and \$31,965,000, respectively.

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

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 an other fiduciary activity because, among other required characteristics, it controls the assets of the plan and it is the trustee of the plan's assets.

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Note 17: 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. 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 18: 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 2020, 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 estimated amount of medical malpractice and other liability was \$7,360,716 and \$6,591,279 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019. Changes in the reported liability for the years ended December 31, 2020 and 2019 are as follows:

	Beginning Balance	Provision and Changes in Estimates	Claims Paid/ Refunded	Ending Balance
2019	\$ 5,036,063	\$ 1,454,506	\$ 100,710	\$ 6,591,279
2020	\$ 6,591,279	\$ 1,041,589	\$ (272,152)	\$ 7,360,716

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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 \$250,000.

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, 2020 and 2019, the estimated amount of workers’ compensation liability was \$4,075,211 and \$3,766,682, 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, 2020 and 2019 are as follows:

	Beginning Balance	Provision and Changes in Estimates	Claims Paid	Ending Balance
2019	\$ 3,584,744	\$ 1,543,220	\$ (1,361,282)	\$ 3,766,682
2020	\$ 3,766,682	\$ 1,958,363	\$ (1,649,834)	\$ 4,075,211

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 19: 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.

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.

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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.

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

Note 20: Commitments

The Authority entered into multiple construction contracts to remodel existing buildings and to construct new buildings during 2020 and prior. Under these contracts, the Authority has committed to pay contractors approximately \$2,463,000 in future periods.

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Note 21: Fiduciary Funds

The Authority has two plans making up the Fiduciary Funds. One is the Deferred Compensation Plan created under Code Section 457 (see Note 14). The second is the Defined Contribution Plan and Enhanced Defined Contribution Plan created in accordance with section 401 (see Note 15). The combining fiduciary net position as of December 31, 2020 and 2019 are as follows:

		December 31, 2020		
		401(a)	457(b)	Total
Assets				
	Investments, at fair value	\$ 974,074,791	\$ 296,105,162	\$ 1,270,179,953
	Participant loans	15,278,991	2,990,507	18,269,498
	Total assets	989,353,782	299,095,669	1,288,449,451
	Plan net position	\$ 989,353,782	\$ 299,095,669	\$ 1,288,449,451
		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

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The combining statements of changes in fiduciary net position for years ended December 31, 2020 and 2019 are as follows:

	Year Ended December 31, 2020		
	401(a)	457(b)	Total
Additions			
Contributions			
Participant	\$ 39,249,925	\$ 33,978,248	\$ 73,228,173
Employer	47,787,831	-	47,787,831
Rollover	1,724,361	2,197,500	3,921,861
Total contributions	<u>88,762,117</u>	<u>36,175,748</u>	<u>124,937,865</u>
Investment earnings			
Net increase in fair value of investments	130,585,386	39,310,331	169,895,717
Interest, dividends and other	13,185,776	6,418,631	19,604,407
Total investment earnings	<u>143,771,162</u>	<u>45,728,962</u>	<u>189,500,124</u>
Total additions	<u>232,533,279</u>	<u>81,904,710</u>	<u>314,437,989</u>
Deductions			
Benefits paid to participants	55,043,248	20,814,501	75,857,749
Administrative income	652,672	194,441	847,113
Total deductions	<u>55,695,920</u>	<u>21,008,942</u>	<u>76,704,862</u>
Net Increase in Fiduciary Net Position	<u>176,837,359</u>	<u>60,895,768</u>	<u>237,733,127</u>
Net Position, Beginning of Year	<u>812,516,423</u>	<u>238,199,901</u>	<u>1,050,716,324</u>
Net Position, End of Year	<u>\$ 989,353,782</u>	<u>\$ 299,095,669</u>	<u>\$ 1,288,449,451</u>

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	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	<u>10,093,472</u>	<u>4,551,556</u>	<u>14,645,028</u>
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	<u>1,594,787</u>	<u>71,021</u>	<u>1,665,808</u>
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>

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.

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At December 31, 2020 and 2019, the Plans had the following investments and maturities:

December 31, 2020					
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	\$ 20,273,499	\$ 877,842	\$ 11,349,105	\$ 4,131,739	\$ 3,914,813
MetWest Total Return	33,955,933	(2,736,848)	22,438,080	8,217,336	6,037,365
Wells Fargo Stable Return	19,493,636	3,276,880	13,733,267	2,434,755	48,734
Money market mutual funds	28,660,812	28,660,812	-	-	-
Other	25,868,660	25,868,660	-	-	-
		<u>\$ 55,947,346</u>	<u>\$ 47,520,452</u>	<u>\$ 14,783,830</u>	<u>\$ 10,000,912</u>
Real estate funds	6,250,374				
Target date portfolios	819,874,658				
Mutual funds	334,071,879				
	<u>\$ 1,288,449,451</u>				

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	22,772,224	22,772,224	-	-	-
		<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	271,360,729				
	<u>\$ 1,050,716,324</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, 2020, approximately \$24,784,000, or 1.92%, 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, 2019, approximately \$21,472,000, or 2.04%, 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.

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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, 2020							
	MetWest		Wells Fargo		Fidelity Spartan		Total
	Total Return		Stable Return		U.S. Bond Index		Investments
AAA	78.96%	\$ 26,811,604	63.33%	\$ 12,345,320	71.40%	\$ 14,475,278	\$ 53,632,202
AA	2.87%	974,535	6.86%	1,337,263	4.37%	885,952	3,197,750
A	6.60%	2,241,092	14.31%	2,789,539	12.41%	2,515,941	7,546,572
BBB	15.26%	5,181,675	8.95%	1,744,681	10.32%	2,092,225	9,018,581
BB / B	3.55%	1,205,436	0.33%	64,329	0.17%	34,465	1,304,230
Below B	2.59%	879,459	0.00%	-	0.00%	-	879,459
Cash and other	-9.83%	(3,337,868)	6.22%	1,212,504	1.33%	269,638	(1,855,726)
Total	<u>100.00%</u>	<u>\$ 33,955,933</u>	<u>100.00%</u>	<u>\$ 19,493,636</u>	<u>100.00%</u>	<u>\$ 20,273,499</u>	<u>\$ 73,723,068</u>

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>

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, 2020 and 2019.

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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 \$59,831,000, or 4.64%, of total assets at December 31, 2020, and \$42,352,000, or 4.02%, of total assets at December 31, 2019.

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, 2020 and 2019:

	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, 2020				
Investments				
Mutual funds	\$ 1,270,179,953	\$ 1,270,179,953	\$ -	\$ -
Total investments	\$ 1,270,179,953	\$ 1,270,179,953	\$ -	\$ -

	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				
Investments				
Mutual funds	\$ 1,032,181,257	\$ 1,032,181,257	\$ -	\$ -
Total investments	\$ 1,032,181,257	\$ 1,032,181,257	\$ -	\$ -

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December 31, 2020 and 2019

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 22: 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, 2020 and 2019.

Denver Health and Hospital Authority
Notes to Financial Statements
December 31, 2020 and 2019

	December 31, 2020			
	Total Authority	CCPPS	550 Acoma Inc.	Total
Condensed Statement of Net Position				
Current assets	\$ 223,979,207	\$ (1,008,834)	\$ 3,012,817	\$ 225,983,190
Noncurrent Assets				
Capital assets, net of accumulated depreciation	620,001,657	-	28,250,266	648,251,923
Other long-term assets	428,154,803	-	3,163	428,157,966
Total noncurrent assets	1,048,156,460	-	28,253,429	1,076,409,889
Total assets	1,272,135,667	(1,008,834)	31,266,246	1,302,393,079
Deferred Outflows of Resources	26,479,179	-	-	26,479,179
Total assets and deferred outflows of resources	<u>\$ 1,298,614,846</u>	<u>\$ (1,008,834)</u>	<u>\$ 31,266,246</u>	<u>\$ 1,328,872,258</u>
Liabilities				
Current liabilities	\$ 193,129,813	\$ (334,432)	\$ 810,612	\$ 193,605,993
Long-term liabilities	414,994,646	-	39,615,793	454,610,439
Total liabilities	608,124,459	(334,432)	40,426,405	648,216,432
Deferred Inflows of Resources	33,242,552	-	-	33,242,552
Total liabilities and deferred inflows of resources	641,367,011	(334,432)	40,426,405	681,458,984
Net Position				
Net investment in capital assets	302,722,723	-	-	302,722,723
Unrestricted	354,525,112	(674,402)	(9,160,159)	344,690,551
Total net position	657,247,835	(674,402)	(9,160,159)	647,413,274
Total liabilities and net position	<u>\$ 1,298,614,846</u>	<u>\$ (1,008,834)</u>	<u>\$ 31,266,246</u>	<u>\$ 1,328,872,258</u>

Denver Health and Hospital Authority
Notes to Financial Statements
December 31, 2020 and 2019

	December 31, 2019			
	Total Authority	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	<u>366,084,301</u>	<u>-</u>	<u>3,258,912</u>	<u>369,343,213</u>
Total noncurrent assets	<u>947,596,994</u>	<u>-</u>	<u>29,961,574</u>	<u>977,558,568</u>
Total assets	1,185,122,996	(887,408)	31,830,933	1,216,066,521
Deferred Outflows of Resources	<u>42,897,168</u>	<u>-</u>	<u>-</u>	<u>42,897,168</u>
Total assets and deferred outflows of resources	<u>\$ 1,228,020,164</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	<u>469,801,072</u>	<u>-</u>	<u>40,375,107</u>	<u>510,176,179</u>
Total liabilities	653,221,428	49,485	41,236,659	694,507,572
Deferred Inflows of Resources	<u>16,249,326</u>	<u>-</u>	<u>-</u>	<u>16,249,326</u>
Total liabilities and deferred inflows of resources	<u>669,470,754</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	<u>305,267,002</u>	<u>(936,893)</u>	<u>(9,405,726)</u>	<u>294,924,383</u>
Total net position	<u>558,549,410</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>\$ (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, 2020 and 2019

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, 2020 and 2019.

	Year Ended December 31, 2020			Total
	Total Authority	CCPPS	550 Acoma Inc.	
Operating Revenues				
Net patient service revenue	\$ 769,673,893	\$ -	\$ -	\$ 769,673,893
Capitation earned net of reinsurance expense	(12,600,000)	-	-	(12,600,000)
Medicaid disproportionate share and other safety net reimbursement	131,245,683	-	-	131,245,683
City and County of Denver payment for patient care services	27,773,299	-	-	27,773,299
Federal, state and other grants	77,222,260	-	-	77,222,260
City and County of Denver purchased services	25,373,371	-	-	25,373,371
Poison and drug center contracts	24,303,056	-	-	24,303,056
Other operating revenue	44,293,579	35,191	-	44,328,770
Total operating revenues	1,087,285,141	35,191	-	1,087,320,332
Operating Expenses				
Salaries and benefits	685,809,148	-	-	685,809,148
Contracted services and nonmedical supplies	204,953,792	(227,300)	(1,071,678)	203,654,814
Medical supplies and pharmaceuticals	148,260,160	-	-	148,260,160
Managed care outside provider claims	(1,361,653)	-	-	(1,361,653)
Depreciation and amortization	51,429,930	-	192,178	51,622,108
Total operating expenses	1,089,091,377	(227,300)	(879,500)	1,087,984,577
Operating income (loss)	(1,806,236)	262,491	879,500	(664,245)
Nonoperating Revenues (Expenses)				
Decrease in equity in joint venture	(306,600)	-	-	(306,600)
Non operating grant revenue (CARES Act/FEMA)	86,998,388	-	-	86,998,388
Interest income	12,337,138	-	15,444	12,352,582
Interest expense	(13,800,998)	-	(1,722,705)	(15,523,703)
Net increase in fair value of investments	7,495,684	-	-	7,495,684
Gain on disposition of capital assets	5,444,447	-	-	5,444,447
Total nonoperating revenues (expenses)	98,168,059	-	(1,707,261)	96,460,798
Income (loss) before capital contributions	96,361,823	262,491	(827,761)	95,796,553
Contributions Restricted for Capital Assets	2,336,602	-	1,073,328	3,409,930
Increase in net position	98,698,425	262,491	245,567	99,206,483
Total Net Position, Beginning of Year	558,549,410	(936,893)	(9,405,726)	548,206,791
Total Net Position, End of Year	\$ 657,247,835	\$ (674,402)	\$ (9,160,159)	\$ 647,413,274

Denver Health and Hospital Authority
Notes to Financial Statements
December 31, 2020 and 2019

	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	69,553,459	(65,609)	(78,505)	(1,287,545)	68,121,800
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	142,435,989	(15,727,057)	(78,505)	535,807	127,166,234
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, 2020 and 2019

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, 2020 and 2019.

	Year Ended December 31, 2020			
	Total Authority	CCPPS	550 Acoma Inc.	Total
Condensed Statement of Cash Flows				
Net cash provided by operating activities	\$ 66,370,868	\$ (121,425)	\$ -	\$ 66,249,443
Net cash provided by noncapital financing activities	100,174,874	-	-	100,174,874
Net cash used in capital and related financing activities	(140,917,333)	-	-	(140,917,333)
Net cash used in investing activities	(17,560,797)	-	-	(17,560,797)
Net increase (decrease) in cash and cash equivalents	8,067,612	(121,425)	-	7,946,187
Cash and Cash Equivalents, Beginning of Year	<u>62,565,532</u>	<u>728,307</u>	<u>-</u>	<u>63,293,839</u>
Cash and Cash Equivalents, End of Year	<u>\$ 70,633,144</u>	<u>\$ 606,882</u>	<u>\$ -</u>	<u>\$ 71,240,026</u>

	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>

Note 23: Subsequent Events

Subsequent events have been evaluated through March 30, 2021, which is the date the financial statements were available to be issued.

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Required Supplementary Information

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

	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability	4.94%	7.67%	9.00%	9.84%	10.17%	10.79%
Authority's proportionate share of the net pension liability	\$ 71,839,623	\$ 115,717,505	\$ 105,588,100	\$ 120,035,324	\$ 119,914,669	\$ 94,527,507
Authority's covered-employee payroll	29,664,541	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	242.17%	361.96%	307.80%	308.49%	224.98%	224.98%
Plan fiduciary net position as a percentage of the total pension liability	60.82%	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 2019 through 2017, 7.75% for 2016 and 2015, and 8.00% for 2014.

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

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 4,701,940	\$ 4,318,106	\$ 6,392,749	\$ 6,482,903	\$ 6,778,008	\$ 6,471,773
Contributions in relation to the contractually required contribution	4,701,940	4,318,106	4,318,106	6,482,903	6,778,008	6,471,773
Contribution deficiency (excess)	-	-	-	-	-	-
Authority's covered-employee payroll	23,713,746	29,664,541	31,969,649	34,303,697	38,910,745	40,906,565
Contributions as a percentage of covered-employee payroll	19.83%	14.56%	13.51%	18.90%	17.42%	15.82%

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.

Funding Valuation Date January 1, 2019

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	UAL amortized over a closed 20- year period
Remaining Amortization Period	20
Asset Valuation Method	Market Value of asset les unrecognixed investment gains or losses from the prior five years
Inflation	2.50%
Salary Increase	3.00% to 7.00%
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 2018 valuation pursuant to an experience study of the period 2013-2017.
Mortality	RP-2014 Combined Mortality Table (gener-specific) projected with the Ultimate MP Scale with a multipliate of 110% male and 105% female.

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 *

	2019	2018	2017
Authority's proportion of the net OPEB liability	4.62%	5.70%	6.33%
Authority's proportionate share of the net OPEB liability	\$ 4,540,571	\$ 5,959,778	\$ 5,816,322
Authority's covered payroll	\$ 29,664,541	\$ 31,969,649	\$ 34,303,697
Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll	15.31%	18.64%	16.95%
Plan fiduciary net position as a percentage of the total OPEB liability	42.16%	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, 2020) in accordance with GASB 75.

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

	2020	2019	2018
Statutorily required contribution	\$ 234,744	\$ 234,744	\$ 289,933
Contributions in relation to the statutorily required contribution	255,563	234,744	289,933
Contribution deficiency (excess)	(20,819)	-	-
Authority's covered payroll	\$ 23,713,746	\$ 29,664,541	\$ 31,969,649
Contributions as a percentage of covered payroll	1.08%	0.79%	1.51%

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, 2020) 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 *

	<u>2019</u>	<u>2018</u>	<u>2017</u>
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	(16,958,933)	(1,206,268)	591,705
Benefit payments	<u>(640,800)</u>	<u>(655,200)</u>	<u>(475,200)</u>
Net Change in Total OPEB Liability	(17,599,733)	121,515	2,041,659
Authority's Total OPEB Liability - Beginning	<u>17,599,733</u>	<u>17,478,218</u>	<u>15,436,559</u>
Authority's Total OPEB Liability - Ending	<u>\$ -</u>	<u>\$ 17,599,733</u>	<u>\$ 17,478,218</u>
Covered-Employee Payroll	\$ 583,057,561	\$ 522,346,421	\$ 501,011,664
Authority's Total OPEB Liability as a Percentage of Covered-Employee Payroll	0.00%	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, 2020) 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.

This OPEB plan was amended to freeze and close to new participants effective January 1, 2020. Additionally, participants had until December 31, 2020 to expend their benefits and 90 days after that date to file a claim. The Authority does not anticipate any further liability in regard to this OPEB plan after December 31, 2020.

Denver Health and Hospital Authority
Schedules of Required Supplementary Information
Schedule of Changes in the Authority's Qualified Replacement
Benefit Plan and Related Ratios – DERP
Last Ten Fiscal Years *

	<u>2019</u>	<u>2018 *</u>
Total Pension Liability		
Service cost	\$ 24,466	\$ 35,474
Interest	240,039	219,101
Differences between expected and actual experience	91,211	-
Changes of assumptions or other inputs	561,579	(276,108)
Benefit payments	<u>(463,231)</u>	<u>(512,312)</u>
Net Change in Total Pension Liability	454,064	(533,845)
Authority's Total Pension Liability - Beginning	<u>6,071,777</u>	<u>6,605,622</u>
Authority's Total Pension Liability - Ending	<u>\$ 6,525,841</u>	<u>\$ 6,071,777</u>
Covered-Employee Payroll	\$ 38,231,689	\$ 57,501,912
Authority's Total Pension Liability as a Percentage of Covered-Employee Payroll	17.07%	10.56%

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

The discount rate was changed from 4.10% for 2018, to 2.74% 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, 2020) in accordance with GASB 73.

* 2018 information is for informational purposes only. Prior to December 31, 2020, this plan was not administered in accordance with plan documents, therefore the Authority recorded the liability and contribution in the current year.

Supplementary Information

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Denver Health and Hospital Authority
Consolidating Schedule – Statement of Net Position Information
December 31, 2020

	The Authority							
	Denver Health Medical Center	City Fund	RMPDS	Restricted Fund	Total Authority	CCPPS	550 Acoma Inc.	Total
Assets and Deferred Outflows of Resources								
Current Assets								
Cash and cash equivalents	\$ 70,634,206	\$ -	\$ -	\$ (1,062)	\$ 70,633,144	\$ 606,882	\$ -	\$ 71,240,026
Patient accounts receivable, net	73,056,520	-	-	-	73,056,520	-	-	73,056,520
Due from other governmental entities	11,868,794	-	-	10,335,068	22,203,862	-	-	22,203,862
Due from City and County of Denver	5,240,995	1,710,217	8,075	(14,450)	6,944,837	-	-	6,944,837
Other receivables	6,174,845	(865)	4,337,135	6,023,056	16,534,171	-	-	16,534,171
Interest receivable	1,717,635	-	-	-	1,717,635	-	-	1,717,635
Due from (to) and investment in discretely presented component units	(15,814,834)	(1,494,419)	24,952,434	(6,177,745)	1,465,436	(1,615,716)	3,012,817	2,862,537
Inventories	16,423,825	-	-	-	16,423,825	-	-	16,423,825
Prepaid expenses and other assets	14,681,713	-	277,912	40,152	14,999,777	-	-	14,999,777
Total current assets	<u>183,983,699</u>	<u>214,933</u>	<u>29,575,556</u>	<u>10,205,019</u>	<u>223,979,207</u>	<u>(1,008,834)</u>	<u>3,012,817</u>	<u>225,983,190</u>
Noncurrent Assets								
Notes receivable	30,389,348	-	-	-	30,389,348	-	-	30,389,348
Estimated third-party payor settlements receivable	5,200,003	-	-	-	5,200,003	-	-	5,200,003
Equity interest in joint venture	2,015,033	-	-	-	2,015,033	-	-	2,015,033
Restricted investments	19,048,569	-	-	-	19,048,569	-	3,163	19,051,732
Capital assets, net of accumulated depreciation	619,267,740	733,917	-	-	620,001,657	-	28,250,266	648,251,923
Long-term investments	363,186,193	-	-	-	363,186,193	-	-	363,186,193
Board-designated investments	7,000,000	-	-	-	7,000,000	-	-	7,000,000
Other long-term assets	8,284	1,307,373	-	-	1,315,657	-	-	1,315,657
Total noncurrent assets	<u>1,046,115,170</u>	<u>2,041,290</u>	<u>-</u>	<u>-</u>	<u>1,048,156,460</u>	<u>-</u>	<u>28,253,429</u>	<u>1,076,409,889</u>
Total assets	<u>1,230,098,869</u>	<u>2,256,223</u>	<u>29,575,556</u>	<u>10,205,019</u>	<u>1,272,135,667</u>	<u>(1,008,834)</u>	<u>31,266,246</u>	<u>1,302,393,079</u>
Deferred Outflows of Resources								
Deferred outflows of resources related to pension benefits	9,984,737	-	-	-	9,984,737	-	-	9,984,737
Deferred outflows of resources related to other postemployment benefits	491,682	-	-	-	491,682	-	-	491,682
Deferred outflow - acquisitions	71,667	-	-	-	71,667	-	-	71,667
Loss on refunding of debt	15,931,093	-	-	-	15,931,093	-	-	15,931,093
Total deferred outflows of resources	<u>26,479,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,479,179</u>	<u>-</u>	<u>-</u>	<u>26,479,179</u>
Total assets and deferred outflows of resources	<u>\$ 1,256,578,048</u>	<u>\$ 2,256,223</u>	<u>\$ 29,575,556</u>	<u>\$ 10,205,019</u>	<u>\$ 1,298,614,846</u>	<u>\$ (1,008,834)</u>	<u>\$ 31,266,246</u>	<u>\$ 1,328,872,258</u>

Denver Health and Hospital Authority
Consolidating Schedule – Statement of Net Position Information
December 31, 2020

	The Authority							
	Denver Health Medical Center	City Fund	RMPDS	Restricted Fund	Total Authority	CCPPS	550 Acoma Inc.	Total
Liabilities, Deferred Inflows of Resources and Net Position								
Current Liabilities								
Current maturities of bonds payable	\$ 11,165,000	\$ -	\$ -	\$ -	\$ 11,165,000	\$ -	\$ 660,000	\$ 11,825,000
Current maturities of capital leases	353,434	-	-	-	353,434	-	-	353,434
Current maturities of notes payable	1,848,036	-	-	-	1,848,036	-	-	1,848,036
Current maturities of program support liability	5,588,981	-	-	-	5,588,981	-	-	5,588,981
Medical malpractice liability	7,360,716	-	-	-	7,360,716	-	-	7,360,716
Accounts payable and accrued expenses	53,208,485	-	1,946,260	17,760	55,172,505	(334,432)	150,612	54,988,685
Accrued salaries, wages and employee benefits	30,475,826	-	-	-	30,475,826	-	-	30,475,826
Accrued compensated absences	33,041,927	-	-	-	33,041,927	-	-	33,041,927
Accelerated Medicare payments	8,919,516	-	-	-	8,919,516	-	-	8,919,516
Unearned revenue	33,156,068	-	213,323	5,834,481	39,203,872	-	-	39,203,872
Total current liabilities	<u>185,117,989</u>	<u>-</u>	<u>2,159,583</u>	<u>5,852,241</u>	<u>193,129,813</u>	<u>(334,432)</u>	<u>810,612</u>	<u>193,605,993</u>
Long-term Liabilities								
Long-term portion of liability for estimated third-party settlements	10,650,855	-	-	-	10,650,855	-	-	10,650,855
Long-term portion of compensated absences	116,076	-	-	-	116,076	-	-	116,076
Long-term portion of accelerated Medicare payments	19,031,874	-	-	-	19,031,874	-	-	19,031,874
Bonds payable, less current maturities	295,808,980	-	-	-	295,808,980	-	-	295,808,980
Capital lease obligations, less current maturities	2,098,905	-	-	-	2,098,905	-	-	2,098,905
Notes payable, less current maturities	4,381,921	-	-	-	4,381,921	-	39,615,793	43,997,714
Net pension liability	78,365,464	-	-	-	78,365,464	-	-	78,365,464
Postemployment benefits	4,540,571	-	-	-	4,540,571	-	-	4,540,571
Total long-term liabilities	<u>414,994,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>414,994,646</u>	<u>-</u>	<u>39,615,793</u>	<u>454,610,439</u>
Total liabilities	<u>600,112,635</u>	<u>-</u>	<u>2,159,583</u>	<u>5,852,241</u>	<u>608,124,459</u>	<u>(334,432)</u>	<u>40,426,405</u>	<u>648,216,432</u>
Deferred Inflows of Resources								
Deferred inflows of resources related to pension benefits	32,019,253	-	-	-	32,019,253	-	-	32,019,253
Deferred inflows of resources related to other postemployment benefits	1,223,299	-	-	-	1,223,299	-	-	1,223,299
Total deferred inflows of resources	<u>33,242,552</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,242,552</u>	<u>-</u>	<u>-</u>	<u>33,242,552</u>
Total liabilities and deferred inflows of resources	<u>633,355,187</u>	<u>-</u>	<u>2,159,583</u>	<u>5,852,241</u>	<u>641,367,011</u>	<u>(334,432)</u>	<u>40,426,405</u>	<u>681,458,984</u>
Net Position								
Net investment in capital assets	301,988,806	733,917	-	-	302,722,723	-	-	302,722,723
Unrestricted	321,234,055	1,522,306	27,415,973	4,352,778	354,525,112	(674,402)	(9,160,159)	344,690,551
Total net position	<u>623,222,861</u>	<u>2,256,223</u>	<u>27,415,973</u>	<u>4,352,778</u>	<u>657,247,835</u>	<u>(674,402)</u>	<u>(9,160,159)</u>	<u>647,413,274</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,256,578,048</u>	<u>\$ 2,256,223</u>	<u>\$ 29,575,556</u>	<u>\$ 10,205,019</u>	<u>\$ 1,298,614,846</u>	<u>\$ (1,008,834)</u>	<u>\$ 31,266,246</u>	<u>\$ 1,328,872,258</u>

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

	The Authority				Total Authority	601 Broadway Inc.	CCPPS	550 Acoma Inc.	Total
	Denver Health Medical Center	City Fund	RMPDC	Restricted Fund					
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	RMPDC	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 – Revenue and Expenses Information
Year Ended December 31, 2020

	The Authority							
	Denver Health Medical Center	City Fund	RMPDS	Restricted Fund	Total Authority	CCPPS	550 Acoma Inc.	Total
Operating Revenues								
Net patient service revenue	\$ 767,741,397	\$ 1,744,499	\$ 187,997	\$ -	\$ 769,673,893	\$ -	\$ -	\$ 769,673,893
Capitation earned net of reinsurance expense	(12,600,000)	-	-	-	(12,600,000)	-	-	(12,600,000)
Medicaid disproportionate share and other safety net reimbursement	131,245,683	-	-	-	131,245,683	-	-	131,245,683
City and County of Denver payment for patient care services	27,773,299	-	-	-	27,773,299	-	-	27,773,299
Federal, state and other grants	355,331	-	-	76,866,929	77,222,260	-	-	77,222,260
City and County of Denver purchased services	7,319,617	17,956,786	96,900	68	25,373,371	-	-	25,373,371
Poison and drug center contracts	-	-	24,303,056	-	24,303,056	-	-	24,303,056
Other operating revenue	44,665,364	(334,530)	-	(37,255)	44,293,579	35,191	-	44,328,770
Total operating revenues	966,500,691	19,366,755	24,587,953	76,829,742	1,087,285,141	35,191	-	1,087,320,332
Operating Expenses								
Salaries and benefits	595,739,634	17,751,994	13,873,481	58,444,039	685,809,148	-	-	685,809,148
Contracted services and nonmedical supplies	174,482,787	902,619	9,758,731	19,809,655	204,953,792	(227,300)	(1,071,678)	203,654,814
Medical supplies and pharmaceuticals	144,920,475	712,616	436	2,626,633	148,260,160	-	-	148,260,160
Managed care outside provider claims	(1,361,653)	-	-	-	(1,361,653)	-	-	(1,361,653)
Depreciation and amortization	51,201,960	227,970	-	-	51,429,930	-	192,178	51,622,108
Total operating expenses	964,983,203	19,595,199	23,632,648	80,880,327	1,089,091,377	(227,300)	(879,500)	1,087,984,577
Operating income (loss)	1,517,488	(228,444)	955,305	(4,050,585)	(1,806,236)	262,491	879,500	(664,245)
Nonoperating Revenues (Expenses)								
Decrease in equity in joint venture	(306,600)	-	-	-	(306,600)	-	-	(306,600)
Non operating grant revenue (CARES Act/FEMA)	81,864,433	-	-	5,133,955	86,998,388	-	-	86,998,388
Interdepartmental transfers	(307,711)	-	10,163	297,548	-	-	-	-
Grant funded capital expenditures	1,380,918	-	-	(1,380,918)	-	-	-	-
Interest income	12,337,138	-	-	-	12,337,138	-	15,444	12,352,582
Interest expense	(13,800,998)	-	-	-	(13,800,998)	-	(1,722,705)	(15,523,703)
Net increase in fair value of investments	7,495,684	-	-	-	7,495,684	-	-	7,495,684
Gain on disposition of capital assets	5,444,447	-	-	-	5,444,447	-	-	5,444,447
Total nonoperating revenues (expenses)	94,107,311	-	10,163	4,050,585	98,168,059	-	(1,707,261)	96,460,798
Income (loss) before capital contributions	95,624,799	(228,444)	965,468	-	96,361,823	262,491	(827,761)	95,796,553
Contributions Restricted for Capital Assets	2,283,462	53,140	-	-	2,336,602	-	1,073,328	3,409,930
Increase (decrease) in net position	\$ 97,908,261	\$ (175,304)	\$ 965,468	\$ -	\$ 98,698,425	\$ 262,491	\$ 245,567	\$ 99,206,483

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

	The Authority					601 Broadway Inc.	CCPPS	550 Acoma Inc.	Total
	Denver Health Medical Center	City Fund	RMPDC	Restricted Fund	Total Authority				
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 decrease 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
Supplementary Budget to Actual Information
Year Ended December 31, 2020

	Actual	Budget	Variance- Favorable (Unfavorable)
Operating Revenues			
Net patient service revenue	\$ 769,673,893	\$ 813,069,073	\$ (43,395,180)
Capitation earned net of reinsurance expense	(12,600,000)	-	(12,600,000)
Medicaid disproportionate share and other safety net reimbursement	131,245,683	128,394,148	2,851,535
City and County of Denver payment for patient care services	27,773,299	30,777,300	(3,004,001)
Federal, state and other grants	77,222,260	67,429,385	9,792,875
City and County of Denver purchased services	25,373,371	31,346,460	(5,973,089)
Poison and drug center contracts	24,303,056	23,758,714	544,342
Other operating revenue	44,328,770	42,067,005	2,261,765
Total operating revenues	1,087,320,332	1,136,842,085	(49,521,753)
Operating Expenses			
Salaries and benefits	685,809,148	703,250,342	17,441,194
Contracted services and nonmedical supplies	203,654,814	204,967,619	1,312,805
Medical supplies and pharmaceuticals	148,260,160	143,139,807	(5,120,353)
Managed care outside provider claims	(1,361,653)	-	1,361,653
Depreciation and amortization	51,622,108	54,953,365	3,331,257
Total operating expenses	1,087,984,577	1,106,311,133	18,326,556
Operating income (loss)	(664,245)	30,530,952	(31,195,197)
Nonoperating Revenues (Expenses)			
Decrease in equity in joint venture	(306,600)	-	(306,600)
Non operating grant revenue (CARES Act/FEMA)	86,998,388	-	86,998,388
Interest income	12,352,582	10,480,895	1,871,687
Interest expense	(15,523,703)	(16,769,614)	1,245,911
Total nonoperating revenues (expenses)	83,520,667	(6,288,719)	89,809,386
Reconciliation to Income Before Capital Contributions			
Add:			
Net increase in fair value of investments	7,495,684	-	7,495,684
Gain on disposition of capital assets	5,444,447	-	5,444,447
Total reconciling items	12,940,131	-	12,940,131
Income Before Capital Contributions	\$ 95,796,553	\$ 24,242,233	\$ 71,554,320

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, 2020, 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 30, 2021. The financial statements of Denver Health Medical Plan, Inc., DHHA Southwest Clinic, Inc. and DHHA OMC QALICB Inc., are discretely presented component units, and 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 30, 2021